



FOR THE TASTE OF NATURAL GOODNESS

Half Yearly Report

2020

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Company Information

Board of Directors

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

Audit Committee

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

Chief Financial Officer

Mr. Nauman Munawar FCA

Company Secretary

Mr. Rashid Butt ACMA

Auditors

A.F. Ferguson & Company
Chartered Accountants

Legal Advisors

Lashari & Co.
Tariq Rahim Manzil,
7-Turner Road, Lahore
Tel: 042-37324296

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
Faysal Bank Limited

Share Registrar

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

Corporate Office

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E-Mail: ho@mitchells.com.pk
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FACTORY & FARMS

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Directors' Review

The Directors of the company are pleased to present their report on the condensed interim financial statement of the Company for the half year ended March 31, 2020.

Overall Sales of the company grew marginally by 3%. Branded products of the company showed double digit growth acknowledging the trust of the consumer in our products while B2B could not deliver the expected revenues (largely due to working capital shortages). Gross profit margins registered a decline of 2.7% over the last year due to difficulties and resistance to increasing our prices.

Export sales performed in line with the expectations.

We kept our focus on rationalizing fixed costs without compromising the operations. Reduction in distribution and marketing expenses by Rs. 15 million was successfully done during this period while expenses incurred in engagement of experts for identifying new equity partners for the company largely contributed towards the increase in administrative costs. Operating profit stood at Rs. 40 million compared to Rs.56.7 million in the previous year.

The improved operating results were diluted due to prevailing higher borrowing rates applicable on bank borrowings. This led to an increase in finance cost by Rs.8.0 million during the period.

Loss before tax for the period ended March 31, 2020 stood at Rs. 3.9 million compared to profit of Rs. 20.5 million of last year. Tax provision made under the law resulted in a loss after tax of Rs. 19.4 million for this period.

Despite the outbreak of COVID -19 that has led to great uncertainty in the overall business environment in the country, the management is determined and is making best efforts to maintain uninterrupted supplies to its customers through all distribution channels. Efforts are being made to tap all possible opportunities. The next two quarters will be a test for the company as government policies to combat COVID -19, including lockdowns, will have a direct impact on our business at the retail level.

For and on behalf of
the Board of Directors

Mujeeb Rashid
Managing Director/
Chief Executive Officer

Lahore: July 28, 2020

ڈائریکٹرز کی جانب سے جائزہ

کمپنی کے ڈائریکٹرز ہمدست 31 مارچ 2020 کو ختم ہونے والی ششماہی کے لئے کمپنی کے عبوری مالی گواشاہروں پر مشتمل اپنی رپورٹ پیش کرتے ہیں۔

کمپنی کی بیلز میں 3 فیصد کا معمولی اضافہ ہوا۔ کمپنی کے برانڈڈ (Branded) مصنوعات میں واضح اضافہ صارفین کے اعتماد کا مظہر ہے جبکہ B2B میں محصولات میں کمی کی وجہ سرمایہ کی عدم دستیابی رہی۔ گذشتہ سال کے مقابلے میں مجموعی منافع کی شرح میں % 2.7 کی کمی کمپنی کی مصنوعات کی قیمتوں میں اضافہ نہ ہونے کی صورت میں درپیش رہی۔

برآمدات کی سہل نے بھی توقعات کے عین مطابق نتائج دیئے۔

اس مدت میں کمپنی کے کاروباری معمولات کو احسن طریقے سے جاری رکھتے ہوئے اخراجات پرکزی نظر رکھی۔ دوران مدت مارکیٹنگ اور ڈسٹری بیوٹن کے اخراجات میں پندرہ ملین روپے کی خطیر کمی کا کامیابی سے حصول ممکن ہوا۔ جبکہ نئے مساوی شراکت دار کے حصول کے لئے ماہرین سے حاصل کردہ خدمات میں ہونے والے اخراجات نے انتظامی اخراجات میں اضافے کے لئے بڑے پیمانے پر حصہ ڈالا۔ آپریشنز سے آنے والا منافع پچھلے سال کے 56.7 ملین روپے کے مد مقابل 40 ملین روپے رہا۔

بینک سے حاصل کردہ مجموعی قرض میں اضافہ اور قرض پر ادا کردہ شرح منافع میں اضافے کی بدولت آپریٹنگ کے بہتر نتائج پر برا اثر ڈالا۔ جس سے اس سال سود میں لاگت 8 ملین روپے سے بڑھ گئی۔

پچھلے سال ہونے والے 20.5 ملین روپے کے منافع کے مد مقابل اس سال 31 مارچ 2020 کو ختم ہونے والی مدت تک ٹیکس سے قبل نقصان 3.9 ملین روپے رہا ہے۔ ٹیکس کے اطلاق و ادائیگی کے بعد اس مدت کا کل نقصان 19.4 ملین روپے رہا۔

کمپنی انتظامیہ اپنے صارفین کو تمام تقسیم کاری چینلز کے ذریعے کمپنی مصنوعات کی بلا تعلق فراہمی برقرار رکھنے کے لئے پرعزم ہیں۔ آنے والے وقت میں COVID 19 کا مقابلہ کرنے کے لئے حکومتی اقدامات براہ راست ہمارے Retail کاروبار پر برا اثر ڈالیں گے۔

منجانب و برائے بورڈ آف ڈائریکٹرز

مجیب رشید
چیف ایگزیکٹو آفیسر

لاہور 28 جولائی 2020



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mitchell's Fruit Farms Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Mitchell's Fruit Farms Limited as at March 31, 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended March 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended March 31, 2020.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 2.1 to the interim financial statements which indicates that the Company's current liabilities exceeded its current assets by Rs 385.67 million as at March 31, 2020 and the reserves of the Company have been depleted significantly due to losses incurred during recent years. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

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

A. F. Ferguson & Co.
Chartered Accountants

Lahore: July 28, 2020

Condensed Interim Statement of Financial Position

As at March 31, 2020 (Un-audited)

	Note	Un-audited March 31 2020 Rupees	Audited September 30 2019 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
20,000,000 (September 30, 2019: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital			
7,875,000 (September 30, 2019: 7,875,000) ordinary shares of Rs. 10 each		78,750,000	78,750,000
Reserves		9,635,878	9,635,878
Revenue reserve: Unappropriated profit		18,674,961	38,058,691
		107,060,839	126,444,569
NON-CURRENT LIABILITIES			
Deferred taxation		-	-
Deferred liabilities		138,122,030	134,123,077
		138,122,030	134,123,077
CURRENT LIABILITIES			
Loan from directors - unsecured		150,000,000	150,000,000
Creditors, accrued and other liabilities		380,529,467	255,324,377
Unclaimed dividends		2,004,183	2,004,183
Finances under markup arrangements - secured		641,769,303	655,331,857
Accrued finance cost		16,319,146	20,265,694
		1,190,622,099	1,082,926,111
CONTINGENCIES AND COMMITMENTS			
	4	1,435,804,968	1,343,493,757

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

	Note	Un-audited March 31 2020 Rupees	Audited September 30 2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	589,047,460	595,452,993
Intangible assets		3,837,561	4,263,957
Biological assets		31,669,051	32,385,667
Long term receivables		6,301,060	6,689,480
		630,855,132	638,792,097
CURRENT ASSETS			
Stores, spares and loose tools		45,693,836	53,481,584
Stock in trade		326,747,418	277,274,045
Trade debts		200,980,281	132,933,635
Advances, deposits, prepayments and other receivables		53,166,983	67,977,887
Income tax recoverable		157,375,827	154,247,173
Cash and bank balances		20,985,491	18,787,336
		804,949,836	704,701,660
		1,435,804,968	1,343,493,757

Najam Aziz Sethi
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Condensed Interim Statement of Profit or Loss

For the Three Months and Six Months Period Ended March 31, 2020 (Un-audited)

	Note	Three months period ended		Six months period ended	
		March 31 2020 Rupees	March 31 2019 Rupees	March 31 2020 Rupees	March 31 2019 Rupees
Sales	6	548,411,164	522,961,729	1,074,268,558	1,042,217,571
Cost of sales	7	(431,367,726)	(382,601,594)	(839,642,148)	(786,882,044)
Gross profit		117,043,438	140,360,135	234,626,410	255,335,527
Administrative expenses		(35,475,925)	(33,331,211)	(77,765,222)	(64,512,097)
Distribution and marketing expenses	8	(62,329,288)	(72,351,527)	(123,689,262)	(138,860,365)
Other operating expenses		(926,402)	(2,018,617)	(976,402)	(2,348,870)
Other income		6,828,939	5,832,468	7,825,296	7,176,802
Finance cost		(21,454,191)	(18,492,245)	(43,925,342)	(36,299,646)
(Loss) / profit before tax		3,686,571	19,999,003	(3,904,522)	20,491,351
Taxation		(7,877,216)	(4,120,534)	(15,479,208)	(10,574,852)
(Loss) / profit for the period		(4,190,645)	15,878,469	(19,383,730)	9,916,499
(Loss) / profit per share - basic and diluted		(0.53)	2.02	(2.46)	1.26

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

Najam Aziz Sethi
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income

For the Three Months and Six Months Period Ended March 31, 2020 (Un-audited)

	Three months period ended		Six months period ended	
	March 31 2020 Rupees	March 31 2019 Rupees	March 31 2020 Rupees	March 31 2019 Rupees
(Loss) / Profit for the period	(4,190,645)	15,878,469	(19,383,730)	9,916,499
Other comprehensive income:				
-Items that will not be reclassified to profit or loss	-	-	-	-
-Items that may be reclassified subsequently to profit or loss	-	-	-	-
	-	-	-	-
Total comprehensive loss for the period	<u>(4,190,645)</u>	<u>15,878,469</u>	<u>(19,383,730)</u>	<u>9,916,499</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

Najam Aziz Sethi
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Condensed Interim Statement of Changes in Equity

For the Three Months and Six Months Period Ended March 31, 2020 (Un-audited)

	Capital Reserve		Revenue Reserve		Total
	Share capital	Share premium	General reserve	Unappropriated profit	
	----- Rupees -----				
Balance as at September 30, 2018 - audited	78,750,000	9,335,878	300,000	120,913,520	209,299,398
Profit for the period	-	-	-	9,916,499	9,916,499
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	9,916,499	9,916,499
Balance as at March 31, 2019 - un-audited	78,750,000	9,335,878	300,000	130,830,019	219,215,897
Balance as at September 30, 2019 - audited	78,750,000	9,335,878	300,000	38,058,691	126,444,569
Loss for the period	-	-	-	(19,383,730)	(19,383,730)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(19,383,730)	(19,383,730)
Balance as at March 31, 2020 - un-audited	78,750,000	9,335,878	300,000	18,674,961	107,060,839

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

Najam Aziz Sethi
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Condensed Interim Statement of Cash Flows

For the Six Months Period Ended March 31, 2020 (Un-audited)

	Note	Six months period ended	
		March 31 2020 Rupees	March 31 2019 Rupees
Cash flows from operating activities			
Cash generated from operations	10	109,536,884	54,590,206
Finance cost paid		(47,871,890)	(31,429,871)
Tax paid		(18,607,862)	(21,762,606)
Retirement benefits paid		(12,498,412)	(15,879,883)
Net cash generated from / (used in) operating activities		30,558,720	(14,482,154)
Cash flows from investing activities			
Fixed capital expenditure		(15,711,201)	(3,033,286)
Security deposit refunded in respect of vehicles		388,420	2,381,650
Proceeds from sale of property, plant and equipment		242,770	3,333,813
Proceeds from sale of livestock		282,000	662,400
Net cash (used in) / generated from investing activities		(14,798,011)	3,344,577
Cash flows from financing activities			
Repayment of long term loan		-	(21,333,333)
Net cash used in financing activities		-	(21,333,333)
Net increase / (decrease) in cash and cash equivalents		15,760,709	(32,470,910)
Cash and cash equivalents at beginning of the period		(636,544,521)	(667,546,853)
Cash and cash equivalents at end of the period	11	(620,783,812)	(700,017,763)

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.

Najam Aziz Sethi
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer

Notes to and Condensed Interim Financial Information

For the Three Months and Six Months Period Ended March 31, 2020 (Un-audited)

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 (ICAP) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial statements are un-audited and is being submitted to the members of the Company as required by Section 237 of the Companies Act, 2017 (the "Act").

The condensed interim financial statements do not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended September 30, 2019.

The accounting policies adopted for the preparation of this condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended September 30, 2019. Furthermore, the basis of significant estimates are same as those that were applied to the financial statements for the year ended September 30, 2019.

2.1 Going concern assumption

During the period ended March 31, 2020, the Company incurred a total comprehensive loss of Rs 19.38 million and as per the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 385.67 million. Due to the losses incurred during recent

years, the reserves of the Company have depleted. The dividends have been discontinued for the last four years. The existing working capital lines available to the Company have been substantially utilized and the related covenants have also not been complied with. The financial results led to increased short term borrowing from financial institutions and renegotiation of payment terms with trade creditors. 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 will raise 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 condensed interim financial statements have been prepared on a going concern basis and consequently, do not include any adjustment relating to the realization of its assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards and interpretations have been published that are applicable to these condensed interim financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

Certain standard amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after October 1, 2019 but are considered not to be relevant or to have any significant effect on the Company operations and are, therefore, not detailed in these condensed interim financial statements, except for the following:

a) IFRIC 23, 'Uncertainty over Income Tax Treatments'

This interpretation became effective for annual periods beginning on or after January 1, 2019. The IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. In particular, it explains that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information. The IFRIC further explains that the entity should reflect the effect of the uncertainty in its income tax accounting i.e. when it is not probable

that the tax authorities will accept the treatment using either the most likely amount or the amount determined using the expected value method. The application of the interpretation does not have any material impact on the amounts recognized in the special purpose financial statements of the Company.

b) **IFRS 16, 'Leases'**

Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 primarily affects the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An exemption exists for short term and low value leases.

The Company has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for the year ended December 31, 2018, as permitted under the specific transitional provisions in the standard. Based on the assessment performed by the management, there is no significant impact of the changes laid down by IFRS 16 on the condensed interim financial statements of the Company.

2.2.2 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 annual accounting periods beginning on or after October 01, 2020, but has not early adopted the Company:

Standards or Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 and IAS 8 - Definition of materiality	January 1, 2020
Amendments to IFRS 3 - Definition of a Business	January 1, 2020
Amendments to IFRS 7, IFRS 9 and IAS 39 - Interest Rate Benchmark Reform	January 1, 2020
Revised Conceptual Framework for Financial Reporting	January 1, 2020

3. Income tax expense is recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year.

4. Contingencies and commitments

4.1 Contingencies

There is no significant change in contingencies since the date of preceding published annual financial statements, except the following:

- (i) The Deputy Commissioner Inland Revenue ('DCIR') raised a demand of Rs 1.96 million along with default surcharge of Rs 1.85 million vide order under section 161/205 dated December 31, 2019 on account of short deduction and payment of withholding tax on certain payments made during the year in respect of tax year 2014. Being aggrieved the Company has filed an appeal before Commissioner Inland Revenue (Appeals) 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 condensed interim financial statements.
- (ii) The Deputy Commissioner Inland Revenue ('DCIR') raised a demand of Rs 16.47 million along with a penalty of Rs 16.37 million on account of input tax claimed on invoices issued by blacklisted vendors, inadmissible input tax claimed and non payment of further tax vide order dated July 30, 2019. The Company filed an appeal before Commissioner Inland Revenue (Appeals) which was partially decided in favor of the Company vide order dated November 11, 2019 resulting in reduction of demand to Rs 2.03 million with the penalty being recalculated at the time of the appeal effect. 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 condensed interim financial statements.
- (iii) The Deputy Commissioner Inland Revenue ('DCIR') raised a demand of Rs 2.86 million along with default surcharge of Rs 2.22 million on account of non deduction of tax on certain payments vide order under section 161 (1A) dated January 31, 2020 for the tax year 2015. Being aggrieved, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) 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 condensed interim financial statements.

4.2 Commitments

The Company has commitments in respect of:

- (i) Letters of credit for purchase of raw and packing material Rs. 38.06 million (September 30, 2019: 13.34 million).
- (ii) Agreement with Bank Al Habib relating to vehicles obtained under Ijarah arrangement amounting to Rs 19.83 million (September 30, 2019: Rs 40.80 million).

		Un-audited March 31 2020 Rupees	Audited September 30 2019 Rupees
5. Property, plant and equipment			
Operating fixed assets	- note 5.1	578,335,094	595,452,993
Capital work-in-progress		10,712,366	-
		589,047,460	595,452,993
		589,047,460	595,452,993
5.1 Operating fixed assets at net book value			
Opening book value		595,452,993	642,853,800
Add: Additions during the period / year at cost	- note 5.1.1	4,998,833	8,603,314
		600,451,826	651,457,114
Less: Disposals during the period / year at book value	- note 5.1.2	(709,555)	(8,438,960)
Depreciation charged during the period / year		(21,407,179)	(47,565,161)
		(22,116,734)	(56,004,121)
Closing book value		578,335,092	595,452,993
5.1.1 Detail of additions during the period / year			
Building on freehold land		-	-
Plant and machinery		946,020	7,289,477
Vehicles		3,855,670	664,375
Electric installations		29,000	508,932
Computer hardware		168,143	140,530
		4,998,833	8,603,314
		4,998,833	8,603,314

5.1.2 Detail of disposals during the period / year

	Un-audited March 31 2020 Rupees	Audited September 30 2019 Rupees
Building on freehold land	-	-
Plant and machinery	-	587,956
Vehicles	112,889	7,027,851
Furniture and fittings	2,879	235,191
Electric installation	453,633	568,348
Computer hardware	140,154	19,614
	<u>709,555</u>	<u>8,438,960</u>

	Three months period ended		Six months period ended	
	2020 Un-audited Rupees	2019 Un-audited Rupees	2020 Un-audited Rupees	2019 Un-audited Rupees
6. Sales				
Gross sales - local	552,478,244	512,451,534	1,072,183,127	1,015,152,921
Less: Sales returns	(18,328,604)	(15,674,525)	(29,213,157)	(28,163,542)
Rebates	(60,448,059)	(50,544,942)	(120,433,546)	(105,157,941)
Trade promotion and incentives	(17,284,078)	(14,000,821)	(33,246,540)	(30,276,977)
	<u>(96,060,741)</u>	<u>(80,220,288)</u>	<u>(182,893,243)</u>	<u>(163,598,460)</u>
Net sales - Local	456,417,503	432,231,246	889,289,884	851,554,461
- Export sales	91,993,661	90,730,483	184,978,674	190,663,110
	<u>548,411,164</u>	<u>522,961,729</u>	<u>1,074,268,558</u>	<u>1,042,217,571</u>

	Quarter ended March 31		Half year ended March 31	
	2020 Un-audited Rupees	2019 Un-audited Rupees	2020 Un-audited Rupees	2019 Un-audited Rupees
7. Cost of sales				
Raw and packing material consumed	269,861,964	227,214,019	656,709,709	536,466,174
Salaries, wages and other benefits	68,902,193	58,150,946	84,075,336	74,075,641
Furnace oil consumed	6,699,367	4,837,891	12,927,948	10,500,962
Freight and octroi	654,309	116,542	654,309	116,542
Travelling and vehicle running	1,115,715	1,289,945	2,231,430	2,579,889
Repairs and maintenance	6,991,117	6,025,533	11,934,285	12,251,867
Power, water and gas	17,897,761	11,255,748	30,007,400	20,485,031
Insurance	1,058,169	1,218,513	2,116,337	2,437,025
Dairy expenses	7,418,694	16,007,702	14,837,387	17,069,565
Rent, rates and taxes	655,474	1,508,839	1,310,948	1,508,839
Depreciation on property, plant and equipment	8,847,783	10,250,241	19,150,125	19,706,586
Amortization of intangible assets	4,453	5,631	8,906	11,262
Other expenses	8,373,799	5,516,352	16,747,598	11,032,703
	<u>398,480,797</u>	<u>343,397,902</u>	<u>852,711,718</u>	<u>708,242,086</u>
Opening work-in-process	45,712,563	122,186,936	62,982,864	101,006,250
Closing work-in-process	(68,258,878)	(83,990,944)	(68,258,878)	(83,990,944)
	<u>(22,546,315)</u>	<u>38,195,992</u>	<u>(5,276,014)</u>	<u>17,015,306</u>
Cost of goods manufactured	<u>375,934,483</u>	<u>381,593,894</u>	<u>847,435,704</u>	<u>725,257,392</u>
Opening finished goods	153,641,744	139,882,362	90,414,945	200,499,314
Closing finished goods	(98,208,501)	(138,874,662)	(98,208,501)	(138,874,662)
	<u>55,433,243</u>	<u>1,007,700</u>	<u>(7,793,556)</u>	<u>61,624,652</u>
	<u>431,367,726</u>	<u>382,601,594</u>	<u>839,642,148</u>	<u>786,882,044</u>

8. Distribution and marketing expenses

Salaries, wages and other benefits	10,036,971	12,899,362	33,091,186	38,544,785
Travelling and vehicle running	8,024,797	10,997,911	10,601,078	13,335,089
Entertainment	177,890	357,519	328,101	583,508
Freight expenses				
- Local	15,135,772	12,043,933	27,253,425	24,759,490
- Export	4,079,527	4,524,377	7,812,595	6,964,290
	<u>19,215,299</u>	<u>16,568,310</u>	<u>35,066,020</u>	<u>31,723,780</u>
Advertisement	9,749,672	16,998,667	9,847,452	19,418,703
Distributors expenses	10,233,206	10,419,104	19,386,250	19,591,485
Trade promotion expenses	(6,478,077)	258,206	125,124	258,206
Repairs and maintenance	32,090	6,605	59,575	154,955

	Quarter ended March 31		Half year ended March 31	
	2020 Un-audited Rupees	2019 Un-audited Rupees	2020 Un-audited Rupees	2019 Un-audited Rupees
Insurance	134,045	88,361	230,957	138,855
Rent, rates and taxes	1,550,189	2,655,218	3,821,792	6,935,001
Power, water and gas	102,326	88,443	204,628	214,547
Printing and stationery	82,499	79,211	150,720	147,432
Postage and telephone	405,301	495,016	921,659	1,107,801
Depreciation on property, plant and equipment	107,592	330,237	637,194	661,374
Amortization of intangible assets	64,085	40,053	64,085	80,106
Loss allowance	464,691	-	464,691	-
Other expenses	8,426,712	69,304	8,688,750	5,964,738
	62,329,288	72,351,527	123,689,262	138,860,365

9. Transactions with related parties

Relationship with the Company Nature of transactions

Post employment benefit plan	Gratuity expense	7,040,202	5,968,774	14,080,404	11,937,547
Others	Donation paid	-	-	-	250,000
	Purchase of goods	2,190,050	3,819,199	4,380,099	7,638,398
	Rent expense	843,734	745,384	1,687,467	1,490,768
	Payment made on behalf of related party	1,195,103	576,756	2,390,205	1,153,511
	Key management personnel	6,994,663	7,267,477	13,989,325	14,534,953

Un-audited
March 31
2020
Rupees

Audited
September 30
2019
Rupees

Period end balances

Receivable from related parties	-	584,792
Payable to related parties	1,092,393	120,749

	Six-month period ended March 31	
	2020 Un-audited Rupees	2019 Un-audited Rupees
10. Cash generated from operations		
(loss) / Profit before tax	(3,904,522)	20,491,351
Adjustment for:		
- Depreciation on property, plant and equipment	21,407,179	21,967,355
- Amortization of intangibles	426,396	237,995
- Unwinding of deferred income	(239,359)	(265,955)
- Loss / (profit) on disposal of property, plant and equipment	466,785	(914,472)
- Provision for sales return	29,213,157	12,200,000
- Provision for doubtful debts	464,691	-
- Provision for gratuity and accumulated leaves	16,736,724	14,593,867
- Loss / (gain) on revaluation and disposal of live stock	434,616	1,087,600
- Provision for slow moving stock	746,842	3,031,853
- Exchange gain	(4,901,152)	(3,051,251)
- Finance cost	43,925,342	36,299,646
Profit before working capital changes	104,776,699	105,677,989
Effect on cash flow due to working capital changes:		
- Decrease / (increase) in stores, spares and loose tools	7,787,748	(5,000,513)
- (Increase) / decrease in stock-in-trade	(50,220,215)	114,181,163
- Increase in trade debts	(63,610,185)	(76,130,214)
- Decrease / (increase) in advances, deposits prepayments and other receivables	14,810,904	(13,945,059)
- Increase / (decrease) in creditors, accrued and other liabilities	95,991,933	(70,193,160)
	4,760,185	(51,087,783)
	109,536,884	54,590,206
	Un-audited March 31 2020 Rupees	Un-audited March 31 2019 Rupees
11. Cash in cash equivalents		
Cash and bank balances	20,985,491	14,010,611
Finances under markup arrangements - secured	(641,769,303)	(714,028,374)
	(620,783,812)	(700,017,763)

12. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- 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 March 31, 2020:

	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
Assets				
Recurring fair value measurements of biological assets				
Livestock	-	31,669,051	-	31,669,051
	-	31,669,051	-	31,669,051

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

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

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 December 31, 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.

13. Date of authorization

These condensed interim financial information were authorized for issue on _____, 2020 by the board of directors of the Company.

14. Summary of significant events and transactions in the current reporting period

In March 2020, COVID-19 spread throughout the country and measures to reduce the spread of the COVID-19 included nationwide lockdown, suspension of flights operations and intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruption to various businesses. The Government of Pakistan and State Bank of Pakistan have announced several monetary and fiscal policy measures to mitigate the adverse economic impacts of the COVID-19. The aforementioned measures have not affected the business operations of the Company significantly.

15. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year. Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Najam Aziz Sethi
Chairman

Nauman Munawar
Chief Financial Officer

Mujeeb Rashid
Chief Executive Officer



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