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HALF YEARLY
REPORT
31-DEC 2022

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Company Information

BOARD OF DIRECTORS

| | |
|-------------------------------------|--------------------------|
| Mr. Shazad Ghaffar | Chairman |
| Mr. Najam Aziz Sethi..... | Chief Executive Officer |
| Mr. Syed Mohammad Mehdi Mohsin..... | Non - Executive Director |
| Ms. Umme Kulsum Imam | Non - Executive Director |
| Mr. Abdul Hamid Dagia | Non - Executive Director |
| Mr. Aamir Amin | Independent Director |
| Mr. Syed Manzar Hassan..... | Independent Director |
| Mr. Rizwan Bashir | Independent Director |

AUDIT COMMITTEE

| | |
|--------------------------|----------|
| Mr. Rizwan Bashir | Chairman |
| Mr. Shazad Ghaffar | Member |
| Mr. Aamir Amin..... | Member |

HUMAN RESOURCES & REMUNERATION COMMITTEE

| | |
|----------------------------|----------|
| Mr. Manzar Hassan | Chairman |
| Ms. Umme Kulsum Imam | Member |
| Mr. Aamir Amin..... | Member |

CHIEF FINANCIAL OFFICER

Badar M. Khan, FCA

COMPANY SECRETARY

Mehboob Ellahi Khan

AUDITORS

Crowe Hussain Chaudhury & Company
Chartered Accountants

LEGAL ADVISORS

Crown 1207 LLP
258-A, Upper mall Scheme,
Opposite Gymkhana, Lahore

BANKERS

Habib Bank Limited
Askari Bank Limited
Allied Bank Limited
JS Bank Limited
Bank Al Habib Limited

SHARE REGISTRAR

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

CORPORATE OFFICE

72-FCC Gulberg IV, 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

REGIONAL SALES OFFICES

Islamabad

Plot # 102, Street 7
Main China Road, Sector I-10/3
Islamabad
Phones: (051) 2707357
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

Directors' Report

The Directors of the company are pleased to present their report on the condensed interim financial statement of the Company for the period ended December 31, 2022.

Key financial highlights for the subject period are as under:

| | December 31 2022 (Un-audited) | December 31 2021 (Un-audited) |
|----------------------------------|-------------------------------------|-------------------------------------|
| | Rupees in Million | |
| Revenue | 1,325.02 | 1,268.77 |
| Gross Profit | 341.51 | 259.18 |
| Loss before tax | (41.25) | (115.22) |
| Loss after tax | (57.59) | (130.57) |
| Loss Per Share-Basic and diluted | (2.52) | (5.71) |

After sustaining losses during the previous year and in the first quarter of this year, the company is now in a rebuilding process and making all out efforts to maintain profitable business operations during the remainder of this financial year. The existing economic scenario poses multiple challenges but despite of that, we were successfully able to achieve the desired momentum towards the turnaround of the company.

The second quarter witnessed a robust growth in our sales as compared to the similar period last year. At the same time, distribution and marketing costs were also rationalized. The management's incentives of price increases, better utilization of resources at hand and rationalizing operations has resulted in an increase in overall margins for the company. Consequently, the company was able to fetch an after-tax profit of PKR 40.48 Million during the second quarter, reducing the year to date losses to PKR 57.59 Million.


Implementation of SAP ERP has also contributed towards enhancing the monitoring & efficiency mechanism of our operations.


At the same time, during the period under review, company continued to have shortage of working capital due to which, sponsors of the company extended fresh loans of PKR 91 Million to the company. On the other hand, the cost of capital has also substantially increased, that is mainly responsible for the huge increase in financial costs.

Going forward, the Company foresees that despite continued momentum in sales and pressure shall remain on the gross profits due to escalating cost inflation both for material and overheads. In addition to that, curb on imports from the Government may also be impacting the timely availability of certain raw/packaging material and some essential spare parts. The Company is cognizant of all these challenges and making all possible efforts to mitigate those.

During the period, the composition of Board remained unchanged as reported in last Annual Report 2022.

For and on behalf of
the Board of Directors


Najam Aziz Sethi
Chief Executive Officer


Shazad Ghaffar
Chairman

Lahore: February 28, 2022

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 دسمبر 2022 کو ختم ہونے والی پہلی ششماہی کے لیے کمپنی کے کنڈیٹسڈ ششماہی عبوری مالیاتی حسابات پر اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مذکورہ بالا مدت کے لیے اہم مالی جھلکیاں حسب ذیل ہیں:

| تفصیل | 31 دسمبر 2022 | 31 دسمبر 2021 |
|-------------------------|------------------------|------------------------|
| | پاکستانی روپے ملین میں | پاکستانی روپے ملین میں |
| سیلز ریونیو | 1,325.02 | 1,268.77 |
| مجموعی منافع | 341.51 | 259.18 |
| ٹیکس سے پہلے خالص نقصان | (41.25) | (115.22) |
| ٹیکس کے بعد خالص نقصان | (57.59) | (130.57) |
| فی شیئر نقصان | (2.52) | (5.71) |

گزشتہ مالی سال کے دوران اور اس سال کی پہلی سہ ماہی میں ہماری نقصان اٹھانے کے بعد کمپنی دوبارہ تعمیر کے عمل میں ہے اور اس مالی سال کے باقی عرصہ کے دوران کاروباری آپریشنز کو منافع بخش رکھنے کے لیے تمام تر کوششیں کر رہی ہے موجودہ معاشی منظر نامہ متعدد مشکلات لاحق کرتا ہے لیکن ان سب کے باوجود، ہم کمپنی کو بحال کرنے کے لیے مطلوبہ رقم حاصل کرنے میں کامیاب ہوئے ہیں۔

دوسری سہ ماہی میں ہماری فروخت میں گزشتہ سال کی اسی مدت کے مقابلے میں خاطر خواہ اضافہ دیکھنے میں آیا۔ اسی اثناء میں، تقسیم اور مارکیٹنگ کے اخراجات کو بھی کم کر دیا گیا۔ انتظامیہ کی جانب سے قیمتوں میں اضافے کی ترغیبات، وسائل کے بہتر استعمال اور آپریشنز کو کم کرنے کے نتیجے میں کمپنی کے مجموعی مارجن میں اضافہ ہوا ہے۔ نتیجتاً، کمپنی دوسری سہ ماہی کے دوران 40.48 ملین روپے کا بعد از ٹیکس منافع حاصل کرنے میں کامیاب رہی، جس سے اس سال کے نقصانات 57.59 ملین تک کم ہو گئے۔

SAPERP کا نفاذ ہمارے آپریشنز کی نگرانی اور استعداد کا کو بڑھانے میں بھی معاون رہا ہے۔

اسی اثناء میں، زیر جائزہ مدت کے دوران، کمپنی کو ورکنگ کپینٹل کی کمی کا سامنا رہا جس کی وجہ سے، کمپنی کے سپائزر نے کمپنی کو 91 ملین روپے کے نئے قرضے فراہم کیے۔ دوسری طرف، ہر ماہ کی لاگت میں بھی خاطر خواہ اضافہ ہوا ہے، جو کہ بنیادی طور پر مالی اخراجات میں اضافہ کا ذمہ دار ہے۔

آگے بڑھتے ہوئے کمپنی امید کرتی ہے کہ فروخت میں مسلسل اضافے اور اوور ہیڈز کے لیے بڑھتی ہوئی لاگت کے باوجود مجموعی منافع برقرار رہے گا۔ اس کے

علاوہ، حکومت کی طرف سے درآمدات پر پابندی، بعض خام / پیکیجنگ مواد اور کچھ ضروری اسپتیر پائٹس کی بروقت دستیابی پر بھی اثر انداز ہو سکتی ہے۔ کمپنی ان تمام چیلنجز سے بخوبی واقف ہے اور ان کو کم کرنے کی ہر ممکن کوشش کر رہی ہے۔

اس مدت کے دوران، بورڈ کی تشکیل میں کوئی تبدیلی نہیں کی گئی جیسا کہ گزشتہ سالانہ رپورٹ 2022 میں رپورٹ کیا گیا تھا۔

منجانب

بورڈ آف ڈائریکٹرز کی جانب سے

Shahid Sheikh

شہزاد غفار

چیئرمین

Akram Khan

نجم عزیز سیٹھی

چیف ایگزیکٹو آفیسر

28 فروری 2023ء



Crowe Hussain Chaudhury & Co.
25-E, Main Market, Gulberg II,
Lahore-54600, Pakistan
Main +92-42-3575 9223-5
www.crowe.pk

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mitchell's Fruit Farms Limited

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Mitchell's Fruit Farms Limited ("the Company") as at December 31, 2022 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 condensed interim 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 these 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.

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 the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are 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 1.2 to the interim financial statements, which states that the Company has incurred net loss for the period of Rs. 57.599 million and has accumulated losses of Rs. 83.412 million as at December 31, 2022. Current liabilities of the Company exceed its current assets by Rs. 377.758 million as at December 31, 2022. These conditions along with others set forth in note 1.2 and note 7 to the condensed interim financial information indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified with regard to this matter.

Other Matter

The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the quarters ended December 31, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2022.

The condensed interim financial statements for the half year ended December 31, 2021 and the annual financial statements for the year ended June 30, 2022 of the Company were reviewed and audited, by another firm of the chartered accountants who expressed an unmodified conclusion and opinion thereon vide their reports dated February 25, 2022 and November 11, 2022, respectively.

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.



CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

Lahore

Dated: February 28, 2022

UDIN: RR202210051pkQwjHJnh

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Condensed Interim Statement of Financial Position (Un-audited)

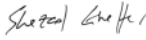
As at December 31, 2022

| | Note | December 31 2022 Rupees Un-audited | June 30 2022 Rupees Audited |
|---|------|---|--------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Share Capital and Reserves | | | |
| Authorized share capital 40,000,000 (June 30, 2022: 40,000,000) ordinary shares of Rs. 10 each | | 400,000,000 | 400,000,000 |
| Issued, subscribed and paid up capital 22,875,000 (June 30, 2022: 22,875,000) ordinary shares of Rs. 10 each | | 228,750,000 | 228,750,000 |
| Reserves | | (83,412,271) | (25,813,586) |
| | | 145,337,729 | 202,936,414 |
| NON-CURRENT LIABILITIES | | | |
| Deferred liabilities | | 156,286,134 | 135,741,601 |
| Deferred taxation | 5 | - | - |
| | | 156,286,134 | 135,741,601 |
| CURRENT LIABILITIES | | | |
| Creditors, accrued and other liabilities | | 692,330,172 | 707,328,886 |
| Short term borrowings | | 296,977,122 | 341,059,804 |
| Loan from shareholders - unsecured | 6 | 316,000,000 | 225,000,000 |
| Accrued finance cost | | 25,207,845 | 12,848,666 |
| Current portion of long term finance | | - | 14,949,499 |
| Current portion of deferred grant | | - | 125,297 |
| Unclaimed dividend | | 1,912,754 | 1,912,754 |
| | | 1,332,427,893 | 1,303,224,906 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 7 | - | - |
| | | 1,634,051,756 | 1,641,902,921 |

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements (un-audited).



Badar M. Khan
Chief Financial Officer



Najam Aziz Sethi
Chief Executive Officer


Shazad Gaffar
Chairman

| | Note | December 31 2022 Rupees Un-audited | June 30 2022 Rupees Audited |
|---|------|---|--------------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 646,677,167 | 668,093,802 |
| Intangible assets | | 29,923,247 | 26,585,558 |
| Biological assets | | 1,550,000 | 1,550,000 |
| Long term deposits | | 1,231,543 | 1,541,543 |
| | | 679,381,957 | 697,770,903 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 51,042,520 | 45,561,599 |
| Stock in trade | | 470,025,078 | 430,965,294 |
| Trade debt - unsecured | | 169,408,842 | 202,059,716 |
| Advances, deposits, prepayments and other receivables | | 126,865,483 | 127,526,438 |
| Income tax refundable from the Government | | 112,138,927 | 116,394,571 |
| Cash and bank balances | | 25,188,949 | 21,624,400 |
| | | 954,669,799 | 944,132,018 |
| | | <u>1,634,051,756</u> | <u>1,641,902,921</u> |


Badar M. Khan
 Chief Financial Officer


Najam Aziz Sethi
 Chief Executive Officer


Shazad Gaffar
 Chairman


Condensed Interim Statement of Profit or Loss (Un-audited)


FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022

| | Note | Half Year ended | | Quarter ended | |
|---|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | December 31 2022 Rupees | December 31 2021 Rupees | December 31 2022 Rupees | December 31 2021 Rupees |
| Revenue | 9 | 1,325,027,365 | 1,268,772,582 | 856,038,140 | 731,797,961 |
| Cost of revenue | 10 | (983,514,091) | (1,009,590,631) | (614,262,515) | (528,368,523) |
| Gross profit | | 341,513,274 | 259,181,951 | 241,775,625 | 203,429,438 |
| Administration expenses | | (100,891,263) | (111,275,302) | (56,260,978) | (44,147,182) |
| Distribution and marketing expenses | 11 | (239,730,620) | (287,566,078) | (103,740,471) | (207,622,534) |
| | | (340,621,883) | (398,841,380) | (160,001,449) | (251,769,716) |
| Operating Profit / (Loss) | | 891,391 | (139,659,429) | 81,774,176 | (48,340,278) |
| Finance cost | | (34,837,148) | (15,903,035) | (19,180,746) | (10,631,601) |
| Other operating expenses | | (20,326,625) | (6,500) | (20,126,364) | (6,500) |
| Other income | | 13,017,005 | 40,344,503 | 8,576,578 | 34,429,136 |
| (Loss) / profit before taxation | | (41,255,377) | (115,224,461) | 51,043,644 | (24,549,243) |
| Taxation | | (16,343,308) | (15,352,579) | (10,565,513) | (9,982,833) |
| Net (Loss) / Profit for the Period | | (57,598,685) | (130,577,040) | 40,478,131 | (34,532,076) |
| (Loss) / earnings per share - basic and diluted | | (2.52) | (5.71) | 1.77 | (1.24) |

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements (un-audited).


Badar M. Khan
Chief Financial Officer


Najam Aziz Sethi
Chief Executive Officer


Shazad Gaffar
Chairman


Condensed Interim Statement of Comprehensive Income (Un-audited)


FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022

| | Half Year ended | | Quarter ended | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | December 31 2022 Rupees | December 31 2021 Rupees | December 31 2022 Rupees | December 31 2021 Rupees |
| (Loss) / profit after tax for the period | (57,598,685) | (130,577,040) | 40,478,131 | (34,532,076) |
| Other comprehensive income for the period: | | | | |
| -Items that will not be reclassified subsequently to profit or loss | - | - | - | - |
| -Items that may be reclassified subsequently to profit or loss | - | - | - | - |
| Total comprehensive (loss) / Income for the period | (57,598,685) | (130,577,040) | 40,478,131 | (34,532,076) |

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements (un-audited).


Badar M. Khan
Chief Financial Officer


Najam Aziz Sethi
Chief Executive Officer


Shazad Gaffar
Chairman


Condensed Interim Statement of Changes in Equity (Un-audited)


For the Half Year Ended December 31, 2022

| | Issued, Subscribed and Paid up Capital | Reserves | | | Total Reserve |
|---|---|-----------------------------|--------------------|---------------------|---------------|
| | | Capital | Reserves | | |
| | | Share premium reserve | General Reserve | Accumulated Loss | |
| ----- Rupees ----- | | | | | |
| Balance as at June 30, 2021 | 228,750,000 | 609,335,878 | 300,000 | (1,967,821) | 607,668,057 |
| Net loss for the period | - | - | - | (130,577,040) | (130,577,040) |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | (130,577,040) | (130,577,040) |
| Balance as at December 31, 2021 | 228,750,000 | 609,335,878 | 300,000 | (132,544,861) | 477,091,017 |
| Balance as at June 30, 2022 | 228,750,000 | 609,335,878 | 300,000 | (635,449,464) | (25,813,586) |
| Net loss for the period | - | - | - | (57,598,685) | (57,598,685) |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | (57,598,685) | (57,598,685) |
| Balance as at December 31, 2022 | 228,750,000 | 609,335,878 | 300,000 | (693,048,149) | (83,412,271) |

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements (un-audited).


Badar M. Khan
Chief Financial Officer


Najam Aziz Sethi
Chief Executive Officer


Shazad Gaffar
Chairman

Condensed Interim Statement of Cash Flows (Un-audited)

For the Half Year Ended December 31, 2022

| | Half Year ended | |
|---|-----------------|---------------|
| | December 31 | December 31 |
| | 2022 | 2021 |
| | Un-audited | Un-audited |
| | Rupees | Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax for the period | (41,255,377) | (115,224,461) |
| Adjustment for: | | |
| - Depreciation of property, plant and equipment | 27,035,648 | 26,424,628 |
| - Amortization of intangibles | 727,611 | 326,728 |
| - Gain on disposal of property, plant and equipment | (7,392,105) | (174,801) |
| - Provision for gratuity and accumulated leaves | 22,554,414 | 13,977,819 |
| - Exchange loss / (gain) | 1,904,021 | (631,649) |
| - Provision for obsolete stocks | - | 1,800,631 |
| - Provision / (Reversal) for sale return | 7,181,204 | (14,441,719) |
| - Reversal of provision for trade promotion and incentives | - | (1,815,108) |
| - Finance cost | 34,837,148 | 15,903,035 |
| - Amortization of deferred income | (179,340) | (199,266) |
| - Amortization of deferred grant | (125,297) | (1,085,555) |
| - Provision against expected credit loss | 18,422,604 | 2,870,007 |
| - Material written off | 34,714,559 | - |
| - Profit on sale of biological assets | - | (3,836,000) |
| | 139,680,467 | 39,118,750 |
| Operating profit / (loss) before working capital changes | 98,425,090 | (76,105,711) |
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (5,480,921) | (3,440,053) |
| - Stock in trade | (73,774,343) | (200,030,207) |
| - Trade debt | 12,324,249 | 1,444,225 |
| - Advances, deposits prepayment and others | 970,955 | (24,900,921) |
| (Decrease) / increase in current liabilities | | |
| - Creditors, accrued and other liabilities | (22,179,918) | 122,912,083 |
| | (88,139,978) | (104,014,873) |
| Cash generated from / (used in) operations | 10,285,112 | (180,120,584) |
| Finance cost paid | (22,477,969) | (9,533,655) |
| Income tax paid | (12,087,664) | (10,915,558) |
| Employees defined benefits paid | (1,557,995) | (5,495,600) |
| Payment of accumulated compensated absences | (272,546) | (1,787,361) |
| | (36,396,174) | (27,732,174) |
| Net Cash Used in Operating Activities | (26,111,062) | (207,852,758) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property plant and equipment purchased | (6,726,908) | (63,496,802) |
| Purchase of intangible assets | (4,065,300) | - |
| Proceeds from disposal of assets held for sale | - | 40,126,000 |
| Proceeds from sale of property plant and equipment | 8,500,000 | 652,300 |
| Net Cash Used in Investing Activities | (2,292,208) | (22,718,502) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loan obtained from shareholder | 111,000,000 | 50,000,000 |
| Loan repaid to shareholder | (20,000,000) | - |
| Repayment of long term finance - secured | (14,949,499) | (15,000,000) |
| Net Cash Generated from Financing Activities | 76,050,501 | 35,000,000 |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 47,647,231 | (195,571,260) |
| Cash and cash equivalents at the beginning of the period | (319,435,404) | (121,766,295) |
| Cash and Cash Equivalents at the End of the Period | (271,788,173) | (317,337,555) |

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements (un-audited).

Badar M. Khan
 Chief Financial Officer

Najam Aziz Sethi
 Chief Executive Officer

Shazad Gaffar
 Chairman

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited) For the Half Year Ended December 31, 2022

1. THE COMPANY AND ITS OPERATIONS

- 1.1 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.

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 sales office in Islamabad and one in Karachi.

1.2 Going Concern

During the period, the Company has shown net loss of Rs. 57.59 million (June 30, 2022: Rs. 633.48 million) and as at the reporting date, its accumulated losses amount to Rs. 83.412 million (June 30, 2022: 25.81 million). The current liabilities of the Company have exceeded its current assets by Rs. 377.76 million (June 30, 2022: Rs. 359.09 million). Due to the accumulated losses, the reserves of the Company have depleted. These factors along with those included in the note 7 indicate the existence of material uncertainties that may cast significant doubts about the Company's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management has prepared these condensed interim financial statements considering the Company as going concern and it has planned to undertake the following financial & operational improvement measures for mitigating the aforementioned issues:

- Conversion of short term loans from sponsors to long term loans
- Improving prices and discount structure
- Exploring new geographical market for increasing export sales
- Expanding new business avenues including toll manufacturing
- Cost reduction measures including reduction in marketing expenditure

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 adjustments relating to the realization of its assets and liquidation of liabilities

2. BASIS OF PREPARATION

2.1 Statement of Compliance

- 2.1.1 These condensed interim financial statements of the Company 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 as are 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.

- 2.1.2** These condensed interim financial statements comprise of the condensed interim statement of financial position of the Company, as at December 31, 2022 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 together with the notes forming part thereof.
- 2.1.3** These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended June 30, 2022.
- 2.1.4** The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2022, whereas comparative 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 extracted from the un-audited condensed interim financial statements for the six months period ended December 31, 2021.
- 2.1.5** These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 ("the Act"); these are however, subject to limited scope review by external auditors as required by the Act and Code of Corporate Governance.

2.2 Functional and presentation currency

These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional currency.

3. JUDGMENTS AND ESTIMATES

The preparation of these condensed interim financial statements (un-audited) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting and financial risk management policies and methods of computation adopted in the preparation of these condensed interim financial statements (un-audited) are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2022.

5. DEFERRED TAXATION

The Company has not recognized deferred tax asset amounting to Rs. 409.249 million (June 30, 2022: Rs 464.670 million) as sufficient taxable profits may not be available to set off this deferred tax asset.

6. LOAN FROM SHAREHOLDERS - UNSECURED

| | | December 31 2022 Rupees Un-audited | June 30 2022 Rupees Audited |
|---|-----|---|--------------------------------------|
| Loan from shareholders - Interest free | 6.1 | 150,000,000 | 150,000,000 |
| Loan from shareholders - Interest bearing | 6.2 | 166,000,000 | 75,000,000 |
| | | 316,000,000 | 225,000,000 |

6.1 This represents loan amounting to Rs. 75 million each (June 30, 2022: 75 million) payable to Ms. Syeda Maimant Mohsin and Ms. Syeda Matanat Ghaffar. These loans are interest free and repayable on demand.

6.2 This represents loan amounting to Rs. 66 million (June 30, 2022: 50 million) borrowed from Mr. Najam Aziz Sethi, Rs. 35 million (June 30, 2022: Nil) borrowed from Ms. Mira Sethi and Rs. 65 million (June 30, 2022: 25 million) borrowed from Ms. Syeda Matanat Ghaffar. These loans carry mark-up of 3 month KIBOR plus 1% margin (June 30, 2022: markup rate 7.00% - 8.64% per annum).

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no material change in the status of contingencies as reported in the financial statements of the Company for the year ended June 30, 2022 except for the following:

7.1.1 Income Tax

(i) The Additional Commissioner Inland Revenue ('AdCIR') under section 122(9) of ITO 2001 vide order dated August 24, 2022 in respect of tax year 2017, issued a show cause notice through which the Company was required to furnish details of various revenue and capital nature expenditure along with the documentary evidence. The Company submitted reply on due date along with the requisite details and documents, in response to which the AdCIR passed an order dated December 07, 2022 creating alleged principal demand of Rs. 64.89 million. Being aggrieved the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR-A) which is pending adjudication.

7.1.2 Sales Tax

(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, the 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 has also become decided in favor of Company.

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), the main appeal has been heard by the ATIR on August 17, 2022 and order on September 30, 2022 through which ATIR has quashed the total demand amounting to Rs. 3.6 million.

- (ii) The Deputy Commissioner Inland Revenue ('DCIR') under Sales Tax Act issued notice dated December 08, 2022 through which intention was shown to recover the penalty and default surcharge on account of late payment of sales tax liability. In response to which the Company submitted the requisite details and documents. However, the DCIR passed an order dated December 16, 2022, and created an alleged demand of Rs. 0.76 million. Being aggrieved the Company filed an appeal before the Commissioner Inland Revenue CIR(A) which is pending adjudication.

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. 17.20 million (June 30, 2022: Rs. 17.20 million).
- (ii) The Company has issued postdated cheques amounting to Rs 106.44 million (June 30, 2022: Rs 80.59 million) to the Collector of Customs Lahore Dry Port on account of taxable duty which might become payable against Duty and Tax Remission on Export under SRO # 492 (I)/2009 dated June 13, 2009 and SRO # 450 (I)/2001 dated June 30, 2001 under Customs Rules 2001.

7.2 Commitment

- (i) Letters of credit for purchase of raw and packing materials amounting to Rs 30.35 million (June 30, 2022: 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:

| | Notes | December 31 2022 Rupees Un-audited | June 30 2022 Rupees Audited |
|--|-------|---|--------------------------------------|
| Not later than one year | | 1,860,810 | 2,708,050 |
| later than one year and not later than 5 years | | - | 310,000 |
| | | - | 3,018,050 |
| 8. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 8.1 | 620,007,794 | 644,779,914 |
| Capital work in progress | | 26,699,373 | 23,313,888 |
| | | 646,677,167 | 668,093,802 |
| 8.1 Operating fixed assets | | | |
| Opening written down value | | 644,779,914 | 627,417,134 |
| Additions during the period / year | | 3,371,423 | 73,052,954 |
| Disposal during the period / year | | (1,107,895) | (791,862) |
| | | 647,043,442 | 699,678,226 |
| Depreciation charge for the period / year | | (27,035,648) | (54,898,312) |
| | | 620,007,794 | 644,779,914 |

| | Half Year ended December 31 | | Quarter Year ended December 31 | |
|--|--------------------------------|------------------------------|-----------------------------------|------------------------------|
| | 2022 Un-audited Rupees | 2021 Un-audited Rupees | 2022 Un-audited Rupees | 2021 Un-audited Rupees |
| 9. REVENUE | | | | |
| Sales | | | | |
| - Local | 1,511,601,822 | 1,533,918,473 | 956,016,601 | 845,345,602 |
| - Export | 244,251,009 | 199,114,401 | 153,313,924 | 145,194,830 |
| Gross Sales | 1,755,852,831 | 1,733,032,874 | 1,109,330,525 | 990,540,432 |
| Less: Sales tax | (201,025,293) | (197,774,993) | (127,205,281) | (109,016,683) |
| | 1,554,827,538 | 1,535,257,881 | 982,125,244 | 881,523,749 |
| Less: Sales return, trade discounts and trade promotion incentives | (229,800,173) | (266,485,299) | (126,087,104) | (149,725,788) |
| | 1,325,027,365 | 1,268,772,582 | 856,038,140 | 731,797,961 |

| | Half Year ended December 31 | | Quarter Year ended December 31 | |
|------------------------------------|--------------------------------|------------------------------|-----------------------------------|------------------------------|
| | 2022 Un-audited Rupees | 2021 Un-audited Rupees | 2022 Un-audited Rupees | 2021 Un-audited Rupees |
| 10. COST OF REVENUE | | | | |
| Raw and packing material consumed | 639,566,762 | 894,391,713 | 389,231,945 | 511,642,492 |
| Salaries, wages and other benefits | 149,652,328 | 109,675,635 | 96,991,165 | 48,736,228 |
| Furnace oil consumption | 9,320,461 | 20,839,877 | 5,082,974 | 12,090,871 |
| Freight | 4,970,285 | 1,272,533 | 2,193,370 | 553,461 |
| Travelling & vehicle running | 5,688,183 | 2,811,888 | 3,966,853 | 1,448,438 |
| Repairs and maintenance | 17,656,865 | 15,270,070 | 10,907,859 | 6,735,373 |
| Power water and gas | 62,740,548 | 37,466,836 | 25,427,618 | 18,287,706 |
| Boiler expense | - | - | - | - |
| Rent rate and taxes | 1,552,736 | 1,247,483 | 956,216 | 658,385 |
| Depreciation | 22,476,485 | 20,105,411 | 11,290,933 | 7,343,009 |
| Material write off | 34,714,559 | - | 34,714,559 | - |
| Miscellaneous expenses | 8,786,587 | 29,267,485 | 7,110,731 | 19,245,827 |
| | <u>957,125,799</u> | <u>1,132,348,931</u> | <u>587,874,223</u> | <u>626,741,790</u> |
| Opening work in process | 92,569,218 | 52,978,614 | 49,654,769 | 67,363,647 |
| Closing work in process | (44,614,228) | (73,212,391) | (44,614,228) | (73,212,391) |
| | <u>47,954,990</u> | <u>(20,233,777)</u> | <u>5,040,541</u> | <u>(5,848,744)</u> |
| Cost of goods manufactured | 1,005,080,789 | 1,112,115,154 | 592,914,764 | 620,893,046 |
| Opening finished goods | 156,706,393 | 155,495,740 | 199,620,842 | 165,495,740 |
| Closing finished goods | (178,273,091) | (258,020,263) | (178,273,091) | (258,020,263) |
| | <u>(21,566,698)</u> | <u>(102,524,523)</u> | <u>21,347,751</u> | <u>(92,524,523)</u> |
| | <u>983,514,091</u> | <u>1,009,590,631</u> | <u>614,262,515</u> | <u>528,368,523</u> |

11. DISTRIBUTION AND MARKETING EXPENSE

| | | | | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Salaries, wages and other benefits | 51,101,081 | 53,212,818 | 27,434,241 | 38,165,307 |
| Freight | 36,296,315 | 38,750,324 | 29,698,831 | 29,292,506 |
| Advertisement | 26,612,020 | 114,748,900 | 1,191,343 | 81,422,650 |
| Selling & distribution costs | 109,523,631 | 36,150,679 | 44,561,327 | 35,030,334 |
| Other expenses | 16,197,573 | 44,703,357 | 854,729 | 23,711,737 |
| | <u>239,730,620</u> | <u>287,566,078</u> | <u>103,740,471</u> | <u>207,622,534</u> |

12. TRANSACTION WITH RELATED PARTIES

Related parties comprise associated companies, directors of the Company and their close relatives and key management personnel. The Company in the normal course of business carries out transactions with various related parties. These are un-secured amounts due from and due to related parties and are shown under respective notes to these financial statements. Significant transactions with related parties are given below:

Transactions during the period

| Related party | Basis of Relationship | Aggregate Shareholdin | Nature of transaction | December 31, | |
|--|--------------------------------------|-----------------------|--|--|--|
| | | | | 2022 (Un-audited) Rupees | 2021 (Un-audited) Rupees |
| Mr. Najam Sethi | Chief Executive | 0.0063% | Obtained loan Loan repaid | 31,000,000 15,000,000 | 50,000,000 - |
| Mr. Mehdi Mohsin | Director | 20.4150% | Purchase of goods Rent expense on behalf Payment made of related party | 1,181,216 1,879,164 63,782 | 761,971 1,708,334 1,186,582 |
| Ms. Syeda Maimanat Mohsin | Spouse of Director | 20.4200% | Loan obtained Loan repaid Purchase of goods | 5,000,000 5,000,000 - | - - 45,360 |
| Ms. Syeda Matanat Ghaffar | Spouse of Director | 20.2060% | Loan obtained | 40,000,000 | - |
| Ms. Mira Sethi | Close relative of Chief Executive | | Loan obtained | 35,000,000 | - |
| Vanguard Books (Private) Limited | Common directorship | | Rent expense | 9,783,528 | 8,470,590 |
| Key management personnel and others | | | Remuneration | 26,175,000 | 34,671,078 |
| | | | | December 31, 2022 Un-audited Rupees | June30, 2021 Audited Rupees |

Outstanding Balance as at

| | | |
|---|----------------------|-------------------|
| Loan from directors / close relative - unsecured | (115,224,461) | 13,230,303 |
| - Mr. Najam Sethi | 66,000,000 | 50,000,000 |
| - Ms. Syeda Matanat Ghaffar | 140,000,000 | 100,000,000 |
| - Ms. Syeda Maimanat Mohsin | 75,000,000 | 75,000,000 |
| - Ms. Mira Sethi | 35,000,000 | - |
| Payables to director | 984,324 | 613,064 |

These balances are in the normal course of business.

13. CASH AND CASH EQUIVALENTS

| | December 31, 2022 Un-audited Rupees | June30, 2021 Audited Rupees |
|------------------------|--|--------------------------------------|
| Cash and bank balances | 25,188,949 | 15,922,924 |
| Short term borrowings | (296,977,122) | (333,260,479) |
| | <u>(271,788,173)</u> | <u>(317,337,555)</u> |

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is determined on the basis of objective evidence at each reporting date. The Company has not made any changes to valuation techniques used to value financial instruments as described in annual audited financial statements for the year ended June 30, 2022.

As of reporting date, there were no Level 1, 2 or 3 financial assets or liabilities.

15. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual financial statements for the year ended June 30, 2022.


16. AUTHORIZATION OF INTERIM FINANCIAL INFORMATION


These condensed interim financial statements (un-audited) are approved and authorized for issuance by the Board of Directors of the Company on February 28, 2023.

17. GENERAL

Corresponding figures are rearranged for better presentation and comparison. No material re-arrangements have been made in these condensed interim financial statements (un-audited).


Badar M. Khan
Chief Financial Officer


Najam Aziz Sethi
Chief Executive Officer


Shazad Gaffar
Chairman



Half Yearly REPORT

31-DEC 2022

Head Office:

72-FCC Gulberg IV, Lahore

P : (+92) (44) 2622908, 35872393-96

F : (+92) (44) 35872398

E : ho@mitchells.com.pk

Factory & Farms:

Mitchell's Fruit Farms Ltd

Renala Khurd, District Okara, Pakistan.

P : (+92) (44) 2622908, 2635907-8

F : (+92) (44) 2621416

E : rnk@mitchells.com.pk

 Mitchell'sFruitFarms

 Mitchell'sChocolatesAndSweets