

# CONTENTS

Company Information.....	02
Notice of Meeting .....	04
Directors' Report to the Members.....	05
Pattern of Shareholdings .....	10
Six Years Review at a Glance.....	12
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance.....	13
Statement of Compliance with Best Practices of Code of Corporate Governance.....	14
Auditors' Report to the Members .....	15
Balance Sheet.....	16
Profit and Loss Account .....	17
Cash Flow Statement .....	18
Statement of Changes in Equity .....	19
Notes to the Financial Statements.....	20
Proxy Form.....	47

# COMPANY INFORMATION

## Board of Directors:

Mr. Muneer Nawaz	Chairman
Mr. Saifi Chaudhry	Chief Executive
Mr. Mahmood Nawaz	
Mr. C. M. Khalid	
Mrs. Amtul Hai Khalid	
Mr. M. Naeem	
Mr. Muhammad Khalid	
Mr. Shamshad Ahmad	(N.I.T. Nominee)
Mr. Muhammad Asif	(N.I.T. Nominee)

## Director & Company Secretary:

Mr. Muhammad Khalid

## Chief Financial Officer:

Mr. Faisal Ahmad Nisar, FCA

## Audit Committee:

Mr. Muneer Nawaz	Chairman
Mr. Muhammad Khalid	Member
Mr. Muhammad Asif	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.

# Squashes

Splashes of Freshness!



## NOTICE OF MEETING

The 47th Annual General Meeting of the Company will be held at 11:00 am on 29 October 2010 at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore, to transact the following business:

1. To confirm the minutes of Annual General Meeting held on 29 October 2009.
2. To receive and adopt the Audited Financial Statements together with the Directors' and Auditors' Report for the year ended 30 June 2010.
3. To approve the payment of cash dividend @ Rs. 6/- per share, i.e., 60%, as recommended by the Board of Directors for the year ended 30 June 2010.
4. To appoint auditors of the Company for the year 2010-11 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

**By Order of the Board**



**Muhammad Khalid**

Lahore:  
29 September 2010.

**Director & Company Secretary**

### Notes:

1. The share transfer books of the Company will be closed from 23 October 2010 to 29 October 2010 (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 share 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.

# DIRECTOR'S 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 2010.

## Business Review

Overall, business conditions remained difficult due to high inflation, energy crisis and steep hike in fuel and energy costs. The economic situation in the country underwent drastic changes and remained unstable throughout the year. The rapid increase in the cost of raw materials, manufacturing supplies and utilities adversely impacted the cost of doing business and profitability of the manufacturing sector. Though the economic conditions were not favourable but our Company performed well and recorded a handsome growth in turnover. The turnover for the year exceeded Rs. 3.5 billion, showing an increase of 29.30% as compared with the last year. The growth in turnover was mainly due to increase in the sale of juice products. However, sale of our juice brands "All Pure" and "Twist" contributed significantly in the turnover as compared to the last year.

In 2009-10, your Company faced a very high commodity prices environment in which major commodity prices escalated to unprecedented levels. Most notable was hike in the price of sugar, a key ingredient in our top line products which took an exceptional surge. Significant hike was also witnessed in the prices of many other types of raw materials used by the Company. 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. 735 million in the shape of Sales Tax, Excise Duty and Income Tax for the year ended 30 June 2010.

## Financial Results

For the year ended 30 June 2010, total sales were Rs. 3.528 billion against Rs. 2.728 billion in the same period last year registering an increase of 29.30%. The cost of sales was Rs. 2.592 billion against Rs. 1.974 billion last year. Therefore, the Company earned gross profit of Rs. 936 million against Rs. 754 million in the last year.

The distribution cost increased significantly and it grew by 30.78% as compared to the last year. The distribution cost includes advertisement and sales promotion expense of Rs. 225 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. 17.95 million against Rs. 6.542 million last year. The increase in finance cost was due to high borrowings for working capital requirements of the Company.

Net profit for the year was Rs. 106 million as compared to Rs. 102 million of the corresponding year of 2009 and earnings per share were Rs. 17.79 versus Rs. 17.08 in the last year.

## Appropriations

The Company has earned an after tax profit of Rs. 106.745 million for the year under review.

The Directors are pleased to recommend as follows:

	Rupees in thousand
Profit after taxation	106,745
Unappropriated profits brought forward	134,371
Dividend @ Rs. 6/- per share for the year ended 30 June 2009	(36,000)
Transfer to General reserve	(70,000)
Unappropriated profits carried forward	135,116
Earnings per share in Rupees - Basic	17.79

## Dividend

Keeping in view the satisfactory financial results, the Directors have immense pleasure in proposing a cash dividend of 60%, i.e., Rs. 6/- per share. We hope our shareholders would appreciate our paying generous returns on their investment.

## Future Prospects

Shezan has achieved excellent growth in juices, jams and pickles products and now expanding its product range by embarking upon new products. During the year we have introduced two new products in the market naming "Speed" energy drink and "Shezan Carbonated Drinks". Looking forward, we are hopeful that we will augment our sales growth with the help of the two new products. Our marketing force has been focusing on increasing reach of diverse line of products through timely publicity apart from various promotional activities.

## DIRECTOR'S REPORT TO THE MEMBERS

Current inflationary trends and economic conditions depict that commodity costs will remain high in the next year. In addition, payroll expenses will substantially increase due to increase in minimum wages for 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 2010 was Rs. 110.59 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	1
Mrs. Amtul Hai Khalid	-
Mr. C.M. Khalid	1
Mr. M. Naeem	1
Mr. Muhammad Khalid	4
Mr. Muhammad Asif	4
Mr. Shamshad Ahmad	4

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

- l. Pattern of Shareholdings as on 30 June 2010 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 2010:

Name of Related Party	Rupees in thousand	
	Payable	Receivable
Shezan Services (Private) Limited	20,427	Nil
Nawazabad Farms	1,100	Nil
Shahnawaz (Private) Limited	41	21
Shahtaj Sugar Mills Limited	6,460	Nil

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

# DIRECTOR'S REPORT TO THE MEMBERS

## 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 2011.

## 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:  
29 September 2010.



Saifi Chaudhry  
Chief Executive

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

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

## Industrial Relations

Cordial industrial relations and harmonious working environment prevailed at all locations of the Company. The management enjoys good relationship with the employees. CBA elections are held in time and without any hurdles. The basic purpose of this practice is to secure maximum cordiality between the workers and the management and to establish a climate of mutual understanding where-by the workers may be able to contribute their best for the growth and development of the Company. The Company has a Hajj Scheme and 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 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

Further, the Company also contributed sufficient funds for the earthquake victims to support them for their survival after the misfortune natural disaster.

### 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 2010 we made our humble contribution to the National Exchequer as follows:

Description	Rupees in thousand
Income Tax	59,885
Sales Tax	633,169
Excise Duty	42,182

# PATTERN OF SHAREHOLDINGS

as at 30 June 2010

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 2010.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
85	1	100	2,681
124	101	500	26,397
78	501	1,000	51,660
66	1,001	5,000	135,290
9	5,001	10,000	79,045
2	10,001	15,000	23,550
3	15,001	20,000	47,220
2	20,001	25,000	49,750
4	25,001	30,000	107,673
3	30,001	35,000	100,799
1	50,001	55,000	51,840
1	60,001	65,000	60,126
1	65,001	70,000	66,396
1	75,001	80,000	76,000
1	80,001	85,000	83,216
1	85,001	90,000	86,360
1	95,001	100,000	98,670
5	105,001	110,000	529,246
1	115,001	120,000	120,000
1	120,001	125,000	122,760
1	125,001	130,000	127,640
1	185,001	190,000	185,625
1	195,001	200,000	198,973
1	240,001	245,000	244,187
2	250,001	255,000	505,680
1	425,001	430,000	427,340
1	560,001	565,000	560,528
1	690,001	695,000	690,171
1	1,140,001	1,145,000	1,141,177
<b>400</b>			<b>6,000,000</b>

## 5. Categories of Shareholders

	Shares held	Percentage
5.1	Directors, Chief Executive Officers, and their spouse and minor children	1,535,956 25.5993%
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	1,145,969 19.0995%
5.5	Insurance Companies	54,360 0.9060%
5.6	Modarabas and Mutual Funds	- 0.0000%
5.7	Share holders holding 10%	1,831,348 30.5225%
5.8	General Public	
a.	Local	2,061,909 34.3652%
b.	Foreign	- -
5.9	Others (to be specified)	
Joint Stock Companies	6,492 0.1082%	

# PATTERN OF SHAREHOLDINGS

as at 30 June 2010

S. No.	Name	Holding	%Age
<b>Directors, CEO, their Spouses and Minor Children</b>			
1	Mrs. Amtul Hai Khalid	105,933	1.7656%
2	Mr. Mahmood Nawaz	560,528	9.3421%
3	Mr. Muneer Nawaz	427,340	7.1223%
4	Mr. C. M. Khalid	66,396	1.1066%
5	Mr. M. Naeem	16,980	0.2830%
6	Mr. Saifi Chaudhry (CDC)	7,560	0.1260%
7	Mr. Muhammad Khalid (CDC)	11,200	0.1866%
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%
		1,535,956	25.5993%
<b>Associated Companies, Undertakings and Related Parties</b>			
1	M/S. Shezan (Private) Limited	24,750	0.4125%
<b>NIT &amp; ICP</b>			
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%
<b>Banks, Developments, Financial Institutions, Non Banking Financial Institutions</b>			
1	Faysal Bank of Pakistan (CDC)	185,625	3.0938%
2	National Bank of Pakistan (CDC)	690,171	11.5029%
3	The Bank of Khyber (CDC)	25,986	0.4331%
4	The Bank of Punjab (CDC)	244,187	4.0698%
		1,145,969	19.0995%
<b>Modaraba and Mutual Funds</b>			
		0	0.0000%
<b>Insurance Companies</b>			
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%
<b>Joint Stock Companies</b>			
1	M/S. Murree Brewery Company Limited	120	0.0020%
2	A. Sattar Motiwal Securities (Private) Limited. (CDC)	40	0.0007%
3	Burma Oil Mills Ltd (CDC)	500	0.0083%
4	Durvesh Securities (Private) Limited (CDC)	20	0.0003%
5	Integrated Equities (Private) Limited (CDC)	2,907	0.0485%
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)	2	0.0000%
10	United Capital Securities (Private) Limited (CDC)	1	0.0000%
11	Yasir Mahmood Securities (Private) Limited (CDC)	2,600	0.0433%
		6,492	0.1082%
<b>Shares Held By The General Public</b>		2,061,909	34.3652%
<b>Total</b>		<b>6,000,000</b>	<b>100.0000%</b>
<b>Shareholders Holding 10% or More of Total Capital</b>			
1	National Bank of Pakistan, Trustee Department (CDC)	1,141,177	19.0196%
2	National Bank of Pakistan (CDC)	690,171	11.5029%
		1,831,348	30.5225%

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:

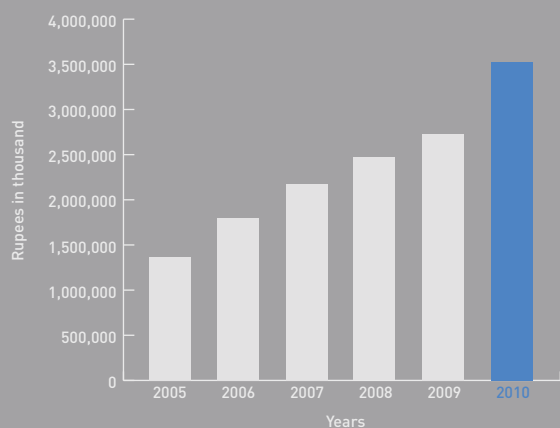
S. No.	Name	Sale	Purchase
1	Mr. Muhammad Khalid (CDC)	--	900

## SIX YEARS REVIEW AT A GLANCE

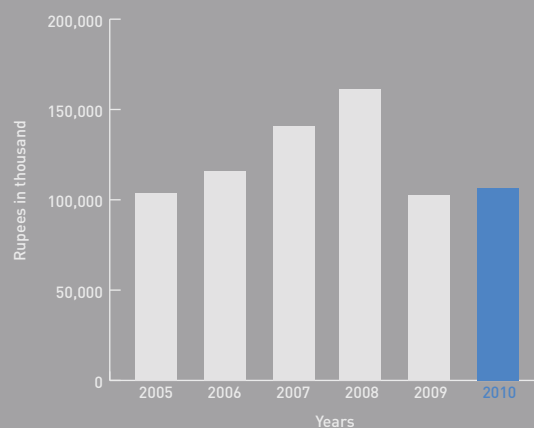
	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
<b>RUPEES IN THOUSAND</b>						
<b>Income</b>						
Sales	1,367,736	1,798,005	2,174,894	2,468,572	2,728,709	3,528,134
Other operating income	11,737	18,608	13,240	19,880	20,155	19,448
	<u>1,379,473</u>	<u>1,816,613</u>	<u>2,188,134</u>	<u>2,488,452</u>	<u>2,748,864</u>	<u>3,547,582</u>
<b>Expenditure</b>						
Cost of sales	910,769	1,237,566	1,489,845	1,691,443	1,974,446	2,591,790
Distribution cost and administrative expenses	248,430	332,889	357,549	447,191	443,862	681,905
Finance cost	4,112	8,942	12,940	8,104	6,542	17,950
Other operating expenses and Share of-	40,391	50,786	70,145	73,317	71,995	90,718
loss from associate	1,203,702	1,630,183	1,930,479	2,220,055	2,496,845	3,382,363
	<u>175,771</u>	<u>186,430</u>	<u>257,655</u>	<u>268,397</u>	<u>160,570</u>	<u>165,219</u>
Profit before taxation	175,771	186,430	257,655	268,397	160,570	165,219
Taxation	72,134	70,302	116,981	107,195	58,099	58,474
	<u>103,637</u>	<u>116,128</u>	<u>140,674</u>	<u>161,202</u>	<u>102,471</u>	<u>106,745</u>
<b>Profit after Taxation</b>						
Paid-up capital	50,000	50,000	50,000	60,000	60,000	60,000
Reserves & unappropriated profits	428,894	490,022	575,696	676,898	719,171	790,116
Unrealized gain / (loss) on remeasurement of investments available for sale	(250)	50	(284)	(200)	(1,351)	(1,978)
	<u>478,644</u>	<u>540,072</u>	<u>625,412</u>	<u>736,698</u>	<u>777,820</u>	<u>848,138</u>
Share holders equity	478,644	540,072	625,412	736,698	777,820	848,138
Break up value per share in Rupees	95.73	108.01	104.24	122.92	129.63	141.36
Earnings per share in Rupees	20.73	23.23	23.45	26.87	17.08	17.79
Cash distribution per share in Rupees	7.50*	11.00*	11.00	10.00	10.00	-
Bonus per share	-	-	-	20%	-	-

\*Based on restated figures.

### NET SALES



### PROFIT AFTER TAX



# 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 contained in the Code of Corporate Governance prepared by the Board of Directors of Shezan International Limited (the Company) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance with the provisions of the Code of Corporate Governance 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) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee Limited) vide circular KSE/N-269 dated January 19, 2009 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.

Lahore:  
29 September 2010.

  
Chartered Accountants  
Audit Engagement Partner  
Muhammed Junaid

# 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 June 30, 2010 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 Accounts 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.

  
Saifi Chaudhry  
Chief Executive

  
Muhammad Khalid  
Director

  
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 2010 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 the change as stated in note 2.3 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 2010 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.

Lahore:  
29 September 2010.

  
Chartered Accountants  
Audit Engagement Partner  
Muhammed Junaid

**BALANCE SHEET**

as at 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	416,802	299,770
Investment in associate	7	7,708	7,724
Investment available for sale	8	397	824
Long term deposits	9	2,588	2,661
		<u>427,495</u>	<u>310,979</u>
<b>CURRENT ASSETS</b>			
Stores and spares	10	15,081	18,796
Stock in trade	11	842,482	755,711
Trade debts	12	135,317	86,291
Loans and advances	13	20,986	14,633
Trade deposits and short-term prepayments	14	18,183	22,399
Accrued financial income	15	514	81
Income tax recoverable		59,886	74,651
Cash and bank balances	16	99,509	70,844
		<u>1,191,958</u>	<u>1,043,406</u>
<b>TOTAL ASSETS</b>		<u>1,619,453</u>	<u>1,354,385</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	17	60,000	60,000
Reserves	18	653,022	583,449
Unappropriated profit		135,116	134,371
<b>TOTAL EQUITY</b>		<u>848,138</u>	<u>777,820</u>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	19	37,228	265
Deferred taxation	20	53,893	45,419
		<u>91,121</u>	<u>45,684</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	486,348	392,371
Mark up accrued on short term borrowings		1,806	393
Short term borrowings- Secured	22	92,526	30,228
Current portion of liabilities against assets subject to finance lease	19	20,422	4,147
Provision for taxation		79,092	103,742
		<u>680,194</u>	<u>530,881</u>
<b>TOTAL LIABILITIES</b>		<u>771,315</u>	<u>576,565</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,619,453</u>	<u>1,354,385</u>

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

  
Saifi Chaudhry  
Chief Executive

  
Muhammad Khalid  
Director

  
Faisal Ahmad Nisar  
Chief Financial Officer



# PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
Sales – net	24	3,528,134	2,728,709
Cost of sales	25	2,591,790	1,974,446
Gross profit		936,344	754,263
Distribution cost	26	580,492	443,862
Administrative expenses	27	101,413	91,449
Other operating expenses	28	90,702	71,979
Other operating income	29	(19,448)	(20,155)
		753,159	587,135
Operating profit		183,185	167,128
Finance costs	30	17,950	6,542
Share of loss – associate	7	16	16
Profit before taxation		165,219	160,570
Taxation	31	58,474	58,099
Net profit for the year		106,745	102,471
<b>Other comprehensive income</b>			
Unrealized loss on remeasurement of investments– available for sale		427	1,351
		427	1,351
<b>Total comprehensive income</b>		<b>106,318</b>	<b>101,120</b>
<b>Earnings per share – basic and diluted Rupee</b>	32	<b>17.79</b>	<b>17.08</b>

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

  
Saifi Chaudhry  
Chief Executive

  
Muhammad Khalid  
Director

  
Faisal Ahmad Nisar  
Chief Financial Officer

# CASH FLOW STATEMENT

for the year ended 30 June 2010

Note	Rupees in thousand	
	2010	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Cash generated from operations</b>		
Profit before taxation	165,219	160,570
Adjustments for:		
Depreciation	44,875	39,271
Interest/mark-up	15,486	4,660
Profit on bank deposits	(2,719)	(3,661)
Dividend income	-	(274)
Gain on sale of investment	(988)	-
Deterioration in value of shells, pallets and barrels	11,044	9,992
Loss on derecognition of investments	-	-
Share of loss from associate	16	16
Gain on disposal of property, plant and equipment	(1,559)	(2,565)
	66,155	47,439
<b>Operating profit before working capital changes</b>	231,374	208,009
<b>(Increase)/decrease in current assets</b>		
Stores and spares	3,715	(17,705)
Stock in trade	(97,815)	(76,265)
Trade debts	(49,026)	(11,399)
Loans and advances	(6,353)	-
Trade deposits and short-term prepayments	4,216	1,462
	(145,263)	(103,907)
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	93,908	54,075
Short term borrowings- Secured	62,298	30,228
	156,206	84,303
<b>CASH GENERATED FROM OPERATIONS</b>	242,317	188,405
Interest/mark-up paid	(14,073)	(4,283)
Profit on bank deposits-Received	2,286	3,983
Income tax paid	(59,885)	(74,651)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	170,645	113,454
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(97,590)	(47,760)
Sale proceeds from disposal of property, plant and equipment	3,621	4,206
Dividends received	-	274
Long term deposits	73	(58)
Investment - available for sale	(45,000)	-
Proceeds from sale of investment	45,988	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(92,908)	(43,338)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of liabilities against assets subject to finance lease	(13,141)	(23,404)
Dividends paid	(35,931)	(59,910)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(49,072)	(83,314)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	28,665	(13,198)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	70,844	84,042
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	99,509	70,844

16

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

  
Saifi Chaudhry  
Chief Executive

  
Muhammad Khalid  
Director

  
Faisal Ahmad Nisar  
Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Capital Reserve		Revenue Reserve			Total
	Share Capital	Merger Reserve	General Reserve	Unappropriated Profits	Unrealized Loss on Remeasurement of Investments – available for sale	
Rupees in thousand						
<b>Balance as at 01 July 2008</b>	60,000	5,000	495,000	176,900	(200)	736,700
Transfer to general reserve	-	-	85,000	(85,000)	-	-
Dividend @ Rs. 10 per share for the year ended 30 June 2008	-	-	-	(60,000)	-	(60,000)
Other comprehensive income	-	-	-	-	(1,351)	(1,351)
Net profit for the year ended 30 June 2009	-	-	-	102,471	-	102,471
<b>Balance as at 30 June 2009</b>	60,000	5,000	580,000	134,371	(1,551)	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)
Other comprehensive income	-	-	-	-	(427)	(427)
Net profit for the year ended 30 June 2010	-	-	-	106,745	-	106,745
<b>Balance as at 30 June 2010</b>	<b>60,000</b>	<b>5,000</b>	<b>650,000</b>	<b>135,116</b>	<b>(1,978)</b>	<b>848,138</b>

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

  
Saifi Chaudhry  
Chief Executive

  
Muhammad Khalid  
Director

  
Faisal Ahmad Nisar  
Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

## 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 (Periods Beginning on or After)
IAS 32 Financial Instruments: Presentation – Classification of Right Issues (Amendment)	01 February 2010
IAS 24 Related Party Disclosures (Revised)	01 January 2011
IFRS 2 Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRIC 14 IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

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 or later periods.

### 2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2009–10

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

IFRS 2	Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)
IFRS 3	Business Combinations (Revised)
IFRS 7	Financial Instruments: Disclosures (Amendments)
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements (Revised)
IAS 23	Borrowing Costs (Revised)
IAS 27	Consolidated and Separate Financial Statement – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
IAS 27	Consolidated and Separate Financial Statements (Amendment)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

IAS 32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to owners
IFRIC 18	Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements other than as described below:

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**2.3.1** The Company has applied IAS 1 (Revised) from 01 July 2009, and has elected to present one performance statement (profit and loss account). The change in accounting policy has not affected the assets and liabilities of the Company for either the current or prior periods and hence restated balance sheet has not been presented.

**2.3.2** The Company has applied IFRS 8, 'Operating Segments', from 01 July 2009 as disclosed in note 37. The change in accounting policy has not affected the assets and liabilities of the Company for either the current or prior periods and hence restated balance sheet has not been presented.

## 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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

#### 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.

#### 4.5 Provision for compensated absences

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

## 5 SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Property, plant and equipment

#### Owned assets

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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 so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term. 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.

## 5.2 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.

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. 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. 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.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

### Available for sale

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

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

## 5.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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.

## 5.4 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.

## 5.5 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cheques in hand, cash and bank balances.

## 5.6 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 enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e.; when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets 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.

## 5.7 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.

## 5.8 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.

## 5.9 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.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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.

## 5.10 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.

### 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.

## 5.11 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.

## 5.12 Compensated absences

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

## 5.13 Financial charges

All mark-up, interest and other charges are charged to profit and loss account on an accrual basis.

## 5.14 Foreign currency transaction

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.

## 5.15 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.

## 5.16 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.

## 5.17 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 2010

	Note	Rupees in thousand	
		2010	2009
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	6.1	409,752	295,665
Capital work in progress	6.2	7,050	4,105
		<u>416,802</u>	<u>299,770</u>

## 6.1 OPERATING PROPERTY, PLANT AND EQUIPMENT

2 0 1 0										
Note	COST				DEPRECIATION				BOOK VALUE	Rate
	As at 01 July 2009	Additions/ Adjustments	(Disposals)/ Adjustments	As at 30 June 2010	Accumulated as at 01 July 2009	(Disposals)/ Adjustments	Charge for the year	Accumulated as at 30 June 2010	As at 30 June 2010	
	Rupees in thousand									
<b>COMPANY OWNED ASSETS</b>										
	37,098	-	-	37,098	-	-	-	-	37,098	-
	1,802	-	-	1,802	-	-	-	-	1,802	-
	26,685	20,944	-	47,629	18,477	-	1,504	19,981	27,648	10
	21,527	-	-	21,527	12,580	-	895	13,475	8,052	10
6.1.1	275,682	34,367	(2,449)	335,400	133,186	(2,443)	20,391	161,252	174,148	12.5
		27,800	-			10,118				
	3,383	4,605	-	7,988	2,901	-	346	3,247	4,741	15
	92,958	18,618	(4,884)	106,692	48,712	(2,828)	9,663	55,547	51,145	20
	4,608	982	-	5,590	2,656	-	247	2,903	2,687	10-25
6.1.2	28,076	12,045	-	40,121	10,249	-	3,389	13,638	26,483	15
	1,086	39	-	1,125	341	-	75	416	709	10
	19,861	2,164	-	22,025	10,756	-	1,901	12,657	9,368	20
	10,061	881	-	10,942	7,453	-	987	8,440	2,502	33.33
	94	-	-	94	90	-	1	91	3	20
	<u>522,921</u>	<u>122,445</u>	<u>(7,333)</u>	<u>638,033</u>	<u>247,401</u>	<u>4,847</u>	<u>39,399</u>	<u>291,647</u>	<u>346,386</u>	
<b>ASSETS SUBJECT TO FINANCE LEASE</b>										
	27,800	66,379	(27,800)	66,379	8,289	(10,118)	5,349	3,520	62,859	12.5
	808	-	-	808	174	-	127	301	507	20
	<u>551,529</u>	<u>188,824</u>	<u>(35,133)</u>	<u>705,220</u>	<u>255,864</u>	<u>(5,271)</u>	<u>44,875</u>	<u>295,468</u>	<u>409,752</u>	

2 0 0 9										
Note	COST				DEPRECIATION				BOOK VALUE	Rate
	As at 01 July 2008	Additions/ Adjustments	(Disposals)/ Adjustments	As at 30 June 2009	Accumulated as at 01 July 2008	(Disposals)/ Adjustments	Charge for the year	Accumulated as at 30 June 2009	As at 30 June 2009	
	Rupees in thousand									
<b>COMPANY OWNED ASSETS</b>										
	37,098	-	-	37,098	-	-	-	-	37,098	-
	1,802	-	-	1,802	-	-	-	-	1,802	-
	26,685	-	-	26,685	17,565	-	912	18,477	8,208	10
	21,527	-	-	21,527	11,586	-	994	12,580	8,947	10
6.1.1	211,904	6,730	(175)	275,682	98,017	(84)	15,166	133,186	142,496	12.5
		57,223	-			20,087				
	3,353	30	-	3,383	2,821	-	80	2,901	482	15
	80,976	19,305	(7,323)	92,958	45,796	(5,773)	8,689	48,712	44,246	20
	4,608	-	-	4,608	2,435	-	221	2,656	1,952	10-25
6.1.2	17,222	10,854	-	28,076	7,418	-	2,831	10,249	17,827	15
	486	600	-	1,086	310	-	31	341	745	10
	14,487	5,374	-	19,861	9,249	-	1,507	10,756	9,105	20
	9,299	762	-	10,061	6,366	-	1,087	7,453	2,608	33.33
	94	-	-	94	89	-	1	90	4	20
	<u>429,541</u>	<u>100,878</u>	<u>(7,498)</u>	<u>522,921</u>	<u>201,652</u>	<u>14,230</u>	<u>31,519</u>	<u>247,401</u>	<u>275,520</u>	
<b>ASSETS SUBJECT TO FINANCE LEASE</b>										
	85,023	-	(57,223)	27,800	20,783	(20,087)	7,593	8,289	19,511	12.5
	808	-	-	808	15	-	159	174	634	20
	<u>515,372</u>	<u>100,878</u>	<u>(64,721)</u>	<u>551,529</u>	<u>222,450</u>	<u>(5,857)</u>	<u>39,271</u>	<u>255,864</u>	<u>295,665</u>	

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

6.1.1 Additions to plant and machinery includes transfer from leased assets having net book value of Rs. (thousand) 17,682 (2009: Rs. (thousand) 37,136) representing cost of Rs. (thousand) 27,800 less accumulated depreciation of Rs. (thousand) 10,118.

6.1.2 Visi coolers costing Rs. (thousand) 2,705 (2009: Rs. (thousand) 2,705) are in the possession of shopkeepers for the sale of Company's products.

## 6.2 CAPITAL WORK IN PROGRESS

	COST					
	Plant & Machinery		Vehicles	Building	2010	2009
	Leased	Owned				
	Rupees in thousand					
Balance as at 01 July 2009	-	-	-	4,105	4,105	-
Additions during the year	66,379	600	23,820	31,939	122,738	19,591
Transferred to operating property, plant and equipment	(66,379)	-	(18,826)	(34,588)	(119,793)	(15,486)
<b>Balance as at 30 June 2010</b>	<b>-</b>	<b>600</b>	<b>4,994</b>	<b>1,456</b>	<b>7,050</b>	<b>4,105</b>

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

	Note	Rupees in thousand 2010	2009
Cost of sales	25.1	29,970	26,183
Distribution cost	26	10,845	9,496
Administrative expenses	27	4,060	3,592
		<u>44,875</u>	<u>39,271</u>

## 7 INVESTMENTS IN ASSOCIATE

The investment represents 44.88% (2009: 44.88%) of the issued share capital of the Hattar Food Products (Private) Limited and principal business activities is to process food products. The following table illustrates summarized financial information of the Company's investment in Hattar Food Products (Private) Limited.

	Note	Rupees in thousand 2010	2009
<b>Hattar Food Products (Private) Limited—unquoted</b>			
Carrying amount		7,724	7,740
85,000 (2009: 85,000 ordinary shares of Rs.100/- each)			
Less: share of loss from associate		(16)	(16)
		<u>7,708</u>	<u>7,724</u>
<b>Share of associate's balance sheet:</b>			
Current assets		677	693
Non-current assets		10,036	10,036
Current liabilities		46	46
Non-current liabilities		2,959	2,959
Net Assets		<u>7,708</u>	<u>7,724</u>
<b>Share of associate's revenue and profit:</b>			
Revenue		-	-
Loss		16	16
Carrying amount of the investment		<u>7,708</u>	<u>7,724</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>8 INVESTMENTS AVAILABLE FOR SALE</b>			
<b>Quoted</b>			
<b>Moradaba</b>			
BRR Guardian Modaraba – Credit rating 'A'			
305,000 (2009: 305,000) certificates of Rs.10/- each	8.1	824	2,175
Loss on remeasurement		(427)	(1,351)
		<u>397</u>	<u>824</u>

8.1 The above investment represents 0.39% (2009: 0.39%) of the issued certificate capital of the Modaraba.

	Note	Rupees in thousand	
		2010	2009
<b>9 LONG TERM DEPOSITS</b>			
Utility companies		1,568	1,184
Others		1,020	1,477
		<u>2,588</u>	<u>2,661</u>
<b>10 STORES AND SPARES</b>			
Stores		13,528	8,841
Spares		1,553	9,955
		<u>15,081</u>	<u>18,796</u>
<b>11 STOCK IN TRADE</b>			
Raw materials		102,463	73,822
Packing materials		231,245	243,124
Bottles	11.1	73,070	73,942
Finished goods		121,157	85,512
Pulps, concentrates etc.	11.2	254,221	236,555
Shells, pallets and barrels	11.1	55,433	49,979
Less: Deterioration in value		11,044	9,992
		44,389	39,987
Goods in transit		15,937	2,769
		<u>842,482</u>	<u>755,711</u>

11.1 These include bottles and shells amounting to Rs. (thousand) 88,465 (2009: Rs. (thousand) 74,102) held by distributors of the Company in the normal course of business.

11.2 These include pulps amounting to Rs. (thousand) 7,989 (2009: Rs. (thousand) 21,055) held with third party in the normal course of business.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>12 TRADE DEBTS</b>			
Unsecured–considered good			
Due from related parties	12.1	33	–
Others		135,284	86,291
		<u>135,317</u>	<u>86,291</u>
Considered doubtful – others		1,350	1,350
Less: Provision for doubtful debts		1,350	1,350
		–	–
		<u>135,317</u>	<u>86,291</u>

12.1 No amount is receivable from the Chief Executive, Directors and Executives of the Company (2009: Nil).

	Note	Rupees in thousand	
		2010	2009
<b>13 LOANS AND ADVANCES</b>			
Advances to distributors– Secured, considered good	13.1	1,219	5,298
Advances – Unsecured, considered good			
– Staff	13.2	2,214	2,339
– Suppliers		17,553	6,996
Advances – Unsecured, considered doubtful			
– Suppliers		100	100
Less: Provision for doubtful advances		100	100
		–	–
		<u>20,986</u>	<u>14,633</u>

13.1 This represents the advances given to the distributors for the purchase of vehicles for the distribution of products of the Company.

13.2 No advances were given to the Chief Executive, Directors and Executives of the Company (2009: Nil).

		Rupees in thousand	
		2010	2009
<b>14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Short term deposits		7,173	7,194
Prepayments		8,535	12,730
Advance excise duty		372	372
Wealth tax recoverable		140	140
Sales tax refundable		1,963	1,963
		<u>18,183</u>	<u>22,399</u>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>15 ACCRUED FINANCIAL INCOME</b>			
Profit receivable on:			
– bank deposits		<u>514</u>	<u>81</u>
<b>16 CASH AND BANK BALANCES</b>			
Cash in hand		15,969	12,353
Cheques in hand		4,757	7,810
Cash at banks			
– Current accounts		21,724	18,266
– Deposit accounts		–	10,000
– PLS savings accounts	16.1	<u>57,059</u>	<u>22,415</u>
		<u>99,509</u>	<u>70,844</u>

16.1 The balances in PLS savings accounts bear mark-up, which ranges between 5.00% to 10.00% (2009: 0.85% to 10.00%) per annum.

**17 SHARE CAPITAL**

Authorised:

Number of Shares			Rupees in thousand	
2010	2009		2010	2009
Number	Number			
<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs.10/- each	<u>100,000</u>	<u>100,000</u>

Issued, subscribed and paid-up:

2010	2009			
Number	Number			
		Ordinary shares of Rs.10/- each		
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
<u>6,000,000</u>	<u>6,000,000</u>		<u>60,000</u>	<u>60,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>18 RESERVES</b>			
<b>Capital</b>			
Merger Reserve	18.1	5,000	5,000
<b>Revenue</b>			
General Reserve			
– At the beginning of the year		580,000	495,000
– Transferred from unappropriated profit – 2009		70,000	85,000
		650,000	580,000
<b>Unrealized loss on remeasurement of investments– available for sale</b>			
– At the beginning of the year		(1,551)	(200)
– Additions during the year		(427)	(1,351)
		(1,978)	(1,551)
		653,022	583,449

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% (2009: 12.12% to 18.15%) per annum. The amount of future payments and the period during which they will become due are:

	Note	Rupees in thousand	
		2010	2009
Year ended 30 June	2010	–	4,411
Year ending 30 June	2011	27,796	284
	2012	27,515	–
	2013	14,421	–
Minimum lease payments	19.1	69,732	4,695
Less: Future finance charges		12,082	283
		57,650	4,412
Less: Current portion		20,422	4,147
		37,228	265

There are no financial restrictions in the lease agreements. The residual value of the leased assets is Rs. (thousand) 672 (2009: Rs. (thousand) 284).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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

	2010		2009	
	MLP	PV OF MLP	MLP	PV OF MLP
	Rupees in thousand		Rupees in thousand	
Due not later than 1 year	27,796	20,422	4,411	4,147
Due later than 1 year but not later than 5 years	41,936	37,228	284	265
	<u>69,732</u>	<u>57,650</u>	<u>4,695</u>	<u>4,412</u>

	Note	Rupees in thousand	
		2010	2009

## 20 DEFERRED TAXATION

This comprises:

### Deferred tax liabilities on taxable temporary differences

Accelerated tax depreciation		54,290	44,667
Trade deposits and short term prepayments		2,822	3,248
Accrued interest – net		770	132
Liabilities against assets subject to finance lease		–	5,191
		<u>57,882</u>	<u>53,238</u>

### Deferred tax assets on deductible temporary differences

Tarde debts		(447)	(453)
Loans and advances		(33)	(33)
Liabilities against assets subject to finance lease		(2,106)	–
Provision for employee's compensated absences		(180)	(392)
Provision for bonuses to staff and agents		(1,223)	(6,941)
		<u>(3,989)</u>	<u>(7,819)</u>
		<u>53,893</u>	<u>45,419</u>

## 21 TRADE AND OTHER PAYABLES

Due to related parties	21.1	28,028	48,929
Creditors		275,804	205,498
Deposits	21.2	24,041	19,630
Distributors' credit balances		26,323	20,323
Accrued expenses		50,186	41,161
Sales tax payable		38,333	17,996
Payable to provident fund		233	57
Workers' Profit Participation Fund	21.3	8,880	8,609
Workers' Welfare Fund		29,835	26,335
Unclaimed dividend		754	685
Taxes and other payables		2,323	1,467
Other liabilities		1,608	1,681
		<u>486,348</u>	<u>392,371</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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

	Rupees in thousand	
	2010	2009
Nawazabad Farms	1,100	1,773
Shezan Services (Private) Limited	20,427	15,721
Shahtaj Sugar Mills Limited	6,460	31,420
Shahnawaz (Private) Limited	41	15
	28,028	48,929

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

	Rupees in thousand	
	2010	2009
<b>21.3 Workers' Profit Participation Fund</b>		
Balance at the beginning of the year	8,609	14,416
Allocation for the year	8,880	8,609
	17,489	23,025
Interest on funds utilized in the Company's business	87	100
	17,576	23,125
Amount paid to the Fund's Trust	8,696	14,516
Balance at the end of the year	8,880	8,609

## 22 SHORT TERM BORROWINGS – SECURED

The aggregate running finance facilities available from commercial banks under the mark-up arrangement is Rs. (thousand) 490,000 (2009: Rs. (thousand) 160,000).

The rate of mark-up ranges between 1 month KIBOR + 0.75% to 3 months KIBOR + 1.25% (2009: 13.39% to 16.62%) per annum, payable quarterly.

The facilities are secured against first registered joint pari passu hypothecation charge on current assets of the Company up to Rs. (thousand) 388,000 (2009: Rs. (thousand) 247,000) and ranking charge on the current assets of the Company up to Rs. (thousand) 580,000 (2009: Rs. (thousand) Nil).

The un-utilized facility for opening letters of credit and for guarantees as at 30 June 2010 amounts to Rs. (thousand) 71,595 (2009: Rs. (thousand) 65,056) and Rs. (thousand) 39,757 (2009: Rs. (thousand) 31,165), respectively.

## 23 CONTINGENCIES AND COMMITMENTS

### Contingencies

- i) Claim of Punjab Employees Social Security Institution (P.E.S.S.I.) for Rs. (thousand) 2,379 (2009: 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

- ii) Notices for additional payments of sales tax and excise duty amounting to Rs. (thousand) 13,094 (2009: 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.
- iii) Notices for additional payment of leasehold land amounting to Rs. (thousand) 844 (2009: 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 Commissioner of Inland Revenue (Appeals) against the decision of Additional Commissioner of Inland Revenue for an additional amount of 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 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.

## Commitments

- i) Commitments in respect of letters of credit opened for the import of raw and packing materials amounted to Rs. (thousand) 13,405 (2009: Rs. (thousand) 19,944).
- ii) Counter guarantees in favour of banks in the ordinary course of business amounted to Rs. (thousand) 25,243 (2009: Rs. (thousand) 19,500).
- iii) Commitments for equity investment in an associated undertaking, Hattar Food Products (Private) Limited, amounted to Rs. (thousand) 1,500 (2009: Rs. (thousand) 1,500).

	Note	Rupees in thousand 2010	2009
<b>24 SALES – NET</b>			
Domestic		4,108,589	3,226,111
Export		216,917	124,633
Export rebate		24	158
		<u>4,325,530</u>	<u>3,350,902</u>
Less: Discounts and incentives		122,045	89,667
Sales tax		633,169	501,522
Excise duty		42,182	31,004
		<u>797,396</u>	<u>622,193</u>
	24.1	<u>3,528,134</u>	<u>2,728,709</u>

- 24.1 This includes sales relating to trading activities amounting to Rs. (thousand) 21,082 (2009: Rs. (thousand) 17,206).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>25 COST OF SALES</b>			
Manufacturing	25.1	2,576,813	1,963,154
Trading	25.2	14,977	11,292
		<u>2,591,790</u>	<u>1,974,446</u>
<b>25.1 Cost of sales – Manufacturing</b>			
Pulps, concentrates etc. – Opening stock		236,555	209,096
Add: Production/processing during the year		258,837	235,401
Purchases during the year		135,717	86,315
		<u>631,109</u>	<u>530,812</u>
Less: Pulps, concentrates etc. – Closing stock		254,221	236,555
Pulps, concentrates etc. consumed		<u>376,888</u>	<u>294,257</u>
Raw materials – Opening stock		73,822	39,740
Add: Purchases during the year		1,074,044	799,617
		<u>1,147,866</u>	<u>839,357</u>
Less: Production of pulps, concentrates		258,837	235,401
Raw materials – Closing stock		102,463	73,822
Raw materials consumed		<u>786,566</u>	<u>530,134</u>
Packing materials – Opening stock		243,124	241,099
Add: Purchases during the year		1,183,701	998,845
		<u>1,426,825</u>	<u>1,239,944</u>
Less: Cost transferred to expenses		4,749	2,877
Packing materials – Closing stock		231,245	243,124
Packing materials consumed		<u>1,190,831</u>	<u>993,943</u>
Factory expenses –			
Salaries, wages and amenities		95,016	85,257
Company's contribution to provident fund		769	496
Stores and spares consumed		57,746	45,779
Traveling and conveyance		612	662
Repairs and maintenance		52,834	26,041
Insurance		3,495	2,701
Fuel and power		76,059	62,553
Inward freight and loading/unloading		1,507	1,487
Utilities		5,149	5,689
Bottle breakage		14,030	11,595
General expenses		6,647	4,711
Depreciation	6.3	29,970	26,183
		<u>343,834</u>	<u>273,154</u>
Cost of production		<u>2,698,119</u>	<u>2,091,488</u>
Add: Finished goods – Opening stock		84,467	46,539
		<u>2,782,586</u>	<u>2,138,027</u>
Less: Cost of samples		65,224	61,898
Cost of wastage and spoilage		33,401	28,508
Finished goods – Closing stock		<u>107,148</u>	<u>84,467</u>
		<u>205,773</u>	<u>174,873</u>
		<u>2,576,813</u>	<u>1,963,154</u>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>25.2 Cost of sales – Trading</b>			
Finished goods – Opening stock		1,045	831
Add: Purchases during the year		29,263	12,400
		30,308	13,231
Less: Cost of samples		1,156	640
Cost of wastage and spoilage		166	254
Finished goods – Closing stock		14,009	1,045
		15,331	1,939
		<u>14,977</u>	<u>11,292</u>
<b>26 DISTRIBUTION COST</b>			
Salaries, wages and amenities		98,505	84,466
Company's contribution to provident fund		890	1,050
Postage and telephone		2,881	2,322
Traveling and conveyance		14,420	14,288
Repairs and maintenance		24,535	20,732
Insurance		4,810	3,599
Utilities		3,137	2,140
Stationery and printing		1,368	1,754
Rent, rates and taxes		4,474	4,687
Advertising and promotions	26.1	225,997	146,237
Outward freight and distribution		104,234	84,514
Staff sales incentive		8,203	6,111
Petrol, oil and lubricants		66,006	53,401
General expenses		1,615	1,568
Depreciation	6.3	10,845	9,496
Deterioration on shells and pallets		8,572	7,497
		<u>580,492</u>	<u>443,862</u>
<b>26.1</b>			
This includes cost of samples amounting to Rs. (thousand) 66,381 (2009: Rs. (thousand) 62,538).			
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and amenities		71,759	65,093
Company's contribution to provident fund		1,259	1,071
Postage and telephone		1,660	2,427
Traveling and conveyance		1,147	1,296
Repairs and maintenance		4,805	4,367
Insurance		2,842	2,362
Utilities		2,637	1,783
Stationery and printing		2,760	2,998
Rent, rates and taxes		2,914	2,473
Auditors' remuneration	27.1	1,916	1,319
Legal and professional		182	596
Donations	27.2	430	538
General expenses		3,042	1,534
Depreciation	6.3	4,060	3,592
		<u>101,413</u>	<u>91,449</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	Note	Rupees in thousand	
		2010	2009
<b>27.1 Auditors' remuneration</b>			
Audit fee		625	550
Tax consultancy services		972	122
Miscellaneous certification and limited review charges etc.		192	552
Out of pocket expenses		127	95
		<u>1,916</u>	<u>1,319</u>
<b>27.2 Donations</b>			
None of the directors or their spouses had any interest in any of the donees.			
<b>28 OTHER OPERATING EXPENSES</b>			
Product spoilage		40,576	30,590
Barrel deterioration		2,472	2,495
Royalty to related party – Shezan Services (Private) Limited		35,274	27,285
Workers' Profit Participation Fund	21.3	8,880	8,609
Workers' Welfare Fund		3,500	3,000
		<u>90,702</u>	<u>71,979</u>
<b>29 OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		2,719	3,661
Dividend income		–	274
Gain on sale of investment	29.1	988	–
Foreign exchange gain		1,087	3,419
<b>Income from non financial assets</b>			
Gain on disposal of property, plant and equipment	29.2	1,559	2,565
Sale of scrap		13,095	10,236
		<u>19,448</u>	<u>20,155</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

## 29.2 Gain on disposal of property, plant and equipment

Description	Cost	Book Value	Sale Proceeds	Gain	Purchaser	Mode
	Rupees in thousand					
Honda Civic	1,370	721	721	-	Mrs. Tahir Ahmad Ch. (Employee)	Company policy
Honda Civic	1,227	263	870	607	Mr. Muhammad Amjad, Karachi	Negotiation
Toyota Corolla	1,039	446	446	-	Mrs. Daud Ahmad Ch. (Employee)	Company policy
Suzuki Bolan	404	124	300	176	Mr. Anwar Cheema, Karachi	Negotiation
Suzuki Pickup	489	457	489	32	M/s. Zaheer Traders, Rawalpindi	Negotiation
WDV below Rs. (thousand) 50 each	2,803	51	795	744	Various	Negotiation
	<u>7,332</u>	<u>2,062</u>	<u>3,621</u>	<u>1,559</u>		

	Note	Rupees in thousand	
		2010	2009
<b>30 FINANCE COST</b>			
Interest, mark-up and charges on –			
Secured short term borrowings		10,372	2,541
Workers' Profit Participation Fund	21.3	87	100
Finance lease charges		5,027	2,019
		<u>15,486</u>	<u>4,660</u>
Bank charges		2,464	1,882
		<u>17,950</u>	<u>6,542</u>
<b>31 TAXATION</b>			
Current – for the year		50,000	60,109
Deferred – for the year		8,474	(2,010)
		<u>58,474</u>	<u>58,099</u>
<b>31.1 Relationship between income tax expense and accounting profit</b>			
Profit before taxation		<u>165,219</u>	<u>160,570</u>
Current Taxation:			
Tax at the applicable rate of 35% (2009: 35%)		57,827	56,200
Tax effect of expenses that are not deductible in determining taxable income charged to profit and loss account		37,317	31,962
Tax effect of expenses that are deductible in determining taxable income not charged to profit and loss account		(23,480)	(21,030)
Tax effect of applicability of lower tax rate on export sales and dividend income		(13,190)	(9,033)
		<u>58,474</u>	<u>58,099</u>
Tax charge for the current year		<u>58,474</u>	<u>58,099</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	Rupees in thousand	
	2010	2009
<b>32 EARNINGS PER SHARE – BASIC AND DILUTED</b>		
Profit after taxation attributable to ordinary shareholders	106,745	102,471
Weighted average number of ordinary shares at the end of the year (in thousand)	6,000	6,000
Earnings per share – Basic (Rupees)	17.79	17.08

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.

## 33 CAPACITY AND PRODUCTION

	Normal Annual Capacity		Actual Production	
			2010	2009
Juices:				
Bottling plant	5,925,000	Crates	4,760,671	4,429,570
Tetra Pak plant	19,275,000	Dozens	18,832,640	16,140,035
Squashes and syrups plant	590,000	Dozens	272,808	219,660
Jams and ketchup plant	620,000	Dozens	390,964	514,236
Pickles plant	262,500	Dozens	212,248	139,951
Canning plant	180,000	Dozens	106,026	98,715

The normal annual capacity, as shown above, has been worked out on the basis of 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	
	2010	2009	2010	2009	2010	2009
<b>Total number</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>8</b>	<b>8</b>
	<b>Rupees in thousand</b>					
Basic salary	1,740	1,620	3,444	3,204	6,838	6,072
Provident fund contribution	145	135	287	267	560	506
Allowances and benefits:						
Conveyance	–	–	–	–	4	4
House rent	495	396	990	792	2,228	1,786
Dearness	204	123	408	246	1,591	804
Special	120	120	480	480	926	540
Utilities	168	168	336	336	730	669
Medical	20	26	27	38	318	237
Bonus	–	270	–	534	96	994
Leave fare assistance	290	–	574	–	1,029	–
Ex-gratia	145	135	287	267	658	681
	<u>3,327</u>	<u>2,993</u>	<u>6,833</u>	<u>6,164</u>	<u>14,978</u>	<u>12,293</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

**34.1** Fees paid to six non-executive directors during the year for attending Board meetings Rs. (thousand) 140 (2009: Rs. (thousand) 170).

**34.2** Fees paid to two non-executive directors during the year for attending Audit Committee meetings Rs. (thousand) 80 (2009: Rs. (thousand) 70).

**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.

## 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:

2 0 1 0										
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

2 0 0 9										
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	307,091	-	-	-	4,541	-	-	-	-	311,632
Sales of finished goods	184	94	20	-	-	8	52	13	-	371
Royalty charged	-	-	-	27,285	-	-	-	-	-	27,285
Purchases /repairs of electric equipments/vehicles	-	-	-	-	-	-	-	322	-	322
Services rendered	180	-	-	-	-	-	-	-	-	180
Contributions to staff provident fund	-	-	-	-	-	-	-	-	2,617	2,617



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

## 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 credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying Values Rupees in thousand	
	2010	2009
Long-term deposits	2,588	2,939
Trade debts – unsecured	135,317	86,291
Loans and advances	2,214	7,194
Trade deposits	7,173	2,339
Bank balances	83,540	58,491

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	
	2010	2009
<b>36.1.1 Trade Debt</b>		
Neither past due nor impaired	50,851	31,368
Past due but not impaired		
1– 60 days	65,724	27,347
60–180 days	17,126	27,195
181 –365 & Above	1,616	381
	<u>135,317</u>	<u>86,291</u>
<b>Geographically:-</b>		
Pakistan	96,158	71,012
North America	12,076	6,852
Europe	15,197	4,106
Far East	628	499
Central Asia	777	1,148
Middle East	2,541	2,674
Africa	7,940	–
	<u>135,317</u>	<u>86,291</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

As at 30 June 2010, trade debts of Rs. (thousand) 1,350 (2009: Rs. (thousand) 1,350 ) were impaired and provided for.

	Rupees in thousand	
	2010	2009
<b>36.1.2 Cash at Bank</b>		
A-1+	6,193	7,092
A2	660	141
A1+	46,790	11,438
A-1+	12,570	16,965
A1+	-	10,000
A-1+	12,570	5,044
Cheques in hand	4,757	7,810
	<u>83,540</u>	<u>58,490</u>

## 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.

	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	92,526	-	92,526
Trade and other payables	485,751	-	485,751
Total Financial liabilities	<u>606,073</u>	<u>41,936</u>	<u>648,009</u>

## 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 some chemicals. The Company does not view hedging as financially viable considering the materiality of transactions.

#### Sensitivity analysis

With all other variables remain constant, a 1 % change in the rupee dollar parity existed at 30 June 2010 would have affect the profit and loss account and liabilities and equity by Rs. (thousands) 397 (2009: Rs. (thousands) 121).

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

## 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) 925 (2009: Rs. (thousand) 302) 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).

	Rupees in thousand	
	2010	2009
The debt to equity ratio as at 30 June is as follows:		
Net debt	-	-
Total equity	<u>848,138</u>	<u>777,820</u>
Capital gearing ratio	<u>Nil</u>	<u>Nil</u>

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

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

## 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	<u>2,092,776</u>	<u>499,014</u>	<u>2,591,790</u>
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 loss from an associate			(16)
Taxation			<u>(58,474)</u>
Profit after taxation			<u>106,318</u>

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

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

## Segment analysis of profit and loss account for the year ended 30 June 2009:

	Juices and Drinks	Others	Total
Rupees in thousand			
Sales	2,205,662	523,047	2,728,709
Cost of sales	<u>1,613,669</u>	<u>360,777</u>	<u>1,974,446</u>
Profit before taxation	<u>591,993</u>	<u>162,270</u>	<u>754,263</u>
Unallocated expenses			
Corporate expenses			(536,662)
Finance costs			(6,542)
Other operating expenses			(71,979)
Other operating income			20,155
Share of loss from an associate			(16)
Taxation			<u>(58,099)</u>
Profit after taxation			<u>101,120</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

Segment analysis of assets and liabilities as at 30 June 2009:

	Juices and Drinks	Others	Total
Rupees in thousand			
<b>Segment assets</b>	863,575	296,714	1,160,289
Unallocated assets			194,096
Total			<u>1,354,385</u>
<b>Segment liabilities</b>	64,032	332,751	396,783
Unallocated liabilities			179,782
Total			<u>576,565</u>

## 38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 29 September 2010.

## 39 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final dividend of Rs. 6/- per share, amounting to Rs. (thousand) 36,000 for the year ended June 30, 2010 (2009: Rs. (thousand) 36,000) along with transfer to general reserve amounting to Rs. (thousand) 70,000 (2009: Rs. (thousand) 70,000) at their meeting held on 29 September 2010 for approval of the members at the Annual General Meeting to be held on 29 October 2010.

## 40 GENERAL

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

  
Saifi Chaudhry  
Chief Executive

  
Muhammad Khalid  
Director

  
Faisal Ahmad Nisar  
Chief Financial Officer



## 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 47th Annual General Meeting of the Company to be held on 29 October 2010 and at any adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

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.

