



Condensed Interim Financial Information (Un-audited)
for the six month period ended **31 December 2012**



NURTURE
from
NATURE



Shezan International Limited



Shezan

Tastefully Your's

Company Information

Board of Directors:

Mr. Muneer Nawaz	Chairman
Mr. Muhammad Khalid	Chief Executive
Mr. Mahmood Nawaz	
Mrs. Amtul Hai Khalid	
Mr. M. Naeem	
Ms. Nazish Khalid	
Mr. Syed Munawar Hussain Rizvi	(N.I.T. Nominee)
Mr. Saleem Zamindar	(N.I.T. Nominee)

Chief Financial Officer & Company Secretary:

Mr. Faisal Ahmad Nisar, FCA

Audit Committee:

Mr. Muneer Nawaz	Chairman
Mr. M. Naeem	Member
Ms. Nazish Khalid	Member

Human Resources & Remuneration Committee:

Mr. Muneer Nawaz	Chairman
Mr. M. Naeem	Member
Mr. Saleem Zamindar	Member

Registered Office / Head Office:

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

Factories:

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

Auditors:

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

Share Registrar:

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

Legal Advisors:

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

Bankers:

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

Directors' Report to the Members

The directors are pleased to present their report together with the un-audited condensed interim financial information for the six month period ended 31 December 2012.

Our economy is highly vulnerable mainly due to low growth rate, deteriorating security situation, low savings rate, weak tax structure, large debt re-payment, high inflation rates, low investment in human capital and poor governance. Energy shortages intensified during the second half of the fiscal year 2012, seriously pinching manufacturing sector in the Punjab. Irregular load shedding for a long duration is estimated to come to at least 2 percentage points off GDP growth annually. For the half year under review, your Company has recorded a turnover of Rs. 2.359 billion as against Rs. 2.282 billion in the corresponding period of 2011. The turnover grew by 3.4%. The cost of sales was Rs. 1.677 billion against Rs. 1.670 billion in the corresponding period of 2011. Therefore, the Company earned gross profit of Rs. 682.139 million as against Rs. 611.694 million for the period ended December 2011. The distribution cost increased and it grew by 7.56% as compared to the previous period. The distribution cost includes advertisement and sales promotion expense of Rs. 149 million. We had to incur advertisement and publicity cost to maintain and increase the sales due to stiff competition in the market. The finance cost during the half year was Rs. 25.298 million as against Rs. 27.614 million of the corresponding period. The decrease in finance cost was due to efficient use of funds during the period under review. However, short term borrowings were made during the period to stock the seasonal fruits, pulps and packaging materials to fulfill the sales demands.


In second quarter ended 31st December, turnover was Rs. 915.924 million as against 913.212 million of corresponding quarter of 2011. However, severe cold weather across the country and law and order situation in southern part of the country affected our turnover during the quarter. Despite of marginal increase in the turnover, gross profit has increased to Rs. 247.634 million. Earnings per share were at Rs. 3.60 and Rs. 15.07 for the quarter and six month period, respectively.

However, keeping in view a volatile trend in the market, we are pleased that our juice products are showing encouraging sales trends. During the period we have achieved encouraging growth in export sales of our juice products. Exports during the six month period were higher about 40% as compared to the corresponding period of year 2011. Our production facility at Karachi continued to meet the export requirements in Middle East, Africa and Europe and performed well during the quarter ended 31 December 2012. We are optimistic that our products have potential to sustain our growth momentum in the future. Our advertisement activities during the period were effective.

The third quarter is challenging. We continue to strive to improve margins which have been under pressure due to increased costs of POL and energy, packaging material and raw material prices. We will carefully implement price rationalization of our products while entering into our prime season to increase the sales with costs under control.

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

For and on Behalf of the Board of Directors



Muhammad Khalid
Chief Executive

Karachi:

22 February 2013.

Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Shezan International Limited as at 31 December 2012 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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



Chartered Accountants
Audit Engagement Partner
Farooq Hameed

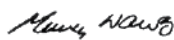
Lahore:
22 February 2013.

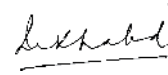
Condensed Interim Balance Sheet

as at 31 December 2012

	Note	(Un-audited) 31 December 2012	(Audited) 30 June 2012
Rupees in thousand			
ASSETS			
Non-current assets			
Property, plant and equipment	5	482,496	434,590
Investment in associate	6	–	7,672
Investment available for sale	7	933	747
Long term deposits and prepayments		3,163	5,339
		486,592	448,348
Current assets			
Stores and spares		23,447	15,408
Stock in trade		1,284,817	1,245,699
Trade debts		220,518	243,299
Loans and advances		70,346	25,486
Trade deposits and short-term prepayments		19,130	37,956
Accrued financial income		591	437
Income tax recoverable		39,499	69,640
Cash and bank balances		93,431	109,169
		1,751,779	1,747,094
TOTAL ASSETS		2,238,371	2,195,442
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		66,000	60,000
Reserves		953,558	823,372
Unappropriated profits		141,554	232,088
TOTAL EQUITY		1,161,112	1,115,460
Non-current liabilities			
Deferred taxation		57,211	56,682
Current liabilities			
Trade and other payables		315,666	564,119
Short term borrowings	8	566,034	296,656
Current portion of liabilities against assets subject to finance lease		–	13,844
Mark up accrued on short term borrowings		12,056	9,220
Provision for taxation		126,292	139,461
		1,020,048	1,023,300
TOTAL LIABILITIES		1,077,259	1,079,982
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		2,238,371	2,195,442

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


Chairman

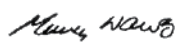

Chief Executive

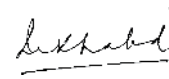
Condensed Interim Profit and Loss Account (Un-audited)

for the six month period ended 31 December 2012

	Six Month Period Ended 31 December		Three Month Period Ended 31 December	
	2012	2011	2012	2011
	Note	Rupees in thousand		Rupees in thousand
Sales - net	2,359,950	2,282,048	915,924	913,212
Cost of sales	1,677,811	1,670,354	668,290	681,027
Gross profit	682,139	611,694	247,634	232,185
Distribution cost	388,452	361,119	145,761	148,418
Administrative expenses	70,005	63,897	31,123	30,384
Other operating expenses	58,879	56,835	24,429	21,791
Other operating income	(16,961)	(17,877)	(7,438)	(9,320)
	500,375	463,974	193,875	191,273
Operating profit	181,764	147,720	53,759	40,912
Finance cost	25,298	27,614	13,018	14,261
	156,466	120,106	40,741	26,651
Share of profit from an associate	–	2	–	2
Profit before taxation	156,466	120,108	40,741	26,653
Taxation	57,000	39,760	17,000	5,760
Net profit for the period	99,466	80,348	23,741	20,893
Other comprehensive income				
Unrealized gain/(loss) on remeasurement of investment available for sale	186	104	24	(21)
Total comprehensive income for the period	99,652	80,452	23,765	20,872
Earnings per share basic and diluted (Rupees)	12	15.07	12.17	3.60
			3.60	3.17

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


Chairman


Chief Executive

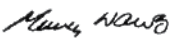
Condensed Interim Cash Flow Statement (Un-audited)

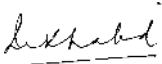
for the six month period ended 31 December 2012

	31 December	
	2012	2011
	Rupees in thousand	
Cash flow from operating activities		
Cash generated from operations:		
Profit before taxation	156,466	120,108
Adjustments for:		
Depreciation	28,483	29,646
Interest/mark-up	24,025	26,418
Profit on bank deposits	(1,625)	(1,071)
Share of profit from an associate	-	(2)
Deterioration in value of shells, pallets and barrels	8,062	6,428
Impairment in the value of investment in associate	172	-
Gain on disposal of property, plant and equipment	(49)	(3,252)
	59,068	58,167
Operating profit before working capital changes	215,534	178,275
(Increase)/decrease in current assets:		
Stores and spares	(8,039)	(3,204)
Stock in trade	(47,180)	(2,759)
Trade debts	22,781	(44,257)
Loans and advances	(44,860)	(6,197)
Trade deposits and short term prepayments	18,826	(11,975)
	(58,472)	(68,392)
Increase/(decrease) in current liabilities:		
Trade and other payables	(248,790)	(220,681)
Short term borrowings	269,378	236,675
	20,588	15,994
Cash generated from operations:	177,650	125,877
Interest/mark-up paid	(21,189)	(19,148)
Profit on bank deposits	1,471	1,419
Income tax paid	(39,499)	(27,970)
Net cash generated from operating activities	118,433	80,178
Cash flow from investing activities		
Purchase of property, plant and equipment	(69,218)	(31,218)
Sale proceeds from disposal of property, plant and equipment	378	4,043
Long term deposits	2,176	(100)
Net cash used in investing activities	(66,664)	(27,275)
Cash flow from financing activities		
Repayment of obligations under finance lease	(13,844)	(12,688)
Dividend paid	(53,663)	(44,851)
Net cash used in financing activities	(67,507)	(57,539)
Net decrease in cash and cash equivalents	(15,738)	(4,636)
Cash and cash equivalents at the beginning of the period	109,169	82,608
Cash and cash equivalents at the end of the period	A 93,431	77,972

A - Cash and cash equivalents includes cash and bank balances as stated in condensed interim balance sheet.

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


Chairman

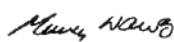

Chief Executive

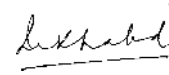
Condensed Interim Statement of Changes in Equity (Un-audited)

for the six month period ended 31 December 2012

	Capital Reserve			Revenue Reserve			Total
	Share Capital	Merger Reserve	Reserve for Issue of Bonus Shares	General Reserve	Unrealized Gain /(Loss) on Remeasurement of Investments- available for sale	Unappropriated Profits	
	Rupees in thousand						
Balance as at 01 July 2011	60,000	5,000	-	720,000	(1,707)	169,718	953,011
Transfer to General reserve	-	-	-	100,000	-	(100,000)	-
Dividend @ Rs. 7.5/- per share for the year ended 30 June 2011	-	-	-	-	-	(45,000)	(45,000)
Net profit for the six month period ended 31 December 2011	-	-	-	-	-	80,348	80,348
Other comprehensive income	-	-	-	-	104	-	104
Total comprehensive income	-	-	-	-	104	80,348	80,452
Balance as at 31 December 2011	60,000	5,000	-	820,000	(1,603)	105,066	988,463
Balance as at 01 July 2012	60,000	5,000	-	820,000	(1,628)	232,088	1,115,460
Transfer to General reserve	-	-	-	130,000	-	(130,000)	-
Dividend @ Rs.9/- per share for the year ended 30 June 2012	-	-	-	-	-	(54,000)	(54,000)
Transfer to reserve for issue of bonus shares	-	-	6,000	-	-	(6,000)	-
Issue of bonus shares @ 10% for the year ended 30 June 2012	6,000	-	(6,000)	-	-	-	-
Net profit for the six month period ended 31 December 2012	-	-	-	-	-	99,466	99,466
Other comprehensive income	-	-	-	-	186	-	186
Total comprehensive income	-	-	-	-	186	99,466	99,652
Balance as at 31 December 2012	66,000	5,000	-	950,000	(1,442)	141,554	1,161,112

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


Chairman


Chief Executive

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

for the six month period ended 31 December 2012

1. The Company and its operations

Shezan International Limited (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.

2. Basis of presentation and measurement

2.1 This condensed interim financial information of the Company for the six month period ended 31 December 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, as applicable in Pakistan.

2.2 This condensed interim financial information does not include all the information and the disclosures required in the annual financial statements and should be read in conjunction with annual audited financial statements of the Company for the year ended 30 June 2012.

2.3 This condensed interim financial information is un-audited but subject to limited scope review by the auditors. Three month figures were not subject to limited scope review by the auditors as the scope of the review covered only the cumulative figures for the six month period ended 31 December 2012.

3. Accounting policies

The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those of the previous financial year except as follows:

The Company has adopted the following amendments to IFRSs which became effective for the current period:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

4. Taxation, workers' welfare fund and workers' profit participation fund

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

5. Property, plant and equipment

The additions / (deletions / transfers) made during the period ended 31 December 2012 are as follows:

	Note	Additions Rupees in thousand	Deletions/ Transfers
Company owned assets			
Buildings		17,046	-
Plant and machinery		17,317	-
Electric equipment		7,888	-
Computers and accessories		545	-
Motor vehicles		12,241	(1,623)
		55,037	(1,623)
Capital work in progress			
Motor vehicles (Advance)		11,339	(13,471)
Land (Advance)		35,500	-
Plant and machinery	5.1	7,956	(12,655)
Buildings		7,592	(14,580)
		62,387	(40,706)
Total		117,424	(42,329)

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

for the six month period ended 31 December 2012

5.1 This includes Rs. (thousand) 7,500 relating to plant and machinery acquired in settlement on winding up from Hattar Food Products (Private) Limited as explained in note 6.

6. Investment in associate

The investment represented 44.88% (30 June 2012: 44.88%) of the issued share capital of the Hattar Food Products (Private) Limited (HFPPL). The principal business activity of HFPPL was to process food products. During the period, HFPPL has applied for winding up under "Company Easy Exit Scheme" (CEES). HFPPL has transferred the plant and machinery to the Company, based on the independent valuation report, in settlement of its investment.

	(Un-audited) 31 December 2012	(Audited) 30 June 2012
Rupees in thousand		
Hattar Food Products (Private) Limited-unquoted		
Opening carrying amount	7,672	7,690
85,000 (30 June 2012: 85,000) ordinary shares of Rs.100/- each	-	(18)
Share of (loss) from associate for the period / year	(172)	-
Impairment	(7,500)	-
Assets acquired in settlement on winding up	-	7,672
	-	-

7. Investment available for sale

	(Un-audited) 31 December 2012	(Audited) 30 June 2012
Rupees in thousand		
Quoted		
Modaraba		
BRR Guardian Modaraba-Credit rating 'A'		
305,000 (30 June 2012: 305,000) certificates of Rs. 10/- each	2,375	2,375
Less: Loss on remeasurement	(1,442)	(1,628)
	933	747

7.1 The above investment represents 0.39% (30 June 2012: 0.39%) of the issued certificate capital of the Modaraba.

8. Short term borrowings - secured

The aggregate running finance facilities available from commercial banks under the mark-up arrangement are Rs. (thousand) 825,000 (30 June 2012: Rs. (thousand) 825,000). The rate of mark-up ranges between 1 month/3 months KIBOR + 0.50% to 1 month KIBOR + 0.90% (30 June 2012: 1 month KIBOR + 0.50% to 1 month KIBOR + 0.90%), payable quarterly.

The facilities are secured against first registered joint pari passu hypothecation charge on current assets of the Company up to Rs. (thousand) 1,215,000 (30 June 2012: Rs. (thousand) 1,215,000). The un-utilized facility for opening letters of credit and for guarantees as at 31 December 2012 amounts to Rs. (thousand) 139,274 (30 June 2012: Rs. (thousand) 143,792) and Rs. (thousand) 50,217 (30 June 2012: Rs. (thousand) 47,724), respectively.

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

for the six month period ended 31 December 2012

9. Contingencies and commitments

a) Contingencies

- i) There has been no change in the status of the contingencies reported in the annual audited financial statements for the year ended 30 June 2012.

b) Commitments

- i) Commitments in respect of letter of credit established for the import of raw and packing materials amounted to Rs. (thousand) 15,726 (30 June 2012: Rs. (thousand) 11,208).
- ii) Counter guarantees in favour of banks in the ordinary course of business amounted to Rs. (thousand) 24,782 (30 June 2012: Rs. (thousand) 27,275).
- iii) The Company has entered into ijarah arrangements for plant and machinery with various Modaraba companies. These arrangements have remaining terms of less than three years. Such arrangements also include a clause to enable revision of the rental charge on an annual basis according to prevailing market conditions.

The total of future ujarah payments under ijarah, for each of the following periods:

	(Un-audited) 31 December 2012	(Audited) 30 June 2012
	Rupees in thousand	
Not later than one year	56,383	56,383
Later than one year but not later than five years	67,576	95,767
	123,959	152,150

10. Transactions with related parties

The related parties and associated undertakings comprise related group companies, associates, staff provident fund, directors and key management personnel. Detail of transactions with them are as follows:

	31 December	
	2012	2011
	Rupees in thousand	
Transactions during the period		
Associated undertakings		
Purchases of raw materials	231,503	269,788
Sales of finished goods	515	398
Plant and machinery acquired in settlement of investment on winding up	7,500	–
Royalty charged	23,594	22,820
Purchases/repairs of electric equipment/vehicles	12	20
Services received	619	285
Remuneration and benefits of directors, Chief Executive Officer and key management personnel	12,382	14,215
Contributions to staff provident fund	1,683	1,699

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

for the six month period ended 31 December 2012

(Un-audited)
31 December
2012
Rupees in thousand

(Audited)
30 June
2012

Period / year end balances

Due to associated undertakings	14,673	100,034
Due from related parties	17	6
Payable to provident fund	557	594

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 15% on spare parts in connection with the repairs of motor vehicles, due to group policy. The effect of this policy on the balance sheet and profit and loss account is considered to be immaterial.

11. Segmental analysis

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

Juice drinks activities

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

Other operating activities

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

Segment analysis of profit and loss account for six month period ended 31 December 2012:

	Juice Drinks	Others Rupees in thousand	Total
Sales	1,921,545	438,405	2,359,950
Cost of sales	1,349,828	327,983	1,677,811
Profit before taxation	571,717	110,422	682,139
Unallocated expenses			
Corporate expenses			(458,457)
Finance costs			(25,298)
Other operating expenses			(58,879)
Other operating income			16,961
Share of profit from an associate			-
Taxation			(57,000)
Profit after taxation			99,466

Segment analysis of assets and liabilities as at 31 December 2012:

	Juice Drinks	Others Rupees in thousand	Total
Segment assets	1,667,891	373,787	2,041,678
Unallocated assets			196,693
Total			2,238,371
Segment liabilities	130,623	91,920	222,543
Unallocated liabilities			854,716
Total			1,077,259

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

for the six month period ended 31 December 2012

Segment analysis of profit and loss account for six month period ended 31 December 2011:

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

Segment analysis of assets and liabilities as at 30 June 2012:

	Juice Drinks	Others Rupees in thousand	Total
Segment assets	1,329,947	573,988	1,903,935
Unallocated assets			291,507
Total			2,195,442
Segment liabilities	238,503	49,636	288,139
Unallocated liabilities			791,843
Total			1,079,982

12. Earnings per share - basic and diluted

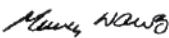
	Six Month Period Ended 31 December 2012		Three Month Period Ended 31 December 2011	
	2012	2011	2012	2011
	Rupees in thousand			
The basic and diluted earnings per share of the Company are based on:				
Profit after taxation attributable to ordinary shareholders	99,466	80,348	23,741	20,893
Weighted average number of ordinary shares at the end of the period (in thousand)	6,600	6,600	6,600	6,600
Earnings per share - Basic and diluted (Rupees)	15.07	12.17	3.60	3.17

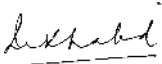
13. Authorization

This condensed interim financial information was authorized for issue by the Board of Directors on 22 February 2013.

14. General

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


Chairman


Chief Executive

Shezan

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KARACHI

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Industrial Area, Karachi 75950, Pakistan.

LAHORE

56 Bund Road, Lahore 54500, Pakistan.

HATTAR

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