

Mitchell's Fruit Farms Limited

Annual Report 2000

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COMPANY INFORMATION

Board of Directors S.M. Mohsin
Chairman & Managing Director

Mehdi Mohsin
Executive Director

Syed Babar Ali
Syed Faisal Imam
Sitwat Mohsin
Umme Kulsum Imam
Anis Wahab Zuberi - NIT Nominee

Company Secretary Amir Sattar

Auditors A.F. Ferguson & Company
Chartered Accountants

Legal Advisor Bokhari Aziz & Karim
2-A, Block-G, Gulberg-II, Lahore

Bankers ABN Amro Bank N.V.
Emirates Bank International PJSC
Muslim Commercial Bank Limited
National Bank of Pakistan

Share Registrar Softlink (Private) Limited,
Wings Arcade, 1-K (Commercial) Model Town, Lahore
Phones (042) 5839180- 82
Fax (042) 5837061

**Registered Office,
Factory & Farms** Renala Khurd, District Okara, Pakistan
Phones (04443) 622907 - 8 & 2416
Fax (04443) 621416
E. Mail rnk@mitchells.com.pk

Corporate Office 3-B, LDA Flats,
Mian Muhammad Shafi Road, (Lawrence Road), Lahore

Phones (042) 6307410 - 13
Fax (042) 6307414 - 15
E. Mail ho@mitchells.com.pk
Website www. 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)**

Syed House, Canal Berg,
13 K.M. Multan Road, Lahore
Phone (042) 5419350, 5423732 & 5425478
Fax 5419350 & 5423732
E-mail rsoc@mitchells.com.pk

**Regional Sales Office
(South)**

Mehran VIP II, Ground Floor,
Plot 18/3 Dr. Dawood Pota Road, Karachi
Phones (021) 519675, 512112 & 5212712
Fax (021) 5673588
E. Mail rsos@mitchells.com.pk

CHAIRMAN'S REVIEW

It gives me great pleasure to present to the shareholders the results relating to another year of growth and unsurpassed profit for your company. The results assume sharper significance if considered from the perspective of a year of general uncertainty for the national economy.

The market for value added consumer goods was disturbed from time to time by the on-going tax survey. While some of our distributors have acquired registration under the General Sales Tax rules, others remain outside their purview. Retail stores, notably in the bigger cities, continued to be quite heavily stocked with imported food stuff, including confectionery and groceries, and it would be reasonable to assume that much of this merchandise is smuggled into the country.

SALES

In the face of these difficult operating conditions net sales increased from Rs. 611,916,540 to Rs. 636,775,658 in the year under review, likewise profit before tax rose from Rs.65,460,312 to Rs.68,190,398. It would be relevant to mention here that this increase was achieved while the selling prices of most of our major volume products remained unchanged.

CAPITAL INVESTMENT

It will be observed from the accompanying accounts that capital expenditure was in excess of Rs. 32 million. New PLC controlled manufacturing equipment was installed in our sugar confectionery section resulting in full recipe standardization and ensuring minimal waste. Increased capacity was created with the commissioning of sophisticated machines for producing high quality chocolate. With total renovation of our electric power supply system we expect a significant reduction in the cost of electricity as also savings arising from less frequent power cuts and a relatively more stable supply.

COMPETITION

The year was marked by the emergence of several competitors and the launch of a variety of processed food products in groceries as well as in the sugar / chocolate confectionery group. Goods bearing familiar national and multinational brand names have begun to be produced & sold in the domestic market. I am glad to report however that our consistent policy of offering our customers value for money has been vindicated by the continued growth of our business. We hope to build on this time-tested approach to our work.

RAW/PACKAGING MATERIALS

The citrus crop was again disappointing. While we were able to ensure adequate supply of most

fruit and vegetables - including mangoes, apples and tomatoes- the lemon crop remained a problem. It has been aggravated by the fact that growers, for want of a sufficiently large market for fresh lemons, appear to have cut back on the limited land that was under this fruit crop.

Although during the last year the sugar price was fairly stable the current year has seen a big increase. Since this essential raw material is a major component of nearly all our products its higher cost is likely to have its effect on our profitability for the ensuing year.

NEW PRODUCTS

An outstanding feature of recent months has been the launch of at least four new products; two in the chocolate confectionery group and two in groceries. "Festival" - an assortment of high quality chocolate attractively packaged - was launched in November 2000. A new creamed wafer enrobed in chocolate "Twentee-1" was appropriately put on the market in 2000. Consumer response has been heartening. Two products - Imlee Sauce and Plum Jam - were added to our range of sauces and preserves. Both, I am happy to advise, have got off to an encouraging start.

PERSONNEL

The results achieved and the on-going efforts to raise our standards is a tribute to the commitment and hard work of company employees at every level. Both the management and the work force deserve our wholehearted appreciation.

S.M. MOHSIN

DIRECTORS' REPORT

Your Directors are pleased to place before you the audited financial statements for the year ended September 30, 2000.

FINANCIAL

	<i>Rupees</i>
Profit before tax	68,190,398
Provision for tax	25,211,364

Profit after tax	42,979,034
Unappropriated profit brought forward	85,599,329

Profit available for appropriation	128,578,363
Proposed cash dividend @ 41%	17,220,000

Unappropriated profit carried forward	111,358,363
	=====

AUDITORS

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

CHAIRMAN'S REVIEW

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

EARNING PER SHARE

Earning per share of Rs. 10 each amounts to Rs. 10.23 which has been calculated on the basis of 4.2 million shares outstanding at the year end.

PATTERN OF SHAREHOLDING

A statement showing the pattern of holding of shares as on September 30, 2000 is attached.

For and on behalf of the Board

Lahore
March 2, 2001

S.M. Mohsin
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 68th Annual General Meeting of the Company will be held on Saturday, 31st March 2001 at 11:30 a.m. at the Registered Office of the Company at Renala Khurd, District Okara to transact the following business:

1. To confirm the minutes of the last meeting.
2. To receive, consider and adopt the Annual Audited Accounts for the year ended September 30, 2000 together with the Directors' and Auditors' reports thereon.
3. To approve cash dividend @ 41% as recommended by the Board of Directors.
4. To appoint auditors for the year ending September 30, 2001 and to fix their remuneration. The retiring auditors namely Messers 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.

By order of the Board

Amir Sattar
Company Secretary

Lahore, March 3, 2001

Notes

1. The share transfer book of the Company will remain closed from March 25, 2001 to March 31, 2001 (both days inclusive) for entitlement of 41% final cash dividend for the accounting year ended September 30, 2000. Transfers received in order (including deposit requests under CDS) at our Registrar's office upto 1:00 p.m. on March 24, 2001 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. The Beneficial Owners of the Company through 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, must enclose an attested copy of his/her NIC or Passport. Representative of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to immediately notify the change in their address, if any.

FIVE YEARS AT A GLANCE

(Rupees in thousand)

	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Net sales	309,021	402,988	504,328	610,873	636,776
Cost of sales	242,841	304,770	384,282	475,893	495,642
Gross profit	66,180	98,218	120,046	134,980	141,134
Gross profit to sales - %	21.42	24.37	23.80	22.10	22.16
Profit before tax	21,086	42,640	63,669	65,460	68,190
Taxation	8,869	13,218	21,262	23,149	25,211
Profit after tax	12,217	29,422	42,407	42,311	42,979
Earning per share - Rupees	3.49	8.41	10.09	10.07	10.23

Cash dividend - %	22.50	30.00	50.00	45.00	41.00
Stock dividend - %	--	--	20.00	--	--
Capital expenditure	10,001	7,047	40,231	14,393	32,556
	=====	=====	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mitchell's Fruit Farms Limited as at September 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Lahore
Dated: March 2, 2001

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET AS AT SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised capital 5,000,000 (1999: 5,000,000) ordinary shares of Rs 10 each		50,000,000	50,000,000
Issued, subscribed and paid up capital	3	42,000,000	42,000,000
Reserves	4	9,635,878	9,635,878
Unappropriated profit		111,358,363	85,599,329
		162,994,241	137,235,207
SURPLUS ON REVALUATION OF FIXED ASSETS			
	5	40,665	40,665
DEFERRED LIABILITIES			
	6	20,353,764	18,304,729
CURRENT LIABILITIES			
Shod term running finances	7	25,763,638	22,674,459
Creditors, accrued and other liabilities	8	473,587,961	39,130,256
Proposed dividend		17,220,000	18,900,000
		90,342,434	80,704,715
CONTINGENCIES AND COMMITMENTS			
	9	273,731,104	236,285,316
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	10	99,792,505	80,033,516
Capital work in progress	11	5,436,050	9,866,979
		105,228,555	89,900,495
LIVESTOCK		690,000	582,300
LONG TERM DEPOSITS		147,223	147,223
CURRENT ASSETS			
Stores and spares	12	7,166,037	6,184,511
Stock in trade	13	104,588,140	104,684,102
Trade debts	14	4,152,758	5,304,881
Advances, deposits, prepayments and other receivables	15	40,690,509	15,334,258
Cash and bank balances	16	11,067,882	14,147,546
		167,665,326	145,655,298
		273,731,104	236,285,316

The annexed notes form an integral pads of these accounts.

S.M. Mohsin
Chief Executive

Sitwat Mohsin
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Sales	17	636,775,658	611,916,540
Cost of sales	18	495,641,536	475,892,632
		-----	-----
Gross profit		141,134,122	136,023,908
Selling and distribution expenses	19	42,437,661	42,912,348
Administrative expenses	20	21,220,805	22,888,139
		-----	-----
		63,658,466	65,800,487
		-----	-----
Operating profit		77,475,656	70,223,421
Other income	21	1,048,137	4,228,727
		-----	-----
		78,523,793	74,452,148
Financial charges	22	5,393,395	4,063,836
Other charges	23	4,940,000	4,928,000
		-----	-----
		10,333,395	8,991,836
Profit before taxation		68,190,398	65,460,312
Provision for taxation	24	25,211,364	23,149,031
		-----	-----
Profit after taxation		42,979,034	42,311,281
		=====	=====
Earning per share	30	10.23	10.07
		=====	=====

The annexed notes form an integral part of these accounts.

S.M. Mohsin
Chief Executive

Sitwat Mohsin
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2000

	<i>Share capital Rupees</i>	<i>Share premium Rupees</i>	<i>Reserve for issue of bonus share Rupees</i>	<i>General reserve Rupees</i>	<i>Unappro priated profit Rupees</i>	<i>Total Rupees</i>
Balance as on September 30, 1998	35,000,000	9,335,878	7,000,000	300,000	62,188,048	113,823,926
700,000 ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,000,000	--	--	--	--	7,000,000
Nominal value of bonus shares issued	--	--	(7,000,000)	--	--	(7,000,000)
Net profit for the year	--	--	--	--	42,311,281	42,311,281
Proposed dividend (@ Rs. 4.50 per share)	--	--	--	--	(18,900,000)	(18,900,000)
	-----	-----	-----	-----	-----	-----
Balance as on September 30, 1999	42,000,000	9,335,878	--	300,000	85,599,329	137,235,207
Net profit for the year	--	--	--	--	42,979,034	42,979,034
Proposed dividend (@ Rs 4.10 per share)	--	--	--	--	(17,220,000)	(17,220,000)
	-----	-----	-----	-----	-----	-----
Balance as on September 30, 2000	42,000,000	9,335,878	--	300,000	111,358,363	162,994,241
	=====	=====	=====	=====	=====	=====

S.M. Mohsin
Chief Executive

Sitwat Mohsin
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Cash flow from operating activities			
Cash generated from operations	27	76,209,552	69,247,941
Financial charges paid		(5,776,535)	(3,099,393)
(Increase) / decrease in long term deposits		--	(100,000)
Payment of gratuity and leave salary		(1,270,941)	(888,917)
Taxes paid		(28,299,334)	(38,521,338)
		-----	-----
Net cash inflow from operating activities		40,862,742	26,638,293
Cash flow from investing activities			
Fixed capital expenditure		(28,125,465)	(22,460,682)
Proceeds from sale of fixed assets		25,000	3,551,607
Proceeds from sale of livestock		76,900	173,450
		-----	-----
Net cash outflow from investing activities		(28,023,565)	(18,735,625)
Cash flow from financing activities			
Payment of redeemable capital		--	(936,611)
Payment of finance lease liabilities		--	(166,906)1
Dividend paid		(19,008,020)	(17,246,980)
		-----	-----
Net cash outflow from financing activities		(19,008,020)	(18,350,497)
Net (decrease) in cash and cash equivalents		(6,168,843)	(10,447,829)
Cash and cash equivalents at the beginning of the year		(8,526,913)	1,920,916
		-----	-----
Cash and cash equivalents at the end of the year	28	(14,695,756)	(8,526,913)
		=====	=====

The annexed notes form an integral part of these accounts.

S.M. Mohsin
Chief Executive

Sitwat Mohsin
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 2000

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 Farms 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. Provisions 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.

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 credit 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 capitalised 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:

	percentage
Building and roads on freehold land	10
Building on leasehold land	10
Plant and machinery	10
Vehicles	20
Furniture, fixtures and office equipment	20

Major additions are depreciated at the above rate from the date the assets are put to 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 capitalised.

2.6 Livestock

This is stated at the Managing Director's valuation.

2.7 Stock in trade

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

Cost signifies, in relations 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.

2.8 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.

2.9 Revenue recognition

Sales are recognised on despatch of goods to customers.

	2000 Rupees	1999 Rupees
3. Issued, subscribed and paid up capital		
1,417,990(1999: 1,417,990) ordinary shares of Rs. 10 each fully paid in cash	14,179,900	14,179,900
44,020(1999: 44,020) ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	440,200	440,200
2,737,990(1999: 2,737,990) ordinary shares of Rs. 10 each issued as fully paid bonus shares	27,379,900	27,379,900
-----	-----	-----
4,200,000	42,000,000	42,000,000
=====	=====	=====

	2000 Rupees	1999 Rupees
4. Reserves		
Movement in and composition of reserves is as follows:		
Capital		
Share premium	9,335,878	9,335,878
Reserve for issue of bonus shares		
At the beginning of the year	--	7,000,000
Transfer from profit and loss account	--	--
Nominal value of bonus shares issued	--	(7,000,000)
-----	-----	-----
Revenue		
General reserve	300,000	300,000
-----	-----	-----
	9,635,878	9,635,878
=====	=====	=====

5. Surplus on revaluation of fixed assets

This represents surplus arising on revaluation of trees and shrubs in the year 1953 referred to in note 10.

6. Deferred liabilities

Provision for deferred taxation:		
Accelerated tax depreciation allowance	12,879,000	9,814,000
Gratuity and leave salary	(3,963,000)	(4,162,000)
Compensation for vacation of rented premises	--	39,000
-----	-----	-----
	8,016,000	5,691,000
Provision for staff gratuity and leave salary	11,437,764	12,613,729
-----	-----	-----
	20,353,764	18,304,729
=====	=====	=====

7. Short term running finances - secured

Short term running finances, available from commercial banks under mark-up arrangements, amount to Rs. 58 million (1999: Rs. 55 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 rate ranging from Re. 0.3562 to Re. 0.4246 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. 42 million (1999: Rs. 37 million) for letters of credit and Rs. 7 million (1999: Rs 7 million) for guarantees, the amount utilised at September 30, 2000 was Rs 12.67 million (1999: Rs. 17.27 million) and Rs. Nil (1999: Rs. Nil) respectively.

		2000	1999
		Rupees	Rupees
8. Creditors, accrued and other liabilities			
Trade creditors	- note 8.1	22,508,737	12,969,614
Accrued liabilities		6,638,675	6,442,555
Due to associated companies	- note 8.2	29,072	30,172
Interest free deposits repayable on demand		99,950	99,950
Advances from customers		3,412,178	3,962,935
Mark-up on short term running finances - secured		1,058,646	1,441,786
Sales tax payable		5,232,524	6,919,981
Workers' profit participation fund	- note 8.3	3,715,238	4,168,799
Workers' welfare fund		1,228,000	1,360,000
Unclaimed dividend		330,638	438,658
Others		3,105,138	1,295,806
		-----	-----
		47,358,796	39,130,256
		=====	=====

8.1 Trade creditors include amount due to associated company Rs. 2,787,652 (1999: Rs.2,826,550).

8.2 The maximum aggregate balance outstanding at the end of any month during the year was Rs. 29,072 (1999: Rs. 30,172).

		2000	1999
		Rupees	Rupees
8.3 Workers' profit participation fund			
Opening balance as at October 1		4,168,799	3,947,346
Provision for the year		3,712,000	3,568,000
Interest for the year		--	966,375
		-----	-----
		7,880,799	8,481,721
Less: Payments during the year		4,165,561	4,312,922
		-----	-----
		3,715,238	4,168,799
		=====	=====

9. Contingencies and commitments

Contingencies

(i) The Deputy Commissioner of Income Tax framed the company's assessments relevant to accounting years 1991 to 1993 raising an additional tax demand aggregating Rs. 6,555,063. 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 the above assessment years before the Income Tax Appellate Tribunal (ITAT) which are pending adjudication.

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

in the company's favour.

(ii) Included in note 15 under the head balance with statutory authorities for excise and custom duty is Rs. 0.505 million representing excise duty paid on cans (metal containers) and Rs. 0.12 million penalty paid thereon.

An appeal has been filed by the company with the Collector (Appeals), Central Excise against imposition of excise duty on the grounds that Mitchell's is not a manufacturer of the metal containers and produces canned/tinned food which falls under section IV of harmonized Customs Tariff. Duty is paid on the price of the entire product which includes the price of the metal containers.

Pending the decision of the Collector (Appeals), no adjustment has been made for the refunds recognised in the accounts as the management is of the view that petition will be in its favour.

(iii) Included in note 15 under the head balance with statutory authorities is an amount of Rs. 0.638 million representing sales tax Rs. 0.632 million and penalty Rs. 0.005 million on sweet corn.

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

(iv) Included in note 15 under the head balance with statutory authorities is an amount of Rs. 1.707 million representing sales tax on scrap sales and disposal of fixed assets.

The company has filed an appeal with Collector of Customs and Sales Tax the outcome of which is still pending. No adjustment has been made for the refunds recognised in the accounts as the management is of the view that there are meritorious grounds for decision in the company's favour.

Commitments

Letter of credit and purchase commitments other than for capital expenditure Rs. 1.87 million (1999: Rs. 2.79 million).

Letter of credit for capital expenditure Rs. 7.3 million (1999: Rs. Nil).

10. Operating fixed assets

10.1 The following is statement of operating fixed assets:

	<i>Cost as at September 30, 1999</i>	<i>Addition/ (deletion)</i>	<i>Cost as at September 30, 2000</i>	<i>Accumulated depreciation as at September 30, 1999</i>	<i>Depreciation charge of the year</i>	<i>Accumulated depreciation as at September 30, 2000</i>	<i>Book value as at September 30, 2000</i>
Freehold land	15,548	--	15,548	--	--	--	15,548
Trees and shrubs	40,665	--	40,665	--	--	--	40,665
Building on freehold land	16,126,494	9,762,037	25,888,531	8,116,293	1,777,224	9,893,517	15,995,014
Building on leasehold land	4,412,513	--	4,412,513	2,414,606	199,791	2,614,397	1,798,116
Plant and machinery	124,961,755	19,468,986	144,430,741	67,023,846	7,740,690	74,764,536	69,666,205
Vehicles	12,960,065	2,600,847	15,560,912	4,995,750	2,113,032	7,108,782	8,452,130
Furniture and fixtures	1,576,299	175,284	1,751,583	1,134,038	123,509	1,257,547	494,036
Office equipment	8,670,325	549,235	9,158,060	5,045,615	832,698	5,827,269	3,330,791
		(61,500)			(51,044)		
	-----	-----	-----	-----	-----	-----	-----
Rupees 2000	168,763,664	32,556,389	201,258,553	88,730,148	12,786,944	101,466,048	99,792,505
		(61,500)			(51,044)		

Rupees 1999	158,592,646	14,392,779 (4,221,761)	168,763,664	80,735,134	10,556,091 (2,561,077)	88,730,148	80,033,516
-------------	-------------	---------------------------	-------------	------------	---------------------------	------------	------------

2000
Rupees

1999
Rupees

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

Cost of sales	- note 18	9,717,705	7,550,589
Selling and distribution expenses	- note 19	2,113,032	1,991,079
Administrative expenses	- note 20	956,207	1,014,423
		12,786,944	10,556,091

10.3 The revaluation surplus included in the book value of the assets as at September 30, 2000 amounts to Rs. 40,665 (1999: Rs. 40,665).

10.4 Disposal of operating fixed assets

Detail of fixed asset sold during the year through negotiation is as follows:

Class of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit on disposal
Office equipment	Silver Reed	61,500	51,044	10,456	25,000	14,544

11. Capital work in progress

Civil works	461,442	6,160,563
Plant and machinery	4,974,608	3,706,416
	5,436,050	9,866,979

12. Stores and spares

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

2000
Rupees

1999
Rupees

13. Stock in trade

Raw materials [including in transit Rs. 2,455,169 (1999: Rs. 2,118,119)]	88,360,928	79,114,175
Work-in-process	808,433	1,356,302
Finished goods	15,418,779	24,213,625
	104,588,140	104,684,102

Trade debts

These are unsecured and considered good.

15. Advances, deposits, prepayments and other receivables

Advances to employees - considered good	-note 15.1	1,626,327	1,273,412
Advances to suppliers - considered good		7,065,723	2,906,279
Short term deposits		572,070	417,570
Prepayments		260,875	379,996
Balance with statutory authorities for:			
- Excise duty		1,272,866	1,317,755
- Custom duty		937,543	741,040
- Income tax		9,698,966	3,385,996

- Sales tax		2,340,895	637,738
Due from associated companies	-note 15.2	156,629	139,629
Letters of credit - margins, deposits, opening charges etc.		12,616,695	868,622
Others		4,141,920	3,266,221
		-----	-----
		40,690,509	15,334,258
		=====	=====

15.1 Included in advances to employees are amounts due from executive Rs. 0.149 million (1999: Rs. 0.249 million). The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.34 million (1999: Rs. 1.79 million).

15.2 Due from associated companies

Kissan Fruit Growers (Private) Limited		28,147	25,547
Haider Fruit Growers (Private) Limited		21,906	20,505
Anju man-e-Khuddam-e-Rasool Allah		106,576	93,577
		-----	-----
		156,629	139,629
		=====	=====

Maximum aggregate balance of advances to associated companies at the end of any month during the year was Rs. 0.156 million (1999: Rs. 0.139 million).

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
16. Cash and bank balances		
Cash at bank on current accounts	10,884,429	12,828,617
Cash in hand	183,453	1,318,929
	-----	-----
	11,067,882	14,147,546
	=====	=====

17. Sales

Gross sales	728,722,872	697,397,576
Less:		
Sales returns	6,605,121	5,433,119
Rebates	80,626,765	77,674,710
Trade promotion	4,715,328	2,373,207
	-----	-----
	91,947,214	85,481,036
	-----	-----
	636,775,658	611,916,540
	=====	=====

Sales are exclusive of sales tax Rs. 105.192 million (1999: Rs. 96.078 million).

18. Cost of sales

Material consumed	405,645,493	411,189,406
Salaries, wages and benefits	27,552,227	25,220,068
Stores and spares consumed	12,981,909	14,368,368
Freight and octroi	5,835,057	6,076,508
Travelling and vehicle running	495,907	651,260
Repairs and maintenance	6,812,867	3,125,816
Excise duty	7,505,469	6,904,879
Electricity, gas and water	7,623,130	7,826,554
Insurance	1,269,157	1,003,466
Rent, rates and taxes	72,000	72,000
Depreciation	9,717,705	7,550,589
Miscellaneous expenses	787,900	1,043,398
	-----	-----

486,298,821 485,032,312

Opening work-in-process	1,356,302	1,531,461
Closing work-in-process	(808,433)	(1,356,302)
	-----	-----
	547,869	175,159
	-----	-----
Cost of goods manufactured	486,846,690	485,207,471
Opening stock of finished goods	24,213,625	14,898,786
Closing stock of finished goods	(15,418,779)	(24,213,625)
	-----	-----
	8,794,846	(9,314,839)
	-----	-----
	495,641,536	475,892,632
	=====	=====

19. Selling and distribution expenses

Salaries, wages and benefits	7,556,363	7,596,426
Travelling and vehicle running	4,737,931	4,411,650
Entertainment	263,600	200,393
Freight and octroi	6,799,959	8,370,365
Advertising	17,296,803	17,072,241
Sales tax on trade promotion	1,007,984	1,043,959
Repairs and maintenance	185,647	83,541
Insurance	469,329	441,336
Rent, rates and taxes	471,000	374,621
Electricity, gas and water	287,295	180,923
Printin9 and stationery	344,301	336,998
Postage and telephone	365,583	362,797
Depreciation	2,113,032	1,991,079
Miscellaneous expenses	538,834	446,019
	-----	-----
	42,437,661	42,912,348
	=====	=====

20. Administrative expenses

Salaries, wages and benefits	11,045,767	12,952,501
Travellin9 and vehicle running	2,097,272	1,873,328
Entertainment	393,791	370,368
Repairs and maintenance	1,592,054	1,764,550
Insurance	631,339	422,268
Rent, rates and taxes	343,330	228,096
Electricity, gas and water	458.43	312,300
Printing and stationery	352.96	562,114
Postage and telephone	976,142	854,734
Legal and professional charges	- note 20.1	846,595
Donations	- note 20.2	549,500
Depreciation	956,207	1,014,423
Miscellaneous expenses	977,417	1,052,587
	-----	-----
	21,220,805	22,888,139
	=====	=====

20.1 Auditors' remuneration

Legal and professional charges include the auditors' remuneration for:

Statutory audit	80,000	70,000
Out of pocket expenses	16,400	11,448
	-----	-----

	96,400	81,448
	=====	=====

20.2 Donations

Anjuman-e-Khuddam-e-Rasool Allah,
Shergarh, District Okara (Mr. S. M. Mohsin,
Chief Executive of the company is the
founder member of the Anjuman)

	500,000	500,000
--	---------	---------

Others

	49,500	30,300
--	--------	--------

	-----	-----
	549,500	530,300
	=====	=====

21. Other income

Profit on sale of fixed assets

	14,544	1,890,923
--	--------	-----------

Profit on sale and revaluation of livestock

	184,600	145,550
--	---------	---------

Income from bank deposits

	12,000	164,398
--	--------	---------

Scrap sales

	836,993	1,152,876
--	---------	-----------

Others

	--	874,980
--	----	---------

	-----	-----
	1,048,137	4,228,727
	=====	=====

22. Financial charges

Interest on Finance lease

	--	3,318
--	----	-------

Mark-up on short term running finances

	3,846,577	2,410,837
--	-----------	-----------

Interest on workers' profit participation fund

	887,479	966,375
--	---------	---------

Bank and other charges

	659,339	683,306
--	---------	---------

	-----	-----
	5,393,395	4,063,836
	=====	=====

23. Other charges

Workers' profit participation fund

	3,712,000	3,568,000
--	-----------	-----------

Workers' welfare fund

	1,228,000	1,360,000
--	-----------	-----------

	-----	-----
	4,940,000	4,928,000
	=====	=====

24. Provision for taxation

For the year

- Current

	21,000,000	22,000,000
--	------------	------------

Deferred

	2,955,000	(536,000)
--	-----------	-----------

	-----	-----
	23,955,000	21,464,000

Prior year

Current

	986,364	942,031
--	---------	---------

Deferred

	270,000	743,000
--	---------	---------

	-----	-----
	1,256,364	1,685,031

	-----	-----
	25,211,364	23,149,031
	=====	=====

24.1 Tax charge reconciliation

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

2000

%

Applicable tax rate as per Income Tax Ordinance, 1979

34.65

Tax effect of change in rate	0.40
Tax effect of change in rate for prior period	1.46
Tax effect due to rounding off	0.24
Tax effect of amounts that are not deductible for tax purposes	0.22

	2.32

Average effective tax rate charged to profit and loss account	36.97
	=====

25. Remuneration of Directors and Executives

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

	Chief Executive		Director		Executive	
	2000 Rupees	1999 Rupees	2000 Rupees	1999 Rupees	2000 Rupees	1999 Rupees
Managerial remuneration	438,624	376,551	666,213	575,169	3,717,659	3,009,555
Retirement benefits			87,816	37,796	676,548	617,733
House rent allowance	197,376	169,449	299,787	258,831	1,672,948	1,354,301
Utility s	26,114	28,729	52,181	59,921	371,767	300,959
Bonus	--	--	304,826	304,826	1,579,764	1,291,696
	-----	-----	-----	-----	-----	-----
	662,114	574,729	1,410,823	1,236,543	8,016,686	6,574,244
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	21	18
	=====	=====	=====	=====	=====	=====

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.

25.2 Remuneration to other directors

Aggregate amount charged in the accounts for fee to 4 directors was Rs. 2,500 (1999: Rs. 2,500).

26. Transaction with associated undertakings

The company purchased from associated undertakings goods amounting to Rs, 16.220 million (1999: Rs. 9.972 million).

	2000 Rupees	1999 Rupees
27. Cash flow from operating activities		
Profit before taxation	68,190,398	65,460,312
Add/(less):		
Adjustment for non cash charges and other items		
Depreciation	12,786,944	10,556,091
Profit on sale of fixed assets	(14,544)	(1,890,923)
Provision for gratuity and leave salary	94,981	4,363,946
Profit on revaluation of livestock	(184,600)	(145,550)
Financial charges	5,393,395	4,063,836
	-----	-----
Profit before working capital changes	86,266,574	82,407,712
Effect on cash flow due to working capital changes		
(Increase)/decrease in stores and spares	(981,526)	(859,467)
Decrease/(Increase) in stock in trade	95,962	(8,435,514)
Decrease/(increase) in trade debts	1,152,123	(1,334,042)

(Increase)/decrease in advances, deposits and other receivables	(19,043,281)	(1,123,791)
Increase/(decrease) in creditors, accrued and other liabilities	8,719,700	(1,406,957)
	-----	-----
	(10,057,022)	(13,159,771)
	-----	-----
Cash generated from operations	76,209,552	69,247,941
	=====	=====

28. Cash and cash equivalents

Cash and bank balances	11,067,882	14,147,546
Shod term running finances	(25,763,638)	(22,674,459)
	-----	-----
	(14,695,756)	(8,526,913)
	=====	=====

29. Plant capacity and actual production

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

	<i>Actual Production</i>	
	<i>2000</i>	<i>1999</i>
Groceries in dozens	555,160	557,973
Confectionery in tons	5,348	5,226

30. Earning per share

Net profit after tax	Rupees	42,979,034	42,311,281
Average ordinary shares in issue during the year	Number	4,200,000	4,200,000
Earning per share	Rupees	10.23	10.07

31. FINANCIAL ASSETS AND LIABILITIES

	Interest/mark up bearing			Non interest bearing			2000 Total Rupees
	<i>Maturity upto one year Rupees</i>	<i>Maturity after one year Rupees</i>	<i>Sub total Rupees</i>	<i>Maturity upto one year Rupees</i>	<i>Maturity after one year Rupees</i>	<i>Sub total Rupees</i>	
Financial assets							
Long term deposits	--	--	--	--	147,223	147,223	147,223
Trade debts	--	--	--	4,152,758	--	4,152,758	4,152,758
Advances, deposit and prepayment:							
- Short term deposits	--	--	--	572,070	--	572,070	572,070
- Due from associated co	--	--	--	156,629	--	156,629	156,629
Cash and bank balances	--	--	--	11,067,883	--	11,067,883	11,067,883
	-----	-----	-----	-----	-----	-----	-----
Total financial assets	--	--	--	15,949,340	147,223	16,096,563	16,096,563
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities							
Shod term running finances	25,763,639	--	25,763,639	--	--	--	25,763,639
Creditors, accrued and other liabilities	--	--	--	28,884,905	--	28,884,905	28,884,905
Letters of credit	--	--	--	12,616,694	--	12,616,694	12,616,694
	-----	-----	-----	-----	-----	-----	-----
Total financial liabilities	25,783,639	--	25,763,639	41,501,599	--	41,501,599	67,265,238
	=====	=====	=====	=====	=====	=====	=====

31.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 16.10 million, the financial assets which are subject to credit risk amounted to Rs. 5.03 million. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

31.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered through forward foreign exchange contracts.

31.3 Fair value of financial assets and liabilities

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

32. Number of employees

	2000	1999
Number of employees as at year end	397	390
	=====	=====

33. Corresponding figures

Corresponding figures have been re-arranged wherever necessary, for the purposes of comparison.

S.M. Mohsin
Chief Executive

Sitwat Mohsin
Director

PATTERN OF SHARE HOLDING AS AT SEPTEMBER 30, 2000

<i>Number of Shareholders</i>	<i>Shareholding From</i>	<i>To</i>	<i>Shares held</i>
66	1	100	4,860
201	101	500	36,380
160	501	1,000	96,240
47	1,001	5,000	92,916
10	5,001	10,000	79,860
4	10,001	15,000	58,884
2	35,001	40,000	72,960
1	40,001	45,000	40,596
2	45,001	50,000	92,784
2	65,001	70,000	134,760
2	90,001	95,000	182,232
1	140,001	145,000	143,028
1	535,001	540,000	538,632
1	6,50,001	655,000	653,928
1	910,001	915,000	910,500
1	1,060,001	1,065,000	1,061,440
-----		-----	
502			4,200,000
=====		=====	=====

Categories of shareholders

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	494	2,955,092	70.359
Joint Stock Companies	4	1,085,440	25.844
insurance Companies	2	149,628	3.563
Investment Companies	1	9,240	0.220

Modaraba Companies	1	600	0.014
	-----	-----	-----
Total:	502	4,200,000	100.000
	=====	=====	=====

**PATTERN OF SHARE HOLDING - CDC
AS AT SEPTEMBER 30, 2000**

<i>Number of Shareholders</i>	<i>From</i>	<i>Shareholding To</i>	<i>Shares held</i>
9	1	100	720
50	101	500	22,540
23	501	1,000	17,000
21	1,001	5,000	47,880
3	5,001	10,000	22,200
1	10,001	15,000	15,000
1	935,001	940,000	936,100
-----			-----
108			1,061,440
=====			=====

Categories of shareholders	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Financial Institutions	2	951,100	89.605
Individuals	98	87,340	8.228
Joint Stock Companies	7	18,200	1.715
Investment Companies	1	4,800	0.452
	-----	-----	-----
Total:	108	1,061,440	100.000
	=====	=====	=====