

**Mitchell's Fruit Farms Limited**  
**Condensed Interim Financial Statements (Unaudited)**  
**For Q-1 ended 30 September 2022**  
**(Updated 28 Dec 2022)**

## Draft Directors' Review

The Directors of the company are pleased to present their report on the condensed interim financial statement of the Company for the first quarter (Q-1) ended September 30, 2022.

Key financial highlights for the subject period are as under:

|                     | PKR Millions |             |
|---------------------|--------------|-------------|
|                     | 30 Sep 2022  | 30 Sep 2021 |
| Sales revenue       | 468.98       | 536.97      |
| Gross profit        | 99.73        | 55.75       |
| Net loss before tax | (92.29)      | (90.67)     |
| Net loss after tax  | (98.07)      | (96.04)     |
| Loss per share      | (4.29)       | (4.20)      |

After incurring heavy losses during the last financial year, the company is in the rebuilding process. Some salient features of these financial results are as under:

- Sales remain lower than last year due to production & financial challenges.
- Reduction in cost of raw & packing material & salaries with the help of better management of resources
- Increase in fuel & power costs due to increase in tariff rates.
- Reduction in administrative costs with the help of planning & management control.
- Increase in finance costs due to increase in interest rates, unavailability of export refinance & full utilization of financing facilities.

During this period, the sponsors have extended further loans of PKR 40M to help company cash flows. Also, at the same time, company has revised its prices as compared to the last year and is making successful efforts for reduction in its input costs. During the subsequent period, we have achieved improvements in our gross margins that shall generate operating profits. Hence, we are currently aiming towards further improvements in the next quarter with a view to offset Q-1 losses. With the arrival of fresh crop of saag and winter seasonal impact, the sales of the company have grown in the subsequent months with more efficiency and diligence.

We have also planned modernization of plant facilities and upgrading our facilities in a phased manner to ensure the quality and availability of products and to increase shareholder's value.

For and on behalf of  
the Board of Directors

**Najam Aziz Sethi**  
Chief Executive Officer  
Lahore: December 22, 2022

**Shazad Ghaffar**  
Chairman

**Mitchell's Fruit Farms Limited**  
**Condensed Interim Statement of Financial Position as at September 30, 2022**

|  |             | <b>September 30<br/>2022</b> | <b>June 30<br/>2022</b>   |  |             | <b>September 30<br/>2022</b> | <b>June 30<br/>2022</b>   |
|--|-------------|------------------------------|---------------------------|--|-------------|------------------------------|---------------------------|
|  | <b>Note</b> | <b>Rupees<br/>Un-Audited</b> | <b>Rupees<br/>Audited</b> |  | <b>Note</b> | <b>Rupees<br/>Un-Audited</b> | <b>Rupees<br/>Audited</b> |
| <b>EQUITY AND LIABILITIES</b>  |             |                              |                           | <b>ASSETS</b>  |             |                              |                           |
| <b>CAPITAL AND RESERVES</b>  |             |                              |                           | <b>NON-CURRENT ASSETS</b>                                |             |                              |                           |
| Authorized capital<br>40,000,000 (June 30, 2022: 40,000,000)<br>ordinary shares of Rs 10 each                            |             | 400,000,000                  | 400,000,000               | Property, plant and equipment                            | 8           | 655,712,121                  | 668,093,802               |
|  |             |                              |                           | Intangible assets  |             | 26,481,601                   | 26,585,558                |
|  |             |                              |                           | Biological assets  |             | 1,550,000                    | 1,550,000                 |
|  |             |                              |                           | Long term receivables                                    |             | 1,231,543                    | 1,541,543                 |
|  |             |                              |                           |  |             | 684,975,265                  | 697,770,903               |
| <b>Issued, subscribed and paid up capital</b><br>22,875,000 (June 30, 2022: 22,875,000)<br>ordinary shares of Rs 10 each |             | 228,750,000                  | 228,750,000               |  |             |                              |                           |
| Reserves   | 6           | (123,890,402)                | (25,813,586)              |  |             |                              |                           |
|  |             | 104,859,598                  | 202,936,414               |  |             |                              |                           |
| <b>NON-CURRENT LIABILITIES</b>   |             |                              |                           | <b>CURRENT ASSETS</b>                                    |             |                              |                           |
| Deferred liabilities   |             | 138,620,600                  | 135,741,601               | Stores, spares and loose tools                           |             | 47,681,397                   | 45,561,599                |
| <b>CURRENT LIABILITIES</b>   |             |                              |                           | Inventories  |             | 383,740,059                  | 430,965,294               |
| Current portion of long term finance   |             | 7,500,000                    | 14,949,499                | Trade debts - unsecured                                  |             | 171,489,797                  | 202,059,716               |
| Current portion of deferred grant  |             | 125,297                      | 125,297                   | Advances, deposits, prepayments<br>and other receivables |             | 156,466,813                  | 127,526,438               |
| Trade and other payables   |             | 707,491,215                  | 707,328,886               | Income tax receivable                                    |             | 97,692,016                   | 116,394,571               |
| Finances under markup arrangements   |             | 314,024,464                  | 341,059,804               | Bank balances  |             | 10,240,838                   | 21,624,400                |
| Loan from shareholders - unsecured   |             | 265,000,000                  | 225,000,000               |  |             | 867,310,920                  | 944,132,018               |
| Accrued finance cost   |             | 12,752,256                   | 12,848,666                |  |             |                              |                           |
| Unclaimed dividend   |             | 1,912,754                    | 1,912,754                 |  |             |                              |                           |
|  |             | 1,308,805,986                | 1,303,224,906             |  |             |                              |                           |
| CONTINGENCIES AND COMMITMENTS  | 7           | -                            | -                         |  |             |                              |                           |
|  |             | <b>1,552,286,184</b>         | <b>1,641,902,921</b>      |  |             | <b>1,552,286,184</b>         | <b>1,641,902,921</b>      |

The annexed notes 1 to 15 form a integral part of this condensed interim financial statements.  
Notes 9-A to 9-E are only for internal review by the directors.

Badar M. Khan  
**Chief Financial Officer**

Najam Aziz Sethi  
**Chief Executive Officer**

Shazad Ghaffar  
**Chairman**

**Mitchell's Fruit Farms Limited**  
**Condensed Interim Statement of Profit or Loss Account**  
**For the First Quarter Ended September 30, 2022 (Un-audited)**

|  |     | <b>September 30<br/>2022<br/>Rupees</b> | <b>September 30<br/>2021<br/>Rupees</b> |
|--|-----|---|---|
| Sales  | 9   | 468,989,225                             | 536,974,622                             |
| Cost of sales                                | 9-A | <u>(369,251,576)</u>                    | <u>(481,222,108)</u>                    |
| <b>Gross profit</b>                          |     | <b>99,737,649</b>                       | <b>55,752,514</b>                       |
| Administrative & general expenses:           | 9-B | (44,630,285)                            | (67,128,120)                            |
| Marketing & distribution expenses            | 9-C | (135,990,148)                           | (79,943,544)                            |
| Other operating expenses                     |     | (200,261)                               | -                                       |
| Other operating income                       | 9-D | <u>4,440,427</u>                        | <u>5,915,367</u>                        |
| <b>Loss from operations</b>                  |     | <b>(76,642,619)</b>                     | <b>(85,403,782)</b>                     |
| Finance costs                                | 9-E | <u>(15,656,402)</u>                     | <u>(5,271,434)</u>                      |
| <b>Loss before tax</b>                       |     | <b>(92,299,021)</b>                     | <b>(90,675,216)</b>                     |
| Taxation                                     |     | <u>(5,777,795)</u>                      | <u>(5,369,746)</u>                      |
| <b>Loss after tax</b>                        |     | <b><u>(98,076,816)</u></b>              | <b><u>(96,044,962)</u></b>              |
| <b>Loss per share</b><br>- Basic and diluted |     | <b><u>(4.29)</u></b>                    | <b><u>(4.20)</u></b>                    |

The annexed notes 1 to 15 form an integral part of this condensed interim financial statements.  
Notes 9-A to 9-E are only for internal review by the directors.

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**Chief Financial Officer**

Najam Aziz Sethi  
**Chief Executive Officer**

Shazad Ghaffar  
**Chairman**

**Mitchell's Fruit Farms Limited**  
**Condensed Interim Statement of Comprehensive Income**  
**For the First Quarter Ended September 30, 2022 (Un-audited)**

|  | <b>September 30<br/>2022<br/>Rupees</b> | <b>September 30<br/>2021<br/>Rupees</b> |
|--|---|---|
| <b>Loss for the period</b>                                       | <u>(98,076,816)</u>                     | <u>(96,044,962)</u>                     |
| <b>Other Comprehensive Income:</b>                               |   |   |
| -Items that will not be reclassified to profit or (loss)         | -                                       | -                                       |
| Re-measurement of retirement benefit - net of tax                | -                                       | -                                       |
| -Items that may be reclassified subsequently to profit or (loss) | -                                       | -                                       |
| <b>Total comprehensive loss for the period</b>                   | <u>(98,076,816)</u>                     | <u>(96,044,962)</u>                     |

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

Badar M. Khan  
**Chief Financial Officer**

Najam Aziz Sethi  
**Chief Executive Officer**

Shazad Ghaffar  
**Chairman**

**Mitchell's Fruit Farms Limited**  
**Condensed Interim Statement of Changes in Equity**  
**For the First Quarter Ended September 30, 2022 (Un-audited)**

|   | Share<br>capital   | Share<br>premium   | General<br>reserve | Accumulated<br>profit | Total              |
|---|--------------------|--------------------|--------------------|-----------------------|--------------------|
|   | -----Rupees-----   |                    |                    |                       |                    |
| <b>Balance as at July 1, 2021</b>   | 228,750,000        | 609,335,878        | 300,000            | (1,967,821)           | 836,418,057        |
| Total comprehensive income for the period Jul 2021 to Sep 2021                      |                    |                    |                    |                       |                    |
| - Loss for the period from July 1, 2021 to Sep 30, 2021                             | -                  | -                  | -                  | (621,977,039)         | (621,977,039)      |
| - Other comprehensive income for the period from July 1, 2021 to September 30, 2021 | -                  | -                  | -                  | (11,504,604)          | (11,504,604)       |
|   | -                  | -                  | -                  | (633,481,643)         | (633,481,643)      |
| <b>Balance as at June 30, 2022</b>  | <u>228,750,000</u> | <u>609,335,878</u> | <u>300,000</u>     | <u>(635,449,464)</u>  | <u>202,936,414</u> |
| <b>Balance as at July 1, 2022</b>   | 228,750,000        | 609,335,878        | 300,000            | (635,449,464)         | 202,936,414        |
| Total comprehensive income for the period July 1, 2022 to September 30, 2022        |                    |                    |                    |                       |                    |
| - Loss for the period from July 1, 2022 to September 30, 2022                       | -                  | -                  | -                  | (98,076,816)          | (98,076,816)       |
| - Other comprehensive income for the period from July 1, 2022 to September 30, 2022 | -                  | -                  | -                  | -                     | -                  |
| <b>Balance as at September 30, 2022</b>   | <u>228,750,000</u> | <u>609,335,878</u> | <u>300,000</u>     | <u>(733,526,280)</u>  | <u>104,859,598</u> |

Badar M. Khan  
**Chief Financial Officer**

Najam Aziz Sethi  
**Chief Executive Officer**

Shazad Ghaffar  
**Chairman**

**Mitchell's Fruit Farms Limited**  
**Condensed Interim Statement of Cash Flows**  
**For the First Quarter Ended September 30, 2022 (Un-audited)**

|   | <b>September 30<br/>2022<br/>Rupees</b> | <b>September 30<br/>2021<br/>Rupees</b> |
|---|---|---|
| <b>Cash flows from operating activities</b>                     |   |   |
| Cash (used in) / generated from operations                      | (2,790,281)                             | (179,718,386)                           |
| Finance cost paid   | (15,752,812)                            | (5,271,435)                             |
| Taxes paid  | 12,924,760                              | (6,473,595)                             |
| Retirement benefits paid  | (510,752)                               | (3,640,690)                             |
| Payment of accumulated compensated absences                     | -                                       | (1,107,865)                             |
| Security deposit - net  | 310,000                                 | 3,600,000                               |
| <b>Net cash (used in) / generated from operating activities</b> | <b>(5,819,085)</b>                      | <b>(192,611,971)</b>                    |
| <b>Cash flows from investing activities</b>                     |   |   |
| Fixed capital expenditure including CWIP                        | (7,750,743)                             | (15,638,621)                            |
| Transfer to CWIP  | (3,278,394)                             | 484,458                                 |
| Proceeds from sale of biological assets                         | -                                       | 121,000                                 |
| Proceeds from sale of property, plant and equipment             | -                                       | -                                       |
| <b>Net cash used in investing activities</b>                    | <b>(11,029,137)</b>                     | <b>(15,033,163)</b>                     |
| <b>Cash flows from financing activities</b>                     |   |   |
| Loan/Advance obtained from shareholders                         | 40,000,000                              | -                                       |
| Repayment of long term finances-secured                         | (7,500,000)                             | (7,500,000)                             |
| <b>Net cash generated from financing activities</b>             | <b>32,500,000</b>                       | <b>(7,500,000)</b>                      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     | <b>15,651,778</b>                       | <b>(215,145,134)</b>                    |
| <b>Cash and cash equivalents at the beginning of the period</b> | <b>(319,435,404)</b>                    | <b>(121,766,295)</b>                    |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>(303,783,626)</b>                    | <b>(336,911,429)</b>                    |

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

Badar M. Khan  
**Chief Financial Officer**

Najam Aziz Sethi  
**Chief Executive**

Shazad Ghaffar  
**Chairman**

**MITCHELL'S FRUIT FARMS LIMITED**  
**Notes to and Forming Part of the**  
**Condensed Interim Financial Information**  
**For the Quarter Ended September 30, 2022 (Un-audited)**

**1. Legal status and nature of business**

Mitchell's Fruit Farms Limited ("the Company") is a public limited Company incorporated in Pakistan and the shares of the Company are listed on Pakistan Stock Exchange Limited. It is principally engaged in the manufacture and sale of various farm and confectionery products. The registered office of the Company is situated at House No. 72-FCC, Gulberg IV, Lahore. The manufacturing facility and the farms are situated in Renala Khurd, Okara, Pakistan. The Company also has one Regional 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:

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

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

(c) 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 Initial application of standards, amendments or an interpretation of existing 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:

- 2.2.1 Standards, amendments to published standards and interpretations that are effective in current period and are relevant to the Company's operations. Certain standard amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after October 1, 2020 but are considered not to be relevant or to have any significant effect on the Company operations and are, therefore, not detailed in these financial statements.
- 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 standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements:

| <b>Standards or Interpretation</b>   | <b>Effective date<br/>(Accounting Periods<br/>beginning on or after)</b> |
|--|--|
| Amendments to IAS 16 'Property, Plant and Equipment', prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.  | January 01, 2022   |
| Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss making.  | January 01, 2022   |
| First-time Adoption of International Financial Reporting Standards - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter).   | January 01, 2022   |
| Business Combinations IFRS 3 - Amendments updating a reference to the Conceptual Framework.  | January 01, 2022   |
| Amendments to IAS 1 and IFRS 2 Practice Statement 2, 'Disclosure of Accounting Policies' require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. | January 01, 2023   |
| Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors' clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates whereby change in accounting policies is a prospective change and change in accounting estimates is a retrospective change.           | January 01, 2023   |
| Amendment to IAS 12 'Income Taxes' require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.  | January 01, 2023   |
| Amendments to IAS 1 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period and what IAS 1 means when it refers to the 'settlement' of a liability.                                      | January 01, 2024   |

**3. Seasonal nature of Operations**

The quarterly results of the Company are subject to seasonal fluctuations due to variation in demand of the many products of the company, e.g. Squashes, Syrups & Confectionery.

**4. Significant Accounting Judgements, Estimates, Assumptions & Policies**

The significant accounting judgments, estimates, assumptions and accounting policies adopted and applied by the Company for the preparation of these condensed interim financial statements are the same as were adopted and applied in the preparation of the preceding annual audited financial statements for the year ended 30 June 2022.



## 5 Taxation

Provision in respect of Taxation is estimated and is subject to final adjustment in the annual audited financial statements.

## 6 Reserves

|  | <b>September 30<br/>2022<br/>Rupees</b> | <b>June 30<br/>2022<br/>Rupees</b> |
|--|---|------------------------------------|
| Composition of reserves is as follows: |   |                                    |
| Capital Reserve                        |   |                                    |
| Share premium                          | 609,335,878                             | 609,335,878                        |
| Revenue Reserves                       |   |                                    |
| General reserve                        | 300,000                                 | 300,000                            |
| Unappropriated loss                    | (733,526,280)                           | (635,449,464)                      |
|  | <u>(123,890,402)</u>                    | <u>(25,813,586)</u>                |

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

## 7. Contingencies and commitments

### 7.1 Income Tax

- (i) The Deputy Commissioner Inland Revenue ('DCIR') raised demands amounting to Rs. 19.52 million including default surcharge against the Company vide various orders issued relating to Tax Year **2007, 2008, 2011, 2012, and 2016** under section 161 of Income Tax Ordinance 2001 ('ITO 2001') on account of non-withholding of taxes while making certain payments. The Company filed appeals with the Commissioner Inland Revenue (Appeals) (CIR-A), which were partially decided against the Company. Being aggrieved the Company filed appeals before the Appellate Tribunal Inland Revenue ('ATIR') which are pending adjudication.
- (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. 27.62 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 favor resulting in a refund of Rs. 18.93 million vide order dated October 23, 2013. Being aggrieved, the Company filed an appeal before the Appellate Tribunal Inland Revenue ('ATIR') which was decided against the Company vide order dated March 18, 2020. Being aggrieved, the Company filed an appeal in Honorable Lahore High Court, which is pending adjudication.
- (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 favor 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 has been remanded back for fresh proceedings vide order dated March 31, 2022.
- (iv) The Additional Commissioner Inland Revenue ('AdCIR') has disallowed certain expenses on account of certain expenditures relating to tax years 2014. The Company filed appeals before the Commissioner Inland Revenue (Appeals) (CIR-A), which were partially decided against the Company. Being aggrieved the Company filed appeals before the Appellate Tribunal Inland Revenue ('ATIR') which are pending adjudication.
- (v) The Additional Commissioner Inland Revenue ('AdCIR') under section 122 of ITO 2001 vide order dated June 30, 2022 in respect of tax year 2015, raised a demand of Rs 36.44 million on account of disallowance of certain expenditures under section 20 and section 21 of the Income Tax Ordinance 2001. The Company filed appeal before the Commissioner Inland Revenue (Appeals), which has been decided against the Company vide order dated October 14, 2021. Being aggrieved, the Company filed an appeal before the Honorable Appellate Tribunal, which is pending adjudication.

The Management and taxation expert of the Company believes that there are meritorious grounds to defend the above mentioned demands relating to the respective cases, consequently, no provision has been recorded in these financial statements with respect to the above matters.

### 7.1.2 Sales Tax

Following are the various contingencies relating to Sales Tax matters:

- (i) 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 favor of the Company vide order dated September 11, 2015 resulting in reduction of demand by Rs. 4.17 million. Furthermore, the CIR(A) remanded back the case to DCIR with directions to pass fresh order after providing an opportunity to the taxpayer. However, the Tax department has not initiated the remand back proceeding, therefore, Company's management is of the view point that the remand back proceeding has become barred by time thereby the demand of Rs. 1.14 million no more exist. Being aggrieved the Company has filed an appeal before Appellate Tribunal Inland Revenue ('ATIR'), against the demand of Rs. 3.86 million as confirmed by CIR(A), which is pending adjudication.
- (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 and certain matters were remanded back. Being aggrieved the Company has filed an appeal before Appellate Tribunal Inland Revenue ('ATIR'). The honorable ATIR has remanded back the case to DCIR through order dated May 17, 2022. Furthermore, DCIR initiated the remand back proceedings and issued order on June 30, 2021 creating a demand of Rs. 2.68 million including default surcharge. The Company filed an appeal before Commissioner Inland Revenue (Appeals), which was partially decided in favor of the Company vide order dated October 11, 2021. Being aggrieved, the Company filed an appeal before Appellate Tribunal Inland Revenue ('ATIR') against the remaining amount of Rs. 1.51 million, which was remanded back for fresh proceedings vide order dated May 17, 2022.

- (iii) The Additional Commissioner Punjab Revenue Authority (ADC) passed an order dated May 06, 2021 created a demand of Rs. 38.28 million on issues on account of short deduction of sales tax withheld issues. Being aggrieved, the Company filed an appeal before Commissioner Appeals Punjab Revenue Authority, which is pending for hearing.

The Management and taxation expert of the Company believes that there are meritorious grounds to defend the above mentioned demands relating to the respective cases, consequently, no provision has been recorded in these financial statements with respect to the above matters.

### 7.1.3 Others

- (i) Letter of guarantee in favor of Sui Northern Gas Pipelines Limited on account of payment of dues against gas consumption amounting to Rs 17.2 million (June 30, 2022: Rs 17.2 million).
- (ii) The Company has issued postdated cheques amounting to Rs 50 million (June 30, 2022: Rs 80.59 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 957 (I) 2021 dated 30 July, 2022, SRO # 492 (I)/2009 dated June 13, 2009 and SRO # 450 (I)/2001 dated June 30, 2001 under Customs Rules 2001.

### 7.2 Commitments

- (i) Letters of credit for purchase of raw and packing materials Rs 84.24 million (June 30, 2021: Rs 32.59 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:

|  | <b>September 30<br/>2022<br/>Rupees</b> | <b>June 30<br/>2022<br/>Rupees</b> |
|--|---|------------------------------------|
| Not later than one year                                      | 1,306,425                               | 2,708,050                          |
| Later than one year and not later than five years            | 310,000                                 | 310,000                            |
|  | <u>1,616,425</u>                        | <u>3,018,050</u>                   |
| <b>8 Property, plant and equipment</b>                       |   |                                    |
| Operating fixed assets - note 8.1                            | 635,676,627                             | 644,779,914                        |
| Capital work-in-progress                                     | 20,035,494                              | 23,313,888                         |
|  | <u>655,712,121</u>                      | <u>668,093,802</u>                 |
| <b>8.1 Operating fixed assets - At net book value</b>        |   |                                    |
| Opening book value   | 644,779,914                             | 627,417,134                        |
| Add: Additions during the period / year at cost - note 8.1.1 | 4,489,000                               | 73,052,954                         |
|  | 649,268,914                             | 700,470,088                        |
| Less: Disposals during the period / year at book value       | -                                       | (791,862)                          |
| Depreciation charged during the period / year                | (13,592,287)                            | (54,898,312)                       |
| Closing book value   | <u>635,676,627</u>                      | <u>644,779,914</u>                 |
| <b>8.1.1 Detail of additions during the period / year</b>    |   |                                    |
| Buildings on freehold land                                   | -                                       | 1,539,029                          |
| Leasehold improvements                                       | -                                       | 2,900,287                          |
| Plant and machinery  | -                                       | 57,698,567                         |
| Vehicles   | -                                       | 239,414                            |
| Furniture and fittings                                       | -                                       | 2,296,873                          |
| Electric installations                                       | -                                       | 3,931,584                          |
| Computer hardware  | 4,489,000                               | 4,447,200                          |
|  | <u>4,489,000</u>                        | <u>73,052,954</u>                  |

|            |   | <b>Quarter ended September 30</b> |                              |
|------------|---|-----------------------------------|------------------------------|
|            |   | <b>2022</b>                       | <b>2021</b>                  |
| <b>9.</b>  | <b>Sales</b>  | <b>Un-audited<br/>Rupees</b>      | <b>Un-audited<br/>Rupees</b> |
|            | -Local  | 555,585,221                       | 678,778,014                  |
|            | -Export   | 72,834,198                        | 53,919,571                   |
|            |   | 628,419,419                       | 732,697,585                  |
|            | Less: Sales Tax   | (73,820,012)                      | (78,963,452)                 |
|            | Less:   | 554,599,407                       | 653,734,133                  |
|            | Sales Returns, Trade Discounts, Trade Promotions & Incentives | (85,610,182)                      | (116,759,511)                |
|            |   | <u>468,989,225</u>                | <u>536,974,622</u>           |
| <b>9-A</b> | <b>Cost of Sales</b>  |                                   |                              |
|            | Raw and packing material consumed                             | 250,334,817                       | 366,477,419                  |
|            | Salaries, wages and other benefits                            | 37,714,101                        | 40,489,095                   |
|            | Labor Cost  | 14,947,062                        | 20,450,312                   |
|            | Boiler Expenses   | 4,237,487                         | 8,749,006                    |
|            | Freight and octroi  | 2,776,915                         | 719,072                      |
|            | Travelling and vehicle running                                | 1,721,330                         | 1,363,450                    |
|            | Repairs and maintenance                                       | 6,749,006                         | 8,534,697                    |
|            | Power, water & Gas  | 37,312,930                        | 19,179,130                   |
|            | Rent, rates and taxes   | 596,520                           | 589,098                      |
|            | Depreciation & Amortization                                   | 11,185,552                        | 12,768,033                   |
|            | Other expenses  | 1,675,856                         | 1,902,797                    |
|            |   | <u>369,251,576</u>                | <u>481,222,108</u>           |
| <b>9-B</b> | <b>Administrative &amp; general expenses:</b>                 |                                   |                              |
|            | Salaries, wages and other benefits                            | 23,384,253                        | 29,934,703                   |
|            | Travelling and vehicle running                                | 4,496,632                         | 2,615,296                    |
|            | Entertainment   | 1,477,312                         | 897,051                      |
|            | Repairs and maintenance                                       | 180,194                           | 1,765,864                    |
|            | Insurance   | 2,536,474                         | 315,409                      |
|            | Rent, rates and taxes   | 4,658,823                         | 4,482,873                    |
|            | Power, water and gas  | 1,294,958                         | 1,939,987                    |
|            | Printing and stationery                                       | 386,099                           | 863,603                      |
|            | Postage and telephone expenses                                | 180,947                           | 505,896                      |
|            | Legal & Professional Charges                                  | 2,664,262                         | 15,406,691                   |
|            | Depreciation & Amortization                                   | 2,153,801                         | 4,089,647                    |
|            | Other expenses  | 1,216,532                         | 4,311,100                    |
|            |   | <u>44,630,285</u>                 | <u>67,128,120</u>            |
| <b>9-C</b> | <b>Marketing &amp; distribution expenses</b>                  |                                   |                              |
|            | Salaries, wages and other benefits                            | 23,666,840                        | 15,047,511                   |
|            | Selling Freight   | 6,597,484                         | 9,457,818                    |
|            | Advertisement   | 25,420,677                        | 33,326,250                   |
|            | Selling & distribution costs                                  | 64,962,304                        | 6,856,079                    |
|            | Other expenses  | 15,342,844                        | 15,255,885                   |
|            |   | <u>135,990,148</u>                | <u>79,943,544</u>            |

**Note:**

At the time of closure of Q-1 in 2021, we were in the process of redefining terms & conditions of our distributors pending which, some of their claims were finalized & booked during Q-2. Consequently, last year Q-2 audited number of these expenses was PKR 287.56M i.e. about PKR 143.78M per quarter which is in line with Q-1 this year.

|            |                           | <b>Quarter ended September 30</b> |                   |
|------------|---------------------------|-----------------------------------|-------------------|
|            |                           | <b>2022</b>                       | <b>2021</b>       |
|            |                           | <b>Un-audited</b>                 | <b>Un-audited</b> |
|            |                           | <b>Rupees</b>                     | <b>Rupees</b>     |
| <b>9-D</b> | <b>Other income</b>       |                                   |                   |
|            | Others                    | 447,225                           | 867,142           |
|            | Rent recovered            | 611,671                           | 531,260           |
|            | Exchange gain             | 2,229,485                         | 1,171,037         |
|            | Scrap sales               | 1,152,046                         | 3,345,928         |
|            |                           | <u>4,440,427</u>                  | <u>5,915,367</u>  |
| <b>9-E</b> | <b>Finance costs</b>      |                                   | -                 |
|            | Bank Charges              | 909,637                           | 1,784,325         |
|            | Markup on Director's Loan | 2,708,119                         | -                 |
|            | Markup on Bank Financing  | 12,038,647                        | 3,487,109         |
|            |                           | <u>15,656,402</u>                 | <u>5,271,434</u>  |
|            |                           | -                                 | -                 |

**10. Transactions with related parties**

| <b>Relationship with the Company</b> | <b>Name and Percentage of Shareholding of Related Party</b> | <b>Transactions during the year</b> |                   |                  |
|--------------------------------------|---|-------------------------------------|-------------------|------------------|
| i. Director                          | Mr. Mehdi Mohsin<br>(Shareholding: 20.41%)                  | Purchase of goods                   | 350,000           | 149,802          |
|                                      |   | Rent expense                        | 919,840           | 813,494          |
|                                      |   | Expenses incurred on their behalf   | 247,639           | 648,904          |
| ii. Spouse of Director               | Syeda Maimanat Mohsin<br>(Shareholding: 20.42%)             | Purchase of goods                   | -                 | 45,360           |
|                                      |   | Loan obtained                       | 5,000,000         | -                |
| iii. Daughter of Director            | Mira Sethi  | Loan obtained                       | 35,000,000        | -                |
| iv. Related Party                    | M/s Vanguard Books (Pvt) Ltd<br>(Common Shareholding)       | Rent expense                        | 4,658,823         | 4,235,295        |
|                                      |   |                                     | -                 | -                |
|                                      |   |                                     | <u>46,176,302</u> | <u>5,892,855</u> |

| 11. Cash generated from operations   | <b>Quarter ended September 30</b> |                              |
|--|-----------------------------------|------------------------------|
|  | <b>2022</b>                       | <b>2021</b>                  |
|  | <b>Un-audited<br/>Rupees</b>      | <b>Un-audited<br/>Rupees</b> |
| (Loss) before tax  | (92,299,021)                      | (90,675,216)                 |
| Adjustment for:  |                                   |                              |
| - Depreciation on property, plant and equipment                                  | 13,592,286                        | 17,307,138                   |
| - Provision for gratuity & accumulated leaves                                    | 4,303,382                         | 6,868,362                    |
| - Exchange gain  | (2,229,485)                       | (1,171,037)                  |
| - Provision for trade promotions and incentives                                  | 20,767,830                        | 37,658,225                   |
| - Finance cost   | 15,656,402                        | 5,271,434                    |
| <b>(Loss) before working capital changes</b>                                     | <b>(40,208,606)</b>               | <b>(24,741,094)</b>          |
| Effect on cash flow due to working capital changes:                              |                                   |                              |
| - (Increase)/ Decrease in stores, spares and loose tools                         | (2,119,798)                       | (3,315,893)                  |
| - (Increase)/Decrease in stock-in-trade  | 47,225,235                        | (4,205,034)                  |
| - Decrease in trade debts  | 22,214,233                        | 39,032,598                   |
| - (Increase)/Decrease in advances, deposits<br>prepayments and other receivables | (30,063,673)                      | 2,026,365                    |
| - (Decrease) / increase in creditors, accrued and other liabilities              | 162,329                           | (188,515,328)                |
|  | 37,418,326                        | (154,977,292)                |
| <b>Cash utilized in operations</b>   | <b>(2,790,280)</b>                | <b>(179,718,386)</b>         |
| <b>12. Cash and cash equivalents</b>   |                                   |                              |
| Cash and bank balances   | 10,240,838                        | 13,894,984                   |
| Finances under markup arrangements - secured                                     | (314,024,464)                     | (350,806,413)                |
|  | <b>(303,783,626)</b>              | <b>(336,911,429)</b>         |
| <b>13. Fair values estimation</b>  |                                   |                              |

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. 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 financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting 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).

**14. Date of authorization**

These condensed interim financial information were authorized for issue on December 29, 2022 by the board of directors of the company.

**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.

Badar M. Khan  
Chief Financial Officer

Najam Aziz Sethi  
Chief Executive

Shazad Ghaffar  
Chairman