MITCHELL'S®

FOR THE TASTE OF NATURAL GOODNESS

ANNUAL REPORT 2019

www.mitchells.com.pk

Contents

Company Information

BOARD OF DIRECTORS

Mr. S.M.Mohsin	Chairman- Non Executive Director
Mr. Mujeeb Rashid	Chief Executive Officer
Syeda Sitwat Mohsin	Non Executive Director
Syed Mohammad Mehdi Mohsin	Executive Director
Mr. Rizwan Bashir	Non Executive Director
Mr. Najam Aziz Sethi	Non Executive Director
Mr. Manzar Hassan	Non Executive Director
Mr. Umme Kulsum Imam	Non Executive Director
Mr. Shazad Ghaffar	Non Executive Director
Mr. Pervez Hayat Noon	Non Executive Director
Mr. Aamir Amin	Non Executive Director (NIT Nominee)

AUDIT COMMITTEE

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

COMPANY SECRETARY
Mr. Rashid Butt ACMA

CHIEF FINANCIAL OFFICER
Mr. Nauman Munawar FCA

AUDITORS
A.F. Ferguson & Company
Chartered Accountants

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

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

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

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

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

REGIONAL SALES OFFICE

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

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

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

Vision & Mission Statement

1. To be a leader in the markets we serve by providing quality products to our consumers while learning from their feedback to set even higher standards.

2. To be a company that continuously enhances its superior technological skills to remain internationally competitive in this day and age of increasing challenges.

3. To be a company that attracts and retains competent people by creating a culture that fosters innovation, promotes individual growth and rewards initiative and performance.

4. To be a company which optimally combines its people, technology, management systems, and market opportunities to achieve profitable growth while providing fair returns to its shareholders.

5. To be a company that endeavours to set the highest standards in corporate ethics.

6. To be a company that fulfills its social responsibility.

Notice of Annual General Meeting

Notice is hereby given that the 87th Annual General Meeting of Mitchell's Fruit Farms Limited will be held on February 07, 2020 on Friday 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 Annual General Meeting held on February 26, 2019.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended September 30, 2019 together with the Directors' and Auditors' reports thereon.

3. To appoint auditors for the year ending September 30, 2020 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

Rashid Butt
Company Secretary

Lahore,
December 26, 2019

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 January 31, 2019 to February 07, 2020 (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 full business day on February 07, 2020 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 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 in Circular 1 dated January 26, 2000 issued 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.

6. Intimation of Changes of Address and declaration for non-deduction of Zakat:

Members who hold shares certificates should notify any changes in their registered address and provide their declarations for non-deduction of zakat, if applicable, to the Share Registrar. Members who hold shares in CDC / participant accounts should update their address and submit their declarations for non-deduction of zakat, if applicable, to the CDC or their respective participants / stockbrokers.

7. Unclaimed Dividends and Share Certificates:

The Shareholders are hereby informed that in accordance with Section 244 of the Companies Act, 2017 and the Unclaimed Shares, Modaraba Certificate,Dividends, Others Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and the shares to the Commission, which are unclaimed/un-collected for a period of three (3) years or more from the date it is due and payable.

8. Circulate Annual Reports to shareholders via e-mail:

Pursuant to Notification vide S.R.O.787(1)/2014 dated September 8, 2014 has allowed companies to circulate Annual Financial Statements to shareholders along with notice of Annual General Meeting (AGM) through email. In this respect, members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company's website i.e. www.mitchells.com.pk. Further it is responsibility of the members to timely update the Company's Shares Registrar of any change in their registered e-mail addresses.

9. Circulate Annual Audited Accounts and Notice of AGM through to shareholders through CD or DVD or USB:

In pursuance of SECP notification S.R.O. No.470(1)/2016 dated May 31, 2016 the companies have been allowed to circulate their annual reports including annual audited accounts, notice of annual general meetings and other information contained therein of the Company to the members for future years through CD or DVD or USB instead of transmitting the same in hard copies. However, the Company will supply the hard copy of the Annual Audited Accounts to the shareholders on demand at their registered addresses, free of cost, within one week of such demand.

10. Consent for Video Conference:

Pursuant to SECP's Circular No 10 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard please fill the following and submit to registered address of the Company at least 10 days before the date of AGM.

Consent Form for Video Conference Facility

I/We, ________________ of _____ being a member of Mitchell's Fruit Farms Limited, holder of _____________ Ordinary shares as per Registered Folio #/ CDC Account No.__________________ hereby opt for video conference facility at _______________________ (geographical location).

____
Signature of member

Annual Accounts

Annual Accounts of the Company for the financial year ended September 30, 2019 have been placed on the Company's website – http://www.mitchells.com.pk/ in addition to annual and quarterly financial statements for the current and prior periods.

اطلاع برائے سالانہ اجلاس عام

بذریعہ نوٹس ہذا اطلاع دی جاتی ہے کہ مچلز فروٹ فارمز لیمیٹڈ کا 87 واں سالانہ اجلاس عام 07 فروری 2020 بروز جمعہ بوقت 11:00 بجے دن کمپنی کے رجسٹرڈ آفس، A-40 ظفر علی روڈ گلبرگ V لاہور میں منعقد ہوگا، جس میں مندرجہ ذیل امور کی انجام دہی ہوگی۔

عمومی کاروائی

1۔ 26 فروری 2019 کو منعقد ہونے والے اجلاس عام میں طے پائے گئے امور کی منظوری۔

2۔ 30 ستمبر 2019 کو ختم ہونے والے سال کے سالانہ پڑتال شدہ حسابات کی وصولی، غور وخوض اور اختیار کرنا۔ جن کے ساتھ ڈائریکٹرز اور آڈیٹرز کی رپورٹس شامل ہیں۔

3۔ 30 ستمبر 2019 کو اختتام پذیر ہونے والے سال کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کو طے کرنا جس کو آڈٹ کمیٹی نے بورڈ آف ڈائریکٹرز کو تجویز کیا۔ ریٹائرڈ ہونے والے آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس اہلیت کی بنا پر خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

دیگر معاملات:

4۔ جناب صدر کی اجازت سے دوسرے امور کی انجام دہی جو کہ میٹنگ میں سامنے آئیں گی۔

بحکم بورڈ

راشد بٹ
کمپنی سیکریٹری

لاہور
26 دسمبر 2019

نوٹس

1۔ وہ ممبران جنہوں نے اپنے کمپیوٹرائزڈ قومی شناختی کارڈز کمپنی ہذا یا شیئر رجسٹرار کو جمع نہیں کرائے ان کو ایک مرتبہ پھر یاد دہانی کرائی جاتی ہے کہ وہ اپنے مذکورہ شناختی کارڈز کمپنی کے شیئر رجسٹرار میسرز کارپلنک (پرائیویٹ) لمیٹڈ K-1 کمرشل ماڈل ٹاؤن، لاہور کو براہِ راست بھجوا دیں۔ دیگر کمپنیاں اپنے NTN شیئر رجسٹرار کو بھجوا دیں۔ قومی شناختی کارڈ/ NTN کے ہمراہ فولیو نمبر بھی ارسال کریں۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے نوٹیفکیشن SRO 779(I) مورخہ اگست 18، 2011 اور SRO 831(I) مورخہ جولائی 5، 2012 کے مطابق ڈیویڈنڈ وارنٹ پر رجسٹرڈ ممبر کے قومی شناختی کارڈ کا درج ہونا ضروری ہے۔ کمسن افراد اور کمپنیاں اس سے مستثنیٰ ہیں۔

2۔ کمپنی کی شیئر ٹرانسفر بکس 31 جنوری 2020 سے 07 فروری 2020 (بشمول دونوں دن) تک بند رہیں گی۔ انتقال دہندگان کے مذکورہ بالا استحقاق اور اجلاس میں شمولیت کی غرض سے کمپنی کے شیئر رجسٹرار میسرز کارپلنک (پرائیویٹ) لیمیٹڈ K-1 کمرشل ماڈل ٹاؤن، لاہور کو مورخہ 30 جنوری 2020 کو کاروبار بند ہونے سے قبل موصول ہونے والی ٹرانسفرز بروقت تصور کی جائیں گی۔

3۔ ہرممبر جو میٹنگ میں شرکت اور ووٹ ڈالنے کے اہل ہیں، اپنی جگہ کسی اور ممبر کو پراکسی مقرر کر کے میٹنگ میں شرکت اور ووٹ ڈالنے کے لئے نامزد کر سکتا ہے۔ پراکسی کے مئوثر ہونے کے لئے ضروری ہے کہ وہ کمپنی کے رجسٹرڈ آفس میں میٹنگ کے طے شدہ وقت سے کم از کم 48 گھنٹے قبل موصول ہو جانے چاہیے۔

4۔ مکمل شدہ پراکسی کے فارم کمپنی سیکریٹری کو کمپنی کے رجسٹرآفس، A-40 ظفر علی روڈ، گلبرگ V ، لاہور کو میٹنگ سے کم از کم 48 گھنٹے قبل موصول ہو جانے چاہیے۔

5۔ شیئر ہولڈرز سے درخواست کی جاتی ہے کہ اگر ان کے ایڈریس میں کسی قسم کی تبدیلی ہوئی ہے تو وہ اس کی فوری اطلاع دیں۔

A اجلاس میں شمولیت کے لئے

I میٹنگ میں شرکت کی غرض سے ممبران اپنا قومی شناختی کارڈ یا اصل پاسپورٹ دکھائیں گے.

II کمپنیز کی صورت میں بورڈ آف ڈائریکٹرز کی طرف سے جاری کردہ منظوری یا ان کی پاور آف اٹارنی جس پر ان کے دستخط موجود ہوں میٹنگ میں شرکت کے لئے دکھائیں گے.

B پراکسی کا تقرر

I ممبران، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈرز یا وہ افراد جن کی سیکورٹیز گروپ کی صورت میں ہے وہ اپنے پراکسی فارم قوانین کے تحت جمع کرائیں گے.

II پراکسی پر دو گواہوں کے دستخط اور ان کے قومی شناختی کارڈز کے نمبر درج ہوں.

III پراکسی فارم کے ساتھ بینیفشل اونر کے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی لف ہونا ضروری ہے.

IV پراکسی والے افراد اپنا اصل شناختی کارڈ دکھائیں گے.

V کمپنیز کی صورت میں بورڈ آف ڈائریکٹرز کی طرف سے جاری کردہ منظوری یا ان کی پاور آف اٹارنی جس پر ان کے دستخط موجود ہوں میٹنگ میں شرکت کے لئے دکھائیں گے.

6۔ ایڈریس کی تبدیلی اور زکوٰۃ سے استثنٰی کے ڈکلریشن کی اطلاع

شیئر زسرٹیفکیٹس رکھنے والے ممبران اپنے رجسٹرڈ پتہ میں تبدیلی کے بارے میں شیئر رجسٹرار کو آگاہ کریں اور اپنے زکوٰۃ سے استثنٰی کے ڈکلریشنز فراہم کریں.
تمام سی ڈی سی شیئر ہولڈر ممبران سے گزارش ہے کہ وہ سی ڈی سی یا اپنے متعلقہ شرکاء/ سٹاک بروکرز کے ساتھ اپنا ایڈریس اپ ڈیٹ کریں اور اپنے زکوٰۃ سے استثنٰی کے ڈکلریشنز فراہم کریں.

7۔ غیر دعویٰ شدہ منافع اور شیئر سرٹیفکیٹس

شیئر ہولڈرز کو مطلع کیا جاتا ہے کمپنیز ایکٹ 2017 کے سیکشن **244** اور غیر دعویٰ شدہ شیئر، مضاربہ سرٹیفکیٹ ۔ ڈیویڈنڈز، دیگر انسٹرومنٹس اور ان ڈسٹری بیوٹڈ ایسٹس ریگولیشنز 2017 کے مطابق کمپنیز کے لئے ایسے کیش ڈیویڈنڈز فیڈرل گورنمنٹ کے کریڈٹ میں اور شیئرز کو کمیشن میں جمع کروانا ضروری ہے جو ادائیگی کی تاریخ سے لے کر تین سال یا زیادہ عرصہ سے غیر دعویٰ شدہ ہیں یا وصول نہیں کئے گئے.

8۔ شیئر ہولڈرز کو سالانہ رپورٹس کی بذریعہ ای میل ترسیل:

مورخہ 8 ستمبر 2014 کو جاری ہونے والے نوٹیفکیشن ایس آر او نمبر 787(1)/2014 کے تحت کمپنیوں کو اجازت ہے کہ وہ شیئر ہولڈرز کو اینوئل فنانشل سٹیٹمنٹ کے ساتھ ساتھ اینوئل جنرل میٹنگ (اے جی ایم) کا نوٹس بذریعہ ای میل ارسال کریں. لہٰذا ممبرز سے درخواست ہے کہ وہ اس کے لئے ایک سٹینڈرڈ ریکوئسٹ فارم پر کریں جو کہ کمپنی کی ویب سائٹ www.mitchells.com.pk پر دستیاب ہے. بذریعہ ای میل اپنی رضامندی ظاہر کریں. علاوہ ازیں کمپنی کے شیئر رجسٹرار کو اپنے رجسٹرڈ ای میل ایڈریس میں ہونے والی ممکنہ تبدیلی کے بارے میں بروقت مطلع کرنا بھی ممبرز کی ذمہ داری ہے۔
سنٹرل ڈیپازیٹری کمپنی میں رجسٹرشدہ شیئرز ہولڈرز اس میٹنگ میں شرکت کرنے اور ووٹ دینے کے اہل ہیں ان کے لئے ضروری ہے کہ وہ اپنی شناخت کے لئے قومی شناختی کارڈ یا پاسپورٹ ہمراہ لائیں۔ پراکسی کی صورت میں قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی لف کرنا ہوگی۔ کارپوریٹ نمائندگان کو وہی عمومی دستاویزات ساتھ لانا چاہئیں جو کہ ایسے کاموں کے لئے ضروری ہیں۔

9۔ شیئر ہولڈرز کو سالانہ آڈٹ شدہ اکاؤنٹس اور اے جی ایم نوٹس کی بذریعہ ڈی وی ڈی یا یو ایس بی ترسیل:

ایس ای سی پی کے نوٹیفکیشن ایس آر او نمبر 470(1)/2016 مورخہ 31 مئی 2016 کے تحت کمپنیوں کو اجازت دی گئی ہے کہ وہ آنے والے برسوں میں ممبرز کو اپنی سالانہ رپورٹس بشمول سالانہ آڈٹ شدہ اکاؤنٹس، سالانہ اجلاس عام کا نوٹس اور کمپنی کی دیگر معلومات ہارڈ کاپیز کی بجائے سی ڈی یا ڈی وی ڈی یا یو ایس بی کے ذریعے ارسال کر سکتی ہے. تاہم کمپنی شیئر ہولڈرز کے مطالبہ پر انہیں سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی طلب کئے جانے کے ایک ہفتے کے اندر ان کے رجسٹر ایڈریس پر بلا معاوضہ فراہم کرے گی۔

10۔ ویڈیو کانفرنس کیلئے رضامندی:

ایس ای سی پی کے سرکولر نمبر 10 مورخہ 21 مئی 2014 کے مطابق اگر کمپنی کو کسی مخصوص جغرافیائی مقام سے مجموعی طور پر 10 فیصد یا زائد حصص کے ساتھ ممبرز کی طرف سے اجلاس میں شرکت کے لئے اجلاس سے کم از کم دس دن قبل رضامندی ملتی ہے تو کمپنی اس شہر میں ویڈیو کانفرنس کا انتظام کرے گی۔
بشرطیکہ اس شہر میں ایسی کوئی سہولت میسر ہو. اس کیلئے براہ کرم درج ذیل فارم پر کر کے سالانہ اجلاس عام کی تاریخ سے کم از کم دس دن پہلے کمپنی کے رجسٹرڈ ایڈریس پر جمع کروائیں۔

ویڈیو کانفرنس کی سہولت کیلئے رضامندی کا فارم

میں/ہم۔۔۔۔۔۔۔۔۔۔۔۔ساکن۔۔۔۔۔۔۔۔۔۔۔۔۔مچلز فروٹ فارمز لمیٹیڈ کا ممبر ہوں اور۔۔۔۔۔۔۔۔۔۔۔۔شیئرز کا حامل ہوں بمطابق رجسٹرڈ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر۔۔۔۔۔۔۔۔۔۔۔۔اپنے شہر۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔(جغرافیائی مقام) میں ویڈیو کانفرنس کی سہولت حاصل کرنا چاہتا ہوں۔

سالانہ اکاؤنٹس

30 ستمبر 2019 کو ختم ہونے والے مالیاتی سال کے لئے سالانہ اکاؤنٹس اور پچھلے سالوں کے سالانہ اکاؤنٹس بمعہ سہ ماہی اکاؤنٹس کمپنی کی ویب سائٹ http://www.mitchells.com.pk پر موجود ہیں۔

Chairman's Review

The company managed to continue its operations successfully despite extreme financial crisis suffered at the close of last financial year. It was crucial to meet the business obligations in order to ensure continuity of supplies so as to fulfill customer orders and to avoid any loss to revenue and to continue operating as a going concern. The company under direction of Board of Directors is set to achieve its overall objectives in the best interests of its shareholders.

The efforts were planned well by the management under the directions of the board which resulted in delivering a decent topline growth for the company in all the business channels. Actions designed at the start of the year to reduce the fixed costs were achieved without any compromise on the business operations. Burden of higher pricing on increased borrowings lead to depletion of results hence the company could not report a profit during the year whereas earnings before interest and tax remain positive.

The board members of Mitchell's Fruit Farms Limited are highly qualified professionals with rich experience in their relevant fields. The Board has the required diversity and necessary mix of skill and experience in different relevant fields of business, finance, legal, administration and management. The board members are familiar with the current vision, mission and values and support them. The Board revisits mission and vision statement from time to time. Furthermore, they are well conversant with their fiduciary duties and effectively perform their role of strategic direction and guidance to the Management in accordance with applicable rules and standards. Four directors have already acquired certification as required under Directors' Training Program and two directors are exempt from the Directors' Training Program based on experience and qualification.

The board remained alert to ensure that the operations of the company were carried out under the framework laid down by the Code of Corporate Governance. The Company is compliant to the requirement of having a female director on the Board of Directors since the Board has already two female directors. Active participation by all Board Members is encouraged and in decision making process the feedback from independent director(s) is duly considered. In year 2019, regular meetings of the board and its committees took place with due deliberations to give their consent on the matters placed before them.

Annual Board Performance Evaluation Mechanism is in place according to which the performance of all Board members remained satisfactory.

I would like to express my gratitude to all fellow Board Members and other stakeholders for their continued support and trust.

S.M. Mohsin
Chairman
December 26, 2019

چیئرمین کا جائزہ

پچھلے سال کے اختتام پر شدید مالی مشکلات کے باوجود کمپنی نے کامیابی سے اپنے آپریشنز کو جاری رکھا. کسی طرح کے سیلز کے نقصان سے بچنے کے لئے صارفین تک اپنی مصنوعات مقررہ وقت پر پہنچانا ضروری تھا تا کہ کمپنی اپنی بے حد اہم کاروباری ذمہ داریاں پوری کر سکے اور کاروبار کو Going Concern کی حیثیت میں جاری رکھ سکے. کمپنی کے شیئر ہولڈرز کے بہترین مفاد کی خاطر کمپنی نے بورڈ آف ڈائریکٹرز کے احکامات کے تحت کا کیا. کمپنی نے شیئر ہولڈرز کے بہترین مفاد میں بورڈ کی زیرنگرانی مقاصد کا تعین کیا.

بورڈ کی نگرانی میں انتظامیہ نے تمام کوششوں کی بہترین طریقے سے منصوبہ سازی کی جس کی وجہ سے تمام کاروباری چینلز میں بڑھوتری نظر آتی ہے. کاروباری معاملات میں کوئی سمجھوتہ کئے بغیر سال کے شروع سے ہی Fixed Costs میں کمی پر کام کیا گیا جس کو بہت حد تک حاصل کیا گیا. بڑھے ہوئے قرضوں اور شرح سود میں غیر معمولی اضافے کی وجہ سے مالی نتائج کمی کا شکار ہوئے اور کاروباری منافع نہ دکھایا جا سکا. جبکہ ٹیکس سے پہلے منافع کے اعداد و شمار مثبت رہے.

مچلز فروٹ فارمز لمیٹیڈ کے تمام ڈائریکٹرز اعلیٰ تعلیم یافتہ اور متعلقہ فیلڈ میں بہترین تجربہ کے حامل ہیں. بورڈ کے پاس کاروبار، مالیات، قانون، انتظامیہ کے حوالے سے بہترین تجربہ موجود ہے. بورڈ کے ممبران موجودہ ویژن اور مشن کی اقدار سے آگاہ ہیں اور ان کی ترویج کرتے ہیں. بورڈ کے ممبران وقتاً فوقتاً ویژن اور مشن کے بیانیہ کو دیکھتے رہتے ہیں تا کہ متعلقہ قوانین کے اندر رہتے ہوئے بورڈ ممبران اپنے فرائض کی درست طریقے سے انجام دہی کر سکیں. چار ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام کے تحت ٹریننگ حاصل کر رکھی ہے. اور دو ڈائریکٹرز اپنے تجربہ اور قابلیت کی بنیاد پر اس ٹریننگ سے مستثنیٰ ہیں.

Code of Corporate Governance کے تحت لائحہ عمل کے اندر رہتے ہوئے کام کرنے کی ضمانت دینے کے لئے بورڈ چوکنا رہا. کمپنی نے اپنے بورڈ پر دو خواتین کو ڈائریکٹر رکھا ہے جس سے ہم نے Code of Corporate Governance کی تعمیل کی ہے. تمام ڈائریکٹرز کی فیصلوں میں شرکت کو سراہا جاتا ہے اور انڈیپنڈنٹ ڈائریکٹر کے فیڈ بیک پر غور کیا جاتا ہے. سال 2019 میں بورڈ کی باقاعدہ میٹنگز منعقد ہوئیں اور جو معاملات ان کے سامنے رکھے گئے، بورڈ کے ڈائریکٹرز کے مطمع نظر کو دیکھا.

بورڈ کی سالانہ کارکردگی کا جائزہ لینے کا طریقہ کار لاگو ہے جس کے مطابق بورڈ ممبران کی کارکردگی تسلی بخش رہی.

میں بورڈ ممبران اور تمام حصہ داران کی مسلسل مدد اور بھروسے کا شکر گزار رہوں.

ایس. ایم محسن

چیئرمین

26 دسمبر 2019

Directors' Report

The directors are pleased to present their report on the company's performance during the year.

PRINCIPAL ACTIVITY

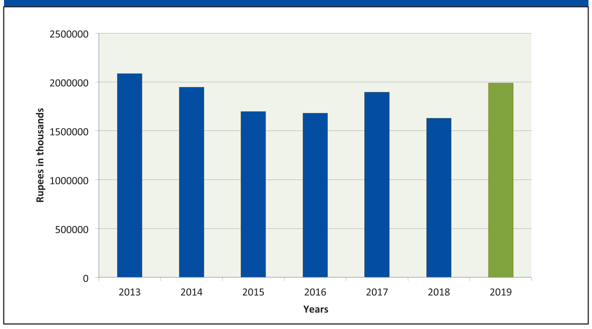
The Company is principally engaged in the manufacture and sale of various farm and confectionery products.

FINANCIAL POSITION AT A GLANCE

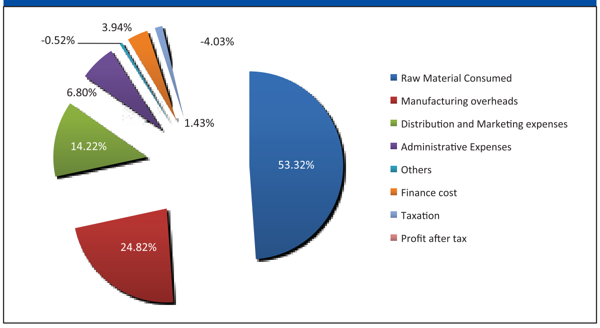
A brief financial analysis is presented as under:

Operating Results	2019	2018	Increase/Decrease
Turnover	1,987,552,095	1,628,007,964	22.08%
Gross Profit	434,413,096	252,889,084	71.78%
Gross Profit %	21.86%	15.53%	632 bps
Distribution Costs	282,634,196	407,886,503	(30.71%)
Administrative Expenses	135,252,097	136,106,248	(0.63%)
Operating Profit	26,777,465	(268,174,244)	109.99%
Loss After Tax and Interest	80,005,513	292,619,064	(72.66%)
Earnings Per Share-Rupees	(10.16)	(37.16)	72.66%

Net Sales



Distribution of Revenue



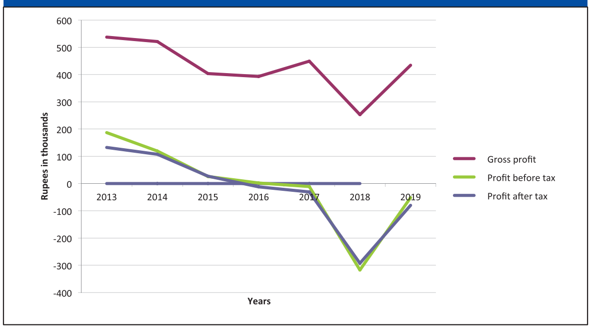
FINANCIAL RESULTS AND DEVELOPMENTS

The extreme uncertainty prevailing at the beginning of the year regarding the viability and continuity of its operations were overcome to a great extent.

The Company managed to convincingly upturn the downward spiral witnessed during the last several years with sales closing at Rs.1,987 million registering a growth of 22% over the previous year. The company managed to carry out its operations uninterruptedly in extreme financial difficulty. While realizing major growth in expanding B2B channel that contributed significantly in this achievement, the company also managed to achieve a respectable growth of 48% in export sales over the last year.

An improvement of Rs.182 million in gross profit in absolute terms indicating a 72% increase was achieved which clearly indicates the acceptability of our products at the end consumer level.

Gross Profit, Profit Before and After Tax



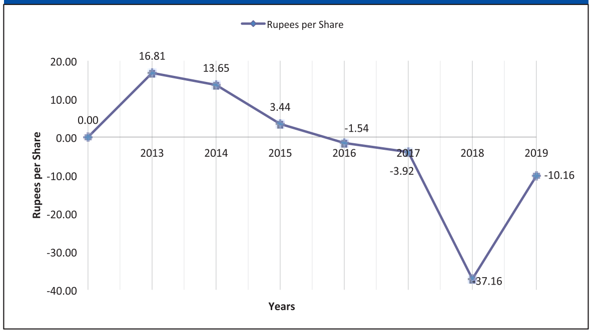
Adequate price increases were undertaken to absorb the impact of inflation that hit the economy during the year.

The company had to absorb the cost of huge unsaleable returns from the previous years and post closure of number of regional offices for cost rationalization during the year coupled with provisioning relating to sales returns, volume discounts and other incentives under the applicable financial reporting framework which resulted in eroding most the gains achieved in gross profit during the year.

Fixed cost mainly covering distribution and marketing expenses were closely monitored while not compromising on the distribution and reach of the products at the retail level. This resulted in reduction of 31% over previous years' expenses.

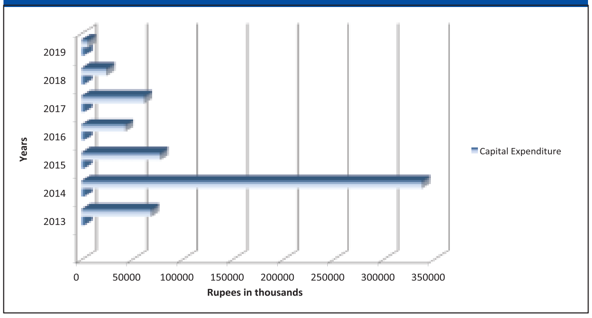
Increase in KIBOR rates led to higher finance cost for the Company. This further eroded the earnings generated before interest and tax and therefore the Company was unable to generate a profit before tax for the year.

Earnings Per Share



The provision for current taxation for the year represents tax under final tax regime and minimum tax on turnover.

Capital Expenditure



PRINCIPAL RISK AN UNCERTAINTY

The Company is exposed to certain risks and uncertainties. However, we consider the following as key risks:

- Significant competition in our product categories;
- Adverse movement in commodity prices and foreign exchange rates; and
- Adverse movement in interest rate leading to increased cost of borrowings

MANUFACTURING OPERATIONS

Due to capital constraints no major investment was carried out during the year. Continuity of operations remained a priority for the management.

HUMAN RESOURCE DEVELOPMENT

Hiring was at a freeze due to the challenging situation. Functional teams were assigned additional responsibilities to ensure un-interrupted supplies as well as distribution.

CORPORATE SOCIAL RESPONSIBILITY

The management kept the employees of the company geared to deliver their best in the challenging situation encountered. The employees working in respective functional areas extended support in contributing extra where necessary for furtherance of business.

No incident of accident, causing physical injury or misconduct was reported during the year.

Some contributions were made to Anjuman Khuddam-e-Rasool Allah (AKRA) to achieve its objectives.

The company contributed Rs.331.74 million to the National Exchequer on account of various government levies including customs duty, sales tax and income tax.

Furthermore, foreign exchange of Rs.289.08 million was generated through our exports.

SUBSEQUENT EVENTS

The company has received firm bids against the investment proposition to strengthen its capital structure. The Board of directors has formulated a committee to supervise the process. The committee has finalized two parties for final negotiations.

FUTURE OUTLOOK

The company's management being well aware of the financial constraints, has implemented a new pricing and discount structure in order to generate revenues without compromising the quality of the products. The Company has also explored other business avenues such as toll manufacturing during the year and expects to further benefit from the channels in future. The fixed costs are continuously being monitored and controlled. The Company expects a reduction in the finance cost to occur upon injection of fresh equity in the coming year.

INTERNAL FINANCIAL CONTROLS

The Directors and management are responsible for the Company's system of internal controls and for reviewing annually its effectiveness in providing shareholders with a return on their investments that is consistent with a responsible assessment and management of risks. This includes reviewing financial, operational and compliance controls and risk management procedures and their effectiveness. The Directors have completed their annual review and assessment for the year ended September 30, 2019.The Board and Audit Committee regularly review reports of the internal audit function of the Company related to the Company's control framework in order to satisfy the internal control requirements. The Company's internal audit function performs reviews of the integrity and effectiveness of control activities and provides regular reports to the Audit Committee and the Board.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

- Proper books of accounts of the company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- With reference to note no. 2.2 of annexed financial statements, the financial statements has been prepared on going concern basis.

Due to substantial erosion of reserves of the company resulting from significant losses incurred during the past couple of years and other reasons set out in note 2.2 of the annexed financial statements, the auditors have drawn attention to the going concern assumption in their opinion.

The company continues to carry out a number of measures post reporting date as referred to in note 2.2 of the annexed financial statements which are expected to bring improvements in its

operations. The company is exploring new and more profitable business avenues particularly in B2B channel, negotiating favorable business terms with its export customers and suppliers in order to offset the pressure on working capital.

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

- The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children shareholding, and changes therein during the year is disclosed in "Categories of Shareholders".

ENVIRONMENTAL IMPACT

The Company is committed to avoid any adverse impact to the environment caused due to its operations. Energy is partly generated through the use of agricultural waste produced from its operations.

COMPOSITION OF THE BOARD

The Board consists of 9 male directors and 2 female directors with following composition.

Independent Directors	3
Non-Executive Directors	6
Executive Directors	2

The Board held four (4) meetings during the year. Attendance by each Director was as follows:

Name of Director		Attendance
Syed Muhammad Mohsin	Non-Executive Director	2
Mr. Mujeeb Rashid	Executive Director	4
Syeda Sitwat Mohsin	Non-Executive Director	4
Syed Manzar Hassan	Independent Director	2
Mr. Aamir Amin	Non-Executive Director	3
Mr. Mehdi Mohsin	Executive Director	4
Mrs. Umme Kulsum Imam	Non-Executive Director	4
Mr. Rizwan Bashir	Independent Director	4
Mr. Pervez Hayat Noon	Independent Director	1
Mr. Shazad Ghaffar	Non-Executive Director	4
Mr. Najam Aziz Sethi	Non-Executive Director	4

Resigned During the Year

Syeda Maimanat Mohsin	Non-Executive Director	-
Mr. Moaz Mohiuddin	Non-Executive Director	1

CHANGES IN DIRECTORS OFFICE

Mr. Najam Aziz Sethi joined the board as non-executive director to fill the casual vacancy created on the resignation of Syeda Maimanat Mohsin on December 31, 2018.

Mr. Manzar Hassan joined the board as an independent director to fill the casual vacancy created on the resignation of Mr. Moaz Mohiuddin on May 28, 2019.

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

AUDIT COMMITTEE

During the year 5 meetings of the audit committee were held. Attendance by each Director was as follows:-

Name of Director		Attendance
Mr. Rizwan Bashir	Independent Director/Chairman	4
Syed Muhammad Mohsin	Non-Executive Director	3
Mr. Aamir Amin	Non-Executive Director	5

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
Mr. Pervez Hayat Noon	Independent Director/Chairman	-
Syeda Sitwat Mohsin	Non-Executive Director	-
Mr. Mujeeb Rashid	Executive Director	1
Mrs. Umme Kulsum Imam	Non-Executive Director	1

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

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Details of aggregate amount of remuneration separately of executive and non-executive directors, including salary/fee, perquisites, benefits, and other allowances are disclosed in the annexed financial statements. The remuneration policy is approved by the Board of Directors and the Board revisits the policy from time to time.

CORPORATE GOVERNANCE

The requirements of the Regulations relevant for the year ended September 30, 2019 have been adopted by the Company and have been fully complied with. The statement of compliance is annexed to the Report.

PATTERN OF SHARE HOLDING

The information under this head is annexed.

RELATED PARTIES

The transactions between the related parties are made on mutually agreed terms and conditions. Details of all the transactions carried out during the year can be seen in Note 31 to the annexed financial statements.

LOSS PER SHARE

Basic and diluted loss per share for the year under report is Rs.(10.16) as compared to the last year figure of Rs. (37.16).

DIVIDEND

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

AUDITORS

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

ACKNOWLEDGEMENTS

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

For and on behalf of
The Board of Directors

Mujeeb Rashid
Managing Director &
Chief Executive Officer

Lahore,
December 26, 2019

ڈائریکٹرز رپورٹ

کمپنی کی سالانہ کارکردگی پر ڈائریکٹران کی رپورٹ پیش کی جاتی ہے.

بنیادی کاروبار

کمپنی بنیادی طور پر بہت سے کنفکشنری اور فارم مصنوعات کی تیاری میں مصروف ہے.

مالی نتائج ایک نظر میں

کمپنی کا مختصر مالیاتی تجزیہ زیر نظر ہے.

مالیاتی نتائج	2019	2018	زیادتی / کمی
سیلز	1,987,552,095	1,628,007,964	22.08%
کل منافع	434,413,096	252,889,084	71.78%
کل منافع (فیصد)%	21.86 %	15.53 %	632 bps
اخراجات تقسیم کاری	282,634,196	407,886.503	(30.71%)
اخراجات انتظامی امور	135,252,097	136,174,244	(0.63%)
ٹیکس اور مالی اخراجات سے پہلے منافع	26,777,465	(268,174,244)	109.99%
مالی اخراجات اور ٹیکس کے بعد نقصان	80,005,513	292,619,064	(72.66%)
منافع فی حصص	(10.16)	(37.16)	72.66%

مالی نتائج اور ترقی

سال کے آغاز سے ہی کمپنی کے فعال رہنے کے بارے میں شدید غیر یقینی صورتحال پر بہت حد تک قابو پایا جا سکا.

کمپنی نے پچھلے سال کی نسبت 1987 ملین روپے کی سیلز جو کہ 22% کی برتری ظاہر کرتی ہے جس نے یقینی طور پر گرتے ہوئے اعداد کو سہارا دیا. کمپنی نے شدید مالی مشکلات کے باوجود بغیر کسی رکاوٹ کے اپنے آپریشنز کو جاری رکھا. جہاں ہم نے B2B چینل میں مستحکم کارکردگی دکھائی وہاں ہماری برآمدات کا حصول پچھلے سال کی نسبت 48% زائد رہا.

پچھلے سال کے مقابلے مجموعی منافع میں 182 ملین روپے کا اضافہ جو کہ % 72 بنتا ہے. اس بات کا ثبوت ہے کہ صارفین نے ہماری مصنوعات کی پذیرائی کی ہے. افراطِ زر کے اثرات کو مدنظر رکھتے ہوئے ہم نے اپنی مصنوعات کی قیمتوں میں بتدریج اضافہ کیا.

کمپنی کو پچھلے سالوں کے ناقابل استعمال مال کی واپسی جو کہ علاقائی دفاتر کے بند ہونے پر ظاہر ہوئی اور مال کی واپسی، ڈسکاؤنٹ اور Incentive کی وجہ سے کمپنی کا منافع کم ہوا.

اپنی مصنوعات کی ترسیلات کو دکاندار تک پہنچانے میں کسی قسم کا سمجھوتہ کئے بغیر تقسیم کاری اور مارکیٹنگ کے اخراجات کا بغور جائزہ لیا گیا. ان اخراجات میں پچھلے سال کی نسبت 31% کمی واقع ہوئی.

KIBOR میں اضافے کی وجہ سے مالیاتی اخراجات میں اضافہ ہوا پچھلے سال کے نقصان کی وجہ سے سرمائے میں کمی واقع ہوئی جس کی بدولت نا قابل استعمال مال کی زیادتی اور مالی اخراجات میں غیر معمولی اضافے کے سبب کمپنی منافع کی حد حاصل نہ کر سکی. موجودہ ٹیکس اس سال کا سیلز پر کم سے کم ٹیکس ہے جو FTR (فائنل ٹیکس رجیم) کو ظاہر کرتا ہے.

بنیادی خدشات اور غیر یقینی صورتحال

کمپنی کو چند خدشات اور غیر یقینی صورتحال کا سامنا ہے. ہم ان کو بنیادی خطرات سمجھتے ہیں.

مصنوعات کی اقسام میں بڑا مقابلہ
اشیاء کی قیمتوں اور زر مبادلہ کی شرح میں منفی بدلاؤ.
شرح سود میں منفی اضافہ جس کی وجہ سے قرضوں کی لاگت میں اضافہ کا ہونا.

مصنوعات کی تیاری
سرمایے کی قلت کی وجہ سے کوئی بڑی سرمایہ کاری نہیں کی گئی جبکہ مصنوعات کی تیاری انتظامیہ کی پہلی ترجیح رہی.

انسانی وسائل کی ترقی
مشکل صورتحال کی وجہ سے افرادی قوت میں اضافہ نہیں کیا گیا. افرادی قوت کی فعال ٹیموں کو اضافی ذمہ داریاں دی گئی تاکہ ہم اپنی مصنوعات تقسیم کار تک بغیر کسی رکاوٹ کے پہنچا سکیں.

کمپنی کی سماجی ذمہ داریاں
اس مشکل صورتحال میں کمپنی کی انتظامیہ نے اپنے ملازمین کی حوصلہ افزائی کئے رکھی اور ان کو اپنی بہترین کارکردگی پر آمادہ کئے رکھا. تمام اہل کاروں نے جہاں جہاں ضروری ہوا اضافی کام سرانجام دیا.

اس سال کوئی حادثہ اور غیر اخلاقی واقعہ رونما نہیں ہوا.

انجمن خدام رسول اللہ کو اپنے مقاصد کے حصول کے لئے کچھ مالی معاونت فراہم کی گئی. کمپنی نے قومی خزانے میں کسٹم ڈیوٹی، سیلز ٹیکس اور انکم ٹیکس کی مد میں 331.74 ملین روپے جمع کرائے. مزید برآں برآمدات کی مد میں 289.08 ملین روپے کا خطیر زرمبادلہ کمایا گیا.

مستقبل کے امکانات
کمپنی میں سرمایہ کاری کی غرض سے Bids حاصل ہوئیں جس سے کمپنی کے سرمایہ کا ڈھانچہ مضبوط ہو سکے گا. بورڈ آف ڈائریکٹرز نے ایک کمیٹی بنائی ہے جو کامیاب سرمایہ کار کمپنی سے لین دین کو حتمی معملات کرے گی. امید ہے کہ یہ معملات چوتھی سہ ماہی تک پایا تکمیل ہو جائیں گے.

مستقبل کا نقطہ نظر
جیسا کہ کمپنی کی انتظامیہ مالی مشکلات سے بخوبی واقف ہے اس لئے انتظامیہ کمپنی کو منافع بخش انداز میں چلانے کی بھرپور انتظامات کئے گئے ہیں. مصنوعات کا اچھا معیار کمپنی کی بنیادی ترجیح ہے۔

اندرونی استحکام

ڈائریکٹرز اور انتظامیہ کمپنی کے اندرونی کنٹرول کے سالانہ جائزہ کے ذمہ دار ہیں.جس کی وجہ سے شئیر ہولڈرز کو ان کی سرمایہ کاری کا بہترین بدل مل سکے.اس میں مالی، آپریشنل اور تعملات کے کنٹرول اور ریسک مینجمنٹ شامل ہیں.ڈائریکٹرز نے سال ستمبر30,2019 کا سالانہ جائزہ مکمل کرلیا ہے. بورڈ اور آڈٹ کمیٹی باقاعدگی سے انٹرنل آڈٹ کی رپورٹ کا جائزہ لیتے ہیں تا کہ انٹرکنٹرول کی ضروریات کو پورا کیا جا سکے.

کمپنی کی اقتصادی گذارشات کا ڈھانچہ

- ☆ کمپنی کی انتظامیہ کی طرف سے مالی بیانیہ، کمپنی کے سرمائے میں تبدیلیوں اور نقد لین دین اور اس کے آپریشنز کے تمام معاملات کو بعینیہ ظاہر کرتا ہے.
- ☆ حسابات کے مناسب کھاتے تیار کئے گئے ہیں.
- ☆ فنانشل سٹیمنٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر اختیار کی گئی ہیں اور تمام اندازے دانشمندانہ فیصلوں کی بنیاد پر کئے گئے ہیں.
- ☆ ان فنانشل سٹیمنٹ کی تیاری میں وہ تمام بین الاقوامی فنانشل رپورٹنگ سٹنڈرڈ اختیار کئے گئے ہیں جو پاکستان میں لوگو ہیں.
- ☆ انٹرنل کنٹرول کا نظام مضبوط ہے اور اس کا نفاذ موثر طور پر کیا گیا ہے.
- ☆ اس سٹیمنٹ کے نوٹ نمبر 2.2 کی روسے فنانشل سٹیمنٹ Going concern کی بنیاد پر تیار کی گئی ہیں.

پچھلے دو سالوں کے دوران بڑے نقصانات نے کمپنی کے ریزروReserve کو بری طرح متاثر کیا ہے.آڈیٹرز نے Going concern کی بنیاد پر اپنے نقطہ نظر پر زور دیا ہے کہ غیر متوقع مالی صورتحال میں کمپنی اپنی ذمہ داری پوری نہیں کرسکتی کیونکہ یہ اخراجات کمپنی کے Current Assest سے زیادہ ہیں.

کمپنی نے نوٹ نمبر 2.2 کے حوالے سے بہت سے معارات کو اختیار کیا ہے جو اس کے آپریشنز میں بہتری لائیں گے.

- ☆ کمپنی B2B بزنس میں زیادہ منافع بخش کاروبار کی تلاش میں ہے جس سے کمپنی کے Working Capital پر زیادہ دباؤ کو کم کیا جا سکے.
- ☆ کمپنی کے ڈائریکٹرز نے پچھلے سال 150 ملین روپے کا سود سے پاک قرض بھی دیا ہے تا کہ کمپنی کے آپریشنز کو ہموار طریقے سے چلانا ممکن ہو.
- ☆ پچھلے 6 سال کا فنانشل ریکارڈ بھی دیا گیا ہے.
- ☆ ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کے زوجگان اور چھوٹے بچوں کے نام کمپنی کے شیرز، کیٹگری آف شیر ہولڈنگ میں درج ہیں.

ماحولیات کا اثر

کمپنی نے اپنے آپریشنز کی وجہ سے ماحول پر پڑنے والے برے اثرات کو کم کرنے کا تہیہ کر رکھا ہے.کمپنی غیر استعمال شدہ زرعی مادے اور اپنے آپریشنل ویسٹ سے کسی حد تک بجلی پیدا کرتی ہے.

بورڈ آف ڈائریکٹرز

بورڈ 9 مرد اور 2 خواتین ڈائریکٹرز پر مشتمل ہے.

انڈیپنڈنٹ ڈائریکٹرز	3
نان ایگزیکٹو ڈائریکٹرز	6
ایگزیکٹو ڈائریکٹرز	2

بورڈ کی چار میٹنگز منعقد ہوئیں.اور ہر ڈائریکٹر کی حاضری درج ذیل ہے

ڈائریکٹرز کے نام		حاضری
ایس ایم محسن	نان ایگزیکٹو ڈائریکٹر	2
مجیب رشید	ایگزیکٹو ڈائریکٹر	4
سطوت محسن	نان ایگزیکٹو ڈائریکٹر	4
منذر حسن	انڈپینڈنٹ ڈائریکٹرز	2
عامر امین	نان ایگزیکٹو ڈائریکٹر	3
مہدی محسن	ایگزیکٹو ڈائریکٹر	4
ام کلثوم امام	نان ایگزیکٹو ڈائریکٹر	4
رضوان بشیر	انڈپینڈنٹ ڈائریکٹر	4
پرویز حیات نون	انڈپینڈنٹ ڈائریکٹر	1
شاذادغفار	نان ایگزیکٹو ڈائریکٹر	4
نجم عزیز سیٹھی	نان ایگزیکٹو ڈائریکٹر	4

سال کے دوران ڈائریکٹرز کا استعفیٰ

سیدہ میمنت محسن	نان ایگزیکٹو ڈائریکٹر	-
معاذ محی الدین	نان ایگزیکٹو ڈائریکٹر	ا

ڈائریکٹرز کی تعیناتی

جناب نجم عزیز سیٹھی نے محترمہ میمنت محسن صاحبہ کے استعفیٰ کے بعد 31 دسمبر 2018 کو کمپنی کے نان ایگزیکٹوڈائریکٹر کے طور پر شمولیت اختیار کی. جناب منذر حسن نے جناب معاذ محی الدین صاحب کے استعفیٰ کے بعد 28 مئی 2019 کو کمپنی نے انڈیپنڈنٹ ڈائریکٹر کے طور پر شمولیت اختیار کی. وہ ڈائریکٹرز جو میٹنگ میں شرکت نہیں کر سکے ان کو رخصت دی گئی۔

آڈٹ کمیٹی

پچھلے مالی سال میں آڈٹ کمیٹی کی پانچ میٹنگز منعقد ہوئیں.

ہر ڈائریکٹر کی حاضری درج ذیل ہے

ڈائریکٹرز کے نام		حاضری
رضوان بشیر	انڈیپنڈنٹ ڈائریکٹر/چیئرمین	4
ایس ایم محسن	نان ایگزیکٹو ڈائریکٹر	3
عامر امین	نان ایگزیکٹو ڈائریکٹر	5

وہ ڈائریکٹرز جو میٹنگ میں شرکت نہیں کر سکتے تھے ان کو رخصت دی گئی.

کمیٹی برائے افرادی قوت و معاوضہ

پچھلے کاروباری سال میں ایک میٹنگ منعقد ہوئی.

ہر ڈائریکٹر کی حاضری اسطرح ہے۔

ڈائریکٹرز کے نام		حاضری
پرویز حیات نون	انڈپینڈنٹ ڈائریکٹر / چیئرمین	-
سیدہ سطوت محسن	نان ایگزیکٹو ڈائریکٹر	-
مجیب رشید	ایگزیکٹو ڈائریکٹر	1
ام کلثوم امام	نان ایگزیکٹو ڈائریکٹر	1

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

نان ایگزیکٹو ڈائریکٹرز کا معاوضہ

اس فنانشل سٹیمنٹ میں ایگزیکٹواور نان ایگزیکٹو ڈائریکٹرز کو دی جانے والا معاوضہ، فیس اور دیگر مراعات درج کیے گئے ہیں. معاوضے کی ادائیگی کی پالیسی بورڈ آف ڈائریکٹرز کی طرف سے منظور کی جاتی ہے اور وہ اس پالیسی کو وقتاً فوقتاً جانچتے رہتے ہیں.

کارپوریٹ گورننس

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

شیئر ہولڈنگ کا پیٹرن

اس سے متعلق معلومات ساتھ منسلک ہے۔

متعلقہ پارٹی سے لین دین

متعلقہ پارٹیز کے درمیان لین دین میں کسی تیسری پارٹی کی شمولیت نہیں تھی اور بغیر کنٹرول کے قیمت کے تعین کے طریقہ کار سے مطابقت رکھتی تھی. اور اس کی تفصیل اکاؤنٹس کے نوٹ نمبر 31 میں دیکھی جا سکتی ہے.

فی حصص نقصان

اس سال فی حصص بیسک اور ڈائلیوٹڈ نقصان گزشتہ سال کے (37.16) روپے کے مقابل (10.16) روپے ہے.

ڈیوڈینڈ

نتائج کی بنیاد پر زیر جائزہ سال کے لئے کوئی ڈیوڈینڈ 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۔

اظہارِ 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.

26 دسمبر 2019

بورڈ آف ڈائریکٹرز کی جانب سے

مجیب رشید
مینیجنگ ڈائریکٹر اینڈ چیف ایگزیکٹو آفیسر

Vertical Analysis of Financial Statements

	2019		2018	
	Rs. In '000	%	Rs. In '000	%
Statement of Financial Position				
Non-current Assets	638,792	47.55	696,294	46.63
Current Assets	704,702	52.45	797,015	53.37
Total Assets	1,343,494	100.00	1,493,309	100.00
Equity	126,445	9.41	209,300	14.02
Non-current Liabilities	134,123	9.98	119,730	8.02
Current Liabilities	1,082,926	80.61	1,164,279	77.97
Total equity and Liabilities	1,343,494	100.00	1,493,309	100.00
Statement of Profit or Loss				
Net Sales	1,987,552	100.00	1,628,007	100.00
Cost of Sales	(1,553,139)	(78.14)	(1,375,119)	(84.47)
Gross Profit	434,413	21.86	252,888	15.53
Selling and Distribution expenses	(282,634)	(14.22)	(407,886)	(25.05)
Administrative expenses	(135,252)	(6.80)	(136,106)	(8.36)
	16,527	0.83	(291,104)	(17.88)
Other operating expense	(5,341)	(0.27)	(2,550)	(0.16)
Other operating income	15,592	0.78	25,480	1.57
	26,777	1.35	(268,174)	(16.47)
Financial expenses	(78,300)	(3.94)	(49,244)	(3.02)
(Loss)/Profit before tax	(51,523)	(2.59)	(317,418)	(19.50)
Taxation	(28,483)	(1.43)	24,799	1.52
(Loss)/Profit for the year	(80,006)	(4.03)	(292,619)	(17.97)

2017 Rs. In '000	2017 %	2016 Rs. In '000	2016 %	2015 Rs. In '000	2015 %	2014 Rs. In '000	2014 %
703,414	44.96	681,248	48.14	709,345	51.85	698,362	49.83
861,160	55.04	733,752	51.86	658,671	48.15	703,215	50.17
1,564,574	100.00	1,415,000	100.00	1,368,016	100.00	1,401,577	100.00
501,489	32.05	540,922	38.23	572,587	41.86	578,913	41.30
161,444	10.32	149,020	10.53	264,386	19.33	306,366	21.86
901,641	57.63	725,058	51.24	531,043	38.82	516,298	36.84
1,564,574	100.00	1,415,000	100.00	1,368,016	100.00	1,401,577	100.00
1,894,406	100.00	1,679,461	100.00	1,696,332	100.00	1,945,126	100.00
(1,445,303)	(76.29)	(1,286,380)	(76.59)	(1,292,628)	(76.20)	(1,423,777)	(73.20)
449,103	23.71	393,082	23.41	403,704	23.80	521,349	26.80
(317,444)	(16.76)	(261,060)	(15.54)	(240,215)	(14.16)	(95,153)	(4.89)
(112,698)	(5.95)	(103,908)	(6.19)	(103,015)	(6.07)	(275,836)	(14.18)
18,961	1.00	28,114	1.67	60,474	3.56	150,360	7.73
(1,350)	(0.07)	(2,167)	(0.13)	(2,998)	(0.18)	(9,398)	(0.48)
13,465	0.71	19,067	1.14	16,866	0.99	17,105	0.88
31,076	1.64	45,014	2.68	74,342	4.38	158,067	8.13
(42,187)	(2.23)	(42,920)	(2.56)	(48,485)	(2.86)	(38,591)	(1.98)
(11,111)	(0.59)	2,094	0.12	25,854	1.52	119,476	6.14
(19,772)	(1.04)	(14,202)	(0.85)	1,215	0.07	(12,012)	(0.62)
(30,883)	(1.63)	(12,108)	(0.72)	27,069	1.60	107,464	5.52

Horizontal Analysis of Financial Statements

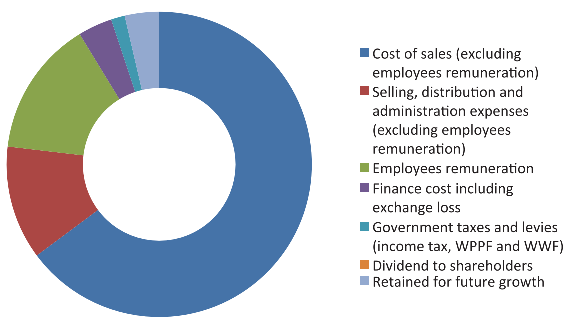
	2019 Rs. In '000	2018 Rs. In '000	2017 Rs. In '000	2016 Rs. In '000	2015 Rs. In '000	2014 Rs. In '000
Statement of Financial Position						
Non-current Assets	638,792	696,294	703,414	681,248	709,345	698,362
Current Assets	704,702	797,015	861,160	733,752	658,671	703,215
Total Assets	1,343,494	1,493,309	1,564,574	1,415,000	1,368,016	1,401,577
Equity	126,445	209,299	501,489	540,922	572,587	578,913
Non-current Liabilities	134,123	119,730	161,444	149,020	264,386	306,366
Current Liabilities	1,082,926	1,164,280	901,641	725,058	531,043	516,298
Total equity and Liabilities	1,343,494	1,493,309	1,564,574	1,415,000	1,368,016	1,401,577
Statement of Profit or Loss						
Net Sales	1,987,552	1,628,008	1,894,406	1,679,462	1,696,332	1,945,126
Cost of Sales	(1,553,139)	(1,375,118)	(1,445,303)	(1,286,380)	(1,292,628)	(1,423,777)
Gross Profit	434,413	252,890	449,103	393,082	403,704	521,349
Administrative expenses	(135,252)	(136,106)	(112,698)	(103,908)	(103,015)	(95,153)
Selling and Distribution expenses	(282,634)	(407,887)	(317,444)	(261,060)	(240,215)	(275,836)
	16,527	(291,103)	18,961	28,114	60,474	150,360
Other operating expenses	(5,341)	(2,551)	(1,350)	(2,167)	(2,998)	(9,398)
Other operating income	15,592	25,480	13,465	19,067	16,866	17,105
	26,777	(268,174)	31,076	45,013	74,342	158,067
Financial expenses	(78,300)	(49,244)	(42,187)	(42,920)	(48,485)	(38,591)
(Loss)/Profit before tax	(51,523)	(317,418)	(11,112)	2,094	25,854	119,476
Taxation	(28,483)	24,799	(19,772)	(14,202)	1,215	(12,012)
(Loss)/Profit for the year	(80,006)	(292,619)	(30,884)	(12,108)	27,069	107,464
Summary of Cash Flows						
Net cash flows from operating activities	47,249	(147,501)	(14,974)	(4,732)	56,578	(21,763)
Net cash flows from investing activities	5,087	(32,397)	(70,773)	(36,132)	(71,489)	(329,398)
Net cash flows from financing activities	(21,333)	107,333	(42,820)	(62,126)	(50,855)	112,804
Net change in cash and cash equivalents	31,002	(72,565)	(128,567)	(102,990)	(65,766)	(238,357)

2019	2018	2017	% increase/ (decrease) over preceding year 2016	2015	2014
(8.26)	(1.01)	3.25	(3.96)	1.57	72.62
(11.58)	(7.45)	17.36	11.40	(6.33)	35.04
(10.03)	(4.55)	10.57	3.43	(2.39)	51.47
(39.59)	(58.26)	(7.29)	(5.53)	(1.09)	11.35
12.02	(25.84)	8.34	(43.64)	(13.70)	158.71
(6.99)	29.13	24.35	36.53	2.86	79.91
(10.03)	(4.55)	10.57	3.43	(2.39)	51.47
22.08	(14.06)	12.80	(0.99)	(12.79)	(6.68)
12.95	(4.86)	12.35	(0.48)	(9.21)	(7.95)
71.78	(43.69)	14.25	(2.63)	(22.57)	(3.00)
(0.63)	20.77	8.46	0.87	8.26	14.85
(30.71)	28.49	21.60	8.68	(12.91)	11.03
(105.68)	(1,635.27)	(32.56)	(53.51)	(59.78)	27.07
109.39	88.96	(37.72)	(27.70)	(68.10)	(33.91)
(38.81)	89.23	(29.38)	13.05	(1.40)	36.47
(109.99)	(962.96)	(30.96)	(39.45)	(52.97)	(22.70)
59.00	16.73	(1.71)	(11.48)	25.46	119.79
(83.77)	2,756.53	(630.78)	(91.90)	(78.36)	(36.09)
(214.85)	(225.42)	39.22	(1,268.88)	(110.11)	(77.97)
(72.66)	847.48	155.06	(144.73)	(74.81)	(18.84)
(132.03)	885.05	216.45	(108.36)	(359.97)	(112.69)
(115.70)	(54.22)	95.87	(49.46)	(78.30)	409.53
(119.88)	(350.66)	(31.08)	22.16	(145.08)	(400.95)
(142.72)	(43.56)	24.83	56.60	(72.41)	(443.80)

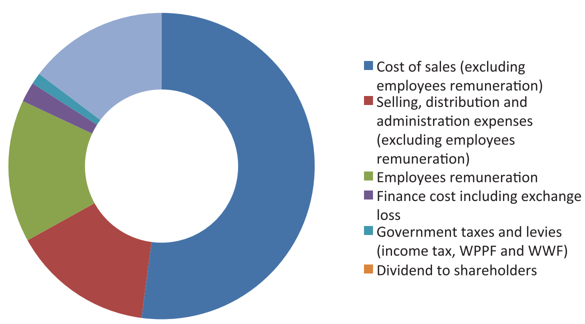
Value Addition and its Distribution

	2019		2018	
Wealth Generated	Rs. In '000	%	Rs. In '000	%
Net sales	1,987,552	99.22	1,628,007	98.46
Other operating income	15,592	0.78	25,480	1.54
	2,003,144	100.00	1,653,487	100.00
Distribution of Wealth				
Cost of sales and services (excluding employees remuneration and other duties)	1,404,550	70.12	1,221,140	73.85
Selling, distribution, administration and other expenses (excluding employees remuneration and other duties)	260,154	12.99	348,039	21.05
Employees remuneration	311,165	15.53	351,607	21.26
Finance cost including exchange loss	78,300	3.91	49,244	2.98
Government taxes and levies (Income tax, WPPF and WWF)	28,483	1.42	(24,799)	(1.50)
Dividend to shareholders	-	-	-	-
Invested from revenue reserves (Balancing Figure)	(80,005)	(3.99)	(292,620)	(17.70)
Charity and donation	497	0.02	876	0.05
	2,003,144	100.00	1,653,487	100.00

2019



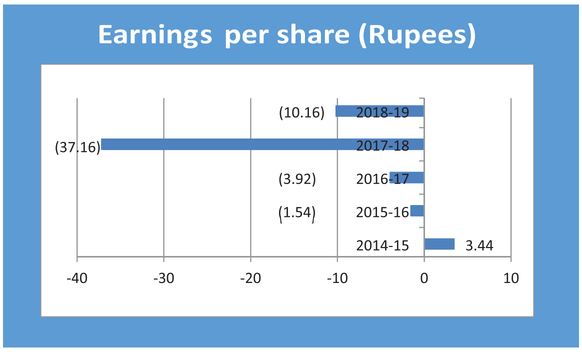
2018

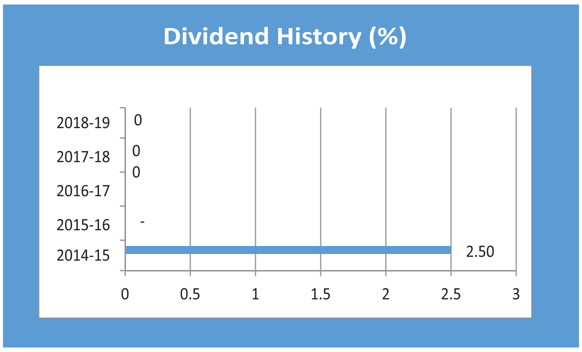


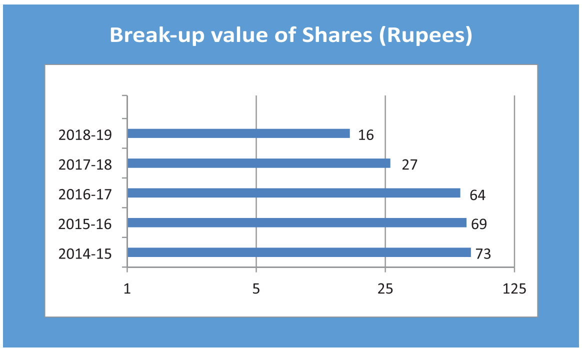
Stakeholder Information
Financial Ratios

Rate of return	Unit	2019	2018	2017	2016	2015	2014
Return on assets	%	(5.96)	(19.60)	(1.97)	(0.86)	1.98	7.67
Return on equity	%	(63.27)	(139.81)	6.16	(2.24)	4.73	18.56
Return on capital employed	%	10.28	(81.50)	4.69	6.52	8.88	17.86
Interest cover	Times	(34.20)	(5.45)	0.74	1.05	1.53	4.10
Gross profit Margin	%	21.86	15.53	23.71	23.41	23.80	26.80
Net profit to sales	%	(4.03)	(17.97)	(1.63)	(0.72)	1.60	5.52
EBITDA	Rs	74,859	(219,665)	82,604	109,995	136,309	208,146
EBITDA margin to sales	%	3.77	(13.49)	4.36	6.55	8.04	10.70
Liquidity							
Current ratio		0.65	0.68	0.96	1.01	1.24	1.36
Quick Ratio		0.39	0.29	0.50	0.49	0.65	0.58
Financial Gearing							
Debt-Equity Ratio	Times	0.86	0.80	0.57	0.51	0.47	0.44
Debt to Assets	%	90.59	85.98	67.95	61.77	58.14	58.70
Capital Efficiency							
Debtor turnover/No. of days in receivables	Days	24	14	40	26	24	18
Inventory turnover/ No. of days in inventory	Days	65	123	104	107	88	104
Creditor turnover/ No.of days in payables	Days	106	98	67	40	47	43
Operating Cycle	Days	(17)	38	77	93	65	79
Fixed assets turnover ratio	Times	3.34	2.34	2.69	2.47	2.44	2.84
Total assets turnover	Times	1.48	1.09	1.21	1.19	1.24	1.39

Shareholder Information







Pattern of Shareholding

As at September 30, 2019

1.1 Name of the Company	MITCHELL'S FRUIT FARMS LIMITED.
2.1. Pattern of holding of the shares held by the shareholders as at	30-09-2019

	...... Shareholding		
No of Shareholders	From	To	Total Shares Held
354	1	100	14,429
342	101	500	92,330
76	501	1,000	59,422
128	1,001	5,000	232,766
10	5,001	10,000	71,700
3	10,001	15,000	34,889
4	15,001	20,000	64,053
1	25,001	30,000	27,675
2	30,001	35,000	67,350
1	35,001	40,000	35,981
2	60,001	65,000	126,523
1	75,001	80,000	76,116
1	85,001	90,000	86,983
1	105,001	110,000	109,659
1	110,001	115,000	111,431
1	165,001	170,000	169,581
1	170,001	175,000	171,820
1	290,001	295,000	292,738
1	730,001	735,000	735,000
1	765,001	770,000	767,666
2	900,001	905,000	1,800,587
1	2,725,001	2,730,000	2,726,301
935			7,875,000

5.	Categories of shareholders	Share held	Percentage
5.1	Directors, Chief Executive Officers, and their spouse and minor childern	4,533,465	57.568%
5.2	Associated Companies, undertakings and related parties.	-	0.000%
5.3	NIT and ICP	812,016	10.311%
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	17,117	0.217%
5.5	Insurance Companies	292,738	3.717%
5.6	Modarabas and Mutual Funds	-	0.000%
5.7	Share holders holding 10% or more	4,526,888	57.484%
5.8	General Public		
	a. Local	2,102,487	26.698%
	b. Foreign	-	0.000%
5.9	Others (to be specified)		
	Joint Stock Companies	50,674	0.643%
	Pension Funds	64,248	0.816%
	Others	2,255	0.029%

Categories of Shareholders as required under C.C.G.
As at September 30, 2019

SR. NO.	NAME	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
Mutual Funds (Name Wise Detail)			
NIT & ICP:			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	767,666	9.7481%
2	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND (CDC)	32,550	0.4133%
3	CDC - TRUSTEE NIT-EQUITY MARKET OPPROTUNITY FUND (CDC)	11,800	0.1498%
		812,016	10.3113%
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	SYED MOHAMMAD MOHSIN	1,760	0.0223%
2	SYED MOHAMMAD MEHDI MOHSIN	2,726,301	34.6197%
3	MR. RIZWAN BASHIR	517	0.0066%
4	MST. UMME KULSUM IMAM	1,125	0.0143%
5	MR. NAJAM AZIZ SETHI	500	0.0063%
6	SYEDA SITWAT MOHSIN	675	0.0086%
7	MR. AAMIR AMIN (NIT NOMINEE)	--	--
8	MR. MUJEEB RASHID (CDC)	500	0.0063%
9	SYED MANZAR HASSAN (CDC)	500	0.0063%
10	MR. SHAHZAD GHAFFAR	500	0.0063%
11	MR. PERVEZ HAYAT NOON	500	0.0063%
12	SYEDA MATANAT MOHSIN W/O MR. SHAHZAD GHAFFAR (CDC)	900,542	11.4355%
13	SYEDA MAIMANAT MOHSIN W/O MR. NAJAM AZIZ SETHI	900,045	11.4291%
Executives:		450	0.0057%
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		81,365	1.0332%

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

S. No.	Name	Holding	Percentage
1	SYED MOHAMMAD MEHDI MOHSIN	2,726,301	34.6197%
2	SYEDA MAIMNAT MOHSIN	900,045	11.4291%
3	SYEDA MATANAT MOHSIN (CDC)	900,542	11.4355%
4	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	767,666	9.7481%
5	MST. AMINA WADALAWALA	735,000	9.3333%

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

S. No.	Name	Sale	Purchase
1	SYED MOHAMMAD MOHSIN (CDC)	19,700	0
2	SYEDA SITWAT MOHSIN	13,600	675
3	MR. NAJAM AZIZ SETHI	0	500
4	MR. MUJEEB RASHID (CDC)	0	500
5	SYED MANZAR HASSAN (CDC)	0	500
6	SYEDA MATANAT MOHSIN W/O MR. SHAHZAD GHAFFAR (CDC)	0	16,650
7	SYEDA MAIMANAT MOHSIN W/O MR. NAJAM AZIZ SETHI	500	16,650

Statement of Compliance

with the Listed Companies (Code of Corporate Governance) Regulations, 2019
Mitchell's Fruit Farms Limited
For the Year Ended September 30, 2019

The company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('Regulations') in the following manner:

1. The total number of directors are 11 as per the following:

a. Male: 9
b. Female: 2

2. The composition of board is as follows:

Category	Names
*Independent Directors	Mr.Syed Manzar Hassan Mr. Rizwan Bashir Mr.Pervez Hayat Noon
Non-Executive Directors	Mr.Shazad Ghaffar Mr.Aamir Amin Mr.Najam Aziz Sethi Mr.S.M. Mohsin
Executive Directors	Mr.Mehdi Mohsin Mr.Mujeeb Rashid
Female Director	Mrs. Umme Kulsum Imam (Non-Executive Director) Mrs. Syeda Sitwat Mohsin (Non-Executive Director)

* During the year ended September 30, 2019, the Company has not rounded up the fraction of independent directors as one since the Company will appoint additional independent director upon reconsitituion of the Board.

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

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

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

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 ('Act') and these Regulations;

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board;

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

9. The company has already met the criteria specified in the Regulations till September 30, 2019 pertaining to Directors' training program. Therefore, no such training program was conducted during the year;

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed Committees comprising of members given below:

a) Audit Committee

1. Mr. Rizwan Bashir (Independent Director) - Chairman
2. Mr. S.M.Mohsin (Non - Executive Director)
3. Mr. Aamir Amin (Non - Executive Director)

a) Human Resource and Remuneration Committee

1. Mr. Pervez Hayat Noon (Independent Director) - Chairman
2. Mrs. Syeda Sitwat Mohsin (Non-Executive Director)
3. Mr. Mujeeb Rashid (Executive Director)
4. Mrs. Umme Kulsum Imam (Non-Executive Director)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly / half yearly / yearly) of the Committees were as per following:

a) Audit Committee:

Four quarterly meetings were held during the financial year ended September 30, 2019.

b) Human Resource and Remuneration Committee

One meeting was held during the financial year ended September 30, 2019.

15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and

are conversant with the policies and procedures of the Company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company;

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

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

Lahore,
December 26, 2019

S.M. Mohsin
Chairman

pwc

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Independent Auditor's Review Report

To the members of Mitchell's Fruit Farms Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Mitchell's Fruit Farms Limited for the year ended September 30, 2019 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended September 30, 2019.

A.F. Ferguson & Co.
Chartered Accountants
Name of engagement partner: Amer Raza Mir

Lahore
Date: January 16, 2020

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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▪KARACHI ▪LAHORE ▪ISLAMABAD

Independent Auditor's Report

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

Opinion

We have audited the annexed financial statements of Mitchell's Fruit Farms Limited (the Company), which comprise the statement of financial position as at September 30, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty relating to Going Concern

We draw attention to note 2.2 in the financial statements, which indicates that the Company incurred a total comprehensive loss of Rs 80.37 million during the year ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by Rs 378.22 million. As stated in note 2.2, these events or conditions, along with other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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KARACHI LAHORE ISLAMABAD

Sr. No	Key audit matter	How the matter was addressed in our audit
1.	Revenue recognition (Refer note 23 to the annexed financial statements) Revenue is measured net of returns, trade promotions and incentives earned by the customers on Company's sales. There are multiple arrangements for sales returns, trade promotions and incentives given to the Company's customers which are required to be estimated at the time of revenue recognition. These estimates are made by management based on past historical trends adjusted on the basis of current observable data. This process involves the exercise of significant judgment which may materially affect the amount of revenue recognized in the financial statements. We considered revenue recognition as a key audit matter due to significant management judgment and estimation involved in determining the amount of revenue to be recognized.	Our audit procedures included the following: - Considered the appropriateness of the Company's revenue recognition accounting policies, including those relating to returns, trade promotions and incentives and assessing compliance with the policies in terms of applicable accounting standards; - tested the effectiveness of the Company's controls over sales along with correct timing of revenue recognition and controls over authorization of trade promotions and incentives; - verified on a sample basis transactions of returns, trade promotions and incentives to check underlying supporting documents; - assessed credit notes issued after the year end of returns, trade promotions and incentives to evaluate whether related provisions are adequate based on actual subsequent transactions and trends; - reviewed the adequacy of the related disclosures in the financial statements.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

A.F. Ferguson & Co.
Chartered Accountants
Name of engagement partner: Amer Raza Mir

Lahore
Date: January 16, 2020

Financial Statements
As at 30 September 2019

Statement of Financial Position
As at September 30, 2019

	Note	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
20,000,000 (2018: 20,000,000)			
ordinary shares of Rs 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital			
7,875,000 (2018: 7,875,000)			
ordinary shares of Rs 10 each	5	78,750,000	78,750,000
Reserves	6	9,635,878	9,635,878
Revenue reserve: unappropriated profit		38,058,691	120,913,520
		126,444,569	209,299,398
NON-CURRENT LIABILITIES			
Deferred taxation	7	-	3,144,530
Deferred liabilities	8	134,123,077	116,585,222
Long term finance - secured	9	-	-
		134,123,077	119,729,752
CURRENT LIABILITIES			
Current portion of long term finance - secured	9	-	21,333,333
Finances under markup arrangements - secured	10	655,331,857	680,657,933
Creditors, accrued and other liabilities	11	255,324,377	298,120,361
Loan from directors - unsecured	12	150,000,000	150,000,000
Accrued finance cost		20,265,694	12,163,862
Unclaimed dividends		2,004,183	2,004,183
		1,082,926,111	1,164,279,672
CONTINGENCIES AND COMMITMENTS	13		
		1,343,493,757	1,493,308,822

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

S.M. Mohsin	Nauman Munawar	Mujeeb Rashid
Chairman	Chief Financial Officer	Chief Executive Officer

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	595,452,993	645,288,320
Intangible assets	15	4,263,957	2,379,947
Biological assets	16	32,385,667	38,931,667
Long term receivables	17	6,689,480	9,693,930
		638,792,097	696,293,864
CURRENT ASSETS			
Stores, spares and loose tools	18	53,481,584	36,064,853
Stock in trade	19	277,274,045	461,616,862
Trade debts	20	132,933,635	63,720,363
Advances, deposits, prepayments and other receivables	21	67,977,887	67,267,269
Income tax recoverable		154,247,173	155,234,531
Cash and bank balances	22	18,787,336	13,111,080
		704,701,660	797,014,958
		1,343,493,757	1,493,308,822

S.M. Mohsin
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Statement of Profit or Loss

For the year ended September 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales	23	1,987,552,095	1,628,007,964
Cost of sales	24	(1,553,138,999)	(1,375,118,880)
Gross profit		434,413,096	252,889,084
Administrative expenses	25	(135,252,097)	(136,106,248)
Distribution and marketing expenses	26	(282,634,196)	(407,886,503)
Other operating expenses	27	(5,341,413)	(2,550,610)
Other income	28	15,592,075	25,480,033
Finance cost	29	(78,300,349)	(49,244,154)
Loss before tax		(51,522,884)	(317,418,398)
Taxation	30	(28,482,629)	24,799,334
Loss for the year		(80,005,513)	(292,619,064)
Loss per share - Basic and diluted	37	(10.16)	(37.16)

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

S.M. Mohsin	Nauman Munawar	Mujeeb Rashid
Chairman	Chief Financial Officer	Chief Executive Officer

Statement of Comprehensive Income

For the year ended September 30, 2019

	2019 Rupees	2018 Rupees
Loss for the year	(80,005,513)	(292,619,064)
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefit - net of tax	(359,628)	429,762
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive loss for the year	(80,365,141)	(292,189,302)

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

S.M. Mohsin	Nauman Munawar	Mujeeb Rashid
Chairman	Chief Financial Officer	Chief Executive Officer

Statement of Changes in Equity

For the year ended September 30, 2019

	Share capital Rupees	Capital Reserve: Share premium Rupees	Revenue Reserve: General reserve Rupees	Revenue Reserve: Unappropriated profit Rupees	Total Rupees
Balance as on October 01, 2017	78,750,000	9,335,878	300,000	413,102,822	501,488,700
Total comprehensive loss for the year					
- Loss for the year	-	-	-	(292,619,064)	(292,619,064)
- Other comprehensive income for the year	-	-	-	429,762	429,762
	-	-	-	(292,189,302)	(292,189,302)
Balance as on September 30, 2018	78,750,000	9,335,878	300,000	120,913,520	209,299,398
Effect of changes in accounting policies due to adoption of IFRS 9 - note 2.3.1(a)	-	-	-	(2,489,688)	(2,489,688)
Adjusted balance as on October 01, 2018	78,750,000	9,335,878	300,000	118,423,832	206,809,710
Total comprehensive loss for the year					
- Loss for the year	-	-	-	(80,005,513)	(80,005,513)
- Other comprehensive loss for the year	-	-	-	(359,628)	(359,628)
	-	-	-	(80,365,141)	(80,365,141)
Balance as on September 30, 2019	78,750,000	9,335,878	300,000	38,058,691	126,444,569

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

S.M. Mohsin
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Statement of Cash Flows

For the year ended September 30, 2019

	Note	2019 Rupees	2018 Rupees
Cash flows from operating activities			
Cash generated from / (used in) operations	34	161,057,350	(65,224,254)
Finance cost paid		(70,198,517)	(46,892,056)
Taxes paid		(30,492,911)	(15,785,771)
Retirement benefits paid		(14,286,423)	(15,798,750)
Payment for accumulated compensated absences		(1,835,058)	(3,800,246)
Security deposit received / (paid) on purchase of vehicles		3,004,450	(2,656,100)
Net cash generated from / (used in) operating activities		47,248,891	(150,157,177)
Cash flows from investing activities			
Fixed capital expenditure		(5,578,113)	(23,951,892)
Purchase of intangible assets		(300,000)	(42,000)
Purchase of biological assets		-	(13,209,701)
Proceeds from sale of biological assets		2,116,000	529,171
Proceeds from sale of property, plant and equipment		8,848,887	6,933,508
Net cash generated from / (used in) investing activities		5,086,774	(29,740,914)
Cash flows from financing activities			
Loan from directors		-	150,000,000
Long term loans repaid		(21,333,333)	(42,666,667)
Net cash (used in) / generated from financing activities		(21,333,333)	107,333,333
Net increase / (decrease) in cash and cash equivalents		31,002,332	(72,564,758)
Cash and cash equivalents at the beginning of the year		(667,546,853)	(594,982,095)
Cash and cash equivalents at the end of the year	36	(636,544,521)	(667,546,853)

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

S.M. Mohsin
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Notes to the Financial Statements
For the year ended September 30, 2019

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. The Company also has one sales office in Islamabad and one in Karachi.

2. Basis of preparation

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Going concern assumption

During the year, the Company incurred a total comprehensive loss of Rs 80.37 million and as per the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 378.22 million. Due to the losses incurred during recent years, the reserves of the Company have depleted substantially. The dividends have been discontinued for the last four years. The existing working capital lines available to the Company have been substantially utilised and the related covenants have also not been complied with. Adverse financial results led to increased short term borrowing, from financial institutions and delay in meeting financial obligation towards trade creditors on a timely basis. These conditions indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as going concern.

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

Operational improvement measures comprising of:

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

Furthermore, the Company is negotiating with banks for continuance and enhancement of existing working capital lines and is also finalizing a potential investor for injection of fresh equity for resolution of liquidity issues.

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

2.3 Standards, interpretations and amendments to published approved accounting standards

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

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on October 1, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

(a) IFRS 9, 'Financial Instruments'

This standard was notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods ending on or after June 30, 2019. This standard replaces guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model. Accordingly, the Company has changed its accounting policies and followed the requirements of IFRS 9 for:

- classification and measurement of all financial assets; and

- recognition of loss allowance for financial assets other than investments in equity instruments.

In respect of application of IFRS 9, the Company has adopted modified retrospective approach as permitted by this standard, according to which the Company is not required to restate the prior period results. The adoption of IFRS 9 has resulted in an adjustment on the opening balance of un-appropriated profit as shown in the statement of changes in equity. In respect of classification of financial assets, the Company's management has assessed which business models apply to the financial assets held by the company and has classified its financial instruments into the appropriate IFRS 9 categories, including 'amortised cost' and 'fair value through other comprehensive income' (FVOCI) as follows:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original	New (Rupees in thousand)	Difference
Non-current financial assets					
Long term receivables	Loans and receivables	Amortised cost	9,693,930	9,693,930	-
Current financial assets					
Trade debts	Loans and receivables	Amortised cost	63,720,363	61,230,675	2,489,688
Advances, deposits, prepayments and other receivables	Loans and receivables	Amortised cost	67,267,269	67,267,269	-
Income tax recoverable	Loans and receivables	Amortised cost	155,234,531	155,234,531	-
Cash and bank balances	Loans and receivables	Amortised cost	13,111,080	13,111,080	-

(b) IFRS 15, 'Revenue from Contracts with Customers'

This standard was notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Therefore, comparative prior year periods are not required to be restated. Based on the assessment performed by the management, there is no significant impact of the changes laid down by IFRS 15 on the financial statements of the Company except for recognition of refund liability amounting to Rs 30.00 million relating to provision for sales returns and refund liability of Rs 8.92 million relating to volume discounts and other incentives given to customers previously adjusted against trade debtors and contract liabilities previously recognized as advances from customers amounting to Rs 17.29 million under Creditors, accrued and other liabilities.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after October 01, 2019 or later periods, but the Company has not early adopted them:

Standards or interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 19,'Employee Benefits' regarding plan amendments, curtailments or settlements	January 1, 2019
Amendments to IFRS 9,'Financial instruments' regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019

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

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

3. Basis of measurement

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

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

a) Retirement benefits

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

b) Provision for taxation

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

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

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

d) Sales returns and trade promotions and incentives

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

e) Impairment of trade debts

The Company applied IFRS 9 simplified approach to measure expected credit losses using a lifetime expected loss allowance for all Trade debts. At each reporting date, the Company assesses on a forward-looking basis for computation of the expected credit losses associated with the Trade debts.

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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, 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, 2019. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate: 12.5 percent per annum (2018: 10 percent per annum)
- Expected rate of increase in salary level: 11.5 percent per annum (2018: 9 percent per annum)
- Average duration of the defined benefit obligation: 8 years (2018: 8 years)
- The Mortality rates assumed were based on SLIC 2001 - 2005 Setback 1 Year (2018: SLIC 2001 - 2005 Setback 1 Year)

(b) Accumulating compensated absences

The Company provides accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. Under IAS 19, the accumulated compensated absences are treated as other long term employee benefits.

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, 2019. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences.

- Discount rate: 12.5 percent per annum (2018: 10 percent per annum)
- Expected rate of increase in salary level: 11.5 percent per annum (2018: 9 percent per annum)
- Average duration of the plan: 11 years (2018: 12 years)
- The Mortality rates assumed were based on SLIC 2001 - 2005 Setback 1 Year (2018: SLIC 2001 - 2005 Setback 1 Year)

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 4.17.

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if the impact on depreciation is significant. The Company's estimate of the residual value and useful life of its operating fixed assets as at September 30, 2019 has not required any adjustment.

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss 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 statement of financial position. Such items are thereafter depreciated as per the policy of the company while a corresponding amount is transferred from deferred income to statement of profit or loss.

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

4.3.2 Capital work-in-progress

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

4.4 Intangible assets

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

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

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

4.5 Biological assets and agriculture produce

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

4.6 Impairment of non-financial assets

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

4.7 Operating Leases

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

4.8 Stores, spares and loose tools

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

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

4.9 Stock in trade

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

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

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

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

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

4.10 Financial assets

In accordance with the requirements of IFRS 9, the Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in statement of profit or loss.

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts, the Company applied the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

4.11 Financial liabilities

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

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

4.12 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.

4.13 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method.

4.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reports issued to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments. Currently the Company is functioning as a single operating segment.

4.15 Cash and cash equivalents

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

4.16 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.

4.17 Borrowings

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

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

4.18 Borrowing costs

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

4.19 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.

4.20 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

4.21 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer and the control transfers at a point in time. Revenue is measured at fair value of the consideration received of receivable excluding discounts, rebates and other considerations payable to customers. A contract liability is recorded for advances received from customers against which performance obligations have not been satisfied. Furthermore, refund liability is recognized for estimated sales returns, volume discounts and other incentives payable to customers.

Return on bank deposits is accrued on a time proportion basis, by reference to the principal outstanding, at the applicable rate of return.

4.22 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

4.23 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

2019	2018		2019	2018
(Number of Shares)			Rupees	Rupees
1,417,990	1,417,990	Ordinary shares of Rs. 10 each fully paid in cash	14,179,900	14,179,900
44,020	44,020	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	440,200	440,200
6,412,990	6,412,990	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	64,129,900	64,129,900
7,875,000	7,875,000		78,750,000	78,750,000

		Note	2019 Rupees	2018 Rupees
6.	Reserves			
	Composition of reserves is as follows:			
	Capital Reserve			
	- Share premium	6.1	9,335,878	9,335,878
	Revenue			
	- General reserve		300,000	300,000
			9,635,878	9,635,878

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

		2019 Rupees	2018 Rupees
7.	Deferred taxation		
	The liability for deferred taxation comprises temporary differences relating to:		
	Accelerated tax depreciation & amortization	84,452,541	82,887,063
	Retirement benefits	(33,207,011)	(28,761,358)
	Provisions	(15,529,766)	(4,056,732)
	Deferred income	(1,215,163)	(1,306,891)
	Unabsorbed depreciation	(34,500,601)	(45,617,552)
		-	3,144,530
	The gross movement in net deferred tax liability during the year is as follows:		
	Opening balance	3,144,530	46,541,433
	Credited / (charged) to other comprehensive income	(146,890)	167,130
	Credited to statement of profit or loss	(2,997,640)	(43,564,033)
	Closing balance	-	3,144,530

The Company has not recognized deferred tax asset amounting to Rs 93.55 million (2018: 64.73 million) in respect of minimum tax under section 113 of the Income Tax Ordinance, 2001 as sufficient taxable profits may not be available to set off these before these are set to expire in years 2021 to 2025. The Company has also not recognised deferred tax asset of Rs 113.34 million (2018: Rs 79.09 million) in respect of business losses of Rs 390.83 million (2018: Rs 282.45 million) as sufficient taxable profits may not be available to set off these losses. Included in these business losses is an amount of Rs 308.88 million (2018: Rs 282.45 million) which is set to expire in years 2023 to 2026.

		Note	2019 Rupees	2018 Rupees
8.	Deferred liabilities			
	Retirement and other benefits	8.1	129,335,903	111,266,140
	Deferred income	8.2	4,787,174	5,319,082
			134,123,077	116,585,222

8.1 Retirement and other benefits

	Note	2019 Rupees	2018 Rupees
Staff gratuity	8.1.1	114,858,662	99,432,792
Accumulating compensated absences		14,477,241	11,833,348
		129,335,903	111,266,140

8.1.1 Staff gratuity

	2019 Rupees	2018 Rupees
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	99,432,792	97,870,351
Charge to statement of profit or loss		
- Current service cost	13,645,736	14,185,027
- Past service cost	7,353,155	-
- Interest cost	9,178,946	6,955,418
	30,177,837	21,140,445
Benefits due but not paid	(972,062)	(3,182,362)
Benefits paid	(14,286,423)	(15,798,750)
Remeasurements recorded in other comprehensive income		
- Actuarial gains from changes in financial assumptions	243,327	(863,595)
- Experience adjustments	263,191	266,703
	506,518	(596,892)
Present value of defined benefit obligation at the end of the year	114,858,662	99,432,792

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

	2019 Rupees	2018 Rupees
Discount rate + 100 bps	106,381,775	91,807,512
Discount rate - 100 bps	124,777,023	108,273,604
Increase in salary level + 100 bps	124,814,457	108,272,417
Increase in salary level - 100 bps	106,209,258	91,681,992

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	2019 Rupees	2018 Rupees
Opening balance		5,319,082	5,910,090
Amortization during the year		(531,908)	(591,008)
Closing balance		4,787,174	5,319,082

9. Long term finance - secured

	Note	2019 Rupees	2018 Rupees
Long term finance-secured	9.1	-	21,333,333
Current portion shown under current liabilities		-	(21,333,333)
		-	-

9.1 The long term finance was obtained from Habib Bank Limited for capital expenditure. Under the arrangement, principal amount of Rs 160 million was repayable in 15 equal quarterly instalments beginning on September 27, 2015. Interest was payable quarterly in arrears at the rate of 3 months KIBOR plus 1 percent per annum. Effective rate of interest ranged from 9.32% to 11.55% per annum (2018: 7.15% to 7.16% per annum) during the year.

The loan was secured by first joint pari-passu charge on plant and machinery of the company to the extent of Rs 143 million. During the year the Company repaid the entire amount of the loan.

10. Finances under mark up arrangements - secured

Short term running finances available from commercial banks under mark-up arrangements amount to Rs 706.68 million (2018: Rs 715.00 million), out of which the amount Rs 655.33 million (2018: Rs 680.66 million) has been availed at September 30, 2019. The rate of mark-up range from 3 month KIBOR plus 0.5% to 1.25% margin and 1 month KIBOR plus 1% to 2.5% margin and is payable quarterly. The effective rate charged during the year ranges from 8.82% to 16.30% per annum (2018: 6.65% to 9.21% per annum) on the balance outstanding.

Of the aggregate facility of Rs 120 million (2018: Rs 220 million) for opening letter of credits and Rs 32 million (2018: Rs 32 million) for guarantees, the amount utilized at September 30, 2019 was Rs 77.82 million (2018: Rs 4.97 million) and Rs 17.20 million (2018: Rs 21.60 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.

11. Creditors, accrued and other liabilities

	Note	2019 Rupees	2018 Rupees
Trade creditors	11.1	134,626,691	225,125,882
Accrued liabilities		41,615,606	29,405,797
Contract liabilities	11.2	17,293,775	25,525,932
Interest free deposits repayable on demand		135,000	135,000
Workers' profit participation fund	11.3	-	-
Workers' welfare fund		3,323,809	3,323,809
Provision for duties payables		15,955,313	9,864,308
Withholding tax payable		2,108,680	1,610,268
Refund liabilities	11.4	38,923,500	-
Others		1,342,003	3,129,365
		255,324,377	298,120,361

11.1 These include interest free amount of NIL (2018: Rs 2.3 million) which is due to Mr. Mehdi Mohsin, executive director of the Company, in the normal course of business.

11.2 This represents amount received in advance from customers against sales made subsequent to year end. Revenue recognized during the year that was included in contract liabilities balance at the beginning of the year amounts to Rs 25.53 million (2018: Rs 6.88 million).

11.3 Workers' profit participation fund

	2019 Rupees	2018 Rupees
Opening balance	-	122,237
Less: Payments	-	(122,237)
Closing balance	-	-

	Note	2019 Rupees	2018 Rupees
11.4 Refund liabilities			
Liability relating to sales returns	11.4.1	30,000,000	-
Liability relating to trade promotions and incentives	11.4.2	8,923,500	-
		38,923,500	-

11.4.1 Liability relating to sales returns

	Note	2019 Rupees	2018 Rupees
Opening balance		-	-
Effect of change in accounting policy due to adoption of IFRS 15 - note 2.3.1 (b)		26,931,515	-
Adjusted opening balance		26,931,515	-
Add: Provision for sales returns	23	96,045,286	-
Less: Actual sales returns		(92,976,801)	-
Closing balance		30,000,000	-

11.4.2 Liability relating to trade promotions and incentives

	Note	2019 Rupees	2018 Rupees
Opening balance		-	-
Effect of change in accounting policy due to adoption of IFRS 15 - note 2.3.1 (b)		25,321,793	-
Adjusted opening balance		25,321,793	-
Add: Provision for trade promotions and incentives	23	76,345,514	-
Less: Claim and incentives given		(92,743,807)	-
Closing balance		8,923,500	-

12. Loan from directors - unsecured

These funds represents Rs. 75.00 million borrowed from Mr. S.M. Mohsin and Mr. Mehdi Mohsin each to meet working capital needs of the Company and have been utilized accordingly. These funds are interest free and repayable on demand.

13. Contingencies and commitments

13.1 Contingencies

Letter of guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas consumption amounting to Rs 17.2 million (2018: Rs 17.2 million).

Letter of guarantee in favour of United Nations World Food Programme on account of performance of contractual obligations amounting to NIL (2018: 4.40 million).

The Company has issued post dated cheques amounting to Rs 182.30 million (2018: Rs 164.00 million) to Collector of Customs Lahore Dry Port on account of taxable duty which might become payable against Duty and Tax Remission on Export under SRO # 450 (I)/2001 dated June 30, 2001 under Customs Rules 2001.

Description of legal proceedings

(i) The Deputy Commissioner Inland Revenue ('DCIR') has issued various orders relating to multiple tax years and raised demands, including default surcharge aggregating to Rs 20.83 million against the Company under sections 161 of Income Tax Ordinance 2001 ('ITO 2001') on account of non-withholding of taxes while making certain payments . Being aggrieved the Company filed appeals in the Appellate Tribunal Inland Revenue ('ATIR') which are pending adjudication. Based on legal advisor's opinion, the Company's management expects a favorable outcome due to which no provision has been recorded in these financial statements.

(ii) The Additional Commissioner Inland Revenue ('AdCIR') under section 122 of ITO 2001 vide order dated May 28, 2013 in respect of tax year 2011, raised a demand of Rs 32.61 million on account of disallowance of certain expenditures and adjustment of minimum tax of prior years. The Company paid the said demand under protest and preferred an appeal before the Commissioner Inland Revenue (Appeals) which was partially decided in Company's favour vide order dated September 5, 2013. Being aggrieved the Company filed an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on September 09, 2013 against disallowance of adjustment of minimum taxes amounting to Rs 18.25 million and default surcharge amounting to Rs 1.38 million which is pending adjudication. Based on legal advisor's opinion, the Company's management expects a favorable outcome due to which no provision has been recorded in these financial statements.

(iii) The Additional Commissioner Inland Revenue ('AdCIR') under section 122 of ITO 2001 vide order dated March 28, 2014 in respect of tax year 2013, raised a demand of Rs 39.47 million on account of disallowance of certain expenditures under section 21 (l) and 21 (m) of Income Tax Ordinance 2001. The Company preferred an appeal before the Commissioner Inland Revenue (Appeals) which was partially decided in favour of the Company vide order dated July 14, 2014 resulting in reduction of demand to Rs 8.57 million. Being aggrieved, the Company filed an appeal before Appellate Tribunal Inland Revenue ('ATIR') on August 18, 2014 for the remaining grounds relating to proration of expenses in respect of export sales which is pending adjudication. Based on legal advisor's opinion, the Company's management expects a favorable outcome due to which no provision has been recorded in these financial statements.

(iv) The Deputy Commissioner Inland Revenue ('DCIR') raised a demand of Rs 8.03 million on account of short sales tax withheld as withholding agent, excess input claimed and short output tax declaration vide order dated June 30, 2014. The Company filed an appeal before Commissioner Inland Revenue (Appeals) which was partially decided in favour of the Company vide order dated September 11, 2015 resulting in reduction of demand by Rs 4.17 million. Being aggrieved the Company has filed an appeal before Appellate Tribunal Inland Revenue ('ATIR') which is pending adjudication. Based on legal advisor's opinion, the Company's management expects a favorable outcome due to which no provision has been recorded in these financial statements.

13.2 Commitments

(i) Letters of credit for purchase of raw and packing materials Rs 13.34 million (2018: Rs 4.97 million).

(ii) The Company has entered into operating lease agreements, including Ijara financing agreement with Bank Al Habib Limited in order to obtain vehicles for employees. The amount of future payments under this lease and the period in which these payments will become due are as follows:

	Note	2019 Rupees	2018 Rupees
Not later than one year		15,697,342	15,386,662
Later than one year and not later than five years		24,095,827	31,843,790
Later than five years		1,005,000	1,020,000
		40,798,169	48,250,452

14. Property, plant and equipment

	Note	2019 Rupees	2018 Rupees
Operating fixed assets	14.1	595,452,993	642,853,800
Capital work-in-progress	14.2	-	2,434,520
		595,452,993	645,288,320

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

	Operating Fixed Assets								
	Freehold land	Buildings on freehold land	Leasehold improve-ments	Plant and machinery	Vehicles	Furniture and fittings	Electric installations	Computer hardware	Total
	(Rupees)								
Net carrying value basis									
At 30 September 2019									
Opening net book value	15,547	104,052,584	2,734,729	504,966,224	12,135,473	2,769,177	11,475,750	4,704,316	642,853,800
Additions	-	-	-	7,289,477	664,375	-	508,932	140,530	8,603,314
Disposals									
Cost	-	-	-	(863,291)	(12,826,594)	(392,286)	(1,195,983)	(310,410)	(15,588,564)
Accumulated depreciation	-	-	-	275,335	5,798,743	157,095	627,635	290,796	7,149,604
	-	-	-	(587,956)	(7,027,851)	(235,191)	(568,348)	(19,614)	(8,438,960)
Depreciation charge	-	(10,405,258)	(546,946)	(30,986,097)	(1,747,920)	(511,020)	(2,407,538)	(960,382)	(47,565,161)
Closing net book value	15,547	93,647,326	2,187,783	480,681,648	4,024,077	2,022,966	9,008,796	3,864,850	595,452,993
Gross Carrying Value basis									
At 30 September 2019									
Cost	15,547	195,722,525	8,410,476	978,376,395	8,546,063	7,844,930	57,773,840	13,153,455	1,269,843,231
Accumulated depreciation	-	(102,075,199)	(6,222,693)	(497,694,747)	(4,521,986)	(5,821,964)	(48,765,044)	(9,288,605)	(674,390,238)
Net Book Value	15,547	93,647,326	2,187,783	480,681,648	4,024,077	2,022,966	9,008,796	3,864,850	595,452,993

	Operating Fixed Assets								
	Freehold land	Buildings on freehold land	Leasehold improve-ments	Plant and machinery	Vehicles	Furniture and fittings	Electric installations	Computer hardware	Total
	(Rupees)								
Net carrying value basis									
At 30 September 2018									
Opening net book value	15,547	99,003,593	3,418,411	507,444,830	18,392,899	3,111,500	12,058,217	4,171,281	647,616,278
Additions	-	15,479,030	-	28,133,978	810,820	301,606	2,350,004	1,495,032	48,570,470
Disposals									
Cost	-	-	-	-	(10,390,520)	-	(367,852)	(81,200)	(10,839,572)
Accumulated depreciation	-	-	-	-	5,179,686	-	203,850	47,129	5,430,665
	-	-	-	-	(5,210,834)	-	(164,002)	(34,071)	(5,408,907)
Depreciation charge	-	(10,430,039)	(683,682)	(30,612,584)	(1,857,412)	(643,929)	(2,768,469)	(927,926)	(47,924,041)
Closing net book value	15,547	104,052,584	2,734,729	504,966,224	12,135,473	2,769,177	11,475,750	4,704,316	642,853,800
Gross Carrying Value basis									
At 30 September 2019									
Cost	15,547	195,722,525	8,410,476	971,950,209	20,708,282	8,237,216	58,460,891	13,323,335	1,276,828,481
Accumulated depreciation	-	(91,669,941)	(5,675,747)	(466,983,985)	(8,572,809)	(5,468,039)	(46,985,141)	(8,619,019)	(633,974,681)
Net Book Value	15,547	104,052,584	2,734,729	504,966,224	12,135,473	2,769,177	11,475,750	4,704,316	642,853,800

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

14.1.2 The cost of fully depreciated assets which are still in use as at September 30, 2019 is Rs 38.88 million (2018: Rs 34.76 million).

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

	Note	2019 Rupees	2018 Rupees
Cost of sales	24	41,680,003	41,042,623
Administration expenses	25	3,718,136	6,255,892
Distribution and marketing expenses	26	2,167,022	625,526
		47,565,161	47,924,041

14.1.4 Disposal of operating fixed assets

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

Particulars of assets	Sold to/Transferred to	2019 Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Gain/ (Loss) on sale Rupees	Mode of disposals
Assets with book value greater than Rs. 5 million							
Vehicles							
Mercedes Benz E 250	Mr. Rana Ahsan (third party)	9,958,644	4,455,158	5,503,486	5,095,000	(408,486)	Highest bidder
Other assets with book value less than Rs. 5 million	Various	5,629,920	2,694,446	2,935,474	3,753,887	818,413	Various
		15,588,564	7,149,604	8,438,960	8,848,887	409,927	

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

Particulars of assets	Sold to/Transferred to	2018 Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Gain/ (Loss) on sale Rupees	Mode of disposals
Assets with book value greater than Rs. 5 million	None	-	-	-	-	-	-
Other assets with book value less than Rs. 5 million	Various	10,839,572	5,430,665	5,408,907	6,933,508	1,524,601	Various
		10,839,572	5,430,665	5,408,907	6,933,508	1,524,601	

	2019 Rupees	2018 Rupees
14.2 Capital work-in-progress		
Civil works	-	-
Plant and machinery	-	334,520
Advances to suppliers	-	2,100,000
	-	2,434,520

	Note	2019 Rupees	2018 Rupees
15. Intangible Assets			
Opening net book value		2,379,947	2,923,309
Additions at cost		2,400,000	42,000
Amortization charge	15.1	(515,990)	(585,362)
Closing net book value		4,263,957	2,379,947
Gross carrying value basis			
Cost		11,614,750	9,214,750
Accumulated amortization		(7,350,793)	(6,834,803)
Net book value		4,263,957	2,379,947
Amortization rate % per annum		20	20
15.1 The amortization charge for the year has been allocated as follows:			
Cost of sales	24	22,265	27,831
Administration expenses	25	293,513	357,266
Distribution and marketing expenses	26	200,212	200,265
		515,990	585,362
16. Biological assets			
Livestock		29,894,000	36,290,000
Trees		2,491,667	2,641,667
		32,385,667	38,931,667

16.1 Reconciliation of carrying amounts of biological assets

	Livestock 2019 Rupees	Trees 2019 Rupees	Livestock 2018 Rupees	Trees 2018 Rupees
Carrying amount at the beginning of the year	36,290,000	2,641,667	16,583,000	2,200,000
Increase due to purchases	-		13,459,628	-
Changes in fair value (price change, exchange fluctuations and biological transformation)	414,000	(125,000)	8,700,870	441,667
Less: Decrease due to deaths & sale	(6,810,000)	(25,000)	(2,453,498)	-
Carrying amount at the end of the year which approximates the fair value	29,894,000	2,491,667	36,290,000	2,641,667

16.2 As on September 30, 2019 the Company held 144 animals (2018: 160 animals) including cows, calves and horses and estimates to beneficially own 877 (2018: 887 trees) of various kinds including jamboline, kachnar, ceruse, amla, spikenard, borh and sheesham etc.

16.3 The valuation of dairy livestock as at September 30, 2019 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the key assumptions and estimates and relied on the representations made by the Company as at September 30, 2019. Further, in the absence of an active market of the Company's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in Australia, have been used as basis of valuation model by the independent valuer. The cost of transportation to Pakistan is also considered. The milking animals have been classified according to their lactations. As the number of lactations increase, the fair value keeps on decreasing.

17. Long term receivables

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

	Note	2019 Rupees	2018 Rupees
18. Stores, spares and loose tools			
General stores	18.1	26,745,594	7,601,977
Engineering stores [including in transit : Rs NIL (2018: Rs. 1.84 million)]		26,735,990	28,462,876
		53,481,584	36,064,853

18.1 Included in general store is stock held by third parties amounting to Rs. 10.65 million (2018:Nil).

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

	Note	2019 Rupees	2018 Rupees
19. Stock in trade			
Raw materials		24,600,416	38,973,116
Packing materials [including in transit : Rs 13.34 million (2018: Rs 17.21 million)]		112,385,661	128,876,087
Work in process		62,982,864	101,006,250
Finished goods	19.1	90,414,945	200,499,314
		290,383,886	469,354,767
Less: Provision for obsolete items - Raw material	19.2	(13,109,841)	(7,737,905)
		277,274,045	461,616,862

19.1 Finished goods costing Rs NIL (2018: Rs 66.17 million) are being valued at net realisable value of Rs NIL (2018: Rs 61.34 million).

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

	Note	2019 Rupees	2018 Rupees
Balance as at October 1		7,737,905	3,285,242
Provision for the year		5,371,936	4,452,663
Balance as at September 30		13,109,841	7,737,905

20. Trade debts

	Note	2019 Rupees	2018 Rupees
Considered good		132,933,635	90,651,878
Considered doubtful		13,797,646	8,773,105
	20.1	146,731,281	99,424,983
Less: Provision for sales return	20.2	-	(26,931,515)
Less: Loss allowance	20.3	(13,797,646)	(8,773,105)
		132,933,635	63,720,363

20.1 These include trade debts related to export sales of Rs 30.53 million (2018: Rs 20.78 million).

20.2 Provision for sales return

	Note	2019 Rupees	2018 Rupees
Opening balance		26,931,515	9,500,000
Effect of change in accounting policy due to adoption of IFRS 15 - note 2.3.1 (b)		(26,931,515)	-
Adjusted opening balance as at October 1		-	9,500,000
Add: Provision for the year		-	37,878,601
Less: Returns received during the year		-	(20,447,086)
Closing balance		-	26,931,515

20.3 Loss allowance

The reconciliation of loss allowance is as follows:

	2019 Rupees	2018 Rupees
Balance at the beginning of the year under IAS 39	8,773,105	2,536,633
Effect of change in accounting policy due to adoption of IFRS 9 - note 2.3.1 (a)	2,489,688	-
Balance as at beginning of the year under IFRS 9	11,262,793	2,536,633
Impairment loss on financial asset	2,534,853	6,236,472
Balance as at end of the year	13,797,646	8,773,105

		Note	2019 Rupees	2018 Rupees
21.	Advances, deposits, prepayments and other receivables			
	Advances - considered good			
	- To employees		2,236,424	2,432,782
	- To suppliers		11,670,257	14,038,997
	Prepayments		4,874,084	2,530,588
	- Sales tax		38,283,973	37,015,789
	- Custom duty and surcharge		8,204,642	8,204,642
			46,488,615	45,220,431
	Due from related parties - Considered good	21.1	-	-
	Other receivables - Considered good		2,708,507	3,044,471
			67,977,887	67,267,269

21.1 This represented receivable from Mr. Mehdi Mohsin, executive director of the Company. The maximum aggregate amount due at the end of any month during the year was Rs NIL (2018: Rs 0.36 million).

		Note	2019 Rupees	2018 Rupees
22.	Cash and bank balances			
	Bank balances			
	- Balances at banks on current accounts		16,783,153	11,105,897
	- Special account related to dividend payable		2,004,183	2,004,183
			18,787,336	13,110,080
	Cash in hand		-	1,000
			18,787,336	13,111,080
23.	Sales			
	Gross sales - Local	23.1 & 23.2	2,080,046,322	1,811,654,243
	Less: Sales returns	11.4.1	96,045,286	37,878,601
	Rebates		218,928,945	177,343,371
	Trade promotion and incentives	11.4.2	76,345,514	170,079,346
			391,319,745	385,301,318
	Net sales - Local		1,688,726,577	1,426,352,925
	- Export sales		298,825,518	201,655,039
			1,987,552,095	1,628,007,964

23.1 These are exclusive of sales tax of Rs 293.05 million (2018: Rs 286.00 million).

23.2 These include milk sales of Rs 26.46 million (2018: Rs 24.05 million).

	Note	2019 Rupees	2018 Rupees
24. Cost of sales			
Raw and packing material consumed		1,059,841,617	1,057,605,634
Salaries, wages and other benefits	24.1	153,432,855	155,653,212
Furnace oil consumed		15,656,883	21,059,056
Freight and octroi		229,994	265,251
Travelling and vehicle running		5,175,491	3,259,022
Repairs and maintenance		26,561,507	29,209,696
Power, water and gas		43,852,252	55,754,874
Insurance		5,370,942	5,087,577
Rent, rates and taxes		2,920,653	2,208,359
Depreciation on property, plant and equipment	14.1.3	41,680,003	41,042,623
Dairy expenses		34,086,481	26,028,390
Amortization of intangible assets	15.1	22,265	27,831
Other expenses		16,200,301	24,290,857
		1,405,031,244	1,421,492,382
Opening work-in-process		101,006,250	125,548,342
Closing work-in-process		(62,982,864)	(101,006,250)
		38,023,386	24,542,092
Cost of goods manufactured		1,443,054,630	1,446,034,474
Opening finished goods		200,499,314	129,583,720
Closing finished goods		(90,414,945)	(200,499,314)
		110,084,369	(70,915,594)
		1,553,138,999	1,375,118,880

24.1 Salaries, wages and other benefits include the following:

	2019 Rupees	2018 Rupees
Gratuity		
- Service cost	11,280,309	5,748,416
- Interest cost for the year	4,930,801	2,818,651
	16,211,110	8,567,067
Accumulated compensated absences	3,140,160	3,138,835
	19,351,270	11,705,902

	Note	2019 Rupees	2018 Rupees
25. Administrative expenses			
Salaries, wages and other benefits	25.2	83,293,703	89,997,874
Travelling and vehicle running		10,520,064	7,086,298
Entertainment		719,889	744,225
Repairs and maintenance		1,520,799	1,411,798
Insurance		519,974	488,758
Rent, rates and taxes		7,157,820	6,542,211
Power, water and gas		4,006,055	3,960,631
Printing and stationery		1,174,914	1,705,756
Postage and telephone expenses		2,543,622	2,282,511
Professional services	25.1 and 25.4	17,036,479	12,930,388
Depreciation on property, plant and equipment	14.1.3	3,718,136	6,255,892
Amortization of intangible assets	15.1	293,513	357,266
Other expenses		2,747,129	2,342,640
		135,252,097	136,106,248

25.1 These include fines and penalties amounting to Rs. 0.165 million (2018: Rs. 0.05 million) charged by Punjab Food Authority.

25.2 Salaries, wages and other benefits include the following:

	2019	2018
Gratuity		
- Service cost	5,032,599	4,287,284
- Interest cost for the year	2,199,828	2,102,206
	7,232,427	6,389,490
Accumulated compensated absences	778,392	2,072,425
	8,010,819	8,461,915

25.3 Number of employees

	2019	2018
Total number of employees at the end of the year	279	312
Average number of employees during the year	296	320

25.4 Professional services

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

	2019 Rupees	2018 Rupees
Statutory audit	1,430,000	1,300,000
Half yearly review	700,000	630,000
Certifications and sundry services	357,500	325,000
Out of pocket expenses	237,645	216,041
	2,725,145	2,471,041

	Note	2019 Rupees	2018 Rupees
26. Distribution and marketing expenses			
Salaries, wages and other benefits	26.1	74,438,331	105,955,890
Travelling and vehicle running		25,758,762	29,672,316
Entertainment		937,725	1,934,514
Freight expenses			
- Local		63,162,688	47,107,848
- Export		13,200,039	16,258,235
		76,362,727	63,366,083
Advertisement		25,943,230	71,144,815
Distributors expenses		38,991,927	86,367,641
Trade promotion expenses		319,339	660,103
Repairs and maintenance		193,016	131,248
Insurance		356,343	647,848
Rent, rates and taxes		12,973,832	16,041,795
Power, water and gas		510,851	753,966
Printing and stationery		322,834	386,274
Postage and telephone		2,199,264	2,946,394
Depreciation on property, plant and equipment	14.1.3	2,167,022	625,526
Amortization of intangible assets	15.1	200,212	200,265
Loss allowance	20.3	2,534,853	6,236,472
Other expenses		18,423,928	20,815,353
		282,634,196	407,886,503

26.1 Salaries, wages and other benefits include the following:

	2019 Rupees	2018 Rupees
Gratuity		
- Service cost	4,685,983	4,149,327
- Interest cost for the year	2,048,317	2,034,561
	6,734,300	6,183,888
Accumulated compensated absences	1,394,088	1,911,353
	8,128,388	8,095,241

27. Other operating expenses

	Note	2019 Rupees	2018 Rupees
Loss on revaluation of trees		125,000	-
Loss on disposal of biological assets		4,719,000	1,674,400
Donations:			
Related party - AKRA	27.1	250,000	750,000
Others		247,413	126,210
		497,413	876,210
		5,341,413	2,550,610

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

	2019 Rupees	2018 Rupees
28. Other income		
Income from financial assets		
Exchange gain	3,906,700	6,867,421
Income from non financial assets		
Profit on revaluation of live stock	414,000	8,700,870
Profit on revaluation of trees	-	441,667
Profit on sale of fixed assets	409,927	1,524,601
Scrap sales	4,827,946	2,401,981
Rental income	2,454,693	2,294,139
	8,106,566	15,363,258
Others		
Amortization of deferred income	531,908	591,008
Liabilities written back	-	2,163,847
Others	3,046,901	494,499
	3,578,809	3,249,354
	15,592,075	25,480,033
29. Finance cost		
Mark-up on		
- Finances under mark up arrangements -secured	72,562,896	41,439,996
- Long term finance - secured	815,112	3,624,170
Bank and other charges	4,922,341	4,179,988
	78,300,349	49,244,154
30. Provision for taxation		
Current tax		
- Current	31,480,269	19,275,250
- Prior years	-	(510,551)
	31,480,269	18,764,699
Deferred tax	(2,997,640)	(43,564,033)
	28,482,629	(24,799,334)

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

30.2 Tax charge reconciliation

	2019 %	2018 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate	29.00	29.00
Unrecognised losses and tax credits	(70.82)	(31.43)
Tax effect under presumptive tax regime and others	(16.68)	8.36
Tax credits	1.51	0.89
Tax effects of amounts that are exempt / inadmissible	2.77	0.76
Change in tax rates	(1.06)	0.07
Prior year charge	-	0.16
	(84.28)	(21.19)
Average effective tax rate charged to statement of profit or loss	(55.28)	7.81

31. Transactions with related parties

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

Relationship with the company	Name and Percentage of Shareholding of Related Party	Transactions during the year	2019 Rupees	2018 Rupees
i. Directors	Mr. Mehdi Mohsin (Shareholding: 34.62%)	Purchase of goods	9,632,799	10,466,424
		Rent paid	3,014,161	2,962,184
		Expenses incurred on their behalf	4,256,248	1,480,014
		Obtained loan	-	75,000,000
	Mr. S.M. Mohsin (Shareholding: 0.022%)	Obtained loan	-	75,000,000
ii. Spouse of director	Syeda Maimanat Mohsin (Shareholding: 11.43%)	Purchase of goods	1,350,906	836,977
iii. Associated undertaking	AKRA	Donation paid	250,000	750,000

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

The related parties with whom the Company had entered into transactions or had arrangements/ agreements in place during the year have been disclosed above along with their basis of relationship.

32. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors				Executive	
	2019	2018	2019		2018		2019	2018
			Non Executive Directors	Executive Directors	Non Executive Directors	Executive Directors		
	Rupees							
Managerial remuneration	8,833,587	13,477,604	-	-	-	4,551,720	33,819,121	31,483,253
Retirement benefits	2,617,764	1,726,729	-	-	-	-	8,947,530	6,273,528
House rent allowance	2,598,134	5,932,422	-	-	-	2,048,280	15,218,604	14,167,464
Utilities	308,793	1,299,233	343,135	143,833	346,117	307,246	3,381,912	3,148,325
Car allowance	-	-	-	-	-	-	330,000	460,000
Club expenses	38,960	40,000	65,210	12,265	90,996	92,249	-	-
Bonus	-	-	-	-	-	-	-	-
Meeting fee	-	-	500,000	-	225,000	-	-	-
	14,397,238	22,475,988	908,345	156,098	662,113	6,999,495	61,697,167	55,532,570
Number of persons	1	1	8	2	9	1	17	16

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

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

33. Capacity and production

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

	2019	2018
Actual production:		
Groceries - in cartons	1,319,196	1,367,845
Confectioneries - in cartons	258,166	270,425
Milk - in litres	415,589	422,861

34. Cash generated from operations

	Note	2019 Rupees	2018 Rupees
Loss before tax		(51,522,884)	(317,418,398)
Adjustments for:			
Depreciation on operating fixed assets	14.1	47,565,161	47,924,041
Amortization of deferred income	8.2	(531,908)	(591,008)
Amortization on intangibles	15	515,990	585,362
Profit on sale of property, plant and equipment	28	(409,927)	(1,524,601)
Provision for leave absences		4,966,321	7,122,612
Provision for retirement benefits	8.1.1	30,177,837	21,140,445
Loss / (profit) on revaluation and sale of biological assets	27 & 28	4,430,000	(7,468,137)
Liabilities written back	28	-	(2,163,847)
Exchange gain	28	(3,906,700)	(6,867,421)
Provision for net realisable value		-	4,837,790
Provision for obsolete stocks	19.2	5,371,936	4,452,663
Provision for sale returns	23	96,045,286	37,878,601
Provision for trade promotion and incentives	23	76,345,514	170,079,346
Loss allowance	26	2,534,853	6,236,472
Finance cost	29	78,300,349	49,244,154
Profit before working capital changes		289,881,828	13,468,074
Effect on cash flow due to working capital changes			
- Increase in stores, spares and loose tools		(20,107,412)	(8,606,495)
- Decrease / (Increase) in stock in trade		178,970,881	(57,743,478)
- Increase in trade debts		(18,077,805)	(63,415,379)
- Increase in advances, deposits, prepayments and other receivables		(710,618)	(27,814,664)
- (Decrease) / Increase in creditors, accrued and other liabilities		(268,899,524)	78,887,688
		(128,824,478)	(78,692,328)
Cash generated from / (used in) operations		161,057,350	(65,224,254)

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

	Loan from directors Rupees	Long term loan Rupees	Total Rupees
Balance as at October 01, 2018	150,000,000	21,333,333	171,333,333
Financing obtained	-	-	-
Repayments during the year	-	(21,333,333)	(21,333,333)
Balance as at September 30, 2019	150,000,000	-	150,000,000

36. Cash and cash equivalents

	Note	2019 Rupees	2018 Rupees
Cash and bank balances	22	18,787,336	13,111,080
Short term running finances-secured	10	(655,331,857)	(680,657,933)
		(636,544,521)	(667,546,853)

		2019 Rupees	2018 Rupees

37. Loss per share

37.1 Basic loss per share

Net loss for the year	Rupees	(80,005,513)	(292,619,064)
Weighted average number of ordinary shares	Number	7,875,000	7,875,000
Basic loss per share	Rupees	(10.16)	(37.16)

37.2 Diluted loss per share

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

38. Financial risk management

38.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2019	2018
Trade debts - USD	195,509	167,415

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	140.15	114.34
Reporting date rate	156.20	124.10

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 1.53 million (2018: Rs 1.04 million) higher/lower, mainly as a result of exchange gains/losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2019 Rupees	2018 Rupees
Floating rate instruments		
Financial liabilities		
Long term finances	-	(21,333,333)
Short term running finances-secured	(655,331,857)	(680,657,933)
Net exposure	(655,331,857)	(701,991,266)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term finances and short term running finance, at the reporting date, fluctuate by 1% higher/lower with all other variables held constant, profit before taxation for the year would have been Rs 6.55 million (2018: Rs 6.82 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

(i) Exposure to credit risk

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

	2019 Rupees	2018 Rupees
Trade debts	146,731,281	99,424,983
Loans, advances, deposits and other receivables	16,615,188	19,516,250
Bank balances	18,787,336	13,110,080
	182,133,805	132,051,313

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

The age of trade receivables	2019 Rupees	2018 Rupees
- Not past due	76,785,775	45,549,255
- Past due 0 - 180 days	54,684,815	33,015,269
- Past due 181 - 365 days	5,308,231	11,669,677
- Over 365 days	9,952,460	9,190,782
Less: Loss allowance	(13,797,646)	(8,773,105)
	132,933,635	90,651,878

(ii) Credit quality of major financial assets

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

	Rating Short term	Long term	Rating Agency	2019 (Rupees)	2018 (Rupees)
National Bank of Pakistan	A-1+	AAA	PACRA	685,773	580,952
MCB Bank Limited	A1+	AAA	PACRA	787,333	787,333
Habib Bank Limited	A-1+	AAA	JCR-VIS	16,907,895	11,005,812
Bank Al Habib	A1+	AA+	PACRA	406,335	735,983
				18,787,336	13,110,080

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, 2019, the Company had Rs 706.68 million (2018: Rs 715.00 million) available borrowing limits from financial institutions [unutilized: Rs 51.35 million (2018: Rs 34.34 million)] and Rs 18.79 million (2018: Rs 13.11 million) cash and bank balances.

The following are the contractual maturities of financial liabilities as at September 30, 2019:

	Carrying amount	Less than one year	One to five years	More than five years
			Rupees	
Long term finance - secured	-	-	-	-
Finances under markup arrangements - secured	655,331,857	655,331,857	-	-
Trade and other payables	238,030,602	238,030,602	-	-
Accrued finance cost	20,265,694	20,265,694	-	-
Loan from directors - unsecured	150,000,000	150,000,000	-	-
Unclaimed dividend	2,004,183	2,004,183	-	-
	1,065,632,336	1,065,632,336	-	-

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

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

38.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The different levels for fair value estimation used by the Company have been explained as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's non financial asset that are measured at fair value at September 30, 2019:

Assets	Level 1	Level 2	Level 3	Total
		Rupees		
Recurring fair value measurements of biological assets				
Livestock	-	29,894,000	-	29,894,000
Trees	-	2,491,667	-	2,491,667
	-	32,385,667	-	32,385,667

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

Assets	Level 1	Level 2	Level 3	Total
		Rupees		
Recurring fair value measurements of biological assets				
Livestock	-	36,290,000	-	36,290,000
Trees	-	2,641,667	-	2,641,667
	-	38,931,667	-	38,931,667

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

Valuation techniques used to measure level 2 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on September 30, 2019. Level 2 fair value of biological assets has been determined using a replacement cost approach, whereby, current cost of similar livestock in the international market has been adjusted for transportation costs to arrive at fair value.

The value of trees has been derived using management's best estimate based on comparable market data.

38.3 Fair values of financial assets and liabilities

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

38.4 Financial instruments by categories

	At amortized cost	
	2019 Rupees	2018 Rupees
Financial Assets		
Trade debts	146,731,281	99,424,983
Loans, advances, deposits and other receivables	63,103,803	64,736,681
Cash and bank balances	18,787,336	13,110,080
	228,622,420	177,271,744

	At amortized cost	
	2019 Rupees	2018 Rupees
Financial Liabilities		
Long term finance - secured	-	21,333,333
Finances under markup arrangements - secured	655,331,857	680,657,933
Trade and other payables	252,000,568	294,796,552
Accrued finance cost	20,265,694	12,163,862
Loan from directors - unsecured	150,000,000	150,000,000
Unclaimed dividends	2,004,183	2,004,183
	1,079,602,302	1,160,955,863

38.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 9. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratio as at September 30, 2019 and September 30, 2018 is as follows:

	Note	2019 Rupees	2018 Rupees
Long term finance	9	-	21,333,333
Loan from directors	12	150,000,000	150,000,000
Short term borrowings net of cash at bank and in hand	36	636,544,521	667,546,853
Net debt		786,544,521	838,880,186
Total equity		126,444,569	209,299,398
Total capital		912,989,090	1,048,179,584
Gearing ratio	Percentage	86%	80%

39. Date of authorization

These financial statements were authorized for issue on December 26, 2019 by the Board of Directors of the Company.

40. Events after the date of statement of financial position

No significant events have occurred subsequent to September 30, 2019, other than those mentioned elsewhere in these financial statements.

41. Corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary. However, no significant reclassifications have been made.

S.M. Mohsin	Nauman Munawar	Mujeeb Rashid
Chairman	Chief Financial Officer	Chief Executive Officer

Proxy Form

Mitchell's Fruit Farms Limited

87th 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 87th Annual General Meeting of the Company to be held on February 07, 2020 on Friday at 11:00 a.m.at the Registered Office of the Company located at 40-A, Zafar Ali Road, Gulberg V, Lahore.

Signed this ______________________ day of ______________ 2020

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.

MITCHELL'S®

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.

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

Head Office:
40-A, Zafar Ali Road, Gulberg V, Lahore, Pakistan. P: (+92) (42) 35872393-96,
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Mitchell'sFruitFarms
Mitchell'sChocolates&Sweets