



Shezan International Limited
Condensed Interim Financial Information (Un-Audited)
for the six months period ended 31 December 2011



The Complete Fruit
Experience



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)

Chief Financial Officer & Company Secretary:

Mr. Faisal Ahmad Nisar, FCA

Audit Committee:

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

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:

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

Legal Advisors:

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

Bankers:

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

Directors' Report to the Members

The directors are pleased to present their report together with the un-audited interim financial information for the six months period ended 31 December 2011.

During the six months period under review, your Company has recorded a turnover of Rs. 2.282 billion as against Rs. 1.784 billion in the corresponding period of 2010. The turnover grew by 27.86%. The cost of sales was Rs. 1.670 billion against Rs. 1.367 billion in the corresponding period of 2010. Therefore, the Company earned gross profit of Rs. 611.694 million against Rs. 416.786 million for the period ended December 2010. The distribution cost increased and it grew by 51.95% as compared to the previous period. The distribution cost includes advertisement and sales promotion expense of Rs. 154 million. We had to enhance our advertisement campaign to boost our sales due to stiff competition in the market. The finance cost was high at Rs. 27.614 million against Rs. 20.834 million. The increase in finance cost was due to short term borrowings for working capital requirements of the Company. Further, borrowings were made during the period to stock the seasonal fruits, pulps and packaging materials to fulfill the sales demands.


In second quarter ended 31st December, turnover was up 25.36% to Rs. 913 million and gross profit surged to Rs. 232 million. This is an encouraging performance in the quarter which is usually lean due to seasonal nature of our products.

Above and beyond the general satisfaction with the results, we are pleased that our products are showing encouraging sales trend. Consumer acceptance of our bottled juices as well as juices in tetra packaging, especially "All Pure" category, is growing and contribution from these products to the turnover is making a positive impact. These products have great potential to sustain growth momentum in the future. Our advertisement campaign during the period was effective to achieve our goals.

The third quarter is challenging due to long spell of cold weather across the country. We continue to strive to improve margins which have been under pressure due to increased packing material and raw material prices and soaring POL prices and energy costs due to load shedding of gas and electricity. We will carefully implement price rationalization of our products while entering into our prime season to maintain growth momentum with costs under control.

In closing, we would like to place on record our appreciation for the commitment, devotion to duty and hard work of all employees of the Company.

For and on Behalf of the Board of Directors



Muhammad Khalid
Chief Executive

Karachi:
23 February 2012.

Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Shezan International Limited as at 31 December 2011 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Lahore:
23 February 2012.



Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Condensed Interim Balance Sheet (Un-audited)

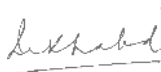
as at 31 December 2011

	Note	(Un-Audited) 31 December 2011	(Audited) 30 June 2011
Rupees in thousand			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	487,878	423,097
Investment in associate	6	7,692	7,690
Investments available for sale	7	772	668
Long term deposits		2,414	2,314
		498,756	433,769
CURRENT ASSETS			
Stores and spares		10,201	6,997
Stock in trade		1,155,882	1,159,551
Trade debts		209,884	165,627
Loans and advances		30,499	24,302
Trade deposits and short-term prepayments		26,658	14,683
Accrued financial income		28	376
Income tax recoverable		27,970	57,656
Cash and bank balances		77,972	82,608
		1,539,094	1,511,800
TOTAL ASSETS		2,037,850	1,945,569
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		60,000	60,000
Reserves		823,397	723,293
Unappropriated profits		105,066	169,718
TOTAL EQUITY		988,463	953,011
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		43,816	13,900
Deferred taxation		58,062	57,847
		101,878	71,747
CURRENT LIABILITIES			
Trade and other payables		379,818	600,350
Mark up accrued on short term borrowings		11,304	4,034
Short term borrowings	8	444,416	207,741
Current portion of liabilities against assets subject to finance lease		44,829	23,433
Provision for taxation		67,142	85,253
		947,509	920,811
TOTAL LIABILITIES		1,049,387	992,558
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		2,037,850	1,945,569

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Muneer Nawaz
Chairman



Muhammad Khalid
Chief Executive



Faisal Ahmad Nisar
Chief Financial Officer

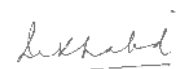
Condensed Interim Profit and Loss Account (Un-audited)

for the six months period ended 31 December 2011

	Note	Six Months Ended 31 December		Three Months Ended 31 December	
		2011 Rupees in thousand	2010 Rupees in thousand	2011 Rupees in thousand	2010 Rupees in thousand
Sales - net		2,282,048	1,784,729	913,212	728,445
Cost of sales		1,670,354	1,367,943	681,027	578,754
Gross profit		611,694	416,786	232,185	149,691
Distribution cost		361,119	237,652	148,418	87,336
Administrative expenses		63,897	54,550	30,384	27,111
Other operating expenses		56,835	53,656	21,791	23,992
Other operating income		(17,877)	(10,613)	(9,320)	(4,045)
		463,974	335,245	191,273	134,394
Operating profit		147,720	81,541	40,912	15,297
Finance cost		27,614	20,834	14,261	10,192
		120,106	60,707	26,651	5,105
Share of profit from an associate		2	1	2	1
Profit before taxation		120,108	60,708	26,653	5,106
Taxation		39,760	18,002	5,760	(1,198)
Net profit for the period		80,348	42,706	20,893	6,304
Other comprehensive income					
Unrealized gain on remeasurement of investments- available for sale		104	291	(21)	178
Total comprehensive income for the period		80,452	42,997	20,872	6,482
Earnings per share - basic and diluted Rupee	12	13.39	7.12	3.48	1.05

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Muneer Nawaz
Chairman


Muhammad Khalid
Chief Executive


Faisal Ahmad Nisar
Chief Financial Officer

Condensed Interim Cash Flow Statement (Un-audited)

for the six months period ended 31 December 2011

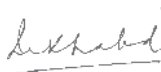
Note	31 December	
	2011	2010
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations		
Profit before taxation	120,108	60,708
Adjustments for:		
Depreciation	29,646	26,473
Interest/mark-up	26,418	19,612
Profit on bank deposits	(1,071)	(1,036)
Share of profit from an associate	(2)	(1)
Deterioration in value of shells, pallets and barrels	6,428	4,526
Gain on disposal of property, plant and equipment	(3,252)	-
	58,167	49,574
Operating profit before working capital changes	178,275	110,282
(Increase)/decrease in current assets:		
Stores and spares	(3,204)	3,365
Stock in trade	(2,759)	88,860
Trade debts	(44,257)	(662)
Loans and advances	(6,197)	(56,816)
Trade deposits and short-term prepayments	(11,975)	2,334
	(68,392)	37,081
Increase/(decrease) in current liabilities:		
Trade and other payables	(220,681)	(235,299)
Short term borrowings	236,675	206,487
	15,994	(28,812)
CASH GENERATED FROM OPERATIONS:	125,877	118,551
Interest/mark-up paid	(19,148)	(14,204)
Profit on bank deposits	1,419	1,550
Income tax paid	(27,970)	(27,480)
NET CASH GENERATED FROM OPERATING ACTIVITIES	80,178	78,417
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(31,218)	(22,866)
Sale proceeds from disposal of property, plant and equipment	4,043	-
Investment made	-	(10,000)
Long term deposits	(100)	150
NET CASH USED IN INVESTING ACTIVITIES	(27,275)	(32,716)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of obligations under finance lease	(12,688)	(9,848)
Dividend paid	(44,851)	(35,873)
NET CASH USED IN FINANCING ACTIVITIES	(57,539)	(45,721)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,636)	(20)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	82,608	99,509
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	A	99,489

A – Cash and cash equivalents includes cash and bank balances as stated in balance sheet.

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Muneer Nawaz
Chairman



Muhammad Khalid
Chief Executive



Faisal Ahmad Nisar
Chief Financial Officer


Condensed Interim Statement of Changes in Equity (Un-audited)

for the six months period ended 31 December 2011

	Capital Reserve		Revenue Reserve			Total
	Share Capital	Merger Reserve	General Reserve	Unrealized loss on remeasurement of investments – available for sale	Unappropriated Profits	
	Rupees in thousand					
Balance as at 01 July 2010	60,000	5,000	650,000	(1,978)	135,116	848,138
Transfer to General reserve	-	-	70,000	-	(70,000)	-
Dividend @ Rs. 6/- per share for the year ended 30 June 2010	-	-	-	-	(36,000)	(36,000)
Net profit for the period ended 31 December 2010	-	-	-	-	42,706	42,706
Unrealized gain on remeasurement of investments	-	-	-	1,503	-	1,503
Total comprehensive income for the period ended 31 December 2010	-	-	-	1,503	42,706	44,209
Balance as at 31 December 2010	60,000	5,000	720,000	(475)	71,822	856,347
Balance as on 01 July 2011	60,000	5,000	720,000	(1,707)	169,718	953,011
Transfer to General reserve	-	-	100,000	-	(100,000)	-
Dividend @ Rs. 7.50/- per share for the year ended 30 June 2011	-	-	-	-	(45,000)	(45,000)
Net profit for the period ended 31 December 2011	-	-	-	-	80,348	80,348
Unrealized gain on remeasurement of investments	-	-	-	104	-	104
Total comprehensive income for the period ended 31 December 2011	-	-	-	104	80,348	80,452
Balance as at 31 December 2011	60,000	5,000	820,000	(1,603)	105,066	988,463

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Muneer Nawaz
Chairman


Muhammad Khalid
Chief Executive


Faisal Ahmad Nisar
Chief Financial Officer

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended 31 December 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 owned 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. BASIS OF PRESENTATION AND MEASUREMENT

- 2.1 This condensed interim financial report of the Company for the six months period ended 31 December 2011 has been prepared in accordance with International Accounting Standards - 34 "Interim Financial Reporting" as applicable in Pakistan.
- 2.2 This condensed interim financial information does not include all the information and the disclosures required in the annual financial statements and should be read in conjunction with annual audited financial statements of the Company for the year ended 30 June 2011.
- 2.3 This condensed interim financial information is un-audited but subject to limited scope review by the auditors. Quarterly figures were not subject to limited scope review by the auditors as the scope of the review covered only the cumulative figures for the six months period ended 31 December 2011.

3. ACCOUNTING POLICIES

The accounting policies and the method of computation adopted in the preparation of this interim financial report are the same as those applied in the preparation of the financial statements for the year ended 30 June 2011 except as following: The Company has adopted the following amended IFRS and related interpretations which became effective during the period:

IFRS 7	-	Financial Instruments: Disclosures
IAS 34	-	Related Party Disclosures (Revised)
IFRIC 14	-	Prepayments of a Minimum Funding Requirement (Amendment)

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

IFRS 7	-	Financial Instruments: Disclosures
	-	Clarification of disclosures
IAS 1	-	Presentation of Financial Statements
	-	Clarification of statement of changes in equity
IAS 34	-	Interim Financial Reporting
	-	Significant events and transactions
IFRIC 13	-	Customer Loyalty Programmes
	-	Fair value of award credits

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

4. TAXATION, WORKERS' WELFARE FUND AND WORKERS' PROFIT PARTICIPATION FUND

Provisions in respect of Workers' Welfare Fund, Workers' Profit Participation Fund and Taxation are estimated and these are subject to final adjustments in the annual audited financial statements.

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended 31 December 2011

5. ADDITIONS AND DELETIONS OF PROPERTY, PLANT AND EQUIPMENT

The additions/(deletions) made during the six months period ended 31 December 2011 are as follows:

	Additions Rupees in thousand	Deletions
Company owned assets		
Plant and machinery	10,914	-
Electric equipment	4,973	(60)
Laboratory equipment	59	-
Computers and accessories	244	-
Motor vehicles	10,873	(6,082)
Total	27,063	(6,142)
Company leased assets		
Plant and machinery	64,000	-
Capital work in progress		
Vehicles - Advance	9,587	(10,873)
Building	5,441	-
Total	15,028	(10,873)

6. INVESTMENTS IN ASSOCIATE

The investment represents 44.88% (2011: 44.88%) of the issued share capital of the Hattar Food Products (Private) Limited (HFPP). The principal business activity of HFPP is to process food products. HFPP has not commenced commercial operation.

The following table illustrates summarized financial information of the Company's investment in HFPP.

	(Un-Audited) 31 December 2011 Rupees in thousand	(Audited) 30 June 2011
Hattar Food Products (Private) Limited-unquoted		
Carrying amount as on 01 July	7,690	7,708
85,000 (2011: 85,000 ordinary shares of Rs.100/- each)		
Share of profit / (loss) from associate for the period	2	(18)
	7,692	7,690
Share of associate's balance sheet:		
Assets	10,675	10,673
Liabilities	2,983	2,983
Net assets	7,692	7,690
Share of associate's revenue and Loss :		
Revenue	-	-
Profit / (loss)	2	(18)
7. INVESTMENTS AVAILABLE FOR SALE		
Quoted		
Modaraba		
BRR Guardian Modaraba-Credit rating 'A'		
305,000 (2011: 305,000) certificates of Rs. 10/- each- at cost	2,375	2,375
Unrealised loss on remeasurement	(1,603)	(1,707)
	772	668

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended 31 December 2011

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

8. SHORT TERM RUNNING FINANCES

The running finance facilities available from commercial banks under the mark-up arrangement is Rs. (thousand) 825,000 (2011: Rs. (thousand) 825,000). The rate of mark-up ranges between 1 month KIBOR + 0.50% to 3 months KIBOR + 1.25% (2011: 1 month KIBOR +0.50% to 3 months KIBOR +1.25%), payable quarterly.

The facilities are secured against first registered joint pari passu hypothecation charge on current assets up to Rs. (thousand) 1,215,000 (2011: Rs. (thousand) 1,215,000) on all existing current assets of the Company. The un-utilized facility for opening letter of credit and for guarantees as at 31 December 2011 amounts to Rs. (thousand) 125,502 (2011: Rs. (thousand) 44,910) and Rs. (thousand) 31,164 (2011: Rs. (thousand) 34,519), respectively.

9. CONTINGENCIES AND COMMITMENTS

a) CONTINGENCIES

There has been no change in the status of the contingencies reported in the annual audited financial statements for the year ended 30 June 2011 in respect of Punjab Employees Social Security Institution (P.E.S.S.I.), additional payment of sales tax, excise duty, leasehold land and income tax.

b) COMMITMENTS

- i) Counter guarantees in favour of banks in the ordinary course of business amounted to Rs. (thousand) 28,836 (30 June 2011: Rs. (thousand) 25,481).
- ii) Commitment for equity investment in an associated undertaking amounted to Rs. (thousand) 1,500 (30 June 2011: Rs. (thousand) 1,500).
- iii) Commitment for purchase of land at Sundar Industrial Estate amounted to Rs. (thousand) 35,500 (30 June 2011: Rs. (thousand) 35,500).

10. 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 employment are as follows:

	31 December	
	2011	2010
	Rupees in thousand	
Purchases of raw materials	269,788	247,877
Sales of finished goods	398	286
Royalty charged	22,820	17,841
Purchases/repairs of electric equipment/vehicles	20	129
Services received	285	-
Contributions to staff provident fund	1,699	2,247

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended 31 December 2011

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. The effect of this policy on the balance sheet and profit and loss account is considered to be immaterial.

11. 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 six months period ended 31 December 2011:

	Juice Drinks	Others	Total
	Rupees in thousand		
Sales	1,792,706	489,342	2,282,048
Cost of sales	1,305,557	364,797	1,670,354
Profit before taxation			611,694
Unallocated expenses			
Corporate expenses			(425,016)
Finance costs			(27,614)
Other operating expenses			(56,835)
Other operating income			17,877
Share of profit from an associate			2
Taxation			(39,760)
Profit after taxation			80,348

Segment analysis of assets and liabilities as at 31 December 2011:

	Juice Drinks	Others	Total
	Rupees in thousand		
Segment assets	1,371,489	465,038	1,836,527
Unallocated assets			201,323
Total			2,037,850
Segment liabilities	209,649	95,891	305,540
Unallocated liabilities			743,847
Total			1,049,387

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended 31 December 2011

Segment analysis of profit and loss account for six months period ended 31 December 2010:

	Juice Drinks	Others	Total
	Rupees in thousand		
Sales	1,387,090	397,639	1,784,729
Cost of sales	1,065,252	302,691	1,367,943
Profit before taxation			416,786
Unallocated expenses			
Corporate expenses			(292,202)
Finance costs			(20,834)
Other operating expenses			(53,656)
Other operating income			10,613
Share of profit from an associate			1
Taxation			(18,002)
Profit after taxation			42,706

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

	Juice 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

12. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share.

13. AUTHORIZATION

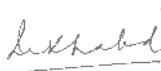
This condensed interim financial information was authorized for issue by the Board of Directors on 23 February 2012.

14. GENERAL

Figures in this condensed interim financial information has been rounded off to the nearest thousand of rupees.



Muneer Nawaz
Chairman



Muhammad Khalid
Chief Executive



Faisal Ahmad Nisar
Chief Financial Officer



Pakistan's Favourite
Tomato Ketchup!



ALL PURE

PREMIUM QUALITY



The Complete Fruit Experience



Shezan International Limited

KARACHI

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

LAHORE

56 Bund Road, Lahore 54500, Pakistan.

HATTAR

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