National Foods Limited

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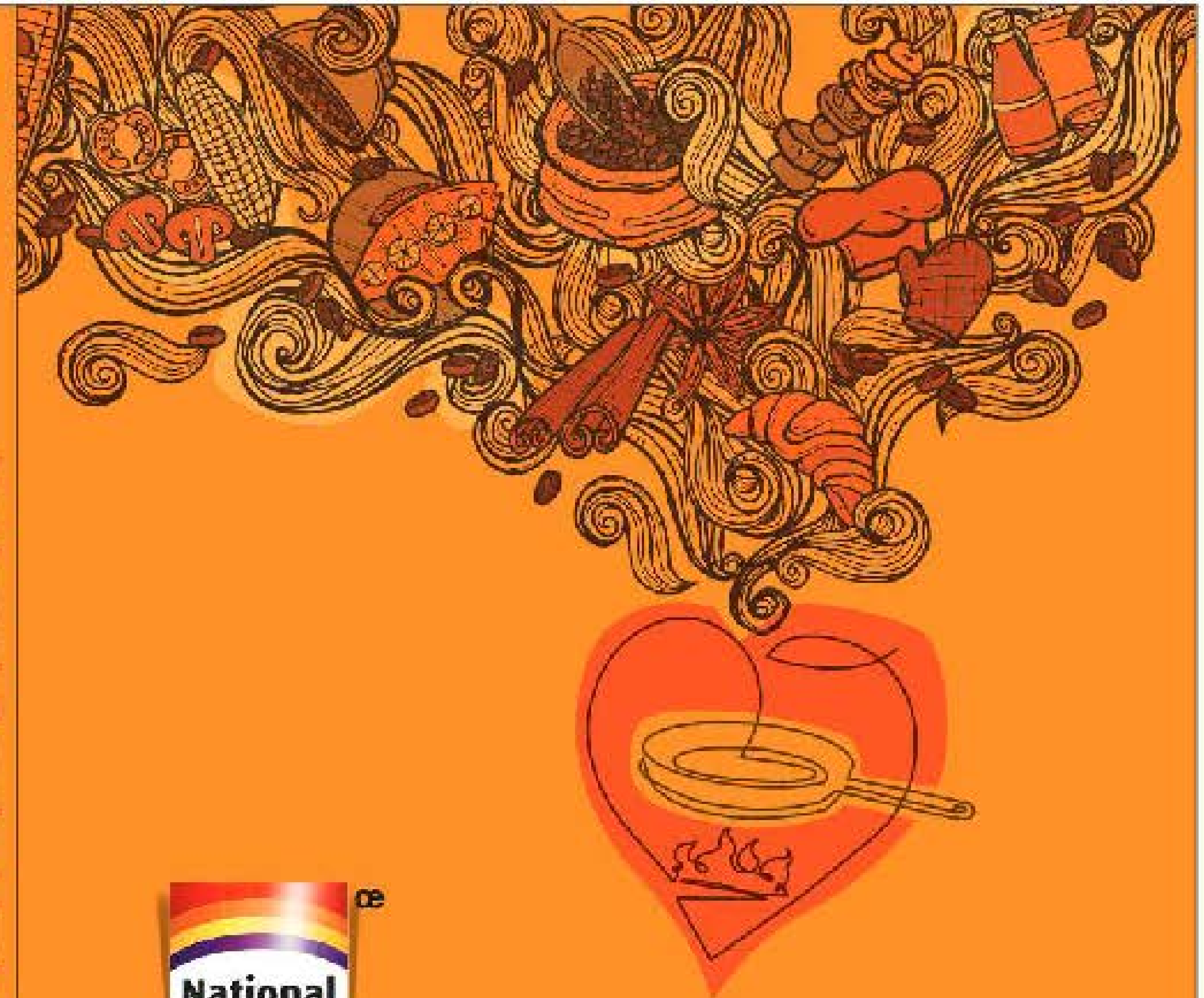
National Foods Limited

Annual Report 2021



National Foods Limited

Annual Report 2021

ABOUT THE REPORT

Enriching the lives of people around the world with food is the outlook National Foods Limited has adapted for this year. Our legacy which spans over 50 years has included the expansion of NFL to many countries worldwide. This has allowed us to diversify our products and create new and even more innovative foods to enrich peoples' lives around the world.

Our consumers' passion for NFL drives us to outdo our performance each year, and this year is no exception. We have continued to enrich their lives through our products which complement Pakistan's rich heritage, and have been driven to bring these flavors around the world. NFL provides the highest quality products which meet international standards, prioritizing our consumers' health and well-being. We create both products and recipes of the highest caliber, suitable for each household to enjoy. The following report offers insights into our vision, our mission, and the way we have inculcated our theme.

TABLE OF CONTENTS

ABOUT THE COMPANY

STAKEHOLDERS INFORMATION

CORPORATE GOVERNANCE

CSR & SUSTAINABILITY

BUSINESS REVIEW

FINANCIAL REVIEW

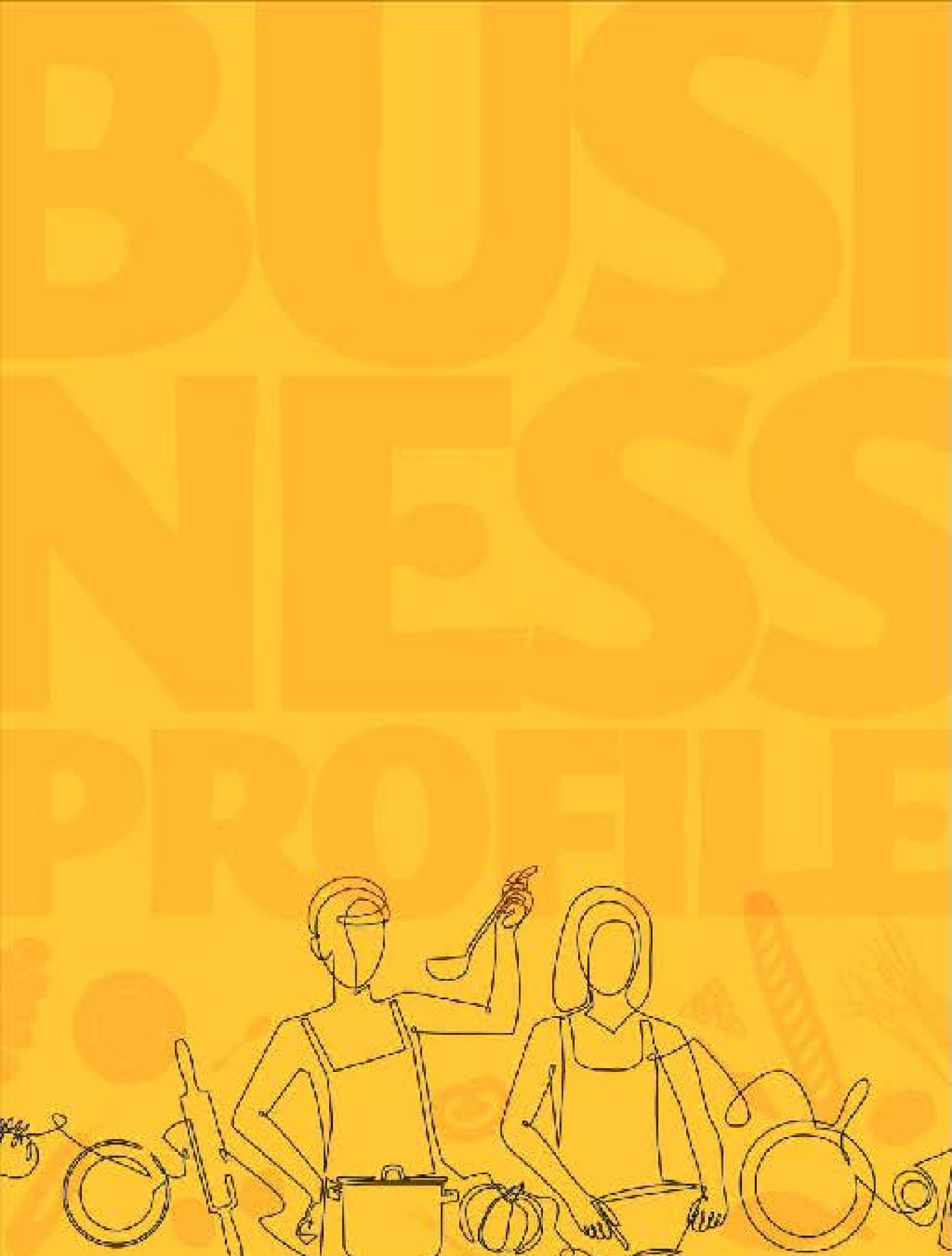
FINANCIAL REPORT

OTHERS

OUR STORY

National Foods Limited (NFL), founded in 1970, brings families together through unique and special food products which pay respect to Pakistan's cultural heritage. NFL 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. At NFL we enrich the lives of people around the world to complement Pakistan's rich heritage by bringing together families through food. Our determination to constantly serve our consumers around the world with the best and highest quality products has led to our journey to be recognized as an internationally renowned brand in over 40 countries, across 5 continents worldwide. Our business in Canada through valued partnership with A1 Cash & Carry also enables us to serve customers with varied needs.

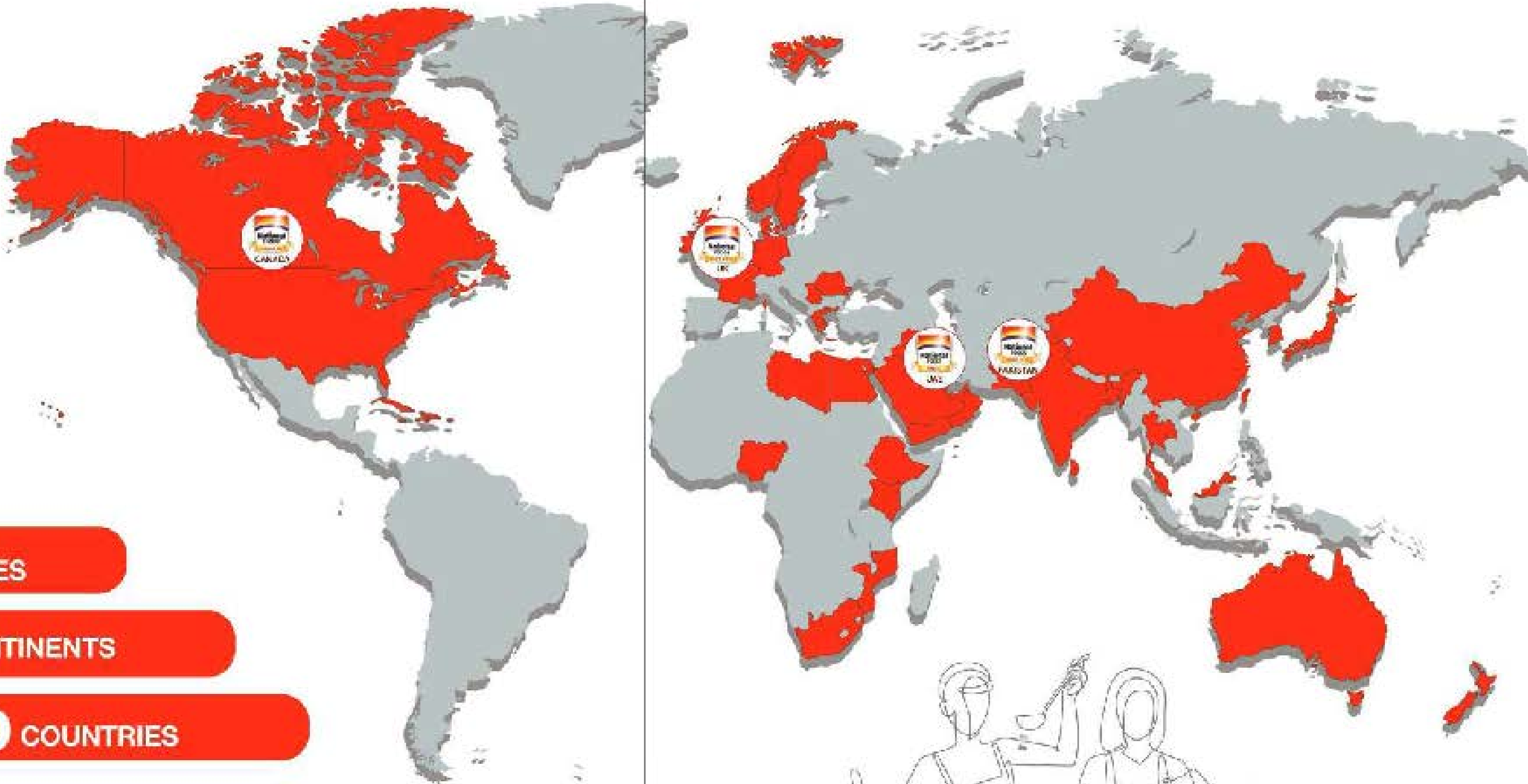
At National Foods we create new and innovative products for our consumers to create the most delicious meals to enhance the flavors of their palate. As food is the most important part of our national heritage, we strive to ensure that our products truly encompass the intense and diverse flavors of Pakistan. We aim to improve and simplify our consumers' life by providing them with these complex flavors without undergoing the typically long and tiresome cooking process. NFL is also dedicated to make a positive change through the creation of new initiatives in society with our diverse range of Sustainability & 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' PHILO SOPHY

FOUNDERS' PHILOSOPHY

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

National Foods must focus on customer needs and serve them with quality products that conform to International standards & Local standards.

We must strive to be leaders in all the brands that we produce.

Our research must continuously produce new and well-researched, Innovative products to promote health and nutrition.

We must prove ourselves to be good corporate citizens, support charitable causes for betterment and focus on Triple Bottom Line for People, Planet and Profits.

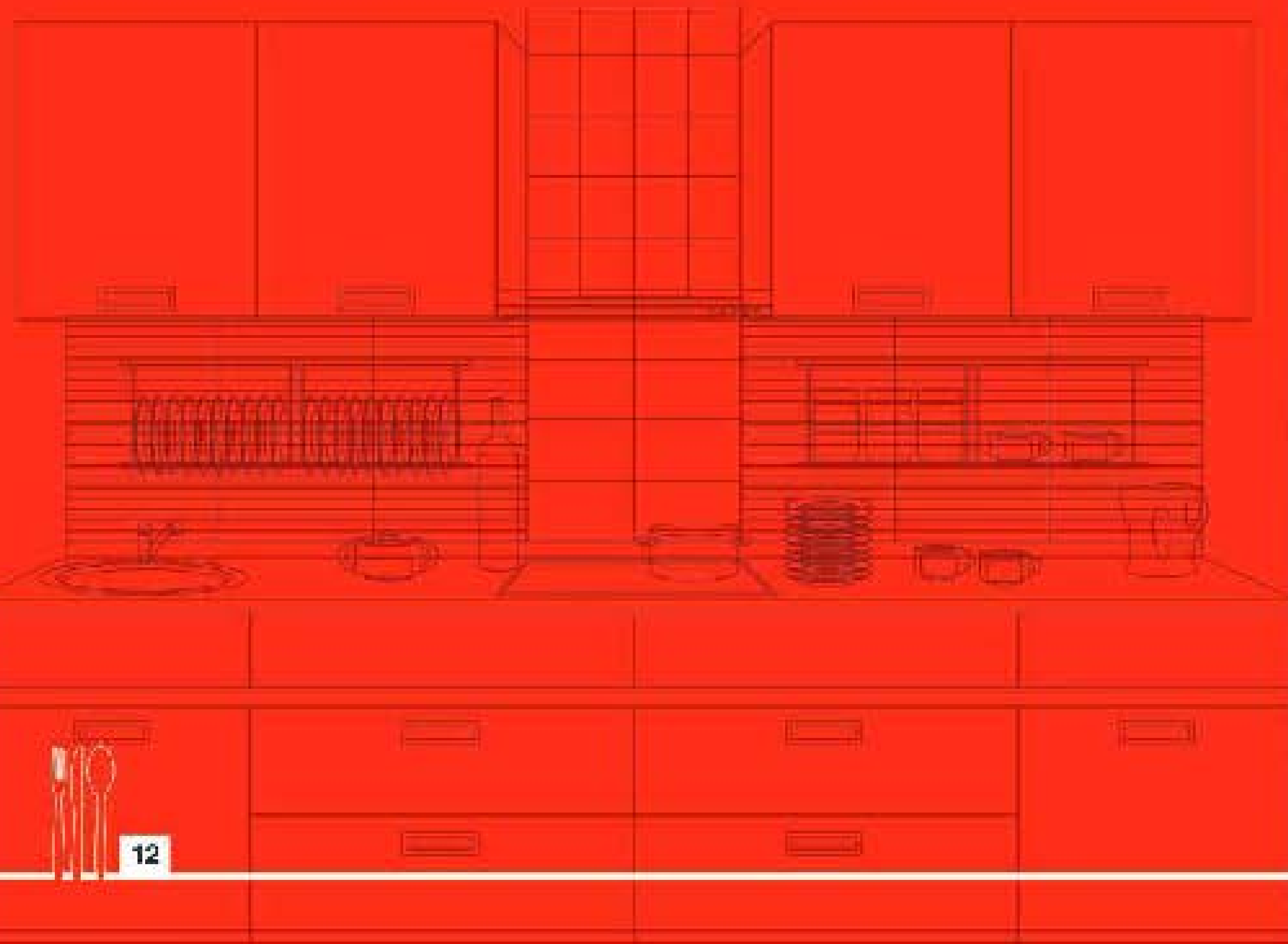
Projects to be identified and initiated that contribute to the economy of Pakistan positively.

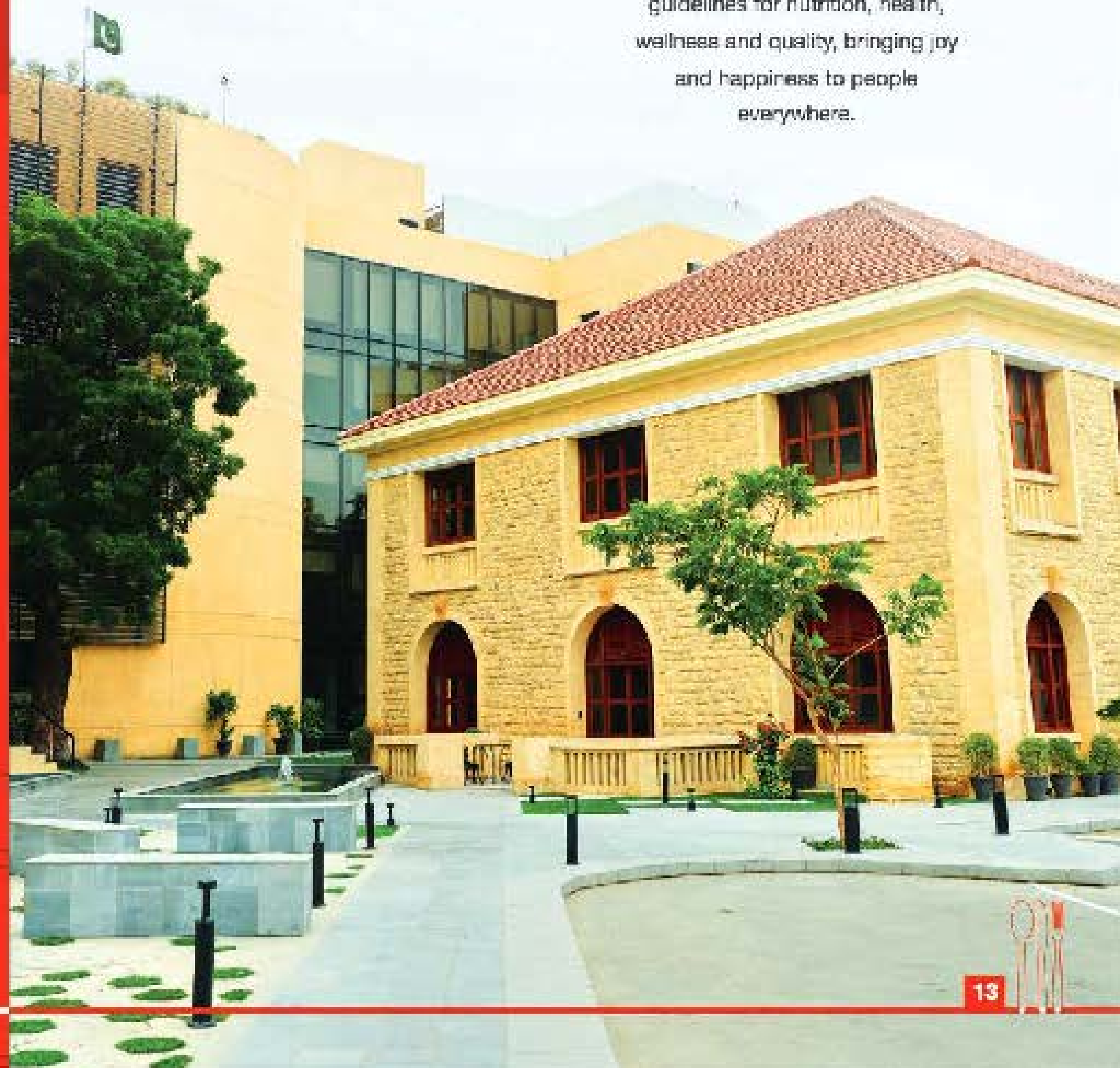
Reserves must be built, new factories created, sound profits made, and fair dividend should be paid to our stockholders.

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

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

VISION
MISSION





VISION

Creating food that enriches the lives of people everywhere.

MISSION

We will achieve our vision by designing and manufacturing food and related products, conforming to international standards and guidelines for nutrition, health, wellness and quality, bringing joy and happiness to people everywhere.

CORE VALUES

CORE VALUES

OWNERSHIP

Own it and deliver it

- We lead by example
- We are responsible for all our actions and decisions
- We empower ourselves and take initiatives to meet business needs
- We own our growth and development
- We are responsible for the safety and well-being of ourselves and our community

EXCELLENCE IN EXECUTION

Lead, commit and deliver the best

- We set a clear direction for our deliverables
- We make decisions which result in increased productivity and efficiencies
- We develop proactive solutions to overcome current or potential challenges
- We work on continuous performance improvement and learning
- We strive to consistently add value to the business and the environment

TEAMWORK

Trust each other and achieve together

- We work collaboratively across organizational teams to achieve our common objectives
- We respect each other's ideas and opinions
- We give constructive and candid feedback
- We share knowledge and experiences to help each other develop
- We celebrate the wins together

PASSION

Go above and beyond

- We love what we do
- We have the courage to question the status quo
- We think big and discover new possibilities
- We bring positive energy to everything we do
- We are driven by new challenges and learning opportunities

CUSTOMER CENTRIC

Prioritize customer experience (internal & external)

- We continuously seek to understand and identify customer needs
- We focus on providing convenience and value to our customers
- We listen to our customers and treat them with respect
- We are clear and transparent in our communication
- We consider all customer touchpoints to offer the best possible solution

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.

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.

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.

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 acquired 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 more spices are introduced in a clean, attractive package to the consumers.

1971
National Foods moves its operations to Dinar Chambers West Wharf.

1978
National Foods expands by acquiring new spice mill and a packaging plant. National Foods launches its branded salt.

1986
A new factory complex is inaugurated at SITE for the manufacturing facilities to be based. National Foods launches its range of recipe mixes.

1988
National Foods becomes the certified vendor of McCormick USA as part of their Supplier Certification Program. The certification is awarded on the basis of excellent production and quality credentials. National Foods also becomes a Public Listed Company on the Stock Exchange within the same year.

1991
With the aim of bringing constant value to our consumers, National Foods diversifies its product portfolio with the launch of the Pickle range.

1992
National Foods as a committed and socially responsible organisation joins hands with UNICEF to spread awareness about the use of iodized salt which helps fight against widespread iodine related deficiencies and diseases in Pakistan.

1993
National Foods goes into Salt Plant Modernization.

1996
National Foods introduces its first Human Resources Department.

1997
National Foods adds ketchup to its product portfolio.

1998
National Foods launches its Jam and Jelly range and also becomes an ISO Certified Company.

2000
National Foods launches its mainstream products in Australia to offer a taste of ethnic food to the Non-Asian consumers. The following year, National Foods crosses Rs.1 billion of its sales.

2001
National launches its line of instant desserts.

2006
National Foods celebrates the opening of its latest new production facility at Port Qasim. This new factory is equipped with state-of-the-art machinery and is spread over more than 10 acres.

2009
National revitalises passion with revamping of its logo and packaging of all products.

2010
National Foods celebrates its 40 years of success and introduces the instant drink category with the launch of "Fruitily".

2013


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

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

"Building Excellence in Foods" 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 "Feed the Children and Bridge" campaign.

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

2015
National Foods inaugurates Gujranwala factory in line with its Vision. This plant focuses on streamlining the value chain of Kasuri Methi, along with providing support to National Recipe Masala production processes.

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

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 14,000 organic campaign for International Markets.

A1 CASH+CARRY

2018
National Foods shifts to its new Corporate Office.

Inauguration of the Snacks production 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.

2019
Gender Diversity Award By CFA Pakistan Society.

Nooriabad Plant starts 24-Hour Operations.

Launch of National Garlic Mayo.

Perfect Store Launch and Baseline Activity.

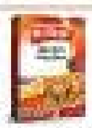
Launch of DBRS (Demand Based Replenishment System).

National Ketchup gets a new look.

Partnership with Sochcast for CATALYST - Innovation Management.

Launch of our most affordable National Salt SKU.

British Retail Consortium (BRC) Audit conducted and Grade A awarded.

2020


Joint Business Partnership between NFL and Google

Availability of National Foods at Walmart USA

Certification of Port Qasim Facility with BRC Global Standards

Launch of Scene On in Top 21 Snack Towns

Certification of Gujranwala, Port Qasim and SITE Plants with ISO 45001

Launch of Meat Tenderizer

Addition of NFL Jams in the Pickle Portfolio

Launch of Iodized Pink Himalayan Salt

Launch of first ever Learning Management System (LMS) for employees

Launch of a new range of Scene On XOXO

Launch of National Pink Salt Variant

Launch of Booms Birthday Range

Launch of Bombay Biryani Masala [illegible]

2021
Introduction of new Scene On packaging and launch of Scene On [illegible]

Launch of e-storefront at Amazon

Launch of the Made Easy Online Store

Re-launch of National Custard in the market with new [illegible]

Launch of National Ka Pakistan – Season 3

Introduction of National Crushed Pickle

Launch of Curry Powder in KFK

Launch of most extensive digital campaign in NF [illegible] history

Launch of ecommerce portals across Amazon, Walmart, eBay & our own storefronts in both USA & Canada

AWARDS & CERTIFICATES

AWARDS & CERTIFICATES

MS 1500:2019 – HALAL FOOD MANAGEMENT SYSTEM

To increase the footprints in the international markets of Malaysia, National Foods Limited has implemented the Malaysian Standard for Halal Food Management System with certification from Punjab Halal Development Authority at its three manufacturing locations i-e. SITE, PQ and Nooriabad plant. The Malaysian Standards relating to halal have been developed to meet the challenges of growing demand for halal products, services, and its infrastructure as counterpart of halal ecosystem in Malaysia. Therefore, it is mandatory for a product to conform to Malaysian Standard for Halal for Food Management System.

SMETA (SEDEX MEMBERS ETHICAL TRADE AUDIT) MEMBERSHIP

National Foods take pride in empowering responsible supply chain in our business. It is imperative that we continue to make development for positive change in our supply chain to serve our buyers & suppliers both in the best manner by focusing on their needs and inspiring new traditions.

To take our responsible supply chain to next step, we are pleased to announce the SEDEX Membership of Port Qasim & Nooriabad Plant.

Supplier Ethical Data Exchange (SEDEX) has been favored by many large retailers and manufacturers, and many retailers, supermarkets, brands, suppliers and other organizations require the farms, factories and manufacturers they work with to participate in the SEDEX audit to ensure their operations. In line with the requirement of relevant ethical standards, the results of the audit can be recognized and shared by all SEDEX members, so the supplier's acceptance of the SEDEX audit can save many duplicate audits from customers. At present, the UK and many European and American brands have approved the SEDEX audit report.

SEDEX is a global membership organization, through SEDEX platform we can share our audit with more than thousand members in 180 countries, across 35 industry sectors & reducing audit duplications.

OUR PEOPLE

TAKING CARE OF OUR NFL FAMILY

Our people are our greatest asset. They are the driving force behind every initiative and service delivery. Keeping in mind the difficult and turbulent times that the world has seen because of the pandemic, National Foods has taken extra steps to take care of the family by doing the following:

- **Covid testing:** Our employees were tested as part of the safety campaign to prevent against covid-19. This included employees from the Corporate Office, plants as well as the field force
- **Covid special incentives:** Our dedicated field force broke all barriers by going out in the field despite the pandemic and giving it their best to achieve targets. They deserved special incentives due to the support provided in achieving business objectives and were rewarded accordingly
- **On time salary disbursement:** All the pay cycles were completed timely and the employees were given rewards and remuneration on time throughout the pandemic to help them sustain their standard of living
- **No layoffs:** National foods is proud to report that no employee has been laid off during the pandemic and we have been able to sustain the business as well as the expenses with the grace of God.

National's House of Learning & Development (NHOLD)

In order to promote & strengthen the learning culture by adopting the new ways of learning in times of new normal, National's House of Learning & Development is capitalizing on its established in-house learning management system. In times where classroom trainings were on hold due to COVID-19 SOPs, the company is now offering 55+ online learning programs to accelerate their behavioral, functional and leadership development. Overall, 353 employees got themselves registered for 6,000+ learning hours out of which 3,575 learning hours have been completed successfully.

Individual Development Plans

In line with company's vision to build the capabilities of employees, NFL has embarked itself on a journey of Talent Management & Talent Development. While practicing the new normal NFL has started Individual Development Plans (IDPs) for employees working on key positions. These IDPs are based on an international behavioral assessment tool by classifying the individual's behavioral preferences in terms of four domains: Dominance, Influence, Steadiness and Compliance with respect to their current and upcoming job roles.

Collaboration with PARWAAZ

In today's dynamic & competitive organizational environment, upskilling oneself through a vertical approach within a single domain will not ensure continuous growth. Rather, upskilling oneself by understanding functions beyond one's domain can ensure sustainable professional growth. Realizing the mentioned need, National Foods Limited has joined the global network of National Accelerators on 'Closing the Skills Gap' through project PARWAAZ in collaboration with Punjab Skill Development Fund. National Foods Limited is a leading working panel member of Agriculture and Foods Sector in project PARWAAZ and will be working on upskilling the role of Food Technologist in Foods sector of Pakistan.

OUR MANUFACTURING EXCELLENCE

SITE:

OPERATIONAL EXCELLENCE:

SITE operations team has always been committed and highly focused to increase productivity of plant by reducing breakdowns (operational, maintenance, lunch/dinner breaks) having direct impact in overall plant GE which boosted up significantly from 71% to 77% vs last year. Keeping vision of our esteemed organization in mind we put our best efforts on floor to deliver high quality products to our consumers at the same time complying to all Safety and Food Safety standards at plant. Taking good care of down the line team and by motivating them we have produced good results on floor i.e., increase in Production in kg Vs last year by 10%. Major contributions in achieving that milestone were increase in number of batches of mayonnaise per day from 32 to 44, reduction in CIP time and frequency of CIPs after validation and addition of chillers and heat exchangers to Corfill and Mespack which resulted in reduction of hot material breakdown on both work centers.

COST OPTIMIZATION:

SITE operations team has reduced overall wastages of reel vs last year from (-3.201%) to (-2.524%). Also, SITE team has reduced wastages of 4 major semi-finished components i.e., Tomato ketchup, Chili garlic, Classic mayo, and Garlic mayo in second half of FY-21 vs 1st half of FY-21 from (-5.91%) to (-3.22%) by identifying and working on yield and line losses. We have recently worked on line losses of Chinese sauces by shortening total product line length to improve wastages which will surely play a major contribution in overall plant wastage reduction as well.

HEALTH SAFETY & FOOD SAFETY CULTURE:

Giving priority to safety & quality as per direction set from top management of our organization, SITE plant team has taken initiatives of Task inventory list, Job hazard assessment (JHA), On-job training for newly inducted workers, implementation of SHOTO and prestart checklist, machine guarding and LOTO and we as a team has been very keen and continuously working on maintaining and improving standards of safety and food safety at plant. In continuation with the company's vision and mission, keeping the spirit of continuous improvement alive and as per requirement of food safety, we have taken an initiative to replace wooden pallets with plastic pallets in our cooking & recipe sections. Hopefully, this change will result in better floor management in terms of housekeeping and material storage. Mayonnaise manufacturing plant has also been revamped and registered to **FSMS 22000: 2018.**

SITE FACELIFT PROJECT:

SITE uplift project is about to be completed which will be a great achievement of plant having capacity of 400 pallets at a time and hopefully will be a game changer in resolving space shortages and improving plant GMP. It will be much easier to apply 5S and maintain traceability with designated raw material, packing material, finished good and quarantine areas and production floors to be more focused and improved in terms of GMP, Safety and Food Safety aspects.

NEW PRODUCT DEVELOPMENTS (NPDs):

SITE operations team has always played a significant role in launching of new products being a part of cross functional teams. We are just about to launch a wide range of squeezy bottles in Tomato ketchup, Chili garlic, Classic mayo, Garlic mayo and Real mayo. It required huge efforts from SITE plant team from purchasing of filler, induction sealer and double side labeler (self-adhesive) to successful commissioning and trials of all variants & SKUs. There is a list of products which are in progress to be launched at SITE plant.

GUJRANWALA:

EXTRA ORDINARY TEAM PERFORMANCE DURING LOCKDOWN

During Covid 19 lock down, it was a big challenge to continue operation and ensure compliance to strict Govt SOPs. Alhumdulillah plant team accepted this challenge and showed great passion to honor their commitment.

Team put their 100% efforts to run plant 24/7 in line with SOP compliance and produced maximum output to meet company targets.

Gujranwala plant was the only plant where workers and employee attendance were remained 100% during lockdown.

RENEWAL OF FOOD BUSINESS LICENSE FROM PUNJAB FOOD AUTHORITY

Gujranwala plant applied for renewal of food business License to PFA and awarded its renewal certificate after thorough plant inspection and checking of food safety management system compliance on plant. This is a big achievement to obtain this license in one go without any observations and objection on our hygiene, infra structure and documentation.

COMMERCIAL PRODUCTION OF PINK SALT GRINDER

This year company has launched a new pink salt grinder project in market. This contains two products one is Pink salt grinder 105g and second one is Grinder Combo pack 165g (Salt+Black pepper). Considering the operational and commercial aspects of this project, It was decided by new product development team that its commercial production is to be done at Gujranwala plant and Gujranwala team was assigned to develop its operation capability at plant.

Alhamdulillah Gujranwala team has developed it and have successfully provided the launch quantities till Feb.

LAUNCH OF X-FACTOR PROJECT

According to requirement of this project, Plant business unit manager has to deliver classroom training to his team on different safety topics designed by HSE. There have been 4 training modules delivered to team so far (one training module per month).

NOORIABAD:

OHSAS CERTIFICATION (9001, 45000, SEDEX, HALAL)

In line with National Foods target to expand global footprints and achieve excellence in execution, SEDEX, ISO 9001 and ISO 45000 certifications were planned for Nooriabad Plant, for which an external consultant was taken on board, which conducted the initial GAP assessment of the facility. After receiving the GAP assessment report, a concrete action plan was made to fulfill the requirements with categorization of CAPEX requirements, works were executed in a timely manner. Nooriabad Plant cleared the very first external Certification Audit in the history and become SEDEX, ISO 9001 and ISO 45000 certified. Nooriabad Operations is always committed to strive for improvement, GMP initiatives and streamlining process. In the same continuation Nooriabad Plant achieved HALAL certification this year.

FIRE FIGHTING AND DETECTION SYSTEM

National Foods has always been committed to comply with the environmental rules and regulations. A detailed requirement gathering exercise was conducted with the HSE, Operations and Maintenance team to jog down all the mandatory and necessary requirements for the Fire detection and suppression system of Nooriabad Plant. A consultant Mr.Anis Zuberi (M/S NKR Engineering) was taken on board for the detailed designing of the project keeping in view the NFPA legal requirements. Execution was carried out in a timely manner and project was completed within the timeframe with due diligence.

FACTORY INFRASTRUCTURE IMPROVEMENT

Salt Plant Nooriabad was operational way back in 2018, but due to budgetary constraints Road infrastructure, Buffer room, walkways and signages could not be initiated and was

deferred. This year an initiative was taken to build the road network of Nooriabad Plant keeping separate area for pedestrian movement as per the international standards. In addition, a state-of-the-art Plant entrance Buffer room was constructed that complies to Food safety and plant entrance protocols.

NEW CUSTOMER BULK SALT PACKAGING

National Foods is always ahead in embracing innovation and smarter ways of working. With the aim to synergize processes and efficient utilization of resources, customized requirements of new potential customer (Agro Hub) were identified, planned, and executed to increase business footprints for export related orders.

DUST COLLECTION SYSTEM

Considering the company wide goal to reduce the Manufacturing cost per kg of existing processes, a Project for Installation of Dust enclosures on packing machines was initiated that significantly decreased the wastage of packing section by containing salt dust. Wastages were improved from 16.04% LY to 9.93% CY, in addition equipment breakdowns were also reduced. A state-of-the-art Dust Collection system is Installed in Salt packing and process areas to provide dust free environment. This Project is a substantial step towards achieving our company goal of reducing cost per kg of Noorabad Salt Plant.

PORT QASIM:

OPERATIONAL EXCELLENCE:

We are at factory always committed to the execution of business strategy more effectively, consistently and strive to make our operations aligned with "World Class Manufacturing standards – WCM". In order to improve our operations and compliance of KPIs on daily basis, daily management system (DMS) tool deployed which connects production floor with management. Events of past 24 hrs. related to HSE, Quality, Downtime, Efficiency, Hit Rate, etc., discussed quickly before production starts and actions agreed to be taken for next 24 hrs. for compliance. DMS helps to achieve daily goals and keep on track for achievement of annual goals.

COST OPTIMIZATION:

Likewise last year, special focus given on optimizing MoH and wastages, while maximizing business value. Numerous projects completed in order to reduce variable cost in which Pickle sachet automation, tape width reduction, local parts developments, reduction in hot glue consumption, etc. are the key projects. Checkweigher installed at pickle plastic jar line to control overfill wastage. Wastage has been reduced to 0.5% from 3% of SFM. Overall, annual savings from this year projects is being anticipated appx PKR 50 Mn.

AUTOMATION:

Filling automation of pickle has been troublesome due to product nature and being filled manually since start. NFL commitment to bring automation in its operation and continuous efforts has introduced fully automatic pickle sachet machines. Earlier sachet was being made on manual machines which require hefty headcounts for operations as well as high giveaway wastage of SFM. New automatic sachet machines have reduced HCs by 50% with legit weight variation. Moreover, weighing of cartons and subsequent auto weight printing on cartons have been deployed in recipe packing department. This is helpful in reducing supply chain identification of complaints, pilferage complaints during distribution & process.

HEALTH, SAFETY & ENVIRONMENT (HSE):

Asbestos Roof Replacement

This project was initiated in compliance of ISO 45001 standard since this has been highlighted in multiple external audits. It involves ACC roofing (asbestos concrete cement) that was installed on Brine Material Stores. The project was undertaken in line with NFL's commitment to Quality and HSE since asbestos is a hazardous substance whose exposure can cause health risks. The entire roof (48,500 square feet) was methodically dismantled and removed while complying with the highest international standards to ensure product quality for our customers and safety of our employees (zero LTI) is not compromised. The newly installed GI sheets with skylights have significantly improved lux levels in the area and eliminated the need for lighting during daytime thereby substantially contributing to energy savings as well.

EFFLUENT TREATMENT PLANT

The ETP project was undertaken as part of NFL's strong focus on sustainability. Due to the precarious environmental situation where most wastewater is directly released into a natural body of water; an initiative was taken to ensure that the company is in compliance of local laws and plays its part in reducing its waste footprint. Thus, a state-of-the-art treatment package with the most advanced technologies was setup at PQ facility to treat major parameters which were out of range of NEQS standards. It is a semi-automated plant with four state of the art GFS tanks and at the heart of it is the Airlift MBR technology which includes ultrafiltration membranes. The project will ensure that no untreated waste is disposed in municipal sewerage system.

OUR SUPPLY CHAIN

PROCUREMENT:

During this year, the National Foods Procurement Department with the philosophy and strong goal of continuous improvements relentlessly worked upon securing new suppliers while also increasing oversight of costs during the global pandemic. A work of ingenuity was applied throughout this period from the entirety of the Procurement Department , projecting savings across the different raw materials as well as keeping line extensions the focal point of our goal, including but not limited to Crushed Pickle, Salt Grinders, Revamping in Snacks Portfolio, Launching of New Custard range, Introduction of Chicken Powder and Curry KPK SKUs. As for the Raw material, new regions were discovered and raw material was brought to NFL, exploration of multiple origins of spices and pastes resulted in savings and the department did not lose footing in on-time deliveries to achieve monthly targets and providing the finest quality for our customers.

CUSTOMER SERVICE, DEMAND AND REPLENISHMENT PLANNING

COST OPTIMIZATION PROJECTS

Potential waste reduction

To avoid business waste in the form of expired products, Demand Planning team conducted monthly meetings with relevant stakeholders to devise action plans on SKUs with less than 50% shelf life. This resulted in liquidation of Rs.45Mn till May 2021.

Cost Optimization through Digitization

By using Material Determination function in SAP, Customer Service Team was able to mitigate the potential risk worth Rs.136 Mn by timely liquidating Phase in Phase Out SKUs through Digitization.

Replenishment Plans in SAP

Replenishment plans are now being uploaded in the system as STRs, that is a process automation through digitization to reduce the manual working and wasted hours on the process of STO creation.

- Through process automation, manual working has been reduced.
- STRs are being converted into STOs in one click.
- Visibility of container details (Volume, space utilization and size of containers) to warehouse and transportation team.
- Replenishment plans are uploaded in system in one go via an uploader.
- Approximately 04hrs at Site plant have been reduced to seconds to make these STOs on monthly basis from STRs.
- Approximately 09hrs at PQ plant have been reduced to seconds to make these STOs on monthly basis from STRs.
- Approximately 08hrs at Gujranwala plant have been reduced to seconds to make these STOs on monthly basis from STRs.

PRODUCT ALLOCATION

One of the key challenges in the past has been uneven distribution of stocks resulting in stockpile ups at secondary level due to which shortages have been a major concern for the regions at distribution level, there was no proper mechanism of ensuring 100% execution as per the allocation without manual intervention. Product Allocation was initiated and successfully implemented with effective outcome rate of 100% execution against the allocated quantity, it is the execution of activated allocation materials among all customers as per their agreed contribution through SAP Functionality.

Key highlights & benefits of the Product Allocation Project:

- Simplifying the current manual process of allocation on customer & material level
- Executing CP allocation among all customers is being made as per their agreed contribution received from Trade Team
- Reduction in manual processing & tracking of CP allocation between distributors channels & regions
- Reduction in chances of excess stock being lifted by few distributors & enhancing the stock distribution as per the set requirement.

S&OP MANUAL AND HEALTH CHECK SIGN OFF

S&OP Process has been documented in the form of a manual with the input from all cross functional teams involved, to bring discipline in the process by monitoring KPIs. This manual aims to engrave S&OP process in the company by embedding one set of numbers acros the organization through an efficient and effective S&OP process based on collaborative approach of all cross functional departments leveraging digitization of information management to meet the company's vision. The objective is to provide consistent basis of decision for all departments directly or indirectly involved in the process to improve their productivity. S&OP Health Check has been formulated to evaluate the efficiency of the process by ensuring availability of all building blocks. This will be circulated in every cycle.

LOGISTICS

- Bring all stakeholders in the supply chain, i.e. Shipper, Transporter and Customer, on a single platform
- Get real-time visibility of logistical operations from anywhere via cloud based technology
- Minimize reliance on transporters and drivers for transit visibility by integrating and consolidating tracking data from multiple tracking companies on a unified map
- Analyze performance of stakeholders by comparing actual milestones against predefined KPIs
- Identify and optimize negative cost elements by getting actionable data intelligence from live dashboards

EMPOWERING RESPONSIBLE SUPPLY CHAIN!

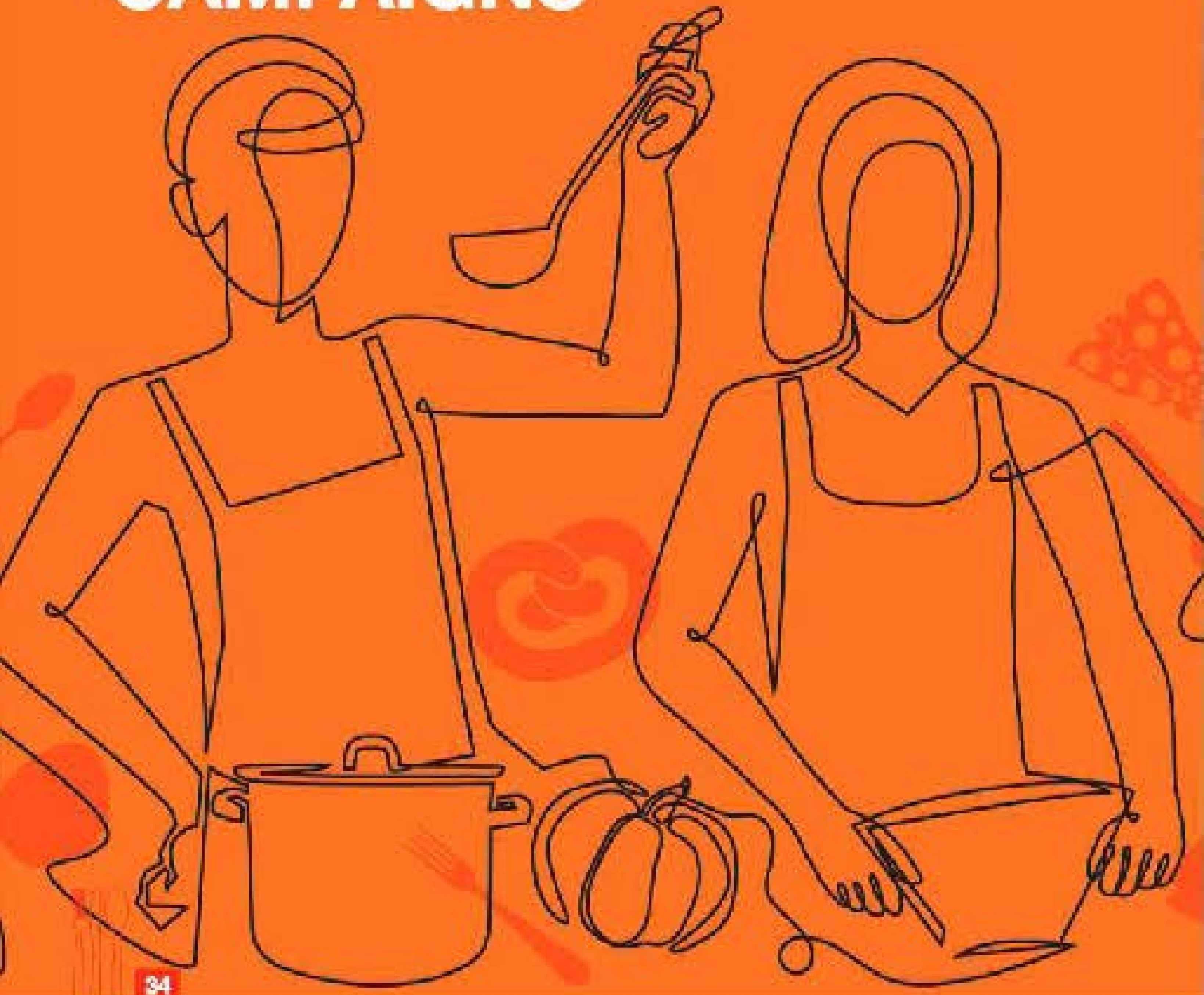
National Foods takes pride in empowering responsible Supply Chain in our business. It is imperative that we continue to make developments for positive change in our supply chain to serve both our buyers & suppliers in the best manner by focusing on their needs and **Inspiring New Traditions.**

To take our responsible supply chain to next step, we are pleased to announce the SEDEX membership of Port Qasim & Noorlabad Plant.

Supplier Ethical Data Exchange, commonly known as SEDEX, has been favored by many large retailers and manufacturers, supermarkets, brands, suppliers and other organizations as they require farms, factories and manufacturers they work with to participate in the SEDEX Audit. In line with the requirement of relevant ethical standards, the results of the audit can be recognized and shared by all SEDEX members, so the supplier's acceptance of the SEDEX audit can save many duplicate audits from customers. Through the SEDEX platform, we can share our audit with more than 1,000 members in 180 countries, across 35 industry sectors, hence leading to reduced audit duplications.

As part of Phase 1, NFL has been certified by SEDEX for Supplier (B) Membership.

BRANDS AND CAMPAIGNS



National

Banaye har Tehvaar Mazedaar

RECIPE MIXES

Being the market leader, National Recipe Mixes has been instrumental in driving growth & future of the category despite unprecedented challenges due to the pandemic. The new successful product launches, regional attack plans, brand collaborations, trade/team engagement plans, and the interesting mix of consumer engagement and communication activities have been the driving wheels of another successful year.

We kicked-off the year with an integrated Recipe Season campaign including functional communication, shopper engagement across leading modern trade channel, extensive visibility, team revitalization & the **star of the season -One of a kind BBQ DIY KIT** to celebrate EID BBQ feast at home safely amidst the pandemic. An elaborate PR & Digital campaign around the BBQ DIY KIT concept established buzz, positive conversations & engagement around the brand.

To further in our mission of winning KPK consumers, we successfully launched Curry Powder KPK specially developed as per the taste palate of KPK consumers. Fueled by a 360-launch campaign, Curry Powder KPK was activated across key platforms including Pashto TVC regional airing, cluster activations across towns, Door to Door Selling, Out of Home Sites, trader engagement & sampling & extensive visibility. The powerful market performance has enhanced the future potential of the new curry powder in KPK.

After successfully launching a winning proposition of "Karachi Khaas Bombay Biryani", even this year, we continue to drive & win in Karachi, since the launch we have achieved a more than 2x increase in the market share through an extensive Consumer Conversion Plan, successfully targeting 750,000 Households this year with an overwhelming trial rate of 62% and a healthy repeat purchase. The Karachi Khaas conversion plan has been further fueled with Trader Engagement & Sampling, Shopper Engagement Activations, Biryani Weekend with Foodpanda, catchy radio qawwali jingle & digital & PR campaigns throughout the year.

Rozaana Recipe Mixes, being the key consumer growth & future category driver has been gaining momentum & consumer confidence. Rozaana Recipe Mixes have been activated throughout the year across multiple consumer touchpoints including Real Lady Testimonials & Functional TV & Digital airing, Door to Door Sampling across 7 cities - successfully targeting 1.2 million Households, engaging shoppers & traders through Cluster Activations across Pakistan and inducing trial through cross brand promotion with Falak Rice & other store brands. With the strong potential & consumer preference, Rozaana Recipes are becoming a promising future growth & consumption driver for the recipe mixes category. This year was packed with exciting digital & PR campaigns, consumer conversion & engagement activities & has cemented a stronger foothold & benchmark for another upcoming successful year!

PICKLES

PICKLE PET JARS; THE FIRST PREMIUM PACKAGING FORMAT IN THE CATEGORY

National Pickle embarked on a journey of category premiumization with the launch of a premium packaging format innovation, Pickle PET Jars in Dec '19. The new format step changed the Pickle consumption experience by offering a unique, easy to use packaging format that allowed consumers to enjoy their favorite Pickle with added convenience. To educate consumers on the benefits of the new proposition, a copy highlighting the key characteristics including, induction foil sealing to retain freshness, easy to scoop, and the premium outlook of the new transparent PET jars, was developed and aired on Digital in Q1 FY21. The PET Jar awareness drive was supported by on ground POSM and visibility support, deployed across key modern trade outlets. Initially the launch was limited to the Modern Trade (MT) channel, however following the market acceptance and success of the new format, the distribution scope was expanded to General Trade (GT) as well.

THE INTRODUCTION OF CRUSHED PICKLE; FIRST OF ITS KIND IN THE CATEGORY

On a continuous journey of innovating and creating new consumption occasions for Pickles, National Foods was the first in the market to introduce a category disruptor, National Crushed Pickle with a unique crushed format, containing a perfectly balanced taste of crushed mixed vegetables in every bite. The product was launched in the PET jar format as a premium proposition with a convenient packaging format.

CRUSHED PICKLE-VISIBILITY & ENGAGEMENT DRIVES

National Crushed Pickle was launched in Aug'20 via a holistic marketing and sales launch plan. In-store visibility elements such as FSUs, podiums and parasites were deployed at key outlets. Additionally, Carrefour was leveraged, and customized animation podiums were placed at outlets across Karachi, Lahore and Islamabad. POSM was also deployed across all channels to amplify visibility of the new launch. Furthermore, to gain stakeholder support, a distributor breakfast was planned and successfully executed on a national level, alongside other efforts to maximize team engagement.

CRUSHED PICKLE-SAMPLING INITIATIVES

To drive trial of the new product, consistent sampling initiatives such as door to door sampling drives, cross bundling with commodities (Rice, Lentils, etc.) at key LMTs, customized activities and offers at selected retail chains and consumer promotions have also been executed.

CRUSHED PICKLE- CONSUMER PROMOTION

A consumer promotion offer was launched in the market in October, in which a Crushed Pickle sachet was given free on the purchase of a 400g Mixed Pickle jar (highest contributing SKU in the portfolio). This helped leverage National's leadership within existing offerings in the category to generate high trials for the newly launched Crushed Pickle. The offer was amplified on-ground through POSM and visibility support.

"CRUSHED SABZIYON KA CHATKHARA" – THE NEW CRUSHED PICKLE COMMUNICATION

The Crushed Pickle communication was launched on Digital in Nov '20 to drive awareness of the new product. Engaging consumers in an exciting journey of "Crushed Sabziyon ka Chatkhara"; this copy focused on establishing the unique crushed product format, the usage versatility of the product, and its key benefits such as balanced taste, convenience, and ease of usage. Furthermore, various frequency builders focusing on specific occasions (cooking, late night cravings) and benefits of using the product (balanced taste, convenience) were also developed as targeted messages for the different segments of the audience. An integrated Digital campaign on Youtube, Google Display, Facebook and Instagram was launched with a high reach and high impact strategy. The Awareness and Consideration phases yielded exceptional brand uplift scores that have outperformed industry benchmarks. Results on Facebook have not only surpassed the FMCG Industry benchmark but have also outperformed the overall Asia Pacific region by greater than 2X.

Subsequent to the launch phase, a seasonal campaign was aired in Feb '21 to leverage the pre-Ramadan buying cycle. The campaign yielded exceptional results with total views exceeding 34 mn, and the view rate surpassing industry benchmarks. With a total watch time of 6.3k hours on the video, the campaign successfully drove an increase of 1.1 k subscribers to National Foods YouTube channel. Additionally, during this phase of the campaign, presence on Food Publishers (KFoods- a high affinity cooking website) allowed us to expand our reach even further.

#PICKLEPLEASE- THE CRUSHED PICKLE PR PLAN

Crushed Pickle has been gaining popularity among consumers as a product that has revolutionized the Pickle Category in Pakistan. To further create reach and hype around the Crushed Pickle launch, a PR campaign #PicklePlease was launched during Ramadan in May '21. The first leg of the campaign involved engaging food bloggers and influencers to establish Crushed Pickle as a versatile product that can be used in numerous ways to spice up your tastebuds. The bloggers were sent branded DIY kits with Iftar items prepared using Crushed Pickle and were encouraged to create their own fusion recipes using Crushed Pickle, and to encourage their followers to try similar exciting recipes and post on their Instagram accounts with the hashtag #Pickleplease. Following the extensive Instagram engagement activity, a #PicklePlease competition was held on selected Facebook food groups, where consumers were challenged to create unique recipes using Crushed Pickle. An overwhelming response was received from these Facebook communities, with a large number of entries adding to the overall consumer hype and engagement around the new product.

THE TRANSITION OF PLASTIC JARS TO PET JARS (370 G)

After the successful launch of 750 g PET and Crushed Pickle PET Jars, three more exciting flavors, Hyderabadi Mixed Pickle, Spicy Mixed Pickle & Garlic Mixed Pickle, were also converted from the 400g Plastic Jars to the PET Jar format in Q4 FY 21. The conversion of the flavour range to the PET format will help in building greater focus on the flavor range as well as differentiate the SKUs from competition offerings on the store shelves.

MIXED PICKLE ON-GROUND ACTIVATIONS

As part of our strategic objective of driving category penetration, a Door-to-Door Sampling (DDS) activity was executed in Sukkur in collaboration with National Ketchup, targeting key cities; Sukkur, Bahawalpur and Rahim Yar Khan. A special deal was designed where one Chilli Garlic sachet and two Mixed Pickle Sachets were given free on the purchase of a 235g Tomato Ketchup Pouch. The activity helped generate trial of National Pickles in the region and uplift sales in corresponding areas.

KETCHUP

CONSUMER PROMOTION:

Keeping up with yearly tradition, the Eid-ul-Azha buying cycle was targeted this year as well, with an attractive consumer offer of 'FREE Biryani recipe pack with 950g Ketchup pouch'. This offer was backed by a well-integrated digital airing plan which comprised of a customized end tail, alongside which in-store visibility efforts were made to communicate the offer. Additionally, two more consumer promotion offers were launched in Oct'20 to leverage the recently identified winter season. These offers were "FREE Tikka Masala pack with 950g Ketchup pouch" and "FREE Mayo 200g with 950g Ketchup pouch". This promotion helped us generate additional volumetric sales of Tomato Ketchup & Chili Garlic Sauce.

DOOR TO DOOR SELLING:

Owing to its success in preceding years, a door-to-door sampling activity was initiated and executed in Punjab from Oct'20 to Jan'21. This helped generate trials for Tomato Ketchup and Chilli Garlic Sauce in towns in which Shangrila has a strong foothold, which included Faisalabad, Sargodha, Multan & Sahiwal. The activity over-achieved its targets with reach of 265,000+ households with a trial rate of 47% (against 40% planned). This initiative was backed by an MT sampling drive executed from Nov'20 to Dec'20, with the aim of targeting higher SEC (A+ and A) consumers, which garnered about 40,000+ interceptions.

SUKKUR DOOR-TO-DOOR SELLING & CLUSTER ACTIVATION:

Following last year's success, the Sukkur region, which included Sukkur, Bahawalpur, Larkana and Rahim Yar Khan, was targeted with a cluster activity from Dec'20 to Feb'21. This helped generate trial for ketchup, build excitement in the market, and subsequently, reward customers through participation in lucky draws. Additionally, a door-to-door sampling activity was also executed in Sukkur, Bahawalpur, and Rahim Yar Khan. The activity overachieved its target trial by 13% (53% against targeted 40%) with a total reach of 56,000+ households.

NATIONAL KETCHUP FACTORY:

National Ketchup Factory is a unique platform which enabled kids to learn various skills in an interactive & engaging manner. It featured 12 episodes on different topics which were aired digitally (on YouTube) as well as on TV (from Oct to Dec'20 – Three months) and was backed by a highly engaging digital and PR campaign. For the first time ever in National Foods, we deployed a tool used primarily for tailor-made digital communications i.e. The Director's Mix to target children as well the parents. The Director's mix consisted of about 132 customized videos as per the viewers' interests. For NKF, we used content based on various aspects of skill development in kids, including music, sports and beyond. National Ketchup Factory's Director's Mix was also recently featured on the "Year in Search" Report by Google, setting the precedence for personalized communication within the industry. The series generated a total of 103 Million+ impressions, 17 Million+ views on YouTube and the highest ever interaction rate @ 51%, achieved via effective planning (through the Directors' Mix), which also enhanced Brand Equity to 8.4 in Jan'21 (vs 8.0 in Sep'20).

RAMADAN SPECIAL OFFER:

To attract potential consumers and retain current consumers during Ramadan, a price-off consumer promotion (Rs. 20 off on 950g TK / CG, Rs. 10 off on 475 TK / CG and Rs. 5 off on 235g TK / CG) was launched with Limited Edition Packs, featuring price-off flashers. This offer was further promoted digitally as well as via in-store visibility efforts.

MAYO

NEW LAUNCH – GARLIC MAYO 1KG:

Following the success of 200g and 500g packs of National Garlic Mayo in the market mainly because of its significantly superior taste profile relative to competition, National Garlic Mayo was also launched in a 1kg pack in Jul'20. This launch was backed by a well-integrated media plan which included TVC airing of 35, 15 and 5 second copies with a customized tail announcing the launch of 1kg pack as well as digital airing. Alongside this, in-store visibility was also maintained throughout to raise awareness about the new offering.

CONSUMER PROMOTION:

To leverage winter season and to generate trial and penetration of National Mayo, a consumer promotion offer was launched in Oct'20 leveraging National Ketchup i.e. **"FREE 40g Mayo LUP with 235g Tomato Ketchup"**. This offer was further promoted via in-store visibility efforts.

CHINESE SAUCES

In the Chinese Category, the Soy and Chilli Sauce formulations were improved and re-launched to gain product superiority versus local competition. Prepared with the goodness of real soybeans, the new Soy sauce formulation has a distinct and delicious flavour, whereas the new Chilli Sauce formulation is prepared from aged, premium red chillies which enhances the spicy flavour and aroma of the product. Post product improvement, the offtake of both variants has improved significantly.

DESSERTS

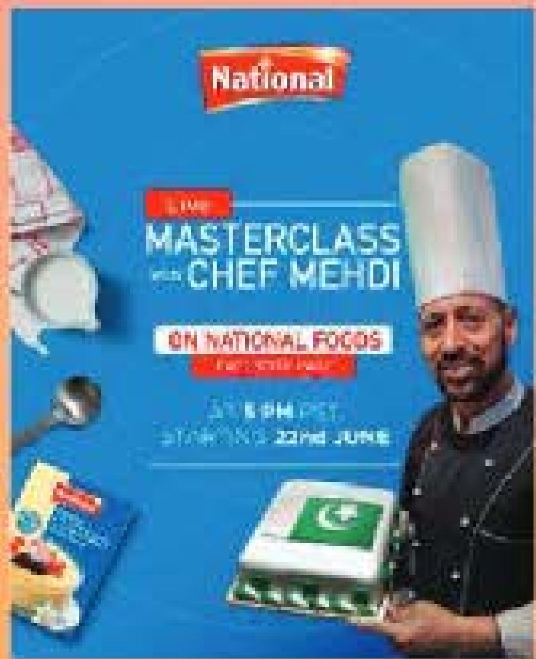
National Foods has made a fresh start in the Desserts category by revamping National Custards with a brand-new eye-catching packaging and improved formulation.

DIGITAL CAMPAIGN:

This revamp was communicated though a digital campaign highlighting the creamy, yummy texture of custard and encouraging the consumption of custard in versatile ways rather than just having it in a bowl. For the first time ever, audience segmentation was done for targeting. Specific messaging and content was done for different audience segments.

MASTER CLASS WITH CHEF MEHDI:

To further promote product versatility, live master class was done on our facebook page with the best pastry chef in Pakistan, Chef Mehdi. 10 master classes were done in a span of 1 month where Chef Mehdi shared his experience and skill with the consumers to learn from. This campaign was loved and received very well by the audience. A contest was done with the master class to replicate Chef Mehdi's desserts and the Chef himself went to winner's home to distribute the gift to create buzz within the consumers.



FACEBOOK CONTEST:

To engage consumers, we did Facebook community competition which was around recipe curation using National Custards as the main ingredient and sharing their memories associated with custards with the #DearCustards on the group. Two biggest Facebook communities were engaged for the collaboration. Karachi Chef at home and Foodies & Friends.

VISIBILITY DRIVE IN MODERN TRADE & GENERAL TRADE :

To promote the new campaign in store, multiple touch points were targeted for visibility elements in modern trade and general trade.

CONSUMER PROMOTION:

Furthermore, National Foods has teamed up with Nestle MilkPak to generate trials by bundling 30g sachet Vanilla Custard with MilkPak in Karachi, Lahore and Islamabad. This cross promotion helped to encourage the consumption of National Custards amongst the large consumer base of Nestle MilkPak.

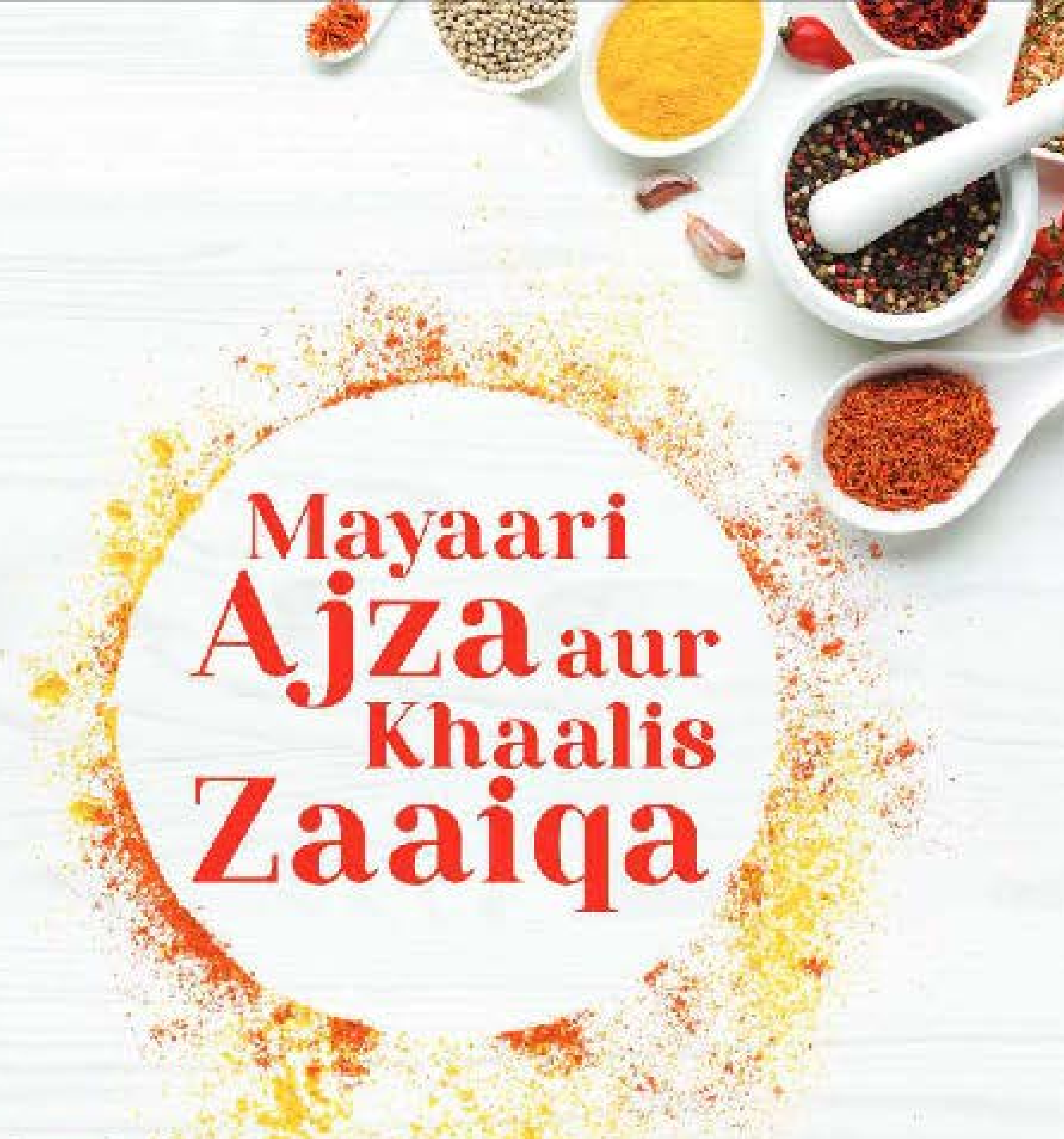
SALT

National Foods is considered to be the pioneers of Branded Salt and a choice of millions of households in Pakistan. It can be said that NFL is responsible for setting up the design aesthetic that is currently being followed throughout the category. Following up on our packaging overhaul and design change, we continued to support this change by airing small animated commercials throughout the year using TV & Digital Mediums. We also conducted a research to re-validate this change over and ensure our new packaging has created Top of Mind Awareness & Recall. We carried out visibility drives across the modern trade channel nationwide to better our visibility and drive consumer purchase. We also used point of sale material to announce the same over General Trade channel.

Furthermore, we identified certain key triggers which were highlighted for making a purchase decision and introduced a new packaging format in the form of Grinder Bottles, which are available in two variants (Pink Salt & Black Pepper). To support this launch and create awareness, we utilized our social media platforms.

PLAIN SPICES

The plain spices category was supported throughout the year with communication on our social media platforms and Point of Sale Material nationwide. We aim to educate our customers on the risks of using open and substandard spices while establishing our superiority in terms of quality and freshness.



SNACKS

Delicious foods and snacks packed with flavour brings everyone together during the best of times and provides comfort during the most challenging of times. This year, even though we were amid a pandemic, Scene On strategically took the decision to generate even higher consumer attraction and showcase the quality standard of snacks by re- designing the core range's packaging. With our classic logo and comic strips still intact, the decision to eradicate the dominant black colour and replace with bold colours to represent flavours is a strategic move to epitomize the bold, fun, and daring personality of the Scene On Snacks Range.

A robust marketing campaign was executed in September to establish awareness and generate trials while registering the new packaging and flavours. Given our audience's media consumption habits during the pandemic, a digital-first approach leveraging a Google partnership formed a large part of our strategy by targeting relevant affinities with incremental reach being achieved through TV. This was done through a mix of TV, interactive display media and social media. The campaign also included PR/celebrity endorsements, influencer engagement and snackable content which focused on influencers making videos of the new snacks and using the slogan "New Scene New Me". To further strengthen Scene On's brand awareness and drive overall consumption of the category, the launch was supported by a visibility and POSM deployment drive executed across GT channels as well as carrying out over 300,000 units of sampling throughout the year.

Moreover, Scene On has always been on the forefront of innovation and focusing on flavour to enhance the consumer's experience. In February, Scene On launched a new range of pellet snacks called "Scene On #YOLO" which is available across Pakistan. A crispy and crunchy snack packed with flavour has been launched in three delicious flavours: Sizzling Chicken, Salt Mania and Chilli Fiesta.

To support the launch of this new range and keeping in mind the pandemic which resulted in school closures, Scene on has strategically executed a short PR campaign using influencers and content creators to create snackable content focused on the 'crunchiest snack in town' idea. Additionally, the launch was amplified on-ground through POSM and visibility support.

The Scene On portfolio is now also available online to purchase on the Made Easy E-Store to increase its reach and convenience of purchase. Although this year has been a challenging one, the Scene On brand will continuously focus on providing consumers the best snacking experience and ease of availability.

INFORMATION TECHNOLOGY

In the last financial year there has been an increased focus on Security, Controls and Automation. This will be an ongoing activity and its importance is paramount to ensure that information within NFL is secure and protected. Work on controls is necessary to ensure adherence to governance and compliance. Through stricter controls NFL ensures that any approvals, especially financial, follow the maker/checker principal. To improve efficiency and productivity routine repetitive tasks are being identified and transformed from manual processes to automated processes. This reduces bottlenecks and improve execute speed.

Following is a depiction of NFL's work in various Information Technology related areas:

SECURITY

PASSWORD SELF-SERVICE FOR OFFICE 365:

NFL has introduced self-service management of user passwords for the Primary device login and Collaboration applications. Previously if a user forgets their password, they would need to request for this to be reset by IT services by submitting a request. The turnaround time was dependent on the availability of a technician and was managed on a first-in/first out basis. Now total control of password reset is with the user. After a simple registration (security questions), the user can reset their own password securely, anywhere, anytime without any wait time. This has also freed up the technician time which can be utilized for more critical activities.

MULTIFACTOR AUTHENTICATION FOR VIRTUAL PRIVATE NETWORK (VPN):

Virtual Private Network (VPN) is a method for providing remote access to corporate applications. Multifactor authentication (MFA) provides an extra layer of security to VPN Accounts. The key idea behind MFA is that it is extremely difficult to impersonate a user without having access to this second factor. This means that even if someone manages to steal your username and password, they still will not be able to access your VPN because they do not have the MFA code. This takes NFL to a new era of security.

ANALYTICS

PL AUTOMATION (LOCAL AND EXPORT DIVISIONS) AND AOC DASHBOARD

This project involves the creation of a dashboard to automate company Profitability Analysis (P&L View) for MANCOM reporting of both local and export divisions. The automation of COPA (Profitability Analysis) report and integration with the dashboard previously relied on data being extracted from the system and manually processed in excel to make a presentable view for MANCOM.

It has brought about improvement in process efficiency and reduction in time taken by handling data consolidation and processing efforts within SAP as well as creating a dashboard view using BW and Tableau. It eliminates the chances of errors and improves data reliability in report consolidation.

NFL E-COMMERCE FOR LOCAL CUSTOMERS

After months of hard work and dedication, we are delighted to announce the launch of the National Made Easy Online Store. Keeping in line with our vision of offering a complete kitchen solution and food experience, we have updated the Made Easy website and extended it into an online store for Pakistan. This is currently live in 3 cities of Karachi, Lahore and Islamabad, with plans to extend it Pan Pakistan.

Our goal with this new website is to be the perfect all-in-one home cooking platform that provides National products to purchase, look at promotional bundles and delicious, dynamic recipes that are now shoppable to create the ultimate cooking experience. Not only will this expand our reach to our customers by the click of a button but is a huge opportunity for us to gather data and insights on our consumers' purchasing behavior and needs.

In addition to this e-commerce website, we are now live with the first official customer care services so the consumers can contact us directly regarding their orders, queries or complaints. The UAN, 111-111-635 (NFL), makes us more accessible and will serve as another medium of reaching out to our customers.

AUTOMATION

AUTOMATION OF HR LETTERS & OFF-BOARDING ON WORKFLOW

Under this project, the following HR process and letters were automated:

- Visa Letter
- Experience/Service Letter
- Transfer/Relocation of Forms/Letters
- Probation and Confirmation Letter
- Offboarding and Employee Checklist

This automation has improved efficiencies by streamlining the current process, increased visibility for relevant stakeholders and increased accountability in case of delays. It enables the request status to be tracked, and employees to receive approval notifications accordingly.

AUTOMATION OF MONTHLY EXPENSE SUBMISSION FOR DMCC EMPLOYEES

The following processes have now been moved to workflow:

- Collection, Verification & Reimbursements of all claims
- Strict adherence to the timelines for smooth execution of payroll
- Approved allowances

Employees will be able to generate requests for their claims as per their own convenience via workflow. The automation has made the process time efficient and increased visibility for relevant stakeholders. The main purpose of the team is to increase Customer Centricity and provide better service delivery to the employees.

CONTROLS

INCOMING QUALITY-CERTIFICATE FROM VENDOR

This involves a proper certificate management system for better recording and traceability with systemized controls at each store and QC level to achieve data reliability, accuracy, and standardization in terms of vendor management.

It prevents closure of inspection lots for procurement of specified Raw and Packaging materials if a vendor quality certificate has not been marked as received by quality team.

It is a SAP-based certificate acknowledgement. Before the implementation of this project, they were recorded in a physical box file which is an unreliable method. Certificates are now scanned and uploaded onto a shared folder, with the link attached to the certificate acknowledgement in system.

It enables timely certificate recording with risk reduction through system checks requiring acknowledgement before the inspection lot can be closed. It increases compliance, traceability, and process efficiency. It is also integrated with quality vendor scorecard for performance review and enables automated reminders in case of missing certificates. This project has increased process efficiency by reducing the need for manual follow-up.

OPEN PORT LOGISTICS TRACKING SYSTEM

It is real time logistics tracking platform (Open Port) that is integrated with the NFL shipment process. Displays real time and historic data for primary shipments as soon as they are created and tracks the logistics process execution against predefined KPIs.

It gets real-time visibility of logistical operations from anywhere via cloud-based technology and real-time transfer of shipment data to open port system to track vehicle physical location by integrating and consolidating tracking data from multiple tracking companies on a unified map.

NFL has access to transportation data that was previously not available to the company. The company can now perform more detailed transportation analysis and data verification.

It minimizes reliance on transporters and drivers for transit visibility. NFL can directly verify and cross check transporter claims. It provides a performance analysis of stakeholders by comparing actual milestones against predefined KPIs with dashboard alerts as soon as a KPI is breached. It also identifies and optimizes negative cost elements by getting actionable data intelligence.

INNOVATIONS, RESEARCH AND DEVELOPMENT

RESTRUCTURING

The Innovations, Research & Development department at National Foods has always been an integral part of NFL as a progressive function helping the Company on its growth journey. To ensure that the function is fully equipped to raise the bar of being customer centric and ensuring excellence in execution, the department was split into two distinct segments: Emerging Business and Core IRD Business.

Emerging Business segment will work towards identification and facilitation of emerging trends globally into innovative products and portfolios.

Core IRD business will continue to operate in a Category structure i.e. Kitchen, Food, Product Packaging Innovations & Regulatory Affairs.

COST OPTIMIZATION

IRD undertakes vigorous efforts to reduce ingredients costs by optimizing formulations, substituting costly ingredients with less expensive yet equally potent alternatives and developing alternative raw material sources and vendors. Multiple projects were run in different workstreams across the organization whereby IRD led and implemented Raw Materials saving worth 460million Rupees per annum (Food division implemented 19 initiatives worth around Rs. 261 Mn and Kitchen division was able to execute 11 initiatives worth 198 Mn this year). We were also able to save around 51 Mn through packaging cost saving initiatives. In addition, 259 Mn worth of annual cost savings are in implementation phase under Quantum X Packaging optimization projects. These cost saving opportunities will continue to reap benefits in the years to come.

BUSINESS CONTINUITY

Due to COVID-19 outbreak and subsequent lockdowns in various countries, we faced multiple constraints in imported raw material supplies IRD proactively worked upon the shortfall management to ensure business continuity during the global crisis. As a result of these efforts, production did not suffer, and we were able to continue our operations and product supplies as usual. We were also able to reduce product ingredient cost considerably due to imported ingredient substitution.

This year, Red Chili supplies have been quite low in Pakistan due to adverse climatic conditions and other factors affecting crop yield. Since red chili is our major raw material for recipe mixes, it was imperative for us to carefully estimate the shortfall and draw up workable solutions to counter this challenge. IRD has been providing immense support to supply chain and together, they have explored multiple local and international sources of red chili to successfully manage the raw material crisis. Rigorous working was done for formulating blends of different varieties of chilies from various parts of the world to match the exact, typical NFL profile of recipe mixes.

NEW PRODUCT DEVELOPMENTS

The IRD team has continued to work extensively to drive rapid innovation by developing diverse, novel products across multi-categories that serve both national and international consumers.

SNACKS – YOLO (Salt Mania and Sizzling Chicken)

Keeping in line with strategy of consistent innovation, this year NFL extended the SCENE ON range by launching SCENE ON # YOLO – a pellet-based snack in penne shape. The product has a crispy and crunchy base with mouth melting texture and burst of flavorful ingredients. Two exciting new flavors; Salt Mania and Sizzling Chicken were introduced in SCENE ON # YOLO range which will be a delight to the kids and younger audience. The product developed was locked and approved after running successful consumer research where the product shape and flavors were widely accepted and preferred against market competition.

Crushed Pickle

NFL has successfully launched CRUSHED PICKLE in PET Jar with a premium look to diversify our pickle portfolio for both local and international customers. This new addition to the pickle range has attracted a large audience which enhances the taste of their foods because of its crunchy mouthfeel, hassle free consumption and balanced taste profile. This new concept has been widely accepted by the consumers due to superior taste and convenient packaging format.

Chicken Stock Powder

Chicken Stock Powder is one of the most consumed seasoning and flavor enhancer by the Institutions. Thus, NFL recognized the opportunity specifically in the Food Services Division and developed and launched the Chicken Stock Powder for the target market in 1 kg container after testing it thoroughly with the chefs from various restaurants in different regions of Pakistan.

Himalayan Pink Salt & Black Pepper Grinders

Being the pioneers in branded salt sector, National Salt has positioned itself in the consumers' minds as a benchmark of quality in this sector. Thus, identifying, and valuing consumer needs is imperative to our success. In this connection, a new packaging proposition was added to the ingredients category in the form of Pink Salt and Black Pepper grinders. It is available in three variants: Himalayan Pink Salt Crystals grinder, Black Pepper grinder and Pink Salt & Black Pepper Combo Pack.

Curry Powder for KPK

Curry Powder is used as a staple spice mix in everyday cuisines in the KPK region. This product was specifically formulated as per the taste palette of the consumers in KPK. The launch was preceded by a thorough research to ensure that the product was fully validated before entering the market keeping in mind the regional preferences to win big in the target market.

PRODUCT IMPROVEMENTS & LINE EXTENSIONS

Custard Range Rejuvenation

In the dessert category, all Custard variants were revamped in terms of overall taste and flavor profile and our product rated superior against competitor products in terms of overall likability and purchase intention.

New packaging was also designed for desserts to give new superior look to product.

Scene On rejuvenation

The artwork designs of Scene On Hoops, Krunch and XOXO range were revamped to introduce exciting, colorful packaging.

Rs. 20 SKU of Hoops Sriracha and Krunch Lemon Chili were introduced as line extension of Scene On Hoops and Krunch range. Also, Rs. 30 SKU was added to Scene On Hoops, Krunch and XOXO range to provide our consumers a greater snacking experience.

Garlic Mayo – 1 kg

Our Garlic Mayo variant is performing well in the market in terms of consumer preference and superior taste against competition. Thus, we capitalized on this opportunity by launching 1 kg format as a line extension to target MT and Horeca channels.

Pickle Plastic Jar 400g SKU

Mixed, Mango, Lemon, Hyderabadi Mixed, Hyderabadi Mango, Green Chili and Garlic Pickle variants were launched in 400g plastic jar format for the KSA market.

EXPORT PACKAGING REVAMP

We have successfully upgraded the packaging in USA & Europe markets to meet the legal requirement of respective regions. In Canada, complete portfolio of NFL has been upgraded as per the new regulations imposed by CFIA.

HEALTH, SAFETY & ENVIRONMENT

"ITS NOT THE MOUNTAIN WE CONQUER BUT OURSELVES" - Sir Edmund Hillary

Given the rapid pace of change in the industrial world, those organizations, which are conscious and alive to their social, welfare and safety responsibilities are always looking for innovative ways to further raise their stature whilst improving their safety performance. Deriving value from strong platforms is one of the key tools such organizations are adopting with considerable success. Similar such challenges have been taken up by the team NFL, so that all Health, Safety & Environmental concerns associated with our business and routine operations can be catered to.

In this regard, NFL customized solutions have been established for long-term success in this important area. These include but are not limited to:

INTELLIGENT RISK MANAGEMENT SYSTEM - IRMS

IRMS is a software application which ensures provision of easy-to-use domain for reporting of hazards, near-miss events and accidents. The system carries live data, which keeps management at all levels to remain abreast with safety performance of all NFL facilities. It ensures automated follow-up of pending items and generate automatic messages as a reminder. IRMS ensures that not a single incident closes until and unless root cause analysis of the event is performed and resulting actions are done away with.

X-FACTOR - OWNERSHIP IN SAFETY

Whilst aligning ourselves with the contemporary requirements of Safety, the HSE Department, in association with HR Department, launched a well thought-out program with the name of

X-Factor- Ownership in Safety. Under this program, at the start of each month, Plant Managers of respective plants kick off unique safety themes by delivering well carved-out interactive sessions on a predefined safety topic. The process reverberates throughout the month as section heads receiving the safety trainings later act as the trainers of their teams.

Our teams of Safety Champions at Corporate Office emulate the process by adhering to a corporate specific theme on quarterly basis.

SAFETY OLYMPIAD – DIFFERENT ROUTES BUT ONE GOAL

National Foods Limited presents a culture where every individual thrives in a competitive and a team-oriented environment. Our team leaders are the ones who ask themselves not only "What does the scoreboard say?" and "Who's on top?" but also, "How are the teams pacing?" "If I'm trying to get better, who is the individual or department I need advice from?" "If I'm on top, who can I help bring up?"

Keeping above in view, Safety Olympiad was initiated in January 2021 wherein all four plants with all the vigor and rigor are competing in key areas of Safety. The plant with best scores in crucial safety components, will be declared and decorated as the winner of the Safety Olympiad.

The idea behind the concept is not to create an environment where plants and personnel will be locking horns to achieve the honors but to ensure that safety standards in the weaker setups are brought at par with the best within and outside National Foods Limited.

COUNTRYWIDE SAFETY CAMPAIGNS

For increased inclusiveness and improved safety culture, 3 successful safety campaigns were launched across the board i.e., Safety Poster Competition, Hazard Spotting Day and Environmental Poster Competition. All three campaigns received an excellent response from Peshawar to Karachi as innumerous entries were received from all over the country and top entries were accordingly rewarded.

OTHER IMPORTANT HIGHLIGHTS

- Organized Road Safety Sessions with the assistance of Motorway Police at Nooriabad, Port Qasim and SITE plants.
- Organized training on fire safety and emergency response with the assistance of Civil Defence at Port Qasim and Nooriabad Plants.
- Mechanism of Contractor Pre-qualification from safety perspective has been established under which contractors are evaluated through a documented screening protocol followed by contractors' classification as low, medium and high-risk Job Contractors.
- In line with International standards of Safety and as a token of commitment towards employees' Health & Safety, Asbestos removal, replacement and environment friendly disposal was carried out at the cost of Rs. 35 Million at Port Qasim Plant. During this high-risk project, not a single Injury was recorded.
- A very high-risk demolition and revamping project at NFL SITE also completed without a single Lost Time Injury (LTI).
- All 4 manufacturing plants retained ISO 45001: 2018 certification with zero Non-conformities in the external surveillance audit.
- First ever mass evacuation drill held at NFL corporate office.

ENVIRONMENTAL PROTECTION

While considering it as its sacred duty to environment and sustainability, NFL's Primary treatment plant worth Rs. 5.5 million at Nooriabad Factory is now fully functional. Similarly, Rs. 200 Million state-of-the-art effluent Treatment Plant based on Membrane Bioreactor (MBR) technology is ready for commissioning at Port Qasim whereas baseline data & designing phase of Effluent treatment plant at NFL SITE plant has already been completed.

Strict Preventive Maintenance schedule is in place to ensure exhaust emission values meet the legal requirements. Environmental monitoring by independent labs is carried out on regular intervals to ensure compliance of all critical parameters i.e. ambient air, vehicle/exhaust emissions, noise, lux and drinking water. A proper waste management system is in place as hazardous and non-hazardous waste is managed as per legal requirement though EPA approved vendors.

NATIONAL FOODS DMCC

FY 21 was quite a transformational year for the International Division despite a tough global macroeconomic environment owing to the pandemic. Whilst COVID-19 did pose as a great disruptor in many instances across the value chain from sourcing to shipping, in many instances it also acted as a great accelerant whereby we managed to challenge ourselves, stay resilient & constantly adapt our business processes to remain on track to deliver our ambitious business targets for the year.

Our primary focuses this year were geared towards both understanding the changing consumer & retail dynamics in this new normal and aligning our growth pillars in accordance along with strengthening the business fundamentals that would serve as a bedrock to drive sustained growth going forward. This formed the core ethos of many key strategic decisions & initiatives that were undertaken this year.

ECOMMERCE SETUP IN NORTH AMERICA

Building on one of the key trends that gained disproportionate momentum fueled by the Pandemic, within a very short turnaround time, we have successfully managed to launch our ecommerce channel and setup digital storefronts across multiple platforms in North America such as Amazon, Walmart, EBay along with National Food's own dedicated websites. This move has opened a completely new retail channel as we look towards expanding our presence whilst also offering a convenient consumer experience whereby one can shop the entire NFL range at the click of a button and have it delivered to their doorstep.

IMPROVING THE DISTRIBUTION FOOTPRINT

The basics of distribution were addressed in FY21 which resulted in sustainable growth in key markets such as the US, Canada, UK & the UAE.

A new distribution partner was appointed and brought up to speed in the UAE. Together we have expanded the availability in multiple new chains and are growing the shelf presence in key accounts through active promotions.

FY21 also turned out to be the year where we managed initial success in listing our products in the Mainstream Channels in North America.

In addition to this, a distribution partner based in Germany has been identified and appointed to serve the largest market in Mainland Europe.

DRIVING SUPPLY CHAIN EFFICIENCIES

To ensure better customer service, a weekly Sales and Operational Plan meeting is now conducted which is attended by the top management in addition to the sales and supply-chain representatives. The entire process from ordering till dispatch is being re-evaluated to bring efficiencies in the system.

BRAND BUILDING & CONSUMER CONVERSIONS:

To forge a strong connect with our consumers, the most extensive digital campaign in ID history built on food, culture & experiences utilizing culinary artists such as Chef Sadat, community bloggers & restaurants culturally rooted with citizens was rolled out in North America displaying uses of our portfolio in making delicious fusion recipes with a touch of Pakistani flavor.

Leveraging our joint business partnership with Google, expansive integrated digital campaigns covering google search, display, free shipping, promotion on Amazon & key occasion specific discounts were executed to drive traffic and generate conversion from our ecommerce portals.

Aggressive instore trials and sampling plans were also carried out in focus markets such as North America, UK & KSA to drive demand across key inflection points such as Diwali, Holi & Ramadan.

STRATEGIC PRODUCT & PORTFOLIO IMPROVEMENTS

Key strategic rollouts on the Recipe Mixes portfolio in USA & Canada were completed to drive penetration of the brand and facilitate trial by lowering the out-of-pocket expense for the consumer.

Benchmarking of value offerings vs competition in KSA was conducted resulting in portfolio improvements on the Pickles category with the introduction of a range targeting the mid-size segment.

Consumer product experience initiatives were also undertaken on the Recipe Mixes portfolio across USA, Canada & UK to maintain consistency in product formulation globally & drive process efficiency between local & international.

New Product Rollouts

Key NPDs were rolled out globally to help build differentation and both create new segments & new channels of business altogeher.

Research

In line with our desire to better understand consumers' needs, identify big bets & develop an innovation pipeline that will drive future growth, we carried out multiple research studies in FY 21 aimed at potential business expansion. The insights derived from these have been applied to our NPD pipeline and will translate into better product & value propositions for our consumers in the years to come.

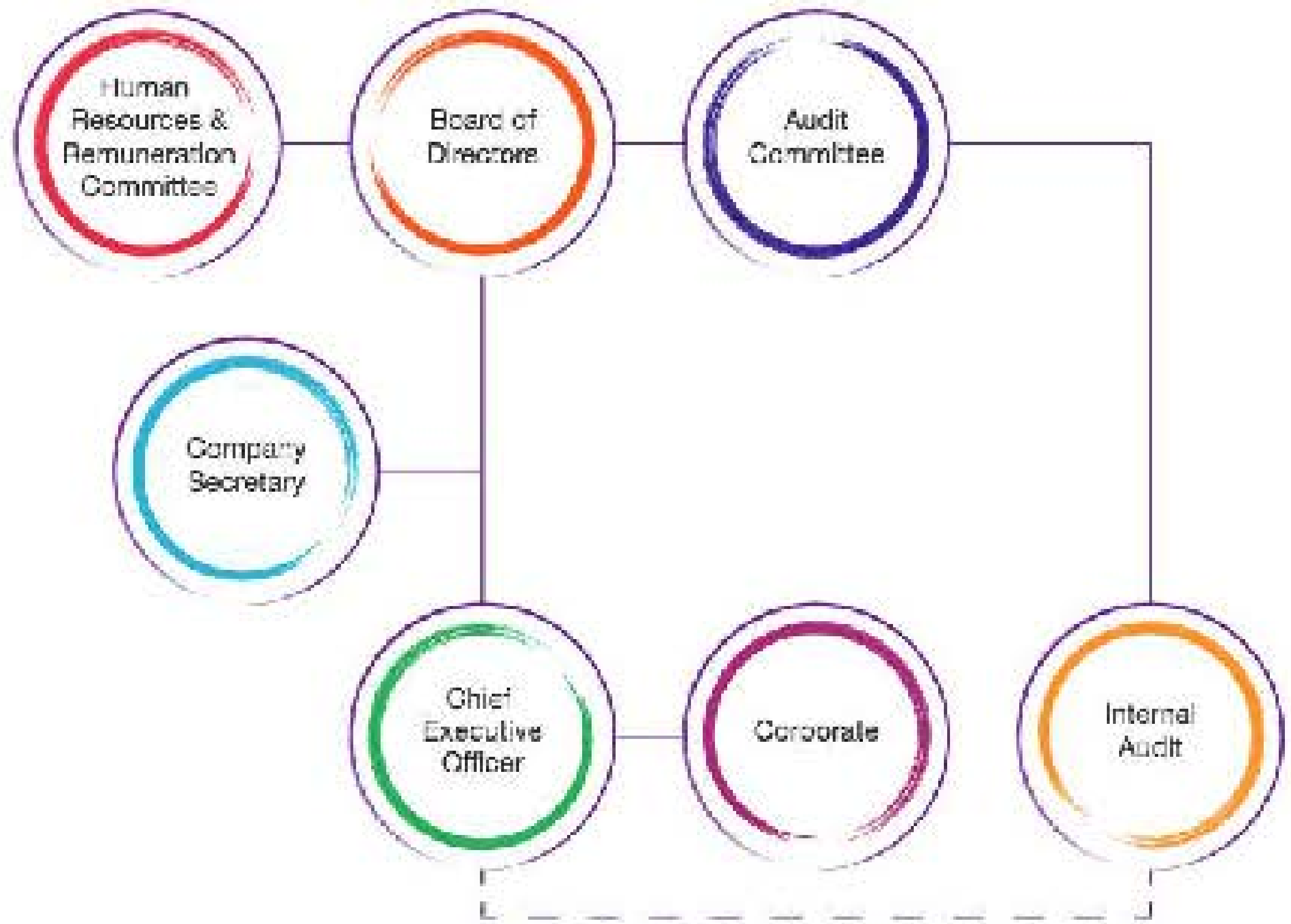
Exhibitions

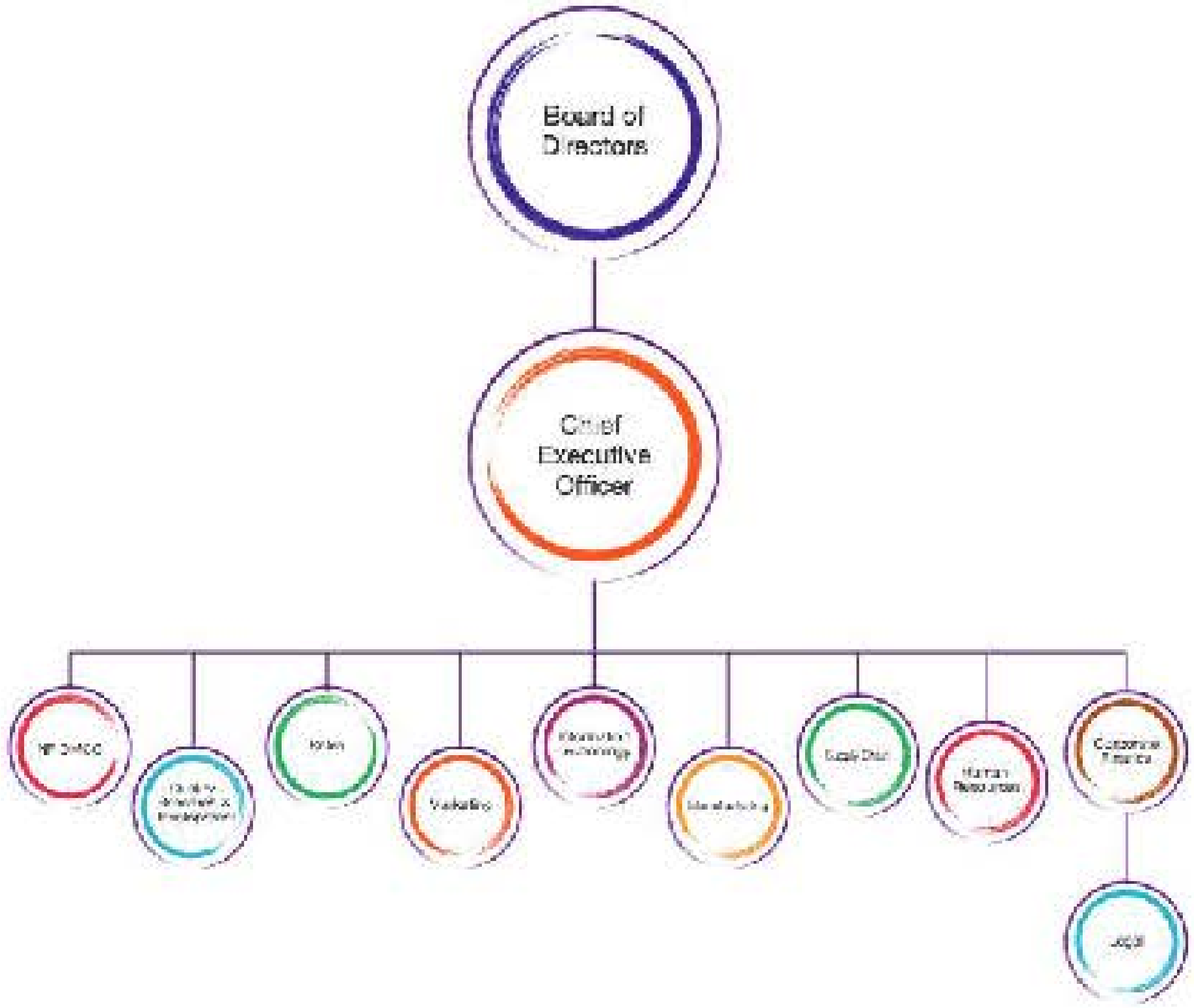
This was a special year for us at National Foods as we celebrated 50 years of bringing families together through innovative high-quality food products embraced by millions across the world. With the same zeal & spirit, National Foods continued to engage customers by showcasing its presence at Gulfood 2021 with double the stall space vs previous years. The exhibition served as an opportunity to meet some of our existing customers from different regions and explore potential new business opportunities, whilst also acting as an opportunity to learn about new food trends and technologies from around the world.

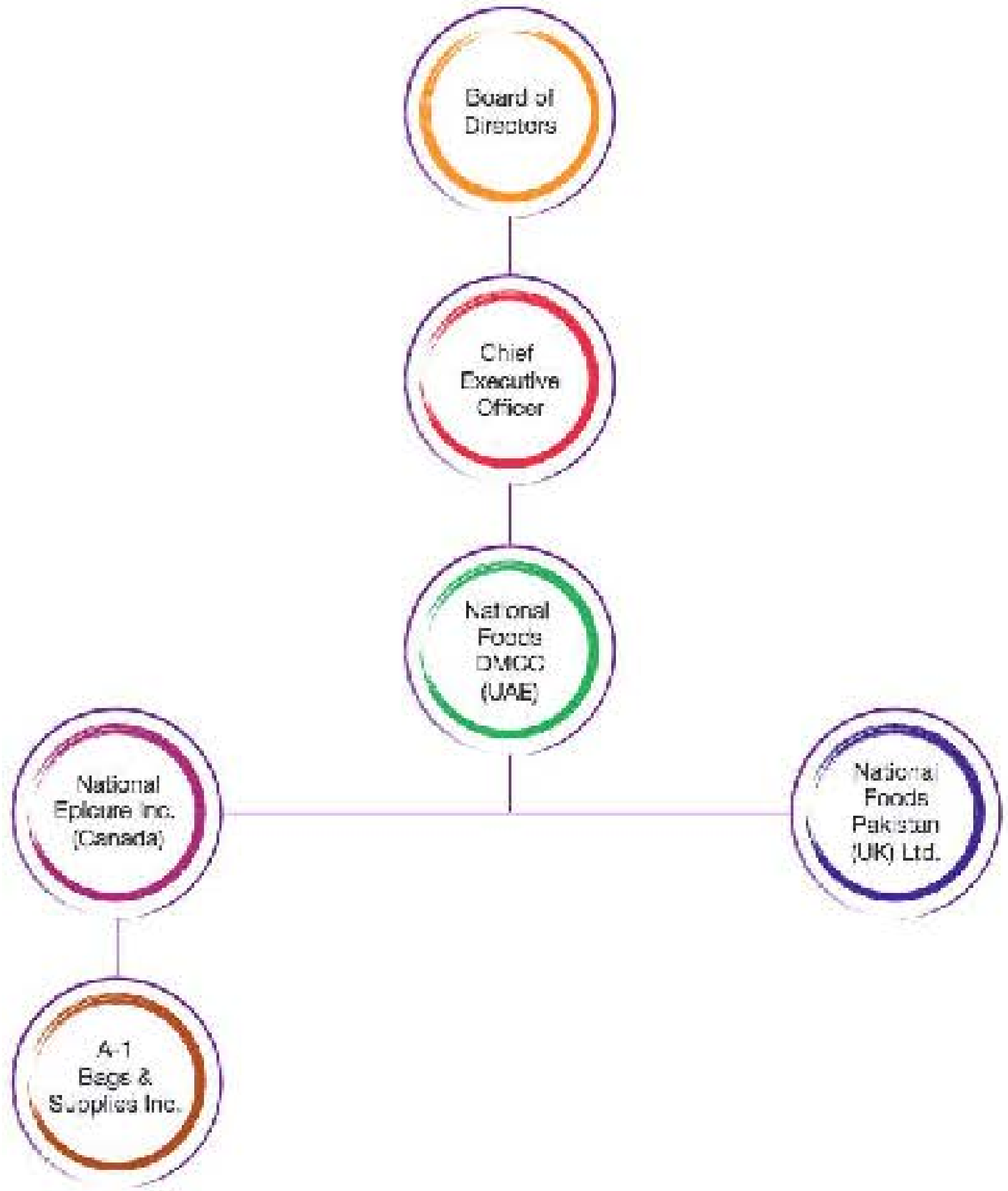
ORGANIZATIONAL CHART

ORGANIZATIONAL CHART

CORPORATE ORGANIZATIONAL CHART




Board of Directors
Chief Executive Officer
NF DMCC
Sales
Marketing
Information Technology
Manufacturing
Supply Chain
Human Resources
Corporate Finance
Legal


Board of Directors
Chief Executive Officer
National Foods DMCC (UAE)
National Epicure Inc. (Canada)
National Foods Pakistan (UK) Ltd.
A-1 Bags & Supplies Inc.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Chief Executive Officer
Mr. Towfiq H. Chinoy	Director
Mr. Ehsan A. Malik	Director
Ms. Noreen Hasan	Director
Ms. Saadia Naveed	Director
Mr. Zahid Majeed	Director

AUDIT COMMITTEE

Mr. Ehsan A. Malik	Chairman
Ms. Noreen Hasan	Member
Ms. Saadia Naveed	Member
Mr. Zahid Majeed	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Towfiq H. Chinoy	Chairman
Ms. Noreen Hasan	Member
Mr. Ehsan A. Malik	Member
Mr. Zahid Majeed	Member
Ms. Saira A. Khan	Secretary to HR & RC

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

Ms. Quratulain Mamsa

INTERNAL AUDITORS

EY Ford Rhodes

COMPANY MANAGEMENT

Mr. Abrar Hasan	Chief Executive Officer
Mr. Aejaz Abbas Basrai	Director Strategy & Marketing & Chief Operating Officer NF DMCC
Mr. Ahmed Salman	Director Supply Chain
Dr. Fayyaz Ashraf	Director Quality, Research & Development
Mr. Hasan Sarwat	Director Sales
Ms. Saira A. Khan	Director Human Resources
Mr. Saleem Rafi Khilji	General Manager Manufacturing
Mr. Shahid Saeed	Director Information Technology
Mr. Syed Farhan Ali Rizvi	Director Corporate Finance

AUDITORS

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

SHARE REGISTRATION OFFICE

CDC Share Registrar Services Limited	CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400. Tel: (92-21) 111-111-500 Fax: (92-21) 34326031

COMPANY BANKS

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

REGISTERED OFFICE	12/CL-6 Claremont Road, Civil Lines, Karachi-75530 Phone: (92-21) 38402022 & 35490029 Fax: (92-21) 35670996
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
GUJRANWALA PLANT	53-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala near Gujranwala Kamoki Tool Plaza. Phone: 055-3409560, 3409560
NOORIABAD PLANT	A 393 Nooriabad Industrial Estate, Nooriabad, Karachi. Phone: 03000335287

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

CALENDAR OF EVENTS

JULY 2020

- Introduction of Pet Jars for National Pickles
- NFL joins hands with Gardo Dumsy Trust
- Launch of Consumer Promotion of National Ketchup / Chilli Garlic Sauce with National Rupees
- Launch of Supplier Performance Dashboard
- Launch of SAP RCRI at Nooriabad
- Launch of Intelligent Risk Management System (IRMS)

AUGUST 2020

- Introduction of National Crushed Pickle

SEPTEMBER 2020

- Introduction of new Brand On packaging

OCTOBER 2020

- NFL incorporates the Onboarding Solution of SuccessFactors
- NFL welcomes new batch of Trailblazers
- Town Hall held for Q1 of FY-21
- Introduction of National Ketchup Factory
- Launch of Customer First Complaint Portal

NOVEMBER 2020

- New National Crushed Pickle Communication Caption

DECEMBER 2020

- Kick start of the NFL Safety Olympiad
- Port Qasim & Nooriabad become [illegible] members
- Launch of Dairy Powder Range in KPK

JANUARY 2021

- Launch of A-one brand at Amazon
- Town Hall held for Q2 of FY-21
- NFL partners with LRBT to provide free of cost cataract surgery for women in Lahore
- NFL gets the [illegible] 8th CSR Award for its services towards eradication of leprosy in Pakistan
- Launch of Kitchen Ownership in Safety Program

FEBRUARY 2021

- Launch of Sports on YOLO
- Partnership with Knowledge Platform for digital learning in KPK

MARCH 2021

- National Ketchup Factory's Director's Mix featured on the "Year in Search" Report by Google
- Introduction of New Pink Salt & Pepper Grinder bottles

APRIL 2021

- Launch of the Made Easy Online Store
- Re-launch of National Custard in the market with rich, creamy texture
- Launch of National Ka Pakistan Made Easy for NFL [illegible]

MAY 2021

- Covid Vaccination Awareness Session held in collaboration with Indus Hospital
- Launch of Safety Poster Competition

JUNE 2021

- Launch of World Environment Day Competition
- Launch of Eco-Friendly Campaign for Recipe Mixes
- Launch of National Ka Pakistan – Season 2
- National Foods Limited has joined the global network of Nations Ambassadors on 'Closing the Skills Gap' through project HAKARAZ in collaboration with Punjab Skill Development Fund.

CEO'S MESSAGE

CEO'S MESSAGE

DEAR SHAREHOLDERS,

The year 2020-2021, just like the preceding year, has been tumultuous and unpredictable. While the world battled with the covid-19 pandemic, the businesses tried adjusting to the new normal and ways to making it work while keeping the SOPs in mind. However, we can see light at the end of the tunnel because the vaccination process has begun all over Pakistan since February 2021 and many vulnerable segments of the population have already been vaccinated against Covid-19. This protective campaign is enabling a gradual resumption of socio-economic activities all over the country. But even today, the vaccinated people must remain very cautious, to completely safeguard their family's health. NFL is committed to help overcoming this crisis, while optimizing the commercial and industrial activities, to create safe livelihood opportunities for the people.

A NEW VISION

It has been over 50 glorious years since the formation of National Foods! With the ever-evolving consumer trends and the global macro-economic environment, the company felt the need to work on a new Vision, which is inspiring and captures the aspirations of the management:

"Creating food that enriches the lives of people everywhere".

The vision has been crafted after great deliberation and each word has been meticulously shaped. The important pillars include 'creating' which focuses on innovation and differentiated products based on the evolving needs of consumers. Another pillar is about 'enrichment' which is about adding value to the lives of all stakeholders involved. The third pillar is based on the concept of 'everywhere' which emphasizes our commitment to a global footprint. It's not just about geography, but also about being present in all channels to optimize our route-to-market and reach every consumer. Our Mission and Founders' Philosophy has also been updated in light of the same, and the new Vision has also led to the creation of the Company Strategy for the next 10 years.

HANDLING COVID-19 PANDEMIC

The company ensured complete job-security for every employee, while settling all due payments and salaries on-time. There have been no layoffs due to covid throughout the two years of this Pandemic. In fact, we continued to give incentives to the best performers, while hiring more personnel to add more talent and diversity to our workforce, as our business has shown sustainable progress. We also continued to adopt innovative technologies to support the employees for coping with these difficult times. NFL has taken all COVID-safety measures throughout its production facilities and supply-chain, while ensuring hygiene, vigilant health-monitoring, social-distancing and minimum staff-deployment, for continuity of operations, to fulfill our business commitments. Recently, a Covid-19 Vaccination Awareness Session was held in collaboration with Indus Hospital and the staff is being regularly prompted to get themselves vaccinated. We continue to operate on a 50% rotational attendance basis so that the safety remains our top priority. While market-volatility and inflation remained high, the businesses remained inhibited with financial pressures and uncertain foreign-exchange rates. However, NFL has been able to achieve growth, in the domestic as well as export markets, while containing the increase in cost-of-doing-business, to keep our prices affordable. In order to facilitate the consumers with E-Commerce solutions and digital access, NFL launched an e-commerce solution by amalgamating it with our Made Easy website in March 2021. This omni-channel ready website – www.madeeasy.com.pk, with a hotline: 111-111-635(NFL) is the perfect home-cooking platform, where the customers can conveniently purchase all our products at special discounted prices and also avail attractive promotional bundles, nutritional recipes and kitchen-hacks round the clock, on-the-go.

Like always, NFL ensured prudence and compliance to tax-reforms, while cooperating with the government in its efforts for more transparency and better documentation of the economy. Environmental-protection, sustainability and social-development also continued to be our top priority.

PERFORMANCE FOR THE OUTGOING YEAR

The company, by the Grace of Almighty, trust of the consumers and sheer perseverance of the management team once again came through with nothing short of formidable results:

Amounts in PKR Million

	Group			Core Business			A1 Bags & Suppliers Inc.		
	FY21	FY20	Change	FY21	FY20	Change	FY21	FY20	Change
Net sales	34,588	28,713	20%	23,417	19,506	20%	11,171	9,208	21%
Gross profit	9,752	8,367	17%	7,394	6,354	16%	2,396	2,013	19%
Operating profit	2,942	2,552	15%	2,042	1,810	13%	900	742	21%
Net profit after tax	1,759	1,473	19%	1,573	1,258	25%	564	458	21%
Earnings per share (Rupees)	9.4	7.9		8.4	6.7				
Gross profit	28.2%	29.1%	-0.9%	31.4%	32.6%	-1.2%	21.5%	21.9%	-0.4%
Operating profit	8.5%	8.9%	-0.4%	8.7%	9.3%	-0.6%	8.1%	8.1%	0.0%
Profit after tax	5.1%	5.1%	-0.1%	6.7%	6.5%	0.3%	5.0%	5.0%	0.0%

* This includes amortization of Rs. 10 million (2021: RS. 10 million) on intangible recognized on consolidation of A1 Bags & Suppliers Inc.
* Group PAT includes A1 at 60% and excludes inter company dividend of 140M (2020: 30M)

CORE BUSINESS CATEGORIES (DOMESTIC & EXPORT MARKETS)

The local business continued the pull-based drive to maintain the growth momentum with smart pricing strategies paying off dividends in the current financial year. The export business, despite being impacted by prevalent shipping lines and container availability constraints, posted a healthy topline growth. The Company continued to invest in the new categories it entered in FY17; Mayonnaise and Savory Snacks – building momentum and base for further expansion. This fiscal year, NF DMCC delivered a solid topline. To cater to the ever-growing business, a number of strategic initiatives & course correction tools were taken this year. This included enhancing commercial focus by onboarding new distribution partners in core markets such as UK and UAE, fueling growth in the region. 3 new distributors have been added in the UK and a new mainstream partner has been appointed in UAE which shall pave the road for a better reach to consumers. The distribution coverage mapping and tracking in the US, Canada and ROE markets has also been worked upon to provide better visibility.

A number of strategic NPDs were rolled out in light of consumer needs & gaps in the market. This is the first year where extensive work was done on consumer equity building across key inflection points in our focus markets led by the most extensive digital campaign in NF DMCC history built on food, culture & experiences utilizing culinary artists & community bloggers.

Fueled by a change in consumer habits & to provide added convenience, e-commerce portals were setup & activated starting with North America. National Foods is now available online across Amazon, Walmart, eBay & our own storefronts in both USA & Canada. Moreover, significant consumer research was conducted into identifying white spaces & need gaps that will feed into developing a robust pipeline for future growth.

A1 BAGS & SUPPLIERS INC

The business has improved well post Covid impact, maximizing the margins during Covid through efficient pricing of sanitary items. Efficiencies are pouring into the business whilst investment in ERP, optimization of product mix and pricing, rationalization of lines of business, effective working capital management and close review of the investments continue to be the priority.

On July 1st, 2021, A1 Cash and Carry opened its fourth location, their second in the city of Toronto. The location is in North York, a neighborhood just south of the famous 401 highway and 15 minutes north of downtown Toronto. The location boasts 65,000 square feet and includes over 12,500 square feet of refrigerators and freezers, and 4,000 square feet of wares and equipment. This was the fastest build in A1 history completing from lease sign to opening in only 6 months. This location's construction efforts were spearheaded by Mr. Amjad Parvaiz himself. The location is open 7 days a week, with extended hours to better serve the more urban demographic. I look forward to this location ramping up its footfall and sales and anticipate it to be a very fruitful location.

NEW CHANNELS OF GROWTH

National Foods has worked day in and day out to develop new channels of growth. Other than enhanced focus on e-commerce, the following improvements depict our commitment towards innovation and growth:

New Product Channels

Over the course of the year, we continued to enrich our product-line and services. National Foods has launched Crushed Pickles for making everyday meals flavorful. This product has changed the lives of pickle-lovers by giving them superb taste with convenience. The launch of Scene On – 'YOLO' created great excitement, while the youth also loved the new packaging and brand-image of Scene On. Launch of Curry Powder Range in KPK received an overwhelming response from the consumers in the province. Another valuable addition to the product line is the New Pink Salt that ensures health and vitality for the consumers, while the new Pepper-Grinder Bottles provide great convenience. Aiming for continuous improvement of our products, we have re-launched the National Custard this year, with a creamier and richer texture. The improved taste, colorful packaging and exciting Marketing on digital has been an added treat for consumers with sweet tooth.

Brand Enhancement

NFL launched its new Ketchup Factory program to seek technology driven growth by capturing the minds of young audience. The program was aired on digital as well as major TV channels for kids and taught them science lessons, sports knowledge, ways to solve math problems and excel at various aspects of life, while having fun with National Ketchup. The reach was commendable, and this innovative idea got us over 20 million views on YouTube!

The Marketing team also kick-started Season 6 of National Ka Pakistan with a vision to highlight different cultural aspects of the beautiful country and how food brings us all together. Led by Chef Saadat, season 6 explored the gorgeous Kumrat Valley, all the way to South Punjab. The Bihari and Bohri traditions and cuisines added a vibrant touch and became viral instantly. National Ka Pakistan 'Made Easy' has also been launched for NF – DMCC in Dubai to educate customers about the rich history and charms of fusion food.

An Eco-Friendly Campaign #LetsPlantOurFuture for Recipe-Mixes was orchestrated as a pioneering initiative that highlighted Consumer-Insights, brand-love and the importance of environmental-sustainability. With 25% reduced packaging of our Recipe Mixes, the carbon footage has been decreased, leading to reduced tree felling.

Revenue & Cost Transformation

NFL embarked on a new journey last year to adopt the international best-practices that ensure global competitiveness with more Productivity, Quality and Sustainability. In the face of challenging economic conditions, changing business environment and increased competition, we decided to undergo Revenue & Cost transformation initiatives.

Taking this up internally, the Company has managed to finish a substantial part of the project through effective Sales Management, efficient buying, and smarter ingredients replacement, amongst other aspects. These initiatives have set a precedence and will be carried forward in years to come.

SUSTAINABILITY & CSR ACTIVITIES

NFL inspires social-development in Pakistan with its core policies enabling empowerment of the deprived communities. This year, we sponsored 184 free surgeries to cure female cataract patients at the renowned LRBT hospital in Lahore.

With enhanced focus on education and learning, NFL has partnered with Knowledge Platform to impart digital education to females in Buner area of KPK. With the future of education being in digital learning, it is imperative that these options be explored so our generation is prepared for the future. In today's dynamic & competitive organizational environment, upskilling oneself through a vertical approach within a single domain will not ensure continuous growth. Rather, upskilling oneself by understanding functions beyond one domain can ensure sustainable professional growth. Realizing the mentioned need, National Foods Limited has joined the global network of National Accelerators on 'Closing the Skills Gap' through project Parwaaz in collaboration with Punjab Skill Development Fund. National Foods Limited is a leading working panel member of Agriculture and Foods Sector in project Parwaaz and will be working on upskilling the role of Food Technologist in the Foods sector of Pakistan.

In recognition of our efforts, National Foods has also won the Dr. Ruth Pfau CSR Award for our efforts to help MALC in eradicating Leprosy.

FUTURE OUTLOOK:

A number of steps are being taken to future-proof the company. One aspect on the future outlook is the work being done through the Counter Illicit Trade Forum (CITF) by National Foods and a few other member companies through the Pakistan Business Council (PBC) forum. I, myself, am the Chair of the forum and the aim of the CITF is to present a white paper to the government on steps to eradicate counterfeit trade in Pakistan.

Since the Covid lockdowns began, NFL has altered its business model to reduce its dependence on physical infrastructure. By going Digital, we have created great convenience and revolutionary retail-experiences for our consumers, to minimize the pandemic's impact on the value-chains of fast-moving, 'Consumer Packaged Goods' (CPG). The eCommerce stream has inspired an immediate shift in the purchasing behavior, to create fresh revenue-streams, with less physical interactions, to ensure human health and safety. Demand for the Consumer Packaged Goods (CPG) industry has held steady, in the domestic and exports markets and the future looks promising for NFL, as we are investing heavily to maintain our industrial leadership with better productivity and quality.

NFL is committed to investing in Pakistan and providing quality products to our valued consumers. For the said purpose, we have invested in state-of-the-art facility in Faisalabad to build capacity for the future and pave new roads for our manufacturing facilities. The new factory will bring several new job opportunities for the locals and for professionals around the country. This facility will have production lines comprising of wet & dry categories of NFL with possibility of developing newer ventures as well. The factory design is based on lean principals to envision the factory 4.0 concepts by maximizing the automation and increasing work efficiencies eliminating the sources of losses and waste generation. Sustainability will be the key focus in this new factory design to reduce the energy foot prints in usage of water, electricity, gas & diesel.

Since the Pak-China Condiments Industry Alliance (PCCIA) is planning to cultivate Chili Peppers on 3,000 acres in Pakistan, NFL is committed to take maximum advantage of the enhanced yield, to increase the exports of Chili from Pakistan. This initiative is supported by the 'China-Pakistan Economic Corridor' (CPEC) project and will cater to the consumers across the world, who are seeking healthier food products that boost human immunity and general well-being during the pandemic. NFL's Research and Development function is now innovating food products that can create more export-revenues and higher returns for the shareholders.

Afghanistan's export amounts to 6% of our total exports. Hence it is an important market. Due to the recent political turmoil in the country, our distribution based out of Kabul is currently closed so it is an uncertain situation. But since trade has started and the borders are open between Pakistan and Afghanistan, we foresee that exports to Afghanistan will resume shortly, however uncertainty remains.

Since the government has formulated a new strategy to revive Pakistan's economy, the interest rates have been reduced to around 7% - brought down from 12.5% a couple of years ago. NFL is capitalizing on these massive incentives to build-capacity, while inspiring other industries for responding positively to these favorable new policies.

I promise all possible support to my diligent workforce, as I have complete faith in their capacity to produce exceptional results despite adversity. As a progressive enterprise with abundant resources, we have reached a pivot-point for a robust recovery. As a majority of the population is being vaccinated rapidly, we hope to overcome the Covid-19 crisis soon. Whereby, we will be able to achieve our vision of global market-penetration, as the nation regains its socio-economic momentum, Insha-Allah.

Abrar Hasan
Chief Executive Officer

DIRECTORS' PROFILE

MR. ABDUL MAJEED
Chairman

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

Today, in addition to playing a vital role in the establishment of National Foods Limited as 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
National Foods Limited (NFL)

Abrar Hasan is the Chief Executive Officer of National Foods Limited (NFL), the leading multi-category food company in Pakistan. He has actively pursued new market opportunities and delivered successful strategies to drive NFL's vision, focusing on continuous innovation, highest standards of quality and superior consumer value. Recognizing the vital role of information technology in business development, Mr. Hasan brought about an IT revolution in the Company by implementing SAP and its other value added modules like SUCESSFACTORS, which have brought about greater operational efficiency. Being a staunch supporter of Corporate Social Responsibility, he assisted with the launch of the Aagahi Adult Literacy Programme (AALP) within National Foods Ltd. in collaboration with The Citizens Foundation (TCF), which aims to equip under privileged men and women with basic literacy skills.

In 2007, he spearheaded the development of a Sustainability Strategy of the company, which is today guiding all business functions across the board. Focus is laid on the value chain, particularly in the case of red chilies where farmers are given training to improve quality and increase per acre yield of the crop. This has resulted in collaborative work with Pakistan Agricultural Coalition, to institutionalize the supply chain for chilies, ultimately resulting in trading of Red Chilies on the Pakistan Mercantile Exchange (PMEX).

With a strong emphasis on UN SDG number 5 of Gender Equality, Mr. Hasan is an advocate of retaining top talent through Family Friendly Policies by ensuring female staff has options such as on-site Daycare and telecommuting. The business impact of such initiatives is monitored through IFC, a member of the World Bank Group, where a case study was published on National Foods.

As a visionary and marketing leader, Mr. Hasan has addressed audiences of a diverse section of marketing organizations, conferences and seminars, educational institutions, and various publications. He has appeared on several business TV talk shows discussing the business environment and economy in general. He has received numerous accolades, including Marketing Excellence Award 2009 from the Marketing Association of Pakistan (MAP), and the Best Work Place Award 2016. He is member of the Board of Directors of various strategic forums like the Associated Textile Consultants, Cherat Packaging Ltd, Pakistan Business Council, The Heath Foundation and Engro Friesland Campina.

Mr. Hasan currently resides in Karachi, Pakistan, and is a graduate of the Krannert School of Management at the Purdue University in 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.

MR. TOWFIQ H. CHINOY
Director

Towfiq H. Chinoy was Managing Director of International Industries Limited (IIL) for 37 years until 2011. He was founding Managing Director of International Steels Limited (ISL) and served for 8 years until 2015. Towfiq Chinoy is serving as Chairman of ISL's board and as Advisor to IIL. Currently, he is also the non-executive Chairman of Packages Limited & Director of Standard Chartered Bank and of National Foods Limited. He is also a Trustee of the Mohatta Palace Gallery Trust and Habib University Foundation.

Amongst the positions he has previously held are Chairman of the Board of Governors at Indus Valley School of Art & Architecture for two terms, Chairman of Jubilee General Insurance Company Ltd for 23 years, Chairman of Pakistan Cables Ltd for 14 years and Chairman of PICIC Commercial Bank Ltd for 3 years. He has also been a Director of National Refinery Ltd., Linde Pakistan Ltd, Jubilee Life Insurance Co. Ltd and the Pakistan Centre for Philanthropy.

Towfiq Chinoy has also served on the Advisory Boards of the Ministry of Communications, Engineering Development Board and Port Qasim Authority – Government of Pakistan and has been a Vice-Chairman of the Pakistan Business Council.

MRS. NOREEN HASAN
Director

Mrs. Noreen Hasan graduated in 1991 after completing her bachelor's Degree with HONS in "Medieval and Modern World History" from the University of Birmingham, UK during which she was awarded for her dissertation on "The Guatemalan Crisis of 1956 and Anglo-American Relations". Mrs. Hasan's experience is well focused on CSR and philanthropic activities. Her present involvement includes activities for the "Children's Cancer Foundation Pakistan Trust". She has actively organized and raised funds on a continuous basis for the Trust which is now affiliated with the Indus Hospital to increase sustainability and awareness. On a smaller scale, Mrs. Hasan has also been involved in various other charity groups some of which include financially supporting the Education and Children's Health Organization (ECHO) Foundations in Gharo and sponsoring underprivileged children for a school in Rashidabad.

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.

MRS. SAADIA NAVEED
Director

Mrs. Saadia Naveed is the Deputy Managing Director of English Biscuit Manufacturers (Pvt.) Ltd. (EBM). She was also the President of the Management Association of Pakistan (MAP), the first ever female President, from June 2013 till March 2015. Mrs. Saadia Naveed after completing her graduation moved to the field of chartered accountancy and was associated with A.F. Ferguson & Co. for over four years, conducting and supervising audits as a senior in various national and multinational organizations. She joined EBM in the year 2002 and held the challenging position of Director Operations prior to her appointment as Deputy Managing Director in 2006. Under her leadership, EBM has witnessed exponential growth from sales of 11,000 tons in 2001 to 116,000 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 recording. The Audit Committee comprises of one Independent, one Executive and 2 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.

Name of Director	Status in Audit Committee	Status as a Director
Mr. Ehsan A. Malik	Chairman	Independent Director (Non-Executive)
Mr. Zahid Majeed	Member	Executive Director
Mrs. Saadia Naveed	Member	Non-Executive Director
Mrs. Noreen Hasan	Member	Non-Executive Director

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The committee consists of three Non-Executive Directors and one Executive 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.

Name of Director	Status in HRRC	Status as a Director
Mr. Towfiq H Chinoy	Chairman	Independent Director (Non-Executive)
Mr. Ehsan A Malik	Member	Independent Director (Non-Executive)
Mrs. Noreen Hasan	Member	Non-Executive Director
Mr. Zahid Majeed	Member	Executive Director

CORPORATE GOVERNANCE

Our ability to deliver our vision and create long-term value and benefit for our shareholders and stakeholders emanates from our governance structure operated by the Board across the Company.

COMPLIANCE WITH THE BEST CORPORATE PRACTICES

The Company is fully compliant to the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Report issued by the auditors confirming the Listed Companies (Code of Corporate Governance) Regulations, 2019 is contained in this report.

The Directors of the Company confirm compliance with the below:

a. Financial statements accurately represent the current standing of the Company, its operations, cash flows and changes in equity
b. Books of accounts of the Company have been properly maintained
c. Internal control has been implemented and monitored by the Internal Audit function led by the Head of Internal Audit supported by EY Ford Rhodes
d. The Company has followed the International Financial Reporting Standards (IFRS) in preparation of financial statements
e. Departures from the IFRS, if any, have been adequately disclosed and explained throughout this Annual Report. There is no material departure from the best practices of corporate governance as per regulations

COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Our Board is well versed with the new requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 and has taken relevant steps to ensure compliance with the same.

EXCEEDING LEGAL REQUIREMENTS

The Company strives to operate transparently, consistently, and timely comply with all prevailing laws and regulations of Pakistan. We take pride in proactively complying with many additional legal requirements which were not mandatory.

In addition to all the mandatory requirements of the laws and regulations of Pakistan, some examples are given below:

a. The Code of Corporate Governance encourages that atleast half of the directors on the Board of a Company must have completed the Directors' Training Program by 30 June 2021. Currently, as of 30 June 2021 all Directors are either trained or exempted from the program
b. The Company has defined standards and guidance to the best of its ability that act as security measures to protect employees, operations, property and information against the threat of attacks, intrusions, loss, injury, damage or abuse including unauthorized disclosure or access to information. Further as per OHSAS 18000, the Company committed to prevent injury, ill health and continual improvement in Occupational Health & Safety (OH&S) management and Occupational Health & Safety performance
c. The Board of Directors of the Company comprises of two female Directors.

REPORTING AND INVESTIGATING CONCERNS

We encourage people to speak up if they have any concerns relating to illegal or unethical conduct or behavior that is inconsistent with our values. Anyone within the Company can raise concerns or speak to the Whistleblowing Officer confidentially. We take every reported concern seriously and review each one to understand whether a formal investigation is warranted. If our investigations show that an employee has breached our policies, we take appropriate disciplinary action.

INSIDE INFORMATION REGISTER

In compliance with the regulatory requirements, the Company ensures that it maintains Insider Information Register, which is updated on a regular basis.

CONFLICT OF INTEREST AMONG BOARD MEMBERS

As per Code of Corporate Governance, every Director is required to bring to the attention of the Board complete details regarding any material transaction which has a conflict of interest for prior approval of the Board. The interested Directors neither participate in discussions nor vote on such matters. Further, complete details of all transactions with related parties are submitted to the Audit Committee which recommends them to the Board for approval in each quarter. These transactions are also fully disclosed in the annual financial statements of the company.

Our Directors are reminded of insider trading and avoid in the dealing of shares during the closed period. The Company's Board has been constituted in compliance with the provisions of the Companies Act, 2017. The members of the Board, including Non-Executive and Independent Directors exercise full independence and highlight and recuse themselves in case of any possible conflict of interest as is expected from their role. All observations / suggestions of Board members during their proceedings are accordingly recorded.

RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed by the Company in note of the financial statements. All related party transactions are carried out on an arm's length basis and subject to review and recommendation by the Audit Committee for approval of the Board.

POLICY FOR SAFEGUARDING OF RECORDS

The Company effectively ensures the safety of its records which are retained as required to meet legal, administrative, operational and other requirements of the Company.

WHISTLE BLOWING POLICY

The Company is committed to conducting the business with honesty and integrity. All members of staff are expected to maintain high standards in accordance with applicable laws, regulations and the Company Code of Conduct and are encouraged to promptly raise concerns of possible misconduct, potential conflicts, or known breaches with the Company's Code of Conduct, and other company policies and procedures. In such instances, employees are encouraged to report any nonconformity through their respective HRBPs or Line Managers. In some cases, the transgression is also reported directly to the Whistleblowing Officer or Chairman Audit Commitee. Action is then taken by the Company accordingly.

PROTECTION FOR WHISTLEBLOWER

The Company does not tolerate retaliation against whistle blowers in any way and concerns can be reported without fear of detrimental treatment. If the whistle blower raises concerns in good faith, he or she will not be subject to any detrimental treatment including dismissal, disciplinary action, threats or other unfavorable treatment.

The Company treats all questions and issues confidentially, where possible, while investigating fairly, cooperating with governments, and complying with legal obligations.

CORPORATE BRIEFING SESSION

NFL's second Investor briefing was held on 22 October 2020, Thursday on MS Teams / video conferencing.

Investors attending the event displayed great interest in the affairs of the Company. The presentation was followed by a Q&A session which was well addressed to the satisfaction of the audience.

Presentation from the Corporate Briefing Session can be viewed on the Company's website under "Investors" section.

REDRESSAL OF INVESTORS' COMPLAINTS

The Company aims to provide its shareholders, potential shareholders and other stakeholders with all relevant financial and similar information as effectively and as timely as possible, in order to provide more insight into the Company and the sector. Further, the Company is committed to ensure that grievances notified by the shareholders are handled and resolved efficiendy at an appropriate level.

Any complaints / reservations received from the Investors are considered, discussed, resolved and communicated in due course by appropriate level of authority in the Company.
Shareholders can submit a complaint through email i.e. (company.secretary@nfoods.com) which is also available on the Company's website in line with directives of SECP. The grievances can also be notified through phone call or post to the Company.

The Company adheres to the practice of responding to shareholders' complaints within prescribed time from the receipt thereof. A letter/email in this regard is sent to the shareholders with intimation to the Shares Registrar/SECP/Stock Exchange duly signed by the Company Secretary.

INVESTORS' SECTION ON WEBSITE

In order to provide ease of access to our shareholders and stakeholders, the Company's latest information for Investors is available on our website, under the "Investor Relations" (http://nfoods.com/). This page is updated regularly in order to provide transparent, adequate and up to date information.

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 fully 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.

MANAGEMENT COMMITEE

FROM BOTTOM LEFT:

MR. SALEEM RAFI KHILJI
General Manager Manufacturing

MR. ABRAR HASAN
Chief Executive Officer

MR. SYED FARHAN ALI RIZVI
Director Finance

FROM TOP LEFT:

MR. HASAN SARWAT
Director Sales

DR. FAYYAZ ASHRAF
Director Quality, Research & Development

MR. AEJAZ ABBAS BASRAI
Director Strategy & Marketing &
Chief Operating Officer NF DMCC

MR. AHMED SALMAN
Director Supply Chain

MS. SAIRA A. KHAN
Director Human Resources

MR. SHAHID SAEED
Director Information Technology

CSR &
SUSTAINABILITY

CSR & SUSTAINABILITY

DIGITAL EDUCATION THROUGH KNOWLEDGE PLATFORM IN SWAT

According to the 2018 statistics of United Nations, more than half of children and adolescents worldwide are not meeting minimum proficiency standards of education. Pakistan is one of the countries where the gap between those going to private schools compared to those enrolled in government schools is extremely wide in terms of quality and quantity of education received.

National Foods is going one step beyond by investing in the future: digital education! We have partnered with Knowledge Platform to create impactful and scalable learning solutions. Knowledge Platform's blended learning solution leverages on one laptop per Digital Learning Center. The laptop is pre-loaded with digital lessons containing videos, class activities and assessments using classroom learning software. It encompasses different subjects and are based on the approved curriculums in Pakistan. The pilot program has been launched which consists of working with an all-girls school in the beautiful valley of Buner in KPK, Pakistan. And the same is being scaled in other schools and branches for greater impact. A valued partnership, this collaboration is measured and monitored regularly, performance is tracked and reported at the network, school, teacher and student level. This also includes training the teachers for a better learning program.

MEALS DISTRIBUTION THROUGH SAYLANI AMAN GHAR

Working in line with the UN SDG 3 of Good Health, we have partnered with Saylani Aman Ghar to provide hygienically prepared meals, completely free-of-cost on an everyday basis to school-going children present in Khuda ki Basti – an economically challenged suburb of Karachi. This initiative aims to promote optimal mental and physical development, while simultaneously motivating them to attend school. We support this program by contributing to the preparation of 3500 meals every day through donations in kind.

COLLABORATION WITH LAYTON RAHMATULLA BENEVOLENT TRUST (LRBT):

As part of the CSR & Sustainability agenda on UN SDG 3 of Good Health & Well-Being, National Foods Limited has always been at its toes in helping our Nationals, ultimately exploring all avenues which makes us a progressive, law abiding, quality oriented and a Socially Responsible Organization.

The CSR Team is proud to announce the collaboration of National Foods Limited with Layton Rahmatullah Benevolent Trust (LRBT) where the institution will conduct 184 surgeries of the rural population for females catering to our agenda of female empowerment in areas surrounding Lahore. In our effort to empower and enable females to be able to do more, this initiative shall help them in improved visibility and vision to better carry out the day-to-day activities, acquire education and be enabled to contribute to the society in multiple meaningful ways.

NATIONAL FOODS WINS DR. RUTH PFAU CSR AWARD

National Foods Limited (NFL) has recently been bestowed with the prestigious - Dr. Ruth Pfau CSR Award 2021 from Marie Adelaide Leprosy Centre (MALC) – the most renowned institution providing healthcare for Leprosy-affected in Pakistan. Being the leading enterprise in Pakistan's food industry, NFL is well renowned for its high quality products and operational excellence in business, while its generous social-development initiatives are also recognized by numerous international forums.

The Dr. Ruth Pfau award was presented to NFL for its collaborative initiative with MALC in the year 2020, to provide donation-in-kind for Salt, Plain Spices and Ketchup to feed more than 2000 families affected by Leprosy.

Celebrating the World Leprosy Day 2021, MALC recently held its annual event with 150 guests at the Marriott Hotel, also commemorated its 'Corporate Social Responsibility' (CSR) partnership with NFL. The humanitarian contributions of its other major donors were also acknowledged for their great help in treatment to the unfortunate leprosy patients. Proper safety and preventive measures were taken during the Leprosy Day event.

ECO-FRIENDLY CAMPAIGN - #LETS PLANT OUR FUTURE

Our efforts to reduce our carbon footprint.

Apart from consistently delivering premium-quality products, we want to do everything possible to preserve the environment of our beautiful country. We launched an incredibly interesting, yet engaging campaign #LetsPlantOurFuture, with the objective to make a colossal positive impact on our environment, reduce carbon footprint, and make people well-versed with the power of repurposing resources.

The importance of planting trees is now more than ever. With ever-increasing focus on Global Warming and Climate Change, we all need to do our part in making this planet greener for generations to come. As part of Marketing's Eco-Friendly Campaign, the initiative of reducing up to 25% paper usage in packaging of Recipe Mixes category has taken place, which in turn will result in reduced tree felling of hundreds of trees. This is a big milestone towards Responsible Business Practices.

The campaign involved on ground activities such as partnering with Shamil and NowPOP to make reusable bags to prevent wastage through plastic bags. Beautiful gift boxes were also distributed, along with the bags, which had small planters and seeds to encourage people. Digital frames were designed for social media and a beautiful DVC was made and bloggers engaged to promote awareness.

Through this resourceful collaboration for NFL's #LetsPlantOurFuture campaign, thousands of plants will also be sown which are critical to the conservation of marine life and those dependent on it along Pakistan's coastal areas. This is another step towards cementing our position as a sustainable business, working towards improving the environment we live in.

COVID VACCINATION AWARENESS SESSION IN COLLABORATION WITH INDUS HOSPITAL

Health and safety have always been the top priority at National Foods Limited. Since the outbreak of Covid-19, NFL has been practicing strict policies to keep every employee safe and secure including the implementation of SOPs and WFH.

Taking another step forward, NFL collaborated with Indus Hospital to host an awareness session on the sole cure for Corona Virus, the Covid-19 vaccination.

The virtual session aimed to encourage employees in getting themselves vaccinated without further delay, keeping themselves and their family safe from the pandemic. Dr. Rabeea Shah, FCPS Internal Medicine from Indus Hospital explained the benefits and necessity of getting vaccinated and provided information on the different vaccines available for different age groups and the SOPs required to adhere to even after one has been vaccinated.

CHAIRMAN'S REVIEW

FINANCIAL HIGHLIGHTS OF THE COMPANY

On behalf of the Board of Directors, I am pleased to present to you review on Annual Report of National Foods Limited (the "Company") for the year ended June 30, 2021. The Financial Year 2020-21 has been another year of high performance and growth for the Company, fueled by recovery from overall economic slowdown due to outbreak of the COVID-19 pandemic. On a consolidated basis, the company achieved a revenue of Rs. 47 billion and Rs. 1.97 billion as profit after tax.

PAKISTAN'S ECONOMY LANDSCAPE & THE COMPANY' PERFORMANCE

On the economic front, Pakistan has been moving towards stability while recovering from COVID-19 pandemic. Although the recovery has been impacted by intermittent smart lockdown, however, since our company was falling under the category of essential services it was allowed to operate its production and supply facilities during the smart lockdown period, while following all necessary standard operating procedures (SOPs).

Large size manufacturing sector (LSM) experienced a growth of 8.99% while the food industry outperformed the LSM by showing an extra-ordinary growth of 11.7%. Consumer Price Index was recorded at 8.6% as opposed to 10.9% in the previous year, thereby aiding the sustainability of operational costs.

The Company's international business NFDMCC and A-1 showed 26% growth in topline which cascaded into a 11% growth in gross profit of the business. Currency devaluation in the Pakistani Rupee versus US dollar since June 2020 was 2% and did not have significant impact on the international operations of the Company.

We also remained persistent to our commitment of investing back in the society and community we operate in, which is evident from the CSR activities that we conducted once again this year. It is my firm belief every new challenge brings along new opportunities.

BOARD'S OVERVIEW & PERFORMANCE

The Board comprises of an appropriate mix of Directors in terms of relevant experience, with the primary objectives of the Board being to provide strategic direction to the Company and supervising the management. The Board is performing its duties and responsibilities diligently and are contributing effectively in steering the Company in its strategic matters.

The objective of the Board and management is to keep on enhancing shareholder value while ensuring we manufacture the best quality products for our customers and keep on innovating to ensure cost optimization. We have always believed that opportunities stem from facing challenging situations head-on.

ACKNOWLEDGEMENTS

The Board acknowledges with gratitude the outstanding work and ongoing dedication of the Company's management and staff throughout the outgoing year to enable the Company to meet its objectives.

In the end, I would like to thank all our stakeholders who have stayed alongside us throughout our journey and hope that the bond we share continues to flourish.

A. Majeed

A. MAJEED
Chairman

DIRECTORS' REPORT

FELLOW SHAREHOLDERS,

The Directors of National Foods Limited are pleased to present the Annual Report along with the financial results of the Company, which include both stand-alone and consolidated audited financial statements, for the year ended June 30, 2021.

BUSINESS PERFORMANCE OVERVIEW

Operating and financial performance

The Group

The Group delivered a healthy topline and bottom-line growth of 20% and 19% respectively for the outgoing year. Despite prevalent Covid environment, the top line continued its momentum which was supplemented by cost and revenue transformation measures enabling steady gross margins and 19% growth at the PAT levels.

Core business

Local business continued the pull-based drive to maintain the growth momentum with smart pricing strategies paying off dividends in the current financial year. Cost transformation project kicked off in the last year, yielded sustainability in profit margins. Export business despite being impacted by prevalent shipping lines and container availability constraints, posted a healthy topline growth.

The Company continued to invest in the new categories it entered in FY17 being Mayonnaise and Savory Snacks – building momentum and base for further expansion – both territorial and product portfolio.

A1 Bags & Supplies Inc.

The business recovered well post Covid impacts, also maximising the margins during Covid through efficient pricing of sanitary items. Efficiencies are pouring into the business whilst investment in ERP, optimization of product mix and pricing, rationalization of lines of business, effective working capital management and close review of the investments continue to be the priority of the board. The net profitability numbers clearly reflect the impact of all the above measures and margins sustained over the last year.

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

Amounts in PKR Million

	Group			Core Business			A1 Bags & Suppliers Inc.		
	FY21	FY20	Change	FY21	FY20	Change	FY21	FY20	Change
Net sales	34,588	28,713	20%	23,417	19,506	20%	11,171	9,206	21%
Gross profit	9,752	8,367	17%	7,354	6,354	16%	2,398	2,013	19%
Operating profit	2,942	2,552	15%	2,042	1,810	13%	900	742	21%
Net profit after tax	1,768	1,473	19%	1,573	1,258	25%	564	458	21%
Earnings per share (Rupees)	8.4	7.9		8.4	6.7				
Gross profit	28.2%	29.1%	-0.9%	31.4%	32.6%	-1.2%	21.5%	21.9%	-0.4%
Operating profit	8.5%	8.9%	-0.4%	8.7%	9.3%	-0.6%	8.1%	8.1%	0.0%
Profit after tax	5.1%	5.1%	-0.1%	6.7%	6.5%	0.3%	5.0%	5.0%	0.0%

** This includes amortization of Rs. 10 million (2021: RS. 10 million) on intangible recognized on consolidation of A1 Bags & Suppliers Inc.*

** Group PAT includes A1 at 50% and excludes inter company dividend of 140M (2020: 20M)*

Sales and Marketing

Replacing legacy secondary sales system with Sales Flow | Driving the agenda of KPI based selling, along with revisiting sales universe, PJP & resultant RTM resource optimization.

To maintain market share in the face of tough competition and meet its sales targets, NFL remaining highly active with innovative marketing campaigns. Below were the key highlights:

Recipe Masala

An extensive campaign to build awareness, consideration & trial for **Rozana Recipes**; including TV and integrated digital airing, collaboration with Leading YouTube Cooking Channel –"Kitchen with Amna", Cluster Activations across major cities & extensive Door to Door Sampling Program.

Karachi Consumer Conversion: Targeted a wide range of households with successful trial rate coupled with trader sampling and strengthened consideration through Digital Content & Collaborations.

Launch of Value for Money **Curry Powder in KPK** with an extensive campaign including Regional Airing in Pushto, Out of Home, Trade Engagement & Sampling interventions.

Partnership with Google to lead in Digital Innovation and improve media efficiency and effectiveness.

Pickle

Integrated Digital Campaign for Crushed Pickle was launched yielding exceptional results and the view rates surpassing industry benchmarks.

To drive trial of Crushed Pickle, sachets were bundled with commodities (rice, lentils) in key LMTs as well as National Tomato Ketchup in selected IMTs.

Ketchup

Digital airing of "National Ketchup Factory" backed by a highly engaging digital and PR campaign.

Door-to-door sampling activity executed in Central Punjab to help generate trials for Ketchup and Chilli Garlic Sauce.

Scene On went an extra mile with dedicated RTM deployed enabling reach of 40 cities, extensive stands deployment along with rejuvenation of packaging and launch of **YOLO enabling entry** into 66% market segment.

International

Ecommerce Setup in North America across Amazon, Walmart, Ebay and our own storefronts.

The most extensive digital campaign in ID history built on food, culture & experiences utilizing culinary artists such as Chef Sadat & community bloggers was rolled out in North America displaying uses of our portfolio in making delicious fusion recipes with a touch of Pakistani flavor.

Aggressive instore trials and sampling plans were also carried out in focus markets such as North America, UK & KSA to drive demand across key inflection points such as Diwali, Holi & Ramadan.

In line with our desire to better understand consumers' needs, identify big bets & develop an innovation pipeline that will drive future growth, we carried out multiple research studies in FY21 aimed at potential business expansion.

Key strategic rollouts on the Recipe Mixes portfolio in USA & Canada were completed to drive penetration of the brand and facilitate trial by lowering the out-of-pocket expense for the consumer.

Listings in the UAE completed, and sales initiated. The NFL portfolio is currently available in Carrefour, Al Maya, Nesto, KM Trading, Safeer, Ansar, Aswaq and West Zone in addition to multiple B-Class chains.

OUR PEOPLE

Our people are our greatest asset. They are the driving force behind every initiative and service delivery. Keeping in mind the difficult and turbulent times that the world has seen because of the pandemic, National Foods has taken extra steps to take care of the family by providing free of cost Covid testing, Covid special incentives, On time salary disbursement and no layoffs due to the pandemic.

To promote & strengthen the learning culture by adopting the new ways of learning in times of new normal, National's House of Learning & Development has capitalized on its established in-house learning management system. In times where classroom trainings were on hold due to COVID-19 SOPs, the company is now offering 55+ online learning programs to accelerate their behavioral, functional and leadership development. Overall, 353 employees got themselves registered for 6,000+ learning hours out of which 3,575 learning hours have been completed successfully.

Also, National Foods Limited has joined the global network of National Accelerators on 'Closing the Skills Gap' through project PARWAAZ in collaboration with Punjab Skill Development Fund. National Foods Limited is a leading working panel member of Agriculture and Foods Sector in project PARWAAZ and will be working on upskilling the role of Food Technologist in Foods sector of Pakistan.

CORPORATE SUSTAINABILITY

NFL has partnered with Knowledge Platform to create impactful and scalable learning solutions. It encompasses different subjects and are based on the approved curriculums in Pakistan. The pilot program has been launched which consists of working with an all-girls school in the beautiful valley of Buner in KPK, Pakistan. And the same is being scaled in other schools and branches for greater impact. A valued partnership, this collaboration is measured and monitored regularly, performance is tracked and reported at the network, school, teacher and student level. This also includes training the teachers for a better learning program.

The CSR Team is proud to announce the collaboration of National Foods Limited with Layton Rehmatullah Benevolent Trust (LRBT) where the institution will conduct 184 surgeries of the rural population for females catering to our agenda of female empowerment in areas surrounding Lahore. In our effort to empower and enable females to be able to do more, this initiative shall help them in improved visibility and vision to better carry out the day-to-day activities, acquire education and be enabled to contribute to the society in multiple meaningful ways.

National Foods Limited (NFL) has recently been bestowed with the prestigious - Dr. Ruth Pfau CSR Award 2021 from Marie Adelaide Leprosy Centre (MALC) – the most renowned institution providing healthcare for Leprosy-affected in Pakistan. Being the leading enterprise in Pakistan's food industry, NFL is well renowned for its high quality products and operational excellence in business, while its generous social-development initiatives are also recognized by numerous international forums. The Dr. Ruth Pfau award was presented to NFL for its collaborative initiative with MALC in the year 2020, to provide donation-in-kind for Salt, Plain Spices and Ketchup to feed more than 2000 families affected by Leprosy.

Apart from consistently delivering premium-quality products, we want to do everything possible to preserve the environment of our beautiful country. We launched an incredibly interesting, yet engaging campaign #LetsPlantOurFuture, with the objective to make a colossal positive impact on our environment, reduce carbon footprint, and make people well-versed with the power of repurposing resources.

The importance of planting trees is now more than ever. With ever-increasing focus on Global Warming and Climate Change, we all need to do our part in making this planet greener for generations to come. As part of Marketing's Eco-Friendly Campaign, the initiative of reducing up to 25% paper usage in packaging of Recipe Mixes category has taken place, which in turn will result in reduced tree felling of hundreds of trees. This is a big milestone towards Responsible Business Practices.

The campaign involved on ground activities such as partnering with Shamil and NowPDP to make reusable bags to prevent wastage through plastic bags. Beautiful gift boxes were also distributed, along with the bags, which had small planters and seeds to encourage people. Digital frames were designed for social media and a beautiful DVC was made and bloggers engaged to promote awareness.

Through this resourceful collaboration for NFL's #LetsPlantOurFuture campaign, thousands of plants will also be sown which are critical to the conservation of marine life and those dependent on it along Pakistan's coastal areas. This is another step towards cementing our position as a sustainable business, working towards improving the environment we live in.

Taking another step forward, NFL collaborated with Indus Hospital to host an awareness session on the sole cure for Corona Virus, the Covid-19 vaccination. The virtual session aimed to encourage employees in getting themselves vaccinated without further delay, keeping themselves and their family safe from the pandemic. Dr. Rabeea Shah, FCPS Internal Medicine from Indus Hospital explained the benefits and necessity of getting vaccinated and provided information on the different vaccines available for different age groups and the SOPs required to adhere to even after one has been vaccinated.

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 covid situation across the country post successful strategy being deployed for its management. Tax and economical reforms targeting positive movement in the economy has improved the investor confidence. Monetary policy has also been stable – with interest rates maintained throughout the year coupled with incentivized availability of funding for capacity expansion. The Company has fared well as a result and has strategized to ensure competitive sustainable growth in the environment.

Based in the convenience food segment, NFL gross margins are dependent on key local and imported inputs. There is **uncertainty over prices** due to uncertain climatic changes. Low local output results in additional imports hurting raw material pricing amid restricted price pass-on opportunities in a highly competitive environment.

Devaluation of exchange rates during the fiscal year can impact company gross margins in the local business due to impact on prices of key inputs. 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 interests rates** due to increased borrowings exposure. The Company mitigates this through a combinations 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 5,281 million (2020: Rs 4,813 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 2,220 million (2020: Rs 1,361 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 5 per share and bonus dividend of 1 share for every 4 shares held on the date of determination of entitlement to receive dividend. Total standalone profit distributed by way of dividend amounts to 92% (2020: 84%).

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The managerial objective of NFL is good corporate governance and compliance with best practices. As required under Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Code'), the Company has adopted the Code in letter and spirit as follows.

- The financial statements, present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Board has constituted an Audit Committee consisting of 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 754 Million as at June 30, 2021.
- 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 EY Ford Rhodes. The Head of Internal Audit reports directly to the Chairman of the Board Audit Committee.

EXTERNAL AUDITORS

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

REMUNERATION POLICY OF NON-EXECUTIVE AND INDEPENDENT DIRECTORS

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company has been determined by the Board.

APPOINTMENT AS EXECUTIVE DIRECTOR

Mr. Zahid Majeed will continue in the capacity of CEO - NFDMCC. This has been done to create focus and increase impetus to realize potential of international market thus enhancing exports from Pakistan.

FORWARD LOOKING STATEMENT AND FUTURE OUTLOOK

The management acknowledges the uncertainty emanating from Covid 19 and its impact on economy. Further, currency depreciation in recent time, inflationary pressures, supply chain management and market situation can affect the cost and capability to serve the market effectively. However, the management of the Company remains committed to drive business fundamentals and improve / maintain its market leadership position in all major categories through contingency planning. On the international front, the Company recognizes the risk emanating from the regime change in Afghanistan and will continue to monitor and take measures to minimize the impact on the business. National Foods has responded well in this crisis and we are geared to deliver our social and economic responsibilities considering our Founder's Philosophy and "Our Values."

ACKNOWLEDGEMENT

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

On behalf of Board of Directors

Chief Executive Officer	Director

BOARD MEETINGS

BOARD MEETINGS:

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

AUDIT COMMITTEE MEETINGS:

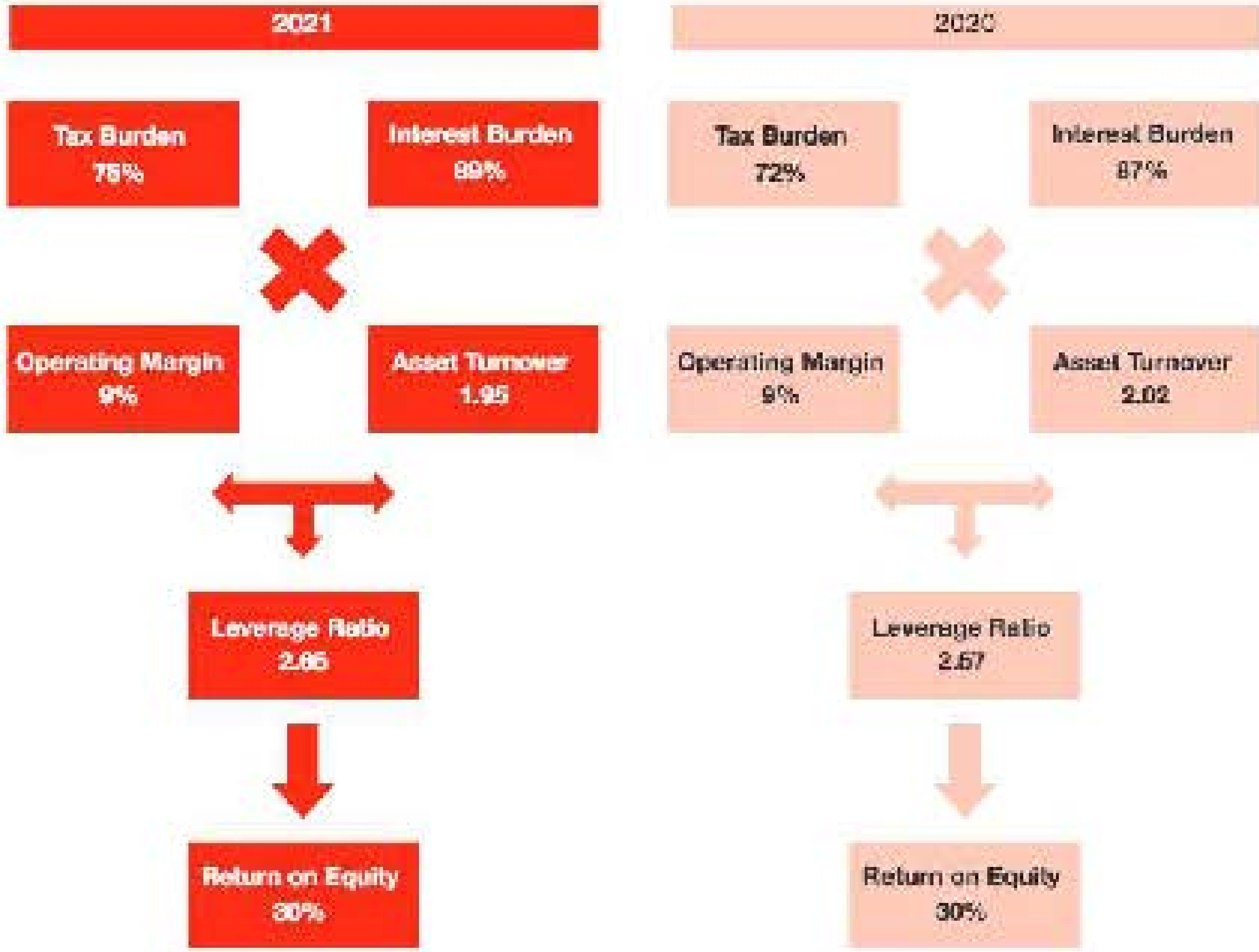
S.No.	Name	Designation	Meetings Attended
1	Mr. Ehsan Ali Malik	Chairman	6
2	Mr. Zahid Majeed	Director	6
3	Mrs. Saadia Naveed	Director	5
4	Mrs. Noreen Hasan	Director	5

HUMAN RESOURCE & REMUNERATION COMMITTEE MEETINGS:

S.No.	Name	Designation	Meetings Attended
1	Mr. Tawfiq H. Chinoy	Chairman	1
2	Mr. Zahid Majeed	Member	1
3	Mr. Abrar Hasan	Member	1
4	Mr. Ehsan Ali Malik	Member	1

FINANCIAL REVIEW

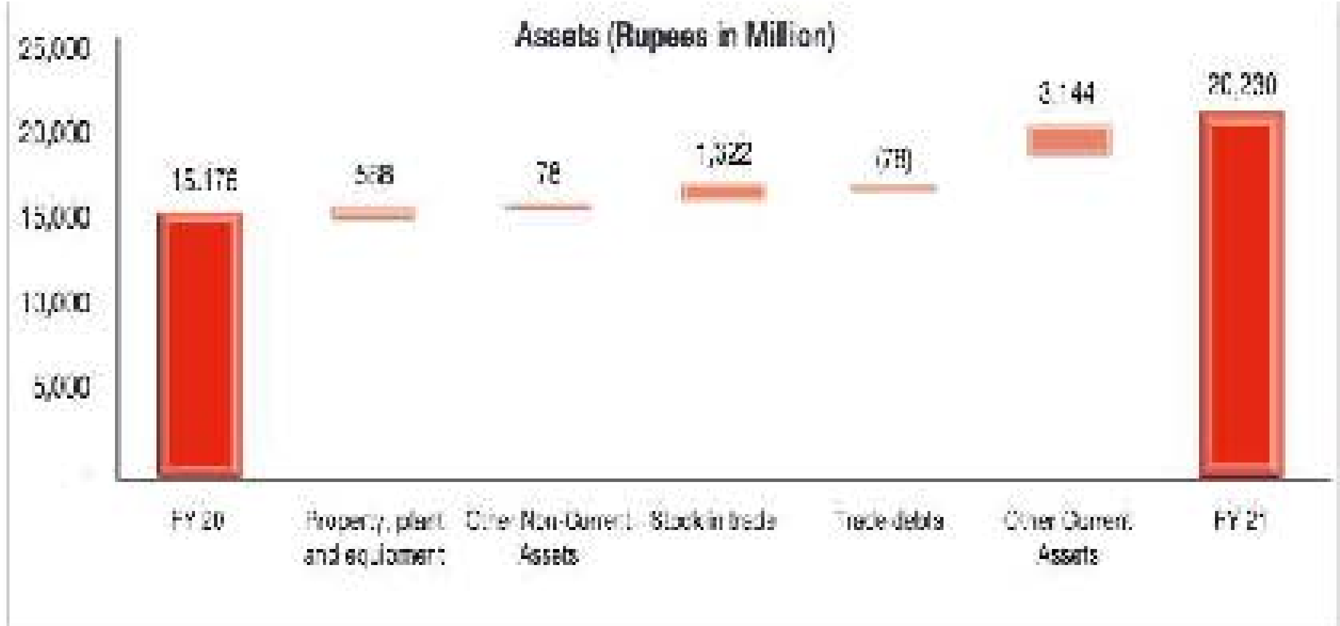
DuPont Analysis

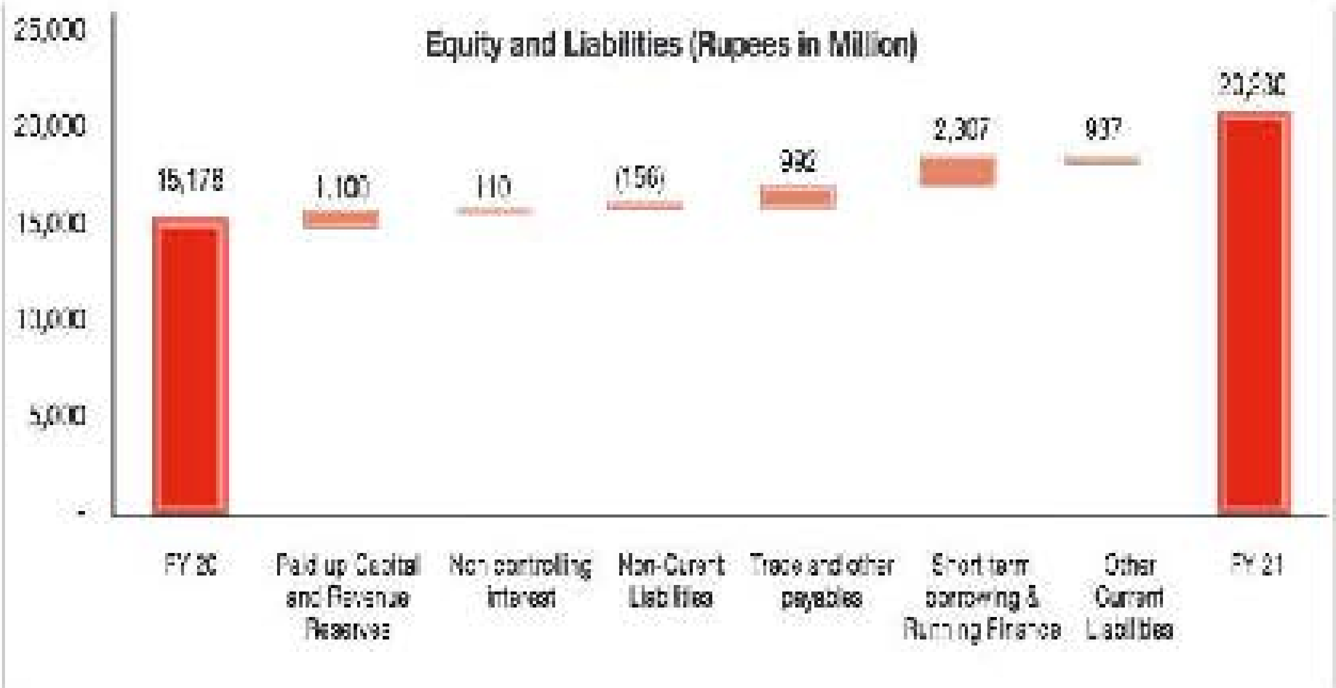


Financial Ratios

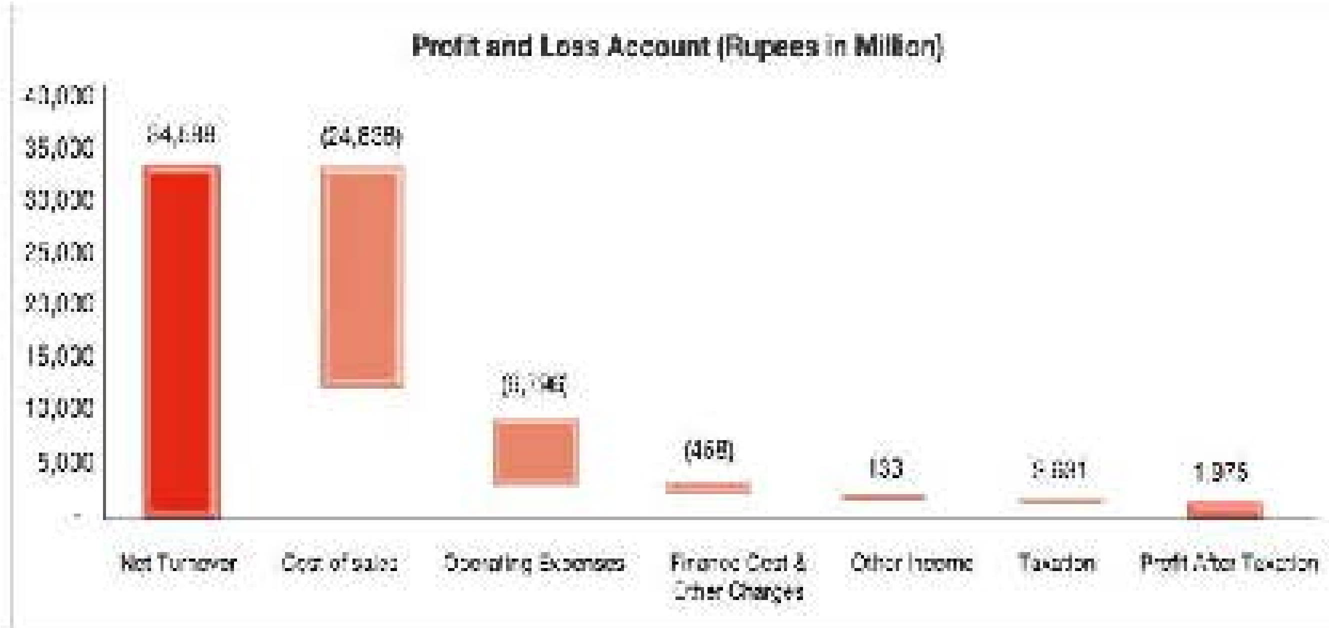
	Unit	2021	2020	2019	2018	2017	2016
Profitability Ratios							
Gross Profit Ratio	%	28.20	26.14	26.80	31.05	32.17	33.13
Operating Profit to Sale	%	8.62	8.29	8.27	6.34	8.46	8.97
Net Profit before Tax to Sales	%	7.61	8.04	7.10	5.43	7.66	8.37
Net Profit after Tax to Sales	%	6.71	6.75	6.66	4.78	5.80	6.87
EBITDA Margin to Sales	%	11.01	12.06	10.64	8.28	10.10	10.57
Operating Leverage Ratio	%	48.64	189.02	351.25	(13.38)	71.54	(110.38)
Return on Equity	%	29.61	29.76	30.34	27.77	32.60	29.68
Return on Capital Employed	%	33.43	36.29	27.22	32.19	42.26	43.69
Return on Assets	%	11.16	11.80	11.22	10.13	12.06	12.92
Liquidity Ratios							
Current Ratio	Times	1.17	1.21	1.06	0.98	1.05	1.13
Quick / Acid Test Ratio	Times	0.57	0.46	0.34	0.41	0.41	0.63
Cash to Current Liabilities	Times	0.08	0.17	(0.03)	(0.15)	(0.12)	(0.16)
Cash Flow from Operations to Sales	%	7.30	10.42	7.93	8.07	8.49	3.63
Working Capital Turnover	Times	21.36	30.79	(130.96)	(78.80)	64.91	24.66
Efficiency Ratios							
No. of Days in Inventory	Days	86.28	90.38	91.06	87.04	107.40	111.63
No. of Days in Receivables	Days	14.19	15.74	16.98	21.38	24.99	26.97
No. of Days in Payables	Days	22.68	24.46	25.58	20.79	14.00	13.27
Operating Cycle	Days	76.79	81.66	82.46	87.93	116.39	125.34
Asset Turnover	Times	1.95	2.02	2.00	2.12	2.06	2.20
Inventory Turnover	Times	4.23	4.04	4.01	4.19	3.40	3.27
Receivables Turnover	Times	25.72	23.20	21.49	17.07	14.61	13.53
Payables Turnover	Times	16.09	14.92	14.27	17.58	26.06	27.51
Revenue / Employee	Rs.	69,126	64,422	44,280	41,430	34,004	28,668
Net Income / Employee	Rs.	2,506	2,286	1,820	1,480	1,442	1,168
Investment / Market Ratios							
Earnings Per Share	Rs.	9.43	7.90	6.86	5.41	5.11	4.27
Price Earning Ratio	Times	24.29	31.72	26.52	58.95	53.03	55.74
Dividend Yield Ratio	%	2.18	2.00	2.17	1.19	1.57	0.98
Dividend Payout Ratio (recast)	%	47.22	56.49	54.43	68.09	61.43	64.33
Dividend Cover Ratio (recast)	Times	2.12	1.77	1.84	1.47	1.28	1.55
Cash Dividend Per Share	Rs.	5.00	5.00	4.00	3.75	4.25	2.75
Cash Dividend	%	100.00	100.00	80.00	75.00	85.00	55.00
Stock Dividend Per Share	Rs.	1.25	1.25	1.00	1.00	-	-
Stock Dividend	%	25.00	25.00	20.00	20.00	-	-
Market Value Per Share at the end of the year	Rs.	229.02	250.45	184.16	318.99	271.00	231.00
Low during the year	Rs.	181.61	133.00	147.46	295.00	260.00	276.50
High during the year	Rs.	304.00	267.50	310.00	352.00	418.71	288.65
"Breakup Value Per Share without Surplus on Revaluation of Fixed Assets"	Rs.	39.00	32.51	26.97	21.47	16.19	13.64
Market Capitalisation (in millions)	Rs.	42,710.46	46,707.01	34,344.43	59,489.19	50,539.42	52,404.35
Capital Structure Ratios							
Financial Leverage Ratio	%	77.99	48.99	83.50	74.22	66.76	51.65
Weighted Average Cost of Debt	%	7.22	10.99	9.12	7.90	6.44	10.44
Debt to Equity Ratio	%	12.14	18.88	16.45	4.49	11.09	-
Interest Coverage Ratio	Times	9.36	7.74	7.08	7.00	13.56	15.00
No. of Ordinary Shares (in millions)	EA	186.49	186.49	186.49	186.49	186.49	186.49

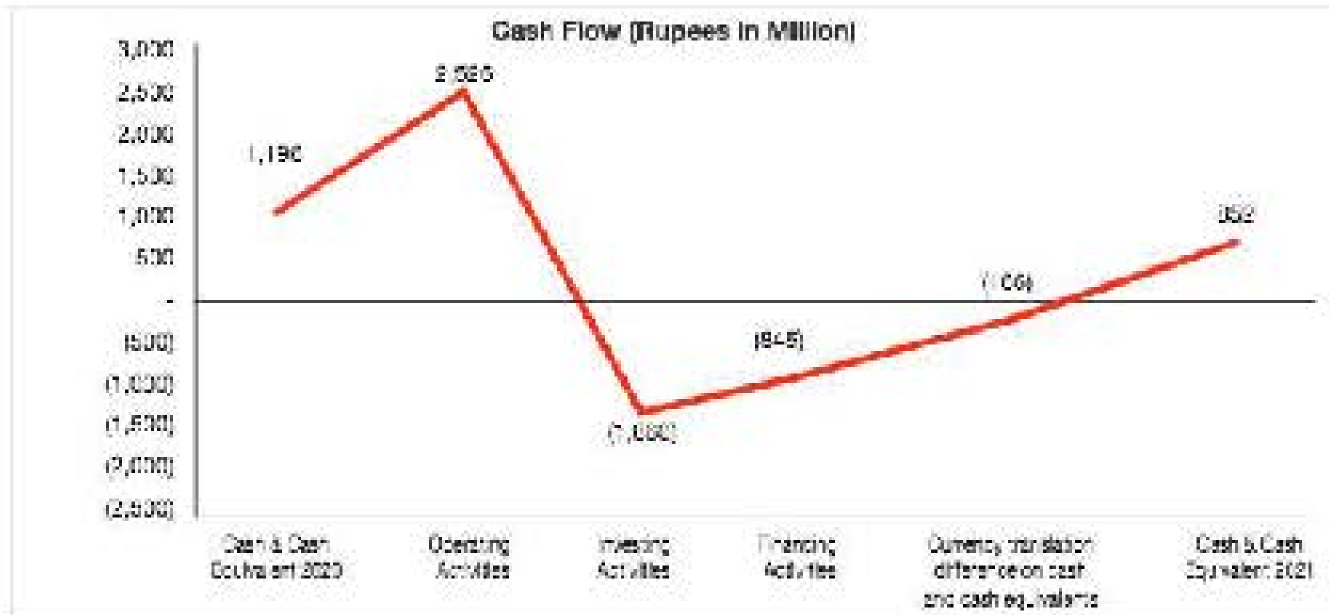
Financial Statements at a Glance





Financial Statements at a Glance



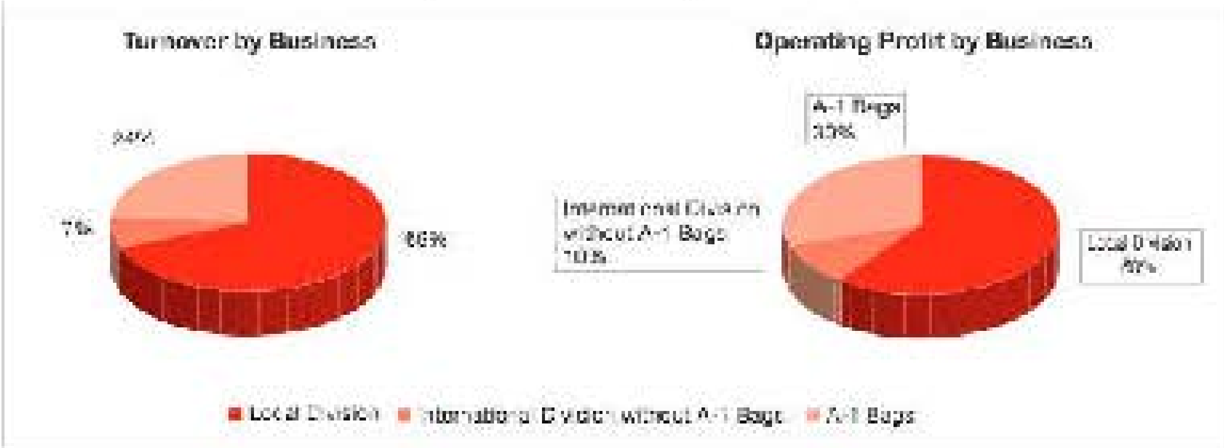


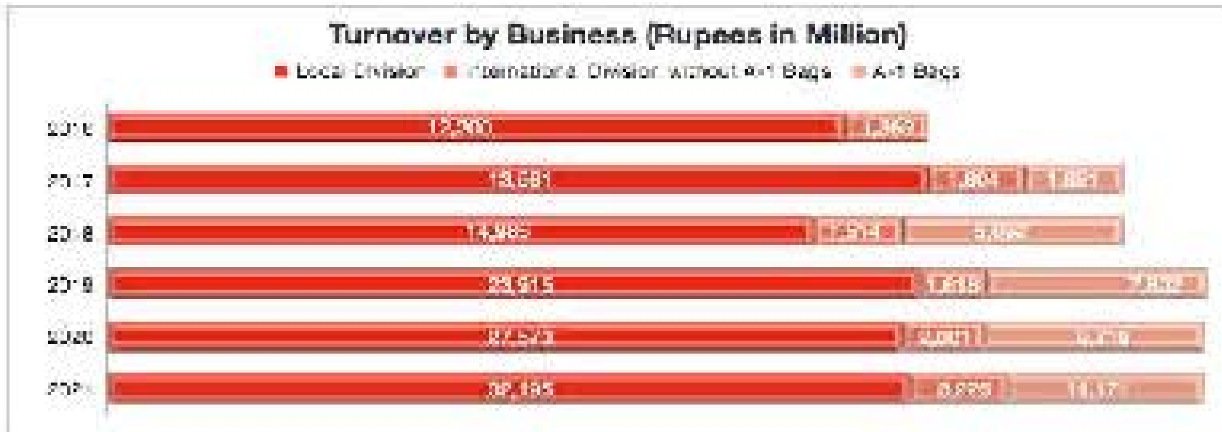
Financial Highlights

Our results compared to same period Last year at a Glance

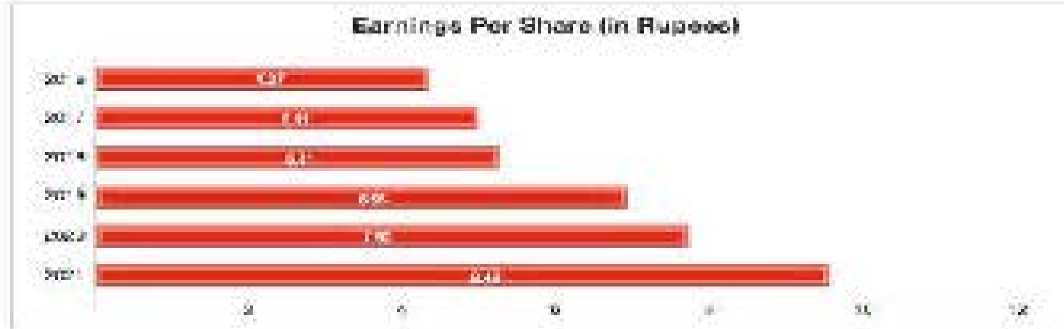
FY-21

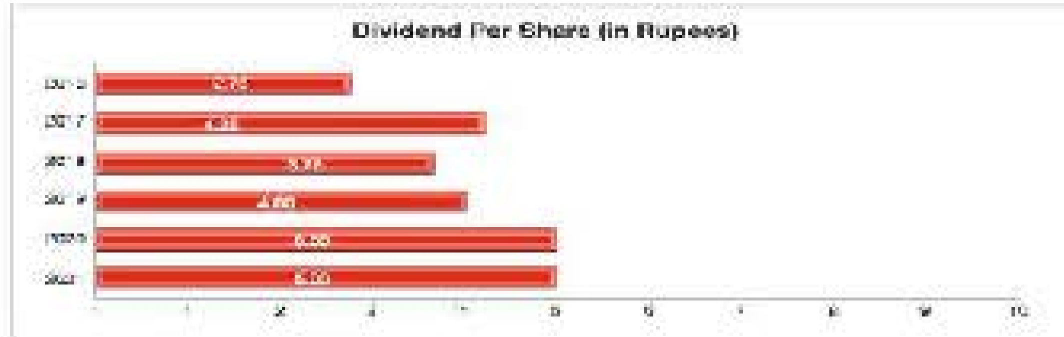
- 2020-21 Turnover up by 19 %
- 2020-21 Gross profit up by 17 %
- 2020-21 Profit after Taxation (excluding non-controlling interest) up by 19 %
- 2020-21 Earning per Share PKR 9.43 (Jun 30 2020 PKR 7.90)

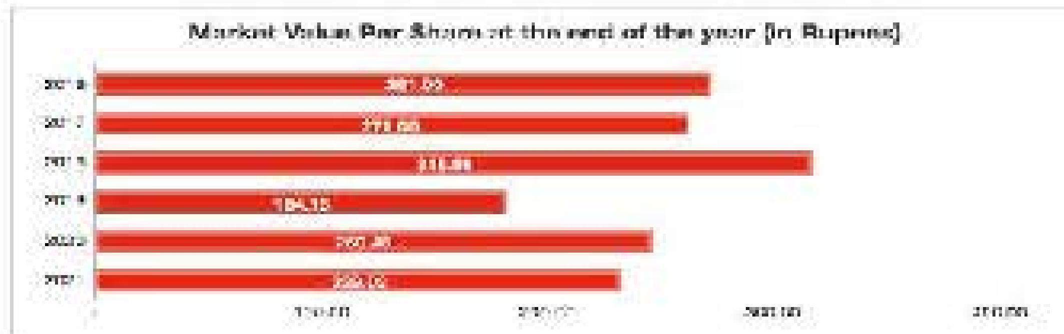


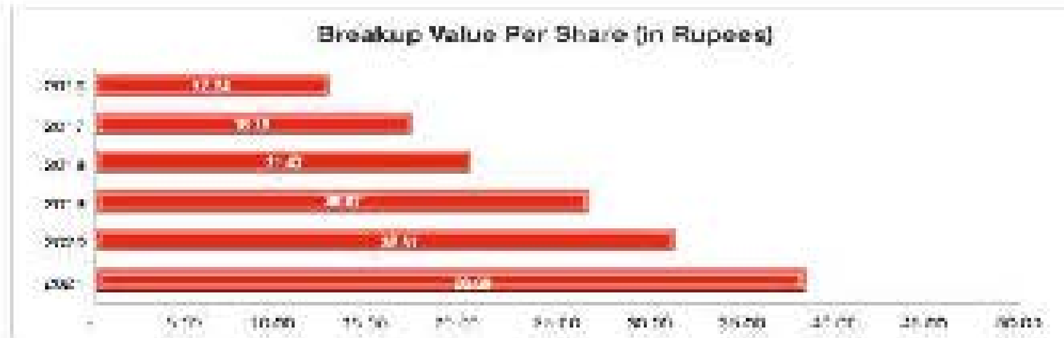


Financial Highlights

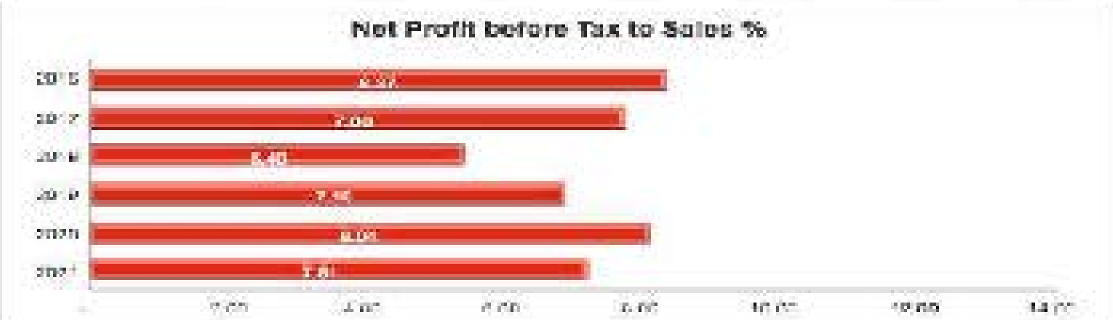


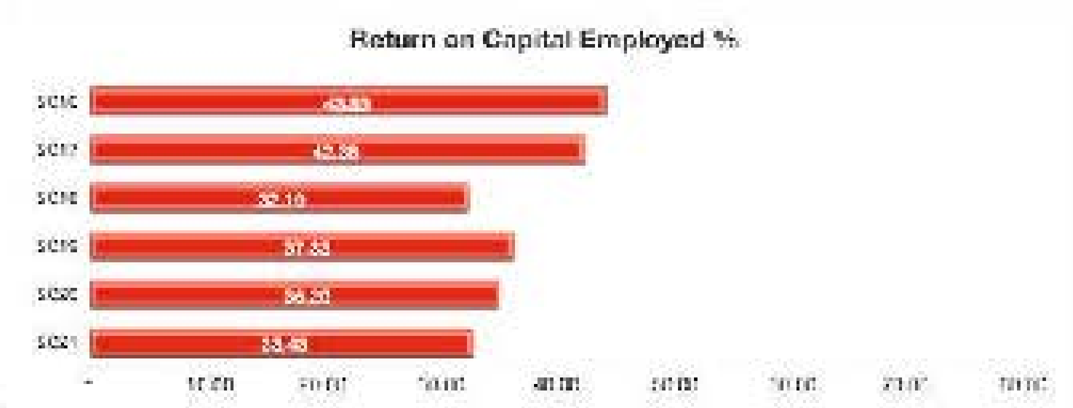


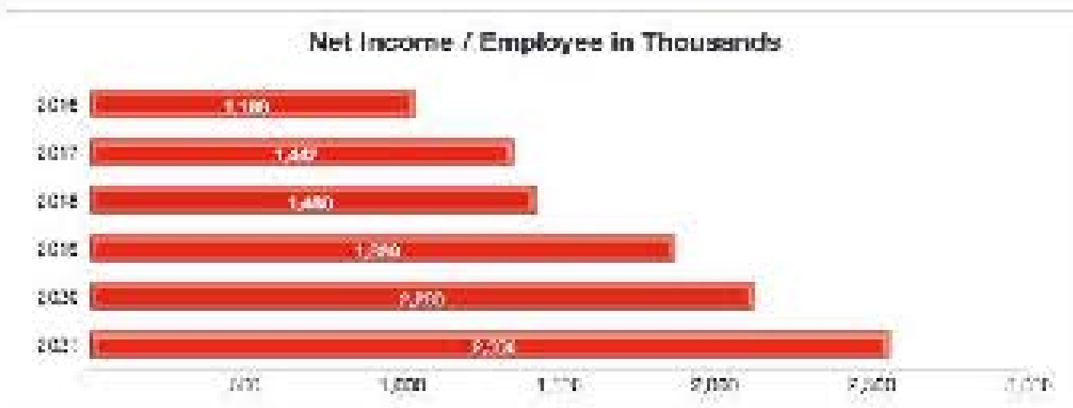




A. Profitability Ratios

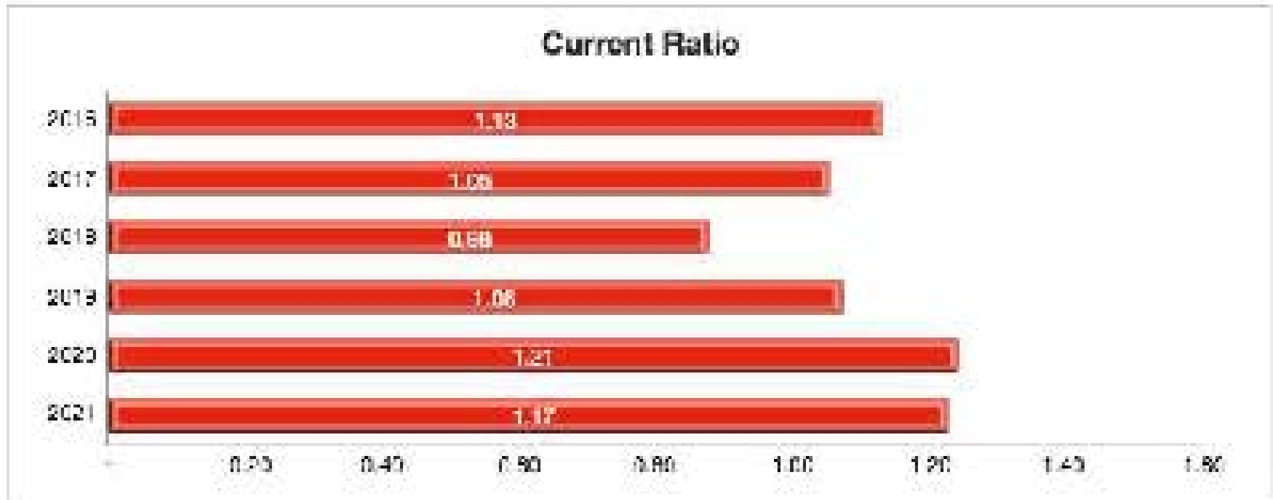




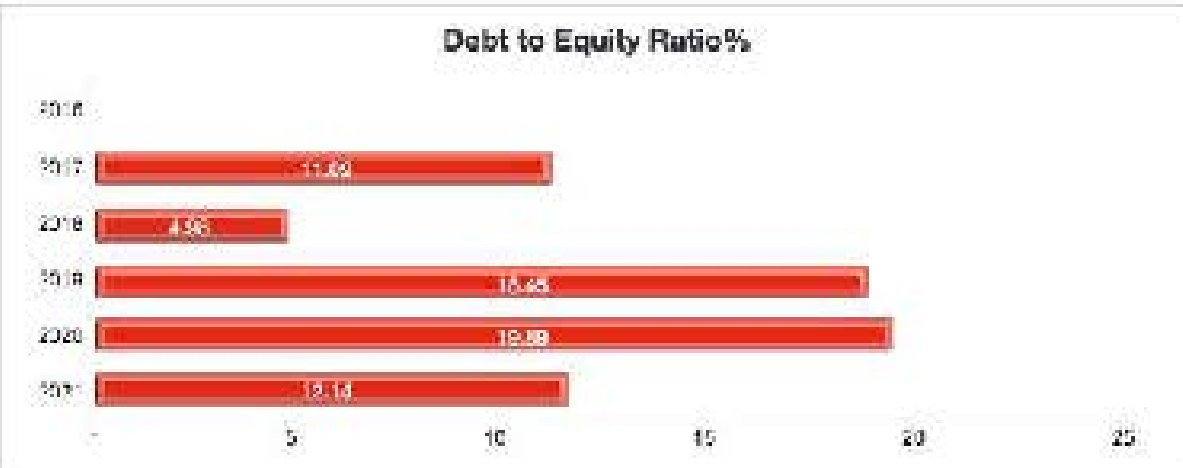


Financial Highlights

B. Liquidity Ratios

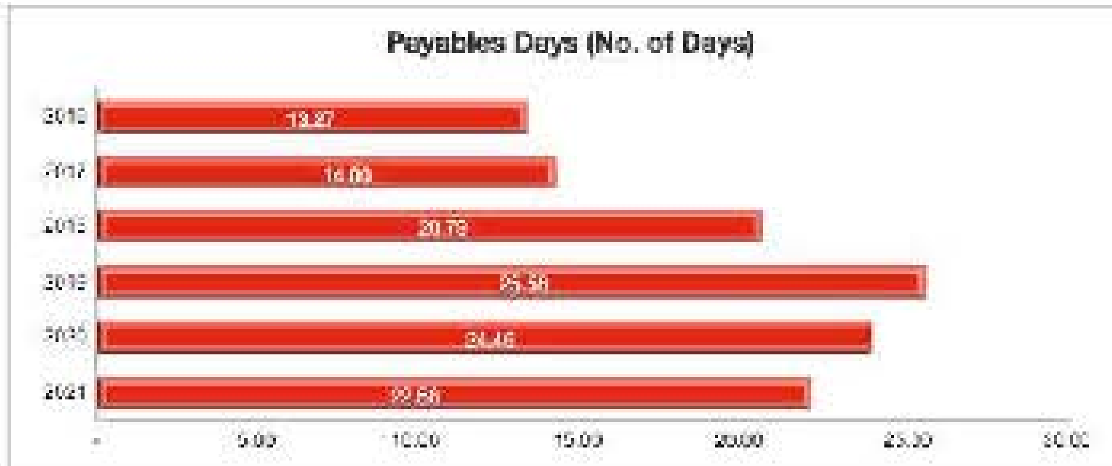


C. Gearing Ratios



Financial Highlights

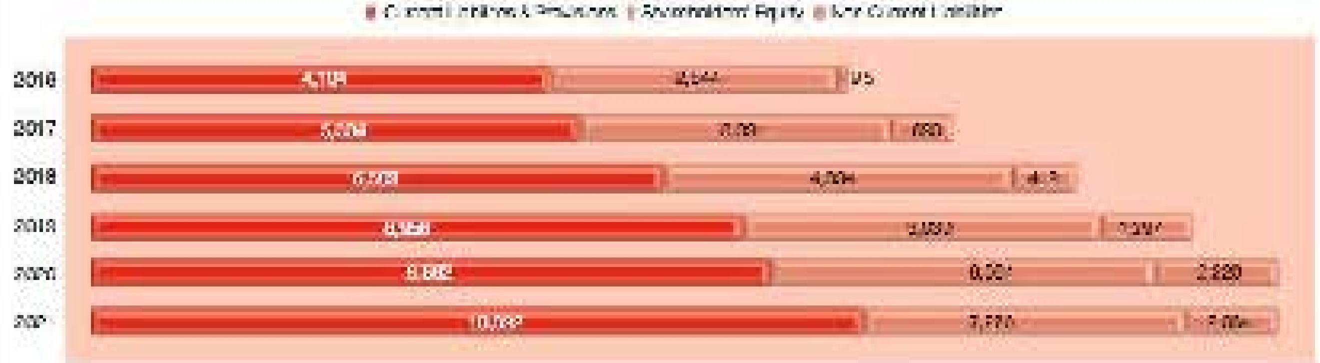
D. Efficiency Ratios



Horizontal Analysis

	2021	2020	2019	2018	2017	2016
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	20.46%	18.39%	12.30%	26.86%	23.67%	16.05%
Cost of Sales	22.07%	17.31%	16.00%	30.78%	25.45%	20.04%
Gross Profit	16.55%	19.00%	4.19%	23.08%	20.09%	8.75%
Administrative cost	16.31%	8.83%	21.92%	75.46%	(0.25%)	10.55%
Impairment loss on trade debts	0.25%	-2.77%	-72.75%	100.00%	0.00%	0.00%
Distribution cost	16.61%	13.15%	-6.26%	20.15%	23.09%	24.16%
Other Operating Expense	3.00%	5.84%	42.04%	110.84%	10.15%	(19.98%)
Administration, Distribution & Other Operating Exp and impairment	16.29%	11.19%	-3.00%	32.25%	23.32%	19.92%
Financial Charges	-6.15%	20.08%	44.05%	98.73%	17.50%	99.56%
Other Income	-47.06%	0.93%	364.36%	(45.96%)	202.60%	(67.14%)
Profit before Tax	13.86%	33.07%	46.83%	(11.04%)	16.16%	(20.91%)
Taxation	-0.20%	66.62%	140.74%	(57.65%)	2.13%	(22.39%)
Profit after taxation	19.64%	20.43%	33.44%	8.52%	22.08%	(19.88%)
BALANCE SHEET						
Issued, subscribed and paid up capital	25.00%	20.00%	25.00%	0.00%	0.00%	0.00%
Unappropriated Profit	17.76%	21.29%	22.80%	20.36%	27.88%	(10.38%)
Non controlling interest	20.67%	93.48%	36.36%	8.54%	100.00%	
Exchange revaluation reserve	-105.86%	185.18%	164.94%	671.38%	155.63%	203.41%
Total Equity	19.95%	20.55%	25.62%	10.07%	30.32%	(9.07%)
Long Term Obligations	-7.02%	71.12%	209.70%	(35.20%)	629.64%	(13.23%)
Total Long-term Liabilities and shareholder equities	12.72%	30.07%	43.06%	8.37%	64.70%	(9.18%)
Fixed Assets, CWIP & intangibles	9.12%	15.95%	12.64%	37.04%	64.03%	37.16%
Other Non current assets	61.70%	90.10%	-1.36%	21.02%	10.45%	(10.90%)
Current Assets	52.76%	12.48%	28.75%	1.81%	20.19%	16.22%
Total Assets	33.30%	14.25%	21.51%	16.11%	39.64%	20.49%
Current Liabilities & Provisions	50.04%	-0.92%	6.87%	22.04%	29.96%	52.46%
Net Assets	12.72%	30.02%	43.06%	8.37%	64.70%	(9.18%)

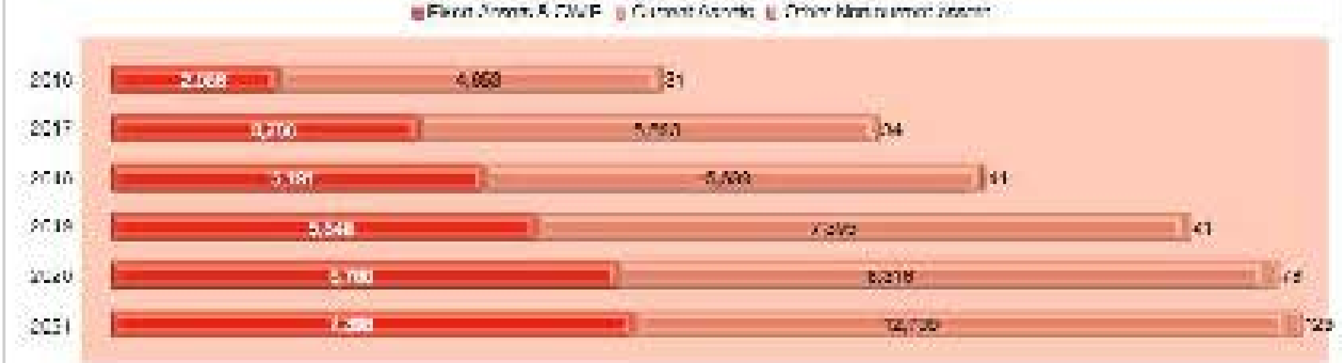
BALANCE SHEET ANALYSIS - EQUITY & LIABILITIES



Vertical Analysis

	2021	2020	2019	2018	2017	2016
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	71.80%	70.86%	71.20%	68.95%	67.83%	66.87%
Gross Profit	28.20%	29.14%	28.80%	31.05%	32.17%	33.13%
Administration	4.17%	4.32%	4.70%	4.23%	3.10%	3.80%
Distribution cost	15.38%	15.86%	16.17%	19.17%	20.51%	19.77%
Other operating cost	0.41%	0.46%	0.54%	1.07%	0.65%	0.73%
Financial Charges	0.81%	1.16%	1.17%	0.91%	0.62%	0.66%
Other Income	0.30%	0.37%	1.02%	0.25%	0.59%	0.24%
Profit before Tax	7.61%	6.04%	7.10%	5.43%	7.67%	8.35%
Taxation	1.90%	2.29%	1.45%	0.80%	2.06%	2.49%
Profit after taxation	5.71%	5.75%	5.65%	4.76%	5.60%	5.87%
BALANCE SHEET						
Issued, subscribed and paid up capital	9.99%	5.20%	5.47%	11.71%	12.69%	19.63%
Unappropriated Profit	61.08%	35.76%	35.16%	73.11%	65.83%	76.67%
Non Controlling Interest	6.80%	3.86%	2.20%	4.44%	4.39%	
Exchange revaluation reserve	0.03%	-0.36%	1.26%	1.27%	0.18%	0.11%
Total Equity	77.89%	47.76%	44.29%	90.53%	83.09%	96.47%
Long Term Obligations	22.11%	15.16%	11.42%	9.47%	16.91%	3.53%
Total Long term Liabilities and shareholder equities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Fixed Assets, CWIP & Intangibles	79.23%	31.85%	92.42%	117.36%	92.61%	76.00%
Other Non current assets	1.34%	0.94%	0.65%	0.94%	0.63%	1.17%
Current Assets	138.07%	100.41%	116.87%	128.86%	187.03%	179.38%
Total Assets	218.65%	133.20%	209.93%	247.15%	230.90%	256.57%
Current Liabilities & Provisions	118.65%	83.20%	-109.93%	147.15%	150.90%	156.56%
Net Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET ANALYSIS - ASSETS



Summary of Cash Flow Statement

[Rupees in Millions]	2021	2020	2019	2018	2017	2016
Cash flows from operating activities	2,526	[illegible]	1,923	[illegible]	1,425	480
Cash flows (used in) investing activities	(1,860)	(919)	(1,107)	(1,676)	(1,556)	(312)
Cash flows from / (used in) financing activities	(845)	(559)	(110)	(1)	167	(732)
Net increase / (decrease) in cash and cash equivalents	(178)	1,514	706	(367)	37	(564)
Cash and cash equivalents at the beginning of the year	1,196	(225)	(378)	(624)	(562)	(110)
Currency translation difference on cash and cash equivalents	(156)	(90)	46	12	1	2
Cash and cash equivalents at the end of the year	862	1,196	(225)	(678)	(324)	(362)

Operating activities

The Company's operating cash flow has increased at a CAGR of 81% over the past 6 years due to improved business performance.

Investing activities

Cash used in investing activities has increased at a CAGR of 35% over the past 6 years and mainly comprises investment in capital expenditure including Mayonise & Snacks Plant & land and building extension at manufacturing sites of the Company.

Financing activities

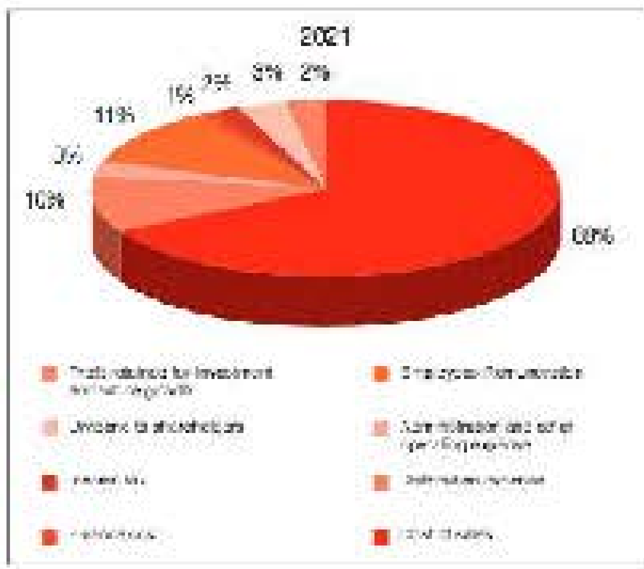
Financing activities mainly comprise long-term loans obtained for investment in A-1 Bags & Supplies Inc. The Company has financed its expansion needs by obtaining long-term loans which were partially offset by dividend payments.

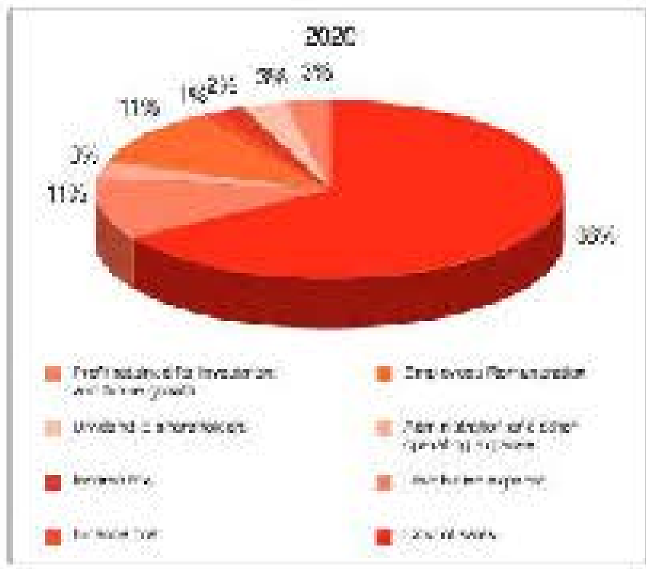
Six Year Cash Flows Using Direct Method

		2021	2020	2019	2018	2017	2016
		(Rupees in thousand)					
Cash received from customers		34,633,733	36,392,384	21,255,302	21,685,050	16,382,637	13,709,694
Cash paid for goods & services		(31,171,153)	(34,729,935)	(21,910,285)	(19,808,111)	(14,463,131)	(12,808,168)
Cash generated from operations		3,462,580	3,662,449	2,317,369	1,879,939	1,919,506	807,526
Financial cost paid	CF	(320,124)	(396,062)	(269,517)	(181,104)	(192,522)	(82,692)
Net increase in long term deposits	CF	(1,144)	(6,767)	502	(3,716)	(3,209)	3,739
Deferred rent	CF	-	(31,880)	3,103	17,390	1,896	-
Retirement benefit obligation	CF	(154,567)	(31,912)	(13,306)	(3,033)	(17,881)	(23,873)
Income tax refund / (paid)	CF	(460,737)	(284,190)	(115,528)	(383,404)	(277,367)	(208,675)
Net cash flow from operating activities		2,525,453	2,991,838	1,922,548	1,313,526	1,425,436	480,125
Purchase of property, plant & equipment	CF	(873,706)	(607,450)	(1,062,277)	(1,667,456)	(1,298,100)	(584,085)
Purchase of intangible assets	CF	(51,547)	(8,240)	(42,470)	(47,161)	(96,946)	(46,085)
Sale proceeds from disposal of property plant and equipment	CF	65,516	20,146	15,021	23,176	22,402	21,357
Purchase of equity investment	CF		(20,000)				
Purchase of other investment	CF	(1,000,000)					
Sale proceeds of open ended mutual fund units	CF						546,085
Purchase of open ended mutual fund units	CF						(500,000)
Deferred consideration paid	CF			(207,017)			
Investment in National Foods DMCC, Dubai UAE		-	-	-	-	-	-
Acquisition of subsidiary	CF	-	-	-		(102,429)	-
Purchase of treasury bills	CF	-	-	-		-	(147,813)
Proceeds from sale of treasury bills	CF	-	-	-		-	148,701
Net cash flow from investing activities		(1,859,531)	(615,544)	(1,105,506)	(1,679,323)	(1,556,075)	(312,010)
Proceeds from short term borrowings	CF	-	-	-	200,000	1,262,000	1,300,000
Proceeds from long term finance	CF	206,807	502,340	504,307	325,290	269,613	-
Repayment of short term borrowings	CF	169,733	(435,690)	(50,000)	-	(1,100,000)	(700,000)
Decrease in long term financing - net		(213,262)	-	(177,354)	(55,416)		-
Deferred consideration paid		-	-	-	(126,531)		-
Repayment of lease obligations	CF	(148,149)	(150,693)	-	-	0	-
Dividend paid	CF	(860,325)	(530,862)	(386,995)	(332,177)	(286,158)	(1,331,839)
Net cash flow from financing activities		(845,184)	(558,887)	(109,893)	(1,134)	167,495	(731,839)
Net cash flows		(179,242)	1,514,107	706,515	(366,929)	36,855	(564,024)

Statement of Value Added and its Distribution

	2021		2020	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Value Addition				
Revenue	34,588,433		28,713,148	
Other Income	132,609		250,586	
	34,721,042		28,963,734	
Value Distribution				
Cost of Sales	23,412,928	68%	19,146,166	66%
Distribution Expense	3,554,551	10%	3,173,923	11%
Administration and Other Operating Expense	965,219	3%	876,761	3%
Employees Remuneration	3,841,496	11%	3,115,041	11%
Finance Cost	314,707	1%	342,669	1%
Income Tax	668,313	2%	577,825	2%
Dividend to shareholders	1,165,577	3%	869,462	3%
Profit retained for Investment & Future Growth	809,097	2%	716,056	2%
	34,721,042	100%	28,963,732	100%





Pattern of Shareholding

As of June 30, 2021

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
ABDUL MAJEED	1	7,127,861	3.82
ASHAR HASAN	1	16,402,466	8.80
ZAHID MAJEED	1	7,450,205	4.00
EHSAN ALI MALIK	1	900	0.00
TOWFIQ H. CHINOY	1	1,500	0.00
NOREEN HASAN	1	54,400	0.03
SAADIA NAVEED	1	1,212,030	0.65
KHAWAR M. BUTT	1	22,913,015	12.29
MARGARET ELIZABETH MAJEED	1	706,520	0.38
DR. JAVED MAJEED	1	3,190,755	1.71
ADAM FAHY MAJEED	1	3,524,705	1.89
JAMILA WAQAR	1	24,675	0.01
ALIYA AFZAL	2	2,133,166	1.14
LAIDA HASAN	1	2,196,546	1.18
ZEELAF MUNIR	1	1,241,285	0.67
RADIA SHAIKH	1	1,212,030	0.65
ISHA BUTT ABDULLAH	1	1,212,030	0.65
Associated Companies, undertakings and related parties	1	62,649,451	33.59
Executives	-	-	-
Public Sector Companies and Corporations	1	869	0.00
Banks Development Financial Institutions, Non Banking Financial Institutions. Insurance Companies,Takaful,modarbas and pension funds	14	6,420,857	3.44
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	19,182	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	6,160	0.00
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	264,160	0.14
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	127,600	0.07
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	876	0.00
General Public			
a. Local	2,760	15,227,158	8.17
b. Foreign	81	66,363	0.04
Foreign Companies	2	28,557,521	15.31
Others	52	522,250	0.28
Totals	2,918	186,492,340	100.00

Shareholders holding 5% or more	Shares Held	Percentage
ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Pvt.) Ltd.)	62,649,451	33.59
ARISAIG INDIA FUND LIMITED	27,938,741	14.98
KHAWAR M. BUTT	22,913,015	12.29

Pattern of Shareholding

As of June 30, 2021

Number of Share Holders	Shareholdings/ Slab			Total Shares Held
742	1	to	100	32,843
816	101	to	500	243,748
459	501	to	1000	366,549
657	1001	to	5000	1,369,367
137	5001	to	10000	978,091
46	10001	to	15000	579,119
40	15001	to	20000	702,882
16	20001	to	25000	411,962
5	25001	to	30000	138,475
8	30001	to	35000	266,667
3	35001	to	40000	109,890
7	40001	to	45000	292,753
4	45001	to	50000	195,140
7	50001	to	55000	370,818
3	55001	to	60000	168,534
1	60001	to	65000	60,300
4	65001	to	70000	268,284
3	70001	to	75000	221,345
4	80001	to	85000	324,375
3	85001	to	90000	262,310
7	90001	to	95000	648,810
1	100001	to	105000	102,400
2	115001	to	120000	238,260
1	125001	to	130000	127,800
3	130001	to	135000	393,986
1	145001	to	150000	148,700
1	220001	to	225000	225,000
1	250001	to	255000	254,150
1	295001	to	300000	297,000
1	350001	to	355000	354,875
1	355001	to	360000	357,120
1	455001	to	460000	457,502
1	460001	to	465000	464,325
1	500001	to	505000	500,125
1	595001	to	600000	597,780
1	610001	to	615000	612,000
1	695001	to	700000	700,000
1	735001	to	740000	738,628
1	770001	to	775000	771,572
1	1060001	to	1065000	1,061,917
1	1155001	to	1160000	1,159,900
2	1210001	to	1215000	2,428,080
1	1240001	to	1245000	1,241,265
1	2010001	to	2015000	2,014,906
1	2195001	to	2200000	2,199,648
1	2265001	to	2270000	2,266,563
1	3100001	to	3105000	3,100,765
1	3520001	to	3525000	3,524,705
1	4370001	to	4375000	4,374,000
1	7125001	to	7130000	7,127,951
1	7455001	to	7460000	7,459,265
1	18400001	to	18405000	18,402,465
1	22910001	to	22915000	22,913,015
1	27955001	to	27960000	27,960,741
1	62645001	to	62650000	62,648,451
2913				**188,492,340**

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June 2021

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

1. The total number of directors are seven (07) as per the following:
   a. Five (5) Males b. Two (02) Female

2. The composition of board is as follows:

   Independent Director

   Mr. Ehsan Malik
   Mr. Towfiq H. Chinoy

   Non-Executive Directors

   Mr. Abdul Majeed
   Mrs. Noreen Hasan
   Mrs. Saadia Naveed

   Executive Director

   Mr. Abrar Hasan
   Mr. Zahid Majeed

   Female directors

   Mrs. Noreen Hasan
   Mrs. Saadia Naveed

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

4. 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.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. 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.

7. 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.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Following directors have attended Directors' Training:
   Mr. Abrar Hasan
   Mr. Ehsan A. Malik
   Mr. Towfiq H. Chinoy
   Mrs. Noreen Hasan
   Mrs. Saadia Naveed
   Mr. Zahid Majeed

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

Statement of Compliance with the Code of Corporate Governance

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.

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

    a) Audit Committee

Mr. Ehsan A. Malik	Chairman
Mrs. Noreen Hasan	Member
Mrs. Saadia Naveed	Member
Mr. Zahid Majeed	Member

    b) HR and Remuneration Committee

Mr. Towfiq H. Chinoy	Chairman
Mr. Abrar Hasan	Member
Mr. Ehsan A. Malik	Member
Mr. Zahid Majeed	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 – Five (05)
    b) HR and Remuneration Committee – One (01)

15. The Board has outsourced the internal audit function to Messrs. Ernst & Young Ford Rhodes & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or director of the company.

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. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

    For the purpose of Clause 6 (1), the Company has not rounded up the fraction as one since the Board has adequate Independent Directors i.e. 02 Independent Directors out of the Board of 07 Directors. We have duly complied with the minimum requirement of Executive & Independent Director. The additional number out of 07 is assigned to Non-Executive Director.

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, 2019 (the Regulations) prepared by the Board of Directors of **National Foods Limited** for the year ended 30 June 2021 in accordance with the requirements of regulation 36 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.

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 2021.

Date: 15 September 2021
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Name of the Engagement Partner: Moneeza Usman Butt

STANDALONE FINANCIAL STATEMENTS 2021

Independent Auditors' Report to the Members of National Foods Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **National Foods Limited** (the Company), which comprise the unconsolidated statement of financial position as at 30 June 2021, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 2021 and of the profit and other comprehensive income, 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 Unconsolidated 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 unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters

S. No.	Key audit matters	How the matters were addressed in our audit
1.	**Revenue recognition** Refer notes 4.14, 25 and to 35 the Company's unconsolidated financial statements. Revenue is recognized from sale of goods in accordance with accounting and reporting standards as applicable in Pakistan and measured at net of discounts, rebates, allowances and sales return. We identified revenue recognition as key audit matter because of risk of incorrect measurement of revenue due to adjustments for discounts and rebates offered to customers and allowance for sales return. Further revenue is one of the key performance indicators and there is a potential risk of non-recognition of revenue transactions in the appropriate period.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding and assessing the design and testing of the implementation and operating effectiveness of the relevant key controls over revenue recognition, the calculation of discounts and rebates and allowance for sales return including timing of revenue recognition; • considering the appropriateness of the Company's accounting policies for revenue recognition including those relating to discounts, rebates and allowance for sales return and assessing compliance of those policies with accounting and reporting standards as applicable in Pakistan; • obtaining and inspecting a sample of contracts with customers to understand the conditions required for discounts, rebates and allowance for sales return; • testing, on a sample basis, the accuracy of the amounts of discounts, rebates and allowance for sales return recognized by agreeing to individual customer agreements and performing 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.	**Valuation of Trade debtors** Refer notes 4.5.1, 4.10.1 and 10 to the Company's unconsolidated financial statements. The Company has significant balance of trade debts at year end. Impairment loss against trade debts has been calculated based on Expected Credit Losses (ECL) model, as defined in IFRS 9 'Financial Instruments'. We identified valuation of trade debts as a key audit matter as it involves significant judgment in determining the recoverable amount of trade debts.	Our audit procedures to assess the valuation of debtors, among others involved the following: • obtaining an understanding of and assessing the design and testing the implementation of management's key internal controls relating to credit control process (including credit account application approvals and credit limit review); • obtaining an understanding of management's basis for the determination of provision required at the year end and the receivables collection process; • assessing the method used by the company for recognition of the allowance for ECL in accordance with the applicable standard and assessing the reasonableness of assumptions used; • testing the accuracy of the data on a sample basis extracted from the Company's accounting system which has been used to calculate the provision required including subsequent recoveries; and

S. No.	Key audit matters	How the matters were addressed in our audit
		• involving our own valuation specialist to assist in evaluating the appropriateness of the significant assumptions used in relation to application of the ECL model.
3.	**Valuation of Stock-in-trade** Refer notes 4.9 and 9 to the Company's unconsolidated financial statements. Stock-in-trade forms a significant part of the Company's total assets. Stock-in-trade comprise of raw material, work in process and finished good which are stated at lower of cost and estimated net realizable value (NRV). 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.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • obtaining an understanding of and assessing the design and testing the implementation of management's controls designed to identify expired, obsolete as well as slow moving and stocks close to expiry; • 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 process 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, obsolete as well as slow moving and stocks close to expiry.

Independent Auditors' Report to the Members of National Foods Limited

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

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated 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:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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: 16 September 2021

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Unconsolidated Statement of Financial Position

As at 30 June 2021

	Note	2021	2020
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,032,273	4,837,771
Intangibles	6	65,091	45,162
Long-term investments	7	61,719	61,719
Long-term deposits		47,956	46,799
Deferred assets	8	46,816	-
		5,253,855	4,991,451
Current assets			
Stores, spare parts and loose tools		160,339	189,264
Stock-in-trade	9	4,845,364	4,043,708
Trade debts	10	1,277,125	1,702,404
Advances	11	155,982	140,502
Trade deposits and prepayments	12	60,451	60,428
Other receivables	13	12,274	8,098
Sales tax refundable		90,076	-
Short-term investments at FVTPL	14	1,001,199	-
Cash and bank balances	15	2,898,926	588,927
		10,381,736	6,681,263
TOTAL ASSETS		15,635,591	11,672,714
EQUITY AND LIABILITIES			
Share Capital and reserves			
Authorised share capital			
1,000,000,000 (30 June 2020: 1,000,000,000) ordinary shares of Rs. 5 each		5,000,000	5,000,000
Share Capital			
Issued, subscribed and paid-up capital	16	932,451	745,969
Revenue Reserve			
Unappropriated profit		4,543,794	4,177,888
		5,476,255	4,923,857
Non - current liabilities			
Long-term finance	17	698,619	849,235
Deferred taxation - net	18	216,211	290,518
Deferred liabilities	8	7,006	80,523
		921,835	1,220,276
Current liabilities			
Trade and other payables	19	4,361,147	3,667,253
Contract liability	20	482,525	348,208
Short-term borrowings	21	2,790,795	554,404
Unclaimed dividend		21,202	21,791
Long-term finance classified as current - secured	17	529,799	220,323
Mark-up accrued		9,138	14,442
Sales tax payable		-	11,566
Taxation - net		1,022,895	691,739
		9,237,501	5,528,761
Contingencies and Commitments	22		
TOTAL EQUITY AND LIABILITIES		15,635,591	11,672,714

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

Chief Executive Officer	Chief Financial Officer	Director

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021	2020
		(Rupees in thousand)	
Sales - Net	23	23,115,798	19,258,717
Cost of sales	24	(16,079,696)	(13,150,298)
Gross profit		7,036,102	6,108,419
Distribution costs	25	(3,933,645)	(3,381,529)
Impairment loss on trade debts	10.1	(4,851)	16,694
Administrative expenses	26	(1,214,638)	(1,096,390)
Other expenses	27	(140,277)	(123,110)
Other income	28	107,401	218,427
Operating profit		1,849,692	1,752,011
Finance costs	29	(136,020)	(183,887)
Profit before taxation		1,713,672	1,568,124
Taxation - net	30	(448,480)	(463,622)
Profit after taxation		1,265,192	1,104,502
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of retirement benefit liability		47,007	(1,212)
Related deferred tax thereon		(13,632)	351
		33,375	(861)
Total comprehensive income for the year		1,298,567	1,103,641
		(Rupees)	
Earnings per share - basic and diluted	31	6.78	5.92

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

Chief Executive Officer	Chief Financial Officer	Director

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Issued, subscribed and paid-up capital	Revenue reserve - unappropriated profit	Total
	(Rupees in thousand)		
Balance as at 30 June 2019	621,641	3,695,688	4,317,329
Transaction with owners in the capacity as owners directly recorded in equity - distribution			
1 Ordinary share for each 5 Ordinary shares held - allotted as bonus shares for the year ended 30 June 2019	124,328	(124,328)	-
Final cash dividend for the year ended 30 June 2019 @ Rs. 4 per Ordinary share	-	(497,313)	(497,313)
Total comprehensive income for the year ended 30 June 2020			
Profit for the year	-	1,104,502	1,104,502
Other comprehensive income	-	(861)	(861)
	-	1,103,641	1,103,641
Balance as at 30 June 2020	**745,969**	**4,177,688**	**4,923,657**
Transaction with owners in the capacity as owners directly recorded in equity - distribution			
1 Ordinary share for each 4 Ordinary shares held - allotted as bonus shares for the year ended 30 June 2020	186,492	(186,492)	-
Final cash dividend for the year ended 30 June 2020 @ Rs. 5 per Ordinary share	-	(745,969)	(745,969)
Total comprehensive income for the year ended 30 June 2021			
Profit for the year	-	1,265,192	1,265,192
Other comprehensive income	-	33,375	33,375
	-	1,298,567	1,298,567
Balance as at 30 June 2021	**932,461**	**4,543,794**	**5,476,255**

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

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021	2020
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	2,660,961	2,603,698
Finance costs paid		(140,324)	(179,069)
Income taxes paid		(206,463)	(120,665)
Retirement benefits		(164,587)	(33,253)
Long-term deposits - net		(1,157)	(7,168)
Net cash from operating activities		2,156,420	2,263,543
CASH FLOWS FROM INVESTING ACTIVITES			
Capital expenditure		(752,223)	(798,598)
Intangible assets		(51,642)	(8,240)
Proceeds from disposal of operating fixed assets		61,074	20,146
Purchase of debt investment		(1,000,000)	-
Purchase of equity investment		-	(30,000)
Net cash used in investing activities		(1,742,791)	(816,692)
CASH FLOWS FROM FINANCING ACTIVITES			
Proceeds from long-term finance-net		206,837	592,349
Proceeds from short-term borrowings-net		100,000	(380,000)
Dividends paid		(746,558)	(430,443)
Net cash used in financing activities		(439,721)	(218,094)
Net (decrease) / increase in cash and cash equivalents		(24,292)	1,238,757
Cash and cash equivalents at beginning of the year		532,423	(701,334)
Cash and cash equivalents at end of the year	33	508,131	532,423

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

Chief Executive Officer

Chief Financial Officer

Director

1. THE COMPANY AND ITS OPERATIONS

National Foods Limited ("the Company") was incorporated in Pakistan on 19 February 1970 as a privat 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 ultimate parent entity of the Company is ATC Holdings (Private) Limited based on control model as provided under IFRS 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 7 to these unconsolidated 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 Mor, Amanabad, Gujranwala; and
- A-393, Nooriabad Industrial Estate, Nooriabad.

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

2. BASIS OF PREPARATION

2.1 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 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.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

Notes to the Financial Statements
For the year ended 30 June 2021

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

2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with 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 result 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 - expected credit loss

These financial assets are adjusted for loss allowances that are measured at amount equal to lifetime expected credit loss that result from all possible default events over expected life of the financial asset.

Provision for refund liability

Refund liability provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for refunds as they are not anticipated to be resold. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

Investment at fair value through profit or loss (FVTPL)

In making estimate of fair value of investment, fair value is determined on the basis of significant unobservable inputs.

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

3.1 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 2020. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these unconsolidated financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) – Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments and improvements does not have a material impact on the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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 5.1.

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

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

4.2 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 is charged to allocate the cost of asset over its estimated useful life of 8 years using straight line method.

4.3 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use asset and lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for any lease payments made at or before the commencement date, plus any direct initial costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received. The right of use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognise right-of-use asset and lease liabilities of lease contracts which do not convey the right to direct the use of an identified asset and those having lease term equal to or less than 12 months. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

4.4 Long term investment - subsidiary

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

4.5 Financial Instruments

4.5.1 Recognition, classification and measurement - Financial Assets

Classification

The Company classifies its financial assets in the following measurement categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at FVOCI. However the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income.

On initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Initial measurement

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. However, at initial recognition, the Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

Subsequent measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in statement of profit or loss.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

4.5.2 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses is recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

4.5.3 Derecognition

Financial assets:

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities:

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

4.5.3.1 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised cost.

4.5.3.2 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.

4.6 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 equity or other comprehensive income, 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 91.94% (2020: 92.34%) 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.

4.7 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 spouse of one former director. The liability recognised in the statement of financial position 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 2021.

The current and past-service costs are recognized immediately in statement of profit or loss. Further, the amount arising as a result of remeasurements are recognised in the statement of financial position 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.

4.8 Stores, spare parts and loose tools

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

4.9 Stock in trade

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

4.10 Impairment losses

4.10.1 Financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.10.2 Non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting 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 statement of profit and loss.

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.

4.11 Ijarah

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

4.12 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.

4.13 Foreign currency transactions and translation

Foreign currency transactions are translated into Pakistani 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 Pakistani Rupee at the rates of exchange approximating those prevailing at the reporting date. Exchange gains / losses on translation are included in income currently.

4.14 Revenue recognition

Revenue is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer. Revenue from sale of goods is recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised on delivery of goods. Delivery occurs when the products have been shipped to / or and delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product.

The consideration which the Company receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer net of returns, amounts collected on behalf of third parties (sales taxes etc.), pricing allowances, other trade discounts, volume rebates and couponing, price promotions to consumers / customers and any other consideration payable to customers. The level of discounts, allowances and promotional rebates are recognized on estimated basis using historical experience and the specific terms of the arrangement, as a deduction from revenue at the time that the related sales are recognized or when such incentives are offered to the customer or consumer. Sales return provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for returns as they are not anticipated to be resold. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company provides retrospective discounts to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. A contract liability is recognised for expected discount payable to customers in relation to sales made until the end of the reporting period. Further, a contract liability is also recognised for short- term advances that the Company receives from its customers.

4.15 Miscellaneous income

Miscellaneous income including export rebate is recognised on receipt basis.

4.16 Interest / Mark up income / Rental income / late payment by trade debtors

Income on interest / Mark up income / Rental income / late payment by trade debtors is recognised on accrual basis.

4.17 Dividend income

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

4.18 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

4.19 Research and development

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

4.20 Dividends and appropriations

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

Notes to the Financial Statements
For the year ended 30 June 2021

4.21 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2021	2020
		(Rupees in thousand)	
Operating fixed assets	5.1	4,564,852	4,478,220
Capital work-in-progress	5.4	467,421	359,551
		5,032,273	4,837,771

5.1 Operating fixed assets:

	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
2021									
	(Rupees in thousand)								
At 1 July 2020									
Cost	232,540	2,680,905	3,054,488	151,492	227,024	216,943	50,580	53,087	6,723,141
Accumulated depreciation	(41,057)	(418,992)	(1,345,918)	(92,980)	(120,050)	(162,228)	(22,209)	(27,729)	(2,233,021)
Net book value	191,482	2,261,913	1,708,573	58,511	106,974	54,715	28,371	25,358	4,475,220
Additions / transfer - note 5.4.1	-	189,155	346,952	4,627	5,278	28,304	9,012	38,825	644,359
Disposals									
Cost	-	-	-	-	-	(7,341)	-	(27,063)	(34,404)
Accumulated depreciation	-	-	-	-	-	7,104	-	6,533	13,637
	-	-	-	-	-	(237)	-	(20,530)	(20,767)
Depreciation charge for the year	(4,228)	(91,563)	(285,231)	(24,025)	(38,622)	(35,145)	(5,783)	(10,795)	(536,924)
Closing net book value	187,254	2,359,503	1,775,294	38,715	73,630	47,537	31,600	45,808	4,554,558
At 30 June 2021									
Cost	232,540	2,870,061	3,444,441	156,010	232,302	235,906	59,592	64,825	7,312,050
Accumulated depreciation	(45,286)	(510,558)	(1,668,547)	(117,594)	(158,672)	(188,369)	(27,992)	(37,021)	(2,752,028)
Net book value	187,254	2,359,503	1,775,894	38,715	73,630	47,537	31,600	18,808	4,561,552
Useful life (years)	36 - 99	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	
2020									
At 1 July 2019									
Cost	232,519	2,081,951	2,551,700	139,297	210,081	180,020	40,418	57,590	5,393,220
Accumulated depreciation	(36,859)	(331,866)	(1,047,113)	(69,324)	(86,090)	(136,??0)	(17,094)	(21,715)	(1,751,514)
Net book value	195,620	2,042,045	1,505,187	69,963	124,542	43,520	23,344	35,875	4,048,212
Additions / transfer - note 5.4.1	-	598,958	571,218	12,425	17,600	38,510	10,162	19,896	855,448
Disposals									
Cost	-	-	(3,254)	(200)	(1,507)	(3,450)	-	(21,844)	(30,255)
Accumulated depreciation	-	-	3,254	146	1,489	3,406	-	7,018	15,313
	-	-	-	(54)	(18)	(44)	-	(14,826)	(10,767)
Depreciation charge for the year	(4,126)	(30,327)	(350,131)	(20,703)	(35,461)	(31,724)	(5,135)	(13,095)	(482,660)
Closing net book value	191,482	2,261,913	1,705,573	58,514	106,974	54,715	28,371	25,358	4,475,220
At 30 June 2020									
Cost	232,540	2,680,905	3,054,488	151,492	227,024	216,943	50,580	53,087	6,723,141
Accumulated depreciation	(41,057)	(418,992)	(1,345,918)	(92,980)	(120,050)	(162,228)	(22,209)	(27,729)	(2,233,021)
Net book value	191,482	2,261,913	1,708,573	58,511	106,974	54,715	28,371	25,358	4,475,220
Useful life (years)	36 - 99	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	

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

	Note	2021	2020
		(Rupees in thousand)	
Cost of sales	24	419,134	374,441
Distribution costs	25	16,571	16,752
Administrative expenses	26	101,219	91,467
		536,924	482,660

Notes to the Financial Statements
For the year ended 30 June 2021

5.3 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	2,666	278	2,388	3,292	904	Company Policy	Syed Zeeshan Ali Company's Executive
Vehicles	2,310	154	2,156	2,492	336	Company Policy	Muhammad Javed Company's Executive
Vehicles	1,962	302	1,660	2,054	394	Company Policy	Junaid Ahmed Company's Executive
Vehicles	1,758	117	1,641	1,486	(155)	Company Policy	Ali Shahid Khan Company's Executive
Vehicles	2,102	701	1,401	2,171	770	Company Policy	Mehnaz Hafeez Company's Executive
Vehicles	1,250	121	1,129	1,231	102	Company Policy	Shahid Hussain Company's Executive
Vehicles	1,135	118	1,017	1,068	51	Company Policy	Shakeel Ahmed Khan Company's Executive
Vehicles	1,133	164	969	1,306	337	Company Policy	Javed Qureshi Company's Executive
Vehicles	1,250	363	887	1,575	688	Company Policy	Tahir Iqbal Company's Executive
Vehicles	805	33	772	911	141	Company Policy	Raza Ali Company's Executive
Vehicles	814	54	760	990	230	Company Policy	Ali Warind Company's Executive
Vehicles	848	93	755	915	160	Company Policy	Yumna Junaid Company's Executive
Vehicles	850	121	725	985	260	Company Policy	Marium Asghar Company's Executive
Vehicles	833	222	611	104	(507)	Company Policy	Amjad Riaz Company's Executive
Vehicles	807	55	752	1,500	748	Company Policy	M. Shahzad Saeed Company's Executive
Total	20,444	3,026	17,425	21,935	4,508		

	2021	2020
	(Rupees in thousand)	
5.4 Capital work-in-progress (CWIP)		
Civil works	50,278	53,336
Plant and machinery	114,229	30,086
Office equipment	112	152
Advance against computer	16,220	1,032
Advance against acquisition of land	284,331	224,936
Advance against motor vehicles and furniture & fixtures	2,262	-
	467,421	309,551

5.4.1 During the year the additions to CWIP and transfer of respective assets amounted to Rs. 458.98 million (2020: Rs. 428.07 million) and Rs. 347.18 million (2020: Rs. 574.76 million) respectively.

5.5 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	45,998	40,588
S.I.T.E.	Manufacturing plant	78,401	82,029
Port Qasim	Manufacturing plant	435,600	265,556
Nooriabad	Manufacturing plant	602,351	120,112
Gujranwala	Manufacturing plant	130,000	30,000
Multan	Warehouse	43,560	43,560

		2021	2020
		(Rupees in thousand)	
6. INTANGIBLES			
Computer software and ERP System	6.1	33,104	37,301
Systems under development	6.3	31,987	7,861
		65,091	45,162

6.1 Computer software and ERP System

	2021	2020
Net carrying value basis		
Opening net book value	37,301	77,083
Additions (at cost) / transfer	27,716	3,514
Amortisation for the year	(31,913)	(43,296)
Closing net book value	33,104	37,301
Gross carrying value basis		
Cost	304,150	295,484
Accumulated amortisation	(271,046)	(258,183)
Net book value	33,104	37,301
Useful life (years)	3	3

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

		2021	2020
		(Rupees in thousand)	
Cost of sales	24	129	6
Distribution costs	25	1,231	-
Administrative expenses	26	30,553	43,290
		31,913	43,296

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

		2021	2020
		(Rupees in thousand)	
7. LONG TERM INVESTMENT			
Investment at fair value through profit or loss (FVTPL)	7.1	30,000	30,000
Investment in subsidiary - at cost	7.2	31,719	31,719
		61,719	61,719

7.1 On 25 February 2020, the Company subscribed 2,999,600 ordinary shares of Rs.10 each in Naymat Collateral Management Company Limited (NCMCL). The Company's shareholding gives it ownership interest and voting power of 10% in it. NCMCL is an unlisted public company that was incorporated under Companies Act, 2017 on 21 January 2020 and has its registered office at C-39/B, Block 4, Clifton, Karachi Saddar Town, Sindh, Pakistan. It is engaged in the business of providing storage and preservation services for a range of agricultural commodities as well as issuing credible warehouse receipts for agricultural commodity financing.

Investment in NCMCL has been carried at fair value through profit or loss (FVTPL). Accordingly, the Company has carried out an exercise to ascertain the fair value of the investment as at the year end using recent transaction price paid for identical instrument of the investee (level 3) on the basis of which the Company has not recorded any gain / loss in the statement of profit or loss.

Notes to the Financial Statements
For the year ended 30 June 2021

7.2 **National Foods DMCC (NF DMCC)**

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 was formed as a limited liability company and commenced operations from March 2013. 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 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.

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.

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.

	2021	
	(Rupees in thousand)	
8. DEFERRED ASSETS / LIABILITIES		
Pension Plan	(46,816)	60,165
Pensioners' Medical Plan	7,005	30,358
	(39,811)	90,523

8.1 The Company operates a funded pension scheme and post retirement medical benefit for chief executive, one non-executive and spouse of 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 2021.

8.2 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.

8.3 The latest actuarial valuation of the Fund as at 30 June 2021 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

8.4 Balance sheet reconciliation

	Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
	(Rupees in thousand)		(Rupees in thousand)	
Present value of defined benefit obligations	181,742	180,215	67,517	84,866
Fair value of plan assets	(228,660)	(130,052)	(60,512)	(54,508)
	(46,918)	50,163	7,005	30,358

8.5 **Movement in the net liability recognised in the balance sheet**

	Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
Opening balance	50,163	34,276	30,358	31,939
Remeasurements recognised in other comprehensive income	(21,143)	5,343	(25,956)	(4,127)
Charge / (income) for the year	11,162	10,549	4,485	6,168
Contribution made	(87,100)	-	-	-
Payments made to members (beneficiaries) by Company	-	-	(1,864)	(3,622)
Closing balance	(46,918)	50,163	7,005	30,358

8.6 **Remeasurements recognised in other comprehensive income**

	Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
Re-measurements: Actuarial (gain) / loss on obligation				
- (Gain) / Loss due to change in financial assumptions	(36,300)	(2,700)	(371)	1,014
- (Gain) / Loss due to change in experience adjustments	17,363	1,186	(24,646)	(8,016)
Actuarial (gain) / loss on defined benefit obligation	(18,937)	(1,514)	(25,016)	(7,002)
Re-measurements: Return on plan assets				
- Actual return on plan assets	14,325	10,877	6,004	4,463
- Interest income on plan assets	12,119	17,734	5,066	7,338
Net re-measurement recognised in other comprehensive income	(2,206)	6,857	(940)	2,875
Total defined benefit cost recognised in other comprehensive income	(21,143)	5,343	(25,956)	(4,127)

8.7 **Expense recognised in profit and loss account**

	Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
Component of defined benefit costs recognised in profit and loss account				
Current service cost	6,511	5,551	1,809	1,840
Net interest cost				
- Interest cost on defined benefit obligation	16,770	22,732	7,742	11,666
- Interest income on plan assets	(12,119)	(17,734)	(5,066)	(7,338)
	4,651	4,998	2,676	4,328
	11,162	10,549	4,485	6,168

8.8 **Movement in the present value of defined benefit obligations**

	Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
Obligation as at July 1	180,215	156,293	84,866	81,984
Current service cost	6,511	5,551	1,809	1,840
Interest cost	16,770	22,732	7,742	11,666
Benefits paid	(4,812)	(2,842)	(1,864)	(3,622)
Actuarial loss / (gain)	(18,932)	(1,514)	(25,016)	7,002
Obligation as at June 30	181,742	180,215	67,517	84,866

8.9 **Movement in the fair value of plan assets**

	Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
As at July 1	130,052	122,017	54,508	50,045
Expected return on plan assets	12,119	17,734	5,066	7,338
Contribution made	87,100	-	-	-
Benefits paid	(4,812)	(2,842)	-	-
Return on plan assets excluding interest	2,206	(6,857)	940	(2,875)
As at June 30	228,663	130,052	60,512	54,508

8.10 **Plan assets comprise of the following:**

	Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
Cash at bank	112,852	47,244	30,587	19,801
Investment in mutual fund	116,811	82,805	29,925	34,707
	229,663	130,052	60,512	54,508

Notes to the Financial Statements

For the year ended 30 June 2021

8.11 **Principal actuarial assumptions**

	2021	2020
Expected rate of increase in salaries	10.25%	9.25%
Expected rate of increase in pension	3.25%	4.25%
Expected rate of increase in medical benefits	10.25%	9.25%
Discount factor used	10.25%	9.25%
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
Rates of employee turnover	Light	Moderate

8.12 **Components of defined benefit cost for the next year**

	2022 Pension Plan	2022 Pensioners' Medical Plan
	(Rupees in thousand)	
Current service cost	6,485	1,909
Interest cost on defined benefit obligation	18,819	7,742
Interest income on plan assets	(14,743)	(5,056)
Net interest cost	4,076	2,586
Cost for the next year to be recognized in statement of profit or loss	10,561	4,495

8.13 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.

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.

8.14 **Sensitivity analysis for actuarial assumptions**

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

	Change in assumption	Impact on defined benefit obligation - Increase / decrease in liability	
		(Rupees in thousand)	
		2021	
Discount rate at June 30	1.00%	221,080	283,120
Future salary increases	1.00%	189,771	174,032
Future pension increases	1.00%	198,438	167,211
Medical cost increases	1.00%	76,247	60,239
		2020	
Discount rate at June 30	1.00%	205,598	252,141
Future salary increases	1.00%	184,640	171,237
Future pension increases	1.00%	198,657	164,324
Medical cost increases	1.00%	96,252	76,426

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 analyses did not change compared to the previous year.

8.15 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.

8.16 The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 11.46 years and 10.90 years respectively.

8.17 During the year, the Company contributed Rs. 70.53 million (2020: Rs. 25.69 million) to the provident fund.

9. STOCK-IN-TRADE

	Note	2021	2020
		(Rupees in thousand)	
Raw materials	9.1	1,940,112	1,236,973
Provision for obsolescence	9.3	(58,725)	(15,140)
		1,881,387	1,221,833
Packing materials	9.1	742,879	499,818
Provision for obsolescence	9.3	(41,595)	(42,774)
		701,284	457,044
Work in process		1,165,369	1,368,742
Provision for obsolescence	9.3	(73,219)	(24,329)
		1,092,150	1,344,413
Finished goods	9.1, 9.2 & 9.3	1,398,183	1,041,286
Provision for obsolescence		(125,840)	(20,865)
		1,272,343	1,020,421
		4,945,364	4,048,709

9.1 Stock in trade includes Rs. 2.75 billion (2020: Rs. 1.98 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. 124.71 million (2020: Rs. 35.13 million) valued at net realisable value of Rs. 101.05 million (2020: Rs. 28.64 million).

9.3 During the year, the Company has booked provision / (2020: reversal) for obsolescence of Rs. 235.43 million (2020: Rs. 35.11 million) and has written off stocks against provision amounting to Rs. 57.20 million (2020: Rs. 65.88 million).

10. TRADE DEBTS

	Note	2021	2020
		(Rupees in thousand)	
Considered good - unsecured			
- Related parties	10.2	496,456	824,480
- Others		780,669	877,924
		1,277,125	1,702,404
Considered doubtful		25,073	20,222
		1,302,198	1,722,626
Allowance for impairment	10.1	(25,073)	(20,222)
		1,277,125	1,702,404

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

	2021	2020
	(Rupees in thousand)	
Opening allowance for impairment	20,222	69,564
Charge / (reversal) for the year - net	4,851	(16,694)
Write-off during the year	-	(32,648)
Closing allowance for impairment	25,073	20,222

10.1.1 During the year the Company has written-off trade debts amounting to Rs. Nil (2020: 5.9 million).

10.2 Receivable from related parties

	2021	2020
National Foods DMCC	496,456	824,480

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

	2021	2020
	(Rupees in thousand)	
National Foods DMCC	1,022,634	829,796

As at 30 June 2021, the gross amount of trade debts due from related parties is Rs. 496.46 million (2020: Rs. 894.5 million) out of which Rs. 496.46 million (2020: Rs.840.02 million) were past due. The ageing of these trade debts is up to 3 months.

		2021	2020
		(Rupees in thousand)	
11. ADVANCES			
Considered good			
Employees - against expenses	11.1	443	15,207
Suppliers		155,539	125,295
		155,982	140,502
Considered doubtful			
Suppliers		27,684	27,684
		183,666	168,186
Provision for doubtful advances to suppliers		(27,684)	(27,684)
		155,982	140,502

11.1 These advances do not carry any mark up arrangement.

		2021	2020
12. TRADE DEPOSITS AND PREPAYMENTS			
Considered good			
Deposits	12.1	9,000	9,000
Prepayments		41,451	51,435
		50,451	60,435

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

		2021	2020
		(Rupees in thousand)	
13. OTHER RECEIVABLES			
Due from related parties			
- AKG Holdings (Private) Limited	13.1	956	5,894
- Director	13.1	205	5
		1,161	5,899
Others		589	2,200
Receivable from Provident fund	13.3	4,555	
Workers' Profit Participation Fund	13.2	5,969	-
		12,274	8,099

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

	2021	2020
	(Rupees in thousand)	
13.2 Workers' Profit Participation Fund		
Payable as at July 1	(70,765)	(67,623)
Allocation for the year	(92,653)	(73,343)
	(163,418)	(140,966)
Amount paid during the year	169,387	70,201
Receivable / (Payable) as at June 30	5,969	(70,765)

14. SHORT TERM INVESTMENTS at FVTPL

Name of Fund	As at 1 July 2020	"Invested during the year"	Redeemed during the year	Bonus received during the year	As at 30 June 2021
	(Number of units)				
Meezan Rozana Amdani Fund	-	20,000,000	-	23,981	20,023,981
Total	-	20,000,000	-	23,981	20,023,981
	(Rupees in thousand)				
Meezan Rozana Amdani Fund		1,000,000		1,195	1,001,195
Total	-	1,000,000	-	1,195	1,001,195

		2021	2020
		(Rupees in thousand)	
15. CASH AND BANK BALANCES			
Cash in hand		1,874	2,024
Cash at bank - current account			
- local currency	15.1	2,277,714	215,436
- foreign currency		419,338	346,367
		2,697,052	561,803
		2,698,926	563,827

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

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021	2020		2021	2020
Number of Shares			(Rupees in thousand)	
2,511,980	2,511,980	Ordinary shares of Rs. 5 (2020: Rs. 5) each issued for consideration paid in cash	12,560	12,560
183,980,260	146,681,832	Ordinary shares of Rs. 5 (2020: Rs. 5) each as fully paid bonus shares	919,901	733,409
186,492,240	149,193,812		932,461	745,969

16.1 As at 30 June 2021, AIG Holdings (Private) Limited (ultimate parent company) held 50,975,474 (2020: 40,978,982) ordinary shares of the Company.

		2021	2020
		(Rupees in thousand)	
17. LONG TERM FINANCE			
Secured long-term finances utilised under mark-up arrangements	17.1	1,299,952	1,034,485
Classified under current liability		(602,370)	(197,454)
		697,582	837,031
Deferred income - government grant	17.2	29,466	35,073
Current portion of deferred income - government grant		(27,429)	(22,869)
		2,037	12,204
		699,619	849,235

17.1 This represents long-term finance facility of Rs. 198 million for ten years, long term loan of Rs. 300 million for six years, long term loan of Rs. 300 million for ten years and salary refinance loan of Rs. 825 million obtained from commercial bank having mark-up at the rate of State Bank of Pakistan (SBP) base rate + 0.85% (effective rate: 8.8%), 3 months Kibor + 0.1%, 3 months Kibor + 0.4% and SBP base rate + 1% & 2% (effective rate: 1% & 2%) respectively. The loans are secured by way of hypothecation of the Company's present and future fixed assets and hypothecation of the Company's present and future stocks and receivables.

17.2 Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The Company has obtained the said borrowing from Habib Bank Limited ("HBL") at subsidized rate of 2% on 25 June 2020 and 1% on 21 August 2020 and 20 October 2020 which is repayable by October 2022 in 8 quarterly instalments to HBL under the SBP scheme.

Government grant amounting to Rs. 41 million has been recorded during the year ended 30 June 2021 and Rs. 47 million has been amortised during the year. In accordance with the terms of the grant, the company is prohibited to lay-off its employees for three months from the disbursement of the loan.

	2021	2020
	(Rupees in thousand)	
18. DEFERRED TAXATION - net		
Credit / (debit) balance arising in respect of:		
Accelerated tax depreciation / amortisation	335,069	394,373
Provision for stock obsolescence	(79,772)	(27,744)
Allowance for impairment on trade debts	(6,685)	(5,415)
Long-term finance	-	(9)
Provision for retirement benefits obligations and other provisions	(33,401)	(70,667)
	215,211	290,538

		2021	2020
		(Rupees in thousand)	
19. TRADE AND OTHER PAYABLES			
Creditors		961,225	730,065
Accrued liabilities	19.1	2,779,602	2,387,998
Workers' Profit Participation Fund	13.2	-	70,765
Workers' Welfare Fund		165,763	126,702
Payable to Provident Fund	19.2	-	41,909
Refund Liabilities	19.3	61,034	53,162
Tax deducted at source		237,629	157,957
Advances from employees against sale of vehicles		130,153	32,672
Other liabilities		45,691	56,063
Due to related party - Director	19.4	50	-
		4,381,147	3,657,293

19.1 This includes liability against Gas Infrastructure Development Cess (GIDC) amounting to Rs. 66.68 million (2020: Rs. 78.49 million). The Company has recorded such liability at its present value in accordance with ICAP technical services guidance "Accounting for Gas Infrastructure Development Cess (GIDC)" dated 19 January 2021. The unrealised gain on revaluation of liability for GIDC is recorded in other income.

19.2 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.

19.3 This relates to consideration received from the customers for goods sold which the Company expects to fully or partially refund to the customers in accordance with the requirements of IFRS 15 for goods to be returned.

19.4 This relates to remuneration payable to director.

		2021	2020
		(Rupees in thousand)	
20. CONTRACT LIABILITY			
Sales discount payable		334,430	276,172
Advances from customers		148,095	82,031
		482,525	358,203
21. SHORT-TERM BORROWINGS			
Secured			
Conventional			
Running finance under mark up arrangements	21.1	2,103,935	54,078
Export re-finance	21.2	600,000	500,000
Islamic			
Running finance under Musharakah	21.3	86,860	326
		2,790,795	554,404

21.1 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 7.29% to 7.93% (2020: 8.33% to 14.31%) per annum.

21.2 The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The effective rate of mark-up on this facility is 2.5% (2020: 3%) per annum.

21.3 The Company has obtained facilities for short-term finance under Running Musharakah. The effective rate of profit is 6.73% to 9.43% (2020: 8.33% to 15.71%) per annum. This facility matures within twelve months and is renewable.

21.4 The facilities available from various banks amount to Rs. 3.4 billion (2020: Rs. 2.9 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Company's current and future movable assets having aggregate charge amounting to Rs. 4.7 billion.

21.5 As of 30 June 2021, the unavailed facilities from the above borrowings amounted to Rs. 2.2 billion (2020: Rs. 2.36 billion).

22. CONTINGENCIES AND COMMITMENTS

22.1 There were no contingencies as at 30 June 2021.

22.2 The facilities for opening letters of credit amount to Rs. 1.64 billion (2020: Rs. 3.16 billion) and for letters of guarantee amount to Rs. 215 million (2020: Rs. 141 million) as at 30 June 2021 of which the amount remaining unutilised at year end were Rs. 1.59 billion (2020: Rs. 3.11 billion) and Rs. 116 million (2020: Rs. 48 million) respectively.

22.3 Aggregate commitments for capital expenditure as at 30 June 2021 amount to Rs. 467.43 million (2020: Rs. 514.65 million).

22.4 Aggregate commitments in respect of ujrah payments for Ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.75% to six months KIBOR + 1.25% (2020: six months KIBOR + 0.75% to six months KIBOR + 2.00%) per annum for rentals payable monthly as at 30 June 2021 amount to:

	2021	2020
	(Rupees in thousand)	
Not later than one year	199,461	131,065
Later than one year but not later than five years	432,806	213,558
	632,267	344,623

		2021	2020
		(Rupees in thousand)	
23. SALES - NET			
- Local sales		32,194,639	27,572,751
- Export sales	23.1	1,960,359	1,473,896
Gross sales		34,154,998	29,046,647
Less: Sales tax		(4,547,990)	(3,840,288)
		29,607,008	25,206,359
Less:			
- Discount, rebates and allowances		(5,087,224)	(5,412,963)
- Sales return		(603,986)	(531,679)
		(5,691,210)	(5,944,642)
		23,915,798	19,256,717

23.1 Exports sales represents sales made to NF DMCC – a wholly owned subsidiary of the Company in United Arab Emirates.

23.2 DISAGGREGATION OF REVENUE

As required for the unconsolidated financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

		2021	2020
		(Rupees in thousand)	
Primary geographical markets:			
Local		32,194,638	27,572,761
United Arab Emirates		1,960,358	1,471,013
Afghanistan		-	4,373
		34,154,996	29,048,547
Major Product Lines:			
Food Products		16,325,686	11,464,321
Kitchen Products		17,829,310	17,584,326
		34,154,996	29,048,547

24. COST OF SALES

		2021	2020
		(Rupees in thousand)	
Raw material consumed		8,938,238	6,837,152
Packing material consumed		3,907,911	3,204,168
Stores and spares consumed		206,996	234,982
Brine and cutting charges		53,066	49,963
Salaries, wages and other benefits		1,400,337	1,176,561
Contribution to provident fund		22,758	22,127
Depreciation	5.2	419,134	374,441
Amortisation	6.2	129	5
Ujrah payments		29,286	31,829
Fuel and power		440,149	387,360
Insurance		22,243	20,456
Laboratory, research and development		14,634	9,076
Postage and communications		13,893	7,451
Printing and stationery		4,697	611
Rent, rates and taxes		206,816	135,952
Travelling		200,103	152,993
Repairs and maintenance		78,355	76,537
Security charges		21,316	29,248
Inventory destruction charges		24,011	39,634
Others		70,484	21,544
		16,077,555	12,884,309
Opening work in process		1,344,413	1,640,477
Closing work in process		(1,092,150)	(1,344,413)
Cost of goods manufactured		16,329,818	13,180,373
Opening stock of finished goods		1,020,421	990,345
Closing stock of finished goods		(1,270,543)	(1,020,431)
		16,079,696	13,150,283

25. DISTRIBUTION COSTS

		2021	2020
		(Rupees in thousand)	
Salaries, wages and other benefits		960,256	721,089
Advertising and sales promotion		1,386,837	1,124,242
Outward freight and handling charges		971,634	905,123
Contribution to provident fund		30,042	25,916
Depreciation	5.2	16,571	16,752
Amortisation	6.2	1,231	-
Ujrah payments		99,236	55,292
Fuel and power		6,132	5,766
Forwarding charges		68,713	67,129
Insurance		28,720	24,126
Laboratory, research and development		36	90
Professional charges		1,470	503
Printing and stationery		3,499	3,725
Rent, rates and taxes		202,408	221,306
Travelling		207,097	182,681
Repairs and maintenance		26,543	19,335
Postage and communications		7,606	8,746
Others		20,921	5,829
		3,993,845	3,387,359

26. ADMINISTRATIVE EXPENSES

		2021	2020
		(Rupees in thousand)	
Salaries, wages and other benefits	26.1	809,024	480,262
Contribution to provident fund		17,771	16,372
Depreciation	5.2	101,219	91,457
Amortisation	6.2	80,558	48,280
Ujrah payments		38,992	33,124
Fuel and power		43,775	12,491
Insurance		11,646	9,457
Legal and professional charges		60,571	103,360
Postage and communications		7,456	5,145
Printing and stationery		7,578	2,160
Rent, rates and taxes		7,175	8,298
Travelling		48,737	54,857
Repairs and maintenance		175,891	165,019
Security charges		4,492	5,958
Others		53,773	55,123
		1,214,848	1,083,480

26.1 Salaries, wages and other benefits include Rs. 15.65 million (2020: Rs. 16.72 million) in respect of charge for retirement benefit plans.

			2021	2020
			(Rupees in thousand)	
27.	**OTHER EXPENSES**			
	Workers' Profits Participation Fund		92,553	78,443
	Workers' Welfare Fund		37,061	32,221
	Auditors' remuneration	27.1	4,621	3,843
	Donations	27.2	6,042	18,703
			140,277	133,110
27.1	**Auditors' remuneration**			
	Audit fee		2,350	2,054
	Limited review, special reports and other certifications		1,960	1,478
	Out of pocket expenses		311	311
			4,621	3,843

27.2 Donations to following Organizations and Trusts exceed 10% of the Company's total amount of donation or Rs. 1 million, whichever is higher:

	2021	2020
Pakistan Agricultural Coalition	3,260	-
The Citizens Foundation	-	2,300

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.

			2021	2020
			(Rupees in thousand)	
28.	**OTHER INCOME**			
	Exchange (loss) / gain	28.1	(73,869)	151,157
	Return on savings account and term deposits - conventional		59,333	9,179
	Income from short term investments at FVTPL		1,199	-
	Profit on disposal of property, plant and equipment		40,277	13,593
	Export rebate		10,816	479
	Rental income		3,638	5,360
	Amortisation of government grant		46,977	343
	Others		19,048	32,311
			107,401	213,422

28.1 Exchange gain or (loss) is from actual currency and not from derivative financial instrument.

			2021	2020
			(Rupees in thousand)	
29.	**FINANCE COSTS**			
	Mark-up on:			
	- Short-term running finances	29.1	3,096	47,204
	- Export refinance facility		13,589	11,611
	- Short-term loans from Islamic bank	29.2	204	3,341
	- Long-term loans	29.3	101,834	74,748
	Bank charges and other costs		17,295	27,065
			136,026	163,967

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

29.2 This represents markup on short-term loans obtained from Islamic bank.

29.3 This represents markup on long-term loan obtained from commercial banks.

		2021	2020
		(Rupees in thousand)	
30.	**TAXATION - NET**		
	Current	538,921	419,527
	Deferred	(90,241)	63,995
		448,680	483,522

30.1 Income tax assessments of the Company are deemed to be finalised up to and including tax year 2020 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.

		2021	2020
		(Rupees in thousand)	
30.2	**Relationship between income tax expense and accounting profit**		
	Profit before taxation	1,713,872	1,588,124
	Tax at applicable rate of 29% (2020: 29%)	497,023	460,556
	Tax effect of permanent differences	3,517	80,530
	Tax effect of final tax regime	(21,623)	(19,207)
	Others	(30,237)	(38,257)
		448,680	483,522

30.3 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.

		2021	2020
		(Rupees in thousand)	
31.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
31.1	**Basic**		
	Profit after taxation attributable to ordinary shareholders	1,265,192	1,104,602
		(Number of shares)	
	Weighted average number of ordinary shares outstanding during the year*	186,492,340	186,492,340
		(Rupees)	
	Earnings per share	6.78	5.92

* weighted average number of ordinary shares outstanding during the comparative year has been adjusted for issuance of bonus shares.

31.2 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.

32. CASH GENERATED FROM OPERATIONS

	2021	2020
	(Rupees in thousand)	
Profit before taxation	1,713,872	1,588,124
Adjustments for non-cash charges and other items		
Depreciation	538,924	467,860
Amortisation	31,913	43,298
Profit on disposal of property, plant and equipment	(40,277)	(19,588)
Amortisation of government grant	(46,977)	(343)
Provision for slow moving stock	196,571	(46,704)
Impairment loss on trade debts	4,851	(16,594)
Gain on remeasurement of investment at FVTPL	(1,199)	
Finance costs	136,020	193,367
Retirement benefits expense	81,260	81,131
	898,086	687,625
Profit before working capital changes	2,611,958	2,275,749
Working capital changes		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(11,055)	(52,559)
Stock in trade	(1,097,227)	(41,406)
Trade debts	420,426	(784,362)
Advances	(15,480)	(32,246)
Trade deposits and prepayments	9,986	(18,149)
Other receivables	(4,176)	(6,190)
Sales tax refundable	(90,076)	133,769
	(787,597)	(801,083)
Increase / (decrease) in current liabilities		
Trade and other payables	723,864	1,103,315
Sales tax payable	(11,566)	11,566
Contract liability	124,322	13,971
	836,590	1,128,872
	2,660,951	2,603,538

33. CASH AND CASH EQUIVALENTS

		2021	2020
		(Rupees in thousand)	
Cash and bank balances		2,698,926	666,427
Running finance	21.1 & 21.3	(2,190,795)	(34,404)
		508,131	632,423

34. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	(Rupees in thousand)					
Managerial remuneration and allowances	34,406	28,752	-	-	384,294	329,[illegible]
Technical advisory fee	-	-	-	-	-	-
Utilities	3,441	2,876	-	10	38,426	33,800
Bonus / variable pay	41,301	15,291	-	-	190,530	107,916
Housing	15,482	12,932	-	-	163,919	152,[illegible]
Retirement benefits	3,441	2,876	-	-	35,977	33,256
Other expenses	849	2,139	3,609	4,195	163,138	121,314
	98,909	55,870	3,609	4,205	976,925	828,279
Number of persons	1	1	3	2	120	101

34.2 In addition to the above, fee paid to 5 (2020: 3) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 3.5 million (2020: Rs. 2.70 million).

34.3 The Chief Executive, two non-executive directors and certain executives of the Company are also provided with Company maintained cars, residences and mobile telephones. The approximate value of this benefit is Rs. 45.28 million (2020: 39.35 million).

35. 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.

Transactions with related parties other than those disclosed elsewhere in the notes are disclosed below.

Relationship with the Company	Nature of transaction	2021	2020
		(Rupees in thousand)	
Parent Company	Rental income	[illegible]	5,000
	Dividend Paid	290,588	165,992
		No. of Shares	
	Bonus Shares issued	19,116,500	5,799,064
		(Rupees in thousand)	
Subsidiary Company	Sale of goods	1,860,359	1,471,018
Associates	Purchases of goods or services	-	-
	Payable balance		
	Dividend paid	187,227	109,982
	Annual subscription	2,300	2,300
		No. of Shares	
	Bonus Shares issued	6,851,000	5,204,919
		(Rupees in thousand)	
Staff retirement funds	Expense charged for the year	64,411	64,414
	Payments to retirement contribution plan	112,513	29,993
	Contribution to defined benefit plans	107,193	-
Key management personnel compensation:			
Salaries and other short-term employee benefits		919,335	808,087
Contribution to Provident Fund		24,080	20,756
Retirement benefits		18,753	5,717

35.1 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.

35.2 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*	33.5%
National Foods Dubai Multi Commodities Centre	Subsidiary Company	100%
Pakistan Business Council	Common directorship	N/A
Naymat Collateral Company	Common directorship	10%

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

36. PLANT CAPACITY AND PRODUCTION

	2021	2020
	Metric Tons	
Actual production of plants	100,414	100,414

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

37. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2021	2020
Total employees of the Company at the year end	788	722
Average employees of the Company during the year	756	758

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 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 managing financial risk to minimise earnings volatility and provide maximum return to shareholders.

Financial assets and liabilities by category and their respective maturities:

	Interest / Mark up bearing			Non-Interest / Non-mark up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in thousand)						
Financial Assets							
Trade debts	-	-	-	1,277,125	-	1,277,125	1,277,125
Trade deposits	-	-	-	9,000	47,956	56,956	56,956
Advances to employees	-	-	-	443	-	443	443
Other receivables	-	-	-	12,274	-	12,274	12,274
Cash and bank balances	-	-	-	2,698,926	-	2,698,926	2,698,926
30 June 2021	-	-	-	3,997,768	47,956	4,045,724	4,045,724
30 June 2020	-	-	-	2,321,537	46,799	2,368,336	2,368,336
Financial liabilities							
Trade and other payables	-	-	-	3,977,755	-	3,977,755	3,977,755
Accrued interest/mark up	-	-	-	9,138	-	9,138	9,138
Long term finance	529,799	699,619	1,229,418	-	-	-	1,229,418
Short term borrowings	2,790,795	-	2,790,795	-	-	-	2,790,795
30 June 2021	3,320,594	699,619	4,020,213	3,986,893	-	3,986,893	8,007,106
30 June 2020	656,950	537,031	1,193,981	3,313,311	-	3,313,311	4,507,292
On balance sheet gap							
30 June 2021	(3,320,594)	(699,619)	(4,020,213)	10,875	47,956	58,831	(3,961,382)
30 June 2020	(656,950)	(537,031)	(1,193,981)	(991,774)	46,799	(944,975)	(2,138,956)
Off balance sheet items							
Letters of credit							
30 June 2021							249,557
30 June 2020							49,604
Letters of guarantees							
30 June 2021							99,963
30 June 2020							95,113

The financial instruments of the Company are designated as equity instruments and loans and receivables that are 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.

38.1.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The financial assets exposed to the credit risk amount to Rs. 4 billion (2020: Rs. 2.4 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.

The Company's maximum exposure to credit risk as at the reporting date is as follows:

	2021	2020
	(Rupees in thousand)	
Financial assets:		
Long-term deposits	47,866	46,799
Trade debts	1,277,126	1,702,404
Advances to employees	443	15,207
Trade deposits	9,000	9,000
Other receivables	12,274	8,099
Cash and bank balances	2,698,926	586,827
	4,046,724	2,368,336

Trade debts are shown net of allowance for impairment for expected credit loss. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have bee grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following table provides information about the exposure to credit risk for trade debts from individual customers as at June 30, 2021:

	Gross carrying amount	Expected credit loss	Net carrying amount
	(Rupees in thousand)		
30 June 2021			
Current (not past due)	138,610	2,267	136,343
1-30 days past due	702,250	10,477	691,773
31-60 days past due	387,077	1,322	385,755
61-90 days past due	111,959	986	110,973
90-120 days past due	1,328	246	1,082
120-180 days past due	558	137	418
180-360 days past due	1,033	320	683
More than 360 days past due	8,418	8,418	-
	1,302,198	25,073	1,277,125

	Gross carrying amount	Expected credit loss	Net carrying amount
	(Rupees in thousand)		
30 June 2020			
Current (not past due)	829,725	1,846	827,879
1-30 days past due	639,681	2,789	636,892
31-60 days past due	214,102	2,786	211,316
61-90 days past due	8,453	331	8,122
90-120 days past due	2,601	214	2,387
120-180 days past due	16,240	2,251	13,989
180-360 days past due	2,444	625	1,819
More than 360 days past due	9,380	9,380	-
	1,722,626	20,222	1,702,404

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that the impairment on trade debts past have been appropriately accounted for in these financial statements.

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 focuses on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

38.1.2 Liquidity risk

Liquidity risk is the risk that the Company 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.

38.1.3 Market risks

Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at 30 June 2021 net financial assets of Rs. 915.79 million (2020: Rs. 1,102.85 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at 30 June 2021, if the Pak Rupee had strengthened by 5% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 45.79 million (2020: Rs. 55.14 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 2021 the Company had variable interest bearing financial liabilities of Rs. 2,161 million (2020: Rs. 771.51 million), had the interest rates varied by 100 basis points (2020: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 21.61 million (2020: Rs. 7.72 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2020: 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 (2020: 100 basis points) per annum.

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

	2021				
	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Long term borrowings (including related accrued markup)	Retained earnings	Total
	(Rupees in thousand)				
Balance as at 1 July 2020	59,771	503,619	1,074,414	4,177,988	5,815,092
Changes from financing cash flows					
Repayment of loan	-	-	(310,304)	-	(315,306)
Proceeds from long term loan	-	-	473,151	-	473,151
Amortisation of government grant	-	-	(10,977)	-	(16,977)
Proceeds from short term borrowings	-	100,000	-	-	100,000
Dividend paid	-	-	-	(745,369)	(745,369)
Total changes from financing activities	-	100,000	110,505	(745,369)	(535,100)
Other changes - interest cost					
Interest expense	3,059	15,793	101,534	-	118,725
Interest paid	(8,921)	(13,402)	(55,597)	-	(75,992)
Changes in running finance	2,136,035	-	-	-	2,136,035
Total loan related other changes	2,131,162	1,791	18,130	-	2,151,078
Total equity related other changes	-	-	-	1,118,975	1,118,975
Balance as at 30 June 2021	2,190,833	605,410	1,233,618	4,543,794	8,573,165

38.3 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 the year, the Company's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2021 was as follows:

	2021	2020
	(Rupees in thousand)	
Total borrowings	4,029,361	1,637,404
Cash and bank balances	(2,698,926)	(586,827)
Net debt	1,330,425	1,050,577
Total Equity	5,476,265	4,823,657
Total capital	6,806,690	5,874,234
Gearing ratio	20%	18%

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.

38.4 Fair values of financial assets and liabilities

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

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	2021					
	Carrying amount			Fair value		
	Assets at Amortised cost	Fair Value	Other financial Liabilities	Level 1	Level 2	Level 3
	(Rupees in thousand)					
Financial assets not measured at fair value						
Long-term deposits	47,956	-	-	-	-	-
Trade debts	1,277,135	-	-	-	-	-
Advances to employees	443	-	-	-	-	-
Trade deposits	5,000	-	-	-	-	-
Other receivables	12,274	-	-	-	-	-
Sales tax refundable	30,076	-	-	-	-	-
Cash and bank balances	2,696,926	-	-	-	-	-
Financial assets measured at fair value						
Short-term investments at FVTPL	-	1,001,199	-	-	1,001,199	-
Long term investments	-	30,000	-	-	-	30,000
Financial liabilities not measured at fair value						
Trade and other payables	-	-	4,381,147	-	-	-
Contract liability	-	-	148,058	-	-	-
Short-term borrowings	-	-	2,790,735	-	-	-
Mark up accrued	-	-	9,135	-	-	-
	4,135,300	1,031,199	7,329,175	-	1,001,199	30,000

	2020					
	Carrying amount			Fair value		
	Assets at Amortised cost	Fair Value	Other financial Liabilities	Level 1	Level 2	Level 3
	(Rupees in thousand)					
Financial assets not measured at fair value						
Long-term deposits	46,799	-	-	-	-	-
Trade debts	1,702,404	-	-	-	-	-
Advances to employees	15,207	-	-	-	-	-
Trade deposits	9,000	-	-	-	-	-
Other receivables	8,011					
Cash and bank balances	506,527	-	-	-	-	-
Financial assets measured at fair value						
Long-term investments	-	30,000	-	-	-	30,000
Financial liabilities not measured at fair value						
Trade and other payables	-	-	3,657,290	-	-	-
Contract liability	-	-	62,001	-	-	-
Short term borrowings			584,404			
Mark-up accrued	-	-	13,442	-	-	-
	2,308,336	30,000	4,307,170	-	-	30,000

38.1 The Company has not disclosed the fair values of the above financial assets and financial liabilities, as these are either short term in nature or repriced, periodically. Therefore, carrying amounts of financial assets carried at amortised cost are reasonable approximation of their fair values.

39. OPERATING SEGMENT

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

39.2 All non current assets of the Company as detailed in note 5 to these financial statements as of reporting date are located in Pakistan.

39.3 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 93.42% (2020: 94.9%) and to customer outside Pakistan are 6.58% (2020: 5.1%) of the revenue.

39.4 Management considers that revenue from it's ordinary activities are Shariah compliant.

40. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on 06 September 2021 has proposed a final dividend of Rs. 5 per share amounting to Rs. 932.5 million and bonus issue of 1 share for each 4 shares held amounting to book value of Rs. 233 million for the year ended 30 June 2021. The approval of the shareholders of the Company for the dividend and bonus issue shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2021. The financial statements for the year ended 30 June 2021, do not include the effect of the proposed final cash dividend and bonus issue which will be accounted for in the year ending 30 June 2022.

41. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on 06 September 2021.

Chief Executive Officer	Chief Financial Officer	Director

CONSOLIDATED FINANCIAL STATEMENTS 2021

Independent Auditors' Report to the Members of National Foods Limited

Report on the Audit of the Consolidated Financial Statements

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 2021**, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, 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 2021, 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.

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	**Revenue recognition** Refer notes 4.19 and 26 to the Group's consolidated financial statements. Revenue is recognized from sale of goods in accordance with accounting and reporting standards as applicable in Pakistan and measured at net of discounts, rebates, allowances and sales return. We identified revenue recognition as key audit matter because of risk of incorrect measurement of revenue due to adjustments for discounts and rebates offered to customers and allowance for sales return. Further, revenue is one of the key performance indicators and there is a potential risk of non recognition of revenue transactions in the appropriate period.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding and assessing the design and testing of the implementation and operating effectiveness of the relevant key controls over revenue recognition, the calculation of discounts and rebates and allowance for sales return including timing of revenue recognition; • considering the appropriateness of the Group's accounting policies for revenue recognition including those relating to discounts, rebates and allowance for sales return and assessing compliance of those policies with accounting and reporting standards as applicable in Pakistan; • obtaining and inspecting a sample of contracts with customers to understand the conditions required for discounts, rebates and allowance for sales return; • testing, on a sample basis, the accuracy of the amounts of discounts, rebates and allowance for sales return 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.	**Valuation of Trade debtors** Refer notes 4.12.1 and 11 to the Group's consolidated financial statements. The Group has significant balance of trade debts at year end. Impairment loss against trade debts has been calculated based on Expected Credit Losses (ECL) model, as defined in IFRS 9 'Financial Instruments'. We identified valuation of trade debts as a key audit matter as it involves significant judgment in determining the recoverable amount of trade debts.	Our audit procedures to assess the valuation of debtors, among others involved the following: • 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); • obtaining an understanding of management's basis for the determination of provision required at the year end and the receivables collection process; • assessing the method used by the Group for recognition of the allowance for ECL in accordance with the applicable standard and assessing the reasonableness of assumptions used; • testing the accuracy of the data on a sample basis

S. No.	Key audit matters	How the matters were addressed in our audit
		extracted from the Group's accounting system which has been used to calculate the provision required including subsequent recoveries; and • involving our own valuation specialist to assist in evaluating the appropriateness of the significant assumptions used in relation to application of the ECL model.
3.	**Valuation of Stock-in-trade** Refer notes 4.11 and 10 to the Group's consolidated financial statements. Stock-in-trade forms a significant part of the Group's total assets. Stock-in-trade comprises of raw material, work in process and finished good which are stated at lower of cost and estimated net realizable value (NRV). 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.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • obtaining an understanding of and assessing the design and testing implementation of management's controls designed to identify expired, obsolete as well as slow moving stocks close to expiry; • 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 process 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, obsolete as well as slow moving stocks close to expiry.
4.	**Impairment assessment of goodwill and other indefinite life intangible assets** Refer notes 4.4 and 7.1 to the Group's consolidated financial statements. 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. 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.	Our audit procedures to assess the impairment of goodwill and other indefinite life intangible assets, amongst others, included the following: • 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 requirements of the accounting and reporting standards as applicable in Pakistan.

Independent Auditors' Report to the Members of National Foods Limited

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

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the consolidated and unconsolidated financial statements and our auditor's reports 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.

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: 16 September 2021
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	2021	2020
		(Rupees in thousand)	
ASSETS			
Non - current assets			
Property, plant and equipment	5	5,462,954	5,252,673
Right-of-use assets	6	1,118,423	760,106
Intangibles and goodwill	7	795,903	767,259
Long-term investment	8	30,000	30,000
Long-term deposits		48,741	47,650
Deferred assets	9	46,516	-
		7,523,037	6,857,697
Current assets			
Stores, spare parts and loose tools		180,339	130,294
Stock-in-trade	10	6,463,584	5,142,032
Trade debts	11	1,305,828	1,583,679
Advances	12	278,046	141,891
Trade deposits and prepayments	13	344,097	224,692
Other receivables	14	30,316	35,862
Sales tax refundable		90,079	-
Short term investments at FVTPL	15	1,001,190	
Cash and bank balances	16	3,042,473	1,250,547
		12,706,858	8,517,877
TOTAL ASSETS		20,229,895	15,175,794
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital and reserves			
Authorised share capital 1,000,000,000 (30 June 2020: 1000,000,000) ordinary shares of Rs. 5 each		5,000,000	5,000,000
Share Capital			
Issued, subscribed and paid-up capital	17	932,461	745,936
Revenue Reserves			
Unappropriated profit		5,703,120	4,843,616
Foreign exchange translation reserve		2,756	(51,502)
Equity attributable to owners of the Company		6,638,337	5,538,050
Non-controlling interest	18	635,103	525,431
Total equity		7,273,440	6,063,616
Non - current liabilities			
Long-term finance	19	883,076	1,206,135
Lease liabilities	20	958,104	620,950
Long-term deposits		4,350	4,221
Deferred taxation - net	21	208,106	294,098
Deferred liabilities	9	10,667	96,814
		2,064,303	2,220,216
Current liabilities			
Trade and other payables	22	5,430,104	4,436,574
Contract liabilities	23	529,821	432,827
Short term borrowings	24	2,861,444	554,404
Current maturity of long-term finance	19	744,659	480,086
Current portion of lease liabilities	20	218,022	149,056
Mark-up accrued		10,453	15,826
Unclaimed Dividend		21,206	21,791
Sales tax payable		-	11,598
Taxation - net		1,076,543	776,748
		10,892,152	6,892,032
		12,956,455	9,112,248
Contingencies and Commitments	25		
TOTAL EQUITY AND LIABILITIES		20,229,895	15,175,794

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021	2020
		(Rupees in thousand)	
Sales - Net	26	34,598,433	28,713,146
Cost of sales	27	(24,836,018)	(20,345,845)
Gross profit		9,762,415	8,367,301
Distribution costs	28	(5,319,701)	(4,554,322)
Impairment loss on trade debts	11.7	(32,861)	(32,479)
Administrative expenses	29	(1,443,960)	(1,241,463)
Other expenses	30	(143,055)	(136,768)
Other income	31	132,606	250,565
Operating profit		2,945,756	2,650,817
Finance costs	32	(314,768)	(342,668)
Profit before taxation		2,630,988	2,308,149
Taxation - net	33	(656,314)	(657,625)
Profit after tax		1,974,674	1,650,524
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss:			
Remeasurements of retirement benefit liability		47,007	(1,212)
Related deferred tax thereon		(13,632)	351
		33,375	(861)
Items that are or may be reclassified subsequently to statement of profit or loss:			
Foreign operations - foreign currency translation differences		61,609	(33,386)
		94,984	(34,247)
Total comprehensive income for the year		2,069,658	1,616,277
Profit attributable to:			
Owners of the Parent Company		1,759,588	1,472,614
Non-controlling interest		215,086	177,910
		1,974,674	1,650,524
Total comprehensive income attributable to:			
Owners of the Parent Company		1,846,221	1,377,034
Non-controlling interest		223,437	239,243
		2,069,658	1,616,277
		(Rupees)	
Earnings per share - basic and diluted	34	9.43	7.90

The annexed notes 1 to 44 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 30 June 2021

	Attributable to shareholders of the Parent Company					
	Share capital	Revenue Reserve		Sub-total	Non controlling interest	Total Equity
		Retained earnings	Foreign exchange translation reserve			
	(Rupees in thousand)					
Balance as at 1 July 2019	621,640	3,993,506	143,217	4,758,364	271,598	5,029,962
Total comprehensive income for the year ended 30 June 2020						
Profit for the year	-	1,472,114	-	1,472,114	177,910	1,650,024
Other comprehensive income	-	(361)	(194,719)	(195,080)	111,333	(83,747)
	-	1,471,753	(194,719)	1,277,034	289,243	1,566,277
Transaction with owners in their capacity as owners directly recorded in equity						
Final cash dividend for the year ended 30 June 2019 @ Rs. 4 per Ordinary share	-	(497,313)	-	(497,313)	-	(497,313)
Dividend paid to NCI	-	-	-	-	(35,410)	(35,410)
1 Ordinary share for each 5 shares held alloted as bonus shares for the year ended 30 June 2019	124,328	(124,328)	-	-	-	-
Balance as at 30 June 2020	745,968	4,843,618	(51,502)	5,538,085	525,431	6,063,516
Balance as at 1 July 2020	745,968	4,843,618	(51,502)	5,538,085	525,431	6,063,516
Total comprehensive income for the year ended 30 June 2021						
Profit for the year	-	1,758,588	-	1,758,588	216,086	1,974,674
Other comprehensive income	-	33,375	54,258	87,633	7,351	94,984
	-	1,791,963	54,258	1,846,221	223,437	2,069,658
Transaction with owners in their capacity as owners directly recorded in equity						
Final cash dividend for the year ended 30 June 2020 @ Rs. 5 per Ordinary share	-	(745,969)	-	(745,969)	-	(745,969)
Dividend paid to NCI	-	-	-	-	(113,765)	(113,765)
1 Ordinary share for each 4 Ordinary shares held alloted as bonus shares for the year ended 30 June 2020	186,492	(186,492)	-	-	-	-
Balance as at 30 June 2021	932,460	5,703,120	2,756	6,638,337	635,103	7,273,440

The annexed notes 1 to 44 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 30 June 2021

	Note	2021	2020
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	3,462,577	3,562,446
Finance cost paid		(320,124)	(358,082)
Income tax paid		(460,272)	(236,180)
Deferred rent		-	(34,950)
Retirement benefits obligations paid		(154,567)	(34,912)
Long-term deposits		(1,144)	(6,787)
Net cash from operating activities		2,526,450	2,891,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(673,205)	(300,450)
Proceeds from disposal of property, plant and equipment		65,516	20,146
Purchase of intangible assets		(81,842)	(9,240)
Purchase of debt investment		(1,000,000)	
Purchase of equity investment		-	(30,000)
Net cash used in investing activities		(1,859,531)	(319,544)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term finance		208,837	582,348
Repayment of long-term finance		(213,262)	-
Proceeds from / (repayment of) short-term borrowings-net		169,733	(459,630)
Repayment of lease liabilities		(148,149)	(150,633)
Dividend paid		(860,323)	(586,852)
Net cash used in financing activities		(843,164)	(556,887)
Net (decrease) / increase in cash and cash equivalents		(176,245)	1,514,074
Cash and cash equivalents at beginning of the year		1,196,143	(225,358)
Currency translation difference on cash and cash equivalents		(168,220)	(92,573)
Cash and cash equivalents at end of the year	36	851,678	1,196,143

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

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 based on control model as provided under IFRS10 - '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 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. 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. The company is principally engaged in the trading of food products.

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.

A-1 Bags & Supplies Inc.

A-1 Bags & Supplies Inc. 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.

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.
- 56-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala.
- 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.
- 2nd Floor Mall 2 Plaza Main Boulevard Kohinoor City Jaranwala Road, Faisalabad.
- 18-CCA (Commercial Area) Phase VIII 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. R30-28, 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 Second Floor, Gloucester Place, London, United Kingdom.
- 6400 Kennedy Road, Mississauga, Ontario
- 1110 Dearness Dr, Toronto, Ontario

2. BASIS OF PREPARATION

2.1 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.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of significant estimates and judgments

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

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 consolidated 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 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

These financial assets are adjusted for loss allowances that are measured at amount equal to lifetime expected credit loss that result from all possible default events over expected life of the financial asset.

Provision for refund liability

Refund liability provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for refunds as they are not anticipated to be resold. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

Investment at fair value through profit or loss (FVTPL)

In making estimate of fair value of Investment, fair value is determined on the basis of significant unobservable inputs.

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 the acquisition 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.

Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset to the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of fixed assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted to certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

3 ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 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 2020. 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.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. period presented

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply these amendments retrospectively in accordance with IAS 8.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review. business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments and improvements do not have a material impact on these consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1. Basis of consolidation

These 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.

4.2. 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 acquired 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.

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

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

4.3 Property, plant and equipment

Operating assets and depreciation

Initial recognition

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

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

Measurement

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

(a) its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and rebates;

(b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management; and;

(c) Borrowing costs, if any.

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

Subsequent expenditure (including normal repairs and maintenance)

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

4.4 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 intangible assets have indefinite useful life and are 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.

4.5 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Right of use asset and lease liability are recognised at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for any lease payments made at or before the commencement date, plus any direct initial costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received. The right of use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has elected not to recognise right-of-use asset and lease liabilities of lease contracts which do not convey the right to direct the use of an identified asset and those having lease term equal to or less than 12 months. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

4.6 Cash and cash equivalents

For the purpose of presentation in statement of cash flow, cash and cash equivalents includes cash in hand, balances with banks and short-term borrowings availed by the Group, which are repayable on demand and form an integral part of the Group's cash management.

4.7 Financial Instruments

4.7.1 Recognition, classification and measurement - Financial Assets

Classification

The Company classifies its financial assets in the following measurement categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at FVOCI. However the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income.

On initial recognition, the Group may, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Initial measurement

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. However, at initial recognition, the Group measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

Subsequent measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in statement of profit or loss.
Financial assets measured at	These assets are subsequently measured at amortised cost using the amortised cost effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

4.7.2 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses is recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

4.7.3 Derecognition

Financial assets:

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or

- it transfers the rights to receive the contractual cash flows in a transaction in which either:

  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or

  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities:

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

4.7.3.1 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

4.7.3.2 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 Group 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.

4.8 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 91.94% (2020: 92.34%) 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.

4.9 Employee retirement benefits

Defined benefit plans

The Parent Company operates a funded pension scheme and post-retirement medical benefit for chief executive, one non-executive director and spouse of 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 2021.

The current and past-service costs are recognized immediately in statement of profit or loss. Further, 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 Parent Company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Parent Company and its 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.

4.10 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.

4.11 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.

4.12 Impairment losses

4.12.1 Financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balance for which credit risk (i.e. the risk of default occuring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevent and

available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written-off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4.12.2 Non-financial assets

The carrying amount of the Group's non-financial 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 statement of profit and loss.

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.

4.13 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.

4.14 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.

4.15 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 Rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains / losses on translation are included in income currently. The results and financial position of foreign operation are translated into the presentation currency as follows:

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

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

- all resulting exchange differences are recognised in other comprehensive income and accumulated in these translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

4.16 Revenue recognition

Revenue is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer. It also specifies the accounting for the costs directly related to fulfilling a contract. Revenue from sale of goods is recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised on delivery of goods. Delivery occurs when the products have been shipped to / or and delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product.

The consideration which the Group receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer net of returns, amounts collected on behalf of third parties (sales taxes etc), pricing allowances, other trade discounts, volume rebates and couponing, price promotions to consumers / customers and any other consideration payable to customers. The level of discounts, allowances and promotional rebates are recognized, on estimated basis using historical experience and the specific terms of the arrangement, as a deduction from revenue at the time that the related sales are recognized or when such incentives are offered to the customer or consumer. Sales return provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for returns as they are not anticipated to be resold. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group provides retrospective discounts to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. A contract liability is recognised for expected discount payable to customers in relation to sales made until the end of the reporting period. Further, a contract liability is also recognised for short term advances that the Group receives from its customers.

4.17 Miscellaneous income

Miscellaneous income including export rebate is recognised on receipt basis.

4.18 Interest / Mark-up income / late payment by trade debtors

Income on interest / Mark-up income / late payment by trade debtors is recognised on accrual basis.

4.19 Dividend income

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

4.20 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.

4.21 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Parent Company that makes strategic decisions.

4.22 Research and development

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4.23 Dividends

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

4.24 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies whether local, national or international.

The Group recognizes government grants when there is reasonable assurance that grants will be received and the Group will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Group will be able to comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2021	2020
		(Rupees in thousand)	
Operating fixed assets	5.1	5,015,533	4,893,322
Capital work-in-progress	5.4	467,421	359,551
		5,482,954	5,252,873

5.1 Operating fixed assets

	Leasehold land	Leasehold improvements	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	2021									
	(Rupees in thousand)									
At 1 July 2020										
Cost	232,549	30,309	2,550,906	3,094,409	409,647	309,014	340,883	50,380	87,530	7,243,247
Accumulated depreciation	(41,057)	(16,250)	(410,993)	(1,343,516)	(240,654)	(175,755)	(150,060)	(22,309)	(67,057)	(2,514,413)
Net exchange difference	-	26,747	-	-	63,484	22,385	13,251	-	18,641	164,488
Net book value	191,492	40,560	2,201,913	1,750,873	232,877	155,544	194,043	28,071	39,404	4,893,322
Additions / transfer - note - 5.4.1	-	25,106	109,193	349,592	63,176	19,225	35,202	9,012	65,113	766,951
Disposals										
Cost	-	-	-	-	-	-	(3,291)	-	(40,458)	(47,749)
Accumulated depreciation	-	-	-	-	-	-	3,101	-	17,014	34,118
	-	-	-	-	-	-	(190)	-	(23,440)	(23,677)
Effect of movement in exchange rate	-	1,518	-	-	6,151	1,515	3,183	-	430	12,888
Depreciation charge for the year	(4,228)	(14,506)	(81,583)	(325,231)	(41,571)	(48,368)	(54,315)	(5,783)	(23,079)	(623,949)
Closing net book value	187,264	60,772	2,099,503	1,775,894	259,790	128,656	145,063	31,600	63,018	5,015,533
At 30 June 2021										
Cost	232,549	63,475	2,610,051	3,444,441	472,750	327,239	356,794	59,392	113,509	7,562,403
Accumulated depreciation	(45,285)	(31,263)	(510,555)	(1,668,547)	(301,625)	(222,163)	(226,077)	(27,792)	(73,552)	(3,114,244)
Net exchange difference	-	28,560	-	-	88,665	23,580	16,420	-	23,061	177,374
Net book value	187,264	60,772	2,099,503	1,775,894	259,790	128,656	145,063	31,600	63,018	5,015,533
Useful life (years)	20 - 99	Lease term	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	

	Leasehold land	Leasehold improvements	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	2020									
	(Rupees in thousand)									
At 1 July 2019										
Cost	232,549	72,783	2,387,611	2,554,700	395,691	285,813	235,268	40,415	118,721	6,323,571
Accumulated depreciation	(36,809)	(30,041)	(320,999)	(1,051,870)	(187,170)	(135,171)	(149,253)	(16,971)	(48,697)	(1,976,981)
Net exchange difference	-	28,271	-	-	79,782	21,359	12,509	-	22,077	161,751
Net book value	195,740	72,513	2,012,915	1,502,830	287,229	169,741	98,518	23,444	92,101	4,503,808
Additions / transfer - note - 5.4.1	-	1,001	299,295	550,070	30,016	23,272	108,109	10,152	22,442	1,051,290
Disposals										
Cost	-	(36,113)	-	(2,284)	(11,686)	(1,507)	(3,402)	-	(28,817)	(80,247)
Accumulated depreciation	-	36,113	-	2,284	8,606	1,488	3,378	-	11,387	60,487
	-	-	-	-	(13,080)	(19)	(24)	-	(16,625)	(29,760)
Reclassification to ROUA										
Cost	-	-	-	-	-	(3,391)	-	-	(40,819)	(54,179)
Accumulated depreciation	-	-	-	-	-	3,087	-	-	11,722	14,812
Net book value	-	-	-	-	-	(3,277)	-	-	(29,097)	(44,364)
Effect of movement in exchange rate	-	375	-	-	5,600	(1,087)	742	-	7,496	2,787
Depreciation charge for the year	(4,145)	(24,201)	(83,927)	(290,027)	(46,980)	(41,303)	(42,618)	(5,135)	(17,687)	(575,494)
Closing net book value	191,492	40,560	2,201,913	1,750,873	232,877	155,544	165,218	28,071	39,404	4,893,322
At 30 June 2020										
Cost	232,549	38,060	2,686,906	3,094,480	409,647	309,014	340,883	50,580	87,330	7,243,247
Accumulated depreciation	(41,057)	(16,255)	(418,993)	(1,343,616)	(243,164)	(175,755)	(188,566)	(22,209)	(67,557)	(2,514,413)
Net exchange difference	-	26,747	-	-	82,484	22,385	12,751	-	18,641	164,488
Net book value	191,492	48,551	2,267,913	1,750,873	252,077	155,588	165,078	28,371	39,404	4,893,322
Useful life (years)	20 - 99	Lease term	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	

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

	Note	2021	2020
		(Rupees in thousand)	
Cost of sales	27	419,134	374,441
Distribution costs	28	103,596	109,596
Administrative expenses	29	101,219	91,457
		623,949	575,494

5.3 The details of property, plant and equipment having net book value of Rs. 500,000 and above sold / disposed of 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	2,569	279	2,290	3,202	904	Company Policy	Syed Zeeshan Ali Company's Executive
Vehicles	2,315	154	2,161	2,496	335	Company Policy	Muhammad Junaid Company's Executive
Vehicles	1,992	992	1,000	2,094	394	Company Policy	Junaid Ahmed Company's Executive
Vehicles	1,758	117	1,641	1,486	(155)	Company Policy	Ali Rashid Khan Company's Executive
Vehicles	2,102	701	1,401	2,171	770	Company Policy	Muhammad Hafeez Company's Executive
Vehicles	1,290	161	1,129	1,231	102	Company Policy	Shahid Hussain Company's Executive
Vehicles	1,135	118	1,017	1,098	81	Company Policy	Ghulam Ahmed Khan Company's Executive
Vehicles	1,123	154	969	1,306	337	Company Policy	Jawad Qureshi Company's Executive
Vehicles	1,290	403	887	1,575	688	Company Policy	Talha Tariq Company's Executive
Vehicles	825	55	770	911	141	Company Policy	Nasir Ali Company's Executive
Vehicles	814	54	760	999	239	Company Policy	Aziz Ahmed Company's Executive
Vehicles	845	55	790	970	180	Company Policy	Naeem Jameel Company's Executive
Vehicles	850	127	725	988	263	Company Policy	Mohsin Aslam Company's Executive
Vehicles	833	222	611	104	(507)	Company Policy	Amjad Niaz Company's Executive
Vehicles	825	55	660	1,305	708	Company Policy	M. Shahzaib Saeed Company's Executive
Total	22,764	3,050	17,466	21,306	4,208		

5.4 Capital work-in-progress (CWIP)

	2021	2020
	(Rupees in thousand)	
Civil works	50,278	53,585
Plant and machinery	114,228	80,056
Office equipment	112	152
Advance against computer	16,220	1,0[illegible]
Advance against acquisition of land	284,331	224,936
Advance against Motor Vehicles and Furniture & Fixtures	2,252	-
	467,421	359,551

5.4.1 During the year the additions to CWIP and transfer of respective assets amounted to Rs. 438.99 million (2020: Rs. 428.07 million) and Rs. 347.18 million (2020: Rs. 574.76 million) respectively.

5.5 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	40,569
S.I.T.E.	Manufacturing plant	76,491	52,029
Port Qasim	Manufacturing plant	435,600	255,566
Nooriabad	Manufacturing plant	602,951	120,112
Gujranwala	Manufacturing plant	130,000	36,000
Multan	Warehouse	43,560	43,560

6. RIGHT-OF-USE ASSETS

The Group leases many assets including buildings and vehicles with lease terms of four to five years.

2021	Properties	Equipment	Vehicles	Total
	(Rupees in thousand)			
Balance at 1 July 2020				
Cost	870,952	8,463	78,221	957,656
Accumulated depreciation	(170,095)	(4,894)	(22,572)	(197,551)
Net Book Value	700,857	3,569	55,649	760,105
Additions	494,423	9,054	21,114	524,591
Charge for the year	(172,766)	(3,463)	(17,442)	(193,671)
Balance at 30 June 2021	1,022,514	9,160	59,321	1,091,025
Effect of movements in exchange rates	25,480	183	1,735	27,398
	1,048,024	9,343	61,056	1,118,423
Net book value As at 30 June 2021	1,048,024	9,343	61,056	1,118,423

2020	Properties	Equipment	Vehicles	Total
	(Rupees in thousand)			
Balance at 1 July 2020				
Cost	856,054	8,432	51,228	925,714
Accumulated depreciation	-	(3,112)	(11,821)	(14,933)
Net Book Value	856,054	5,320	39,407	910,781
Additions	-	-	26,231	26,231
Charge for the year	(159,133)	(1,761)	(10,531)	(181,426)
Balance at 30 June 2020	696,921	3,559	55,107	755,584
Effect of movements in exchange rates	3,936	10	542	4,521
	700,857	3,569	55,649	760,105
Net book value As at 30 June 2020	700,857	3,569	55,649	760,105

8.1 The depreciation of right-of-use assets for the year has been allocated as follows:

	Note	2021	2020
		(Rupees in thousand)	
Distribution costs	28	193,671	181,428

7. INTANGIBLES AND GOODWILL

	Note	2021	2020
		(Rupees in thousand)	
Goodwill and intangibles	7.1	764,916	759,398
System under development	7.3	31,987	7,861
		796,903	767,259

7.1 Goodwill and intangibles

	2021				
	Computer softwares and ERP System	Goodwill	Customer relationships	Trademark and other	Total
	(Rupees in thousand)				
Cost					
Balance as at 1 July 2020	317,321	351,540	133,613	282,601	1,085,075
Addition	29,314	-	-	-	29,314
Effect of movement in exchange rates	100	10,662	5,149	8,571	24,482
Balance as at 30 June 2021	346,735	362,202	138,762	291,172	1,138,871
Accumulated amortisation					
Balance as at 1 July 2020	280,020	-	45,657	-	325,677
Amortisation for the year	32,024	-	13,687	-	45,711
Effect of movement in exchange rates	7	-	2,560	-	2,567
Balance as at 30 June 2021	312,051	-	61,904	-	373,955
Carrying amounts					
As at 30 June 2021	34,684	362,202	76,858	291,172	764,916
Useful life (years)	3	-	10	Indefinite	

	2020				
	Computer softwares and ERP System	Goodwill	Customer relationships	Trademark and other	Total
	(Rupees in thousand)				
Cost					
Balance as at 1 July 2019	313,807	348,891	132,599	280,471	1,075,768
Addition	3,514	-	-	-	3,514
Effect of movement in exchange rates	-	2,649	1,014	2,130	5,793
Balance as at 30 June 2020	317,321	351,540	133,613	282,601	1,085,075
Accumulated amortisation					
Balance as at 1 July 2019	236,724	-	32,045	-	268,769
Amortisation for the year	43,296	-	13,157	-	56,453
Effect of movement in exchange rates	-	-	455	-	455
Balance as at 30 June 2020	280,020	-	45,657	-	325,677
Carrying amounts					
As at 30 June 2020	37,301	351,540	87,956	282,601	759,398
Useful life (years)	3	-	10	Indefinite	

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

	Note	2021	2020
		(Rupees in thousand)	
Cost of sales	27	129	6
Distribution costs	28	14,930	13,157
Administrative expenses	29	30,553	43,290
		45,612	56,453

7.3 This represent amount given to vendor for the development of software which is expected to be capitalised 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 A1 Bags & Supplies Inc. (acquired entity) has 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 are prepared covering period from 2022 to 2025 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 (% annual growth rate)	7.0
Budgeted gross margin (%)	5.5
Other operating cost	5.4
Long term growth rate	5.0
Pre-tax discount rate (%)	11.0

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.
Sales Price	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.
Pre-tax discount rates	Reflect specific risks relating to the business segment, and the country in which it operates.
Sensitivity to changes in	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.

	2021	2020
	(Rupees in thousand)	
8. LONG-TERM INVESTMENT		
Investment at fair value through profit or loss (FVTPL)	30,000	30,000

On 25 February 2020, the Company subscribed 2,999,500 ordinary shares of Rs.10 each in Naymat Collateral Management Company Limited (NCMCL). The Company's shareholding gives it ownership interest and voting power of 10% in it. NCMCL is an unlisted public company that was incorporated under Companies Act, 2017 on 21 January 2020 and has its registered office at C-25/3, Block 4, Clifton, Karachi Saddar Town, Sindh, Pakistan. It is engaged in the business of providing storage and preservation services for a range of agricultural commodities as well as issuing credible warehouse receipts for agricultural commodity financing.

Investment in NCMCL has been carried at fair value through profit or loss (FVTPL). Accordingly, the Group has carried out an exercise to ascertain the fair value of the investment as at the year end using transaction price paid for identical instrument of the investee (level 3) on the basis of which the Group has not recorded any gain / loss in the statement of profit or loss.

	Note	2021	2020
		(Rupees in thousand)	
9. DEFERRED LIABILITIES			
Pension Plan	9.4	(46,816)	50,165
Pensioners' Medical Plan	9.4	7,006	30,358
Staff terminal benefits	9.18	3,662	8,291
		(36,148)	88,814

9.1 The Parent Company operates a funded pension scheme and post retirement medical benefit for chief executive, one non executive and spouse of 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 2021.

9.2 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.

9.3 The latest actuarial valuation of the Fund as at 30 June 2021 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	Pension Plan		Pensioners' Medical Plan	
	2021	2020	2021	2020
	(Rupees in thousand)		(Rupees in thousand)	
9.4 Balance sheet reconciliation				
Present value of defined benefit obligations	181,747	150,215	97,817	84,858
Fair value of plan assets	(228,563)	(100,050)	(90,512)	(54,500)
	(46,816)	50,165	7,306	30,358
9.5 Movement in the net liability recognised in the balance sheet				
Opening balance	50,165	34,276	30,358	31,947
Remeasurements recognised in other comprehensive income	(21,043)	5,339	(25,904)	(4,127)
Charge / (income) for the year	11,162	10,550	4,456	6,160
Contribution made	(87,100)	-	-	-
Payments made to members by Parent Company	-	-	(1,604)	(3,622)
Closing balance	(46,816)	50,165	7,306	30,358

		Pension Plan 2021	Pension Plan 2020	Pensioners' Medical Plan 2021	Pensioners' Medical Plan 2020
		(Rupees in thousand)			
9.6	Remeasurements recognised in other comprehensive income				
	Re-measurements: Actuarial (gain) / loss on obligation				
	- (Gain) / Loss due to change in financial assumptions	(35,300)	(2,700)	(171)	1,041
	- (Gain) / Loss due to change in experience adjustments	16,463	1,166	(24,845)	(8,043)
	Actuarial (gain) / loss on defined benefit obligation	(18,837)	(1,534)	(25,016)	(7,002)
	Re-measurements: Return on plan assets				
	- Actual return on plan assets	14,325	10,931	6,004	4,463
	- Interest income on plan assets	12,119	17,784	5,056	7,338
	Net re-measurement recognised in other comprehensive income	(2,206)	6,853	(948)	2,875
	Total defined benefit cost recognised in other comprehensive income	(21,043)	5,349	(25,964)	(4,127)
9.7	Expense recognised in profit or loss				
	Component of defined benefit costs recognized in profit and loss account				
	Current service cost	6,511	5,561	1,809	1,843
	Net interest cost				
	- Interest cost on defined benefit obligation	16,770	22,733	7,742	11,665
	- Interest income on plan assets	(12,119)	(17,734)	(5,056)	(7,338)
		4,651	4,999	2,686	4,328
		11,162	10,560	4,495	6,168
9.8	Movement in the present value of defined benefit obligations				
	Obligation as at July 1	189,215	156,283	84,866	81,881
	Current service cost	6,511	5,561	1,809	1,843
	Interest cost	16,770	22,733	7,742	11,665
	Benefits paid	(2,912)	(2,845)	(1,884)	(3,622)
	Actuarial loss / (gain)	(18,837)	(1,534)	(25,016)	(7,002)
	Obligation as at June 30	181,747	180,285	67,517	54,866
9.9	Movement in the fair value of plan assets				
	As at July 1	120,080	172,007	64,508	50,045
	Expected return on plan assets	12,119	17,751	5,056	7,338
	Contribution made	87,100	-	-	
	Benefits paid	(2,912)	(2,045)	-	-
	Return on plan assets excluding interest	2,206	(6,853)	948	(2,875)
	As at June 30	220,563	130,053	60,512	54,508
9.10	Plan assets comprise of the following:				
	Cash at bank	112,652	47,244	30,987	18,001
	Investment in mutual fund	115,911	82,809	29,525	36,707
		220,563	130,053	60,512	54,508

		2021	2020
		(Percent Per Annum)	
9.11	Principal actuarial assumptions		
	Expected rate of increase in salaries	10.25%	9.25%
	Expected rate of increase in pension	3.25%	4.25%
	Expected rate of increase in medical benefits	10.25%	9.25%
	Discount factor used	10.25%	9.25%
	Mortality rate	SLIC (2001-05)	SLIC (2001-05)
	Rates of employee turnover	Light	Moderate

		2022 Pension Plan	2022 Pensioners' Medical Plan
9.12	Components of defined benefit cost for the next year	(Rupees in thousand)	
	Current service cost	6,485	1,609
	Interest cost on defined benefit obligation	18,819	7,742
	Interest income on plan assets	(14,743)	(5,056)
	Net interest cost	4,076	2,686
	Cost for the next year to be recognized in statement of profit or loss	10,561	4,495

9.13 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.

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.

9.14 Sensitivity analysis for actuarial assumptions

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

	Change in assumption	Impact on defined benefit obligation: Increase in assumption	Decrease in assumption
	(Rupees in thousand)		
2021			
Discount rate at June 30	1.00%	221,080	283,120
Future salary increases	1.00%	198,771	174,032
Future pension increases	1.00%	198,436	167,211
Medical cost increases	1.00%	75,247	60,239
2020			
Discount rate at June 30	1.00%	305,338	232,141
Future salary increases	1.00%	169,640	171,237
Future pension increases	1.00%	194,667	164,324
Medical cost increases	1.00%	86,258	75,428

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 year.

9.15 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.

9.16 The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 11.46 years and 10.90 years respectively.

9.17 During the year, the Parent Company contributed Rs. 70.33 million (2020: Rs. 26.59 million) to the provident fund.

9.18 Staff terminal benefits obligation relating to NF DMCC (Subsidiary Company):

	2021	2020
	(Rupees in thousand)	
Opening liability	6,291	5,414
(Reversal) / provision for the year	(2,323)	2,253
Payment made during the year	-	(1,679)
Exchange difference	(306)	303
Closing liability	3,662	6,291

This represent staff terminal benefits calculated in accordance with U.A.E. labour laws.

		2021	2020
		(Rupees in thousand)	
10. STOCK IN TRADE			
Raw materials	10.1	1,940,112	1,236,970
Provision for obsolescence	10.3	(58,725)	(15,140)
		1,881,387	1,221,830
Packing materials	10.1	742,879	499,819
Provision for obsolescence	10.3	(41,595)	(42,774)
		701,284	457,045
Work in process		1,165,369	1,368,242
Provision for obsolescence	10.3	(73,219)	(24,329)
		1,092,150	1,343,913
Finished goods	10.1, 10.2 & 10.3	2,914,503	2,139,640
Provision for obsolescence		(125,640)	(20,865)
		2,788,863	2,118,775
		6,463,684	5,142,062

10.1 Stock in trade includes Rs. 2.70 billion (2020: Rs. 1.90 billion) held with third parties for the purpose of further distribution to end customers and packaging purposes.

10.2 The above balances include items costing Rs. 124.71 million (2020: Rs. 56.18 million) valued at net realisable value of Rs. 101.30 million (2020: Rs. 25.94 million).

10.3 During the year, the Group has booked provision for obsolescence of Rs. 225.43 million (charge 2020: Rs. 36.11 million) and has written off stocks against the provision amounting to Rs. 57.20 million (2020: Rs. 36.08 million).

		2021	2020
		(Rupees in thousand)	
11. TRADE DEBTS			
Considered good - unsecured			
Others			
- Local		780,669	877,924
- Foreign		525,159	505,755
		1,305,828	1,383,679
Considered doubtful		96,072	84,463
		1,401,900	1,468,142
Allowance for impairment	11.1	(96,072)	(84,463)
		1,305,828	1,383,679

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

	2021	2020
Opening provision	84,463	86,191
Charge for the year - net	32,551	32,470
Write-offs	(16,506)	(37,023)
Exchange difference	(4,436)	3,419
Closing provision	96,072	84,463

12. ADVANCES

	Note	2021	2020
		(Rupees in thousand)	
Considered good			
Employees - against expenses	12.1	443	15,207
Suppliers		277,603	125,854
		278,046	141,061
Considered doubtful			
Suppliers		27,684	27,684
		305,730	168,745
Provision for doubtful advances to suppliers		(27,684)	(27,684)
		278,046	141,061

12.1 These advances do not carry any mark up arrangement.

13. TRADE DEPOSITS AND PREPAYMENTS

	Note	2021	2020
		(Rupees in thousand)	
Considered good			
Deposits	13.1	9,000	9,000
Prepayments		335,097	215,582
		344,097	224,582

13.1 These trade deposits and prepayments are mainly against rent, insurance and utilities and not considered doubtful.

14. OTHER RECEIVABLES

	Note	2021	2020
		(Rupees in thousand)	
Due from related parties			
- ATC Holdings (Private) Limited	14.1	956	5,094
- Director	14.1	205	5
		1,161	5,099
Others		18,511	29,983
Receivable from Provident fund	22.2	4,675	
Workers' Profit Participation Fund	14.2	5,969	-
		30,316	35,082

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

14.2 Workers' Profits Participation Fund

	2021	2020
	(Rupees in thousand)	
Payable as at July 1	(70,765)	(67,653)
Allocation for the year	(92,653)	(73,343)
	(163,418)	(140,996)
Amount paid during the year	169,387	70,231
Receivable / (Payable) as at June 30	5,969	(70,765)

15. SHORT TERM INVESTMENTS at FVTPL

Name of Fund	As at 1 July 2020	Invested during the year	Redeemed during the year	Bonus received during the year	As at 30 June 2021
	(Number of units)				
Meezan Rozana Amdani Fund	-	20,000,000	-	23,981	20,023,981
Total	-	20,000,000	-	23,981	20,023,981
	(Rupees in thousand)				
Meezan Rozana Amdani Fund	-	1,000,000	-	1,199	1,001,199
Total	-	1,000,000	-	1,199	1,001,199

16. CASH AND BANK BALANCES

	Note	2021	2020
		(Rupees in thousand)	
Cash in hand		1,674	2,024
Cash at bank - current account			
- local currency	16.1	2,277,714	246,458
- foreign currency		762,885	1,002,065
		3,040,599	1,248,523
		3,042,273	1,250,547

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

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021	2020		2021	2020
Number of Shares			(Rupees in thousand)	
2,511,980	2,511,980	Ordinary shares of Rs. 5 (2020: Rs. 5) each issued for consideration paid in cash	12,560	12,560
183,980,360	146,681,852	Ordinary shares of Rs. 5 (2020: Rs. 5) each as fully paid bonus shares	919,901	733,409
186,492,340	149,193,832		932,461	745,969

17.1 As at 30 June 2021, ATC Holdings (Private) Limited (ultimate parent company) held 53,875,474 (2020: 43,926,562) ordinary shares of National Foods Limited that is material to the Group. The amounts disclosed are before inter group eliminations.

18. 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.

	2021	2020
	(Rupees in thousand)	
Summarised balance sheet		
Non-current assets	1,589,191	1,166,271
Current assets	2,266,745	1,303,811
Non-current liabilities	(1,069,282)	(754,881)
Current liabilities	(1,434,607)	(1,216,280)
	1,352,047	1,019,121
Accumulated NCI	536,103	525,481

	2021	2020
	(Rupees in thousand)	
Summarised statement of profit or loss and comprehensive income		
Sales	11,170,708	9,213,194
Profit for the period	553,802	457,532
Total comprehensive income	553,802	457,532
Profit allocated to NCI	216,086	177,910
Eligible dividend to NCI	113,765	35,410
Summarised cash flows		
Cash flow from operating activities	459,205	517,624
Cash flow from investing activities	(116,613)	(101,952)
Cash flow from financing activities	(513,171)	(385,378)
Net (decrease) / increase in cash and cash equivalents	(170,579)	30,294

19. LONG-TERM FINANCE

	Note	2021	2020
Long-term finance			
- MCB Bank Limited - Pakistan	19.1	608,675	718,410
- Habib Bank Limited - Pakistan	19.1	591,277	516,075
- MCB Bank Dubai	19.2	224,056	427,121
- TD Commercial Bank - Canada	19.3	174,161	138,571
- Deferred income - government grant	19.1	29,466	35,073
		1,627,635	1,695,250
Less: Current maturity of long-term finance		(717,130)	(166,216)
Less: Current portion of deferred income - government grant		(27,429)	(22,869)
		883,076	1,506,165

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

19.1 This represents long-term finance facility of Rs. 193 million for ten years, long-term loan of Rs. 300 million for six years, long term loan of Rs. 300 million for ten years and salary refinance loan of Rs. 625 million obtained from commercial bank having mark-up at the rate of State Bank of Pakistan (SBP) base rate + 0.3% (effective rate: 5.3%), 3 months Kibor + 0.15%, 3 months Kibor + 0.4% and SBP base rate + 1% & 2% (effective rate: 1% & 2%) respectively. The loans are secured by way of hypothecation of the Group's present and future fixed assets and hypothecation of the Group's present and future stocks and receivables.

Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The Group has obtained the said borrowing from Habib Bank Limited ("HBL") at subsidized rate of 2% on 25 June 2020 and 1% on 21 August 2020 and 20 October 2020 which is repayable by October 2022 in 8 quarterly installments to HBL under the SBP scheme.

Government grant amounting to Rs. 41 million has been recorded and Rs. 47 million has been amortised during the year ended 30 June 2021. In accordance with the terms of the grant, the Group is prohibited to lay off its employees for three months from the disbursement of the loan.

19.2 The Group has entered into a long term loan agreement with MCB Bank Dubai. It carries profit at the rate of 3 month LIBOR + 3% per annum. The tenor of facility is 5 years with grace period of 1 year from [illegible] (for each tranche). The principal is payable in equal quarterly installments. This facility is secured against 80% shares of A1 Bags & Supplies Inc., undated security cheque, promissory note and assignment of receivables of the Group.

19.3 A-1 Bags & Supplies Inc. obtained loan from TD commercial bank details are as follows:

TD commercial loan and detailed breakdown are as follows:

	2021	2020
	(Rupees in thousand)	
BDC loan (i)	-	24,618
BDC loan (ii)	-	7,388
Vehicle loan (iii)	274	1,331
Vehicle loan (iv)	-	4,208
TD bank loan (v)	41,373	50,132
TD bank loan (vi)	22,015	30,410
TD bank loan (vii)	61,001	71,459
TD bank loan (viii)	48,498	-
	174,161	138,571

i. BDC loan, secured by accounts receivable, bears interest at rate of BDC's Floating Base Rate plus 0.50% per annum and is repayable in 60 equal monthly payments of $16,660, maturing in June 2021.

ii. BDC loan, secured by accounts receivable, bears interest at rate of BDC's Floating Base Rate plus 3.05% per annum and is repayable in 60 equal monthly payments of $5,000, maturing in June 2021.

iii. Vehicle loan payable to Royal Bank of Canada - loan is secured by a charge of the vehicle, it is non-interest bearing with monthly payments of $721, maturing in September 2021.

iv. 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 $1,480, maturing in April 2022.

v. TD bank loan, secured by accounts receivable, bears interest at a rate of 4.84% per annum and is repayable in 60 equal monthly payments of $16,767 including interest, maturing in December 2022.

vi. TD bank loan, secured by accounts receivable, bears interest at a rate of 5.06% per annum and is repayable in 60 equal monthly payments of $9,056 including interest, maturing in February 2023.

vii. TD bank loan, secured by accounts receivable, bears interest at a rate of 4.86% per annum and is repayable in 60 equal monthly payments of $12,364 including interest, maturing in October 2024.

viii. TD bank loan, to finance equipment purchase, secured by accounts receivable, bears interest at a rate of 5.80% per annum and is repayable in 60 equal monthly payments of $10,530 including interest, maturing in ctober 2026.

Under the terms of the TD credit facility, the A-1 Bags & Supplies Inc., is required to comply with certain financial and non-financial covenants. As at June 30, 2021, the A-1 Bags & Supplies Inc., is in compliance of these ovenants.

20. LEASE LIABILITIES

	2021	2020
	(Rupees in thousand)	
Balance as at 1 July	778,017	897,589
Additions to lease obligation during the year	546,024	26,231
Payments for principal	(148,149)	(150,693)
	1,174,892	773,124
Effect of movements in exchange rates	1,234	4,893
Lease obligations 30 June	1,176,126	778,017
Less : current portion	(218,022)	(149,059)
Lease obligation - non current portion	958,104	626,958
Maturity analysis - contactual undiscounted cash flows		
Not later than one year	276,767	188,094
Later than one year and not later than five years	998,876	699,301
Later than five years	71,488	
	1,346,131	887,395
The following represents the amounts recognized in the statements of cashflow		
Payments for principal portion of lease obligations included within financing activities	155,936	150,693
Payments for interest portion of lease obligations included within operating activities	49,218	45,536
Variable non-lease payments included within operating activities	26,469	24,242
Total cash payments for leases	231,643	220,521

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

21. DEFERRED TAXATION - net

	2021	2020
	(Rupees in thousand)	
Credit / (debit) balance arising in respect of:		
Accelerated tax depreciation / amortisation	344,331	408,041
Provision for stock obsolescence	(79,772)	(27,744)
Provision for doubtful trade debts	(6,605)	(5,415)
Finance costs	(284)	(616)
Long-term finance	-	(9)
Provision for retirement benefits obligations and other provisions	(49,514)	(80,169)
	208,109	294,088

22. TRADE AND OTHER PAYABLES

	Note	2021	2020
		(Rupees in thousand)	
Creditors		1,762,060	1,333,483
Accrued liabilities	22.1	3,010,631	2,475,313
Workers' Profits Participation Fund	14.2	-	70,755
Workers' Welfare Fund		165,763	128,702
Payable to provident fund	22.2	-	41,939
Refund liabilities	22.3	61,034	55,152
Tax deducted at source		237,629	157,957
Advances from employees against sale of vehicles		130,153	92,672
Other liabilities		48,366	61,772
Due to related parties			
- Directors	22.4	23,549	22,009
		5,480,104	4,458,574

22.1 This includes liability against Gas Infrastructure Development Cess (GIDC) amounting to Rs. 66.66 million (2020: Rs. 73.49 million). The Group has recorded such liability at its present value in accordance with ICAP technical services guidance "Accounting for Gas Infrastructure Development Cess (GIDC)" dated 18 January 2021. The unrealised gain on revaluation of liability for GIDC is recorded in other income.

22.2 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.

22.3 This relates to consideration received from the customers for goods sold which the Group expects to fully or partially refund to the customers in accordance with the requirements of IFRS 15 for goods to be returned.

22.4 This relates to remuneration payable to director.

23. CONTRACT LIABILITIES

	2021	2020
	(Rupees in thousand)	
Sales discount payable	334,430	276,172
Advances from customers	195,391	155,855
	529,821	432,027

24. SHORT TERM BORROWINGS

	Note	2021	2020
		(Rupees in thousand)	
Conventional			
Running finance under mark up arrangements	24.1	2,174,584	54,078
Export re-finance	24.2	600,000	500,000
Islamic			
Running finance under Musharakah	24.3	86,860	326
		2,861,444	554,404

24.1 The Group has facilities for running finance available from various commercial banks for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 7.28% to 7.88% (2020: 8.33% to 14.31%) per annum.

The Group also has demand operating loan authorized by Toronto Dominion ("TD") bank to a maximum of Rs. 634.35 million and bears interest at TD bank's prime lending rate plus 0.3% per annum and is secured by a general security agreement, an assignment of insurance and postponement of related party loans.

24.2 The Group 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 2.5% (2020: 3%) per annum.

24.3 The Group has obtained facilities for short-term finance under Running Musharakah. The effective rate of profit is 6.73% to 9.43% (2020: 8.53% to 15.71%) per annum. This facility matures within twelve months and is renewable.

24.4 The facilities available from various banks amount to Rs. 3.4 billion (2020: Rs. 2.8 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. 4.7 billion.

24.5 As at 30 June 2021, the unavailed facilities from the above borrowings amounted to Rs. 2.76 billion (2020: Rs. 2.06 billion).

25. CONTINGENCIES AND COMMITMENTS

25.1 There were no contingencies as at 30 June 2021.

25.2 The facilities for opening letters of credit amount to Rs. 1.84 billion (2020: Rs. 3.15 billion) and for letters of guarantee amount to Rs. 215 million (2020: Rs. 141 million) as at 30 June 2021 of which the amount remaining unutilised at year end were Rs. 1.69 billion (2020: Rs. 3.11 billion) and Rs. 116 million (2020: Rs. 46 million) respectively.

25.3 Aggregate commitments for capital expenditure as at 30 June 2021 amount to Rs. 467.43 million (2020: Rs. 514.56 million).

25.4 Aggregate commitments in respect of ijarah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.75% to six months KIBOR + 1.25% (2020: six months KIBOR + 0.75% to six months KIBOR + 2.00%) per annum for rentals payable monthly as at 30 June 2021 amount to:

	2021	2020
	(Rupees in thousand)	
Not later than one year	199,461	131,085
Later than one year but not later than five years	432,806	213,543
	632,267	344,628

26. SALES - NET

	Note	2021	2020
- Local sales		32,194,639	27,572,751
- Export sales	26.1	14,396,972	11,719,688
Gross sales		46,591,611	39,292,439
Less: Sales tax		(5,011,067)	(4,354,186)
		41,580,544	34,938,253
Less;			
- Discount, rebates and allowances		(6,388,125)	(5,691,115)
- Sales return		(603,986)	(533,992)
		(6,992,111)	(6,225,107)
		34,588,433	28,713,146

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

	2021	2020
	(Rupees in thousand)	
Middle East	574,247	489,080
Canada	11,833,783	9,955,207
KSA	323,487	276,090
Others	1,665,455	1,017,331
	14,396,972	11,719,688

26.2 As required for the condensed financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

	2021	2020
	(Rupees in thousand)	
Primary geographical markets:		
Local	32,194,639	27,572,751
Middle East	574,247	489,080
Canada	11,833,783	9,955,207
KSA	323,487	276,090
Others	1,665,455	1,017,331
	46,591,611	39,292,439
Major Product Lines:		
Food Products	16,682,615	12,476,380
Kitchen Products	18,075,213	17,394,613
Cash and Carry	11,833,783	9,422,446
	46,591,611	39,292,439

27. COST OF SALES

	Note	2021	2020
		(Rupees in thousand)	
Raw material consumed		17,695,560	14,032,898
Packing material consumed		3,907,911	3,234,168
Stores and spares consumed		206,995	234,922
Brine and cutting charges		63,066	49,963
Salaries, wages and other benefits		1,400,337	1,178,561
Contribution to provident fund		22,766	22,127
Depreciation	5.2	419,134	374,442
Amortisation	7.2	129	6
Ijarah payments		29,286	31,629
Fuel and power		440,149	337,960
Insurance		22,243	20,456
Laboratory, research and development		14,634	9,078
Postage and communications		13,893	7,451
Printing and stationery		4,697	511
Rent, rates and taxes		208,816	195,982
Travelling		200,103	152,963
Repairs and maintenance		79,366	76,587
Security charges		21,316	29,248
Inventory destruction charges		24,011	39,624
Others		70,484	21,544
		24,833,877	20,079,858
Opening work in process		1,344,413	1,640,477
Closing work in process		(1,092,150)	(1,344,413)
Cost of goods manufactured		25,086,140	20,375,922
Opening stock of finished goods		1,020,421	990,344
Closing stock of finished goods		(1,270,545)	(1,020,421)
		24,836,016	20,345,845

28. DISTRIBUTION COSTS

	Note	2021	2020
		(Rupees in thousand)	
Salaries, wages and other benefits		1,767,668	1,885,900
Advertising and sales promotion		1,457,949	1,144,974
Outward freight and handling charges		874,653	660,274
Contribution to provident fund		30,042	25,815
Depreciation	5.2	103,696	109,588
Amortisation	7.2	14,930	13,157
Ijarah payments		99,236	55,292
Fuel and power		6,132	5,766
Forwarding charges		68,713	62,129
Insurance		57,319	42,691
Laboratory, research and development		36	90
Legal and professional charges		1,470	85,806
Postage and communications		20,411	11,810
Printing and stationery		62,154	39,366
Rent, rates and taxes		251,211	225,399
Travelling		214,830	211,492
Repairs and maintenance		77,713	55,523
Depreciation of right-of-use assets	6.1	193,671	181,498
Others		28,870	22,614
		5,319,701	4,554,322

29. ADMINISTRATIVE EXPENSES

	Note	2021	2020
Salaries, wages and other benefits	29.1	603,624	485,118
Contribution to provident fund		17,771	18,372
Depreciation	5.2	101,219	91,457
Amortisation	7.2	80,568	43,280
Ijarah payments		36,982	33,124
Fuel and power		106,839	94,268
Insurance		11,646	9,437
Legal and professional charges		184,746	104,361
Postage and communications		7,456	5,145
Printing and stationery		7,573	2,160
Rent, rates and taxes		7,175	44,711
Travelling		48,737	54,857
Repairs and maintenance		218,975	195,067
Security charges		4,492	5,965
Others		63,773	44,866
Laboratory, Research & Development		-	60
Advertising and sales promotion		-	6,207
		1,443,960	1,241,463

29.1 Salaries, wages and other benefits include Rs. 15.55 million (2020: Rs. 16.72 million) in respect of charge for retirement benefit plans.

30. OTHER EXPENSES

	Note	2021	2020
		(Rupees in thousand)	
Workers' Profits Participation Fund		92,653	73,343
Workers' Welfare Fund		37,061	32,221
Auditors' remuneration	30.1	7,299	19,499
Donations	30.2	6,042	13,703
		143,055	138,766

30.1 Auditors' remuneration

	2021	2020
Audit fee	5,038	17,710
Limited review, special reports and other certifications	1,950	1,478
Out of pocket expenses	311	311
	7,299	19,499

30.2

Donations to following Organizations and Trusts exceed 10% of the Group's total amount of donation or Rs. 1 million, whichever is higher:

	2021	2020
Pakistan Agricultural Coalition	3,250	-
The Citizens Foundation	-	2,300

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.

31 OTHER INCOME

	Note	2021	2020
		(Rupees in thousand)	
Exchange (loss) / gain	31.1	(58,995)	154,793
Return on savings account and term deposits - conventional		59,333	8,178
Income from short term investments at FVTPL		1,199	-
Profit on disposal of property, plant and equipment		41,838	19,508
Export rebate		10,816	473
Rental income		3,638	5,360
Amortisation of government grant		46,977	343
Others		27,800	80,833
		132,606	250,535

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

32. FINANCE COSTS

	Note	2021	2020
		(Rupees in thousand)	
Mark-up on:			
- Short-term running finances	32.1	3,096	133,553
- Export refinance facility		13,589	11,311
- Short-term loans	32.2	204	3,341
- Long-term loans	32.3	262,939	74,748
Bank charges and other costs		34,936	119,537
		314,764	342,488

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

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

32.3 This represents markup on long term loan obtained from commercial banks.

33. TAXATION - net

	Note	2021	2020
		(Rupees in thousand)	
Current			
- for the year	33.1	757,199	575,936
- prior year		-	-
Deferred		(100,885)	78,790
		656,314	[illegible]

33.1 Income tax assessments of the Parent Company are deemed to be finalised up to and including tax year 2020 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.

33.2 Relationship between income tax expense and accounting profit

	2021	2020
	(Rupees in thousand)	
Profit before taxation	2,630,988	2,308,149
Tax at applicable rate of 29% (2020: 29%)	762,987	669,364
Tax effect of permanent differences	7,411	82,533
Tax effect of final tax regime	(21,623)	(19,207)
Effect of tax in foreign jurisdictions	(54,164)	(37,141)
Others	(28,277)	(37,924)
	656,314	657,625

34. EARNINGS PER SHARE - basic and diluted

34.1 Basic

	2021	2020
	(Rupees in thousand)	
Profit after taxation attributable to owners of the Parent Company	1,758,688	1,472,614
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	186,492,340	186,492,340
	(Rupees)	
Earnings per share	9.43	7.90

* weighted average number of ordinary shares outstanding during the comparative year has been adjusted for issuance of bonus shares.

34.2 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 30 June 2021

35. CASH GENERATED FROM OPERATIONS

	2021	2020
	(Rupees in thousand)	
Profit before taxation	2,630,988	2,308,149
Adjustments for non-cash charges and other items		
Depreciation	623,949	575,494
Amortisation	46,612	56,418
Depreciation of right-of-use assets	193,671	161,426
Profit on disposal of property, plant and equipment	(41,638)	(6,525)
Impairment loss on trade debts	32,551	32,476
Amortisation of government grant	(46,877)	(349)
Provision for slow moving stock	195,571	(46,704)
Income from short term investments at FVTPL	(1,199)	-
Finance costs	299,873	[illegible]
Retirement benefits expense	78,637	83,384
	1,330,150	1,214,619
Profit before working capital changes	4,011,138	3,522,768
Working capital changes		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(11,086)	(67,559)
Stock in trade	(1,476,866)	(149,352)
Trade debts	111,245	(462,313)
Advances	(140,871)	(32,246)
Trade deposits and prepayments	(135,218)	(18,149)
Sales tax refundable	(90,076)	133,768
Other receivables	4,121	(6,190)
	(1,740,822)	[illegible]
Increase / (decrease) in current liabilities		
Trade and other payables	1,079,525	702,342
Sales tax payable	(11,596)	11,586
Contract liability	124,322	13,871
	1,192,251	727,799
	3,462,577	[illegible]

36. CASH AND CASH EQUALIVENTS

	2021	2020
Cash and bank balances	3,042,473	1,250,547
Short term borrowings	(2,190,795)	(64,404)
	851,678	1,186,143

37. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	(Rupees in thousand)					
Managerial remuneration and allowances	34,405	28,752	-	-	393,619	674,934
Utilities	3,441	2,875	-	10	36,917	-
Bonus / variable pay	41,381	16,791	-	-	207,569	33,800
Housing	15,482	12,938	-	-	188,129	137,919
Retirement benefits	3,441	2,875	-	-	38,135	152,101
Other expenses	840	2,139	3,686	4,196	192,232	33,258
	98,990	66,973	3,686	4,206	1,032,601	1,032,307
Number of persons	1	1	2	2	123	171

37.2 In addition to the above, fee paid to 5 (2020: 5) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 3.5 million (2020: Rs. 3.70 million).

37.3 The Chief Executive, two non-executive directors and certain executives of the Company are also provided with Company maintained cars, residence and mobile telephones. The approximate value of this benefit is Rs. 45.29 million (2020: Rs. 64.88 million).

38. 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 Group 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.

Transaction with related parties other than those disclosed elsewhere in the notes are disclosed below:

Relationship with the Group	Nature of transaction	2021	2020
		(Rupees in thousand)	
Parent Company	Rental income	3,636	5,360
	Dividend paid	250,398	165,382
		No of Shares	
	Bonus Shares issued	12,519,880	8,288,094
		(Rupees in thousand)	
Associates	Dividend paid	137,027	100,892
	Annual subscription	2,000	2,000
		No of Shares	
	Bonus Shares issued	6,854,000	5,094,818
Staff retirement funds	Expense charged for the year	64,414	64,414
	Payments to retirement contribution plan	112,610	28,803
	Contribution to defined benefit plans	87,100	-
Key management personnel compensations			
Salaries and other short-term employee benefits		919,636	588,387
Contribution to Provident Fund		34,390	31,868
Retirement benefits		18,743	16,717
Eligible dividend		113,786	35,410

38.1 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	Holding Company*	38.5%
Pakistan Business Council	Common directorship	N/A
Naimat Collateral Company	Common directorship	10%

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

	2021	2020
	(Metric tons)	
39. PLANT CAPACITY AND PRODUCTION		
Actual production of plants	100,414	100,414

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

	2021	2020
40. NUMBER OF EMPLOYEES		
The detail of number of employees are as follows:		
Total employees of the Parent Company at the year end	788	792
Average employees of the Parent Company during the year	755	730

41. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

41.1 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 managing financial risk to minimise earnings volatility and provide maximum return to shareholders.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

41.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in thousand)						
Financial Assets							
Trade debts	-	-	-	1,305,828	-	1,305,828	1,305,828
Advances to employees	-	-	-	443	-	443	443
Trade deposits	-	-	-	9,000	48,741	57,741	57,741
Other receivables	-	-	-	30,316	-	30,316	30,316
Cash and bank balances	-	-	-	3,042,473	-	3,042,473	3,042,473
30 June 2021				4,388,060	48,741	4,436,801	4,436,801
30 June 2020	-	-	-	4,402,595	47,880	4,450,475	4,450,475
Financial liabilities							
Long term finance	744,550	883,078	1,627,628	-	-	-	1,627,628
Lease liabilities	218,022	958,104	1,176,126	-	-	-	1,176,126
Trade and other payables	-	-	-	5,026,712	-	5,026,712	5,026,712
Accrued interest / mark up	-	-	-	10,453	-	10,453	10,453
Short term borrowings	2,861,453	-	2,861,453	-	-	-	2,861,453
30 June 2021	3,824,025	1,841,182	5,665,207	5,037,165	-	5,037,165	10,702,372
30 June 2020	3,727,858	1,507,625	5,235,258	5,047,813		5,047,813	10,282,871
On balance sheet gap							
30 June 2021	(3,824,025)	(1,841,182)	(5,665,207)	(649,105)	48,741	(600,364)	(6,265,571)
30 June 2020	(3,727,858)	(1,507,625)	(5,235,258)	(645,218)	47,880	(597,338)	(5,832,396)
Off balance sheet items							
Letters of credit							
30 June 2021							249,557
30 June 2020							40,824
Letters of guarantees							
30 June 2021							56,953
30 June 2020							46,115

The financial instruments of the Company are designated as equity instruments and loans and receivables that are 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.

41.2.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Financial assets exposed to the credit as at 30 June 2021 risk amounted to Rs. 4.44 billion (2020: Rs. 2.07 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.

The Group's maximum exposure to credit risk as at the reporting date is as follows:

	2021	2020
	(Rupees in thousand)	
Financial assets:		
Long-term deposits	46,741	47,350
Trade debts	1,305,828	1,303,579
Advances to employees	443	15,207
Trade deposits	9,000	8,300
Other receivables	30,318	35,962
Short-term investments at FVTPL	1,001,199	-
Cash and bank balances	3,042,473	1,250,547
	5,436,000	2,741,945

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

	2021	2020
	(Rupees in thousand)	
Local	780,669	677,921
UAE	5,088	5,320
Canada	449,294	105,750
Other region	70,777	514,582
	1,305,828	1,303,579

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 and other reputed credit agencies.

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.

Trade debts are shown net of allowance for impairment for expected credit loss. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at June 30, 2021:

	Gross Carrying Amount	Expected Credit Loss	Net Carrying Amount
	(Rupees in thousand)		
June 30, 2021			
Current (not past due)	268,462	6,823	261,639
1–30 days past due	834,311	14,942	819,369
31–60 days past due	144,285	3,201	141,084
61–90 days past due	61,406	986	60,420
90–180 days past due	82,811	60,269	22,542
More than 180 days past due	10,625	9,851	774
	1,401,900	96,072	1,305,828

	Gross Carrying Amount	Expected Credit Loss	Net Carrying Amount
	(Rupees in thousand)		
30 June 2020			
Current (not past due)	454,000	2,573	451,427
1–30 days past due	691,829	4,080	687,749
31–60 days past due	139,286	3,626	135,660
61–90 days past due	43,282	492	42,790
90–180 days past due	119,278	57,692	61,586
More than 180 days past due	20,487	16,000	4,487
	1,468,162	84,463	1,383,699

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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 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.

41.2.2 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 consolidated financial statements.

41.2.3 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 2021 net financial assets / (liabilities) of Rs. (525.16) million (2020: Rs. (427.76) million) were denominated in foreign currency which were exposed to foreign currency risk.

As at 30 June 2021 if the Pak Rupee had weakened / strengthened by 4% (2020: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 21 million (2020: Rs. 17.11 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 2021 the Group had variable interest bearing financial liabilities of Rs. 2,170.26 million (2020: Rs. 1,232.51 million), had their interest rates varied by 100 basis points (2020: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 21.70 million (2020: Rs. 12.33 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2020:100 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 (2020: 100 basis points) per annum.

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

	2021					
	Short term borrowings used for cash management purpose	Short term borrowings excluding running finance	Lease liabilities	Long term borrowings (including those classified as current)	Retained earnings	Total
	(Rupees in thousand)					
Balance as at 1 July 2020	63,771	503,219	778,018	1,702,530	4,846,918	7,887,215
Changes from financing cash flows						
Repayment of loan	-	-	(148,149)	(510,990)	-	(659,139)
Proceeds from long term loan	-	-	-	478,151	-	478,151
Amortization of government grant	-	-	-	(46,977)	-	(46,977)
New lease obligations	-	-	612,290	-	-	612,290
Proceeds from short term borrowings	-	169,733	-	-	-	169,733
Dividend Paid	-	-	-	-	(745,968)	(745,969)
Total changes from financing activities	-	169,733	464,141	(84,016)	(745,968)	(196,811)
Other changes - interest cost						
Interest expense	3,090	13,793	17,759	216,052	-	250,712
Interest paid	(9,801)	(12,602)	-	(106,739)	-	(206,722)
Changes in running finance	2,136,035	-	-	-	-	2,136,035
Exchange difference	-	(9,106)	(48,644)	(39,275)	-	(97,025)
Total loan related other changes	2,131,152	(7,915)	(30,073)	(9,962)	-	2,083,600
Total equity related other changes	-	-	-	-	1,605,475	1,605,475
Balance as at 30 June 2021	2,190,923	565,637	1,211,204	1,607,012	5,706,124	11,276,750

41.2.5 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 2020, the Group's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2021 was as follows:

	2021	2020
	(Rupees in thousand)	
Total borrowings	5,665,205	3,027,671
Cash and bank balances	(3,042,473)	(1,250,547)
Net debt	2,622,732	1,777,124
Total Equity	7,273,440	6,063,520
Total capital	9,896,172	7,840,645
Gearing ratio	27%	23%

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.

41.3 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.

42. 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.

42.1 Segment revenue and results

	Core Segment - Food & Food related products	Retail - (cash and carry)	Total
	(Rupees in thousand)		
For the year ended 30 June 2021			
Sales	23,417,728	11,170,705	34,588,433
Cost of sales (excluding depreciation and amortization)	(15,644,442)	(8,772,442)	(24,416,884)
Depreciation and amortization	(139,327)	(280,807)	(419,134)
Gross profit	7,634,959	2,117,456	9,752,415
Distribution expenses	(4,643,829)	(675,872)	(5,319,701)
Impairment loss on trade debts	(9,408)	(23,143)	(32,551)
Administrative expenses	(925,661)	(518,299)	(1,443,960)
Finance cost	(165,748)	(140,020)	(314,768)
Other expenses	(143,055)	-	(143,055)
Other income	122,294	10,314	132,608
Profit before taxation	1,869,552	761,436	2,630,988
Taxation	(448,681)	(207,633)	(656,314)
Profit after taxation	1,420,871	553,803	1,974,674

	Core Segment - Food & Food related products	Retail - (cash and carry)	Total
	(Rupees in thousand)		
For the year ended 30 June 2020			
Sales	17,505,019	9,208,129	26,713,148
Cost of sales (excluding depreciation and amortization)	(12,776,570)	(7,194,833)	(19,971,403)
Depreciation and amortization	(281,656)	(92,785)	(374,441)
Gross profit	4,446,793	1,920,511	6,367,304
Selling and distribution expenses	(3,525,055)	(1,029,265)	(4,554,320)
Impairment loss on trade debts	(32,478)	-	(32,478)
Administrative expenses	(1,092,307)	(149,178)	(1,241,485)
Finance Cost	(204,400)	(138,268)	(342,668)
Other operating charges	(138,766)	-	(138,766)
Other income	222,050	28,506	250,556
Profit before taxation	1,675,866	632,288	2,308,154
Taxation	(483,718)	(173,907)	(657,625)
Profit after taxation	1,192,148	458,381	1,650,529

42.2 Segment assets and liabilities

	Core Segment - Food & Food related products	Retail - (cash and carry)	Total
	(Rupees in thousand)		
As at 30 June 2021			
Segment assets	16,373,959	3,855,936	20,229,895
Segment liabilities	10,452,566	2,503,889	12,956,455
As at 30 June 2020			
Segment assets	12,198,594	2,977,160	15,175,754
Segment liabilities	7,156,971	1,955,273	9,112,244

42.3 Segment assets reported above comprise of property, plant and equipment, stock in trade and trade debts.

42.4 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 69.10% (2020: 70.17%) and to customer outside Pakistan are 30.90% (2020: 29.83%) of the revenue.

42.5 Geographical Location

The Group's gross revenue from external customers by geographical location is detailed below:

	2021	2020
	(Rupees in thousand)	
Domestic sales	32,194,639	27,572,751
Export sales	14,386,972	11,719,685
	46,581,611	39,292,436

42.5.1 Region wise export sales are as under:

	2021	2020
Middle East	374,247	469,050
Canada	11,833,783	9,955,207
KSA	323,487	278,090
Others	1,855,455	1,017,338
	14,386,972	11,719,685

42.6 Management considers that revenue from its ordinary activities are shariah compliant.

42.7 Non-current assets of the Group are located in Pakistan except non-current assets amounting to Rs. 2,264.985 million (2020: 1,086.436 million) are located outside Pakistan.

43. EVENT OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on 06 September 2021 has proposed a final dividend of Rs. 5 per share amounting to Rs. [illegible] million and bonus issue of 1 share for each 4 shares held amounting to book value of Rs. 203 million for the year ended 30 June 2021. The approval of the shareholders of the Company for the dividend and bonus issue shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2021. The financial statements for the year ended 30 June 2021, do not include the effect of the proposed final cash dividend and bonus issue which will be accounted for in the year ending 30 June 2022.

44. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Parent Company on 06 September 2021.

Chief Executive Officer	Chief Financial Officer	Director

Notice is hereby given that the 59th Annual General Meeting of National Foods Limited will be held on Thursday, October 14, 2021 at 3:30 pm through video link facility from registered office of the company at 12/CL-6, Claremont Road, Civil Lines, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Minutes of Annual General Meeting held on October 21, 2020.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2021, 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, 2021.

3. To approve and declare the dividend on the Ordinary Shares of the Company. The Directors have recommended final dividend of 100% (Rs.5 per Ordinary Share of Rs. 5/- each), for the year ended June 30, 2021.

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, 2022.

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 October 14, 2021. The names of retiring directors of the Company, also eligible to offer themselves for re-election, are as follows:

i) Mr. Abdul Majeed
ii) Mr. Abrar Hasan
iii) Mr. Towfiq H. Chinoy
iv) Mr. Ehsan Ali Malik
v) Mrs. Noreen Hasan
vi) Mrs. Saadia Naveed
vii) 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. 233,115,425 be capitalized out of the free reserves of the Company and applied towards issue of 46,623,085 ordinary shares of Rs. 5 each, as 25% fully paid bonus shares i.e. in the proportion of one (01) ordinary share for every four (04) ordinary shares held by the members of the Company whose names appear in the Members' Register as at the close of the business on October 07, 2021".

"**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, 2021".

"**FURTHER RESOLVED THAT** member fractional entitlement, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings shall be deposited into the account of the Indus Hospital after the approval of the Shareholders in the Annual General Meeting on October 14, 2021".

"**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 fractional 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 ratification of Agreement for Supply of Food Products entered into by the Company with National Foods - DMCC.**

"**RESOLVED THAT** the renewal of Agreement for Supply of Food Products dated October 01, 2014, entered into by the Company with its wholly owned subsidiary National Foods – DMCC for a period of five years, by the Board on February 19, 2021, for an indefinite period, is hereby ratified and approved as per the details appearing in statement of material facts.

8. **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, 2021 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, 2022.**

a) "**RESOLVED THAT** the transactions carried out by the company with the following related parties for the financial year ended June 30, 2021 be and are hereby ratified and approved."

ATC Holdings (Private) Limited - Parent Company
National Foods DMCC - Subsidiary

b) **FURTHER RESOLVED 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, 2022 and till next Annual General Meeting of the Company.

c) **FURTHER RESOLVED 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, 2022 shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.

9. **To consider and, if thought fit, to pass with or without modification(s), the resolution appearing below as ordinary resolution to authorize Mr. Zahid Majeed for holding of office of profit under the company in terms of Section 171 (1) (c) (i) of the Companies Act, 2017.**

"**RESOLVED THAT** pursuant to the provisions of Section 171 (1) (c) (i) of the Companies Act, 2017, consent of Members be and is hereby accorded to authorize Mr. Zahid Majeed for holding office or place of profit under the Company, as Executive Director of the Company, for next term of the Board, at a remuneration, other entitlements and terms and conditions as may be determined by the directors and altered from time to time, as per the Company's policies".

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

Statements under Section 134(3) of the Companies Act, 2017 in respect of special business contained in Agenda Item Number 5, 6, 7, 8 and 9 is annexed to the notice being sent to the members.

By Order of the Board

Karachi
Date: September 22, 2021

Fazal ur Rehman Hajano
Company Secretary

Notes:

1. **VIDEO-LINK ARRANGMENT FOR ONLINE PARTICIPATION IN THE 50th ANNUAL GENERAL MEETING OF THE COMPANY DUE TO COVID-19**

As COVID-19 pandemic is continuing with emergence of new variants with the passage of time causing rapid human to human transmission, therefore, in order to protect the health and well-being of Shareholders, Company has decided to convene its 50th AGM through video link facility, while complying quorum provisions, as allowed by the Securities and Exchange Commission of Pakistan. For this purpose, special arrangements have been made for the AGM which are as under:

a) AGM will be held through ZOOM application (a video link facility).

b) Shareholders interested in attending the AGM through ZOOM application are requested to get themselves registered with CDC Share Registrar Services Limited at least 48 hours before the time of AGM i.e. before 1200 hours on October 12, 2021 at cdcsr@cdcsrsl.com or WhatsApp 0321-8200864 by providing the following details:

Full Name of Shareholder / Proxy Holder	Company	*CNIC Number	*Folio / CDC A/c No.	** Email ID	** Mobile Phone No.

**Shareholders/proxyholders are requested to provide their active email addresses and mobile phone number.

Video link details and login credentials will be sent to members at their provided email addresses enabling them to attend the meeting on the given date and time.

Login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after the identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders.

Shareholders may send their comments and questions relating to the agenda items of the AGM at least two (2) working days before the AGM, at the given email address cdcsr@cdcsrsl.com or WhatsApp on 0321-8200864. Shareholders are requested to mention their full name, CNIC/Folio/ Participant ID & A/C No for this purpose.

2. **NOTICE OF BOOK CLOSURE**

The share transfer books of the Company will remain closed from October 08, 2021 to October 14, 2021 (both days inclusive). Transfers received, in order, at the office of our Share Registrar M/s. CDC Share Registrar Services Limited, CDC House-99B, Block 'B', S.M.C.H.S., main Shahrah-e-Faisal, Karachi-74000, by the close of business on October 07, 2021, 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.

3. **Appointment of Proxy**

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

b) The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarial 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.

4. **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.

5. **Changes in Members Addresses**

Members are requested to notify any change in their addresses immediately to the Company's Share Registrar.

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, 2021, effective July 01, 2021, 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 30% 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 07, 2021.

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 07, 2021; 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 14, 2021.

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 07, 2021.

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

Company:	Corporate.Secretary@nfoods.com
Share Registrar:	info@cdcsrsl.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 M/s. CDC Share Registrar Services Limited, CDC House-99B, Block 'B', S.M.C.H.S., main Shahrah-e-Faisal, Karachi-74400, to collect / enquire about their unclaimed dividend/shares, if any.

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. Availability of Financial Statements and Reports on the Website:

The Annual Report of the Company for the year ended June 30, 2021 has been placed on the Company's website at the given link: https://nfoods.com/investor-relations/financial-report/

11. 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, 2022 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.

12. Conversion of Physical Shares into Book-Entry Form

Pursuant to Section 72 of the Companies Act and directive issued by SECP vide its letter No. CSD/ED/Misc./2016-639-640 dated 26 March 2021, all listed companies are required to pursue their shareholders who still hold shares in physical form, requiring them to convert their shares in Book-Entry-Form.

Notice of Annual General Meeting

In view of the aforesaid requirement shareholders of the Company are requested to convert their physical shares into book-entry form as soon as possible. Conversion of shares into book-entry form would facilitate the shareholders i.e. readily available market for instant sale and purchase of shares, elimination of risk of loss & damage, easy & safe transfer and less formalities as compared to physical shares. Shareholders may contact Share Registrar of the Company for assistance in conversion of shares. Guidelines for Conversion of Physical Shares into Book-entry Form are available on the website of CDC Share Registrar Services Limited at the given link: https://www.cdcsrsl.com/?jet_download=7428

13. 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:

i) Consent to act as director under Section 167(1) of the Act on a duly filled and signed FORM-28.
ii) 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, 2019 and other relevant laws and regulations.

iii) Declaration of independence in terms of Section 166(2) of the Companies Act, 2017 as required under Listed Companies (Code of Corporate Governance) Regulations, 2019 (applicable only for person filing consent to act as independent director of the Company).

iv) A detailed profile along with office address for placement on the Company's website.
v) Detail of other directorship and offices held.
vi) 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

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 50th Annual General Meeting.

AGENDA ITEM NO.5
ELECTION OF DIRECTORS

In terms of Section 159(1) of the Companies Act, 2017, the directors, at their meeting held September 06, 2021, 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. The Company is required to have at least two (2) independent directors on the Board under the Listed Companies (Code of Corporate Governance) Regulations, 2019. The independent directors shall also 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.

Section 166(3) of the Companies Act 2017 (the Act) requires that a statement of material facts is required to be annexed to the notice of the general meeting called for the purpose of election of directors which shall indicate the justification for choosing independent director.

As regards the justification for choosing independent directors, candidates should be eligible for election as director of a listed company under Section 153 of the Act and meet the criteria of independence laid down under section 166(2) of the Act and the Companies (Manner and Selection of Independent Directors) Regulation, 2018 and his/her name is included in the data bank of independent directors maintained by the Pakistan Institute of Corporate Governance (PICG) duly authorized by the Securities & Exchange Commission of Pakistan.

The Directors of the Company have no interest in the above said business except being eligible for re-election as director of the company.

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

This statement set out all the material facts concerning Special Business under Agenda item No. 5, 7, 8 and 9 be transacted at the 50th Annual General Meeting.

AGENDA ITEM NO.6
ISSUE OF BONUS SHARES BY CAPITALIZATION OF FREE RESERVES

The Board of Directors in their meeting held on September 06, 2021, have recommended capitalization of a sum of Rs. 233,115,425 out of free reserves of the Company for issue of 46,623,085 ordinary shares of Rs. 5 each, as 25% fully paid 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
SPECIAL RESOLUTION – APPROVAL/RATIFICATION OF RENEWAL OF AGREEMENT WITH NATIONAL FOODS – DMCC

National Foods Limited (NFL) has an Agreement for Supply of Food Products with National Foods – DMCC (NF-DMCC) executed on October 01, 2014 for a period of 5 years (the Agreement). The Board approved renewal of the Agreement on February 19, 2021 and proposed to seek approval/ratification by the members of the Company in the Annual General Meeting.

As the majority of directors were interested in the arrangement due to their common directorship and shareholding in NF-DMCC, the shareholders are requested to approve/ratify renewal of the Agreement by NFL, by passing special resolution in terms of Section 208 of the Companies Act, 2017.

The disclosure of information under Regulation 5 of the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 [SRO 1194 (I)/2018, dated October 2, 2018].

i)	Name of related party;	National Foods DMCC
ii)	Names of the interested or concerned directors;	• Mr. Abdul Majeed • Mr. Abrar Hasan • Mr. Zahid Majeed • Mrs. Noreen Hasan
iii)	Nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;	NFDMCC is a wholly owned subsidiary of National Foods Limited
iv)	Detail, description, terms and conditions of transactions;	Sales of food products manufactured by National Foods Limited
v)	Amount of transactions;	National Foods DMCC- Net Sales 1,960,359,000
vi)	Timeframe or duration of the transactions or contracts or arrangements;	Indefinite
vii)	Pricing policy;	As Per Transfer Pricing Policy
viii)	Recommendations of the audit committee;	The matter was discussed and accordingly recommended to be placed before the shareholders in Annual General Meeting.
ix)	Any other relevant and material information that is necessary for the shareholders to make a well-informed decision regarding the approval of related party transactions.	None

Inspection: The 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 respective related parties and Mrs. Noreen Hasan due to the interest of his spouse.

AGENDA ITEM NO. 8
ORDINARY RESOLUTIONS – TRANSACTIONS WITH RELATED PARTIES

(a) Ratification and approval of transactions with related parties carried out during the financial year ended June 30, 2021

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 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (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 maters where majority of directors are interested.

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, 2021, are being placed before the shareholders for their ratification and approval.

Name	Relationship	Nature of Transaction	Amount in Rupees
ATC Holdings (Private) Limited	Parent Company	Rental income	3,638,000
National Foods DMCC	Subsidiary	Net sales	1,960,359,000

(b) and (c) Authorization for the Board of Directors to approve the related party transactions during the financial year ending June 30, 2022 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, 2022 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, 2022 and till next Annual General Meeting, which transactions shall be deemed to be approved by the Shareholders.

Notice of Annual General Meeting

The nature and scope of such related party transactions is explained above in the statement of under clause (a) of the agenda. The related party transactions conducted during financial year ending June 30, 2022, 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.

AGENDA ITEM NO. 9
ORDINARY RESOLUTION – HOLDING OFFICE OF PROFIT

Mr. Zahid Majeed was appointed as Executive Director of the Company as "CEO NFDMCC - International Division – Export" in the last Annual General Meeting held on October 21, 2020. The appointment was made for one year which will expire on October 21, 2021. The Board of Directors of the Company in their meeting held on September 06, 2021 approved extension of appointment of Mr. Zahid Majeed as Executive Director in terms of Section 208 (1) (f) of the Companies Act, 2017 as per the recommendations of Human Resource & Remuneration Committee and Audit Committee under the related party policy of the company subject to his re-election in the AGM. This appointment is subject to approval by members of the Company in terms of Section 171 (1) (c) (i) of the Companies Act, 2017.

Accordingly, the Board of Directors proposed ordinary resolution, to accord approval of the members in general meeting to authorize Mr. Zahid Majeed for holding of office of profit under the Company for next term of the Board.

Material facts and disclosures, required under Para B(3) and C (2) of the aforesaid SRO 423 of 2018, are provided herein below:

i) Details of the office of profit proposed to be held by the director	Mr. Zahid Majeed as Executive Director of the Company on account of his appointment as "CEO NFDMCC"
ii) Brief job description of the office to be held by the director;	a) To implement board's strategy; b) Manage overall operations and resources; c) Focal point of communication between board of directors and the management;
iii) Remuneration of the director, including perks and benefits, pecuniary or otherwise;	Rs. 38.90 million per annum plus inflationary adjustments (if any);
iv) Benefits to the company and its members as a result of such office of profit to be held by the director; and	Expansion into international markets and to increase exports;
v) Period of holding of such office.	Three (3) years commencing from October 14, 2021.
vi) Nature and extent of interest, if any, therein of every director, whether directly or indirectly.	Mr. Zahid Majeed himself and Mr. Abdul Majeed being his father are interested in this matter.

Dividend Mandate

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 abovementioned 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, CDC Share Registrar Services Limited, Head Office CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Karachi 74400, Pakistan.

Regards,

Share Registrar Department
CDC Share Registrar Services 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

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
CDC Share Registrar Services Limited,
Share Registrar: National Foods Limited

Note: This letter is being computer generated and does not require any signature.

Glossary

ATL: Above the Line
APLAC: Asian Pacific Laboratory Accreditation Cooperation
BTL: Below the Line
CEO: Chief Executive Officer
CSR: Corporate Social Responsibility
DDS: Door to Door Service
DMCC: Dubai Multi Commodities Centre
FSSC: Food Safety System Certification
HACCP: Hazard Analysis and Critical Control Points
HMA: Halal Monitoring Authority
HR: Human Resource
ID: International Division
ISO: International Standard Organisation
NFL: National Foods Limited
PNAC: Pakistan National Accreditation Council
PR: Purchase Requisition
RDP: Rural Development Programs
SAP: System, Applications and Products in data processing
SIP: Sales Incentive Plan
SKU: Stock Keeping Units
SnOP: Sales and Operations Planning
TVC: Television Commercial
UNICEF: United Nations International Children's Emergency Fund

Jama Punji Information

[illegible]

[illegible] 5,291 [illegible] (2020: 4,013 [illegible]) [illegible] 4,220 [illegible] (2020: 1,361 [illegible]) [illegible]

[illegible]

[illegible] 0 [illegible] 1 [illegible] 4 [illegible] 92% (2020: 81%) [illegible]

[illegible]

[illegible] 2019 [illegible]

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- 30 جون 2021 [illegible] 754 [illegible]
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[illegible] M/S EY Ford Rhodes [illegible]

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[illegible] (Messrs. KPMG Taseer Hadi & Co.) [illegible] (Messrs. KPMG Taseer Hadi & Co.) [illegible]

[illegible]

[illegible]

[illegible]

[illegible] (CEO - NFDMCC) [illegible]

[illegible]

[illegible] (covid-19) [illegible]

[illegible]

[illegible]

[illegible]

بورڈ آف ڈائریکٹرز کی جانب سے

ڈائریکٹر

چیف ایگزیکٹو آفیسر

ہمارے لوگ

[illegible]

[illegible] (N-Hold) [illegible] (Covid-19) [illegible] 55+ [illegible] 353 [illegible] 6,000 [illegible] 3,575 [illegible]

[illegible]

[illegible]

[illegible]

[illegible] (LRBT) [illegible] (CSR) [illegible] 191 [illegible]

[illegible] (NFL) [illegible] (Leprosy) [illegible] (MALC) [illegible] 2021 [illegible] 2000 [illegible] 2020 [illegible] MALC [illegible]

[illegible] #LetsPlantOurFuture [illegible]

[illegible] (Eco-Friendly Campaign) [illegible] 25 [illegible]

[illegible] (Shamil) [illegible] (NewPDP) [illegible] (DVD) [illegible]

[illegible] #LetsPlantOurFuture [illegible]

[illegible] covid-19 [illegible] (covid-19) [illegible] (FCPS) [illegible]

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[illegible] (DRP Disaster Recovery Plan) [illegible] DRP [illegible] IT [illegible] ERP [illegible] DRP [illegible]

[illegible] TFF [illegible] ERF [illegible]

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ڈائریکٹرز رپورٹ

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گروپ

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بنیادی کاروبار

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[illegible]

	گروپ			بنیادی کاروبار			[illegible]		
	FY21	FY20	تبدیلی	FY21	FY20	تبدیلی	FY21	FY20	تبدیلی
خالص فروخت	34,508	20,710	20%	23,417	19,506	20%	11,171	9,200	21%
مجموعی منافع	9,752	6,367	17%	7,364	6,354	16%	2,398	2,013	19%
عملی منافع	2,942	2,552	15%	2,042	1,810	13%	900	742	21%
خالص منافع بعد از ٹیکس	1,759	1,473	19%	1,573	1,258	25%	554	458	21%
آمدنی فی حصص (روپے)	9.4	7.9		8.4	6.7				
مجموعی منافع	28.2%	29.1%	-0.9%	31.4%	32.6%	-1.2%	21.5%	21.9%	-0.4%
عملی منافع	8.5%	8.9%	-0.4%	8.7%	9.3%	-0.6%	8.1%	8.1%	0.0%
منافع بعد از ٹیکس	5.1%	5.1%	-0.1%	6.7%	6.5%	-0.3%	5.0%	5.0%	0.0%

[illegible]

[illegible]

چیئرمین کی جائزاتی رپورٹ

کمپنی کی مالی صورتحال کی شہ سرخیاں / جھلکیاں

بورڈ آف ڈائریکٹرز کی جانب سے میں، 30 جون 2021 کو ختم ہونے والے مالی سال کے حوالے سے نیشنل فوڈز لمیٹڈ (کمپنی) کے اہم مالی نتائج کا سالانہ جائزہ آپ سے شیئر کرتے ہوئے مسرت محسوس کر رہا ہوں۔ سال 2020-21 کمپنی کے آگے بڑھنے [illegible] کورونا وائرس (Covid-19) کی وبا [illegible] معاشی سست روی کے دوران [illegible] مجموعی طور پر کمپنی نے 47 بلین کا ریونیو حاصل کیا [illegible] 1.97 بلین کا منافع حاصل کیا۔

پاکستان کا معاشی منظرنامہ اور کمپنی کی کارکردگی:

معاشی لحاظ سے پاکستان کورونا وائرس (Covid-19) کی وبا [illegible] لاک ڈاؤن کے دوران [illegible] (SOPs) پر سختی سے عمل کرتے ہوئے جاری رکھنے کی اجازت تھی۔

لارج اسکیل مینوفیکچرنگ سیکٹر (LSM) نے 5.99 فیصد [illegible] 11.7 فیصد کی غیر معمولی کارکردگی کا مظاہرہ کرتے ہوئے LSM کو پیچھے چھوڑ دیا ہے۔ [illegible] گزشتہ سال کے 10.9 فیصد کے مقابلے میں اس سال 8.8 فیصد [illegible]

کمپنی کے بین الاقوامی کاروبار NFDMCC اور A-1 کی ٹاپ لائن میں 26 فیصد اضافہ دیکھنے میں آیا [illegible] 11 فیصد کا اضافہ [illegible] 2020 میں امریکی ڈالر کے مقابلے میں پاکستانی روپے [illegible] 2% [illegible]

[illegible] (CSR) سرگرمیوں [illegible]

بورڈ کا جائزہ اور کارکردگی:

بورڈ میں مختلف تجربے [illegible] ڈائریکٹرز کا انتخاب کیا گیا ہے [illegible]

بورڈ اور انتظامیہ کا مقصد [illegible]

اعتراف

بورڈ [illegible]

آخر میں، میں اپنے تمام [illegible]

چیئرمین

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 on behalf at the 50th Annual General Meeting of the Company held on October 14, 2021 and/or any adjournment thereof.

As witness my/our hands seal this ______________ day of ______________ 2021.

Signed by ______________________________ in the

1. Witness

Signature ______________

Name: ______________

Address: ______________

CNIC No. [ ][ ][ ][ ][ ]-[ ][ ][ ][ ][ ][ ][ ]-[ ]

2. Witness

Signature ______________

Name: ______________

Address: ______________

CNIC No. [ ][ ][ ][ ][ ]-[ ][ ][ ][ ][ ][ ][ ]-[ ]

Signature on
Rs. 5/-
Revenue Stamp

Signature must agree with the specimen signature registered with the company

Important:

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

For CDC Account Holders/Corporate Entities:

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

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

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

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

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