Contents

Company Information

Board of Directors:

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

Company Secretary & Chief Financial Officer:

Mr. Faisal Ahmad Nisar, FCA

Audit Committee:

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

Registered Office / Head Office:

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

Factories:

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

- Plot No. L-9, Block No. 22,
  Federal "B", Industrial Area, Karachi-75950.
  Phones: (021) 36344722-23.
  Fax: (021) 36313790.
  E-mail: shezan@cyber.net.pk

- Plot No. 33-34, Phase III,
  Hattar Industrial Estate, Hattar.
  Phones: (0995) 617158 & 617343.
  Fax: (0995) 617342.
  E-mail: sil-htr@shezan.com

Auditors:

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

Share Registrar:

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

Legal Advisors:

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

Bankers:

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


Arabs urge UN action against Israel over wall
Shezan
ALL PURE
NO ADDED SUGAR
The Complete Fruit Experience
APPLE
JUICE
NO ADDED COLOURS
NO ADDED PRESERVATIVE
100% PURE & NATURAL

Notice of Meeting

The 48th Annual General Meeting of the Company will be held on 29 October 2011 at 11.00 am at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore, to transact the following business: -

1. To confirm the minutes of Extraordinary General Meeting held on 29 June 2011.

2. To receive and adopt the Audited Financial Statements together with the Directors' and Auditors' Report for the year ended 30 June 2011.

3. To approve the cash dividend @ Rs. 7.50/- per share, i.e., 75 %, as recommended by the Board of Directors for the year ended 30 June 2011.

4. To appoint auditors of the Company for the year 2011-12 and to fix their remuneration.

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

By Order of the Board

Lahore:
01 October 2011.

Faisal Ahmad Nisar, FCA
Company Secretary

Notes:

1. The share transfer books of the Company will be closed from 22 October 2011 to 29 October 2011 (both days inclusive), for determining the entitlement of dividend.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Form of proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. No person shall act as proxy unless he/she is a member of the Company, except that a corporation may appoint a person who is not a Member.
4. Signature of the shareholder on proxy application form must agree with the specimen signature registered with the Company. For the convenience of the shareholders, a proxy application form is attached with this report.
5. Shareholders are requested to immediately notify the Company of any change in their address to our registrar, M/s. CORPLINK (Private) Limited, Wings Arcade 1-K, Commercial, Model Town, Lahore.
6. Any individual beneficial owner of the shares in the Central Depository Company (CDC), entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity together with his/her account number in CDC and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representative of corporate members should bring the usual documents required for such purpose.

Directors' Report to the Members

The Board of Directors take pleasure in presenting the annual report and audited financial statements of the Company for the year ended 30 June 2011.

Economic and Business Review

Year 2010-2011 has been marked by the continuing and intensified security challenges the country has confronted since 2001. In addition, our economy faced multiple adverse shocks of commodity and oil prices and the fallout of the global financial crisis. The year under review saw the unprecedented calamity of the floods. These floods wiped out about 2% points from the growth as well as inflicted a massive damage to country's economic structure. During the year oil prices also shot up from $70 per barrel to $125 per barrel creating a new threat to the macro framework. The Real GDP growth was around 2.4% compared to the target of 4.5%. The set back was due to the agriculture sector which was badly affected by floods. However, the strong performance of services sector which grew at 4.1% has kept the overall growth in a reasonable range.

The significant development during the year was the historic performance of the external sector. Exports registered a growth of 28% during the year compared to same period last year, crossing the $20 billion mark for the first time. The remittances have also recorded a strong performance by crossing the double digit mark and reached the historic level of more than $11.2 billion. The combined effect of these positive developments was reflected in the growth of external reserves which also touched a historic high of $17.1 billion during the year.

The situation regarding inflation remained a key concern for the economy. The cumulative increase was 14.1% as against 11.5% in the comparative period of last year. During the year food has remained the major driver of the inflation on the back of major supply disruptions owing to devastating floods as well as spike in imported food stuff prices. Food inflation recorded at 18.4% while non-food component increased by 10.4% in this period.

In an environment that is becoming increasingly competitive and in a business whose profit and profitability are greatly impacted by commodity inflation, operating profit increased from Rs. 183.185 million to Rs. 250.963 million. The Company added Rs. 693.693 million to the net sales, which grew 19.7%. Earnings per Share were Rs. 23.43.

In 2010-11 the unprecedented inflationary pressures on the consumer food basket continued. Against this adverse economic scenario and continued competitiveness, the Company continued to focus on its growth strategy, led by its juice products in Tetra packaging including juice Brands like "All Pure" and "Twist". Our food products other than juices and drinks grew 20.49% during the year.

Growth momentum continued and escalated in our juices as well as ketchups and pickles product range. The Company is investing behind these products and building consumer relevance and brand differentiation through advertisement and promotional campaigns.

Our exports continue to grow rapidly by 35.44%. The Company has added non returnable bottled juice products to its exports range. During the current year the Company is expanding the range of products and opening new channels of distribution in key markets.

During the year major commodity prices escalated to unprecedented levels, especially the prices of sugar, pulps and concentrates, which are key ingredients in our top line products, took an exceptional surge. Significant hike was also witnessed in the prices of many other types of raw and packing materials used by the Company. During the year huge costs were incurred on diesel and furnace oil due to load shedding of electricity and gas. Therefore, energy costs were 2 to 3 times higher as compared to the last year. Keeping in view the inflationary trends, we had to enforce the price rationalization of our products to offset the higher input costs. Despite this measure, we had to absorb substantial hike as we could not pass on the full impact on to the consumers due to highly competitive environment.

We made our humble contribution to National Exchequer by paying a sum of Rs. 939 million in the shape of Sales Tax, Excise Duty and Income Tax for the year ended 30 June 2011.

Financial Results

For the year ended 30 June 2011, total sales were Rs. 4.222 billion against Rs. 3.528 billion in the same period last year registering an increase of 19.66%. The cost of sales was Rs. 3.130 billion against Rs. 2.592 billion last year. Therefore, the Company earned gross profit of Rs. 1,091 million against Rs. 936 million in the corresponding year last year.

The distribution cost increased and it grew by 8.51% as compared to the last year. The distribution cost includes advertisement and sales promotion expense of Rs. 236 million. We had to enhance our publicity campaign to boost our sales due to stiff competition in the market. The finance cost was high at Rs. 40.34 million against Rs. 17.95 million last year. The increase in finance cost was due to high borrowings for working capital requirements of the Company. Further, borrowings were made during the year to stock the seasonal fruits, pulps and packaging materials to fulfill the sales demands of our products.

Net profit for the year was Rs. 141 million as compared to Rs. 107 million of the corresponding year of 2010 and earnings per share were Rs. 23.43 versus Rs. 17.79 in the last year.

Directors' Report to the Members

Appropriations

The Company has earned an after tax profit of Rs. 140.602 million for the year under review.

The Directors are pleased to recommend as follows:

	Rupees in thousand
Profit after taxation	140,602
Unappropriated profits brought forward	135,116
Dividend @ Rs 6/- per share for the year ended 30 June 2010	(36,000)
Transfer to General reserve	(70,000)
Unapproriated profits carried forward	169,718
Earnings per share in Rupees – Basic	23.43

Dividend

Keeping in view the satisfactory financial results, the Directors have immense pleasure in proposing a cash dividend of 75%, i.e., Rs. 7.50/- per share. We hope our shareholders would appreciate our paying generous returns on their investment.

Future Prospects

The coming year appears to be another challenging year for the business as economic environment is not favourable due to power crisis, internal security issues, soaring inflation rate and political instability. Despite above unfavorable conditions, the Company will continue to focus on cost effectiveness and profit maximization.

Looking forward, we are confident that Shezan will achieve growth in juices, jams and pickles products and now expanding production capacity of juice products in "All Pure" and "Twist" category. We are hopeful that we will augment our sales growth with the increase in production capacity of juice products. Our marketing force has been focusing on increasing reach of diverse line of products through timely advertisement apart from various promotional activities.

Current Inflationary trends and economic conditions depict that commodity costs will remain high in the next year.

Corporate Governance and Financial Reporting Frame Work

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

a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b. Proper books of account of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h. Key operating and financial data of last six years is annexed to this report.

i. Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same is disclosed.

j. The value of investments in provident fund for the year ended 30 June 2011 was Rs. 108.806 million.

k. During the year, four Board of Directors meetings were held. Attendance of these meetings is as follows:

Name of Director	No. of Meetings Attended
Mr. Muneer Nawaz	4
Mr. Saifi Chaudhry	4
Mr. Mahmood Nawaz	4
Mrs. Amtul Hai Khalid	-
Mr. C.M. Khalid	3
Mr. M. Naeem	4
Mr. Muhammad Khalid	4
Mr. Muhammad Asif	4
Mr. Muhammad Nawaz Tishna	4
Mr. Syed Munawar Hussain Rizvi	2

Leave of absence was granted to the Directors, who could not attend the board meetings. Further Mr. Muhammad Asif, Director, resigned and was replaced by Mr. Syed Munawar Hussain Rizvi during the year.

Directors' Report to the Members

l. Pattern of Shareholdings as on 30 June 2011 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.

m. The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children shareholding and change therein during the year is disclosed in "Categories of Shareholders".

Related Party Transactions

The Directors confirm the following regarding related party transactions:

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

2. That the amounts or appropriate proportions of outstanding, items pertaining to related parties and receivables / payables from the related parties as on 30 June 2011:

	Rupees in thousand	
Name of Related Party	**Payable**	**Receivable**
Shezan Services (Private) Limited	29,167	Nil
Nawazabad Farms	4,248	Nil
Shahnawaz (Private) Limited	3	Nil

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

Audit Committee

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

Auditors

The retiring auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, being eligible, offer themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee, proposes the appointment of Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending 30 June 2012.

Statement of Compliance with the Best Practices on Transfer Pricing

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

Corporate Social Responsibilities

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

Acknowledgement

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

On Behalf of the Board

Karachi:
01 October 2011.

Muhammad Khalid
Chief Executive

Corporate Social Responsibility

Corporate Social Responsibility

Corporate Social Responsibility (CSR) can be defined as: "the commitment of an organization to contribute in economic development and welfare of the society".

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 fast moving consumer goods, 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 & Business Practices is circulated among all employees of the Company for compliance purposes. It proved very helpful in maintaining the level of credibility of each employee in the organization.

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

Industrial Relations

Cordial industrial relations and harmonious working environment prevailed at all locations of the Company. The management enjoys good relationship with the employees. CBA elections are held in time and without any hurdles. The basic purpose of this practice is to secure maximum cordiality between the workers and the management and to establish a climate of mutual understanding where-by the workers may be able to contribute their best for the growth and development of the Company. The Company has a Hajj Scheme and two workers are sent every year 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 health products. Matters of SHE are integral parts of the business planning processes and decision making. They are handled with the same sense of responsibility and just as other operations like quality, productivity and cost-efficiency.

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

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

Corporate Philanthropy

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

National-Cause Donation

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

- M/s. Shaukat Khanum Memorial Cancer Hospital
- M/s. LRBT
- M/s. Edhi Foundation
- M/s. Sahara for Trust
- M/s. Fatimid Foundation

Community Investment and Welfare Spending for Under-Privileged Classes

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

Rural Development Programs

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

Consumer Protection Measures

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

Environmental Protection Measures

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

Contribution to National Exchequer

The management has always showed its responsibility by paying all government taxes in time without any delay. For the year ended 30 June 2011 we made our humble contribution to the National Exchequer as follows:

Description	Rupees in thousand
Income Tax	57,656
Sales Tax and Excise Duty	798,807
Special Excise Duty	82,935

Pattern of Shareholdings

as at 30 June 2011

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 2011.

4.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
136	1	100	3,056
118	101	500	26,100
81	501	1,000	54,535
60	1,001	5,000	119,358
6	5,001	10,000	47,183
3	10,001	15,000	38,350
3	15,001	20,000	49,240
1	20,001	25,000	24,750
4	25,001	30,000	106,972
2	30,001	35,000	65,800
1	35,001	40,000	36,980
2	50,001	55,000	106,840
1	60,001	65,000	60,126
1	75,001	80,000	76,000
1	80,001	85,000	83,216
2	85,001	90,000	172,756
1	90,001	95,000	91,506
2	95,001	100,000	196,304
6	105,001	110,000	637,879
1	120,001	125,000	122,760
1	125,001	130,000	127,640
1	195,001	200,000	198,973
2	250,001	255,000	505,680
1	290,001	295,000	293,951
1	450,001	455,000	452,340
1	560,001	565,000	560,528
1	595,001	600,000	600,000
1	1,140,001	1,145,000	1,141,177
441			**6,000,000**

5. Categories of Shareholders

		Shares held	Percentage
5.1	Directors, Chief Executive Officers, and their spouse and minor children	1,592,456	26.5409%
5.2	Associated Companies, undertakings and related parties	24,750	0.4125%
5.3	NIT and ICP	1,170,564	19.5094%
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions	1,125,503	18.7584%
5.5	Insurance Companies	54,360	0.9060%
5.6	Modarabas and Mutual Funds	91,506	1.5251%
5.7	Share holders holding 10%	1,741,177	29.0196%
5.8	General Public		
	a. Local	1,933,659	32.2277%
	b. Foreign	–	–
5.9	Others (to be specified)		
	Joint Stock Companies	7,202	0.1200%

Pattern of Shareholdings

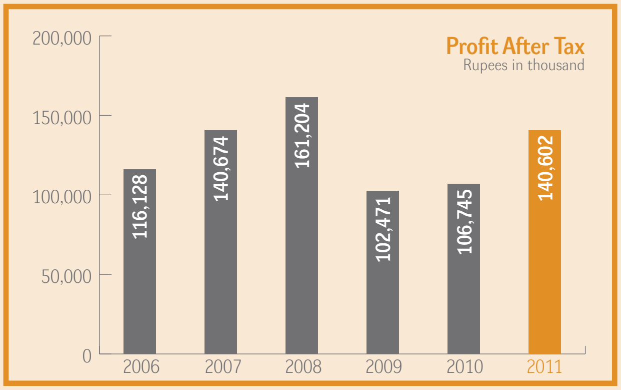
as at 30 June 2011

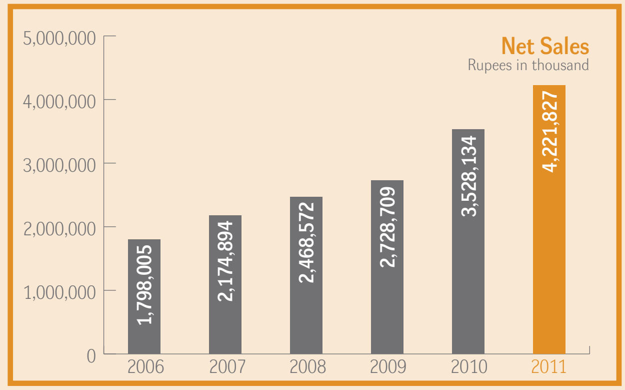
S. No.	Name	Holding	%Age
	Directors, CEO, their Spouses and Minor Children		
1	Mrs. Amtul Hai Khalid	105,933	1.7656%
2	Mr. Mahmood Nawaz	560,528	9.3421%
3	Mr. Muneer Nawaz	452,340	7.5390%
4	Mr. C. M. Khalid	86,396	1.4399%
5	Mr. M. Naeem	36,980	0.6163%
6	Mr. Saifi Chaudhry (CDC)	7,560	0.1260%
7	Mr. Muhammad Khalid (CDC)	2,700	0.0450%
8	Mrs. Abida Muneer Nawaz W/o Muneer Nawaz	60,126	1.0021%
9	Mrs. Bushra Mahmood Nawaz W/o Mahmood Nawaz	4,320	0.0720%
10	Mrs. Amtul Bari Naeem W/o M. Naeem	274,973	4.5829%
11	Mrs. Surriya Khalid W/o Muhammad Khalid	600	0.0100%
		1,592,456	**26.5409%**
	Associated Companies, Undertakings and Related Parties		
1	M/s. Shezan (Private) Limited	**24,750**	**0.4125%**
	NIT & ICP		
1	National Bank of Pakistan, Trustee Department (CDC)	1,141,177	19.0196%
2	National Investment Trust Limited (CDC)	29,387	0.4898%
		1,170,564	**19.5094%**
	Banks, Developments, Financial Institutions, Non Banking Financial Institutions		
1	National Bank of Pakistan (CDC)	206,267	3.4378%
2	The Bank of Khyber (CDC)	25,285	0.4214%
3	The Bank of New York Mellon SA / NV (CDC)	600,000	10.0000%
4	The Bank of Punjab (CDC)	293,951	4.8992%
		1,125,503	**18.7584%**
	Modarabas and Mutual Funds		
	Golden Arrow Selected Stocks Fund Limited	**91,506**	**1.5251%**
	Insurance Companies		
1	Habib Insurance Company Limited (CDC)	1,320	0.0220%
2	Reliance Insurance Company Limited (CDC)	1,200	0.0200%
3	State Life Insurance Corporation of Pakistan (CDC)	51,840	0.8640%
		54,360	**0.9060%**
	Joint Stock Companies		
1	M/s. Murree Brewery Company Limited	2,254	0.0376%
2	A. Sattar Motiwal Securities (Private) Limited (CDC)	40	0.0007%
3	Burma Oil Mills Limited (CDC)	500	0.0083%
4	A.H.M. Securities (Private) Limited (CDC)	1,433	0.0239%
5	Darson Securities (Private) Limited (CDC)	101	0.0017%
6	Ismail Abdul Shakoor Securities (Private) Limited (CDC)	200	0.0033%
7	Magnus Investment Advisors Limited (CDC)	100	0.0017%
8	N. H. Capital Fund Limited (CDC)	2	0.0000%
9	Pearl Capital Management (Private) Limited (CDC)	472	0.0079%
10	Moosa, Noor Mohammad, Shahzada & Company (Private) Limited (CDC)	2,000	0.0333%
11	Stock Street (Private) Limited (CDC)	100	0.0017%
		7,202	**0.1200%**
	Shares held by the General Public	**1,933,659**	**32.2277%**
	Total	**6,000,000**	**100.0000%**
	Shareholders Holding 10% or More of Total Capital		
1	National Bank of Pakistan, Trustee Department (CDC)	1,141,177	19.0196%
2	The Bank of New York Mellon SA/NV (CDC)	600,000	10.0000%
		1,741,177	**29.0196%**

During the financial year the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

S. No.	Name	Sale	Purchase
1	Mr. Muneer Nawaz	–	25,000
2	Mr. C. M. Khalid	–	20,000
3	Mr. M. Naeem	–	20,000
4	Mr. Muhammad Khalid (CDC)	8,500	–

Six Years Review at a Glance





	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011
	Rupees in thousand					
Incomes						
Sales	1,798,005	2,174,894	2,468,572	2,728,709	3,528,134	4,221,827
Other operating income	18,608	13,240	19,880	20,155	19,448	28,798
	1,816,613	2,188,134	2,488,452	2,748,864	3,547,582	4,250,625
Expenditure						
Cost of sales	1,237,566	1,489,845	1,691,443	1,974,446	2,591,790	3,130,544
Distribution cost and administrative expenses	332,889	357,549	447,191	535,311	681,905	746,517
Finance cost	8,942	12,940	8,104	6,542	17,950	40,343
Other operating expenses and Share of-loss from associate	50,786	70,145	73,315	71,995	90,718	122,619
	1,630,183	1,930,479	2,220,053	2,588,294	3,382,363	4,040,023
Profit before taxation	186,430	257,655	268,399	160,570	165,219	210,602
Taxation	70,302	116,981	107,195	58,099	58,474	70,000
Profit after taxation	116,128	140,674	161,204	102,471	106,745	140,602
Paid-up capital	50,000	50,000	60,000	60,000	60,000	60,000
Reserves & unappropriated profits	490,022	575,696	676,900	719,171	790,116	892,740
Unrealized gain / (loss) on remeasurement-of investments available for sale	50	(284)	(200)	(1,351)	(1,978)	271
Share holders equity	540,072	625,412	736,700	777,820	848,138	953,011
Break up value per share in Rupees	108.01	125.08	122.92	129.63	141.36	158.85
Earnings per share in Rupees	23.23	28.13	26.87	17.08	17.79	23.43
Cash distribution per share in Rupees	11.00*	11.00	10.00	10.00	6.00	6.00
Bonus per share	-	-	20 %	-	-	-

* Based on restated figures.

Review Report to the Members

on statement of compliance with best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2011 prepared by the Board of Directors of Shezan International Limited to comply with the Listing Regulation No. 35 (chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 and sub regulation (xiii a) of Listing Regulation No. 35 notified by the Lahore Stock Exchange (Guarantee) Limited requires the Company to place before the board of directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended 30 June 2011.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner

Farooq Hameed

Lahore:

01 October 2011.

Statement of Compliance

with best practices of code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages the representation of independent non-executive Directors on its Board of Directors. At present, the Board includes two independent non-executive Directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFI, or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the Directors and employees of the Company.

5. The Board has developed a vision statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.

6. All the powers of the Board have been exercised and decisions on material transactions, including appointment and determination of remuneration and terms of conditions of employment of the Chief Executive Officer (CEO) and other Executive Directors, have been taken by the Board.

7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary, and Head of Internal Audit. However, their remuneration and terms & conditions of employment, in case of future appointments, will be approved by the Board.

9. The Directors' Report for the year ended 30 June 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

10. The financial statements of the Company were duly endorsed by the Chief Executive and CFO before approval of the Board.

11. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

12. The Company has complied with all the corporate and financial reporting requirements of the Code.

13. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive Directors including the Chairman of the Committee.

14. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of references of the Committee have been formed and advised to the Committee for compliance.

15. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who is conversant with the policies and procedures of the Company and is involved in the internal audit function.

16. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants 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 Institute of Chartered Accountants of Pakistan.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. The Board arranged an orientation for its Directors to apprise them of their duties and responsibilities.

19. We confirm that all other material principles contained in the Code have been complied with.

Muneer Nawaz
Chairman

Muhammad Khalid
Chief Executive

Faisal Ahmad Nisar
Chief Financial Officer

Auditors' Report to the Members

We have audited the annexed balance sheet of Shezan International Limited (the Company) as at 30 June 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion –

- **i)** the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for changes as stated in note 5.1 of these financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the profit, its cash flow and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central Zakat fund established under section 7 of the Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner

Farooq Hameed

Lahore:

01 October 2011.

Balance Sheet
as at 30 June 2011

	Note	Rupees in thousand 2011	2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	423,097	416,802
Investment in associate	7	7,690	7,708
Investment available for sale	8	668	397
Long term deposits	9	2,314	2,588
		433,769	427,495
CURRENT ASSETS			
Stores and spares	10	6,997	15,081
Stock in trade	11	1,159,551	842,482
Trade debts	12	165,627	135,317
Loans and advances	13	24,302	20,986
Trade deposits and short term prepayments	14	14,683	18,183
Accrued financial income	15	376	514
Income tax recoverable		57,656	59,886
Cash and bank balances	16	82,608	99,509
		1,511,800	1,191,958
TOTAL ASSETS		1,945,569	1,619,453
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	60,000	60,000
Reserves	18	723,293	653,022
Unappropriated profit		169,718	135,116
TOTAL EQUITY		953,011	848,138
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	19	13,900	37,228
Deferred taxation	20	57,847	53,893
		71,747	91,121
CURRENT LIABILITIES			
Trade and other payables	21	600,350	486,348
Mark up accrued on short term borrowings		4,034	1,806
Short term borrowings	22	207,741	92,526
Current portion of liabilities against assets subject to finance lease	19	23,433	20,422
Provision for taxation		85,253	79,092
		920,811	680,194
TOTAL LIABILITIES		992,558	771,315
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		1,945,569	1,619,453

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

Muneer Nawaz	Muhammad Khalid	Faisal Ahmad Nisar
Chairman	Chief Executive	Chief Financial Officer

Profit and Loss Account

for the year ended 30 June 2011

	Note	Rupees in thousand 2011	2010
Sales - net	24	4,221,827	3,528,134
Cost of sales	25	3,130,544	2,591,790
Gross profit		1,091,283	936,344
Distribution cost	26	629,912	580,492
Administrative expenses	27	116,605	101,413
Other operating expenses	28	122,601	90,702
Other operating income	29	(28,798)	(19,448)
		840,320	753,159
Operating profit		250,963	183,185
Finance costs	30	40,343	17,950
Share of loss - associate	7	18	16
Profit before taxation		210,602	165,219
Taxation	31	70,000	58,474
Net profit for the year		140,602	106,745
Other comprehensive income			
Unrealized gain/(loss) on remeasurement of investments- available for sale		271	(427)
Total comprehensive income		140,873	106,318
Earnings per share - basic and diluted Rupee	32	23.43	17.79

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

Muneer Nawaz	Muhammad Khalid	Faisal Ahmad Nisar
Chairman	Chief Executive	Chief Financial Officer

Cash Flow Statement

for the year ended 30 June 2011

	Note	2011	2010
		Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations			
Profit before taxation		210,602	165,219
Adjustments for:			
Depreciation		54,973	44,875
Interest/mark-up		37,593	15,486
Profit on bank deposits		(3,540)	(2,719)
Gain on sale of investment		(1,430)	(988)
Deterioration in value of shells, pallets and barrels		13,033	11,044
Share of loss from associate		18	16
Gain on disposal of property, plant and equipment		(486)	(1,559)
		100,161	66,155
Operating profit before working capital changes		310,763	231,374
(Increase)/decrease in current assets			
Stores and spares		8,084	3,715
Stock in trade		(330,102)	(97,815)
Trade debts		(30,310)	(49,026)
Loans and advances		(3,316)	(6,353)
Trade deposits and short-term prepayments		3,500	4,216
		(352,144)	(145,263)
Increase in current liabilities			
Trade and other payables		113,952	93,908
Short term borrowings		115,215	62,298
		229,167	156,206
CASH GENERATED FROM OPERATIONS		187,786	242,317
Interest/mark-up paid		(35,365)	(14,073)
Profit on bank deposits-received		3,678	2,286
Income tax paid		(57,656)	(59,885)
NET CASH GENERATED FROM OPERATING ACTIVITIES		98,443	170,645
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(61,864)	(97,590)
Sale proceeds from disposal of property, plant and equipment		1,083	3,621
Long term deposits paid/received		274	73
Investment - available for sale		(10,000)	(45,000)
Proceeds from sale of investment		11,430	45,988
NET CASH USED IN INVESTING ACTIVITIES		(59,077)	(92,908)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		(20,317)	(13,141)
Dividend paid		(35,950)	(35,931)
NET CASH USED IN FINANCING ACTIVITIES		(56,267)	(49,072)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(16,901)	28,665
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		99,509	70,844
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	82,608	99,509

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

Muneer Nawaz Chairman	Muhammad Khalid Chief Executive	Faisal Ahmad Nisar Chief Financial Officer

Statement of Changes in Equity

for the year ended 30 June 2011

	Capital Reserve		Revenue Reserve			
	Share Capital	Merger Reserve	General Reserve	Unrealized Loss on Remeasurement of Investments - available for sale	Unappropriated Profits	Total
	Rupees in thousand					
Balance as at 01 July 2009	60,000	5,000	580,000	(1,551)	134,371	777,820
Transfer to general reserve	–	–	70,000	–	(70,000)	–
Dividend @ Rs. 6/- per share for the year ended 30 June 2009	–	–	–	–	(36,000)	(36,000)
Net profit for the year ended 30 June 2010	–	–	–	–	106,745	106,745
Other comprehensive income	–	–	–	(427)	–	(427)
Total comprehensive income	–	–	–	(427)	106,745	106,318
Balance as at 30 June 2010	60,000	5,000	650,000	(1,978)	135,116	848,138
Transfer to general reserve	–	–	70,000	–	(70,000)	–
Dividend @ Rs. 6/- per share for the year ended 30 June 2010	–	–	–	–	(36,000)	(36,000)
Net profit for the year ended 30 June 2011	–	–	–	–	140,602	140,602
Other comprehensive income	–	–	–	271	–	271
Total comprehensive income	–	–	–	271	140,602	140,873
Balance as at 30 June 2011	**60,000**	**5,000**	**720,000**	**(1,707)**	**169,718**	**953,011**

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

Muneer Nawaz
Chairman

Muhammad Khalid
Chief Executive

Faisal Ahmad Nisar
Chief Financial Officer

Notes to the Financial Statements

for the year ended 30 June 2011

1. THE COMPANY AND ITS OPERATIONS

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

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

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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

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

Standard or Interpretation		Effective Date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	01 July 2012
IFRS 7	Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	01 July 2011
IAS 12	Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IAS 24	Related Party Disclosures (Revised)	01 January 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. 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.

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

Standard		IASB Effective Date (annual periods beginning on or after)
IFRS 9	Financial Instruments	01 January 2013
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

Notes to the Financial Statements

for the year ended 30 June 2011

2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2010-11

New and amended standards and interpretations

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

IFRS 2 – Group Cash-settled Share-based Payment Arrangements
IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash flows
IAS 17	Leases
IAS 36	Impairment of Assets
IAS 39	Financial Instruments : Recognition and Measurement

Issued in April 2010

IFRS 3	Business Combinations
IAS 27	Consolidated and Separate Financial Statements

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

3. 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Provision for taxation

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

4.2 Provision for doubtful receivables

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2011

4.4 Impairment of non-financial assets

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 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 2.2.

5.2 Property, plant and equipment

Owned assets

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

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

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

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

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

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

Capital work in progress

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

Leased assets

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

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

Each lease payment is allocated between the liability and finance cost. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

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

5.3 Investments

Investments in associates

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

Notes to the Financial Statements

for the year ended 30 June 2011

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

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company.

Available for sale

Available for sale financial assets are recognised initially at fair value plus directly attributable transaction costs. After initial recognition they are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

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

5.4 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 value including other charges, if any, incurred thereon. Basis of determining cost is as follows: -

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

Shells, pallets and barrels are subject to a deterioration of 20% per annum using the reducing balance method. Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs of completion and costs necessary to be incurred for its sale.

5.5 Trade debts

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

5.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand, cash at banks in current, saving 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.

Notes to the Financial Statements

for the year ended 30 June 2011

5.7 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset or portion of financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

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

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

5.8 Impairment

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

5.9 Offsetting of financial assets and financial liabilities

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

5.10 Dividend and appropriation to reserves

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

5.11 Taxation

Current

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

Deferred

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

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

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

5.12 Revenue recognition

Sale of goods

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

Notes to the Financial Statements

for the year ended 30 June 2011

Interest income

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

Dividend income

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

5.13 Staff retirement benefits

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

5.14 Compensated absences

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

5.15 Borrowing costs

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

5.16 Foreign currency transactions

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

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

5.17 Pricing for related party transactions

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

5.18 Provisions

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

5.19 Trade and other payables

Creditors relating to trade and other payables 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.

Notes to the Financial Statements

for the year ended 30 June 2011

	Note	Rupees in thousand 2011	2010
6 PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	6.1	382,308	409,752
Capital work in progress	6.2	40,789	7,050
		423,097	416,802

6.1 OPERATING PROPERTY, PLANT AND EQUIPMENT

2 0 1 1

	Note	COST As at 01 July 2010	COST Additions/ Adjustments	COST (Disposals) / Adjustments	COST As at 30 June 2011	DEPRECIATION Accumulated as at 01 July 2010	DEPRECIATION (Disposals)/ Adjustments	DEPRECIATION Charge for the year	DEPRECIATION Accumulated as at 30 June 2011	BOOK VALUE As at 30 June 2011	Rate
		Rupees in thousand									%
COMPANY OWNED ASSETS											
Freehold land		37,098	–	(30,007)*	7,091	–	–	–	–	7,091	–
Leasehold land		1,802	–	–	1,802	–	–	–	–	1,802	–
Buildings on freehold land		47,629	4,034	–	51,663	19,981	–	2,890	22,871	28,792	10
Buildings on leasehold land		21,527	2,435	–	23,962	13,475	–	826	14,301	9,661	10
Plant and machinery		335,400	6,138	(233)	341,305	161,252	(90)	22,283	183,445	157,860	12.5
Furniture and fixtures		7,988	4,195	–	12,183	3,247	–	980	4,227	7,956	15
Motor vehicles and bicycles	6.1.1	106,692	14,513	(1,038)	120,975	55,547	(974)	11,291	66,241	54,734	20
			808				377				
Electric fittings and tools		5,590	–	–	5,590	2,903	–	268	3,171	2,419	10-25
Electric equipment	6.1.3	40,121	20,369	(470)	60,020	13,638	(80)	4,940	18,498	41,522	15
Laboratory equipment		1,125	309	–	1,434	416	–	89	505	929	10
Fork lifts		22,025	4,599	–	26,624	12,657	–	2,362	15,019	11,605	20
Computers and accessories		10,942	1,541	(11)	12,472	8,440	(11)	1,110	9,539	2,933	33.33
Arms and ammunitions		94	–	–	94	91	–	1	92	2	20
		638,033	58,941	(31,759)	665,215	291,647	(778)	47,040	337,909	327,306	
ASSETS SUBJECT TO FINANCE LEASE											
Plant and machinery		66,379	–	–	66,379	3,520	–	7,857	11,377	55,002	12.5
Motor vehicles		808	–	(808)	–	301	(377)	76	–	–	20
		705,220	58,941	(32,567)	731,594	295,468	(1,155)	54,973	349,286	382,308	

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

2 0 1 0

	Note	COST As at 01 July 2009	COST Additions/ Adjustments	COST (Disposals) / Adjustments	COST As at 30 June 2010	DEPRECIATION Accumulated as at 01 July 2009	DEPRECIATION (Disposals)/ Adjustments	DEPRECIATION Charge for the year	DEPRECIATION Accumulated as at 30 June 2010	BOOK VALUE As at 30 June 2010	Rate
		Rupees in thousand									%
COMPANY OWNED ASSETS											
Freehold land		37,098	–	–	37,098	–	–	–	–	37,098	–
Leasehold land		1,802	–	–	1,802	–	–	–	–	1,802	–
Buildings on freehold land		26,685	20,944	–	47,629	18,477	–	1,504	19,981	27,648	10
Buildings on leasehold land		21,527	–	–	21,527	12,580	–	895	13,475	8,052	10
Plant and machinery	6.1.2	275,682	34,367	(2,449)	335,400	133,186	(2,443)	20,391	161,252	174,148	12.5
			27,800				10,118				
Furniture and fixtures		3,383	4,605	–	7,988	2,901	–	346	3,247	4,741	15
Motor vehicles and bicycles		92,958	18,618	(4,884)	106,692	48,712	(2,828)	9,663	55,547	51,145	20
Electric fittings and tools		4,608	982	–	5,590	2,656	–	247	2,903	2,687	10-25
Electric equipment	6.1.3	28,076	12,045	–	40,121	10,249	–	3,389	13,638	26,483	15
Laboratory equipment		1,086	39	–	1,125	341	–	75	416	709	10
Fork lifts		19,861	2,164	–	22,025	10,756	–	1,901	12,657	9,368	20
Computers and accessories		10,061	881	–	10,942	7,453	–	987	8,440	2,502	33.33
Arms and ammunitions		94	–	–	94	90	–	1	91	3	20
		522,921	122,445	(7,333)	638,033	247,401	4,847	39,399	291,647	346,386	
ASSETS SUBJECT TO FINANCE LEASE											
Plant and machinery		27,800	66,379	(27,800)	66,379	8,289	(10,118)	5,349	3,520	62,859	12.5
Motor vehicles		808	–	–	808	174	–	127	301	507	20
		551,529	188,824	(35,133)	705,220	255,864	(5,271)	44,875	295,468	409,752	

Notes to the Financial Statements

for the year ended 30 June 2011

6.1.1 Additions to motor vehicles includes transfer from leased assets having net book value of Rs. (thousand) 431 (2010: Rs. Nil) representing cost of Rs. (thousand) 808 less accumulated depreciation of Rs. (thousand) 377.

6.1.2 Additions to plant and machinery includes transfer from leased assets having net book value of Rs. Nil (2010: Rs. (thousand) 17,682).

6.1.3 Visi coolers costing Rs. (thousand) 2,705 (2010: Rs. (thousand) 2,705) are in the possession of shopkeepers for the sale of Company's products.

6.2 CAPITAL WORK IN PROGRESS

	COST						
	Land	Plant & Machinery	Vehicles	Furniture & Fixture	Building	2011	2010
	Rupees in thousand						
Balance as at 01 July	–	600	4,994	–	1,456	7,050	4,105
Additions during the year	35,007	–	10,736	3,756	4,699	54,198	122,738
Transferred to operating property, plant and equipment	–	(600)	(9,948)	(3,756)	(6,155)	(20,459)	(119,793)
Balance as at 30 June	35,007	–	5,782	–	–	40,789	7,050

6.2.1 Addition in Land represents transfer of existing Land at Punjab Industrial Estate (PIE) at purchase price of Rs. (thousand) 30,007 from operating property, plant & equipment and further advance of Rs. (thousand) 5,000 as a result of land swap agreement with PIE for increase in plot size against total consideration of Rs. (thousand) 70,510.

	Note	2011	2010
		Rupees in thousand	
6.3 Depreciation charge for the year has been allocated as follows:			
Cost of sales	25.1	35,704	29,970
Distribution cost	26	13,651	10,845
Administrative expenses	27	5,618	4,060
		54,973	44,875

7 INVESTMENTS IN ASSOCIATE

The investment represents 44.88% (2010:44.88%) of the issued share capital of the Hattar Food Products (Private) Limited (HFPPL). The principal business activity of HFPPL is to process food products. HFPPL has not commenced commercial operation.
The following table illustrates summarized financial information of the Company's investment in HFPPL.

	Note	2011	2010
		Rupees in thousand	
Hattar Food Products (Private) Limited-unquoted			
Carrying amount			
85,000 (2010: 85,000 ordinary shares of Rs.100/- each)		7,708	7,724
Less : share of loss from associate		(18)	(16)
		7,690	7,708
Share of associate's balance sheet :			
Assets		10,673	10,713
Liabilities		2,983	3,005
Net assets		7,690	7,708
Share of associate's revenue and Loss :			
Revenue		–	–
Loss		18	16

Notes to the Financial Statements

for the year ended 30 June 2011

		Note	Rupees in thousand 2011	2010
8	**INVESTMENTS AVAILABLE FOR SALE**			
	Quoted			
	Modaraba			
	BRR Guardian Modaraba – Credit rating 'A'			
	305,000 (2010: 305,000) certificates of Rs. 10/- each- at cost	8.1	2,375	2,375
	Loss on remeasurement		(1,707)	(1,978)
			668	397

8.1 The above investment represents 0.39% (2010: 0.39%) of the issued certificate capital of the Modaraba.

		Note	Rupees in thousand 2011	2010
9	**LONG TERM DEPOSITS**			
	Utility companies		1,568	1,568
	Others		746	1,020
			2,314	2,588
10	**STORES AND SPARES**			
	Stores		781	13,528
	Spares		6,216	1,553
			6,997	15,081
11	**STOCK IN TRADE**			
	Raw materials		150,996	102,463
	Packing materials		288,201	231,245
	Bottles	11.1	78,269	73,070
	Finished goods		155,024	121,157
	Pulps, concentrates etc.	11.2	388,964	254,221
	Shells, pallets and barrels	11.1	65,272	55,433
	Less: Deterioration in value		13,033	11,044
			52,239	44,389
	Goods in transit		45,858	15,937
			1,159,551	842,482

11.1 These include bottles and shells amounting to Rs. (thousand) 95,313 (2010: Rs. (thousand) 88,465) held by distributors of the Company in the normal course of business.

11.2 These include pulps amounting to Rs. (thousand) 40,575 (2010: Rs. (thousand) 7,989) held with third party in the normal course of business.

Notes to the Financial Statements

for the year ended 30 June 2011

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
12 TRADE DEBTS			
Unsecured-considered good			
Due from related parties		–	33
Others		165,627	135,284
		165,627	135,317
Considered doubtful - others		1,350	1,350
Less: Provision for doubtful debts		1,350	1,350
		–	–
		165,627	135,317
13 LOANS AND ADVANCES			
Advances to distributors- Secured, considered good	13.1	2,143	1,219
Advances - Unsecured, considered good			
– Staff	13.2	2,392	2,214
– Suppliers		19,767	17,553
Advances - Unsecured, considered doubtful			
– Suppliers		100	100
Less: Provision for doubtful advances		100	100
		–	–
		24,302	20,986

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

13.2 No advances were given to the Chief Executive, Directors and Executives of the Company (2010: Nil).

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Short term deposits		5,332	7,173
Prepayments		7,545	8,535
Advance excise duty		372	372
Wealth tax recoverable		140	140
Sales tax refundable		1,294	1,963
		14,683	18,183

Notes to the Financial Statements

for the year ended 30 June 2011

		Note	Rupees in thousand 2011	2010
15	**ACCRUED FINANCIAL INCOME**			
	Profit receivable on:			
	– bank deposits		376	514
16	**CASH AND BANK BALANCES**			
	Cash in hand		9,186	15,969
	Cheques in hand		15,841	4,757
	Cash at banks			
	– Current accounts	16.1	31,818	21,724
	– PLS savings accounts	16.2	25,763	57,059
			82,608	99,509

16.1 This includes a bank account restricted for dividend payment only.

16.2 The balances in PLS savings accounts bear mark-up, which ranges between 5.00% to 10.00% (2010: 5.00% to 10.00%) per annum.

17 SHARE CAPITAL

Authorised:

Number of Shares 2011	2010		Rupees in thousand 2011	2010
Number	Number			
10,000,000	10,000,000	Ordinary shares of Rs. 10/- each	100,000	100,000

Issued, subscribed and paid-up:

2011	2010	Ordinary shares of Rs. 10/- each		
Number	Number			
		Balance as at 01 July		
237,500	237,500	Fully paid in cash	2,375	2,375
5,762,500	5,762,500	Issued as bonus shares	57,625	57,625
6,000,000	6,000,000		60,000	60,000

Notes to the Financial Statements

for the year ended 30 June 2011

	Note	2011 Rupees in thousand	2010 Rupees in thousand
18 RESERVES			
Capital			
Merger Reserve	18.1	5,000	5,000
Revenue			
General Reserve			
– At the beginning of the year		650,000	580,000
– Transferred from unappropriated profit		70,000	70,000
– At the close of the year		720,000	650,000
Unrealized loss on remeasurement of investments- available for sale			
– At the beginning of the year		(1,978)	(1,551)
– Gain/(loss) on remeasurement		271	(427)
– At the close of the year		(1,707)	(1,978)
		723,293	653,022

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

19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 1 year KIBOR + 1.4% to 1 year KIBOR + 2.4% (2010: 1 year KIBOR + 1.4% to 1 year KIBOR + 2.4%).

The amount of future payments and the period during which they will become due are:

		Note	2011 Rupees in thousand	2010 Rupees in thousand
Year ended 30 June	2011		–	27,796
	2012		27,871	27,515
	2013		14,599	14,421
Minimum lease payments		19.1	42,470	69,732
Less: Future finance charges			5,137	12,082
Present value of minimum lease payments			37,333	57,650
Less: Current portion			23,433	20,422
			13,900	37,228

There are no financial restrictions in the lease agreements. The residual value of the leased assets is Rs. (thousand) 664 (2010: Rs. (thousand) 672).

Notes to the Financial Statements

for the year ended 30 June 2011

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

	2011		2010	
	MLP	PV OF MLP	MLP	PV OF MLP
	Rupees in thousand			
Due not later than 1 year	27,871	23,433	27,796	20,422
Due later than 1 year but not later than 5 years	14,599	13,900	41,936	37,228
	42,470	37,333	69,732	57,650

	Note	2011	2010
		Rupees in thousand	
20 DEFERRED TAXATION			
This comprises:			
Deferred tax liabilities on taxable temporary differences			
Accelerated tax depreciation		52,914	54,290
Trade deposits and short term prepayments		–	2,822
Accrued interest - net		–	770
Liabilities against assets subject to finance lease		5,838	–
		58,752	57,882
Deferred tax assets on deductible temporary differences			
Trade debts		(446)	(447)
Loans and advances		(33)	(33)
Liabilities against assets subject to finance lease		–	(2,106)
Provision for employee's compensated absences		(418)	(180)
Provision for bonuses to staff and agents		(8)	(1,223)
		(905)	(3,989)
		57,847	53,893
21 TRADE AND OTHER PAYABLES			
Due to related parties	21.1	33,418	28,028
Creditors		374,856	275,804
Deposits	21.2	23,927	24,041
Distributors' credit balances		40,975	26,323
Accrued expenses		56,590	50,186
Sales tax payable		22,074	38,333
Payable to provident fund		590	233
Workers' Profit Participation Fund	21.3	11,306	8,880
Workers' Welfare Fund		34,035	29,835
Unclaimed dividend		804	754
Taxes and other payables		4	2,323
Other liabilities		1,771	1,608
		600,350	486,348

Notes to the Financial Statements

for the year ended 30 June 2011

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

	Rupees in thousand 2011	2010
Nawazabad Farms	4,248	1,100
Shezan Services (Private) Limited	29,167	20,427
Shahtaj Sugar Mills Limited	–	6,460
Shahnawaz (Private) Limited	3	41
	33,418	28,028

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

	Rupees in thousand 2011	2010
21.3 Workers' Profit Participation Fund		
Balance at the beginning of the year	8,880	8,609
Allocation for the year	11,306	8,880
	20,186	17,489
Interest on funds utilized in the Company's business	160	87
	20,346	17,576
Amount paid to the Fund's Trust	9,040	8,696
Balance at the end of the year	11,306	8,880

22 SHORT TERM BORROWINGS - SECURED

The aggregate running finance facilities available from commercial banks under the mark-up arrangement is Rs. (thousand) 825,000 (2010: Rs. (thousand) 490,000).

The rate of mark-up ranges between 1 month KIBOR + 0.50% to 3 months KIBOR + 1.25% (2010: 1 month KIBOR + 0.75% to 3 months KIBOR + 1.25%), payable quarterly.

The facilities are secured against first registered joint pari passu hypothecation charge on current assets of the Company up to Rs. (thousand) 1,215,000 (2010: Rs. (thousand) 388,000) and ranking charge on the current assets of the Company up to Rs. (thousand) Nil (2010: Rs. (thousand) 580,000).

The un-utilized facility for opening letters of credit and for guarantees as at 30 June 2011 amounts to Rs. (thousand) 44,910 (2010: Rs. (thousand) 71,595) and Rs. (thousand) 34,519 (2010: Rs. (thousand) 39,757), respectively.

23 CONTINGENCIES AND COMMITMENTS

Contingencies

i) Claim of Punjab Employees Social Security Institution (P.E.S.S.I.) for Rs. (thousand) 2,379 (2010: Rs. (thousand) 2,379) is not acknowledged as debt by the Company as the management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the same.

ii) Notices for additional payments of sales tax and excise duty amounting to Rs. (thousand) 13,094 (2010: Rs. (thousand) 13,094) contested with the Collectorate of Customs, Sales Tax and Central Excise. The management is confident that the matter would be settled in its favour, consequently no provision has been made in these financial statements in respect of the above.

Notes to the Financial Statements

for the year ended 30 June 2011

iii) Notices for additional payment of leasehold land amounting to Rs. (thousand) 844 (2010: Rs. (thousand) 844) contested with Sarhad Development Authority. The management is confident that the matter would be settled in its favour. Consequently, no provision has been made in these financial statements in respect of the above.

iv) The Company has filed an appeal pertaining to case of capital gain on merger of wholly owned subsidiary, M/s. Hattar Fruit Products Limited (now merged into the Company) before the Appellate Tribunal Inland Revenue against the decision of Commissioner of Inland Revenue for an additional amount of Rs. (thousand) 39,788 (2010: Rs. (thousand) 39,788) in respect of the tax year 2004, which is pending adjudication. However, no provision has been made in the financial statements as the management of the Company is confident of a favorable outcome of the decision.

v) The Company has filed an appeal before the Appellate Tribunal Inland Revenue against the decision of Commissioner of Inland Revenue (Appeal) for an additional amount of Rs. (thousand) 3,465 (2010: Rs. (thousand) 3,465) in respect of the tax year 2003, which is pending adjudication. However, no provision has been made in the financial statements as the management of the Company is confident of a favorable outcome of the decision.

vi) Claims lodged but not acknowledged as debt by the Company amounting to Rs. (thousand) 1,000 (2010: Rs. (thousand) Nil).

Commitments

i) Commitments in respect of letters of credit opened for the import of raw and packing materials amounted to Rs. (thousand) 95,090 (2010: Rs. (thousand) 13,405).

ii) Counter guarantees in favour of banks in the ordinary course of business amounted to Rs. (thousand) 25,481 (2010: Rs. (thousand) 25,243).

iii) Commitments for equity investment in an associated undertaking, M/s. Hattar Food Products (Private) Limited, amounted to Rs. (thousand) 1,500 (2010: Rs. (thousand) 1,500).

iv) Commitment in respect of purchase of land at Sunder Industrial Estate amounted to Rs. (thousand) 35,500 (2010: Nil).

		Note	Rupees in thousand 2011	2010
24	**SALES - NET**			
	Domestic		4,965,903	4,108,589
	Export		293,796	216,917
	Export rebate		50	24
			5,259,749	4,325,530
	Less: Discounts and incentives		156,180	122,045
	Sales tax		798,807	633,169
	Special excise duty		82,935	42,182
			1,037,922	797,396
		24.1	4,221,827	3,528,134

24.1 This includes sales relating to trading activities amounting to Rs. (thousand) 12,735 (2010: Rs. (thousand) 21,082).

Notes to the Financial Statements

for the year ended 30 June 2011

	Note	2011	2010
		Rupees in thousand	
25 COST OF SALES			
Manufacturing	25.1	3,118,747	2,576,813
Trading	25.2	11,797	14,977
		3,130,544	2,591,790
25.1 Cost of sales - Manufacturing			
Pulps, concentrates etc. - Opening stock		254,221	236,555
Add: Production/processing during the year		404,533	258,837
Purchases during the year		188,341	135,717
		847,095	631,109
Less: Pulps, concentrates etc. - Closing stock		388,964	254,221
Pulps, concentrates etc. consumed		458,131	376,888
Raw materials - Opening stock		102,463	73,822
Add: Purchases during the year		1,439,736	1,074,044
		1,542,199	1,147,866
Less: Production of pulps, concentrates		404,533	258,837
Raw materials - Closing stock		150,996	102,463
Raw materials consumed		986,670	786,566
Packing materials - Opening stock		231,245	243,124
Add: Purchases during the year		1,482,207	1,183,701
		1,713,452	1,426,825
Less: Cost transferred to expenses		4,596	4,749
Packing materials - Closing stock		288,201	231,245
Packing materials consumed		1,420,655	1,190,831
Factory expenses -			
Salaries, wages and amenities		107,007	95,016
Company's contribution to provident fund		800	769
Stores and spares consumed		106,715	57,746
Traveling and conveyance		1,355	612
Repairs and maintenance		64,932	52,834
Insurance		4,062	3,495
Fuel and power		86,972	76,059
Inward freight and loading/unloading		2,058	1,507
Utilities		2,502	5,149
Bottle breakage		21,054	14,030
General expenses		5,406	6,647
Depreciation	6.3	35,704	29,970
		438,567	343,834
Cost of production		3,304,023	2,698,119
Add: Finished goods - Opening stock		107,148	84,467
		3,411,171	2,782,586
Less: Cost of samples		86,938	65,224
Cost of wastage and spoilage		60,074	33,401
Finished goods - Closing stock		145,412	107,148
		292,424	205,773
		3,118,747	2,576,813

Notes to the Financial Statements

for the year ended 30 June 2011

		Note	Rupees in thousand 2011	2010
25.2	**Cost of sales - Trading**			
	Finished goods - Opening stock		14,009	1,045
	Add: Purchases during the year		10,272	29,263
			24,281	30,308
	Less: Cost of samples		1,415	1,156
	Cost of wastage and spoilage		1,457	166
	Finished goods - Closing stock		9,612	14,009
			12,484	15,331
			11,797	14,977

26 DISTRIBUTION COST

	Note	2011	2010
Salaries, wages and amenities		110,125	98,505
Company's contribution to provident fund		953	890
Postage and telephone		3,730	2,881
Traveling and conveyance		19,778	14,420
Repairs and maintenance		25,929	24,535
Insurance		5,676	4,810
Utilities		4,655	3,137
Stationery and printing		1,582	1,368
Rent, rates and taxes		5,004	4,474
Advertising and promotions	26.1	236,239	225,997
Outward freight and distribution		100,705	104,234
Staff sales incentive		9,367	8,203
Petrol, oil and lubricants		78,723	66,006
General expenses		3,453	1,615
Depreciation	6.3	13,651	10,845
Deterioration on shells and pallets		10,342	8,572
		629,912	580,492

26.1 This includes cost of samples amounting to Rs. (thousand) 88,353 (2010: Rs. (thousand) 66,381).

27 ADMINISTRATIVE EXPENSES

	Note	Rupees in thousand 2011	2010
Salaries, wages and amenities		80,075	71,759
Company's contribution to provident fund		1,282	1,259
Postage and telephone		1,718	1,660
Traveling and conveyance		2,395	1,147
Repairs and maintenance		4,981	4,805
Insurance		3,533	2,842
Utilities		3,303	2,637
Stationery and printing		3,399	2,760
Rent, rates and taxes		4,352	2,914
Auditors' remuneration	27.1	1,783	1,916
Legal and professional		263	182
Donations	27.2	377	430
General expenses		3,526	3,042
Depreciation	6.3	5,618	4,060
		116,605	101,413

Notes to the Financial Statements

for the year ended 30 June 2011

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
27.1 Auditors' remuneration			
Audit fee		700	625
Tax consultancy services		485	972
Miscellaneous certification and limited review charges etc.		420	192
Out of pocket expenses		178	127
		1,783	1,916

27.2 Donations

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

28 OTHER OPERATING EXPENSES

	Note	2011	2010
Product spoilage		62,674	40,576
Barrel deterioration		2,691	2,472
Royalty to related party - Shezan Services (Private) Limited		41,730	35,274
Workers' Profit Participation Fund	21.3	11,306	8,880
Workers' Welfare Fund		4,200	3,500
		122,601	90,702

29 OTHER OPERATING INCOME

	Note	2011	2010
Income from financial assets			
Profit on bank deposits		3,540	2,719
Gain on sale of investment	29.1	1,430	988
Foreign exchange gain		885	1,087
Income from non financial assets			
Gain on disposal of property, plant and equipment	29.2	486	1,559
Sale of scrap		22,457	13,095
		28,798	19,448

29.1 This represents the amount of gain on sale of National Investment Trust (NIT) units, purchased during the year.

29.2 Gain on disposal of property, plant and equipment

Description	Cost	Book Value	Sale Proceeds	Gain/ (Loss)	Purchaser	Mode
	Rupees in thousand					
Condensing Unit	370	333	300	(33)	M/s. EFU General Insurance Co. Lhr.	Insurance claim
Sachet Machine	233	143	50	(93)	M/s. Tosheeba Engineering, Lhr.	Negotiation
Photocopier	100	58	59	1	M/s. Copier Point, Lhr.	Negotiation
WDV below Rs. (thousand) 50 each	1,049	63	674	611	Various	Negotiation
	1,752	597	1,083	486		

Notes to the Financial Statements

for the year ended 30 June 2011

		Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
30	**FINANCE COST**			
	Interest, mark-up and charges on -			
	Secured short term borrowings		29,775	10,372
	Workers' Profit Participation Fund	21.3	160	87
	Finance lease charges		7,658	5,027
			37,593	15,486
	Bank charges		2,750	2,464
			40,343	17,950
31	**TAXATION**			
	Current – for the year		66,046	50,000
	Deferred – for the year		3,954	8,474
			70,000	58,474
	31.1 Relationship between income tax expense and accounting profit			
	Profit before taxation		210,602	165,219
	Current Taxation:			
	Tax at the applicable rate of 35% (2010: 35%)		73,711	57,827
	Tax effect of expenses that are not deductible in determining taxable income charged to profit and loss account		44,020	37,317
	Tax effect of expenses that are deductible in determining taxable income not charged to profit and loss account		(28,347)	(23,480)
	Tax effect of applicability of lower tax rate on export sales		(19,384)	(13,190)
	Tax charge for the current year		70,000	58,474
32	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Profit after taxation attributable to ordinary shareholders		140,602	106,745
	Weighted average number of ordinary shares at the end of the year (in thousand)		6,000	6,000
	Earnings per share - Basic (Rupees)		23.43	17.79

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

Notes to the Financial Statements

for the year ended 30 June 2011

33 CAPACITY AND PRODUCTION

	Normal Annual Capacity		Actual Production 2011	Actual Production 2010
Juices:				
Bottling plant	5,925,000	Crates	4,469,453	4,760,671
Tetra Pak plant	22,487,500	Dozens	20,698,937	18,832,640
Squashes and syrups plant	590,000	Dozens	266,250	272,808
Jams and ketchup plant	723,333	Dozens	477,769	390,964
Pickles plant	306,250	Dozens	321,994	212,248
Canning plant	210,000	Dozens	148,548	106,026

The normal annual capacity, as shown above, has been worked out on the basis of 350 working days (2010: 300 working days) except for bottling plant and squashes and syrups plant, which have been worked out on 150 days because of the seasonal nature of the business of the Company.

34 REMUNERATION OF CHIEF EXECUTIVE, PAID DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Total number	1	1	2	2	8	8
	Rupees in thousand					
Basic salary	1,980	1,740	3,924	3,444	6,724	6,838
Provident fund contribution	165	145	327	287	560	560
Allowances and benefits:						
Conveyance	–	–	–	–	4	4
House rent	495	495	990	990	1,860	2,228
Dearness	204	204	408	408	1,440	1,591
Special	120	120	480	480	864	926
Utilities	240	168	480	336	864	730
Medical	66	20	48	27	410	318
Bonus	330	–	654	–	1,094	96
Leave fare assistance	–	290	–	574	–	1,029
Ex-gratia	165	145	327	287	547	658
	3,765	3,327	7,638	6,833	14,367	14,978

34.1 Fees paid to six non-executive directors during the year for attending Board meetings Rs. (thousand) 180 (2010: Rs. (thousand) 140).

34.2 Fees paid to two non-executive directors during the year for attending Audit Committee meetings Rs. (thousand) 80 (2010: Rs. (thousand) 80).

34.3 The Company also provides the Chief Executive, certain directors and executives with Company maintained vehicles, partly for personal and partly for business purposes.

Notes to the Financial Statements

for the year ended 30 June 2011

35 TRANSACTIONS WITH RELATED PARTIES

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

	2011										
	Shahtaj Sugar Mills Limited	Shahtaj Textile Mills Limited	Shahnawaz Engineering (Private) Limited	Shezan Services (Private) Limited	Nawazabad Farms	Shezan Jasmine	Shezan Ampess Restaurant	Shahnawaz (Private) Limited	Trigen Pharma Limited	Staff Provident Fund	Total
	Rupees in thousand										
Purchases of raw materials	643,334	–	–	–	8,255	–	–	–	–	–	651,589
Sales of finished goods	317	226	15	–	–	–	65	61	–	–	684
Royalty charged	–	–	–	41,730	–	–	–	–	–	–	41,730
Purchases /repairs of electric equipments/vehicles	–	–	171	–	–	–	–	–	–	–	171
Contributions to staff provident fund	–	–	–	–	–	–	–	–	–	3,035	3,035

	2010										
	Shahtaj Sugar Mills Limited	Shahtaj Textile Mills Limited	Shahnawaz Engineering (Private) Limited	Shezan Services (Private) Limited	Nawazabad Farms	Shezan Jasmine	Shezan Ampess Restaurant	Shahnawaz (Private) Limited	Trigen Pharma Limited	Staff Provident Fund	Total
	Rupees in thousand										
Purchases of raw materials	467,083	–	–	–	3,110	–	–	–	–	–	470,193
Sales of finished goods	266	182	8	–	11	2	84	60	137	–	750
Royalty charged	–	–	–	35,274	–	–	–	–	–	–	35,274
Purchases /repairs of electric equipments/vehicles	–	–	168	–	–	–	–	–	–	–	168
Services rendered	135	–	27	–	–	–	–	–	–	–	162
Contributions to staff provident fund	–	–	–	–	–	–	–	–	–	2,918	2,918

Notes to the Financial Statements

for the year ended 30 June 2011

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

36.1 Credit risk

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

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

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

	Carrying Values	
	Rupees in thousand	
	2011	2010
Long-term deposits	2,314	2,588
Trade debts – unsecured	165,627	135,317
Loans and advances	2,392	2,214
Trade deposits	5,332	7,173
Bank balances	73,422	83,540

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	
	2011	2010
36.1.1 Trade Debts		
Neither past due nor impaired	60,506	50,851
Past due but not impaired		
1- 60 days	48,150	65,724
60-180 days	43,160	17,126
181- 365 & Above	13,811	1,616
	165,627	135,317
Geographically:-		
Pakistan	127,155	96,158
North America	17,757	12,076
Europe	7,194	15,197
Far East	20	628
Central Asia	2,810	777
Middle East	4,448	2,541
Australia	3	–
Africa	6,240	7,940
	165,627	135,317

As at 30 June 2011, trade debts of Rs. (thousand) 1,350 (2010: Rs. (thousand) 1,350) were impaired and provided for.

Notes to the Financial Statements

for the year ended 30 June 2011

	Rupees in thousand 2011	2010
36.1.2 Cash at Bank		
A-1+	4,261	6,193
A2	595	660
A1+	30,609	46,790
A-1+	11,456	12,570
A-1+	10,660	12,570
Cheques in hand	15,841	4,757
	73,422	83,540

36.2 Liquidity Risk

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

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

Year 2011

	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Liabilities against assets subject to finance lease	27,871	14,599	42,470
Short term borrowings	211,775	–	211,775
Trade and other payables	491,363	–	491,363
Total Financial liabilities	731,009	14,599	745,608

Year 2010

	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Liabilities against assets subject to finance lease	27,796	41,936	69,732
Short term borrowings	94,332	–	94,332
Trade and other payables	380,421	–	380,421
Total Financial liabilities	502,549	41,936	544,485

36.3 Market Risk

36.3.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the export of its products and import of raw material. The significant portion of outstanding balances are denominated in US dollar. The Company does not view hedging as financially viable considering the materiality of transactions.

Notes to the Financial Statements

for the year ended 30 June 2011

Sensitivity analysis

With all other variables remain constant, a 1 % change in the rupee dollar parity existed at 30 June 2011 would have affect the profit and loss account and liabilities and equity by Rs. (thousand) 385 (2010: Rs. (thousand) 397).

36.3.2 Interest Rate Risk

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

Sensitivity analysis

If interest rates at the year end, fluctuate by 100 basis points higher/lower, profit for the year would have been Rs. (thousand) 2,077 (2010: Rs. (thousand) 925) higher/lower. This analysis is prepared assuming that all other variables held constant and the amounts of liabilities outstanding at the balance sheet dates were outstanding for the whole year.

36.4 Capital Management

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

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

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

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

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

36.5 Fair Value of Financial Instruments

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

Notes to the Financial Statements

for the year ended 30 June 2011

37 SEGMENTAL ANALYSIS

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

Juice drinks activities

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

Other operating activities

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

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

	Juices and Drinks	Others	Total
	Rupees in thousand		
Sales	3,397,431	824,396	4,221,827
Cost of sales	(2,533,447)	(597,097)	(3,130,544)
Profit before taxation	863,984	227,299	1,091,283
Unallocated expenses			
Corporate expenses			(746,246)
Finance costs			(40,343)
Other operating expenses			(122,601)
Other operating income			28,798
Share of profit from an associate			(18)
Taxation			(70,000)
Profit after taxation			140,873

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

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

No assets of the Company are located in the foreign country.

Notes to the Financial Statements

for the year ended 30 June 2011

Segment analysis of profit and loss account for the year ended 30 June 2010:

	Juices and Drinks	Others	Total
	Rupees in thousand		
Sales	2,843,963	684,171	3,528,134
Cost of sales	(2,092,776)	(499,014)	(2,591,790)
Profit before taxation	751,187	185,157	936,344
Unallocated expenses			
Corporate expenses			(682,332)
Finance costs			(17,950)
Other operating expenses			(90,702)
Other operating income			19,448
Share of profit from an associate			(16)
Taxation			(58,474)
Profit after taxation			106,318

Segment analysis of assets and liabilities as at 30 June 2010:

	Juices and Drinks	Others	Total
	Rupees in thousand		
Segment assets	1,028,461	381,608	1,410,069
Unallocated assets			209,384
Total			1,619,453
Segment liabilities	288,881	182,037	470,918
Unallocated liabilities			300,397
Total			771,315

No assets of the Company are located in the foreign country.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 01 October 2011.

39 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend of Rs.7.50/- per share, amounting to Rs. (thousand) 45,000 for the year ended 30 June 2011 (2010: Rs. (thousand) 36,000) along with transfer to general reserve amounting to Rs. (thousand) 100,000 (2010: Rs. (thousand) 70,000) at their meeting held on 01 October 2011 for approval of the members at the Annual General Meeting to be held on 29 October 2011.

40 GENERAL

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

Muneer Nawaz	Muhammad Khalid	Faisal Ahmad Nisar
Chairman	Chief Executive	Chief Financial Officer

Notes

Form of Proxy

I/We, ____

of ____

being a Member(s) of Shezan International Limited holding ______________________

ordinary shares hereby appoint ______________________________________

of ____

or failing him ____

of ____

who is also a Member of Shezan International Limited as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 48th Annual General Meeting of the Company to be held on 29 October 2011 and at any adjournment thereof.

As witness my/our hand/seal this ____________________ day of ____________________ 2011.

Signed by ______________________________

in the presence of ______________________________

Folio Number

Signature

Affix Rs. 5/- revenue stamp

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

Important:

1. No person shall act as proxy unless he himself is Member of the Company, except that a corporation may appoint a person who is not a Member.

2. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with the Company, all such instruments of proxy shall be rendered invalid.