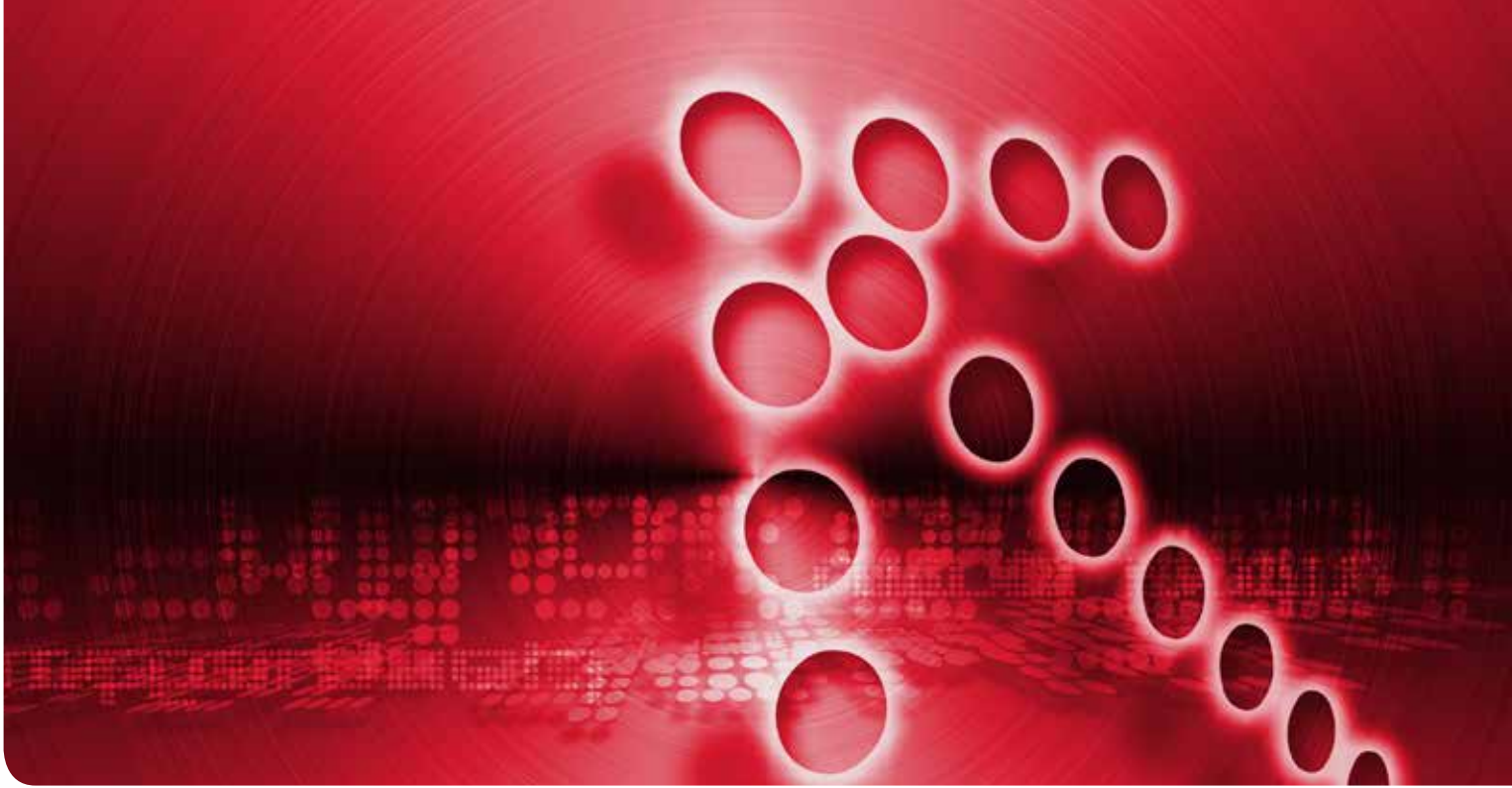


Annual Report 2012

Inspiring
NATURE



Shezan International Limited



Vision

To be known as leader of quality products in the region.

Dedication to quality is a way of life at our Company, so much so that it goes far beyond rhetorical slogans. It is the objective of Shezan International Limited to produce and provide products and services of the highest quality. In its activities the Company will pursue goals aimed at the achievement of quality excellence and succeed as a profitable business. These results will be derived from the dedicated efforts of each employee in conjunction with supportive participation from management at all levels of the Company.

To play its role in the economic development of the country and to enhance quality of life of its people.

Mission

Our mission is to provide the highest quality fruit and vegetable related juices and products to retail and food service customers.

We want to be the recognized industry leader in quality and service, providing more than expected for our customers, employees and stakeholders.

We will accomplish this by maintaining a tradition of pride in our products, growth through innovation, integrity in the management of our business, commitment to Team Management and the Quality Improvement Process.

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Company Information

Board of Directors:

Mr. Muneer Nawaz	Chairman
Mr. Muhammad Khalid	Chief Executive
Mr. Mahmood Nawaz	
Mr. C. M. Khalid	
Mrs. Amtul Hai Khalid	
Mr. M. Naeem	
Mr. Syed Munawar Hussain Rizvi	(N.I.T. Nominee)
Mr. Saleem Zamindar	(N.I.T. Nominee)

Chief Financial Officer & Company Secretary:

Mr. Faisal Ahmad Nisar, FCA

Audit Committee:

Mr. Muneer Nawaz	Chairman
Mr. C. M. Khalid	Member
Mr. M. Naeem	Member

Human Resources and Remuneration Committee:

Mr. Muneer Nawaz	Chairman
Mr. M. Naeem	Member
Mr. Saleem Zamindar	Member

Registered Office / Head Office:

56 - Bund Road, Lahore-54500.

Phones: (042) 37466900-04.

Faxes: (042) 37466899 & 37466895.

E-mail: shezan@brain.net.pk

Factories:

- 56 - Bund Road, Lahore - 54500.
Phones: (042) 37466900-04.
Faxes: (042) 37466899 & 37466895.
E-mail: shezan@brain.net.pk
- Plot No. L-9, Block No. 22,
Federal "B", Industrial Area, Karachi-75950.
Phones: (021) 36344722-23.
Fax: (021) 36313790.
E-mail: shezan@cyber.net.pk
- Plot No. 33-34, Phase III,
Hattar Industrial Estate, Hattar.
Phones: (0995) 617158 & 617343.
Fax: (0995) 617342.
E-mail: sil-htr@shezan.com

Auditors:

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants,
Mall View Building,
4 - Bank Square, Lahore.

Share Registrar:

Corp Link (Private) Limited,
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.

Legal Advisors:

Cornelius, Lane & Mufti,
Nawa-e-Waqt Building,
Shahrah-e-Fatima Jinnah, Lahore.

Bankers:

United Bank Limited.
MCB Bank Limited.
National Bank of Pakistan.
The Bank of Khyber.
Bank Al-Habib.
Habib Bank Limited.
Bank Alfalah Limited.

Shezan



Notice of Meeting

The 49th Annual General Meeting of the Company will be held on 30 October 2012 at 11.00 am at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore, to transact the following business: -

Ordinary Business:

1. To confirm the minutes of Annual General Meeting held on 29 October 2011.
2. To receive and adopt the Audited Financial Statements together with the Directors' and Auditors' Report for the year ended 30 June 2012.
3. To approve the cash dividend @ Rs. 9/- per share, i.e., 90% and issue of bonus shares in the proportion of one bonus share for every ten shares held, i.e., 10% as recommended by the Board of Directors for the year ended 30 June 2012.
4. To appoint auditors of the Company for the year 2012-13 and to fix their remuneration.

Special Business:

5. To consider, and if thought fit to pass with or without modification the following as a special resolution:
"Resolved that the expression "Rs. 10,000/-" in Article 65 of the Articles of Association of the Company be and is hereby deleted and replaced by "Rs. 25,000/-".
6. To re-affirm and ratify by way of special resolution the long-standing royalty agreement with Shezan Services (Private) Limited (an associated undertaking) regarding the continuing use by the Company of various intellectual property rights (including trademarks) of the Shezan Services (Private) Limited.
7. To transact any other business with the permission of the Chair.

A statement under section 160(1)(b) of the Companies Ordinance 1984, pertaining to the special business regarding Item No. 5 and 6 of the agenda, is being sent to the members along with the notice.

By Order of the Board



Faisal Ahmad Nisar
Company Secretary

Lahore:
27 September 2012.

Notes:

1. The share transfer books of the Company will be closed from 23 October 2012 to 30 October 2012 (both days inclusive), for determining the entitlement of dividend.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Form of proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. No person shall act as proxy unless he/she is a member of the Company, except that a corporation may appoint a person who is not a Member.
4. Signature of the shareholder on proxy application form must agree with the specimen signature registered with the Company. For the convenience of the shareholders, a proxy application form is attached with this report.
5. Shareholders are requested to immediately notify the Company of any change in their address to our registrar, M/s. CORPLINK (Private) Limited, Wings Arcade 1-K, Commercial, Model Town, Lahore.
6. Any individual beneficial owner of the shares in the Central Depository Company (CDC), entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity together with his/her account number in CDC and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representative of corporate members should bring the usual documents required for such purpose.

Statement Under Section 160(1)(b) of the Companies Ordinance, 1984

This statement is annexed to the Notice of the 49th Annual General Meeting of Shezan International Limited to be held on 30 October 2012 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

Item No. 5 of the Agenda

The fee for attending the meetings of the Board and any committees of the Board is due for review in line with the all around changes. The directors are interested in this change to the extent of fees receivable by them on attending these meetings.

Item No. 6 of the Agenda

The Board of Directors have recommended to the members of the Company to re-affirm and ratify the long-standing royalty agreement executed with Shezan Services (Private) Limited (an associated undertaking) regarding the continuing use by the Company of various intellectual property rights (including trademarks) of Shezan Services (Private) Limited. This royalty agreement dates back to 1981 and is routinely renewed/extended in the best interest of the Company's business. Payments under this agreement are approved by the members in the Annual Audited Accounts.

Five directors of the Company, namely Mr. Muneer Nawaz, Mr. Mahmood Nawaz, Mr. C. M. Khalid, Mrs. Amtul Hai Khalid and Mr. M. Naeem are interested in this agenda item/special business in that they are also directors of Shezan Services (Private) Limited.

Directors' Report to the Members

The Board of Directors take pleasure in presenting the annual report and audited financial statements of the Company for the year ended 30 June 2012.

Economic and Business Review

Despite numerous challenges, our economy faced multiple adverse shocks of sharp increase in fuel and commodity prices, recessionary trend globally and weak inflows. Domestically, economy was struck by heavy rains in Sind and parts of Baluchistan. The economy is now showing signs of modest recovery. GDP growth for 2011-12 has been estimated 3.7% as compared to 3.0% in the previous fiscal year 2011. The Agriculture sector recorded a growth of 3.1% against 2.4% last year. Overall, the commodity producing sectors and especially the Agriculture sector have performed better. The Services sector recorded growth of 4.0% in 2011-12.

Pakistan's foreign exchange reserves reached to US\$ 16.5 billion in the last quarter of 2012 as compared to US\$ 17.0 billion of 2011. The exchange rate averaged at Rs. 85.50/US\$ during 2010-11, whereas it averaged at Rs. 88.55/US\$ during 2011-12. The Pak Rupee depreciated by 3.4% during 2011-12 over the depreciation of 2.2% in July-April 2010-11. Remittances remained buoyant and estimated at US\$ 13 billion, an increase of 16.0%. Recessionary trend globally have, however, impacted capital flows to Pakistan. Current account balance was affected due to sharp increase in oil prices and import of fertilizer etc.

The business environment has become very competitive and our profits are affected by commodity inflation, however, operating profit increased from Rs. 250.963 million to Rs. 371.206 million. The Company added Rs. 839.071 million to the net sales, which grew 19.87%. Earnings per Share were Rs. 34.56.

Consumer acceptance of our juice brands in tetra packaging and bottled juices has increased significantly. Numerous new channel partners were enrolled and existing ones were made more efficient to maintain and increase the turnover during the year. The Company is currently working on giving a face-lift and introducing new packaging for its food products and juice brands. The task of adding capacities and upgrading infrastructure continues. This is bound to open up routes for future growth.

Despite continuous pressure, due to depreciation of Pak Rupee, soaring inflation, frequent power break-downs, gas load shedding and significant increase in POL prices, we were able to maintain and increase our gross margins as a percentage of net sales representing efforts made by the management in order to ensure sustainable growth in profits.

We made our humble contribution to National Exchequer by paying a sum of Rs. 1.001 billion in the shape of Sales Tax, Excise Duty and Income Tax for the year ended 30 June 2012.

Financial Results

For the year ended 30 June 2012, total sales were Rs. 5.061 billion against Rs. 4.222 billion in the same period last year registering an increase of 19.87%. The cost of sales was Rs. 3.603 billion against Rs. 3.130 billion last year. Therefore, the Company earned gross profit of Rs. 1.457 billion against Rs. 1.091 billion in the corresponding year.

The distribution cost increased and it grew by 34% as compared to the last year. The distribution cost includes advertisement and sales promotion expense of Rs. 372 million. We had to increase our publicity campaign to boost our sales due to stiff competition in the market. The finance cost was high at Rs. 53.12 million against Rs. 40.34 million last year. The increase in finance cost was due to high borrowings for working capital requirements of the Company. Further, borrowings were made during the year to stock the seasonal fruits, pulps and packaging materials to fulfill the sales demands of our products.

Net profit for the year was Rs. 207 million as compared to Rs. 141 million of the corresponding year of 2011 and earnings per share were Rs. 34.56 versus Rs. 23.43 in the last year.

Appropriations

The Company has earned an after tax profit of Rs. 207.370 million for the year under review.

The Directors are pleased to recommend as follows:

	Rupees in thousand
Profit after taxation	207,370
Unappropriated profits brought forward	169,718
Dividend @ Rs 7.50/- per share for the year ended 30 June 2011	(45,000)
Transfer to General reserve	(100,000)
Un-appropriated profits carried forward	232,088
Earnings per share in Rupees – Basic	34.56

Dividend

Keeping in view the satisfactory financial results, the Directors have immense pleasure in proposing a cash dividend of 90%, i.e., Rs. 9/- per share and 10% bonus shares. We hope our shareholders would appreciate our paying generous returns on their investment.

Directors' Report to the Members

Future Prospects

Looking forward, we are hopeful that we will see improved sales levels during the next year. Our marketing teams have been focusing on increasing the visibility and reach of diverse line of consumer products through advertisement and various promotional activities.

Substantial growth is expected from contract business with superstores. These partnerships will enable us to capture the benefit of scale in our business to fuel the future growth in sales and profitability.

Keeping in view the current economic scenario, commodity costs will remain high in the next year. In addition, payroll expenses will substantially increase due to sizeable increase in minimum wages.

Corporate Governance and Financial Reporting Frame Work

As required by the Code of Corporate Governance, the Directors are pleased to report the following:

- a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Key operating and financial data of last six years is annexed to this report.

- i. Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same is disclosed.
- j. Value of investments of provident fund as on 30 June 2012 was Rs. 132.215 million.
- k. During the year, five Board of Directors meetings were held. Attendance of these meetings was as follows:

Name of Director	No. of Meetings Attended
Mr. Muneer Nawaz	5
Mr. Muhammad Khalid	4
Mr. Mahmood Nawaz	5
Mrs. Amtul Hai Khalid	-
Mr. C. M. Khalid	3
Mr. M. Naeem	3
Mr. Syed Munawar Hussain Rizvi	4
Mr. Saleem Zamindar	1

Meetings attended by outgoing Directors:

Mr. Bashir Ahmed 4

Leave of absence was granted to the Directors, who could not attend the Board meetings. Further Mr. Bashir Ahmed, Director, resigned and was replaced by Mr. Saleem Zamindar during the year.

- l. Pattern of Shareholdings as on 30 June 2012 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.
- m. The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children shareholding and change therein during the year is disclosed in "Categories of Shareholders".

Related Party Transactions

The Directors confirm the following regarding related party transactions:

1. That the transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board of Directors.

Directors' Report to the Members

2. That the amounts or appropriate proportions of outstanding, items pertaining to related parties and receivables/payables from the related parties as on 30 June 2012 are as follows:

Name of Related Party	Rupees in thousand	
	Payable	Receivable
Shezan Services (Private) Limited	50,609	Nil
Shahtaj Sugar Mills Limited	40,785	Nil
Nawazabad Farms	8,640	Nil
Shezan Ampis Restaurant	Nil	6

3. There is no other material information pertaining to related party transactions, which is necessary for an understanding of the financial statements.

Audit Committee

The Audit Committee met five times during the year under reference. These meetings were held prior to the approval of interim results of the Company by the Board of Directors and before and after completion of external audit.

Auditors

The retiring auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, being eligible, offer themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee, proposes the appointment of Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending 30 June 2013.

Statement of Compliance with the Best Practices on Transfer Pricing

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the stock exchanges.

Corporate Social Responsibilities

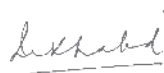
Disclosure as required by the Corporate Social Responsibility General Order, 2009 is annexed and form integral part of this report.

Acknowledgement

We are thankful to the valuable consumers of Company's products for their continued patronage for our products, the shareholders for their trust and confidence in the Company. We also place on record our appreciation for the commitment, devotion to duty and hard work of the officers and workers of all categories.

On Behalf of the Board

Karachi:
27 September 2012.


Muhammad Khalid
Chief Executive

Corporate Social Responsibility

The Company believes that Corporate Social Responsibility is the continuing commitment to behave ethically and contribute to economic development of the workforce and their families as well as of the local community and society at large.

Business Ethics and Anti-Corruption Measures

Business Ethics which include the practice of honesty and integrity are considered as an essential part in everyday operations of the Company. Since the Company's business is to deal with food and juice products, so it is the policy of the Company to provide not only healthy products to its customers but also ensures clear and coherent view of its product range in all its advertisement campaigns.

Further, Statement of Ethics and Business Practices is circulated among all employees of the Company for compliance purposes. It proved very helpful in maintaining the level of credibility of each employee in the organization.

Along with all these, the Company has developed procedure and system regarding all key positions to avoid the impact of any corruption and bribery.

Industrial Relations

Cordial industrial relations and harmonious working environment prevailed at all locations of the Company. The management enjoys good relationship with the employees. CBA elections are held in time and without any hurdles. The basic purpose of this practice is to secure maximum cordiality between the workers and the management and to establish a climate of mutual understanding where-by the workers may be able to contribute their best for the growth and development of the Company. The Company has a Hajj Scheme and two workers are sent to perform Hajj at the Company's expense. The Company also has good relations with the suppliers.

Employment of Special Persons

To ensure the welfare and rehabilitation of special persons, the Company has especially stressed upon the induction of Disabled Persons in accordance with "Employment and Rehabilitation Ordinance, 1981". The Company has established a policy regarding the hiring of disable persons with assigning a special quota in compliance with the said ordinance to ensure the protection of deserving persons.

Occupational Safety, Health, Environmental Protection and Energy Conservations

Safety and Health protection of our employees as well as protection of environment are the principal concerns of the Company. We firmly believe that commitment to safety health and environmental protection (SHE) is an indispensable part of our main objective of efficiently producing and distributing quality products. Matters of SHE are integral parts of the business planning processes and decision making. They are handled with the same sense of responsibility and just as other operations like quality, productivity and cost-efficiency.

We ensure all technical, organizational and personnel measures for the prevention of potentially hazardous situations and to manage incidents or accidents which might occur nevertheless.

We strive to achieve eco-efficiency by optimizing resource utilization, conserve energy and avoid damage to environment, employees and public.

Corporate Philanthropy

Shezan management is well aware of the fact that corporate philanthropy is a social responsibility, which is performed by donating to various organizations and associations.

National-Cause Donation

The Company is committed towards helping distressed communities as and when required. For this purpose, the Company has been making donations to various charitable organizations including the following:

- M/s. Marie Adelaide Leprosy Center
- M/s. Care Foundation
- M/s. SOS, Children Village
- M/s. Chhipa Welfare Association
- M/s. Shaukat Khanum Memorial Cancer Hospital
- M/s. LRBT
- M/s. Edhi Foundation
- M/s. Sahara for Trust
- M/s. Fatimid Foundation
- M/s. WWF, Pakistan

Community Investment and Welfare Spending for Under-Privileged Classes

The Company has complete focus on the welfare of community as its mandatory role. Since the incorporation of Company in 1964, it has contributed to its maximum in different welfare schemes of the society. Along with all these investments, our management also devoted some area for the community mosque along with the provision of reasonable funds for the construction of said mosque.

Rural Development Programs

No significant work was done during the year under rural development programme.

Consumer Protection Measures

Since the product line of Shezan International Limited mainly consists of Foods & Beverages which are considered among the

category of FMCG (Fast Moving Consumer Goods) products, therefore, its key focus is on the healthy products. For this purposes, our Research and Development department is very much active in regular testing of our product range for their quality conformance. Further, the management is very keen regarding the implementation and execution of ISO rules and regulation for the quality maintenance.

Environmental Protection Measures

The environmental protection is significantly focused by the management of the Company in its policies to protect the environment from any hazards. The management has planted many plants and trees inside the factory area which shows their complete realization of healthy and pollution-free environment.

Contribution to National Exchequer

The management has always showed its responsibility by paying all government taxes in time without any delay. For the year ended 30 June 2012 we made our humble contribution to the National Exchequer as follows:

<u>Description</u>	<u>Rupees in thousand</u>
Income Tax	69,640
Sales Tax and Excise Duty	931,838
Total	1,001,478

Pattern of Shareholdings

as at 30 June 2012

1. Incorporation Number: 0001883.
2. Name of Company: Shezan International Limited.
3. Pattern of holding of the shares held by the shareholders as at 30 June 2012.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
134	1	100	2,791
113	101	500	24,518
86	501	1,000	58,466
59	1,001	5,000	124,382
9	5,001	10,000	63,644
2	10,001	15,000	23,550
3	15,001	20,000	51,200
1	20,001	25,000	25,000
3	25,001	30,000	84,647
2	30,001	35,000	65,800
1	35,001	40,000	36,980
2	50,001	55,000	104,580
1	60,001	65,000	60,126
2	75,001	80,000	156,000
1	80,001	85,000	80,163
1	85,001	90,000	86,396
2	95,001	100,000	198,670
4	105,001	110,000	428,666
3	110,001	115,000	330,573
1	120,001	125,000	122,760
1	140,001	145,000	142,640
1	195,001	200,000	198,973
2	250,001	255,000	505,680
1	285,001	290,000	290,000
1	450,001	455,000	452,340
1	560,001	565,000	560,278
1	575,001	580,000	580,000
1	1,140,001	1,145,000	1,141,177
439			6,000,000

5. Categories of Shareholders

	Shares held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children	1,609,646 26.8274%
5.2	Associated companies, undertakings and related parties	– 0.0000%
5.3	NIT and ICP	1,170,564 19.5094%
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions	188,667 3.1445%
5.5	Insurance Companies	54,360 0.9060%
5.6	Modarabas and Mutual Funds	108,523 1.8087%
5.7	Share holders holding 10% and above	1,141,177 19.0196%
5.8	General Public	
	a. Local	2,860,644 47.6774%
	b. Foreign	– –
5.9	Others (to be specified)	
	Joint Stock Companies	7,136 0.1189%
5.10	Executives	460 0.0077%

Pattern of Shareholdings

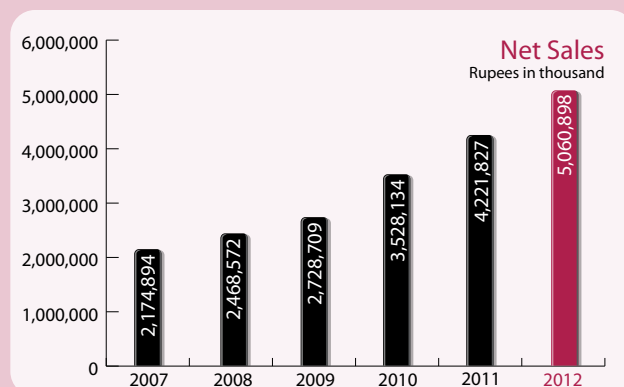
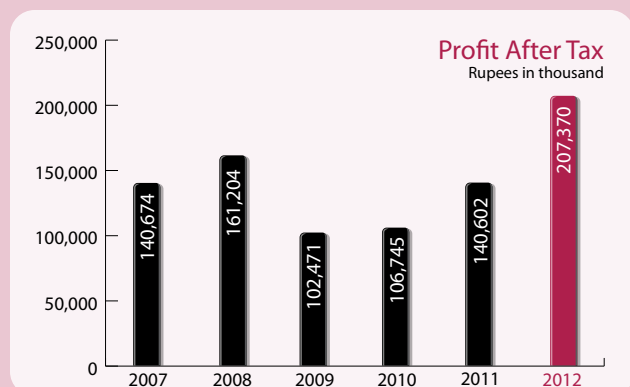
as at 30 June 2012

S. No.	NAME	HOLDING	%AGE
Directors, CEO their Spouses & Minor Children			
1	Mrs. Amtul Hai Khalid	105,933	1.7656%
2	Mr. Mahmood Nawaz	560,278	9.3380%
	Mr. Mahmood Nawaz (CDC)	25,000	0.4167%
3	Mr. Muneer Nawaz	452,340	7.5390%
4	Mr. C. M. Khalid	86,396	1.4399%
5	Mr. M. Naeem	36,980	0.6163%
6	Mr. Muhammad Khalid (CDC)	2,700	0.0450%
7	Mr. Syed Munawar Hussain Rizvi (N.I.T. Nominee)	–	–
8	Mr. Saleem Zamindar (N.I.T. Nominee)	–	–
9	Mrs. Abida Muneer Nawaz W/o Mr. Muneer Nawaz	60,126	1.0021%
10	Mrs. Bushra Mahmood Nawaz W/o Mr. Mahmood Nawaz	4,320	0.0720%
11	Mrs. Amtul Bari Naeem W/o Mr. M. Naeem	198,973	3.3162%
	Mrs. Barea Naeem W/o Mr. M. Naeem	76,000	1.2667%
12	Mrs. Surriya Khalid W/o Mr. Muhammad Khalid	600	0.0100%
		1,609,646	26.8274%
Associated Companies		–	0.0000%
NIT & ICP			
1	National Bank of Pakistan, Trustee Department (CDC)	1,141,177	19.0196%
2	National Investment Trust Limited (CDC)	29,387	0.4898%
		1,170,564	19.5094%
Banks, Developments, Financial Institutions, Non Banking Financial Institutions			
1	National Bank of Pakistan (CDC)	108,667	1.8112%
2	The Bank of Punjab, Treasury Division (CDC)	80,000	1.3333%
		188,667	3.1445%
Modaraba & Mutual Funds			
1	Golden Arrow Selected Stocks Fund Limited	100,000	1.6667%
2	MCBFSL-Trustee URSF-Equity Sub Fund (CDC)	8,523	0.1421%
		108,523	1.8087%
Insurance Companies			
1	Habib Insurance Company Limited (CDC)	1,320	0.0220%
2	Reliance Insurance Company Limited (CDC)	1,200	0.0200%
3	State Life Insurance Corporation of Pakistan (CDC)	51,840	0.8640%
		54,360	0.9060%
Joint Stock Companies			
1	Murree Brewery Company Limited	120	0.0020%
	Murree Brewery Company Limited (CDC)	2,134	0.0356%
2	A. Sattar Motiwal Securities (Private) Limited (CDC)	40	0.0007%
3	Burma Oil Mills Limited (CDC)	500	0.0083%
4	Darson Securities (Private) Limited (CDC)	1	0.0000%
5	Ismail Abdul Shakoor Securities (Private) Limited (CDC)	200	0.0033%
6	Magnus Investment Advisors Limited (CDC)	100	0.0017%
7	N. H Capital Fund Limited (CDC)	2	0.0000%
8	Pearl Capital Management (Private) Limited (CDC)	39	0.0007%
9	Y. H. Securities (Private) Limited (CDC)	4000	0.0667%
		7,136	0.1189%
Executives			
1	Mr. Waseem Amjad Mahmood	360	0.0060%
	Mr. Waseem Amjad Mahmood (CDC)	100	0.0017%
		460	0.0077%
Shares held by the General Public		2,860,644	47.6774%
Grand total		6,000,000	100.0000%
Shareholders Holdings 10% or more of Total Capital			
1	National Bank of Pakistan, Trustee Department (CDC)	1,141,177	19.0196%
		1,141,177	19.0196%
Shareholders Holdings 5% or more of Total Capital			
1	National Bank of Pakistan, Trustee Department (CDC)	1,141,177	19.0196%
2	Mr. Mahmood Nawaz	585,278	9.7546%
3	Mr. Muneer Nawaz	452,340	7.5390%
4	Ms. Amina Wadawala	580,000	9.6667%
		1,141,177	19.0196%

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	Mr. Mahmood Nawaz	–	24,750

Six Years Review at a Glance



	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012
	Rupees in thousand					
Incomes						
Sales	2,174,894	2,468,572	2,728,709	3,528,134	4,221,827	5,060,898
Other operating income	13,240	19,880	20,155	19,448	28,798	37,675
	2,188,134	2,488,452	2,748,864	3,547,582	4,250,625	5,098,573
Expenditure						
Cost of sales	1,489,845	1,691,443	1,974,446	2,591,790	3,130,544	3,603,285
Distribution cost and administrative expenses	357,549	447,191	535,311	681,905	746,517	991,362
Finance cost	12,940	8,104	6,542	17,950	40,343	53,118
Other operating expenses and share of- loss from associate	70,145	73,315	71,995	90,718	122,619	132,738
	1,930,479	2,220,053	2,588,294	3,382,363	4,040,023	4,780,503
Profit before taxation	257,655	268,399	160,570	165,219	210,602	318,070
Taxation	116,981	107,195	58,099	58,474	70,000	110,700
Profit after Taxation	140,674	161,204	102,471	106,745	140,602	207,370
Paid-up capital	50,000	60,000	60,000	60,000	60,000	60,000
Reserves & unappropriated profits	575,696	676,900	719,171	790,116	892,740	1,055,381
Unrealized gain / (loss) on remeasurement- of investments available for sale	(284)	(200)	(1,351)	(1,978)	271	79
Share holders equity	625,412	736,700	777,820	848,138	953,011	1,115,460
Breakup value per share in Rupees	125.08	122.92	129.63	141.36	158.84	185.91
Earnings per share in Rupees	28.13	26.87	17.08	17.79	23.43	34.56
Dividend declared for the year per share in Rupees	10.00	10.00	6.00	6.00	7.50	9.00
Bonus for the year per share	20%	-	-	-	-	10%

Review Report to the Members

On the statement of compliance with the best practices of the code of corporate governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of Shezan International Limited (the Company) to comply with the Listing Regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval of 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 procedure 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 does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 June 2012.

Lahore:
27 September 2012.



Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Statement of Compliance

with the best practices of code of corporate governance


This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in the 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 Company encourages representation of non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes

Category	Names
Executive Directors	Mr. Muhammad Khalid Mr. Mahmood Nawaz
Non-Executive Directors	Mr. Muneer Nawaz Mr. C. M. Khalid Mrs. Amtul Hai Khalid Mr. M. Naem Mr. Syed Munawar Hussain Rizvi Mr. Saleem Zamindar

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred on the Board and was filled up by the directors within 30 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures
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, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company arranged briefings for its Directors to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all are non-executive directors and the chairman of the Committee is not an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resources and Remuneration Committee. It comprises three members; all are non-executive directors including the chairman.
18. The Board has set up an effective internal audit function with suitably qualified and experienced staff conversant and well aware with of the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, executives and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with except for the changes not effective immediately, which shall be complied with upon the next election of directors.


Muneer Nawaz
Chairman


Muhammad Khalid
Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of Shezan International Limited (the Company) as at 30 June 2012 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 accounts and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.2 of these financial statements, with which we concur;
 - 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 30 June 2012 and of the profit, its cash flow 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.

Farooq Hameed

Chartered Accountants
Audit Engagement Partner
Farooq Hameed


Lahore:
27 September 2012.


Balance Sheet

as at 30 June 2012

	Note	Rupees in thousand	
		2012	2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	434,590	423,097
Investment in associate	7	7,672	7,690
Investment available for sale	8	747	668
Long term deposits and prepayments	9	5,339	2,314
		448,348	433,769
CURRENT ASSETS			
Stores and spares	10	15,408	6,997
Stock in trade	11	1,245,699	1,159,551
Trade debts	12	243,299	165,627
Loans and advances	13	25,486	24,302
Trade deposits and short term prepayments	14	37,956	14,683
Accrued financial income	15	437	376
Income tax recoverable		69,640	57,656
Cash and bank balances	16	109,169	82,608
		1,747,094	1,511,800
TOTAL ASSETS		2,195,442	1,945,569
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	60,000	60,000
Reserves	18	823,372	723,293
Unappropriated profit		232,088	169,718
		1,115,460	953,011
TOTAL EQUITY		1,115,460	953,011
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	19	-	13,900
Deferred taxation	20	56,682	57,847
		56,682	71,747
CURRENT LIABILITIES			
Trade and other payables	21	564,119	600,350
Short term borrowings- Secured	22	296,656	207,741
Current portion of liabilities against assets subject to finance lease	19	13,844	23,433
Mark up accrued on short term borrowings		9,220	4,034
Provision for taxation		139,461	85,253
		1,023,300	920,811
TOTAL LIABILITIES		1,079,982	992,558
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		2,195,442	1,945,569

The annexed notes from 1 to 40 form an integral part of these financial statements.


Muneer Nawaz
Chairman



Muhammad Khalid
Chief Executive


Profit and Loss Account

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
Sales - net	24	5,060,898	4,221,827
Cost of sales	25	3,603,285	3,130,544
Gross profit		1,457,613	1,091,283
Distribution cost	26	846,287	629,912
Administrative expenses	27	145,075	116,605
Other operating expenses	28	132,720	122,601
Other operating income	29	(37,675)	(28,798)
		1,086,407	840,320
Operating profit		371,206	250,963
Finance costs	30	53,118	40,343
Share of loss - associate	7	18	18
Profit before taxation		318,070	210,602
Taxation	31	110,700	70,000
Net profit for the year		207,370	140,602
Other comprehensive income			
Unrealized gain on remeasurement of investments- available for sale		79	271
		79	271
Total comprehensive income		207,449	140,873
Earnings per share - basic and diluted (Rupees)	32	34.56	23.43

The annexed notes from 1 to 40 form an integral part of these financial statements.


Muneer Nawaz
Chairman



Muhammad Khalid
Chief Executive


Cash Flow Statement

for the year ended 30 June 2012

Note	Rupees in thousand	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Profit before taxation	318,070	210,602
Adjustments for:		
Depreciation	56,668	54,973
Interest/mark-up	50,756	37,593
Profit on bank deposits	(2,900)	(3,540)
Gain on sale of investment	-	(1,430)
Deterioration in value of shells, pallets and barrels	17,311	13,033
Provision for doubtful advance	4,495	-
Share of loss from associate	18	18
Gain on disposal of property, plant and equipment	(4,993)	(486)
	121,355	100,161
Operating profit before working capital changes	439,425	310,763
(Increase)/decrease in current assets		
Stores and spares	(8,411)	8,084
Stock in trade	(103,459)	(330,102)
Trade debts	(77,672)	(30,310)
Loans and advances	(1,184)	(3,316)
Trade deposits and short-term prepayments	(23,273)	3,500
	(213,999)	(352,144)
Increase/(decrease) in current liabilities		
Trade and other payables	(36,298)	113,952
Short term borrowings- Secured	88,915	115,215
	52,617	229,167
CASH GENERATED FROM OPERATIONS	278,043	187,786
Interest/mark-up paid	(45,570)	(35,365)
Profit on bank deposits-Received	2,839	3,678
Income tax paid	(69,640)	(57,656)
NET CASH GENERATED FROM OPERATING ACTIVITIES	165,672	98,443
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(74,077)	(61,864)
Sale proceeds from disposal of property, plant and equipment	6,414	1,083
Long term deposits paid / received	(3,025)	274
Investment - available for sale	-	(10,000)
Proceeds from sale of investment	-	11,430
NET CASH USED IN INVESTING ACTIVITIES	(70,688)	(59,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of liabilities against assets subject to finance lease	(23,490)	(20,317)
Dividend paid	(44,933)	(35,950)
NET CASH USED IN FINANCING ACTIVITIES	(68,423)	(56,267)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	26,561	(16,901)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	82,608	99,509
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	82,608

The annexed notes from 1 to 40 form an integral part of these financial statements.


Muneer Nawaz
Chairman



Muhammad Khalid
Chief Executive


Statement of Changes in Equity

for the year ended 30 June 2012

	Capital Reserve		Revenue Reserve			Total
	Share Capital	Merger Reserve	General Reserve	Unrealized Loss on Remeasurement of Investments - available for sale	Unappropriated Profits	
	Rupees in thousand					
Balance as at 01 July 2010	60,000	5,000	650,000	(1,978)	135,116	848,138
Transfer to general reserve	-	-	70,000	-	(70,000)	-
Dividend @ Rs. 6/- per share for the year ended 30 June 2010	-	-	-	-	(36,000)	(36,000)
Net profit for the year	-	-	-	-	140,602	140,602
Other comprehensive income	-	-	-	271	-	271
Total comprehensive income	-	-	-	271	140,602	140,873
Balance as at 30 June 2011	60,000	5,000	720,000	(1,707)	169,718	953,011
Transfer to general reserve	-	-	100,000	-	(100,000)	-
Dividend @ Rs. 7.50/- per share for the year ended 30 June 2011	-	-	-	-	(45,000)	(45,000)
Net profit for the year	-	-	-	-	207,370	207,370
Other comprehensive income	-	-	-	79	-	79
Total comprehensive income	-	-	-	79	207,370	207,449
Balance as at 30 June 2012	60,000	5,000	820,000	(1,628)	232,088	1,115,460

The annexed notes from 1 to 40 form an integral part of these financial statements.


Muneer Nawaz
Chairman


Muhammad Khalid
Chief Executive

Notes to the Financial Statements

for the year ended 30 June 2012

1 THE COMPANY AND ITS OPERATIONS

The Company is a Public Limited Company incorporated in Pakistan and is listed on Lahore and Karachi Stock Exchanges. The registered office of the Company is situated at 56 - Bund Road, Lahore, Pakistan. It is engaged in the manufacturing, trading and sale of juices, pickles, jams, ketchups etc., based upon or derived from fresh fruits and vegetables.

Shezan International Limited owns 44.88% ordinary shares in a private limited company namely Hattar Food Products (Private) Limited, which has not commenced its commercial operations so far. (The principal business activities of the associated undertaking will be to process food products).

2 STATEMENT OF COMPLIANCE

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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
----------------------------	--

Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 19 Employee Benefits - Amended Standard resulting from the Post Employment Benefits and Termination Benefits projects	01 January 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB Effective date (Annual periods beginning on or after)
----------------------------	---

IFRS 9 Financial Instruments	01 January 2013
IFRS 10 Consolidated Financial Statements	01 January 2013
IFRS 11 Joint Arrangements	01 January 2013
IFRS 12 Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 Fair Value Measurement	01 January 2013

Notes to the Financial Statements

for the year ended 30 June 2012

2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2011-12

New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 – Instruments: Disclosures (Amendment)

IAS 24 – Related Party Disclosure (Revised)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures – Clarification of disclosures

IAS 1 – Presentation of Financial Statements – Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting – Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes – Fair value of award credits

The adoption of the above standards, amendments / improvements and interpretations did not have any significant effect on the financial statements.

3 BASIS OF PREPARATION

3.1 BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention, except for investments classified as “available for sale” which are stated at fair value.

3.2 PRESENTATION CURRENCY

These financial statements are presented in Pak Rupee, which is the Company’s functional currency.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. 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:

4.1 Provision for taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

4.2 Provision for doubtful receivables

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.3 Useful life and residual values of property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Notes to the Financial Statements

for the year ended 30 June 2012

4.4 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable.

4.5 Provision for compensated absences

The Company accounts for compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year except as mentioned in note 2.2.

5.2 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land and leasehold land held on 99 years lease, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Free hold and lease hold land are also stated at cost.

Depreciation is calculated using the reducing balance method at rates disclosed in note 6, which are considered appropriate to write off the cost of the assets over their useful lives.

Depreciation on additions is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in the income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted for the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item 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 represents the difference between the sale proceeds and the carrying amount of the asset and is recognized as an income or expense in the period it relates.

Capital work in progress

These are stated at cost including capitalization of borrowing costs. It consists of expenditures incurred and advances made in respect of fixed assets in the course of their construction and installation.

Leased assets

Leases where the Company has the substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 19. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any, at the rates and basis applicable to Company owned assets.

Notes to the Financial Statements

for the year ended 30 June 2012

5.3 Ijarah assets

The Company recognizes ijarah payments under an ijarah agreement as an expense in the profit and loss account on a straight line basis over the ijarah term.

5.4 Investments

Investments in associates

The Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The profit and loss account reflects the share of the results of the operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Available for sale

Available for sale investments, after initial recognition, are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments, which are actively traded in organized financial markets, is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

5.5 Stores, spares and stock in trade

Stocks, stores and spares are valued at lower of cost or net realizable value except those in transit, which are valued at invoice value including other charges, if any, incurred thereon. Basis of determining cost is as follows: -

Raw materials	- Monthly Average
Packing materials	- Monthly Average
Finished goods	- Quarterly average
Pulps, concentrates etc.	- Manufacturing cost according to annual average method
Bottles	- Yearly average
Shells, pallets and barrels	- Yearly average
Stores and spares	- Monthly average
Stock in transit	- Cost

Shells, pallets and barrels are subject to a deterioration of 20% per annum using the reducing balance method.

Breakage relating to bottles is charged to profit and loss account when identified.

Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs of completion and costs necessary to be incurred for its sale.

5.6 Trade debts

Trade debts are carried at invoice amount on transaction date less any estimate for doubtful receivable. Known bad debts are written off as and when identified.

5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand, cash at bank in current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

for the year ended 30 June 2012

5.8 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e.; when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets are investments, deposits, trade debts, other receivables, cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for estimated irrecoverable amount.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are short term running finance utilized under mark-up arrangements, creditors, accrued and other liabilities. Mark-up bearing finances are recorded at the gross proceeds received. Other liabilities are stated at their nominal value.

5.9 Impairment

The carrying amount of the Company's asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

5.10 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

5.11 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized as a liability in the Company's financial statements in the period in which these are approved.

5.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any. The charge for the current tax includes adjustments to charge for prior years, if any.

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying values. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The carrying amounts of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

The tax rates enacted at the balance sheet date are used to determine deferred tax.

Notes to the Financial Statements

for the year ended 30 June 2012

5.13 Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which generally coincides with the delivery of goods to customers.

Interest income

Return on bank deposit is accrued on a time proportion basis by reference to the principal outstanding on the applicable rate of return.

Dividend income

It is recognized when the Company's right to receive the payment is established.

5.14 Staff retirement benefits

The Company operates a recognized provident fund scheme (Defined contribution plan) for all permanent employees. Equal monthly contributions are made both by the Company and the employees to the fund.

5.15 Compensated absences

The Company accounts for compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year.

5.16 Borrowing costs

Borrowing costs directly attributable to acquisition, construction, or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.17 Foreign currency transactions

Foreign currency transactions are converted into rupees at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the date of balance sheet.

Gain or losses arising on translation are recognized in the profit and loss account.

5.18 Pricing for related party transactions

All transactions with related parties and associated undertakings are entered into arm's length determined in accordance with comparable uncontrolled price method except for transactions with M/s. Shahnawaz (Private) Limited, where an additional discount of 40% is given by them on service charges and 7.5% on spare parts in connection with the repairs of motor vehicles, due to group policy duly approved by the Board of Directors.

5.19 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
6 PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	6.1	378,264	382,308
Capital work in progress	6.2	56,326	40,789
		434,590	423,097

6.1 OPERATING PROPERTY, PLANT AND EQUIPMENT

2 0 1 2										
Note	COST				DEPRECIATION				NET BOOK VALUE	Rate
	As at 01 July 2011	Additions/ Adjustments	(Disposals)/ Adjustments	As at 30 June 2012	Accumulated as at 01 July 2011	(Disposals)/ Adjustments	Charge for the year	Accumulated as at 30 June 2012	As at 30 June 2012	
	Rupees in thousand									
OWNED ASSETS										
Freehold land	7,091	-	-	7,091	-	-	-	-	7,091	-
Leasehold land	1,802	-	-	1,802	-	-	-	-	1,802	-
Buildings on freehold land	51,663	-	-	51,663	22,871	-	2,879	25,750	25,913	10
Buildings on leasehold land	23,962	-	-	23,962	14,301	-	966	15,267	8,695	10
Plant and machinery	341,305	20,274	(740)	360,839	183,445	(587)	21,163	204,021	156,818	12.5
Furniture and fixtures	12,183	4,090	-	16,273	4,227	-	1,245	5,472	10,801	15
Motor vehicles & bicycles	120,975	18,374	(8,468)	130,881	66,241	(7,302)	12,795	71,734	59,147	20
Electric fittings and tools	5,590	214	-	5,804	3,171	-	245	3,416	2,388	10-25
Electric equipment	60,020	9,965	(509)	69,476	18,498	(411)	6,945	25,032	44,444	15
Laboratory equipment	1,434	173	-	1,607	505	-	98	603	1,004	10
Forklifts	26,624	-	-	26,624	15,019	-	2,321	17,340	9,284	20
Computers and accessories	12,472	955	(324)	13,103	9,539	(320)	1,135	10,354	2,749	33.33
Arms and ammunitions	94	-	-	94	92	-	1	93	1	20
	665,215	54,045	(10,041)	709,219	337,909	(8,620)	49,793	379,082	330,137	
ASSETS SUBJECT TO FINANCE LEASE										
Plant and machinery	66,379	-	-	66,379	11,377	-	6,875	18,252	48,127	12.5
	731,594	54,045	(10,041)	775,598	349,286	(8,620)	56,668	397,334	378,264	

2 0 1 1										
Note	COST				DEPRECIATION				NET BOOK VALUE	Rate
	As at 01 July 2010	Additions/ Adjustments	(Disposals)/ Adjustments	As at 30 June 2011	Accumulated as at 01 July 2010	(Disposals)/ Adjustments	Charge for the year	Accumulated as at 30 June 2011	As at 30 June 2011	
	Rupees in thousand									
OWNED ASSETS										
Freehold land	37,098	-	(30,007)*	7,091	-	-	-	-	7,091	-
Leasehold land	1,802	-	-	1,802	-	-	-	-	1,802	-
Buildings on freehold land	47,629	4,034	-	51,663	19,981	-	2,890	22,871	28,792	10
Buildings on leasehold land	21,527	2,435	-	23,962	13,475	-	826	14,301	9,661	10
Plant and machinery	335,400	6,138	(233)	341,305	161,252	(90)	22,283	183,445	157,860	12.5
Furniture and fixtures	7,988	4,195	-	12,183	3,247	-	980	4,227	7,956	15
Motor vehicles & bicycles	106,692	14,513	(1,038)	120,975	55,547	(974)	11,291	66,241	54,734	20
Electric fittings and tools	5,590	-	-	5,590	2,903	-	268	3,171	2,419	10-25
Electric equipment	40,121	20,369	(470)	60,020	13,638	(80)	4,940	18,498	41,522	15
Laboratory equipment	1,125	309	-	1,434	416	-	89	505	929	10
Forklifts	22,025	4,599	-	26,624	12,657	-	2,362	15,019	11,605	20
Computers and accessories	10,942	1,541	(11)	12,472	8,440	(11)	1,110	9,539	2,933	33.33
Arms and ammunitions	94	-	-	94	91	-	1	92	2	20
	638,033	58,941	(31,759)	665,215	291,647	(778)	47,040	337,909	327,306	
ASSETS SUBJECT TO FINANCE LEASE										
Plant and machinery	66,379	-	-	66,379	3,520	-	7,857	11,377	55,002	12.5
Motor vehicles	808	-	(808)	-	301	(377)	76	-	-	20
	705,220	58,941	(32,567)	731,594	295,468	(1,155)	54,973	349,286	382,308	

* The amount is being transferred to CWIP as a result of swap agreement with Punjab Industrial Estate for a new piece of land.

Notes to the Financial Statements

for the year ended 30 June 2012

6.1.1 Additions to motor vehicles includes transfer from leased assets having net book value of Rs. (thousand) Nil (2011: Rs. (thousand) 431) representing cost of Rs. (thousand) Nil (2011: Rs. (thousand) 808) less accumulated depreciation of Rs. (thousand) Nil (2011: Rs. (thousand) 377).

6.1.2 Visi coolers costing Rs. (thousand) 2,579 (2011: Rs. (thousand) 2,705) are in the possession of shopkeepers for the sale of Company's products.

6.2 CAPITAL WORK IN PROGRESS

	COST					2012	2011
	Freehold Land	Furniture & Fixtures	Plant & Machinery	Motor Vehicles	Buildings		
	Rupees in thousand						
Balance as at 01 July 2011	35,007	–	–	5,782	–	40,789	7,050
Additions during the year	–	9,707	12,687	18,207	1,352	41,953	54,198*
Transferred to operating property, plant and equipment	–	(4,071)	(488)	(17,362)	–	(21,921)	(20,459)
Transferred to loans and advances	–	–	–	(4,495)	–	(4,495)	–
Balance as at 30 June 2012	35,007	5,636	12,199	2,132	1,352	56,326	40,789

*This represents advance given to Punjab Industrial Estate (PIE) in consequence of land swap agreement with PIE for enhancement in plot size against total consideration of Rs. (thousand) 70,507. The land will be transferred to the Company's name on payment of the balance amount.

	Note	Rupees in thousand	
		2012	2011
6.3 Depreciation charge for the year has been allocated as follows:			
Cost of sales	25.1	34,382	35,704
Distribution cost	26	14,940	13,651
Administrative expenses	27	7,346	5,618
		56,668	54,973

7 INVESTMENT IN ASSOCIATE

The investment represents 44.88% (2011: 44.88%) of the issued share capital of the Hattar Food Products (Private) Limited (HFPPPL). The principal business activity of HFPPPL is to process food products. HFPPPL has not commenced commercial operation. The following table illustrates summarised financial information of the Company's investment in HFPPPL.

	Rupees in thousand	
	2012	2011
Hattar Food Products (Private) Limited - unquoted		
Carrying amount	7,690	7,708
85,000 (2011: 85,000 ordinary shares of Rs. 100/- each)		
Less: share of loss from associate	(18)	(18)
	7,672	7,690
Share of associate's balance sheet:		
Current assets	618	637
Non-current assets	10,037	10,036
Current liabilities	(24)	(24)
Non-current liabilities	(2,959)	(2,959)
Net Assets	7,672	7,690
Share of associate's revenue and loss:		
Revenue	–	–
Loss	18	18
	18	18

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
8 INVESTMENT AVAILABLE FOR SALE			
Quoted			
Modaraba			
BRR Guardian Modaraba - Credit rating 'A'			
305,000 (2011: 305,000) certificates of Rs. 10/- each	8.1	2,375	2,375
Loss on remeasurement		(1,628)	(1,707)
		747	668

8.1 The above investment represents 0.39% (2011: 0.39%) of the issued certificate capital of the Modaraba.

	Note	Rupees in thousand	
		2012	2011
9 LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits			
Utility companies		1,568	1,568
Others		1,626	746
Prepayments		2,145	-
		5,339	2,314
10 STORES AND SPARES			
Stores		781	781
Spares		14,627	6,216
		15,408	6,997
11 STOCK IN TRADE			
Raw materials		115,919	150,996
Packing materials		313,648	288,201
Bottles	11.1	117,648	78,269
Finished goods		158,499	155,024
Pulps, concentrates etc.	11.2	458,741	388,964
Shells, pallets and barrels	11.1	86,967	65,272
Less: Deterioration in value		17,311	13,033
		69,656	52,239
Goods in transit		11,588	45,858
		1,245,699	1,159,551

11.1 These include bottles and shells amounting to Rs. (thousand) 121,732 (2011: Rs. (thousand) 95,313) held by distributors of the Company in the normal course of business.

11.2 These include pulps amounting to Rs. (thousand) 79,800 (2011: Rs. (thousand) 40,575) held with third parties in the normal course of business.

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
12 TRADE DEBTS			
Unsecured-considered good			
Due from related parties	12.1	6	–
Others		243,293	165,627
		243,299	165,627
Considered doubtful - others		1,350	1,350
Less: Provision for doubtful debts		1,350	1,350
		–	–
		243,299	165,627

12.1 No amount is receivable from the Chief Executive, Director and Executives of the Company (2011: Rs. (thousand) Nil).

	Note	Rupees in thousand	
		2012	2011
13 LOANS AND ADVANCES			
Advances to distributors- Secured, considered good	13.1	4,159	2,143
Advances – Unsecured, considered good			
– Staff	13.2	3,419	2,392
– Suppliers		17,763	19,767
– Related parties		145	–
Unsecured, considered doubtful			
– Suppliers	13.3	4,595	100
Less: Provision for doubtful advances		4,595	100
		–	–
		25,486	24,302

13.1 This represents the advances given to the distributors for the purchase of vehicles for the distribution of the Company's products. These are secured against vehicles, registered in the name of the Company.

13.2 No advances were given to the Chief Executive, Director and Executives of the Company (2011: Rs. (thousand) Nil).

13.3 This includes advance given to supplier for the purchase of vehicles Rs. (thousand) 4,495 (2011: Rs. (thousand) Nil).

	Note	Rupees in thousand	
		2012	2011
14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Short term deposits		22,000	5,332
Prepayments		14,150	7,545
Advance excise duty		372	372
Wealth tax recoverable		140	140
Sales tax refundable		1,294	1,294
		37,956	14,683

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
15 ACCRUED FINANCIAL INCOME			
Profit receivable on:			
– Bank deposits		437	376
16 CASH AND BANK BALANCES			
Cash in hand		11,024	9,186
Cheques in hand		28,632	15,841
Cash at banks			
– Current accounts	16.1	27,042	31,818
– PLS savings accounts	16.2	42,471	25,763
		109,169	82,608

16.1 This includes two bank accounts restricted for dividend payments only.

16.2 The balances in PLS savings accounts bear mark-up, which ranges between 5% to 7% (2011: 5% to 10%) per annum.

17 SHARE CAPITAL

Authorised:

	Number of Shares			Rupees in thousand	
	2012	2011		2012	2011
	10,000,000	10,000,000	Ordinary shares of Rs. 10/- each	100,000	100,000

Issued, subscribed and paid-up:

	Number of Shares			Rupees in thousand	
	2012	2011		2012	2011
	237,500	237,500	Fully paid in cash	2,375	2,375
	5,762,500	5,762,500	Issued as bonus shares	57,625	57,625
	6,000,000	6,000,000		60,000	60,000

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
18 RESERVES			
Capital			
Merger Reserve	18.1	5,000	5,000
Revenue			
General Reserve			
– At the beginning of the year		720,000	650,000
– Transferred from unappropriated profit		100,000	70,000
		820,000	720,000
Unrealized loss on remeasurement of investments- available for sale			
– At the beginning of the year		(1,707)	(1,978)
– Reversal of unrealized loss		79	271
		(1,628)	(1,707)
		823,372	723,293

18.1 This reserve can be utilized by the Company, only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) was 1 year KIBOR + 2.4% (2011: 1 year KIBOR + 1.4% to 1 year KIBOR + 2.4%). The amount of future payments and the period during which they will become due are:

	Note	Rupees in thousand	
		2012	2011
Year ending 30 June	2012	–	27,871
	2013	14,463	14,599
Minimum lease payments	19.1	14,463	42,470
Less: Future finance charges		619	5,137
		13,844	37,333
Less: Current portion		13,844	23,433
		–	13,900

There are no financial restrictions in the lease agreements. The residual value of the leased assets is Rs. (thousand) 664 (2011: Rs. (thousand) 664).

Notes to the Financial Statements

for the year ended 30 June 2012

19.1 Minimum lease payments (MLP) and their present value (PV) are regrouped as below:

	2012		2011	
	MLP	PV OF MLP	MLP	PV OF MLP
Rupees in thousand				
Due not later than 1 year	14,463	13,844	27,871	23,433
Due later than 1 year but not later than 5 years	–	–	14,599	13,900
	14,463	13,844	42,470	37,333

		Rupees in thousand		
Note		2012	2011	
20	DEFERRED TAXATION			
	Deferred tax liabilities on taxable temporary differences			
	Accelerated tax depreciation	55,814	52,914	
	Trade deposits and short term prepayments	4,730	–	
	Liabilities against assets subject to finance lease	11,459	5,838	
		72,003	58,752	
	Deferred tax assets on deductible temporary differences			
	Trade debts	(451)	(446)	
	Loans and advances	(33)	(33)	
	Provision for employee's compensated absences	(6,481)	(418)	
	Provision for bonuses to staff	(8,356)	(8)	
		(15,321)	(905)	
		56,682	57,847	
21	TRADE AND OTHER PAYABLES			
	Due to related parties	21.1	100,034	33,418
	Creditors		248,272	374,856
	Deposits	21.2	31,128	23,927
	Advances from distributors		32,288	40,975
	Accrued expenses		79,587	56,590
	Sales tax payable		41,040	22,074
	Payable to provident fund		594	590
	Workers' Profit Participation Fund	21.3	17,004	11,306
	Workers' Welfare Fund	21.4	11,535	34,035
	Unclaimed dividend		871	804
	Taxes and other payables		359	4
	Other liabilities	21.5	1,407	1,771
			564,119	600,350

Notes to the Financial Statements

for the year ended 30 June 2012

21.1 The amounts due to related parties are in the normal course of business and comprises of:

	Rupees in thousand 2012	2011
Nawazabad Farms	8,640	4,248
Shezan Services (Private) Limited	50,609	29,167
Shahtaj Sugar Mills Limited	40,785	–
Shahnawaz (Private) Limited	–	3
	100,034	33,418

21.2 Agreements with the distributors give the Company the right to utilize these deposits in the normal course of business.

	Rupees in thousand 2012	2011
21.3 Workers' Profit Participation Fund		
Balance at the beginning of the year	11,306	8,880
Allocation for the year	17,004	11,306
	28,310	20,186
Interest on funds utilized in the Company's business	339	160
	28,649	20,346
Amount paid to the Fund's Trust	11,645	9,040
Balance at the end of the year	17,004	11,306
21.4 Workers' Welfare Fund		
Balance at the beginning of the year	34,035	29,835
Allocation for the year	5,000	4,200
	39,035	34,035
Amount paid / adjusted	27,500	–
Balance at the end of the year	11,535	34,035

21.5 This includes Rs. (thousand) 800 (2011: Rs. (thousand) 800) payable to Chief Executive (2011: Executive Director) and Rs. (thousand) 433 (2011: Rs. (thousand) 433) to an Executive.

22 SHORT TERM BORROWINGS - SECURED

The aggregate running finance facilities available from commercial banks under the mark-up arrangement are Rs. (thousand) 825,000 (2011: Rs. (thousand) 825,000).

The rate of mark-up ranges between 1 month/3 months KIBOR + 0.50% to 1 month KIBOR + 0.90% (2011: 1 month KIBOR + 0.50% to 3 months KIBOR + 1.25%), payable quarterly.

The facilities are secured against first registered joint pari passu hypothecation charge on current assets of the Company up to Rs. (thousand) 1,215,000 (2011: Rs. (thousand) 1,215,000).

The un-utilized facility for opening letters of credit and for guarantees as at 30 June 2012 amounts to Rs. (thousand) 143,792 (2011: Rs. (thousand) 44,910) and Rs. (thousand) 47,724 (2011: Rs. (thousand) 34,519), respectively.

Notes to the Financial Statements

for the year ended 30 June 2012

23 CONTINGENCIES AND COMMITMENTS

Contingencies

- i) Claim of Punjab Employees Social Security Institution (P.E.S.S.I.) for Rs. (thousand) 2,379 (2011: Rs. (thousand) 2,379) is not acknowledged as debt by the Company as the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the same.
- ii) Notices for additional payments of sales tax and excise duty amounting to Rs. (thousand) 13,094 (2011: Rs. (thousand) 13,094) contested with the Collectorate of Customs, Sales Tax and Central Excise. The management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above.
- iii) Notices for additional payment of leasehold land amounting to Rs.(thousand) 844 (2011: Rs.(thousand) 844) contested with Sarhad Development Authority. The management is confident that the matter would be settled in its favour. Consequently, no provision has been made in these financial statements in respect of the above.
- iv) The Company has filed an appeal pertaining to case of capital gain on merger of wholly owned subsidiary, M/s. Hattar Fruit Products Limited (now merged into the Company) before the Commissioner of Inland Revenue (Appeals) against the decision of Additional Commissioner of Inland Revenue for an additional amount of Rs. (thousand) 39,788 in respect of the tax year 2004, which was decided against the Company. The Company has filed an appeal before the Appellate Tribunal Inland Revenue against the decision of the Commissioner of Inland Revenue (Appeals), which is pending adjudication. However, no provision has been made in the financial statements as the management of the Company is confident of a favorable outcome of the decision.
- v) Based on the tax audit for the tax year 2009 an additional amount of Rs. (thousand) 21,314 was demanded by the Income Tax Department against which the Company filed an appeal before the Commissioner Inland Revenue (Appeals) which was subsequently decided in favor of the Company. The Income Tax Department has filed an appeal before the Appellate Tribunal Inland Revenue against the decision of Commissioner of Inland Revenue (Appeals) for an additional amount of Rs. (thousand) 21,314 in respect of the tax year 2009, which is pending adjudication. However, no provision has been made in the financial statements as the management of the Company is confident of a favorable outcome of the decision.
- vi) The Company has filed an appeal before the Commissioner of Inland Revenue (Appeals) against the amended order passed under section 122(5A) of Income Tax Ordinance, 2001 by the Additional Commissioner Inland Revenue for an additional amount of Rs. (thousand) 28,776 in respect of the tax year 2011, which is pending adjudication. However, no provision has been made in the financial statements as the management of the Company is confident of a favorable outcome of the decision.
- vii) The Company has filed an appeal before the Commissioner of Inland Revenue (Appeals) against the amended order passed under section 161 of the Income Tax Ordinance, 2001 by the Additional Commissioner Inland Revenue for payment of additional amount Rs. (thousand) 7,900 in respect of the tax year 2011, which is pending adjudication. However, no provision has been made in the financial statements as the management of the Company is confident of a favorable outcome of the decision.
- viii) The Company has filed an appeal before the Appellate Tribunal Inland Revenue against the decision of Commissioner of Inland Revenue (Appeals) for an additional amount of Rs. (thousand) 3,465 (2011: Rs. (thousand) 3,465) in respect of the tax year 2003, which is pending adjudication. However, no provision has been made in the financial statements as the management of the Company is confident for a favorable outcome of the decision.

Notes to the Financial Statements

for the year ended 30 June 2012

Commitments

- i) Commitments in respect of letters of credit opened for the import of raw and packing materials amounting to Rs. (thousand) 11,208 (2011: Rs. (thousand) 95,090).
- ii) Counter guarantees in favour of banks in the ordinary course of business amounting to Rs. (thousand) 27,275 (2011: Rs. (thousand) 25,481).
- iii) Commitments for equity investment in an associated undertaking, Hattar Food Products (Private) Limited, amounting to Rs. (thousand) 1,500 (2011: Rs. (thousand) 1,500).
- iv) The Company has entered into ijarah arrangements for plant and machinery with various Modaraba companies. These arrangements have remaining terms of less than three years. Such arrangements also include a clause to enable revision of the rental charge on an annual basis according to prevailing market conditions.

The total of future ujarah payments under ijarah, for each of the following periods:

	Rupees in thousand	
	2012	2011
Not later than one year	56,383	–
Later than one year but not later than five years	95,767	–
	152,150	–

- (v) Commitments in respect of purchase of land at Sundar Industrial Estate, amounting to Rs. (thousand) 35,500 (2011: Rs. (thousand) 35,500).

	Note	Rupees in thousand	
		2012	2011
24 SALES - NET			
Domestic		5,895,269	4,965,903
Export		267,013	293,796
Export rebate		–	50
		6,162,282	5,259,749
Less: Discounts and incentives		169,546	156,180
Sales tax		931,074	798,807
Excise duty		764	82,935
		1,101,384	1,037,922
	24.1	5,060,898	4,221,827

24.1 This includes sales relating to trading activities amounting to Rs. (thousand) 15,990 (2011: Rs. (thousand) 12,735).

	Note	Rupees in thousand	
		2012	2011
25 COST OF SALES			
Manufacturing	25.1	3,591,791	3,118,747
Trading	25.2	11,494	11,797
		3,603,285	3,130,544

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
25.1 Cost of sales - Manufacturing			
Pulps, concentrates etc. - Opening stock		388,964	254,221
Add: Production/processing during the year		419,090	404,533
Purchases during the year		266,052	188,341
		1,074,106	847,095
Less: Pulps, concentrates etc. - Closing stock		458,741	388,964
Pulps, concentrates etc. consumed		615,365	458,131
Raw materials - Opening stock		150,996	102,463
Add: Purchases during the year		1,389,768	1,439,736
		1,540,764	1,542,199
Less: Production of pulps, concentrates		419,090	404,533
Raw materials - Closing stock		115,919	150,996
Raw materials consumed		1,005,755	986,670
Packing materials - Opening stock		288,201	231,245
Add: Purchases during the year		1,639,848	1,482,207
		1,928,049	1,713,452
Less: Cost transferred to expenses		9,596	4,596
Packing materials - Closing stock		313,648	288,201
Packing materials consumed		1,604,805	1,420,655
Factory expenses			
Salaries, wages and amenities		130,974	107,007
Company's contribution to provident fund		890	800
Stores and spares consumed		168,360	106,715
Traveling and conveyance		1,797	1,355
Repairs and maintenance		55,505	64,932
Insurance		1,384	4,062
Fuel and power		104,107	86,972
Inward freight and loading/unloading		2,599	2,058
Utilities		4,041	2,502
Bottle breakage		26,627	21,054
Ijarah rentals		17,712	-
General expenses		5,776	5,406
Depreciation	6.3	34,382	35,704
		554,154	438,567
Cost of production		3,780,079	3,304,023
Add: Finished goods - Opening stock		145,412	107,148
		3,925,491	3,411,171
Less: Cost of samples	26.1	133,800	86,938
Cost of wastage and spoilage	28	45,168	60,074
Finished goods - Closing stock		154,732	145,412
		333,700	292,424
		3,591,791	3,118,74

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
25.2 Cost of sales - Trading			
Finished goods - Opening stock		9,612	14,009
Add: Purchases during the year		10,144	10,272
		19,756	24,281
Less: Cost of samples	26.1	936	1,415
Cost of wastage and spoilage	28	3,559	1,457
Finished goods - Closing stock		3,767	9,612
		8,262	12,484
		11,494	11,797

26 DISTRIBUTION COST

Salaries, wages and amenities		125,760	110,125
Company's contribution to provident fund		986	953
Postage and telephone		3,267	3,730
Travelling and conveyance		26,234	19,778
Repairs and maintenance		36,073	25,929
Insurance		4,841	5,676
Utilities		5,336	4,655
Stationery and printing		1,325	1,582
Rent, rates and taxes		7,549	5,004
Advertising and promotions	26.1	372,448	236,239
Outward freight and distribution		120,811	100,705
Staff sales incentive		9,748	9,367
Petrol, oil and lubricants		100,619	78,723
General expenses		2,922	3,453
Depreciation	6.3	14,940	13,651
Deterioration on shells and pallets	11	13,428	10,342
		846,287	629,912

26.1 This includes cost of samples amounting to Rs. (thousand) 134,736 (2011: Rs. (thousand) 88,353).

	Note	Rupees in thousand	
		2012	2011
27 ADMINISTRATIVE EXPENSES			
Salaries, wages and amenities		95,187	80,075
Company's contribution to provident fund		1,740	1,282
Postage and telephone		1,925	1,718
Travelling and conveyance		3,848	2,395
Repairs and maintenance		6,999	4,981
Insurance		6,882	3,533
Utilities		3,607	3,303
Stationery and printing		4,041	3,399
Rent, rates and taxes		5,538	4,352
Auditors' remuneration	27.1	1,950	1,783
Legal and professional		339	263
Donations	27.2	272	377
General expenses		5,401	3,526
Depreciation	6.3	7,346	5,618
		145,075	116,605

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand				
		2012	2011			
27.1 Auditors' remuneration						
Audit fee		1,000	700			
Tax consultancy services		325	485			
Miscellaneous certification and limited review charges etc.		460	420			
Out of pocket expenses		165	178			
		1,950	1,783			
27.2 Donations						
None of the directors or their spouses had any interest in any of the donees.						
28 OTHER OPERATING EXPENSES						
Product spoilage		51,729	62,674			
Barrel deterioration	11	3,883	2,691			
Royalty to related party - Shezan Services (Private) Limited		50,609	41,730			
Workers' Profit Participation Fund	21.3	17,004	11,306			
Workers' Welfare Fund	21.5	5,000	4,200			
Provision for doubtful advance	13.3	4,495	-			
		132,720	122,601			
29 OTHER OPERATING INCOME						
Income from financial assets						
Profit on bank deposits		2,900	3,540			
Dividend income		76	-			
Gain on sale of investment		-	1,430			
Foreign exchange gain		3,465	885			
Income from non-financial assets						
Gain on disposal of property, plant and equipment	29.1	4,993	486			
Sale of scrap		26,241	22,457			
		37,675	28,798			
29.1 Gain on disposal of property, plant and equipment						
Description	Cost	Book Value	Sale Proceeds	Gain	Purchaser	Mode
	Rupees in thousand					
Hyundai Shehzore	616	66	325	259	M/s. Abdul Rehman Traders, Lahore	Negotiation
Hyundai Shehzore	616	65	365	300	M/s. Latif and Company, Lahore	Negotiation
Hyundai Shehzore	589	97	275	178	Mr. Afkar Ahmad, Lahore	Negotiation
Suzuki Pickup	296	127	380	253	M/s. AL Muqadas and Company, Lahore	Negotiation
Suzuki Pickup	339	55	275	220	M/s. Zaid and Company, Walled City, Lahore	Negotiation
Hyundai Shehzore	602	60	350	290	M/s. Hameed Akhter and Company, Multan	Negotiation
Suzuki Bolan	404	79	380	301	Mr. Muhammad Amjad, Karachi	Negotiation
Hyundai Shehzore	602	59	340	281	M/s. Fasih Ud Din Ashfaq and Company, Mangowal	Negotiation
Visi Coolers	449	80	149	69	Mr. Muhammad Ismail, Karachi	Negotiation
Hyundai Shehzore	589	87	415	328	M/s. Iftikhar and Company, Multan	Negotiation
Suzuki Bolan	404	133	225	92	Mr. Chaudhry Muhammad Anwer, Lahore	Negotiation
Suzuki Pickup	296	110	375	265	M/s. Majeed and Sons, Lahore	Negotiation
Ink jet Printers	740	153	348	195	M/s. Coding Technologies, Lahore	Negotiation
WDV below Rs. (thousand) 50 each	3,499	250	2,212	1,962	Various	Negotiation
	10,041	1,421	6,414	4,993		

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	Rupees in thousand	
		2012	2011
30 FINANCE COST			
Interest, mark-up and charges on -			
Secured short term borrowings		46,173	29,775
Workers' Profit Participation Fund	21.3	339	160
Finance lease charges		4,244	7,658
		50,756	37,593
Bank charges		2,362	2,750
		53,118	40,343
31 TAXATION			
Current – for the year		111,865	66,046
Deferred – for the year		(1,165)	3,954
		110,700	70,000
31.1 Relationship between income tax expense and accounting profit			
Profit before taxation		318,070	210,602
Current Taxation:			
Tax at the applicable rate of 35% (2011: 35%)		111,325	73,711
Tax effect of expenses that are not deductible in determining taxable income charged to profit and loss account		54,103	44,020
Tax effect of expenses that are deductible in determining taxable income not charged to profit and loss account		(36,070)	(28,347)
Tax effect of applicability of lower tax rate on export sales and dividend income		(18,658)	(19,384)
		110,700	70,000
Tax charge for the current year		110,700	70,000
32 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation attributable to ordinary shareholders		207,370	140,602
Weighted average number of ordinary shares at the end of the year (in thousand)		6,000	6,000
Earnings per share - Basic (Rupees)		34.56	23.43

32.1 No fully diluted earnings per share has been disclosed as the Company has not issued an instrument which would have an impact on earnings per share, when exercised.

33 CAPACITY AND PRODUCTION

	Normal Annual Capacity		Actual Production	
			2012	2011
Juices:				
Bottling plant	5,925,000	Crates	5,024,778	4,469,453
Tetra Pak plant	22,487,500	Dozens	21,530,265	20,698,937
Squashes and syrups plant	590,000	Dozens	254,032	266,250
Jams and ketchup plant	723,333	Dozens	396,719	477,769
Pickles plant	306,250	Dozens	291,801	321,994
Canning plant	210,000	Dozens	151,882	148,548

The normal annual capacity, as shown above, has been worked out on the basis of 350 working days (2011: 350 working days) except for bottling plant and squashes and syrups plant, which have been worked out on 150 working days (2011: 150 working days) because of the seasonal nature of the business of the Company.

The actual production is less than the normal annual capacity because of change in demand and supply condition.

Notes to the Financial Statements

for the year ended 30 June 2012

34 REMUNERATION OF CHIEF EXECUTIVE, PAID DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
Total number	1	1	1	2	9	8
	Rupees in thousand					
Basic salary	2,400	1,980	2,388	3,924	9,736	6,724
Provident fund contribution	200	165	199	327	812	560
Allowances and benefits:						
Conveyance	–	–	–	–	–	4
House rent	495	495	495	990	2,377	1,860
Dearness	318	204	318	408	2,622	1,440
Special	120	120	360	480	900	864
Utilities	240	240	240	480	1,122	864
Medical	64	66	–	48	452	410
Bonus	400	330	398	654	1,590	1,094
Leave encashment	–	–	–	–	223	–
Ex-gratia	200	165	199	327	795	547
	4,437	3,765	4,597	7,638	20,629	14,367

- 34.1 Fees paid to seven non-executive directors during the year for attending Board meetings Rs. (thousand) 200 (2011: Rs. (thousand) 180).
- 34.2 Fees paid to three non-executive directors during the year for attending Audit Committee meetings Rs. (thousand) 120 (2011: Rs. (thousand) 80).
- 34.3 The Company also provides the Chief Executive, certain directors and executives with Company maintained vehicles, partly for personal and partly for business purposes.

Notes to the Financial Statements

for the year ended 30 June 2012

35 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise related group companies, associates, staff provident fund, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their of employment are as follows:

	2 0 1 2									
	Shahtaj Sugar Mills Limited	Shahtaj Textile Mills Limited	Shahnawaz Engineering (Private) Limited	Shezan Services (Private) Limited	Nawazabad Farms	Shezan Ampis Restaurant	Shahnawaz Pharma Limited	Information Systems Associates Limited	Staff Provident Fund	Total
	Rupees in thousand									
Purchases of raw materials	557,658	–	–	–	16,326	–	–	–	–	573,984
Sales of finished goods	303	342	9	–	17	46	38	–	–	755
Royalty charged	–	–	–	50,609	–	–	–	–	–	50,609
Purchases/repairs of electric equipments/vehicles	–	–	43	–	–	–	–	–	–	43
Services rendered	–	–	–	–	–	–	–	627	–	627
Contributions to staff provident fund	–	–	–	–	–	–	–	–	3,616	3,616

	2 0 1 1									
	Shahtaj Sugar Mills Limited	Shahtaj Textile Mills Limited	Shahnawaz Engineering (Private) Limited	Shezan Services (Private) Limited	Nawazabad Farms	Shezan Ampis Restaurant	Shahnawaz Pharma Limited	Information Systems Associates Limited	Staff Provident Fund	Total
	Rupees in thousand									
Purchases of raw materials	643,334	–	–	–	8,255	–	–	–	–	651,589
Sales of finished goods	317	226	15	–	–	65	61	–	–	684
Royalty charged	–	–	–	41,730	–	–	–	–	–	41,730
Purchases /repairs of electric equipments/vehicles	–	–	171	–	–	–	–	–	–	171
Services rendered	–	–	–	–	–	–	–	–	–	–
Contributions to staff provident fund	–	–	–	–	–	–	–	–	3,035	3,035

Notes to the Financial Statements

for the year ended 30 June 2012

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

36.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables.

The Company is exposed to credit risk on long-term deposits, trade debts, advances, deposits, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying Values	
	Rupees in thousand	
	2012	2011
Long term deposits	3,194	2,314
Trade debts – unsecured	243,299	165,627
Loans and advances	3,419	2,392
Trade deposits	22,000	5,332
Bank balances	98,145	73,422
Accrued financial income	437	376

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party defaults as shown below:

	Rupees in thousand	
	2012	2011
36.1.1 Trade Debt		
Neither past due nor impaired	81,150	60,506
Past due but not impaired		
1- 60 days	84,888	48,150
60-180 days	62,583	43,160
181-365 & Above	14,678	13,811
	243,299	165,627
Geographically:-		
Pakistan	225,590	127,155
North America	1,735	17,757
Europe	11,911	7,194
Far East	-	20
Central Asia	175	2,810
Middle East	-	4,448
South Asia	10	-
Australia	-	3
Africa	3,878	6,240
	243,299	165,627

As at 30 June 2012, trade debts of Rs. (thousand) 1,350 (2011: Rs. (thousand) 1,350) were impaired and provided for.

Notes to the Financial Statements

for the year ended 30 June 2012

	Rupees in thousand	
	2012	2011
36.1.2 Cash at Bank		
A-1+	28,524	4,261
A2	172	595
A1+	19,279	30,609
A-1+	12,169	11,456
A1+	2,066	–
A-1+	7,303	10,660
Cheques in hand	28,632	15,841
	98,145	73,422

36.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Financial liabilities are analysed below, with regard to their remaining contractual maturities.

	2012		
	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Liabilities against assets subject to finance lease	14,463	–	14,463
Short term borrowings	296,656	–	296,656
Trade and other payables	494,540	–	494,540
Mark up accrued on short term borrowings	9,220	–	9,220
Total Financial liabilities	814,879	–	814,879

	2011		
	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Liabilities against assets subject to finance lease	27,871	14,599	42,470
Short term borrowings	207,741	–	207,741
Trade and other payables	532,935	–	532,935
Mark up accrued on short term borrowings	4,034	–	4,034
Total Financial liabilities	772,581	14,599	787,180

36.3 Market Risk

36.3.1 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. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the export of its products and import of some chemicals. The Company does not view hedging as financially viable considering the materiality of transactions.

Notes to the Financial Statements

for the year ended 30 June 2012

Sensitivity analysis

With all other variables remain constant, a 1% change in the rupee dollar parity existed at 30 June 2012 would have affect the profit and loss account and liabilities and equity by Rs. (thousand) 177 (2011: Rs. (thousand) 385).

36.3.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is exposed to interest rate risk for short term borrowings obtained from the financial institutions, liabilities against assets subject to finance lease and bank deposits, which have been disclosed in the relevant note to the financial statements.

Sensitivity analysis

If interest rates at the year end, fluctuate by 100 basis points higher/ lower, profit for the year would have been Rs. (thousand) 504 (2011: Rs. (thousand) 374) higher/ lower. This analysis is prepared assuming that all other variables held constant and the amounts of liabilities outstanding at the balance sheet dates were outstanding for the whole year.

36.4 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue of new shares.

Consistent with industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above).

The Company finances its operations through equity, short term borrowing and managing working capital. The Company has no gearing risk in current year that is to be managed as it does not have any long term borrowing.

The Company is not subject to any externally imposed capital requirements.

36.5 Fair value of financial instruments

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

Notes to the Financial Statements

for the year ended 30 June 2012

37 SEGMENTAL ANALYSIS

The Company's activities are broadly categorized into two primary business segments namely Juice Drinks activities and Other Operating activities.

Juice drinks activities

Juice drinks activities include bottled as well as juices in tetra pak packings.

Other operating activities

Other operating activities include pickles, ketchup, sauces, jams etc.

Segment analysis of profit and loss account for the year ended 30 June 2012:

	Juices and Drinks	Others	Total
Rupees in thousand			
Sales	4,105,691	955,207	5,060,898
Cost of sales	(2,907,996)	(695,289)	(3,603,285)
Profit before taxation	1,197,695	259,918	1,457,613
Unallocated expenses			
Corporate expenses			(991,362)
Finance costs			(53,118)
Other operating expenses			(132,720)
Other operating income			37,675
Share of profit from an associate			(18)
Taxation			(110,700)
Profit after taxation			207,370

Segment analysis of assets and liabilities as at 30 June 2012:

	Juices and Drinks	Others	Total
Rupees in thousand			
Segment assets	1,329,947	573,988	1,903,935
Unallocated assets			291,507
Total			2,195,442
Segment liabilities	238,503	49,636	288,139
Unallocated liabilities			791,843
Total			1,079,982

Notes to the Financial Statements

for the year ended 30 June 2012

Segment analysis of profit and loss account for the year ended 30 June 2011:

	Juices and Drinks	Others	Total
Rupees in thousand			
Sales	3,397,431	824,396	4,221,827
Cost of sales	(2,533,447)	(597,097)	(3,130,544)
Profit before taxation	863,984	227,299	1,091,283
Unallocated expenses			
Corporate expenses			(746,517)
Finance costs			(40,343)
Other operating expenses			(122,601)
Other operating income			28,798
Share of profit from an associate			(18)
Taxation			(70,000)
Profit after taxation			140,602

Segment analysis of assets and liabilities as at 30 June 2011:

	Juices and Drinks	Others	Total
Rupees in thousand			
Segment assets	1,330,605	419,940	1,750,545
Unallocated assets			195,024
Total			1,945,569
Segment liabilities	353,688	35,457	389,145
Unallocated liabilities			603,413
Total			992,558

38 DATE OF AUTHORIZATION FOR ISSUE


These financial statements were authorized for issue by the Board of Directors on 27 September 2012.

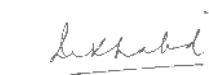
39 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend of Rs. 9/- per share, amounting to Rs. (thousand) 54,000 (2011: Rs. (thousand) 45,000) and 10% bonus shares amounting to Rs. (thousand) 6,000 (2011: Rs. (thousand) Nil) for the year ended 30 June 2012 along with transfer to general reserve amounting to Rs. (thousand) 130,000 (2011: Rs. (thousand) 100,000) at their meeting held on 27 September 2012 for approval of the members at the Annual General Meeting to be held on 30 October 2012.

40 GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.


Muneer Nawaz
Chairman


Muhammad Khalid
Chief Executive

Form of Proxy

I/We, _____
of _____
being a Member(s) of Shezan International Limited holding _____
ordinary shares hereby appoint _____
of _____
or failing him _____
of _____

who is also a Member of Shezan International Limited as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 49th Annual General Meeting of the Company to be held on 30 October 2012 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2012.

Signed by _____

in the presence of _____

Folio Number

Signature

Affix Rs. 5/-
revenue stamp

This signature should agree with the specimen registered with the Company.

Important:

1. No person shall act as proxy unless he himself is Member of the Company, except that a corporation may appoint a person who is not a Member.
2. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with the Company, all such instruments of proxy shall be rendered invalid.



شمرقند
سُرور بھر پور



اس Summer میں صرف شمرقند



Shezan International Limited

KARACHI

Plot No. L-9, Block No. 22, Federal 'B'
Industrial Area, Karachi 75950, Pakistan.

LAHORE

56 Bund Road, Lahore 54500, Pakistan.

HATTAR

Plot No. 33/34, Phase III, Hattar Industrial Estate,
Hattar, Khyber Pakhtunkhwa, Pakistan.