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ANNUAL REPORT  
 2016

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# Company Information

## BOARD OF DIRECTORS

S.M.Mohsin

Muhammad Zahir  
Sitwat Mohsin  
Mehdi Mohsin  
Rizwan Bashir  
Moaz Mohiuddin

Umme Kulsum Imam  
Syeda Maimanat Mohsin  
Shazad Ghaffar  
Pervez Hayat Noon  
Jamal Nasim

Chairman- Non Executive  
Director  
Chief Executive officer  
Non Executive Director  
Executive Director  
Non Executive Director  
Independent -Non  
Executive Director  
Non Executive Director  
(NIT Nominee)

## AUDIT COMMITTEE

Pervez Hayat Noon  
S.M.Mohsin  
Jamal Nasim

Chairman  
Member  
Member

## COMPANY SECRETARY/CFO

Nauman Munawar

## AUDITORS

A.F. Ferguson & Company  
Chartered Accountants

## LEGAL ADVISORS

Minto & Mirza  
78-Mozang Road, Lahore  
Phone: (042) 36315469-70  
Fax: (042) 36361531

## BANKERS

Habib Bank Limited  
Askari Bank Limited  
Allied Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
MCB Bank Limited  
National Bank of Pakistan  
Bank Alhabib Limited

## 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, REGIONAL SALES OFFICE (CENTRAL) & 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 (NORTH)

Plot No. 111, Street No. 10, I - 9/2,  
Industrial Area, Islamabad  
Phones: (051) 4443824-6  
Fax: (051) 4443827  
E-Mail: rson@mitchells.com.pk

## REGIONAL SALES OFFICE (SOUTH)

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



# 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.



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## Notice of Annual General Meeting

Notice is hereby given that the 84th Annual General Meeting of Mitchell's Fruit Farms Limited will be held on February 15, 2017 on Wednesday 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 General Meeting held on February 15, 2016.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended September 30, 2016 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for the year ending September 30, 2017 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.

### OTHER BUSINESS

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

BY ORDER OF THE BOARD

Lahore,  
January 11, 2017

Nauman Munawar  
Company Secretary

## NOTES

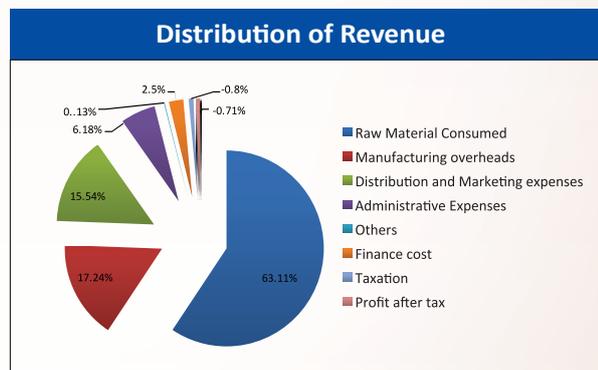
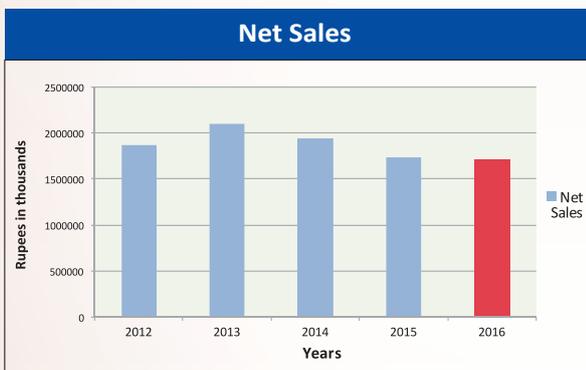
1. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s Corplink (Private) Limited, Wings Arcade , 1-K (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 09, 2017 to February 15, 2017 (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 08, 2017 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.



## Directors' Report

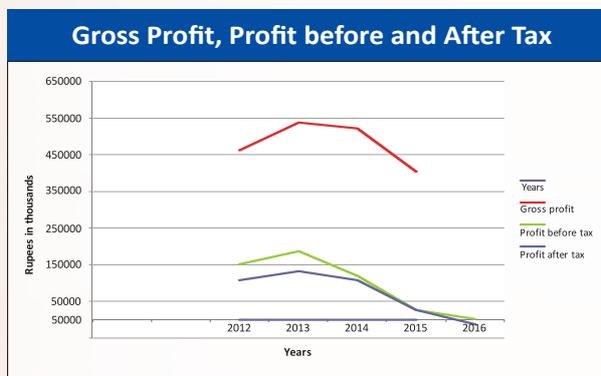
The year ended September 30, 2016 was a challenging and difficult one for our company. The aggregate sales revenue of Rs.1,679 million registered a marginal decline of 1% over the previous year.

Groceries category contributed with a growth of 9% while the confectionery category suffered a setback declining by 11% volumetrically over the previous year. Major contributors to groceries category growth were made by preserves, followed by squashes indicating the confidence of end consumers in the high quality products of our company. Our confectionery category continued to be under pressure throughout the year due to the dominance of strong trade promotions and price reductions offered by competitors in the market, particularly by the unorganized sector.



We invested in trade promotions activities at primary and secondary distribution levels to enhance the presence of our products targeting increase in shelf-space. Enhancing the distribution network remained a big challenge for the company hence affecting the network expansion widely across the country.

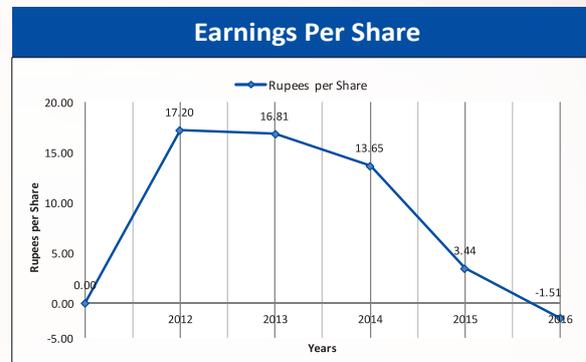
Export business registered a decline of 5% over the previous year. Our business in Saudi Arabia suffered adversely because of continuously deteriorating economic conditions due to sharp decrease in oil prices. Consequently, economic recession was triggered in the country and the expatriate population was impacted significantly by an upsurge in unemployment. Situation in other export markets was encouraging where we grew substantially and managed to recover a major part of the deficit suffered in Saudi Arabia.



The above factors contributed to a decline in gross profit this year compared to the last year with figures of Rs. 393 million against Rs. 404 million respectively.

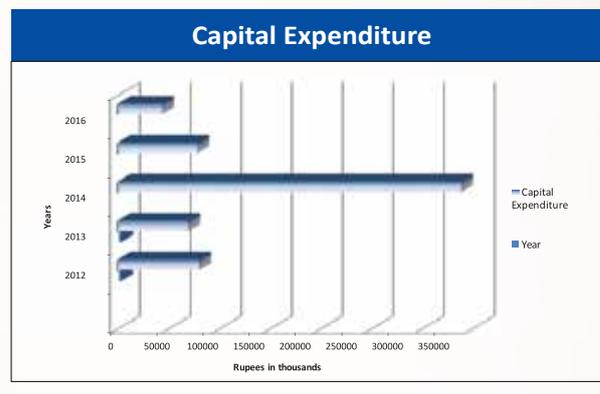
Profit from operations stood at Rs. 45 million compared to Rs.74.3 million. The decline was contributed mainly due to increase in distribution and marketing expenses on account of expenses incurred to participate in various incentives at distributors end.

Loss of Rs. 12.1 million against profit of Rs. 27.1 million in the previous year was due to the provision of tax liability under the law.



## MANUFACTURING OPERATIONS

The company invested in new equipment to achieve cost efficiency and improved product quality.



## HUMAN RESOURCE DEVELOPMENT

Job trainings were conducted to address specific business needs. Trainings (both local and international) were conducted mainly in our factory operations where our technical staff was trained in the operation of new technologies introduced at our plant.

## CORPORATE SOCIAL RESPONSIBILITY

Adhering to the corporate responsibility of keeping the environment protected from waste water produced at the plant, we are ensuring

that the effluents produced are treated to acceptable level prior to its discharge.

Business ethics are an integral part of our policies and procedures. We have strict measures in place to ensure no misconduct occurs.

We supported Anjum-e-Khuddam-e-Rasullah (AKRA) in their projects focused on providing education and improved medical facilities in the remote areas.

We stand committed in strengthening our relationship with the farming community with the objective of providing them services and training in improving their productivity by sharing latest farming techniques.

The company contributed Rs. 201 million to the National Exchequer on account of various government levies including customs duty, sales tax and income tax.

Furthermore foreign exchange of Rs. 265 million was generated through our exports.

## FUTURE OUTLOOK

The company has embarked on an aggressive restructuring of its resources with the endeavor to recoup the position in the market. This has commenced with human resources rejuvenation plan. Investments will be made in the development of our human resource to manage the business challenges with renewed vigor. We are striving to modernize our processes to deliver high quality products to our consumers. We'll continue focusing on developing and introducing new products, improved packaging for our consumers.

## CHANGE OF CHIEF EXECUTIVE OFFICER

Change in the office of CEO took place during the last quarter of the year.

## 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 account 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.
- There are no significant doubts upon the company's ability to continue as a going concern.
- A statement regarding key financial data for the last six years is annexed to this report.

## BOARD OF DIRECTORS

During the last business year 6 meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	Attendance
S.M.Mohsin	5
Muhammad Zahir	2
Mujeeb Rashid	4
Sitwat Mohsin	5
Moaz Mohiuddin	5
Jamal Nasim	6
Mehdi Mohsin	6
Umme Kulsum Imam	1
Syeda Maimanat Mohsin	3
Pervez Hayat Noon	1
Shazad Ghaffar	2
Rizsan Bashir	4

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
S.M.Mohsin	3
Jamal Nasim	3
Pervez Hayat Noon	0

Leave of absence was granted to the directors who could not attend the board 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
Mrs.Sitwat Mohsin	1
Mr.Muhammad Zahir	1
Umme Kulsum Imam	0

Leave of absence was granted to director who could not attend the HR and Remuneration committee meeting.

#### CORPORATE GOVERNANCE

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

#### PATTERN OF SHAREHOLDING

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.

#### EARNINGS PER SHARE

Basic and diluted earnings per share for the year under report is (Rs.1.54) as compared to the last year figure of Rs. 3.44.

#### 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 strong contribution in successfully overcoming adverse circumstances faced by the company during the year.

For and on behalf of  
The Board of Directors

Lahore,  
January 10, 2017

Muhammad Zahir  
Managing Director &  
Chief Executive Officer

# ڈائریکٹر رپورٹ

30 ستمبر 2016 کو ختم ہونے والا سال کمپنی کے لئے ایک مشکل سال تھا۔ گزشتہ سال کی نسبت کل سیلز ریونیو کا 1,679 ملین میں 1 فیصد کے حساب سے کمی رہی۔

گزشتہ سال کی نسبت گراسریز کیٹیگری میں 9% کی بڑھوتری جبکہ کنفییکشنری کیٹیگری میں ولیم کے اعتبار سے 11% کمی واقع ہوئی۔ گراسریز کیٹیگری میں اضافہ کا باعث سکواشز اور پریز روز بنے جو بلاشبہ صارفین کے ہماری کمپنی کی معیاری پراڈکٹس پر بھروسے اور اعتماد کا اظہار ہے۔ ہماری کنفییکشنری کیٹیگری سارا سال حریف کمپنیوں بالخصوص غیر منظم سیکٹر کی جانب سے ٹریڈ پروموشنز اور قیمتوں میں کمی کے باعث دباؤ کا شکار رہی۔ اپنی پراڈکٹس کی موجودگی بڑھانے کے لئے شیلف اسپیس میں اضافہ کا ٹارگٹ لئے ہم نے ٹریڈ پروموشنز کی سرگرمیوں میں ڈسٹری بیوشن کے پرائمری اور سیکنڈری درجات پر انویسٹ کیا۔ ڈسٹری بیوشن نیٹ ورک میں اضافہ کمپنی کے لئے ایک بڑا چیلنج رہا ہے نتیجتاً اس امر نے پورے ملک میں نیٹ ورک کو متاثر کیا۔

ایکسپورٹ بزنس میں گزشتہ سال کی نسبت 5% کمی واقع ہوئی، تیل کی قیمتوں میں کمی کے باعث مسلسل تنزیلی کا شکار معاشی صورت حال نے سعودی عرب میں ہمارے کاروبار کو بُری طرح متاثر کیا، جس کے باعث ملک میں معاشی بحران کی صورت حال پیدا ہو گئی اور بیرون ملک کام کرنے والے بہت سے لوگ بیروزگار بھی ہو گئے۔ دیگر ایکسپورٹ مارکیٹس میں حالات قدرے حوصلہ افزاء رہے جہاں ہم نے ایک معقول حد تک اپنے کاروبار میں اضافہ کے ساتھ سعودی عرب میں ہونے والے نقصان کے ایک بڑے حصے کی تلافی بھی کر لی۔ درج بالا عناصر مجموعی منافع میں کمی لائے جو گزشتہ سال کی نسبت 404 ملین کے بالمقابل 393 ملین رہا۔

آپریشنز سے حاصل کردہ منافع 74.3 ملین کے بالمقابل 45 ملین رہا یہ تنزیلی ڈسٹری بیوشن اور مارکیٹنگ کے اخراجات میں اضافہ کے باعث اور ڈسٹری بیوٹرز کے لئے مختلف انسینوز کے نتیجے میں آئی۔

گزشتہ سال کے 27.1 ملین منافع کے بالمقابل 12.1 ملین کا نقصان قوانین کے تحت ٹیکس کی ادائیگی کے باعث تھا۔

## میانویکچرنگ آپریشنز:

کمپنی نے بہتر پراڈکٹ کو الٹی اور کاسٹ انیفیشنسی کے حصول کیلئے نیا ساز و سامان بھی خریدا۔

## افراد کی قوت کی ڈویلپمنٹ:

مختلف کاروباری ضروریات کو پورا کرنے کے لئے جاب ٹریننگز کا انعقاد بھی کرایا گیا۔ ٹریننگز (مقامی اور بین الاقوامی دونوں) ہمارے فیکٹری آپریشنز میں منعقد ہوتی تھیں جہاں ہمارے تکنیکی سٹاف کو ہمارے پلانٹ پر موجود نئی ٹیکنالوجی سے متعارف کروایا جاتا تھا۔

## کارپوریٹ سماجی ذمہ داری:

پلانٹ پر موجود ویسٹ واٹر (فضله پانی) سے ماحول کو صاف رکھنے کی اپنی کارپوریٹ سماجی ذمہ داری کی پابندی کرتے ہوئے ہم اس امر کی یقین دہانی کرتے ہیں کہ ڈسچارج سے پہلے خارج شدہ مواد کو ممکنہ حد تک موثر بنائیں۔

کاروباری اخلاقیات و اقدار ہماری پالیسیوں اور طریقہ کار ایک بنیادی اور اہم حصہ ہیں، کسی بھی قسم کی بد عملی کی روک تھام کے لئے ہم نے سخت اقدامات کر رکھے ہیں۔

ہم نے دور دراز علاقوں میں تعلیم اور علاج کی بہترین سہولیات فراہم کرنے کے لئے انجمن خادم رسول اللہ (AKRA) کے مختلف منصوبوں میں انکی معاونت کی ہے۔

ہم کسان حضرات کے ساتھ اپنے تعلقات کو مضبوط کرنے کیلئے بھی پُر عزم رہے ہیں ہمارا مقصد انہیں جدید فارمنگ تکنیک کی تربیت اور سروسز کی فراہمی کر کے پیداوار میں بہتری لانا ہے۔

مختلف سرکاری ٹیکسوں کی ادائیگی کی مد میں بشمول کسٹم ڈیوٹی، سیلز ٹیکس اور انکم ٹیکس کمپنی نے قومی خزانے میں 201 ملین کا اضافہ کیا ہے۔ مزید بذریعہ برآمدات 265 ملین کا فارن ایکسچینج بھی بنایا گیا۔

### مستقبل کیلئے لائحہ عمل:

کمپنی نے مارکیٹ میں اپنی پوزیشن کو منظم کرنے کی سعی کرتے ہوئے اپنے وسائل کی تنظیم نو کی ہے اور اس کا آغاز افرادی قوت کی منصوبہ سازی سے کیا ہے۔ کاروبار کے چیلنجز کے نظم و نسق کیلئے افرادی قوت کی ڈویلپمنٹ پر سرمایہ کاری کی جائے گی۔ ہم جدید اور ماڈرن پراسیسز کے ذریعے صارفین کو اعلیٰ اور معیاری پراڈکٹس کی فراہمی کے لئے کوشاں ہیں۔ ہم اپنے صارفین کے لئے نئی پراڈکٹس اور بہتر چیکنگ متعارف کرانے کی کوشش جاری رکھیں گے۔

### چیف ایگزیکٹو آفیسر کی تبدیلی

سال کی آخری سہ ماہی کے دوران سی ای او کے آفس کی تبدیلی ہوئی۔

### کارپوریٹ اور مالیاتی 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 ایسٹی میٹس کی تشکیل کے لئے مناسب اور دانشمندانہ فیصلوں پر مبنی اکاؤنٹنگ پالیسیاں 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 کے ساتھ ساتھ مانیٹر ڈبھی ہے۔

☆ گزشتہ چھ سالوں کے فنانشل ڈیٹا سے متعلق ایک اسٹیٹمنٹ اس رپورٹ کے ساتھ منسلک ہے۔

## بورڈ آف ڈائریکٹرز

گزشتہ مالی سال کے دوران بورڈ آف ڈائریکٹرز کی چھ میٹنگز کا انعقاد ہوا۔  
ہر ڈائریکٹر کی حاضری درج ذیل ہے

حاضری	ڈائریکٹرز کے نام
5	ایس ایم محسن
2	محمد ظاہر
4	مجیب رشید
5	سطوت محسن
5	معاذ محی الدین
6	جمال نسیم
6	مہدی محسن
1	ام کلثوم امام
3	سیدہ میمانت محسن
1	پرویز حیات نون
2	شہزاد غفار
4	رضوان بشیر

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۔

حاضری	ڈائریکٹرز کے نام
3	ایس ایم محسن
3	جمال نسیم
0	پرویز حیات نون

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
مسز سطوت محسن	1
محمد ظاہر	1
ام کلثوم امام	0

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

## کارپوریٹ گورننس

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

## شیر ہولڈنگ کا پیٹرن:

اس سے متعلق معلومات ساتھ منسلک ہے۔

## متعلقہ پارٹی:

متعلقہ پارٹیز کے درمیان لین دین میں بلا امتزاج اور بغیر کنٹرول کے قیمت کے تعین کے طریقہ کار سے مطابقت رکھتی تھی۔

## فی شیر ارنگ:

اس سال فی شیر بیسک اور ڈائریکٹرز کے گزشتہ سال کے 3.44 روپے کے بالمقابل 1.54 روپے ہے۔

## ڈیویڈنڈ

نتیج کی بنیاد پر زیر جائزہ سال کے لئے کوئی ڈیویڈنڈ تجویز نہیں کیا گیا۔

## آڈیٹرز

ایم ایس فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، لاہور نے اپنی دوبارہ تقرری 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

محمد ظاہر

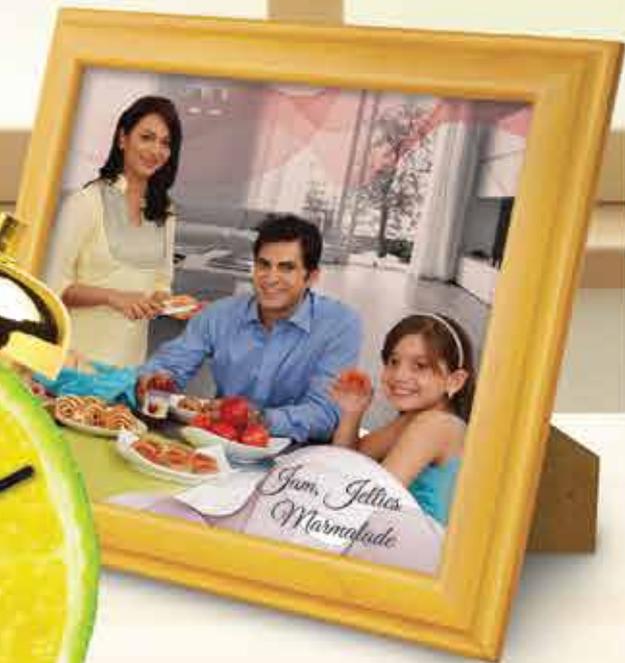
مینیجنگ ڈائریکٹر اینڈ چیف ایگزیکٹو آفیسر

لاہور: 10 جنوری، 2017



# Morning Starts

with the goodness of real fruits



**MITCHELL'S**<sup>®</sup>



# Jam, Jellies and Marmalade

Made with the goodness of real farm-fresh fruits, Mitchell's Jam, Jellies and Marmalade are flavourfully rich breakfast treats that give your mornings a healthy and nutritious start.



# Vertical Analysis of Financial Statements

## Statement of Financial Position

Balance Sheet	2016		2015	
	Rs. In '000	%	Rs. In '000	%
Non-current Assets	681,248	48.14	709,345	51.85
Current Assets	733,752	51.86	658,671	48.15
<b>Total Assets</b>	<b>1,415,000</b>	<b>100.00</b>	<b>1,368,016</b>	<b>100.00</b>
Equity	540,922	38.23	572,587	41.86
Non-current Liabilities	149,020	10.53	264,386	19.33
Current Liabilities	725,058	51.24	531,043	38.82
<b>Total equity and Liabilities</b>	<b>1,415,000</b>	<b>100.00</b>	<b>1,368,016</b>	<b>100.00</b>
<b>Profit and Loss Account</b>				
Net Sales	1,679,461	100.00	1,696,332	100.00
Cost of Sales	(1,286,380)	(76.59)	(1,292,628)	(76.20)
Gross Profit	393,082	23.41	403,704	23.80
Selling and Distribution expenses	(261,060)	(15.54)	(240,215)	(14.16)
Administrative expenses	(103,908)	(6.19)	(103,015)	(6.07)
Other operating expense	28,114	1.67	60,474	3.56
Other operating income	(2,167)	(0.13)	(2,998)	(0.18)
Financial expenses	19,067	1.14	16,866	0.99
Profit before tax	45,014	2.68	74,342	4.38
Taxation	(42,920)	(2.56)	(48,485)	(2.86)
Profit for the year	2,094	0.12	25,854	1.52
	(14,202)	(0.85)	1,215	0.07
	(12,108)	(0.72)	27,069	1.60

2014		2013		2012		2011	
Rs. In '000	%						
698,362	49.83	404,567	43.72	375,503	46.13	332,169	43.51
703,215	50.17	520,756	56.28	438,583	53.87	431,253	56.49
1,401,577	100.00	925,323	100.00	814,086	100.00	763,421	100.00
578,913	41.30	519,920	56.19	429,183	52.72	359,495	47.09
306,366	21.86	118,420	12.80	96,395	11.84	79,710	10.44
516,298	36.84	286,983	31.01	288,508	35.44	324,216	42.47
1,401,577	100.00	925,323	100.00	814,086	100.00	763,421	100.00
1,945,126	100.00	2,084,262	100.00	1,884,503	100.00	1,794,248	100.00
(1,423,777)	(73.20)	(1,546,796)	(74.21)	(1,421,736)	(75.44)	(1,400,132)	(78.03)
521,349	26.80	537,466	25.79	462,768	24.56	394,117	21.97
(95,153)	(4.89)	(82,852)	(3.98)	(84,568)	(4.49)	(66,739)	(3.72)
(275,836)	(14.18)	(248,432)	(11.92)	0(206,796)	(10.97)	(183,404)	(10.22)
150,360	7.73	206,182	9.89	171,404	9.10	143,974	8.02
(9,398)	(0.48)	(14,221)	(0.68)	(12,104)	(0.64)	(8,374)	(0.47)
17,105	0.88	12,534	0.60	16,024	0.85	10,907	0.61
158,067	8.13	204,495	9.81	175,324	9.30	146,507	8.17
(38,591)	(1.98)	(17,558)	(0.84)	(22,964)	(1.22)	(38,360)	(2.14)
119,476	6.14	186,937	8.97	152,359	8.08	108,146	6.03
(12,012)	(0.62)	(54,533)	(2.62)	(44,009)	(2.34)	(34,721)	(1.94)
107,464	5.52	132,404	6.35	108,350	5.75	73,425	4.09

# Horizontal Analysis of Financial Statements

## Statement of Financial Position

	2016 Rs. In '000	2015 Rs. In '000	2014 Rs. In '000	2013 Rs. In '000	2012 Rs. In '000	2011 Rs. In '000
<b>Balance Sheet</b>						
Balance Sheet						
Non-current Assets	681,248	709,345	698,362	404,567	375,503	332,169
Current Assets	733,752	658,671	703,215	520,756	438,583	431,253
Total Assets	1,415,000	1,368,016	1,401,577	925,323	814,086	763,421
Equity	540,922	572,587	578,913	519,920	429,183	359,495
Non-current Liabilities	149,020	264,386	306,366	118,420	96,395	79,710
Current Liabilities	725,058	531,043	516,298	286,983	288,508	324,216
Total equity and Liabilities	1,415,000	1,368,016	1,401,577	925,323	814,086	763,421
<b>Profit and Loss Account</b>						
Net Sales	1,679,462	1,696,332	1,945,126	2,084,262	1,884,503	1,794,248
Cost of Sales	(1,286,380)	(1,292,628)	(1,423,777)	(1,546,796)	(1,421,736)	(1,400,132)
Gross Profit	393,082	403,704	521,349	537,466	462,768	394,117
Administrative expenses	(103,908)	(103,015)	(95,153)	(82,852)	(84,568)	(66,739)
Selling and Distribution expenses	(261,060)	(240,215)	(275,836)	(248,432)	(206,796)	(183,404)
Other operating expenses	28,114	60,474	150,360	206,182	171,404	143,974
Other operating income	(2,167)	(2,998)	(9,398)	(14,221)	(12,104)	(8,374)
Financial expenses	45,013	74,342	158,067	204,495	175,324	146,507
Profit before tax	(42,920)	(48,485)	(38,591)	(17,558)	(22,964)	(38,360)
Taxation	2,094	25,854	119,476	186,937	152,359	108,146
Profit for the year	(14,202)	1,215	(12,012)	(54,533)	(44,009)	(34,721)
Summary of Cash Flows						
Net cash flows from operating activities	(4,732)	56,578	(21,763)	171,462	120,891	85,407
Net cash flows from investing activities	(36,132)	(71,489)	(329,398)	(64,648)	(73,851)	(47,951)
Net cash flows from financing activities	(62,126)	(50,855)	112,804	(37,483)	(34,457)	(20,1833)
Net change in cash and cash equivalents	(102,990)	(65,766)	(238,357)	69,331	12,582	17,273

2016	2015	2014	% increase/ (decrease) over preceding year		
			2013	2012	2011
(0.04)	0.02	0.73	0.08	0.13	0.06
0.11	(0.06)	0.35	0.19	0.02	0.26
0.03	(0.02)	0.51	0.14	0.07	0.16
(0.06)	(0.01)	0.11	0.21	0.19	0.17
(0.44)	(0.14)	1.59	0.23	0.21	0.05
0.37	0.03	0.80	(0.01)	(0.11)	0.18
0.03	(0.02)	0.51	0.14	0.07	0.16
(0.01)	(0.13)	(0.07)	0.11	0.05	0.30
(0.00)	(0.09)	(0.08)	0.09	0.02	0.30
(0.03)	(0.23)	(0.03)	0.16	0.17	0.30
0.01	0.08	0.15	(0.02)	0.27	0.09
0.09	(0.13)	0.11	0.20	0.13	0.35
(0.54)	(0.60)	(0.27)	0.20	0.19	0.35
(0.28)	(0.68)	(0.34)	0.17	0.45	0.19
0.13	(0.01)	0.36	(0.22)	0.47	0.45
(0.39)	(0.53)	(0.23)	0.17	0.20	0.37
(0.11)	0.26	1.20	(0.24)	(0.40)	0.02
(0.92)	(0.78)	(0.36)	0.23	0.41	0.56
(12.69)	(1.10)	(0.78)	0.24	0.27	0.53
(1.45)	(0.75)	(0.19)	0.22	0.48	0.58
(1.08)	(3.60)	(1.13)	0.42	0.42	(0.45)
(0.49)	(0.78)	4.10	(0.12)	0.54	3.78
0.22	(1.45)	(4.01)	0.09	0.71	1.02
0.57	(0.72)	(4.44)	4.51	(0.27)	(0.87)

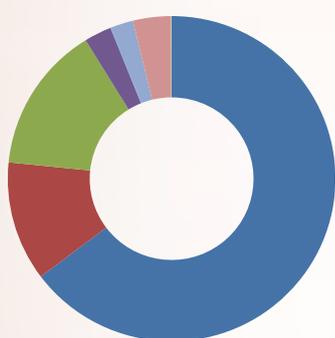
# Value Addition and its Distribution

Wealth Generated	2016		2015	
	Rs. In '000	%	Rs. In '000	%
Net sales	1,679,462	98.88	1,696,333	99.02
Other operating income	19,067	1.12	16,866	0.98
	<b>1,698,529</b>	<b>100.00</b>	<b>1,713,199</b>	<b>100.00</b>

## Distribution of Wealth

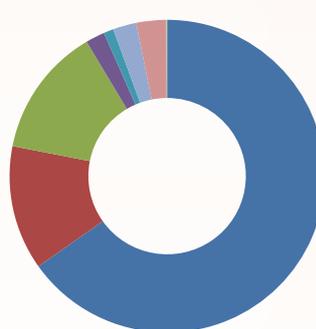
Cost of sales and services (excluding employees remuneration and other duties)	1,150,883	67.76	1,160,699	67.75
Selling, distribution and administration expenses (excluding employees remuneration and other duties)	234,104	13.78	213,226	12.45
Employees remuneration	266,161	15.67	261,940	15.29
Finance cost including exchange loss	42,920	2.53	48,486	2.83
Government taxes and levies (Income tax, WPPF and WWF)	595	0.04	693	0.04
Dividend to shareholders	19,687	1.16	39,375	2.30
Retained for future growth	(16,821)	(0.99)	(12,301)	(0.72)
Charity and donation	1,000	0.06	1,081	0.06
	<b>1,698,529</b>	<b>100.00</b>	<b>1,713,199</b>	<b>100.00</b>

### 2016



- Cost of sales and services (excluding employees remuneration and other duties)
- Selling, distribution and administration expenses (excluding employees remuneration and other duties)
- Employees remuneration
- Finance cost including exchange loss
- Government taxes and levies (Income tax, WPPF and WWF)
- Dividend to shareholders
- Retained for future growth
- Charity and donation

### 2015



- Cost of sales (excluding employees remuneration)
- Selling, distribution and administration expenses (excluding employees remuneration)
- Employees remuneration
- Finance cost including exchange loss
- Government taxes and levies (Income tax, WPPF and WWF)
- Dividend to shareholders
- Retained for future growth
- Charity and donation

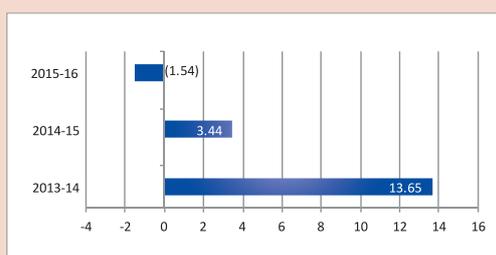
# Stakeholder Information

## Financial Ratios

	Unit	2016	2015	2014	2013	2012	2011
<b>Rate of return</b>							
Return on assets	%	(0.86)	1.98	7.67	14.31	13.31	9.62
Return on equity	%	(2.24)	4.73	18.56	25.47	25.25	20.42
Return on capital employed	%	6.52	8.88	17.86	32.04	33.36	33.36
Interest cover	Times	1.05	1.53	4.10	11.65	7.63	3.82
<b>Liquidity</b>							
Current ratio		1.01	1.24	1.36	1.81	1.52	1.33
Quick Ratio		0.49	0.65	0.58	0.67	0.33	0.37
<b>Financial Gearing</b>							
Debt-Equity Ratio	Times	1.62	1.39	1.42	0.78	0.90	1.12
Debt to Assets	%	61.77	58.14	58.70	43.81	47.28	52.91
<b>Capital Efficiency</b>							
Debtor turnover/No. of days in receivables	Days	26	24	18	10	12	13
Inventory turnover/ No. of days in inventory	Days	107	88	104	77	88	81
Creditor turnover/ No. of days in payables	Days	40	47	43	44	38	44
Operating Cycle	Days	93	65	79	43	62	51
Fixed assets turnover ratio	Times	2.47	2.44	2.84	5.30	5.36	5.81
Total assets turnover	Times	1.19	1.24	1.39	2.25	2.31	2.35

# Shareholder Information

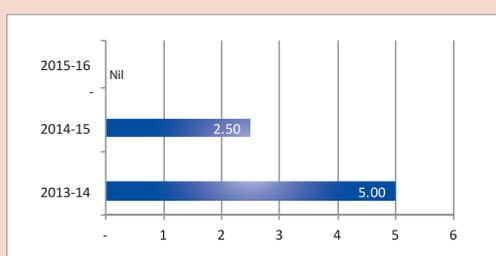
**Earnings per share (Rupees)**



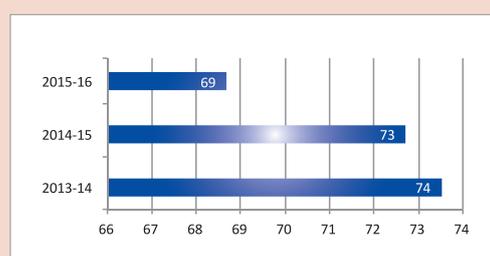
**Year Closing Stock Price (As at 30 September) (Rupees)**



**Dividend History (%)**



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



# Pattern of Shareholding

As at September 30, 2016

No of Shareholders	From	To	Total Shares Held
387	1	100	16,039
419	101	500	116,181
97	501	1,000	77,605
148	1,001	5,000	281,327
7	5,001	10,000	45,906
5	10,001	15,000	59,994
4	15,001	20,000	68,032
1	25,001	30,000	27,675
3	35,001	40,000	108,987
2	60,001	65,000	127,023
1	75,001	80,000	76,116
1	85,001	90,000	86,983
2	125,001	130,000	252,675
1	165,001	170,000	169,581
1	170,001	175,000	171,320
1	290,001	295,000	292,738
1	420,001	425,000	424,763
1	705,001	710,000	708,000
1	765,001	770,000	767,666
1	1,015,001	1,020,000	1,016,545
1	1,270,001	1,275,000	1,270,018
1	1,705,001	1,710,000	1,709,826
1,086			7,875,000

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	4,461,860	56.6585%
Associated Companies, undertakings and related parties.	-	0.0000%
NIT and ICP	-	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	17,117	0.2174%
Insurance Companies	292,738	3.7173%
Modarabas and Mutual Funds	786,291	9.9846%
Share holders holding 10% or more	4,421,152	56.1416%
General Public		
a. Local	2,206,811	28.0230%
b. Foreign	0	0.0000%
Others (to be specified)		
Joint Stock Companies	43,680	0.5547%
Pension Funds	64,248	0.8158%
Others	2,255	0.0286%

# Categories of Shareholders as required under C.C.G.

As at September 30, 2016

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)	17,150	0.2178%
3	CDC - TRUSTEE NIT-EQUITY MARKET OPPROTUNITY FUND (CDC)	1,300	0.0165%
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	SYED MOHAMMAD MOHSIN	1,709,826	21.7121%
2	SYED MOHAMMAD MEHDI MOHSIN	1,016,545	12.9085%
3	MR. RIZWAN BASHIR	517	0.0066%
4	MST. UMME KULSUM IMAM	1,125	0.0143%
5	MR. MOAZ MOHIUDDIN	781	0.0099%
6	MR. JAMAL NASIM (NIT NOMINEE)	--	--
7	MR. MUJEEB RASHID (CDC)	781	0.0099%
8	SYEDA SITWAT MOHSIN	1,694,781	21.5210%
9	SYEDA MAIMNAT MOHSIN	36,504	0.4635%
10	MR. SHAHZAD GHAFAR	500	0.0063%
11	MR. PERVEZ HAYAT NOON	500	0.0063%
Executives:		450	0.0057%
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		374,278	4.7527%

## Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

S. No.	Name	Share Held	Percentage
1	SYED MOHAMMAD MOHSIN	1,709,826	21.7121%
2	SYEDA SITWAT MOHSIN	1,694,781	21.5210%
3	SYED MOHAMMAD MEHDI MOHSIN	1,016,545	12.9085%
4	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	767,666	9.7481%
5	MST. AMINA WADALAWALA	708,000	8.9905%

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	SYEDA SITWAT MOHSIN	180	-
2	MR. RIZWAN BASHIR	-	517



# COMPLIANCE

## Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No.5.19 of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Moaz Mohiuddin, Pervez Hayat Noon, Rizwan Bashir
Executive Directors	Muhammad Zahir, Mehdi Mohsin
Non-Executive Directors	S.M.Mohsin, Sitwat Mohsin, Umme Kulsum Imam, Maimanat Mohsin, Shahzad Ghaffar, Jamal Nasim

The independent directors meets the criteria of independence under clause 5.19.1.(b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring on the board on October 02, 2015 & May 16, 2016 were filled up by the directors.
5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and Non-Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities. As per clause 5.19.7 of the Code, three of the directors meet the certification requirements while at least three more directors need to obtain the certification as required under the clause 5.19.7 of the Code by June 2018.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointments have been made during the current year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, of whom two are Non -executive Directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-executive Directors and the chairman of the committee is an Executive Director.
18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel for the purpose and are conversant with the policies and procedures of the Company.
19. 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, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code have been complied with.

Lahore,  
January 10, 2017

Muhammad Zahir  
Chief Executive Officer

# Review Report to the Members

## On Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of Mitchell's Fruit Farms Limited ('the Company') for the year ended September 30, 2016 to comply with the Code contained in Regulation No. 5.19 of the Pakistan Stock Exchange Limited Regulations, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine 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 best practices contained in the Code as applicable to the Company for the year ended September 30, 2016.

A. F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: Asad Aleem Mirza

Lahore,  
January 10, 2017



# Enjoy Snack Time

with the real taste of wholesome tomatoes





## Ketchup & Sauces

Mitchell's Tomato Paste, Ketchup and Sauces, made from freshly handpicked, ripened and juiciest of tomatoes, are perfectly seasoned to give you maximum pleasure. It's a perfect condiment to accompany your snacks, making snack time more fun and flavoursome!





# Enjoy Picnic Time

with the goodness of real fruits



**MITCHELL'S**®



# Squashes & Juices

Picnic time has never been more fun! Mitchell's Squashes add that fruity excitement and leaves you refreshed and energized, enhancing every picnic moment spent with your family and friends.





# Enjoy Exciting Times

with the goodness of delicious candies

**MITCHELL'S**<sup>®</sup>



# Sugar Confectioneries

A wide range of Mitchell's Sugar Confectioneries is made with high quality ingredients making each one of them extremely delicious and mouthwatering. Choose the flavour according to your mood and make every moment more exciting with the goodness of Mitchell's Sugar Confectioneries.



# Auditors' Report to the Members

We have audited the annexed balance sheet of Mitchell's Fruit Farms Limited as at September 30, 2016 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

agreement with the books of account and are further in accordance with accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2016 and of the loss, total comprehensive loss, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

A. F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: Asad Aleem Mirza

Lahore,  
January 10, 2017



# Financial Statements

As at 30 September 2016

# Balance Sheet

As at September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 20,000,000 (2015: 20,000,000) ordinary shares of Rs 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital 7,875,000 (2015: 7,875,000) ordinary shares of Rs 10 each	5	78,750,000	78,750,000
Reserves	6	9,635,878	9,635,878
Unappropriated profit		452,535,627	484,201,186
		540,921,505	572,587,064
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	7	53,890,464	52,492,282
Deferred liabilities	8	95,129,885	105,227,960
Long term finance - secured	9	-	106,666,665
		149,020,349	264,386,907
<b>CURRENT LIABILITIES</b>			
Current portion of long term finance - secured	9	106,666,665	42,666,668
Finances under markup arrangements - secured	10	486,101,770	376,641,761
Creditors, accrued and other liabilities	11	126,610,548	105,114,723
Accrued finance cost		5,679,309	6,620,240
		725,058,292	531,043,392
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	-	-
		1,415,000,146	1,368,017,363

The annexed notes 1 to 39 form an integral part of these financial statements.

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	668,991,855	696,321,121
Intangible assets	14	2,076,700	2,254,228
Biological assets	15	8,205,000	8,795,333
Long term receivables	16	1,974,780	1,974,780
		<u>681,248,335</u>	<u>709,345,462</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	26,879,437	29,549,570
Stock in trade	18	376,429,996	313,067,277
Trade debts	19	119,516,939	109,963,834
Advances, deposits, prepayments and other receivables	20	30,636,203	38,909,504
Income tax recoverable		160,602,743	153,965,507
Cash and bank balances	21	19,686,493	13,216,209
		<u>733,751,811</u>	<u>658,671,901</u>
		<u><u>1,415,000,146</u></u>	<u><u>1,368,017,363</u></u>

S. M. Mohsin  
Chairman

Muhammad Zahir  
Chief Executive Officer

# Profit and Loss Account

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales	22	1,679,461,946	1,696,332,638
Cost of sales	23	(1,286,380,012)	(1,292,628,532)
<b>Gross profit</b>		<b>393,081,934</b>	<b>403,704,106</b>
Administrative expenses	24	(103,908,093)	(103,015,226)
Distribution and marketing expenses	25	(261,060,067)	(240,215,552)
Other operating expenses	26	(2,167,460)	(2,998,690)
Other operating income	27	19,067,139	16,866,190
<b>Profit from operations</b>		<b>45,013,453</b>	<b>74,340,828</b>
Finance cost	28	(42,919,936)	(48,485,951)
<b>Profit before tax</b>		<b>2,093,517</b>	<b>25,854,877</b>
Taxation	29	(14,201,881)	1,215,033
<b>(Loss) / profit for the year</b>		<b>(12,108,364)</b>	<b>27,069,910</b>
(Loss) / earnings per share - Basic and diluted	35	(1.54)	3.44

The annexed notes 1 to 39 form an integral part of these financial statements.

S. M. Mohsin  
Chairman

Muhammad Zahir  
Chief Executive Officer

# Statement of Comprehensive Income

For the year ended September 30, 2016

	2016 Rupees	2015 Rupees
(Loss) / profit for the year	(12,108,364)	27,069,910
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of retirement benefit - net of tax	130,305	5,978,890
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-
<b>Total comprehensive (loss) / income for the year</b>	<b>(11,978,059)</b>	<b>33,048,800</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

S. M. Mohsin  
Chairman

Muhammad Zahir  
Chief Executive Officer

# Cash Flow Statement

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	86,427,999	143,876,211
Finance cost paid		(43,860,867)	(50,869,936)
Income tax paid		(22,238,420)	(26,103,584)
Retirement benefits paid		(25,060,565)	(10,324,394)
<b>Net cash (used in) / generated from operating activities</b>		<b>(4,731,853)</b>	<b>56,578,297</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(42,523,562)	(77,236,162)
Purchase of intangible assets		(277,950)	(489,130)
Purchase of biological assets		-	(50,150)
Proceeds from sale of biological assets		2,133,500	1,994,700
Proceeds from sale of property plant and equipment		4,535,828	4,291,727
<b>Net cash used in investing activities</b>		<b>(36,132,184)</b>	<b>(71,489,015)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(19,459,020)	(40,188,716)
Repayment of long term loan		(42,666,668)	(10,666,667)
<b>Net cash used in from financing activities</b>		<b>(62,125,688)</b>	<b>(50,855,383)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(102,989,725)</b>	<b>(65,766,101)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(363,425,552)</b>	<b>(297,659,451)</b>
<b>Cash and cash equivalents at the end of the year</b>	34	<b>(466,415,277)</b>	<b>(363,425,552)</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

S. M. Mohsin  
Chairman

Muhammad Zahir  
Chief Executive Officer

# Statement of Changes in Equity

For the year ended September 30, 2016

	Share capital Rupees	Capital Reserve	Revenue Reserve		Total Rupees
		Share premium Rupees	General reserve Rupees	Accumulated profit Rupees	
Balance as at September 30, 2014	78,750,000	9,335,878	300,000	490,527,386	578,913,264
Transactions with owners recognized directly in equity					
Final dividend for the year ended September 30, 2014 at Rs. 5.00 per share	-	-	-	(39,375,000)	(39,375,000)
Total comprehensive income for the year	-	-	-	33,048,800	33,048,800
<b>Balance as at September 30, 2015</b>	<b>78,750,000</b>	<b>9,335,878</b>	<b>300,000</b>	<b>484,201,186</b>	<b>572,587,064</b>
Transactions with owners recognized directly in equity					
Final dividend for the year ended September 30, 2015 at Rs. 2.5 per share	-	-	-	(19,687,500)	(19,687,500)
Total comprehensive loss for the year	-	-	-	(11,978,059)	(11,978,059)
<b>Balance as at September 30, 2016</b>	<b>78,750,000</b>	<b>9,335,878</b>	<b>300,000</b>	<b>452,535,627</b>	<b>540,921,505</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

S. M. Mohsin  
Chairman

Muhammad Zahir  
Chief Executive Officer

# Notes to the Financial Statements

For the year ended September 30, 2016

## 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.

## 2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

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

#### 2.2.1 Amendments and interpretations to published standards effective in current year

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Interpretations which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

Standards or interpretations	Effective date (accounting periods beginning on or after)
Annual improvements 2014	January 1, 2016
Amendments to IAS 1, 'Presentation of financial statements' on disclosure initiative	January 1, 2016
Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative	January 1, 2017
Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 16 'Property, plant and equipment' in relation to use of revenue based methods to calculate the depreciation	January 1, 2016
Amendments to IAS 38 'Intangible assets' in relation to use of revenue based methods to calculate the depreciation	January 1, 2016
IFRS 9 - 'Financial instruments'	January 01, 2018
IFRS 15, 'Revenue from contracts with customers'	January 01, 2018
Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	January 01, 2018
IFRS 16 'Leases'	January 01, 2019

### 3. Basis of measurement

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

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.

### 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, 2016. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate: 7.25 percent per annum (2015: 9.25 percent per annum).
- Expected rate of increase in salary level: 6.25 percent per annum (2015: 8.25 percent per annum).
- Average expected remaining working life time of employees: 8 years (2015: 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, 2016. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences.

- Discount rate: 7.25 percent per annum (2015: 10 percent per annum).
- Expected rate of increase in salary level: 6.25 percent per annum (2015: 9 percent per annum).
- Average expected remaining working life time of employees: 12 years (2015: 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 so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 13.1, after taking into account the impact of their residual values, if considered significant.

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 of its operating fixed assets as at September 30, 2016 has not required any adjustment as its impact is considered insignificant.

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 14.

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 point-of-sale costs with any resultant gain/loss being recognized in the profit and loss account. 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. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

The Company held 83 animals (2015: 87) including cows, calves, horses and sheep and estimates to beneficially own 736 (2015: 747) trees of various kinds including jamboline, kachnar, ceruse, amla, spikenard, borh and sheesham etc. as on September 30, 2016.

#### 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 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 and 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 realizable 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 instruments

### 4.10.1 Financial assets

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 balance sheet 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 balance sheet.

#### 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 balance sheet 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.

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 profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account 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 profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account 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 balance sheet 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 profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. 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.

#### 4.10.2 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 profit and loss account.

#### 4.10.3 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 reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

#### 4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement 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 balance sheet, 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 profit and loss account 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 balance sheet 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 profit and loss account 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 balance sheet date and adjusted to reflect the current best estimate.

#### 4.18 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not designate derivatives as cash flow hedges.

#### 4.19 Revenue recognition

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 customers.

Return on deposits is recognized on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon.

#### 4.20 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 profit and loss account. 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.

#### 4.21 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

			2016 Rupees	2015 Rupees
	2016 (Number of Shares)	2015		
	1,417,990	1,417,990	14,179,900	14,179,900
	44,020	44,020	440,200	440,200
	6,412,990	6,412,990	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	2016 Rupees	2015 Rupees
<b>6. Reserves</b>			
Composition of reserves is as follows:			
<b>Capital Reserve</b>			
- Share premium	6.1	9,335,878	9,335,878
<b>Revenue</b>			
- General reserve		300,000	300,000
		<u>9,635,878</u>	<u>9,635,878</u>

6.1 This reserve can be utilised by the company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

		2016 Rupees	2015 Rupees
<b>7. Deferred taxation</b>			
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation & amortization		83,560,408	86,420,099
Retirement benefits		(23,236,388)	(27,585,799)
Provisions		(1,388,852)	(4,145,800)
Deferred income		(1,722,928)	(2,196,218)
Available tax losses		(3,321,776)	-
		<u>53,890,464</u>	<u>52,492,282</u>

The Company has not recognized deferred tax asset of Rs 29.307 million (2015: 14.270 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 2021.

	Note	2016 Rupees	2015 Rupees
<b>8. Deferred liabilities</b>			
Retirement and other benefits	8.1	88,563,121	97,931,555
Deferred income	8.2	6,566,764	7,296,405
		<u>95,129,885</u>	<u>105,227,960</u>
<b>8.1 Retirement and other benefits</b>			
Staff gratuity	8.1.1	81,567,712	82,872,995
Accumulating compensated absences		6,995,409	15,058,560
		<u>88,563,121</u>	<u>97,931,555</u>

	Note	2016 Rupees	2015 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		82,872,995	78,517,165
Charge to profit and loss account			
- Service cost		10,894,082	11,470,153
- Interest cost		6,589,337	9,336,249
		17,483,419	20,806,402
Benefits paid		(18,599,854)	(7,909,300)
Remeasurement gain recorded in other comprehensive income		(188,848)	(8,541,272)
Present value of defined benefit obligation at the end of the year		81,567,712	82,872,995

Year end sensitivity analysis on present value of defined benefit obligation:

	2016	2015
Discount rate + 100 bps	75,454,740	70,701,385
Discount rate - 100 bps	88,629,682	82,977,379
Increase in salary level + 100 bps	88,249,589	81,655,517
Increase in salary level - 100 bps	74,874,829	69,193,028

## 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	2016 Rupees	2015 Rupees
Opening balance		7,296,405	8,107,117
Amortization for the year		(729,641)	(810,712)
Closing balance		6,566,764	7,296,405

## 9. Long term finance - secured

Long term finance-secured	9.1	106,666,665	149,333,333
Less: Current portion shown under current liabilities	9.2	(106,666,665)	(42,666,668)
		-	106,666,665

9.1 The long term finance was 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 7.05% to 7.49% (2015: 8.01% to 11.18%) during the year.

9.2 This includes principal outstanding of Rs 64 million which, as per the repayment plan is not due for repayment within a period of one year from the date of the balance sheet neither has the lender requested an early repayment. However, this amount has been classified as a current liability under the requirements of the applicable accounting framework pursuant to breach of certain covenants contained in the loan agreement.

The loan is secured by first joint pari-passu charge on plant and machinery of the company to the extent of Rs 214 million.

Lender	Amount of loan outstanding Rupees	Rate of interest/ per annum	Date of commencement of installments	Remaining number of installments	Maturity date
Habib Bank Limited	106,666,665	3 months KIBOR plus 1.00%	September 27, 2015	10 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 486 Million (2015: Rs 377 million). The rates of mark-up range from 6.55% to 7.05% per annum (2015: 8.01% to 11.21%) on the balance outstanding and is payable quarterly.

Of the aggregate facility of Rs.100 million (2015: Rs. 120 million) for opening letter of credits and Rs. 30 million (2015: Rs. 32 million) for guarantees, the amount utilized at September 30, 2016 was Rs. 53.856 million (2015: Rs. 79.422 million) and Rs. 17.20 million (2015: 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	2016 Rupees	2015 Rupees
<b>11. Creditors, accrued and other liabilities</b>			
Trade creditors	11.1	66,585,310	59,811,781
Accrued liabilities		18,099,840	11,073,212
Advances from customers		24,865,895	7,438,507
Interest free deposits repayable on demand		160,000	416,000
Workers' profit participation fund	11.2	122,237	1,369,957
Workers' welfare fund	11.3	3,323,809	6,062,751
Unclaimed dividends		2,157,336	1,928,856
Provision for duties payables		4,189,412	9,973,566
Others		7,106,709	7,040,093
		<u>126,610,548</u>	<u>105,114,723</u>

11.1 This includes Rs 3.010 million payable to a related party of the Company.

	Note	2016 Rupees	2015 Rupees
<b>11.2 Workers' profit participation fund</b>			
Opening balance		1,369,957	6,365,492
Provision for the year	26	144,785	1,369,957
Interest for the year	28	67,130	386,162
Less: Payments		(1,459,635)	(6,751,654)
Closing balance		122,237	1,369,957
<b>11.3 Workers' welfare fund</b>			
Opening balance		6,062,751	5,514,768
Provision for the year	26	-	547,983
Less: Payments / adjustments		(2,738,942)	-
Closing balance		3,323,809	6,062,751

## 12. Contingencies and commitments

### 12.1 Contingencies

The Company has issued a guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas consumption amounting to Rs. 17.2 million (2015: Rs. 17.2 million).

The Company has issued post dated cheques amounting to Rs. 149.7 million (2015: Rs. 118 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.

The Income tax department has issued orders against and raised demands, including default surcharge of Rs 46 million against the Company under sections 122 and 161. The Company is contesting all these orders and have filed appeals at CIR (A) and ATIT and is of the view that these demands will eventually be reversed and consequently has not recognized provision against these.

### 12.2 Commitments

Letters of credit for capital expenditure Rs 49.5 million (2015: Rs 79.4 million).

	Note	2016 Rupees	2015 Rupees
<b>13. Property, plant and equipment</b>			
Operating fixed assets	13.1	660,588,986	672,106,828
Capital work-in-progress	13.2	8,402,869	24,214,293
		668,991,855	696,321,121

### 13.1 Operating fixed assets

	Cost as at September 30, 2015	Additions/ (deletions)	Cost as at September 30, 2016	Accumulated depreciation as at September 30, 2015	Depreciation charge / (deletions) for the year	Accumulated depreciation as at September 30, 2016	Net Book value as at September 30, 2016	Depreciation rate % per annum
----- (Rupees) -----								
<b>2016</b>								
Freehold land	15,547	-	15,547	-	-	-	15,547	-
Buildings on freehold land	165,025,829	7,460,577	172,486,406	60,742,080	10,912,144	71,654,224	100,832,182	10
Buildings on leasehold land	8,354,476	56,000	8,410,476	3,083,208	1,054,254	4,137,462	4,273,014	20
Plant and machinery	872,987,844	48,256,358	921,244,202	360,253,197	45,011,940	405,265,137	515,979,065	10
Vehicles	41,444,927	-	34,304,162	10,181,534	3,163,824	11,359,442	22,944,720	20
Furniture and fittings	5,933,936	(7,140,765) 116,645	6,050,581	3,953,443	(1,985,916) 392,154	4,345,597	1,704,984	20
Electric installations	52,726,219	1,160,795 (126,672)	53,760,342	37,870,189	3,638,149 (61,090)	41,447,248	12,313,094	20-33.33
Computer hardware	8,593,160	1,284,611 (373,971)	9,503,800	6,891,459	353,492 (267,531)	6,977,420	2,526,380	20
	1,155,081,938	58,334,986 (7,641,408)	1,205,775,516	482,975,110	64,525,957 (2,314,537)	545,186,530	660,588,986	
	-	-	-	-	-	-	-	
----- (Rupees) -----								
	Cost as at September 30, 2014	Additions/ (deletions)	Cost as at September 30, 2015	Accumulated depreciation as at September 30, 2014	Depreciation charge / (deletions) for the year	Accumulated depreciation as at September 30, 2015	Net Book value as at September 30, 2015	Depreciation rate % per annum
----- (Rupees) -----								
<b>2015</b>								
Freehold land	15,547	-	15,547	-	-	-	15,547	-
Buildings on freehold land	120,752,089	44,273,740	165,025,829	52,419,414	8,322,666	60,742,080	104,283,749	10
Buildings on leasehold land	8,354,476	-	8,354,476	1,412,316	1,670,892	3,083,208	5,271,268	20
Plant and machinery	832,138,005	40,849,839	872,987,844	317,597,061	42,656,136	360,253,197	512,734,647	10
Vehicles	39,713,653	8,915,350 (7,184,076)	41,444,927	9,888,263	3,398,239 (3,104,968)	10,181,534	31,263,393	20
Furniture and fittings	5,693,761	240,175	5,933,936	3,472,350	481,093	3,953,443	1,980,493	20
Electric installations	51,376,096	1,509,376 (159,253)	52,726,219	33,429,983	4,555,025 (114,819)	37,870,189	14,856,030	20-33.33
Computer hardware	8,410,003	333,000 (149,843)	8,593,160	6,535,543	403,221 (47,305)	6,891,459	1,701,701	20
	1,066,453,630	96,121,480 (7,493,172)	1,155,081,938	424,754,930	61,487,272 (3,267,092)	482,975,110	672,106,828	
	-	-	-	-	-	-	-	

13.1.1 The cost of fully depreciated assets which are still in use as at September 30, 2016 is Rs. 23.67 million (2015: Rs. 23.59 million).

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

	Note	2016 Rupees	2015 Rupees
Cost of sales	22	56,978,337	52,649,695
Administration expenses	23	2,990,334	3,351,318
Distribution and marketing expenses	24	4,557,286	5,486,259
		<u>64,525,957</u>	<u>61,487,272</u>

### 13.1.3 Disposal of operating fixed assets

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

		2016				
Particulars of assets	Sold to/Transferred to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
		Rupees	Rupees	Rupees	Rupees	Rupees
<b>Vehicles</b>	<b>Employees</b>					
Honda City AUT-668	Imran Haider Zaidi	1,339,355	627,452	711,903	518,014	Company policy
Suzuki Cultus LEC-13-3741	Haroon Asif	1,024,600	366,069	658,531	498,365	Company policy
Suzuki Cultus LEC-12-7548	Umair Javed	1,001,400	393,022	608,378	499,385	Company policy
Toyota Altis LEE-15-1337	Mujeeb Rashid	2,378,910	320,558	2,058,352	1,903,128	Company policy
Suzuki Swift LEC-14-7513	Junaid Javed	1,332,000	248,640	1,083,360	992,480	Company policy
<b>Other assets with book value less than Rs. 50,000</b>		565,143	358,796	206,347	124,456	
		<u>7,641,408</u>	<u>2,314,537</u>	<u>5,326,871</u>	<u>4,535,828</u>	

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

		2015				
Particulars of assets	Sold to/Transferred to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
		Rupees	Rupees	Rupees	Rupees	Rupees
<b>Vehicles</b>	<b>Employees</b>					
Honda City LED 6835	Anzar Hameed Car Cont.	1,243,040	594,508	648,532	386,127	Company policy
Toyota GLI LEE-11-2105	Atif Fayyaz	1,641,480	607,420	1,034,060	916,000	Company policy
	<b>Outsiders</b>					
Honda City LEE-07-9091	Mr Irfan Khan	975,300	208,606	766,694	760,000	Auction
Toyota Vitz LE-5022	Tanveer ul Haq	1,001,322	432,647	568,675	865,500	Auction
Toyota Altis LEA 09-3072	Mr Mohammad Awais	1,931,980	1,038,489	893,491	1,125,000	Auction
<b>Other assets with book value less than Rs. 50,000</b>		700,049	385,416	297,935	239,100	
		<u>7,493,171</u>	<u>3,267,086</u>	<u>4,209,387</u>	<u>4,291,727</u>	

### 13.2 Capital work-in-progress

Civil Works  
Plant and machinery  
Advances to suppliers

	2016 Rupees	2015 Rupees
Civil Works	991,764	3,573,098
Plant and machinery	10,058	20,641,195
Advances to suppliers	7,401,047	-
	<u>8,402,869</u>	<u>24,214,293</u>

	Note	2016 Rupees	2015 Rupees
<b>14. Intangible Assets</b>			
Net carrying value basis			
Year ended September 30			
Opening net book value (NBV)		2,254,228	2,247,136
Additions at cost		277,950	489,130
Amortization charge		(455,478)	(482,038)
Closing net book value (NBV)		2,076,700	2,254,228
Gross carrying value basis			
Cost		7,599,907	7,321,957
Accumulated amortization		(5,523,207)	(5,067,729)
Net book value (NBV)		2,076,700	2,254,228
Amortization rate % per annum		20	20
<b>14.1</b> The amortization charge for the year has been allocated as follows:			
Cost of sales	23	45,030	54,358
Administration expenses	24	95,990	118,059
Distribution and marketing expenses	25	314,458	309,621
		455,478	482,038
<b>15. Biological assets</b>			
Livestock		6,555,000	7,020,333
Trees		1,650,000	1,775,000
		8,205,000	8,795,333
<b>16.</b> This represents long term security deposits in the normal course of business and are interest free.			
		2016 Rupees	2015 Rupees
<b>17. Stores, spares and loose tools</b>			
General stores		5,689,647	7,802,388
Engineering stores		21,189,790	21,747,182
		26,879,437	29,549,570
<b>17.1</b> Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.			

	Note	2016 Rupees	2015 Rupees
<b>18. Stock in trade</b>			
Raw materials [including in transit Nil (2015: 1.6 million)]		37,459,005	47,087,683
Packing materials [including in transit Nil (2015: 1.4 million)]		74,798,367	119,533,636
Work in process		123,234,410	68,635,949
Finished goods		144,223,456	81,095,251
		<u>379,715,238</u>	<u>316,352,519</u>
Less: Provision for obsolete items - Raw material	18.1	(3,285,242)	(3,285,242)
		<u>376,429,996</u>	<u>313,067,277</u>
<b>18.1 Provision for obsolete items - Raw material</b>			
Opening balance		3,285,242	6,048,224
Less: Reversal of provision	23	-	(2,762,982)
Closing balance		<u>3,285,242</u>	<u>3,285,242</u>
<b>19. Trade debts</b>			
Considered good		119,516,939	109,963,834
Considered doubtful		2,008,225	2,008,225
		<u>121,525,164</u>	<u>111,972,059</u>
Less: Provision for doubtful debts		(2,008,225)	(2,008,225)
		<u>119,516,939</u>	<u>109,963,834</u>
<b>20. Advances, deposits, prepayments and other receivables</b>			
Advances - considered good			
- To employees	20.1	2,952,016	3,033,157
- To suppliers		5,719,059	4,215,562
Prepayments		2,527,990	1,195,668
Letters of credit - margins, deposits, opening charges, etc.		188,295	3,111,599
Claims recoverable from the government - considered good			
- Sales tax		9,651,410	24,012,112
- Custom duty and surcharge		8,911,515	1,792,543
		<u>18,562,925</u>	<u>25,804,655</u>
Due from related parties - Considered good	20.2	-	19,403
Other receivables - Considered good		685,918	1,529,460
		<u>30,636,203</u>	<u>38,909,504</u>

20.1 The maximum aggregate amount at the end of any month during the year due from the Chief Executive is Rs 2,066,342 (2015: Rs198,872) and Directors Rs 768,586 (2015: Rs 254,730). No amounts are due at the year end (2015: Nil).

	Note	2016 Rupees	2015 Rupees
<b>20.2 Due from related parties</b>			
Anjuman-e-Khuddam-e-Rasool Allah Lessee		-	12,400
		-	7,003
		-	19,403
These relate to normal business of the company and are interest free.			
<b>20.3 Aging of related party balance</b>			
One to six months		-	19,403
Total		-	19,403
<b>21. Cash and bank balances</b>			
Balances at banks on current accounts		14,277,247	11,287,353
Special account related to dividend payable		2,157,336	1,928,856
Cash in hand		3,251,910	-
		19,686,493	13,216,209
<b>22. Sales</b>			
Gross sales - Local		1,740,131,777	1,690,930,163
Less:			
Sales returns		56,088,206	63,655,205
Rebates		191,404,440	189,951,150
Trade promotion and incentives		78,237,420	21,076,312
		325,730,066	274,682,667
Net sales - Local		1,414,401,711	1,416,247,496
- Export sales		265,060,235	280,085,142
		1,679,461,946	1,696,332,638

Local sales are exclusive of sales tax of Rs. 279 million (2015: Rs. 269 million).

	Note	2016 Rupees	2015 Rupees
<b>23. Cost of sales</b>			
Raw and packing material consumed		1,087,036,647	914,526,975
Salaries, wages and other benefits	23.1	135,497,063	132,556,758
Furnace oil consumed		24,978,116	27,717,636
Freight and octroi		234,368	376,440
Travelling and vehicle running		2,008,409	1,674,639
Repairs and maintenance		25,287,480	21,875,388
Power, water and gas		51,282,554	38,309,495
Insurance		4,866,130	6,688,923
Rent, rates and taxes		2,142,975	2,030,687
Depreciation on property, plant and equipment	13.1	56,978,337	52,649,694
Amortization of intangible assets	14.1	45,030	54,358
Reversal of provision against obsolete stock		-	(2,762,982)
Reversal of provision against obsolete stores and spares		-	(6,262,883)
Material written off		-	1,202,500
Other expenses		13,749,570	9,637,816
		<u>1,404,106,679</u>	<u>1,200,275,444</u>
Opening work-in-process		68,635,949	109,788,941
Closing work-in-process		(123,234,410)	(68,635,949)
		<u>(54,598,461)</u>	<u>41,152,992</u>
Cost of goods manufactured		1,349,508,218	1,241,428,436
Opening finished goods		81,095,250	132,295,347
Closing finished goods		(144,223,456)	(81,095,251)
		<u>(63,128,206)</u>	<u>51,200,096</u>
		<u>1,286,380,012</u>	<u>1,292,628,532</u>

**23.1** Salaries, wages and other benefits include the following in respect of gratuity:

	2016 Rupees	2015 Rupees
Gratuity		
- Current service cost	4,871,375	3,992,534
- Interest cost for the year	3,215,162	3,344,665
	<u>8,086,537</u>	<u>7,337,199</u>
Accumulated compensated absences	(1,364,435)	2,908,597
	<u>6,722,102</u>	<u>10,245,796</u>

	Note	2016 Rupees	2015 Rupees
<b>24. Administration expenses</b>			
Salaries, wages and other benefits	24.1	59,102,421	57,351,089
Travelling and vehicle running		5,162,457	3,941,477
Entertainment		989,086	798,215
Repairs and maintenance		1,979,056	1,958,275
Insurance		497,891	675,954
Rent, rates and taxes		4,673,907	4,194,768
Power, water and gas		2,591,245	3,350,984
Printing and stationery		1,812,370	1,675,186
Postage and telephone expenses		2,180,704	2,102,702
Professional services	24.3	6,442,429	6,470,266
Depreciation on property, plant and equipment	13.1	2,990,334	3,351,319
Amortization of intangible assets	14.1	95,990	118,059
Dairy expenses		11,086,606	14,054,220
Other expenses		4,303,597	2,972,712
		<u>103,908,093</u>	<u>103,015,226</u>

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

Gratuity			
- Current service cost		3,111,074	2,993,637
- Interest cost for the year		1,589,527	2,205,444
		4,700,601	5,199,081
Accumulated compensated absences		(156,923)	821,467
		<u>4,543,678</u>	<u>6,020,548</u>

**24.2 Number of employees**

	2016		2015	
	As at 30 September	Average during the year	As at 30 September	Average during the year
Executives	50	55	59	59
Non- Executives	267	277	286	290

**24.3 Professional services**

The charges for professional services include the following in respect of auditors' services for:

	2016 Rupees	2015 Rupees
Statutory audit	917,000	797,500
Half yearly review	506,000	460,000
Workers' profit participation and sundry services	211,000	85,000
Out of pocket expenses	326,947	398,478
	<u>1,960,947</u>	<u>1,740,978</u>

	Note	2016 Rupees	2015 Rupees
<b>25. Distribution and marketing expenses</b>			
Salaries, wages and other benefits	25.1	71,561,555	72,653,707
Travelling and vehicle running		10,210,669	11,067,460
Entertainment		628,112	642,385
Freight expenses			
- Local		41,833,605	41,472,769
- Export		14,414,631	14,842,073
		56,248,236	56,314,842
Advertisement		72,946,193	54,053,107
Incentives to distributors		22,913,110	1,701,482
Trade promotion expenses		1,468,707	11,742,424
Repairs and maintenance		60,998	80,861
Insurance		808,082	1,110,554
Rent, rates and taxes		648,489	813,324
Power, water and gas		455,531	404,067
Printing and stationery		274,771	208,612
Postage and telephone		1,678,116	1,556,927
Depreciation on property, plant and equipment	13.1	4,557,286	5,486,259
Amortization of intangible assets	14.1	314,458	309,621
Services charges to distributors		5,828,033	5,309,160
Other expenses		10,457,721	16,760,760
		261,060,067	240,215,552
<b>25.1 Salaries, wages and other benefits include the following:</b>			
Gratuity			
- Current service cost		2,911,633	4,483,981
- Interest cost for the year		1,784,647	3,786,141
		4,696,280	8,270,122
Accumulated compensated absences		(81,082)	1,498,538
		4,615,198	9,768,660
<b>26. Other expenses</b>			
Loss on disposal of fixed assets		791,043	-
Workers' profit participation fund		144,785	1,369,957
Workers' welfare fund		-	547,983
<b>Donations:</b>			
Related party - Anjuman-e-Khuddam-e-Rasool Allah		1,000,000	1,000,000
Others		-	80,750
		1,000,000	1,080,750
Exchange loss		231,632	-
		2,167,460	2,998,690

	2016 Rupees	2015 Rupees
<b>27. Other income</b>		
<b>Income from financial assets</b>		
Exchange gain	-	644,052
<b>Income from non financial assets</b>		
Profit on sale of property, plant and equipment	-	82,345
Profit on sale and revaluation of live stock	1,543,167	1,388,366
Profit on sale and revaluation of trees	-	10,183
Scrap sales	6,574,934	6,515,452
Rental income	2,185,492	2,121,908
	10,303,593	10,118,254
<b>Others</b>		
Amortization of deferred income	729,641	810,712
Insurance claim received	-	2,100,000
Others	8,033,905	3,193,172
	8,763,546	6,103,884
	19,067,139	16,866,190
<b>28. Finance cost</b>		
Interest and mark-up on		
- Finances under mark up arrangements -secured	31,988,025	30,969,891
- Long term finance - secured	6,647,610	12,915,773
- Workers' Profit Participation Fund	67,130	386,146
Bank and other charges	4,217,171	4,214,141
	42,919,936	48,485,951
<b>29. Provision for taxation</b>		
Current year		
- Current	12,862,242	7,018,790
- Deferred	1,339,639	(8,233,823)
	14,201,881	(1,215,033)

The provision for current taxation represents tax under final 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 setoff against normal tax liability arising in future years.

For the purposes of current taxation, the tax loss available for carry forward as at September 30, 2016 is estimated approximately at Rs 11.073 million (2015: Nil).

### 29.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2016 %	2015 %
Applicable tax rate	31.00	32.00
Tax effect of amounts that are exempt for tax purposes	(6.08)	(1.72)
Tax credits	(210.40)	(15.92)
Tax effect of change in tax rates	-	(19.25)
Minimum tax paid not recognized as an asset	655.64	-
Tax effect under presumptive tax regime and others	149.06	0.19
	588.22	(36.70)
Average effective tax rate charged to profit and loss account	619.22	(4.70)

### 29.2 Tax on undistributed reserves

Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the Company are in excess of its paid up capital and the Company derives profit for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

## 30. Transactions with related parties

The related parties comprise associated undertakings 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 and payables and remuneration of the key management personnel is disclosed in note 31. Other significant transactions with related parties are as follows:

Description	2016 Rupees	2015 Rupees
Purchase of goods	1,196,990	7,067,789
Donation paid	1,000,000	1,000,000
Rent paid	2,522,314	2,327,580
	4,719,304	10,395,369

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

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

31.1 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	
	2016	2015	2016		2015		2016	2015
			Non Executive Directors	Executive Directors	Non Executive Directors	Executive Directors		
			Rupees					
Managerial remuneration	15,955,414	16,278,516	-	3,105,000	-	2,482,759	33,024,669	29,638,961
Retirement benefits	2,386,705	3,587,457	-	-	-	-	5,503,937	12,512,179
House rent allowance	7,179,960	5,816,400	-	1,395,000	-	1,117,241	14,861,101	12,110,863
Utilities	1,702,139	1,292,532	264,638	259,637	-	248,276	3,302,466	2,691,242
Club expenses	19,817	21,369	86,089	168,923	-	195,392	24,000	24,000
Bonus	-	-	-	-	-	206,897	-	2,505,409
	27,244,035	26,996,274	350,727	4,928,560	-	4,250,565	56,716,173	59,482,654
Number of persons	1	1	9	1	9	1	27	29

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.

### 31.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 11 directors (2015:11 directors) is Rs 337,500 (2015: Rs 237,000).

## 32. Capacity and production

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

	Actual production	
	2016	2015
	In cartons	
Groceries	1,598,271	1,368,273
Confectioneries	315,029	322,922

	Note	2016 Rupees	2015 Rupees
<b>33. Cash generated from operations</b>			
Profit before tax		2,093,517	25,854,877
Adjustments for:			
Depreciation on operating fixed assets	13.1	64,525,957	61,487,272
Amortization of deferred income	8.2	(729,641)	(810,712)
Amortization on intangibles	14	455,478	482,038
Loss on sale of property, plant and equipment		791,043	(82,345)
Provision for accumulated absences		(1,602,440)	-
Visi-coolers written off		-	16,698
Provision for retirement benefits		17,483,419	26,035,004
Profit on revaluation of biological assets		(1,543,167)	(1,398,549)
Exchange loss		231,632	-
Reversal of provision against obsolete stock		-	(2,762,982)
Stock in trade written off		-	1,202,500
Reversal of provision against obsolete stores and spares		-	(6,262,883)
Finance cost		42,919,936	48,485,951
Profit before working capital changes		124,625,734	152,246,869
Effect on cash flow due to working capital changes			
- Decrease/(Increase) in stores, spares and loose tools		2,670,133	(3,829,649)
- (Increase)/Decrease in stock in trade		(63,362,719)	94,249,760
- Increase in trade debts		(9,784,737)	(13,362,253)
- Decrease/(Increase) in advances, deposits, prepayments and other receivables		8,273,301	(26,703,863)
- Increase/(Decrease) in creditors, accrued and other liabilities		24,006,287	(58,724,653)
		(38,197,735)	(8,370,658)
Cash generated from operations		86,427,999	143,876,211
<b>34. Cash and cash equivalents</b>			
Cash and bank balances	21	19,686,493	13,216,209
Short term running finances-secured	10	(486,101,770)	(376,641,761)
		(466,415,277)	(363,425,552)
<b>35. Earnings per share</b>			
<b>35.1 Basic earnings per share</b>			
Net (loss) / profit for the year	Rupees	(12,108,364)	27,069,910
Weighted average number of ordinary shares	Number	7,875,000	7,875,000
Basic (loss) / earnings per share	Rupees	(1.54)	3.44
<b>35.2 Diluted earnings per share</b>			

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

## 36. Financial risk management

### 36.1 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:

	2016	2015
Trade debts - USD	250,349	472,322

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	104.38	101.96
Reporting date rate	104.55	104.20

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. 1,309,325 (2015: Rs. 2,460,798) 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 balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2016 Rupees	2015 Rupees
<b>Floating rate instruments</b>		
<b>Financial liabilities</b>		
Long Term Finances	(106,666,665)	(149,333,333)
Short term running finances-secured	(486,101,770)	(376,641,761)
<b>Net exposure</b>	<u>(592,768,435)</u>	<u>(525,975,094)</u>

**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 balance sheet 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 year end date, fluctuate by 1% higher/lower with all other variables held constant, profit before taxation for the year would have been Rs 5.92 million (2015: Rs 3.13 million) higher/lower, 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:

	2016 Rupees	2015 Rupees
Trade debts	121,525,164	111,972,059
Loans, advances, deposits, prepayments and other receivables	3,826,229	7,693,619
Cash and bank balances	19,686,493	13,216,209
	<u>145,037,886</u>	<u>132,881,887</u>

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

	2016 Rupees	2015 Rupees
<b>The age of trade receivables</b>		
<b>Past due</b>		
- Not past due	77,538,612	72,132,000
- Past due 0 - 180 days	40,454,861	33,167,906
- Past due 181 - 365 days	1,212,771	2,375,200
Over 365 days		
- Impaired	2,008,225	2,008,225
- Considered good	310,695	2,288,728
	2,318,920	4,296,953
	121,525,164	111,972,059

(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	Rating Long term	Rating Agency	2016 (Rupees)	2015 (Rupees)
National Bank of Pakistan	A-1+	AAA	JCR-VIS	480,770	2,154,833
MCB Bank Limited	A1+	AAA	PACRA	787,333	787,333
Habib Bank Limited	A-1+	AAA	JCR-VIS	15,162,178	10,274,043
Bank Al Habib	A1+	AA+	PACRA	4,303	-
				16,434,584	13,216,209

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, 2016, the Company had Rs 610 million available borrowing limits from financial institutions (unutilized: 124 million) and Rs 19.686 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at September 30, 2016:

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees			
Long term finance - secured	106,666,665	106,666,665	-	-
Finances under markup arrangements - secured	486,101,770	486,101,770	-	-
Trade and other payables	101,744,653	101,744,653	-	-
Accrued finance cost	5,679,309	5,679,309	-	-
	<u>107,423,962</u>	<u>107,423,962</u>	<u>-</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at September 30, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees			
Long term finance - secured	149,333,333	42,666,668	106,666,665	-
Finances under markup arrangements - secured	376,641,761	376,641,761	-	-
Trade and other payables	97,676,216	97,676,216	-	-
Accrued finance cost	6,620,240	6,620,240	-	-
	<u>104,296,456</u>	<u>104,296,456</u>	<u>106,666,665</u>	<u>-</u>

### 36.2 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.

### 36.3 Financial instruments by categories

#### Assets as per balance sheet

	Loans and receivables	
	2016 Rupees	2015 Rupees
Trade debts	121,525,164	111,972,059
Loans, advances, deposits, prepayments and other receivables	3,402,203	5,856,130
Cash and bank balances	19,686,493	13,216,209
	<u>144,613,860</u>	<u>131,044,398</u>

#### Liabilities as per balance sheet

	Financial liabilities at amortised cost	
	2016 Rupees	2015 Rupees
Long term finance - secured	106,666,665	42,666,668
Finances under markup arrangements - secured	486,101,770	376,641,761
Trade and other payables	123,164,502	97,682,015
Accrued finance cost	5,679,309	6,620,240
	<u>128,843,811</u>	<u>104,302,255</u>

### 36.4 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 34. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at September 30, 2016 and September 30, 2015 is as follows:

	Note	2016 Rupees	2015 Rupees
Long term finance - secured	9	106,666,665	149,333,333
Short term borrowings net of cash at bank and in hand	34	466,415,277	363,425,552
Net debt		573,081,942	512,758,885
Total equity		540,921,505	572,587,064
Total capital		1,114,003,447	1,085,345,949
Gearing ratio	Percentage	51%	47%

### 37. Date of authorisation

These financial statements were authorized for issue on January 10, 2017 by the Board of Directors of the Company.

### 38. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended September 30, 2016 of Rs. Nil (2015: Rs. 2.5) per share, amounting to Rs. Nil (2015: Rs. 19,687,500) at their meeting held on January 10, 2017 for approval of the members at the Annual General Meeting to be held on February 15, 2017.

### 39. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Further, significant rearrangements made are as follows:

	Rupees
“Income tax recoverable” previously included in “Advances, deposits, prepayments and other receivables” now presented separately as it is considered more appropriate for the purpose of presentation.	153,965,507
“Deferred taxation” previously included in “Deferred liabilities” now presented separately as it is considered more appropriate for the purpose of presentation.	52,492,282

S. M. Mohsin  
Chairman

Muhammad Zahir  
Chief Executive Officer

# Proxy Form

## Mitchell's Fruit Farms Limited

84<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 84<sup>th</sup> Annual General Meeting of the Company to be held on February 15, 2017 at the Registered Office of the Company located at 40-A, Zafar Ali Road, Gulberg V, Lahore.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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.  
Renala Khurd, District Okara, Pakistan. P: (+92) (44) 2622908, 2635907-8  
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's - Natural Goodness

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 Mitchell's Chocolates