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Shezan International Limited



Condensed Interim Financial Information
for the nine month period ended

31 March 2014



Shezan

speed
ENERGY DRINK

UNLIMITED

speed
ENERGY DRINK





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. Firasat Ali	(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.
NIB Bank Limited.





*Jams, Jellies
and Marmalades*



With added
Fruit *Chunks*

www.shezan.biz

Directors' Report to the Members

The Board of Directors takes pleasure in presenting the financial information for the third quarter ended 31 March 2014.

The Company's sales in the nine month period ended 31 March 2014, amounted to Rs. 4.463 billion compared with Rs. 3.622 billion in the corresponding period of the previous year. The increase in sales was due to a quantitative increase in sales of juices in bottled as well as tetra packaging. The gross profit in the nine month period was Rs. 1.297 billion compared with Rs. 1.085 billion in the corresponding period of the previous year. The distribution cost increased substantially and it grew by 27.65% as compared to the previous period. The distribution cost includes advertisement and sales promotion expense of Rs. 344.406 million for the nine month period ended 31 March 2014. We had to incur advertisement and publicity cost to maintain and increase the sales due to stiff competition of local as well as foreign brands in the market. The financing cost in the nine month period of 2014 amounted to Rs. 19.937 million, compared with Rs. 38.930 million in the corresponding period of the previous year. The decrease in financing expenses was mainly due to efficient use of funds during the period under review. However, short term borrowings were made during the period to stock the packaging materials to fulfill the sales demands.

The Company's sales in the third quarter of 2014 were Rs. 1.373 billion as against Rs. 1.263 billion in the third quarter of 2013. The gross profit in the third quarter was Rs. 356.940 million compared with Rs. 403.578 million in the corresponding period of the last year. The decline in gross profit was due to increased energy costs incurred during the quarter. Earnings per share were at Rs. 21.95 and Rs. 4.03 for the nine month period and quarter, respectively.

The energy crisis is playing havoc especially in the Punjab. We continuously have to rely on furnace oil in the absence of sui-gas and diesel to run our generators when there is no electricity. There seems to be no respite on this front in the near future, all indications are that the energy situation would worsen in the summer season ahead.

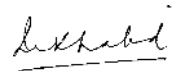
However, in spite of a volatile trend in the market, we are pleased that our juice products are showing encouraging sales trends. On the export front, the demand of our juices is also increasing. Our production facility at Karachi continued to meet the export requirements in Middle East, Africa, USA and Europe. We are optimistic that our products have potential to sustain our growth momentum in the future.

The Company's business strategy focuses mainly on reinforcing and establishing presence in the markets in which it operates and expanding its share in potentially high growth market segments. The next quarter falls in our peak season. Therefore, we will try to increase sales of seasonal products through effective marketing and advertisement strategy.

On the whole, the Board is confident that by the Grace of Allah the results for the current financial year ending 30 June 2014 would be satisfactory as the management is critically aware of the difficult situation that prevails in the country and every effort will be made to maintain growth momentum in our business.

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:
25 April 2014.




Condensed Interim Balance Sheet

as at 31 March 2014

	Note	(Un-audited) 31 March 2014	(Audited) 30 June 2013
Rupees in thousand			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	829,715	764,709
Investments available for sale	6	1,617	1,144
Long term deposits and prepayments		3,368	3,208
		834,700	769,061
CURRENT ASSETS			
Stores and spares		48,688	28,051
Stock in trade		1,018,963	998,614
Trade debts		220,304	248,995
Loans and advances		41,443	14,048
Trade deposits and short-term prepayments		19,598	23,763
Investment available for sale		–	9,860
Accrued financial income		–	408
Income tax recoverable		111,403	35,227
Cash and bank balances		85,951	149,601
		1,546,350	1,508,567
TOTAL ASSETS		2,381,050	2,277,628
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		72,600	66,000
Reserves		1,104,102	953,629
Unappropriated profits		228,135	291,409
TOTAL EQUITY		1,404,837	1,311,038
NON-CURRENT LIABILITIES			
Deferred taxation		63,735	50,392
		63,735	50,392
CURRENT LIABILITIES			
Trade and other payables		452,435	603,972
Mark up accrued on short term borrowings		3,578	5,988
Short term borrowings	7	226,518	154,948
Provision for taxation		229,947	151,290
		912,478	916,198
TOTAL LIABILITIES		976,213	966,590
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		2,381,050	2,277,628

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chairman


Chief Executive

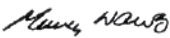


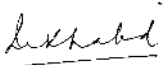
Condensed Interim Profit and Loss Account (Un-audited)

for the nine month period ended 31 March 2014

	Note	Nine month period ended		Three month period ended	
		31 March		31 March	
		2014	2013	2014	2013
		Rupees in thousand		Rupees in thousand	
Sales - net		4,463,238	3,622,995	1,373,625	1,263,045
Cost of sales		3,165,581	2,537,278	1,016,685	859,467
Gross profit		1,297,657	1,085,717	356,940	403,578
Distribution cost		801,994	628,276	229,144	239,824
Administrative expenses		154,367	117,228	49,053	47,223
Other operating expenses		102,777	89,394	31,668	30,515
Other operating income		(32,744)	(24,518)	(6,151)	(7,557)
		1,026,394	810,380	303,714	310,005
Operating profit		271,263	275,337	53,226	93,573
Finance cost		19,937	38,930	6,979	13,632
Profit before taxation		251,326	236,407	46,247	79,941
Taxation		92,000	90,000	17,000	33,000
Net profit for the period		159,326	146,407	29,247	46,941
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent period					
Unrealized gain/(loss) on remeasurement of investment - available for sale					
		473	244	(61)	58
Total comprehensive income for the period		159,799	146,651	29,186	46,999
		Re-stated		Re-stated	
Earnings per share - basic and diluted (Rupees)	11	21.95	20.17	4.03	6.47

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chairman


Chief Executive



Condensed Interim Cash Flow Statement (Un-audited)

for the nine month period ended 31 March 2014

	Nine month period ended 31 March	
	2014	2013
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations:		
Profit before taxation	251,326	236,407
Adjustments for:		
Depreciation	101,650	43,509
Interest/mark-up	16,720	36,647
Profit on bank deposits	(3,081)	(2,085)
Gain on sale of investment	(215)	-
Impairment / deterioration in value of shells, pallets and barrels	11,117	12,155
Impairment in the value of investment in associate	-	172
Loss /(gain) on disposal of property, plant and equipment	1,564	(908)
	127,755	89,490
Operating profit before working capital changes	379,081	325,897
(Increase)/decrease in current assets:		
Stores and spares	(20,637)	(12,307)
Stock in trade	(20,349)	59,525
Trade debts	28,691	(46,892)
Loans and advances	(27,395)	(22,070)
Trade deposits and short-term prepayments	4,165	13,819
	(35,525)	(7,925)
Increase/(decrease) in current liabilities:		
Trade and other payables	(151,746)	(138,857)
Short term borrowings	71,570	189,575
	(80,176)	50,718
Cash generated from operations:	263,380	368,690
Interest/mark-up paid	(19,130)	(33,226)
Profit on bank deposits	3,489	2,522
Income tax paid	(76,176)	(57,571)
Net cash generated from operating activities	171,563	280,415
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(232,631)	(142,967)
Sale proceeds from disposal of property, plant and equipment	53,294	2,153
Proceeds from sale of investment	10,075	-
Long term deposits	(160)	2,131
Net cash used in investing activities	(169,422)	(138,683)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of obligations under finance lease	-	(13,844)
Dividend paid	(65,791)	(53,787)
Net cash used in financing activities	(65,791)	(67,631)
Net (decrease)/ increase in cash and cash equivalents	(63,650)	74,101
Cash and cash equivalents at the beginning of the period	149,601	109,169
Cash and cash equivalents at the end of the period	85,951	183,270

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

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

Chairman

Chief Executive




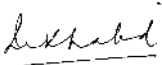
Condensed Interim Statement of Changes in Equity (Un-audited)

for the nine month period ended 31 March 2014

	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 2012	60,000	5,000	-	820,000	-	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 nine month period ended 31 March 2013	-	-	-	-	-	146,407	146,407
Other comprehensive income	-	-	-	-	244	-	244
Total comprehensive income	-	-	-	-	244	146,407	146,651
Balance as at 31 March 2013	66,000	5,000	-	950,000	(1,384)	188,495	1,208,111
Balance as at 01 July 2013	66,000	5,000	-	950,000	(1,371)	291,409	1,311,038
Transfer to General reserve	-	-	-	150,000	-	(150,000)	-
Dividend @ Rs.10/- per share for the year ended 30 June 2013	-	-	-	-	-	(66,000)	(66,000)
Transfer to reserve for issue of bonus shares	-	-	6,600	-	-	(6,600)	-
Issue of bonus shares @ 10% for the year ended 30 June 2013	6,600	-	(6,600)	-	-	-	-
Net profit for the nine month period ended 31 March 2014	-	-	-	-	-	159,326	159,326
Other comprehensive income	-	-	-	-	473	-	473
Total comprehensive income	-	-	-	-	473	159,326	159,799
Balance as at 31 March 2014	72,600	5,000	-	1,100,000	(898)	228,135	1,404,837

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chairman


Chief Executive



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

for the nine month period ended 31 March 2014

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 measurements

2.1 This condensed interim financial information of the Company for the nine month period ended 31 March 2014 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 2013.

2.3 This condensed interim financial information is un-audited.

3. Accounting policies

The accounting policies adopted and applied by the Company for the preparation of this interim condensed financial information are the same as were adopted and applied in the preparation of the preceding annual audit financial statements for the year ended 30 June 2013.

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), at cost, made during the nine month period ended 31 March 2014 are as follows:

	Additions Rupees in thousand	Deletions/ Transfers
Company owned assets		
Plant and machinery	4,236	(775)
Furniture and fixture	122	-
Motor vehicles	15,820	(3,219)
Electric equipment	36,477	-
Forklifts	4,927	(300)
Computers and accessories	1,553	-
Empty bottles, shells, pallets and barrels	143,944	(97,071)
	207,079	(101,365)
Capital work in progress		
Motor vehicles	31,991	(16,702)
Buildings	10,261	-
Total	42,252	(16,702)
Grand total	249,331	(118,067)



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

for the nine month period ended 31 March 2014

6. Investments available for sale

	Note	(Un-audited) 31 March 2014 Rupees in thousand	(Audited) 30 June 2013
Quoted Modaraba BRR Guardian Modaraba 305,000 (30 June 2013: 305,000) certificates of Rs. 10/- each Less: Loss on remeasurement	6.1	2,375 (758) 1,617	2,375 (1,231) 1,144

6.1 The above investment represents 0.39% (30 June 2013: 0.39%) of the issued certificate capital of the Modaraba.

7. Short term borrowings - secured

The aggregate short term borrowings available from commercial banks under the mark-up arrangement are Rs. (thousand) 1,475,000 (30 June 2013: Rs. (thousand) 975,000). The rate of mark-up ranges between 1 month KIBOR + 0.50% to 3 month KIBOR + 0.50% (30 June 2013: 1 month KIBOR + 0.50% to 3 month KIBOR + 0.50%), payable quarterly.

The facilities are secured against first registered joint pari passu hypothecation and ranking charge on current assets of the Company up to Rs. (thousand) 1,215,000 (30 June 2013: Rs. (thousand) 1,215,000) and Rs. (thousand) 948,000 (30 June 2013: Rs. (thousand) 200,000) respectively. The un-utilized facility for opening letters of credit and for guarantees as at 31 March 2014 amounts to Rs. (thousand) 155,600 (30 June 2013: Rs. (thousand) 137,245) and Rs. (thousand) 86,454 (30 June 2013: Rs. (thousand) 50,621), respectively.

8. Contingencies and commitments

a) Contingencies

- There has been no change in the status of the contingencies reported in the annual audited financial statements for the year ended 30 June 2013.

b) Commitments

- Commitments in respect of letter of credit established for the import of raw and packing materials amounted to Rs. (thousand) 34,400 (30 June 2013: Rs. (thousand) 17,755).
- Counter guarantees in favor of banks in the ordinary course of business amounted to Rs. (thousand) 23,546 (30 June 2013: Rs. (thousand) 24,379).



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

for the nine month period ended 31 March 2014

9. 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:

	Nine month period ended 31 March	
	2014	2013
	Rupees in thousand	
Transactions during the period		
Associated undertakings		
Purchases of raw materials	402,519	347,499
Sales of finished goods	901	755
Plant and machinery acquired in settlement of investment on winding up	–	7,500
Royalty charged	41,076	36,232
Purchases/repairs of electric equipment/vehicles	255	12
Services received	513	1,889
Remuneration and benefits of directors, Chief Executive Officer and key management personnel	27,130	19,225
Contributions to staff provident fund	3,118	2,493
	(Un-audited) 31 March 2014	(Audited) 30 June 2013
	Rupees in thousand	

Period / year end balances

Due to associated undertakings	56,126	32,927
Due from related parties	50	34
Payable to provident fund	–	1,041

All transactions with related parties and associated undertakings are entered into at arm's length determined in accordance with comparable uncontrolled price methods 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 repair 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.



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

for the nine month period ended 31 March 2014

10. 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 nine month period ended 31 March 2014:

	Juice Drinks	Others Rupees in thousand	Total
Sales	3,841,643	621,595	4,463,238
Cost of sales	2,650,220	515,361	3,165,581
Profit before taxation	1,191,423	106,234	1,297,657
Unallocated expenses			
Corporate expenses			(956,361)
Finance costs			(19,937)
Other operating expenses			(102,777)
Other operating income			32,744
Taxation			(92,000)
Profit after taxation			159,326

Segment analysis of assets and liabilities as at 31 March 2014:

	Juice Drinks	Others Rupees in thousand	Total
Segment assets	1,678,116	428,536	2,106,652
Unallocated assets			274,398
Total			2,381,050
Segment liabilities	129,696	172,568	302,264
Unallocated liabilities			673,949
Total			976,213



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

for the nine month period ended 31 March 2014

Segment analysis of profit and loss account for nine month period ended 31 March 2013:

	Juice Drinks	Others Rupees in thousand	Total
Sales	3,006,677	616,318	3,622,995
Cost of sales	2,082,875	454,403	2,537,278
Profit before taxation	923,802	161,915	1,085,717
Unallocated expenses			
Corporate expenses			(745,504)
Finance costs			(38,930)
Other operating expenses			(89,394)
Other operating income			24,518
Taxation			(90,000)
Profit after taxation			146,407

Segment analysis of assets and liabilities as at 30 June 2013:

	Juice Drinks	Others Rupees in thousand	Total
Segment assets	1,615,383	399,070	2,014,453
Unallocated assets			263,175
Total			2,277,628
Segment liabilities	273,369	95,618	368,987
Unallocated liabilities			597,603
Total			966,590

11. Earnings per share - basic and diluted

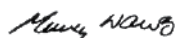
	Nine month period ended 31 March		Three month period ended 31 March	
	2014	2013	2014	2013
	Rupees in thousand			
The basic and diluted earnings per share of the Company are based on:				
Profit after taxation attributable to ordinary shareholders	159,326	146,407	29,247	46,941
Weighted average number of ordinary shares at the end of the period (in thousand)	7,260	7,260	7,260	7,260
Earnings per share - Basic and diluted (Rupees)	21.95	20.17	4.03	6.47

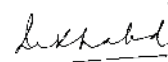
12. Authorization

This condensed interim financial information was authorized for issue by the Board of Directors on 25 April 2014.

13. General

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


Chairman


Chief Executive





Shezan

THICK
TOMATO
KETCHUP



