

**MITCHELL'S®**

FOR THE TASTE OF NATURAL GOODNESS

ANNUAL REPORT  
**2018**

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# Company Information

## BOARD OF DIRECTORS

Mr. S.M.Mohsin

Mr. Mujeeb Rashid \*N-1  
Syeda Sitwat Mohsin  
Syed Mohammad Mehdi Mohsin  
Mr. Rizwan Bashir  
Mr. Moaz Mohiuddin  
Mr. Umme Kulsum Imam  
Syeda Maimanat Mohsin  
Mr. Shazad Ghaffar  
Mr. Pervez Hayat Noon  
Mr. Aamir Amin \*N-2

Mr. Muhammad Zahir \*N-1

Chairman- Non Executive Director

Chief Executive Officer  
Non Executive Director  
Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
(NIT Nominee)

Chief Executive Officer

## AUDIT COMMITTEE

Mr. Rizwan Bashir  
Mr. S.M.Mohsin  
Mr. Aamir Amin

Chairman  
Member  
Member

## COMPANY SECRETARY

Mr. Rashid Butt

## CHIEF FINANCIAL OFFICER

Mr. Nauman Munawar

## AUDITORS

A.F. Ferguson & Company  
Chartered Accountants

## LEGAL ADVISORS

Lashari & Co.  
Tariq Rahim Manzil, 7-Turner Road, Lahore  
Cell: 0331-4795350

## BANKERS

Habib Bank Limited  
Askari Bank Limited  
Allied Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
MCB Bank Limited  
National Bank of Pakistan  
Bank Al Habib Limited  
JS Bank Limited  
Meezan Bank Limited

N-1: Mr. Mujeeb Rashid replaced Mr. Muhammad Zahir as MD/CEO of the Company on September 01, 2018

N-2: Mr. Aamir Amin replaced Mr. Jamal Nasim as NIT Nominee on the Election of Director held on April 30, 2018

## SHARE REGISTRAR

Corplink (Private) Limited,  
Wings Arcade, 1-K (Commercial)  
Model Town, Lahore  
Phone : (042) 35839182, 35887262  
Fax: (042) 35869037

## CORPORATE OFFICE

40-A, Zafar Ali Road, Gulberg V, Lahore  
Phones: (042) 35872392-96,  
Fax: (042) 35872398  
E-Mail: ho@mitchells.com.pk  
Website: www.mitchells.com.pk

## FACTORY & FARMS

Renala Khurd, District Okara, Pakistan  
Phones: (044) 2635907-8, 2622908  
Fax: (044) 2621416  
E-Mail: rnk@mitchells.com.pk  
rsoc@mitchells.com.pk

## REGIONAL SALES OFFICE

### Lahore

40-A, Zafar Ali Road, Gulberg V, Lahore  
Phones: (042) 35872392-96  
Fax: (042) 35872398  
E-Mail: rsoc@mitchells.com.pk

### Islamabad

Office # 43, 3rd Floor, Rose-1 Plaza,  
I-8 Markaz- Islamabad  
Phones: (051) 4443824-6  
Fax: (051) 4443827  
E-Mail: rson@mitchells.com.pk

### Karachi

Mehran VIP II, Ground Floor, Plot 18/3  
Dr. Dawood Pota Road- Karachi  
Phones: (021) 35212112, 35212712  
& 35219675  
Fax: (021) 35673588  
E-Mail: rsos@mitchells.com.pk

### Gujranwala

Office # 4, 1st Floor Usman Plaza Citi Housing  
Scheme Phase 2, Main G.T. Road- Gujranwala

### Faisalabad

Malik Plaza, College Road, Behind Hockey  
Stadium, Madina Town- Faisalabad

### Peshawar

House # 2C/1 Main Abdara Road.  
University Town - Peshawar

### Multan

71/A1 Gulgasht Colony - Multan

### Sukkar

Bungalow # 181 Sukkur Co-Operative  
Housing Society - Sukkur

### Hyderabad

Banglow # 5-A, Block -E, Latifabad  
# 6- Hyderabad





# Vision & Mission Statement

1. To be a leader in the markets we serve by providing quality products to our consumers while learning from their feedback to set even higher standards.
2. To be a company that continuously enhances its superior technological skills to remain internationally competitive in this day and age of increasing challenges.
3. To be a company that attracts and retains competent people by creating a culture that fosters innovation, promotes individual growth and rewards initiative and performance.
4. To be a company which optimally combines its people, technology, management systems, and market opportunities to achieve profitable growth while providing fair returns to its shareholders.
5. To be a company that endeavours to set the highest standards in corporate ethics.
6. To be a company that fulfills its social responsibility.









## Notice of Annual General Meeting

Notice is hereby given that the 86th Annual General Meeting of Mitchell's Fruit Farms Limited will be held on February 26, 2019 on Tuesday at 11:00 a.m. at the Registered Office of the Company at 40-A, Zafar Ali Road, Gulberg-V, Lahore, to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of last Extra Ordinary General Meeting held on April 30, 2018.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended September 30, 2018, together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for the year ending September 30, 2019, and to fix their remuneration as suggested by the audit committee to the Board of Directors. The retiring auditors, namely Messers A. F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS

4. To approve the service agreement executed

with a financial institution for raising capital for the company, as and by way of passing the following ordinary resolution:

"RESOLVED THAT subject to all prior necessary approvals as stipulated by the regulatory authorities, the Company be and is hereby authorized to approve the service agreement executed with a financial institution for raising capital for the company."

FURTHER RESOLVED that the Company Secretary be and is hereby authorized to do all necessary acts, deeds and things in connection therewith and ancillary thereto as may be required or expedient to give effect to the spirit and intent of the above resolution.

Statements U/S 134(3) (b) of the Companies Act, 2017, pertaining to the Special Business, are attached.

### OTHER BUSINESS

5. To transact any other business which may be placed before the meeting with the permission of the chair.

BY ORDER OF THE BOARD

Lahore,  
February 05, 2019

Rashid Butt  
Company Secretary

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

### ITEM NO.4 OF THE NOTICE

This Statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of the Company.

The board of Directors are of the view that we have to execute the service agreement with a financial institution for raising capital for the company.

### NOTES

1. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s Corplink (Private) Limited, Wings Arcade, 1-K (Commercial), Model Town, Lahore. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.
2. The share transfer book of the Company will remain closed from February 19, 2019 to February 26, 2019 (both days inclusive). Transfers received in order (including deposit requests under CDS) at our Registrar's office Corplink (Private) Limited, Wings Arcade, 1-K (Commercial) Model Town, Lahore up to 01:00 p.m. on February 18, 2019 will be considered in time.
3. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the Registered Office not later than 48 hours before the time meeting is scheduled for.
4. Duly completed instrument of proxy, and the other authority under which it is signed, or notarially a certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (40-A,

Zafar Ali Road Gulberg V, Lahore) at least 48 hours before the time of the meeting.

5. Shareholders are requested to immediately notify the change in their address, if any.

CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

#### A. For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

#### B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company.

#### Annual Accounts

Annual Accounts of the Company for the financial year ended September 30, 2018 have been placed on the Company's website – <http://www.mitchells.com.pk/> in addition to annual and quarterly financial statements for the current and prior periods.



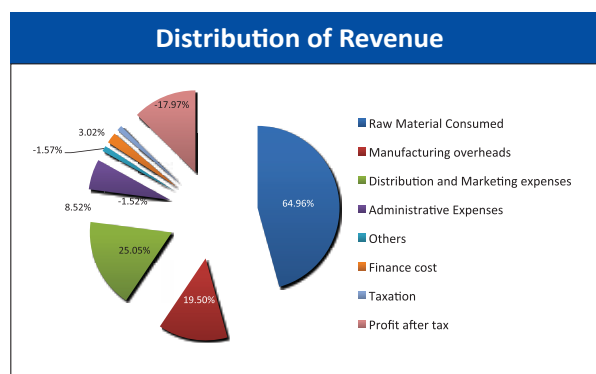
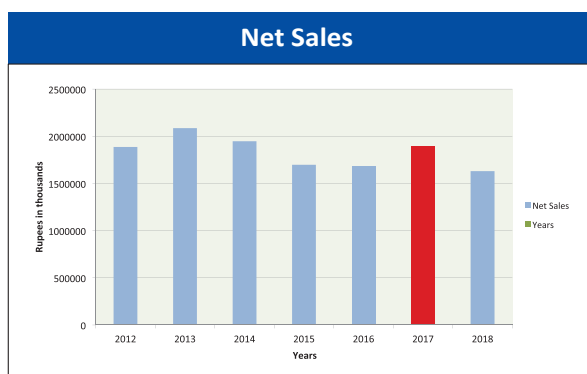


## Directors' Report

The company could not succeed in achieving previous year's sales revenue. The aggregate sales revenue recorded a decline of 14.1% and stood at Rs. 1,628 million.

During the current financial year, the company embarked on a five years' growth strategy and invested heavily in developing a stronger infrastructure for expanding its distribution network, increasing retail penetration and hiring resources from the industry on improved compensation packages.

Unfortunately, we were unable to deliver on our goals mainly because expansion of our distribution network failed to increase the top line of the company. The unabsorbed fixed costs resulted in excessive outflow of available resources and led to shrinkage of working-capital which adversely affected bottom-line results.



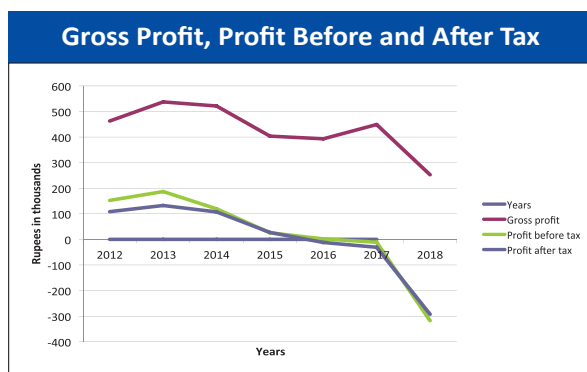
As a result of deterioration in the operating results, and increased uncertainty with respect to the future outlook of the company, sponsors of the company had to contribute substantial funds to bridge working capital requirements.

In addition to the above problems, exports sales performed below the target due to certain unexpected commercial issues encountered with three of the major export markets. Major setback was caused due to trademarks infringement. The decline in sales figure was close to Rs. 100.40 million compared to last year.

Loss for the year amounting to Rs. 292.6 million against Rs. 30.8 million in the previous year was contributed mainly due to the factors stated above.

### MANUFACTURING OPERATIONS

The company invested in new equipment for enhancing its capability to meet the requirement of supplying products to World Food Program,



apart from investments in BMR of existing equipment.

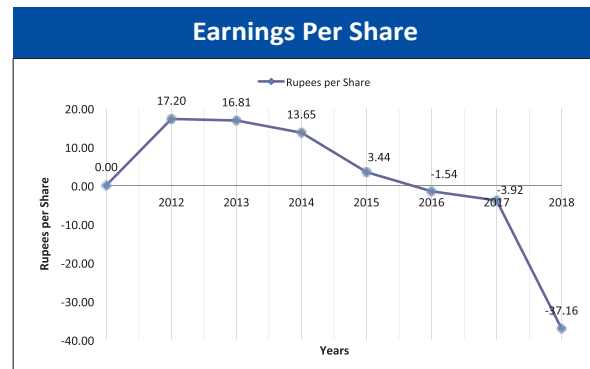
### HUMAN RESOURCE DEVELOPMENT

Employees were sent on trainings based on business need while some internal training was organized to improve the competence level of the employees. Senior management encouraged engagement of employees in formulating projects for enhancing productivity.

### CORPORATE SOCIAL RESPONSIBILITY

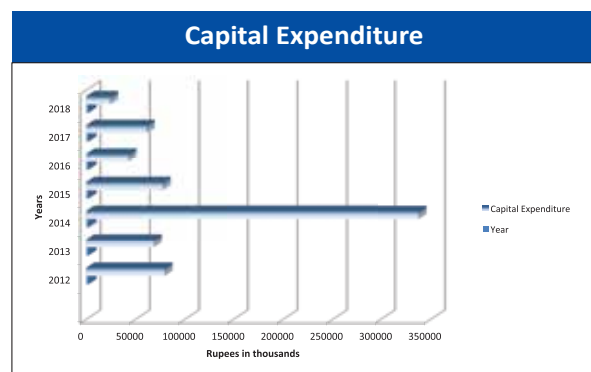
We continued use of biomass as fuel for producing energy, thus committing to be an environment friendly company.

The management encouraged an environment of freedom with accountability amongst the employees. Ethics remain the core strength of the company. Employees are encouraged to



participate in group activities and provide suggestions in bringing improvement in business operations, where necessary. No incident of accident, causing physical injury or misconduct, was reported during the year.

Despite adverse performance during the year,



we continued our support to Anjuman Khuddam-e-Rasool Allah (AKRA) to achieve its objectives of extending basic health and education facilities for the community.

The company contributed Rs.193 million to the National Exchequer on account of various government levies including customs duty, sales tax and income tax.

Furthermore, foreign exchange of Rs.240.31 million was generated through our exports.



## SUBSEQUENT EVENTS

The company has entered into a service agreement with a top financial institution to enable it to identify financially sound equity partners for the healthy, long term prospects of the business. By virtue of this change, the company expects significant fresh equity injection which will enable it to capitalise the brand's worth and also to meet its business obligations in an improved manner.

## FUTURE OUTLOOK

The company has formulated an aggressive action plan under a new CEO, with previous experience of running the company's operations profitably, to carry out corrective measures in order to achieve efficiency in its operations. Consolidation of regions have been undertaken to reduce fixed costs while other measures have been undertaken to achieve low cost of selling. The company is committed to deliver high quality products to end consumers.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- With reference to note no. 2.2 of annexed financial statements, Financial Statements have been prepared on going concern basis.

As a result of significant losses incurred during the financial year, that resulted in substantial erosion of reserves of the company and other reasons set out in note 2.2 of annexed financial

statement, the auditors have drawn attention to in their opinion with respect to going concern assumption.

The company has carried out a number of measures post balance sheet date, as referred to in note 2.2 of the annexed financial statements, which are expected to bring improvements in its operations. The company is exploring new and more favourable business avenues particularly in B2B channel, negotiating favorable business terms with its customers and suppliers in order to mitigate the pressure on the working capital.

The directors of the company have already contributed funds amounting to Rs. 150.00 million as interest-free loan to ensure smooth operation of the company.

- A statement, regarding key financial data for the last six years, is annexed to this report.

## BOARD OF DIRECTORS

The company re-elected its board for fresh a term during the year. Following directors got re-elected:

Mr. S.M Mohsin  
Mr. Muhammad Zahir  
Syeda Sitwat Mohsin  
Mr. Moaz Mohiuddin  
Mr. Jamal Nasim  
Syed Mohammad Mehdi Mohsin  
Ms. Umme Kulsum Imam  
Syeda Maimanat Mohsin  
Mr. Rizwan Bashir  
Mr. Pervez Hayat Noon  
Mr. Shazad Ghaffar

## CHANGES IN DIRECTORS OFFICE

Mr. Mujeeb Rashid rejoined the company as the MD/CEO on September 01, 2018, after the resignation of Mr. Muhammad Zahir.

Mr. Aamir Ameen replaced Mr. Jamal Nasim as Nominee Director from National Investment Trust.

Mr. Najam Aziz Sethi joined the board on December 31, 2018, replacing Syeda Maimanat Mohsin on her resignation from the Directorship in the company. The board, in their meeting held

on February 04, 2019, authorised Syed ohammad Mehdi Moshin and Mr. Najam Aziz Sethi to sign the Directors' report and financial statements, respectively, in absence of Mr. Mujeeb Rashid who was travelling abroad

#### MEETINGS OF BOARD & ITS COMMITTEES

During the last business year four meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	Attendance
Mr. S.M Mohsin	4
Mr. Muhammad Zahir	4
Syeda Sitwat Mohsin	3
Mr. Moaz Mohiuddin	3
Mr. Jamal Nasim	2
Mr. Aamir Ameen	2
Syed Muhammad Mehdi Mohsin	4
Ms. Umme Kulsum Imam	1
Syeda Maimanat Mohsin	0
Mr. Rizwan Bashir	3
Mr. Pervez Hayat Noon	1
Mr. Shazad Ghaffar	2

Leave of absence was granted to the Directors who could not attend the board meetings.

#### AUDIT COMMITTEE

During the last business year, four meetings of the audit committee were held. Attendance by each Director was as follows:-

Name of Director	Attendance
Mr. S.M Mohsin	4
Mr. Rizwan Bashir	1
Mr. Jamal Nasim	2
Mr. Aamir Ameen	2
Mr. Pervez Hayat Noon	1

Leave of absence was granted to the Directors who could not attend the audit committee meetings.

#### HUMAN RESOURCE & REMUNERATION COMMITTEE

During the last business year one meeting of the HR and Remuneration Committee was held. Attendance by each Director was as follows:-

Name of Director	Attendance
Syeda Sitwat Mohsin	1
Mr. Muhammad Zahir	1
Ms. Umme Kulsum Imam	1

#### CORPORATE GOVERNANCE

The statement of compliance with the best practices of Code of Corporate Governance is annexed.

#### PATTERN OF SHARE HOLDING

The information under this head is annexed.

#### RELATED PARTIES

The transactions between the related parties were made at arm's length prices, determined in accordance with the comparable uncontrolled prices method.

#### LOSS PER SHARE

Basic and diluted loss per share for the year under report is (Rs.37.16), as compared to the last year figure of (Rs. 3.92).

#### DIVIDEND

Based on the results, no dividend is proposed for the year under review.

#### AUDITORS

M/s A.F. Ferguson & Company, Chartered Accountants, Lahore, retire, and, being eligible, have offered themselves for re-appointment. The Audit Committee has also recommended their re-appointment.

#### ACKNOWLEDGEMENTS

The board of Directors would like to express their gratitude to all employees for their efforts and commitment in successfully overcoming the challenges faced by the company during the year.

For and on behalf of  
The Board of Directors

Syed Mohammad  
Mehdi Mohsin  
Director

Lahore,  
February 04, 2019



# ڈائریکٹر رپورٹ

کمپنی پچھلے سال کا سیکلر ریونیو حاصل کرنے میں کامیاب نہیں ہو سکی۔ مجموعی طور پر سیکلر ریونیو میں 14.1% کی کمی ریکارڈ ہوئی اور یہ 1,628 ملین روپے تک پہنچ پائی۔

حالیہ مالی سال میں کمپنی نے اپنی پانچ سالہ ترقیاتی حکمت عملی کی بنیاد رکھی اور اپنے ڈسٹری بیوشن کے نیٹ ورک کو بڑھانے کے لیے مضبوط بنیادی ڈھانچے، ریٹیل کی بہتر رسائی اور انڈسٹری سے بہتر پیکیج پرافرادی وسائل حاصل کرنے کے لیے بڑے پیمانے پر انویسٹمنٹ کی۔ بد قسمتی سے، ان عزائم کے باوجود ہم اپنے اہداف حاصل نہیں کر سکے۔ خصوصاً ڈسٹری بیوشن نیٹ ورک کا پھیلاؤ کمپنی کی ٹاپ لائن برہانے میں ناکام رہا۔ لازمی اخراجات میں غیر معمولی کمی ہوئی جس کے نتیجے میں کمپنی کے نتائج بڑے طریقے سے متاثر ہوئے۔ عملی کارکردگی میں اس تنزلی اور کمپنی کے مستقبل کے لائحہ عمل کے بارے میں غیر یقینی صورتحال کے باعث، کمپنی کے ڈائریکٹرز کو ورکنگ کیپٹل کی ضروریات کو پورا کرنے کے لیے نمایاں فنڈز دینے پڑے۔

تین اہم ترین برآمدی منڈیوں کو درپیش مخصوص کمرشل مسائل کی وجہ سے ایکسپورٹ سیکلر اپنے ہدف تک نہیں پہنچ سکی۔ برآمدی سیل میں غیر معمولی کمی کی ایک اہم وجہ ٹریڈ مارک کی خلاف ورزی تھی۔ پچھلے سال کے بالمقابل سیکلر میں 100.40 ملین روپے کی کمی رہی۔ پچھلے سال 30.8 ملین روپے کے بالمقابل اس سال 292.6 ملین روپے کا نقصان بنیادی طور پر اوپر بیان کردہ عوامل کی وجہ سے ہوا۔ مینوفیکچرنگ آپریشنز

کمپنی نے اپنی موجودہ صلاحیت میں بالعموم اور ورلڈ فوڈ پروگرام کی مصنوعات کی فراہم کے لیے بالخصوص نئے اثاثوں میں سرمایہ کاری کی۔

افراد کی قوت کی ڈولپمنٹ ملازمین کی کاروباری ضروریات کو مد نظر رکھتے ہوئے مختلف ٹریننگ پروگرامی گئیں، نیز منیجمنٹ نے ملازمین کی مجموعی پیداوار کی صلاحیت بڑھانے کے منصوبوں کی حوصلہ افزائی کی۔

سماجی ذمہ داریاں

ہم نے توانائی کے حصول کے لیے بائیو ماس کو بطور ایندھن استعمال جاری رکھا ہے تاکہ ہم ماحول دوست کمپنی بننے کا وعدہ نبھاسکیں۔ انتظامیہ نے سٹاف کے ساتھ جوابدہی کے ساتھ آزادانہ ماحول کی حوصلہ افزائی کی ہے۔ اخلاقیات کمپنی کے کاروبار کی بنیادی قوت رہے ہیں۔ ملازمین کی مشترکہ سرگرمیوں میں شمولیت اور کمپنی کے کاروباری امور میں بہتری کے لیے، جہاں ضروری ہو وہاں تجاویز دینے کی حوصلہ افزائی کی جاتی ہے۔ پورے سال میں کوئی حادثہ ایسا نہیں ہوا جس میں جسمانی نقصان ہوا ہو نہ ہی کسی غلط رویے کی اطلاع ملی۔ اس سال میں مشکل ترین صورتحال کے باوجود ہم نے انجمن خدام رسول اللہ (AKRA) کو کمیونٹی میں ان کے بنیادی صحت اور تعلیم پھیلانے کے مقصد کی سپورٹ جاری رکھی۔ کمپنی نے مختلف سرکاری محصولات کسٹم ڈیوٹی، سیکلر ٹیکس اور انکم ٹیکس کی مد میں قومی خزانے میں 193 ملین روپے جمع کرائے۔ مزید یہ کہ ہماری ایکسپورٹ سے 240.31 ملین روپے کا خطیر زر مبادلہ حاصل ہوا۔

متواتر واقعات

کمپنی نے ایک بڑے مالیاتی ادارے کے ساتھ معاہدہ کیا ہے کہ وہ کاروبار میں سرمایہ کاری کے لیے ایک منظم اور مضبوط سرمایہ کار تلاش کریں، جس سے کمپنی کو مستقبل میں مفید نتائج حاصل ہوں گے۔ اس تبدیلی کے باعث ادارہ امید کرتا ہے کہ اسے بہتر مالی معاونت ہوگی جس سے ادارے کے برینڈ میں بڑھوتری اور اپنی مالی ادائیگی میں بہتری آئے گی۔ مستقبل کے لیے لائحہ عمل

کمپنی کے نئے سی ای او نے اپنے سابقہ تجربہ کی روشنی میں کمپنی کی کارکردگی کو بہتر بنانے کے لیے اصلاحی اقدامات کی غرض سے ایک جارحانہ منصوبہ

بندی کی جس میں لازمی اخراجات مین بتدریج کمی کے حصول کے لیے مختلف ریجنل آفسز کا ادغام کیا گیا علاوہ ازیں فروختی اخراجات کی کمی کے لیے خاطر خواہ اقدامات کیے گئے۔

کارپوریٹ اور مالی رپورٹنگ کا فریم ورک

☆ کمپنی کی مینجمنٹ کی جانب سے تیار کردہ مالی بیانات (فنانشل اسٹیٹمنٹ)، کمپنی کے امور، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو منصفانہ انداز میں پیش کرتے ہیں۔

☆ کمپنی کی اکاؤنٹ بکس کو باقاعدہ منظم کیا گیا ہے۔

☆ فنانشل اسٹیٹمنٹ اور اکاؤنٹنگ سسٹم کی تشکیل کے لئے مناسب اور دانشمندانہ فیصلوں پر مبنی اکاؤنٹنگ پالیسیز مسلسل لاگو کی گئی ہیں۔

☆ فنانشل اسٹیٹمنٹ کی تیاری کے لئے بین الاقوامی فنانشل رپورٹنگ سٹینڈرڈز، جو پاکستان میں لاگو ہیں کی پیروی کی گئی ہے۔

☆ انٹرنل کنٹرول کا نظام ڈیزائن کے اعتبار سے بہترین ہے اور موثر انداز میں لاگو ہونے ساتھ ساتھ مانیٹرڈ بھی ہے۔

☆ فنانشل اسٹیٹمنٹ کے نوٹ نمبر 2.2 میں کی گئی وضاحت کے مطابق کمپنی کی فنانشل اسٹیٹمنٹ "Going Concern Basis" پر کی گئی ہیں

☆ موجودہ مالی سال میں غیر معمولی کاروباری نقصان کی وجہ سے کمپنی کے وسائل میں نمایاں کمی واقع ہوئی ہے۔ علاوہ ازیں، ان امور کی وضاحت فنانسل اسٹیٹمنٹ کے نوٹ نمبر 2.2 میں کی گئی ہے۔ کمپنی کے آڈیٹر نے اپنی رپورٹ میں اس ضمن میں توجہ دلائی ہے۔

☆ کمپنی نے موجودہ مالی سال کے اختتام پر مختلف اصلاحاتی اقدامات کیے ہیں جس کا تذکرہ فنانشل اسٹیٹمنٹ کے نوٹ نمبر 2.2 میں کیا گیا ہے۔ کمپنی نئے اور منافع بخش مواقعوں کی جستجو میں سرگرم عمل ہے۔ ان میں بالخصوص بی 2 بی چینل بڑھوتری ہے۔ اور کاروباری لین دین بہتر شرائط پہ کرنا ہے۔ جس سے کمپنی کے مالی وسائل بہتر طریقے سے بروئے کار لائے جاسکیں۔

☆ کمپنی کے ڈائریکٹرز پہلے ہی 150 ملین روپے قرض دے چکے ہیں تاکہ کمپنی کے معاملات کو بہتر طریقے سے چلایا جاسکے۔ یہ قرض بلا سود کے دیا گیا ہے۔

گزشتہ چھ سالوں کی مالی معلومات سے متعلق ایک سالانہ رپورٹ اس اسٹیٹمنٹ کے ساتھ منسلک ہیں۔

### بورڈ آف ڈائریکٹرز

کمپنی نے موجودہ سال کے دوران اپنے بورڈ آف ڈائریکٹرز کو الیکشن کے ذریعے دوبارہ منتخب کیا۔ منتخب کردہ ارکان بورڈ کی تفصیل مندرجہ ذیل ہے:-

جناب ایس ایم محسن

جناب محمد ظاہر

سیدہ سطوت محسن

جناب معاذ محی الدین

جناب عامر امین

سید محمد مہدی محسن

ام کلثوم امام

سیدہ میمانت محسن

جناب رضوان بشیر

جناب پرویز حیات نون

جناب شہزاد غفار



## تبدیلی برائے ڈائریکٹران

جناب مجیب رشید نے جناب محمد ظاہر کی کمپنی سے علیحدگی پر یکم ستمبر 2018 کو بطور چیف ایگزیکٹو شمولیت اختیار کی۔  
 جناب عامر امین نے جناب جمال نسیم (NIT Nominee) کی جگہ پر بورڈ میں شمولیت اختیار کی۔  
 جناب نجم عزیز سیٹھی نے 31 دسمبر 2018 کو بورڈ میں شمولیت اختیار کی۔ ان کی تقرری سیدہ میمانت محسن کی کمپنی کی ڈائریکٹر شپ سے علیحدگی کی وجہ سے ہوئی۔ بورڈ نے 4 فروری 2019 کو منعقد ہونے والے اجلاس میں سید محمد مہدی محسن اور جناب نجم عزیز سیٹھی کو بالترتیب ڈائریکٹرز رپورٹ اور فنانشل اسسٹنٹس کے اجراء کی منظوری دی۔ یہ منظوری جناب مجیب رشید کے بیرون ملک دورے کی وجہ سے کی گئی۔

## بورڈ آف ڈائریکٹرز کے اجلاس

گزشتہ مالی سال کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز کا انعقاد ہوا۔

ہر ڈائریکٹر کی حاضری درج ذیل ہے

ڈائریکٹرز کے نام	حاضری
جناب ایس ایم محسن	4
جناب محمد ظاہر	4
سیدہ سطوت محسن	3
جناب معاذ محی الدین	3
جناب جمال نسیم	2
جناب عامر امین	2
سید محمد مہدی محسن	4
ام کلثوم امام	1
سیدہ میمانت محسن	0
جناب رضوان بشیر	3
جناب پرویز حیات نون	1
جناب شہزاد غفار	2

ان تمام ڈائریکٹرز کو جو میٹنگ میں شرکت نہیں کر سکے غیر حاضری کی رخصت کی اجازت دی گئی۔

## آڈٹ کمیٹی:

گزشتہ مالی سال کے دوران آڈٹ کمیٹی کی چار میٹنگز کا انعقاد ہوا۔

ہر ڈائریکٹر کی حاضری درج ذیل ہے

ڈائریکٹرز کے نام	حاضری
جناب ایس ایم محسن	4
جناب رضوان بشیر	1
جناب عامر امین	2
جناب جمال نسیم	2
جناب پرویز حیات نون	1

ان تمام ڈائریکٹرز کو جو میٹنگ میں شرکت نہیں کر سکے غیر حاضری کی رخصت کی اجازت دی گئی۔  
ہیومن ریسورس اینڈ ریمونریشن کمیٹی  
گزشتہ مالی سال کے دوران ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی ایک میٹنگ کا انعقاد ہوا۔  
ہر ڈائریکٹر کی حاضری درج ذیل ہے

ڈائریکٹر کے نام	حاضری
سیدہ سطوت محسن	1
جناب محمد ظاہر	1
ام کلثوم امام	1

### کارپوریٹ گورننس

کارپوریٹ گورننس کے قوانین کی بہتر انداز سے پیروی کے لئے تعمیل کا بیانیہ (اسٹیٹمنٹ) ساتھ منسلک ہے۔

### حصص داران کی تفصیل:

اس سے متعلق معلومات ساتھ منسلک ہے۔

### متعلقہ پارٹی سے لین دین:

متعلقہ پارٹیز کے درمیان لین دین میں کسی تیسری پارٹی کی شمولیت نہیں تھی۔ اور بغیر کنٹرول کے قیمت کے تعین کے طریقہ کار سے مطابقت رکھتی تھی

### فی حصص نقصان:

اس سال فی حصص بیسک اور ڈائلیوٹڈ نقصان گزشتہ سال کے 3.92 روپے کے بالمقابل 37.16 روپے ہے۔

### ڈیوڈینڈ

نتائج کی بنیاد پر زیر جائزہ سال کے لئے کوئی ڈیوڈینڈ تجویز نہیں کیا گیا۔

### آڈیٹرز

ایم ایس اے۔ ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، لاہور نے اختتام معاہدہ کے بعد اور اہل ہونے کی وجہ سے دوبارہ تقرر کی پیشکش کی ہے، آڈٹ کمیٹی نے بھی ان کی تقرری کی سفارش پیش کی ہے۔

### اظہار تشکر

بورڈ آف ڈائریکٹرز تمام ملازمین کے مشکور ہیں جنہوں نے اس سال کمپنی کو درپیش ناموافق حالات پر قابو پانے کے لئے بھرپور انداز میں ہمارا ساتھ دیا۔

بورڈ آف ڈائریکٹرز کی جانب سے

سید محمد مہدی محسن

ایگزیکٹو ڈائریکٹر

لاہور: 4 فروری 2019

# Vertical Analysis of Financial Statements

	2018		2017	
	Rs. In '000	%	Rs. In '000	%
<b>Statement of Financial Position</b>				
Non-current Assets	696,294	46.63	703,414	44.96
Current Assets	797,015	53.37	861,160	55.04
Total Assets	1,493,309	100.00	1,564,574	100.00
Equity	209,300	14.02	501,489	32.05
Non-current Liabilities	119,730	8.02	161,444	10.32
Current Liabilities	1,164,279	77.97	901,641	57.63
Total equity and Liabilities	1,493,309	100.00	1,564,574	100.00
<b>Profit and Loss Account</b>				
Net Sales	1,628,007	100.00	1,894,406	100.00
Cost of Sales	(1,375,119)	(84.47)	(1,445,303)	(76.29)
Gross Profit	252,888	15.53	449,103	23.71
Selling and Distribution expenses	(407,886)	(25.05)	(317,444)	(16.76)
Administrative expenses	(136,106)	(8.36)	(112,698)	(5.95)
	(291,104)	(17.88)	18,961	1.00
Other operating expense	(2,550)	(0.16)	(1,350)	(0.07)
Other operating income	25,480	1.57	13,465	0.71
Financial expenses	(268,174)	(16.47)	31,076	1.64
	(49,244)	(3.02)	(42,187)	(2.23)
(Loss) / Profit before tax	(317,418)	(19.50)	(11,111)	(0.59)
Taxation	24,799	1.52	(19,772)	(1.04)
(Loss) / Profit for the year	(292,619)	(17.97)	(30,883)	(1.63)



2016		2015		2014		2013	
Rs. In '000	%	Rs. In '000	%	Rs. In '000	%	Rs. In '000	%
681,248	48.14	709,345	51.85	698,362	49.83	404,567	43.72
733,752	51.86	658,671	48.15	703,215	50.17	520,756	56.28
1,415,000	100.00	1,368,016	100.00	1,401,577	100.00	925,323	100.00
540,922	38.23	572,587	41.86	578,913	41.30	519,920	56.19
149,020	10.53	264,386	19.33	306,366	21.86	118,420	12.80
725,058	51.24	531,043	38.82	516,298	36.84	286,983	31.01
1,415,000	100.00	1,368,016	100.00	1,401,577	100.00	925,323	100.00
1,679,461	100.00	1,696,332	100.00	1,945,126	100.00	2,084,262	100.00
(1,286,380)	(76.59)	(1,292,628)	(76.20)	(1,423,777)	(73.20)	(1,546,796)	(74.21)
393,082	23.41	403,704	23.80	521,349	26.80	537,466	25.79
(261,060)	(15.54)	(240,215)	(14.16)	(95,153)	(4.89)	(82,852)	(3.98)
(103,908)	(6.19)	(103,015)	(6.07)	(275,836)	(14.18)	(248,432)	(11.92)
28,114	1.67	60,474	3.56	150,360	7.73	206,182	9.89
(2,167)	(0.13)	(2,998)	(0.18)	(9,398)	(0.48)	(14,221)	(0.68)
19,067	1.14	16,866	0.99	17,105	0.88	12,534	0.60
45,014	2.68	74,342	4.38	158,067	8.13	204,495	9.81
(42,920)	(2.56)	(48,485)	(2.86)	(38,591)	(1.98)	(17,558)	(0.84)
2,094	0.12	25,854	1.52	119,476	6.14	186,937	8.97
(14,202)	(0.85)	1,215	0.07	(12,012)	(0.62)	(54,533)	(2.62)
(12,108)	(0.72)	27,069	1.60	107,464	5.52	132,404	6.35

# Horizontal Analysis of Financial Statements

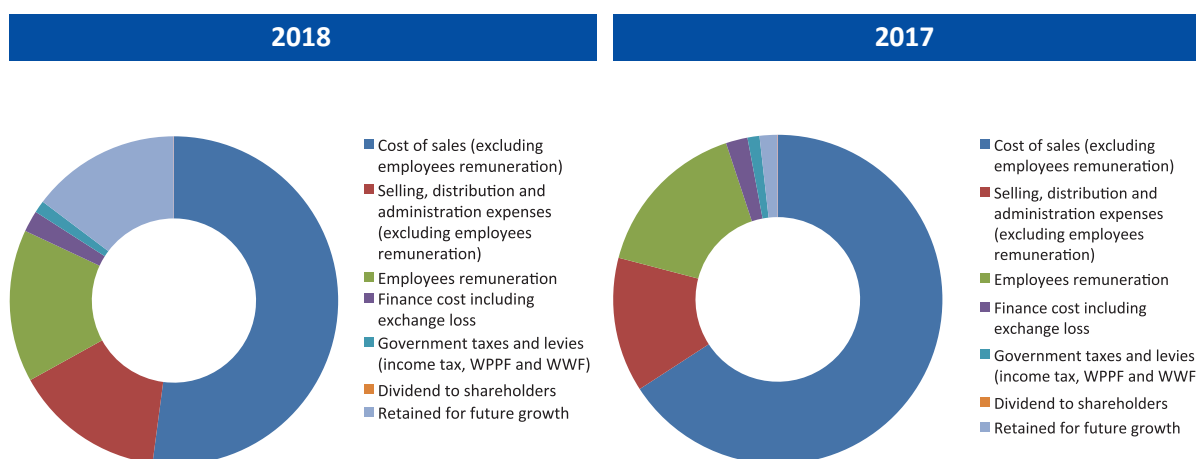
	2018 Rs. In '000	2017 Rs. In '000	2016 Rs. In '000	2015 Rs. In '000	2014 Rs. In '000	2013 Rs. In '000
<b>Statement of Financial Position</b>						
Non-current Assets	696,294	703,414	681,248	709,345	698,362	404,567
Current Assets	797,015	861,160	733,752	658,671	703,215	520,756
Total Assets	1,493,309	1,564,574	1,415,000	1,368,016	1,401,577	925,323
Equity	209,299	501,489	540,922	572,587	578,913	519,920
Non-current Liabilities	119,730	161,444	149,020	264,386	306,366	118,420
Current Liabilities	1,164,280	901,641	725,058	531,043	516,298	286,983
Total equity and Liabilities	1,493,309	1,564,574	1,415,000	1,368,016	1,401,577	925,323
<b>Profit and Loss Account</b>						
Net Sales	1,628,008	1,894,406	1,679,462	1,696,332	1,945,126	2,084,262
Cost of Sales	(1,375,118)	(1,445,303)	(1,286,380)	(1,292,628)	(1,423,777)	(1,546,796)
Gross Profit	252,890	449,103	393,082	403,704	521,349	537,466
Administrative expenses	(136,106)	(112,698)	(103,908)	(103,015)	(95,153)	(82,852)
Selling and Distribution expenses	(407,887)	(317,444)	(261,060)	(240,215)	(275,836)	(248,432)
Other operating expenses	(291,103)	18,961	28,114	60,474	150,360	206,182
Other operating income	(2,551)	(1,350)	(2,167)	(2,998)	(9,398)	(14,221)
Financial expenses	(268,174)	31,076	45,013	74,342	158,067	204,495
(Loss)/Profit before tax	(49,244)	(42,187)	(42,920)	(48,485)	(38,591)	(17,558)
Taxation	(317,418)	(11,112)	2,094	25,854	119,476	186,937
(Loss)/Profit for the year	24,799	(19,772)	(14,202)	1,215	(12,012)	(54,533)
Summary of Cash Flows	(292,619)	(30,884)	(12,108)	27,069	107,464	132,404
Net cash flows from operating activities	(268,174)	31,076	45,013	74,342	158,067	204,495
Net cash flows from investing activities	(49,244)	(42,187)	(42,920)	(48,485)	(38,591)	(17,558)
Net cash flows from financing activities	(317,418)	(11,112)	2,094	25,854	119,476	186,937
Net change in cash and cash equivalents	107,333	(42,820)	(62,126)	(50,855)	112,804	(37,483)
	(72,565)	(128,567)	(102,990)	(65,766)	(238,357)	69,331

2018	2017	2016	% increase/ (decrease) over preceding year		
			2015	2014	2013
(1.01)	3.25	(3.96)	1.57	72.62	7.74
(7.45)	17.36	11.40	(6.33)	35.04	18.74
(4.55)	10.57	3.43	(2.39)	51.47	13.66
(58.26)	(7.29)	(5.53)	(1.09)	11.35	21.14
(25.84)	8.34	(43.64)	(13.70)	158.71	22.85
29.13	24.35	36.53	2.86	79.91	(0.53)
(4.55)	10.57	3.43	(2.39)	51.47	13.66
(14.06)	12.80	(0.99)	(12.79)	(6.68)	10.60
(4.86)	12.35	(0.48)	(9.21)	(7.95)	8.80
(43.69)	14.25	(2.63)	(22.57)	(3.00)	16.14
20.77	8.46	0.87	8.26	14.85	(2.03)
28.49	21.60	8.68	(12.91)	11.03	20.13
(1,635.27)	(32.56)	(53.51)	(59.78)	(27.07)	20.29
88.96	(37.72)	(27.70)	(68.10)	(33.91)	17.49
89.23	(29.38)	13.05	(1.40)	36.47	(21.78)
(962.96)	(30.96)	(39.45)	(52.97)	(22.70)	16.64
16.73	(1.71)	(11.48)	25.64	119.79	(23.54)
2,756.53	(630.78)	(91.90)	(78.36)	(36.09)	22.70
(225.42)	39.22	(1,268.88)	(110.11)	(77.97)	23.91
847.48	155.06	(144.73)	(74.81)	(18.84)	22.20
885.05	216.45	(108.36)	(359.97)	(112.69)	41.83
(54.22)	95.87	(49.46)	(78.30)	409.53	(12.46)
(350.66)	(31.08)	22.16	(145.08)	(400.95)	8.78
(43.56)	24.83	56.60	(72.41)	(443.80)	451.03



# Value Addition and its Distribution

	2018		2017	
Wealth Generated	Rs. In '000	%	Rs. In '000	%
Net sales	1,628,007	98.46	1,894,406	99.29
Other operating income	25,480	1.54	13,465	0.71
	1,653,487	100.00	1,907,871	100
Distribution of Wealth				
Cost of sales and services (excluding employees remuneration and other duties)	1,219,466	73.75	1,300,926	68.19
Selling, distribution and administration expenses (excluding employees remuneration and other duties)	348,039	21.05	261,594	13.71
Employees remuneration	351,607	21.26	312,926	16.40
Finance cost including exchange loss	49,244	2.98	42,187	2.21
Government taxes and levies (Income tax, WPPF and WWF)	28,123	1.70	23,218	1.22
Dividend to shareholders				-
Retained for future growth (Balancing Figure)	(343,868)	-20.80	(34,080)	-1.79
Charity and donation	876	0.05	1,101	0.06
	1,653,487	100.00	1,907,871	100



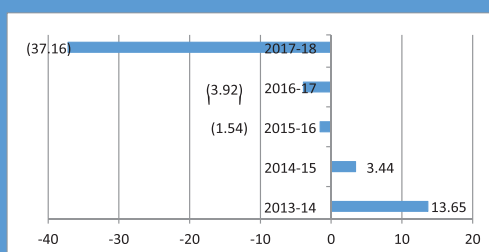
# Stakeholder Information

## Financial Ratios

	Unit	2018	2017	2016	2015	2014	2013
<b>Rate of return</b>							
Return on assets	%	(19.60)	(1.97)	(0.86)	1.98	7.67	14.31
Return on equity	%	(139.81)	6.16	(2.24)	4.73	18.56	25.47
Return on capital employed	%	(81.50)	4.69	6.52	8.88	17.86	32.04
Interest cover	Times	(5.45)	0.74	1.05	1.53	4.10	11.65
Gross profit Margin	%	15.53	23.71	23.41	23.80	26.80	25.79
Net profit to sales	%	(17.97)	(1.63)	(0.72)	1.60	5.52	6.35
EBITDA	Rs	(219,665)	82,604	109,995	136,309	208,146	242,030
EBITDA margin to sales	%	(13.49)	4.36	6.55	8.04	10.70	11.61
<b>Liquidity</b>							
Current ratio		0.68	0.96	1.01	1.24	1.36	1.81
Quick Ratio		0.29	0.50	0.49	0.65	0.58	0.67
<b>Financial Gearing</b>							
Debt-Equity Ratio	Times	0.80	0.57	0.51	0.47	0.44	0.10
Debt to Assets	%	85.98	67.95	61.77	58.14	58.70	43.81
<b>Capital Efficiency</b>							
Debtor turnover/No. of days in receivables	Days	14	40	26	24	18	10
Inventory turnover/ No. of days in inventory	Days	123	104	107	88	104	77
Creditor turnover/ No. of days in payables	Days	98	67	40	47	43	44
Operating Cycle	Days	38	77	93	65	79	43
Fixed assets turnover ratio	Times	2.34	2.69	2.47	2.44	2.84	5.30
Total assets turnover	Times	1.09	1.21	1.19	1.24	1.39	2.25

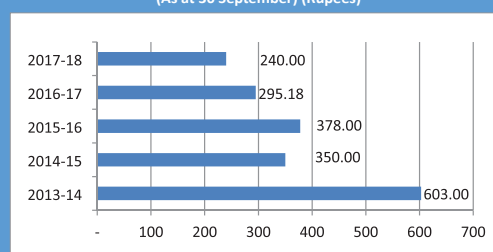
# Shareholder Information

**Earnings per share (Rupees)**

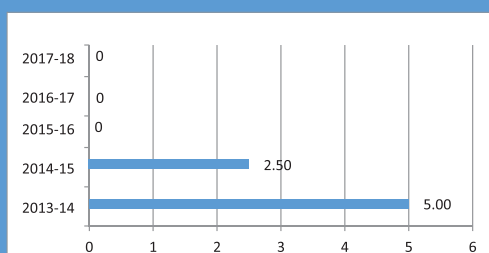


**Year Closing Stock Price**

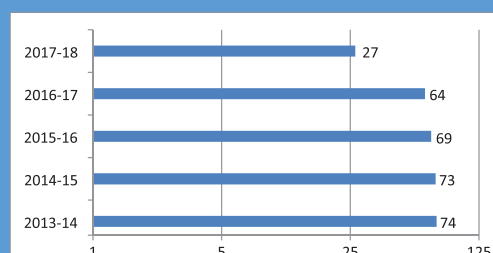
(As at 30 September) (Rupees)



**Dividend History (%)**



**Break-up value of Shares (Rupees)**



# Pattern of Shareholding

As at September 30, 2018

1.1 Name of the Company

MITCHELL'S FRUIT FARMS LIMITED.

2.1. Pattern of holding of the shares held by the shareholders as at

30-09-2018

No of Shareholders	..... Shareholding .....		Total Shares Held
	From	To	
366	1	100	15,266
370	101	500	101,496
82	501	1,000	64,343
129	1,001	5,000	225,646
10	5,001	10,000	67,365
5	10,001	15,000	62,085
3	15,001	20,000	52,069
1	25,001	30,000	27,675
2	30,001	35,000	65,550
1	35,001	40,000	35,981
2	60,001	65,000	126,523
1	75,001	80,000	76,116
1	85,001	90,000	86,983
1	105,001	110,000	109,659
1	125,001	130,000	127,350
1	165,001	170,000	169,581
1	170,001	175,000	171,820
1	290,001	295,000	292,738
1	730,001	735,000	735,000
1	765,001	770,000	767,666
2	880,001	885,000	1,767,787
1	2,725,001	2,730,000	2,726,301
983			7,875,000



5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	4,533,352	57.5664%
5.2 Associated Companies, undertakings and related parties.	-	0.0000%
5.3 NIT and ICP	-	0.0000%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	17,117	0.2174%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	812,016	10.3113%
5.7 Share holders holding 10% or more	4,494,088	57.0678%
5.8 General Public		
a. Local	2,088,700	26.5232%
b. Foreign	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	357,312	4.5373%
Pension Funds	64,248	0.8158%
Others	2,255	0.0286%

# Categories of Shareholders as required under C.C.G. As at September 30, 2018

SR. NO.	NAME	Shares Held	Percentage
---------	------	-------------	------------

## Associated Companies, Undertakings and Related Parties (Name Wise Detail):

### Mutual Funds (Name Wise Detail)

1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	767,666	9.7481%
2	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND (CDC)	32,550	0.4133%
2	CDC - TRUSTEE NIT-EQUITY MARKET OPPROTUNITY FUND (CDC)	11,800	0.1498%

### Directors and their Spouse and Minor Chidren (Name Wise Detail):

1	SYED MOHAMMAD MOHSIN	21,460	0.2725%
2	SYED MOHAMMAD MEHDI MOHSIN	2,726,301	34.6197%
3	MR. RIZWAN BASHIR	517	0.0066%
4	MST. UMME KULSUM IMAM	1,125	0.0143%
5	MR. MOAZ MOHIUDDIN	781	0.0099%
6	SYEDA SITWAT MOHSIN	13,600	0.1727%
7	MR. AAMIR AMIN (NIT NOMINEE)	--	--
8	MR. MUHAMMAD ZAHIR	781	0.0099%
9	SYEDA MAIMNAT MOHSIN	883,895	11.2241%
10	MR. SHAHZAD GHAFAR	500	0.0063%
11	MR. PERVEZ HAYAT NOON	500	0.0063%
12	SYEDA MATANAT MOHSIN W/O MR. SHAHZAD GHAFAR (CDC)	883,892	11.2240%

Executives:	450	0.0057%
-------------	-----	---------

Public Sector Companies & Corporations:	-	-
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Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	81,365	1.0332%
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### Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

S. No.	Name	Holding	Percentage
1	SYED MOHAMMAD MEHDI MOHSIN	2,726,301	34.6197%
2	SYEDA MAIMNAT MOHSIN	883,895	11.2241%
3	SYEDA MATANAT MOHSIN (CDC)	883,892	11.2240%
4	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	767,666	9.7481%
5	MST. AMINA WADALAWALA	735,000	9.3333%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	Sale	Purchase
1	SYED MOHAMMAD MOHSIN	-	1,260
2	SYED MOHAMMAD MOHSIN (CDC)	-	19,700



## Statement of Compliance with the Code of Corporate Governance

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

1. The total number of directors are eleven (11) as per the following:
  - a. Male: 8
  - b. Female: 3
2. The composition of board is as follows:

<b>Category</b> Independent Director	<b>Names</b> Mr. Rizwan Bashir Mr. Pervaiz Hayat Noon
Other Non-executive Director	Mr. S.M Mohsin Sitwat Mohsin Mr. Shazad Ghaffar Mr. Moaz Mohiuddin Umme Kalsum Imam *Syeda Maimanat Mohsin Mr. Aamir Amin
Executive Directors	Mr. Mujeeb Rashid Syed Mohammad Mehdi Mohsin

Regulation 6 (1) requires that independent directors of each listed company shall not be less than two members or one third of the total members of the board, whichever is higher. The number of independent directors in the board is less than as prescribed in the Regulations.

\* Ms. Syeda Maimanat Mohsin resigned subsequent to the year end and Mr. Najam Aziz Sethi has been appointed as an executive director in her place to fill in the casual vacancy.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).



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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
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 of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training Program for the following:
  - a) **Independent Director**  
Mr. Rizwan Bashir
  - b) **Other Non-executive Director**  
Mr. Aamir Amin
  - c) **Executive Directors**  
Syed Mohammad Mehdi Mohsin
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
  - a) **Audit Committee**
    1. Mr. Rizwan Bashir (Independent Director) – Chairman
    2. Mr. S.M Mohsin (Non-Executive Director)
    3. Mr. Aamir Amin (Non-Executive Director)
    4. Mr. Shazad Ghaffar (Non-Executive Director)
  - b) **HR and Remuneration Committee**
    1. Mr. Pervaiz Hayat Noon (Independent Director) – Chairman
    2. Syeda Sitwat Mohsin (Non-Executive Director)
    3. Mr. Mujeeb Rashid (Executive Director)
    4. Umme Kulsum Imam (Non-Executive Director)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
  - a) **Audit Committee:**  
Four quarterly meetings were held during the financial year ended September 30, 2018.
  - b) **HR and Remuneration Committee**  
One meeting of HR and Remuneration Committee was held during the financial year ended September 30, 2018.
15. The board has set up an effective internal audit function which is considered suitably qualified, experienced for the purpose and conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control

review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with except for the following;

- a. The requirement of Regulation 10 (3)(v) with respect to put in place a formal and effective mechanism for an annual evaluation of the board's own performance, members of board and of its committees has not been complied with. The Board is in process of complying with this requirement of the Regulations; and
- b. The requirement of Regulation 10 (3)(vii) with respect to defining the level of materiality, keeping in view the specific circumstances of the company has not been complied with. The Board is in process of complying with this requirement of the Regulations.

Lahore,  
February 04, 2019

S.M Mohsin  
Chairman

# Independent Auditor's Review Report

## Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Mitchell's Fruit Farms Limited (the Company) for the year ended September 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

Company's corporate governance procedures and risks.

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

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

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

	Paragraph reference	Description
i-	2	The number of independent directors in the Board of Directors is less than as prescribed in the Regulations.
ii-	18(a)	No formal mechanism is in place for an annual evaluation of the performance of Board of Directors, its members and committees.
iii-	18(b)	Level of materiality keeping in view the specific circumstances of the Company are not defined.



Chartered Accountants  
Lahore,

Dated: February 15, 2019

# Independent Auditor's Report

To the members of Mitchell's Fruit Farms Limited  
Report on the Audit of the Financial Statements

## Opinion

We have audited the annexed financial statements of Mitchell's Fruit Farms Limited (the Company), which comprise the statement of financial position as at September 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the

Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty relating to Going Concern

We draw attention to note 2.2 in the financial statements, which indicates that the Company incurred a net loss of Rs 292.19 million during the year ended September 30, 2018 and as of date, the Company's current liabilities exceeded its current assets by Rs 367.26 million. As stated in note 2.2, these events or conditions, along with other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty relating to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

S. No	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Companies Act, 2017</b></p> <p>(Refer note 2.4 to the annexed financial statements)</p> <p>The provisions of the Fourth Schedule to the Companies Act, 2017, became applicable to the Company for the first time in the preparation of the annexed financial statements.</p> <p>As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous financial reporting framework and the current financial reporting framework and as a result, certain amendments and additional disclosures were made in the Company's annexed financial statements.</p> <p>In view of the additional disclosures in the annexed financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this as a key audit matter.</p>	<p>We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- Considered the management's process to identify the additional disclosures required in the Company's annexed financial statements;</li> <li>- Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence; and</li> <li>- Verified on test basis, the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.</li> </ul>
2.	<p><b>Revenue recognition</b></p> <p>(Refer note 23 to the annexed financial statements)</p> <p>Revenue is measured net of returns, trade promotions and incentives earned by customers on the Company's sales.</p> <p>There are multiple arrangements for sales returns, trade promotions and incentives given to the Company's customers, the estimation of which involves management's judgement and the amounts involved are material. Therefore, there is a risk that these arrangements are not appropriately reflected due to error or management bias in estimation process and as a result revenue is misstated in the financial statements. Consequently, we consider this a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>- Considered the appropriateness of the Company's revenue recognition accounting policies, including those relating to returns, trade promotions and incentives and assessing compliance with the policies in terms of applicable accounting standards</li> <li>- tested the effectiveness of the Company's controls over sales along with correct timing of revenue recognition and controls over authorisation of trade promotions and incentives.</li> <li>- verified on a sample basis transactions of returns, trade promotions and incentives to check underlying supporting documents.</li> <li>- assessed credit notes issued after the year end of returns, trade promotions and incentives to assess whether related provisions are adequate based on actual subsequent transactions and trends.</li> <li>- considered the adequacy of the Company's disclosures</li> </ul>



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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the

Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe

these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Asad Aleem Mirza.



Chartered Accountants  
Lahore,

Dated: February 15, 2019



# Financial Statements

As at 30 September 2018

# Statement of Financial Position

As at September 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 20,000,000 (2017: 20,000,000) ordinary shares of Rs 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital 7,875,000 (2017: 7,875,000) ordinary shares of Rs 10 each	5	78,750,000	78,750,000
Reserves	6	9,635,878	9,635,878
Revenue reserve: Unappropriated profit		120,913,520	413,102,822
		209,299,398	501,488,700
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	7	3,144,530	46,541,433
Deferred liabilities	8	116,585,222	114,902,440
Long term finance - secured	9	-	-
		119,729,752	161,443,873
<b>CURRENT LIABILITIES</b>			
Current portion of long term finance - secured	9	21,333,333	64,000,000
Finances under markup arrangements - secured	10	680,657,933	610,222,175
Creditors, accrued and other liabilities	11	298,120,361	215,603,141
Loan from directors - unsecured	12	150,000,000	-
Accrued finance cost		12,163,862	9,811,764
Unclaimed dividends		2,004,183	2,004,183
		1,164,279,672	901,641,263
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	-	-
		1,493,308,822	1,564,573,836

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

	Note	2018 Rupees	2017 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	645,288,320	674,669,376
Intangible assets	15	2,379,947	2,923,309
Biological assets	16	38,931,667	18,783,000
Long term receivables	17	9,693,930	7,037,830
		696,293,864	703,413,515
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	18	36,064,853	27,458,358
Stock in trade	19	461,616,862	413,163,837
Trade debts	20	63,720,363	207,631,982
Advances, deposits, prepayments and other receivables	21	67,267,269	39,452,605
Income tax recoverable		155,234,531	158,213,459
Cash and bank balances	22	13,111,080	15,240,080
		797,014,958	861,160,321
		1,493,308,822	1,564,573,836

S. M. Mohsin  
Chairman

Nauman Munawar  
Chief Financial Officer

Najam Aziz Sethi  
Director



# Statement of Profit or Loss

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	23	1,628,007,964	1,894,406,267
Cost of sales	24	(1,375,118,880)	(1,445,303,074)
<b>Gross profit</b>		252,889,084	449,103,193
Administrative expenses	25	(136,106,248)	(112,698,488)
Distribution and marketing expenses	26	(407,886,503)	(317,443,774)
Other operating expenses	27	(2,550,610)	(1,350,154)
Other income	28	25,480,033	13,464,784
<b>(Loss) / profit from operations</b>		(268,174,244)	31,075,561
Finance cost	29	(49,244,154)	(42,187,491)
<b>Loss before tax</b>		(317,418,398)	(11,111,930)
Taxation	30	24,799,334	(19,771,650)
<b>Loss for the year</b>		(292,619,064)	(30,883,580)
Loss per share - Basic and diluted	37	(37.16)	(3.92)

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

S. M. Mohsin  
Chairman

Nauman Munawar  
Chief Financial Officer

Najam Aziz Sethi  
Director

# Statement of Comprehensive Income

For the year ended September 30, 2018

	2018 Rupees	2017 Rupees
Loss for the year	(292,619,064)	(30,883,580)
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of retirement benefit - net of tax	429,762	(8,549,225)
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-
<b>Total comprehensive loss for the year</b>	<b>(292,189,302)</b>	<b>(39,432,805)</b>

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

S. M. Mohsin  
Chairman

Nauman Munawar  
Chief Financial Officer

Najam Aziz Sethi  
Director

# Statement of Changes in Equity

For the year ended September 30, 2018

	Share capital Rupees	Capital Reserve Share premium Rupees	Revenue Reserve General reserve Rupees	Unappropriated profit Rupees	Total Rupees
Balance as at September 30, 2016	78,750,000	9,335,878	300,000	452,535,627	540,921,505
Total comprehensive loss for the year	-	-	-	(39,432,805)	(39,432,805)
Transactions with owners recognized directly in equity	-	-	-	-	-
Balance as at September 30, 2017	78,750,000	9,335,878	300,000	413,102,822	501,488,700
Total comprehensive loss for the year	-	-	-	(292,189,302)	(292,189,302)
Transactions with owners recognized directly in equity	-	-	-	-	-
Balance as at September 30, 2018	78,750,000	9,335,878	300,000	120,913,520	209,299,398

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

S. M. Mohsin  
Chairman

Nauman Munawar  
Chief Financial Officer

Najam Aziz Sethi  
Director

# Statement of Cash Flows

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	34	(65,224,254)	56,146,861
Finance cost paid		(46,892,056)	(38,055,036)
Taxes paid		(15,785,771)	(21,067,443)
Retirement benefits paid		(15,798,750)	(9,786,088)
Payment for accumulated compensated absences		(3,800,246)	(2,212,370)
<b>Net cash used in operating activities</b>		<b>(147,501,077)</b>	<b>(14,974,076)</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(23,951,892)	(61,115,683)
Purchase of intangible assets		(42,000)	(1,572,843)
Purchase of biological assets		(13,209,701)	(12,855,485)
Net increase in long term security deposits		(2,656,100)	(5,063,050)
Proceeds from sale biological assets		529,171	5,447,235
Proceeds from sale of property, plant and equipment		6,933,508	4,386,902
<b>Net cash used in investing activities</b>		<b>(32,397,014)</b>	<b>(70,772,924)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		-	(153,153)
Loan from directors		150,000,000	-
Long term loans repaid		(42,666,667)	(42,666,665)
<b>Net cash generated from / (used in) financing activities</b>		<b>107,333,333</b>	<b>(42,819,818)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(72,564,758)</b>	<b>(128,566,818)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(594,982,095)</b>	<b>(466,415,277)</b>
<b>Cash and cash equivalents at the end of the year</b>	36	<b>(667,546,853)</b>	<b>(594,982,095)</b>

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

S. M. Mohsin  
Chairman

Nauman Munawar  
Chief Financial Officer

Najam Aziz Sethi  
Director

# Notes to the Financial Statements

For the year ended September 30, 2018

## 1. Legal status and nature of business

Mitchell's Fruit Farms Limited ("the Company") was incorporated in Pakistan and is listed on the Pakistan Stock Exchange. It is principally engaged in the manufacture and sale of various farm and confectionery products. The registered office of the Company is situated at 40-A Zafar Ali Road, Gulberg V, Lahore. The manufacturing facility and the farms are situated in Renala Khurd, Okara, Pakistan.

### 1.2 Summary of significant events and transactions in the current reporting period

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

- due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous year have been reclassified. However, no significant reclassifications have been made;
- obtained two working capital facilities from JS Bank Limited and Meezan Bank Limited with a limit of Rs 50 million and Rs 75 million respectively; and
- obtained director's loan of Rs 150 million to meet working capital needs of the Company (refer note 12).

## 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 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 Going concern assumption

During the year, the Company incurred a net loss of Rs 292.19 million and as per the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 367.26 million. Due to the losses incurred during recent years, the reserves of the Company have depleted substantially. The dividends have been discontinued for the last three years. The Company is not in compliance with certain debt covenants of long term finance since last year and it was resultantly classified as current liability. The existing working capital lines available to the company have been fully utilised and the related covenants have also not been complied with. Adverse financial results led to increased short term borrowing, from financial institutions and delay in meeting financial obligation towards trade creditors on a timely basis. These conditions indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as going concern.



The management of the Company has taken following steps to mitigate these issues.

Operational improvement measures comprising of:

- improved pricing and discount structure;
- expanding new business avenues; and
- cost reductions.

Furthermore the Company is also negotiating with banks for continuance and enhancement of existing working capital lines and has also entered in an agreement with a financial institution to assist the Company on various capital raising options.

The management of the company is confident that the above actions and steps shall enable the company to resolve its liquidity issues and substantially improve the financial results in the next year, therefore these financial statements have been prepared on a going concern basis and consequently, do not include any adjustment relating to the realisation of its assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

### 2.3 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

#### 2.3.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

There were certain new standards, amendments to the approved accounting standards and new interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in the financial statements, except for the following:

- International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company's current accounting treatment is already in line with the requirements of this standard.

#### 2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after October 01, 2018 or later periods, but the Company has not early adopted them:

## Standards or interpretations

Effective date  
(accounting periods  
beginning on or after)

IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions	January 1, 2018
IAS 40 'Investment Property' : Transfers of Investment Property (Amendments)	January 1, 2018
IFRS 9, 'Financial instruments'	July 1, 2018
IFRS 15, 'Revenue from contracts with customers'	July 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Employee Benefits' regarding plan amendments, curtailments or settlements	January 1, 2019
Amendments to IFRS 9, 'Financial instruments' regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

The above standards, amendments and interpretations are not expected to have a material impact on the company's financial statements when they become effective.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in previous years. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively. The Company expects that such improvements to the standards will not have any significant impact on the Company's financial statements in the period of initial application.

## 2.4 Changes due to Companies Act, 2017

The Act has also brought certain changes with regard to the preparation and presentation of the company's financial statements. These changes also include change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements;
- incorporation of significant additional disclosures; and
- presentation of unclaimed dividends on the statement of financial position.

In view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements.

### 3. Basis of measurement

- 3.1 These financial statements have been prepared under the historical cost convention except for recognition of certain employee retirement benefits at present value as referred to in note 4.2 and revaluation of biological assets and agricultural produce and financial instruments at fair values as referred to in note 4.5 and 4.10 respectively.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) **Retirement benefits**

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2

b) **Provision for taxation**

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

c) **Useful lives and residual values of property, plant and equipment**

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with the corresponding effect on the depreciation charge and impairment.

d) **Sales returns and trade promotions and incentives**

There are multiple arrangements for sales returns, trade promotions and incentives given to the Company's customers, the estimation of which involves management's judgement. Sales returns, trade promotions and incentives are recognized on actual basis during the year and at the reporting date, the Company estimate provisions for remaining expected sales returns, trade promotions and incentives relating to reporting period sales based on subsequent actual trends.

### 4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 4.1 Taxation

##### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

##### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity, respectively.

#### 4.2 Employee retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

##### (a) Defined benefit plans

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at September 30, 2018. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate: 10 percent per annum (2017: 8 percent per annum)
- Expected rate of increase in salary level: 9 percent per annum (2017: 7 percent per annum).
- Average expected remaining working life time of employees: 8 years (2017: 8 years).

##### (b) Accumulating compensated absences

The Company provides accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences.

Provisions are made annually to cover the obligation for accumulating compensated absences for executives based on actuarial valuation and are charged to profit.

The latest actuarial valuation was carried out as at September 30, 2018. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences.

- Discount rate: 10 percent per annum (2017: 8 percent per annum)
- Expected rate of increase in salary level: 9 percent per annum (2017: 7 percent per annum).
- Average expected remaining working life time of employees: 12 years (2017: 11 years).

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

## 4.3 Property, plant and equipment

### 4.3.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing cost as referred to in note 4.15.

Depreciation on all operating fixed assets is charged to profit and loss account on the reducing balance method except for Pulping Plant, Steam Boiler and ancillaries which are being depreciated using the straight line method, so as to write off the depreciable amount of an asset over its estimated useful life at following annual rates, after taking into account the impact of their residual values, if considered significant:

Freehold land	0%
Buildings on freehold land	10%
Buildings on leasehold land	20%
Plant and machinery:	
- pulping plant, steam boiler and ancillaries ( on straight line basis )	2.5% to 3.7%
- others	10%
Vehicles	20%
Furniture and fittings	20%
Electric installations	20% to 33%
Computer hardware	20%

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if the impact on depreciation is significant. The Company's estimate of the residual value and useful life of its operating fixed assets as at September 30, 2018 has not required any adjustment.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as mentioned in note 4.6

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Fixed assets received as a grant / donation are debited to the property, plant and equipment account at fair value and a corresponding amount credited to the deferred income account in the balance sheet. Such items are thereafter depreciated as per the policy of the company while a corresponding amount is transferred from deferred income to profit and loss account.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.



#### 4.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

#### 4.4 Intangible assets

Intangible assets represent the cost of computer software acquired and are stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the reducing balance method at the rate of 20% so as to write off the cost of an asset over its estimated useful life.

Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged as mentioned in note 15.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as mentioned in note 4.6.

#### 4.5 Biological assets and agriculture produce

Biological assets comprise of livestock and trees. These are measured at fair value less estimated costs to sell with any resultant gain/loss being recognized in the statement of profit or loss. Fair value of livestock is determined on the basis of market prices of livestock of similar age, breed and genetic merit. Fair value of trees is determined on the basis of market prices of similar items in local areas. Costs to sell include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

#### 4.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation/amortization and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 4.7 Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight line basis over the lease term.

#### 4.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's best estimate.

#### 4.9 Stock in trade

Stock of raw materials is valued principally at the lower of moving average cost and net realizable value.

Cost of work in process and finished goods comprises direct production costs, labour and appropriate manufacturing overheads. Work in process is measured at lower of moving average cost and net realizable value while finished goods are measured at lower of annual average cost and net realizable value.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's best estimate.

#### 4.10 Financial assets

##### 4.10.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

##### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

##### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the statement of financial position

##### c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

##### d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

#### 4.10.2 Recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of profit or loss. Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through statement of profit or loss. Impairment testing of trade debts and other receivables is described in note 4.11.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### 4.10.3 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.

#### 4.10.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### 4.11 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the statement of profit or loss. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

#### 4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the statement of financial position, finances under mark-up arrangements are included in current liabilities.

#### 4.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

#### 4.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

#### 4.15 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the statement of profit or loss in the period in which they arise.

#### 4.16 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

#### 4.17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

#### 4.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business including rebates, estimated returns, trade promotions and incentives. The Company recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and specific criteria has been met for each of the Company's activity described below:

- Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which generally coincides with the despatch of goods to the customers.
- Return on deposits is recognized on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon.

#### 4.19 Foreign currency transactions and translation

##### a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

##### b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

#### 4.20 Dividend

Dividend distribution to the Company's members is recognized as a liability in the period in which the dividends are approved..

#### 5. Issued, subscribed and paid up capital

		2018 Rupees	2017 Rupees
2018 (Number of Shares)	2017		
1,417,990	1,417,990 Ordinary shares of Rs. 10 each fully paid in cash	14,179,900	14,179,900
44,020	44,020 Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	440,200	440,200
6,412,990	6,412,990 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	64,129,900	64,129,900
<u>7,875,000</u>	<u>7,875,000</u>	<u>78,750,000</u>	<u>78,750,000</u>

	Note	2018 Rupees	2017 Rupees
6. Reserves			
Composition of reserves is as follows:			
Capital Reserve			
- Share premium	6.1	9,335,878	9,335,878
Revenue			
- General reserve		300,000	300,000
		<u>9,635,878</u>	<u>9,635,878</u>

6.1 This reserve can be utilized by the company only for the purposes specified in section 81(2) of the Companies Act, 2017.

		2018 Rupees	2017 Rupees
7. Deferred taxation			
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation & amortization		82,887,063	85,912,109
Retirement benefits		(28,761,358)	(28,646,836)
Provisions		(4,056,732)	(4,027,102)
Deferred income		(1,306,891)	(1,534,191)
Unabsorbed depreciation		(32,915,665)	(5,162,547)
		<u>3,144,530</u>	<u>46,541,433</u>

The Company has not recognized deferred tax asset of Rs 64.73 million (2017: 44.66 million) in respect of minimum tax under section 113 of the Income Tax Ordinance, 2001 available for carry forward based on prudence principle as sufficient tax under normal tax regime may not be available before these are set to expire in years 2020 to 2023. Moreover, the Company has not recognised deferred tax asset of Rs 79.09 million (2017: Rs 2.29 million) on prudence basis in respect of business losses of Rs 282.45 million (2017: Rs 7.63 million) as sufficient tax under normal tax regime may not be available before these are set to expire in years 2023 to 2024.

	Note	2018 Rupees	2017 Rupees
8. Deferred liabilities			
Retirement and other benefits	8.1	111,266,140	108,992,350
Deferred income	8.2	5,319,082	5,910,090
		<u>116,585,222</u>	<u>114,902,440</u>
8.1 Retirement and other benefits			
Staff gratuity	8.1.1	99,432,792	97,870,351
Accumulating compensated absences		11,833,348	11,121,999
		<u>111,266,140</u>	<u>108,992,350</u>



	Note	2018 Rupees	2017 Rupees
<b>8.1.1 Staff gratuity</b>			
The movement in the present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation at the start of the year		97,870,351	81,567,712
Charge to profit and loss account			
- Service cost		14,185,027	8,420,822
- Interest cost		6,955,418	5,454,726
		21,140,445	13,875,548
Benefits due but not paid		(3,182,362)	-
Benefits paid		(15,798,750)	(9,786,088)
Remeasurements recorded in other comprehensive income			
- Actuarial gains from changes in financial assumptions		(863,595)	(779,249)
- Experience adjustments		266,703	12,992,428
		(596,892)	12,213,179
Present value of defined benefit obligation at the end of the year		99,432,792	97,870,351
Year end sensitivity analysis on present value of defined benefit obligation:			
Discount rate + 100 bps		91,807,512	88,118,306
Discount rate - 100 bps		108,273,604	103,131,740
Increase in salary level + 100 bps		108,272,417	103,197,670
Increase in salary level - 100 bps		91,681,992	87,939,544

## 8.2 Deferred income

These represent assets donated to the Company, recognized and amortized in accordance with the Company's policy. The movement in the deferred income during the year is as follows:

	Note	2018 Rupees	2017 Rupees
Opening balance		5,910,090	6,566,764
Amortization during the year		(591,008)	(656,674)
Closing balance		5,319,082	5,910,090
<b>9. Long term finance - secured</b>			
Long term finance-secured	9.1	21,333,333	64,000,000
Current portion shown under current liabilities	9.2	(21,333,333)	(64,000,000)
		-	-

- 9.1** The long term finance has been obtained from Habib Bank Limited for capital expenditure. Under the arrangement, principal amount of Rs 160 million is repayable in 15 equal quarterly instalments beginning on September 27, 2015. Interest is payable quarterly in arrears at the rate of 3 months KIBOR plus 1 percent per annum. Effective rate of interest ranged from 7.15% to 7.92% (2017: 6.79% to 6.89%) during the year.

The loan is secured by first joint pari-passu charge on plant and machinery of the company to the extent of Rs 80 million.

	Amount of loan outstanding	Rate of interest per annum	Date of commence- ment of installments	Remaining number of installments	Maturity date
Lender	Rupees				
Habib Bank Limited	21,333,333	3 months KIBOR plus 1.00%	September 27, 2015	2 equal quarterly installments	March 27, 2019

#### 10. Finances under mark up arrangements - secured

Short term running finances available from commercial banks under mark-up arrangements amount to Rs 715 million (2017: Rs 617.80 million), out of which the amount Rs 680.66 million (2017: Rs 610.22 million) has been availed at September 30, 2018. The rate of mark-up range from 3 month KIBOR plus 0.5% to 1.25% and 1 month KIBOR plus 1% to 1.2% and is payable quarterly. The effective rate charged during the year ranges from 6.65% to 9.21% per annum (2017: 6.05% to 7.14%) on the balance outstanding.

Of the aggregate facility of Rs 220 million (2017: Rs 120 million) for opening letter of credits and Rs 32 million (2017: Rs 19.2 million) for guarantees, the amount utilized at September 30, 2018 was Rs 4.79 million (2017: Rs 11.69 million) and Rs 21.60 million (2017: Rs 17.20 million) respectively.

The aggregate short term facilities are secured by a hypothecation of stores and spares, stock in trade, trade debts and a charge on the present and future fixed assets of the company.

	Note	2018 Rupees	2017 Rupees
<b>11. Creditors, accrued and other liabilities</b>			
Trade creditors	11.1	225,125,882	167,452,766
Accrued liabilities		29,405,797	29,805,499
Advances from / payable to customers		25,525,932	6,879,404
Interest free deposits repayable on demand		135,000	135,000
Workers' profit participation fund	11.2	-	122,237
Workers' welfare fund		3,323,809	3,323,809
Provision for duties payables		9,864,308	4,190,412
Withholding tax payable		1,610,268	1,554,845
Others		3,129,365	2,139,169
		<u>298,120,361</u>	<u>215,603,141</u>

**11.1** These include interest free amount of Rs 2.3 million (2017: Nil) which is due to Mr. Mehdi Mohsin, executive director of the Company, in the normal course of business.

	2018 Rupees	2017 Rupees
<b>11.2 Workers' profit participation fund</b>		
Opening balance	122,237	122,237
Less: Payments	(122,237)	-
Closing balance	<u>-</u>	<u>122,237</u>

## 12. Loan from directors - unsecured

These funds represents Rs 75 million each borrowed from Mr. S.M. Mohsin and Mr. Mehdi Mohsin to meet working capital needs of the Company and have been utilized accordingly. These funds are interest free and repayable on demand.

## 13. Contingencies and commitments

### 13.1 Contingencies

Letter of guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas consumption amounting to Rs 17.2 million (2017: Rs 17.2 million).

Letter of guarantee in favour of United Nations World Food Programme on account of performance of contractual obligations amounting to Rs 4.40 million (2017: Nil).

The Company has issued post dated cheques amounting to Rs 33.15 million (2017: Rs 149.7 million) to Collector of Customs Lahore Dry Port on account of taxable duty which might become payable against Duty and Tax Remission on Export under SRO # 450 (I)/2001 dated June 30, 2001 under Customs Rules 2001.

#### Description of legal proceedings

- (i) The Deputy Commissioner Inland Revenue ('DCIR') has issued various orders relating to multiple tax years and raised demands, including default surcharge aggregating to Rs 20.83 million against the Company under sections 161 of Income Tax Ordinance 2001 ('ITO 2001') on account of non-withholding of taxes while making certain payments. The Company is contesting all these orders and have filed appeals at Appellate Tribunal Inland Revenue ('ATIR') which are still pending for hearing and is of the view that these demands will eventually be reversed and consequently has not recognized provision against these.
- (ii) The Additional Commissioner Inland Revenue ('AdCIR') under section 122 of ITO 2001 has, through order dated June 22, 2016 in respect of tax year 2010, raised a demand of Rs 11.19 million on account of disallowance of trade promotion expenses, amortization of advertisement and certain other expenditures. The Company being aggrieved with the order has filed an appeal before the Commissioner Inland Revenue (Appeals) on June 30, 2016 for vacation of the impugned order, which is still pending for hearing and is of the view that this demand will eventually be reversed and consequently has not recognized provision against this.
- (iii) The AdCIR under section 122 of ITO 2001 has, through order dated May 28, 2013 in respect of tax year 2011, raised a demand of Rs 32.61 million on account of disallowance of certain expenditures and adjustment of minimum tax of prior years. The Company paid the said demand under protest and preferred an appeal before the Commissioner Inland Revenue (Appeals) who through order dated September 5, 2013 decided certain matters in favour of the Company. For the remaining grounds of disallowance of adjustment of minimum taxes of Rs 18.25 million and default surcharge of Rs 1.38 million the Company has preferred an appeal before ATIR dated September 9, 2013 which is still pending for hearing and is hopeful of the favourable outcome of the matter and consequently has not recognized any provision against this.

- (iv) The AdCIR under section 122 of ITO 2001 has, through order dated March 28, 2014 in respect of tax year 2013, raised a demand of Rs 39.47 million on account of disallowance of certain expenditures under section 21 (l) and 21 (m) of Income Tax Ordinance 2001. The Company preferred an appeal before the Commissioner Inland Revenue (Appeals) who through order dated July 14, 2014 decided certain matters in favour of the Company resulting in reduction of demand to Rs 8.57 million. For the remaining grounds of proration of expenses relating to export sales having a net impact on tax liability of Rs 5 million approximately, the Company has preferred an appeal before ATIR dated August 18, 2014 which is still pending for hearing and is hopeful of the favourable outcome of the matter and consequently has not recognized any provision against this.
- (v) The DCIR initiated the proceedings of sales tax audit for the period from July 2009 to June 2010 under section 72 (b)/25 of Sales Tax Act, 1990, through notice dated June 30, 2014 and finalized a demand of Rs 8.03 million on account of short sales tax withheld as withholding agent, excess input claimed and short output tax declaration. The Company being aggrieved with the order, preferred an appeal before Commissioner Inland Revenue (Appeals) who through order dated September 11, 2015 reduced the demand by Rs 4.17 million. The Company has filed an appeal before ATIR for remaining demand of Rs 3.86 million, which is still pending for hearing, and is hopeful of the favourable outcome of the matter and consequently has not recognized any provision against this.

### 13.2 Commitments

- (i) Letters of credit for purchase of raw and packing materials Rs 4.97 million (2017: Rs 11.69 million).
- (ii) The Company has entered into operating lease agreements, including Ijara financing agreement with Bank Al Habib Limited in order to obtain vehicles for employees. The amount of future payments under this lease and the period in which these payments will become due are as follows:

	Note	2018 Rupees	2017 Rupees
Not later than one year		15,386,662	11,784,118
Later than one year and not later than five years		31,843,790	33,371,334
Later than five years		1,020,000	1,035,000
		<u>48,250,452</u>	<u>46,190,452</u>
<b>14. Property, plant and equipment</b>			
Operating fixed assets	14.1	642,853,800	647,616,278
Capital work-in-progress	14.2	2,434,520	27,053,098
		<u>645,288,320</u>	<u>674,669,376</u>

#### 14.1 Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Operating Fixed Assets								
	Freehold land	Buildings on freehold land	Leasehold improvements	Plant and machinery	Vehicles	Furniture and fittings	Electric installations	Computer hardware	Total
	(Rupees)								
Net carrying value basis At 30 September 2018									
Opening net book value	15,547	99,003,593	3,418,411	507,444,830	18,392,899	3,111,500	12,058,217	4,171,281	647,616,278
Additions	-	15,479,030	-	28,133,978	810,820	301,606	2,350,004	1,495,032	48,570,470
Disposals									
Cost	-	-	-	-	(10,390,520)	-	(367,852)	(81,200)	(10,839,572)
Accumulated depreciation	-	-	-	-	5,179,686	-	203,850	47,129	5,430,665
Depreciation charge	-	-	-	-	(5,210,834)	-	(164,002)	(34,071)	(5,408,907)
	-	(10,430,039)	(683,682)	(30,612,584)	(1,857,412)	(643,929)	(2,768,469)	(927,926)	(47,924,041)
Closing net book value	15,547	104,052,584	2,734,729	504,966,224	12,135,473	2,769,177	11,475,750	4,704,316	642,853,800
Gross Carrying Value basis At 30 September 2018									
Cost	15,547	195,722,525	8,410,476	971,950,209	20,708,282	8,237,216	58,460,891	13,323,335	1,276,828,481
Accumulated depreciation	-	(91,669,941)	(5,675,747)	(466,983,985)	(8,572,809)	(5,468,039)	(46,985,141)	(8,619,019)	(633,974,681)
Net Book Value	15,547	104,052,584	2,734,729	504,966,224	12,135,473	2,769,177	11,475,750	4,704,316	642,853,800

	Operating Fixed Assets								
	Freehold land	Buildings on freehold land	Leasehold improvements	Plant and machinery	Vehicles	Furniture and fittings	Electric installations	Computer hardware	Total
	(Rupees)								
Net carrying value basis At 30 September 2017									
Opening net book value	15,547	100,832,182	4,273,014	515,979,065	22,944,720	1,704,984	12,313,094	2,526,380	660,588,986
Additions	-	8,627,978	-	23,925,262	2,563,915	1,960,529	2,925,067	2,462,703	42,465,454
Disposals									
Cost	-	(870,889)	-	(1,353,233)	(6,580,095)	(75,500)	(206,670)	(57,000)	(9,143,387)
Accumulated depreciation	-	831,921	-	1,055,829	2,365,372	74,337	150,214	29,443	4,507,116
	-	(38,968)	-	(297,404)	(4,214,723)	(1,163)	(56,456)	(27,557)	(4,636,271)
Depreciation charge	-	(10,417,599)	(854,603)	(32,162,093)	(2,901,013)	(552,850)	(3,123,488)	(790,245)	(50,801,891)
Closing net book value	15,547	99,003,593	3,418,411	507,444,830	18,392,899	3,111,500	12,058,217	4,171,281	647,616,278
Gross Carrying Value basis At 30 September 2017									
Cost	15,547	180,243,495	8,410,476	943,816,231	30,287,982	7,935,610	56,478,739	11,909,503	1,239,097,583
Accumulated depreciation	-	(81,239,902)	(4,992,065)	(436,371,401)	(11,895,083)	(4,824,110)	(44,420,522)	(7,738,222)	(591,481,305)
Net Book Value	15,547	99,003,593	3,418,411	507,444,830	18,392,899	3,111,500	12,058,217	4,171,281	647,616,278

**14.1.1** Immovable properties of the company are situated at manufacturing facility. Freehold land represents 46.762 acres of land of which approximately 7.381 acres represents covered area.

**14.1.2** The cost of fully depreciated assets which are still in use as at September 30, 2018 is Rs 34.76 million (2017: Rs 34.76 million).

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

	Note	2018 Rupees	2017 Rupees
Cost of sales	24	41,042,623	43,434,298
Administration expenses	25	6,255,892	3,532,962
Distribution and marketing expenses	26	625,526	3,834,631
		<u>47,924,041</u>	<u>50,801,891</u>

#### 14.1.4 Disposal of operating fixed assets

Detail of operating fixed assets sold during the year is as follows:

		2018					
Particulars of assets	Sold to/Transferred to	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Gain/ (Loss) on sale Rupees	Mode of disposals
<b>Vehicles</b>							
Toyota Altis	Faisal Zaman (others)	1,766,480	1,030,564	735,916	1,000,000	264,084	Auction
Suzuki Cultus	Ifrikhar Ahmad (Company's Employee)	1,021,600	462,886	558,714	327,660	(231,054)	Company policy
Honda City	Abid Rasheed (others)	1,611,330	629,106	982,224	1,452,000	469,776	Auction
Toyota Corolla	Abid Rasheed (others)	1,717,315	835,617	881,698	1,456,000	574,302	Auction
Toyota Hilux	Khurram Ayub (others)	3,315,365	1,815,417	1,499,948	2,233,000	733,052	Auction
<b>Other assets with book value less than Rs. 500,000</b>	Various	1,407,482	657,075	750,407	464,848	(285,559)	Various
		<b>10,839,572</b>	<b>5,430,665</b>	<b>5,408,907</b>	<b>6,933,508</b>	<b>1,524,601</b>	

Detail of operating fixed assets sold during the year is as follows:

		2017					
Particulars of assets	Sold to/Transferred to	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Gain/ (Loss) on sale Rupees	Mode of disposals
<b>Vehicles</b>	<b>Employees</b>						
Suzuki Swift	Amna Iqbal	1,140,000	540,870	599,130	497,670	(101,460)	Company policy
Honda City	Naveed Ahmad	1,397,500	586,677	810,823	703,292	(107,531)	Company policy
Honda City	Shoaib Awan	1,552,250	402,288	1,149,962	1,004,173	(145,789)	Company policy
Honda Civic	Ather Rashid Butt	2,490,345	835,536	1,654,809	1,647,385	(7,424)	Company policy
<b>Other assets with book value less than Rs. 500,000</b>	Various	2,563,292	2,141,745	421,547	534,382	112,835	Various
		<b>9,143,387</b>	<b>4,507,116</b>	<b>4,636,271</b>	<b>4,386,902</b>	<b>(249,369)</b>	

#### 14.2 Capital work-in-progress

	2018 Rupees	2017 Rupees
Civil works	-	15,060,149
Plant and machinery	334,520	11,992,949
Advances to suppliers	2,100,000	-
	<b>2,434,520</b>	<b>27,053,098</b>



	Note	2018 Rupees	2017 Rupees
<b>15. Intangible Assets</b>			
Opening net book value		2,923,309	2,076,700
Additions at cost		42,000	1,572,843
Amortization charge		(585,362)	(726,234)
Closing net book value		2,379,947	2,923,309
<b>Gross carrying value basis</b>			
Cost		9,214,750	9,172,750
Accumulated amortization		(6,834,803)	(6,249,441)
Net book value		2,379,947	2,923,309
Amortization rate % per annum		20	20
<b>15.1</b> The amortization charge for the year has been allocated as follows:			
Cost of sales	24	27,831	34,790
Administration expenses	25	357,266	441,113
Distribution and marketing expenses	26	200,265	250,331
		585,362	726,234
<b>16. Biological assets</b>			
Livestock		36,290,000	16,583,000
Trees		2,641,667	2,200,000
		38,931,667	18,783,000

**16.1** Reconciliation of carrying amounts of biological assets

	Livestock 2018 Rupees	Trees 2018 Rupees	Livestock 2017 Rupees	Trees 2017 Rupees
Carrying amount at the beginning of the year	16,583,000	2,200,000	6,555,000	1,650,000
Increase due to purchases	13,459,628	-	12,855,485	-
Changes in fair value (price change, exchange fluctuations and biological transformation)	8,700,870	441,667	4,142,848	550,000
Less: Decrease due to deaths & sale	(2,453,498)	-	(6,970,333)	-
Carrying amount at the end of the year which approximates the fair value	36,290,000	2,641,667	16,583,000	2,200,000

**16.2** As on September 30, 2018 the Company held 160 animals (2017: 92) including cows, calves and horses and estimates to beneficially own 887 (2017: 887) trees of various kinds including jamboline, kachnar, ceruse, amla, spikenard, borh and sheesham etc.

16.3 The valuation of dairy livestock as at September 30, 2018 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the key assumptions and estimates and relied on the representations made by the Company as at September 30, 2018. Further, in the absence of an active market of the Company's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in Australia, have been used as basis of valuation model by the independent valuer. The cost of transportation to Pakistan is also considered. The milking animals have been classified according to their lactations. As the number of lactations increase, the fair value keeps on decreasing.

17. This represents long term security deposits in the normal course of business and are interest free.

	2018 Rupees	2017 Rupees
18. Stores, spares and loose tools		
General stores	7,601,977	5,956,833
Engineering stores [including in transit : Rs 1.84 million (2017: Nil)]	28,462,876	21,501,525
	<u>36,064,853</u>	<u>27,458,358</u>

18.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	Note	2018 Rupees	2017 Rupees
19. Stock in trade			
Raw materials [including in transit : Nil (2017: Rs 8.63 million)]		38,973,116	40,796,254
Packing materials [including in transit : Rs 17.21 million (2017: Rs 1.95 million)]		128,876,087	120,520,763
Work in process		101,006,250	125,548,342
Finished goods	19.1	200,499,314	129,583,720
		<u>469,354,767</u>	<u>416,449,079</u>
Less: Provision for obsolete items - Raw material	19.2	(7,737,905)	(3,285,242)
		<u>461,616,862</u>	<u>413,163,837</u>

19.1 Finished goods costing Rs 66.17 million (2017: Nil) are being valued at net realisable value of Rs 61.34 million (2017: Nil)

19.2 The movement in provision for obsolete items during the year is as follows:

	Note	2018 Rupees	2017 Rupees
Balance as at October 1		3,285,242	3,285,242
Provision for the year		4,452,663	-
Balance as at September 30		7,737,905	3,285,242
<b>20. Trade debts</b>			
Considered good		90,651,878	217,131,982
Considered doubtful		8,773,105	2,536,633
	20.1	99,424,983	219,668,615
Less: Provision for sales return	20.2	(26,931,515)	(9,500,000)
Less: Provision for doubtful debts	20.3	(8,773,105)	(2,536,633)
		63,720,363	207,631,982

20.1 These include trade debts related to export sales of Rs 20.78 million (2017: Rs 50.42 million). Set out below is the break down of these debts by jurisdiction along with terms of sale and related sales to the customers.

**As at September 30, 2018**

Foreign Jurisdiction	Terms of sales	Trade Debts Rupees	Export Sales Rupees
KSA	CAD	8,426,825	32,485,127
Nigeria	CAD	2,974,056	1,568,106
UAE	CAD	4,140,348	34,620,099
Canada	CAD	5,234,910	30,207,292
		20,776,139	98,880,624

**As at September 30, 2017**

KSA	CAD	12,643,262	62,222,234
USA	CAD	3,166,551	16,674,304
Australia	CAD	11,367	7,214,553
France	CAD	217,026	2,506,292
New Zealand	CAD	1,509,180	2,841,105
Nigeria	CAD	6,708,741	12,811,736
UAE	CAD	11,123,626	39,380,919
UK	CAD	1,847,558	16,748,979
Canada	CAD	13,191,613	49,012,518
		50,418,924	209,412,640

	Note	2018 Rupees	2017 Rupees
<b>20.2 Provision for sales return</b>			
Opening balance		9,500,000	-
Add: Provision for the year	23	37,878,601	60,479,709
Less: Returns received during the year		(20,447,086)	(50,979,709)
Closing balance		26,931,515	9,500,000
<b>20.3 Provision for doubtful debts</b>			
Opening balance		2,536,633	2,008,225
Add: Provision for the year	26	6,236,472	528,408
Closing balance		8,773,105	2,536,633

**20.3.1** Included in provision for the year is an amount of Rs 1.99 million recognised in respect of receivable from M/s Worx Logistics (Nigeria).

	Note	2018 Rupees	2017 Rupees
<b>21. Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- To employees		2,432,782	3,527,587
- To suppliers		14,038,997	7,499,302
Prepayments		2,530,588	1,737,012
Claims recoverable from the government - considered good			
- Sales tax		37,015,789	16,420,148
- Custom duty and surcharge		8,204,642	8,204,642
Due from related parties - Considered good	21.1	45,220,431	24,624,790
Other receivables - Considered good		-	160,691
		3,044,471	1,903,223
		67,267,269	39,452,605

**21.1** This represented receivable from Mr. Mehdi Mohsin, executive director of the Company. The maximum aggregate amount due at the end of any month during the year was Rs 0.36 million (2017: Rs 0.33 million).

	2018 Rupees	2017 Rupees
<b>21.2 Aging of related party balance</b>		
One to six months	-	160,691
Total	-	160,691

		2018 Rupees	2017 Rupees
<b>22. Cash and bank balances</b>			
Bank balances			
Balances at banks on current accounts		11,105,897	13,235,897
Special account related to dividend payable		2,004,183	2,004,183
		<u>13,110,080</u>	<u>15,240,080</u>
Cash in hand		1,000	-
		<u>13,111,080</u>	<u>15,240,080</u>
<b>23. Sales</b>			
Gross sales - Local	- note 23.1 & 23.2	1,811,654,243	1,957,858,805
Less:			
Sales returns - note	- note 20.2	37,878,601	60,479,709
Rebates		177,343,371	198,450,666
Trade promotion and incentives		170,079,346	106,555,118
		<u>385,301,318</u>	<u>365,485,493</u>
Net sales			
- Local		1,426,352,925	1,592,373,312
- Export sales		201,655,039	302,032,955
		<u>1,628,007,964</u>	<u>1,894,406,267</u>

**23.1** These are exclusive of sales tax of Rs 286 million (2017: Rs 320 million).

**23.2** These include milk sales of Rs 24.05 million (2017: Rs 3.16 million).

	Note	2018 Rupees	2017 Rupees
<b>24. Cost of sales</b>			
Raw and packing material consumed		1,057,605,634	1,129,525,220
Salaries, wages and other benefits	24.1	155,653,212	144,377,563
Furnace oil consumed		21,059,056	15,960,125
Freight and octroi		265,251	120,412
Travelling and vehicle running		3,259,022	3,627,645
Repairs and maintenance		29,209,696	23,192,189
Power, water and gas		55,754,874	40,298,004
Insurance		5,087,577	4,789,190
Rent, rates and taxes		2,208,359	2,355,862
Depreciation on property, plant and equipment	14.1	41,042,623	43,434,298
Dairy expenses		26,028,390	10,429,522
Amortization of intangible assets	15.1	27,831	34,790
Other expenses		24,290,857	14,832,450
		<u>1,421,492,382</u>	<u>1,432,977,270</u>
Opening work-in-process		125,548,342	123,234,410
Closing work-in-process		(101,006,250)	(125,548,342)
		<u>24,542,092</u>	<u>(2,313,932)</u>
Cost of goods manufactured		<u>1,446,034,474</u>	<u>1,430,663,338</u>
Opening finished goods		129,583,720	144,223,456
Closing finished goods		(200,499,314)	(129,583,720)
		<u>(70,915,594)</u>	<u>14,639,736</u>
		<u><u>1,375,118,880</u></u>	<u><u>1,445,303,074</u></u>

**24.1** Salaries, wages and other benefits include the following:

	2018 Rupees	2017 Rupees
Gratuity		
- Current service cost	5,748,416	4,126,203
- Interest cost for the year	2,818,651	2,672,816
	<u>8,567,067</u>	<u>6,799,019</u>
Accumulated compensated absences	3,138,835	3,516,113
	<u><u>11,705,902</u></u>	<u><u>10,315,132</u></u>



	Note	2018 Rupees	2017 Rupees
<b>25. Administrative expenses</b>			
Salaries, wages and other benefits	25.1	89,997,874	74,804,152
Travelling and vehicle running		7,086,298	6,053,786
Entertainment		744,225	1,091,859
Repairs and maintenance		1,411,798	1,459,609
Insurance		488,758	834,121
Rent, rates and taxes		6,542,211	5,353,230
Power, water and gas		3,960,631	3,768,205
Printing and stationery		1,705,756	1,797,576
Postage and telephone expenses		2,282,511	2,080,321
Professional services	25.3	12,930,388	7,443,153
Depreciation on property, plant and equipment	14.1	6,255,892	3,532,962
Amortization of intangible assets	15.1	357,266	441,113
Other expenses		2,342,640	4,038,401
		<b>136,106,248</b>	<b>112,698,488</b>
<b>25.1 Salaries, wages and other benefits include the following:</b>			
Gratuity			
- Current service cost		4,287,284	2,020,997
- Interest cost for the year		2,102,206	1,309,134
		<b>6,389,490</b>	<b>3,330,131</b>
Accumulated compensated absences		2,072,425	1,436,869
		<b>8,461,915</b>	<b>4,767,000</b>
<b>25.2 Number of employees</b>		<b>2018</b>	<b>2017</b>
Total number of employees at the end of the year		312	330
Total number of factory employees at the end of the year		202	214
Average number of employees during the year		320	324
Average number of factory employees during the year		209	217
<b>25.3 Professional services</b>			
The charges for professional services include the following in respect of auditors' services for:			
		<b>2018 Rupees</b>	<b>2017 Rupees</b>
Statutory audit		1,300,000	1,100,000
Half yearly review		630,000	580,000
Certifications and sundry services		577,500	650,000
Out of pocket expenses		216,041	196,401
		<b>2,723,541</b>	<b>2,526,401</b>

	Note	2018 Rupees	2017 Rupees
<b>26. Distribution and marketing expenses</b>			
Salaries, wages and other benefits	26.1	105,955,890	93,744,254
Travelling and vehicle running		29,672,316	21,008,900
Entertainment		1,934,514	1,253,308
Freight expenses			
- Local		47,107,848	47,134,571
- Export		16,258,235	14,588,345
		63,366,083	61,722,916
Advertisement		71,144,815	64,015,449
Distributors expenses		86,367,641	42,876,154
Trade promotion expenses		660,103	3,648,501
Repairs and maintenance		131,248	188,339
Insurance		647,848	472,945
Rent, rates and taxes		16,041,795	7,703,489
Power, water and gas		753,966	570,181
Printing and stationery		386,274	806,577
Postage and telephone		2,946,394	2,548,421
Depreciation on property, plant and equipment	14.1	625,526	3,834,631
Amortization of intangible assets	15.1	200,265	250,331
Provision for doubtful debts	20.3	6,236,472	528,408
Other expenses		20,815,353	12,270,970
		407,886,503	317,443,774
<b>26.1 Salaries, wages and other benefits include the following:</b>			
Gratuity			
- Current service cost		4,149,327	2,273,622
- Interest cost for the year		2,034,561	1,472,776
		6,183,888	3,746,398
Accumulated compensated absences		1,911,353	1,385,978
		8,095,241	5,132,376
<b>27. Other operating expenses</b>			
Loss on disposal of fixed assets		-	249,369
Loss on disposal of biological assets		1,674,400	-
<b>Donations:</b>			
Related party - AKRA	27.1	750,000	1,000,000
Others		126,210	100,785
		876,210	1,100,785
		2,550,610	1,350,154

**27.1** Mr. S.M.Mohsin, Chairman of the Company is a member of AKRA.

	2018 Rupees	2017 Rupees
<b>28. Other income</b>		
Income from financial assets		
Exchange gain	6,867,421	1,384,241
Income from non financial assets		
Profit on revaluation of live stock	8,700,870	2,619,750
Profit on revaluation of trees	441,667	550,000
Profit on sale of fixed assets	1,524,601	-
Scrap sales	2,401,981	5,457,391
Rental income	2,294,139	2,348,996
	15,363,258	10,976,137
Others		
Amortization of deferred income	591,008	656,674
Liabilities written back	2,163,847	-
Others	494,499	447,732
	3,249,354	1,104,406
	25,480,033	13,464,784
<b>29. Finance cost</b>		
Mark-up on		
- Finances under mark up arrangements -secured	41,439,996	31,654,096
- Long term finance - secured	3,624,170	6,474,199
Bank and other charges	4,179,988	4,059,196
	49,244,154	42,187,491
<b>30. Provision for taxation</b>		
Current tax		
Current	19,275,250	19,228,481
Prior years	(510,551)	4,228,246
	18,764,699	23,456,727
Deferred tax	(43,564,033)	(3,685,077)
	(24,799,334)	19,771,650

The provision for current taxation represents tax under final tax regime and minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for five years against normal tax liability arising in future years, whereas tax under final tax regime is not available for set off against normal tax liability arising in future years.

### 30.1 Tax charge reconciliation

	2018 %	2017 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate	29.00	30.00
Unrecognised losses and tax credits	(31.43)	(163.09)
Tax effect under presumptive tax regime and others	8.36	(29.66)
Tax credits	0.89	17.22
Tax effects of amounts that are exempt / inadmissible	0.76	5.65
Change in tax rates	0.07	-
Prior year charge	0.16	(38.05)
	(21.19)	(207.93)
Average effective tax rate charged to profit and loss account	7.81	(177.93)

**30.2** As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017 Rupees	2016 Rupees	2015 Rupees
Provision as per financial statements	21,162,675	13,827,593	4,574,045
Tax assessment	21,162,675	13,827,593	4,574,045

### 31. Transactions with related parties

The related parties comprise of associated undertakings, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables in note 21 and payables in note 11 respectively. Remuneration of the key management personnel is disclosed in note 32. Other significant transactions with related parties are as follows:

Relationship with the company	Name of related party	Transactions during the year	2018 Rupees	2017 Rupees
i. Directors	Mr. Mehdi Mohsin	Purchase of goods	10,466,424	10,224,510
		Rent paid	2,962,184	2,753,281
		Expenses incurred on their behalf	1,480,014	973,722
		Obtained loan	75,000,000	-
	Mr. S.M.Mohsin	Obtained loan	75,000,000	-
ii. Associated undertaking	AKRA	Donation paid	750,000	1,000,000

All transactions with related parties have been carried out on mutually agreed terms and conditions.

## 32. Remuneration of Chief Executive, Directors and Executives

32.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, directors and executives of the Company is as follows:

	Chief Executive		Directors				Executive	
	2018	2017	2018	2017	2018	2017	2018	2017
			Non Executive Directors	Executive Directors	Non Executive Directors	Executive Directors		
			Rupees					
Managerial remuneration	13,477,604	13,775,568	-	4,551,720	-	3,724,136	31,483,253	17,598,838
Retirement benefits	1,726,729	1,434,955	-	-	-	-	6,273,528	3,687,682
House rent allowance	5,932,422	6,199,008	-	2,048,280	-	1,675,864	14,167,464	7,829,277
Utilities	1,299,233	1,377,552	346,117	307,246	335,105	249,904	3,148,325	1,739,971
Car Allowance	-	-	-	-	-	-	460,000	248,759
Club expenses	40,000	22,500	90,996	92,249	76,739	138,300	-	-
Bonus	-	-	-	-	-	-	-	-
Meeting fee	-	-	225,000	-	300,000	-	-	-
	22,475,988	22,809,583	662,113	6,999,495	711,844	5,788,204	55,532,570	31,104,527
Number of persons	2	1	9	1	9	1	16	10

The Company also provides the Chief Executive, directors and certain employees with free use of Company maintained cars.

The Chief Executive and employees are entitled to reimbursement of medical expenses up to an amount equal to three basic salaries.

## 33. Capacity and production

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

	2018	2017
Actual production:		
Groceries - in cartons	1,367,845	1,596,605
Confectioneries - in cartons	270,425	325,519
Milk - in litres	422,861	60,320

	Note	2018 Rupees	2017 Rupees
<b>34. Cash generated from operations</b>			
Loss before tax		(317,418,398)	(11,111,930)
Adjustments for:			
Depreciation on operating fixed assets	14.1	47,924,041	50,801,891
Amortization of deferred income	8.2	(591,008)	(656,674)
Amortization on intangibles	15	585,362	726,234
(Profit) / loss on sale of property, plant and equipment		(1,524,601)	249,369
Provision for accumulated absences		7,122,612	6,338,960
Provision for retirement benefits		21,140,445	13,875,548
Profit on revaluation and sale of biological assets		(7,468,137)	(3,169,750)
Liabilities written back		(2,163,847)	-
Exchange gain		(6,867,421)	(1,384,241)
Provision for net realisable value	24	4,837,790	-
Provision for obsolete stocks		4,452,663	-
Provision for bad debts	26	6,236,472	528,408
Finance cost		49,244,154	42,187,491
(Loss) / Profit before working capital changes		(194,489,873)	98,385,306
Effect on cash flow due to working capital changes			
- Increase in stores, spares and loose tools		(8,606,495)	(578,921)
- Increase in stock in trade		(57,743,478)	(36,733,841)
- Decrease / (increase) in trade debts		144,542,568	(87,259,210)
- Increase in advances, deposits, prepayments and other receivables		(27,814,664)	(8,816,402)
- Increase in creditors, accrued and other liabilities		78,887,688	91,149,929
		129,265,619	(42,238,445)
Cash (used in) / generated from operations		(65,224,254)	56,146,861

**35. Reconciliation of movement of liabilities to cash flows arising from financing activities**

	Loan from directors Rupees	Long term loan Rupees	Total Rupees
Balance as at October 01, 2017	-	64,000,000	64,000,000
Financing obtained	150,000,000	-	150,000,000
Repayments during the year	-	(42,666,667)	(42,666,667)
Balance as at September 30, 2018	150,000,000	21,333,333	171,333,333

	Note	2018 Rupees	2017 Rupees
<b>36. Cash and cash equivalents</b>			
Cash and bank balances	22	13,111,080	15,240,080
Short term running finances-secured	10	(680,657,933)	(610,222,175)
		(667,546,853)	(594,982,095)



		2018 Rupees	2017 Rupees
37.	Loss per share		
37.1	Basic loss per share		
	Net loss for the year	Rupees (292,619,064)	(30,883,580)
	Weighted average number of ordinary shares	Number 7,875,000	7,875,000
	Basic loss per share	Rupees (37.16)	(3.92)

### 37.2 Diluted loss per share

There is no dilution effect on the basic loss per share of the Company as the Company has no such commitments.

## 38. Financial risk management

### 38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable/payable from/to the foreign entities. The Company's exposure to currency risk at the reporting date is as follows:

	2018	2017
Trade debts - USD	167,415	479,040

The following significant exchange rates were applied during the year:

#### Rupees per USD

Average rate	114.34	104.65
Reporting date rate	124.10	105.25

If the functional currency, at reporting date, had fluctuated by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs 1.04 million (2017: Rs 2.52 million) higher/lower, mainly as a result of exchange gains/losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) **Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

(iii) **Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing assets. The Company's interest rate risk arises from long term and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2018 Rupees	2017 Rupees
<b>Floating rate instruments</b>		
<b>Financial liabilities</b>		
Long term finances	(21,333,333)	(64,000,000)
Short term running finances-secured	(680,657,933)	(610,222,175)
<b>Net exposure</b>	<b>(701,991,266)</b>	<b>(674,222,175)</b>

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates on long term finances and short term running finance, at the reporting date, fluctuate by 1% higher/lower with all other variables held constant, profit before taxation for the year would have been Rs 6.82 million (2017: Rs 6.74 million ) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from amounts receivable from customers of the Company, deposits with banks and other receivables.

(i) **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 Rupees	2017 Rupees
Trade debts	99,424,983	219,668,615
Loans, advances, deposits and other receivables	19,516,250	13,090,803
Bank balances	13,110,080	15,240,080
	<u>132,051,313</u>	<u>247,999,498</u>

The age of trade receivables and related impairment loss at reporting date is as follows:

The age of trade receivables	2018 Rupees	2017 Rupees
- Not past due	45,549,255	175,353,297
- Past due 0 - 180 days	33,015,269	40,719,696
- Past due 181 - 365 days	11,669,677	1,058,989
Over 365 days		
- Impaired	8,773,105	2,536,633
- Considered good	417,677	-
	<u>9,190,782</u>	<u>2,536,633</u>
	<u>99,424,983</u>	<u>219,668,615</u>

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Short term	Long term	Rating Agency	2018 (Rupees)	2017 (Rupees)
National Bank of Pakistan	A-1 +	AAA	JCR-VIS	580,952	409,233
MCB Bank Limited	A1 +	AAA	PACRA	787,333	787,333
Habib Bank Limited	A-1 +	AAA	JCR-VIS	11,005,812	13,497,138
Bank Al Habib	A1 +	AA+	PACRA	735,983	546,376
				<u>13,110,080</u>	<u>15,240,080</u>

With respect to the Company's other financial assets and due to its long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At September 30, 2018, the Company had Rs 715 million (2017: Rs 617.80 million) available borrowing limits from financial institutions [unutilized: Rs 34.34 million (2017: Rs 7.58 million)] and Rs 13.11 million (2017: Rs 15.24 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at September 30, 2018:

	Carrying amount	Less than one year	One to five years Rupees	More than five years
Long term finance - secured	21,333,333	21,333,333	-	-
Finances under markup arrangements - secured	680,657,933	680,657,933	-	-
Trade and other payables	272,594,429	272,594,429	-	-
Accrued finance cost	12,163,862	12,163,862	-	-
Loan from directors - unsecured	150,000,000	150,000,000	-	-
Unclaimed dividend	2,004,183	2,004,183	-	-
	<u>1,138,753,740</u>	<u>1,138,753,740</u>	<u>-</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at September 30, 2017:

	Carrying amount	Less than one year	One to five years Rupees	More than five years
Long term finance - secured	64,000,000	64,000,000	-	-
Finances under markup arrangements - secured	610,222,175	610,222,175	-	-
Trade and other payables	208,723,737	208,723,737	-	-
Accrued finance cost	9,811,764	9,811,764	-	-
Unclaimed dividend	2,004,183	2,004,183	-	-
	<u>894,761,859</u>	<u>894,761,859</u>	<u>-</u>	<u>-</u>

### 38.2 Fair value estimation

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. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The different levels for fair value estimation used by the Company have been explained as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's non financial asset that are measured at fair value at September 30, 2018:

Assets	Level 1	Level 2 Rupees	Level 3	Total
Recurring fair value measurements of biological assets				
Livestock	-	36,290,000	-	36,290,000
	-	36,290,000	-	36,290,000

The following table presents the Company's non financial asset that are measured at fair value at September 30, 2017:

Assets	Level 1	Level 2 Rupees	Level 3	Total
Recurring fair value measurements of biological assets				
Livestock	-	16,583,000	-	16,583,000
	-	16,583,000	-	16,583,000

There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the period and there were no changes in valuation techniques during the periods.

#### Valuation techniques used to measure level 2 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on September 30, 2018. Level 2 fair value of Biological assets has been determined using a replacement cost approach, whereby, current cost of similar livestock in the international market has been adjusted for transportation costs to arrive at fair value.

### 38.3 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

#### 38.4 Financial instruments by categories

##### Financial Assets

Trade debts  
Loans, advances, deposits and other receivables  
Cash and bank balances

##### Loans and receivables

2018 Rupees	2017 Rupees
99,424,983	219,668,615
64,736,681	37,715,593
13,110,080	15,240,080
177,271,744	272,624,288

	Financial liabilities at amortised cost	
	2018 Rupees	2017 Rupees
<b>Financial Liabilities</b>		
Long term finance - secured	21,333,333	64,000,000
Finances under markup arrangements - secured	680,657,933	610,222,175
Trade and other payables	294,796,552	212,157,095
Accrued finance cost	12,163,862	9,811,764
Loan from directors - unsecured	150,000,000	-
Unclaimed dividends	2,004,183	2,004,183
	<b>1,008,951,680</b>	<b>896,191,034</b>

### 38.5 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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 9, less cash and cash equivalents as disclosed in note 36. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at September 30, 2018 and September 30, 2017 is as follows:

	Note	2018 Rupees	2017 Rupees
Long term finance	9	21,333,333	64,000,000
Loan from directors	12	150,000,000	-
Short term borrowings net of cash at bank and in hand	36	667,546,853	594,982,095
Net debt		838,880,186	658,982,095
Total equity		209,299,398	501,488,700
Total capital		<b>1,048,179,584</b>	<b>1,160,470,795</b>
Gearing ratio	Percentage	80%	57%

39. Date of authorization

These financial statements were authorized for issue on February 04, 2019 by the Board of Directors of the Company.

40. Events after the date of statement of financial position

No significant events have occurred subsequent to September 30, 2018, other than those mentioned elsewhere in these financial statements.

41. Corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017 as stated in note 2.4 & 1.2. However, no significant reclassifications have been made.

S. M. Mohsin  
Chairman

Nauman Munawar  
Chief Financial Officer

Najam Aziz Sethi  
Director



# Proxy Form

## Mitchell's Fruit Farms Limited

### 86<sup>th</sup> Annual General Meeting

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of Mitchell's Fruit Farms Limited, hereby appoint \_\_\_\_\_

\_\_\_\_\_ (Name)

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

\_\_\_\_\_ (Name)

of \_\_\_\_\_

another member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 85<sup>th</sup> Annual General Meeting of the Company to be held on February 26, 2019 on Tuesday at 11:00 a.m. at the Registered Office of the Company located at 40-A, Zafar Ali Road, Gulberg V, Lahore.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Please affix  
revenue  
stamp

Please quote folio number

Signature of Member

#### IMPORTANT:

This instrument, appointing a proxy, duly completed, must be received at the Registered Office of the Company located at 40-A, Zafar Ali Road, Gulberg V, Lahore not later than 48 hours before the scheduled time of the meeting.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary

**Mitchell's Fruit Farms Limited**  
40-A, Zafar Ali Road, Gulberg V,  
Lahore.



INCORPORATED IN 1933

CITRUS FRUIT GROWERS AND MAKERS OF PREMIUM QUALITY SQUASHES,  
SYRUPS, FRUIT DRINKS & NECTARS, JAM, JELLIES, MARMALADE,  
TOMATO KETCHUP, SAUCES, PICKLES, VINEGARS, CANNED FOODS,  
PASTES & PULPS, SUGAR CONFECTIONERIES, CHOCOLATES  
AND SUGAR-FREE PRODUCTS.

**Factory & Farms:**

Mitchell's Fruit Farms, Ltd.

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F: (+92)(44) 2621416 | E: [rnk@mitchells.com.pk](mailto:rnk@mitchells.com.pk)

**Head Office:**

40-A, Zafar Ali Road, Gulberg V, Lahore, Pakistan. P: (+92) (42) 35872393-96,

F: (+92) (42) 35872398 | E: [ho@mitchells.com.pk](mailto:ho@mitchells.com.pk)

 Mitchell'sFruitFarms

 Mitchell'sChocolated&Sweets