

Shezan International Limited

Annual Report 2000

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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-Givie 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 Hong Kong and Shanghai

Banking Corporation Limited.

The Bank of Khyber.

Notice of Meeting

Notice is hereby given that the 37th Annual General Meeting of the Company will be held at 10:30 hours on Saturday the 23rd December 2000 at the Company's Registered Office: 56-Bund Road, Lahore, to transact the following business:

1. To confirm the minutes of Annual General Meeting of the Company held on December 31, 1999.
2. To receive and adopt the Directors' and Auditors' Report and Audited Accounts for the year ended June 30, 2000.
3. To approve dividend @ Rs. 6.00 per share (60%) as recommended by the Board of Directors.
4. To appoint Auditors for the year 2000-2001 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 25, 2000 to January 10, 2001 (both days inclusive) for determining the entitlement of the dividend.

Lahore:
November 18, 2000.

By order of the Board

Executive Director

Notes:

1. A member entitled to attend and vote at the 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.
2. Shareholders are requested to notify the change of address, if any, immediately.
3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards alongwith the Account Number in Central Depository System for attending the meeting.

Director's Report to the Members

It gives us great pleasure to welcome you to the 37th Annual General Meeting of the Company.

There was a significant increase in sales during the year from Rs. 657,118,992 to Rs. 695,178,610 and a healthy increase in profit of about 20%. In our six monthly accounts we had told our shareholders that the company is making efforts to increase sales and margins and by the Grace of Allah we have been successful in this regard during the current year. This is demonstrated by the fact that inspite of inflationary pressure and slow down in the economy, we had an increase in sales and resultant increase in profit after taxation which increased from Rs. 26,248,651 to Rs. 31,436,553.

We are sure that our shareholders would be pleased with these results of the company keeping in view the adverse economic environment of the country. No doubt this has been made possible by proper marketing efforts and control on expenses by the management of the company.

During the period under review there has been a decrease in exports. The main reason being that a significant part of exports were to Bangladesh but now since the domestic industry has started establishing itself in Bangladesh, our exports have shown a downward trend. We are trying to find new export markets and are confident that we will be able to improve upon our export performance but everybody is aware that to develop export market takes more time; your management is aware of this situation and is making efforts to increase exports in other markets particularly the USA.

The inflationary cycle in the country is continuing especially in the case of utilities and POL products and in the year under reference there has been a tremendous increase in the price of sugar which is a main raw material for our products. This inflationary cycle is expected to continue in the current year and your Directors are aware of this challenge and are trying to maintain the margins so that the profitability of the company does not suffer.

The results of our wholly owned subsidiary Hattar Fruit Products Limited continue to be satisfactory as

can be seen from their accounts.

Financial Results:

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

(Rupees in thousands)

Profit before taxation	50,936
Taxation	19,500

Profit after taxation	31,436
Unappropriated profit brought forward	4,119

Available for appropriation	35,555
Appropriations:	
Transfer to General reserve	--
Proposed dividend @ 60% (1999: 50%)	30,000

Unappropriated profit carried forward	5,555
	=====

Dividend:

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

Future Prospects:

Keeping in view the improvement in the current year, we are confident that with correct emphasis on the marketing efforts, we would be able to improve our sales and profitability as the Shezan brand is well known in the country. By the Grace of Allah we are hopeful that we would maintain our position as leading processors of fruits & vegetables in Pakistan.

We continue to make our humble contribution to the national exchequer, by contributing Rs. 50,311,652 in the shape of Excise Duty and Rs. 121,350,522 as Sales Tax for the year ended June 30, 2000.

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:

November 18, 2000.

On behalf of the Board

Chief Executive

Five Years Review at a Glance

	<i>(Rupees in thousands)</i>				
	<i>Year 1996</i>	<i>Year 1997</i>	<i>Year 1998</i>	<i>Year 1999</i>	<i>Year 2000</i>
	<i>(Six months)</i>				
Income					
Sales	682,248	536,428	591,166	657,119	695,178
Others	3,911	2,154	14,144	5,847	3,643
	-----	-----	-----	-----	-----
	686,159	538,582	605,310	662,966	698,821
	-----	-----	-----	-----	-----
Expenditure					
Cost of sales	524,704	415,481	468,348	517,477	528,989
Administrative, selling and general	99,956	82,819	92,362	93,552	100,569
Financial	3,452	1,986	953	898	1,995
Others	17,500	15,606	15,003	14,290	16,332
	-----	-----	-----	-----	-----
	645,612	515,892	576,666	626,217	647,885
	=====	=====	=====	=====	=====
Profit before taxation	40,547	22,690	28,644	36,749	50,936
Taxation	14,450	4,000	6,500	10,500	19,500
	-----	-----	-----	-----	-----
Profit after taxation	26,097	18,690	22,144	26,249	31,436
	=====	=====	=====	=====	=====
Paid-up capital	50,000	50,000	50,000	50,000	50,000
Reserves & unappropriated profits	98,536	102,226	106,870	108,119	109,555
	-----	-----	-----	-----	-----
Shareholders equity	148,536	152,226	156,870	158,119	159,555
	=====	=====	=====	=====	=====
Break up value per share in Rupee	29.71	30.44	31.38	31.62	31.91
Earnings per share in Rupees	5.22	3.74	4.43	5.25	6.29
Cash distribution per share in Ru	4.25	3.00	3.50	5.00	6.00
	=====	=====	=====	=====	=====

Pattern of Shareholdings as at June 30, 2000

<i>Number of Shareholders</i>	<i>Shareholdings From</i>	<i>To</i>	<i>Total Shares Held</i>
64	1	100	6,400
148	101	500	60,700
44	501	1,000	39,700
47	1,001	5,000	120,700
4	5,001	10,000	26,349
2	10,001	15,000	25,150
2	20,001	25,000	43,025
3	25,001	30,000	84,500
2	35,001	40,000	76,000
1	40,001	45,000	43,200
2	50,001	55,000	105,030
1	55,001	60,000	55,530
2	65,001	70,000	132,480
1	70,001	75,000	72,300
2	75,001	80,000	153,400
2	95,001	100,000	199,900
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
-----			-----
336			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	325	2,842,405	56.85%
Joint Stock Companies	4	23,125	0.46%
Investment Companies	3	71,400	1.43%
Insurance Companies	2	45,200	0.90%
Financial Institutions	2	2,017,870	40.36%
	-----	-----	-----

336

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, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion -

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

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

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

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

Lahore:
November 18, 2000.

Chartered Accountants

Balance Sheet as at June 30, 2000

	<i>Notes</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousands)</i>	
Tangible fixed assets			
Operating fixed assets	3	39,452	34,763
Long term investments	4	21,250	21,250
Long term deposits	5	2,104	1,685
		-----	-----
		62,806	57,698
Current assets			
Stores and spares	6	1,405	870
Stock in trade	7	188,638	167,694
Trade debts	8	24,984	46,308
Advances, deposits, prepayments and other receivables	9	8,825	10,055
Cash and bank balances	10	24,337	19,299
		-----	-----
		248,189	244,226
Less: Current liabilities			
Short-term running finances	11	3,111	18,665
Current maturity of obligations under finance lease	15	3,424	734
Creditors, accrued and other liabilities	12	99,109	94,796
Taxation		5,472	--
Dividends	13	30,164	25,143
		-----	-----
		141,280	139,338
		-----	-----
Working capital		106,909	104,888
Total capital employed		169,715	162,586
Long term and deferred liabilities			
Deferred taxation		3,000	2,500
Obligations under finance lease	15	7,160	1,967
		-----	-----

		10,160	4,467
		-----	-----
Net capital employed		139,553	158,119
		=====	=====
Represented by			
Share capital	14	50,000	50,000
General reserve		104,000	104,000
Unappropriated profit		5,555	4,119
		-----	-----
		159,555	158,119
Contingencies and commitments	16	--	--
		-----	-----
		159,555	158,119
		=====	=====

The attached notes form an integral part of these accounts.

Chief Executive

Director

**Profit and Loss Account
for the year ended June 30, 2000**

	<i>Notes</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousands)</i>	
Sales	17	695,178	657,119
Cost of sales	18	528,989	517,477
		-----	-----
Gross profit		166,189	139,642
Less:			
Administrative and general expens	19	26,216	23,995
Selling and distribution expenses	20	74,353	69,557
Financial charges	21	1,995	898
Other expenses and provisions	22	16,332	14,290
		-----	-----
		118,896	108,740
		-----	-----
Operating profit		47,293	30,902
Other income	23	3,643	5,847
		-----	-----
Profit before taxation		50,936	36,749
Taxation	24	19,500	10,500
		-----	-----
Profit after taxation		31,436	26,249

Unappropriated profit brought forward		4,119	2,870
		-----	-----
		35,555	29,119
Appropriations:			
Transfer to General reserve		--	--
Proposed dividend @ 60% (1999: 50%)		30,000	25,000
		-----	-----
		30,000	25,000
		-----	-----
Unappropriated profit carried forward		5,555	4,119
		=====	=====
Earnings per share in Rupees	25	6.29	5.25
		=====	=====

The attached notes form an integral part of these accounts.

Chief Executive

Director

Cash Flow Statement for the year ended June 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
Cash flow from operating activities		
Funds provided from operations:		
Profit before taxation	50,936	36,749
Adjustments for:		
Depreciation	6,335	4,998
Interest/mark-up charged on secured loans	943	306
Profit on bank deposits	(1,048)	(637)
Dividend income	(25)	--
Provision for doubtful debts	313	--
Provision for deterioration in value of shells, pallets and barrels	1,132	822
Gain on disposal of fixed assets	(518)	(375)
	-----	-----
	7,132	5,114
	-----	-----
Operating profit before working capital	58,068	41,863
(Increase)/decrease in current assets:		
Stores and spares	(535)	87

Stock in trade	(22,076)	(31,547)
Trade debts	21,011	(13,603)
Advances, deposits, prepayments and other receivables	(1,525)	10,594
Increase/(decrease) in current liabilities:	(3,125)	(34,469)
Short-term running finances	(15,554)	9,588
Creditors, accrued and other liabilities	4,313	7,235
	-----	-----
	(11,241)	16,823
	-----	-----
Cash generated from operations	43,702	24,217
Interest/mark-up paid on secured loans	(943)	(288)
Profit on bank deposits	1,048	637
Income tax paid	(10,774)	(9,277)
	-----	-----
Net cash from operating activities	33,033	15,289
 Cash flow from investing activities		
Purchase of fixed assets	(1,454)	(2,839)
Sale proceeds from disposal of fixed assets	735	1,346
Dividend received	25	--
Long term deposits	(419)	(291)
	-----	-----
Net cash from investing activities	(1,113)	(1,784)
 Cash flow from financing activities		
Repayment of obligations under finance lease	(1,903)	(1,977)
Dividend paid	(24,979)	(17,465)
	-----	-----
Net cash from financing activities	(26,882)	(19,442)
	-----	-----
Net increase/(decrease) in cash and bank balances	5,038	(5,937)
Cash and bank balances at the beginning of the year	19,299	25,236
	-----	-----
Cash and bank balances at the end of the year	24,337	19,299
	=====	=====

Chief Executive

Director

**Statement of Changes in Equity
for the year ended June 30, 2000**

<i>Share Capital</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
<i>(Rupees in thousands)</i>			

Balance as at June 30, 1998	50,000	104,000	2,870	156,870
Profit after taxation for the year ended June 30, 1999	--	--	26,249	26,249
Proposed dividend	--	--	(25,000)	(25,000)
	-----	-----	-----	-----
Balance as at June 30, 1999	50,000	104,000	4,119	158,119
Profit after taxation for the year ended June 30, 2000	--	--	31,436	31,436
Proposed dividend	--	--	(30,000)	(30,000)
	-----	-----	-----	-----
Balance as at June 30, 2000	50,000	104,000	5,555	159,555
	=====	=====	=====	=====

Chief Executive

Director

Notes to the Accounts for the year ended June 30, 2000

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 manufacturing, trading and sale of juices, 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 renewals and improvements are capitalised.

Gain and loss on disposal of fixed assets are recognised in the profit and loss account.

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, stores and spares 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 operates a recognised provident fund scheme for all permanent employees. Equal monthly contributions are made both by the company and the employees to the fund.

3. Operating fixed assets

	<i>COST</i>			<i>DEPRECIATION</i>			<i>(Rupees in thousands)</i>	
	<i>As at June 30, 1999</i>	<i>Additions/ Adjustments</i>	<i>Disposals/ Adjustments</i>	<i>As at June 30, 2000</i>	<i>Accumulated as at June 30, 2000</i>	<i>Rate %</i>	<i>Charge for the year</i>	<i>BOOK VALUE As at June 30, 2000</i>
COMPANY OWNED ASSETS								
Freehold land	7,091	--	--	7,091	--	--	--	7,091
Buildings on freehold land	12,436	--	--	12,436	9,479	10	329	2,957
Plant and machinery	52,030	344	--	52,374	41,697	12(1/2)	1,525	10,677
Furniture and fixtures	2,276	86	--	2,362	1,791	15	100	571
Motor vehicles and bicycles	21,991	550	2,076	20,465	14,999	20	1,366	5,466
Electric tools and fittings	490	--	--	490	416	10-25	9	74
Electric equipment	3,948	466	--	4,414	2,466	15	344	1,948
Laboratory equipment	179	8	--	187	151	10	4	36
Forklifts	4,416	--	--	4,416	3,504	20	228	912
Arms and ammunitions	94	--	--	94	63	20	8	31
	-----	-----	-----	-----	-----	-----	-----	-----
	104,951	1,454	2,076	104,329	74,566		3,913	29,763
ASSETS SUBJECT TO FINANCE LEASE								
Motor vehicles	2,905	9,787	--	12,692	3,003	20	2,422	9,689
	-----	-----	-----	-----	-----	-----	-----	-----
	107,856	11,241	2,076	117,021	77,569		6,335	39,452
	=====	=====	=====	=====	=====	=====	=====	=====
1999	105,513	9,591	7,248	107,856	73,093		4,998	34,763
	=====	=====	=====	=====	=====	=====	=====	=====

2000 **1999**
(Rupees in thousands)

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

Cost of sales (Note: 18)	2,007	2,215
Administrative and general expenses (Note: 19)	784	635
Selling and distribution expenses (Note: 20)	3,544	2,148
	-----	-----
	6,335	4,998
	=====	=====

4. Long term investments

Subsidiary company - unlisted -

Hattar Fruit Products Limited

2,500,000 (1999: 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 (1999: 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% (1999: 100%). Value of each share of Rs. 10/- based on the audited accounts for the year ended June 30, 2000 is Rs. 71.54 (1999: Rs. 64.70). It includes 500,000 (1999: 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% (1999: 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) 463 (1999: Rs. (thousands) 313). 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

1,269

290

Others

835

1,395

2,104-----
1,685

=====

=====

6. Stores and spares

Spares

1,405

870

=====

=====

7. Stock in trade

Raw materials

13,265

11,601

Packing materials

42,189

35,593

Bottles

42,053

36,139

Finished goods

85,296

79,069

Shells, pallets and barrels

5,645

4,110

Less: Provision for deterioration in value

1,132

822

	4,513	3,288
Goods in transit	1,322	2,004
	-----	-----
	188,638	167,694
	=====	=====

8. Trade debts

Unsecured, considered good -

Due from associated undertakings (Note: 8.1)

- Shahtaj Textiles Limited	--	8
- Shahnawaz Limited	--	19
- Shezan (Private) Limited	27	13
	-----	-----
	27	40

Others	24,957	46,268
	-----	-----
	24.98	46,308

Considered doubtful - Others	323	10
Provision for doubtful debts	323	10
	-----	-----
	--	--
	-----	-----
	24,984	46,308
	=====	=====

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

	214	191
	=====	=====

9. Advances, deposits, prepayments and other receivables

Advances - Unsecured, considered good

- Staff	70	67
- Suppliers	1,309	1,835
Short term deposits	1,730	1,750
Prepayments	1,304	518
Accrued profit on bank deposits	460	496
Advance excise duty	2,192	1,113
Income tax recoverable	--	2,753
Sales tax refundable	1,366	1,366
Other receivables	394	157
	-----	-----
	8,825	10,055
	=====	=====

10. Cash and bank balances

Cash in hand	3,432	3,236
Cheques in hand	2,879	1,186
Cash at banks - Current accounts	9,034	12,604
- PLS savings accounts	8,992	2,273
	-----	-----
	24,337	19,299
	=====	=====

10.1 It includes an amount of Rs. (thousands) 6,423 (1999: Rs. (thousands) 1,678) as lien against guarantees given by the bank.

11. Short-term running finances

The aggregate running finance facility available from commercial banks under the mark-up arrangements is Rs. (thousands) 20,000 (1999: Rs. (thousands) 25,000). The rate of mark-up was 16% per annum, payable quarterly.

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

12. Creditors, accrued and other liabilities

Due to associated undertakings	14,719	48,463
Creditors	14,278	11,493
Deposits	2,467	2,353
Dealers' credit balances	6,754	8,489
Accrued expenses	14,795	10,080
Sales tax payable	10,645	10,372
Accrued excise duty	769	--
Workers' Profit Participation Fund (Note: 12.1)	2,739	1,968
Workers' Welfare Fund	1,100	650
Other liabilities	43	928
	-----	-----
	99,109	94,796
	=====	=====

12.1 Workers' Profit Participation Fund

Balance at the beginning of the year	1,968	1,542
Allocation for the year	2,739	1,968
	-----	-----
	4,707	3,510
Interest on funds utilised in the Company's business	300	52
	-----	-----
	5,007	3,562
Account paid to the Fund's Trust	2,268	1,594
	-----	-----
Balance at the end of the year	2,739	1,968

13. Dividends

Unclaimed	164	143
Proposed	30,000	25,000
	-----	-----
	30,164	25,143
	=====	=====

14. Share capital

Authorised - 10,000,000 (1999: 10,000,000) ordinary shares of Rs. 10 each	100,000	100,000
	=====	=====
Issued, subscribed and paid-up - 237,500 (1999: 237,500) ordinary shares of Rs. 10 each fully paid in cash	2,375	2,375
4,762,500 (1999: 4,762,500) ordinary shares Rs. 10 each issued as fully paid bonus shares	47,625	47,625
	-----	-----
	50,000	50,000
	=====	=====

15. Obligations under finance lease

The average rate of interest used as the discounting factor (i.e. implicit in the lease) is 14.25% to 19.28% per annum. The amount of future payments and the period during which they will become due are:

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
Year ending June 30,		
2000	--	1,136
2001	4,678	1,136
2002	4,720	1,143
2003	2,933	--
2004	314	--
	-----	-----
Minimum lease payments (Note: 15.1)	12,645	3,415
Less: Future finance charges	2,061	714
	-----	-----
	10,584	2,701
Less: Current maturity	3,424	734
	-----	-----
	7,160	1,967

The lease agreements has the option for purchase of the assets at the end of the lease period. There are no financial restrictions in the lease agreements. The residual value of the leased assets is Rs. (thousands) 1,269 (1999: Rs. (thousands) 291).

15.1 Minimum lease payments and their present value are regrouped as below:

	2000		1999	
	MLP	PV OF MLP	MLP	PV OF MLP
	<i>(Rupees in thousands)</i>		<i>(Rupees in thousands)</i>	
Due not later than 1 year	4,678	13,424	1,136	734
Due later than 1 year but not later than 5 years	7,967	7,160	2,279	1,967
	-----	-----	-----	-----
	12,645	10,584	3,415	2,701
	=====	=====	=====	=====

16. Contingencies and commitments

a) Contingencies

i) Claim of E.O.B.I. for Rs. (thousands) 133 (1999: Rs. (thousands) 133) not acknowledged as debt by the company.

ii) Claim of P.E.S.S.I. for Rs. (thousands) 2,379 (1999: Rs. (thousands) 2,917) not acknowledged as debt by the company.

iii) Notices for additional payment of sales tax & excise duty amounting to Rs. (thousands) 14,696 (1999: Rs. (thousands) 14,696) contested with the Department.

b) Commitments

i) Commitments in respect of letters of credit established for the import of raw and packing materials Rs. Nil (1999: Rs. (thousands) 2,313).

ii) Commitments in respect of counter bank guarantees were Rs. (thousands) 10,559 (1999: Rs. (thousands) 3,160).

17. Sales

Domestic	773,500	695,170
Export	64,638	81,974
Export rebate	753	1,695
	-----	-----
	838,891	778,839
Less: Commission and discount	22,362	22,351
Sales tax	121,351	99,369

	143,713	121,720
	695,178	657,119
	=====	=====
18. Cost of sales		
Manufacturing (Note: 18.1)	437,427	410,005
Trading (Note: 18.2)	91,562	107,472
	528,989	517,477
	=====	=====
18.1 Cost of sales - Manufacturing		
Raw materials - Opening stock	11,601	13,198
Add: Purchases during the year	182,107	189,168
	193,708	202,366
Less: Raw materials - Closing stock	13,265	11,601
	180,443	190,765
Raw materials consumed		
Packing materials - Opening stock	35,593	22,586
Add: Purchases during the year	156,614	150,352
	192,207	172,938
Less: Packing materials - Closing stock	42,189	35,593
	150,018	137,345
Packing materials consumed		
Factory expenses -		
Salaries, wages and amenities	21,568	20,613
Stores consumed	6,046	10,077
Travelling and conveyance	91	111
Repairs and maintenance	8,543	9,141
Insurance	384	547
Fuel and power	21,675	18,554
Bottle breakage	9,409	10,041
Excise duty	50,311	47,568
General expenses	5,779	4,442
Depreciation (Note: 3.1)	2,007	2,215
	125,813	123,309
	=====	=====
Cost of production	456,274	451,419
Add: Finished goods - Opening stock	79,069	56,785

	535,343	508,204
Less: Cost of samples and wastage	12,620	19,130
Finished goods - Closing stock	85,296	79,069
	97,916	98,199
	437,427	410,005
	=====	=====

18.2 Cost of sales - Trading

Finished goods - Opening stock	--	--
Add: Purchases during the year	91,562	107,472
	91,562	107,472
Less: Finished goods - Closing stock	--	--
	91,562	107,472
	=====	=====

19. Administrative and general expenses

Salaries, wages and amenities	17,005	15,469
Postage and telephone	1,737	1,505
Travelling and conveyance	688	528
Repairs and maintenance	1,119	1,874
Insurance	718	915
Stationery and printing	871	1,013
Rent, rates and taxes	1,634	1,010
Auditors' remuneration (Note: 19.1)	160	115
Legal and professional	671	399
Donations (Note: 19.2)	109	188
General expenses	407	344
Provision for doubtful debts	313	--
Depreciation (Note: 3.1)	784	635
	26,216	23,995
	=====	=====

19.1 Auditors' remuneration

Audit fee	125	100
Miscellaneous certification charges	20	--
Expenses reimbursed	15	15
	160	115
	=====	=====

19.1 Donations

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

20. Selling and distribution expenses

Salaries, wages and amenities	20,773	17,039
Postage and telephone	505	439
Travelling and conveyance	2,186	1,997
Repairs and maintenance	5,573	6,289
Vehicles running and maintenance	409	363
Stationery. and printing	461	603
Rent, rates and taxes	1,306	892
Advertising and publicity	24,516	22,302
Outward freight and distribution	6,616	10,522
Staff sales incentive	1,475	1,287
Petrol, oil and lubricants	6,182	5,030
General expenses	195	172
Depreciation (Note: 3.1)	3,544	2,148
Deterioration on shells and pallets (Note: 7)	612	474
	-----	-----
	74,353	69,557
	=====	=====

21. Financial charges

Interest, mark-up and charges on -		
Secured running finances	9	97
Unsecured loans	35	35
Workers' Profit Participation Fund (Note: 12.1)	300	52
Finance lease charges	934	209
	-----	-----
	1,278	393
Bank charges	717	505
	-----	-----
	1,995	898
	=====	=====

22. Other expenses and provisions

Product spoilage and barrel deterioration	6,307	5,923
Royalty to associated undertaking	6,155	5,967
Workers' Profit Participation Fund (Note: 12.1)	2,739	1,968
Workers' Welfare Fund - Prior year	28	(218)
- For the year	1,100	650
	-----	-----
	16,332	14,290
	=====	=====

23. Other income

Profit on bank deposits	1,048	637
Dividend income	25	--
Foreign exchange gain	675	4,005
Gain on disposal of fixed assets (Note: 23.1)	518	375
Sale of scrap	1,377	830
	-----	-----
	3,643	5,847
	=====	=====

23.1 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					
Mazda Pick-up	184	6	40		34Capital Distributors, Sher Khan Plaza, Rawalpindi.
Datsun Pick-up	132	5	25		20Capital Distributors, Sher Khan Plaza, Rawalpindi.
Toyota Corolla	213	11	50		39Mr. Tahir A. Choudhry, Employee.
Suzuki Swift	193	12	20		8M/s. Eastern Federal Union, Lahore (Insurance Claim).
Suzuki Pick-up	97	7	15		8Wadood Sons, Qissa Khawani Bazar, Peshawar.
Suzuki Pick-up	85	7	20		13Capital Distributors, Sher Khan Plaza, Rawalpindi.
Mitsubishi Lancer	460	69	260		191Dr. Sabiha Azher, C-1, Dawood Apartments, P.E.C.H.S., Karachi.
Datsun Pick-up	27	5	30		25Capital Distributors, Sher Khan Plaza, Rawalpindi.
Datsun Pick-up	340	80	200		120M/s. Eastern Federal Union, Lahore (Insurance Claim).
Suzuki Pick-up	86	7	15		8Mr. Zaheer Mirza, C/o Punjab Enterprises, 42-B, Block 5, Sargodha.
WDV below Rs. (thousands) 5 each	259	8	60		52Various
	-----	-----	-----	-----	
	2,076	217	735	518	
	=====	=====	=====	=====	

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

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

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
24. Taxation		
Current	17,902	10,107
Prior year	1,098	393
Deferred	500	--
	-----	-----
	19,500	10,500
	=====	=====
25. Earnings per share		
Profit after taxation attributable to ordinary shareholders	31,436	26,249
Number of ordinary shares at the end of the year (in thousands)	5,000	5,000
	-----	-----
Earnings per share in Rupees	6.29	5.25
	=====	=====

26. Financial instruments and related disclosures

26.1 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.

26.2 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 transaction of immaterial amount involved.

26.3 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.

26.4 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates to

their fair values.

27. Transactions with associated undertakings

Purchases of raw material	58,071	61,531
Purchases of finished goods	90,240	104,430
Sales of raw materials	7,347	3,134
Sales of finished goods	9,339	8,011
Royalty charged	6,158	5,967
Purchases/repairs of electric equipment/vehicles	171	210

28. Remuneration of Chief Executive, paid directors and executives

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Total number	1	1	2	2	11	11
<i>(Rupees in thousands)</i>						
Managerial remuneration	684	526	1312	1,202	2,667	2,518
Provident fund	49	25	89	46	176	90
Housing	258	138	516	276	980	891
Utilities	162	97	324	193	1099	800
Medical	13	13	27	27	130	124
	-----	-----	-----	-----	-----	-----
	1,166	799	2268	1,744	5,052	4,423
	=====	=====	=====	=====	=====	=====

28.1 Fees paid to four non-executive directors during the year for attending Board meetings Rs. (thousands) 4 (1999: Rs. (thousands) 5).

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 hours shift</i>		<i>Production</i>	
			<i>2000</i>	<i>1999</i>
Juices -				
Bottling plant	9,000	Crates	2,351,117	2,877,876
Tetrapak plant	3,000	Dozen	2,222,904	1,956,490
Squashes and syrups plant	3,000	Dozen	130,065	136,596
Jams and ketchup plant	600	Dozen	241,611	262,369
Achar plant	300	Dozen	70,916	73,645
Canning plant	600	Dozen	154,143	105,148

The shortfall in production is due to market conditions.

30. Number of employees

Total number of permanent employees at the year end was 233 (1999: 235).

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

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, 2000 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 June 30, 1999 to June 30, 2000.

Chief Executive

Director

Directors' Report to the Members

The Directors of the Company feel pleasure in presenting their 10th Annual Report and Audited Accounts of the Company for the year ended June 30, 2000.

As you will observe our sales increased by almost 20% and profit before tax was about the same. The main reason being the inflationary cycle in the country and the slow down of the economy.

No doubt the company has a healthy balance sheet with satisfactory financial ratios. We are intensifying our marketing efforts in the NWFP and Rawalpindi/Islamabad region and are hopeful that with this effort the performance of the company would improve.

We are also planning to diversify our interest to enter the snack food industry which has good potential.

During this period your company made a valuable contribution to the national exchequer by paying Rs. 28,040,426 as Excise Duty and Rs. 49,655,146 as Sales Tax.

Dividend:

The company profits are now taxable and the profitability was also less than previous year, your Directors therefore recommend to pass over the Dividend in order to build the reserves of the company.

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:
November 18, 2000.

Chief Executive

Auditors' Report to the Members

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

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

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

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

(b) in our opinion-

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

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

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

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

Lahore:

November 18, 2000.

Chartered Accountants

Balance Sheet as at June 30, 2000

	<i>Notes</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousands)</i>	
Tangible fixed assets			
Operating fixed assets	3	41,349	42,114
Long term investments	4	5,860	5,860
Long term deposits	5	397	46
		-----	-----
		47,606	48,020
Current assets			
Stores and spares	6	148	--
Stock in trade	7	62,598	74,171
Trade debts	8	47,336	48,134
Advances, deposits, prepayments and other receivables	9	6,145	2,825
Cash and bank balances	10	42,753	18,244
		-----	-----
		158,980	143,374
Less: Current liabilities			
Short-term running finances	11	--	--
Current maturity of obligations under finance lease	14	952	--

Creditors, accrued and other liabilities	12	19,334	23,112
Taxation		4,715	921
		-----	-----
		25,001	24,033
		-----	-----
Working capital		133,979	119,341
		-----	-----
Total capital employed		181,585	167,361
Long term and deferred liabilities			
Deferred taxation		600	5,600
Obligations tinder finance lease	14	2,144	--
		-----	-----
		2,744	5,600
		-----	-----
Net capital employed		178,841	161,761
		=====	=====
Represented by			
Share capital	13	25,000	25,000
General reserve		145,000	130,000
Unappropriated profit		8,841	6,761
		-----	-----
		178,841	161,761
Contingencies and commitments	15	--	--
		-----	-----
		178,841	161,761
		=====	=====

The attached notes form an integral part of these accounts.

Chief Executive

Director

**Profit and Loss Account
for the year ended June 30, 2000**

	<i>Notes</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousands)</i>	
Sales	16	234,123	194,320
Cost of sales	17	197,821	160,712
		-----	-----
Gross profit		36,302	33,608
Less: Administrative and general expens	18	3,919	3,650

Selling and distribution expenses	19	10,601	8,286
Financial charges	20	429	638
Other expenses and provisions	21	3,978	3,254
		-----	-----
		18,927	15,828
		-----	-----
Operating profit		17,373	17,780
Other income	22	2,705	3,769
		-----	-----
Profit before taxation		20,080	21,549
Taxation	23	3,000	9,467
		-----	-----
Profit after taxation		17,080	12,082
Unappropriated profit brought forward		6,761	4,679
		-----	-----
		23,841	16,761
Appropriations:			
Transfer to General reserve		15,000	10,000
Proposed dividend @ Nil (1999: Nil)		--	--
		-----	-----
		15,000	10,000
Unappropriated profit carried forward		8,841	6,761
		=====	=====
Earnings per share in Rupees	24	6.83	4.83
		=====	=====

The attached notes form all integral part of these accounts.

Chief Executive

Director

Cash Flow Statement for the year ended June 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
Cash flow from operating activities		
Funds provided from operations:		
Profit before taxation	20,080	21,549
Adjustments for:		
Depreciation	5,923	5,765
Interest/mark-up charged on secured loans	201	350
Profit on bank deposits	(2,105)	(3,321)
Provision for deterioration in value of		

shells, pallets and barrels	340	314
Gain on disposal of fixed assets	--	(37)
	-----	-----
	4,359	3,071
	-----	-----
Operating profit before working capital	24,439	24,620
(Increase)/decrease in current assets:		
Stores and spares	(148)	--
Stock in trade	11,233	(19,849)
Trade debts	798	(7,863)
Advances, deposits, prepayments and other receivables	(3,320)	(206)
	-----	-----
	8,563	(27,918)
Increase/(decrease) in current liabilities:		
Creditors, accrued and other liabilities	(3,778)	(2,189)
	-----	-----
	(3,778)	(2,189)
	-----	-----
Cash generated from operations	29,224	(5,487)
Interest/mark-up paid on secured loans	(201)	(1,540)
Profit on bank deposits	2,105	3,321
Income tax paid	(4,206)	(472)
Net cash from operating activities	26,922	(4,178)
Cash flow from investing activities		
Purchase of fixed assets	(1,641)	(1,632)
Sale proceeds from disposal of fixed assets	--	160
Long term investments	--	(5,860)
Long term deposits	(351)	--
	-----	-----
Net cash from investing activities	(1,992)	(7,332)
Cash flow from financing activities		
Repayment of obligations under finance lease	(421)	--
Repayment of long term loans	--	(3,750)
Dividend paid	--	(10,000)
	-----	-----
Net cash from financing activities	(421)	(13,750)
	-----	-----
Net increase/(decrease) in cash and bank balances	24,509	(25,260)
Cash and bank balances at the beginning of the year	18,244	43,504
	-----	-----
Cash and bank balances at the end of the year	42,753	18,244
	=====	=====

Chief Executive

Director

Statement of Changes in Equity for the year ended June 30, 2000

	<i>Share Capital</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
	<i>(Rupees in thousands)</i>			
Balance as at June 30, 1998	25,000	120,000	4,679	149,679
Profit after taxation for the year ended June 30, 1999	--	--	12,082	12,082
Transfer to General reserve	--	10,000	(10,000)	--
	-----	-----	-----	-----
Balance as at June 30, 1999	25,000	130,000	6,761	161,761
Profit after taxation for the year ended June 30, 2000	--	--	17,080	17,080
Transfer to General reserve	--	15,000	(15,000)	--
	-----	-----	-----	-----
Balance as at June 30, 2000	25,000	145,000	8,841	178,841
	=====	=====	=====	=====

Chief Executive

Director

Notes to the Accounts for the year ended June 30, 2000

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 manufacturing, trading and sale of juices, 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 renewals and improvements are capitalised.

Gain and loss on disposal of fixed assets are recognised in the profit and loss account.

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, stores and spares 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 scheme for all permanent employees. Equal monthly contributions are made both by the company and the employees

to the fund.

3. Operating fixed assets

(Rupees in thousands)

	<i>COST</i>			<i>DEPRECIATION</i>			<i>BOOK VALUE</i>	
	<i>As at June 30, 1999</i>	<i>Additions/ Adjustments</i>	<i>Disposal/ Adjustments</i>	<i>As at June 30, 2000</i>	<i>Accumulated as at June 30, 2000</i>	<i>Rate %</i>	<i>Charge for the year</i>	<i>As at June 30, 2000</i>
COMPANY OWNED ASSETS								
Leasehold land (Note: 3.2)	1,802	--	--	1,802	--	--	--	1,802
Buildings on leasehold land	10,294	1,149	--	11,443	6,362	10	565	5,081
Plant and machinery	76,184	--	--	76,184	46,432	12(1/2)	4,250	29,752
Furniture and fixtures	178	48	--	226	127	15	18	99
Motor vehicles	1,418	--	--	1,418	670	20	187	748
Electric tools and fittings	165	--	--	165	118	10-25	6	47
Electric equipment	768	444	--	1,212	483	15	129	729
Laboratory equipment	63	--	--	63	34	10	3	29
Fork lifts	1,429	--	--	1,429	1,180	20	62	249
	-----	-----	-----	-----	-----	-----	-----	-----
	92,301	1,641	--	93,942	55,406		5,220	38,536
ASSETS SUBJECT TO FINANCE LEASE								
Motor vehicles	--	3,516	--	3,516	703	20	703	2,813
	-----	-----	-----	-----	-----	-----	-----	-----
	92,301	5,157	--	97,458	56,109		5,923	41,349
	=====	=====	=====	=====	=====	=====	=====	=====
1999	90,936	1,632	267	92,301	50,187		5,765	42,114
	=====	=====	=====	=====	=====	=====	=====	=====

2000 **1999**
(Rupees in thousands)

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

Cost of sales (Note: 17)	4,691	5,316
Administrative and general expenses (Note: 18)	356	235
Selling and distribution expenses (Note: 19)	876	214
	-----	-----
	5,923	5,765
	=====	=====

3.2 It is in the name of Mr. Muneer Nawaz and the company is in the process of having it transferred to its name.

4. Long term investments

Associated undertaking -

Hattar Food Products (Private) Limited

58,600 (1999: 58,600) ordinary

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

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

4.1 The above investment represents 35.95% (1999: 35.95%) 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.

5. Long term deposits

Leasing companies

351	--
-----	----

Others

46	46
----	----

-----	-----
397	46
=====	=====

6. Store and Spares

Spares

148	--
-----	----

=====	=====
-------	-------

7. Stock in trade

Raw materials

12,383	17,727
--------	--------

Packing materials

26,839	34,665
--------	--------

Bottles

17,073	16,905
--------	--------

Finished goods

4,945	3,617
-------	-------

-----	-----
1,698	1,571
340	314
-----	-----
1,358	1,257
-----	-----

Shells, pallets and barrels

1,698	1,571
-------	-------

Less: Provision for deterioration in value

340	314
-----	-----

-----	-----
1,358	1,257
-----	-----
62.60	74,171
=====	=====

8. Trade debts

Unsecured, considered good -

Holding company - Shezan International Limited (Note: 8.1)

42,550	44,758
--------	--------

Others

4,786	3,376
-------	-------

-----	-----
47,336	48,134
=====	=====

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

65,738	55,533
--------	--------

9. Advances, deposits, prepayments and other receivables

Advances - Unsecured, considered good		
- Staff	182	214
- Suppliers	793	325
Due from associated undertakings (Note: 9.1)	--	22
Short term deposits	1,341	510
Prepayments	455	8
Accrued profit on bank deposits	1,122	--
Advance excise duty	839	877
Sales tax refundable	1,413	869
	-----	-----
	6,145	2,825
	=====	=====

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

22	404
=====	=====

10. Cash and bank balances

Cash in hand (Note: 10.1)	1,670	219
Cheques in hand	851	466
Cash at banks - Current accounts	11,486	4,605
- PLS savings accounts (Note: 10.2)	28,746	12,954
	-----	-----
	42,753	18,244
	=====	=====

10.1 It includes cash in transit of Rs. (thousands) 28 (1999: Rs. Nil).

10.2 It includes an amount of Rs. (thousands) 6,825 (1999: Rs. (thousands) 6,825) as lien against guarantees given by the bank.

11. Short-term running finances

The aggregate running finance facility available under the mark-up arrangement is Rs. (thousands) 25,000 (1999: Rs. (thousands) 25,000) and carries mark-up @ 16% per annum. Mark-up is payable quarterly.

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

12. Creditors, accrued and other liabilities

Due to associated undertakings	1,152	509
Creditors	8,637	13,990
Deposits	1,551	1,653

Dealers' credit balances	1,608	1,096
Accrued expenses	489	331
Sales tax payable	2,961	3,097
Accrued excise duty	532	--
Workers' Profit Participation Fund (Note: 12.1)	1,078	1,140
Workers' Welfare Fund	415	120
Other liabilities	911	1,176
	-----	-----
	19,334	23,112
	=====	=====

12.1 Workers' Profit Participation Fund

Balance at the beginning of the year	1,140	1,006
Allocation for the year	1,079	1,141
	-----	-----
	2,219	2,147
Interest on funds utilized in the Company's business	65	162
	-----	-----
	2,284	2,309
Amount paid to the Fund's Trust	1,206	1,169
	-----	-----
Balance at the end of the year	1,078	1,140
	=====	=====

13. Share capital

Authorised:

5,000,000 (1999: 5,000,000) ordinary shares of Rs. 10 each	50,000	50,000
	=====	=====
Issued, subscribed and paid-up		
2,000,000 (1999: 2,000,000) ordinary shares of Rs. 10 each fully paid in cash	20,000	20,000
500,000 (1999: 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 (1999: 2,500,000) shares, 2,496,000 (1999: 2,496,000) shares are held by Shezan International Limited, the holding company, whilst the balance 4,000 (1999: 4,000) shares are held by its nominees.

14. Obligations under finance lease

The average rate of interest used as the discounting factor (i.e. implicit in the lease) is 14.73% to 15.25% per annum. The amount of future payments and the period during which they will become due are:

2000

1999

	<i>(Rupees in thousands)</i>	
Year ending June 30,		
2001	1,302	--
2002	1,302	--
2003	1,071	--
	-----	-----
Minimum lease payments (Note: 14.1)	3,675	--
Less: Future finance charges	579	--
	-----	-----
	3,096	--
Less: Current maturity	952	--
	-----	-----
	2,144	--
	=====	=====

The lease agreement has the option for purchase of the assets at the end of the lease period. There are no financial restrictions in the lease agreement. The residual value of the leased assets is Rs. (thousands) 352 (1999: Rs. Nil).

14.1 Minimum lease payments and their present value are regrouped as below:

	<i>2000</i>		<i>1999</i>	
	<i>MLP</i>	<i>PV OF MLP</i>	<i>MLP</i>	<i>PV OF MLP</i>
	<i>(Rupees in thousands)</i>		<i>(Rupees in thousands)</i>	
Due not later than 1 year	1,302	952	--	--
Due later than 1 year but not later than 5 years	2,373	2,144	--	--
	-----	-----	-----	-----
	3,675	3,096	--	--
	=====	=====	=====	=====

15. Contingencies and commitments

-- Counter guarantees in favour of banks in the ordinary course of business were Rs. (thousands) 1,330 (1999: Rs. (thousands) 1,330).

-- Commitments for equity investment in an associated undertaking (Private Limited) Rs. (thousands) 4,140 (1999: Rs. (thousands) 4,140).

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
16. Sales		
Sales	290,188	232,653
Less:		
Commission and discount	6,410	5,707
Sales tax	49,655	32,626

	56,065	38,333
	234,123	194,320
	=====	=====
17. Cost of sales		
Manufacturing (Note: 17.1)	188,735	153,010
Trading (Note: 17.2)	9,086	7,702
	-----	-----
	197,821	160,712
	=====	=====
 17.1 Cost of sales - Manufacturing		
Raw materials - Opening stock	17,727	17,486
Add: Purchases during the year	48,545	42,849
	-----	-----
	66,272	60,335
Less: Raw materials - Closing stock	12,383	17,727
	-----	-----
Raw materials consumed	53,889	42,608
Packing materials - Opening stock	34,665	16,480
Add: Purchases during the year	80,296	88,600
	-----	-----
	114,961	105,080
Less: Packing materials - Closing stock	26,839	34,665
	-----	-----
Packing materials consumed	88,122	70,415
Factory expenses -		
Salaries, wages and amenities	3,386	2,987
Stores consumed	884	890
Travelling and conveyance	90	19
Repairs and maintenance	3,481	4,123
Insurance	291	291
Fuel and power	7,075	5,822
Rent, rates and taxes	--	22
Bottle breakage	1,349	1,213
Excise duty	28,040	20,295
General expenses	52	171
Depreciation (Note: 3.1)	4,691	5,316
	-----	-----
	49,339	41,149
	-----	-----
Cost of production	191,350	154,172
Add: Finished goods - Opening stock	3,617	4,691
	-----	-----

	194,967	158,863
Less: Cost of samples and wastage	1,287	2,236
Finished goods - Closing stock	4,945	3,617
	-----	-----
	6,232	5,853
	-----	-----
	188,735	153,010
	=====	=====

17.2 Cost of sales - Trading

Finished goods - Opening stock	--	--
Add: Purchases during the year	9,086	7,702
	-----	-----
	9,086	7,702
Less: Finished goods - Closing stock	--	--
	-----	-----
	9,086	7,702
	=====	=====

18. Administrative and general expenses

Salaries, wages and amenities	1,838	2,153
Postage and telephone	311	243
Travelling and conveyance	279	82
Repairs and maintenance	181	223
Insurance	192	167
Stationery. and printing	217	126
Rent, rates and taxes	114	45
Auditors' remuneration (Note: 18.1)	85	100
Legal and professional	139	16
Donations (Note: 18.2)	--	80
General expenses	207	180
Depreciation (Note: 3.1)	356	235
	-----	-----
	3,919	3,650
	=====	=====

18.1 Auditors' remuneration

Audit fee	75	100
Expenses reimbursed	10	--
	-----	-----
	85	100
	=====	=====

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	1,158	733
Postage and telephone	217	94
Travelling and conveyance	281	231
Repairs and maintenance	533	498
Insurance	158	99
Vehicles running and maintenance	642	379
Rent, rates and taxes	99	79
Advertising and publicity	3,841	2,337
Outward freight and distribution	2,130	3,077
Loading/unloading	308	224
General expenses	104	113
Depreciation (Note: 3.1)	876	214
Deterioration on shells and pallets (Note: 7)	254	208
	-----	-----
	10,601	8,286
	=====	=====

20. Financial charges

Interest, mark-up and charges on -		
Secured long term loans	--	350
Secured running finances	40	--
Workers' Profit Participation Fund (Note: 12.1)	65	162
Finance lease charges	161	--
	-----	-----
	266	512
Bank charges	163	126
	-----	-----
	429	638
	=====	=====

21. Other expenses and provisions

Product spoilage and barrel deterioration	1,381	1,297
Royalty to associated undertaking	1,152	696
Workers' Profit Participation Fund (Note: 12.1)	1,079	1,141
Workers' Welfare Fund - Prior year	(49)	--
- For the year	415	120
	-----	-----
	3,978	3,254
	=====	=====

22. Other income

Profit on bank deposit	2,105	3,321
Gain on disposal of fixed assets	--	37
Sale of scrap	600	411
	-----	-----
	2,705	3,769

23. Taxation

Current	9,269	3,750
Prior year	(1,269)	117
Deferred	(5,000)	5,600
	-----	-----
	3,000	9,467
	=====	=====

24. Earnings per share

Profit after taxation attributable to ordinary shareholders	17,080	12,082
Number of ordinary shares at the end of the year (in thousands)	2,500	2,500
	-----	-----
Earnings per share in Rupees	6.83	4.83
	=====	=====

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 transaction of immaterial amount involved.

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 cash in deposit account

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. Transactions with associated undertakings

Purchases of raw material	46,726	23,954
Purchases of finished goods	9,086	7,702
Sales of finished goods	90.24	104,430
Royalty charged	1,152	696
Purchases/repairs of electric equipment/vehicles	156	136

27. Remuneration of Chief Executive, paid directors and executives

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Total number	--	--	--	--	--	--
<i>(Rupees in thousands)</i>						
Managerial remuneration	--	--	--	--	--	--
Provident fund	--	--	--	--	--	--
Housing	--	--	--	--	--	--
Utilities	--	--	--	--	--	--
Medical	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
	--	--	--	--	--	--
	=====	=====	=====	=====	=====	=====

27.1 Fees paid to non-executive directors during the year for attending Board meetings
Rs. Nil (1999: Rs. Nil).

28. Capacity and production

	<i>Capacity per 8 hour shift</i>		<i>Production</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Juices -				
Bottling plant	5,000	Crates	564,142	582,421
Tetrapak plant	8,600	Dozen	2,281,500	1,720,048
Squashes and syrups plant	1,300	Dozen	36,462	47,254
Jams and ketchup plant	700	Dozen	47,755	47,949

The shortfall in production is due to market conditions.

29. Number of employees

Total number of permanent employees at the year end was 19 (1999: 20).

30. 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, 2000

<i>Number of Shareholders</i>	<i>Shareholdings</i>		<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	
8	101	500	4,000
1	2,495,001	2,500,000	2,496,000
-----			-----
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 Accounts**Consolidated Financial Information****GENERAL INFORMATION SUBSIDIARIES**

Name:	Hattar Fruit Products Limited.
At:	100%.
Nature of business:	Manufacture and sale of juices, 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	90,240	Standard sales policy.
Sales	16,686	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>
	<i>(Rupees in thousands)</i>		
Hattar Fruit Products Ltd.	42,550	Current account	65,738

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, 2000** and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity 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, 2000 and the results of their operations for the year then ended.

Lahore:
November 18, 2000.

Consolidated Balance Sheet as at June 30, 2000

	<i>Notes</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousands)</i>	
Tangible fixed assets			
Operating fixed assets	3	80,801	76,877
Long term investments	4	7,110	7,110
Long term deposits	5	1,731	1,731
		-----	-----
		90,412	85,718
Current assets			
Stores and spares	6	1,553	870
Stock in trade	7	251,236	241,865
Trade debts	8	29,770	49,684
Advances, deposits, prepayments and other receivables	9	14,970	12,880
Cash and bank balances	10	67,090	37,543
		-----	-----
		364,619	342,842
Less: Current liabilities			
Short-term running finances	11	3,111	18,665
Current maturity of obligations under finance lease	15	4,376	734
Creditors, accrued and other liabilities	12	75,893	73,150
Taxation		10,187	921
Dividends	13	30,164	25,143
		-----	-----
Working capital		240,888	224,229
		-----	-----
Total capital employed		331,300	309,947
		=====	=====
Long term and deferred liabilities			
Deferred taxation		3,600	8,100
Obligations under finance lease	15	9,304	1,967
		-----	-----
		12,904	10,067
		-----	-----
Net capital employed		318,396	299,880
		=====	=====

Represented by

Share capital	14	50,000	50,000
General reserves		249,000	234,000
Unappropriated profit		14,396	10,880
Reserves arises on consolidation		5,000	5,000
		-----	-----
		318,396	299,880
Minority interest		--	--
		-----	-----
		318,396	299,880
Contingencies and commitments	16	--	--
		-----	-----
		318,396	299,880
		=====	=====

The attached notes form an integral part of these accounts.

Chief Executive

Director

**Consolidated Profit and Loss Account
for the year ended June 30, 2000**

	<i>Notes</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousands)</i>	
Sales	17	822,832	736,380
Cost of sales	18	202,491	563,130
		-----	-----
Gross profit		202,491	173,250
Less:			
Administrative and general expens	19	30,135	27,645
Selling and distribution expenses	20	84,954	77,843
Financial charges	21	2,424	1,536
Other expenses and provisions	22	20,310	17,544
		-----	-----
		137,823	124,568
Operating profit		64,668	48,682
Other income	23	6,348	9,616
		-----	-----
Profit before taxation		71,016	58,298
Taxation	24	22,500	19,967
		-----	-----
Profit after taxation		48,516	38,331
Unappropriated profit brought forward		10,880	7,549
		-----	-----

		59,396	45,880
Appropriations:			
Transfer to General reserve		15,000	10,000
Proposed dividend @ 60% (1999: 50%)		30,000	25,000
		-----	-----
		45,000	35,000
		-----	-----
Unappropriated profit carried forward		14,396	10,880
		=====	=====
Earnings per share in Rupees	25	9.70	7.67
		=====	=====

The attached notes form an integral part of these accounts.

Chief Executive

Director

Consolidated Cash Flow Statement for the year ended June 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
Cash flow from operating activities		
Funds provided from operations:		
Profit before taxation	71,016	58,298
Adjustments for:		
Depreciation	12,258	10,763
Interest/mark-up charged on secured loans	1,144	656
Profit on bank deposits	(3,153)	(3,958)
Dividend income	(25)	--
Provision for doubtful debts	313	--
Provision for deterioration in value of shells, pallets and barrels	1,472	1,136
Gain on disposal of fixed assets	(518)	(412)
	-----	-----
	11,491	8,185
	-----	-----
Operating profit before working capital	82,507	66,483
(Increase)/decrease in current assets:		
Stores and spares	(683)	87
Stock in trade	(10,843)	(52,090)
Trade debts	19,601	(14,481)
Advances, deposits, prepayments and other receivables	(4,845)	1,082

	3,230	(65,402)
Increase/(decrease) in current liabilities:		
Short-term running finances	(15,554)	9,588
Creditors, accrued and other liabilities	2,743	(1,939)
	(12,811)	7,649
Cash generated from operations	72,926	8,730
Interest/mark-up paid on secured loans	(1,144)	(1,828)
Profit on bank deposits	3,153	3,958
Income tax paid	(14,980)	(9,749)
Net cash from operating activities	59,955	1,111
Cash flow from investing activities		
Purchase of fixed assets	(3,095)	(4,471)
Sale proceeds from disposal of fixed assets	735	1,506
Dividend received	25	--
Long term investments	--	(5,860)
Long term deposits	(770)	(291)
Net cash from investing activities	(3,105)	(9,116)
Cash flow from financing activities		
Repayment of obligations under finance lease	(2,324)	(1,977)
Repayment of long term loans	--	(3,750)
Dividend paid	(24,979)	(17,465)
Net cash from financing activities	(27,303)	(23,192)
Net increase/(decrease) in cash and bank balances	29,547	(31,197)
Cash and bank balances at the beginning of the year	37,543	68,740
Cash and bank balances at the end of the year	67,090	37,543

Chief Executive

Director

Consolidated Statement of Changes in Equity for the year ended June 30, 2000

<i>Share Capital</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
--------------------------	----------------------------	----------------------------------	--------------

(Rupees in thousands)

Balance as at June 30, 1998	50,000	224,000	7,549	281,549
Profit after taxation for the year ended June 30, 1999	--	--	38,331	38,331
Transfer to General reserve	--	10,000	(10,000)	--
Proposed dividend	--	--	(25,000)	(25,000)
	-----	-----	-----	-----
Balance as at June 30, 1999	50,000	234,000	10,880	294,880
Profit after taxation for the year ended June 30, 2000	--	48,516	48,516	--
Transfer to General reserve	--	15,000	(15,000)	--
Proposed dividend	--	--	(30,000)	(30,000)
	-----	-----	-----	-----
Balance as at June 30, 2000	50,000	249,000	14,396	313,396
	=====	=====	=====	=====

Chief Executive

Director

Consolidated Notes to the Accounts for the year ended June 30, 2000

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 manufacturing, trading and sale of juices, 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, leasehold land which is held on 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.

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 renewals and improvements are capitalised.

Gain and loss on disposal of fixed assets are recognised in the profit and loss account.

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, stores and spares 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 operates a recognised provident fund scheme for all permanent employees. Equal monthly contributions are made both by the company and the employees to the fund.

3. Operating fixed assets

	<i>COST</i>			<i>DEPRECIATION</i>			<i>(Rupees in thousands)</i> <i>BOOK VALUE</i>	
	<i>As at June 30, 1999</i>	<i>Additions/ Adjustments</i>	<i>Disposals/ Adjustments</i>	<i>As at June 30, 2000</i>	<i>Accumulated as at June 30, 2000</i>	<i>Rate %</i>	<i>Charge for the year</i>	<i>As at June 30, 2000</i>
COMPANY OWNED ASSETS								
Freehold land	7,091	--	--	7,091	--	--	--	7,091
Leasehold land (Note: 3.2)	1,802	--	--	1,802	--	--	--	1,802
Buildings on freehold land	12,436	--	--	12,436	9,479	10	329	2,957
Buildings on leasehold land	10,294	1,149	--	11,443	6,362	10	565	5,081
Plant and machinery	128,214	344	--	128,558	88,129	12(1/2)	5,775	40,429
Furniture and fixtures	2,454	134	--	2,588	1,918	15	118	670
Motor vehicles and bicycles	23,409	550	2,076	21,883	15,669	20	1,553	6,214
Electric tools and fittings	655	--	--	655	534	10-25	15	121
Electric equipment	4,716	910	--	5,626	2,949	15	473	2,677
Laboratory equipment	242	8	--	250	185	10	7	65
Fork lifts	5,845	--	--	5,845	4,684	20	290	1,161
Arms and ammunitions	94	--	--	94	63	20	8	31
	-----	-----	-----	-----	-----	-----	-----	-----
	197,252	3,095	2,076	198,271	129,972		9,133	68,299
ASSETS SUBJECT TO FINANCE LEASE								
Motor vehicles	2,905	13,303	--	16,208	3,706	20	3,125	12,502
	-----	-----	-----	-----	-----	-----	-----	-----
	200,157	16,398	2,076	214,479	133,678		12,258	80,801
	=====	=====	=====	=====	=====	=====	=====	=====
1999	196,449	11,223	7,515	200,157	123,280		10,763	76,877
	=====	=====	=====	=====	=====	=====	=====	=====

2000 **1999**
(Rupees in thousands)

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

Cost of sales (Note: 18)	6,698	7,531
Administrative and general expenses (Note: 19)	1,140	870
Selling and distribution expenses (Note: 20)	4,420	2,362
	-----	-----
	12,258	10,763
	=====	=====

3.2 It is in the name of Mr. Muneer Nawaz and the company is in the process of having it transferred to Hattar Fruit Products Limited.

4. Long term investments

Associated undertaking -

Hattar Food Products (Private) Limited

58,600 (1999: 58,600) ordinary shares

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

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

Modaraba - listed -

Guardian Leasing Modaraba

250,000 (1999: 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	7,110

=====	=====
-------	-------

4.1 The above investment represents 35.95% (1999: 35.95%) 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.

4.2 The above investment represents 2.50% (1999: 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) 463 (1999: Rs. (thousands) 313). 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.

2000**1999**

*(Rupees in thousands)***5. Long term deposits**

Leasing companies	1,620	290
Others	881	1,441
	-----	-----
	2,501	1,731
	=====	=====

6. Stores and spares

Spares	1,553	870
	=====	=====

7. Stock in trade

Raw materials	25,648	29,328
Packing materials	69,028	70,258
Bottles	59,126	53,044
Finished goods	90,241	82,686
	-----	-----
Shells, pallets and barrels	7,343	5,681
Less: Provision for deterioration in value	1,472	1,136
	-----	-----
	5,871	4,545
Goods in transit	1,322	2,004
	-----	-----
	251,236	241,865
	=====	=====

8. Trade debts

Unsecured, considered good -

Due from associated undertakings (Note: 8.1)

- Shahtaj Textiles Limited	--	8
- Shahnawaz Limited	--	19
- Shezan (Private) Limited	27	13
	-----	-----
	27	40
Others	29,743	49,644
	-----	-----
	29,770	49,684
Considered doubtful - Others	323	10
Provision for doubtful debts	323	10
	-----	-----
	--	--
	-----	-----
	29,770	49,684

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

214	191
-----	-----

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

Advances - Unsecured, considered good

- Staff	252	281
- Suppliers	2,102	2,160
Due from associated undertakings (Note: 9.1)	--	22
Short term deposits	3,071	2,260
Prepayments	1,759	526
Accrued profit on bank deposits	1,582	496
Advance excise duty	3,031	1,990
Income tax recoverable	--	2,753
Sales tax refundable	2,779	2,235
Other receivables	394	157
	-----	-----
	14,970	12,880
	=====	=====

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

22	404
----	-----

10. Cash and bank balances

Cash in hand (Note: 10.1)	5,102	3,455
Cheques in hand	3,730	1,652
Cash at banks - Current accounts	20,520	17,209
- PLS savings accounts (Note: 10.2)	37738	15,227
	-----	-----
	67,090	37,543
	=====	=====

10.1 It includes cash in transit of Rs. (thousands) 28 (1999: Rs. Nil).

10.2 It includes an amount of Rs. (thousands) 13,248 (1999: Rs. (thousands) 8,503) as lien against guarantees given by the bank

11. Short-term running finances

The aggregate running finance facility available from commercial banks under the mark-up arrangements is Rs. (thousands) 45,000 (1999: Rs. (thousands) 50,000). The rate of mark-up was 16% per annum, payable quarterly.

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

of directors.

12. Creditors, accrued and other liabilities

Due to associated undertakings	3,321	4,214
Creditors	22,915	25,483
Deposits	4,018	4,006
Dealers' credit balances	8,362	9,585
Accrued expenses	15,284	10,411
Sales tax payable	13,606	13,469
Accrued excise duty	1,301	--
Workers' Profit Participation Fund (Note: 12.1)	3,817	3,108
Workers' Welfare Fund	1,515	770
Other liabilities	1,754	2,104
	-----	-----
	75,893	73,150
	=====	=====

12.1 Workers' Profit Participation Fund

Balance at the beginning of the year	3,108	2,548
Allocation for the year	3,818	3,109
	-----	-----
	6,926	5,657
Interest on funds utilised in the Company's business	365	214
	-----	-----
	7,291	5,871
Amount paid to the Fund's Trust	3,474	2,763
	-----	-----
Balance at the end of the year	3,817	3,108
	=====	=====

13. Dividends

Unclaimed	164	143
Proposed	30,000	25,000
	-----	-----
	30,164	25,143
	=====	=====

14. Share capital

Authorised - 10,000,000 (1999: 10,000,000) ordinary shares of Rs. 10 each	100,000	100,000
	=====	=====
Issued, subscribed and paid-up - 237,500 (1999: 237,500) ordinary shares of Rs. 10 each fully paid in cash	2,375	2,375

4,762,500 (1999: 4,762,5005 ordinary shares

Rs. 10 each issued as fully paid bonus shares

47,625

47,625

50,000

50,000

15. Obligations under finance lease

The average rate of interest used as the discounting factor (i.e. implicit in the lease) 14.25% to 19.28% per annum. The amount of future payments and the period during which they will become due are:

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousands)</i>	
Year ending June 30,		
2000	--	1,136
2001	5,980	1,136
2002	6,022	1,143
2003	4,004	--
2004	314	--
	-----	-----
Minimum lease payments (Note: 15.1)	16,320	3,415
Less: Future-e finance charges	2,640	714
	-----	-----
	13,680	2,701
Less: Current maturity	4,376	734
	-----	-----
	9,304	1,967
	=====	=====

The lease agreement has the option for purchase of the assets at the end of the lease period.

There are no financial restrictions in the lease agreement. The residual value of the leased assets is Rs. (thousands) 1,621 (1999: Rs. (thousands) 291).

15.1 Minimum lease payments and their present value are regrouped as below:

	<i>2000</i>		<i>1999</i>	
	<i>MLP</i>	<i>PV OF MLP</i>	<i>MLP</i>	<i>PV OF MLP</i>
	<i>(Rupees in thousands)</i>		<i>(Rupees in thousands)</i>	
Due not later than 1 year	5,980	4,376	1,136	734
Due later than 1 year but not later than 5 years	10,340	9,304	2,279	1,967
	-----	-----	-----	-----
	16,320	13,680	3,415	2,701
	=====	=====	=====	=====

16. Contingencies and commitments

a) Contingencies

i) Claim of E.O.B.I. for Rs. (thousands) 133 (1999: Rs. (thousands) 133) not acknowledged as debt by the company.

ii) Claim of P.E.S.S.I. for Rs. (thousands) 2,379 (1999: Rs. (thousands) 2,917) not acknowledged as debt by the company.

iii) Notices for additional payment of sales tax & excise duty amounting to Rs. (thousands) 14,696 (1999: Rs. (thousands) 14,696) contested with the Department.

b) Commitments

i) Commitments in respect of letters of credit established for the import of raw and packing materials Rs. Nil (1999: Rs. (thousands) 2,313).

ii) Commitments in respect of counter bank guarantees were Rs. (thousands) 11,889 (1999: Rs. (thousands) 4,490).

iii) Commitments for equity investment in an associated undertaking (Private Limited) Rs. (thousands) 4,140 (1999: Rs. (thousands) 4,140).

17. Sales

Domestic	957,219	812,764
Export	64,638	81,974
Export rebate	753	1,695
	-----	-----
	1,022,610	896,433
Sales tax	171,006	131,995
	-----	-----
	199,778	160,053
	-----	-----
	822,832	736,380
	=====	=====

18. Cost of sales

Manufacturing (Note: 18.1)	619,019	560,088
Trading (Note: 18.2)	1,322	3,042
	-----	-----
	620,341	563,130
	=====	=====

18.1 Cost of sales - Manufacturing

Raw materials - Opening stock	29,328	30,684
Add: Purchases during the year	223,509	229,090
	-----	-----
	252,837	259,774
Less: Raw materials - Closing stock	25,648	29,328

Raw materials consumed	227,189	230,446
Packing materials - Opening stock	70,258	39,066
Add: Purchases during the year	236,910	238,952
	307,168	278,018
Less: Packing materials - Closing stock	69,028	70,258
Packing materials consumed	238,140	207,760
Factory expenses -		
Salaries, wages and amenities	24,954	23,600
Stores consumed	6,930	10,967
Travelling and conveyance	181	130
Repairs and maintenance	12,024	13,264
Insurance	675	838
Fuel and power	28,750	24,376
Rent, rates and taxes	--	22
Bottle breakage	10,758	11,254
Excise duty	78,351	67,863
General expenses	5,831	4,613
Depreciation (Note: 3.1)	6,698	7,531
	175,152	164,458
Cost of production	640,481	602,664
Add: Finished goods - Opening stock	82,686	61,476
	723,167	664,140
Less: Cost of samples and wastage	13,907	21,366
Finished goods - Closing stock	90,241	82,686
	104,148	104,052
	619,019	560,088
18.2 Cost of sales - Trading		
Finished goods - Opening stock	--	--
Add: Purchases during the year	1,322	3,042
	1,322	3,042
Less: Finished goods - Closing stock	--	--
	1,322	3,042

19. Administrative and general expenses

Salaries, wages and amenities	18,843	17,622
Postage and telephone	2,048	1,748
Travelling and conveyance	967	610
Repairs and maintenance	1.30	2,097
Insurance	910	1,082
Stationery and printing	1.09	1,139
Rent, rates and taxes	1.75	1,055
Auditors' remuneration (Note: 19.1)	245	215
Legal and professional	810	415
Donations (Note: 19.2)	109	268
General expenses	614	524
Provision for doubtful debts	313	--
Depreciation (Note: 3.1)	1,140	870
	-----	-----
	30,135	27,645
	=====	=====

19.1 Auditors' remuneration

Audit fee	200	200
Miscellaneous certification charges	20	--
Expenses reimbursed	25	15
	-----	-----
	245	215
	=====	=====

19.2 Donations

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

20. Selling and distribution expenses

Salaries, wages and amenities	21,931	17,772
Postage and telephone	722	533
Travelling and conveyance	2,467	2,228
Repairs and maintenance	6,106	6,787
Insurance	158	99
Vehicles running and maintenance	1,051	742
Stationery and printing	461	603
Rent, rates and taxes	1,405	971
Advertising and publicity	28,357	24,639
Outward freight and distribution	8,746	13,599
Loading/unloading	308	224
Staff sales incentive	1,475	1,287
Petrol, oil and lubricants	6,182	5,030
General expenses	299	285
Depreciation (Note: 3.1)	4,420	2,362

Deterioration on shells and pallets (Note: 7)	866	682
	-----	-----
	84.95	77,843
	=====	=====

21. Financial charges

Interest, mark-up and charges on -

Secured long term loans	--	350
Secured running finances	49	97
Unsecured loans	35	35
Workers' Profit Participation Fund (Note: 12.1)	365	214
Finance lease charges	1,095	209
	-----	-----
	1,544	905
Bank charges	880	631
	-----	-----
	2,424	1,536
	=====	=====

22. Other expenses and provisions

Product spoilage and barrel deterioration	7,688	7,220
Royalty to associated undertaking	7,310	6,663
Workers' Profit Participation Fund (Note: 12.1)	3,818	3,109
Workers' Welfare Fund - Prior year	(21)	(218)
- For the year	1,515	770
	-----	-----
	20,310	17,544
	=====	=====

23. Other income

Profit on bank deposits	3,153	3,958
Dividend income	25	--
Foreign exchange gain	675	4,005
Gain on disposal of fixed assets (Note: 23.1)	518	412
Sale of scrap	1,977	1,241
	-----	-----
	6,348	9,616
	=====	=====

23.1 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					
Mazda Pick-up	184	6	40		34Capital Distributors,

Datsun Pick-up	132	5	25	Sher Khan Plaza, Rawalpindi. 20Capital Distributors,
Toyota Corolla	213	11	50	Sher Khan Plaza, Rawalpindi. 39Mr. Tahir A. Choudhry, Employee.
Suzuki Swift	193	12	20	8M/s. Eastern Federal Union, Lahore (Insurance Claim).
Suzuki Pick-up	97	7	15	8Wadood Sons, Qissa Khawani Bazar, Peshawar.
Suzuki Pick-up	85	7	20	13Capital Distributors, Sher Khan Plaza, Rawalpindi.
Mitsubishi Lancer	460	69	260	191Dr. Sabina Azher, C-1, Dawood Apartments, P.E.C.H.S., Karachi.
Datsun Pick-up	27	5	30	25Capital Distributors, Sher Khan Plaza, Rawalpindi.
Datsun Pick-up	340	80	200	120M/s. Eastern Federal Union, Lahore (Insurance Claim).
Suzuki Pick-up	86	7	15	8Mr. Zaheer Mirza, C/o Punjab Enterprises, 42-B, Block 5, Sargodha.
WDV below Rs. (thousands) 5 each	259	8	60	52Various.
	-----	-----	-----	-----
	2,076	217	735	518
	=====	=====	=====	=====

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

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

2000 **1999**
(Rupees in thousands)

24. Taxation

Current	27,171	13,857
Prior year	(171)	510
Deferred	(4,500)	5,600
	-----	-----
	22,500	19,967
	=====	=====

25. Earnings per share

Profit after taxation attributable to ordinary shareholders	48,516	38,331
Number of ordinary shares at the end of the year (in thousands)	5,000	5,000

Earnings per share in Rupees

9.70

7.67

26. Financial instruments and related disclosures**26.1 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.

26.2 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 transaction of immaterial amount involved.

26.3 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.

26.4 Fair value of the financial instruments

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

27. Transactions with associated undertakings

Purchases of raw material	97,450	78,766
Sales of finished goods	253	331
Royalty charged	7,310	6,663
Purchases/repairs of electric equipment/vehicles	327	346

28. Remuneration of Chief Executive, paid directors and executives

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Total number	1	1	2	2	11	11

(Rupees in thousands)

Managerial remuneration	684	526	1,312	1,202	2,667	2,518
Provident fund	49	25	89	46	176	90
Housing	258	138	516	276	980	891
Utilities	162	97	324	193	1,099	800
Medical	13	13	27	27	130	124
	-----	-----	-----	-----	-----	-----
	1,166	799	2,268	1,744	5,052	4,423
	=====	=====	=====	=====	=====	=====

28.1 Fees paid to four non-executive directors during the year for attending Board meetings Rs. (thousands) 4 (1999: Rs. (thousands) 5).

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 hours shift</i>		<i>Production</i>	
			<i>2000</i>	<i>1999</i>
Juices -				
Bottling plant	14,000	Crates	2,915,259	3,460,297
Tetrapak plant	11,600	Dozen	4,504,404	3,676,538
Squashes and syrups plant	4,300	Dozen	166,527	183,850
Jams and ketchup plant	1,300	Dozen	289,366	310,318
Achar plant	300	Dozen	70,916	73,645
Canning plant	600	Dozen	154,143	105,148

The shortfall in production is due to market conditions.

30. Number of employees

Total number of permanent employees at the year end was 252 (1999: 255).

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