



Fruitfully Yours



ANNUAL REPORT
2018

VISION

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

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

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

MISSION

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

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

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



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HAVE A FRUITFUL DAY



حلال
HALAL

An ISO 9001:2015, ISO 22000:2005 & HACCP Certified Company

www.shezan.pk

[Shezan.pk](https://www.facebook.com/Shezan.pk) [@ShezanIntLtd](https://www.instagram.com/ShezanIntLtd)

COMPANY INFORMATION

BOARD OF DIRECTORS:

Mr. Muneer Nawaz	Chairman
Mr. Humayun A. Shahnawaz	Chief Executive
Mr. Mahmood Nawaz	
Mr. M. Naeem	
Mr. Rashed Amjad Khalid	
Ms. Manahil Shahnawaz	
Mr. Saifi Chaudhry	(Independent Director)
Mr. Shahid Hussain Jatoi	(N.I.T. Nominee)

CHIEF FINANCIAL OFFICER:

Mr. Faisal Ahmad Nisar, FCA

COMPANY SECRETARY:

Mr. Khurram Babar

AUDIT COMMITTEE:

Mr. Saifi Chaudhry	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE:

Mr. Saifi Chaudhry	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Humayun A. Shahnawaz	Member

REGISTERED OFFICE / HEAD OFFICE:

56 - Bund Road, Lahore-54500.
Phones: (042) 37466900-04.
Faxes: (042) 37466899 & 37466895.
E-mail: shezan@brain.net.pk

FACTORIES:

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

WEBSITE:

www.shezan.com

AUDITORS:

EY Ford Rhodes,
Chartered Accountants,
96-B-1, 4th Floor, Pace Mall Building,
M. M. Alam Road, Gulberg II, Lahore.

SHARE REGISTRAR:

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

LEGAL ADVISORS:

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

BANKERS:

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

NOTICE OF MEETING

The 55th Annual General Meeting of the Company will be held on October 27, 2018 at 11:00 am at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore, to transact the following businesses:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting of the Company held on October 27, 2017.
2. To receive and adopt the Audited Financial Statements of the Company for the year ended 30 June 2018 together with the Directors' and Independent Auditors' Report thereon.
3. To consider and, if thought fit, approve the cash dividend @ Rs. 15/- per share, i.e., 150% and 10% bonus shares, i.e., one (01) ordinary share for every ten (10) ordinary shares held by existing shareholders, as recommended by the Board of Directors, for the year ended 30 June 2018.
4. To appoint External Auditors of the Company for the financial year ending 2018-19 and to fix their remuneration.

SPECIAL BUSINESS

5. To give effect to the issue of bonus shares, as recommended by the Board of Directors, consider and, if thought fit, pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT a sum of Rs. 7,986,000 be capitalized out of the free reserves of the Company and applied towards issue of 798,600 ordinary shares of Rs. 10/- each as fully paid bonus shares, in the proportion of the one (01) ordinary share for every ten (10) ordinary shares held by the members whose names appear in the Members Register at the close of the business on October 20, 2018.

FURTHER RESOLVED THAT the bonus shares shall rank pari passu in all respects with the existing shares of the Company as regards the future entitlements, however, these shares shall not be eligible for any final dividend declared by the Company for the year ended 30 June 2018.

FURTHER RESOLVED THAT members fractional entitlement till date, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings, shall be consolidated in to whole shares. The Directors of the Company be and are hereby authorized to sell such shares in open market and pay the net proceeds of sale to a charitable institution as approved by the Board.

FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby jointly and/or severally authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares and pay net proceeds of the fractions to a charitable institution.

6. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

RESOLVED THAT the transaction(s)/agreement(s)/contract(s) carried out by the Company in the normal course of business with related parties for the period from July 01, 2017 to June 30, 2018 be and hereby ratified, approved and confirmed.

FURTHER RESOLVED THAT the Chief Executive Officer of the Company be and is hereby authorized to approve all the transaction(s)/agreement(s)/contract(s) carried out and to be carried out in the normal course of business with related parties till the next Annual General Meeting of the Company and in this connection the Chief Executive Officer of the Company be and is hereby authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company.

ANY OTHER BUSINESS

7. To transact any other business with the permission of the Chair.

STATEMENT OF MATERIAL FACTS

Under section 134(3) of the Companies Act, 2017

A Statement required under this section relating to Special Businesses of agenda items No. 5 & 6 is annexed.

By Order of the Board



Khurram Babar
Company Secretary

Karachi:
September 26, 2018.

NOTES:

1. The share transfer books of the Company will be closed from October 21, 2018 to October 27, 2018 (both days inclusive), for determining the entitlement of cash dividend and bonus shares.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Form of proxies, in order to be valid, must be received at the Registered Office of the Company, Shezan International Limited, 56 Bund Road, Lahore, not less than 48 hours before the meeting.
3. No person shall act as proxy unless he/she is a member of the Company, except that a corporation may appoint a person who is not a Member.
4. Signature of the shareholder on proxy form must agree with the specimen signature registered with the Company. For the convenience of the shareholders, a proxy form is attached with this annual report.
5. Shareholders are requested to immediately notify the Company of any change in their address to our Share Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and email: corplink786@gmail.com.
6. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan (SECP).

(A) FOR ATTENDING THE MEETING:

- i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate identity by showing their original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless, it has been provided earlier) at the time of attending the meeting.

(B) FOR APPOINTING PROXIES:

- i. In case of individuals, the account holder or sub-account holder and / or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

- iii. The proxy shall produce his/her original CNIC or Passport at the time of the meeting.
 - iv. In case of Corporate entity, the Board of Directors' Resolution / Power of Attorney with Specimen signature of the person nominated to present any vote on behalf of corporate entity, shall be submitted (unless, it has been provided earlier) along with the Proxy Form to the Company.
7. Pursuant to the provisions of the Finance Act, 2018 with regards to deduction of income tax for cash dividend, the rates of deduction of the income tax, under section 150 of the Income Tax Ordinance, 2001 are as follows:
- i. Rate of tax deduction for filer of income tax returns 15 %
 - ii. Rate of tax deduction for non-filer of income tax returns 20 %

All the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of issuance of dividend warrants, otherwise tax on their dividend will be deducted @ 20% instead of 15%. As per FBR's clarification, the valid Exemption Certificate under Section 159 of the Income Tax Ordinance, 2001 is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above clause must provide valid Income Tax Exemption Certificate to our Share Registrar; otherwise income tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

In case of joint account, each account holder is to be treated individually as either a filer or a non-filer and income tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company by sending following details on the registered address of the Company and the members who have deposited their shares into Central Depository Company of Pakistan Limited (CDC) are requested to send a copy of detail regarding income tax payment status also to the relevant member of stock exchange and CDC, if maintaining CDC investor account, or if no notification, each joint holder shall be assumed to have equal number of shares.

The CNIC number / NTN detail is now mandatory and is required for checking the income tax status as per the Active Taxpayers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

8. In order to comply with the requirement of Securities & Exchange Commission of Pakistan (SECP) SRO 19(I) / 2014 dated 10 January 2014 & SRO 275(I) / 2016 dated

Company Name	Folio / CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

31 March 2016, those Shareholders who have not yet submitted attested copy of their valid CNIC, are once again requested to provide the same with their folio number to the Company Share Registrar.

9. In accordance with the provisions of Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In compliance with the said law, in order to receive your future dividends directly in your Bank account, you are required to provide the information mentioned on the Form placed on the Company's website www.shezan.com and send the same to your brokers/

the Central Depository Company Limited, if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form. The Company's Share Registrars address is: M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and email corplink786@gmail.com.

10. The audited financial statements of the Company for the year ended 30 June 2018 have been made available on the Company's website (www.shezan.com) in addition to annual and quarterly financial statements for the current and prior periods.
11. Form of Proxy is enclosed.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out material facts concerning the Special Business to be transacted at the Annual General Meeting of Shezan International Limited to be held on October 27, 2018.

1. SPECIAL BUSINESS AT AGENDA ITEM NO. 5

The Board of Directors are of the view that the Company's financial position and its reserves as on 30 June 2018 justify the capitalization of reserves by way of issue of bonus shares to the members in the ratio of one (01) ordinary share for every ten (10) ordinary shares held. As a result of issuance of Bonus Shares, the paid up capital of the Company shall stand increased to Rs. 87,846,000.

The Directors of the Company have no other interest, except to the extent of their shareholding, in this business either directly or indirectly.

2. SPECIAL BUSINESS AT AGENDA ITEM NO. 6a

The transaction(s)/agreement(s)/contracts(s) carried out in the normal course of business with related parties are approved by the Board of Directors of the Company as recommended by the Audit Committee on quarterly basis pursuant to clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017. In the case of related parties, as mentioned below, a majority of the Directors were common and/or shareholder in related parties and in accordance with the provisions of section 207 of the Companies Act, 2017, the quorum of the directors could not be formed for approval of these transaction(s)/agreement(s)/contracts(s). Therefore, these transaction(s)/agreement(s)/contracts(s) are being placed before the Shareholders of the Company for their approval through a special resolution proposed to be passed in the Annual General Meeting.

In view of the above, the normal business transactions/agreement conducted for the period from July 01, 2017 to June 30, 2018 with related parties as per following detail are being placed before the Shareholders of the Company for their consideration and approval/ratification.

TRANSACTIONS

Particulars	Shahtaj Sugar Mills Limited	Shahtaj Textile Limited	Shahnawaz Engineering (Private) Limited	Shezan Services (Private) Limited	Shahnawaz (Private) Limited
	Rupees in thousand				
Purchase of sugar	730,983	-	-	-	-
Sales of finished goods	572	157	6	-	83
Royalty charged	-	-	-	81,120	-
Purchases/repair of electric equipment/ vehicles	-	-	-	-	196

AGREEMENT

The Company buys sugar from M/s. Shahtaj Sugar Mills Limited (a related party on the basis of common directorship) in the normal course of business. These purchases are based on purchase order and delivery of sugar happened after raising of purchase order. Sugar is one of the main ingredient of our products and our whole production scheduling revolves around availability of high quality and timely delivery of sugar. The management of the Company has evaluated that it would be more appropriate to buy the sugar from Shahtaj on the basis of a binding purchase agreement to ensure smooth and reliable supply.

Accordingly, the Company has entered into a purchase agreement with Shahtaj Sugar Mills Limited. The brief details of the agreement are given below:

Time Period:	June 14, 2018 to September 30, 2018
Quantity:	4,000 Metric Ton
Total Price:	PKR 184,800,000 (excluding sales tax)
Per KG Price:	PKR 46.20 /kg excluding sales tax and PKR 51/kg including sales tax
Payment Terms:	100% advance payment
Delivery Terms:	As and when required

Price and other terms were negotiated after obtaining independent quotations from other parties to ensure that the agreement is on arm's length basis.

This has resulted in following benefits:

- Smooth and reliable supply;
- Delivery as per our schedule;
- Consistent quality; and
- Proper production scheduling.

The name of Directors and nature of their interest in the proposed resolution is as under:

Name of Directors	Shahtaj Sugar Mills Limited	Shahtaj Textile Limited	Shezan Services (Private) Limited	Shahnawaz Engineering (Private) Limited	Shahnawaz (Private) Limited	Information Systems Associate Limited
Mr. Muneer Nawaz	Chief Executive	Chairman	Chairman	Shareholder	Director	Chairman
Mr. Humayun A. Shahnawaz	-	Shareholder	-	-	Shareholder	Shareholder
Mr. Mahmood Nawaz	Director	Director	Director	Shareholder	Chairman	Shareholder
Mr. M. Naeem	Director	Chief Executive	Chief Executive	Shareholder	Chief Executive	Director
Mr. Rashed Amjad Khalid	Director	Shareholder	Director	Director	Shareholder	Shareholder
Ms. Manahil Shahnawaz	Shareholder	-	-	-	-	-

3. SPECIAL BUSINESS AT AGENDA ITEM NO. 6b

The Company would be conducting transaction(s)/agreement(s)/contracts(s) with related parties in the normal course of business. The majority of the Directors are common and/or shareholder in related parties as detailed herein above (Agenda item 5) and in accordance with the provisions of section 207 of the Companies Act, 2017, the quorum of the Directors would not be forming for approval of related party transactions. Therefore, clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017, the Shareholders of the Company may authorize the Chief Executive to approve transactions already carried out and to be carried out in the normal course of business with related parties till the next Annual General Meeting of the Company.

The names of Directors and nature and extent of their interest in the proposed resolution is the same as detailed in statement under Agenda item no. 6a above.

REVIEW REPORT BY THE CHAIRMAN

I am pleased by the performance of Shezan International Limited for the Financial Year ended 30 June 2018. While operating in a competitive environment and instable economy, Company managed to register a steady performance in terms of Sales Revenue as compared to previous year.

The Board comprises of directors with varied backgrounds having rich experience in the fields of business, finance and investment. The board is available for the guidance to the management on various strategic issues and make timely decisions in this respect. The Board ensures compliance of all regulatory requirements by the management. During the year, the Board approved a risk management framework after identification of different risks and their mitigating measures.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shezan International is carried out. The purpose of this evaluation is to assess the Board's overall performance and effectiveness. The Board is assisted by its various committees. The Audit Committee reviews the financial statements and ensures that the financial statements fairly represent the financial position of the Company. It also ensures effectiveness of internal controls. The Human Resource Committee overviews human resource policy framework and recommends selection and compensation of senior management.

I assure you that Company's Board is fully committed to take the Company to new levels of excellence and continues to maintain its momentum of growth and prosperity in the future.

Karachi:
September 26, 2018.


Muneer Nawaz
Chairman

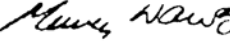
چیئرمین جائزہ رپورٹ

میں شیزان انٹرنیشنل کی اختتام شدہ مالی سال 30 جون 2018ء کی کارکردگی سے خوش ہوں۔ مسابقتی ماحول اور معیشت میں عدم استحکام کے ماحول کے باوجود کمپنی نے پچھلے سال کے مقابلے میں بہتر فروخت کے حصول میں مستحکم کارکردگی دکھائی ہے۔

بورڈ آف ڈائریکٹرز میں نہایت تجربہ کار ڈائریکٹرز شامل ہیں جو کاروباری، مالیاتی اور سرمایہ کاری کے میدان میں وسیع مہارت رکھتے ہیں۔ بورڈ انتظامی امور میں انتظامیہ کی راہ نمائی کے لئے دستیاب ہوتا ہے۔ اور بروقت فیصلے کرتا ہے۔ بورڈ انتظامیہ کی جانب سے تمام قانونی ضروریات کو پورا کرنے کی یقین دہانی کرواتا ہے۔ سال کے دوران بورڈ نے مختلف خطرات سے نمٹنے اور انکے حل کے لئے بہتر فریم ورک کی منظوری دی ہے۔

جیسا کہ کارپوریٹ گورننس کے تحت شیزان کے بورڈ آف ڈائریکٹرز کی سالانہ کارکردگی پرکھی گئی ہے۔ اس جائزہ کا مقصد بورڈ کی کارکردگی اور تاثر کا ادراک ہوتا ہے۔ بورڈ کی مدد کے لئے مختلف کمیٹیاں ہوتی ہیں۔ آڈٹ کمیٹی مالی گوشواروں کا جائزہ لیتی ہے اور اس بات کو یقینی بناتی ہے کہ مالیاتی رپورٹس کمپنی کی مالی حیثیت کو بہتر انداز میں ظاہر کریں۔ یہ کمیٹی داخلی کنٹرولز کی افادیت کو بھی یقینی بناتی ہے۔ انسانی وسائل کی کمیٹی انسانی وسائل کی پالیسی کے فریم ورک کا جائزہ لیتی ہے اور سینئر انتظامیہ کے چناؤ اور معاوضہ کی سفارشات دیتی ہے۔

میں اس بات سے پُر امید ہوں کہ کمپنی کا بورڈ کمپنی کو جدت کے نئے افق پر لے جانے کی بھرپور صلاحیت رکھتا ہے اور مستقبل میں خوشحالی اور نمو کی رفتار کے سلسلے کو برقرار رکھے گا۔



میر نواز
چیئرمین

کراچی:

ستمبر 26، 2018ء۔

DIRECTORS' REPORT

TO THE MEMBERS

On behalf of the Board of Directors, we are pleased to present you the Audited Financial Statements of the Company for the year ended 30 June 2018.

ECONOMIC OVERVIEW

The economy of Pakistan has shown favorable signs and attained a GDP of 5.79% in the Fiscal Year 2017-2018 which has improved from the past Fiscal Years. The improvement in GDP was mainly supported by improved power supply, investment related to the China-Pakistan economic corridor, strong consumption growth and ongoing recovery in agriculture. However, the macroeconomic resilience continued to erode and current account deficit further widened due to surge in imports and reached 4.9% of the GDP. The Pak Rupee continued to depreciate against the US Dollar and moved from PKR 107/- to PKR 124/- by the end of current fiscal year 2017-2018. The Key interest rate was unfavorable in the 2nd Half of the Fiscal Year and SBP, cumulatively, revised the rate by 75 base points from January, 2018 to May, 2018. Diesel prices increased from PKR 79.90/- (July 2017) to PKR 105.31/- (June 2018).

BUSINESS OVERVIEW

In this challenging environment, financial year 2017-2018 was another year of steady performance of the Company with an ever highest sales revenue of Rs. 7.50 billion. The before tax profit was Rs. 489.23 million. The Directors and the management closely monitored the performance of the business activities to achieve improvements in productivity and efficiency with the cost optimization to ensure sustainable growth of the Company.

The management's focus was on internal efficiencies for quality improvement of our products and to put efforts to reduce the cost of doing business. As customer satisfaction is our main deliverable, we continue our efforts to create customized products and to become a customer's preferred choice in today's very competitive world. Focus on core business, cost efficiency, solid financial management and efforts of the management in increasing employee commitment and dedication, resulted in improved performance of all major business segments of the Company.

OPERATIONAL PERFORMANCE

Summarized operating performance of the Company for the year was as follows:

	2018	2017
Particulars	Rupees in thousand	
Sales	7,503,273	7,159,015
Gross profit	2,097,432	2,075,265
Profit before taxation	489,232	361,943
Net profit after taxation	394,793	259,318
Earnings per share (Rs.)	49.44	32.47

We are pleased to announce our strong profitability growth despite difficult circumstances and intense competition. The business portrayed encouraging results with handsome growth in profitability and 4.81% growth in net sales.

APPROPRIATIONS

Keeping in view the satisfactory financial results, the Board of Directors has immense pleasure in proposing a cash dividend of 150%, i.e., Rs. 15/- per share and 10% bonus shares i.e., one (01) ordinary share for every ten (10) shares held by existing shareholders. Further, the Board has also recommended appropriation of Rs. (thousand) 200,000 from unappropriated profits to General Reserve.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the contribution to national exchequer has increased and the Company has paid Rs. 1.712 billion to the government on account of different levies, including sales tax and income tax reflecting our participation in the national economy.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company were observed between the end of the financial year of the Company to which the financial statements relate and the date of the report.

FUTURE PROSPECTS

The management has great plans to take the Company to new levels of excellence. The Company is well poised to encounter future challenges through various measures including innovation, planning and controlling costs, operational analysis, expanding product base and prudent financial management. Your Company has a plan to install a new tetrapak juice filling machine to enhance its production facilities to cater the growing demand of our tetrapak juices in the market.

RISKS AND UNCERTAINTIES

The Company is exposed to the following risks and uncertainties:-

- Continuous decline in the rupee value against the U.S dollar will enhance our import cost.
- Increased competition of our products in local market.
- Hike in the oil prices.
- Increase in gas and electricity prices.
- Increase in prices of raw and packing materials.
- Increase in interest rates on financial borrowings.

Company takes these risks as a challenge with the confidence

that it has the ability and trained professional workforce to mitigate the impact of these risks.

INTERNAL FINANCIAL CONTROLS

A system of sound internal control is established and prevailing in the Company. The system of internal control is designed in a manner to ensure achievement of Company's business objectives and operational efficiency, reliable financial reporting and compliance with various statutory laws.

FINANCIAL AND CORPORATE REPORTING FRAMEWORK

The Directors are pleased to state that the Company is complying with the provisions of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan (SECP).

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International reporting standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- There are no doubts on the Company's ability to continue as a going concern.
- Summary of key operational and financial data for the last six years annexed in this annual report.
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- Fair value of investments of provident fund as at 30 June 2018 was Rs. 179/- million.
- The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children shareholding and change therein during the year is disclosed in "Categories of Shareholders".

CORPORATE INFORMATION

Composition of The Board

The total number of Directors are eight (08) as per the following:

- Male: Seven (07)
- Female: One (01)

The composition of Board is as follows:

• Independent Director	Mr. Saifi Chaudhry*
• Other Non-executive Directors	Mr. Muneer Nawaz
	Mr. M. Naeem
	Mr. Rashed Amjad Khalid
	Mr. Syed Etrat Hussain Rizvi**
	Mr. Shahid Hussain Jatoi**
• Executive Directors	Mr. Mahmood Nawaz
	Mr. Humayun A. Shahnawaz
	Ms. Manahil Shahnawaz***

Composition of the Committees

The Board has formed committees comprising of members given below:

Audit committee

Mr. Saifi Chaudhry	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

Human resource and remuneration committee

Mr. Saifi Chaudhry	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Humayun A. Shahnawaz	Member

CHANGES IN THE BOARD, COMMITTEES AND COMPANY SECRETARY

Following changes have taken place in the Board, various committees and Secretarial department:

* Mr. Saifi Chaudhry passed away on September 09, 2018. His invaluable contributions towards the progress of the Company will be remembered. He had a long association with the Company spanning over five decades of loyalty and honesty towards the Company. He was very kind hearted and have a lovable persona. He will be missed for a very long time by all those who knew him or had opportunity to work with him. Casual vacancy arising due to sad demise of Mr. Saifi Chaudhry will be filled in due course of time.

** Mr. Etrat Hussain Rizvi (N.I.T. Nominee) resigned from our Board with effect from March 31, 2018 and in his place; the Board co-opted Mr. Shahid Hussain Jatoi (N.I.T. Nominee) as director of the Company with effect from April 25, 2018. We appreciate the contributions made by Mr. Etrat Hussain Rizvi during his tenure and welcome Mr. Shahid Hussain Jatoi on our Board.

*** Ms. Manahil Shahnawaz has assumed charge as Executive-Director with effect from May 01, 2018, before that she was performing her duties as non-executive director.

**** During the year Mr. Saifi Chaudhry had joined the Audit Committee as Chairman of the committee in place of Mr. M. Naeem. We appreciate the contributions made by Mr. M. Naeem during his tenure as Chairman of the committee.

***** Mr. Saifi Chaudhry had joined the Human Resource Committee as Chairman of the committee in place of Mr. Muneer Nawaz. We appreciate the contributions made by Mr. Muneer Nawaz during his tenure as Chairman of the committee.

***** During the year Mr. Faisal Ahmad Nisar resigned as Company Secretary and in his place Mr. Khurram Babar was appointed as Company Secretary by the Board. We appreciate the contributions made by Mr. Faisal Ahmad Nisar during his tenure and welcome Mr. Khurram Babar.

FREQUENCY OF THE MEETINGS

During the year, five (05) Board of Directors meetings were held. Attendance of these meetings was as follows:

Name of Directors	No. of Meetings Attended
Mr. Muneer Nawaz	5
Mr. Mahmood Nawaz	3
Mr. M. Naeem	3
Mr. Rashed Amjad Khalid	2
Ms. Manahil Shahnawaz	5
Mr. Humayun A. Shahnawaz	5
Mr. Saifi Chaudhry	3
Mr. Etrat Hussain Rizvi	2

Leave of absence was granted to the Directors, who could not attend the Board meetings.

During the year, the Audit Committee met four (04) times. These meetings were held prior to the approval of interim results of the Company by the Board of Directors and before and after completion of external audit. Attendance by each director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Muneer Nawaz	4
Mr. M. Naeem	2
Mr. Rashed Amjad Khalid	4
Mr. Saifi Chaudhry	4

Leave of absence was granted to the Directors, who could not attend the Audit Committee meetings.

During the year, two (02) meetings of the Human Resource & Remuneration Committee were held. Attendance by each Director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Muneer Nawaz	2
Mr. M. Naeem	1
Mr. Humayun A. Shahnawaz	2
Mr. Saifi Chaudhry	1

Leave of absence was granted to the Directors, who could not attend the Human Resource Committee meetings.

RELATED PARTY TRANSACTIONS

The Directors confirm the following regarding related party transactions:

That the transactions undertaken with related parties during the year ended 30 June 2018 have been reviewed by the Audit Committee and recommended by the Board of Directors for consideration and approval by the Shareholders in the upcoming AGM.

1. That the amounts or appropriate proportions of outstanding, items pertaining to related parties and receivables/payables from the related parties as on 30 June 2018:

Name of Related Party	Payable	Receivable
	Rupees in thousand	
Shezan Services (Private) Limited	59,638	NIL
Shahnawaz (Private) Limited	10	NIL
Shahtaj Sugar Mills Limited	NIL	145,020

2. The Company purchases sugar from M/s. Shahtaj Sugar Mills Limited (Shahtaj) in the normal course of business. These purchases are based on purchase order and delivery of sugar happened after raising of purchase order. Sugar is one of the main ingredient of our finished products and our whole production scheduling revolves around the availability of high quality sugar.

The management of the Company has evaluated that it would be more appropriate to buy the sugar from Shahtaj on the basis of a binding purchase agreement to ensure smooth and reliable supply; delivery as per our pre-determined schedule; consistent quality and proper production scheduling.

Accordingly, a purchase agreement has been signed between the Company and Shahtaj for a period from June 14, 2018 to September 30, 2018 for supply

of 4,000 Metric Ton sugar at a total price of Rs. 184 million (excluding sales tax). Per Kg price is Rs. 46.20/- excluding sales tax and Rs. 51/- including sales tax. Total price has been paid in advance and delivery terms is as and when required.

3. The Company has a five years royalty agreement with M/s. Shezan Services (Private) Limited starting from January 01, 2016 and ending on December 31, 2020. The royalty to be paid at 1% on the net sales and payable on quarterly basis.

FINANCIAL STATEMENTS

An Independent Auditor's report to the members, issued by External Auditors Messrs. EY Ford Rhodes, Chartered Accountants after due audit of financial statements of the Company, is annexed.

EVALUATION OF THE BOARD'S PERFORMANCE

The Board has developed a mechanism of annual performance evaluation. Every member of the board ensures his active participation in the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best practices of the Code of Corporate Governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments. Details of Directors' training programme have been disclosed in the Statement of Compliance with the Code of Corporate Governance.

PATTERN OF SHAREHOLDINGS

Pattern of Shareholdings as on 30 June 2018 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.

EXTERNAL AUDITORS

Messrs. EY Ford Rhodes, Chartered Accountants have completed their assignment for the year 2017-18 and will retire at the conclusion of the 55th Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee, proposes the appointment of Messrs. EY Ford Rhodes, Chartered Accountants, for the year ending 30 June 2019.

REMUNERATION POLICY FOR THE NON-EXECUTIVE DIRECTORS

The Board from time to time reviews and determines the fee of Non-Executive and independent directors for attending the Board and different committees meetings, which are

subsequently presented in front of shareholders in the annual general meeting for approval .

CORPORATE SOCIAL RESPONSIBILITIES

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

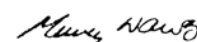
HEALTH, SAFETY AND ENVIRONMENT

We try our utmost effort not to make any compromise on the health and safety of our employees. We have taken various measure to improve and enhance the working conditions of our workers to maintain the highest safety and health standards. We are committed to provide a hygienic environment for our employees, stakeholders and visitors. Another responsibility is to protect the environment. As a responsible corporate organization we are concerned about the reduction of waste and efficient use of natural resources (electricity, water, gas, fuels etc.), and following global practices to protect the environment. We are also exploring new technologies and improve our processes. We have converted our all the cold stores from ammonia base refrigeration to Freon base refrigeration. Further, we have launched a campaign within the Company to plant maximum trees in the garden area and other factory premises as we intend to maintain cleanliness and green environment in and around the factory area to control pollution.

ACKNOWLEDGEMENT

We take this opportunity to gratitude our valued customers who have continued to place trust in our products and provided sustained support in ensuring the growth of the Company. The Company is also immensely proud of and thankful to its employees for their committed and passionate efforts, loyalty and dedication and professionalism. We also highly acknowledge the support and cooperation received from our suppliers, business partners, financial institutions and all other stakeholders who helped and contributed towards the progress of the Company. We also like to gratitude our shareholders for their constant trust and confidence they reposed in us.

For and on behalf of the Board



Muneer Nawaz
Chairman



Humayun A. Shahnawaz
Chief Executive

Karachi:
September 26, 2018.

Shezan

سرس بھر دین
زندگی میں!



FOR GLOWING HEALTH

SHEZAN INTERNATIONAL
L.A.M.

حَالَان
HALAL

بورڈ کی کارکردگی کا جائزہ:

ہم اس موقع پر اپنے کسٹمرز کا شکریہ ادا کرتے ہیں جنہوں نے کمپنی کی ترقی میں ہماری مصنوعات پر اعتماد میں تسلسل رکھا اور مضبوط سہارا بنے۔ کمپنی اپنے ملازمین کی پُر زور اور پُر اثر کوششوں، وفاداری، جزیاء اور مہارت پر انتہائی فخر کرتی ہے۔ ہم اپنے فروخت دہندگان، کاروباری افراد، مالیاتی اداروں اور دوسرے تمام حصول داران کی مدد اور تعاون کے شکرگزار ہیں جنہوں نے کمپنی کی ترقی میں ہمارا ساتھ دیا۔ ہم اپنے حصص داران کے تسلسل کے ساتھ اعتماد اور بھروسے کے کبھی احسان مند ہیں۔

اظہار تشکر:

بورڈ نے سالانہ کارکردگی کے جائزہ کے لئے ایک طریقہ کار بنایا ہوا ہے۔ بورڈ کا ہر عہدیدار بورڈ میٹنگز میں فعال شمولیت کو یقینی بناتا ہے۔ اسٹرٹیجک معاملات پر تفصیلی بات چیت ہوتی ہے اور انتظامیہ کو واضح ہدایات دی جاتی ہیں۔ جنکی بورڈ اور اسکی کمیٹیاں تسلسل کے ساتھ گرائی کرتی ہیں۔ بورڈ اس بات کو یقینی بناتا ہے کہ کمپنی کارپوریٹ گورننس کے بہترین اصول اپنائے۔ بورڈ ہر سہ ماہی پر اس مقصد کے ساتھ کم کارکردگی دکھانے والے کاروباری حصوں کو بہتر کیا جاسکے، تمام کاروباری حصوں کی کارکردگی کا جائزہ لیتا ہے۔ اس کے ساتھ تمام منافع بخش (کاروباری) حصوں میں مزید نمو کے مواقع تلاش کرنے پر زور دیتا ہے۔ کوڈ آف کارپوریٹ گورننس کی وضع کردہ سٹیٹ میٹ آف ٹیمپل میں ڈائریکٹرز کی تربیت کی تفصیلات دی گئی ہیں۔

حصص داران کی تفصیل:

اس رپورٹ کے ساتھ حصص داران کی تفصیلات بھی کوڈ آف کارپوریٹ گورننس کے مطابق منسلک کی گئی ہے۔

بیرونی آڈیٹرز:

میسرز ای وائے فورڈ روڈز چارٹرڈ اکاؤنٹینٹس ۵۵ داں سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ اہل ہونے کے باعث انہوں نے اپنے آپکو دوبارہ انتخاب کے لئے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی سفارشات پر اگلی دوبارہ تقرری برائے اختتامی سال 30 جون 2019 کے لئے تجویز کرتا ہے۔ نان ایگزیکٹو ڈائریکٹرز کے معاوضہ کی پالیسی:

بورڈ نان ایگزیکٹو ڈائریکٹرز کی بورڈ اور کمیٹیوں میں شمولیت کرنے پر ادا کی جانے والی فیس کا وقتاً فوقتاً جائزہ لیتا اور تعین کرتا ہے۔ جو کہ بعد میں منظوری کے لئے سالانہ اجلاس عام میں حصص داران کے سامنے پیش کیا جاتا ہے۔

سماجی ذمہ داریاں:

جنرل آرڈر 2009 کی طرف سے مطلوبہ افادیت کے مطابق ضمنی طور پر اس رپورٹ کا لازمی حصہ بنایا گیا ہے۔

صحت اور ماحول:

ہم اپنے ملازمین کی صحت اور حفاظت کا بھرپور خیال رکھتے ہیں۔ ہم نے اپنے ملازمین کی صحت اور حفاظت کے اعلیٰ ترین معیار کو حاصل کرنے کے لئے مختلف اقدامات اٹھائے ہیں۔ ہم اپنے ملازمین، متعلقہ لوگوں اور مہمانوں کے لئے حفظان صحت کا ماحول فراہم کرنے کے لئے پُر عزم ہیں۔ ہماری ایک اور ذمہ داری ماحول کی حفاظت کرنا ہے۔ ایک ذمہ دار کارپوریٹ ادارہ کے طور پر ہم انڈسٹریل ویسٹ کو کم کرنے، قدرتی وسائل (بجلی، پانی، گیس، ایندھن وغیرہ) اور ماحول کی حفاظت کے لئے عالمی طریقہ عمل کو اپنائے رکھنے کے لئے تشویش رکھتے ہیں۔ ہم جدید مہارت کی مدد سے صنعت و حرفت اور ہمارے شعبوں کو بہتر کرنے کے ذرائع تلاش کر رہے ہیں۔ ہم نے اپنے تمام امونیا گیس بیسڈ کولڈ سٹورز کو فرمی اون بیسڈ ریفریجریشن سے تبدیل کر دیا ہے۔ اسکے علاوہ ہم نے کمپنی کی حدود میں زیادہ سے زیادہ پودے لگانے کی مہم شروع کر رکھی ہے۔ کیونکہ ہم آلودگی پر قابو پانے کے لئے فیکٹری ایریا کے اندر اور باہر صفائی اور سبز ماحول کا ارادہ رکھتے ہیں۔

H. N. Shah

ہمایوں اے شاہ نواز

چیف ایگزیکٹو

Muhammad

منیر نواز

چیئر مین

کراچی

ستمبر 26، 2018ء

اس سال کے دوران ہیومن ریسورس اور معاوضہ کمیٹی کے دو اجلاس منعقد ہوئے جنکی حاضری کی تفصیل درج ذیل ہے۔

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب میز نواز	2
جناب ایم نعیم	1
جناب ہمایوں اے شاہ نواز	2
جناب سیفٹی چوہدری	1

ہیومن ریسورس اور معاوضہ کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ڈائریکٹرز کو رخصت دے دی گئی۔

متعلقہ پارٹیوں سے لین دین:

ڈائریکٹرز نے متعلقہ پارٹیوں سے متعلق لین دین کے درج بالا معاملات کی توثیق کی۔

30 جون 2018 کو ختم ہونے والے مالی سال کے دوران متعلقہ پارٹیوں کے ساتھ لین دین کے معاملات کی آڈٹ کمیٹی نے توثیق کی جو بورڈ آف ڈائریکٹرز کی سفارش پر منظوری کے لئے آنے والی اے جی ایم (AGM) میں حصص داران کے سامنے منظوری کیلئے پیش کی جائیگی۔

30 جون 2018 متعلقہ پارٹیوں کو قابل ادا قابل وصول رقم درج ذیل ہیں۔

متعلقہ پارٹی کا نام	قابل ادا رقم	قابل وصول رقم
شیرازن سرومز (پرائیویٹ) لمیٹڈ	59,638	روپے ہزاروں میں
شاہ نواز (پرائیویٹ) لمیٹڈ	10	Nil
شاہ تاج شوگر ملز لمیٹڈ	Nil	145,020

کمپنی عام کاروباری حالات میں شاہ تاج شوگر ملز لمیٹڈ سے چھینی خریدتی ہے۔ یہ خریداری پر چیز آرڈر کی بنیاد پر ہوتی ہے اور چھینی کی ترسیل پر چیز آرڈر کے بعد ہوتی ہے۔ چھینی ہماری مصنوعات کا اہم جز ہے۔ اور تمام تر پیداوار کا دار و مدار اعلیٰ معیار کی چھینی کی دستیابی پر ہے۔ انتظامیہ نے نتیجہ اخذ کیا ہے کہ چھینی کی مسلسل اور قابل بھروسہ ترسیل کے لئے شاہ تاج شوگر ملز کے ساتھ خریداری معاہدہ کر لینا زیادہ مناسب ہے اور اسی وجہ سے ایک معاہدہ کر لیا گیا ہے۔ یہ معاہدہ 14 جون 2018 تا 30 ستمبر 2018 برائے ترسیل 4000 میٹرک ٹن کل مالیت 184 ملین روپے سٹیلنگ کے علاوہ فی کلو قیمت 46.20/- روپے قبل از سٹیلنگس اور 51/- روپے بعد از سٹیلنگس طے پایا ہے۔ معاہدے کی پوری مالیت پیشگی ادا کر دی گئی ہے اور ترسیل جب اور جیسے چاہئے ہوگی شرائط پر ہے۔

کمپنی نے شیرازن سرومز پرائیویٹ لمیٹڈ کے ساتھ راہٹھی کی مد میں پانچ سال کا معاہدہ کیا ہے جو کہ 01 جنوری 2016 سے شروع ہو کر 31 دسمبر 2020 میں ختم ہوگا۔ یہ راہٹھی خالص فروخت کا ایک فیصد ہوگی اور ہر تین ماہ بعد قابل ادا ہوگی۔

مالیاتی گوشوارے:

کمپنی کے مالیاتی نتائج غیر جانبدار آڈٹ جو کہ بیرونی آڈیٹرز میسرز ای وائے فورڈ روہڈز چارٹرڈ اکاؤنٹینٹس نے غیر جانبدار آڈیٹرز رپورٹ حصص داران کے لئے جاری کی ہے جو کہ سالانہ رپورٹ کے ساتھ منسلک ہیں۔

**** اس سال کے دوران جناب ایم نعیم کی جگہ جناب سیفٹی چوہدری نے آڈٹ کمیٹی میں بطور چیئر مین شمولیت اختیار کی۔ ہم جناب ایم نعیم کی اپنے دور کے دوران بطور چیئر مین کی گئی کاوشوں کو سراہتے ہیں۔

***** جناب سیفٹی چوہدری نے ہیومن ریسورس کمیٹی کو جناب میز نواز کی جگہ بطور چیئر مین کے جوائن کیا۔ ہم بطور چیئر مین جناب میز نواز کو اپنے دور کے دوران کی جانے والی کاوشوں کو سراہتے ہیں۔

***** اس سال کے دوران جناب فیصل احمد ٹھار نے بطور کمپنی بیکری کے استعفی دے دیا اور بورڈ نے جناب خرم بابر کو بطور کمپنی بیکری کے منتخب کر لیا۔ ہم جناب فیصل احمد ٹھار کی اپنے دور کے دوران کی گئی کاوشوں کو سراہتے ہیں اور جناب خرم بابر کو خوش آمدید کہتے ہیں۔

اجلاس کی تفصیل:

اس سال کے دوران بورڈ آف ڈائریکٹرز کی پانچ اجلاس منعقد ہوئے۔ اجلاس میں حاضرین کی تفصیل درج ذیل ہے۔

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب میز نواز	5
جناب محمود نواز	3
جناب ایم نعیم	3
جناب راشد امجد خالد	2
محترمہ منال شاہ نواز	5
جناب ہمایوں اے شاہ نواز	5
جناب سیفٹی چوہدری	3
جناب سید عسرت حسین رضوی	2

بورڈ کے اجلاس میں شرکت نہ کرنے والوں کو رخصت دے دی گئی۔

اس سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ یہ اجلاس وسط مدتی نتائج کی تصدیق بورڈ آف ڈائریکٹرز کی طرف سے اور بیرونی آڈٹ کے مکمل ہونے سے پہلے اور بعد میں منعقد ہوئے۔

حاضرین کی ان اجلاس میں شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب میز نواز	4
جناب ایم نعیم	2
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آڈٹ کمیٹی کے اجلاس میں شرکت نہ کرنے والوں کو رخصت دے دی گئی۔

اندرونی مالیاتی کنٹرول:

کمپنی میں ایک مضبوط اندرونی محاسبے کا نظام قائم کیا گیا ہے جو کہ کمپنی میں ہر شعبے میں رائج ہے۔ اندرونی کنٹرول کا یہ نظام کمپنی کے مقاصد کے حصول، کام میں بہتری، قابل اعتماد مالیاتی رپورٹنگ اور مختلف قوانین کے ساتھ مطابقت کو یقینی بنانے کیلئے بنایا گیا ہے۔

مالیاتی اور کارپوریٹ رپورٹنگ فریم ورک:

ڈائریکٹرز انتہائی مسرت کے ساتھ مطلع کرتے ہیں کہ کمپنی، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے تقاضوں کے مطابق کوڈ آف کارپوریٹ گورننس کے ضوابط کی تعمیل کرتی ہے۔

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اسکے معاملات، اسکی کاروباری سرگرمیوں کے نتائج، ترسیلات زر اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

- کمپنی نے باضابطہ طور پر اکاؤنٹس کے کھاتوں کو تیار کر رکھا ہے۔

- ان مالیاتی گوشواروں کی تیاری میں ضروری اور مخصوص اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے اور اکاؤنٹنگ کے تخمینے انتہائی منطقی اور عطا اندازوں پر مبنی ہیں۔

- مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے اسٹینڈرڈز کی پیروی کی گئی ہے۔

- بطور ادارہ کمپنی کے کام جاری رکھنے کی اہلیت میں کوئی شکوک و شبہات نہیں ہیں۔

- گزشتہ چھ سال کے اہم کاروباری اور مالیاتی حسابات اس سالانہ رپورٹ میں درج ہیں۔

- محصولات سے متعلق معلومات اس سالانہ رپورٹ کا حصہ ہیں۔

- پراویڈنٹ فنڈ کی سرمایہ کاری کی جائز مالیت (فینر ویلیو) 30 جون 2018ء کو 179 ملین روپے ہے۔

- ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور انکے بوی بچوں کی شیئر ہولڈنگ اور اس میں تبدیلی کی تفصیل کو شیئر ہولڈرز کی مد میں ظاہر کیا گیا ہے۔

کارپوریٹ معلومات:

بورڈ کی ترتیب:

کمپنی نے درج ذیل انداز میں قوانین کی ضرورتوں کو پورا کیا ہے۔ بورڈ کے ڈائریکٹرز کی کل تعداد آٹھ ہے جو کہ درج ذیل ہے۔

مرد سات (07)

خواتین ایک (01)

بورڈ کی تفصیل درج ذیل ہے:

غیر جانبدار ڈائریکٹر جناب سہنی چوہدری *

نان ایگزیکٹو ڈائریکٹر جناب منیر نواز

جناب ایم نعیم

جناب راشد امجد خالد

جناب سید عسرت حسین رضوی **

جناب شاہد حسین جتوئی **

ایگزیکٹو ڈائریکٹر جناب محمود نواز

جناب ہمایوں اے شاہ نواز

محترمہ منال شاہ نواز ***

کمیشن کی ترتیب:

بورڈ نے درج ذیل ممبران پر مشتمل کمیٹی تشکیل دی ہیں۔

آڈٹ کمیٹی:

جناب سہنی چوہدری چیئر مین

جناب منیر نواز ممبر

جناب ایم نعیم ممبر

جناب راشد امجد خالد ممبر

ایچ آر اور معاذ کمیٹی:

جناب سہنی چوہدری چیئر مین

جناب منیر نواز ممبر

جناب ایم نعیم ممبر

جناب ہمایوں اے شاہ نواز ممبر

بورڈ، اسکی کمیٹیوں میں تبدیلی اور کمپنی سیکریٹری کی تقرری:

مندرجہ ذیل تبدیلیاں بورڈ، مختلف کمیٹیوں اور سیکریٹری کے ڈیپارٹمنٹ وقوع پذیر ہوئیں۔

* جناب سہنی چوہدری صاحب 09 ستمبر 2018 کو اس دنیا سے رخصت فرمائے گئے۔ کمپنی کی ترقی میں انکی گراں قدر خدمات کو عرصہ دراز تک یاد رکھا جائیگا۔ کمپنی کے ساتھ انکی وفاداری اور ایمانداری کا ساتھ پانچ دہائیوں پر محیط ہے۔ وہ ایک جم دل اور محبت بھری شخصیت تھے۔ وہ لوگ جنہیں اسکے ساتھ کام کرنے کا موقع ملا وہ ایک لمبے عرصے تک انہیں یاد رکھیں گے اور انکی کمی کو محسوس کریں گے۔ جناب سہنی چوہدری صاحب کی وفات کی وجہ سے پیدا ہونے والی اتفاقی آسانی کو پرکھ دیا جائے گا۔

** جناب عسرت حسین رضوی (NIT Nominee) نے 31 مارچ 2018 سے بورڈ سے استعفیٰ دے دیا اور بورڈ نے جناب شاہد حسین جتوئی (NIT Nominee) کو 25 اپریل 2018 سے بطور ڈائریکٹر منتخب کر لیا۔ ہم جناب عسرت حسین رضوی کی اپنے دور کے دوران کی گئی کاوشوں کو سراہتے ہیں اور جناب شاہد حسین جتوئی کو اپنے بورڈ میں خوش آمدید کہتے ہیں۔

*** محترمہ منال شاہ نواز نے 01 مئی 2018 سے بطور ایگزیکٹو ڈائریکٹر کے بورڈ میں شمولیت اختیار کی۔ اس سے پہلے وہ اپنے فرائض بطور نان ایگزیکٹو ڈائریکٹر کے سرانجام دے رہی تھیں۔

ڈائریکٹرز رپورٹ برائے ممبران

ہم بورڈ آف ڈائریکٹرز کی جانب سے مالی سال 30 جون 2018ء کیلئے کمپنی کے آڈٹ شدہ مالیاتی نتائج پیش کرتے ہیں۔

معاشی منظر نامہ:

پاکستان کی معیشت نے مثبت تبدیلیاں ظاہر کی ہیں۔ مالی سال 2017-18 میں مجموعی ملکی پیداوار 5.79 فیصد رہی جو کہ پچھلے مالی سالوں سے بہتر ہے۔ مجموعی ملکی پیداوار میں یہ بہتری بجلی کی ترسیل میں بہتری، پاکستان اور چین کے راہداری منصوبے میں سرمایہ کاری اور زراعت میں مسلسل بہتری کی مدد سے حاصل ہوئی ہے۔ تاہم اقتصادی معاشی پیک مسلسل خراب ہوتی رہی اور کرنٹ اکاؤنٹ کا خسارہ درآمدات کی وجہ سے مزید بڑھ گیا اور ملکی مجموعی پیداوار کے 4.9 فیصد کے برابر ہو گیا۔ پاکستانی روپے کی قدر امریکی ڈالر کے مقابلے میں مسلسل گرتی رہی اور مالی سال 2017-18 کے اختتام تک ڈالر-107 روپے سے بڑھتا ہوا 124/- روپے تک جا پہنچا۔ بنیادی سود کی شرح بھی مالی سال کی دوسری ششماہی میں نامساعد رہی اور سٹیٹ بینک آف پاکستان نے شرح سود کو مجموعی طور پر جنوری 2018 سے لیکر مئی 2018 تک 75 بنیادی پوائنٹس تک بڑھایا۔ ڈیزل کی قیمت 79.90 روپے (جولائی 2017) سے بڑھ کر 105.31 روپے (جون 2018) فی لٹر ہو گئی۔

منافع کی تقسیم:

تسلی بخش مالیاتی نتائج کو مد نظر رکھتے ہوئے، بورڈ آف ڈائریکٹرز بڑی مسرت کے ساتھ 150 فیصد فی حصص منافع (یعنی کہ 15/- روپے فی حصص) اور 10 فیصد بونس حصص تجویز کرتے ہیں یعنی ہر حصص کیلئے ایک حصص۔ مزید برآں بورڈ غیر منقسم منافع میں سے 200,000 روپے (ہزاروں میں) جنرل ریزرو کے لئے مختص کرنے کی بھی تجویز پیش کرتا ہے۔

قومی خزانے کو ادائیگی:

دوران سال قومی خزانے کو ادائیگی محصولات میں اضافہ ہوا اور کمپنی نے مختلف محصولات کی مدد میں 1.712 بلین روپے ادا کئے جن میں سیلز ٹیکس اور انکم ٹیکس شامل ہیں جو کہ قومی معیشت میں ہماری بھرپور شراکت کا آئینہ دار ہے۔

نمایاں تبدیلیاں اور کاروباری ذمہ داریاں:

مالیاتی سال کے اختتام اور رپورٹ کی تاریخ کے دوران کوئی بڑی تبدیلی اور معاہدے نہیں ہوئے جن کا کمپنی کی مالیاتی پوزیشن پر اثر ہوا ہو۔

کاروباری منظر نامہ:

سخت مقابلے کی فضا کے باوجود مالی سال 2017-18 میں بھی کمپنی کی کارکردگی مستحکم رہی اور 7.50 بلین روپے کی بلند ترین فروخت کا حدف حاصل کیا۔ 489.23 بلین روپے منافع قبل از ٹیکس کمایا۔ ڈائریکٹرز اور انتظامیہ کاروباری سرگرمیوں کو پیداوار میں بہتری کے حصول کیلئے باریک بینی سے دیکھتے رہے اور کمپنی کی بہترین نمونے کیلئے لاگت میں کمی کے معیار کو بھی پرکھتے رہے۔ انتظامیہ کی توجہ ہماری مصنوعات کے معیار میں بہتری کیلئے داخلی کارکردگی پر رہی اور ساتھ ہی یہ کوشش کرتی رہی کہ کاروباری لاگت کم ہو۔ کیونکہ صارف کا اطمینان ہمارا اصل مقصد ہے۔ ہم صارفین کی پسند کے مطابق مصنوعات بنانے اور آج کی مسابقتی دنیا میں صارفین کا ترجیحی انتخاب بننے کی کوشش جاری رکھیں گے۔ ان تمام کوششوں کے نتیجے میں کمپنی کے کاروباری حجم اور دوسرے تمام شعبوں میں بہتری کا حصول ممکن ہوا۔

مستقبل کے امکانات:

انتظامیہ کمپنی کو برتری کی نئی بلندیوں پر لے جانے کے لئے نہایت پر عزم ہے۔ آج کی کمپنی مستقبل کے تمام اہداف کے حصول کے لئے تمام تر جدت، فنی مہارت، لاگت میں کمی کے لئے منصوبہ بندی، عملی کارکردگی کا جائزہ، نئی مصنوعات متعارف کروانے کے لئے پر عزم ہے۔ آج کی کمپنی نے پیداوار کی صلاحیتوں کو بڑھانے کیلئے ایک نئی ٹیڑا ایک مشین لگانے کا منصوبہ بنایا ہے تاکہ ہمارے ٹیڑا ایک مشروب کی بڑھتی ہوئی مانگ کو پورا کیا جا سکے۔

خطرات اور غیر یقینی حالات:

کمپنی کو مندرجہ ذیل خطرات اور غیر یقینی حالات کا سامنا ہے۔

- امریکی ڈالر کے مقابلے میں روپے کی قدر میں مسلسل کمی ہماری درآمداتی لاگت کو بڑھا دے گی۔
- مقامی منڈی میں ہماری مصنوعات کا بڑھتا ہوا مقابلہ۔
- تیل کی قیمتوں میں اضافہ۔
- گیس اور بجلی کی لاگت میں اضافہ۔
- خام مال اور پیکیٹنگ کے سامان کی قیمتوں میں اضافہ۔
- مالی قرضوں پر شرح سود میں اضافہ۔

کمپنی ان خطرات کو اس اعتماد کے ساتھ ایک چیلنج کے طور پر قبول کرتی ہے کہ ہمارے پاس ان خطرات کے اثرات کو کم کرنے کے لئے صلاحیت اور تربیت یافتہ پیشہ ورانہ افرادی قوت ہے۔

عملی کارکردگی:

سال کی عملی کارکردگی مختصر ادرجہ ذیل ہے:

	2017	2018
	روپے ہزاروں میں	
فروخت	7,159,015	7,503,273
مجموعی منافع	2,075,265	2,097,432
منافع قبل از محصولات	361,943	489,232
منافع بعد از محصولات	259,318	394,793
فی حصص آمدنی - روپوں میں	32.47	49.44

مشکل حالات اور سخت مقابلے کے باوجود ہم نہایت مسرت کے ساتھ اپنے منافع کی مضبوط نمو کا اعلان کرتے ہیں۔ کاروبار نے خالص منافع بعد از ٹیکس اور مجموعی فروخت میں 4.81 فیصد کے حوصلہ افزا نتائج حاصل کئے۔ قرضوں اور سود کی شرح کے موثر استعمال سے قلیل مدتی قرض کی لاگت میں بھی کمی آئی۔

CORPORATE SOCIAL RESPONSIBILITY



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

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

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

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

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

INDUSTRIAL RELATIONS

Cordial industrial relations and harmonious working environment prevailed at all locations of the Company. The

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

EMPLOYMENT OF SPECIAL PERSONS

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

OCCUPATIONAL SAFETY, HEALTH, ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATIONS

Safety and Health protection of our employees as well as protection of environment are the Principal concerns of the Company. We firmly believe that commitment to safety health and environmental protection (SHE) is an indispensable part of our main objective of efficiently producing and distributing quality products. Matters of SHE are integral parts of the business planning processes and decision making. They are handled with the same sense of responsibility and just as other operations like quality, productivity and cost-efficiency. We ensure all technical, organizational and personnel measures for the prevention of potentially hazardous situations and to manage incidents or accidents which might occur nevertheless.

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

CORPORATE PHILANTHROPY

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

NATIONAL-CAUSE DONATION

The Company is committed towards helping distressed communities as and when required. For this purpose, the Company has made donations to various educational and charitable organizations including Marie Adelaide Leprosy Center, Care Foundation, SOS, Children Village, Chhipa Welfare Association, Shaukat Khanum Memorial Cancer Hospital, LRBT, Edhi Foundation, Fatimid Foundation, WWF Pakistan, Lady Wallington Hospital, Pakistan Association of the Blind, Cancer Care Hospital, Children Hospital, Ansar Burney Trust Hospital, Lahore General Hospital, Aziz Jehan Begum Trust of Blind and Jinnah Hospital.

COMMUNITY INVESTMENT AND WELFARE SPENDING FOR UNDER-PRIVILEGED CLASSES

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

CONSUMER PROTECTION MEASURES

Since the product line of Shezan International Limited mainly consists of Foods & Beverages which are considered among the category of FMCG (Fast Moving Consumer Goods) products, therefore, its key focus is on the healthy products. For this purposes, our Research and Development department is very much active in regular testing of our product range for their quality conformance. Further, the management is very keen regarding the implementation and execution of ISO rules and regulation for the quality maintenance.

ENVIRONMENTAL PROTECTION MEASURES

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



PATTERN OF SHAREHOLDINGS

AS AT 30 JUNE 2018

- 1 Incorporation Number: 0001883
- 2 Name of Company: Shezan International Limited
- 3 Pattern of holding of the shares held by the shareholders as at 30 June 2018.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
215	1	100	4,620
158	101	500	41,371
82	501	1,000	65,710
73	1,001	5,000	170,564
10	5,001	10,000	69,403
3	10,001	15,000	38,077
5	15,001	20,000	84,936
3	20,001	25,000	63,327
1	30,001	35,000	33,123
1	35,001	40,000	36,500
2	40,001	45,000	87,179
1	45,001	50,000	48,995
2	65,001	70,000	137,897
3	75,001	80,000	235,912
2	100,001	105,000	203,409
1	110,001	115,000	114,469
1	130,001	135,000	130,732
1	135,001	140,000	138,232
3	140,001	145,000	424,977
3	145,001	150,000	437,991
1	160,001	165,000	162,650
1	185,001	190,000	188,990
1	210,001	215,000	214,000
1	260,001	265,000	263,628
2	330,001	335,000	669,998
1	335,001	340,000	337,390
1	595,001	600,000	599,327
2	740,001	745,000	1,487,338
1	1,495,001	1,500,000	1,495,255
581			7,986,000

4	Categories of Shareholders	Shares held	Percentage
4.1	Directors, Chief Executive Officers, and their spouse and minor children	2,517,890	31.5288%
4.2	Associated Companies, undertakings and related parties.	23,493	0.2942%
4.3	NIT and ICP	-	0.0000%
4.4	Banks Development Financial Institutions, Non Banking Financial Institutions	851	0.0107%
4.5	Modarabas and Mutual Funds	1,739,355	21.7801%
4.6	Insurance Companies	70,588	0.8839%
4.7	General Public		
	a. Local	3,121,559	39.0880%
	b. Foreign	100	0.0013%
4.8	Others		
4.8.1	Joint Stock Companies	9,357	0.1172%
4.8.2	Pension Funds	154,532	1.9350%
4.8.3	Foreign Companies	337,390	4.2248%
4.8.4	Government Holding	5,374	0.0673%
4.8.5	Others	5,099	0.0638%
4.8.6	Executives	412	0.0051%
		7,986,000	100.00%
	Shareholders holding 5% or more	3,581,920	44.8525%
	Shareholders holding 10% or more	1,495,255	18.7235%

Sr. No.	Name	Shares Held	Percentage
4.1 Directors, Chief Executive Officer, their Spouses & Minor Children			
1	Mr. Mahmood Nawaz	775,461	9.7103%
2	Mr. Muneer Nawaz	599,327	7.5047%
3	Mr. M. Naeem	48,995	0.6135%
4	Mr. Rashed Amjad Khalid	146,049	1.8288%
5	Mr. Humayun A. Shahnawaz	334,999	4.1948%
6	Ms. Manahil Shahnawaz	162,650	2.0367%
7	Mr. Saifi Chaudhry	700	0.0088%
8	Mr. Shahid Hussain Jatoi (NIT Nominee)	–	0.0000%
9	Mrs. Abida Muneer Nawaz W/o Mr. Muneer Nawaz	79,662	0.9975%
10	Mrs. Bushra Mahmood Nawaz W/o Mr. Mahmood Nawaz	5,723	0.0717%
11	Mrs. Amtul Bari Naeem W/o Mr. M. Naeem	364,324	4.5620%
		2,517,890	31.5288%
4.2 Associated Companies			
1	Shezan Services (Private) Limited	23,493	0.2942%
		23,493	0.2942%
4.3 NIT & ICP			
		–	0.0000%
4.4 Banks, Development Financial Institutions, Non Banking Financial Institutions			
1	National Bank of Pakistan	851	0.0107%
		851	0.0107%
4.5 Modaraba & Mutual Funds			
1	Trustee Al-Ameen Islamic Asset Allocation Fund	1,000	0.0125%
2	Trustee MCB Pakistan Asset Allocation Fund	4,650	0.0582%
3	Trustee National Investment (Unit) Trust	1,495,255	18.7235%
4	Trustee NIT Islamic Equity Fund	77,350	0.9686%
5	Trustee NIT-Equity Market Opportunity Fund	10,700	0.1340%
6	Trustee Pakistan Capital Market Fund	2,600	0.0326%
7	Trustee UBL Retirement Savings Fund - Equity Sub Fund	68,900	0.8628%
8	Trustee Al-Ameen Islamic Retirement Saving Fund- Equity Sub Fund	78,900	0.9880%
		1,739,355	21.7801%
4.6 Insurance Companies			
1	Habib Insurance Company Limited	1,591	0.0199%
2	State Life Insurance Corporation of Pakistan	68,997	0.8640%
		70,588	0.8839%
4.7 General Public			
	Local	3,121,559	39.0880%
	Foreign	100	0.0013%
		3,121,659	39.0893%

Sr. No.	Name	Shares Held	Percentage
4.8 Others			
4.8.1 Joint Stock Companies			
1	Murree Brewery Company Limited	158	0.0020%
2	Akseer Ventures (Private) Limited	3,000	0.0376%
3	Burma Oil Mills Limited	665	0.0083%
4	ISPI Corporation (Private) Limited	1,700	0.0213%
5	Magnus Investment Advisors Limited	132	0.0017%
6	Muhammad Bashir Kasmani (Private) Limited	700	0.0088%
7	Muhammad Salim Kasmani Securities (Private) Limited	3,000	0.0376%
8	NH Capital Fund Limited	2	0.0000%
		9,357	0.1172%
4.8.2 Pension Funds			
1	Trustee National Bank of Pakistan Employees Pension Fund	138,232	1.7309%
2	Trustee Pakistan Pension Fund - Equity Sub Fund	16,300	0.2041%
		154,532	1.9350%
4.8.3 Foreign Companies			
1	Tundra Pakistan Fund	337,390	4.2248%
		337,390	4.2248%
4.8.4 Government Holding			
1	Federal Board of Revenue	5,374	0.0673%
4.8.5 Others			
1	Trustee National Bank of Pakistan Employees Benevolent Fund Trust	4,849	0.0607%
2	Trustee of Nimir Resins Limited - Employees Gratuity Fund Trust	50	0.0006%
3	Trustee Descon Power Solutions (Private) Limited Staff Provident Fund Trust	200	0.0025%
		5,099	0.0638%
4.8.6 Executives			
1.	Mr. Waseem Amjad Mehmood	412	0.0051%
		7,986,000	100.00%
Shareholders Holding 10% or more of Total Capital			
1	Trustee National Investment (Unit) Trust	1,495,255	18.7235%
		1,495,255	18.7235%
Shareholders Holding 5% or more of Total Capital			
1	Trustee National Investment (Unit) Trust	1,495,255	18.7235%
2	Mr. Mahmood Nawaz	742,338	9.2955%
3	Mst. Amina Wadawala	745,000	9.3288%
4	Mr. Muneer Nawaz	599,327	7.5047%
		3,581,920	44.8525%

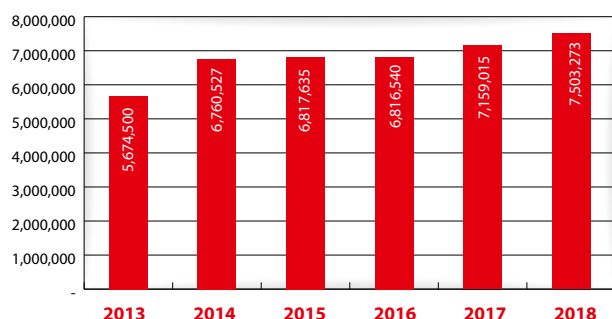
During the financial year there was no trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

SIX YEARS REVIEW

AT A GLANCE

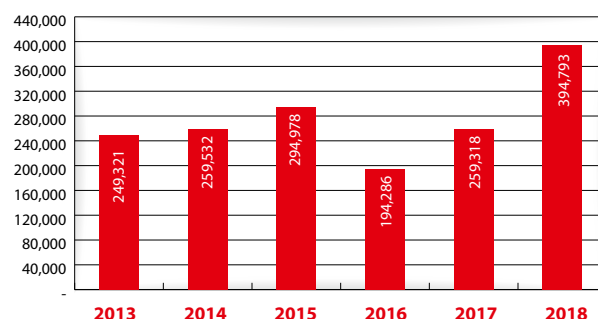
NET SALES

Rupees in thousand



PROFIT AFTER TAXATION

Rupees in thousand



Year	Year	Year	Year	Year	Year
2013	2014	2015	2016	2017	2018
Rupees in thousand					

Incomes

Sales	5,674,500	6,760,527	6,817,635	6,816,540	7,159,015	7,503,273
Other operating income	37,257	53,592	59,796	51,859	38,321	51,480
	5,711,757	6,814,119	6,877,431	6,868,399	7,197,336	7,554,753

Expenditure

Cost of sales	3,963,874	4,735,740	4,877,580	4,931,776	5,083,750	5,405,841
Distribution costs and administrative expenses	1,168,082	1,487,088	1,463,397	1,494,151	1,508,915	1,387,042
Finance costs	45,756	28,571	60,967	52,178	36,419	39,188
Other operating expenses	139,724	162,188	161,177	186,818	206,309	233,450
	5,317,436	6,413,587	6,563,121	6,664,923	6,835,393	7,065,521

Profit before taxation	394,321	400,532	314,310	203,476	361,943	489,232
Taxation	145,000	141,000	19,332	9,190	102,625	94,439

Profit after Taxation	249,321	259,532	294,978	194,286	259,318	394,793
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Paid-up capital	66,000	72,600	79,860	79,860	79,860	79,860
Reserves & unappropriated profits	1,244,781	1,431,970	1,647,774	1,754,742	1,942,089	2,229,827
Unrealized gain / (loss) on remeasurement of investments available for sale	257	686	528	(237)	756	(210)

Share holders equity	1,311,038	1,505,256	1,728,162	1,834,365	2,022,705	2,309,477
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Break up value Per Share in Rupees	198.64	207.34	216.40	229.70	253.28	289.19
Earnings Per Share in Rupees	34.34*	32.50*	36.94	24.33	32.47	49.44
Price Earnings Ratio	19.13	27.69	24.72	18.56	14.63	11.53
Dividend declared Per Share in Rupees	10.00	10.00	11.00	9.00	13.50	15.00
Bonus declared Per Share in %age	10%	10%	-	-	-	10%

* Figures have been restated.

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Shezan International Limited (the Company) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

Lahore:
October 02, 2018.

E Y Ford Rhodes

Chartered Accountants
Engagement Partner

Abdullah Fahad Masood

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2018

The Company has complied with the requirements of the Regulations in the following manner:

- The total number of Directors are eight (08) as per the following:
 - Male: Seven (07)
 - Female: One (01)
- The composition of Board is as follows:

Independent Director	Mr. Saifi Chaudhry*
Other Non-executive Directors	Mr. Muneer Nawaz Mr. M. Naeem Mr. Rashed Amjad Khalid Mr. Syed Etrat Hussain Rizvi** Mr. Shahid Hussain Jatoi***
Executive Directors	Mr. Mahmood Nawaz Mr. Humayun A. Shahnawaz Ms. Manahil Shahnawaz****
- The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
- The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations.
- Three Directors of the Company have minimum 14 years of education and 15 years of experience on the Board of a listed Company and they are exempt from Directors' Training Program. Four Directors have acquired certification under the Directors' Training Program. The Company, however, intends to facilitate further training for the remaining director in near future as defined in these Regulations.
- The Board has approved appointment of Mr. Khurram Babar as the Company Secretary in compliance with Code of Corporate Governance 2017, with effect from 25 April 2018 including his remuneration and terms and conditions of employment. There were no new appointments of the CFO and Head of Internal Audit during the year, however, all such appointments including their remuneration and terms and conditions of employment are duly approved by the Board.
- CFO and CEO duly endorsed the financial statements before approval of the Board.

- The Board has formed committees comprising of members given below:

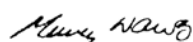
Audit Committee	Mr. Saifi Chaudhry*	Chairman
	Mr. Muneer Nawaz	Member
	Mr. M. Naeem	Member
	Mr. Rashed Amjad Khalid	Member

HR and Remuneration Committee	Mr. Saifi Chaudhry*	Chairman
	Mr. Muneer Nawaz	Member
	Mr. M. Naeem	Member
	Mr. Humayun A. Shahnawaz	Member

Audit Committee had been reconstituted and effective April 25, 2018, Mr. Saifi Chaudhry, an Independent Director, had been appointed Chairman of the Committee replacing Mr. M. Naeem.

HR and Remuneration Committee has been reconstituted and effective April 25, 2018, Mr. Saifi Chaudhry, an Independent Director, had been included and appointed Chairman of the Committee replacing Mr. Muneer Nawaz.

- The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
- The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:
 - Audit Committee Four (04)
 - HR and Remuneration Committee Two (02)
- The Board has set up an effective internal audit function with suitably qualified and experienced staff conversant with the policies and procedures of the Company.
- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017 these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- We confirm that all other requirements of the Regulations have been complied with.



Muneer Nawaz
Chairman



Humayun A. Shahnawaz
Chief Executive

Karachi:
September 26, 2018.

- * Mr. Saifi Chaudhry has passed away on September 09, 2018.
** Mr. Syed Etrat Hussain Rizvi has resigned from the Board with effect from March 31, 2018.
*** Mr. Shahid Hussain Jatoi has been co-opted by the Board with effect from April 25, 2018.
**** Ms. Manahil Shahnawaz has assumed charge as an Executive Director with effect from May 01, 2018. Before that, she was performing her responsibilities as a Non-Executive Director.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SHEZAN INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Shezan International Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
<p>1. Tax contingencies</p> <p>As disclosed in note 20.1 to the financial statements, certain tax matters are pending adjudication at various levels with the taxation authorities and other legal forums.</p> <p>The aggregate amounts involved in such contingencies is Rs. 310 million as of 30 June 2018.</p> <p>The tax contingencies require the management to make judgements and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management judgements and estimates in relation to such contingencies may be complex.</p>	<p>We assessed key technical tax issues and legislative developments and focused on the judgements made by management in assessing the quantification and likelihood of significant exposures and the level of liability required for specific cases. In particular, we focused on the impact of recent tax rulings and the status of on-going inspections by local tax authorities.</p> <p>We obtained explanations from management and corroborative evidence including communication with local tax authorities. We gained an understanding of the current status of tax assessments and investigations to monitor developments in on-going disputes.</p> <p>We analyzed and challenged management's key assumptions, in particular on cases where there had been significant developments with local tax authorities, based on our knowledge and experience of the application of the tax legislation by the relevant authorities and courts. We also evaluated whether the liabilities and exposures for uncertain tax positions were appropriately disclosed in the financial statements.</p> <p>We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 20.1 to the financial statements.</p>

Key audit matters	How our audit addressed the key audit matter
2. Financial Reporting Framework	
<p>As referred in note 2 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to note 2 to the financial statements.</p> <p>These changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Abdullah Fahad Masood.

Lahore:
October 02, 2018.

E Y Ford Rhodes
Chartered Accountants
Engagement Partner



ثمرقند سُرور پھریور



حَال
HALAL

An ISO 9001, ISO 22000
& HACCP Certified Company

www.shezan.pk
/Shezan.pk @ShezanIntltd

STATEMENT OF FINANCIAL POSITION

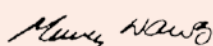
AS AT 30 JUNE 2018

	Note	Rupees in thousand	
		2018	2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,329,038	1,175,946
Long-term investment	6	2,667	2,877
Long-term receivable	7	43,611	-
Long-term deposits	8	4,758	5,183
		1,380,074	1,184,006
CURRENT ASSETS			
Stores and spares	9	124,439	71,178
Stock-in-trade	10	1,720,889	1,358,515
Trade debts	11	116,219	259,853
Loans and advances	12	175,095	185,138
Trade deposits and short-term prepayments	13	49,068	19,920
Interest accrued		354	338
Income tax recoverable		513,459	371,221
Cash and bank balances	14	152,949	73,227
		2,852,472	2,339,390
TOTAL ASSETS		4,232,546	3,523,396
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	79,860	79,860
Reserves	16	1,805,292	1,605,502
Unappropriated profits		424,325	337,343
TOTAL EQUITY		2,309,477	2,022,705
NON-CURRENT LIABILITIES			
Deferred taxation	17	51,465	62,038
CURRENT LIABILITIES			
Trade and other payables	18	832,469	678,784
Unclaimed dividend		2,621	1,966
Interest accrued on borrowings		4,444	1,584
Current portion of long-term loan		-	90,000
Short-term borrowings	19	553,262	292,525
Provision for taxation		478,808	373,794
		1,871,604	1,438,653
TOTAL LIABILITIES		1,923,069	1,500,691
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		4,232,546	3,523,396

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive



Director



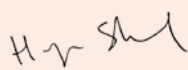
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Rupees in thousand	
		2018	2017
Sales - net	21	7,503,273	7,159,015
Cost of sales	22	5,405,841	5,083,750
Gross profit		2,097,432	2,075,265
Distribution costs	23	1,050,436	1,230,186
Administrative expenses	24	336,606	278,729
Other operating expenses	25	233,450	206,309
Other income	26	(51,480)	(38,321)
		1,569,012	1,676,903
Operating profit		528,420	398,362
Finance costs	27	39,188	36,419
Profit before taxation		489,232	361,943
Taxation	28	94,439	102,625
Net profit for the year		394,793	259,318
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Unrealized (loss) / gain on remeasurement of investment - available-for-sale		(210)	756
Total comprehensive income		394,583	260,074
Earnings per share - basic and diluted (Rupees)	29	49.44	32.47

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive


Director

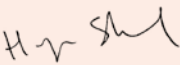

Chief Financial Officer

STATEMENT OF CASH FLOWS


FOR THE YEAR ENDED 30 JUNE 2018

Note	Rupees in thousand	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Profit before taxation	489,232	361,943
Adjustments to reconcile profit before tax to net cash:		
Depreciation	206,662	218,376
Interest / markup expense	50,937	33,390
Dividend income	(305)	(82)
Profit on bank deposits	(2,503)	(1,968)
Foreign exchange (gain) / loss	(2,072)	524
Provision for doubtful debts	28,402	1,188
Loss on disposal of property, plant and equipment	20,268	13,173
	301,389	264,601
Operating profit before working capital changes	790,621	626,544
(Increase) / decrease in current assets		
Stores and spares	(53,261)	(4,460)
Stock-in-trade	(362,374)	(120,434)
Trade debts	102,869	7,804
Loans and advances	10,043	(109,826)
Trade deposits and short-term prepayments	(29,148)	(4,789)
	(331,871)	(231,705)
(Decrease) / increase in current liabilities		
Trade and other payables	153,685	17,597
Short-term borrowings - secured	260,737	66,248
	414,422	83,845
CASH GENERATED FROM OPERATIONS	873,172	478,684
Interest expense paid	(33,643)	(33,260)
Profit on bank deposits received	2,487	1,898
Income tax paid	(142,236)	(64,147)
Long term receivable	(43,611)	-
Long-term deposits refunded / (paid)	425	(930)
NET CASH GENERATED FROM OPERATING ACTIVITIES	656,594	382,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(408,100)	(249,191)
Dividend received	305	82
Sale proceeds from disposal of property, plant and equipment	28,079	28,707
NET CASH USED IN INVESTING ACTIVITIES	(379,716)	(220,402)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loan	(90,000)	(120,000)
Dividend paid	(107,156)	(71,522)
NET CASH USED IN FINANCING ACTIVITIES	(197,156)	(191,522)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	79,722	(29,679)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	73,227	102,906
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	152,949	73,227

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive



Director



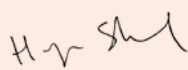
Chief Financial Officer

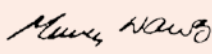
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Capital Reserve		Revenue Reserve			Total
	Share Capital	Merger Reserve	General Reserve	Un-realized gain/(loss) on Remeasurement of investments - available for sale	Unappropriated Profits	
Rupees in thousand						
Balance as at 30 June 2016	79,860	5,000	1,450,000	(394)	299,899	1,834,365
Transfer to general reserve	-	-	150,000	-	(150,000)	-
Final dividend @ Rs. 9/- per share for the year ended 30 June 2016	-	-	-	-	(71,874)	(71,874)
Profit for the year	-	-	-	-	259,318	259,318
Other comprehensive income	-	-	-	756	-	756
Total comprehensive income	-	-	-	756	259,318	260,074
Deferred tax adjustment on unrealized gain	-	-	-	140	-	140
Balance as at 30 June 2017	79,860	5,000	1,600,000	502	337,343	2,022,705
Transfer to general reserve	-	-	200,000	-	(200,000)	-
Final dividend @ Rs. 13.50/- per share for the year ended 30 June 2017	-	-	-	-	(107,811)	(107,811)
Profit for the year	-	-	-	-	394,793	394,793
Other comprehensive income	-	-	-	(210)	-	(210)
Total comprehensive income	-	-	-	(210)	394,793	394,583
Balance as at 30 June 2018	79,860	5,000	1,800,000	292	424,325	2,309,477

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company is a Public Limited Company incorporated in Pakistan and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 56 - Bund Road, Lahore, Pakistan. It is engaged in the manufacturing, trading and sale of juices, pickles, jams, ketchups etc., based upon or derived from fruits and vegetables. Following are the business units of the Company along with their respective locations:

BUSINESS UNIT	ADDRESS
Production Plant and Head Office	56-Bund Road Lahore
Production Plant	Plot No. 33-34, Phase III, Hattar Industrial Estate, Hattar
Production Plant	Plot L-9, Block No. 22, Federal B Industrial Area, Karachi

1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Further investment in property, plant and equipment of Rs. (thousand) 408,100.
- Recorded provision for compensated absences amounting to Rs. (thousand) 62,933 during the year.
- Production details are shown in note 30.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. As a result, the Company has changed its accounting framework accordingly. This change in accounting framework has not resulted in significant changes to the amounts recognized in these financial statements or the comparative information except some additional disclosures being made as required under the Companies Act, 2017 and presentation of unclaimed dividend as a separate line item of statement of financial position.

2.1 Basis of Measurement

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

2.2 Presentation Currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. Figures have been rounded off to the nearest thousands of Rupees, unless otherwise stated.

2.3 Standards, interpretations and amendments applicable to the financial statements for the year ended 30 June 2018

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New Standards and Amendments

The Company has adopted the following accounting standard and the amendments which became effective for the current year:

IAS 7	Statement of Cash Flows - Disclosure Initiative - (Amendment)
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in December 2014

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

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

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

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

	Standard or Interpretation	Effective date (Annual periods beginning on or after)
IFRS 2	Share based Payments — Classification and Measurement of Share-based Payments Transactions (Amendments).	01 January 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 January 2018
IAS 40	Transfers to Investment Property (Amendments)	01 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRS 9	Financial Instruments: Classification and Measurement	01 July 2018
IFRS 15	Revenue from Contracts with Customers	01 July 2018
IFRS 16	Leases	01 January 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 and IFRS 16. The management is in the process of determining the effect of application of IFRS 15 and IFRS 16.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018.

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

	Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2021

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Provision for taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decisions by appellate authorities on certain issues in the past along-with the risk profile of ongoing litigation and industry related factors.

3.2 Provision for doubtful receivables

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on past history of customers, market intelligence, credit ratings, prevalent financial conditions and operating circumstances of the customers. The Company maintains general provision for doubtful receivables at 2 percent of trade debtors outstanding at year end.

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

The Company reviews appropriateness of the rate of depreciation, useful lives and residual values used in the calculation of depreciation. In making these estimates, the Company uses the technical resources available with the Company and its history in relation to actual useful lives and residual values of similar assets disposed in the past. Any change in the estimates in the future might affect the carrying amount of the respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

3.4 Impairment of financial assets

The Company assesses whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.5 Stock-in-trade and stores and spares

Provision is recognized in the financial statements for obsolete and slow moving stock-in-trade based on the management's assessment of age and expected movement of inventory on an item-wise basis.

3.6 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable. For assets which can generally be sold in the market, the prevailing market price is used as an indicator of current recoverable amount. Technical analysis and market data is used to arrive at the recoverable amount for specialized assets.

3.7 Provision for compensated absences

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

Other areas requiring estimates and judgements are disclosed in respective notes to the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.3.

4.2 Property, plant and equipment

Owned assets

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

Depreciation is calculated using the reducing balance method at rates disclosed in note 5, which are considered appropriate to write off the cost of the assets over their useful lives.

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

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

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represents the difference between the sale proceeds and the carrying amount of the asset and is recognized as an income or expense in the period it relates.

Capital work-in-progress

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

4.3 Investments

Available-for-sale

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

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

4.4 Stores, spares and stock-in-trade

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

Raw materials	– Quarterly average
Packing material	– Monthly average
Finished goods	– Quarterly average
Pulps, concentrates etc.	– Manufacturing cost according to annual average method
Stores and spares	– Monthly average
Stock-in-transit	– Cost

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

4.5 Trade debts

Trade debts are carried at invoice amounts on the transaction date, less any estimate for doubtful receivables. Known bad debts are written off as and when identified.

4.6 Cash and cash equivalents

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

4.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.8 Financial instruments

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

Financial assets of the Company consist of available-for-sale investments and loans and advances. Loans and advances of the Company include deposits, trade debts, other receivables and cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are the long-term loan, short-term running finance utilized under mark-up arrangements, creditors, accrued and other liabilities. Mark-up/ interest bearing finances are recorded at the gross proceeds received. These all are carried at amortized cost. Other liabilities are stated at their nominal values and no liability is carried at fair value.

4.9 Impairment

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

4.10 Offsetting of financial assets and financial liabilities

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

4.11 Dividend and appropriation to reserves

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

4.12 Taxation

Current

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

Deferred

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

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

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

4.13 Revenue recognition

Sale of goods

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

Interest income

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

Dividend income

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

4.14 Staff retirement benefits

The Company operates a recognized provident fund scheme (defined contribution plan) for all permanent employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 8.33% (2017: 8.33%).

4.15 Compensated absences

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

4.16 Borrowing costs

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

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

4.17 Foreign currency transactions

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

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

4.18 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Rupees in thousand

	Note	2018	2017
Operating fixed assets	5.1	1,197,817	1,088,971
Capital work in progress	5.2	131,221	86,975
		1,329,038	1,175,946

5.1 Operating fixed assets

2018										
Note	COST				DEPRECIATION				NET BOOK VALUE	Depreciation Rate
	As at 01 July 2017	Additions	Disposals	As at 30 June 2018	Accumulated as at 01 July 2017	Disposals	Charge for the year	Accumulated as at 30 June 2018	As at 30 June 2018	
	Rupees in thousand									
OWNED ASSETS										
	7,091	-	-	7,091	-	-	-	-	7,091	-
	2,646	-	-	2,646	-	-	-	-	2,646	-
	98,807	-	-	98,807	44,671	-	5,414	50,085	48,722	10
	36,692	-	-	36,692	22,552	-	1,414	23,966	12,726	10
	979,168	125,959	(1,445)	1,103,682	478,201	(1,274)	67,310	544,237	559,445	12.5
	22,919	690	-	23,609	12,676	-	1,584	14,260	9,349	15
	189,843	9,699	(6,150)	193,392	113,890	(3,972)	15,671	125,589	67,803	20
	5,913	-	-	5,913	4,416	-	162	4,578	1,335	10-25
5.1.1	264,848	36,765	(585)	301,028	149,445	(382)	30,880	179,943	121,085	15-33.33
	1,791	17	-	1,808	1,056	-	75	1,131	677	10
	43,420	6,558	-	49,978	28,963	-	3,110	32,073	17,905	20
	21,205	2,184	-	23,389	17,138	-	1,767	18,905	4,484	33.33
	94	-	-	94	94	-	-	94	-	20
5.1.2	499,768	181,982	(127,545)	554,205	212,132	(81,751)	79,275	209,656	344,549	25
	2,174,205	363,854	(135,725)	2,402,334	1,085,234	(87,379)	206,662	1,204,517	1,197,817	

2017										
Note	COST				DEPRECIATION				NET BOOK VALUE	Depreciation Rate
	As at 01 July 2016	Additions / Transfers	Disposals	As at 30 June 2017	Accumulated as at 01 July 2016	Disposals	Charge for the year	Accumulated as at 30 June 2017	As at 30 June 2017	
	Rupees in thousand									
OWNED ASSETS										
	7,091	-	-	7,091	-	-	-	-	7,091	-
	2,646	-	-	2,646	-	-	-	-	2,646	-
	89,985	8,822	-	98,807	39,229	-	5,442	44,671	54,136	10
	36,692	-	-	36,692	20,981	-	1,571	22,552	14,140	10
	954,787	29,375	(4,994)	979,168	412,101	(3,876)	69,976	478,201	500,967	12.5
	22,097	822	-	22,919	10,901	-	1,775	12,676	10,243	15
	157,172	37,486	(4,815)	189,843	104,165	(3,748)	13,473	113,890	75,953	20
	5,804	109	-	5,913	4,237	-	179	4,416	1,497	10-25
5.1.1	221,435	43,413	-	264,848	112,767	-	36,678	149,445	115,403	15-33.33
	1,791	-	-	1,791	974	-	82	1,056	735	10
	40,925	2,495	-	43,420	25,556	-	3,407	28,963	14,457	20
	19,295	1,959	(49)	21,205	15,548	(42)	1,632	17,138	4,067	33.33
	94	-	-	94	94	-	-	94	-	20
5.1.2	483,817	115,135	(99,184)	499,768	187,467	(59,496)	84,161	212,132	287,636	25
	2,043,631	239,616	(109,042)	2,174,205	934,020	(67,162)	218,376	1,085,234	1,088,971	

5.1.1 Visi coolers costing Rs. (thousand) 153,870 (2017: Rs. (thousand) 127,457), are in the possession of shopkeepers for the sale of Company's products.

5.1.2 These include bottles and shells costing Rs. (thousand) 181,704 (2017: Rs. (thousand) 185,937) held by distributors of the Company in the normal course of business.

5.2 CAPITAL WORK IN PROGRESS

	COST						2018	2017
	Land*	Furniture	Plant & Machinery	Vehicles	Buildings			
Rupees in thousand								
Balance as at 01 July	70,507	1,037	2,000	1,263	12,168	86,975	77,400	
Additions during the year	–	8,119	119,260	6,081	32,715	166,175	61,413	
Transferred to operating fixed assets	–	(4,570)	(114,442)	(1,804)	(1,113)	(121,929)	(51,838)	
Balance as at 30 June	70,507	4,586	6,818	5,540	43,770	131,221	86,975	

* This represents amount paid to Punjab Industrial Estate (PIE) for the acquisition of 9.4 acre land to be utilized for future construction of processing and storage facilities by the Company. The possession and title will be transferred to the Company in due course.

	Note	2018	2017
Rupees in thousand			

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

Cost of sales	22.1	119,192	123,069
Distribution costs	23	67,165	72,234
Administrative expenses	24	11,258	11,632
Other operating expenses	25	9,047	11,441
		206,662	218,376

5.4 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

	Location	Usage of immovable property	Total Area (Square ft.)	*Covered Area (Square ft.)
a)	56 - Bund Road, Lahore	Head Office and Manufacturing	330,570	321,771
b)	Plot L-9, Block Number 22, Federal 'B' Area, Karachi	Manufacturing	90,000	73,160
c)	Plot number 33-34 Phase III Hattar Industrial Estate, Hattar (Property on leasehold land)	Manufacturing	175,790	61,273

* The covered area includes multi storey buildings.

	Note	2018	2017
Rupees in thousand			

6 LONG-TERM INVESTMENT - available for sale

Quoted Modaraba

BRR Guardian Modaraba-Credit rating - A			
305,000 (2017: 305,000) certificates of Rs. 10/- each	6.1	2,375	2,375
Gain on remeasurement		292	502
		2,667	2,877

6.1 The above investment represents 0.39% (2017: 0.39%) of the issued certificate capital of the Modaraba.

6.2 These investments are placed under a shariah permissible agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Rupees in thousand 2018	2017
7 LONG-TERM RECEIVABLE			
Outstanding balance		58,046	-
Discounting adjustment	27	(14,435)	-
As at 30 June		43,611	-

7.1 This represents receivable from Utility Stores Corporation against sales made in current and prior years which has been classified as long term, based on expected pattern of recovery. In compliance with IFRS, this receivable has been discounted to present value.

	Note	Rupees in thousand 2018	2017
8 LONG-TERM DEPOSITS			
Deposits			
- Utility companies		2,518	2,518
- Others		2,240	2,665
		4,758	5,183

9 STORES AND SPARES			
Stores		5,984	3,538
Spares		118,455	67,640
		124,439	71,178

10 STOCK-IN-TRADE			
Raw materials		134,289	89,203
Packing materials		466,152	339,972
Finished goods		223,733	206,392
Pulps, concentrates etc.	10.1	860,270	689,941
Goods in transit		36,445	33,007
		1,720,889	1,358,515

10.1 These include pulps amounting to Rs. (thousand) 345,560 (2017: Rs. (thousand) 243,673), held with third parties in the normal course of business.

	Note	Rupees in thousand 2018	2017
11 TRADE DEBTS			
Unsecured - considered good			
Due from related parties	11.1	-	2
Others		116,219	259,851
		116,219	259,853
Considered doubtful - others		29,776	1,374
Less: Provision for doubtful debts	11.2	29,776	1,374
		-	-
		116,219	259,853

11.1 No amount is receivable from the Chief Executive, Directors and Executives of the Company (2017: Rs. (thousand) Nil).

		Rupees in thousand		
	Note	Individually impaired	Collectively impaired	Total
11.2 Provision for doubtful debts				
Balance as at 01 July 2016		1,350	–	1,350
Less: Utilized against debts written off		(1,164)	–	(1,164)
Charge for the year				
-Addition		1,374	–	1,374
-Reversal		(186)	–	(186)
	25	1,188	–	1,188
Balance as at 30 June 2017		1,374	–	1,374
Less: Utilized against debts written off		–	–	–
Charge for the year				
-Addition		26,415	2,372	28,787
-Reversal		(385)	–	(385)
	25	26,030	2,372	28,402
Balance as at 30 June 2018		27,404	2,372	29,776

	Note	Rupees in thousand	
		2018	2017
12 LOANS AND ADVANCES			
Advances to distributors - Secured, considered good		8,007	–
Advances - Unsecured, considered good			
- Staff	12.1	7,422	5,626
- Suppliers	12.2	159,666	179,512
		175,095	185,138

12.1 No advances were given to the Chief Executive, Directors and Executives of the Company (2017: Rs. (thousand) Nil).

12.2 This includes interest free advance amounting to Rs. (thousand) 145,020 (2017: Rs. (thousand) 173,032) paid to Shahtaj Sugar Mills Limited; associated company for the purchase of raw material in the normal course of business.

12.3 The maximum amount outstanding at any time during the year calculated by reference to month end balances is as follows:

	Rupees in thousand	
	2018	2017
Unsecured, considered good		
Shahtaj Sugar Mills Limited	224,540	256,947

13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Short-term deposits	10,072	11,463
Short-term prepayments:		
- Rent	6,887	6,633
- Sales tax receivable	30,711	–
- Others	1,398	1,824
	49,068	19,920

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Rupees in thousand	
		2018	2017
14 CASH AND BANK BALANCES			
Cash in hand		32,583	13,333
Cheques in hand		52,121	20,698
Cash at banks			
- Current accounts		19,707	17,848
- PLS savings accounts	14.1	48,538	21,348
		152,949	73,227

14.1 The balances in the PLS savings accounts carry mark-up @ 3.75% to 4.50% (2017: 3.75%) per annum.

15 SHARE CAPITAL

	Note	Number of Shares		Rupees in thousand	
		2018	2017	2018	2017
Authorised share capital					
Ordinary shares of Rs.10/- each		10,000,000	10,000,000	100,000	100,000
Issued, subscribed and paid-up share capital					
Ordinary shares of Rs.10/- each					
Opening as at 01 July					
- Fully paid in cash		237,500	237,500	2,375	2,375
- Issued as fully paid bonus shares		7,748,500	7,748,500	77,485	77,485
		7,986,000	7,986,000	79,860	79,860
Issued during the year					
- Fully paid bonus shares	15.1	-	-	-	-
Closing as at 30 June					
- Fully paid in cash		237,500	237,500	2,375	2,375
- Issued as fully paid bonus shares		7,748,500	7,748,500	77,485	77,485
		7,986,000	7,986,000	79,860	79,860

15.1 Non-transfer of bonus shares to individual shareholders

During the year ended 30 June 2015, the Company issued 726,000 bonus shares @ 10% of its then paid-up capital on the book closure date of 23 October 2014. In accordance with the provisions of section 236M of the Income Tax Ordinance, 2001, the Company was required to collect tax from its shareholders @5% on the value of bonus shares, determined on the basis of the end price of the first day of book closure.

However, a number of shareholders of the Company have filed a suit against the Federation of Pakistan, competent authorities and the Company, before the Honorable Sindh High Court, challenging the levy of tax under the above referred section. Since the matter is subjudice before the Honorable Sindh High Court, the Company has retained 5% of the bonus shares issued to plaintiff shareholders. The subject Appeal has not yet been taken up for hearing.

	Note	Rupees in thousand	
		2018	2017
16 RESERVES			
Capital			
Merger Reserve	16.1	5,000	5,000
Revenue			
General Reserve			
- At the beginning of the year		1,600,000	1,450,000
- Transferred from unappropriated profits		200,000	150,000
		1,800,000	1,600,000
Unrealized gain on remeasurement of investment - available-for-sale			
- At the beginning of the year		502	(394)
- (Loss) / Gain during the year		(210)	896
		292	502
		1,805,292	1,605,502

16.1 This reserve can be utilized by the Company, only for the purposes specified in the Companies Act, 2017.

	Note	Rupees in thousand	
		2018	2017
17 DEFERRED TAXATION			
This comprises:			
Deferred tax liabilities on taxable temporary differences			
Accelerated tax depreciation		101,958	82,494
Deferred tax assets on deductible temporary differences			
Provision for doubtful debts		(8,436)	(402)
Provision for employee's compensated absences		(26,331)	(9,682)
Provision for bonuses to staff and agents		(12,200)	(10,232)
Long-term receivables		(3,526)	-
Others - deferred tax adjustment on unrealized gain		-	(140)
		(50,493)	(20,456)
		51,465	62,038

18 TRADE AND OTHER PAYABLES			
Due to related parties	18.1	59,648	57,511
Creditors		345,049	318,507
Deposits	18.2	68,365	41,964
Distributors' credit balances		93,006	51,091
Accrued expenses		117,795	85,506
Provision for compensated absences		92,943	33,125
Sales tax payable		-	32,447
Payable to provident fund		-	1,469
Workers' Profit Participation Fund	18.3	26,328	19,472
Workers' Welfare Fund	18.4	14,857	11,312
Taxes and other payables		10,251	23,199
Other liabilities	18.5	4,227	3,181
		832,469	678,784

18.1 The amounts due to related parties are in the normal course of business and relate to:

	Note	Rupees in thousand	
		2018	2017
Shezan Services (Private) Limited	18.1.1	59,638	57,430
Shahnawaz (Private) Limited		10	81
	18.1.2	59,648	57,511

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

18.1.1 This represents the royalty payable to Shezan Services Private Limited (an associated undertaking on the basis of common directorship) having registered office at 19, West Wharf, Dockyard Road, Karachi, Pakistan.

18.1.2 The maximum amount outstanding at any time during the year calculated by reference to month end balances are as follows:

	Rupees in thousand	
	2018	2017
Shezan Services (Private) Limited	80,430	57,430
Shahnawaz (Private) Limited	94	104
	80,524	57,534

18.2 Agreements with the distributors give the Company the right to utilize these deposits in the normal course of business. The deposits are unsecured and repayable on demand.

	Note	Rupees in thousand	
		2018	2017
18.3 Workers' Profit Participation Fund			
Balance as at 01 July		19,472	10,920
Allocation for the year	25	26,328	19,472
		45,800	30,392
Interest on funds utilized in the Company's business	27	1,688	273
		47,488	30,665
Less: amount paid to the Fund's Trust		21,160	11,193
Balance at 30 June		26,328	19,472

18.4 Workers' Welfare Fund

Balance as at 01 July		11,312	7,068
Allocation for the year	25	11,000	8,024
		22,312	15,092
Less: amount paid with annual return		7,455	3,780
Balance at 30 June		14,857	11,312

18.5 This includes Rs. (thousand) Nil (2017: Rs. (thousand) Nil) payable to the Chief Executive Officer and Rs. (thousand) 2,489 (2017: Rs. (thousand) 2,079) payable to various executives.

19 SHORT-TERM BORROWINGS - secured

The aggregate short-term borrowings available from commercial banks under mark-up / interest arrangements are Rs. (thousand) 2,125,000 (2017: Rs. (thousand) 1,625,000). The un-utilized portion of the said facility amounts to Rs. (thousand) 1,571,738 (2017: Rs. (thousand) 1,332,475).

The rate of mark-up/ interest on short-term borrowings ranges between 1 month KIBOR plus 0.08% to 1 month KIBOR/ 3 months KIBOR plus 0.25% (2017: 1 month KIBOR minus 0.05% to 1 month KIBOR/ 3 months KIBOR plus 0.25%), payable monthly/quarterly.

The facilities are secured against a first registered joint pari passu hypothecation and ranking charge on current assets of the Company up to Rs. (thousand) 2,314,000 (2017: Rs. (thousand) 2,314,000) and Rs. (thousand) Nil (2017: Rs. (thousand) 334,000), respectively.

The un-utilized facility for opening letters of credit and for guarantees amounts to Rs. (thousand) 206,672 (2017: Rs. (thousand) 190,430) and Rs. (thousand) 75,521 (2017: Rs. (thousand) 72,881), respectively.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

The Company has following contingencies outstanding as at year end. No provision has been made in these financial statements, since management of the Company based on its advisors' opinion, is confident that the outcome of the cases will be in the favour of the Company.

Tax matters

- i.** The Company has filed a reference before the Honorable Lahore High Court against the decision of the Appellate Tribunal Inland Revenue who upheld the order of CIR (A) and the original assessment order dated 31 May 2007 issued by DCIR in respect of Tax Year 2003, which is pending adjudication. The exposure of the Company with respect to this tax year amounts to Rs. (thousand) 3,675 (2017: Rs. (thousand) 3,675).
- ii.** An assessment order dated 30 December 2009 was issued by ACIR under section 122(1)/(5A) of the Income Tax Ordinance, 2001 in respect of Tax Year 2004, whereby tax demand of Rs. (thousand) 39,788 (2017: Rs. (thousand) 39,788) was created against the Company. Appellate Tribunal Inland Revenue decided the case in company's favor, however the Commissioner Inland Revenue has filed a reference pertaining to case of capital gain on merger of wholly owned subsidiary, M/s. Hattar Fruit Products Limited (now merged into the Company) before the Honorable Lahore High Court, which is pending adjudication.
- iii.** Proceedings in respect of Tax Year 2010 and 2012 to 2016 under section 161 of Income Tax Ordinance, 2001 have been initiated against the Company vide orders dated 25 January 2016, 23 April 2015, 23 April 2015, 30 November 2015, 29 September 2016 and 27 May 2017, respectively. The Company and tax department have filed appeals before the Appellate Tribunal Inland Revenue against the order passed by Commissioner Inland Revenue (Appeals) for TY 2012 in pursuance of Proceedings initiated under Section 161 of the Income Tax Ordinance, 2001, which is pending adjudication. Appeals filed before CIR (A) for TY 2010 and 2014 to 2016 are pending adjudication. The exposure of Company with respect to these tax years amounts to Rs. (thousand) 5,840 (2017: Rs. (thousand) 5,840).
- iv.** The Deputy Commissioner Inland Revenue (DCIR) issued order dated 31 May 2012 u/s 161/205 of the ITO, 2001 in respect of tax year 2011 and raised tax demand of Rs. (thousand) 9,936. Afterwards, through a rectified order he reduced tax demand to Rs. (thousand) 6,960, which was fully paid by the Company. Meanwhile, being aggrieved by the order of the DCIR, the Company preferred appeal before the CIR(A), who vide the appellate order gave substantial relief. In order to give effect of the order of the CIR(A), the concerned officer issued order u/s 124/129/161 under which demand was reduced to Rs. (thousand) 707. Being dissatisfied by the order of the CIR(A), the department filed appeal before the ATIR, which vide order dated 02 April 2018 has upheld order of CIR (A). The exposure of Company with respect to this case amounts to Rs. (thousand) 6,960 (2017: Rs. (thousand) 9,936).
- v.** Amendment of assessment proceedings under Section 122(5A) of the Income Tax Ordinance, 2001 in respect of tax years 2012 and 2016 vide orders dated 28 February 2018 and 30 December 2017, respectively have been initiated by FBR. The Company filed appeals before the Commissioner Inland Revenue (Appeals) against the orders passed under section 122(5A) by the Additional Commissioner Inland Revenue which are pending adjudication. The open tax exposure of the above amounts to Rs. (thousand) 24,179 (2017: Rs. (thousand) Nil).
- vi.** Company was served with a show cause notice dated 07 December 2017 whereby the Additional Commissioner PRA alleged that the Company obtained services of freight, repairs and maintenance and advertisement during the period from July 2014 to June 2016 but failed to withhold and deposit Punjab sales tax amounting to Rs. (thousand) 218,894 while making payments, as was required by Punjab Sales Tax on Services Withholding Rules, 2015 read with Punjab Sales Tax on Services Act, 2012. Company submitted reply to the aforesaid show cause notice to clarify its stance, but not being satisfied with the reply, the Additional Commissioner issued assessment order dated 11 April 2018 and raised tax demand of Rs. (thousand) 229,838 (2017: Rs. (thousand) Nil). After the issuance of assessment order, Company approached Lahore High Court and filed writ petition for challenging the constitution of Punjab Revenue Authority. The case has been deferred for hearing with similar writ petitions already filed with the Court. Further, the Company has filed appeal before Commissioner Appeals Punjab Revenue Authority, which is pending adjudication.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Other matter

- vii. Claim of Punjab Employees Social Security Institution (P.E.S.S.I.) for Rs. (thousand) 2,379 (2017: Rs. (thousand) 2,379) is not acknowledged as debt by the Company.

20.2 Commitments

- i. Commitments in respect of letters of credit established for the import of raw and packing materials, amounted to Rs. (thousand) 43,328 (2017: Rs. (thousand) 59,570).
- ii. Counter-guarantees in favor of banks in the ordinary course of business, amounted to Rs. (thousand) 34,479 (2017: Rs. (thousand) 37,119).
- iii. The Company is subject to purchase commitments aggregating to Rs. (thousand) 412,851 (2017: Rs. (thousand) Nil) in respect of plant and machinery for the factory.
- iv. The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Note	Rupees in thousand	
		2018	2017
Not later than one year		24,812	10,223
Later than one year and not later than five years		65,438	27,455
Later than five years		47,441	57,088
		137,691	94,766

21 SALES - NET

Domestic		9,174,224	8,707,579
Export		179,784	184,302
		9,354,008	8,891,881
Less: Discounts and incentives		281,130	233,280
Sales tax		1,569,605	1,498,997
Federal excise duty		-	589
		1,850,735	1,732,866
	21.1	7,503,273	7,159,015

- 21.1 This includes sales relating to trading activities amounting to Rs. (thousand) 6,002 (2017: Rs. (thousand) 10,353).

	Note	Rupees in thousand	
		2018	2017
Manufacturing	22.1	5,401,885	5,075,501
Trading	22.2	3,956	8,249
		5,405,841	5,083,750

22 COST OF SALES

	Note	Rupees in thousand	
		2018	2017
22.1 Cost of sales - Manufacturing			
Raw materials consumed:			
Opening stock		89,203	89,508
Add: Purchases during the year		1,990,504	1,814,143
Less: Production of pulps, concentrates etc		783,832	551,413
Closing stock		134,289	89,203
		1,161,586	1,263,035
Pulps, concentrates etc. consumed:			
Opening stock		689,941	568,789
Add: Purchases during the year		441,585	491,775
Production/processing during the year		783,832	551,413
Less: Closing stock		860,270	689,941
		1,055,088	922,036
Packing materials consumed:			
Opening stock		339,972	359,714
Add: Purchases during the year		2,643,368	2,364,310
Less: Cost transferred to expenses		16,257	16,264
Closing stock		466,152	339,972
		2,500,931	2,367,788
Factory expenses:			
Salaries, wages and amenities		323,347	278,000
Company's contribution to provident fund		1,621	1,380
Stores and spares consumed		59,117	59,144
Travelling and conveyance		3,291	3,158
Repairs and maintenance		177,585	131,155
Insurance		2,592	3,161
Fuel and power		256,250	206,391
Inward freight and loading/unloading		8,548	2,682
Utilities		22,676	18,127
Loss on disposal of empties	26.2	15,856	10,402
General expenses		6,131	4,783
Depreciation	5.3	119,192	123,069
		996,206	841,452
Cost of production		5,713,811	5,394,311
Add: Finished goods - Opening stock		203,042	192,609
		5,916,853	5,586,920
Less: Cost of samples	23.2	220,761	240,419
Cost of wastage and spoilage	25	71,856	67,958
Finished goods - Closing stock		222,351	203,042
		514,968	511,419
		5,401,885	5,075,501

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Rupees in thousand	
		2018	2017
22.2 Cost of sales - Trading			
Finished goods - Opening stock		3,350	4,589
Add: Purchases during the year		3,370	10,963
		6,720	15,552
Less: Cost of samples	23.2	256	399
Cost of wastage and spoilage	25	1,126	3,554
Finished goods - Closing stock		1,382	3,350
		2,764	7,303
		3,956	8,249

23 DISTRIBUTION COSTS

Salaries, wages and amenities		346,763	296,230
Company's contribution to provident fund		2,125	1,815
Postage and telephone		2,945	2,699
Travelling and conveyance		45,130	30,602
Repairs and maintenance	23.1	42,266	51,198
Insurance		7,536	8,613
Utilities		8,678	9,476
Stationery and printing		1,437	1,187
Rent, rates and taxes		26,612	24,952
Advertising and promotions	23.2	251,977	508,953
Outward freight and distribution		142,307	129,123
Staff sales incentive		12,755	15,114
Petrol, oil and lubricants		85,473	72,944
General expenses		7,267	5,046
Depreciation	5.3	67,165	72,234
		1,050,436	1,230,186

23.1 This includes loss on disposal of shells amounting to Rs. (thousand) 10,758 (2017: Rs. (thousand) 7,461).

23.2 This includes cost of samples amounting to Rs. (thousand) 221,004 (2017: Rs. (thousand) 240,818).

	Note	Rupees in thousand	
		2018	2017
24 ADMINISTRATIVE EXPENSES			
Salaries, wages and amenities		234,216	174,772
Company's contribution to provident fund		2,477	2,097
Postage and telephone		4,613	3,222
Travelling and conveyance		6,826	5,218
Repairs and maintenance		13,666	14,741
Insurance		9,159	8,493
Utilities		6,890	6,269
Stationery and printing		7,894	5,315
Rent, rates and taxes		26,144	34,711
Auditors' remuneration	24.1	4,010	3,923
Legal and professional		1,495	1,488
Donations	24.2	1,585	440
General expenses		6,373	6,408
Depreciation	5.3	11,258	11,632
		336,606	278,729

	Rupees in thousand	
	2018	2017
24.1 Auditors' remuneration		
Audit fee	1,250	1,200
Tax consultancy services	1,660	771
Miscellaneous certification and limited review charges etc.	872	1,550
Out of pocket expenses	228	402
	4,010	3,923

24.2 Donations

This includes an amount of Rs. (thousand) 1,000 (2017: Rs. (thousand) Nil) donated to Nusrat Jahan College. None of the Directors or their spouses had any interest in the donees.

		Rupees in thousand	
	Note	2018	2017
25 OTHER OPERATING EXPENSES			
Product spoilage		77,505	86,352
Barrel depreciation	5.3	9,047	11,441
Royalty to related party	25.1	80,842	79,205
Workers' Profit Participation Fund	18.3	26,328	19,472
Workers' Welfare Fund	18.4	11,000	8,024
Loss on disposal of property, plant and equipment	26.2	326	627
Provision against doubtful debts	11.2	28,402	1,188
		233,450	206,309

25.1 This represents the royalty charged by Shezan Services Private Limited (an associated undertaking on the basis of common directorship) having registered office at 19, West Wharf, Dockyard Road, Karachi, Pakistan.

		Rupees in thousand	
	Note	2018	2017
26 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		2,503	1,968
Dividend income	26.1	305	82
Foreign exchange gain-net		2,072	524
		4,880	2,574
Income from non-financial assets			
Gain on disposal of property, plant and equipment	26.2	6,672	5,317
Sale of scrap		39,928	30,430
		46,600	35,747
		51,480	38,321

26.1 This represents dividend income earned on sharia permissible arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

26.2 Gain / (Loss) on disposal of property, plant and equipment

Description	Cost	Book Value	Sale Proceeds	Gain / (loss)	Purchaser	Mode
	Rupees in thousand					
Faw Pickup	749	629	640	11	Farhan Traders, Gujranwala (unrelated party)	Negotiation
Master Foton Truck	1,400	1,086	1,176	90	Hameed Akhtar & Co. Multan (unrelated party)	Negotiation
Empty bottles, shells, pallets and barrels	51,358	18,853	21,646	2,793	Various unrelated parties	Negotiation
Other assets with book value less than Rs. (thousand) 500.	6,031	839	4,617	3,778	Various parties	Negotiation
	59,538	21,407	28,079	6,672		
2017	61,385	23,390	28,707	5,317		
Less: Loss on disposal of empties, shells and pallets transferred to:						
Cost of sales	45,288	15,856	-	(15,856)		
Distribution cost	29,563	10,758	-	(10,758)		
Other operating expenses	1,336	326	-	(326)		
	76,187	26,940	-	(26,940)		
	135,725	48,347	28,079	(20,268)		
2017	109,042	41,880	28,707	(13,173)		

	Note	Rupees in thousand	
		2018	2017
27 FINANCE COSTS			
Interest / mark-up on:			
Short-term borrowings		17,497	22,692
Interest charge on long-term receivables	7	14,435	-
Workers' Profit Participation Fund	18.3	1,688	273
Long-term loan		2,882	10,425
		36,502	33,390
Bank charges		2,686	3,029
		39,188	36,419

28 TAXATION

Current tax:			
- Current year		163,964	116,131
- Prior years		(58,952)	(6,309)
		105,012	109,822
Deferred tax:			
- Relating to origination and reversal of temporary differences		(8,505)	(4,959)
- Due to reduction in tax rates		(2,068)	(2,238)
		(10,573)	(7,197)
		94,439	102,625

	2017	2016	2015
Comparison of tax provision			
Provision as per Financial Statements	116,131	62,648	34,109
Provision as per Income Tax Return	57,179	62,794	34,727

As per management's assessment, the tax provision in these financial statements is sufficient.

Rupees in thousand

2018 2017

28.1 Relationship between income tax expense and accounting profit

Profit before taxation	489,232	361,943
Tax at the applicable rate of 30%	146,770	112,202
Effect of prior years tax	(58,952)	(6,309)
Tax effect of expenses not allowed for tax purposes	468	136
Tax effect of applicability of lower tax rate on export sales and dividend income	21	(582)
Tax effect due to impact of super tax	16,147	-
Tax effect of rebates and tax credits	(14,837)	(3,323)
Tax effect of change in applicable rates and others	4,822	501
Tax charge for the current year	94,439	102,625

28.2 Subsequent to the amendment to Section 5(A) of the Income Tax Ordinance, 2001, tax at the applicable rate shall be imposed on every public company which derives profit for the year. However, this tax shall not apply in case of a company which distributes at least specified percentage of its profits within six months of the end of the tax year in the form of cash dividend. Liability in respect of such tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

29 EARNINGS PER SHARE - BASIC AND DILUTED

Net profit after tax	394,793	259,318
	Number of shares	
Weighted average number of ordinary shares at the end of the year (in thousand)	7,986	7,986
	Rupees per share	
Earnings per share - (basic / diluted)	49.44	32.47

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

30 CAPACITY AND PRODUCTION

	Normal Annual Capacity		Actual Production	
			2018	2017
Bottling plant	7,800,000	Crates	5,491,267	5,538,150
Tetra Pak plant	45,000,000	Dozens	34,748,835	31,459,485
Squashes and syrups plant	770,000	Dozens	308,557	304,717
Jams and ketchup plant	5,275,000	Dozens	3,006,539	3,066,084
Pickles plant	145,000	Dozens	108,105	116,407
Canning plant	250,000	Dozens	59,134	78,296

The normal annual capacity, as shown above, has been worked out on the basis of 350 working days (2017: 350 working days) except for bottling plant and squashes and syrups plant, which have been worked out on 150 working days (2017: 150 working days) because of the seasonal nature of the business of the Company.

The variance between normal and actual production is because of the changes in demand and supply conditions along with impact of weather on consumer preferences.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

31 REMUNERATION OF CHIEF EXECUTIVE, PAID DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
Total number	1	1	2	1	6	6
Rupees in thousand						
Basic salary	3,360	3,000	4,260	3,600	11,064	10,086
Provident fund contribution	280	250	330	300	922	841
Allowances and benefits						
House rent	744	744	744	744	2,160	2,160
Dearness	948	678	948	678	5,292	3,780
Special	780	780	780	780	816	816
Utilities	480	480	480	480	1,408	1,408
Medical	–	–	–	–	548	395
Bonus	310	750	360	900	933	2,499
Ex-gratia	280	250	330	300	898	818
	7,182	6,932	8,232	7,782	24,041	22,803

Comparatives for Executives' remuneration have been restated in line with change in definition of Executive brought about by the application of Companies Act, 2017.

- 31.1** Fees paid to six non-executive directors during the year, for attending Board meetings was Rs. (thousand) 800 (2017: Rs. (thousand) 350).
- 31.2** Fees paid to four non-executive directors during the year (2017: four non-executive directors) for attending Audit Committee meetings was Rs. (thousand) 560 (2017: Rs. (thousand) 300).
- 31.3** Fees paid to three non-executive directors during the year (2017: two non executive directors), for attending Human Resource Committee meetings was Rs. (thousand) 160 (2017: Rs. (thousand) 100).
- 31.4** The Company also provides the Chief Executive, certain directors and executives with Company maintained vehicles, partly for personal and partly for business purposes.

32 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise related group companies, associates, staff provident fund, directors and key management personnel. Amount due to / from related parties are shown under receivables and payable respectively. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as follows (for remuneration and benefits to key management personnel please refer to note 31):

Name of Related Party	Nature of Transaction	Rupees in thousand	
		2018	2017
Associates on basis of common directorship			
Shahtaj Sugar Mills Limited	Purchases of raw materials	730,983	537,498
	Sales of finished goods	572	436
Shahtaj Textile Mills Limited	Sales of finished goods	157	200
Shahnawaz Engineering (Private) Limited	Sales of finished goods	6	1
Shezan Services (Private) Limited	Royalty charged	81,120	79,205
Shahnawaz (Private) Limited	Sales of finished goods	83	98
	Purchases/repairs of		
	electric equipment/vehicles	196	355
Nawazabad Farms	Sales of finished goods	–	2
Staff Provident Fund Trust	Contributions paid	6,223	5,292
Key management personnel			
Mr. Faisal Ahmad Nisar	Sale of vehicle	500	–

32.2 Following are the details of related parties with whom the Company has entered into transactions or have arrangements / agreements in place during the year;

Name of Related Party	Relationship	Percentage of Shareholding in the Company	
		2018	2017
Shahtaj Sugar Mills Limited	Common Directorship	–	–
Shahtaj Textile Mills Limited	Common Directorship	–	–
Shahnawaz Engineering (Private) Limited	Common Directorship	–	–
Shezan Services (Private) Limited	Common Directorship	0.2942%	0.0437%
Shahnawaz (Private) Limited	Common Directorship	–	–
Nawazabad Farms	Common Directorship	–	–
Mr. Muneer Nawaz	Chairman	7.5047%	7.5047%
Mr. Mahmood Nawaz	Director	9.7103%	9.7103%
Mr. M. Naeem	Director	0.6135%	0.6135%
Mr. Humayun A. Shahnawaz	Director	4.1948%	4.1948%
Mr. Rashed Amjad Khalid	Director	1.8288%	1.8288%
Ms. Manahil Shahnawaz	Director	2.0367%	2.0367%
Mr. Saifi Chaudhry	Director	0.0088%	0.0088%
Mr. Shahid Hussain Jatoi	Director	–	–
Mr. Syed Etrat Hussain Rizvi	Ex-Director	–	–
Mr. Waseem Amjad Mehmood	Key Management Personnel	0.0051%	0.0064%
Mr. Abbas Raza	Key Management Personnel	–	–
Mr. Hamid Ijaz	Key Management Personnel	–	–
Mr. Faisal Ahmad Nisar	Key Management Personnel	–	–
Mr. Nasim Tariq	Key Management Personnel	–	–
Mr. Atta Ul Noor	Key Management Personnel	–	–

33 PROVIDENT FUND TRUST

The Company has maintained an employees provident fund trust and investments out of the provident fund has been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	Rupees in thousand	
		2018	2017
Size of the fund		183,161	180,280
Percentage of the investments made		97.6%	97.3%
Fair value of Investments	33.1	178,691	175,495
Cost of Investments made		179,203	172,560

Break-up of the investments in terms of amount and percentage of the size of the provident fund are as follows:

	Investment as a % of size of the fund		Investment Rupees in thousand	
	2018	2017	2018	2017
33.1 Breakup of investment				
Listed securities and mutual fund units	17.8%	15.4%	32,605	27,775
Placements/certificates	74.8%	68.4%	136,983	123,290
Cash at PLS saving accounts	5%	13.6%	9,103	24,431
	97.6%	97.4%	178,691	175,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

33.2 Current year figures are based on un-audited financial statements of the Provident Fund Trust.

	No. of Persons	
	2018	2017
34 NUMBER OF EMPLOYEES		
Number of permanent persons employed are as follows:		
Total employees	305	304
Total employees-average	303	303
Factory employees	91	89
Factory employees-average	89	88

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

35.1 Credit risk

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

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

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

	Carrying Values Rupees in thousand	
	2018	2017
Long-term deposits	4,758	5,183
Long-term receivables	43,611	-
Trade debts - unsecured	116,219	259,853
Loans and advances	15,429	5,626
Trade deposits	10,072	11,463
Bank balances	68,245	39,196
Cheques in hand	52,121	20,698
Interest accrued	354	338
	310,809	342,357

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

	Rupees in thousand	
	2018	2017
35.1.1 Trade Debts		
Neither past due nor impaired	52,490	78,262
Past due but not impaired		
31 - 60 days	40,491	91,760
61 - 180 days	15,387	37,452
181 - 365 and Above	37,627	53,753
	93,505	182,965
	145,995	261,227

	Rupees in thousand	
	2018	2017
Geographically:		
Pakistan	98,101	214,686
Australia	1,484	–
North America	5,880	–
Europe	11,839	14,165
Africa	27,616	32,376
South Asia	1,075	–
	145,995	261,227

As at 30 June 2018, the Company had 10 customers (2017: 5 customers) that owed more than Rs. (thousand) 3,214 (2017: Rs. (thousand) 9,345) each and accounted for 57% (2017: 53%) of all receivables owed.

As at 30 June 2018, trade debts of Rs. (thousand) 29,776 (2017: Rs. (thousand) 1,374) were impaired and provided for.

Breakup of export debts into significant categories is as follows:

	Rupees in thousand	
	2018	2017
Cash against documents	27,616	32,376
Documents against payment	20,278	14,165
	47,894	46,541

35.1.2 Loans and advances

Advance to related parties		
Neither past due nor impaired	103,945	–
Past due but not impaired		
31 - 60 days	41,075	173,032
	145,020	173,032
Others		
Neither past due nor impaired	15,429	5,626
	160,449	178,658

35.1.3 Cash at Bank	Rating Agency	Category		Rupees in thousand	
		Short term	Long term	2018	2017
Banks					
United Bank Limited	JCR-VIS	A-1+	AAA	5,910	2,634
The Bank of Khyber	PACRA	A1	A	1,652	1,630
Bank AL-Habib Limited	PACRA	A1+	AA+	2,334	18,382
National Bank of Pakistan	PACRA	A1+	AAA	46,890	4,152
MCB Bank Limited	PACRA	A1+	AAA	–	398
HBL Pakistan	JCR-VIS	A-1+	AAA	11,177	11,180
Bank Alfalah Limited	PACRA	A1+	AA+	282	820
Cheques in hand				52,121	20,698
				120,366	59,894

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

35.2 Liquidity Risk

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

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

	2018		
	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Short-term borrowings - secured	553,262	-	553,262
Trade and other payables	688,027	-	688,027
Mark up accrued on borrowings	4,444	-	4,444
	1,245,733	-	1,245,733

	2017		
	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Long-term loan - secured	90,000	-	90,000
Short-term borrowings - secured	292,525	-	292,525
Trade and other payables	541,760	-	541,760
Mark up accrued on borrowings	1,584	-	1,584
	925,869	-	925,869

35.3 Market Risk

35.3.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the export of its products and import of some chemicals. The Company does not view hedging as financially viable considering the materiality of transactions.

Sensitivity analysis

With all other variables remain constant, a 1% change in the rupee dollar parity existing at 30 June 2018 would have affected the profit and loss account and liabilities and equity by Rs. (thousand) 479 (2017: Rs. (thousand) 435).

35.3.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is exposed to interest rate risk for long-term loan, short-term borrowings and bank deposits, which have been disclosed in the relevant note to the financial statements.

Sensitivity analysis

If interest rates at the year end, fluctuate by 100 basis points higher / lower, profit for the year would have been Rs. (thousand) 5,047 (2017: Rs. (thousand) 3,612) higher / lower. This analysis is prepared assuming that all other variables held constant and the amounts of liabilities outstanding at the balance sheet dates were outstanding for the whole year.

35.4 Capital Management

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

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

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

The Company finances its operations through equity, short-term borrowing and managing working capital.

Gearing ratio

	Rupees in thousand	
	2018	2017
Net Debt		
Long-term loan - secured	-	90,000
Short-term borrowings	553,262	292,525
Cash and bank balances	(152,949)	(73,227)
	400,313	309,298
Total Equity	2,309,477	2,022,705
Total Capital	2,709,790	2,332,003
Gearing (%)	15%	13%

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

35.5 Fair value of financial instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Fair value is determined on the basis of objective evidence at each reporting date.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair values are observable either, directly or indirectly.

Level 3: Techniques which uses inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At 30 June, the Company had following financial instruments with respect to their level of fair value modelling.

Fair value is determined on the basis of objective evidence at each reporting date.

	Level 1	Level 2	Level 3
	Rupees in thousand		
2018			
Investment - available for sale	2,667	-	-
2017			
Investment - available for sale	2,877	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

36 SEGMENTAL ANALYSIS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive. The Chief Executive considers the business from the product perspective and evaluates performance on the basis of their profit or loss. As at 30 June 2018, the Company is organized into two operating segments based on their products.

Juice drinks activities

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

Other operating activities

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

Segment analysis of profit and loss account for the year ended 30 June 2018:

	Juices and Drinks	Others	Total
Rupees in thousand			
Sales	6,314,642	1,188,631	7,503,273
Cost of sales	(4,414,372)	(991,469)	(5,405,841)
Gross profit	1,900,270	197,162	2,097,432
Unallocated expenses and income			
Corporate expenses			(1,387,042)
Finance costs			(39,188)
Other operating expenses			(233,450)
Other income			51,480
Taxation			(94,439)
Profit after taxation			394,793

Segment analysis of assets and liabilities as at 30 June 2018:

	Juices and Drinks	Others	Total
Rupees in thousand			
Segment assets	2,751,499	745,561	3,497,060
Unallocated assets			735,486
Total			4,232,546
Segment liabilities	506,644	241,774	748,418
Unallocated liabilities			1,174,651
Total			1,923,069

Segment analysis of profit and loss account for the year ended 30 June 2017:

	Juices and Drinks	Others	Total
Rupees in thousand			
Sales	5,943,728	1,215,287	7,159,015
Cost of sales	(4,128,264)	(955,486)	(5,083,750)
Gross profit	1,815,464	259,801	2,075,265
Unallocated expenses and income			
Corporate expenses			(1,508,915)
Finance costs			(36,419)
Other operating expenses			(206,309)
Other income			38,321
Taxation			(102,625)
Profit after taxation			259,318

Segment analysis of assets and liabilities as at 30 June 2017:

	Juices and Drinks	Others	Total
Rupees in thousand			
Segment assets	2,486,147	538,742	3,024,889
Unallocated assets			498,507
Total			3,523,396
Segment liabilities	562,067	180,381	742,448
Unallocated liabilities			758,243
Total			1,500,691

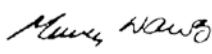
37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on September 26, 2018.

38 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend of Rs. 15/- per share, amounting to Rs. (thousand) 119,790 for the year ended 30 June 2018 (2017: Rs. (thousand)107,811) and 10% bonus shares amounting to Rs. (thousand) 7,986 (2017: Rs. (thousand) Nil) along with transfer to general reserve amounting to Rs. (thousand) 200,000 (2017: Rs. (thousand) 200,000) at their meeting held on September 26, 2018 for approval of the members at the Annual General Meeting to be held on October 27, 2018. These financial statements do not reflect the effect of these appropriations.


Chief Executive


Director










Chief Financial Officer









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SHEZAN INTERNATIONAL LIMITED

PROXY FORM

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

who is also a Member of Shezan International Limited as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 55th Annual General Meeting of the Company to be held on October 27, 2018 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2018.

Signed by _____

in the presence of _____

Folio Number / CDC A/C Number

Signature

Affix Rs. 5/- revenue stamp

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

Important notes:

1. No person shall act as proxy unless he himself is member of the Company, except that a corporation may appoint a person who is not a member.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. Proxies, in order to be valid must be received at the Registered Office of the Company, Shezan International Limited, 56 Bund Road, Lahore, not less than 48 hours before the meeting.
4. CDC Shareholders and their proxies, both are requested to attach an attested photocopy of their Computerised National Identity Card (CNIC) or Passport with the proxy form before submission to the Company (Original CNIC / Passport is required to be produced at the time of the meeting).
5. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

شیزان انٹرنیشنل لمیٹڈ پراکسی کا فارم

میں رہم _____
برائے _____
بحیثیت حصص یافتگان شیزان انٹرنیشنل لمیٹڈ حاصل _____ حصص مقرر کرتا کرتی ہوں
برائے _____
یا انکی عدم موجودگی کی صورت میں _____
برائے _____

جو کہ شیزان انٹرنیشنل لمیٹڈ کا حصص دار بھی ہے بطور پراکسی مقرر کرتا کرتی ہوں تاکہ وہ میری رہماری جگہ اکتوبر 27، 2018ء کو آواری ہوٹل، 87 شاہراہ قائد اعظم، لاہور، میں منعقد ہونے والے 55 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کر سکے۔

بتاریخ _____ بروز _____ 2018ء

دستخط کنندہ

گواہان

دستخط

(پانچ روپے کا حصول ٹکٹ)

فولیو نمبر اسی ڈی سی اکاؤنٹ نمبر

یہ دستخط کئی میں رجسٹرڈ نمونے سے مطابقت رکھتے ہوئے چاہئے۔

نوٹس:

- 1- کمپنی کا ممبر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جاسکتا ماسوائے کارپوریشن کے جو ممبر کے علاوہ کسی دوسرے فرد کو بھی پراکسی نامزد کر سکتی ہے۔
- 2- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور کمپنی کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زیادہ دستاویزات جمع کروائی جاتی ہیں تو پراکسی کی ایسی تمام دستاویزات کا عدم تصور ہوگی۔
- 3- پراکسی فارم کمپنی کے رجسٹرڈ آفس، شیزان انٹرنیشنل لمیٹڈ 56- بندر وڈ لاہور میں اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل جمع کروانا لازمی ہے بصورت دیگر قابل قبول نہ ہوگا۔
- 4- سی ڈی سی اکاؤنٹ ہولڈر پراکسی فارم کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی بھی منسلک کرنی ہوگی (پراکسی کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا)۔
- 5- کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد پر آف انارنی بمعہ نمونہ دستخط پراکسی فارم کے ہمراہ جمع کرانا ہوں گے۔



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