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## COMPANY INFORMATION

<b>Board of Directors</b>	S. M. Mohsin	- Chairman
	Mehdi Mohsin	- Chief Executive Officer
	Syed Babar Ali	
	Sitwat Mohsin	
	Moaz Mohiuddin	
	Syed Faisal Imam	
	Umme Kulsum Imam	
	Firasat Ali	
	Amir Sattar - alternate to Mehdi Mohsin	
<b>Audit Committee</b>	S. M. Mohsin	- Chairman
	Sitwat Mohsin	- Member
	Syed Faisal Imam	- Member
<b>Company Secretary/CFO</b>	Omer Khan Ghaznavi	
<b>Auditors</b>	A.F. Ferguson & Company Chartered Accountants	
<b>Legal Advisors</b>	Minto & Mirza 78-Mozang Road, Lahore Phone: (042) 6315469-70 Fax: (042) 6361531	
<b>Bankers</b>	ABN Amro Bank N.V. Citibank N.A. Askari Commercial Bank Limited MCB Bank Limited Allied Bank Limited	
<b>Share Registrar</b>	Corplink (Private) Limited, Wings Arcade, 1-K (Commercial) Model Town, Lahore Phone : (042) 5839182, 5887262, Fax:(042) 5869037	
<b>Corporate Office</b>	39-A, D-1, Gulberg III Lahore Phones: (042) 5872392-96, Fax: (042) 5872398 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](mailto:rnk@mitchells.com.pk)

**Regional Sales Office  
(North)**

Block No.1-A, Sector G-7/4, Street 40, Islamabad  
Phones: (051) 2891810-12,  
Fax : (051) 2891813  
E-Mail: [rson@mitchells.com.pk](mailto:rson@mitchells.com.pk)

**Regional Sales Office  
(Central)**

Syed House, Canal Berg,  
13 K.M. Multan Road, Lahore  
Phones: (042) 5419350, 5423732 & 5425478  
E-Mail: [rsoc@mitchells.com.pk](mailto:rsoc@mitchells.com.pk)

**Regional Sales Office  
(South)**

Mehran VIP II, Ground Floor,  
Plot 18/3 Dr. Dawood Pota Road, Karachi  
Phones: (021) 5212112, 5212712 & 5219675  
Fax: (021) 5673588  
E-Mail: [rsos@mitchells.com.pk](mailto:rsos@mitchells.com.pk)

## DIRECTORS' REVIEW

The directors are pleased to present the un-audited Accounts for the half year ended March 31, 2008.

### **Sales**

An increase of 9.58 % has been achieved as compared to the corresponding period last year; Rs. 428.7 million Vs Rs. 391.2 million in 2006-2007. This represents volume growth as well as price revision of some of the company's products.

Despite the generally slack business environment and the pressure on family budgets caused by rising inflation the increased turnover is an encouraging development.

We have launched a new range of fruit drinks in no return one-way PET bottles and also added to our popular line of squashes & syrups. These were introduced in the beginning of the current summer season and have been well received in the market.

Exports continue to show an improving trend; we are confident that earnings will be higher than last year.

### **Manufacturing**

During the period under review major capital investment was made in modernisation of the production lines in the groceries section. The tomato processing plant has been re-furbished yielding higher productivity while minimizing wastages. The filling, labelling & capping operations have been stream-lined so as to raise both efficiency & output per shift. Our canning lines also in the process of being automated.

### **Production Costs**

The recent unprecedented escalation in energy cost, furnace oil and electricity in particular, are a matter of concern. While every effort is being made to ensure energy conservation, through more efficient manufacturing, the increased cost is likely to compel an upward review of selling prices.

### **Prospects**

We hope that economic & political conditions will stabilise during the remaining part of the year & the recent dramatic increase in production costs will be halted. However, early forecasts of summer fruit and vegetables-especially mango & tomato-do not appear promising.

Provided there are no sudden adverse developments we hope to end the year on a reasonably profitable note.

We are glad to report that all employees of the company showed commendable loyalty and cooperation throughout the half year.

For and on behalf of  
the Board of Directors

**Mehdi Mohsin**  
Chief Executive Officer

Lahore: May 30, 2008

## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of Mitchell's Fruit Farms Limited as at March 31, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended March 31, 2007 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2008.

### **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 information 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.

### **Conclusion**

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended March 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**Chartered Accountants**

Lahore: May 30, 2008

**CONDENSED INTERIM BALANCE SHEET**

As at March 31, 2008 (Un-audited)

		<b>March 31 2008 Rupees</b>	<b>September 30 2007 Rupees</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 10,000,000 (September 30, 2007: 10,000,000) ordinary shares of Rs 10 each		100,000,000	100,000,000
Issued, subscribed and paid up capital			
5,040,000 (September 30, 2007: 5,040,000) ordinary shares of Rs 10 each		50,400,000	50,400,000
Reserves		9,635,878	9,635,878
Unappropriated profit		199,410,826	202,536,828
		259,446,704	262,572,706
<b>NON-CURRENT LIABILITIES</b>			
Long term loan - secured	5	14,736,839	22,105,260
Deferred liabilities		44,427,297	40,685,326
		59,164,136	62,790,586
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans - secured	5	14,736,842	14,736,842
Short term running finances	6	236,291,706	145,860,708
Creditors, accrued and other liabilities		70,632,603	89,142,916
Accrued finance cost on short term running finances		4,707,155	3,284,782
		326,368,306	253,025,248
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		
		644,979,146	578,388,540

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

Chairman

		<b>March 31 2008 Rupees</b>	<b>September 30 2007 Rupees</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	260,051,903	263,400,019
Intangible Assets		1,864,301	2,071,446
Capital work in progress		27,743,827	1,625,514
Long term loans and deposits		147,223	377,223
Biological assets		4,822,000	5,251,100
		<u>294,629,254</u>	<u>272,725,302</u>
 <b>CURRENT ASSETS</b>			
Stores, spares and loose tools		10,831,536	10,904,510
Stock in trade		249,798,691	185,037,159
Trade debts		27,727,692	45,932,040
Advances, deposits, prepayments and other receivables		57,663,769	37,123,955
Cash and bank balances		4,328,204	26,665,574
		350,349,892	305,663,238
		<u><u>644,979,146</u></u>	<u><u>578,388,540</u></u>

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

### For The Half Year Ended March 31, 2008 (Un-audited)

	January to March		October to March	
	2008	2007	2008	2007
	Rupees	Rupees	Rupees	Rupees
Sales	261,441,415	213,112,265	428,705,288	391,208,135
Cost of sales	212,929,511	175,803,875	349,366,098	324,324,598
<b>Gross profit</b>	<u>48,511,904</u>	<u>37,308,390</u>	<u>79,339,190</u>	<u>66,883,537</u>
Administration expenses	(11,233,507)	(9,485,947)	(18,057,481)	(15,877,197)
Distribution and marketing expenses	(22,413,402)	(14,196,254)	(39,219,443)	(30,636,605)
Other operating expenses	(784,694)	(796,705)	(988,052)	(796,705)
Other operating income	2,199,233	1,213,900	2,716,163	1,570,617
<b>Profit from operations</b>	<u>16,279,534</u>	<u>14,043,384</u>	<u>23,790,377</u>	<u>21,143,647</u>
Finance cost	(8,159,649)	(6,012,888)	(13,165,131)	(10,433,774)
<b>Profit before tax</b>	<u>8,119,885</u>	<u>8,030,496</u>	<u>10,625,246</u>	<u>10,709,873</u>
Taxation	(3,671,248)	(2,700,000)	(3,671,248)	(2,700,000)
<b>Profit for the period</b>	<u>4,448,637</u>	<u>5,330,496</u>	<u>6,953,998</u>	<u>8,009,873</u>
Earnings per share - Basic and diluted	<u>0.88</u>	<u>1.06</u>	<u>1.38</u>	<u>1.59</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

## CONDENSED INTERIM CASH FLOW STATEMENT

For The Half Year Ended March 31, 2008 (Un-audited)

		<b>October to March</b>	
		<b>2008</b>	<b>2007</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>Cash flows from operating activities</b>			
Cash used in operations	9	(49,477,929)	(23,147,469)
Finance cost paid		(11,742,758)	(10,385,737)
Tax refunds/(paid)		593,761	(3,817,339)
Retirement and other benefits paid		(935,544)	(1,011,480)
<b>Net cash used in operating activities</b>		<b>(61,562,470)</b>	<b>(38,362,025)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(35,264,491)	(37,397,331)
Sale proceeds of property, plant and equipment		722,914	278,960
Decrease in long term loans and security deposits		230,000	355,000
Proceeds from sale of livestock		554,100	136,000
<b>Net cash used in investing activities</b>		<b>(33,757,477)</b>	<b>(36,627,371)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term loans		(7,368,421)	(7,368,421)
Dividend paid		(10,080,000)	(220)
<b>Net cash used in financing activities</b>		<b>(17,448,421)</b>	<b>(7,368,641)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(112,768,368)</b>	<b>(82,358,037)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(119,195,134)</b>	<b>(87,598,764)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>10</b>	<b>(231,963,502)</b>	<b>(169,956,801)</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

**CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY**  
For The Half Year Ended March 31, 2008 (Un-audited)

	Share capital	Share premium	General reserve	Accumulated profit	Rupees Total
Balance as at September 30, 2006	50,400,000	9,335,878	300,000	176,871,206	236,907,084
Net profit for the period	-	-	-	8,009,873	8,009,873
Balance as at March 31, 2007	50,400,000	9,335,878	300,000	184,881,079	244,916,957
Net profit for the period	-	-	-	17,655,749	17,655,749
Balance as at September 30, 2007	50,400,000	9,335,878	300,000	202,536,828	262,572,706
Net profit for the period	-	-	-	6,953,998	6,953,998
Final dividend for the year ended September 30, 2007 Rs. 2 per share	-	-	-	(10,080,000)	(10,080,000)
Balance as at March 31, 2008	50,400,000	9,335,878	300,000	199,410,826	259,446,704

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

## NOTES TO THE CONDENSED FINANCIAL INFORMATION

For the Half Year Ended March 31, 2008 (Un-audited)

1. This condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.
2. The accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended September 30, 2007.
3. These condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and have been reviewed by the auditors as required by the Code of Corporate Governance.
4. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

	<b>March 31 2008 Rupees</b>	<b>September 30, 2007 Rupees</b>
<b>5. Long term loans - secured</b>		
Opening balance	36,842,102	51,578,945
Less: Repayment during the period	7,368,421 29,473,681	14,736,843 36,842,102
Less: Current portion shown under current liabilities	14,736,842	14,736,842
	14,736,839	22,105,260

### 6. Short term running finance

Short term running finances, available from commercial banks under mark-up arrangements amount to Rs 345 million (September 30, 2007: Rs 305 million). The rates of mark-up range from Re 0.2688 to Re 0.3288 per Rs 1,000 per diem or part thereof on the balance outstanding.

Of the aggregate facility Rs 194 million (September 30, 2007: 185 million) for opening letter of credits and Rs 7 million (September 30, 2007: Rs 7 million) for guarantees, the amount utilised at March 31, 2008 was Rs 43.583 million (September 30, 2007: Rs 39.132 million) and Rs 0.050 million (September 30, 2007: 0.739 million) respectively.

The aggregate short term facilities are secured by a hypothecation of stores and spares, stock in trade, trade debts and a charge on the present and future fixed assets of the company.

## 7. Contingencies and commitments

### 7.1 Contingencies

- (i) Included in advances, deposits, prepayments and other receivables under the head balance with statutory authorities is an amount of Rs 0.638 million (September 30, 2007: 0.638 million), representing sales tax Rs 0.632 million (September 30, 2007: Rs 0.632 million) and penalty Rs 0.005 (September 30, 2007: Rs 0.005 million) on sweet corn.

The company has filed a writ petition with Lahore High Court in which the company has contended that as sweet corn is a vegetable, it stands exempted from payment of sales tax. The case is pending in the Lahore High Court and no adjustment has been made for the refunds recognised in the condensed interim financial information as the management is of the view that the petition will be decided in company's favour.

### 7.2 Commitments

- (i) Commitments in respect of capital expenditure are Rs 25.615 million (September 30, 2007: Rs 1.930 million).

	Note	March 31 2008 Rupees	September 30, 2007 Rupees
<b>8. Property, plant and equipment</b>			
Opening book value		263,400,019	227,066,700
Add: Additions during the period	8.1	9,146,178	60,283,680
		272,546,197	287,350,380
Less: Disposals during the period (at book value)	8.2	693,887	4,346,608
Depreciation charged during the period		11,800,407	19,603,753
		12,494,294	23,950,361
		260,051,903	263,400,019

	<b>March 31 2008 Rupees</b>	<b>September 30, 2007 Rupees</b>
<b>8.1 Additions during the period</b>		
Building on freehold land	4,750,683	3,695,620
Building on leasehold land	-	25,000
Plant and machinery	3,815,441	45,519,021
Vehicles	214,749	8,978,977
Furniture, fixture and office equipment	114,080	224,135
Electrical installations	98,600	1,455,605
Computer hardware	152,625	385,322
	<u>9,146,178</u>	<u>60,283,680</u>
<b>8.2 Disposals during the period</b>		
Building on freehold land	-	959,390
Plant and Machinery	-	68,462
Vehicles	693,887	3,285,256
Electrical installations	-	33,500
	<u>693,887</u>	<u>4,346,608</u>
	<b>October to March 2008 Rupees</b>	<b>2007 Rupees</b>
<b>9. Related party transactions</b>		
Purchase of goods	39,202,328	26,903,781
Insurance premium paid	4,785,279	5,039,816
Insurance claim received	105,700	21,710
Donations	281,140	281,140
Key management personnel compensation	3,339,705	2,742,396
Expense charged in respect of staff retirement benefit plans	277,313	262,941
Loan from director	3,300,000	3,286,254
	<b>March 31 2008 Rupees</b>	<b>September 30, 2007 Rupees</b>
<b>Period end balances</b>		
Receivable from related parties	1,570,136	1,669,224
Payable to related parties	4,298,603	10,234,562

	<b>October to March</b>	
	<b>2008</b>	<b>2007</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>10. Cash used in operations</b>		
Profit before tax	10,625,246	10,709,873
Adjustment for:		
- Depreciation on property, plant and equipment	11,800,407	10,267,576
- Amortization on intangibles	207,145	216,732
- Profit on disposal of property, plant and equipment	(29,027)	(211,662)
- Provision for doubtful debts	99,088	-
- Retirement and other benefits accrued	3,127,514	2,216,205
- Loss on sale of live stock	84,900	-
- Profit on revaluation of livestock	(209,900)	(513,900)
- Exchange gain	(54,550)	-
- Finance cost	13,165,131	10,433,774
<b>Profit before working capital changes</b>	<b>38,815,954</b>	<b>33,118,598</b>
Effect on cash flow due to working capital changes:		
- Decrease/(Increase) in stores, spares and loose tools	72,974	(412,305)
- (Increase) in stock-in-trade	(64,761,532)	(54,806,718)
- Decrease in trade debts	18,258,898	3,382,685
- (Increase) in advances, deposits prepayments and other receivables	(23,353,910)	(6,193,317)
- (Decrease)/Increase in creditors, accrued and other liabilities	(18,510,313)	1,763,588
	(88,293,883)	(56,266,067)
	(49,477,929)	(23,147,469)
	<b>March 31 2008</b>	<b>March 31 2007</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>11. Cash and cash equivalents</b>		
Cash and bank balances	4,328,204	8,515,483
Short term running finances	(236,291,706)	(178,472,284)
	(231,963,502)	(169,956,801)

**12. Estimates financial risk management**

- 12.1** Judgements and estimates made by the management in the preparation of the condensed interim financial information are the same as those that were applied to the financial statements for the year ended 30 September 2007.
- 12.2** The financial risk management, objective and policies are consistent with those disclosed in the financial statements for year ended 30 September 2007.

**13. Date of authorisation**

These condensed interim financial information were authorised for issue on May 30, 2008 by the board of directors of the company.

