MITCHELL'S®

ANNUAL REPORT
2011

CONTENTS

COMPANY INFORMATION

Board of Directors

S. M. Mohsin — Chairman
Mehdi Mohsin — Director
Mujeeb Rashid — Chief Executive Officer & Managing Director
Moaz Mohiuddin
Syed Faisal Imam
Umme Kulsum Imam
Jamal Nasim – NIT Nominee

Audit Committee

S. M. Mohsin — Chairman
Syed Faisal Imam — Member
Moaz Mohiuddin — Member

Company Secretary/CFO

Atif Fayyaz

Auditors

A.F. Ferguson & Company
Chartered Accountants

Legal Advisors

Minto & Mirza
78-Mozang Road, Lahore
Phone: (042) 36315469-70
Fax: (042) 36361531

Bankers

Habib Bank Limited
Askari Commercial Bank Limited
MCB Bank Limited
Barclays Bank plc
National Bank of Pakistan

Share Registrar

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

Corporate Office

39-A, D-1, Gulberg III Lahore
Phones: (042) 35872392-96, Fax: (042) 35872398
E-Mail: ho@mitchells.com.pk
Website: www.mitchells.com.pk

Factory, Regional Sales Office (Central) & Farms

Renala Khurd, District Okara, Pakistan
Phones: (044) 2635907-8, 2622908
Fax: (044) 2621416
E-Mail: rnk@mitchells.com.pk,
rsoc@mitchells.com.pk

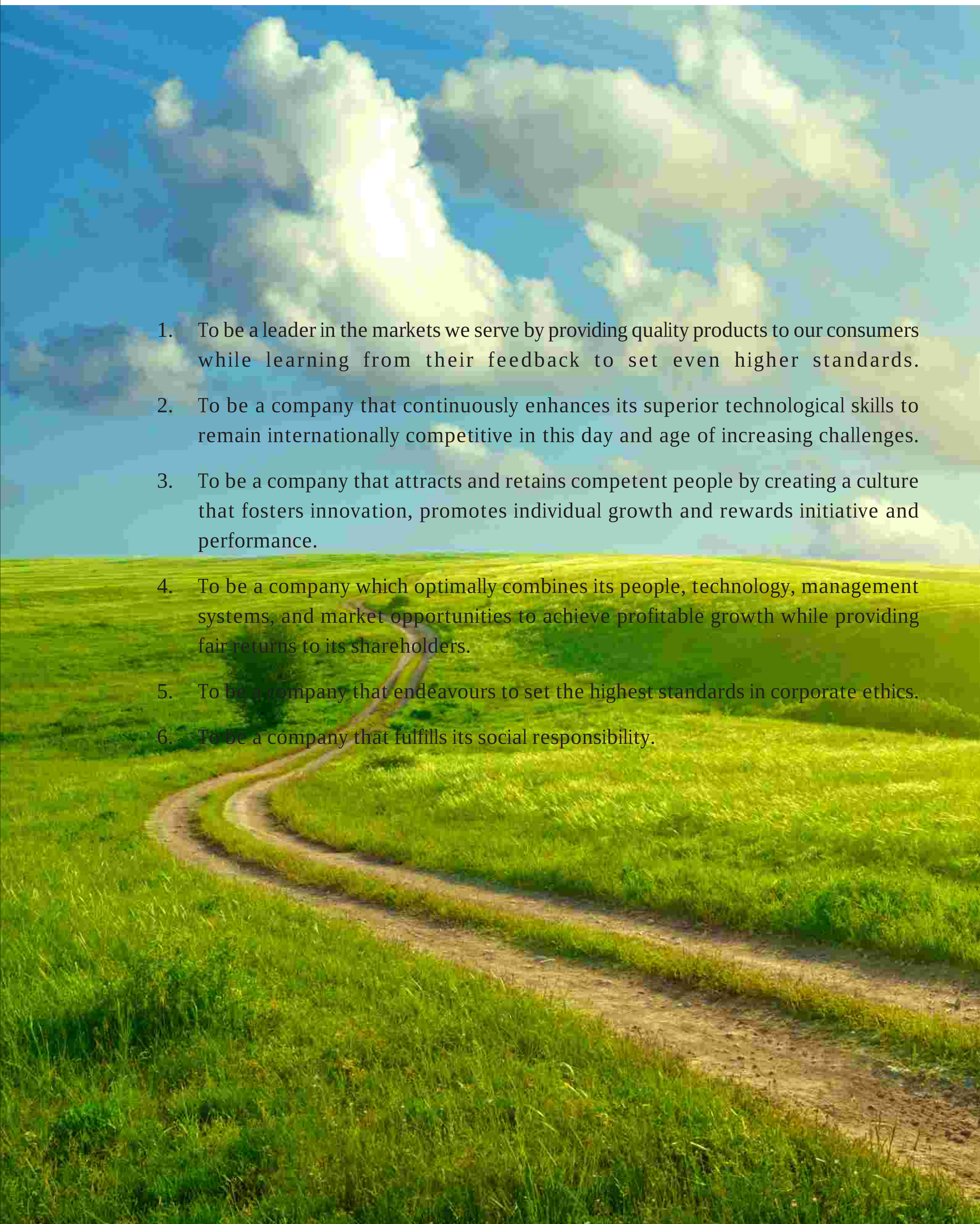
Regional Sales Office (North)

Plot No. 110, Street No. 10, I - 9/2, Industrial Area,
Islamabad
Phones: 051-4443824-6
Fax : (051) 4443827
E-Mail: rson@mitchells.com.pk

Regional Sales Office (South)

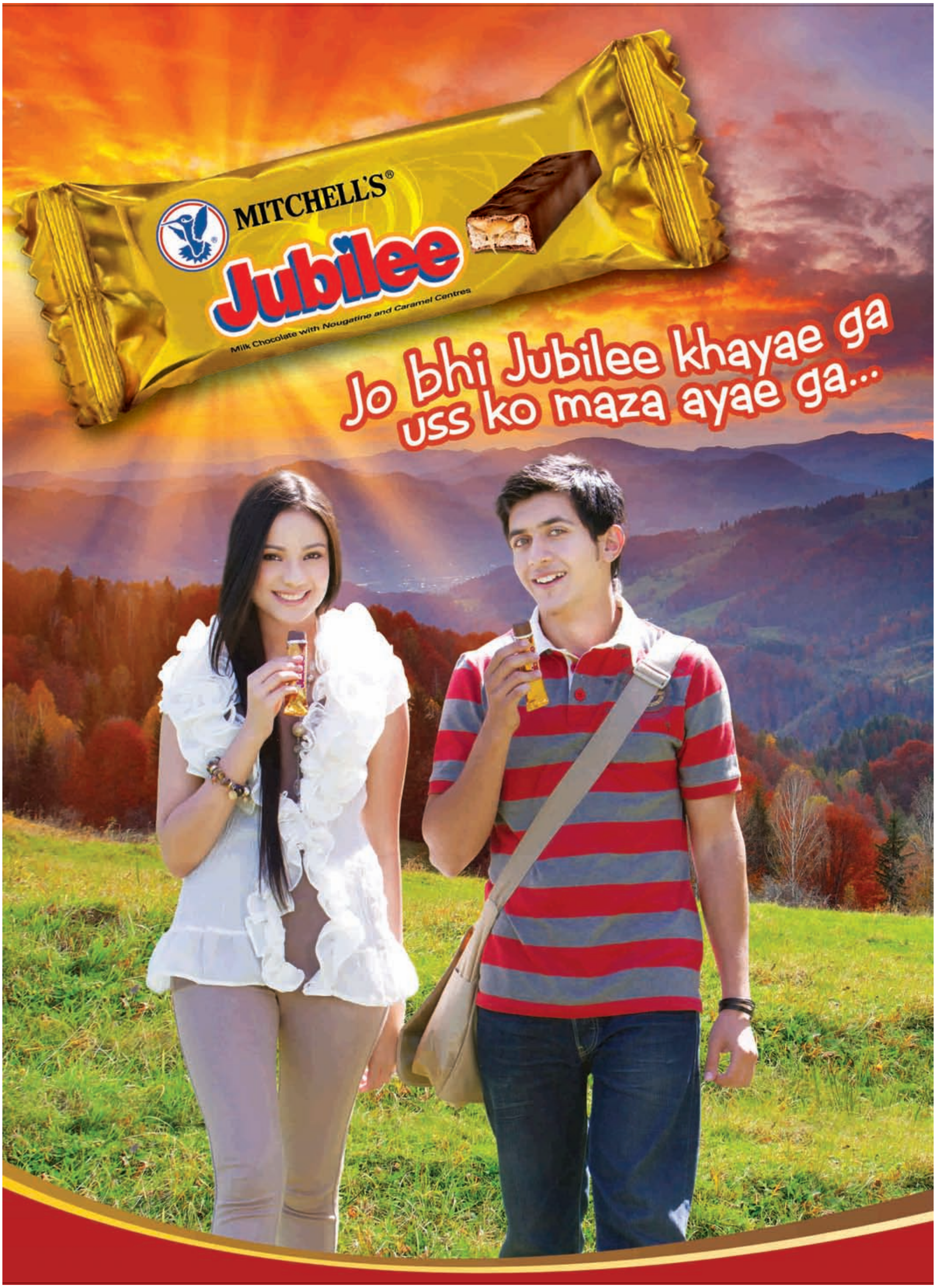
Mehran VIP II, Ground Floor,
Plot 18/3 Dr. Dawood Pota Road, Karachi
Phones: (021) 35212112, 35212712 & 35219675
Fax: (021) 35673588
E-Mail: rsos@mitchells.com.pk

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.


MITCHELL'S®
TopMilk
Pure Creamy Milk Chocolate
The velvety richness of real milk chocolate
Indulge your chocolate passion with MITCHELL'S TOP MILK, pure creamy chocolate enriched with the goodness of wholesome milk, made from the finest swiss recipe that just melts in your mouth!
MITCHELL'S®
TopMilk
TopMilk


MITCHELL'S®
Jubilee
Milk Chocolate with Nougatine and Caramel Centres
Jo bhi Jubilee khayae ga
uss ko maza ayae ga...

MITCHELL'S®

Golden Sweet Corn and Sweet Corn

Mitchell's brings to your table with pride 100% pure, farm-fresh Corn variants–the sweeter, softer Golden Sweet Corn and its crunchier cousin. Processed & packed with care in easy-to-open cans, for the convenience of our valued consumers, to use as they please whether in salads, soups or both easten & western fare.


Bursting with the Goodness of Real Fruit
MITCHELL'S®
Jam, Jellies & Marmalade
Made with the goodness of real farm-fresh fruits, Mitchell's jam, jellies and marmalade provide you and your family with the perfect start for the day. Mitchell's jam, jellies and marmalade are full of nutritious & nourishing fruits.
So give your day a healthy start with Mitchell's range of Preserves.
MITCHELL'S
MIXED FRUIT
MITCHELL'S
STRAWBERRY
MITCHELL'S
MITCHELL'S For the Taste of Natural Goodness

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 79th Annual General Meeting of Mitchell's Fruit Farms Limited will be held on January 30, 2012 on Monday at 11:00 a.m. at the Registered Office of the Company at 39-A, D-1, Gulberg III, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on Januray 31, 2011.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended September 30, 2011 together with the Directors' and Auditors' reports thereon.

3. To approve payment of cash dividend @ 70% as recommended by the Directors.

4. To appoint auditors for the year ending September 30, 2012, and to fix their remuneration as suggested by the audit committee to the Board of Directors. The retiring auditors namely Messers A. F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

Other Business

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

By order of the Board

Lahore
January 08, 2012

Atif Fayyaz
Company Secretary

Notes

1. The share transfer book of the Company will remain closed from January 22, 2012, to January 30, 2012, (both days inclusive) for entitlement of final cash dividend for the accounting period ended September 30, 2011. Transfers received in order (including deposit requests under CDS) at our Registrar's office Corplink (Private) Limited, Wings Arcade, 1-K (Commercial) Model Town, Lahore upto 1 : 00 p.m. on January 22, 2012, 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.

4. The Beneficial Owners of Central Depository Company, entitled to attend and vote at this meeting, must bring his/her NIC or Passport to prove his/her identity. In case of Proxy, an attested copy of his/her NIC or Passport must be enclosed. Representatives of corporate numbers should bring the usual documents required for such purpose.

DIRECTORS' REPORT

The directors are pleased to submit the audited financial statements of the company for the year ended September 30, 2011.

Overall economic conditions in the country did not improve over the previous year. As a result managing the manufacturing operations with frequent Electricity and Gas outages amidst low economic growth together with high inflation remained an unending challenge. The costs of our main Raw & Packaging materials as well as Energy continued to rise necessitating selling price adjustments.

After discontinuing some of the non-performing products the company's net sales recorded a growth of almost 30 % rising from Rs. 1,377 million to Rs. 1,794 million. This rise was supported by groceries and confectionery sales showing an upward trend of 49 % and 9%, respectively. A healthy growth was registered in sales to the Modern Trade and our efforts to boost Exports were well rewarded with a 81% increase in value.

Continuous improvement drives helped to boost our manufacturing efficiencies. Adding to that the optimization of costs and operating margins helped in increasing Operating Profit from Rs. 107 million to Rs. 147 million. Improvements in the Supply Chain and sound management of Working Capital helped in limiting increase in financial charges from Rs.37 million in the previous year, to Rs. 38 million during the year under review. As a result of all the efforts After Tax Profit for the year was Rs 73 Million compared to Rs 46 million in the corresponding period last year.

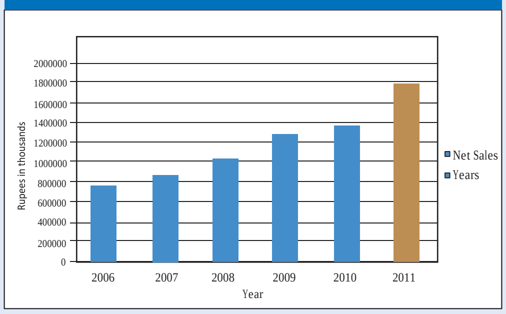
Corporate Social Responsibility

For the objective of fulfilling our Corporate Social Responsibility several initiatives were undertaken to conserve energy including avoidance of unnecessary lighting and devising production schedules to minimize usage.

The construction and installation of a modern effluent treatment facility was successfully completed and is now operating satisfactorily to fulfill our commitment of caring for the environment around our factory.

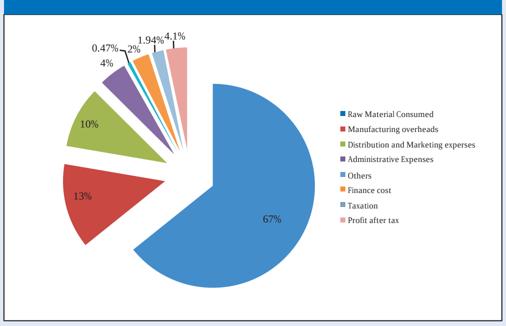
In line with our never ending commitment to provide our consumers with the benchmark quality products in Taste as well as Nutrition new equipment has been designed, imported and successfully installed.

Net Sales



Our factory staff was given detailed exposure and training in several functional areas as well as Occupational Health and Safety from professional trainers.

Distribution of Revenue



During the year we continued to financially support AKRA an institution that is playing an important role in Teacher Training Programs through its 22 branches in the region.

The company contributed Rs 186 million to the National Exchequer on account of various government levies including customs duty, special excise duty, sales tax and income tax.

Corporate & Financial Reporting Framework

In compliance with the code of corporate governance, we give below statements on corporate and financial reporting frame work;

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. There are no significant doubts upon the company's ability to continue as going concern.
- There has no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- A statement regarding key financial data for the last six years is annexed to this report.

During the last business year four meetings of the Board of Directors were held. Attendance by each Director was as follows:-

Name of Director	Attendance
S.M.Mohsin	4
Mujeeb Rashid	4
Moaz Mohiuddin	4
Jamal Nasim	3
Mehdi Mohsin	3
Moaz Mohiuddin	3
Syed Faisal Imam	0
Umme Kulsum Imam	0

Leave of absence was granted to directors who could not attend the board meetings.

Corporate Governance

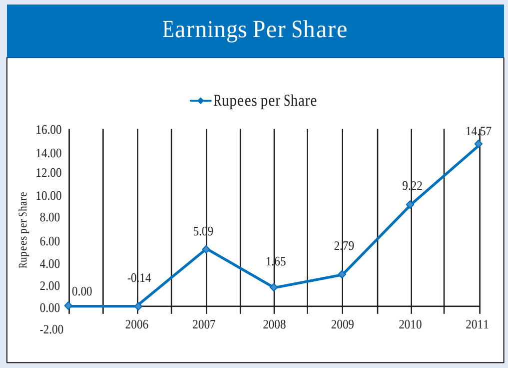
The statement of compliance with the best practices of Code of Corporate Governance is annexed.

Pattern of Shareholding and Information Under Clause XIX (I) and (J) of the Code of Corporate Governance

The information under this head as on September 30, 2011 is annexed

Related Parties

The transactions between the related parties were made at arm's length prices, determined in accordance with the comparable uncontrolled prices method. The company has fully complied with the best practices on Transfer Pricing as contained the Listing Regulations of Stock Exchange in Pakistan.



Earnings Per Share

Basic and diluted earning per share for the year under report is Rs. 14.57 as compared to the last year figure of Rs. 9.22

Auditors

M/s A.F. Ferguson & Company, Chartered Accountants, Lahore, retire, and being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their re-appointment.

Acknowledgements

The board of directors would like to express their gratitude to all employees for their strong contribution in successfully overcoming adverse circumstances faced by the company during the year.

For and on behalf of
the Board of Directors

Mujeeb Rashid
Managing Direcotor &
Chief Executive Officer

Lahore
January 05, 2012

STATEMENT OF COMPLIANCE
with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and 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 Board of Directors of the Company includes Five non-executive and two executive directors.

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 the payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

5. The company has made appropriate arrangements to carry out orientation and training program through Pakistan Institute of Corporate Governance to one of the directors to acquaint him with his duties and responsibilities and enable him to manage the affairs of listed company on behalf of shareholders.

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 and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has approved appointment of Chief Executive Officer & Managing Director including his remuneration and terms and conditions of employment, as determined by the Board of Directors.

10. 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.

11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer prior to approval by the Board of Directors.

12. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

14. The Board has formed an audit committee. The committee consists of three members and all the members are non-executive directors.

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

16. The related parties' transactions have been placed before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulations of Karachi and Lahore stock exchanges. All the transactions with the related parties are made on an arm's length basis.

17. The Board has set-up an effective internal audit function, members of which suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program 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 the 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 substantially complied with.

For and on behalf
of the Board

Mujeeb Rashid
Chief Executive Officer &
Managing Director

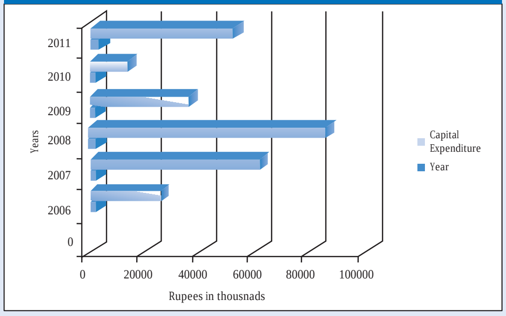
Lahore
January 05, 2012

SIX YEARS REVIEW

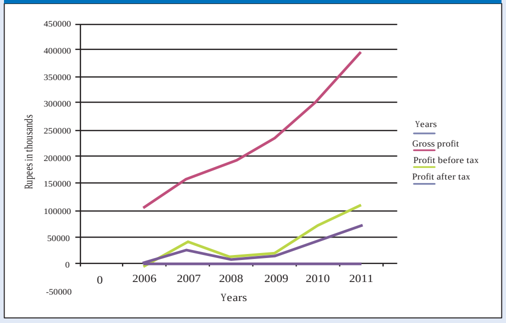
(Rupees in thousands)

	2006	2007	2008	2009	2010	2011
Net sales	751,703	866,619	1,038,637	1,255,064	1,376,861	1,794,248
Gross Profit	104,653	160,353	189,814	234,997	303,348	394,117
Gross Profit to Sales - %	13.92	18.50	18.28	18.72	22.03	22.00
Profit before tax	(3,480)	39,766	13,113	18,534	69,208	108,146
Profit before tax to sales - %	(0.46)	4.59	1.26	1.48	5.03	6.03
Profit after tax	(708)	25,666	8,338	14,052	46,468	73,425
Earnings per share - Rupees	(0.14)	5.09	1.65	2.79	9.22	14.57
Cash Dividend - %	-	20.00	10.00	20.00	40.00	000
Stock Dividend - %	-	-	-	-	-	-
Capital Expenditure	26,107	61,910	86,253	36,263	13,993	52,781
Production:						
Confectionary - in tons / cartons	4,053	4,408	4,944	5,003	4,703	395,638
Groceries - in dozens / cartons	883,893	960,848	1,276,307	1,381,357	1,375,096	1,271,104

Capital Expenditure



Gross Profit, Profit before and After Tax



PATTERN OF SHARE HOLDING

AS ON SEPTEMBER 30, 2011

Form 34

1. Incorporation Number: MR11603

2. Name of the Company: MITCHELL'S FRUIT FARMS LIMITED.

3. Pattern of holding of the shares held by the shareholders as at: 30-09-2011

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
207	1	100	8,045
252	101	500	58,092
105	501	1,000	74,057
43	1,001	5,000	90,920
15	5,001	10,000	117,267
3	10,001	15,000	37,086
3	15,001	20,000	53,793
3	20,001	25,000	67,544
2	40,001	45,000	85,552
2	45,001	50,000	98,715
1	50,001	55,000	53,518
1	55,001	60,000	55,670
2	80,001	85,000	161,712
2	105,001	110,000	218,177
1	185,001	190,000	187,353
1	270,001	275,000	271,849
1	285,001	290,000	286,496
1	560,001	565,000	562,203
1	645,001	650,000	646,790
1	810,001	815,000	812,561
1	1,090,001	1,095,000	1,092,600
648			5,040,000

Catagories of Shareholding required under Code of Coprorate Governance (CCG)

AS ON SEPTEMBER 30, 2011

Sr. No.	Name	No. of Share Held	Percentage
	Associated Companies, Undertakings and Related Parties (Name Wise):	-	-
	NIT and ICP (Name Wise):		
1	NATIONAL INVESTMENT TRUST LIMITED. (CDC)	14,478	0.2873%
2	NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT. (CDC)	562,203	11.1548%
	Directors, CEO and their Spouse and Minor Chidred (Name Wise):		
1	SYED MOHAMMAD MOHSIN	1,092,600	21.6786%
2	SYED MOHAMMAD MEHDI MOHSIN	650,590	12.9085%
3	SYED FAISAL IMAM	80,208	1.5914%
4	MST. UMME KULSUM IMAM	720	0.0143%
5	MR. MOAZ MOHIUDDIN	500	0.0099%
6	MR.JAMAL NASIM (NIT NOMINEE)	--	--
7	MR. MUJEEB RASHID (CDC)	500	0.0099%
8	SYEDA MRS. SITWAT MOHSIN W/O SYED MOHAMMAD MOHSIN	1,084,410	21.5161%
	Executives:	288	0.0057%
	Public Sector Companies & Corporations:	-	-
	Banks, Development Finance Institutions, Non Banking Finance Intitutions, Insurance Companies, Modarabas and Mutual Funds:	534,795	10.6110%
	Shareholders holding ten percent or more voting intrest in the listed company (Name Wise)		
1	SYED MOHAMMAD MEHDI MOHSIN	650,590	24.5176%
2	SYEDA SITWAT MOHSIN	1,084,410	21.5161%
3	SYED MOHAMMAD MOHSIN	1,092,600	21.6786%
4	NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT. (CDC)	562,203	11.1548%

All trades in the shares of the listed company, carries out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:

S.No	NAME	SALE	PURCHASE
1	SYEDA SITWAT MOHSIN	--	222,163

Categories of Share Holders as required under C.C.G.

AS ON SEPTEMBER 30, 2011

SR. NO.	NAME	HOLDING	%AGE
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN:			
1	SYED MOHAMMAD MOHSIN	1,092,600	21.6786%
2	SYED MOHAMMAD MEHDI MOHSIN	646,790	12.8331%
	SYED MOHAMMAD MEHDI MOHSIN (CDC)	3,800	0.0754%
3	SYED FAISAL IMAM	80,208	1.5914%
4	MST. UMME KULSUM IMAM	720	0.0143%
5	MR. MOAZ MOHIUDDIN	500	0.0099%
6	MR.JAMAL NASIM (NIT NOMINEE)	--	--
7	MR. MUJEEB RASHID (CDC)	500	0.0099%
8	SYEDA MRS. SITWAT MOHSIN W/O SYED MOHAMMAD MOHSIN	812,561	16.1222%
	SYEDA SITWAT MOHSIN W/O SYED MOHAMMAD MOHSIN (CDC)	271,849	5.3938%
		2,909,528	57.7287%
ASSOCIATED COMPANIES:		0	0.0000%
NIT & ICP:			
1	NATIONAL INVESTMENT TRUST LIMITED. (CDC)	14,478	0.2873%
2	NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT. (CDC)	562,203	11.1548%
		576,681	11.4421%
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS:			
1	NATIONAL BANK OF PAKISTAN. (CDC)	53,518	1.0619%
2	NATIONAL BANK OF PAKISTAN. (CDC)	286,496	5.6844%
3	ESCORTS INVESTMENT BANK LIMITED. (CDC)	200	0.0040%
		340,214	6.7503%
INSURANCE COMPANIES:			
1	IGI NSURANCE LIMITED (CDC)	187,353	3.7173%
2	RELIANCE INSURANCE COMPANY LTD. (CDC)	800	0.0159%
		188,153	3.7332%
MODARABAS & MUTUAL FUNDS:			
1	GOLDEN ARROW SELECTED STOCKS FUND LTD. (CDC)	6,428	0.1275%
INVESTMENT COMPANIES:		0	0.0000%

SR. NO.	NAME	HOLDING	%AGE
JOINT STOCK COMPANIES			
1	BURMA OIL MILLS LTD. (CDC)	500	0.0099%
2	EDULJEE DINSHAW (PVT) LTD. (CDC)	11,088	0.2200%
3	LAKHANI SECURITIES (PVT) LTD. (CDC)	6,000	0.1190%
4	NH SECURITIES (PVT) LTD.(CDC)	500	0.0099%
5	PEARL CAPITAL MANAGEMENT (PVT) LTD. (CDC)	25	0.0005%
6	PERIN DINSHAW (PVT) LTD. (CDC)	11,520	0.2286%
7	SARFARAZ MAHMOOD (PVT) LTD. (CDC)	50	0.0010%
8	SEVEN STAR SECURITIES (PVT) LTD. (CDC)	40	0.0008%
9	UHF CONSULTING (PVT) LTD. (CDC)	40	0.0008%
		29,763	0.5905%
EXECUTIVES			
1	GHAZANFER ABBAS ZAIDI (2101)	288	0.0057%
SHARES HELD BY THE GENERAL PUBLIC:		988,945	19.6219%
		5,040,000	100.0000%

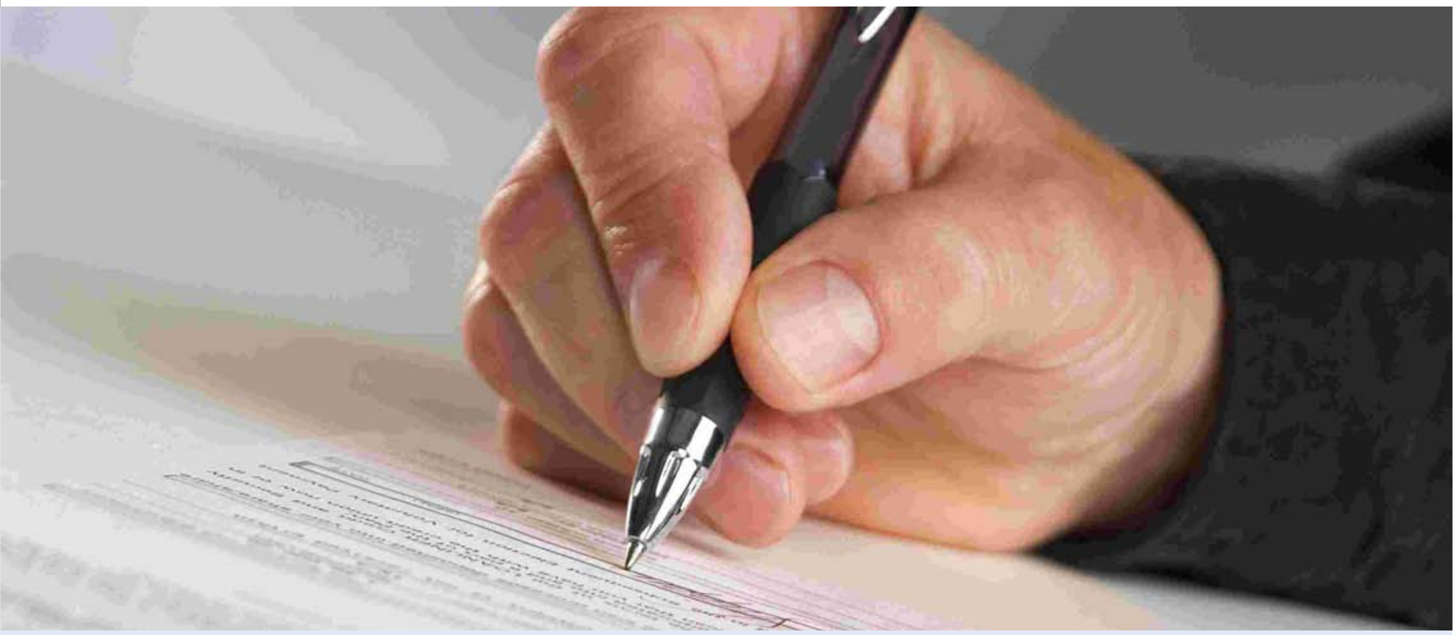
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL:

1	SYED MOHAMMAD MEHDI MOHSIN	650,590	12.9085%
2	SYEDA SITWAT MOHSIN	1,084,410	21.5161%
3	SYED MOHAMMAD MOHSIN	1,092,600	21.6786%
4	NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT. (CDC)	562,203	11.1548%
		3,389,803	67.2580%

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

S. NO.	NAME	Sale	Purchase
1	SYEDA SITWAT MOHSIN	-	288
2	SYEDA SITWAT MOHSIN (CDC)	-	221,875

REVIEW REPORT TO THE MEMBERS
on Statement of Compliance with Best Practices of 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 ("Company") to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, 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.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi, Lahore and Islamabad Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2011.

A. F. Ferguson & Co.
Chartered Accountants
Name of Engagement Partner: Amer Raza Mir

Lahore,
January 05, 2012.


MITCHELL'S®
TOMATO KETCHUP
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mitchell's Fruit Farms Limited as at September 30, 2011 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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, 2011 and of the profit, total comprehensive income, 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 the ordinance.

Lahore Dated: January 05, 2012
Name of Engagement Partner: Amer Raza Mir

A. F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET
AS AT SEPTEMBER 30, 2011

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
10,000,000 (2010: 10,000,000) ordinary shares of Rs 10 each		**100,000,000**	100,000,000
Issued, subscribed and paid up capital	5	**50,400,000**	50,400,000
5,040,000 (2010: 5,040,000) ordinary shares of Rs 10 each			
Reserves	6	**9,635,878**	9,635,878
Unappropriated profit		**299,459,093**	246,193,884
		359,494,971	306,229,762
NON-CURRENT LIABILITIES			
Deferred liabilities	7	**79,710,060**	75,819,871
CURRENT LIABILITIES			
Short term running finances - secured	8	**154,794,581**	166,615,728
Creditors, accrued and other liabilities	9	**167,503,197**	103,254,409
Accrued finance cost on short term running finances		**2,887,660**	4,466,921
		325,185,438	274,337,058
CONTINGENCIES AND COMMITMENTS	10		
		764,390,469	656,386,691

The annexed notes 1 to 36 form an integral part of these financial statements.

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**323,428,823**	304,256,661
Intangible Assets	12	**1,606,712**	1,060,580
Long term loans and deposits		**-**	751,753
Biological assets	13	**7,133,000**	6,875,933
		332,168,535	312,944,927
CURRENT ASSETS			
Stores, spares and loose tools	14	**9,293,902**	12,426,849
Stock in trade	15	**312,065,976**	230,917,920
Trade debts	16	**63,244,881**	40,716,666
Advances, deposits, prepayments and other receivables	17	**34,037,404**	51,252,732
Cash and bank balances	18	**13,579,771**	8,127,597
		432,221,934	343,441,764
		764,390,469	656,386,691

The annexed notes 1 to 36 form an integral part of these financial statements.

S. M. Mohsin
Chairman

Mujeeb Rashid
Chief Executive Officer & Managing Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Note	**2011 Rupees**	2010 Rupees
Sales	19	**1,794,248,317**	1,376,861,492
Cost of sales	20	**(1,400,131,599)**	1,073,513,561
Gross profit		**394,116,718**	303,347,931
Administration expenses	21	**(66,738,991)**	(60,990,983)
Distribution and marketing expenses	22	**(183,404,182)**	(135,992,953)
Other operating expenses	23	**(8,373,794)**	(7,056,707)
Other operating income	24	**10,906,983**	7,513,001
Profit from operations		**146,506,734**	106,820,289
Finance cost	25	**(38,360,468)**	(37,612,526)
Profit before tax		**108,146,266**	69,207,763
Taxation	26	**(34,721,057)**	(22,739,889)
Profit for the year		**73,425,209**	46,467,874
Earnings per share - Basic and diluted	33	**14.57**	9.22

The annexed notes 1 to 36 form an integral part of these financial statements.

S. M. Mohsin
Chairman

Mujeeb Rashid
Chief Executive Officer & Managing Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2011 Rupees	2010 Rupees
Profit for the period	**73,425,209**	46,467,874
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**73,425,209**	46,467,874

The annexed notes 1 to 36 form an integral part of these financial statements.

S. M. Mohsin
Chairman

Mujeeb Rashid
Chief Executive Officer & Managing Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Note	2011 Rupees	2010 Rupees
Cash flows from operating activities			
Cash generated from operations	30	**139,566,248**	214,142,609
Finance cost paid		**(36,163,467)**	(42,975,863)
Net income tax paid		**(11,037,932)**	(9,830,819)
Retirement benefits paid		**(6,699,859)**	(5,314,344)
Net cash from operating activities		**85,664,990**	156,021,583
Cash flows from investing activities			
Fixed capital expenditure		**(53,038,384)**	(13,992,719)
Purchase of intangible assets		**(626,009)**	-
Sale proceeds of property, plant and equipment		**3,079,703**	2,960,275
Net decrease in long term security deposits		**751,753**	358,729
Proceeds from sale of biological assets		**1,624,100**	632,050
Net cash used in investing activities		**(48,208,837)**	(10,041,665)
Cash flows from financing activities			
Dividend paid		**(20,182,832)**	(10,014,167)
Net cash used in financing activities		**(20,182,832)**	(10,014,167)
Net increase in cash and cash equivalents		**17,273,321**	135,965,751
Cash and cash equivalents at beginning of the year		**(158,488,131)**	(294,453,882)
Cash and cash equivalents at end of the year	31	**(141,214,810)**	(158,488,131)

The annexed notes 1 to 36 form an integral part of these financial statements.

S. M. Mohsin
Chairman

Mujeeb Rashid
Chief Executive Officer & Managing Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Share capital	Share premium	General reserve	Accumulated profit	Total
Balance as at September 30, 2009	50,400,000	9,335,878	300,000	209,806,010	269,841,888
Final dividend for the year ended September 30, 2009 Rs. 2 per share	-	-	-	(10,080,000)	(10,080,000)
Profit for the year ended September 30, 2010	-	-	-	46,467,874	46,467,874
Balance as at September 30, 2010	50,400,000	9,335,878	300,000	246,193,884	306,229,762
Final dividend for the year ended September 30, 2010 Rs. 4 per share	-	-	-	(20,160,000)	(20,160,000)
Profit for the year ended September 30, 2011	-	-	-	73,425,209	73,425,209
Balance as at September 30, 2011	**50,400,000**	**9,335,878**	**300,000**	**299,459,093**	**359,494,971**

The annexed notes 1 to 36 form an integral part of these financial statements.

S. M. Mohsin
Chairman

Mujeeb Rashid
Chief Executive Officer & Managing Director

1. Legal status and nature of business

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

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards.

2.2.1 Amendments and interpretations to published standards effective in current year

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

- IAS 7, 'Statement of cash flows'. The guidance has been amended to clarify that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment results in an improvement in the alignment of the classification of cash flows from investing activities in the statement of cash flows and the presentation of recognised assets in the statement of financial position. This amendment does not have a material impact on the Company's financial statements.

- IAS 17, 'Leases'. The amendment provides that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. However, the IASB has concluded that this is inconsistent with the general principles of lease classification, so the relevant guidance has been deleted. A lease newly classified as a finance lease should be recognised retrospectively. This amendment does not have a material impact on the Company's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable/relevant to the Company's operations

Standards and interpretations	**Effective date (accounting periods beginning on or after)**
IAS 1 (Amendment), 'Presentation of Financial Statements'	July 1, 2010
IAS 27 (Amendment), 'Consolidated and Separate Financial Statements'	July1, 2010
IAS 32 (Amendment), 'Financial instruments: Presentation on classification of rights issues	January 1, 2010
IFRS 3 (Amendment), 'Business Combinations'	July 1, 2010
IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued ...operations'	July 1, 2010
IFRS 1 (Amendment), First time adoption of International Financial Reporting Standards'	July 1, 2010
IFRIC 15 (Amendment), 'Arrangements for construction of real estates'	January 1, 2010
IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'	July 1, 2010

2.2.3 Standards, amendments and interpretation to existing standards that are not yet effective

Standards and interpretations	**Effective date (accounting periods beginning on or after)**
IAS 1 (Amendment), 'Presentation of Financial Statements'	January 1, 2011
IAS 24 (Revised), 'Related Party Disclosures'	January 1, 2011
IAS 34 (Amendment), 'Interim Financial Reporting Classified as Held-For-Sale'	January 1, 2011
IFRS 1 (Amendment), 'First-time Adoption of International Financial Reporting Standards'	January 1, 2011
IFRS 7 (Amendment), 'Financial Instruments: Disclosures'	January 1, 2011
IFRS 9, 'Financial instruments'	January 1, 2013
IFRS 10, 'Consolidated financial statements'	January 1, 2013
IFRS 11, 'Joint arrangements'	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013
IFRIC 13 (Amendment), 'Customer Loyalty Programs'	January 1, 2011
IFRIC 14, (Amendment), 'Prepayment of a Minimum Funding Requirement'	January 1, 2011

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments, biological assets and agricultural produce at fair values as referred to in notes 4.5. and recognition of certain employee retirement benefits at present value as referred to in note 4.2

The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2

b) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful lives and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with the corresponding effect on the depreciation charge and impairment.

d) Biological assets

The Company bases its valuation upon yield assessment performed by an independent agricultural expert and computes fair value less estimated point of sales cost to arrive at its valuation. The fair value less estimated point of sales cost is based on factors mentioned in note 4.5.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 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 are recognized 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 based 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.

4.2 Employee retirement benefits

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

(a) Defined benefit plans

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service . 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, 2011. Projected Unit Credit Method, using the following significant assumptions is used for valuation of the scheme:

- Discount rate 12.5 percent per annum (2010: 12.5 percent per annum).
- Expected rate of increase in salary level 11.5 percent per annum (2010: 11.5 percent per annum).
- Average expected remaining working life time of employees 10 years.

The Company's policy with regard to actuarial gains/losses is based on the "minimum 10% corridor" approach mentioned under paragraph 92 of IAS - 19 (Employee Benefits).

(b) Accumulating compensated absences

The Company provides accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences.

Provisions are made annually to cover the obligation for accumulating compensated absences for executives based on actuarial valuation and are charged to profit.

The latest actuarial valuation was carried out as at September 30, 2011. Projected Unit Credit Method, using the following significant assumptions is used for valuation of accumulating compensated absences.

- Discount rate 12.5 percent per annum (2010: 12.5 percent per annum).
- Expected rate of increase in salary level 11.5 percent per annum (2010: 11.5 percent per annum).
- Average expected remaining working life time of employees 14 years.

Actuarial gains and losses arising during the year are recognised immediately in accordance with the provisions of IAS 19 "Employee benefits".

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

4.3 Property, plant and equipment

4.3.1 Operating fixed assets

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 property, plant and equipment signifies historical cost and borrowing cost as referred to in note 4.15.

Depreciation on all operating fixed assets is charged to profit on the reducing balance method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 11.1, after taking into account the impact of their residual values, if considered significant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if the impact on depreciation is significant. The Company's estimate of the residual value of its operating fixed assets as at September 30, 2011 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed of.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as mentioned in note 4.6.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

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 recognised as an income or expense.

4.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.4 Intangible assets

Intangible assets represent the cost of computer software acquired and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the reducing balance method at the rate of 20% so as to write off the cost of an asset over its estimated useful life.

Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed of. Amortization is being charged as mentioned in note 12.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as mentioned in note 4.6

4.5 Biological assets and agriculture produce

Biological assets comprise of livestock and trees. These are measured at fair value less estimated point-of-sale costs with any resultant gain/loss being recognised in the profit and loss account. Fair value of livestock is determined on the basis of market prices of livestock of similar age, breed and genetic merit. Fair value of trees is determined on the basis of market prices of similar items in local areas. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

The Company held 127 animals (2010: 147) including cows, calves, horses and sheep and estimates to beneficially own 839 (2010: 848) trees of various kinds including mango, jamboline, kachnar, ceruse, amla, spikenard, borh and sheesham etc as on September 30, 2011.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.7 Leases

4.7.1 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 profit on a straight line basis over the lease term.

4.8 Stores, spares and loose tools

Usable stores, spares and loose tools 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.

4.9 Stock-in-trade

Stock of raw materials, except for those in transit, and finished goods are valued principally at the lower of moving average cost and net realizable value.

Cost of raw material signifies average direct material cost.

Finished goods comprise cost of direct materials, labour and appropriate manufacturing overheads.

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

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

4.10 Financial instruments

4.10.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) **Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 4.11.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.10.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.10.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.11 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities as finances under markup arrangement on the balance sheet.

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 in hand, demand deposits, 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.

4.13 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

4.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.15 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the profit and loss account in the period in which they arise.

4.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.18 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not designate derivatives as cash flow hedges.

4.19 Revenue recognition

Revenue from sales is recognised on dispatch of goods to customers.

Return on deposits is recognised on a time proportion basis taking into account the amounts outstanding and the rates applicable thereon.

4.20 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.21 Dividend

Dividend distribution to the Company's members is recognised as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up capital

2011 (Number of Shares)	2010 (Number of Shares)		2011 Rupees	2010 Rupees
1,417,990	1,417,990	Ordinary shares of Rs 10 each fully paid in cash	**14,179,900**	14,179,900
44,020	44,020	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**440,200**	440,200
3,577,990	3,577,990	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**35,779,900**	35,779,900
5,040,000	5,040,000		**50,400,000**	50,400,000

	Note	2011 Rupees	2010 Rupees
6. Reserves			
Movement in and composition of reserves is as follows:			
Capital Reserve			
- Share premium	6.1	**9,335,878**	9,335,878
Revenue			
- General reserve		**300,000**	300,000
		9,635,878	9,635,878

6.1 This reserve can be utilised by the company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	Note	2011 Rupees	2010 Rupees
7. Deferred liabilities			
These are composed of:			
Deferred taxation	7.1	**43,565,335**	47,253,906
Retirement and other benefits	7.2	**36,144,725**	28,565,965
		79,710,060	75,819,871

7.1 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

		2011 Rupees	2010 Rupees
Accelerated tax depreciation & amortization		**59,162,432**	58,375,206
Retirement benefits		**(11,715,041)**	(9,545,552)
Other provisions		**(3,882,056)**	(1,575,748)
		43,565,335	47,253,906

7.2 Retirement and other benefits

	Note	2011 Rupees	2010 Rupees
Staff gratuity	7.2.1	**33,293,652**	25,862,946
Accumulating compensated absences		**2,851,073**	2,703,019
		36,144,725	28,565,965

	2011 Rupees	2010 Rupees
7.2.1 Staff gratuity		
Present value of defined benefit obligation as at September 30, 2011	**39,295,851**	31,865,145
Unrecognised actuarial loss	**(6,002,199)**	(6,002,199)
Liability as at September 30, 2011	**33,293,652**	25,862,946
Liability as at October 1, 2010	**25,862,946**	20,784,055
Charge to profit and loss account	**12,564,891**	8,256,471
Contributions by the company	**(5,134,185)**	(3,177,580)
Liability as at September 30, 2011	**33,293,652**	25,862,946

The movement in the present value of defined benefit obligation is as follows:

	2011 Rupees	2010 Rupees
Present value of defined benefit obligation as at October 1	**31,865,145**	26,098,448
Service cost	**8,300,180**	4,854,202
Interest cost	**3,983,143**	3,131,814
Benefits paid	**(5,134,185)**	(3,177,580)
Actuarial loss	**281,568**	958,261
Present value of defined benefit obligation as at September 30	**39,295,851**	31,865,145

The present value of defined benefit obligation and the experience adjustment on obligation is as follows:

As at September 30	2011	2010	2009	2008	2007
	(Rupees in thousands)				
Present value of defined benefit obligation	**39,296**	31,865	26,098	27,672	19,557
Experience adjustment on obligation	**963**	958	(4,110)	4,182	4,360

8. Short term running finances - secured

Short term running finances, available from commercial banks under mark-up arrangements amount to Rs 390 million (2010: Rs 390 million). The rates of mark-up range from Re. 0.3493 to Re. 0.3674 per Rs 1,000 per diem or part thereof on the balance outstanding and is payable quarterly.

Of the aggregate facility of Rs 140 million (2010: Rs 140 million) for opening letter of credits and Rs 32 million (2010: Rs 42 million) for guarantees, the amount utilised at September 30, 2011 was Rs 7.282 million (2010: Rs 91.549 million) and Rs 20.000 million (2010: Rs 17.200 million) respectively. The guarantees of Rs. 20 million are a sub-facility of the running finance facility obtained i.e; Rs 390 million.

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

		Note	2011 Rupees	2010 Rupees
9.	**Creditors, accrued and other liabilities**			
	Trade creditors	9.1	**111,016,432**	45,055,894
	Accrued liabilities		**31,719,769**	32,357,358
	Advances from customers		**8,853,828**	5,212,518
	Interest free deposits repayable on demand		**75,000**	125,000
	Due to related parties	9.2	**1,142,440**	263,785
	Sales tax payable		**967,865**	11,940,721
	SED Payable		**-**	651,418
	Workers' profit participation fund	9.3	**5,619,197**	3,857,767
	Workers' welfare fund		**4,513,411**	2,138,397
	Unclaimed dividends		**327,370**	350,202
	Others		**3,267,885**	1,301,349
			167,503,197	103,254,409

9.1 Trade creditors include amount due to Director 0.969 million (2010: Rs 14.571 million) respectively.

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

9.3 Workers' profit participation fund

	Note	2011 Rupees	2010 Rupees
Opening balance		**3,857,767**	995,403
Provision for the year	23	**5,406,500**	3,735,110
Interest for the year	25	**406,171**	165,137
		9,670,438	4,895,650
Less: Payments made during the year		**(4,051,241)**	(1,037,883)
Closing balance		**5,619,197**	3,857,767

10. Contingencies and commitments

10.1 Contingencies

The company has issued a guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas consumption amounting to Rs 17.200 million (2010: Rs 19.022 million).

10.2 Commitments

Letters of credit other than capital expenditure are Rs 7.282 million (2010: Rs. 91.549 million).

		Note	2011 Rupees	2010 Rupees
11.	**Property, plant and equipment**			
	Operating fixed assets	11.1	**308,925,644**	302,924,568
	Capital work-in-progress	11.2	**14,503,179**	1,332,093
			323,428,823	304,256,661

11.1 Property, plant and equipment

	Land	Buildings							
	Freehold	On freehold land	On leasehold land	Plant and machinery	Vehicles	Furniture and Fittings	Electric Installations	Computer Hardware	Total
					(Rupees)				
Net carrying value basis									
Year ended September 30, 2011									
Opening net book value (NBV)	15,547	29,911,899	1,126,289	245,530,630	18,210,191	748,207	5,733,982	1,647,823	302,924,568
Additions (at cost)	-	75,510	-	12,407,826	4,852,350	337,400	21,419,934	516,540	39,609,560
Disposals (at NBV)	-	-	-	(1,291,688)	(1,255,788)	-	-	-	(2,547,476)
Adjustments	-	-	-	(872,525)	-	-	872,525	(252,945)	(252,945)
Depreciation charge	-	(2,991,823)	(112,629)	(19,744,004)	(2,204,421)	(192,147)	(5,240,557)	(322,483)	(30,808,064)
Closing net book value (NBV)	15,547	26,995,586	1,013,660	236,030,239	19,602,332	893,460	22,785,884	1,588,935	308,925,643
Gross carrying value basis									
As at September 30, 2011									
Cost	15,547	65,968,413	4,091,337	475,832,264	29,341,146	3,440,733	38,250,505	6,947,427	623,887,372
Accumulated depreciation	-	(38,972,827)	(3,077,677)	(239,802,025)	(9,738,814)	(2,547,273)	(15,464,621)	(5,358,492)	(314,961,729)
Net book value (NBV)	15,547	26,995,586	1,013,660	236,030,239	19,602,332	893,460	22,785,884	1,588,935	308,925,643
Depreciation rate % per annum	-	10	10	10	20	20	20-33.33	20	
Net carrying value basis									
Year ended September 30, 2010									
Opening net book value (NBV)	15,547	32,833,114	1,251,431	256,611,105	16,477,795	822,313	6,728,749	1,750,932	316,490,986
Additions (at cost)	-	362,097	-	11,531,283	5,095,176	109,727	424,834	334,350	17,857,467
Disposals (at NBV)	-	-	-	(955,410)	(1,120,845)	-	(43,021)	(26,181)	(2,145,457)
Depreciation charge	-	(3,283,312)	(125,142)	(21,656,348)	(2,241,935)	(183,833)	(1,376,580)	(411,278)	(29,278,428)
Closing net book value (NBV)	15,547	29,911,899	1,126,289	245,530,630	18,210,191	748,207	5,733,982	1,647,823	302,924,568
Gross carrying value basis									
As at September 30, 2010									
Cost	15,547	65,892,903	4,091,337	472,935,781	27,302,650	3,103,333	15,958,050	8,251,136	597,550,737
Accumulated depreciation	-	(35,981,004)	(2,965,048)	(227,405,151)	(9,092,459)	(2,355,126)	(10,224,068)	(6,603,313)	(294,626,169)
Net book value (NBV)	15,547	29,911,899	1,126,289	245,530,630	18,210,191	748,207	5,733,982	1,647,823	302,924,568
Depreciation rate % per annum	-	10	10	10	20	20	20	20	

11.1.1 The cost of fully depreciated assets which are still in use as at September 30, 2011 is Rs 42.64 million (2010: Rs 28.804 million).

11.1.2 The depreciation charge for the year has been allocated as follows:

	Note	2011 Rupees	2010 Rupees
Cost of sales	20	**22,847,827**	25,064,802
Administration expenses	21	**1,708,100**	1,971,691
Selling expenses	22	**6,252,137**	2,241,935
		30,808,064	29,278,428

11.1.3 Disposal of operating fixed assets

Detail of operating fixed assets sold during the year is as follows:

2011

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles						
	Employee					
	G.A Zaidi	**690,900**	**346,850**	**344,050**	**230,478**	Company policy
	Outsiders					
	M. Gulfaraz Khan	**775,040**	**409,196**	**365,844**	**1,001,000**	Negotiation
	IGI Insurance	**64,729**	**8,307**	**56,422**	**58,000**	Claim against stolen bike
Plant and Machinery						
	M. Amjad	**1,569,235**	**1,430,155**	**139,080**	**122,999**	Negotiation
	M. Amjad	**1,347,106**	**1,227,713**	**119,393**	**89,000**	Negotiation
	M Ghazanfar	**364,400**	**261,593**	**102,807**	**7,688**	Negotiation
	M. Amjad	**1,035,357**	**948,462**	**86,895**	**89,000**	Negotiation
	M. Amjad	**2,334,909**	**2,073,653**	**261,256**	**89,000**	Negotiation
	Sheikh Zahid	**590,150**	**222,913**	**367,237**	**513,450**	Negotiation
Other assets with book value less than Rs. 50,000		**2,681,346**	**1,976,854**	**704,492**	**879,088**	
		11,453,172	**8,905,696**	**2,547,476**	**3,079,703**	

Detail of operating fixed assets sold during the year is as follows:

2010

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals
Vehicles	**Employee**					
	Waqas Zafar	675,400	250,620	424,780	301,824	Company policy
	Outsiders					
	Mr. Nawaz Sambaryal	1,248,054	852,518	395,536	765,000	Negotiation
	Mr. Rustam	928,345	733,657	194,688	705,000	Negotiation
Plant and machinery	Ali Traders	1,294,825	832,416	462,409	233,700	Negotiation
	Ali Traders	132,200	59,963	72,237	106,450	Negotiation
	IGI Insurance	862,500	441,939	420,561	397,500	Insurance Claim
Other assets with book value less than Rs. 50,000		715,184	539,938	175,246	450,801	
		5,856,508	**3,711,051**	**2,145,457**	**2,960,275**	

		2011 Rupees	2010 Rupees
11.2 Capital work-in-progress			
Civil Works		**12,620,680**	1,332,093
Plant and machinery		**1,882,499**	-
		14,503,179	1,332,093
12. Intangible Assets			
Net carrying value basis			
Year ended September 30, 2011			
Opening net book value (NBV)		**1,060,580**	1,325,725
Additions at cost		**626,009**	-
Adjustments		**252,945**	-
Deletions at NBV		**-**	-
Amortization charge		**(332,822)**	(265,145)
Closing net book value (NBV)		**1,606,712**	1,060,580
Gross Carrying Value basis			
Cost		**5,168,677**	2,722,420
Accumulated Depreciation		**(3,561,965)**	(1,661,840)
Net book value (NBV)		**1,606,712**	1,060,580
Amortization rate % per annum		**20**	20

12.1 The amortization charge for the year has been allocated as follows:

Cost of sales	20	**165,888**	165,888
Administration expenses	21	**166,934**	99,257
		332,822	265,145

		Note	2011 Rupees	2010 Rupees
13.	**Biological assets**			
	Livestock		**5,308,000**	5,155,933
	Trees		**1,825,000**	1,720,000
			7,133,000	6,875,933
14.	**Stores, spares and loose tools**			
	General Stores		**3,063,015**	2,745,315
	Engineering Stores		**11,783,742**	10,429,863
			14,846,757	13,175,178
	Less: Provision for obsolete items			
	- Engineering Store	14.1	**(5,552,855)**	(748,329)
			9,293,902	12,426,849
	14.1 Provision for obsolete items - Engineering Store			
	Opening Balance		**748,329**	-
	Add: Provision for the year	20	**4,804,526**	748,329
	Closing balance		**5,552,855**	748,329
15.	**Stock in trade**			
	Raw materials [including in transit Rs 5.154 million (2010: Rs 13.010 million)]		**134,850,876**	89,632,486
	Packing materials		**91,672,779**	83,007,687
	Work in Process		-	-
	Finished goods		**92,744,149**	60,277,747
			319,267,804	232,917,920
	Less: Provision for obsolete items			
	- Raw Material	15.1	**(7,201,828)**	(2,000,000)
			312,065,976	230,917,920
	15.1 Provision for obsolete items - Raw material			
	Opening balance		**2,000,000**	-
	Add: Provision for obsolete items	20	**5,201,828**	2,000,000
	Closing balance		**7,201,828**	2,000,000

	Note	2011 Rupees	2010 Rupees
16. Trade debts			
Considered good		**63,244,881**	40,716,666
Considered doubtful		**3,938,305**	1,967,249
		67,183,186	42,683,915
Less: Provision for doubtful debts	16.1	**(3,938,305)**	(1,967,249)
		63,244,881	40,716,666
16.1 Provision for doubtful debts			
Opening balance		**1,967,249**	-
Add: Provision for the year		**1,971,056**	1,967,249
		3,938,305	1,967,249
Less: Bad debts written off against provision		**-**	-
Closing balance		**3,938,305**	1,967,249
17. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- To employees		**2,576,281**	2,516,016
- To suppliers		**10,676,307**	3,408,871
Prepayments		**1,062,545**	137,500
Letters of credit - margins, deposits, opening charges, etc.		**50,653**	312,801
Claims recoverable from the government			
- Income tax refundable		**10,005,839**	37,377,535
- Sales tax		**3,311,898**	6,084,394
		13,317,737	43,461,929
Customs deposit receivable		**69,876**	69,876
Due from related parties	17.1	**3,342,674**	7,735
Other receivables		**2,941,331**	1,338,004
		34,037,404	51,252,732
17.1 Due from related parties			
Haider Fruit Growers (Private) Limited		**95,035**	7,735
Director		**3,166,396**	-
Punjab Fruit Growers (Private) Limited		**81,243**	-
		3,342,674	7,735

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

	2011 Rupees	2010 Rupees
18. Cash and bank balances		
Balances at banks on current accounts	**12,982,315**	7,249,445
Special account related to dividend payable	**207,339**	454,807
Cash in hand	**390,117**	423,345
	13,579,771	8,127,597

	2011 Rupees	2010 Rupees
19. Sales		
Gross sales		
- Local	**1,874,324,156**	1,517,350,583
- Export	**149,691,435**	82,832,276
	2,024,015,591	1,600,182,859
Less: Sales returns	**31,112,041**	38,225,275
Rebates	**174,457,030**	155,455,869
Trade promotion	**24,198,203**	29,640,223
	229,767,274	223,321,367
	1,794,248,317	1,376,861,492

Local sales are exclusive of sales tax of Rs 255.413 million (2010: Rs 215.969 million).

	Note	2011 Rupees	2010 Rupees

20. Cost of sales

	Note	2011 Rupees	2010 Rupees
Raw and packing material consumed		**1,205,497,986**	894,985,643
Salaries, wages and other benefits	20.1	**96,247,430**	72,850,283
Furnace oil consumed		**13,455,330**	19,545,960
Freight		**7,400,245**	9,754,334
Travelling and vehicle running		**2,921,939**	1,100,945
Repairs and maintenance		**13,592,284**	12,645,942
Power, Water and Gas		**38,005,950**	31,450,719
Insurance		**3,673,009**	4,190,059
Rent, rates and taxes		**1,124,507**	173,639
Depreciation on operating fixed assets	11.1	**22,847,827**	25,064,802
Amortization of intangible assets	12.1	**165,888**	165,888
Provision for obsolete stock	15.1	**5,201,828**	2,000,000
Provision for obsolete stores and spares	14.1	**4,804,526**	748,329
Other expenses		**17,659,252**	7,867,354
Cost of goods manufactured		**1,432,598,001**	1,082,543,897
Opening finished goods		**60,277,747**	51,247,411
Closing finished goods		**(92,744,149)**	(60,277,747)
		(32,466,402)	(9,030,336)
		1,400,131,599	1,073,513,561

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

	2011 Rupees	2010 Rupees
Current service cost	**3,991,537**	2,278,586
Interest cost for the year	**2,223,224**	1,470,088
Actuarial loss	**157,159**	126,953
	6,371,920	3,875,627

In addition to above Rs 0.335 million (2010: Rs 2.837 million) have been charged in respect of company's contribution towards staff compensated absences.

		Note	2011 Rupees	2010 Rupees
21.	**Administration expenses**			
	Salaries, wages and other benefits	21.1	**37,149,552**	36,139,890
	Travelling and vehicle running		**4,032,206**	3,449,527
	Entertainment		**906,941**	588,464
	Repairs and maintenance		**1,372,073**	1,021,589
	Insurance		**507,247**	648,689
	Rent, rates and taxes		**2,387,879**	1,947,515
	Power, Water and Gas		**1,558,865**	1,339,254
	Printing and stationery		**1,166,015**	1,237,853
	Postage and telephone expenses		**1,527,267**	1,025,601
	Professional services	21.2	**6,747,100**	4,595,911
	Depreciation on operating fixed assets	11.1	**1,708,100**	1,971,691
	Amortization of intangible assets	12.1	**166,934**	99,257
	Dairy expenses		**4,105,249**	2,713,138
	Advances written off		**-**	1,796,552
	Other expenses		**3,403,563**	2,416,052
			66,738,991	60,990,983

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

	2011	2010
Current service cost	**865,339**	1,148,901
Interest cost for the year	**481,981**	741,243
Actuarial loss	**34,071**	64,011
	1,381,391	1,954,155

In addition to above Rs 0.122 million (2010: Rs 0.332 million) have been charged in respect of company's contribution towards staff compensated absences.

21.2 Professional services

The charges for professional services include the following in respect of auditors' services for:

	2011 Rupees	2010 Rupees
Statutory audit	**600,000**	500,000
Half yearly review	**275,000**	225,000
Tax services	**-**	1,050,000
Workers' profit participation and provident funds' audit and sundry services	**85,000**	140,000
Out of pocket expenses	**95,850**	80,502
	1,055,850	1,995,502

	Note	2011 Rupees	2010 Rupees
22. Distribution and marketing expenses			
Salaries, wages and other benefits	22.1	**35,691,362**	29,080,542
Travelling and vehicle running		**11,281,326**	9,703,173
Entertainment		**434,549**	207,348
Freight		**42,896,639**	33,225,971
Export expenses		**1,823,867**	2,310,736
Advertisement		**53,589,610**	29,692,937
Sales tax on trade promotion		**-**	432,134
Repairs and maintenance		**144,013**	93,501
Insurance		**1,381,539**	1,072,341
Rent, rates and taxes		**207,340**	593,356
Power, Water and Gas		**411,177**	338,907
Printing and stationery		**161,286**	463,978
Postage and telephone		**1,327,097**	1,236,130
Depreciation on operating fixed assets	11.1	**6,252,137**	2,241,935
Service charges to distributors		**15,732,864**	14,221,023
Provision for doubtful debts	16.1	**1,971,056**	1,967,249
Other expenses		**10,098,320**	9,111,692
		183,404,182	135,992,953

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

	2011 Rupees	2010 Rupees
Current service cost	**2,294,388**	1,426,715
Interest cost for the year	**1,277,939**	920,482
Actuarial loss	**90,337**	79,490
	3,662,664	2,426,687

In addition to above Rs 0.314 million (2010: Rs 0.459 million) have been charged in respect of company's contribution towards staff compensated absences.

		2011 Rupees	2010 Rupees
23.	**Other operating expenses**		
	Workers' profit participation fund	**5,406,500**	3,735,110
	Workers welfare fund	**2,375,014**	1,759,317
	Donations - Anjuman-e-Khuddam-e-Rasool Allah, Shergarh, District Okara (S. M Mohsin, Chairman of the company is the founder member of the Anjuman)	**562,280**	562,280
	Donations - Others	**30,000**	1,000,000
		8,373,794	7,056,707
24.	**Other operating income**		
	Profit on sale of property, plant and equipment	**532,227**	814,818
	Profit on sale and revaluation of live stock	**1,679,367**	2,078,050
	Profit on sale and revaluation of trees	**201,800**	32,333
	Exchange gain / (loss)	**374,565**	(103,992)
	Scrap sales	**6,907,217**	3,650,888
	Others	**1,211,807**	1,040,904
		10,906,983	7,513,001
25.	**Finance cost**		
	Interest and mark up on		
	- Short term running finances - secured	**34,584,206**	35,343,261
	- Workers' profit participation fund	**406,171**	165,137
	Bank and other charges	**3,370,091**	2,104,128
		38,360,468	37,612,526
26.	**Provision for taxation**		
	For the year		
	- Current	**38,699,060**	3,964,145
	- Deferred	**(3,688,571)**	18,775,744
		35,010,489	22,739,889
	Prior years		
	- Current	**(289,432)**	-
		(289,432)	-
		34,721,057	22,739,889

	2011 %	2010 %

26.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2011 %	2010 %
Applicable tax rate	**35.00**	35.00
Tax effect of amounts that are:		
- Exempt for tax purposes	**(0.60)**	(1.05)
- Tax credits	**1.39**	0.79
Tax effect under presumptive tax regime and others	**(3.94)**	(1.88)
Effect of change in prior tax year	**0.26**	-
	(2.89)	(2.14)
Average effective tax rate charged to profit and loss account	**32.11**	32.86

27. Transactions with related parties

The related parties comprise associated undertakings and key management personnel. 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 and remuneration of the key management personnel is disclosed in note 28. Other significant transactions with related parties are as follows:

Description	**2011 Rupees**	2010 Rupees
Purchase of goods	**4,315,883**	108,019,847
Donations	**562,280**	562,280
	4,878,163	108,582,127

All transactions with related parties have been carried out on commercial terms and conditions.

28. Remuneration of Chairman, Chief Executive and Executives

28.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chairman, Chief Executive and Executives of the Company is as follows:

	Chairman		Chief Executive		Executive	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Managerial remuneration	**2,715,343**	2,200,968	**7,829,182**	7,427,880	**10,089,404**	4,920,841
Retirement Benefits	**-**	522,732	**1,148,916**	1,053,228	**6,218,000**	2,046,682
House rent allowance	**1,110,822**	990,455	**2,718,358**	2,537,759	**4,540,232**	2,214,378
Utilities	**339,209**	158,454	**604,082**	563,974	**1,008,940**	492,084
Club expenses	**254,805**	200,165	**18,549**	23,623	**-**	-
Bonus	**685,675**	265,950	**-**	-	**3,041,183**	911,309
	5,105,854	4,338,724	**12,319,087**	11,606,464	**24,897,759**	10,585,294
Number of persons	2*	1	1	1	13	7

*Mr. S.M. Mohsin was appointed as the Chairman in place of Mr. Mehdi Mohsin with effect from June 01, 2011.

The Company aslo provides Chairman and Chief Executive with free use of one company maitaned car each.

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

28.3 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 7 Directors (2010: 7 Directors) is Rs 130,000 (2010: Rs 22,000). A Director is also provided with two company maintained cars and residential phones.

29. Capacity and production

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

	Actual production in cartons	
	2011	2010
Groceries	**1,271,104**	1,105,591
Confectioneries	**395,638**	351,778

	Note	2011 Rupees	2010 Rupees
30. Cash generated from operations			
Profit before tax		**108,146,266**	69,207,763
Adjustments for:			
Depreciation on operating fixed assets		**30,808,064**	29,278,428
Amortization on intangibles		**332,822**	265,145
Profit on sale of property, plant and equipment		**(532,227)**	(814,818)
Retirement benefits		**14,278,619**	11,879,781
Profit on revaluation of livestock		**(1,679,367)**	(2,078,050)
Profit on revaluation of trees		**(201,800)**	(32,333)
Advances written off		**-**	1,796,552
Exchange gain		**(374,565)**	-
Provision for doubtful debts - trade		**1,971,056**	1,967,249
Provision for obsolete stock		**5,201,828**	2,000,000
Provision for obsolete stores and spares		**4,804,526**	748,329
Finance cost		**34,584,206**	35,343,261
Profit before working capital changes		**197,339,428**	149,561,307
Effect on cash flow due to working capital changes			
- Increase in stores, spares and loose tools		**(1,671,579)**	(393,897)
- (Increase)/Decrease in stock in trade		**(86,349,884)**	27,464,607
- (Increase)/Decrease in trade debts		**(24,499,271)**	15,990,268
- (Increase)/Decrease in advances, deposits prepayments and other receivables		**(9,524,066)**	6,147,948
- Increase in creditors, accrued and other liabilities		**64,271,620**	15,372,376
		(57,773,180)	64,581,302
Cash generated from operations		**139,566,248**	214,142,609

31. Cash and cash equivalents

	Note	2011 Rupees	2010 Rupees
Cash and bank balances	18	**13,579,771**	8,127,597
Short term running finances		**(154,794,581)**	(166,615,728)
		(141,214,810)	(158,488,131)

32. Earnings per share

32.1 Basic earnings per share

		2011	2010
Net profit for the year	**Rupees**	**73,425,209**	46,467,874
Weighted average number of ordinary shares	**Number**	**5,040,000**	5,040,000
Basic earnings per share	**Rupees**	**14.57**	9.22

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 risk management

33.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk at the reporting date is as follows:

	2011	2010
Trade debts - USD	**131,771**	146,140

The following significant exchange rates were applied during the year:

Rupees per USD		
Average rate	**85.75**	84.50
Reporting date rate	**87.40**	86.00

If the functional currency, at reporting date, had fluctuated by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs 575,839 (2010: Rs 628,403) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2011 **Rupees**	2010 Rupees
Floating rate instruments		
Financial liabilities		
Short term running finances - secured	**(154,794,581)**	(166,615,728)
Net exposure	**(154,794,581)**	(166,615,728)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term finances and short term running finance, at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit before taxation for the year would have been Rs 1.548 million (2010: Rs 1.726 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011 Rupees	2010 Rupees
Long term loans and deposits	**-**	751,753
Trade debts	**67,183,186**	42,683,915
Loans, advances, deposits, prepayments and other receivables	**8,910,940**	4,174,556
Cash and bank balances	**13,189,654**	7,704,252
	89,283,780	55,314,476

The age of trade receivables and related impairment loss at balance sheet date is as follows:

The age of trade receivables		
Past Due but not impaired		
- Not past due	**56,930,405**	27,722,367
- Past due 0 - 180 days	**6,314,475**	12,853,141
- Past due 181 - 365 days	**152,667**	141,158
- Over 365 days	**3,785,639**	1,967,249
	67,183,186	42,683,915

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Short term	Rating Long term	Rating Agency	2011 (Rupees)	2010 (Rupees)
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**1,589,126**	462,967
MCB Bank Limited	A1+	AA+	PACRA	**442,425**	472,233
Allied Bank Limited	A1+	AA	PACRA	**-**	1,301,323
Royal Bank of Scotland	A1+	AA	PACRA	**-**	671,157
Standard Chartered	A1+	AA	PACRA	**1,212,443**	
Habib Bank Limited	A-1+	AA+	JCR-VIS	**9,945,660**	4,796,572
				13,189,654	7,704,252

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At September 30, 2011, the Company had Rs 390 million available borrowing limits from financial institutions and Rs 13.580 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at September 30, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees			
Trade and other payables	156,402,724	156,402,724	-	-
Accrued finance cost	2,887,660	2,887,660	-	-
	159,290,384	159,290,384	-	-

The following are the contractual maturities of financial liabilities as at September 30, 2011:

	Carrying amount Rupees	Less than one year	One to five years	More than five years
Trade and other payables	84,666,106	84,666,106	-	-
Accrued finance cost	4,466,921	4,466,921	-	-
	89,133,027	89,133,027	-	-

33.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

33.3 Financial instruments by categories

	Loans and receivables	
	2011 Rupees	2010 Rupees
Assets as per balance sheet		
Long term loans and deposits	**-**	751,753
Trade debts	**67,183,186**	42,683,915
Loans, advances, deposits, prepayments and other receivables	**8,910,940**	4,174,556
Cash and bank balances	**13,189,654**	7,704,252
	89,283,780	55,314,476

	Financial liabilities at	
	2011 Rupees	2010 Rupees
Liabilities as per balance sheet		
Trade and other payables	**156,402,724**	84,666,106
Accrued finance cost	**2,887,660**	4,466,921
	159,290,384	89,133,027

33.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 8, less cash and cash equivalents as disclosed in note 31.Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at September 30, 2011 and September 30, 2010 is as follows:

		2011 **Rupees**	2010 Rupees
Cash and cash equivalents - note 31		**(141,214,810)**	(158,488,131)
Net debt		**141,214,810**	158,488,131
Total equity		**359,494,971**	306,229,762
Total capital		**500,709,781**	464,717,893
Gearing ratio	**Percentage**	28%	34%

34. Date of authorization for issue

These financial statements were authorised for issue on January 5, 2012 by the board of directors of the company.

35. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended September 30, 2011 of Rs. 7.0 (2010: Rs 4.0) per share, amounting to 35,280,000 (2010: Rs 20,160,000) at their meeting held on January 5, 2012 for approval of the members at the Annual General Meeting to be held on January 30, 2012. These financial statements do not reflect this dividend payable.

36. Corresponding figures

Corresponding figure have been re-arranged, wherever necessary, for the purposes of comparison. However no significant rearrangements has been made.

S. M. Mohsin
Chairman

Mujeeb Rashid
Chief Executive Officer & Managing Director

PROXY FORM MITCHELL'S FRUIT FARMS LIMITED

79th Annual General Meeting

I/We ______________________________

of ______________________________

being a member of Mitchell's Fruit Farms Limited, hereby appoint ______________________________

____
(Name)

of ______________________________

or failing him/her ______________________________

____
(Name)

of ______________________________

another member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Seventy Ninth Annual General Meeting of the Company to be held on January 30, 2012 at 11:00 a.m. at the Registered Office of the Company located at 39-A, D-1, Gulberg III, Lahore.

Signed this ____________ day of ____________ 2012

Please affix revenue stamp

Please quote folio number

Signature of Member

IMPORTANT:

This instrument, appointing a proxy, duly completed, must be received at the Registered Office of the Company located at 39-A, D-1, Gulberg III, Lahore not later than 48 hours before the scheduled time of the meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary

Mitchell's Fruit Farms Limited
39-A, D-1, Gulberg III,
Lahore.

INCORPORATED IN 1933

Citrus fruit growers and makers of premium quality
Squashes, Syrups, Fruit Drinks, Jam, Jellies, Marmalade, Tomato Ketchup, Sauces, Pickles, Vinegars, Canned Food, Bottled Water, Sugar Confectionery, Chocolates and Sugar-free products.

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Renala Khurd, District Okara, Pakistan
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F: (+92) (44) 2621416
E: rnk@mitchells.com.pk

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