

## **Shezan International Limited**

### **Annual Report 1999**

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#### **Company's Profile**

##### **Board of Directors:**

Mr. Muneer Nawaz	Chairman
Mr. Saifi Chaudhary	Chief Executive
Mrs. Majeeda Begum	
Mr. Mahmood Nawaz	
Mr. C. M. Khalid	
Mr. M. Naeem	
Mr. Muhammad Khalid	
Mr. Fiyaz Ahmed Longi	(Nominee N.I.T.)
Mr. Adnan Meraj	(Nominee N.I.T.)

##### **Executive Director & Company Secretary:**

Mr. Muhammad Khalid.

##### **Registered Office / Head Office:**

56-Bund Road, Lahore - 54500.

##### **Factories:**

Bund Road, Lahore.  
Phone: (042) 7466900-04,  
Fax: (042) 7466899-95,  
E-mail: shezan@brain.net.pk

Federal "B", Industrial Area, Karachi.

Phone: (021) 6344722-23,  
Fax: (021) 6313790,  
E-mail: shezan@cyber.net.pk

##### **Auditors:**

Messrs. Ford, Rhodes, Robson, Morrow,  
Chartered Accountants,  
1st Floor, The Syed, 11-Civic Centre,  
New Garden Town, Lahore.

**Legal Advisors:**

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

**Bankers:**

United Bank Limited.  
Citibank N.A.  
The Hongkong and Shanghai  
Banking Corporation Limited.  
The Bank of Khyber.

**Notice of Meeting**

Notice is hereby given that the 36th Annual General Meeting of the Company will be held on December 31, 1999 at 10:30 hours at the Company's Registered Office: 56-Bund Road, Lahore, to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting held on June 29, 1999.
2. To receive and adopt the Directors' and Auditors' Report and Audited Accounts for the year ended June 30, 1999.
3. To approve dividend @ Rs. 5.00 per share (50%) as recommended by the Board of Directors.
4. To appoint Auditors for the year 1999-2000 and fix their remuneration. The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants being eligible, offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

**Shares transfer books of the company will be closed from December 29, 1999 to January 08, 2000 (both days inclusive) for determining the entitlement of the dividend.**

Lahore:  
December 02, 1999

**Notes:**

1. A member entitled to attend and vote at the General Meeting is entitled 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.

**By order of the Board**

**Executive Director**

2. Shareholders are requested to notify the change of address, if any, immediately.

## Directors' Report to the Members

It gives us great pleasure to welcome you to the 36th Annual General Meeting of the Company.

There was a slight increase of sales during the year, from Rs. 591.166 million to Rs. 607.856 million, but a healthy increase in profit of about 18%. The main reason for this increase in profit is, as we have been advising our Share Holders from time to time, the desire of the company to get better margin on our products and we were successful in this regard during the current year. Profit after taxation increased from Rs. 22.144 million to Rs. 26.249 million.

Overall, the economic atmosphere in the country was strained during the period July '98 to June '99, as a result of the International Sanctions on the country due to political reasons. The effect of this economic climate was also felt by the company, but by the Grace of Allah, and better policies of the management, we were able to come out of the difficult situation and produced a modest increase in sales with a fair increase in profitability.

The exports during the period decreased by about 13%, which is primarily due to the fall in exports to Bangla Desh, as their local industry has come onstream, resulting in curtailment of imports; in order to counter this, we have to find other export markets and now we are concentrating on the U.S.A.

The present budget adversely effected the company because of 3% Additional Sales Tax and withdrawal of Chilling Charges exemption, resulting in higher incidence of Sales Tax.

The results under the circumstances of our wholly owned subsidiary Hattar Fruit Products Limited, were on the whole satisfactory.

During the year under review, the election of Directors was held and a new board was elected in June 1999. Mrs. Amtul Hai Khalid and Mr. Naseem Beg retired. We wish to place on record, the valuable contribution made by them during their tenure on the Board.

Mr. Fiyaz A. Longi and Mr. Adnan Meraj joined the board. We wish to extend a warm welcome to Mr. Longi and Mr. Meraj on our Board and look forward to their valuable advice and guidance.

### Financial Results:

As you will observe from Balance Sheet and Profit and Loss Account, our financial results are as under:

	<i>(Rupees in thousands)</i>
Profit before taxation	36,749
Provision for taxation	10,500
	-----
Profit after taxation	26,249
Unappropriated profit brought forward	2,870
	-----
Available for appropriation	99,119
Appropriations:	
Transfer to General reserve	--

Proposed dividend @ 50% (1998: 35%)	25,000
	-----
Unappropriated profit carried forward	4,119
	=====

**Dividend:**

The Company has always followed a policy of sharing profit, with the Share Holders, and the same policy is being repeated.

**Future Prospects:**

The Shezan brand is well known in Pakistan and our products are also a known name in the country. We feel that with better marketing efforts, the company will continue to make progress in its sphere and by the Grace of Allah, would maintain its position as one of the leading e0mpanies in food processing seet0rs of Pakistan.

We continue to make our humble contribution to the national exchequer, by contributing Rs. 47,567,767 in the shape of Excise Duty and Rs. 99,368,785 as Sales Tax for the year ended June 30, 1999.

Since we have taken necessary action, we do not foresee any Y2K problems at the beginning of the next century.

**Auditors:**

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants have conveyed their willingness to be appointed in the ensuing year.

**Labour Management Relations:**

During the year under review, the labour and management relations remained cordial. Your Directors place on record, their appreciation for the loyalty and devotion to duty of the officers and workers of all categories.

**On behalf of the Board**

Lahore:  
December 02, 1999

**Chief Executive**

**Five Years Review at a Glance**

*(Rupees in thousands)*

	<i>Year</i> <i>1995</i>	<i>Year</i> <i>1996</i>	<i>Year</i> <i>1997</i>	<i>Year</i> <i>1998</i>	<i>Year</i> <i>1999</i>
	<i>(Six months)</i>				
<b>Income</b>					
Sales	397,417	682,248	536,428	607,856	591,166

Others	1,336	3,911	2,154	7,543	14,144
	-----	-----	-----	-----	-----
	398,753	686,159	538,582	605,310	615,399
	-----	-----	-----	-----	-----
<b>Expenditure</b>					
Cost of sales	288,154	524,704	415,481	468,348	469,909
Administrative, selling and general	53,516	99,956	82,819	92,362	93,553
Financial	1,860	3,452	1,986	953	898
Others	10,575	17,500	15,606	15,003	14,290
	-----	-----	-----	-----	-----
	354,105	645,612	515,892	576,666	578,650
	=====	=====	=====	=====	=====
Profit before taxation	44,648	40,547	22,690	28,644	36,749
Provision for taxation	16,500	14,450	4,000	6,500	10,500
	-----	-----	-----	-----	-----
Profit after taxation	28,148	26,097	18,690	22,144	26,249
	=====	=====	=====	=====	=====
Paid-up capital	50,000	50,000	50,000	50,000	50,000
Reserves & unappropriated profits	93,689	98,536	102,226	106,870	108,119
	-----	-----	-----	-----	-----
Shareholders equity	143,689	148,536	152,226	156,870	158,119
	=====	=====	=====	=====	=====
<b>Break up value per share (Rs.)</b>	28.74	29.71	30.44	31.38	31.62
<b>Earnings per share (Rs.)</b>	5.63	5.22	3.74	4.43	5.25
<b>Cash distribution per share (Rs.)</b>	3.50	4.25	3.00	3.50	5.00
	=====	=====	=====	=====	=====

### Pattern of Shareholdings as at June 30, 1999

<i>Number of Shareholders</i>	<i>From</i>	<i>Shareholdings To</i>	<i>Total Shares Held</i>
68	1	100	6,800
149	101	500	61,500
38	501	1,000	34,000
46	1,001	5,000	113,700
4	5,001	10,000	25,949
3	10,001	15,000	37,450
2	20,001	25,000	43,125
3	25,001	30,000	84,500
2	35,001	40,000	76,000
1	40,001	45,000	43,200
1	45,001	50,000	49,905
1	50,001	55,000	54,925
1	55,001	60,000	55,530
1	60,001	65,000	65,500
1	65,001	70,000	66,980

1	70,001	75,000	72,300
2	75,001	80,000	153,400
2	95,001	100,000	199,600
1	100,001	105,000	102,200
1	105,001	110,000	109,625
1	165,001	170,000	165,811
3	210,001	215,000	636,906
1	355,001	360,000	356,117
1	465,001	470,000	467,107
1	1,915,001	1,920,000	1,917,870
-----			-----
335			5,000,000
=====			=====

The slabs representing Nil holding have been omitted.

### Categories of Shareholders

<i>Particulars</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	324	2,832,305	56.65
Joint Stock Companies	2	21,725	0.43
Investment Companies	3	82,800	1.66
Insurance Companies	3	45,200	0.90
Financial Institutions	2	2,017,870	40.36
<i>Others</i>			
National Industrial Finance Corporation of Pakistan	1	100	0.00
	-----	-----	-----
	335	5,000,000	100.00
	=====	=====	=====

### Auditors' Report to the Members

We have audited the annexed balance sheet of **Shezan International Limited as at June 30, 1999** and the related profit and loss account and statement of sources and application of funds, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion -

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

applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of sources and application of funds, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and of the profit and the changes in sources and application of funds for the year then ended; and

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

Lahore:  
December 02, 1999

**Chartered Accountants**

### Balance Sheet as at June 30, 1999

	<i>Notes</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
<b>Tangible fixed assets</b>			
Operating fixed assets	3	34,763	34,987
<b>Long term investments</b>	4	21,250	21,250
<b>Long term deposits</b>	5	1,685	1,394
		-----	-----
		57,698	57,631
<b>Current assets</b>			
Stores and spares	6	870	957
Stock in trade	7	167,000	136,276
Trade debts	8	46,308	32,705
Advances, deposits, prepayments and other receivables	9	10,749	22,565
Cash and bank balances	10	19,299	25,236
		-----	-----
		244,226	217,739
<b>Less: Current liabilities</b>			
Short-term running finances	11	18,665	9,076
Current maturity of obligations under finance lease	16	734	1,773
Creditors, accrued and other liabilities	12	94,796	87,543

Dividends	13	25,143	17,608
		-----	-----
		139,338	116,000
		-----	-----
<b>Working capital</b>		104,888	101,739
		-----	-----
<b>Capital employed</b>		162,586	159,370
		=====	=====
<b>Represented by</b>			
Share capital	14	50,000	50,000
General reserve	15	104,000	104,000
Unappropriated profits		4,119	2,870
		-----	-----
		158,119	156,870
Deferred taxation		2,500	2,500
Obligations under finance lease	16	1,967	--
<b>Contingencies and commitments</b>	17	--	--
		-----	-----
		162,586	159,370
		=====	=====

The attached notes form an integral part of these accounts.

#### Chief Executive

#### Director

### Profit and Loss Account for the year ended June 30, 1999

	<i>Notes</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
Sales	18	607,856	591,166
Cost of sales	19	469,909	468,348
		-----	-----
Gross profit		137,947	122,818
Less:			
Administrative and general expenses	20	23,996	20,867
Selling and distribution expenses	21	69,557	71,495
Financial charges	22	898	953
Other expenses and provisions	23	14,290	15,003
		-----	-----
		108,741	108,318
		-----	-----
Operating profit		29,206	14,500
Other income	24	7,543	14,144
		-----	-----
Profit before taxation		36,749	28,644
Provision for taxation	25	10,500	6,500



Profit after taxation		26,249	22,144
Unappropriated profit brought forward		2,870	2,226
		-----	-----
		29,119	24,370
Appropriations:			
Transfer to General reserve		--	4,000
Proposed dividend @ 50% (1998: 35%)		25,000	17,500
		-----	-----
		25,000	21,500
		-----	-----
Unappropriated profit carried forward		4,119	2,870
		=====	=====
Earnings per share	26	Rs. 5.25	Rs. 4.43
		=====	=====

The attached notes form an integral part of these accounts.

**Chief Executive**

**Director**

**Statement of Sources and Application of Funds (Cash Flow)  
for the year ended June 30, 1999**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
<b>Cash flow from operating activities</b>		
Funds provided from operations:		
Profit before taxation	36,749	28,644
Adjustment for items not involving movement of funds:		
Depreciation	4,998	4,881
Interest/mark-up charged on secured loans	97	183
Gain on disposal of fixed assets	(376)	(1,982)
	-----	-----
	4,719	3,082
	-----	-----
<b>Operating profit before working capital</b>	41,468	31,726
(Increase)/decrease in current assets:		
Stores and spares	87	(856)
Stock in trade	(30,724)	42,389
Trade debts	(13,603)	(5,237)
Advances, deposits, prepayments anti other receivables	10,594	(10,141)
	-----	-----
	(33,646)	26,155
Increase/(decrease) in current liabilities:		
Short-term running finances	9,589	(17,090)
Creditors, accrued and other liabilities	7,235	(2,543)
	-----	-----
	16,824	(19,633)

<b>Cash generated from operations:</b>	24,646	38,248
Interest/mark-up paid on secured loans	(79)	(173)
Income tax paid	(9,277)	(11,730)
<b>Net cash from operating activities</b>	<b>15,290</b>	<b>26,345</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(5,745)	(2,413)
Sale proceeds from disposal of fixed assets	1,346	2,741
Long term deposits	(291)	562
<b>Net cash from investing activities</b>	<b>(4,690)</b>	<b>890</b>
<b>Cash flow from financing activities</b>		
Proceeds from obligations under finance lease	2,905	--
Repayment of obligations under finance lease	(1,977)	(1,825)
Dividend paid	(17,465)	(14,989)
<b>Net cash from financing activities</b>	<b>(16,537)</b>	<b>(16,814)</b>
<b>Net (decrease)/increase in cash and bank balances</b>	<b>(5,937)</b>	<b>10,421</b>
<b>Cash and bank balances at the beginning of the year</b>	<b>25,236</b>	<b>14,815</b>
<b>Cash and bank balances at the end of the year</b>	<b>19,299</b>	<b>25,236</b>
	=====	=====

Chief Executive

Director

## Notes to the Accounts for the year ended June 30, 1999

### 1. The company and its operations

The Company is a Public Limited Company incorporated in Pakistan and listed on Lahore and Karachi Stock Exchanges. It is engaged in the manufacture and sale of juices, beverages, pickles, preserves and flavorings based upon or derived from fresh fruits and vegetables.

### 2. Significant accounting policies

#### 2.1 Revenue recognition:

Sales are recorded upon delivery of goods to the customers.

Income from bank deposits, loans and advances is recognized on accrual basis.

Dividend income is recognized when right to receive is established.

2.2 Historical costs are used as the basis for valuing transactions.

2.3 Research and development costs are expensed as and when incurred.

2.4 Tax provision is based on profits as adjusted for tax purposes. Effect of timing differences on account of accelerated tax depreciation is fully provided for, using the liability method.

2.5 Fixed assets are stated at historical cost less accumulated depreciation except for freehold land and capital work in progress which are stated at cost.

Depreciation is calculated using the reducing balance method at rates disclosed in note 3, which are considered appropriate to write off the cost of the assets over their useful lives.

Full year's depreciation is charged in the year of addition and no depreciation is charged in the year of disposal.

Leased assets held under finance lease are stated at cost less depreciation at the rates and basis applicable to company owned assets. The outstanding obligations under the lease less finance charges allocated to future period is shown as liability. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

Repairs and maintenance are charged to revenue. Material betterments are, however, capitalised.

Profits or losses on disposal of fixed assets are recognised in the profit and loss account in the year of disposal.

2.6 Long term investments are stated at cost. Provision is made for the diminution in value, if any, which is considered other than temporary.

2.7 Stocks and stores are valued at lower of cost or net realisable 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
.Finished goods	- Yearly average
Mango pulp	- Cost of manufacture according to annual average method
Bottles	- Yearly average
Shells, pallets and barrels	- Yearly average
Stores and spares	- Monthly average

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

Net realisable 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.

2.8 Debts considered irrecoverable, if any, are written off and provision is made for debts considered doubtful.

2.9 The Company contributes to a recognised provident fund for all permanent employees.

**3. Operating fixed assets***(Rupees in thousands)*

	<i>COST</i>		<i>To June 30, 1999</i>	<i>Book value as at June 30, 1999</i>	<i>DEPRECIATION</i>		<i>Charge for the year</i>	
	<i>To June 30, 1998</i>	<i>Additions</i>			<i>Disposals</i>	<i>Accumulated as at June 30, 1999</i>		<i>Annual rate %</i>
<b>COMPANY OWNED ASSETS</b>								
Freehold land	7,091	--	--	7,091	7,091	--	--	--
Buildings on freehold land	12,436	--	--	12,436	3,286	9,150	10	365
Plant and machinery	47,908	4,122	--	52,030	11,858	40,172	12 (1/2)	1,694
Furniture and fixtures	2,076	200	--	2,276	585	1,691	15	103
Motor vehicles and bicycles	21,777	1,719	1,505	21,991	6,499	15,492	20	1,624
Electric tools and fittings	490	--	--	490	83	407	10-25	10
Electric equipment	3,303	645	--	3,948	1,825	2,123	15	322
Laboratory equipment	179	--	--	179	32	147	10	4
Fork lifts	4,416	--	--	4,416	1,141	3,275	20	285
Arms and ammunitions	94	--	--	94	39	55	20	10
	-----	-----	-----	-----	-----	-----	-----	-----
	99,770	6,686	1,505	104,951	32,439	72,512		4,417
<b>ASSETS SUBJECT TO FINANCE LEASE</b>								
Plant and machinery	5,743	--	5,743	--	--	--	12 (1/2)	--
Motor vehicles	--	2,905	--	2,905	2,324	581	20	581
	-----	-----	-----	-----	-----	-----	-----	-----
	105,513	9,591	7,248	107,856	34,763	73,093		4,998
	=====	=====	=====	=====	=====	=====	=====	=====
1998	106,604	2,413	3,504	105,513	34,987	70,526		4,881
	=====	=====	=====	=====	=====	=====	=====	=====

3.1 Additions in Plant and machinery represents transfer from leased assets at net book value of Rs. (thousands) 3,847 (1998: Rs. Nil) representing cost of Rs. (thousands) 5,743 less accumulated depreciation of Rs. (thousands) 1,896.

**1999**                      **1998**  
*(Rupees in thousands)*

**3.2 Depreciation charge for the year has been allocated as follows:-**

Cost of sales (Note: 19)	2,215	2,449
Administrative and general expenses (Note: 20)	635	577
Selling and distribution expenses (Note: 21)	2,148	1,855
	-----	-----
	4,998	4,881
	=====	=====

**4. Long term investments**

Subsidiary company - unlisted -  
Hattar Fruit Products Limited  
2,500,000 (1998: 2,500,000) ordinary

shares of Rs. 10 each at cost (Note; 4.1)	20,000	20,000
Modaraba - listed - Guardian Leasing Modaraba 250,000 (1998: 250,000) certificates of Rs. 10 each at cost (Note: 4.2)	2,500	2,500
Less: Provision for diminution in value of investments	1,250	1,250
	-----	-----
	1,250	1,250
	-----	-----
	21,250	21,250
	=====	=====

4.1 Extent of holding directly and through nominees was 100% (1998: 100%). Value of each share of Rs. 10/- based on the audited accounts for the year ended June 30, 1999 is Rs. 64.70 (1998: Rs. 59.87). It includes 500,000 (1998: 500,000) ordinary shares of Rs. 10/- each received as bonus shares.

Chief Executive of the company is Mr. Saifi Chaudhary.

4.2 The above investment represents 2.50% (1998: 2.50%) of the issued certificate capital of the company. Chief Executive of the company is Mr. Ayaz Dawood.

Market value of the quoted certificates at year end is Rs. (thousands) 313 (1998: Rs. (thousands) 263). Management considers 50% of the cost as adequate provision for permanent impairment in the value of investments. Remaining provision has not been made for the diminution in value as it is considered temporary in the context of the company's intention to hold these investments on a long term basis.

**1999**                      **1998**  
**(Rupees in thousands)**

**5. Long term deposits**

Leasing companies	290	574
Others	1,395	1,394
	-----	-----
	1,685	1,968
Less: Current maturity - Leasing companies	--	574
	-----	-----
	1,685	1,394
	=====	=====

**6. Stores and spares**

Spares	870	957
	=====	=====

**7. Stock in trade**

Finished goods	79,069	56,785
Raw materials	11,600	13,198

Packing materials	35.59	22,586
Bottles	36,139	39,383
Shells, pallets and barrels	4,110	4,928
Less: Provision for deterioration in value	822	986
	-----	-----
	3,288	3,942
Goods in transit	1,311	382
	-----	-----
	167,000	136,276
	=====	=====

**8. Trade debts**

Unsecured, considered good -

Due from associated undertakings (Note: 8.1)

- Shahtaj Textiles Limited	8	--
- Shahnawaz Limited	19	3
- Shezan (Private) Limited	13	12
	-----	-----
	40	15
Others	46,268	32,690
	-----	-----
	46,308	32,705
Considered doubtful - Others	10	10
Provision for doubtful debts	10	10
	-----	-----
	--	--
	-----	-----
	46,308	32,705
	=====	=====

8.1 Maximum balance receivable at the end of any month during the year

	191	155
	=====	=====

**1999**                      **1998**  
*(Rupees in thousands)*

**9. Advances, deposits, prepayments and other receivables**

Advances - considered good

- Staff	67	284
- Suppliers	1,835	2,508
Advance excise duty	1,113	691
L.C. expenses and charges	694	188
Short term deposits	1,750	4,037
Current maturity of long term deposits	--	574
Prepayments	518	299

Other receivables	653	8
Dividend receivable	--	10,000
Income tax recoverable	2,753	3,976
Sales tax refundable	1,366	--
	-----	-----
	10,749	22,565
	=====	=====

**10. Cash and bank balances**

Cash in hand	3,236	357
Cheques in hand	1,186	3,076
At banks	12,604	20,699
- Current accounts	2,273	104
- PLS saving accounts	--	1,000
- PLS deposit accounts	--	--
	-----	-----
	19,299	25,236
	=====	=====

**11. Short-term running finances**

The aggregate running finance facility available from commercial banks trader the mark-up arrangements is Rs. (thousands) 25,000 (1998: Rs. (thousands) 20,000). The rates of mark-up range between 18% to 19% per annum, payable quarterly.

The above facilities are secured against hypothecation of current assets and personal guarantees of directors.

**1999**                      **1998**  
(Rupees in thousands)

**12. Creditors, accrued and other liabilities**

Due to associated undertakings	48,463	39,672
Creditors	11,493	13,860
Deposits (Note: 12.1)	2,353	2,257
Dealers' credit balances	8,489	8,434
Accrued expenses	10,080	13,426
Sales tax payable	10,373	7,147
Workers' Profit Participation Fund (Note: 12.2)	1,968	1,542
Workers' Welfare Fund	650	603
Other liabilities	927	602
	-----	-----
	94,796	87,543
	=====	=====

12.1 Security deposits from dealers have been obtained and are being utilised in pursuance of written agreements with them.

**12.2 Workers' Profit Participation Fund**

Balance at the beginning of the year	1,542	1,195
Allocation for the year	1,968	1,542
	-----	-----
	3,510	2,737

Interest on funds utilised  
in the Company's business

52 24

Amount paid to the Fund's Trust

3,562 2,761  
1,594 1,219

Balance at the end of the year

1,968 1,542

### 13. Dividends

Unclaimed

143 108

Proposed

25,000 17,500

25,143 17,608

### 14. Share capital

Authorised -  
10,000,000 (1998: 10,000,000) ordinary  
shares of Rs. 10 each

100,000 100,000

Issued, subscribed and paid-up -  
237,500 (1998: 237,500) ordinary shares  
of Rs. 10 each fully paid in cash

2,375 2,375

4,762,500 (1998: 4,762,500) ordinary shares  
Rs. 10 each issued as fully paid bonus shares

47,625 47,625

50,000 50,000

**1999** **1998**  
**(Rupees in thousands)**

### 15. General reserve

Balance brought forward

104,000 100,000

Transfer from Profit and Loss Account

-- 4,000

104,000 104,000

### 16. Obligations under finance lease

The average rate of interest used as the discounting factor (i.e. implicit in the lease) is 19.28% per annum. The amount of future payments and the period during which they will become due are:

**1999** **1998**  
**(Rupees in thousands)**



Year ending June 30,

1999	--	1,902
2000	1,136	--
2001	1,136	--
2002	1,143	--
	-----	-----
	3,415	1,902
Less: Future finance charges	714	129
	-----	-----
	2,701	1,773
Less: Current maturity	734	1,773
	-----	-----
	1,967	--
	=====	=====

The lease has the option for purchase of the assets at the end of the lease period. There are no financial restrictions in the lease agreements.

## 17. Contingencies and commitments

### a) Contingencies

i) Claim of E.O.B.I.. for Rs. (thousands) 133 (1998: Rs. (thousands) 133) not acknowledged as debt by the company.

ii) Claim of P.E.S.S.I. for Rs. (thousands) 2,917 (1998: Rs. (thousands) 2,379) not acknowledged as debt by the company.

iii) Notices for additional payment of sales tax & excise duty amounting to Rs. (thousands) 1,366 (1998: Rs. (thousands) 1,366) contested with the Department.

### b) Commitments

i) Commitments in respect of letters of credit established for the import of raw and packing materials Rs. (thousands) 2,313 (1998: Rs. (thousands) 4,850).

ii) Commitments in respect of counter bank guarantees were Rs. (thousands) 1,483 (1998: Rs. (thousands) 1,483).

## 18. Sales

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
Domestic	695,170	633,744
Export	81,974	92,796
	-----	-----
	777,144	726,540
Less: Commission and discount	22,351	20,654
Sales tax & excise duty	146,937	114,720
	-----	-----
	169,288	135,374

	-----	-----
	607,856	591,166
	=====	=====
<b>19. Cost of sales</b>		
Raw materials consumed	190,765	157,066
Packing materials consumed	137,345	126,719
	-----	-----
	328,110	283,785
Factory expenses -		
Salaries, wages and amenities	20,613	19,468
Stores consumed	10,077	6,170
Travelling and conveyance	111	96
Repairs and maintenance	9,141	6,391
Insurance	547	479
Fuel and power	18,554	18,445
Bottle breakage	10,041	9,521
General expenses	4,442	3,607
Depreciation (Note: 3.2)	2,215	2,449
	-----	-----
	75,741	66,626
	-----	-----
Cost of production	403,851	350,411
Add: Finished goods - Opening stock	56,785	71,500
Finished goods purchased	107,472	128,681
	-----	-----
	568,108	550,592
Less: Cost of samples and wastage	19,130	25,459
Finished goods - Closing stock	79,069	56,785
	-----	-----
	98,199	82,244
	-----	-----
	469,909	468,348
	=====	=====
	<b>1999</b>	<b>1998</b>
	<i>(Rupees in thousands)</i>	

**20. Administrative and general expenses**

Salaries, wages and amenities	15,469	13,946
Postage and telephone	1,505	1,337
Travelling and conveyance	528	448
Repairs and maintenance	1,874	889
Insurance	916	955
Stationery and printing	1,013	927
Rent, rates and taxes	1,010	962
Auditors' remuneration (Note: 20.1)	115	118
Legal and professional	399	455
Donations (Note: 20.2)	188	60
General expenses	344	305

Provision for doubtful - Short term deposits	--	(112)
Depreciation (Note: 3.2)	635	577
	-----	-----
	23,996	20,867
	=====	=====

**20.1 Auditors' remuneration**

Audit fee	100	100
Miscellaneous certification charges	--	5
Expenses reimbursed	15	13
	-----	-----
	115	118
	=====	=====

**20.2 Donations**

None of the directors or their spouses had any interest in any of the donees.

**21. Selling and distribution expenses**

Salaries, wages and amenities	17,039	15,993
Postage and telephone	439	389
Travelling and conveyance	1,997	1,935
Repairs and maintenance	6,289	5,651
Fuel and power	363	326
Stationery and printing	603	466
Rent, rates and taxes	892	979
Advertising and publicity	22,302	26,000
Cartage and freight	10,522	11,225
Staff sales incentive	1,287	1,313
Petrol, oil and lubricants	5,030	4,489
General expenses	172	212
Depreciation (Note: 3.2)	2,148	1,855
Deterioration on shells anti pallets (Note: 7)	474	662
	-----	-----
	69,557	71,495
	=====	=====

**22. Financial charges**

Interest, mark-up and charges on -		
Secured running finances	97	183
Unsecured loans	35	28
Workers' Profit Participation Fund (Note: 12.2)	52	24
Finance lease charges	209	428
	-----	-----
	393	663
Bank charges	505	290
	-----	-----
	898	953
	=====	=====

**23. Other expenses and provisions**

Product spoilage and barrel deterioration	599.30	7,168
---	--------	-------

Royalty to associated undertaking	5,967	5,639
Workers' Profit Participation Fund (Note: 12.2)	1,968	1,542
Workers' Welfare Fund - Prior years	(218)	51
- For the year	650	603
	-----	-----
	14,290	15,003
	=====	=====

**24. Other income**

Profit on bank deposits	637	3
Dividend from subsidiary company	--	10,000
Export rebate	1,695	294
Foreign exchange gain	4,005	812
Gain on disposal of fixed assets (Note: 24.1)	376	1,982
Sale of scrap	830	973
	-----	-----
	7,543	14,144
	=====	=====

**24.1 Gain on disposal of fixed assets**

<i>Description</i>	<i>Cost</i>	<i>Book value</i>	<i>Sale Proceeds (Rupees in thousands)</i>	<i>Profit/ (Loss)</i>	<i>Purchaser</i>
Motor Vehicles					
Suzuki Swift Car	200	30	45		15Mr. Ali Afzal, Ravi Clifton Colony, Shahdara, Lahore.
Suzuki Pickup	160	47	70		23Sheikh Mukhtar Ahmad, Ahsan Traders, Rawalpindi.
Honda Civic	869	869	820		(49)M/s. Eastern Federal Union, Lahore (Insurance claim).
Mazda T-3500	194	10	200		190Mr. M. Akram, Shezan Distributor, Gulberg, Lahore.
Nissan Pickup	29	10	175		165Mr. M. Arif, Shezan Distributor, Gulberg, Lahore.
WDV below Rs. (thousands) 5 each	53	4	36		32Various.
	-----	-----	-----	-----	
	1,505	970	1,346	376	
	=====	=====	=====	=====	

24.1.1 Mode of sale of the above assets was by negotiation.

24.1.2 No assets were sold to Chief Executive, Directors, Executives or Shareholders holding more than 10% of total paid-up capital.

## 25. Provision for taxation

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
Current		
- Prior years	393	(182)
- For the year	10,107	7,182
Deferred	--	(500)
	-----	-----
	10,500	6,500
	=====	=====

## 26. Earnings per share

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
Profit after taxation attributable to ordinary shareholders	26,249	22,144
Number of ordinary shares issued and subscribed at the end of the year (in thousands)	5,000	5,000
	-----	-----
Earnings per share	Rs. 5.25	Rs. 4.43
	=====	=====

## 27. Financial instruments and related disclosures

### 27.1 Concentration of credit risk and credit exposures of the financial instruments

The company does not believe it is exposed to major concentration of credit risk. However to manage any possible exposure to credit risk, the company applies approved credit limits to its customers.

### 27.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to sale and purchase transactions with foreign undertakings. Payables exposed to foreign currency risks are identified as either "Creditors" or "Bills Payable". The company does not view hedging as being financially feasible owing to the excessive costs involved in relation to the amounts at risk.

### 27.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The company is exposed to interest rate risk in respect of short-term running finance under mark-up arrangements, cash in deposit account and obligations under finance lease.

### 27.4 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

### 28. Movements in owners' equity

Movements in owners' equity during the year are identified and adequately disclosed in the financial statements.

### 29. Transactions with associated undertakings

Purchases of raw materials	57,945	55,910
Purchases of finished goods	104,430	126,228
Sales of raw materials	2,927	3,999
Sales of finished goods	8,011	9,687
Royalty charged	5,967	5,639
Purchases of electric equipment	75	364
Dividend income	--	10,000

### 30. Remuneration of Chief Executive, paid directors and executives

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	1	1	2	2	11	3
	<i>(Rupees in thousands)</i>					
Managerial remuneration	526	457	1,202	909	2,518	732
Provident fund	25	24	46	45	90	39
Housing	138	102	276	204	891	258
Utilities	96	94	193	187	800	274
Medical	14	14	27	27	125	41
	-----	-----	-----	-----	-----	-----
	799	691	1,744	1,372	4,424	1,344
	=====	=====	=====	=====	=====	=====

30.1 Fees paid to four non-executive directors during the year for attending Board meetings  
Rs. (thousands) 4 (1998: Rs. (thousands) 4).

30.2 The company also provides the Chief Executive, certain directors and executives with company maintained vehicles.

### 31. Capacity and production

	<i>Capacity per 8 hour shift</i>		<i>Production</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Juices -				
Bottling plant	9,000	Crates	2,877,876	2,671,111
Tetrapak plant	3,000	Dozens	1,956,490	2,070,437
Squashes and syrups plant	3,000	Dozens	136,596	112,193
Jams and ketchup plant	600	Dozens	262,369	251,065
Achar plant	300	Dozens	73,645	73,688

Canning plant	600	Dozens	105,148	74,315
---------------	-----	--------	---------	--------

The shortfall in production is due to market conditions.

### 32. Number of employees

Total number of permanent employees at the year end was 235 (1998: 247).

### 33. General

- Figures in these accounts are rounded off to the nearest thousand of rupees.

- Figures of the previous year have been rearranged, wherever necessary, for the purposes of comparison.

**Chief Executive**

**Director**

## Statement Pursuant to Section 237 of the Companies Ordinance, 1984

Accounts of the subsidiary company Messrs. Hattar Fruit Products Limited for the year ended June 30, 1999 are annexed to these accounts.

The holding company's interest in the subsidiary company Messrs. Hattar Fruit Products Limited was not changed during the year from July 01, 1998 to June 30, 1999.

**Chief Executive**

**Executive Director**

## Hattar Fruit Products Limited

Shezan's wholly owned subsidiary

## Directors' Report to the Members

The Directors of the Company feel pleasure in presenting their 9th Annual Report and Audited Accounts of the Company for the year ended June 30, 1999.

As you will observe, our sales decreased by almost 5% and profit after taxation decreased by 35%. The decrease in profit after taxation was due to the fact that now the tax holiday period is over and the profits of the company are fully taxable.

Overall, the Share Holders will appreciate that we have a healthy balance Sheet and satisfactory financial results.

The fixture profitability of the project depends upon intensive marketing in the N.W.F.P and Rawalpindi/Islamabad regions and also the opening of the Central Asian Republics for the exports of our products. During this period, your company paid Rs. 20,294,850 as Excise Duty and Rs. 32,625,792 as Sales Tax.

We have looked into our systems and do not foresee any Y2K problems at the beginning of the next century.

In order to diversify its interests, the company plans to invest in snack food industry, which has good growth

prospects.

**Dividend:**

Since the company profits have now become taxable and the profitability was less than last year's, the Directors recommended to pass over the Dividend.

**Auditors:**

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants have conveyed their willingness to be appointed in the ensuing year.

**Labour Management Relations:**

During the year under review, the labour and management relations remained cordial. Your Directors place on record, their appreciation for the loyalty and devotion to duty of the officers and workers of all categories.

Lahore:

December 02, 1999

**On behalf of the Board  
Chief Executive**

**Auditors' Report to the Members**

We have audited the annexed balance sheet of **Hattar Fruit Products Limited as at June 30, 1999** and the related profit and loss account and statement of sources and application of funds, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion -

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of sources and application of funds, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and of the profit and the changes in sources and application of funds for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Lahore:  
December 02, 1999

**Chartered Accountants**

**Balance Sheet as at June 30, 1999**

	<i>Notes</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
<b>Tangible fixed assets</b>			
Operating fixed assets	3	42,114	46,369
<b>Long term investments</b>			
	4	5,860	--
<b>Long term deposits</b>	5	46	46
		-----	-----
		48,020	46,415
<b>Current assets</b>			
Stock in trade	6	74,171	54,636
Trade debts	7	48,134	40,271
Advances, deposits, prepayments and other receivables	8	2,825	5,093
Cash and bank balances	9	18,244	43,504
		-----	-----
		143,374	143,504
<b>Less: Current liabilities</b>			
Current maturity of long term loans	14	--	3,750
Short-term running finances	10	--	--
Creditors, accrued and other liabilities	11	23,112	26,490
Taxation		921	--
Dividends		--	10,000
		-----	-----
		24,033	40,240
<b>Working capital</b>			
		-----	-----
		119,341	103,264
<b>Capital employed</b>			
		-----	-----
		167,361	149,679
		=====	=====
<b>Represented by</b>			
Share capital	12	25,000	25,000
General reserve	13	130,000	120,000
Unappropriated profits		6,761	4,679
		-----	-----
		161,761	149,679
Long term loans	14	--	--
Deferred taxation		5,600	--

**Contingencies and commitments**

15

--

--

-----  
167,361-----  
149,679

=====

=====

The attached notes form an integral part of these accounts.

**Chief Executive****Director****Profit and Loss Account  
for the year ended June 30, 1999**

	<i>Notes</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
Sales	16	174,025	182,484
Cost of sales	17	140,418	151,078
Gross profit		----- 33,607	----- 31,406
Less: Administrative and general expenses	18	3,650	2,952
Selling and distribution expenses	19	8,392	7,733
Financial charges	20	638	1,413
Other expenses and provisions	21	3,147	2,215
		----- 15,827	----- 14,313
Operating profit		----- 17,780	----- 17,093
Other income	22	3,769	2,030
Profit before taxation		----- 21,549	----- 19,123
Provision for taxation	23	9,467	629
Profit after taxation		----- 12,082	----- 18,494
Unappropriated profit brought forward		4,679	16,185
		----- 16,761	----- 34,679
Appropriations:			
Transfer to General reserve		10,000	20,000
Proposed dividend @ Nil (1998: 40%)		--	10,000
		----- 10,000	----- 30,000
Unappropriated profit carried forward		----- 6,761	----- 4,679
Earnings per share	24	----- Rs. 4.83	----- Rs. 7.40
		=====	=====

The attached notes form an integral part of these accounts.

**Chief Executive****Director**

**Statement of Sources and Application of Funds (Cash Flow)  
for the year ended June 30, 1999**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
<b>Cash flow from operating activities</b>		
Funds provided from operations:		
Profit before taxation	21,549	19,123
Adjustment for items not involving movement of funds:		
Depreciation	5,765	6,330
Interest/mark-up charged on secured loans	350	1,161
Gain on disposal of fixed assets	(37)	(274)
	-----	-----
	6,078	7,217
	-----	-----
<b>Operating profit before working capital</b>	27,627	26,340
(Increase)/decrease in current assets:		
Stock in trade	(19,535)	5,329
Trade debts	(7,863)	10,112
Advances, deposits, prepayments and other receivables	(206)	(367)
	-----	-----
	(27,604)	15,074
Increase/(decrease) in current liabilities:		
Short-term running finances	--	(2,221)
Creditors, accrued and other liabilities	(2,189)	7,561
	-----	-----
	(2,189)	5,340
	-----	-----
<b>Cash generated from operations:</b>	(2,166)	46,754
Interest/mark-up paid on secured loans	(1,540)	(1,666)
Income tax paid	(472)	(397)
	-----	-----
<b>Net cash from operating activities</b>	(4,178)	44,691
Cash flow from investing activities		
Purchase of fixed assets	(1,632)	(892)
Sale proceeds from disposal of fixed assets	160	595
Long term investments	(5,860)	--
	-----	-----
<b>Net cash from investing activities</b>	(7,332)	(297)
Cash flow from financing activities		
Repayment of long term loans	(3,750)	(3,750)
Dividend paid	(10,000)	--
	-----	-----
<b>Net cash from financing activities</b>	(13,750)	(3,750)
	-----	-----
<b>Net (decrease)/increase in cash and bank balances</b>	(25,260)	40,644

<b>Cash and bank balances at the beginning of the year</b>	43,504	2,860
	-----	-----
<b>Cash and bank balances at the end of the year</b>	18,244	43,504
	=====	=====

**Chief Executive**

**Director**

## **Notes to the Accounts for the year ended June 30, 1999**

### **1. The company and its operations**

The Company is an unlisted Public Limited Company incorporated in Pakistan and is a wholly owned subsidiary of Shezan International Limited, a listed company. It is engaged in the manufacture and sale of juices, beverages, pickles, preserves and flavorings based upon or derived from fresh fruits and vegetables.

### **2. Significant accounting policies**

#### **2.1 Revenue recognition:**

Sales are recorded upon delivery of goods to the customers.

Income from bank deposits, loans and advances is recognized on accrual basis.

Dividend income is recognized when right to receive is established.

2.2 Historical costs are used as the basis for valuing transactions.

2.3 Research and development costs are expensed as and when incurred.

2.4 Tax provision is based on profits as adjusted for tax purposes. Effect of timing differences on account of accelerated tax depreciation is fully provided for, using the liability, method.

2.5 Fixed assets are stated at historical cost less accumulated depreciation except for leasehold land which is held on a 99 years renewable lease and capital work in progress which are stated at cost.

Depreciation is calculated using the reducing balance method at rates disclosed in note 3, which are considered appropriate to write off the cost of the assets over their useful lives.

Full year's depreciation is charged in the year of addition and no depreciation is charged in the year of disposal.

Repairs and maintenance are charged to revenue. Material betterments are, however, capitalised.

Profits or losses on disposal of fixed assets are recognised in the profit and loss account in the year of disposal.

2.6 Long term investments are stated at cost. Provision is made for the diminution in value, if any, which is considered other than temporary.

2.7 Stocks and stores are valued at lower of cost or net realisable 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
Finished goods	- Yearly average
Bottles	- Yearly average
Shells, pallets and barrels	- Yearly average
Stores and spares	- Monthly average

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

Net realisable 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.

2.8 Debts considered irrecoverable, if any, are written off and provision is made for debts considered doubtful.

2.9 The Company contributes to a recognised provident fund for all permanent employees.

### 3. Operating fixed assets

(Rupees in thousands)

	COST		To June 30, 1999	Book value as at June 30, 1999	DEPRECIATION		Charge for the year	
	To June 30, 1998	Additions			Disposals	Accumulated as at June 30, 1999		Annual rate %
<b>COMPANY OWNED ASSETS</b>								
Leasehold land	1,802	--	--	1,802	1,802	--	--	--
Buildings on leasehold land	10,294	--	--	10,294	4,496	5,798	10	500
Plant and machinery	75,456	728	--	76,184	34,003	42,181	12 (1/2)	4,857
Furniture and fixtures	156	22	--	178	69	109	15	12
Motor vehicles	1,060	625	267	1,418	935	483	20	234
Electric tools and fittings	165	--	--	165	53	112	10-25	7
Electric equipment	511	257	--	768	413	355	15	73
Laboratory equipment	63	--	--	63	32	31	10	4
Fork lifts	1,429	--	--	1,429	311	1,118	20	78
	-----	-----	-----	-----	-----	-----	-----	-----
	90,936	1,632	267	92,301	42,114	50,187		5,765
	=====	=====	=====	=====	=====	=====	=====	=====
1998	90,871	892	829	90,934	46,369	44,565		6,330
	=====	=====	=====	=====	=====	=====	=====	=====

1999                      1998  
(Rupees in thousands)

#### 3.1 Depreciation charge for the year has been allocated as follows:-

Cost of sales (Note: 17)	5,316	5,943
Administrative and general expenses (Note: 18)	235	246
Selling and. distribution expenses (Note: 19)	214	141

-----	-----
5,765	6,330
=====	=====

#### 4. Long term investments

Associated undertaking -

Hattar Food Products (Private) Limited

58,600 (1998: Nil) ordinary

shares of Rs. 100 each at cost (Note: 4.1)

5,860	--
=====	=====

4.1 The above investment represents 35.95% (1998: Nil) of the issued share capital of the associated company. The cost and the book value of the investments is the same as the associated undertaking has not yet commenced its commercial operation. Chief Executive of the company is Mr. Muneer Nawaz.

**1999**                      **1998**  
*(Rupees in thousands)*

#### 5. Long term deposits

These are with utility companies.

46	46
=====	=====

#### 6. Stock in trade

Finished goods

Raw materials

Packing materials

Bottles

3,617	4,691
17,727	17,486
34,665	16,480
16,905	14,922

Shells and pallets

Less: Provision for deterioration in value (Note: 19)

1,571	1,322
314	265
-----	-----
1,257	1,057
-----	-----
74,171	54,636
=====	=====

#### 7. Trade debts

Unsecured, considered good -

Holding company - Shezan International Limited (Note: 7.1)

Others

44,758	37,773
3,376	2,498
-----	-----
48,134	40,271
=====	=====

7.1 Maximum balance receivable at the end of  
any month during the year

55,533	66,355
=====	=====

#### 8. Advances, deposits, prepayments and other receivables

Advances - Unsecured, considered good		
- Staff	214	--
- Suppliers	325	287
Due from associated undertakings (Note: 8.1)	22	255
Advance excise duty	877	462
Short term deposits	510	525
Prepayments	8	25
Accrued profit on bank deposits	--	195
Income tax recoverable	--	2,475
Sales tax refundable	869	869
	-----	-----
	2,825	5,093
	=====	=====

8.1 Maximum balance receivable at the end of any month during the year

	404	818
	=====	=====

**1999**                      **1998**  
(Rupees in thousands)

### 9. Cash and bank balance

Cash in hand	219	146
Cheques in hand	466	231
At banks	4,605	16,040
- Current accounts		
- PLS saving accounts	12,954	15,087
- PLS deposit accounts	--	2,000
- Cash management deposit accounts	--	10,000
	-----	-----
	18,244	43,504
	=====	=====

### 10. Short term running finances

The aggregate running finance facility available under the mark-up arrangement is Rs. (thousands) 25,000 (1998: Rs. (thousands) 25,000) and carries mark-up @ 52 paisas per thousand per day. Mark-up is payable quarterly.

The above facility is secured against first charge on ~1 existing assets of the company, hypothecation of stocks and guarantee of the holding company.

**1999**                      **1998**  
(Rupees in thousands)

### 11. Creditors, accrued and other liabilities

Due to associated undertakings	509	--
Creditors	13,990	18,419
Deposits	1,653	894
Dealers' credit balances	1,096	1,279
Accrued expenses	331	622
Sales tax payable	3,097	2,244
Workers' Profit Participation Fund (Note: 11.1)	1,140	1,006

Workers' Welfare Fund	120	--
Mark-up accrued on long term secured loan	--	1,189
Other liabilities	1,176	837
	-----	-----
	23,112	26,490
	=====	=====

**11.1 Workers' Profit Participation Fund**

Balance at the beginning of the year	1,006	688
Allocation for the year	1,140	1,006
	-----	-----
	2,146	1,694
Interest on funds utilized in the Company's business	162	78
	-----	-----
	2,308	1,772
Amount paid to the Fund's Trust	1,168	766
	-----	-----
Balance at the end of the year	1,140	1,006
	=====	=====

**1999**                      **1998**  
*(Rupees in thousands)*

**12. Share capital**

Authorised:		
5,000,000 (1998: 5,000,000) ordinary shares of Rs. 10 each	50,000	50,000
	=====	=====
Issued, subscribed and paid-up -		
2,000,000 (1998: 2,000,000) ordinary shares of Rs. 10 each fully paid in cash	20,000	20,000
500,000 (1998: 500,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	5,000	5,000
	-----	-----
	25,000	25,000
	=====	=====

Out of 2,500,000 (1998: 2,500,000) shares, 2,496,000 (1998: 2,496,000) shares are held by Shezan International Limited, the holding company, whilst the balance 4,000 (1998: 4,000) shares are held by its nominees.

**1999**                      **1998**  
*(Rupees in thousands)*

**13. General reserve**

Balance brought forward	120,000	100,000
Transfer from Profit and Loss Account	10,000	20,000
	-----	-----
	130,000	120,000
	=====	=====



**14. Long term loans - secured**

Bank of Khyber (Note: 14.1)	--	3,750
Less: Current maturity	--	3,750
	-----	-----
	--	--
	=====	=====

14.1 The aggregate finance facility available under the mark-up arrangements was Rs. (thousands) 15,000 (1998: (thousands) 15,000) and carried mark-up @ 50 paisas per thousand per day. The loan was repayable in 8 half yearly installments inclusive of mark-up starting October 04, 1995. The above facility was secured against first charge on Tetrapak plant and guarantee of the holding company; Shezan International Limited.

**15. Contingencies and commitments**

- Counter guarantees in favour of banks in the ordinary course of business were Rs. (thousands) 1,330 (1998: Rs. (thousands) 1,330).

- Commitments for equity investment in an associated undertaking (Private Limited) Rs. (thousands) 4,140 (1998: Rs. (thousands) 10,000).

**16. Sales**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
Sales	232,653	235,961
Less: Commission and discount	5,707	5,665
Sales tax & excise duty	52,921	47,812
	-----	-----
	58,628	53,477
	-----	-----
	174,025	182,484
	=====	=====

**17. Cost of sales**

Raw materials consumed	42,608	47,225
Packing materials consumed	70,415	78,966
	-----	-----
	113,023	126,191
Factory expenses -		
Salaries, wages and amenities	2,988	2,511
Stores consumed	890	848
Travelling and conveyance	19	18
Repairs and maintenance	4,123	3,291
Insurance	291	291
Fuel and power	5,822	5,289
Rent, rates and taxes	22	102
Bottle breakage	1,213	1,266
General expenses	171	178
Depreciation (Note: 3.1)	5,316	5,943
	-----	-----

	20,855	19,737
	-----	-----
Cost of production	133,878	145,928
Add: Finished goods - Opening stock	4,691	3,827
Finished goods purchased	7,702	9,364
	-----	-----
	146,271	159,119
Less: Cost of samples and wastage	2,236	3,350
Finished goods - Closing stock	3,617	4,691
	-----	-----
	5,853	8,041
	-----	-----
	140,418	151,078
	=====	=====
	<b>1999</b>	<b>1998</b>
	<b>(Rupees in thousands)</b>	

**18. Administrative and general expenses**

Salaries, wages and amenities	2,153	1,637
Postage and telephone	243	249
Travelling and conveyance	82	54
Repairs and maintenance	223	183
Insurance	167	237
Stationery and printing	126	114
Rent, rates and taxes	45	11
Auditors' remuneration (Note: 18.1)	100	92
Legal and professional	16	13
Donations (Note: 18.2)	80	
General expenses	180	116
Depreciation (Note: 3.1)	235	246
	-----	-----
	3,650	2,952
	=====	=====

**18.1 Auditors' remuneration**

Audit fee	100	75
Expenses reimbursed	--	17
	-----	-----
	100	92
	=====	=====

**18.2 Donations**

None of the directors or their spouses had any interest in any of the donees.

**19. Selling and distribution expenses**

Salaries, wages and amenities	733	615
Postage and telephone	94	84
Travelling and conveyance	231	129
Repairs and maintenance	532	522

Insurance	99	44
Fuel and power	379	331
Rent, rates and taxes	79	83
Advertising and publicity	2,337	2,931
Cartage and freight	3,077	2,352
Loading/unloading	224	205
General expenses	79	31
Depreciation (Note: 3.1)	214	141
Deterioration on shells and pallets (Note: 6)	314	265
	-----	-----
	8,392	7,733
	=====	=====

**1999**                      **1998**  
(Rupees in thousands)

## 20. Financial charges

Interest, mark-up and charges on -		
Secured long term loans	350	1,035
Secured running finances	--	126
Workers' Profit Participation Fund (Note: 11.1)	162	78
Bank charges	126	174
	-----	-----
	638	1,413
	=====	=====

## 21. Other expenses and provisions

Product spoilage and barrel deterioration	1,191	646
Royalty to associated undertaking	696	563
Workers' Profit Participation Fund (Note: 11.1)	1,140	1,006
Workers' Welfare Fund	120	--
	-----	-----
	3,147	2,215
	=====	=====

## 22. Other income

Profit on bank deposit	3,321	274
Gain on disposal of fixed assets (Note: 22.1)	37	1,462
Sale of scrap	411	294
	-----	-----
	3,769	2,030
	=====	=====

### 22.1 Gain on disposal of fixed assets

<i>Description</i>	<i>Cost</i>	<i>Book value</i>	<i>Sale Proceeds</i>	<i>Profit/ (Loss)</i>
Suzuki Car	267	123	160	37

22.1.1 This car was sold to Mr. Mohammad Riaz, Ferozepur Road, Lahore.

22.1.2 Mode of sale of the above asset was by negotiation.

22.1.3 No assets were sold to Chief Executive, Directors, Executives or Shareholders holding more than 10% total paid-up capital.

### 23. Provision for taxation

Current - Prior years  
- For the year (Note: 23.1)

Deferred

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
	117	--
	3,750	629
	5,600	--
	-----	-----
	9,467	629
	=====	=====

23.1 The company enjoyed tax holiday under clause 118-C of the Second Schedule to the Income Tax Ordinance, 1979, which expired on April 30, 1999. In view of the decision made by the Honourable Supreme Court of Pakistan, no tax provision has been made under section 80D of the Income Tax Ordinance, 1979 for the tax holiday period.

### 24. Earnings per share

Profit after taxation attributable to ordinary shareholders

Number of ordinary shares issued and subscribed at the end of the year (in thousands)

Earnings per share

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
	12,082	18,494
	2,500	2,500
	-----	-----
	Rs. 4.83	Rs. 7.40
	=====	=====

### 25. Financial instruments and related disclosures

#### 25.1 Concentration of credit risk and credit exposures of the financial instruments

The company does not believe it is exposed to major concentration of credit risk. However to manage any possible exposure to credit risk, the company applies approved credit limits to its customers.

#### 25.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to sale and purchase transactions with foreign undertakings. Payables exposed to foreign currency risks are identified as either "Creditors" or "Bills Payable". The company does not view hedging as being financially feasible owing to the excessive costs involved in relation to the amounts at risk.

#### 25.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The company is exposed to interest rate risk in respect of short-term running finance under mark-up arrangements, cash in deposit account and

obligations under finance lease.

#### 25.4 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

#### 26. Movements in owners' equity

Movements in owners' equity during the year are identified and adequately disclosed in the financial statements.

#### 27. Transactions with associated undertakings

Purchases of raw materials	23,747	30,334
Purchases of finished goods	7,702	9,364
Sales of finished goods	104,430	126,228
Royalty charged	696	563
Purchases of electric equipment	136	--
Dividend paid	--	10,000

#### 28. Remuneration of Chief Executive, paid directors and executives

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Total number	--	--	--	--	--	1
Managerial remuneration	--	--	--	--	--	170
Provident fund	--	--	--	--	--	9
Housing	--	--	--	--	--	102
Utilities	--	--	--	--	--	118
Medical	--	--	--	--	--	14
	-----	-----	-----	-----	-----	-----
	--	--	--	--	--	413
	=====	=====	=====	=====	=====	=====

28.1 Fees paid to non-executive directors during the year for attending Board meetings

Rs. Nil (1998: Rs. N/I).

28.2 The company also provides the Chief Executive, certain directors and executives with company maintained vehicles.

#### 29. Capacity and production

	<i>Capacity per 8 hour shift</i>		<i>Production</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Juices -				
Bottling plant	5,000	Crates	582,421	491,431
Tetrapak plant	8,600	Dozens	1,720,048	2,252,794
Squashes and syrups plant	1,300	Dozens	47,254	41,448
Jams and ketchup plant	700	Dozens	47,949	40,376

The shortfall in production is due to market conditions.

**30. Number of employees**

Total number of permanent employees at the year end was 20 (1998: 20).

**31. General**

- Figures in these accounts are rounded off to the nearest thousand of rupees.

- Figures of the previous year have been rearranged, wherever necessary, for the purposes of comparison.

**Chief Executive**

**Director**

**Pattern of Shareholdings as at June 30, 1999**

<i>Number of Shareholders</i>	<i>Shareholdings From</i>	<i>To</i>	<i>Total Shares Held</i>
8	101		500
1	2,495,001		2,500,000
-----			-----
9			2,500,000
=====			=====

The slabs representing Nil holding have been omitted.

**Categories of Shareholders**

<i>Particulars</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	8	4,000	0.16
Joint Stock Companies	1	2,496,000	99.84
	-----	-----	-----
	9	2,500,000	100.00
	=====	=====	=====

**Consolidated Financial Information**

**GENERAL INFORMATION SUBSIDIARIES**

Name	Hattar Fruit Products Limited
At	100%
Nature of business	Manufacture and sale of juices, beverages, pickles preserves and flavourings based upon or derived from fresh fruits and vegetables.

**Reserves attributable to members of the parent company dealt with in the financial statements of the parent company:**

In the current year	NIL
In the previous year	NIL

**Reserves attributable to members of the parent company not dealt with in the financial statements of the parent company:**

In the current year	NIL
In the previous years	NIL

**TRANSACTIONS WITH SUBSIDIARIES**

<i>Type of Transaction</i>	<i>Value during the period (Rupees in thousands)</i>	<i>Basis of determination of the transaction value</i>
Purchases	104,430	Standard sales policy.
Sales	10,938	Cost to Shezan International Limited.

**Subsidiaries Company's Balance**

	<i>Year end Balance</i>	<i>Nature of Balance</i>	<i>Maximum balance at the end of any month during the year</i>
Hattar Fruit Products Ltd.	44,758	Current account	55,533

**Details of Group Banking Arrangements**

Not applicable.

**Chief Executive**

**Director**

**Auditors' Report to the Members**

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of **Shezan International Limited and its subsidiary Company as at June 30, 1999** and the related consolidated profit and loss account and consolidated statement of sources and application of funds, together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Shezan International Limited and its subsidiary Company. These financial statements are the responsibility of the Holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with generally accepted auditing guidelines and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Shezan International Limited and its subsidiary Company as at June 30, 1999 and the results of their operations for the year then ended.

Lahore:

December 02, 1999

## Chartered Accountants

## Consolidated Balance Sheet as at June 30, 1999

	<i>Notes</i>	<i>1999</i> <i>(Rupees in thousands)</i>	<i>1998</i>
<b>Tangible fixed assets</b>			
Operating fixed assets	3	76,877	81,356
<b>Long term investments</b>	4	7,110	1,250
<b>Long term deposits</b>	5	1,731	1,440
		-----	-----
		85,718	84,046
<b>Current assets</b>			
Stores and spares	6	870	957
Stock in trade	7	241,171	190,912
Trade debts	8	49,684	35,203
Advances, deposits, prepayments and other receivables	9	12,653	17,658
Cash and bank balances	10	37,543	68,740
		-----	-----
		341,921	313,470
<b>Less: Current liabilities</b>			
Short-term running finances	11	18,665	9,076
Current maturity of long term loans	16	--	3,750
Current maturity of obligations under finance lease	17	734	1,773
Creditors, accrued and other liabilities	12	73,150	76,260
Dividends	13	25,143	17,608
		-----	-----
		117,692	108,467
		-----	-----
<b>Working capital</b>		224,229	205,003
		-----	-----
<b>Capital employed</b>		309,947	289,049
		=====	=====
<b>Represented by</b>			
Share capital	14	50,000	50,000
Reserves	15	249,880	236,549
		-----	-----
		299,880	286,549
Minority interest		--	--
		-----	-----
		299,880	286,549
Long term loans	16	--	--
Deferred taxation		8,100	2,500
Obligations under finance lease	17	1,967	--



<b>Contingencies and commitments</b>	18	--	--
		-----	-----
		309,947	289,049
		=====	=====

The attached notes form an integral part of these accounts.

**Chief Executive**

**Director**

**Consolidated Profit and Loss Account  
for the year ended June 30, 1999**

	<i>Notes</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousands)</i>	
Sales	19	666,822	634,058
Cost of sales	20	495,268	479,834
		-----	-----
Gross profit		171,554	154,224
Less:			
Administrative and general expenses	21	27,646	23,819
Selling and distribution expenses	22	77,949	79,228
Financial charges	23	1,536	2,366
Other expenses and provisions	24	17,437	17,218
		-----	-----
		124,568	122,631
Operating profit		-----	-----
		46,986	31,593
Other income	25	11,312	6,174
		-----	-----
Profit before taxation		58,298	37,767
Provision for taxation	26	19,967	7,129
		-----	-----
Profit after taxation		38,331	30,638
Unappropriated profit brought forward		7,549	18,411
		-----	-----
		45,880	49,049
Appropriations:			
Transfer to General reserve		10,000	24,000
Proposed dividend @ 50% (1998; 35%)		25,000	17,500
		-----	-----
		35,000	41,500
		-----	-----
Unappropriated profit carried forward		10,880	7,549
		=====	=====
Earnings per share	27	Rs. 7.67	Rs. 6.13
		=====	=====

The attached notes form an integral part of these accounts.

## Chief Executive

## Director

**Consolidated Statement of Sources and Application  
of Funds (Cash Flow) for the year ended June 30, 1999**

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
<b>Cash flow from operating activities</b>		
Funds provided from operations:		
Profit before taxation	58,298	37,767
Adjustment for items not involving movement of funds:		
Depreciation	10,763	11,211
Interest/mark-up charged on secured loans	447	1,344
Gain on disposal of fixed assets	(413)	(2,256)
	-----	-----
	10,797	10,299
	-----	-----
<b>Operating profit before working capital</b>	69,095	48,066
(Increase)/decrease in current assets:		
Stores and spares	87	(856)
Stock in trade	(50,259)	47,718
Trade debts	(14,481)	4,875
Advances, deposits, prepayments and other receivables	386	(508)
	-----	-----
	(64,267)	51,229
Increase/(decrease) in current liabilities:		
Short-term running finances	9,589	(19,311)
Creditors, accrued and other liabilities	(1,938)	5,018
	-----	-----
	7,651	(14,293)
	-----	-----
<b>Cash generated from operations:</b>	12,479	85,002
Interest/mark-up paid on secured loans	(1,619)	(1,839)
Income tax paid	(9,749)	(12,127)
	-----	-----
<b>Net cash from operating activities</b>	1,111	71,036
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(7,376)	(3,305)
Sale proceeds from disposal of fixed assets	1,506	3,336
Long term deposits	(291)	562
Long term investments	(5,860)	--
	-----	-----
<b>Net cash from investing activities</b>	(12,021)	593
<b>Cash flow from financing activities</b>		
Proceeds from obligations under finance lease	2,905--	

Repayment of obligations under finance lease	(1,977)	(1,825)
Repayment of long term loans	(3,750)	(3,750)
Dividend paid	(17,465)	(14,989)
	-----	-----
<b>Net cash from financing activities</b>	<b>(20,287)</b>	<b>(20,564)</b>
	-----	-----
<b>Net (decrease)/increase in cash and bank balances</b>	<b>(31,197)</b>	<b>51,065</b>
<b>Cash and bank balances at, the beginning of the year</b>	<b>68,740</b>	<b>17,675</b>
	-----	-----
<b>Cash and bank balances at the end of the year</b>	<b>37,543</b>	<b>68,740</b>
	=====	=====

Chief Executive

Director

## Consolidated Notes to the Accounts for the year ended June 30, 1999

### 1. The company and its operations

The Company "Shezan International Limited" is a Public Limited Company incorporated in Pakistan and listed on Lahore and Karachi Stock Exchange, whereas "Hattar Fruit Products Limited" is an unlisted Public Limited Company incorporated in Pakistan. Hattar Fruit Products Limited is the wholly owned subsidiary of Shezan International Limited. Both are engaged in the manufacture and sale of juices, beverages, pickles, preserves and flavorings based upon or derived from fresh fruits and vegetables.

Hattar Fruit Products Limited owned 35.95% ordinary shares in a Private Limited company namely Hattar Food Products (Private) Limited which has not commenced its commercial operation so far. The principal business activities of the associated undertaking will be to process food products.

### 2. Significant accounting policies

#### 2.1 Revenue recognition:

Sales are recorded upon delivery of goods to the customers.

Income from bank deposits, loans and advances is recognized on accrual basis.

Dividend income is recognized when right to receive is established.

2.2 Historical costs are used as the basis for valuing transactions.

2.3 Research and development costs are expensed as and when incurred.

2.4 Tax provision is based on profits as adjusted for tax purposes. Effect of timing differences on account of accelerated tax depreciation is fully provided for, using the liability method.

2.5 Fixed assets are stated at historical cost less accumulated depreciation except for freehold land and capital work in progress which are stated at cost.

Depreciation is calculated using the reducing balance method at rates disclosed in note 3, which are considered appropriate to write off the cost of the assets over their useful

lives.

Full year's depreciation is charged in the year of addition and no depreciation is charged in the year of disposal.

Leased assets held under finance lease are stated at cost less depreciation at the rates and basis applicable to company owned assets. The outstanding obligations under the lease less finance charges allocated to future period is shown as liability. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

Repairs and maintenance are charged to revenue. Material betterments are, however, capitalised.

Profits or losses on disposal of fixed assets are recognised in the profit and loss account in the year of disposal.

2.6 Long term investments are stated at cost. Provision is made for the diminution in value, if any, which is considered other than temporary.

2.7 Stocks and stores are valued at lower of cost or net realisable 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
Finished goods	- Yearly average
Mango pulp	- Cost of manufacture according to annual average method
Bottles	- Yearly average
Shells, pallets and barrels	- Yearly average
Stores and spares	- Monthly average

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

Net realisable 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.

2.8 Debts considered irrecoverable, if any, are written off and provision is made for debts considered doubtful.

2.9 The Company contributes to a recognised provident fund for all permanent employees.

### 3. Operating fixed assets

(Rupees in thousands)

	<i>COST</i>		<i>To June 30, 1999</i>	<i>Book value as at June 30, 1999</i>	<i>DEPRECIATION</i>		<i>Charge for the year</i>
	<i>To June 30, 1998</i>	<i>Additions Disposals</i>			<i>Accumulated as at June 30, 1999</i>	<i>Annual rate %</i>	
<b>COMPANY OWNED ASSETS</b>							

Freehold land	7,091	--	--	7,091	7,091	--	--	--
Leasehold land	1,802	--	--	1,802	1,802	--	--	--
Buildings on freehold land	12,436	--	--	12,436	3,286	9,150	10	365
Buildings on leasehold land	10,294	--	--	10,294	4,496	5,798	10	500
Plant and machinery	123,364	4,850	--	128,214	45,861	82,353	12 (1/2)	6,551
Furniture and fixtures	2,232	222	--	2,454	654	1,800	15	115
Motor vehicles and bicycles	22,837	2,344	1,772	23,409	7,434	15,975	20	1,858
Electric tools and fittings	655	--	--	655	136	519	10-25	17
Electric equipment	3,814	902	--	4,716	2,238	2,478	15	395
Laboratory equipment	242	--	--	242	64	178	10	8
Fork lifts	5,845	--	--	5,845	1,452	4,393	20	363
Arms and ammunitions	94	--	--	94	39	55	20	10
	190,706	8,318	1,772	197,252	74,553	122,699		10,182
<b>ASSETS SUBJECT TO FINANCE LEASE</b>								
Plant and machinery	5,743	--	5,743	--	--	--	12 (1/2)	--
Motor vehicles	--	2,905	--	2,905	9,324	581	20	581
	196,449	11,223	7,515	200,157	76,877	123,280		10,763
1998	197,475	3,305	4,333	196,447	81,356	115,091		11,211

3.1 Additions in Plant and machinery represents transfer from leased assets at net book value of Rs. (thousands) 3,847 (1998: Rs. Nil) representing cost of Rs. (thousands) 5,743 less accumulated depreciation of Rs. (thousands) 1,896.

**1999**                      **1998**  
(Rupees in thousands)

**3.2 Depreciation charge for the year has been allocated as follows:-**

Cost of sales (Note: 20)	7,531	8,392
Administrative and general expenses (Note: 21)	870	823
Selling and distribution expenses (Note: 22)	2,362	1,996
	10,763	11,211

**4. Long term investments**

Associated undertaking - Hattar Food Products (Private) Limited 58,600 (1998: Nil) ordinary shares of Rs. 100 each at cost (Note: 4.1)	5,860	--
Modaraba - listed - Guardian Leasing Modaraba 250,000 (1998: 250,000) certificates of Rs. 10 each at cost (Note: 4.2)	2,500	2,500
Less: Provision for diminution in value of investments	1,250	1,250

1,250	1,250
-----	-----
7,110	1,250
=====	=====

4.1 The above investment represents 35.95% (1998: Nil) of the issued share capital of the associated company. The cost and the book value of the investment is the same as the associated undertaking has not yet commenced its commercial operation. Chief Executive of the company is Mr. Muneer Nawaz.

4.2 The above investment represents 2.50% (1998: 2.50%) of the issued certificate capital of the company. Chief Executive of the company is Mr. Ayaz Dawood.

Market value of the quoted certificates at year end is Rs. (thousands) 313 (1998: Rs. (thousands) 263). Management considers 50% of the cost as adequate provision for permanent impairment in the value of investments. Remaining provision has not been made for the diminution in value as it is considered temporary in the context of the company's intention to hold these investments on a long term basis.

#### 5. Long term deposits

Leasing companies  
Others

Less: Current maturity - Leasing companies

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousands)</i>	
290	574
1,441	1,440
-----	-----
1,731	2,014
--	574
-----	-----
1,731	1,440
=====	=====

#### 6. Stores and spares

Spares

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousands)</i>	
870	957
=====	=====

#### 7. Stock in trade

Finished goods  
Raw materials  
Packing materials  
Bottles

Shells, pallets and barrels  
Less: Provision for deterioration in value

Goods in transit

82,686	61,476
29,327	30,684
70,258	39,066
53,044	54,305
5,681	6,250
1,136	1,251
-----	-----
4,545	4,999
1,311	382
-----	-----

	241,171	190,912
	=====	=====
<b>8. Trade debts</b>		
Unsecured, considered good -		
Due from associated undertakings (Note: 8.1)		
- Shahtaj Textiles Limited	8	--
- Shahnawaz Limited	19	3
- Shezan (Private) Limited	13	12
	-----	-----
	40	15
Others	49,644	35,188
	-----	-----
	49,684	35,203
Considered doubtful - Others	10	10
Provision for doubtful debts	10	10
	-----	-----
	--	--
	-----	-----
	49,684	35,203
	=====	=====
8.1 Maximum balance receivable at the end of any month during the year	191	155
	=====	=====

**1999**                      **1998**  
**(Rupees in thousands)**

**9. Advances, deposits, prepayments  
and other receivables**

Advances - considered good		
- Staff	281	284
- Suppliers	2,160	2,795
Due from associated undertakings (Note: 9.1)	22	255
Advance excise duty	1,990	1,153
L.C. expenses and charges	694	188
Short term deposits	2,260	4,562
Current maturity of long term deposits	--	574
Prepayments	526	324
Other receivables	653	8
Accrued profit on bank deposits	--	195
Income tax recoverable	1,832	6,451
Sales tax refundable	2,235	869
	-----	-----
	12,653	17,658
	=====	=====
9.1 Maximum balance receivable at the end of any month during the year	404	818

**10. Cash and bank balances**

Cash in hand	3,455	503
Cheques in hand	1,652	3,307
At banks - Current accounts	17,209	36,739
- PLS saving accounts	15,227	15,191
- PLS deposit accounts	--	3,000
- Cash management deposit accounts	--	10,000
	-----	-----
	37,543	68,740
	=====	=====

**11. Short-term running finances**

The aggregate running finance facility available from commercial banks under the mark-rip arrangements is Rs. (thousands) 50,000 (1998: Rs. (thousands) 45,000). The rates of mark-up range between 18% to 19% per annum, payable quarterly.

The above facilities are secured against hypothecation of current assets and personal guarantees of directors.

**1999**                      **1998**  
(Rupees in thousands)

**12. Creditors, accrued and other liabilities**

Due to associated undertakings	4,214	1,899
Creditors	25,483	32,279
Deposits (Note: 12.1)	4,006	3,151
Dealers' credit balances	9,585	9,713
Accrued expenses	10,411	14,048
Sales tax payable	13,470	9,391
Workers' Profit Participation Fund (Note: 12.2)	3,108	2,548
Workers' Welfare Fund	770	603
Mark-up accrued on long term secured loan	--	1,189
Other liabilities	2,103	1,439
	-----	-----
	73,150	76,260
	=====	=====

12.1 Security deposits from dealers have been obtained and are being utilised in pursuance of written agreements with them.

**12.2 Workers' Profit Participation Fund**

Balance at the beginning of the year	2,548	1,883
Allocation for the year	3,108	2,548
	-----	-----
	5,656	4,431
Interest on funds utilised in the Company's business	214	102
	-----	-----
	5,870	4,533
Amount paid to the Fund's Trust	2,762	1,985



Balance at the end of the year	3,108	2,548
	=====	=====
<b>13. Dividends</b>		
Unclaimed	143	108
Proposed	25,000	17,500
	-----	-----
	25,143	17,608
	=====	=====
<b>14. Share capital</b>		
Authorised - 10,000,000 (1998: 10,000,000) ordinary shares of Rs. 10 each	100,000	100,000
	=====	=====
Issued, subscribed and paid-up - 237,500 (1998: 237,500) ordinary shares of Rs. 10 each fully paid in cash	2,375	2,375
4,762,500 (1998: 4,762,500) ordinary shares Rs. 10 each issued as fully paid bonus shares	47,625	47,625
	-----	-----
	50,000	50,000
	=====	=====
	<b>1999</b>	<b>1998</b>
	<b>(Rupees in thousands)</b>	
<b>15. General reserve</b>		
Balance brought forward	224,000	200,000
Transfer from Profit and Loss Account	10,000	24,000
	-----	-----
	234,000	224,000
Unappropriated profit	10,880	7,549
Reserves arises on consolidation	5,000	5,000
	-----	-----
	15,880	12,549
	-----	-----
	249,880	236,549
	=====	=====
<b>16. Long term loans - secured</b>		
Bank of Khyber (Note: 16.1)	--	3,750
Less: Current maturity	--	3,750
	-----	-----
	--	--
	=====	=====

16.1 The aggregate finance facility available under the mark-up arrangements was Rs. (thousands)

15,000 (1998: (thousands) 15,000) and carried mark-up @ 50 paisas per thousand per day. The loan was repayable in 8 half yearly installments inclusive of mark-up starting October 04, 1995. The above facility was secured against first charge on Tetrapak plant and guarantee of the holding company; Shezan International Limited.

#### 17. Obligations under finance lease

The average rate of interest used as the discounting factor (i.e. implicit in the lease) is 19.28% per annum. The amount of future payments and the period during which they will become due are:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousands)</i>	
Year ending June 30,		
1999	--	1,902
2000	1,136	--
2001	1,136	--
2002	1,143	--
	-----	-----
	3,415	1,902
Less: Future finance charges	714	129
	-----	-----
	2,701	1,773
Less: Current maturity	734	1,773
	-----	-----
	1,967	--
	=====	=====

The lease has the option for purchase of the assets at the end of the lease period. There are no financial restrictions in the lease agreements.

#### 18. Contingencies and commitments

##### a) Contingencies

i) Claim of E.O.B.I. for Rs. (thousands) 133 (1998: Rs. (thousands) 133) not acknowledged as debt by the company.

ii) Claim of P.E.S.S.I. for Its. (thousands) 2,917 (1998: Rs. (thousands) 2,379) not acknowledged as debt by the company.

iii) Notices for additional payment of sales tax & excise duty amounting to Rs. (thousands) 1,366 (1998: Rs. (thousands) 1,366) contested with the Department.

##### b) Commitments

i) Commitments in respect of letters of credit established for the import of raw and packing materials Rs. (thousands) 2,313 (1998: Rs. (thousands) 4,850).

ii) Commitments in respect of counter bank guarantees were Rs. (thousands) 1,483 (1998: Rs. (thousands) 1,483).

iii) Commitments for equity investment in an associated undertaking (Private Limited) Rs. (thousands) 4,140 (1998: Rs. (thousands) 10,000).

*1999*

*1998*

*(Rupees in thousands)*

<b>19. Sales</b>		
Domestic	812,764	730,113
Export	81,974	92,796
	-----	-----
	894,738	822,909
Less: Commission and discount	28,058	26,319
Sales tax & excise duty	199,858	162,532
	-----	-----
	227,916	188,851
	-----	-----
	666,822	634,058
	=====	=====
<b>20. Cost of sales</b>		
Raw materials consumed	230,446	200,292
Packing materials consumed	207,760	205,685
	-----	-----
	438,206	405,977
Factory expenses -		
Salaries, wages and amenities	23,601	21,979
Stores consumed	10,967	7,018
Travelling and conveyance	130	114
Repairs and maintenance	13,264	9,682
Insurance	838	770
Fuel and power	24,376	23,734
Rent, rates and taxes	22	102
Bottle breakage	11,254	10,787
General expenses	4,613	3,785
Depreciation (Note: 3.2)	7,531	8,392
	-----	-----
	96,596	86,363
	-----	-----
Cost of production	534,802	492,340
Add: Finished goods - Opening stock	61,476	75,327
Finished goods purchased	3,042	2,452
	-----	-----
	599,320	570,119
	-----	-----
Less: Cost of samples and wastage	21,366	28,809
Finished goods - Closing stock	82,686	61,476
	-----	-----
	104,052	90,285
	-----	-----
	495,268	479,834
	=====	=====
	<b>1999</b>	<b>1998</b>
	<i>(Rupees in thousands)</i>	

**21. Administrative and general expenses**

Salaries, wages and amenities	17,622	15,583
Postage and telephone	1,748	1,586
Travelling and conveyance	610	502
Repairs and maintenance	2,097	1,072
Insurance	1,083	1,192
Stationery and printing	1,139	1,041
Rent, rates and taxes	1,055	973
Auditors' remuneration (Note: 21.1)	215	210
Legal and professional	415	468
Donations (Note: 21.2)	268	60
General expenses	524	421
Provision for doubtful -Short term deposits	--	(112)
Depreciation (Note: 3.2)	870	823
	-----	-----
	27,646	23,819
	=====	=====

**21.1 Auditors' remuneration**

Audit fee	200	175
Miscellaneous certification charges	--	5
Expenses reimbursed	15	30
	-----	-----
	215	210
	=====	=====

**21.2 Donations**

None of the directors or their spouses had any interest in any of the donees.

**22. Selling and distribution expenses**

Salaries, wages and amenities	17,772	16,608
Postage and telephone	533	473
Travelling and conveyance	2,228	2,064
Repairs and maintenance	6,821	6,173
Insurance	99	44
Fuel and power	742	657
Stationary and printing	603	466
Rent, rates and taxes	971	1,062
Advertising and publicity	24,639	28,931
Cartage and freight	13,599	13,577
Loading/unloading	224	205
Staff sales incentive	1,287	1,313
Petrol, oil and lubricants	5,030	4,489
General expenses	251	243
Depreciation (Note: 3.2)	2,362	1,996
Deterioration on shells and pallets (Note: 7)	788	927
	-----	-----
	77,949	79,228
	=====	=====

**1999****1998**

*(Rupees in thousands)***23. Financial charges**

Interest, mark-up and charges on -		
Secured long term loans	350	1,035
Secured running finances	97	309
Unsecured loans	35	28
Workers' Profit Participation Fund (Note: 12.2)	214	102
Finance lease charges	209	428
	-----	-----
	905	1,902
Bank charges	631	464
	-----	-----
	1,536	2,366
	=====	=====

**24. Other expenses and provisions**

Product spoilage and barrel deterioration	7,114	7,814
Royalty to associated undertaking	6,663	6,202
Workers' Profit Participation Fund (Note: 12.2)	3,108	2,548
Workers' Welfare Fund- Prior years	(218)	51
- For the year	770	603
	-----	-----
	17,437	17,218
	=====	=====

**25. Other income**

Profit on bank deposits	3,958	357
Export rebate	1,695	294
Foreign exchange gain	4,005	812
Gain on disposal of fixed assets (Note: 25.1)	413	3,444
Sale of scrap	1,241	1,267
	-----	-----
	11,312	6,174
	=====	=====

**25.1 Gain on disposal of fixed assets**

<i>Description</i>	<i>Cost</i>	<i>Book value</i>	<i>Sale Proceeds</i>	<i>Profit/ (Loss)</i>	<i>Purchaser</i>
<i>(Rupees in thousands)</i>					
Motor Vehicles					
Suzuki Swift Car	200	30	45		15Mr. Ali Afzal, Ravi Clifton Colony, Shahdara, Lahore.
Suzuki Pickup	160	47	70		23Sheikh Mukhtar Ahmad, Ahsan Traders, Rawalpindi.
Honda Civic	869	869	820	(49)	M/s. Eastern Federal Union,

				Lahore (Insurance claim).
Mazda T-3500	194	10	200	190Mr. M. Akram, Shezan Distributor, Gulberg, Lahore.
Nissan Pickup	29	10	175	165Mr. M. Arif, Shezan Distributor, Gulberg, Lahore.
Suzuki Car	267	123	160	37Mr. Mohammad Riaz, Ferozepur Road, Lahore
WDV below Rs. (thousands) 5 each	53	4	36	32Various.
	----- 1,772	----- 1,093	----- 1,506	----- 413
	=====	=====	=====	=====

25.1.1 Mode of sale of the above assets was by negotiation.

25.1.2 No assets were sold to Chief Executive, Directors, Executives or Shareholders holding more than 10% of total paid-up capital.

## 26. Provision for taxation

	1999	1998
Current		
- Prior years	510	(182)
- For the year	13,857	7,811
Deferred	5,600	(500)
	----- 19,967	----- 7,129
	=====	=====

26.1 The subsidiary company enjoyed tax holiday under clause 118-C of the Second Schedule to the Income Tax Ordinance, 1979, which expired on April 30, 1999. In view of the decision made by the Honourable Supreme Court of Pakistan, no tax provision has been made under section 80D of the Income Tax Ordinance, 1979 for

## 27. Earnings per share

	1999	1998
Profit after taxation attributable to ordinary shareholders	38,331	30,638
Number of ordinary shares issued and subscribed at the end of the year (in thousands)	5,000	5,000
Earnings per share	----- Rs. 7.67	----- Rs. 6.13
	=====	=====

## 28. Financial instruments and related disclosures

### 28.1 Concentration of credit risk and credit exposures of the financial instruments

The company does not believe it is exposed to major concentration of credit risk. However to manage any possible exposure to credit risk, the company applies approved credit limits to its customers.

### 28.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to sale and purchase transactions with foreign undertakings. Payables exposed to foreign currency risks are identified as either "Creditors" or "Bills Payable". The company does not view hedging as being financially feasible owing to the excessive costs involved in relation to the amounts at risk.

### 28.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The company is exposed to interest rate risk in respect of short-term running finance trader mark-up arrangements, cash in deposit account and obligations trader finance lease.

### 28.4 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

### 29. Movements in owners' equity

Movements in owners' equity during the year are identified and adequately disclosed in the financial statements.

### 30. Transactions with associated undertakings

Purchases of raw materials	78,766	82,245
Sales of finished goods	331	322
Royalty charged	6,663	6,202
Purchases of electric equipment	211	364

### 31. Remuneration of Chief Executive, paid directors and executives

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	1	1	2	2	11	4
	<i>(Rupees in thousands)</i>					
Managerial remuneration	526	457	1,202	909	2,518	902
Provident fund	25	24	46	45	90	48
Housing	138	102	276	204	891	360
Utilities	96	94	193	187	800	392
Medical	14	14	27	27	125	55

----- 799 =====	----- 691 =====	----- 1,744 =====	----- 1,372 =====	----- 4,424 =====	----- 1,757 =====
-----------------------	-----------------------	-------------------------	-------------------------	-------------------------	-------------------------

31.1 Fees paid to four non-executive directors during the year for attending Board meetings  
Rs. (thousands) 4 (1998: Rs. (thousands) 4).

31.2 The company also provides the Chief Executive, certain directors and executives with company maintained vehicles.

### 32. Capacity and production

	<i>Capacity per 8 hour shift</i>		<i>Production</i>	
			<i>1999</i>	<i>1998</i>
Juices -				
Bottling plant	14,000	Crates	3,460,297	3,162,542
Tetrapak plant	11,600	Dozens	3,676,538	4,323,231
Squashes and syrups plant	4,300	Dozens	183,850	153,641
Jams and ketchup plant	1,300	Dozens	310,318	291,441
Achar plant	300	Dozens	73,645	73,688
Canning plant	600	Dozens	105,148	74,315

The shortfall in production is due to market conditions.

### 33. Number of employees

Total number of permanent employees at the year end was 255 (1998: 267).

### 34. General

- Figures in these accounts are rounded off to the nearest thousand of rupees.

- Figures of the previous year have been rearranged, wherever necessary, for the purposes of comparison.

**Chief Executive**

**Director**