MITCHELL'S FRUIT FARMS LIMITED

Annual Reports 2003

CONTENTS

VISION AND MISSION STATEMENT

1. To be a leader in the markets we serve by providing quality products to our consumers while learning from their feedback to set even higher standards.

2. To be a company that continuously enhances its superior technological skills to remain internationally competitive in this day and age of increasing challenges.

3. To be a company that attracts and retains competent people by creating a culture that fosters innovation, promotes individual growth and rewards initiative and performance.

4. To be a company which optimally combines its people, technology, management systems, and market opportunities to achieve profitable growth while providing fair returns to its shareholders.

5. To be a company that endeavours to set the highest standards in corporate ethics.

6. To be a company that fulfills its social responsibility.

COMPANY INFORMATION

Board of Directors	S.M. Mohsin - Chairman
	Mehdi Mohsin - Chief Executive
	Syed Babar Ali
	Sitwat Mohsin
	Syed Yawar Ali
	Syed Faisal Imam
	Umme Kulsum Imam
	Anis Wahab Zuberi - NIT Nominee
	Amir Sattar-alternate to Mr. Mehdi Mohsin
Audit Committee	S.M. Mohsin - Chairman
	Sitwat Mohsin - Member
	Syed Faisal Imam - Member
Company Secretary/CFO	Amir Sattar
Auditors	A.F. Ferguson & Company Chartered Accountants

Legal Advisors	Afridi, Shah & Minallah 15/2, F.C.C., Syed Maratib Ali Road, Gulberg IV, Lahore Phones : (042) 5870300-02 Fax : (042) 5870303
Bankers	ABNAmroBankN.V. Askari Commercial Bank Limited Citibank N.A. Muslim Commercial Bank Limited
Share Registrar	Corplink (Private) Limited- Wings Arcade, 1-K (Commercial) Model Town, Lahore Phones : (042)5839182,5887262 Fax : (042)5869037
Registered Office	3-B, LDA Flats, Mian Muhammad Shafi Road, Lahore Phones (042)6307410-13 Fax (042) 6307414 E-mail ho@mitchells.com. pk Website www.mitchells.com.pk
Factory & Farms	Renala Khurd, District Okara, Pakistan Phones (04443) 635907-8, 622908 & 636045 Fax (04443)621416 E. Mail rnk@mitchells.com.pk
Regional Sales Office (North)	Block No. 1 -A, Sector G - 7/4, Street No. 40, Islamabad Phones (051) 2201961 - 62 & 2872669 Fax (051)2874542 E-mail 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
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

CHAIRMAN'S REVIEW

I have great pleasure in welcoming our shareholders to the 71st Annual General Meeting of the company and in presenting a review of the year ended 30th September 2003.

Financial results:

Performance for the year is marked by an increase in both profit which increased by 30.99% as well as sales which grew by 7.49 % over the corresponding figures for the previous year.

In more specific terms profit after tax has risen from Rs. 26,387,292 to Rs. 34,565,345 while sales revenue increased from Rs. 692,768,745 to Rs. 744,660,437 as compared to last year.

Business perspective:

With the steady growth of the national economy, consumer demand for our products has also registered an upward trend. Although this has been an encouraging development, growth has remained modest and confined mainly to the larger urban centres.

It is our hope that with the expected improvement in the geo-political environment & increasing political stability within the country, investment activity will be re-invigorated and the national economy will show higher levels of growth. This should, in due course, reflect itself increased consumer spending & brighter prospects for our industry.

Manufacturing:

Unlike the previous year our new chocolate moulding line remained in operation during the full winter selling season. As entirely novel packaging had to be developed brief interruptions in the supply of suitable materials occasioned problems in the smooth operation of the plant. Nonetheless we were able to achieve a significant rise in the production of moulded chocolate.

Capital expenditure:

We are constantly reviewing the performance of our existing manufacturing plant and wherever the need arises for renovation or increase in capacity investment decisions are taken after proper assessment of market prospects and expected financial return. During the current year we plan to invest in our confectionery plant to achieve greater efficiency & growth in production. Some additional equipment may also be required to replace existing facilities in our groceries section.

Raw materials:

The costs of primary raw materials - sugar, cocoa powder, cocoa butter, liquid glucose & fruit/ vegetables - present a mixed picture. While sugar has been available throughout the year at a lower average price than last year other materials listed here have generally been bought at higher prices. Since Cocoa Powder and Cocoa Butter constitute a large part of the cost of chocolate confectionery, we have had to absorb these higher costs while holding our selling prices unchanged.

The tomato crop did not live upto its early promise with the result that prices rose towards the middle of the season; the winter crop is being quoted at rates which have no parallel in the past. Apples & Mango have been available in sufficient volume while we have harvested a good lemon cropjn the current citrus season.__

Marketing:

The national market for processed food appears to have expanded in the year under review; demand for groceries rose marginally whereas stronger sales were recorded for confectionery. At the same time the prominent presence of a wide variety of processed food items carrying global brand names is evident in all major markets of the country.

The influx of imported groceries & confectionery is likely to gain momentum in the coming years, especially after 2004, when WTO rules take effect. Domestic competition in both confectionery & groceries is also intensifying with a number of new manufacturers entering the field.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 71st Annual General Meeting of Mitchell's Fruit Farms Limited will be held on January 31,2004 on Saturday at 11:30 a.m. at the Registered Office of the Company at 3-B, LDA Flats, Lawrence Road, Lahore to transact the following business :

ORDINARY BUSINESS

1. To confirm the minutes of the last meeting.

2. To receive and adopt the Annual Audited Accounts of the Company for the year ended

September 30, 2003 together with the Directors' and Auditors' reports thereon.

3. To approve payment of cash dividend @ 30% as recommended by the Directors.

4. To appoint auditors for the year ending September 30,2004 and to fix their remuneration. The retiring auditors namely Messrs A.F.Ferguson & Co., Chartered Accountants, are not eligible for re-appointment due to rotation clause introduced through Corporate Governance Rules in year 2003. The Company has applied to SECP for the relaxation of their re-appointment. In case SECP does not allow their re-appointment, M/s Ford Rhodes Sidat Hyder & Co. have consented to be appointed as auditors for the year ending September 30, 2004

5. To transact any other business whici i may be placed before the meeting with the permission of the chair.

NOTES

1. The share transfer book of the Company will remain closed from January 24, 2004 to January 31, 2004 (both days inclusive) for entitlement of 30% final cash dividend for the accounting year ended September 30,2003. Transfers received in order (including deposit requests under CDS) at our Registrar's office upto 1 : 00 p.m. on January 23, 2004 will be considered in time.

2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered office not later than 48 hours before the time meeting is scheduled for.

3. Shareholders are requested to immediately notify the change in their address, if any.

By order of the Board

Amir Sattar

Lahore, December 31, 2003 Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to place before you the audited financial statements for the year ended September 30,2003;

FINANCIAL

	Rupees
Profit before tax	52,482,540
Provision for tax	15,163,242
Profit after tax	37,319,298
Unappropriated profit brought forward	133,622,701
Profit available for appropriation	170,941,999
Proposed cash dividend @ 30%	15,120,000
Unappropriated profit carried forward	155,821,999

AUDITORS

The retiring auditors namely Messrs A.F.Ferguson & Co., Chartered Accountants, are not eligible for re-appointment due to rotation clause introduced through Corporate Governance Rules in year 2003. The Company has applied to SECP for the relaxation of their re-appointment. In case SECP does not allow their re-appointment, M/s Ford Rhodes Sidat Hyder & Co. have consented to be appointed as auditors for the year ending September 30, 2004.

As required by Code of Corporate Governance the Audit Committee has also recomended the above arrangement for the appointment of auditors of the Company for the year 2004.

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's Review dealing with the activities of the Company.

EARNING PER SHARE

Earning per share (EPS) of Rs 10 each works out to Rs 7.40. This EPS has been calculated on the basis of 5.04 million shares outstanding at the year end.

CORPORATE GOVERNANCE

A statement of compliance with the Code of Corporate Governance is attached.

PATTERN OF SHAREHOLDING

A statement showing the pattern of holding of shares as on September 30, 2003 is attached.

For and on behalf of the Board

Lahore	S.M. Mohsin
December 31, 200	Chairman & Chief Executive

We have followed a constant policy of close attention to quality & innovation in our product range to meet the growing challenge. Our brands, which have acquired strong national recognition, are being promoted by regular advertising on the media.

During the last year escalating cost of raw material used in sugar confectionery has resulted in a narrowing of the contribution margins. As the consumer price per unit of sugar confectionery is relatively inflexible & the next raise can only lead to a doubling of the current price there is strong pressure on profit margins available to the wholesale & retail trade. We are examining various options for retaining the interest of the trade & it appears that the transition to a new price structure may affect demand for some time to come.

Tax:

The anomalous charge of excise duty on fruit drinks, levied in addition to sales tax, continues unchanged despite representations made to the CBR & to the Ministry of Finance. The Fruit Processors'Association is persevering with the legitimate demand of exemption from excise duty and we hope that it will receive sympathetic attention.

Prospects:

The imminent application of WTO rules is likely to cause considerable uncertainty & a period of adjustment for the national food industry. We believe that the challenge from foreign competition can be successfully countered with efficient utilisation of indigenous resources such as a wide variety of good quality raw material & trained manpower. For our company there are good grounds to remain optimistic about the future.

Personnel:

The directors wish to express their deep appreciation of the most valuable contribution made by the employees of the company without which, the posi%e results under report could not have been achieved.

S.M.Mohsin

Chairman

STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 & 43 of listing regulations of Karachi & Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 independent non-executive directors and 2 directors representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranges various orientation courses for its directors to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of tne Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

CODE OF CORPORATE GOVERNANCE
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Securities & Exchange Commission of Pakistan (SECP) introduced in March 2002, Code of Corporate Governance to enhance transparency and credibility in the corporate sector for listed Companies. The Code is being enforced through listing regulation No. 37 (Chapter XI) and regulation no. 40 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively. In compliance of the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting frame work:

a. The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of the operations, cash flows and changes in equity.

b. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

c. Proper books of account of the Company have been maintained.

d. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

e. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

f. The system of internal control is sound in design and has been effectively implemented and monitored.

g There are no significant doubts upon the company's ability to continue as a going concern.
h. Key operating and financial data for the last six years in summarized form is annexed.
i. Value of investments based on respective audited accounts.

O Provident Fund Rs. 5,398,511/-
j. Audit Committee

O The Audit Committee was established to assist the directors in discharging their resonsibilities towards company. Audit Committee's responsibilities includes, reviewing reports of the company's financial results, monitoring internal audit functions and compliance with relevant statutory requirements, to assist the Board in discharging its responsibilities for safeguarding of Company's assets, development and implementation of effective internal control system.

The committee consists of three memebrs. Majority of members including Chairman of the Committee are non-executive directors.

The Audit Committee meets at least four times in a year and additional meetings can be convened by the Chairman of the Committee whenever necessary.

k. Outstanding taxes and levies

Board Meetings

During the year under review, five (5) meetings were held. Attendance by each Director is as follows:

Name	Attendance	Name	Attendance
Syed Mohammed Mohsin	5	Mr. Mehdi Mohsin	4
Mrs. Sitwat Mohsin	5	Syed BabarAli	2
Syed Faisal Imam	3	Miss Umme Kulsum Imam	2

Mr. Anis Wahab Zuberi	3	Syed YawarAli	2

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF
COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Mitchell's Fruit Farms Limited to comply with the Listing Regulation No. 37 and 43 of the Karachi and Lahore Stock Exchanges respectively, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2003.

Lahore: A. F. FERGUSON & Co

December 31, 2003 Chartered Accountants

15. The Board has formed an audit committee. It comprises 3 members, of whom 2 are non-executive directors. The Chairman of the committee is also the Chairman of the Company.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mitchell's Fruit Farms Limited as at September 30, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and. give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore — A. F. Ferguson & Co.

Dated: December 31, 2003 — Chartered Accountants

SIX YEARS'REVIEW

	1998	1999	2000	2001	2002	2003
Net sales	504,328	610,873	636,776	680,073	692,379	744,660
Gross profit	120,046	134,980	141,134	127,240	129,686	150,391
Gross profit to sales - %	23.8	22.1	22.16	18.71	18.72	20.19
Profit before tax	63,669	65,460	68,190	50,592	40,275	52,483
Profit before tax to sales - %	12.62	10.72	10.71	7.44	5.81	7.05
Profit after tax	42,407	42,311	42,979	31,577	26,387	37,319
Earning per share - Rupees	10.09	10.07	10.23	7.52	6.28	6.28

Cash dividend - %	50	45	41	35	30	30
Stook dividend - %	20	-	-	-	20	-
Capital expenditure	38,426	22,461	28,f25	45,082	34,651	41,676
Production:						
Confectionery - in tons	4,344	5,226	5,348	6,002	5,854	6,174
Groceries - in dozens	451,431	557,973	555,160	543,970	619,246	615,018

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mitchell's Fruit Farms Limited as at September 30, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by tne Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion ZaKat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore — A. F. Ferguson & Co.

Dated: December 31, 2003 — Chartered Accountants

BALANCE SHEET
AS AT SEPTEMBER 30, 2003

	Note	2003 Rupees	2002 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 (2002 : 10,000,000) ordinary shares of Rs 1 0 each		100,000,000	100,000,000
Issued, subscribed and paid up capital			
5,040,000 (2002: 4,200,000) ordinary shares of Rs 10 each	3	50,400,000	42,000,000
Reserves	4	9,635,878	18,035,878
Unappropriated profit		155,821,999	133,622,701
		215,857,877	193,658,579
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	2,465,173	-
DEFERRED TAXATION	6	17,580,000	15,790,000
RETIREMENT BENEFITS	7	13,654,791	12,837,188
CURRENT LIABILITIES			
Short term running finances	5	78,718,115	61,934,984
Liabilities against assets subject to finance lease	-5	1,108,911	-
Creditors, accrued and other liabilities	9	53,801,943	36,540,760
Proposed dividend		15,120,000	12,600,000
		148,748,969	111,075,744
CONTINGENCIES AND COMMITMENTS	10		
		398,306,810	333,361,511

	Note	2003 Rupees	2002 Rupees
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	11	168,980,853	148,737,154
Assets subject to finance lease	12	3,036,200	1,127,111
Capital work in progress	13	2,941,828	
		174,658,881	149,864,265
		1,223,000	885,500
LIVESTOCK			
LONG TERM DEPOSITS		455,223	147,223
CURRENT ASSETS			
	14	7,775,014	7,556,630
Stores and spares	15 16	130,250,607	130,612,248
Stock in trade		6,623,749	4,561,593
Trade debts			
Advances, deposits, prepayments and	17	68,177,461	35,229,881
other receivables	I / 18	9,142,875	4,504,171
Cash and bank balances		221,969,706	182,464,523
		398,306.81	333,361,511

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Note	2003 Rupees	2002 Rupees
Sales	19	744,660,437	692,768,745
Cost of sales	20	594,390,949	563,083,094
Gross profit		150,269,488	129,685,651
Selling and distribution expenses	21	62,130,404	55,870,983

Administrative expenses	22	27,911,681	24,751,404
		90,042,085	80,622,387
Operating profit		60,227,403	49,063,264
Other income	23	3,929,072	2,219,017
		64,156,475	51,282,281
Financial charges	24	7,922,596	8,311,279
Other charges	25	3,751,339	2,696,250
		11,673,935	11,007,529
Profit before taxation		52,482,540	40,274,752
Provision for taxation	26	15,163,242	13,887,460
Profit after taxation		37,319,298	26,387,292
Unappropriated profit brought forward		133,622,701	128,235,409
Available for appropriation		170,941,999	154,622,701
Appropriations:			
-Transferred to capital reserves for issue of bonus shares		.	8,400,000
- Proposed dividend - Rs 3.00 (2002: Rs 3.00) per share		15,120,000	12,600,000
		15,120,000	21,000,000
Unappropriated profit carried forward		155,821,999	133,622,701
Earning per share	32	7.4	5.24

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Note	2003 Rupees	2002 Rupees
Cash flow from operating activities			
Cash generated from operations	28	83,374,227	51,068,666
Financial charges paid		-7,634,803	-8,564,618
Payment of gratuity and leave salary		-2,052,576	-1,214,916
Taxes paid		-33,706,974	-18,118,694
Net cash inflow from investing activities		39,979,874	23,170,438
Cash flow from investing activities			
Fixed capital expenditure		-41,675,739	-34,651,146
Proceeds from sale of fixed assets		2,408,300	3,514,716
(Increase)/Decrease in long term deposits		-308,000	-
Proceeds from sale of livestock		326,130	78,200
Net cash outflow from investing activities		-39,249,309	-31,058,230
Cash flow from financing activities			
Lease rentals paid		-264,294	-
Dividend paid		-12,610,698	-14,858,991
Net cash outflow from financing activities		-12,874,992	-14,858,991
Net (decrease) in cash and cash equivalents		-12,144,427	-22,746,783
Cash and cash equivalents at the beginning of the year		-57,430,813	-34,684,030
Cash and cash equivalents at the end of the year	29	-69,575,240	-57,430,813

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Share capital Rupees	Share premium Rupees	Reserves for issue of bonus shares Rupees	General reserve Rupees	Unappropriated profit Rupees	Total Rupees
Balance as on September 30, 2001	42,000,000	9,335,878	-	300,000	128,235,409	179,871,287
Net profit for the year	-	-	-	-	26,387,292	26,387,292
Transferred to reserve for issue of						

bonus shares	-	-	8,400,000	-	-8,400,000	-
Proposed dividend Rs. 3.0 per share	-	-	-	-	-12,600,000	-12,600,000
Balance as on September 30, 2002	42,000,000	9,335,878	8,400,000	300,000	133,622,701	193,658,579
Net profit for the year	-	-	-	-	37,319,298	37,319,298
Nominal value of bonus shares issued	8,400,000	-	-8,400,000	-	-	-
Proposed dividend Rs. 3 per share	-	-	-	-	-15,120,000	-15,120,000
Balance as on September 30, 2003	50,400,000	9,335,878	-	300,000	155,821,999	215,857,877

S.M. Mohsin
Chairman

Sitwat Mohsin
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

1. Legal status and nature of business

The company is incorporated in Pakistan and is listed on Karachi and Lahore Stock Exchanges. It is principally engaged in manufacture and sale of various farm and confectionery products.

2. Significant accounting policies

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of Companies Ordinance, 1984 and accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing Interoperations Committee of the IASC, as applicable in Pakistan except where provisions of the Companies Ordinance, 1984 require otherwise in which case such provisions have been applied.

2.2 Accounting convention

The accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred to in note 2.11, except for revaluation or certain financial instruments at fair v?lue and recognition of certain employee retirement benefits at present value.

2.3 Employee retirement benefits

The main features of the schemes operated by the company for its employees are as follows:

(a) The company operates an unfunded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service and also operates an unfunded statutory gratuity scheme for all its employees who have not opted for the provident fund. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at September 30, 2003 by using Projected Unit Credit Method. The following significant assumptions are used for valuation of the scheme:

Discount rate 8 percent per annum.

Expected rate of increase in salary level 7 percent per annum.

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS-19 (revised 2000).

(b) There is an approved defined contribution provident fund for all employees. Equal monthly contributions are made both by the company and employees to the fund in accordance with the fund rules.

(c) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensating absences based on actuarial valuation and are charged to income. The latest actuarial valuation was carried out as on September 30, 2003.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these schemes.

2.4 Taxation
Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments where considered necessary to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse baspd on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.5 Fixed capital expenditure and depreciation

2.5.1 Operating fixed assets-tangible

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and exchange differences referred to in note 2.11 and interest, mark-up etc. in note 2.12.

Depreciation on all operating fixed assets is charged to profit on a reducing balance method so as to write off the historical cost of an asset over its estimated useful life at the following annual rates:

Particulars	Percentage
Buildings and roads on freehold land	10
Buildings on leasehold land	10
Plant & Mechinery	20
Vehicles	20
Furniture and fixture	20
Electric instaiiation	20

Computer hardware 20

Depreciation on major additions to fixed assets is charged from the month in which an asset is acquired or capitalized while full annual rate of depreciation is applied on the cost of other additions and no depreciation is charged on the assets disposed off during the year. Impairment loss or its reversal, if any, is also charged to income. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

The net exchange difference relating to an asset, at the end of each year, is amortized in equal installments over its remaining useful life.

Major repairs and improvements are capitalised. Minor repairs and renewal are charged to income. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.

2.5.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

2.6 Leases

The company is lessee:

Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 5 , The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are amortised over the useful life of the asset on a reducing balance method at the rates given in note 12 . Amortisation of leased assets is charged to profit.

Full year's amortization is charged on additions while no amortization is charged on deletions during the year. However, amortization on major additions is charged from the month in which the assets are put to use.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

2.7 Stores & Spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

2.8 Stock in trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of average cost and net realizable value. Cost of raw materials and work-in-process signifies average direct material cost. In case of finished goods, cost includes direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid 'thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash on hand and current accounts, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

2.10 Provisions

Provisions are recognized when the company has a present obligation as a result of past event, which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.11 Foreign currencies

All monetary assets and liabH'ties in foreign currencies are translated into Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Rupees at the spot rate. All non-monetary items are translated into Rupees at exchange rates prevailing on the date of transactions or on the date when the fair values are determined.

Exchange differences on loans utilized for the acquisition of plant and machinery are capitalized up to the date of commissioning of the assets.

All other exchange differences are included in profit currently.

2.12 Borrowing costs

Mark up, interest and other charges on long-term borrowings are capitalized upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such long-term borrowings. All other mark up, interest and other charges are charged to profit.

2.13 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statemnts associated with each item.

2.14 Trade debts

Trade debts are carried at original invoice less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.15 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance charges are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

2.16 Creditors and accrued liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

2.17 Derivative financial instruments

These are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

2.18 Livestock

This is stated at fair market value at year end.

2.19 Revenue recognition

Revenue from sales is recognized on despatch of goods to customers. Return on deposits is recognized on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon.

		Note	2003 Rupees	2002 Rupees
3. Issued, subscribed and paid up capital				
1,417,990	(2002: 1,417,990) ordinary shares of Rs 10 each fully paid in cash		14,179,900	14,179,900
44,020	(2002: 44,020) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash		440,200	440,200
3,577,990	(2002: 2,737,990) ordinary shares of Rs 10 each issued as fully paid bonu		35,779,900	27,379,900
5,040,000			50,400,000	42,000,000

187,354 (2002:156,128) ordinary shares of the company are held by International General Insurance Comapny of Pakistan Limited, as associated concern as at September 30, 2003.

	Note	2003 Rupees	2002 Rupees
4. Reserves			
Movement in and composition of reserves is as follows:			
Capital			
Share premium	4.1	9,335,878	9,335,878
Reserve for issue of bonus shares			
- At the beginning of the year		8,400,000	-
- Transfer from profit and loss account		-	8,400,000
- Nominal value of the bonus shares issued		-8,400,000	-
		.	8,400,000
Revenue			
- General reserve		300,000	300,000
		9,635,878	18,035,878

	2003 Rupees	2002 Rupees
5. Liabilities against assets subject to finance lease		

Present value of minimum lease payments	3, 574, 084	-
Less: Current portion shown under current liabilities	1,108,911	-
	2,465,173	-

The minimum lease payments under the lease agreements are payable in 33 monthly installments. The present value of minimum lease payments have been discounted at an implicit interest rate of 9.5% to arrive at their present value.

Taxes, repairs and insurance costs are to be borne by the company. In case of termination of the agreement the company is to pay the entire rent for the unexpired period of the lease agreement. The lessee has the option to purchase the asset after the expiry of the lease term.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Years	Minimum Lease Payments	Future Finance Charge	Present Value Of Lease Liability	
			2003	2002
2004	1,315,176	206,265	1,108,911	_
2005	1,315,176	116,258	1,198,918	-
2006	1,294,382	28,127	1,266,255	-
Rupees	3,924,734	350,650	3,574,084	-

6. Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation	22,359,000	20,283,000
Gratuity and leave salary	-4,779,000	-4,493,000
	17,580,000	15,790,000

7. Retirement and other benefits

Staff gratuity	- note 7.1	11,162,631	10,487,869
Leave encashment		2,492,160	2,349,319
		13,654,791	12,837,188

7.1 Staff retirement benefits

balance sheet are as follows:

Present value of defined benefit obligatio n	10,925,097	10,576,961
Unrecognised actuarial gain/(losses)	237,534	-89,092
Liability as at September 30, 2003	11,162,631	10,487,869
Liability as at October 1 , 2002	10,487,869	10,269,599
Charge to profit and loss account	1,826,785	836,990
Contributions by the company	-1,152,023	-618,720
Liability as at September 30, 2003	11,162,631	10,487,869

8. Short term running finances - secured

Short term running finances, available from commercial banks under mark-up arrangements, amount to Rs 155 million (2002: Rs 130 million). Under these arrangements, goods owned by the company are sold to the banks and are deemed to be immediately repurchased by the company at a price by the bank, plus a mark-up computed at the rate ranging from Re 0.192 to Re 0.274 per 1,000 per diem or part thereof on the price outstanding.

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

Of the aggregate facility of Rs 90.3 million (2002: Rs 65 million) for letters of credit and Rs 2 million (2002: Rs 7 million) for guarantees, the amount utilised at September 30, 2003 was Rs 1.345 million (2002: Rs 12.768 million) and Rs Nil (2002: Rs Nil) respectively.

		2003	2002
		Rupees	Rupees
9. Creditors, accrued and other liabilities			
Trade creditors	- note 9.1	22,284,915	17,614,813
Accrued liabilities		10,282,648	4,919,485
Due to associated companies	- note 9.2	27,872	28,272
Interest free deposits repayable on demand		343,371	173,371
Advance from customers		4,814,630	3,713,956
Mark-up on short term running finances - secured		1,412,961	1,168,296
Sales tax payable		7,930,008	3,955,986
Workers' profit participation fund	- note 9.3	2,828,000	2,165,043
Workers' welfare fund		900,000	500,000
Unclaimed dividend		281,716	292,414
Others		2,695,822	2,009,124
		53,801,943	36,540,760

9.1 Trade creditors include amount due to associated company Rs. Nil (2002: Rs.Nil).

9.2 These are in the normal course of business and are interest free.

9.3 Workers' profit participation fund

Opening balance as at October 1	2,165,043	2,730,000
Provision for the year	2,828,000	2,150,000
Intrests for the year	123,532	250,646
	5,116,575	5,130,646
Less: Payments during the year	2,288,575	2,965,603
	2,828,000	2,165,043

10. Contingencies and commitments

Contingencies

(i) The Deputy Commissioner of Income Tax framed the company's assessments relevant to accounting years 1991 to 1993 raising an additional tax demand aggregating Rs 6.555 million. This additional demand has arisen primarily by subjecting to tax the arbitrary value assigned to agricultural land exchanged by

the company with its associated company. The company filed appeals with the Commissioner of Income Tax (Appeals) which were decided in its favour. The Income Tax Department has now contested the decision of Commissioner of Income Tax (Appeals) for the above assessment years before the Income Tax Appellate Tribunal (ITAT) which are pending adjudication.

However, no provision has been made in these accounts for the aforementioned tax demand as in management's view, there are meritorious grounds for a decision in the company's favour.

(ii) Included in note 17 under the head balance with statutory authorities is an amount of Rs 0.637 million, representing sales tax Rs 0.632 million and penalty 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 accounts as the management is of the view that the petition will be in company's favour.

(iii) For the assessment year 2001-2002, the assessing officer has raised an additional tax demand of Rs 9.066 million under section 12(9A) of the repealed Income Tax Ordinance, 1979 on account of excess revenue reserves. Against the above treatment, the company has prefei red an appeal before the Commissioner of Income Tax (Appeals), which is pending adjudication. As the management is confident that the matter would be settled in its favour, therefore, no provision has been made in these accounts in respect of the above mentioned liability.

Commitments

(i) Letter of credit and purchase commitments other than for capital expenditure amounts to Rs 1.3 million (2002: Rs 3.3 million).

(ii) Letter of credit for capital expenditure amounts to Rs. Nil (2002: Rs 9.5 million).

11. Operating fixed assets

11.1 The following is statement of operating fixed assets:

	Cost as at September 30, 2002	Addition/ (deletion)	Cost as at September 30, 2003	Accumulated depreciation as at September 30, 2002	Depreciation charge for the year	Accumulated depreciation as at September 30, 2003	Book value as at September 30, 2003
Freehold land	10,393,819	365,606	10,759.43				10.759,425
Building on freehold land	36.397,126	2.207,138	38,604,264	14,040,935	2,456,333	16,497,268	22.106,996
Building on leasehold land	4,412,513		4,412,513	2,956.04	145,647	3,101.69	1,310,827
Plant and machinery	193,487,680	31,992.78	225,480.46	91.611,602	12,831,714	104,443,316	121,037.14
Vehicles	19,093.34	2,528,890 -2,755,994	18,866,236	10.202,330	2,078,953 -1,730,860	10,550,423	8,315,813
Furniture and fixtures	1.875.351	362.786	2.238,137	1,450,569	157,514	1,608,083	630,054
Electric installation	3,327.22	674,910 -58,300	5,943.83	3,949,121	402.812 -19.353	4,332,580	1,611.25
Computer hardware	4,694,697	1,728,916 -233,710	6,189,903	2,733,995	727,337 -180,778	3.280,554	2.909.349
Rupees 2003	275,681,745	39,861,022 (3.048,004)	312.494.763	126,944,591	18,800,310 -1,930,991	143,813.91	168.680.853
Rupees 2002	216.127,294	66,074,520 (6.520,069)	275,681.75	113.087,786	17.129,064 -3,272,259	126,944,591	148.737,154

11 .2 Depreciation charge for the year has been allocated as follows:		2003 Rupees	2002 Rupees
Cost of sales	- note 20	15,433,694	13,965,415
Selling and distribution expenses	- note 21	2,078,953	2,222,753
Administrative expenses	- note 22	1,287,663	940,896
		18,800,310	17,129,064

11.3 Disposal of operating fixed assets

Class of assets	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Profit / (loss) on disposal Rupees	Sold to	Mode of disposal
Vehicles	719,641	259,071	460,570	655,000	194,430	Rana Akhter Mahmood	Negotiation
	555,000	199,800	355,200	355,200	-	Tariq Mehmood Rao Coi	mpany policy
	301,450	222,427	79,023	220,000	140,977	Shoaib Butt	Negotiation
	325,558	313,699	11,859	550,000	538,141	Sher Muhammad	-do-
	336,161	3P0.067	36,094	250,000	213,906	Insurance claim	-
	364,750	325,585	39,165	220,000	180,835	Haji Sharif	Negotiation
	64,765	38,237	26,528	58,000	31,472	Insurance claim	-

	62,169	45,872	16,297	43,000	26,703	MrArshad	Negotiation
	14,200	13,944	256	23,500	23,244	Abdul Sohail	-do-
	12,300	12,158	142	22,500	22,358	Shakeel Ahmed	-do-
Computer Hardware	58,300	47,448	10,852	.	-10,852		Written off
	63,100	54,912	8,188	-	-8,188		-do-
	47,310	35,585	11,725	-	-11,725		-do-
	13,000	8,740	4,260	-	-4,260		-do-
	23,000	16,971	6,029	-	-6,029		-do-
	29,000	17,122	11,878	-	-11,878		-do-
Electric Installation	15,500	5,580	9,920	9,300	-620	Messers Old Gold	Negotiation
Book value of items below Rs 5,000	42,800	13,773	29,027	1,800	-27,227		Written off
	3,048,00	4 1,930,991	1,117,013	i 2,408,30C	I 1,291,287		

12. Asset subject to finance lease

	Cost as at September 30, 2002	Addition/ (deletions)	Cost as at September 30, 2003	Acumulateed depreciation as at September 30, 2002	Depreciation change for the year	Acumulateed depreciation as at September 30, 2003	Book value as at September 30, 2003
Vehicles	-	3,795,250	3,795,250	-	759,050	759,050	3,036,200
Rupees 2003	-	3,795,250	3,795,250	-	759,050	759,050	3,036,200
Rupees 2002	-		-			-	

Amortization charge has been allocated to selling and distribution expenses.

	2003 Rupees	2002 Rupees
13. Capital work in progress		
Civil works	2,840,028	719,088
Plant and machinery	101,800	408,023
	2,941,828	1,127,111
14. Stores and spares		
Classification of the balance between stores and spares is not practicable.		
15. Stock in trade		
Raw materials [including in transit Rs 1,656,077 .(2002: Rs 2,058,904)]	103,814,377	107,389,562
Work-in-process	2,065,959	1,979,916
Finished goods	24,370,271	21,242,770
	130,250,607	130,612,248
16. Trade debts		
These are unsecured and considered good.		
17. Advances, deposits, prepayments and other receivables		
Advances to employees		
- considered goed -note 17.1	1,395,762	1,719,304
Advances to suppliers		
- considered good	18,975,445	7,827,751
Short term deposits	103,317	123,317
Prepayments	41,737	48,126
Balance with statutory authorities		
- Excise duty	14,830	686,525
- Income tax recoverable - note 17.2	2,401,190	2,007,953
- Income tax refundable	38,206,636	17,872,904
- Sales tax	3,982,754	2,340,896

Letters of credit - margins, deposits,

Opening Charges etc.		1,613,667	504,388
Others		1,221,357	1,901,104
		68,177,461	35,229,881

17.1 Included in advances to employees are amounts due from chairman and executives of Rs 0.025 million and Rs 0.058 million (2002: Rs 0.124 million) respectively. The maximum aggregate amount due from chairman and executives are Rs 0.092 million and Rs 0.131 million (2002: Rs 0.673 million) respectively at the end of any month during the year.

17.2 For the assessment years 1997-98 to 2002-2003 the Deputy Commissioner of Income Tax (DCIT) has raised tax demand amounting to Rs 2.401 million by invoking the provisions of section 52 and 86 of the Income Tax Ordinance, 1979 on account of failure to deduct tax on the payment made for fruit purchases. Against the above treatment, the company preferred an appeal before the Commissioner of Income Tax (Appeals), which has been decided in Company's favour except for the assessment year 2002-2003 including an amount of Rs 0.393 million, is still pending adjudication. As the management is confident that the matter would be settled in its favour, therefore, no provision for the assessment year 2002-2003 has been made in these accounts in respect of the above mentioned liability.

	2003 Rupees	2002 Rupees
17.3 Due from associated companies		
Kissan Fruit Growers (Private) Limited	29,347	28,947
Haider Fruit Growers (Private) Limited	20,215	19,615
Anjuman-e-Khuddam-e-Rasool Allah	143,008	120,855
Jamia Masjid, Shergarh	28,196	28,196
	220,766	197,613

These relate to normal business of the company and are interest free.

Maximum aggregate balance of advances to associated companies at the end of any month during the year was Rs 0.221 million (2002: Rs 0.791 million).

18. Cash and bank balances		
Cash at bank on current accounts	8,894,342	4,345,263
Cash in hand	248,533	158,908
	9,142,875	4,504,171
19. Sales		
Gross sales	850,006,165	791,225,061
Less: - Sales returns	8,760,196	8,846,968
- Rebates	93,713,963	86,902,447
- Trade promotion	-	2,706,901
	105,345,728	98,456,316
	744,660,437	692,768,745

Sales are exclusive of sales tax Rs 125.544 million (2002: Rs 116.230 million).

		2003 Rupees	2002 Rupees
20. Cost of sales			
Raw and packing materials consumed	-note 20.1	490,194,285	470,714,061
Salaries, wages and benefits	- note 20.2	35,712,453	34,100,188
Furnace oil consumed		13,787,652	11,241,803
Freight and octroi		6,400,434	6,966,501
Travelling and vehicle running		1,021,607	821,415
Repairs and maintenance		12,339,317	12,070,956
Excise duty		8,556,950	9,339,992

Electricity		11,770,778	9,630,914
Insurance		1,733,614	1,391,128
Rent, rates and taxes		86,648	146,497
Depreciation		15,433,694	13,965,415
Miscellaneous expenses		567,061	681,117
		597,604,493	571,069,987
Opening work-in-process		1,979,916	1,092,993
Closing work-in-process		-2,065,959	-1,979,916
		-86,043	-886,923
Cost of goods manufactured		597,518,450	570,183,064
Opening stock of finished goods		21,242,770	14,142,800
Closing stock of finished goods		-24,370,271	-21,242,770
		-3,127,501	-7,099,970
		594,390,949	563,083,094

20.1 Raw and Packing material consumed during the year include Rs 0.126 million (2002: Rs 0.059 million) for stocks written off.

20.2 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

In addition to above Rs 0.142 million (2002: Rs 0.160 million) and Rs 0.629 million (2002: Rs 0 552 million) have been charged in respect of company's contribution towards provident fund and staff compensated absences.

		2003 Rupees	2002 Rupees
21. Selling and distribution expenses			
Salaries, wages and benefits	-note 21.1	9,415,232	8,268,326
Travelling and vehicles running		5,523,566	6,032,149
Entertainment		247,419	250,938
Freight and octroi		9,473,478	9,721,164
Advertising		27,926,618	24,095,149
Sales tax on trade promotion		3,620,654	2,377,886
Repairs and maintenance		113,064	132,253
Insurance		662,266	431,979
Rent, rates and taxes		649,687	672,119
Electricity, gas and water		316,872	377,994
Printing and stationery		333,605	428,004
Postage and telephone		350,795	343,397
Depreciation		2,078,953	2,222,753
Amortization		759,050	-
Miscellaneous expenses		659,145	516,872
		62,130,404	55,870,983

21.1 Salaries, wages and other benefits

Salaries, wages and other benefits include following in respect of gratuity:

Current service cost	185,172	100,480
Interest cost for the year	254,659	134,954
Transitional asset	-	-115,991
	439,831	119,443

In addition to above Rs 0.043 million (2002: Rs 0.041 million) and Rs 0.216 million (2002: Rs 0.380 million) have been charged in respect of company's contribution towards provident fund and staff compensated absences.

22. Administrative expenses

Salaries, wages and benefits	-note 22.1	16,162,505	13,186,045
Travelling and vehicle running		1,540,043	2,821,453
Entertainment		310,921	348,382
Repairs and maintenance		1,279,196	1,603,983
Insurance		635,436	276,686
Rent, rates and taxes		117,058	154,837
Electricity, gas and water		500,347	478,764
Printing and stationery		761,782	803,853
Postage and telephone		1,273,200	1,056,023
Legal and professional charges	- note 22.2	1,659,034	1,374,414
Donations	- note 22.3	584,520	558,500
Depreciation		1,287,663	940,896
Dairy expenses		1,124,608	858,991
Miscellaneous expenses		675,368	288,577
		27,911,681	24,751,404

	2003 Rupees	2002 Rupees
22.1 Salaries, wages and other benefits		
Salaries, wages and other benefits include following in respect of gratuity:		
Current service cost	220,961	165,715
Interest cost for the year	303,878	222,572
Transitional asset	-	-191,296
	524,839	196,991

In addition to above Rs 0.127 million (2002: Rs 0.122 million) and Rs 0.219 million (2002: Rs 0.146 million) have been charged in respect of company's contribution towards provident fund and staff compensated absences.

22.2 Auditors' remuneration		
Statutory audit	125,000	90,000
Half yearly review	75,000	-
Tax services	270,000	150,000
Workers' profit participation and provident funds' audit and sundry services	17,000	45,000
Out of pocket expenses	43,293	48,760
	530,293	333,760
22.3 Donations		
Anjuman-e-Khuddam-e-Rasool Allah, Shergarh, District Okara (Mr S. M. Mohsin, Chief Executive of the company is the founder member of the Anjuman)	559,520	500,000
Others	25,000	58,500
	584,520	558,500
23. Other income		
Profit on sale of fixed assets	1,291,287	266,906
Profit on sale and revaluation of livestock	663,630	163,700
Scrap sales	1,463,876	1,788,411
Others	510,279	-
	3,929,072	2,219,017
24. Financial charges		
Mark-up on short term running finances	6,990,729	6,894,085
Interest on workers' profit participation fund	129,584	250,646
Mark-up on Finance Lease	43,128	-
Bank and other charges	759,155	1,166,548
	7,922,596	8,311,279

	2003	2002
	Rupees	Rupees

25. Other charges

Workers' profit participation fund	2,828,000	2,150,000
Workers' welfare fund	923,339	546,250
	3,751,339	2,696,250

26. Provision for taxation

For the year		
- Current	16,000,000	9,000,000
- Deferred	2,872,000	5,578,000
	18,872,000	14,578,000
Prior year		
- Current	-2,626,758	-1,055,540
- Deferred	-1,082,000	365,000
	-3,708,758	-690,540
	15,163,242	13,887,460

26.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:

	2003	2002
	%	%
Applicable tax rate	35	35
Tax effects of amounts that:		
- Exempt for tax purposes	-0.44	-
- Not deductible for tax purposes	0.18	-1.71
Effect of change in prior year's tax	-7.07	0.9
Tax effect due to roundii ig off	1.22	0.29
	-6.11	-0.52
Average effective tax rate charged to profit and loss account	28.89	34.48

27. Remuneration of Directors and Executives

27.1 The aggregate amounts charged in the accounts for remuneration including certain benefits to the Chief Executive, Director and Executives of the Company are as follows:

	Chairman		Chief Executive		Executives	
	2003	2002	2003	2002	2003	2002
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	620,688	438,624	1,034,484	827,592	4,514,232	4,124,058
Retirement benefits	-	-	332,151	124,108	1,202,036	1,025,619
House rent allowance	279,312	197,376	465,516	372,408	2,031,404	1,855,828
Utilities	44,010	36,840	88,527	89,485	451,423	412,407
Club Expenses	48,120	37,172	55,562	53,402	-	-
Bonus	-	-	310,345	344,828	1,441,270	1,530,990
	992,130	710,012	2,286,585	1,811,823	9,640,365	8,948,902
Number of persons	1	1	1	1	23	22

In addition to above, Chairman, Chief Executive and some of the Executives are provided with free use of company cars and free residential telephones.

The Chairman, Chief Executive and all the Executives are entitled to reimbursement of medical expenses upto an amount equal to three basic salaries.

27.2 Remuneration to other directors

Aggregate amount charged in the accounts for fee to 6 directors was Rs. 8,500 (2002: Rs. 3,500).

	2003	2002
	Rupees	Rupees
28. Cash flow from operating activities		
Profit before taxation	52,482,540	40,274,752
Add/(less):		
Adjustment for non cash charges and other items		
Add/(less): Adjustment for non cash charges and other items		
- Depreciation	18,800,310	17,129,064
- Amortization	759,050	-
- Profit on sale of fixed assets	-1,291,287	-266,906
- Provision for gratuity and leave salary	2,870,179	1,915,728
- Profit or revaluation of livestock	-663,630	-163,700
- Financial charges	7,922,596	8,311,279
Profit before working capital changes	80,879,758	67,200,217
Effect on cash flow due to working capital changes		
- (Increase) in stores and spares	-218,384	213,988
- Decrease in stock in trade	361,641	-29,301,111
- (lncrease)/decrease in trade debts	-2,062,156	-955,935
- (lncrease)/decrease in advances, deposits and other receivables	-12,613,848	11,570,421
- lncrease/(decrease) in creditors, accrued and other liabilities	17,027,216	2,341,086
	2,494,469	-16,131,551
Cash generated from operations	83,374,227	51,068,666
29. Cash and cash equivalents		
Cash & Bank Balance	9,142,875	4,504,171
Short term running finances	-78,718,115	-61,934,984
	-69,575,240	-57,430,813

30. Transaction with related parties

The related parties comprise associated undertakings and other related companies, directors and executives. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from executives are shown under receivables and remuneration of directors and executives are disclosed in note 27. Other significant transactions with related parties are as follows.

	2003	2002
	Rupees	Rupees
Purchase of goods and services	9,698,384	14,302,500

Sale and purchase transactions with associated undertakings are carried out on commercial terms and conditions under comparable un-controlled price method.

31. Plant capacity and actual production

The capacity of the plant is not determinable as it is a multi product plant capable of producing several interchangeable products.

	Actual Production	
	2003	2002
Groceries-in dozens	615,018	619,246
Confectionery-in tons	6,174	5,854

32. Earning per share

32.1 Basic earning per share

Net profit after tax	Rupees	37,319,298	26,387,292
Average ordinary shares in issue during the year	Number	5,040,000	5,040,000

Earning per share	Rupees	7.4	5.24

32.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.

33. Financial assets and liabilities

	Interest/mark up bearing			Non interest bearing			Total		Credit Risk	
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	2003 Total Rupees	2002 Total Rupees	2003	2002
Financial assets										
On balance sheet										
Long term deposits				.	455,223	455.223	455,223	147,223	455,223	147.223
Trade debts				6,623.75		6.623.749	6.623,749	4,561,593	6,623.75	4,561,593
Advances, deposit and prepayment										
• Short term deposits				103.317		103,317	103.317	123,317	103,317	123.317
- Due from associated companies				220.766		220,766	220,766	197.613	220.766	197.613
- Loan to employees provident fund								240,594		
Cash and bank balances		-		9,142,875		9,142,875	9,142,875	4,504,171	8,776,424	3.571,839
				16,090,707	455.223	16,545,930	16,545.93	9,774,511	16,179.48	8,601,585
Off balance sheet		-								
Total financial assets		.		16 "90,707	455,223	16,545,830	16.545,930-	9.774,5-11	16.179,479 _	8,601.59
Financial liabilities										
On balance sheet										
Liabilities against assets										
subject to finance lease	1.108.911	2,465,173	3.574,084				3.574,084			
Short torm running finances	78.718,115		78.718.115				78.718.115	61,934.98		
Creditors, accrued and other liabiliti	38			36,112.53		36.112,533	36,112.53	25,101,747		
	78.718,115		78,718,115	36,112,533		36,112,533	114.830,648	87.036,731		
Off balance sheet										
Lptters of credit				1,345.25		1,345,249	1,345,249	3.293,010		
Total financial liabilities	78,718,115		78.718.115	37,457,782		37,457.78	116,175,897	90,329,741		
On balance sheet gap	-78,718,115		-78,718,115	-20,021,826	455,223	-19,566,603	-39,588.43	-77,262,220		
Off balance sheet gap				-1,345,249		-1,345.25	-1,345,249	-3,293,010		

33.1 Financial instruments and risk managment

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Conecentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs 16.656 million (2002: Rs 9.775 million), the financial assets which are subject to credit risk amounted to Rs 16.289 million (2002: Rs 8.602 million). To manage exposure to credit risk, the company also applies credit limits to its customers and makes sales against cash advances.

(b) Foreign exchange risk manangement

Foreign currency risk arise? mainly where receivable and payable exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts.

(c) Interest rate risk

The company usually borrows funds at fixed and market based rates and as such the risk is minimised.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

(e) Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	2003	2002
34. Number of employees		

35. Date of authorisation

These financial statements were authorized for issue on December 31,2003 by the board of directors of the company.

36. Corresponding figures

Corresponding figures have been re-arranged wherever necessary, for the purposes of comparison. Significant re-arrangment made are as follows:

Cost of sales	Rupees
From stores and spares consumed to: -	8,503,203
Repairs and maintenance	2,172,864
- Electricity - Furnance oil consumed	11,241,803

The above figures have been re-arranged as the re-classification made is considered more appropriate for the purposes of disclosures.

COMBINED PATTERN OF SHARE HOLDING
AS AT SEPTEMBER 30, 2003

Number of Shareholders	Shareholding From	To	Shares held
68	1	100	3,331
258	101	500	52,852
173	501	1,000	121,208
71	1,001	5,000	147,756
10	5,001	10,000	75,225
3	10,001	15,000	34,128
4	15,001	20,000	73,660
2	40,001	45,000	86,552
1	45,001	50,000	48,715
1	50,001	55,000	52,200
2	55,001	60,000	111,340
2	80,001	85,000	161,712
1	105,001	110,000	108,532

1	110,001	115,000	110,145
1	185,001	190,000	187,353
1	645,001	650,000	646,358
1	785,001	790,000	785,013
1	1,090,001	1 ,095,000	1,092,600
1	1,140,001	1,145,000	1,141,320
602			5,040,000

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer and their sopuses and minor children	2,704,427	53.66%
Associated Companies, undertakings and related parties	-	0.00%
NITandlCP	1,141,896	22.66%
Banks Development Financial Institutions, Non Banking Financial Institutions	-	0.00%
Insurance Companies	188,793	3.75%
Modarabas and Mutual Funds	-	0.00%
Share holders holding 10%	3,665,291	72.72%
General Public		
a. Local	957,784	19.00%
b. Foreign		
Others (to be specified)		
Joint Stock Companies	46,640	0.93%
Investment Companies	460	0.01%

Information under clause XIX (I) of the code of Corporate Governance

Category No.	Category of shareholders	Nubmer of shares held	Percentage
1	Associated Companies, undertakings and related parties		
2	NIT/ICP	-	-
3	Chief Executive, Directors, their Spouse and minor children	1,141,896	22.66
	1 . Syed Mohammad Mohsin		
	2. Mr.Mehdi Mohsin	1,092,600	21.68
	3. Mrs.Sitwat Mohsin	646,358	12.82
	4. Syed BabarAli	785,013	15.58
	5. Syed Faisal Imam	81,504	1.62
	6. Miss Umme Kulsum Imam	80,208	1.59
	7. Syed Yawar All	720	0.01
	8. Mr.Anis Wahab Zuberi (NIT Nominee)	500	0.01
	9. Mrs. Nazi! Mohsin w/o Mr.Mehdi Mohsin	-	-
4	Executives	17,524	0.35
5	Public sector companies and corporations	-	-
	Joint Stock Companies		
6	Banks, DFIs, NBFIs, Insurance Companies, Modaroas and Mutual Funds	46,640	0.93
	Investment Companies		
	Insurance Companies	460	0.01
	Financial Institutions	188,793	3.75
	Modarba Companies	-	-
7	Shareholders holding ten percent or more voting interest in the listed company	-	-
	1. Syed Mohammad Mohsin		
	2. Mr.Mehdi Mohsin	1,092,600	21.68
	3. Mrs.Sitwat Mohsin	646,358	12.82
	4. National Bank of Pakistan, Trustee Department	785,013	15.58
		1,141,320	22.65

Information under clause XIX (j) of the code of Corporate Governance

The Chief Executive, Directors, CFO, Company Secretary, their spouse and minor children have made no sale / purchase of Company's shares during the year ended September 30,2003.