



MITCHELL'S®

HALF YEARLY REPORT 2019

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Company Information

Board of Directors

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

Audit Committee

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

Chief Financial Officer

Mr. Nauman Munawar

Company Secretary

Mr. Rashid Butt

Auditors

A.F. Ferguson & Company
Chartered Accountants

Legal Advisors

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

Bankers

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

Share Registrar

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

Corporate Office

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

FACTORY & FARMS

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

REGIONAL SALES OFFICE

Lahore

40-A, Zafar Ali Road, Gulberg V, Lahore
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Islamabad

Plot # 102, Street # 7,
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E-Mail: rson@mitchells.com.pk

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Dr. Dawood Pota Road- Karachi
Phones: (021) 35212112, 35212712
& 35219675
Fax: (021) 35673588
E-Mail: rsos@mitchells.com.pk

Directors' Review

The Directors of the company are pleased to present their report on the condensed interim financial statements of the Company for the half year ended March 31, 2019.

The sales of the company grew by 11% indicating a respectable growth despite severe competitive pressures in a slowing economy during this period. Good sales contribution came from B2B channel with major impact coming from sale of industrial enrobing chocolates. The net sales closed at Rs. 1,042 million compared to Rs. Rs.938 million last year.

Export sales performed in line with expectation and closed at Rs.190 million compared to Rs.168 million last year registering a growth of 13%.

Challenges with respect to reducing fixed costs, without compromising on the operations, were successfully met during this period. Significant reduction in distribution and marketing expenses was recorded during the period. Reduction of Rs.62 million was achieved during this period. This resulted in improved operating results for the period. Profit from operations stood at Rs.57 million compared to loss of Rs.18 million in the previous year.

The improved operating results were diluted due to increased borrowing rates applicable on higher bank borrowings. This led to an increase in financial cost by Rs.14 million during the period.

Profit before tax for the period ended March 31, 2019, stood at Rs. 20 million compared to loss of Rs. 40 million last year. Tax provision made under the law resulted in profit after tax of Rs. 10 million for this period.

The management is following a focused approach of rationalising the supply chain in order to maximise the topline growth by providing un-interrupted flow of quality products to the end consumers. Despite working capital shortfall and increasing trends of inflation, the company will continue to minimise fixed cost and make efforts towards expanding its B2B business.

For and on behalf of
the Board of Directors

Mujeeb Rashid
Chief Executive Officer

Lahore: May 28, 2019

ڈائریکٹرز کی جانب سے جائزہ

کمپنی کے ڈائریکٹرز بصد مسرت 31 مارچ 2019 کو ختم ہونے والی ششماہی کے لیے کمپنی کے عبوری مالی گوشواروں پر مشتمل اپنی رپورٹ پیش کرتے ہیں۔

کمپنی کی سیلز میں 11 فیصد اضافہ ہوا جو حالیہ مدت میں سست روی کا شکار معاشی صورتحال کے سخت دباؤ کے باوجود قابل قدر بڑھوتری کو ظاہر کر رہا ہے۔ سیلز کا ایک اہم حصہ بی ٹی بی چینل سے حاصل ہوا جس میں مرکزی کردار صنعتی سطح کی انزوبنگ چاکلیٹ کی فروخت کا رہا۔ کل سیلز کا اختتام پچھلے سال 938 ملین روپے کے بالمقابل 1,042 ملین روپے پر ہوا۔

برآمد کی سیلز نے بھی توقعات کے عین مطابق نتائج دیئے اور برآمدات پچھلے سال کے 168 ملین روپے کے مد مقابل اس سال 13 فیصد کی شرح بڑھوتری کے ساتھ 190 ملین روپے تک پہنچیں۔

اس مدت میں کمپنی کے کاروباری معاملات کو متاثر کیے بغیر فکسڈ کاسٹ میں کمی سے متعلق اقدامات میں خاطر خواہ کامیابی حاصل ہوئی۔ اس عرصے میں ڈسٹر پیوٹن اور مارکیٹنگ کے اخراجات میں نمایاں کمی دیکھی گئی اور مجموعی طور پر کل 62 ملین روپے کی خطیر کمی ممکن ہوئی ہے، جس نے اس مدت میں آپریشنز کے نتائج کو بہت بہتر بنایا ہے۔ آپریشنز سے آنے والا منافع پچھلے سال کے 18 ملین روپے نقصان کے مد مقابل 57 ملین روپے رہا۔

بینک سے حاصل کردہ مجموعی قرض میں اضافہ اور قرض پر ادا کردہ شرح منافع میں اضافے کی بدولت آپریٹنگ کے بہتر نتائج پر برا اثر ڈالا۔ جس سے اس سال سود میں لاگت 14 ملین روپے سے بڑھ گئی۔

پچھلے سال ہونے والے 40 ملین روپے کے نقصان کے مد مقابل اس سال 31 مارچ 2019 کو ختم ہونے والی مدت تک ٹیکس سے قبل منافع 20 ملین روپے رہا ہے۔ ٹیکس کے اطلاق و ادائیگی کے بعد اس مدت کا کل منافع 10 ملین روپے رہا۔

انتظامیہ ایک محتاط رویے کے ساتھ سپلائی چین پر توجہ دے رہی ہے تاکہ صارفین تک اعلیٰ معیار کے پراڈکٹ کی بلا تعطل ترسیل کے ذریعے کمپنی کی ٹاپ لائن کی گروتھ کو زیادہ سے زیادہ بڑھایا جاسکے۔ کارآمد سرمائے کی کمی اور مہنگائی میں متوقع ہوش بہا اضافے کے باوجود، کمپنی نہ صرف اپنی فکسڈ کاسٹ میں کمی کرنی رہے گی بلکہ بی ٹی بی برنس کو پھیلانے کے لیے مزید کوششیں جاری رکھے گی۔

منجانب و برائے بورڈ آف ڈائریکٹرز

مجیب رشید
چیف ایگزیکٹو آفیسر

لاہور: 28 مئی 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mitchell's Fruit Farms Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Mitchell's Fruit Farms Limited as at March 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended March 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended March 31, 2019.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw attention to note 2.1 to the interim financial statements which indicates that the Company's current liabilities exceeded its current assets by Rs 333.20 million as at March 31, 2019 and the reserves of the Company have been depleted significantly due to losses incurred during recent years. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

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

Lahore: May 30, 2019


A. F. Ferguson & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2019 (Un-audited)

	Note	Un-audited March 31 2019 Rupees	Audited September 30 2018 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 20,000,000 (September 30, 2018: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital 7,875,000 (September 30, 2018: 7,875,000) ordinary shares of Rs. 10 each		78,750,000	78,750,000
Reserves		9,635,878	9,635,878
Revenue reserve: Unappropriated profit		130,830,019	120,913,520
		219,215,897	209,299,398
NON-CURRENT LIABILITIES			
Deferred liabilities		117,329,179	116,585,222
Deferred taxation		826,152	3,144,530
Long term finance - secured	4	-	-
		118,155,331	119,729,752
CURRENT LIABILITIES			
Current portion of long term finance - secured	4	-	21,333,333
Loan from directors - unsecured		150,000,000	150,000,000
Creditors, accrued and other liabilities		215,045,133	298,120,361
Contract liabilities		22,786,140	-
Unclaimed dividends		2,004,183	2,004,183
Finances under markup arrangements - secured		714,028,374	680,657,933
Accrued finance cost		17,033,637	12,163,862
		1,120,897,467	1,164,279,672
CONTINGENCIES AND COMMITMENTS			
	5		
		1,458,268,695	1,493,308,822

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

	Note	Un-audited March 31 2019 Rupees	Audited September 30 2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	623,934,910	645,288,320
Intangible assets		2,141,952	2,379,947
Biological assets		37,181,667	38,931,667
Long term receivables		7,312,280	9,693,930
		670,570,809	696,293,864
CURRENT ASSETS			
Stores, spares and loose tools		41,065,366	36,064,853
Stock in trade		344,403,846	461,616,862
Trade debts		142,901,828	63,720,363
Advances, deposits, prepayments and other receivables		81,212,328	67,267,269
Income tax recoverable		164,103,907	155,234,531
Cash and bank balances		14,010,611	13,111,080
		787,697,886	797,014,958
		1,458,268,695	1,493,308,822

Mujeeb Rashid
Chief Executive

Nauman Munawar
Chief Financial Officer

Najam Aziz Sethi
Director

Condensed Interim Statement of Profit or Loss

For the Quarter and Half Year Ended March 31, 2019 (Un-audited)

	Note	Quarter ended		Half year ended	
		March 31 2019 Rupees	March 31 2018 Rupees	March 31 2019 Rupees	March 31 2018 Rupees
Sales	7	522,961,729	472,032,511	1,042,217,571	937,568,302
Cost of sales	8	(382,601,594)	(356,074,318)	(786,882,044)	(704,149,241)
Gross profit		140,360,135	115,958,193	255,335,527	233,419,061
Administrative expenses		(33,331,211)	(34,857,241)	(64,512,097)	(63,604,545)
Distribution and marketing expenses	9	(72,351,527)	(136,385,978)	(138,860,365)	(201,003,561)
Other operating expenses		(2,018,617)	564,056	(2,348,870)	(692,301)
Other income		5,832,468	12,467,701	7,176,802	13,861,668
Profit / (loss) from operations		38,491,248	(42,253,269)	56,790,997	(18,019,678)
Finance cost		(18,492,245)	(10,935,406)	(36,299,646)	(22,059,354)
Profit / (loss) before tax		19,999,003	(53,188,675)	20,491,351	(40,079,032)
Taxation		(4,120,534)	(2,006,504)	(10,574,852)	(5,939,397)
Profit / (loss) for the period		15,878,469	(55,195,179)	9,916,499	(46,018,429)
Profit / (loss) per share - Basic and diluted		2.02	(7.01)	1.26	(5.84)

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

Mujeeb Rashid
Chief Executive

Nauman Munawar
Chief Financial Officer

Najam Aziz Sethi
Director

Condensed Interim Statement of Comprehensive Income

For the Quarter and Half Year Ended March 31, 2019 (Un-audited)

	Quarter ended		Half year ended	
	March 31 2019 Rupees	March 31 2018 Rupees	March 31 2019 Rupees	March 31 2018 Rupees
Profit / (loss) for the period	15,878,469	(55,195,179)	9,916,499	(46,018,429)
Other comprehensive income:				
-Items that will not be reclassified to profit or loss	-	-	-	-
-Items that may be reclassified subsequently to profit or loss	-	-	-	-
	-	-	-	-
Total comprehensive income / (loss) for the period	<u>15,878,469</u>	<u>(55,195,179)</u>	<u>9,916,499</u>	<u>(46,018,429)</u>

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

Mujeeb Rashid
Chief Executive

Nauman Munawar
Chief Financial Officer

Najam Aziz Sethi
Director

Condensed Interim Statement of Changes in Equity

For the Half Year Ended March 31, 2019 (Un-audited)

Note	Capital Reserve		Revenue Reserve		Total
	Share capital	Share premium	General reserve	Unappropriated profit	
	----- Rupees -----				
Balance as at September 30, 2017 - audited	78,750,000	9,335,878	300,000	413,102,822	501,488,700
Loss for the period	-	-	-	(46,018,429)	(46,018,429)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(46,018,429)	(46,018,429)
Balance as at March 31, 2018 - un-audited	78,750,000	9,335,878	300,000	367,084,393	455,470,271
Balance as at September 30, 2018 - audited	78,750,000	9,335,878	300,000	120,913,520	209,299,398
Impact of cumulative adjustment as per IFRS 15	2.2.1	-	-	-	-
Balance as at October 1, 2018	78,750,000	9,335,878	300,000	120,913,520	209,299,398
Profit for the period	-	-	-	9,916,499	9,916,499
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	9,916,499	9,916,499
Balance as at March 31, 2019 - un-audited	78,750,000	9,335,878	300,000	130,830,019	219,215,897

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

Mujeeb Rashid
Chief Executive

Nauman Munawar
Chief Financial Officer

Najam Aziz Sethi
Director

Condensed Interim Statement of Cash Flows

For the Half Year Ended March 31, 2019 (Un-audited)

		Half year ended	
	Note	March 31 2019 Rupees	March 31 2018 Rupees
Cash flows from operating activities			
Cash generated from operations	11	54,590,206	80,199,329
Finance cost paid		(31,429,871)	(22,496,507)
Tax paid		(21,762,606)	(7,072,530)
Retirement benefits paid		(15,879,883)	(11,200,070)
Net cash (used in) / generated from operating activities		(14,482,154)	39,430,222
Cash flows from investing activities			
Fixed capital expenditure		(3,033,286)	(16,707,035)
Purchase of biological assets		-	(13,209,701)
Security deposit received / paid for purchase of vehicles		2,381,650	(2,482,150)
Proceeds from sale of property, plant and equipment		3,333,813	1,749,697
Proceeds from sale of livestock		662,400	101,501
Net cash generated from / (used in) investing activities		3,344,577	(30,547,688)
Cash flows from financing activities			
Repayment of long term loan		(21,333,333)	(21,333,333)
Net cash used in financing activities		(21,333,333)	(21,333,333)
Net decrease in cash and cash equivalents		(32,470,910)	(12,450,799)
Cash and cash equivalents at beginning of the period		(667,546,853)	(594,982,095)
Cash and cash equivalents at end of the period	12	(700,017,763)	(607,432,894)

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

Mujeeb Rashid
Chief Executive

Nauman Munawar
Chief Financial Officer

Najam Aziz Sethi
Director

Notes to and Forming Part of the Condensed Interim Financial Information

For the Quarter and Half Year Ended March 31, 2019 (Un-audited)

1. Legal Status and nature of business

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

2. Basis of preparation

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

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

The condensed interim financial information does not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended September 30, 2018.

The accounting policies adopted for the preparation of this 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, 2018 except for the adoption of the standard as set out in note 2.2.1. Furthermore, the basis of significant estimates are same as those that were applied to the financial statements for the year ended September 30, 2018.

2.1 Going concern assumption

During the period ended March 31, 2019, the current liabilities of the Company have exceeded its current assets by Rs 333.20 million. Due to the losses incurred during recent years, the reserves of the Company have depleted significantly and the dividends have been discontinued

for the last three years. The existing working capital lines available to the Company have been utilized substantially and the related covenants have also not been complied with. Adverse financial results led to increased short term borrowing, from financial institutions and delay in meeting financial obligations towards trade creditors on a timely basis. These conditions indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as going concern.

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

Operational improvement measures comprising of:

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

Furthermore, the Company is also negotiating with banks for continuance and enhancement of existing working capital lines and has also entered in an agreement with a financial institution to assist the Company on various capital raising options.

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

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

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

2.1.1 Amendments to published standards effective in current year

Certain standard amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after October 1, 2018 but are considered not to be relevant or to have any significant effect on the Company operations and are, therefore, not detailed in this condensed interim financial information, except for the following:

IFRS 15 'Revenue from contracts with customers' was effective for the annual periods beginning on or after July 1, 2018. IFRS 15 'Revenue from contracts with customers' has replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts', and several revenue-related Interpretations. The new standard is based on the principle that revenue is recognized when the entity satisfies performance obligation by transferring a promised good or service. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15

as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any impact on the revenue recognition policy of the Company and therefore, there is no cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application.

Had these financial statements been prepared using IAS - 18, IAS - 11 and related interpretations ('previous revenue standards'), the effect on the financial statements would have been as follows:

	2019 Rupees
Increase in creditors, accrued and other liabilities	(22,786,140)
Decrease in contract liabilities	22,786,140
Decrease in trade debts	(12,200,000)
Decrease in creditors, accrued and other liabilities	12,200,000

Contract liabilities are recognized in respect of Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from a customer. As of reporting date, the Company has contract liabilities amounting to Rs 22.79 million.

Refund liabilities have been recognized amounting to Rs 12.20 million under creditors, accrued and other liabilities for sales with right to return. There is no impact for cumulative catch up adjustment for refund liabilities since the provision for sale returns has already been recorded in prior years and adjusted with trade debts. The returns generally pertain to expired or defective products having nil value due to which contract assets have not been recognized.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. This interpretation does not have any significant impact on the Company's 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 Securities and Exchange Commission of Pakistan ('SECP') through SRO 1007(I)/2017 dated October 4, 2017 had notified that IFRS 9, 'Financial Instruments' would be applicable for annual periods beginning on or after July 1, 2018, however, subsequently, SECP through SRO 229(I)/2019 dated February 14, 2019 has notified the deferment of this standard to reporting period/year ending on or after June 30, 2019 (earlier application is permitted). Consequently, the Company has not adopted this standard in the preparation of this condensed interim financial information for the half year ended March 31, 2019.

This standard replaces the guidance in IAS 39, 'Financial Instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current

incurred loss impairment model. As allowed above, the Company will apply this standard in the preparation of its financial statements for the year ending September 30, 2019 and it is yet to assess the full impact of this standard.

Further, the following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on October 1, 2019, and the Company has not early adopted them:

Standards or Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

2.3 Summary of significant events and transactions

The Company's financial position and performance was particularly affected by the following events and transactions during the interim reporting period:

- repaid principal on long term finance aggregating Rs 21.33 million;
- further developed the 'Business to Business' segment for enhancing sales of the Company; and
- transition to the new revenue standard "IFRS 15", the impact of which has been described in note 2.2.1.

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

4. Long term finance - secured

Long term finance	- note 4.1	-	21,333,333
Less: current maturity		-	(21,333,333)
		-	-
		-	-

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

The loan was secured by first joint pari-passu charge on plant and machinery of the company to the extent of Rs 143 million. The entire amount of the loan has been repaid during the period.

5. Contingencies and commitments

5.1 Contingencies

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

- (i) The Additional Commissioner Inland Revenue ('AdCIR') under section 122 of ITO 2001, through order dated June 22, 2016 in respect of tax year 2010, raised a demand of Rs 11.19 million on account of disallowance of trade promotion expenses, amortization of advertisement and certain other expenditures. The Company being aggrieved with the order filed an appeal before the Commissioner Inland Revenue (Appeals) on June 30, 2016 for vacation of the impugned order. Subsequent to the period end, the Commissioner Inland Revenue (Appeals) decided the case in favour of the Company vide Order dated April 18, 2019 and deleted the entire tax demand of Rs 11.19 million. The tax department has a right to file an appeal against the said order, however, any further proceedings against the Company have not yet been initiated.
- (ii) The Company has issued post dated cheques in favour of United Nations World Food Programme amounting to Rs 0.675 (September 20, 2018: NIL). Letter of guarantee in favour of United Nations World Food Programme on account of performance of contractual obligations amounting to Rs NIL (September 30, 2018: Rs 4.40).

5.2 Commitments

The Company has commitments in respect of:

- (i) Letters of credit including capital expenditure are Rs 7.34 million (September 30, 2018: Rs 4.97 million).
- (ii) Agreement with Bank Al Habib relating to vehicles obtained under Ijarah arrangement amounting to Rs 84.45 million (September 30, 2018: Rs 48.25 million).

		Un-audited March 31 2019 Rupees	Audited September 30 2018 Rupees
6. Property, plant and equipment			
Operating fixed assets	- note 6.1	621,741,535	642,853,800
Capital work-in-progress		2,193,375	2,434,520
		<u>623,934,910</u>	<u>645,288,320</u>
6.1 Operating fixed assets at net book value			
Opening book value		642,853,800	647,616,278
Add: Additions during the period / year at cost	- note 6.1.1	3,274,431	48,570,470
		646,128,231	696,186,748
Less: Disposals during the period / year at book value	- note 6.1.2	(2,419,341)	(5,408,907)
Depreciation charged during the period / year		(21,967,355)	(47,924,041)
		(24,386,696)	(53,332,948)
Closing book value		<u>621,741,535</u>	<u>642,853,800</u>

	Un-audited March 31 2019 Rupees	Audited September 30 2018 Rupees
6.1.1 Detail of additions during the period / year		
Building on freehold land	-	15,479,030
Plant and machinery	2,544,649	28,133,978
Vehicles	298,700	810,820
Furniture and fittings	-	301,606
Electric installations	306,102	2,350,004
Computer hardware	124,980	1,495,032
	3,274,431	48,570,470
6.1.2 Detail of disposals during the period / year		
Building on freehold land	-	-
Plant and machinery	136,845	-
Vehicles	1,524,365	5,210,834
Furniture and fittings	232,879	-
Electric installation	505,637	164,002
Computer hardware	19,615	34,071
	2,419,341	5,408,907

	Quarter ended March 31		Half year ended March 31	
	2019 Un-audited Rupees	2018 Un-audited Rupees	2019 Un-audited Rupees	2018 Un-audited Rupees
7. Sales				
Gross sales - local	512,451,534	509,851,821	1,015,152,921	934,573,412
Less: Sales returns	(15,674,525)	(7,922,614)	(28,163,542)	(8,232,300)
Rebates	(50,544,942)	(47,880,462)	(105,157,941)	(90,467,065)
Trade promotion and incentives	(14,000,821)	(43,474,634)	(30,276,977)	(66,648,764)
	(80,220,288)	(99,277,710)	(163,598,460)	(165,348,129)
Net sales - Local	432,231,246	410,574,111	851,554,461	769,225,283
- Export sales	90,730,483	61,458,400	190,663,110	168,343,019
	522,961,729	472,032,511	1,042,217,571	937,568,302

	Quarter ended March 31		Half year ended March 31	
	2019 Un-audited Rupees	2018 Un-audited Rupees	2019 Un-audited Rupees	2018 Un-audited Rupees
8. Cost of sales				
Raw and packing material consumed	227,214,019	200,039,261	536,466,174	505,419,763
Salaries, wages and other benefits	58,150,946	65,395,784	74,075,641	76,720,334
Furnace oil consumed	4,837,891	5,567,545	10,500,962	9,846,287
Freight and octroi	116,542	61,577	116,542	61,577
Travelling and vehicle running	1,289,945	1,321,682	2,579,889	1,321,682
Repairs and maintenance	6,025,533	7,419,537	12,251,867	11,708,148
Power, water and gas	11,255,748	14,349,648	20,485,031	21,196,073
Insurance	1,218,513	2,439,543	2,437,025	2,439,543
Dairy expenses	16,007,702	-	17,069,565	-
Rent, rates and taxes	1,508,839	1,112,354	1,508,839	1,112,354
Depreciation on property, plant and equipment	10,250,241	10,486,311	19,706,586	23,645,168
Amortization of intangible assets	5,631	13,916	11,262	13,916
Other expenses	5,516,352	11,301,477	11,032,703	11,301,477
	<u>343,397,902</u>	<u>319,508,635</u>	<u>708,242,086</u>	<u>664,786,322</u>
Opening work-in-process	122,186,936	122,751,106	101,006,250	125,548,342
Closing work-in-process	(83,990,944)	(85,371,328)	(83,990,944)	(85,371,328)
	<u>38,195,992</u>	<u>37,379,778</u>	<u>17,015,306</u>	<u>40,177,014</u>
Cost of goods manufactured	<u>381,593,894</u>	<u>356,888,414</u>	<u>725,257,392</u>	<u>704,963,336</u>
Opening finished goods	139,882,362	129,583,720	200,499,314	129,583,720
Closing finished goods	(138,874,662)	(130,397,815)	(138,874,662)	(130,397,815)
	<u>1,007,700</u>	<u>(814,095)</u>	<u>61,624,652</u>	<u>(814,095)</u>
	<u><u>382,601,594</u></u>	<u><u>356,074,318</u></u>	<u><u>786,882,044</u></u>	<u><u>704,149,241</u></u>
9. Distribution and marketing expenses				
Salaries, wages and other benefits	12,899,362	28,225,309	38,544,785	54,220,563
Travelling and vehicle running	10,997,911	11,471,785	13,335,089	15,220,332
Entertainment	357,519	358,190	583,508	766,839
Freight expenses				
- Local	12,043,933	9,253,196	24,759,490	19,770,908
- Export	4,524,377	4,770,930	6,964,290	6,862,048
	<u>16,568,310</u>	<u>14,024,126</u>	<u>31,723,780</u>	<u>26,632,956</u>

	Quarter ended March 31		Half year ended March 31	
	2019 Un-audited Rupees	2018 Un-audited Rupees	2019 Un-audited Rupees	2018 Un-audited Rupees
Advertisement	16,998,667	46,554,280	19,418,703	44,496,374
Distributors expenses	10,419,104	21,656,465	19,591,485	40,186,777
Trade promotion expenses	258,206	5,482,506	258,206	5,482,506
Repairs and maintenance	6,605	18,830	154,955	52,070
Insurance	88,361	154,008	138,855	337,930
Rent, rates and taxes	2,655,218	5,084,978	6,935,001	8,015,216
Power, water and gas	88,443	158,501	214,547	346,404
Printing and stationery	79,211	99,248	147,432	220,580
Postage and telephone	495,016	633,190	1,107,801	1,350,697
Depreciation on property, plant and equipment	330,237	105,735	661,374	1,265,424
Amortization of intangible assets	40,053	50,066	80,106	100,132
Other expenses	69,304	2,308,761	5,964,738	2,308,761
	72,351,527	136,385,978	138,860,365	201,003,561

10. Transactions with related parties

Relationship with the Company Nature of transactions

Post employment benefit plan	Gratuity expense	5,968,774	5,357,395	11,937,547	10,714,789
Others	Donation paid	-	-	250,000	500,000
	Purchase of goods	3,819,199	2,422,347	7,638,398	4,844,693
	Rent expense	745,384	770,250	1,490,768	1,540,499
	Payment made on behalf of related party	576,756	76,462	1,153,511	152,923
	Key management personnel	3,897,717	7,633,171	7,795,433	15,266,342

Period end balances

Receivable from related parties	-	-
Payable to related parties	260,693	2,337,356

Un-audited
March 31
2019
Rupees

Audited
September 30
2018
Rupees

	Half year ended March 31	
	2019 Un-audited Rupees	2018 Un-audited Rupees
11. Cash generated from operations		
Profit / (Loss) before tax	20,491,351	(40,079,032)
Adjustment for:		
- Depreciation on property, plant and equipment	21,967,355	26,694,766
- Amortization of intangibles	237,995	292,331
- Unwinding of deferred income	(265,955)	(295,504)
- Profit on disposal of property, plant and equipment	(914,472)	153,685
- Provision for sales return	12,200,000	-
- Provision for gratuity and accumulated leaves	14,593,867	12,855,865
- Loss / (gain) on revaluation and disposal of livestock	1,087,600	(5,802,299)
- Provision for slow moving stock	3,031,853	-
- Exchange gain	(3,051,251)	(5,286,287)
- Finance cost	36,299,646	22,059,354
Profit before working capital changes	105,677,989	10,592,879
Effect on cash flow due to working capital changes:		
- Increase in stores, spares and loose tools	(5,000,513)	(2,026,636)
- Decrease in stock-in-trade	114,181,163	95,848,460
- Increase in trade debts	(76,130,214)	(85,117,404)
- Increase in advances, deposits prepayments and other receivables	(13,945,059)	(8,188,566)
- (Decrease) / Increase in creditors, accrued and other liabilities	(70,193,160)	69,090,596
	(51,087,783)	69,606,450
	54,590,206	80,199,329
	Un-audited March 31 2019 Rupees	Un-audited March 31 2018 Rupees
12. Cash and cash equivalents		
Cash and bank balances	14,010,611	11,921,382
Finances under markup arrangements - secured	(714,028,374)	(619,354,276)
	(700,017,763)	(607,432,894)

13. Fair values of financial assets and liabilities

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

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's non financial asset that are measured at fair value at March 31, 2019:

	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
Assets				
Recurring fair value measurements of biological assets				
Livestock	-	37,181,667	-	37,181,667
	<u>-</u>	<u>37,181,667</u>	<u>-</u>	<u>37,181,667</u>

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

	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
Assets				
Recurring fair value measurements of biological assets				
Livestock	-	38,931,667	-	38,931,667
	<u>-</u>	<u>38,931,667</u>	<u>-</u>	<u>38,931,667</u>

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

Valuation techniques used to measure level 2 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on March 31, 2019. Level 2 fair value of biological assets has been determined using a replacement cost approach, whereby, current cost of similar livestock in the international market has been adjusted for transportation costs to arrive at fair value.

14. Date of authorisation

These condensed interim financial information were authorised for issue on May 28, 2019 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.

Mujeeb Rashid
Chief Executive

Nauman Munawar
Chief Financial Officer








Najam Aziz Sethi
Director



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