

MITCHELL'S FRUIT FARMS LIMITED

Annual Report 1997

CONTENTS

Company Information

Directors' Report

Pattern of Shareholding

Notice of Annual General Meeting

Five Years at a Glance

Auditors' Report to the Members

Balance Sheet

Profit and Loss Account

Cash Flow Statement

Notes to the Accounts

Company Information

Board of

Directors

S.M. Mohsin

Chairman & Chief Executive

Mehdi Mohsin

Executive Director

Syed Babar Ali

Syed Faisal Imam

Sitwat Mohsin

Begum Kishwar Abid Hussain

Razi-ur-Rehman Khan - NIT Nominee

Company

Secretary

Amir Sattar

Auditors

A.F. Ferguson & Company

Chartered Accountants

Legal

Advisors

Sajjad Law Associates, Lahore

S. Imran Bokhari, Lahore

Bankers

American Express Bank Limited
Emirates, Bank International
Muslim Commercial Bank Limited
National Bank of Pakistan

Share

Softlink (Private) Limited

Registrar

Wings Arcade,
1-K (Commercial) Model Town,
Lahore.
Phones : (042) 5831980-82
Fax : (042) 5837061

Registered Office,

Renala Khurd,

Factory and Farms

District Okara.
Phones : (04443) 2416, 3017 & 3018
Fax : (04443) 621416
E.Mail : rnk@mitchells.com.pk

Head

Office

3-B, LDA Complex,
Mian Mohammad Shafi Road,
Lahore.
Phones : (042) 6314171, 6314185-86 & 6305401
Fax : (042) 6369904 & 6312824
E.Mail : ho@mitchells.com.pk
Website : www.mitchells.com.pk

Regional Sales Office

(South)

Mehran VIP II, Ground Floor,
Plot 18 / 3, Dr. Dawood Pota Road,
Karachi.

Phones : (021) 519675 & 512112

E.Mail : rsos@mitchells.com.pk

Regional Sales Office

(North)

Block No. 1-A, Sector G - 7 / 4

Street No. 40,

Islamabad.

Phones : (051) 201961-62 & 812669

E.Mail : rson@mitchells.com.pk

Regional Sales Office

(Central)

153-A, Judicial Colony,

EO. Thokar Niaz Baig,

Lahore.

Phones : (042) 5220333, 5411433 & 5419350

E.Mail : rsoc@mitchells.com.pk

Directors' Report to the Members

The Directors have pleasure in presenting their annual report together with the Company's audited accounts for the year ended September 30,1997.

Business Year Review

In welcoming our shareholders to the 65th annual general meeting of the company, I am pleased to be able to advise that the year under review once again closed with record figures for both sales and profit. The net sales figure for the year is Rs 402,987,599 as compared to Rs 309,020,694 representing an increase of 30'~, . The net profit before tax has, at the same time, registered a growth of more than 100%; going up from Rs 21,085,708 in 1996 to Rs 42,639,589 in the year ended September 30,1997.

While the result speaks for itself, the noteworthy feature of the year has been that this record sale and profit has been garnered from a generally sluggish market. The task was not made any easier b~ the regular inflow of large quantities of foreign-manufactured goods; both confectionery and groceries carrying world-famous brand names. Competition from domestic manufacturers also grew simultaneously.

In view of these developments, the continuing all round expansion of our business can only be attributed to the good value we offer to our consumers. Both in terms of quality and price, Mitchell's products remain a strong favourite with the discerning consumer and we plan to re-inforce this sound position we enjoy in the market.

The significantly higher turnover reflects also an encouraging increase in volume for sugar confectionery and for some of the product-groups in our groceries range. While preserves, sauces and canned goods are showing an upward trend, the market for fruit drinks suffered a decline. This is due largely to a relatively short summer season and an increasingly crowded market accompanied by the arrival of several new soft drinks sold at intensely competitive prices.

We have broadened our product range with the addition of a new chocolate-coated product and "Diet Golden Mist Marmalade". "Discoveree", an almond, honey and caramel bar enrobed in pure chocolate, has received an encouraging consumer response. We are optimistic about the prospects for our "Diet" substitute of Golden Mist Marmalade already established as a breakfast favourite in the country.

Within the country much can be done to promote the development of our industry. The law and order situation has caused anxiety; a few of our major distributors having suffered losses through burglary and armed robberies. The transport system - particularly the condition of the roads - has left much to be desired. Strong technical support from universities and public sector research agencies - which is a source of vitality and progress for the food industry in more advanced countries - is a crying need in the present state of our economy. We look forward to the day when our technical institutions can play their proper role in Pakistan.

Appropriations

Profit after tax for the year		29,421,670
Unappropriated profit brought forward		25,359,670

Profit available for appropriation		54,781,340
Proposed Cash Dividend @ 30 %		10,500,000

Unappropriated profit carried forward	Rupees	44,281,340
Auditors		=====

The present auditors Messers A.F. Ferguson & Company, Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

Earnings per Share

Earnings per share (EPS) of Rs 10 each works out to Rs 8.41. This EPS has been calculated on the

basis of 3.5 million shares outstanding at the year end.

Management and Staff Relations

The notable success of the last year is owed in large measure to the unstinted support and willing cooperation of all the employees of the company working at every level. I would like to record my sincere appreciation of their valued contribution.

Future

During the current year we will be adding substantially to our production capacity in order to meet the unfulfilled demand for our products. While new equipment from reputable foreign manufacturers is being installed, we actively look for and support competent local sources for supply of both machines and spare parts. I am happy to report that, in recent years several new Pakistani manufacturers have supplied us with equipment which compares favourably with their foreign counterparts. This is a heartening development and bodes well for the future of the food-processing industry in our country.

Globalisation, and the accelerating competition from imported products, remains a constant challenge; we have taken steps to protect our position as a leading manufacturer of processed-food products by conforming to high standards of quality combined with a persistent effort to contain costs. We are sanguine that as and when we can attain access to the huge neighbouring market in India, we should find ourselves well positioned to establish a foothold there.

Pattern of Shareholding as at September 30, 1997

Number of shareholders	Shareholding		Total Shares held
	From	To	
153	1	100	14,850
375	101	500	163,350
35	501	1000	33,850
26	1001	5000	63,980
7	5001	10000	48,300
4	10001	15000	49,070
1	20001	25000	23,300
4	30001	35000	125,580
2	35001	40000	77,320
2	55001	60000	112,300
2	75001	80000	152,360
1	110001	115000	111,690

1	445001	450000	448,860
1	535001	540000	538,440
1	755001	760000	756,750
1	775001	780000	780,000
-----	-----	-----	-----
616			3,500,000
=====	=====	=====	=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	607	2,550,360	72.87
Trust	1	780,000	22.29
Insurance companies	3	118,190	3.38
Investment companies	1	30,950	0.88
Joint-stock companies	3	20,000	0.57
Modaraba Management	1	500	0.01
	-----	-----	-----
Total	616	3,500,000	100.00
	=====	=====	=====

Notice of Annual General Meeting

Notice is hereby given that the 65th Annual General Meeting of the Company will be held on Monday, 30th March 1998 at 11:30 a.m. at the Registered Office of the Company at Renala Khurd, District Okara to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting held on March 29, 1997.
2. To receive, consider and adopt the Annual Audited Accounts for the year ended September 30, 1997 together with the Directors' and Auditors' reports.
3. To approve cash dividend @ 30% as recommended by the Directors in their meeting held on January 23, 1998.
4. To appoint auditors for the year ending September 30, 1998 and to fix their remuneration. The retiring auditors namely Messrs A.F. Ferguson & Co., Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business which may be placed before the meeting with the permission

of the chair.

Notes:

1. The share transfer book of the Company will remain closed from March 24,19~8 to March 31,1998 (both days inclusive).
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 the meeting is scheduled for.
3. Shareholders are requested to immediately notify the change in their address, if any.

Five Years at a Glance

	Rupees in thousands				
	1993	1994	1995	1996	1997
Net sales	165,995	168,759	223,312	309,021	402,988
Cost of sales	124,240	129,076	175,436	242,841	304,770
Gross profit	41,755	39,683	47,876	66,180	98,218
Gross profit to sales (%)	25.15	23.51	21.44	21.42	24.37
Profit before tax	9,566	8,084	13,464	21,086	42,640
Taxation	3,217	726	3,163	8,869	13,218
Profit after tax	6,349	7,358	10,301	12,217	29,422
Earnings per share - Rupees	1.81	2.10	2.94	3.49	8.41
Dividend per share - Rupees	1.00	1.50	2.00	2.25	3.00
Capital expenditure	8,391	9,519	3,327	10,001	7,347

Auditors' Report to the Members

We have audited the annexed balance sheet of Mitchell's Fruit Farms Limited as at September 30, 1997 and the related profit and loss account and the cash flow statement, 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 and, after due verification thereof, 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 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 the 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 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 and the cash flow statement together with the notes forming part thereof, 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, 1997 and of the profit and the cash flow for the year then ended; and

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

A.E Ferguson & Company

Chartered Accountants

Lahore, January 23,1998

Balance Sheet as at September 30, 1997

	Note	1997 Rupees	1996 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
5,0(J0,000 (1996: 5,000,000) ordinary shares of Rs 10 each		50,000,000	50,000,000
Issued, subscribed and paid up capital	3	35,000,000	35,000,000
Capital reserves	4	9,335,878	9,335,878
Revenue reserves	5	300,000	300,000
Unappropriated profit		44,281,340	25,359,670

		-----	-----
		88,917,218	69,995,548
SURPLUS ON REVALUATION OF FIXED ASSETS	6	40,665	40,665
REDEEMABLE CAPITAL	7	--	1,820,840
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	8	166,906	661,124
DEFERRED LIABILITIES	9	11,796,378	10,805,704
CURRENT LIABILITIES			
Current portion of redeemable capital	7	1,820,840	1,611,314
Current portion of finance lease	8	736,890	903,870
Short term running finances	10	1,586,053	10,578,629
Creditors, accrued and other liabilities	11	28,040,661	31,178,610
Provision for taxation		8,314,067	2,190,640
Proposed dividend		10,500,000	7,875,000
		-----	-----
		50,998,511	54,338,063
CONTINGENCIES AND COMMITMENTS	12		
		-----	-----
		151,919,678	137,661,944
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	48,539,162	47,819,975
Assets subject to finance lease	14	1,440,896	1,801,120
Capital work in progress	15	2,258,155	1,958,818
		52,238,213	51,579,913
LIVESTOCK		744,000	701,040
LONG TERM DEPOSITS		150,723	340,273
CURRENT ASSETS			
Stores and spares	16	4,279,380	4,018,126
Stock in trade	17	75,026,511	63,455,300
Trade debts	18	3,586,338	4,901,964
Advances, deposits, prepayments and other receivables	19	6,049,453	4,433,053
Cash and bank balances	20	9,845,060	8,232,275

-----	-----
98,786,742	85,040,718
-----	-----
151,919,678	137,661,944
=====	=====

The annexed notes form an integral part of these accounts.

Profit and Loss Account for the year ended September 30, 1997

	Note	1997 Rupees	1996 Rupees
Sales	21	402,987,599	309,020,694
Cost of sales	22	304,769,683	242,841,153
		-----	-----
Gross profit		98,217,916	66,179,541
Selling and distribution expenses	23	32,993,855	25,390,584
Administrative expenses	24	16,223,628	13,203,362
		-----	-----
		49,217,483	38,593,946
Operating profit		49,000,433	27,585,595
Other income	25	1,798,765	982,790
		-----	-----
		50,799,198	28,568,385
Financial charges	26	4,906,609	5,813,677
Other charges	27	3,253,000	1,669,000
		-----	-----
		8,159,609	7,482,677
		-----	-----
Profit before taxation		42,639,589	21,085,708
Provision for taxation	28	13,217,919	8,869,137
		-----	-----
Profit after taxation		29,421,670	12,216,571
Unappropriated profit brought forward		25,359,670	21,018,099
		-----	-----
Available for appropriation		54,781,340	33,234,670
Appropriations			
Proposed final dividend Rs 3.00 (1996: Rs 2.25) per share		10,500,000	7,875,000

-----	-----
44,281,340	25,359,670
=====	=====

The annexed notes form an integral part of these accounts.

Cash Flow Statement for the year ended September 30, 1997

	Note	1997 Rupees	1996 Rupees
Cash flow from operating activities			
Cash generated from operations	31	41,089,691	30,161,709
Financial charges paid		(4,850,606)	(5,546,648)
Payment of gratuity and leave salary		(1,045,790)	(769,884)
Taxes paid		(7,653,492)	(7,937,451)
		-----	-----
Net cash inflow from operating activities		27,539,803	15,907,726
Cash flow from investing activities			
Fixed capital expenditure		(7,346,825)	(10,001,691)
Proceeds from sale of fixed assets		247,786	1,123,440
Proceeds from sale of livestock		122,559	152,570
Decrease/(increase) in long term deposits		189,550	(73,500)
		-----	-----
Net cash outflow from investing activities		(6,786,930)	(8,799,181)
Cash flow from financing activities			
Payment of redeemable capital		(1,611,314)	(1,401,789)
Payment of finance lease liabilities		(661,198)	(737,156)
Dividend paid		(7,875,000)	(7,000,000)
		-----	-----
Net cash outflow from financing activities		(10,147,512)	(9,138,945)
Net increase/(decrease) in cash and cash equivalents		10,605,361	(2,030,400)
Cash and cash equivalents at the beginning of the year		(2,346,354)	(315,954)
Cash and cash equivalents at the end of the year	32	8,259,007	(2,346,354)
		=====	=====

The annexed notes form an integral part of these accounts.

Notes to the Accounts for the year ended September 30, 1997

1. The Company and nature of business

Mitchell's Fruit Farms Limited is a Public Limited Company incorporated in Pakistan and listed on Lahore and Karachi Stock Exchanges. Its primary objective is to manufacture and sell various Farm and Confectionery Products.

2. Significant accounting policies

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by capitalization of exchange differences referred to in note 2.4.

2.2 Staff retirement benefits

The company provides for statutory gratuity for workers who have not opted for the company's provident fund scheme. Provision to cover the obligations are charged to income. The company also operates an unfunded gratuity scheme for all employees whose period of service with the company exceeds five years. Annual provisions to cover the obligations under the scheme are charged to income.

In addition to above the company also operates an approved contributory provident fund for its all employees.

2.3 Taxation

The provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax rebates and credits available, if any.

The company accounts for deferred taxation, using the liability method, on all major timing differences.

2.4 Exchange differences

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the year end.

Exchange differences on translation and repayment of foreign currency loans, utilised to acquire plant and machinery, are capitalized as part of the cost of the related assets.

2.5 Fixed capital expenditure

Fixed assets except freehold land, trees and shrubs are stated at cost less accumulated depreciation. Freehold land and capital work in progress are stated at cost. Trees and shrubs are stated at a valuation carried out in 1953. Cost in relation to certain plant and machinery signifies historical cost and exchange differences referred to in note 2.4.

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

Particular	Percentage
Building and roads on freehold land	10
Building on leasing land	10
Plant and machinery	10
Vehicles	20
Furniture, fixture and office equipment	20

Major additions are depreciated at the above rates from the date the asset is brought into use while full annual rate of depreciation is applied on the cost of other additions and no depreciation is charged on assets deleted during the year. Exchange differences relating to an asset are depreciated at the above rates.

Minor renewals or replacements, maintenance, repairs and profit or loss on disposal of fixed assets are included in income currently. Major renewals and improvements are capitalized.

2.6 Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the sale value of the assets. The related obligations of the lease are accounted for as liabilities.

Assets acquired under finance lease are amortized over the useful life of the assets on a reducing balance method at the rates given in note 2.5.

2.7 Livestock

This is stated at the Managing Director's valuation.

2.8 Stock in trade

Stock in trade, including goods in transit, is valued at the lower of cost or net realisable value.

Cost signifies, in relation to raw materials and work in process, average direct material cost. In case of finished goods, cost includes a proportion of production overheads. Cost of goods in transit comprises invoice value plus other charges paid thereon.

2.9 Stores and spares

These are valued at the moving average cost except for items in transit which are stated at cost comprising invoice value plus other charges incurred thereon.

2.10 Revenue recognition

Sales are recognized on despatch of goods to customers.

	1997 Rupees	1996 Rupees
3. Issued, subscribed and paid up capital		
1,417,990(1996: 1,417,990) ordinary shares of Rs 10 each fully paid in cash	14,179,900	14,179,900
44,020(1996:44,020) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	440,200	440,200
2,037,990(1996: 2,037,990) ordinary shares of Rs 10 each issued as fully paid bonus shares	20,379,900	20,379,900
----- 3,500,000 =====	----- 35,000,000 =====	----- 35,000,000 =====
4. Capital reserves		
Balance at the beginning of the year	9,335,878	9,335,878
Additions during the year	-	-
	-----	-----
Bonus shares issued	9,335,878	9,335,878
	-	-
	-----	-----
	9,335,878	9,335,878

5. Revenue reserves

	=====	=====
Balance at the beginning of the year	300,000	300,000
Transfer from profit and loss account	-	-
	-----	-----
	300,000	300,000
	=====	=====

6. Surplus on revaluation of fixed assets

This represents surplus arising of revaluation of trees and shrubs in the year 1953 referred to in note 13.

7. Redeemable capital - secured (non - participatory)

	installments payable	Mark up not due	1997 Rupees	1996 Rupees
Agriculture Development Bank of Pakistan	2 Semi annual	157,144	1,820,840	3,432,154
Less: Current portion			1,820,840	1,611,314
			-----	-----
			--	1,820,840
			=====	=====

Security

The running finance is secured by a first charge over plant and machinery at cost aggregating Rs 12.684 million. The amount represents machinery purchased out of the proceeds of the running finance.

8. Liabilities against assets subject to finance lease

	1997 Rupees	1996 Rupees
Present value of minimum lease rentals	903,796	1,564,994
Less: Current portion shown under current liabilities	736,890	903,870
	-----	-----
	166,906	661,124
	=====	=====

The value of the minimum lease rentals has been discounted at an implicit interest rate of 20% to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rs. 6,98,701 (1996: Rs 1,737,295) and are payable in equal monthly instalments and a lump sum payment of Rs 263,050 (19%: 263,050). Overdue rental payments are subject to an additional charge at 25 per month or part thereof.

Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of the agreement the lessee is to pay the entire rent for the unexpired period of the lease agreement. The lease agreement is renewable at the option of the lessor and on such term as may be agreed upon.

9. Deferred liabilities

	1997	1996
	Rupees	Rupees
Provision for deferred taxation:		
Accelerated tax depreciation allowance	5,335,000	5,395,000
Gratuity and leave salary	(2,723,000)	(2,259,000)
Compensation for vacation of rented premises	106,000	141,000
	-----	-----
	2,718,000	3,277,000
	9,078,378	7,528,704
	-----	-----
	11,796,378	10,805,704
	=====	=====

10. Short term running finances - secured

Short term running finances, available from commercial banks under mark-up arrangements, amount to Rs. 62 million (1996: Rs. 44 million). Under these arrangements, goods owned by the company are sold to the banks and are deemed to be immediately repurchased by the company at a price paid by the bank, plus a mark-up computed at the rates ranging from of Re. 0.466 to Re 0.48 per 1,000 per diem or part thereof on the price outstanding.

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

Of the aggregate facility of Rs. 30 million (1996: Rs. 13 million) for letters of credit and Rs. 5 million (1996: Rs. 2 million) for guarantees, the amount utilised at September 30, 1997 was Rs. 6.374 million (1996: Rs. 7.323 million) and Rs. 1.471 million (1996: Rs. 1.499) respectively.

Creditors, accrued and other liabilities

Creditors	6,115,570	13,104,293
Accrued liabilities	7,828,191	5,750,926
Due to associated companies	31,972	32,922
Interest free deposits repayable on demand	14,950	15,400
Advances from customers	3,754,531	4,764,133
Mark-up on redeemable capital - secured	52,382	104,764
Mark-up on short term running finances - secured	1,272,200	1,163,815

Sales tax payable	5,372,517	4,092,788
Workers' - note 11.1	2,603,712	1,308,710
Workers' welfare fund	994,636	840,859
	-----	-----
	28,040,661	31,178,610
	=====	=====

Maximum amount outstanding to 'in associated company during the year was Rs. 2,412,735 (1996: Rs. 5,855,750).

	1997	1996
	Rupees	Rupees
11.1 Workers' profit participation fund		
Opening balance as at October i	1,308,710	857,312
Provision for the year	2,303,000	1,169,000
Interest for the year	164,002	92,802
	-----	-----
	3,775,712	2,119,114
Less: Payments during the year	1,172,000	810,404
	-----	-----
	2,603,712	1,308,710
	=====	=====

12. Contingencies and commitments

The Deputy Commissioner of Income Tax framed the company's assessments relevant to the accounting years 1991 and 1992 raising an additional tax demand aggregating Rs. 4,761,063. This additional demand has arisen primarily by subjecting to tax the arbitrary value assigned to agricultural land exchanged by the company with its associated company. The company filed appeals with the Commissioner of Income Tax (Appeals) which were decided in its favour. The Income Tax Department has now contested the decision of Commissioner of Income Tax (Appeals) for both the assessment years before the Income Tax Appellate Tribunal (ITAT) which are pending adjudication.

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

13. Operating fixed assets

13.1 The following is a statement of operation g fixed assets:

Cost as at	Additions	Cost as at	Accumulated	Depreciation	Accumulated	Book value
September	(deletions	September	depreciation	charge for	depreciation	at September

	30,1996		30,1997		at September 30 1996	the Year	at September 30,1997	30,1997
Freehold Land	15,548	--	15,548	--	--	--	--	15,548
Trees and shrubs	40,665	--	40,665	--	--	--	--	40,665
Building on freehold land	10,009,838	--	10,009,838	5,920,661	408,919	6,329,580		3,680,258
Building on leasehold land	3,180,770	1,231,743	4,412,513	1,671,900	274,061	1,945,961		2,466,552
Plant and machinery	87,168,197	2,922,029	90,090,226	50,188,912	3,990,131	54,179,043		35,911,183
Vehicles	7,093,263	1,973,659 (257,755)	8,809,167	4,137,391	976,364	4,903,715		3,905,452
Furniture and fixtures	4,950,334	154,435 (11,500)	5,093,269	3,745,331	271,640	4,006,707		1,086,562
Office equipment	1,281,944	765,622	2,047,566	256,389	358,235	614,624		1,432,942
Total Rupees - 1997	113,740,559	7,047,488 (269,255)	120,518,792	65,920,584	6,279,350	71,979,630		48,539,162
Total Rupees - 1996	106,920,140	8,042,872 (1,226,453)	113,740,559	60,167,920	6,027,424	65,920,584		47,819,975

1997 1996
Rupees Rupees

13.2 Depreciation charge for the year has been allocated as follows:

Cost of sales	4,664,298	4,721,024
Selling and distribution expenses	974,157	736,210
Administrative expenses	640,895	570,190
	-----	-----
	6,279,350	6,027,424
	=====	=====

13.3 The revaluation surplus included in the book value of the assets as at September 30,1997 amounts to Rs 40,665.

13.4 Details of fixed assets sold during the year, all through negotiations, are as follows:

Class of asset	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(loss) on disposal
Vehicles	Mrs. Rukhsana Yasmeen	101,715	86,032	15,683	94,000	78,317
	Mr. Mehmood Ahmad	156,040	124,008	32,032	145,786	113,754
Furniture and fixture	WDV below Rs 5,000	11,500	10,264	1,236	8,000	6,764
	Rupees	269,255	220,304	48,951	247,786	198,835
		=====	=====	=====	=====	=====

14. Assets subject to finance lease

The following is the statement of assets acquired under finance lease:

	Cost as at September 30,1996	Additions/ (deletions)	Cost as at September 30,1997	Accumulated amortisation at September 30,1996	Amortisation charge for the year	Accumulated amortisation at September 30,1997	Book value as at September 30,1997
Vehicles	2,630,500		2,630,500	829,380	360,224	1,189,604	1,440,896
	=====	=====	=====	=====	=====	=====	=====
Rupees 1996	1,895,500	735,000	2,630,500	379,100	450,280	829,380	1,801,120
	=====	=====	=====	=====	=====	=====	=====

The amortisation charge for the year Rs 360,224 (1996: 450,280) has been allocated to Selling and distribution expenses.

	1997 Rupees	1996 Rupees
15. Capital work in progress		
Civil works	55,060	3,223
Plant and machinery	2,203,095	1,955,595
	-----	-----
	2,258,155	1,958,818
	=====	=====

16. Stores and spares

Classification of the balance between stores and spares is not practicable.

17. Stock in trade

Raw materials (including in transit Rs 1,100,489; 1996: 1,305,803)	62,495,020	55,120,145
Work in process	897,685	555,634
Finished goods	11,633,806	7,779,521
	-----	-----
	75,026,511	63,455,300
	=====	=====

18. Trade debts

These are unsecured and considered good.

19. Advances, deposits, prepayments and other receivables

Advances considered good - to employees	1,435,822	785,815
- to suppliers	1,156,966	904,671
Short term deposits	337,664	-
Prepayments	5,477	208,611
Balances with statutory authorities for excise and custom duty	1,463,015	1,290,808
Due from associated companies	212,249	20,027
Letters of credit - margins, deposits, opening charges etc.	44,602	432,281
Others	1,393,658	790,840
	-----	-----
	6,049,453	4,433,053

20. Cash and bank balances

Cash at bank on current accounts	9,501,470	8,120,744
Cash in hand	343,590	111,531
	-----	-----
	9,845,060	8,232,275
	=====	=====

21. Sales

	1997	1996
	Rupees	Rupees
Gross sales	540,802,617	419,267,606

Less · Sales returns	5,572,474	4,859,272
Rebates	62,336,499	53,216,238
Sales tax	69,906,045	52,171,402
	-----	-----
	137,815,018	110,246,912
	-----	-----
	402,987,599	309,020,694
22. Cost of sales	=====	=====

Materials consumed	261,034,546	202,841,331
Salaries, wages and benefits	19,450,743	17,412,788
Stores and spares consumed	10,665,289	6,193,276
Travelling and vehicle running	250,504	220,959
Repairs and maintenance	1,171,301	503,062
Excise duty	4,088,012	5,564,899
Electricity, gas and water	6,108,076	5,218,926
Insurance	501,547	537,722
Rent, rates and taxes	74,620	73,000
Depreciation	4,664,298	4,721,024
Miscellaneous expenses	957,083	757,405
	-----	-----
	308,966,019	244,044,392
Opening work in process	555,634	620,328
Closing work in process	(897,685)	(555,634)
	-----	-----
	(342,051)	64,694
	-----	-----
Cost of goods manufactured	308,623,968	244,109,086
Opening stock of finished goods	7,779,521	6,511,588
Closing stock of finished goods	(11,633,806)	(7,779,521)
	-----	-----
	(3,854,285)	(1,267,933)
	-----	-----
	304,769,683	242,841,153
	=====	=====

23. Selling and distribution expenses

Salaries, wages and benefits	6,089,463	5,076,053
Travelling and vehicle running	2,690,754	2,064,171
Entertainment	199,256	134,685
Freight and octroi	7,445,494	5,293,981
Advertising	13,300,000	10,010,000

Repairs and maintenance	152,641	95,845
Insurance	351,225	253,882
Rent, rates and taxes	345,378	355,760
Electricity, gas and water	180,437	146,880
Stationery, postage, telegrams and telephone	630,794	496,331
Depreciation	974,157	736,210
Amortisation	360,224	450,280
Miscellaneous expenses	274,032	276,506

-----	-----
32,993,855	25,390,584

=====	=====
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1997	1996
------	------

24. Administrative expenses

Rupees	Rupees
--------	--------

Salaries, wages and benefits	9,410,063	7,826,503
Travelling and vehicle running	1,338,747	1,036,967
Entertainment	178,476	161,106
Repairs and maintenance	1,374,264	934,924
Insurance	168,292	88,899
Rent, rates and taxes	140,494	166,210
Electricity, gas and water	230,651	237,988
Stationery, postage and telephone	1,147,329	794,184
Legal and professional charges - note 24.1	528,657	367,194
Donations	289,700	254,229
Depreciation	640,895	570,190
Miscellaneous expenses	776,060	764,968

-----	-----
16,223,628	13,203,362

=====	=====
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24.1 Auditors' remuneration

Legal and professional charges include the auditors' remuneration for:

Statutory audit	60,000	60,000
Tax services	39,260	121,270
Out of pocket expenses	7,800	13,807

-----	-----
107,060	195,077

=====	=====
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24.2 Donations

Anjuman-e-Khuddam-e-Rasool Allah (Mr. S.M.Mohsin, Chief Executive of the company is the founder member of the Anjuman)	267,200	234,100
Others	22,500	20,129

	-----	-----
	289,700	254,229
	=====	=====
25. Other income		
Profit on sale of fixed assets	198,835	171,747
Profit on sale and revaluation of livestock	165,519	256,010
Miscellaneous	1,434,411	555,033
	-----	-----
	1,798,765	982,790
	=====	=====
26. Financial expenses		
Mark up on redeemable capital	314,288	535,772
interest on Finance lease	377,306	204,624
Mark up on short term running finances	3,262,586	4,115,928
Interest on Workers' profit participation fun	164,002	92,802
Bank and other charges	788,427	864,551
	-----	-----
	4,906,609	5,813,677
	=====	=====
27. Other charges		
Workers' profit participation fund	2,303,000	1,169,000
Workers' welfare fund	950,000	500,000
	-----	-----
	3,253,000	1,669,000
	=====	=====
28. Provision for taxation		
For the year		
- current	14,000,000	8,000,000
- deferred	(559,000)	(180,000)
	-----	-----
	13,441,000	7,820,000
Prior year		
- current	(223,081)	1,038,137
- deferred	-	11,000
	-----	-----
	(223,081)	1,049,137
	-----	-----
	13,217,919	8,869,137
	=====	=====
29. Remuneration of directors and executives		

29.1 The aggregate amount charged in the accounts for remuneration including certain benefits to the Chief Executive, Director and executives of the company are as follows:

	Chief Executive		Director		Executives	
	1997	1996	1997	1996	1997	1996
Managerial remuneration	251,388	213,120	353,581	287,530	1,867,799	1,819,347
Retirement benefits	192,550	11,840	17,796	9,579	579,259	300,898
House rent allowance	113,124	95,904	159,110	129,387	839,170	818,702
Utilities	25,000	40,269	12,124	11,570	186,699	181,937
	-----	-----	-----	-----	-----	-----
Total Rupees	582,062	361,133	542,611	438,066	3,472,927	3,120,884
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	11	12
	=====	=====	=====	=====	=====	=====

In addition to above, Chief Executive and Director are provided with free use of company cars and free residential telephones. The Chief Executive, Director and all the executives are entitled to reimbursement of medical expenses upto an amount equal to three basic salaries.

29.2 Remuneration to other directors

Aggregate amount charged in the accounts for fee to 4 directors was Rs 4,000 (1996: 3,000).

30. Transactions with associated undertaking

The company purchased from associated undertaking goods amounting to Rs 25,149,700 (1996: 18,840,750).

31. Cash flow from operating activities

Profit before taxation	42,639,589	21,085,708
Add / (less): Adjustment for non-cash charges and other items		
Depreciation	6,279,350	6,027,424
Amortisation	360,224	450,280
Profit on sale of fixed assets	(198,835)	(171,747)
Provision for gratuity and leave salary	2,595,464	1,360,214
Profit on revaluation of livestock	(165,519)	(256,010)
Financial charges	4,906,609	5,813,677
	-----	-----
Profit before working capital changes	56,416,882	34,309,546

Effect on cash flow due to working capital changes

(Increase) / decrease in stores and spares	(261,254)	(3,884)
(Increase) / decrease in stock in trade	(11,571,211)	(12,035,638)
(Increase) / decrease in trade debts	1,315,626	1,227,850
(Increase) / decrease in advances, deposits, prepayments and other receivables	(1,616,400)	(687,143)
Increase /(decrease) in creditors, accrued and other liabilities	(3,193,952)	7,350,978
	-----	-----
	(15,327,191)	(4,147,837)
	-----	-----
Cash generated from operations	41,089,691	30,161,709
	=====	=====

32. Cash and cash equivalents

Cash and bank balances	9,845,060	8,232,275
Short term running finances	(1,586,053)	(10,578,629)
	-----	-----
	8,259,007	(2,346,354)
	=====	=====

33. Plant capacity and actual production

The capacity of the plant is not determinable as it is multiproduct plant capable of producing several products.

Actual production	1997	1996
Groceries - in dozens	438,728	470,846
Confectionery - in tons	3,338	2,155

34. Comparative figures

Previous year's figures have been rearranged wherever necessary for the purpose of comparison.