Shezan

Fruitfully Yours

ANNUAL REPORT 2019

OUR VISION

To be known as leader of quality products in the region.

Dedication to quality is a way of life at our Company, so much so that it goes far beyond rhetorical slogans. It is the objective of Shezan International Limited to produce and provide products and services of the highest quality. In its activities the Company will pursue goals aimed at the achievement of quality excellence and succeed as a profitable business. These results will be derived from the dedicated efforts of each employee in conjunction with supportive participation from management at all levels of the Company.

To play its role in the economic development of the country and to enhance quality of life of its people.

OUR MISSION

Our mission is to provide the highest quality fruit and vegetable related juices and products to retail and food service customers.

We want to be the recognized industry leader in quality and service, providing more than expected for our customers, employees and stakeholders.

We will accomplish this by maintaining a tradition of pride in our products, growth through innovation, integrity in the management of our business, commitment to Team Management and the Quality Improvement Process.

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Shezan

Packed with happiness

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/Shezan.pk @ShezanIntLtd

حلال
HALAL

An ISO 9001, ISO 22000
& HACCP Certified Company

COMPANY INFORMATION

Board of Directors:

Mr. Muneer Nawaz	Chairman
Mr. Humayun A. Shahnawaz	Chief Executive
Mr. Mahmood Nawaz	
Mr. M. Naeem	
Mr. Rashed Amjad Khalid	
Ms. Manahil Shahnawaz	
Mr. Muhammad Khalid*	(Independent Director)
Mr. Shahid Hussain Jatoi	(N.I.T. Nominee)

Chief Financial Officer:

Mr. Faisal Ahmad Nisar, FCA

Company Secretary:

Mr. Khurram Babar

Audit Committee:

Mr. Muhammad Khalid	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

Human Resource & Remuneration Committee:

Mr. Muhammad Khalid	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Humayun A. Shahnawaz	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

Website:

www.shezan.pk

Auditors:

EY Ford Rhodes,
Chartered Accountants,
96-B-1, 4th Floor, Pace Mall Building,
M. M. Alam Road, Gulberg II, Lahore.

Share Registrar:

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

Legal Advisors:

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

Bankers:

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

*Mr. Muhammad Khalid co-opted by the Board w.e.f 04 December 2018.
**Mr. Saifi Chaudhry passed away on 09 September 2018.

NOTICE OF MEETING

The 56th Annual General Meeting of the Company will be held on 26 October 2019 at 11:00 am at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore, to transact the following businesses:

A. ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting of the Company held on 27 October 2018.

2. To receive and adopt the Audited Financial Statements of the Company for the year ended 30 June 2019 together with the Directors' and Independent Auditors' Report thereon.

3. To consider and, if thought fit, approve the cash dividend @ Rs. 5.50 per share, i.e., 55%, as recommended by the Board of Directors, for the year ended 30 June 2019.

4. To appoint External Auditors of the Company for the financial year ending 2019-20 and to fix their remuneration.

B. SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

a) "**RESOLVED THAT** the transaction(s) / agreement(s) / contract(s) carried out by the Company in the normal course of business with related parties for the period from 01 July 2018 to 30 June 2019 be and hereby ratified, approved and confirmed."

b) "**FURTHER RESOLVED THAT** the Chief Executive Officer of the Company be and is hereby authorized to approve all the transaction(s) / agreement(s) / contract(s) carried out and to be carried out in the normal course of business with related parties till the next Annual General Meeting of the Company and in this connection the Chief Executive Officer of the Company be and is hereby authorized to take any and all necessary actions and sign/execute any and all such documents / indentures as may be required in this regard on behalf of the Company."

C. ANY OTHER BUSINESS

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

STATEMENT OF MATERIAL FACTS

Under section 134(3) of the Companies Act, 2017

A Statement required under this section relating to Special Business of agenda items No. 5 is annexed.

By Order of the Board

Khurram Babar
Company Secretary

Karachi:
26 September 2019.

Notes:

1. Share transfer books of the Company will remain closed from 20 October 2019 to 26 October 2019 (both days inclusive). Physical/CDC transfers received in order at the Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on 19 October 2019 will be treated in time for determining the entitlement of cash dividend to the transferees and to attend, speak and vote at the meeting.
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, Shezan International Limited, 56 Bund Road, Lahore, 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 form must agree with the specimen signature registered with the Company. For the convenience of the shareholders, a proxy form is attached with this annual 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 and email: corplink786@gmail.com.
6. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan (SECP).

(A) For attending the meeting:

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless, it has been provided earlier) at the time of attending the meeting.

(B) For appointing proxies:

i. In case of individuals, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii. Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

iii. The proxy shall produce his/her original CNIC or Passport at the time of the meeting.

iv. In case of Corporate entity, the Board of Directors' Resolution/ Power of Attorney with Specimen signature of the person nominated to present any vote on behalf of corporate entity, shall be submitted (unless, it has been provided earlier) along with the Proxy Form to the Company.

7. Pursuant to the provisions of the Finance Act, 2019 with regards to deduction of income tax for cash dividend, the rates of deduction of the income tax, under section 150 of the Income Tax Ordinance, 2001 are as follows:

i. Rate of tax deduction for persons whose names are appearing in Active Taxpayer List (ATL) - 15%

ii. Rate of tax deduction for persons whose names are not appearing in Active Taxpayer List (ATL) - 30%

All the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of issuance of dividend warrants, otherwise tax on their dividend will be deducted @ 30% instead of 15%.

As per FBR's clarification, the valid Exemption Certificate under Section 159 of the Income Tax Ordinance, 2001 is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above clause must provide valid Income Tax Exemption Certificate to our Share Registrar; otherwise income tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

In case of joint account, each account holder is to be treated individually as either an active taxpayer or a non-active taxpayer and income tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company by sending following details on the registered address of the Company and the members who have deposited their shares into Central Depository Company of Pakistan Limited (CDC) are requested to send a copy of detail regarding income tax payment status also to the relevant member of stock exchange and CDC, if maintaining CDC investor account, or if no notification, each joint holder shall be assumed to have equal number of shares.

Company Name	Folio/CDS Account No.	Total Shares	Principal shareholder		Joint shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The CNIC number / NTN detail is now mandatory and is required for checking the income tax status as per the Active Taxpayers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

8. In order to comply with the requirement of Securities & Exchange Commission of Pakistan (SECP) SRO 19(I) / 2014 dated 10 January 2014 & SRO 275(I) / 2016 dated 31 March 2016, those Shareholders who have not yet submitted attested copy of their valid CNIC, are once again requested to provide the same with their folio number to the Company Share Registrar.
9. In accordance with the provisions of Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders.

   In compliance with the said law, in order to receive your future dividends directly in your Bank account, you are required to provide the information mentioned on the Form placed on the Company's website www.shezan.com and send the same to your brokers/the Central Depository Company Limited. If the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form. The Company's Share Registrars address is: M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and email: corplink786@gmail.com.
10. The audited financial statements of the Company for the year ended 30 June 2019 have been made available on the Company's website (www.shezan.com) in addition to annual and quarterly financial statements for the current and prior periods.
11. Form of Proxy is enclosed.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out material facts concerning the Special Business to be transacted at the Annual General Meeting of Shezan International Limited to be held on 26 October 2019.

1. SPECIAL BUSINESS AT AGENDA ITEM NO. 5a

The transaction(s) / agreement(s) / contract(s) carried out in the normal course of business with related parties are approved by the Board of Directors of the Company as recommended by the Audit Committee on quarterly basis pursuant to clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017. In the case of related parties, as mentioned below, a majority of the Directors were common and/or shareholder in related parties and in accordance with the provisions of section 207 of the Companies Act, 2017, the quorum of the directors could not be formed for approval of these transaction(s) / agreement(s) / contract(s). Therefore, these transaction(s) / agreement(s) / contract(s) are being placed before the Shareholders of the Company for their approval through a special resolution proposed to be passed in the Annual General Meeting.

In view of the above, the normal business transaction(s) / agreement(s) / contract(s) conducted for the period from 01 July 2018 to 30 June 2019 with related parties as per following detail are being placed before the Shareholders of the Company for their consideration and approval/ratification.

TRANSACTIONS

Nature of Transaction	Shahtaj Sugar Mills Limited	Shahtaj Textile Limited	Shahnawaz Engineering (Private) Limited	Shezan Services (Private) Limited	Shahnawaz (Private) Limited
	Rupees in thousand				
Purchase of sugar	801,302	–	–	–	–
Sales of finished goods	63	258	25	–	87
Royalty charged	–	–	–	83,039	–
Purchases/repair of electric equipment/ vehicles	–	–	–	–	114

AGREEMENTS

The Company buys sugar from M/s Shahtaj Sugar Mills Limited (a related party on the basis of common directorship) in the normal course of business. These purchases are based on purchase order and delivery of sugar happened after raising of purchase order. Sugar is one of the main ingredients of our products and our whole production scheduling revolves around availability of high quality and timely delivery of sugar. The management of the Company has evaluated that it would be more appropriate to buy the sugar from Shahtaj Sugar Mills Limited on the basis of a binding purchase agreement to ensure smooth and reliable supply.

Accordingly, the Company has entered into purchase agreements with Shahtaj Sugar Mills Limited. The brief details of these agreements are given below:

(A) ADDENDUM DATED 02 AUGUST 2018 TO AGREEMENT EXECUTED ON 14 JUNE 2018

Particular	Original Agreement	Changes through addendum
Time Period	14 June 2018 to 30 September 2018	No change
Quantity	4,000 Metric Ton	5,000 Metric Ton
Total Price	PKR 184,800,000 (excluding sales tax)	PKR 231,000,000 (excluding sales tax)
Per KG Price	PKR 46.20 /kg excluding sales tax and PKR 51/kg including sales tax	No change
Payment Terms	100% advance payment	No change
Delivery Terms	As and when required	No change

(B) NEW AGREEMENT

Time Period:	06 February 2019 to 31 May 2019
Quantity:	5,800 Metric Ton
Total Price:	PKR 300,000,000 (excluding sales tax)
Per KG Price:	PKR 51.70 /kg excluding sales tax and PKR 56.50/kg including sales tax
Payment Terms:	100% advance payment
Delivery Terms:	As and when required

Price and other terms were negotiated after obtaining quotations from other parties to ensure that the agreement is on arm's length basis.

These have resulted in following benefits:

- Smooth and reliable supply;
- Delivery as per our schedule;
- Consistent quality; and
- Proper production scheduling.

The name of Directors and nature of their interest in the proposed resolution is as under:

Name of Directors	Shahtaj Sugar Mills Limited	Shahtaj Textile Limited	Shezan Services (Private) Limited	Shahnawaz Engineering (Private) Limited	Shahnawaz (Private) Limited	Information Systems Associate Limited
Mr. Muneer Nawaz	Chief Executive	Chairman	Chairman	Shareholder	Director	Chairman
Mr. Humayun A. Shahnawaz	-	Shareholder	-	-	Shareholder	Shareholder
Mr. Mahmood Nawaz	Director	Director	Director	Shareholder	Chairman	Shareholder
Mr. M. Naeem	Director	Chief Executive	Chief Executive	Shareholder	Chief Executive	Director
Mr. Rashed Amjad Khalid	Director	Shareholder	Director	Director	Shareholder	Shareholder
Ms. Manahil Shahnawaz	Shareholder	-	-	-	-	-

2. SPECIAL BUSINESS AT AGENDA ITEM NO. 5b

The Company would be conducting transaction(s) / agreement(s) / contract(s) with related parties in the normal course of business. The majority of the Directors are common and/or shareholder in related parties as detailed herein above (Agenda item no. 5a) and in accordance with the provisions of section 207 of the Companies Act, 2017, the quorum of the Directors would not be forming for approval of related party transaction(s) / agreement(s) / contract(s). Therefore, in order to comply with the provisions of clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017, the Shareholders of the Company may authorize the Chief Executive to approve transaction(s) / agreement(s) / contract(s) already carried out and to be carried out in the normal course of business with related parties till the next Annual General Meeting of the Company.

The names of Directors and nature and extent of their interest in the proposed resolution is the same as detailed in statement under Agenda item no. 5a above.

REVIEW REPORT BY THE CHAIRMAN

I am pleased to present the performance of the Company for the year ended 30 June 2019. While operating in a competitive environment and instable economy, the Company managed to register a steady performance in terms of Sales Revenue as compared to previous year.

The Board comprises of directors with varied backgrounds having rich experience in the fields of business, finance and investment. The Board is available for the guidance to the management on various strategic issues and make timely decisions in this respect. The Board ensures compliance of all regulatory requirements by the management. During the year, the Board approved a risk management framework after identification of different risks and their mitigating measures.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shezan International is carried out. The purpose of this evaluation is to assess the Board's overall performance and effectiveness. The Board is assisted by its various committees. The Audit Committee reviews the financial statements and ensures that the financial statements fairly represent the financial position of the Company. It also ensures effectiveness of internal controls. The Human Resource Committee overviews human resource policy framework and recommends selection and compensation of senior management.

I assure you that Company's Board is fully committed to take the Company to new levels of excellence and continues to maintain its momentum of growth and prosperity in the future.

Karachi:
26 September 2019.

Muneer Nawaz
Chairman

چیئرمین جائزہ رپورٹ

میں شیزان انٹرنیشنل کی اختتام شدہ مالی سال 30 جون 2019ء کی کارکردگی پیش کرتا ہوں۔ مسابقتی ماحول اور معیشت میں عدم استحکام کے ماحول کے باوجود کمپنی نے پچھلے سال کے مقابلے میں بہتر فروخت کے حصول میں مستحکم کارکردگی دکھائی ہے۔

بورڈ آف ڈائریکٹرز میں نہایت تجربہ کار ڈائریکٹرز شامل ہیں جو کاروباری، مالیاتی اور سرمایہ کاری کے میدان میں وسیع مہارت رکھتے ہیں۔ بورڈ انتظامی امور میں انتظامیہ کی راہ نمائی کے لئے دستیاب ہوتا ہے اور بروقت فیصلے کرتا ہے۔ بورڈ انتظامیہ کی جانب سے تمام قانونی ضروریات کو پورا کرنے کی یقین دہانی کرواتا ہے۔ سال کے دوران بورڈ نے مختلف خطرات سے نمٹنے اور انکے حل کے لئے بہتر فریم ورک کی منظوری دی ہے۔

جیسا کہ کارپوریٹ گورننس کے تحت شیزان کے بورڈ آف ڈائریکٹرز کی سالانہ کارکردگی پرکھی گئی ہے۔ اس جائزہ کا مقصد بورڈ کی کارکردگی اور تاثیر کا ادراک ہوتا ہے۔ بورڈ کی مدد کے لئے مختلف کمیٹیاں ہوتی ہیں۔ آڈٹ کمیٹی مالی گوشواروں کا جائزہ لیتی ہے اور اس بات کو یقینی بناتی ہے کہ مالیاتی رپورٹس کمپنی کی مالیتی حیثیت کو بہتر انداز میں ظاہر کریں۔ یہ کمیٹی داخلی کنٹرولز کی افادیت کو بھی یقینی بناتی ہے۔ انسانی وسائل کی کمیٹی انسانی وسائل کی پالیسی کے فریم ورک کا جائزہ لیتی ہے اور سینیئر انتظامیہ کے چناؤ اور معاوضہ کی سفارشات دیتی ہے۔

میں اس بات سے پُر اُمید ہوں کہ کمپنی کا بورڈ کمپنی کو جدت کے نئے اُفق پر لے جانے کی بھرپور صلاحیت رکھتا ہے اور مستقبل میں خوشحالی اور نمو کی رفتار کے سلسلے کو برقرار رکھے گا۔

منیر نواز
چیئرمین

کراچی:
26 ستمبر 2019ء

DIRECTORS' REPORT
To the Members

On behalf of the Board of Directors of Shezan International Limited, we are pleased to present the Directors' Report together with Audited Financial Statements of the Company for the year ended 30 June 2019.

ECONOMIC OVERVIEW

The economy of Pakistan could not maintain its growth momentum as compared to corresponding fiscal year of 2018. The growth momentum became unsustainable due to rising macroeconomic imbalances. The macroeconomic stability is a prerequisite for sustained economic growth. The trade deficit and fiscal deficit are two major factors that remained persistent in the Pakistan economy. The inability to achieve sustained economic growth is due to consumption led growth. The investment did not pick up as higher demand was met primarily through imports leading to enormous rise in external imbalances. During the year under review adverse and unprecedented volatility in the economic factors mainly the depreciation in Pak rupee and upward revision in policy rate by State Bank of Pakistan, lead to increase in business cost.

BUSINESS OVERVIEW

Manufacturing sector plays a vital role in economic development. The large-scale manufacturing (LSM) growth during FY 2019 declined to 2.93% as compared to 6.33% in the same period last year. The Food & Beverages sector recorded a decline of 4.7% as compare to 0.76% decline in the preceding year. However, management's focus was on internal efficiencies for quality improvement of our products and to put efforts to reduce the cost of doing business. We continued our efforts to create customized products and to become a customer's preferent choice in today's very competitive world. During the year, we rebranded our 'All Pure' juice/nectar segment with the brand name of 'Happy Farms' and introduced a new packing line Tetra Gemina Aseptic for our 1000ml juice/nectar segment.

OPERATIONAL PERFORMANCE

Summarized operating performance of the Company for the FY-2019 is as follows:

Particulars	2019	2018
	Rupees in thousand	
Revenue from contracts with customers	**7,704,097**	7,503,273
Gross profit	**1,531,339**	2,097,432
Profit before taxation	**151,934**	489,232
Net profit after tax	**113,074**	394,793
		Re-stated
Earnings per share (Rs.)	**12.87**	44.94

We have not been able to achieve satisfactory volumetric growth in our major segments of business. One of the reasons is rebranding of 'All Pure' juice range and secondly stiff challenging competition from local players. Furthermore, certain major external factors have also left adverse impact on Company's profits among unprecedented devaluation of Pak rupee against US dollar and hike in POL prices. The cost of utilities and prices of raw/packing materials, pulps and sugar have also increased significantly. Furthermore, there is a substantial increase in finance costs due to the high policy rates which has badly affected the profits of the Company.

The Company undertook measures and increased its selling prices and put cost control measures in place as well. However, the Company was unable to pass on the full impact of cost increases to consumers.

APPROPRIATIONS

Based on performance of the Company, the Board has proposed a final dividend of Rs. 5.50 per share (55%) in respect of the financial year ended 30 June 2019. This final dividend will be subject to the approval of shareholders in 56th Annual General Meeting scheduled on 26 October 2019.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company has paid Rs. 1.746 billion to the national exchequer on account of different levies, including sales tax and income tax reflecting our participation in the national economy.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company were observed between the end of the financial year of the Company to which the financial statements relate and the date of the report.

FUTURE PROSPECTS

The Company is well-prepared to respond vigilantly to sudden changes in macroeconomic factors by realigning its business strategies to keep the Company buoyant and growing. The Company is prepared to take every possible step for seizing emerging opportunities in the local and international markets to maintain and enhance its market share while paying special attention to achieve fair profit margins.

RISKS AND UNCERTAINTIES

The Company is exposed to the following risks and uncertainties: -

- Persisting decline in the rupee value against the U.S dollar will enhance our import cost.
- Increase in oil, gas and electricity prices.
- Persisting increase in interest rates on financial borrowings.
- Potential water charge of Rs. 1/- per liter on extraction of ground or use of surface water:

Subsequent to the decision of the Honorable Supreme Court of Pakistan in Suo Moto case no. 26 of 2018 regarding use of ground or surface water by bottling and beverage companies, the Company is subject to a potential water charge of Rs. 1/- per liter on extraction of ground or surface water. The Company is actively contesting this decision of the Honorable Supreme Court of Pakistan and has filed a review petition.

Since this water charge has a very huge impact therefore on the representations of various affected companies, the Supreme Court of Pakistan has issued an interim order for the payment of 25% of the bills, based on production data of each company. In current year's financial statements, the Company has recognized an expense of Rs. 19.7 million based on 25% of production volume of beverages for the period from December 2018 to June 2019 in line with the Honorable Supreme Court's order. However, remaining potential charge, the amount of which cannot be quantified since the matter is subjudice, has been recognized as a contingency as disclosed in note 23.1 (ix) of the financial statements.

The Company takes these risks as a challenge with the confidence that it has the ability and trained professional workforce to mitigate the impact of these risks and uncertainties.

INTERNAL FINANCIAL CONTROLS

A system of sound internal control is established and prevailing in the Company. The system of internal control is designed in a manner to ensure achievement of Company's business objectives and operational efficiency, reliable financial reporting and compliance with various statutory laws.

FINANCIAL AND CORPORATE REPORTING FRAME WORK

The Directors are pleased to state that the Company is complying with the provisions of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan (SECP).

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International reporting standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- There are no doubts on the Company's ability to continue as a going concern.
- Summary of key operational and financial data for the last six years annexed in this annual report.
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- Fair value of investments of provident fund as at 30 June 2019 was Rs. 197 million.
- The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children shareholding and changes therein during the year is disclosed in "Categories of Shareholders".

CORPORATE INFORMATION

Composition of the Board

The total number of Directors are eight (08) as per the following:

a. Male: Seven (07)

b. Female: One (01)

The composition of the Board is as follows:

Independent Directors	Mr. Muhammad Khalid* Mr. Saifi Chaudhry**
Other Non-Executive Directors	Mr. Muneer Nawaz Mr. M. Naeem Mr. Rashed Amjad Khalid Mr. Shahid Hussain Jatoi
Executive Directors	Mr. Mahmood Nawaz Mr. Humayun A. Shahnawaz Ms. Manahil Shahnawaz

Composition of the Committees

The Board has formed following committees comprising of members as given below:

Audit Committee

Mr. Muhammad Khalid***	Chairman
Mr. Saifi Chaudhry***	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

Human Resource and Remuneration Committee

Mr. Muhammad Khalid****	Chairman
Mr. Saifi Chaudhry****	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Humayun A. Shahnawaz	Member

CHANGES IN THE BOARD AND COMMITTEES

Following changes have taken place in the Board and various committees:

* The Board has co-opted Mr. Muhammad Khalid as Independent Director on 04 December 2018.

** Mr. Saifi Chaudhry passed away on 09 September 2018.

*** During the year Mr. Muhammad Khalid had joined the Audit committee as Chairman of the committee in place of Mr. Saifi Chaudhry. We appreciate the contributions made by Mr. Saifi Chaudhry during his tenure as Chairman of the committee.

**** Mr. Muhammad Khalid had joined the Human Resource Committee as Chairman of the committee in place of Mr. Saifi Chaudhry. We appreciate the contributions made by Mr. Saifi Chaudhry during his tenure as Chairman of the committee.

FREQUENCY OF THE MEETINGS

During the year, four (04) Board of Directors meetings were held. Attendance of these meetings was as follows:

Name of Directors	No. of Meetings Attended
Mr. Muneer Nawaz	4
Mr. Mahmood Nawaz	2
Mr. M. Naeem	2
Mr. Rashed Amjad Khalid	4
Ms. Manahil Shahnawaz	1
Mr. Humayun A. Shahnawaz	4
Mr. Muhammad Khalid	2
Mr. Shahid Hussain Jatoi	4

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

During the year, the Audit Committee met four (04) times. 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. Attendance by each director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Muneer Nawaz	4
Mr. M. Naeem	2
Mr. Rashed Amjad Khalid	4
Mr. Muhammad Khalid	2

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

During the year, one (01) meeting of the Human Resource and Remuneration Committee was held. Attendance by each director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Muneer Nawaz	1
Mr. M. Naeem	1
Mr. Humayun A. Shahnawaz	1
Mr. Muhammad Khalid	-

Leave of absence was granted to the Directors, who could not attend the Human Resource and Remuneration Committee meeting.

RELATED PARTY TRANSACTIONS

The Directors confirm the following regarding related party transactions:

That the transactions undertaken with related parties during the year ended 30 June 2019 have been reviewed by the Audit Committee and recommended by the Board of Directors for consideration and approval by the Shareholders in the upcoming AGM.

1. That the amounts or appropriate proportions of outstanding, items pertaining to related parties and receivables/payables from the related parties as on 30 June 2019 are as follows:

Name of Related Party	Payable	Receivable
	Rupees in thousand	
Shezan Services (Private) Limited	47,050	Nil

1. The Company purchases sugar from M/s. Shahtaj Sugar Mills Limited (Shahtaj) in the normal course of business. These supplies are delivered on the basis of purchase orders. Sugar is one of the main ingredients of our finished products and our whole production schedule revolves around the availability of high-quality sugar.

   The management of the Company has evaluated that it would be more appropriate to buy the sugar from Shahtaj on the basis of a binding purchase agreement to ensure smooth and reliable supply; delivery as per pre-determined schedule; consistent quality and proper production scheduling.

   Accordingly, a purchase agreement was signed between the Company and Shahtaj for a period from 06 February 2019 to 31 May 2019 for the supply of 5,800 Metric Ton sugar at a total price of Rs. 300 million (excluding sales tax). Per Kg price was Rs. 51.70/- excluding sales tax and Rs. 56.50/- including sales tax. Total price was paid in advance and delivery term was as and when required.

   Moreover, an addendum dated 02 August 2018 to an agreement executed on 14 June 2018 was also executed, brief particulars of which are as follow:

Particular	Original Agreement	Changes through addendum
Time Period	14 June 2018 to 30 September 2018	No change
Quantity	4,000 Metric Ton	5,000 Metric Ton
Total Price	PKR 184,800,000 (excluding sales tax)	PKR 231,000,000 (excluding sales tax)
Per KG Price	PKR 46.20 /kg excluding sales tax and PKR 51/kg including sales tax	No change
Payment Terms	100% advance payment	No change
Delivery Terms	As and when required	No change

2. The Company has a five years' royalty agreement with M/s. Shezan Services (Pvt.) Limited starting from 01 January 2016 and ending on 31 December 2020. The royalty is to be paid at 1% on the net sales and payable on quarterly basis.

FINANCIAL STATEMENTS

An Independent Auditor's report to the members, issued by external auditors Messrs. EY Ford Rhodes, Chartered Accountants after due audit of financial statements of the Company, is annexed.

EVALUATION OF BOARD'S PERFORMANCE

The Board has developed a mechanism of annual performance evaluation. Every member of the board ensures his active participation in the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best practices of the Code of Corporate Governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments. Details of Directors' training program have been disclosed in the Statement of Compliance with the Code of Corporate Governance.

PATTERN OF SHAREHOLDING

Pattern of Shareholding as on 30 June 2019 and its disclosure according to the requirement of Code of Corporate Governance is annexed to this report.

EXTERNAL AUDITORS

Messrs. EY Ford Rhodes, Chartered Accountants have completed their assignment for the year 2018-19 and will retire at the conclusion of the 56th Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee, proposes the appointment of Messrs. EY Ford Rhodes, Chartered Accountants, for the year ending 30 June 2020.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The Board from time to time reviews and determines the fee of Non-Executive and independent directors for attending the Board and different committees' meetings, which are subsequently presented in front of shareholders in the annual general meeting for approval.

CORPORATE SOCIAL RESPONSIBILITIES

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

HEALTH, SAFETY AND ENVIRONMENT

The Company complies with all applicable rules and regulations in the formulation, manufacture, labeling and marketing of its products and also takes active measures to reduce discharge of hazardous waste in the environment. In order to remain environment friendly, the Company encourages its employees to identify potentially hazardous conditions, incorporates health and safety considerations into their daily activities and provides training on work safety and sound environmental practices.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, we would like to express our special gratitude to all the shareholders for their continued support, valued input and encouragement. Further, we would also like to place on record the dedication, professional commitment and efforts of management for steering the Company in the right direction and the commendable services rendered by its Employees. We also acknowledge the hard work, dedication and commitment of our fellow directors during the year.

For and on behalf of the Board

Muneer Nawaz	**Humayun A. Shahnawaz**
Chairman	Chief Executive

Karachi:

26 September 2019.

بورڈ کی کارکردگی کا جائزہ:

بورڈ نے سالانہ کارکردگی کے جائزہ کے لئے ایک طریقہ کار بنایا ہوا ہے۔ بورڈ کا ہر عہدیدار بورڈ میٹنگز میں فعال شمولیت کو یقینی بناتا ہے۔ اسٹریٹجک معاملات پر تفصیلی بات چیت ہوتی ہے اور انتظامیہ کو واضح ہدایات دی جاتی ہیں۔ جنکی بورڈ اور اسکی کیمٹیاں تسلسل کے ساتھ نگرانی کرتی ہیں۔ بورڈ اس بات کو یقینی بناتا ہے کہ کمپنی کارپوریٹ گورننس کے بہترین اصول اپنائے۔ بورڈ ہر سہ ماہی پر اس مقصد کے ساتھ کہ کم کارکردگی دکھانے والے کاروباری شعبوں کو بہتر کیا جا سکے، تمام کاروباری شعبوں کی کارکردگی کا جائزہ لینا ہے۔ اس کے ساتھ تمام منافع بخش (کاروباری) شعبوں میں مزید نمو کے مواقع تلاش کرنے پر زور دیتا ہے۔ کوڈ آف کارپوریٹ گورنینس کی وضع کردہ سٹیٹ مینٹ آف کمپلائنس میں ڈائریکٹرز کی تربیت کی تفصیلات دی گئی ہیں۔

حصص داران کی تفصیل:

اس رپورٹ کے ساتھ حصص داران کی تفصیلات بھی کوڈ آف کارپوریٹ گورنینس کے مطابق منسلک کی گئی ہے۔

بیرونی آڈیٹرز:

میسرز ای وائے فورڈ روڈز چارٹرڈ اکاؤنٹینٹس 56ویں سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ اہل ہونے کے باعث انہوں نے اپنے آپکو دوبارہ انتخاب کے لئے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی سفارشات پر انکی دوبارہ تقرری برائے سال 30 جون 2020ء کیلئے تجویز کرتا ہے۔

نان ایگزیکٹیو ڈائیریکٹرز کے معاوضہ کی پالیسی:

بورڈ نان ایگزیکٹیو کی بورڈ اور کمٹیز میں شمولیت کرنے پر ادا کی جانے والی فیس کا وقتاً فوقتاً جائزہ لیتا اور تعین کرتا ہے۔ جو کہ بعد میں منظوری کے لئے سالانہ اجلاس عام میں حصص داران کے سامنے پیش کیا جاتا ہے۔

سماجی ذمہ داریاں:

جنرل آرڈر 2009 کے مطابق تمام تفصیلات کو اس رپورٹ کا لازمی حصہ بنایا گیا ہے۔

صحت اور ماحول:

ادارہ اپنی مصنوعات کی تشکیل، تیاری، لیبلنگ اور مارکیٹنگ میں تمام قابلِ اطلاق تمام قوانین کی تعمیل کرتا ہے اور فضا میں مضر فضلہ کے اخراج کو کم سے کم کرنے کیلئے بھر پور اقدامات کرتا ہے کمپنی اپنے ملازمین کو ممکنہ طور پر خطرناک حالات کی نشاندہی کرنے کی ترغیب دیتی ہے اس کے ساتھ (اپنے ملازمین) کو روزمرہ کی سرگرمیوں میں حفظانِ صحت پر توجہ دینے کی بھی ترغیب دیتی ہے، اور اپنے ملازمین کی کام کے دوران حفاظت اور ماحولیاتی طریقوں سے متعلق تربیت فراہم کرتی ہے۔

اظہارِ تشکر:

بورڈ آف ڈائریکٹرز کی جانب سے اپنے حصص دران کے مسلسل تعاون، قابلِ قدر تجاویز اور حوصلہ افزائی پر اظہار تشکر کرتے ہیں۔ علاوہ ازیں ہم ادارے کو صحیح سمت میں چلانے کیلئے انتظامیہ کی لگن، پیشہ وارانہ عزم، کاوشوں اور ملازمین کی قابلِ ستائش خدمات کو سراہتے ہیں۔ ہم سال کے دوران اپنے ساتھی ڈائریکٹرز کی محنت، لگن اور عزم کا بھی اعتراف کرتے ہیں۔

بورڈ کی جانب سے

منیر نواز
چیئرمین

ہمایوں اے شاہنواز
چیف ایگزیکٹو

کراچی:
26 ستمبر 2019ء

اجلاس کی تفصیل:

اس سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔اجلاس میں حاضرین کی تفصیل درج ذیل ہے۔

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب منیر نواز	4
جناب محمود نواز	2
جناب ایم نعیم	2
جناب راشد امجد خالد	4
محترمہ مناہل شاہ نواز	1
جناب ہمایوں اے شاہ نواز	4
جناب محمد خالد	2
جناب شاہد حسین جتوئی	4

بورڈ کے اجلاس میں شرکت نہ کرنے والوں کو رخصت دے دی گئی۔

اس سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔یہ اجلاس وسط مدتی نتائج کی تصدیق بورڈ آف ڈائریکٹرز کی طرف سے اور بیرونی آڈٹ کے مکمل ہونے سے پہلے اور بعد میں منعقد ہوئے۔

حاضرین کی اجلاس میں شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب منیر نواز	4
جناب ایم نعیم	2
جناب راشد امجد خالد	4
جناب محمد خالد	2

آڈٹ کمیٹی کے اجلاس میں شرکت نہ کرنے والوں کو رخصت دے دی گئی۔

اس سال کے دوران ہیومن ریسورس اور معاوضہ کمیٹی کا ایک اجلاس منعقد ہوا، جس میں حاضری کی تفصیل درج ذیل ہے۔

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب منیر نواز	1
جناب ایم نعیم	1
جناب ہمایوں اے شاہ نواز	1
جناب محمد خالد	-

ہیومن ریسورس اور معاوضہ کمیٹی کے اجلاس میں شرکت نہ کرنے والے ڈائریکٹر کو رخصت دے دی گئی۔

متعلقہ پارٹیوں سے لین دین:

ڈائریکٹرز نے متعلقہ پارٹیوں سے متعلق لین دین کے درج ذیل معاملات کی توثیق کی۔

1۔ 30 جون 2019ء کو ختم ہونے والے مالی سال کے دوران متعلقہ پارٹیوں کے ساتھ لین دین کے معاملات کی آڈٹ کمیٹی نے توثیق کی جو بورڈ آف ڈائریکٹرز کی سفارش پر منظوری کے لئے آنے والے سالانہ اجلاسِ عام (AGM) میں حصص داران کے سامنے پیش کی جائے گی۔

30 جون 2019ء کو متعلقہ پارٹیوں کو قابل ادا / قابل وصول رقوم درج ذیل ہیں۔

متعلقہ پارٹی کا نام	قابل ادا رقم	قابل وصول رقم
	(روپے ہزاروں میں)	
شیزان سروسز (پرائیویٹ) لمیٹڈ	47,050	NIL

2۔ کمپنی عام کاروباری حالات میں شاہ تاج شوگر ملز لمیٹڈ سے چینی خریدتی ہے۔چینی کی ترسیل پرچیز آرڈر کی بنیاد پر ہوتی ہے۔چینی ہماری مصنوعات کا اہم جزو ہے۔اور پیداوار کا تمام جدول اعلیٰ معیار کی چینی کی موجودگی کے گرد گھومتا ہے۔انتظامیہ نے نتیجہ اخذ کیا کہ چینی کی مسلسل اور قابل بھروسہ ترسیل کے لئے شاہ تاج شوگر ملز کے ساتھ خریداری معاہدہ کر لینا زیادہ مناسب ہے اور اسی وجہ سے ایک معاہدہ کر لیا گیا ہے۔یہ معاہدہ 06 فروری 2019ء تا 31 مئی 2019ء برائے ترسیل 5800 میٹرک ٹن کل مالیت 300 ملین روپے سیلز ٹیکس کے علاوہ فی کلو قیمت 51.70 روپے قبل از سیلز ٹیکس اور 56.50 روپے بعد از سیلز ٹیکس طے پایا ہے۔معاہدے کی پوری مالیت پیشگی ادا کر دی گئی ہے اور ترسیل جب اور جیسے چاہیے ہوگی کی شرائط پر ہے۔

علاوہ ازیں 02 اگست 2018ء کو ایک ضمیمہ 14 جون 2018ء کے معاہدہ سے متعلق جاری کیا گیا جسکی تفصیل درج ذیل ہے۔

تفصیلات	اصل معاہدہ	ضمیمہ کے مطابق تبدیلیاں
دورانیہ:	14 جون 2018 سے 30 ستمبر 2018	کوئی تبدیلی نہیں
مقدار:	4000 میٹرک ٹن	5000 میٹرک ٹن
مکمل مالیت:	184 ملین قبل از سیلز ٹیکس	231 ملین قبل از سیلز ٹیکس
فی کلو قیمت:	46.20 روپے قبل از سیلز ٹیکس 51 روپے بعد از سیلز ٹیکس	کوئی تبدیلی نہیں
ادائیگی کی شرائط:	100% پیشگی ادائیگی	کوئی تبدیلی نہیں
ترسیل کی شرائط:	جب اور جیسے چاہیے	کوئی تبدیلی نہیں

3۔ کمپنی نے شیزان سروسز پرائیوٹ لمیٹڈ کے ساتھ رائلٹی کی مد میں پانچ سال کا معاہدہ کیا ہے جو کہ یکم جنوری 2016 سے شروع ہو کر 31 دسمبر 2020ء میں ختم ہوگا۔یہ رائلٹی خالص فروخت کا ایک فیصد ہوگی اور ہر تین ماہ بعد قابل ادا ہوگی۔

مالیاتی گوشوارے:

کمپنی کے مالیاتی نتائج غیر جانبدار آڈٹ جو کہ بیرونی آڈیٹرز میسرز ای وائے فورڈ رہوڈز چارٹرڈ اکاؤنٹنٹس نے غیر جانبدار آڈیٹرز رپورٹ حصص داران کے لئے جاری کی ہے جو کہ سالانہ رپورٹ کے ساتھ منسلک ہیں۔

کمپنی ان خطرات کو اس اعتماد کے ساتھ ایک چیلنج کے طور پر قبول کرتی ہے کہ ہمارے پاس ان خطرات کے اثرات کو کم کرنے کے لئے صلاحیت اور تربیت یافتہ پیشہ وارنہ افرادی قوت ہے۔

اندرونی مالیاتی کنٹرول:

کمپنی میں ایک مضبوط اندرونی محاسبے کا نظام قائم کیا گیا ہے جو کہ کمپنی میں ہر شعبے میں رائج ہے۔ اندرونی کنٹرول کا یہ نظام کمپنی کے مقاصد کے حصول، کام میں بہتری، قابل اعتماد مالیاتی رپورٹنگ اور مختلف قوانین کے ساتھ مطابقت کو یقینی بنانے کیلئے بنایا گیا ہے۔

مالیاتی اور کارپوریٹ رپورٹنگ فریم ورک:

ڈائریکٹرز انتہائی مسرت کے ساتھ مطلع کرتے ہیں کہ کمپنی، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے تقاضوں کے مطابق کوڈ آف کارپوریٹ گورننس کے ضوابط کی تعمیل کرتی ہے۔

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اسکے معاملات، اسکی کاروباری سرگرمیوں کے نتائج، ترسیلات زر اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی نے باضابطہ طور پر اکاؤنٹس کے کھاتوں کو تیار کر رکھا ہے۔
- ان مالیاتی گوشواروں کی تیاری میں ضروری اور مخصوص اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے اور اکاؤنٹنگ کے تخمینے انتہائی منطقی اور محتاط اندازوں پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے اسٹینڈرڈز کی پیروی کی گئی ہے۔
- بطور ادارہ کمپنی کے کام جاری رکھنے کی اہلیت میں کوئی شکوک وشبہات نہیں ہیں۔
- گزشتہ چھ سال کے اہم کاروباری اور مالیاتی حسابات اس سالانہ رپورٹ میں درج ہیں۔
- محصولات سے متعلق معلومات اس سالانہ رپورٹ کا حصہ ہیں۔
- پراویڈنٹ فنڈ کی سرمایہ کاری کی جائز مالیت (فیئر ویلیو) 30 جون 2019ء کو 197 ملین روپے ہے۔
- ڈائریکٹرز، چیف ایگزیکٹیو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور انکے اہل وعیال کی شیئر ہولڈنگ اور اس میں تبدیلی کی تفصیل کو شیئر ہولڈرز کی مد میں ظاہر کیا گیا ہے۔

کارپوریٹ معلومات:

بورڈ کی ترتیب:

کمپنی نے درج ذیل انداز میں قوانین کی ضرورتوں کو پورا کیا ہے۔ بورڈ کے ڈائریکٹرز کی کل تعداد آٹھ (08) ہے جو کہ درج ذیل ہے۔

مرد	سات (07)
خواتین	ایک (01)

بورڈ کی تفصیل درج ذیل ہے:

غیر جانبدار ڈائریکٹر	جناب محمد خالد*
	جناب سیفی چوہدری**
نان ایگزیکٹیو ڈائریکٹرز	جناب منیر نواز
	جناب ایم نعیم
	جناب راشد امجد خالد
	جناب شاہد حسین جتوئی
ایگزیکٹیو ڈائریکٹرز	جناب محمود نواز
	جناب ہمایوں اے شاہنواز
	محترمہ منا اہل شاہنواز

کمیٹیز کی ترتیب:

بورڈ نے درج ذیل ممبران پر مشتمل کمیٹیز تشکیل دی ہیں۔

آڈٹ کمیٹی:

جناب محمد خالد	چیئر مین***
جناب سیفی چوہدری	چیئر مین***
جناب منیر نواز	ممبر
جناب ایم نعیم	ممبر
جناب راشد امجد خالد	ممبر

ایچ آر اور معاوضہ کمیٹی:

جناب محمد خالد	چیئر مین****
جناب سیفی چوہدری	چیئر مین****
جناب منیر نواز	ممبر
جناب ایم نعیم	ممبر
جناب ہمایوں اے شاہنواز	ممبر

بورڈ اور اسکی کمیٹیوں میں تبدیلی۔

مندرجہ ذیل تبدیلیاں بورڈ، مختلف کمیٹیز میں وقوع پذیر ہوئیں۔

*بورڈ نے جناب محمد خالد کو 4 دسمبر 2018ء میں غیر جانبدار ڈائریکٹر کے طور پر منتخب کرلیا ہے۔

**جناب سیفی چوہدری 9 ستمبر 2018ء کو وفات پا گئے تھے۔

***اس سال کے دوران میں جناب محمد خالد نے آڈٹ کمیٹی کو جناب سیفی چوہدری کی جگہ بطور چیئر مین جوائن کیا ہے۔ ہم جناب سیفی چوہدری کی آڈٹ کمیٹی میں بطور چیئر مین خدمات کو سراہتے ہیں۔

****جناب محمد خالد نے ہیومین ریسورس کمیٹی کو جناب سیفی چوہدری کی جگہ بطور چیئر مین کے جوائن کرلیا ہے۔ ہم جناب سیفی چوہدری کی ہیومین ریسورس کمیٹی میں بطور چیئر مین خدمات کو سراہتے ہیں۔

ڈائریکٹرز رپورٹ برائے ممبران

ہم شیزان انٹرنیشنل کے بورڈ آف ڈائریکٹرز کی جانب سے ڈائریکٹرز رپورٹ اور مالی سال 30 جون 2019ء کیلئے کمپنی کے آڈٹ شدہ مالیاتی نتائج پیش کرتے ہیں۔

معاشی منظر نامہ:

پاکستان کی معیشت مالی سال 2018ء کے مقابلے میں نمو کی رفتار کو برقرار نہ رکھ سکی۔ معاشی عدم توازن میں اضافے کے باعث ترقی کی رفتار غیر مستحکم رہی۔ معاشی استحکام ترقی کا بنیادی جُزو ہے۔ تجارتی اور مالیاتی خسارے کے سبب پاکستان کی معیشت زبوں حالی کا شکار رہی۔ پائیدار ترقی کے حصول میں ناکامی کی بنیادی وجہ کھپت میں اضافہ تھا۔ سرمایہ کاری میں بھی اضافہ نہ ہوسکا اور بڑھتی ہوئی طلب کو درآمدات سے پورا کرنا پڑا جسکی وجہ سے معاشی عدم توازن میں بے پناہ اضافہ ہوا۔ سال کے دوران معاشی عوامل میں اتار چڑھاؤ خاص طور سے پاکستانی روپے کی قدر میں کمی اور سٹیٹ بنک آف پاکستان کی جانب سے شرح سود میں اضافے کے سبب کاروباری لاگت میں اضافہ ہوا۔

کاروباری منظر نامہ:

معاشی ترقی میں پیداواری شعبہ اہم کردار ادا کرتا ہے پیداواری شعبہ میں نمو کی شرح مالی سال 2019ء میں 2.93% رہی جو کہ مالی سال 2018ء میں 6.33% تھی۔ فوڈ اور مشروبات کی صنعت میں 4.7% کی کمی آئی جو کہ مالی سال 2018ء میں صرف 0.76% تھی۔ کمپنی کی انتظامیہ کی توجہ ہماری مصنوعات کے معیار میں بہتری کیلئے داخلی کارکردگی اور کاروباری لاگت کو کم کرنے پر مرکوز رہی۔ ہم نے صارفین کی پسند کے مطابق اور آج کی مسابقتی دنیا میں صارفین کا ترجیحی انتخاب بننے کی کوشش جاری رکھی۔ گذشتہ سال کے دوران ہم نے "ALL PURE" کے برانڈ کو "HAPPY FARMS" کے برانڈ سے تبدیل کیا اور 1000ML کے مشروب میں ٹیٹرا جمبو ایج سپٹک کی پیکنگ متعارف کروائی ہے۔

عملی کارکردگی:

مالی سال 2019ء کی عملی کارکردگی مختصراً درجہ ذیل ہے:

تفصیلات	2019 (روپے ہزاروں میں)	2018
فروخت	7,704,097	7,503,273
مجموعی منافع	1,531,339	2,097,432
منافع قبل از محصولات	151,934	489,232
منافع بعد از محصولات	113,074	394,793
		(Restated)
فی حصص آمدنی ۔روپوں میں	12.87	44.94

ہم اپنے کاروبار کے اہم شعبوں میں حجم کے لحاظ سے حوصلہ افزاء اضافہ حاصل نہ کرسکے۔ اس کی ایک بڑی وجہ ALL PURE برانڈ کا نام تبدیل کرنا تھا اور دوسرا مقامی منڈیوں میں سخت مقابلے کی فضا کا ہونا تھا۔ علاوہ ازیں، چند بڑے بیرونی عوامل جیسے کہ پاکستانی روپے کی قدر میں امریکی ڈالر کے مقابلے میں زبردست کمی اور تیل کی مصنوعات کی لاگت میں اضافے نے بھی منافع کو بُری طرح متاثر کیا۔ پانی، گیس اور بجلی کی لاگت اور خام مال، پیکنگ میٹریل، پلپ اور چینی کی قیمتوں میں بھی واضح اضافہ ہو چکا ہے۔ علاوہ ازیں، مالیاتی لاگت بھی بہت زیادہ بڑھ چکی ہے جسکی بنیادی وجہ بینک دولت پاکستان کی جانب سے شرح سود میں اضافہ ہے۔ کمپنی نے مصنوعات کی قیمت فروخت میں اضافہ اور پیداواری لاگت پر قابو پانے کرنے کیلئے اقدامات اٹھائے۔ تاہم کمپنی اپنی پیداواری لاگت میں اضافے کو مکمل طور پر صارفین کو منتقل نہ کرسکی۔

منافع کی تقسیم:

مالی سال 2019ء میں ادارے کی کارکردگی کے پیشِ نظر بورڈ نے 5.50 روپے فی حصص، جو کہ 55 فی صد فی حصص ہے، کا منافع تجویز کیا ہے۔ یہ منافع حصص دران کے اجلاس جو کہ 26 اکتوبر 2019ء میں منعقد ہوگا، میں تصدیق سے مشروط ہے۔

قومی خزانے کو ادائیگی:

دوران سال قومی خزانے کو ادائیگی محصولات میں اضافہ ہوا اور کمپنی نے محصولات کی مد میں 1.746 ارب روپے ادا کئے جن میں سیلز ٹیکس اور انکم ٹیکس شامل ہیں جو کہ قومی معیشت میں ہماری بھرپور شراکت کا آئینہ دار ہے۔

نمایاں تبدیلیاں اور کاروباری ذمہ داریاں:

مالیاتی سال کے اختتام اور رپورٹ کی تاریخ کے دوران کوئی بڑی تبدیلی اور معاہدے نہیں ہوئے جن کا کمپنی کی مالیاتی پوزیشن پر اثر ہوا ہو۔

مستقبل کے امکانات:

ادارہ اپنی ترقی اور نمو کو برقرار رکھنے کیلئے کاروباری حکمت عملی کو معشیت میں اچانک ہونے والی تبدیلیوں سے نمٹنے کیلئے چوکنا رہتا ہے، ادارہ اپنے منافع کو مستحکم رکھتے ہوئے اپنے مارکیٹ شیئر کو برقرار اور بڑھانے کے لئے اندرونی اور بیرونی منڈیوں میں پیدا ہونے والے ہر قسم کے مواقع سے فائدہ اٹھانے کیلئے تیار ہے۔

خطرات اور غیر یقینی حالات:

کمپنی کو مندرجہ ذیل خطرات اور غیر یقینی حالات کا سامنا ہے۔

- امریکی ڈالر کے مقابلے میں روپے کی قدر میں مسلسل کمی ہماری درآمدی لاگت کو بڑھادے گی۔
- تیل، گیس اور بجلی کی لاگت میں اضافہ۔
- مالی قرضوں پر شرح سود میں اضافہ۔
- زیرِ زمین یا سطحی پانی کے استعمال پر ممکنہ پانی چارج ایک روپے فی لیٹر۔

ادارے کو سپریم کورٹ آف پاکستان کے ازخود نوٹس نمبر 26/2018 کے کیس جو کہ سطحی اور زیرِ زمین پانی کے استعمال سے متعلق تھا کے فیصلے کے بعد ممکنہ طور پر 1 روپے فی لیٹر کے حساب سے زیرِ زمین اور سطحی پانی کے استعمال پر ادا کرنا پڑ سکتا ہے، لیکن ادارہ سپریم کورٹ آف پاکستان کے اس فیصلے کو فعال طور پر دفاع کر رہا ہے اور اس پر نظرِ ثانی کی درخواست دائر کر دی ہے چونکہ واٹر چارج سے بہت زیادہ مالی اثر پڑتا ہے، اس لیئے متاثرہ کمپنیوں کی گزارشات پر سپریم کورٹ آف پاکستان نے ہر کمپنی کے پیداواری اعداد و شمار کی بنیاد پر 25 فی صد بلوں کی ادائیگی کا عبوری حکم جاری کیا ہے۔ موجودہ مالیاتی نتائج میں ادارے نے 19.7 ملین روپے کے اخراجات ظاہر کیئے ہیں۔ جو کہ سپریم کورٹ آف پاکستان کے عبوری حکم کے مطابق دسمبر 2018ء سے جون 2019ء تک کی مشروبات کی 25 فی صد کے پیداواری حجم پر مبنی ہے۔ تاہم بقایا جات جن کے حجم کا تعین ابھی ممکن نہیں کیونکہ معاملہ ابھی زیرِ غور ہے۔ لیکن ادارے نے اپنے مالیاتی نتائج کے نوٹ نمبر 23.1(ix) میں خدشہ کے طور پر ظاہر کر دیا ہے۔

CORPORATE SOCIAL RESPONSIBILITY

The Company believes that Corporate Social Responsibility is the continuing commitment to behave ethically and contribute to economic development of the workforce and their families as well as of the local community and society at large.

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 food and juice products, 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 sent three workers 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 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 made donations to various educational and charitable organizations including Marie Adelaide Leprosy Center, Care Foundation, SOS, Children Village, Chhipa Welfare Association, Shaukat Khanum Memorial Cancer Hospital, LRBT, Edhi Foundation, Fatimid Foundation, WWF Pakistan, Lady Wallington Hospital, Pakistan Association of the Blind, Cancer Care Hospital, Children Hospital, Ansar Burney Trust Hospital, Lahore General Hospital, Aziz Jehan Begum Trust of Blind and Jinnah Hospital. Moreover, during the Company and its employees have also contributed in the "Diamer Bhasha and Mohmand Dam Fund".

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.

Consumer Protection Measures

Since the product line of Shezan International Limited mainly consists of Foods & Beverages which are considered among the category of FMCG (Fast Moving Consumer Goods) products, therefore, its key focus is on the healthy products. For this purpose, 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 management planted approximately 10,000 fruit trees at various locations of the city of Lahore and its vicinity including various educational institutions, residential societies and along the road sides of Lahore Ring Road. which shows the Company's active participation in the "Clean Green Pakistan" programme of the Honorable Prime Minister of Pakistan.

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2019

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 2019.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
207	1	100	3,178
142	101	500	32,667
87	501	1,000	65,932
81	1,001	5,000	171,139
14	5,001	10,000	93,668
4	10,001	15,000	50,163
4	15,001	20,000	71,463
3	20,001	25,000	66,482
1	25,001	30,000	25,176
1	35,001	40,000	36,435
1	40,001	45,000	40,150
2	45,001	50,000	95,896
1	50,001	55,000	53,894
2	75,001	80,000	151,086
3	85,001	90,000	259,303
2	110,001	115,000	221,476
1	125,001	130,000	125,915
1	140,001	145,000	143,805
2	150,001	155,000	306,444
2	155,001	160,000	313,084
3	160,001	165,000	481,790
1	175,001	180,000	178,915
1	205,001	210,000	207,889
1	255,001	260,000	256,975
1	285,001	290,000	289,990
1	360,001	365,000	364,579
2	365,001	370,000	736,996
1	655,001	660,000	659,259
2	815,001	820,000	1,636,071
1	1,640,001	1,645,000	1,644,780
575			**8,784,600**

4	Categories of Shareholders	Shares held	Percentage
4.1	Directors, Chief Executive Officers, and their spouse and minor children	2,769,453	31.5262%
4.2	Associated Companies, undertakings and related parties	25,842	0.2942%
4.3	NIT and ICP	–	–
4.4	Banks Development Financial Institutions, Non Banking Financial Institutions	936	0.0107%
4.5	Modarabas and Mutual Funds	1,912,490	21.7709%
4.6	Insurance Companies	78,718	0.8961%
4.7	General Public		
	a. Local	3,443,744	39.2020%
	b. Foreign	110	0.0013%
4.8	Others		
4.8.1	Joint Stock Companies	9,446	0.1075%
4.8.2	Pension Funds	165,310	1.8818%
4.8.3	Foreign Companies	364,579	4.1502%
4.8.4	Government Holding	5,911	0.0673%
4.8.5	Others	7,608	0.0866%
4.8.6	Executives	453	0.0051%
		8,784,600	**100.00%**
	Shareholders holding 10% or more	1,644,780	18.7234%
	Shareholders holding 5% or more	3,976,545	45.2672%

Sr. No.	Name	Shares Held	Percentage
4.1	**Directors, Chief Executive Officer, their Spouses & Minor Children**		
1	Mr. Mahmood Nawaz	853,006	9.7102%
2	Mr. Muneer Nawaz	659,259	7.5047%
3	Mr. M. Naeem	53,894	0.6135%
4	Mr. Rashed Amjad Khalid	160,653	1.8288%
5	Mr. Humayun A. Shahnawaz	368,498	4.1948%
6	Ms. Manahil Shahnawaz	178,915	2.0367%
7	Mr. Muhammad Khalid	550	0.0063%
8	Mr. Shahid Hussain Jatoi (NIT Nominee)	–	0.0000%
9	Mrs. Abida Muneer Nawaz W/o Mr. Muneer Nawaz	87,628	0.9975%
10	Mrs. Bushra Mahmood Nawaz W/o Mr. Mahmood Nawaz	6,295	0.0717%
11	Mrs. Amtul Bari Naeem W/o Mr. M. Naeem	400,755	4.5620%
		2,769,453	31.5262%
4.2	**Associated Companies, undertakings and related parties**		
1	Shezan Services (Private) Limited	25,842	0.2942%
		25,842	0.2942%
4.3	**NIT & ICP**	–	–
4.4	**Banks, Development Financial Institutions, Non Banking Financial Institutions**		
1	National Bank of Pakistan	936	0.0107%
		936	0.0107%
4.5	**Modaraba & Mutual Funds**		
1	CDC - Trustee Al-Ameen Islamic Asset Allocation Fund	1,100	0.0125%
2	CDC - Trustee MCB Pakistan Asset Allocation Fund	5,115	0.0582%
3	CDC - Trustee National Investment (UNIT) Trust	1,644,780	18.7234%
4	CDC - Trustee NIT Islamic Equity Fund	85,085	0.9686%
5	CDC - Trustee NIT Equity Market Opportunity Fund	11,770	0.1340%
6	CDC - Trustee Pakistan Capital Market Fund	2,860	0.0326%
7	CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	75,190	0.8559%
8	CDC - Trustee Al-Ameen Islamic Retirement Saving Fund - Equity Sub Fund	86,590	0.9857%
		1,912,490	21.7709%
4.6	**Insurance Companies**		
1	Adamjee Life Assurance Company Limited - IMF	1,210	0.0138%
2	Habib Insurance Company Limited	1,312	0.0149%
3	State Life Insurance Corporation of Pakistan	75,896	0.8640%
4	United Insurance Company of Pakistan Limited	300	0.0034%
		78,718	0.8961%
4.7	**General Public**		
	Local	3,443,744	39.2020%
	Foreign	110	0.0013%
		3,443,854	39.2033%

CATEGORIES OF SHARE HOLDERS
AS AT 30 JUNE 2019

Sr. No.	Name	Shares Held	Percentage
4.8	**Others**		
4.8.1	**Joint Stock Companies**		
1	Akseer Ventures (Private) Limited	2,800	0.0319%
2	Burma Oil Mills Limited	731	0.0083%
3	ISPI Corporation (Private) Limited	1,870	0.0213%
4	Magnus Investment Advisors Limited	145	0.0017%
5	Muhammad Bashir Kasmani (Private) Limited	870	0.0099%
6	Muhammad Salim Kasmani Securities (Private) Limited	2,750	0.0313%
7	Murree Brewery Company Limited	173	0.0020%
8	NH Capital Fund Limited	2	0.0000%
9	UHF Consulting (Private) Limited	105	0.0012%
		9,446	0.1075%
4.8.2	**Pension Funds**		
1	Trustee National Bank of Pakistan Employees Pension Fund	152,055	1.7309%
2	CDC - Trustee Pakistan Pension Fund - Equity Sub Fund	13,255	0.1509%
		165,310	1.8818%
4.8.3	**Foreign Companies**		
1	Tundra Pakistan Fund	364,579	4.1502%
		364,579	4.1502%
4.8.4	**Government Holding**		
1	Federal Board of Revenue	5,911	0.0673%
		5,911	0.0673%
4.8.5	**Others**		
1	Trustee National Bank of Pakistan Employees Benevolent Fund Trust	5,333	0.0607%
2	Trustee of Nimir Resins Limited - Employees Gratuity Fund Trust	55	0.0006%
3	Trustee Descon Power Solutions (Private) Limited Staff Provident Fund Trust	20	0.0002%
4	Getz Pharma (Private) Limited Employees Provident Fund	2,200	0.0250%
		7,608	0.0866%
4.8.6	**Executives**		
1	Mr. Waseem Amjad Mehmood	453	0.0051%
		453	0.0051%

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

1	CDC - Trustee National Investment (UNIT) Trust	1,644,780	18.7234%
		1,644,780	18.7234%

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL

1	CDC - Trustee National Investment (UNIT) Trust	1,644,780	18.7234%
2	Mst. Amina Wadawala	819,500	9.3288%
3	Mr. Mahmood Nawaz	853,006	9.7102%
4	Mr. Muneer Nawaz	659,259	7.5047%
		3,976,545	45.2672%

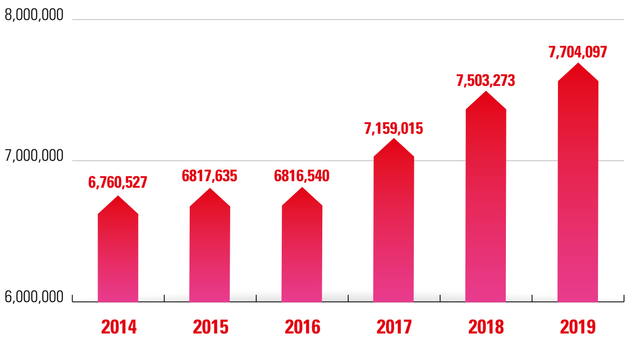
During the financial year the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

S. No.	NAME	SALE	PURCHASE	BONUS
1	Mr. Mahmood Nawaz	–	–	77,545
2	Mr. Muneer Nawaz	–	–	59,932
3	Mr. M. Naeem	–	–	4,899
4	Mr. Rashed Amjad Khalid	–	–	14,604
5	Mr. Humayun A. Shahnawaz	–	–	33,499
6	Ms. Manahil Shahnawaz	–	–	16,265
7	Mr. Muhammad Khalid	–	–	50
8	Mrs. Abida Muneer Nawaz W/o Mr. Muneer Nawaz	–	–	7,966
9	Mrs. Bushra Mahmood Nawaz W/o Mr. Mahmood Nawaz	–	–	572
10	Mrs. Amtul Bari Naeem W/o Mr. M. Naeem	–	–	36,431

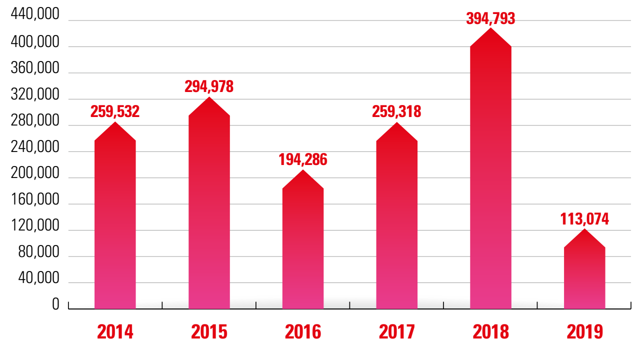
SIX YEARS REVIEW

AT A GLANCE

NET REVENUE
Rupees in thousand



PROFIT AFTER TAXATION
Rupees in thousand



	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	**Year 2019**
	Rupees in thousand					
Incomes						
Revenue from contracts with customers - net	6,760,527	6,817,635	6,816,540	7,159,015	7,503,273	**7,704,097**
Other operating income	53,592	59,796	51,859	38,321	51,480	**91,264**
	6,814,119	6,877,431	6,868,399	7,197,336	7,554,753	**7,795,361**
Expenditures						
Cost of sales	4,735,740	4,877,580	4,931,776	5,083,750	5,405,841	**6,172,758**
Distribution cost and administrative expenses	1,487,088	1,463,397	1,494,151	1,508,915	1,387,042	**1,282,210**
Finance cost	28,571	60,967	52,178	36,419	39,188	**68,195**
Other operating expenses	162,188	161,177	186,818	206,309	233,450	**120,264**
	6,413,587	6,563,121	6,664,923	6,835,393	7,065,521	**7,643,427**
Profit before taxation	400,532	314,310	203,476	361,943	489,232	**151,934**
Taxation	141,000	19,332	9,190	102,625	94,439	**38,860**
Profit after Taxation	259,532	294,978	194,286	259,318	394,793	**113,074**
Paid-up capital	72,600	79,860	79,860	79,860	79,860	**87,846**
Reserves & unappropriated profits	1,431,970	1,647,774	1,754,742	1,942,089	2,229,827	**2,145,923**
Unrealized gain / (loss) on remeasurement of investments available for sale	686	528	(237)	756	(210)	**(189)**
Share holders equity	1,505,256	1,728,162	1,834,365	2,022,705	2,309,477	**2,233,580**
Break up value per share in Rupees	207.34	216.40	229.70	253.28	289.19	**254.25**
Earnings per share in Rupees	32.50*	36.94	24.33	32.47	44.94*	**12.87**
Price Earning Ratio	27.69*	24.72	18.56	14.63	12.68*	**32.83**
Dividend declared	10.00	11.00	9.00	13.50	15.00	**5.50**
Bonus per share	10%	–	–	–	10%	**–**

* Figures have been restated.

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Shezan International Limited (the Company) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

EY Ford Rhodes

Chartered Accountants

Engagement Partner

Abdullah Fahad Masood

Lahore:

01 October 2019.

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
FOR THE YEAR ENDED 30 JUNE 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are eight (08) as per the following:

   a. Male: Seven (07)
   b. Female: One (01)

2. The composition of Board is as follows:

Independent Directors	Mr. Saifi Chaudhry*
	Mr. Muhammad Khalid**
Other Non-executive Directors	Mr. Muneer Nawaz
	Mr. M. Naeem
	Mr. Rashed Amjad Khalid
	Mr. Shahid Hussain Jatoi
Executive Directors	Mr. Mahmood Nawaz
	Mr. Humayun A. Shahnawaz
	Ms. Manahil Shahnawaz

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations.

9. Three Directors of the Company have minimum 14 years of education and 15 years of experience on the Board of a listed Company and they are exempt from Directors' Training Program. Four Directors have acquired certification under the Directors' Training Program. The Company, however, intends to facilitate further training for the remaining director in near future as defined in these Regulations.

10. There were no new appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year, however, all such appointments including their remuneration and terms and conditions of employment are duly approved by the Board.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Saifi Chaudhry*	Chairman
	Mr. Muhammad Khalid**	Chairman
	Mr. Muneer Nawaz	Member
	Mr. M. Naeem	Member
	Mr. Rashed Amjad Khalid	Member
HR and Remuneration Committee	Mr. Saifi Chaudhry*	Chairman
	Mr. Muhammad Khalid**	Chairman
	Mr. Muneer Nawaz	Member
	Mr. M. Naeem	Member
	Mr. Humayun A. Shahnawaz	Member

    Audit Committee had been reconstituted and effective 04 December 2018, Mr. Muhammad Khalid, an Independent Director, had been appointed Chairman of the Committee replacing Mr. Saifi Chaudhry.

    HR and Remuneration Committee has been reconstituted and effective 04 December 2018, Mr. Muhammad Khalid, an Independent Director, had been appointed Chairman of the Committee replacing Mr. Saifi Chaudhry.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

    a) Audit Committee Four (04)
    b) HR and Remuneration Committee One (01)

15. The Board has set up an effective internal audit function with suitably qualified and experienced staff conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017 these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Muneer Nawaz
Chairman

Humayun A. Shahnawaz
Chief Executive

Karachi:
26 September 2019.

*Mr. Saifi Chaudhary has passed away on 09 September 2018.
**Mr. Muhammad Khalid has been co-opted by the Board with effect from 04 December 2018.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SHEZAN INTERNATIONAL LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Shezan International Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2019 and of the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
1. Tax contingencies	
As disclosed in note 23 to the financial statements, certain tax matters are pending adjudication at various levels with the taxation authorities and other legal forums. The aggregate amounts involved in such contingencies is Rs. 316.5 million as of 30 June 2019. The tax contingencies require the management to make judgements and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management judgements and estimates in relation to such contingencies may be complex.	We assessed key technical tax issues and legislative developments and focused on the judgements made by management in assessing the quantification and likelihood of significant exposures and the level of liability required for specific cases. In particular, we focused on the impact of recent tax rulings and the status of on-going inspections by local tax authorities. We obtained explanations from management and corroborative evidence including communication with local tax authorities. We gained an understanding of the current status of tax assessments and investigations to monitor developments in on-going disputes. We analyzed and challenged management's key assumptions, in particular on cases where there had been significant developments with local tax authorities, based on our knowledge and experience of the application of the tax legislation by the relevant authorities and courts. We also evaluated whether the liabilities and exposures for uncertain tax positions were appropriately disclosed in the financial statements. We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 23 to the financial statements.

Key audit matters	How our audit addressed the key audit matter
2. First time adoption of IFRS 15	
The International Financial Reporting Standard 15 (IFRS 15) "Revenue From Contracts with Customers" is adopted for the first time for the preparation of Company's annual financial statements for the year ended 30 June 2019. According to IFRS 15, the revenue from sale of goods is recognized as or when the Company fulfills its performance obligations. Owing to application of this new standard, the management has performed an evaluation and resultantly, refund liability amounting to Rs. 112.5 million and right to recover asset of Rs. 18.1 million were created. In addition, certain reclassifications and adjustments to opening balances and retained earnings were made as explained in note 2.1.1 and note 24.	We considered appropriateness of the Company's revenue recognition policy and reviewed management's procedures for evaluation of contractual arrangements with customers with respect to their classification and assessment of performance obligations. We reviewed a sample of contractual arrangements entered into by the Company with its customers and timing of satisfaction of performance obligations. We reviewed the adjustments and reclassifications in accordance with transitional provisions of IFRS 15. We reviewed the adequacy of disclosures in accordance with newly adopted Standard.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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 that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Abdullah Fahad Masood.

EY Ford Rhodes

Chartered Accountants

Engagement Partner

Abdullah Fahad Masood

Lahore:

01 October 2019.

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Rupees in thousand 2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**1,929,317**	1,329,038
Long-term investment	7	**2,478**	2,667
Long-term receivables	8	**35,340**	43,611
Long-term deposits	9	**4,838**	4,758
Deferred taxation	10	**3,670**	–
		1,975,643	1,380,074
CURRENT ASSETS			
Stores and spares	11	**126,326**	124,439
Stock-in-trade	12	**1,645,062**	1,720,889
Right to recover asset		**18,123**	–
Trade debts	13	**136,615**	116,219
Loans and advances	14	**28,032**	175,095
Trade deposits and short-term prepayments	15	**11,856**	49,068
Interest accrued		**637**	354
Income tax recoverable		**629,126**	513,459
Cash and bank balances	16	**233,723**	152,949
		2,829,500	2,852,472
TOTAL ASSETS		**4,805,143**	4,232,546
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	**87,846**	79,860
Reserves	18	**2,005,103**	1,805,292
Unappropriated profits		**140,631**	424,325
TOTAL EQUITY		**2,233,580**	2,309,477
NON-CURRENT LIABILITIES			
Long term loan	19	**422,882**	–
Deferred taxation	10	**–**	51,465
		422,882	51,465
CURRENT LIABILITIES			
Trade and other payables	20	**869,963**	832,469
Contract liabilities	21	**106,331**	–
Unclaimed dividend		**4,105**	2,621
Interest accrued on borrowings		**27,724**	4,444
Current portion of long-term loan	19	**105,720**	–
Short-term borrowings	22	**376,383**	553,262
Refund liability		**112,539**	–
Provision for taxation		**545,916**	478,808
		2,148,681	1,871,604
TOTAL LIABILITIES		**2,571,563**	1,923,069
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		**4,805,143**	4,232,546

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive | Director | Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		Rupees in thousand	
Revenue from contracts with customers - net	24	**7,704,097**	7,503,273
Cost of sales	25	**6,172,758**	5,405,841
Gross profit		**1,531,339**	2,097,432
Distribution costs	26	**939,875**	1,050,436
Administrative expenses	27	**342,335**	336,606
Other operating expenses	28	**120,264**	233,450
Other income	29	**(91,264)**	(51,480)
		1,311,210	1,569,012
Operating profit		**220,129**	528,420
Finance costs	30	**68,195**	39,188
Profit before taxation		**151,934**	489,232
Taxation	31	**38,860**	94,439
Net profit for the year		**113,074**	394,793
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Unrealized loss on remeasurement of investment designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition	7	**(189)**	(210)
Total comprehensive income		**112,885**	394,583
			(Restated)
Earnings per share - basic and diluted (Rupees)	32	**12.87**	44.94

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive | Director | Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Rupees in thousand 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Profit before taxation	**151,934**	489,232
Adjustments to reconcile profit before tax to net cash:		
Depreciation	**260,499**	206,662
Interest / markup expense	**64,822**	50,937
Dividend income	**(104)**	(305)
Profit on bank deposits	**(4,313)**	(2,503)
Foreign exchange gain	**(9,778)**	(2,072)
Expected credit losses of trade debts - reversal / provision for doubtful debts	**(9,794)**	28,402
Loss on disposal of property, plant and equipment	**19,012**	20,268
	320,344	301,389
Operating profit before working capital changes	**472,278**	790,621
Decrease / (Increase) in current assets		
Stores and spares	**(1,887)**	(53,261)
Stock-in-trade	**75,827**	(362,374)
Right to recover asset	**(278)**	–
Trade debts	**(4,878)**	102,869
Loans and advances	**147,063**	10,043
Trade deposits and short-term prepayments	**37,212**	(29,148)
	253,059	(331,871)
(Decrease) / Increase in current liabilities		
Trade and other payables	**37,494**	153,685
Contract liabilities	**106,331**	–
Refund liability	**2,869**	–
Short-term borrowings - secured	**(176,879)**	260,737
	(30,185)	414,422
CASH GENERATED FROM OPERATIONS	**695,152**	873,172
Interest expense paid	**(41,542)**	(33,643)
Profit on bank deposits received	**4,030**	2,487
Income tax paid	**(115,667)**	(142,236)
Long-term receivables	**8,271**	(43,611)
Long-term deposits	**(80)**	425
NET CASH GENERATED FROM OPERATING ACTIVITIES	**550,164**	656,594
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment - net	**(912,124)**	(408,100)
Dividend received	**104**	305
Sale proceeds from disposal of property, plant and equipment	**32,334**	28,079
NET CASH USED IN INVESTING ACTIVITIES	**(879,686)**	(379,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan obtained / (re-paid)	**528,602**	(90,000)
Dividend paid	**(118,306)**	(107,156)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	**410,296**	(197,156)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**80,774**	79,722
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**152,949**	73,227
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**233,723**	152,949

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive — Director — Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

		Capital Reserve		Revenue Reserve			
	Share Capital	Merger Reserve	Reserve for issue of bonus share	General Reserve	Unrealized gain/(loss) on Remeasurement of Investments	Unappropriated Profits	Total
	Rupees in thousand						
Balance as at 30 June 2017	79,860	5,000	–	1,600,000	502	337,343	2,022,705
Transfer to general reserve	–	–	–	200,000	–	(200,000)	–
Final dividend @ Rs. 13.50/- per share for the year ended 30 June 2017	–	–	–	–	–	(107,811)	(107,811)
Profit for the year	–	–	–	–	–	394,793	394,793
Other comprehensive income	–	–	–	–	(210)	–	(210)
Total comprehensive income	–	–	–	–	(210)	394,793	394,583
Balance as at 30 June 2018 - as previously reported	79,860	5,000	–	1,800,000	292	424,325	2,309,477
Effect of application of change in accounting policy resulting from adoption of IFRS 15 (note 2.1.1) - net of tax	–	–	–	–	–	(66,074)	(66,074)
Effect of application of change in accounting policy resulting from adoption of IFRS 9 (note 2.1.2) - net of tax	–	–	–	–	–	(2,918)	(2,918)
Balance as on 1 July 2018	79,860	5,000	–	1,800,000	292	355,333	2,240,485
Transfer to general reserve	–	–	–	200,000	–	(200,000)	–
Final dividend @ Rs.15/- per share for the year ended 30 June 2018	–	–	–	–	–	(119,790)	(119,790)
Transfer to reserve for issue of bonus shares	–	–	7,986	–	–	(7,986)	–
Issue of bonus shares @ 10% for the year ended 30 June 2018	7,986	–	(7,986)	–	–	–	–
Profit for the year	–	–	–	–	–	113,074	113,074
Other comprehensive income	–	–	–	–	(189)	–	(189)
Total comprehensive income	–	–	–	–	(189)	113,074	112,885
Balance as at 30 June 2019	**87,846**	**5,000**	**–**	**2,000,000**	**103**	**140,631**	**2,233,580**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company is a Public Limited Company incorporated in Pakistan and is listed on the Pakistan Stock Exchange Limited. 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 fruits and vegetables. Following are the business units of the Company along with their respective locations:

BUSINESS UNIT	ADDRESS
Production Plant and Head Office	56-Bund Road, Lahore
Production Plant	Plot No. 33-34, Phase III, Hattar Industrial Estate, Hattar
Production Plant	Plot L-9, Block No. 22, Federal B Industrial Area, Karachi

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

– International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017; and

– Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1 New standards, interpretations and amendments applicable to the financial statements for the year ended 30 June 2019

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 01 July 2018, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 9	–	Financial Instruments
IFRS 15	–	Revenue from Contracts with Customers
IFRIC 22	–	Foreign Currency Transactions and Advance Considerations
IFRS 2	–	Classification and Measurement of Share-based Payment Transactions (Amendment)
IFRS 4	–	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment)
IAS 40	–	Transfers of Investment Property (Amendments)

The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described below. The adoption of interpretations and amendments applied for the first time in the year did not have any impact on the financial statements of the Company.

2.1.1 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Company.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 01 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 01 July 2018.

Accordingly opening balances of current reporting period have been restated without presentation of third statement of financial position.

Below are the details of key impacts arising from the adoption of the standard:

a) Statement of financial position

In statement of financial position, the corresponding figure of trade and other payables amounting to Rs. (thousand) 93,006 has been reclassified to contract liabilities. Contract liabilities are recognized in respect of Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from a customer. Amounts as at 30 June have also been reclassified as follows for the purpose of comparability:

	As at 01 July 2018		
Description	Carrying Amount as stated	Reclassification	IFRS 15 Carrying Amount
	Rupees in thousand		
Trade and other payables	832,469	(93,006)	739,463
Contract liabilities	–	93,006	93,006
	832,469	–	832,469

	As at 30 June 2019		
Description	Previous IFRS Carrying Amount	Increase / (decrease)	IFRS 15 Carrying Amount
	Rupees in thousand		
Trade and other payables	**976,294**	**(106,331)**	**869,963**
Contract liabilities	**–**	**106,331**	**106,331**
	976,294	**–**	**976,294**

b) Statement of comprehensive income

In statement of comprehensive income, the corresponding figures of distribution costs (cost of samples) amounting to Rs. (thousand) 221,017 and other operating expenses (product spoilage) amounting to Rs. (thousand) 72,982 have been reclassified to cost of sales. As a result, corresponding gross profit has decreased by Rs. (thousand) 293,999. Amounts for the year ended 30 June 2018 have been reclassified as follows for the purpose of comparability:

	For the year ended 30 June 2018		
Description	Carrying Amount as stated	Reclassification	IFRS 15 Carrying Amount
	Rupees in thousand		
Distribution costs	1,050,436	(221,017)	829,419
Operating expenses	233,450	(72,982)	160,468
Cost of sales	5,405,841	293,999	5,699,840
	6,689,727	–	6,689,727

c) Statement of changes in equity

Contracts with right to recover have the following impact accounted for as a cumulative catch-up adjustment to opening retained earnings under the modified retrospective model of transition:

	As at 01 July 2018		
Description	Carrying Amount as stated	Cumulative catch-up Adjustment	IFRS 15 Carrying Amount
		Rupees in thousand	
Right to recover asset	–	17,845	17,845
Refund liability	–	(109,670)	(109,670)
Deferred taxation	(51,465)	25,751	(25,714)
Retained earnings	(424,325)	66,074	(358,251)
Retained earnings	(475,790)	–	(475,790)

There is no material impact on the statement of cash flows. The basic and diluted EPS for the period ended 30 June 2019 would have been higher by Rs. 7.73 per share had the standard not been adopted.

2.1.2 IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 01 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 01 July 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences (if any) arising from the adoption of IFRS 9 have to be recognized directly in retained earnings and other components of equity.

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 01 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company. The following are the changes in the classification of the Company's financial assets:

Long term receivables, trade debts, deposits, loans and advances and interest accrued

These balances classified as 'Loans and receivables' as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortized cost beginning 01 July 2018.

Long-term investment - Quoted modaraba certificates

These balances were classified as 'Available-for-sale' as at 30 June 2018. These are now classified and measured as equity instruments designated at fair value through OCI beginning 01 July 2018. The Company elected to classify irrevocably its quoted modaraba equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following reclassifications as at 01 July 2018:

IAS 39 measurement category		IFRS 9 measurement category Amortized Cost	Fair value through OCI
	Rupees in thousand		
Loans and receivables			
Long-term receivables	43,611	43,611	–
Long-term deposits	4,758	4,758	–
Trade debts*	116,219	112,164	–
Loans and advances	15,429	15,429	–
Trade deposits	10,072	10,072	–
Interest accrued	354	354	–
Available-for-sale			
Long-term investment	2,667	–	2,667
	193,110	186,388	2,667

*The change in carrying amount is a result of additional impairment allowance as mentioned in following paragraph.

b) Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach as mentioned in note 4.1. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Company recognized additional impairment on the Company's trade debts of Rs. (thousand) 4,055, which resulted in a decrease in unappropriated profits of Rs. (thousand) 2,918 as at 01 July 2018 after adjustment of deferred tax.

Following is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Description	Provision for doubtful debts under IAS 39 as at 30 June 2018	Remeasurement	Allowance for ECL under IFRS 9 as at 01 July 2018
		Rupees in thousand	
Loans and receivables under IAS 39 / Financial assets at amortized cost under IFRS 9	29,776	4,055	33,831

The basic and diluted EPS for the period ended 30 June 2019 would have been higher by Rs. 0.12 per share had the standard not been adopted.

c) Hedge accounting

As at year end, the Company does not have hedge relationships. Accordingly, hedge accounting requirements of IFRS 9 did not have an impact on Company's financial statements.

2.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 16	Leases	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)	01 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement — (Amendments)	01 January 2019
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (Amendments)	01 January 2019
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation	01 January 2019
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS 1	Presentation of Financial Statements — (Amendments)	01 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)	01 January 2020

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application except for IFRS 16. The management is in the process of determining the effect of application of IFRS 16.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2022

3 BASIS OF PREPARATION

3.1 Basis Of Measurement

These financial statements have been prepared under the historical cost convention except that long term investments are recognized on the basis mentioned in note 5.5.1

3.2 Presentation Currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

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 the 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 ongoing basis. Revisions 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 Impairment of financial assets

The Company assesses the impairment of its financial assets based on the Expected Credit Loss ("ECL") model. Under the expected credit loss model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Company measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

The Company measures the expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money, if applicable; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured for the maximum contractual period over which the entity is exposed to credit risk. The significant estimates relating to the measurement of ECL relate to the fair value of the collaterals in place, the expected timing of the collection and forward looking economic factors.

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

The Company reviews appropriateness of the rate of depreciation, useful lives and residual values used in the calculation of depreciation. In making these estimates, the Company uses the technical resources available with the Company and its history in relation to actual useful lives and residual values of similar assets disposed in the past. Any change in the estimates in the future might affect the carrying amount of the respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

4.3 Provision for taxation and deferred tax

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

A deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4.4 Stock-in-trade and stores and spares

Provision is recognized in the financial statements for obsolete and slow moving stock-in-trade based on the management's assessment of age and expected movement of inventory on an item-wise basis.

4.5 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. For assets which can generally be sold in the market, the prevailing market price is used as an indicator of current recoverable amount. Technical analysis and market data is used to arrive at the recoverable amount for specialized assets.

4.6 Provision for compensated absences

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with prior year except as stated otherwise.

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 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 financial position 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

This is 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.

5.2 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 values including other charges, if any, incurred thereon. The basis of determining cost is as follows:

Raw material	– Quarterly average
Packing material	– Monthly average
Finished goods	– Quarterly average
Pulps, concentrates etc.	– Manufacturing cost according to annual average method
Stores and spares	– Monthly average
Stock-in-transit	– Cost

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.

5.3 Trade debts

Trade debts represent the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 5.5.1.

5.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand, cash at bank in current, savings and deposit accounts, and other short-term highly liquid instruments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

5.5 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.5.1 Financial assets

Financial assets - initial recognition

The Company has adopted IFRS 9 Financial Instruments with effect from 01 July 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include long-term deposits, trade debts, loans and advances, other receivables and bank balances.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at fair value through profit or loss
b) Financial assets at amortized cost (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Company does not have any financial assets designated at fair value through profit or loss.

b) Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized costs includes long-term receivables, trade debts, deposits, loans and advances and interest accrued.

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's financial assets designated at fair value through OCI includes long-term investment.

d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade debts, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of comprehensive income.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of comprehensive income.

5.5.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, deposits, accrued and other liabilities.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

5.6 Offsetting of financial assets and financial liabilities

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

5.7 Trade and other payables

Liabilities for trade and other amounts payable 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.

5.8 Provisions

A provision is recognized in the statement of financial position 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.

5.9 Taxation

Current

Provision for the current tax is based on the taxable income for the year determined in accordance with the provisions of the Income Tax Ordinance, 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is provided using the financial position method for all temporary differences at the reporting date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantially enacted at the reporting date.

5.10 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

5.11 Revenue recognition

The Company is in the business of providing goods (i.e. juices, pickles, jams, ketchups etc.). Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specific revenue recognition details are as follows:

Sale of goods

Revenue from the sale of goods is recognized upon the transfer of control of the goods to the buyer when performance obligation is satisfied. The Company's contracts with customers for the sale of goods generally include one performance obligation for both local and export sales i.e. provision of goods to the customers.

Local sales

The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the goods is transferred to the customer, generally on dispatch of products from the factory (ex-factory). There has been an impact on amount of revenue recognized due to right to recover under the contracts.

Amount of revenue recognized has been impacted due to expected returns as follows:

a) a refund liability for the received consideration from a customer against the products that are expected to be returned has been recorded;

b) a right to recover asset has been recognized (with the corresponding adjustment in cost of sales) for Company's right to recover products from customer on settling refund liability; and

c) revenue for the transferred products only has been recognized; revenue for the expected returned goods has not been recognized.

Export sales

The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the goods is transferred to the customer, i.e. on the related receipt of shipment document. Therefore, this did not result in an impact on timing of recognition of revenue.

Interest income

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

Dividend income

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

5.12 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 at the rate of 8.33% (2018: 8.33%).

5.13 Compensated absences

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

5.14 Foreign currency translation

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

Gains or losses arising on translation are recognized in the statement of comprehensive income.

5.15 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use. Such borrowing costs are capitalized as part of the cost of the qualifying asset.

5.16 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.

5.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive.

	Note	2019	2018
		Rupees in thousand	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**1,789,939**	1,197,817
Capital work in progress	6.2	**139,378**	131,221
		1,929,317	1,329,038

6.1 Operating fixed assets

	Note	2019									
		COST				DEPRECIATION				NET BOOK VALUE	
	Note	As at 01 July 2018	Additions	Disposals	As at 30 June 2019	Accumulated as at 01 July 2018	Disposals	Charge for the year	Accumulated as at 30 June 2019	As at 30 June 2019	Depreciation Rate
		Rupees in thousand									%
OWNED ASSETS											
Freehold land		7,091	-	-	7,091	-	-	-	-	7,091	-
Leasehold land		2,646	-	-	2,646	-	-	-	-	2,646	-
Buildings on freehold land		98,807	19,325	-	118,132	50,085	-	5,866	55,951	62,181	10
Buildings on leasehold land		36,692	3,595	-	40,287	23,966	-	1,363	25,329	14,958	10
Plant and machinery		1,103,682	609,849	(1,585)	1,711,946	544,237	(1,290)	95,124	638,071	1,073,875	12.5
Furniture and fixtures		23,609	9,778	-	33,387	14,260	-	2,275	16,535	16,852	15
Motor vehicles		193,392	18,921	(7,446)	204,867	125,589	(6,842)	15,139	133,886	70,981	20
Electric fittings and tools		5,913	342	-	6,255	4,578	-	151	4,729	1,526	10-25
Electric equipment	6.1.1	301,028	34,599	(385)	335,242	179,943	(290)	32,485	212,138	123,104	15-33.33
Laboratory equipment		1,808	5,431	-	7,239	1,131	-	214	1,345	5,894	10
Forklifts		49,978	5,626	-	55,604	32,073	-	4,233	36,306	19,298	20
Computers and accessories		23,389	2,222	-	25,611	18,905	-	2,033	20,938	4,673	33.33
Arms and ammunitions		94	-	-	94	94	-	-	94	-	20
Empty bottles, shells-pallets and barrels	6.1.2	554,205	194,279	(147,738)	600,746	209,656	(97,386)	101,616	213,886	386,860	25
		2,402,334	**903,967**	**(157,154)**	**3,149,147**	**1,204,517**	**(105,808)**	**260,499**	**1,359,208**	**1,789,939**	

	Note	2018 COST As at 01 July 2017	Additions / Transfers	Disposals	As at 30 June 2018	DEPRECIATION Accumulated as at 01 July 2017	Disposals	Charge for the year	Accumulated as at 30 June 2018	NET BOOK VALUE As at 30 June 2018	Depreciation Rate
		Rupees in thousand									%
OWNED ASSETS											
Freehold land		7,091	-	-	7,091	-	-	-	-	7,091	-
Leasehold land		2,646	-	-	2,646	-	-	-	-	2,646	-
Buildings on freehold land		98,807	-	-	98,807	44,671	-	5,414	50,085	48,722	10
Buildings on leasehold land		36,692	-	-	36,692	22,552	-	1,414	23,966	12,726	10
Plant and machinery		979,168	125,959	(1,445)	1,103,682	478,201	(1,274)	67,310	544,237	559,445	12.5
Furniture and fixtures		22,919	690	-	23,609	12,676	-	1,584	14,260	9,349	15
Motor vehicles		189,843	9,699	(6,150)	193,392	113,890	(3,972)	15,671	125,589	67,803	20
Electric fittings and tools		5,913	-	-	5,913	4,416	-	162	4,578	1,335	10-25
Electric equipment	6.1.1	264,848	36,765	(585)	301,028	149,445	(382)	30,880	179,943	121,085	15-33.33
Laboratory equipment		1,791	17	-	1,808	1,056	-	75	1,131	677	10
Forklifts		43,420	6,558	-	49,978	28,963	-	3,110	32,073	17,905	20
Computers and accessories		21,205	2,184	-	23,389	17,138	-	1,767	18,905	4,484	33.33
Arms and ammunitions		94	-	-	94	94	-	-	94	-	20
Empty bottles, shells-pallets and barrels	6.1.2	499,768	181,982	(127,545)	554,205	212,132	(81,751)	79,275	209,656	344,549	25
		2,174,205	363,854	(135,725)	2,402,334	1,085,234	(87,379)	206,662	1,204,517	1,197,817	

6.1.1 Visi coolers costing Rs. (thousand) 175,034 (2018: Rs. (thousand) 153,870), are in the possession of shopkeepers for the sale of Company's products.

6.1.2 These include bottles and shells costing Rs. (thousand) 186,179 (2018: Rs. (thousand) 181,704) held by distributors of the Company in the normal course of business.

6.2 CAPITAL WORK IN PROGRESS

	COST Land*	Furniture	Plant and Machinery	Vehicles	Buildings	2019	2018
	Rupees in thousand						
Balance as at 01 July	70,507	4,586	6,818	5,540	43,770	**131,221**	86,975
Additions during the year	–	5,223	600,614	–	33,755	**639,592**	166,175
Transferred to operating fixed assets	–	(9,809)	(592,712)	(1,385)	(23,374)	**(627,280)**	(121,929)
Transferred to advances	–	–	–	(4,155)	–	**(4,155)**	–
Balance as at 30 June	70,507	–	14,720	–	54,151	**139,378**	131,221

*This represents amount paid to Punjab Industrial Estate (PIE) for the acquisition of 9.4 acre land to be utilized for future construction of processing and storage facilities by the Company. The possession and title will be transferred to the Company in due course.

6.2.1 Plant and machinery includes borrowing cost capitalized during the year amounting to Rs. (thousand) 7,798 (2018: Rs. (thousand) Nil). The expansion has been financed by a finance facility from a financial institution.

		Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
6.3	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	25.1	**162,627**	119,192
	Distribution costs	26	**70,090**	67,165
	Administrative expenses	27	**12,248**	11,258
	Other operating expenses	28	**15,534**	9,047
			260,499	206,662

6.4 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

	Location	Usage of immovable property	Total Area (Square ft.)	*Covered Area (Square ft.)
a)	56 - Bund Road, Lahore	Head Office and Manufacturing	330,570	321,771
b)	Plot L-9, Block Number 22, Federal 'B' Area, Karachi	Manufacturing	90,000	73,160
c)	Plot number 33, 34 phase III Hattar Industrial Estate, Hattar KPK (Property on leasehold land)	Manufacturing	175,790	61,273

* The covered area includes multi storey buildings.

		Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
7	**LONG-TERM INVESTMENT**			
	Quoted Modaraba - Fair value through OCI			
	BRR Guardian Modaraba - Credit rating - A			
	305,000 (2018: 305,000) certificates of Rs. 10/- each	7.1	**2,375**	2,375
	Gain on remeasurement		**103**	292
			2,478	2,667

7.1 The above investment represents 0.35% (2018 : 0.39%) of the issued certificate capital of the Modaraba.

7.2 These investments are placed under a shariah permissible arrangement.

		Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
8	**LONG-TERM RECEIVABLES**			
	Outstanding balance	8.1	**43,611**	58,046
	Received during the year		**(15,285)**	–
	Un-winding of financial charges	29	**4,361**	–
	Reversal of discounting adjustment	29	**2,653**	–
	Discounting adjustment	30	**–**	(14,435)
			35,340	43,611

8.1 This represents receivable from Utility Stores Corporation against sales made in prior years which has been classified as long term, based on expected pattern of recovery. In compliance with IFRS, this receivable has been discounted to present value.

	Note	Rupees in thousand 2019	2018
9 LONG-TERM DEPOSITS			
Utility companies		2,548	2,518
Others		2,290	2,240
		4,838	4,758

	Note	2019	2018
10 DEFERRED TAXATION			
This comprises:			
Deferred tax liabilities on taxable temporary differences			
Accelerated tax depreciation		150,617	101,958
Right to recover assets		5,091	–
		155,708	101,958
Deferred tax assets on deductible temporary differences			
Allowance for expected credit losses / provision for doubtful debts		(6,752)	(8,436)
Long term receivables		(2,085)	(3,526)
Provision for employee's compensated absences		(27,158)	(26,331)
Provision for bonuses to staff and agents		(10,968)	(12,200)
Carried forward minimum tax credit		(64,300)	–
Loss due to unabsorbed tax depreciation		(16,503)	–
Refund liability		(31,612)	–
		(159,378)	(50,493)
Deferred tax (asset) / liability		(3,670)	51,465

	Note	2019	2018
11 STORES AND SPARES			
Stores		6,877	5,984
Spares		119,449	118,455
		126,326	124,439

	Note	2019	2018
12 STOCK-IN-TRADE			
Raw materials		117,887	134,289
Packing materials		389,806	466,152
Finished goods		197,899	223,733
Pulps, concentrates etc.	12.1	894,551	860,270
Goods in transit		44,919	36,445
		1,645,062	1,720,889

12.1 These include pulps amounting to Rs. (thousand) 378,446 (2018: Rs. (thousand) 345,560), held with third parties in the normal course of business.

	Note	Rupees in thousand 2019	2018
13 TRADE DEBTS			
Unsecured - considered good			
Due from related parties	13.1	–	–
Due from customers	13.2	136,615	116,219
		136,615	116,219
Considered doubtful - others		24,037	29,776
Allowance for expected credit losses / provision for doubtful debts	13.4	24,037	29,776
		–	–
		136,615	116,219

13.1 No amount is receivable from the Chief Executive, Directors and Executives of the Company (2018: Rs. (thousand) Nil).

13.2 These customers have no recent history of default. For age analysis of these trade debts, refer to Note 38.1.1.

13.3 Maximum aggregate amount due from associated undertakings at the end of any month in the year was Rs. (thousand) 133 (2018: Rs. (thousand) 2). No interest has been charged on the amounts due from associated undertakings.

	Note	2019	2018
		Rupees in thousand	
13.4 Allowance for expected credit losses / provision for doubtful debts			
Balance as at 01 July		**29,776**	1,374
IFRS 9 adjustment	2.1.2	**4,055**	–
Charge for the year			
- Addition		**2,228**	28,787
- Reversal		**(12,022)**	(385)
	29	**(9,794)**	28,402
Balance as at 30 June		**24,037**	29,776

14 LOANS AND ADVANCES

	Note	2019	2018
Advances to distributors - Secured, considered good		**1,397**	8,007
Advances - Unsecured, considered good			
- Staff	14.1	**6,009**	7,422
- Suppliers	14.2	**20,626**	159,666
		28,032	175,095

14.1 No advances were given to the Chief Executive, Directors and Executives of the Company (2018: Rs. (thousand) Nil).

14.2 This includes interest free advance amounting to Rs. (thousand) Nil (2018: Rs. (thousand) 145,020) paid to Shahtaj Sugar Mills Limited; associated company for the purchase of raw material in the normal course of business.

14.3 Maximum aggregate amount due from associated undertakings at the end of any month in the year was Rs. (thousand) 174,170 (2018: Rs. (thousand) 224,540). No interest has been charged on the amounts due from associated undertakings.

15 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2019	2018
		Rupees in thousand	
Short-term deposits		**3,570**	10,072
Short-term prepayments:			
- Rent		**6,123**	6,887
- Sales tax receivable		**–**	30,711
- Others		**2,163**	1,398
		11,856	49,068

16 CASH AND BANK BALANCES

	Note	2019	2018
Cash in hand		**92,582**	32,583
Cheques in hand		**24,436**	52,121
Cash at banks			
- Current accounts		**75,481**	19,707
- PLS savings accounts	16.1	**41,224**	48,538
		233,723	152,949

16.1 The balances in the PLS savings accounts carry mark-up @ 8% to 10.25% (2018: 3.75%) per annum.

17 SHARE CAPITAL

	Note	Number of Shares 2019	2018	Rupees in thousand 2019	2018
Authorized share capital:					
Ordinary shares of Rs. 10/- each		**10,000,000**	10,000,000	**100,000**	100,000
Issued, subscribed and paid-up share capital					
Ordinary shares of Rs. 10/- each					
Opening as at 01 July					
- Fully paid in cash		**237,500**	237,500	**2,375**	2,375
- Issued as fully paid bonus shares	17.1	**7,748,500**	7,748,500	**77,485**	77,485
		7,986,000	7,986,000	**79,860**	79,860
Issued during the year					
- Fully paid bonus shares		**798,600**	–	**7,986**	–
Closing as at 30 June					
- Fully paid in cash		**237,500**	237,500	**2,375**	2,375
- Issued as fully paid bonus shares		**8,547,100**	7,748,500	**85,471**	77,485
		8,784,600	7,986,000	**87,846**	79,860

17.1 Non-transfer of bonus shares to individual shareholders

During the year ended 30 June 2015, the Company issued 726,000 bonus shares @ 10% of its then paid-up capital on the book closure date of 23 October 2014. In accordance with the provisions of section 236M of the Income Tax Ordinance, 2001, the Company was required to collect tax from its shareholders @5% on the value of bonus shares, determined on the basis of the end price of the first day of book closure.

However, a number of shareholders of the Company have filed a suit against the Federation of Pakistan, competent authorities and the Company, before the Honorable Sindh High Court, challenging the levy of tax under the above referred section. Since the matter is sub-judice before the Honorable Sindh High Court, the Company has retained 5% of the bonus shares issued to plaintiff shareholders.

	Note	Rupees in thousand 2019	2018
18 RESERVES			
Capital			
Merger Reserve	18.1	**5,000**	5,000
Revenue			
General Reserve			
- At the beginning of the year		**1,800,000**	1,600,000
- Transferred from unappropriated profits		**200,000**	200,000
		2,000,000	1,800,000
Unrealized gain on remeasurement of investment - fair value through OCI			
- At the beginning of the year		**292**	502
- Additions during the year		**(189)**	(210)
		103	292
		2,005,103	1,805,292

18.1 This reserve can be utilized by the Company, only for the purposes specified in the Companies Act, 2017.

	Note	2019 Rupees in thousand	2018
19 LONG-TERM LOAN - secured			
Long term loan	19.1	**528,602**	–
Less: Current maturity shown under current liabilities		**(105,720)**	–
		422,882	–

19.1 This represents long term loan obtained from a commercial bank, payable in five equal semi-annual instalments with a grace period of six months. The rate of mark-up is 3 months KIBOR + 0.25% per annum payable semi annually. The facility is secured against a first exclusive registered charge on the plant and machinery up to Rs. (thousand) 733,334.

	Note	2019 Rupees in thousand	2018
20 TRADE AND OTHER PAYABLES			
Due to related parties	20.1	**47,050**	59,648
Creditors		**485,687**	345,049
Deposits	20.2	**61,309**	68,365
Distributors' credit balances		**–**	93,006
Accrued expenses		**100,418**	117,795
Provision for compensated absences		**96,685**	92,943
Payable to staff provident fund		**215**	–
Sales tax payable		**56,012**	–
Workers' Profit Participation Fund	20.3	**7,997**	26,328
Workers' Welfare Fund	20.4	**250**	14,857
Taxes and other payables		**11,040**	10,251
Other liabilities	20.5	**3,300**	4,227
		869,963	832,469

20.1 The amounts due to related parties are in the normal course of business and relate to:

	Note	2019	2018
Shezan Services (Private) Limited	20.1.1	**47,050**	59,638
Shahnawaz (Private) Limited		**–**	10
		47,050	59,648

20.1.1 This represents the royalty payable to Shezan Services Private Limited (an associated undertaking on the basis of common directorship) having registered office at 19, West Wharf, Dockyard Road, Karachi, Pakistan.

20.2 Agreements with the distributors give the Company the right to utilize these deposits in the normal course of business. The deposits are unsecured and repayable on demand.

	Note	2019 Rupees in thousand	2018
20.3 Workers' Profit Participation Fund			
Balance as at 01 July		**26,328**	19,472
Allocation for the year	28	**7,997**	26,328
		34,325	45,800
Interest on funds utilized in the Company's business	30	**509**	1,688
		34,834	47,488
Less: amount paid to the Fund's Trust		**26,837**	21,160
Balance at 30 June		**7,997**	26,328

		Note	Rupees in thousand 2019	2018
20.4	**Workers' Welfare Fund**			
	Balance as at 01 July		**14,857**	11,312
	Allocation for the year	28	**–**	11,000
			14,857	22,312
	Less: amount paid with annual return		**11,025**	7,455
	reversal	29	**3,582**	–
	Balance at 30 June		**250**	14,857

20.5 This includes Rs. (thousand) Nil (2018: Rs. (thousand) Nil) payable to the Chief Executive Officer and Rs. (thousand) 2,627 (2018: Rs. (thousand) 2,489) payable to various executives.

21 CONTRACT LIABILITIES

Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to Rs. (thousand) 93,006. No amounts have been received from related parties.

22 SHORT-TERM BORROWINGS - secured

The aggregate short term borrowings available from commercial banks under mark-up / interest arrangements are Rs. (thousand) 2,125,000 (30 June 2018: Rs. (thousand) 2,125,000). The un-utilized portion of the said facility amounts to Rs. (thousand) 1,748,617 (30 June 2018: Rs. (thousand) 1,571,738).

The rate of mark-up/ interest on short-term borrowings ranges between 1 month KIBOR plus 0.08% to 1 month KIBOR / 3 months KIBOR plus 0.25% (30 June 2018: 1 month KIBOR plus 0.08% to 1 month KIBOR / 3 months KIBOR plus 0.25%), payable monthly / quarterly.

These facilities are secured against a first registered joint pari passu hypothecation and ranking charge on current assets of the Company up to Rs. (thousand) 2,314,000 (30 June 2018: Rs. (thousand) 2,314,000) and Rs.(thousand) 400,000 (30 June 2018: Rs. Nil) respectively.

The un-utilized facility for opening letters of credit and for guarantees amounts to Rs. (thousand) 204,544 (30 June 2018: Rs. (thousand) 206,672) and Rs. (thousand) 64,569 (30 June 2018: Rs. (thousand) 75,521), respectively.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

The Company has following contingencies outstanding as at year end. No provision has been made in these financial statements, since management of the Company based on its advisors' opinion, is confident that the outcome of the cases will be in the favor of the Company.

Tax matters - Aggregate exposure of the following tax cases amounts to Rs. (thousand) 316,486.

i. The Company has filed a reference before the Honorable Lahore High Court against the decision of the Appellate Tribunal Inland Revenue (ATIR) who upheld the order of Commissioner Inland Revenue (Appeals) (CIR (A)) and the original assessment order dated 31 May 2007 issued by Deputy Commissioner Inland Revenue (DCIR) in respect of Tax Year 2003, which is pending adjudication. The exposure of the Company with respect to this tax year amounts to Rs. (thousand) 3,675 (2018: Rs. (thousand) 3,675).

ii. An assessment order dated 30 December 2009 was issued by Assistant Commissioner Inland Revenue (ACIR) under section 122(1)/ (5A) of the Income Tax Ordinance, 2001 in respect of Tax Year 2004, whereby tax demand of Rs. (thousand) 39,788 (2018: Rs. (thousand) 39,788) was created against the Company. ATIR decided the case in Company's favor, however the Commissioner Inland Revenue (CIR) has filed a reference 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 Honorable Lahore High Court, which is pending adjudication.

iii. Proceedings in respect of Tax Year 2010 and 2012 to 2017 under section 161 of Income Tax Ordinance, 2001 have been initiated against the Company vide orders dated 25 January 2016, 23 April 2015, 23 April 2015, 30 November 2015, 29 September 2016, 27 May 2017, and 14 December 2018 respectively. The Company and tax department have filed appeals before the ATIR against the order passed by CIR(A) for TY 2012 in pursuance of proceedings initiated under Section 161 of the Income Tax Ordinance, 2001, which is pending adjudication. Appeals filed before CIR (A) for TY 2010 and 2013 to 2017 are pending adjudication. The exposure of Company with respect to these tax years amounts to Rs. (thousand) 7,153 (2018: Rs. (thousand) 5,840).

iv. The Company filed its Income Tax Return on 31 December 2015 by declaring total income at Rs. (thousand) 46,710 claiming refund of Rs. (thousand) 71,211. The return so filed deemed to be an assessment order treated to be issued by the Commissioner in terms of provisions of section 120(1) of the Income Tax Ordinance, 2001. Subsequently, the case of the Company was selected for audit of its income tax affairs under section 214C through Random Computer Ballot. Audit proceedings were finalized by the DCIR and passed an order dated 30 November 2018 under section 122(1) of the Ordinance, wherein certain additions were made which resulted into total income at Rs. (thousand) 74,575 and income tax refundable of Rs. (thousand) 19,975. Being aggrieved with the said order, the company filed an appeal on 11 January 2019 before the CIR(A), which is pending adjudication.

v. Amendment of assessment proceedings under Section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2012 and 2016 vide orders dated 28 February 2018 and 30 December 2017, respectively have been initiated by FBR. The Company filed appeals before the Commissioner Inland Revenue (Appeals) against the orders passed under section 122(5A) by the Additional Commissioner Inland Revenue which are pending adjudication. The open tax exposure of the above amounts to Rs. (thousand) 33,914 (2018: Rs. (thousand) 24,179).

vi. The Company was served with a show cause notice dated 07 December 2017 whereby the Additional Commissioner Punjab Revenue Authority alleged that the Company obtained services of freight, repairs and maintenance and advertisement during the period from July 2014 to June 2016 but failed to withhold and deposit Punjab Sales Tax amounting to Rs. (thousand) 218,894 while making payments, as was required by Punjab Sales Tax on Services Withholding Rules, 2015 read with Punjab Sales Tax on Services Act, 2012. The Company submitted reply to the aforesaid show cause notice to clarify its stance, but not being satisfied with the reply, the Additional Commissioner issued assessment order dated 11 April 2018 and raised tax demand of Rs. (thousand) 229,838. After the issuance of assessment order, the Company approached the Honorable Lahore High Court and filed writ petition for challenging the constitution of Punjab Revenue Authority which was decided against the Company. Further, the company has filed appeal before Commissioner Appeals Punjab Revenue Authority, which is pending adjudication.

Other matters

vii. Claim of Punjab Employees Social Security Institution (PESSI) for Rs. (thousand) 2,379 (2018: Rs. (thousand) 2,379) is not acknowledged as debt by the Company.

viii. The Company has received numerous letters from Punjab Employees Social Security Institution (PESSI), wherein PESSI has demanded the Company to pay additional contributions from FY 2014 to FY 2019. The said demands have been based on difference between monthly wages as used by the Company and as notified under Punjab Social Security Ordinance, 1965 for calculation of contribution. The Company has filed writ petitions before Honorable Lahore High Court against PESSI by challenging levy of contribution on enhanced monthly wages. However, the same was decided in favor of PESSI. The Company has filed an Intra Court Appeal (ICA) against the judgement of Honorable Lahore High Court. The matter is pending adjudication consequently no provision has been made in these financials statements. The exposure of the Company with respect to this matter amounts to Rs. (thousand) 9,258 (2018: Rs. (thousand) Nil).

ix. Subsequent to the decision of the Honorable Supreme Court of Pakistan in suo moto case no. 26 of 2018 regarding use of ground or surface water by bottling and beverage companies, the Company is subject to a potential water charge of Rs. 1/- per liter on extraction of ground or surface water. The Company is actively contesting this decision of the Honorable Supreme Court of Pakistan and has filed a review petition.

Meanwhile, the implementation bench of the Supreme Court of Pakistan in the above suo moto case has conducted various hearings during the year. Since this water charge has a significant impact therefore on the representations of various affected companies, the Supreme Court of Pakistan has issued an interim order for the payment of 25% of the bills, based on production data of each company, issued by various Government agencies in this regard till the installation of water flow meters by the respective Government agencies and also framing of legislation by all the federal and provincial authorities. During the year, the Company has recognised an expense of Rs. (thousand) 19,738 based on 25% of production volume of beverages for the period from December 2018 to June 2019 in line with the Honorable Supreme Court's order. However, remaining potential charge, the amount of which cannot be quantified since the matter is subjudice, has been recognised as a contingency.

23.2 Commitments

i. Commitments in respect of letters of credit established for the import of raw, packing materials and plant and machinery amounted to Rs. (thousand) 45,456 (30 June 2018: Rs. (thousand) 43,328).

ii. Counter-guarantees in favor of banks in the ordinary course of business, amounted to Rs. (thousand) 45,431 (30 June 2018: Rs. (thousand) 34,479).

iii. The Company is subject to purchase commitments aggregating to Rs. (thousand) Nil (2018: Rs. (thousand) 412,851) in respect of plant and machinery for the factory.

iv. The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	Note	Rupees in thousand 2019	2018
Not later than one year		**14,773**	24,812
Later than one year and not later than five years		**67,870**	65,438
Later than five years		**38,854**	47,441
		121,497	137,691

24 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	Note	2019	2018
Domestic		**9,396,630**	9,174,224
Export		**251,934**	179,784
		9,648,564	9,354,008
Less: Discounts and incentives		**313,832**	281,130
Sales tax		**1,630,635**	1,569,605
	24.1	**7,704,097**	7,503,273

24.1 This includes sales relating to trading activities amounting to Rs. (thousand) 8,836 (2018: Rs. (thousand) 6,002).

24.2 All the revenue is recognized at a point in time.

	Rupees in thousand 2019	2018
24.3 The Company's net revenue disaggregated by major product lines is as follows:		
Juices and drinks	**6,411,493**	6,314,642
Others	**1,292,604**	1,188,631
	7,704,097	7,503,273

	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
25 COST OF SALES			
Manufacturing	25.1	**6,165,164**	5,401,885
Trading	25.2	**7,594**	3,956
		6,172,758	5,405,841

25.1 Cost of sales - Manufacturing

	Note	2019	2018
Raw materials consumed:			
Opening stock		**134,289**	89,203
Add: Purchases during the year		**1,980,013**	1,990,504
Less: Production of pulps, concentrates		**721,271**	783,832
Closing stock		**117,887**	134,289
		1,275,144	1,161,586
Pulps, concentrates etc. consumed:			
Opening stock		**860,270**	689,941
Add: Purchases during the year		**411,920**	441,585
Production/processing during the year		**721,271**	783,832
Less: Transferred to other spoilages		**7,078**	–
Closing stock		**894,551**	860,270
		1,091,832	1,055,088
Packing materials consumed:			
Opening stock		**466,152**	339,972
Add: Purchases during the year		**2,556,213**	2,643,368
Less: Cost transferred to expenses		**18,063**	16,257
Closing stock		**389,806**	466,152
		2,614,496	2,500,931
Factory expenses:			
Salaries, wages and amenities		**331,764**	323,347
Company's contribution to provident fund		**1,617**	1,621
Stores and spares consumed		**88,081**	59,117
Travelling and conveyance		**3,488**	3,291
Repairs and maintenance		**180,127**	177,585
Insurance		**3,355**	2,592
Fuel and power		**297,973**	256,250
Inward freight and loading/unloading		**8,913**	8,548
Utilities		**51,519**	22,676
Loss on disposal of empties	29.2	**15,761**	15,856
General expenses		**11,455**	6,131
Depreciation	6.3	**162,627**	119,192
		1,156,680	996,206
Cost of production		**6,138,152**	5,713,811
Add: Finished goods - opening stock		**222,351**	203,042
Less: Cost of samples		**–**	220,761
Cost of wastage and spoilage		**–**	71,856
Finished goods - closing stock		**195,339**	222,351
		6,165,164	5,401,885

	Note	Rupees in thousand 2019	2018
25.2 Cost of sales - Trading			
Finished goods - opening stock		**1,382**	3,350
Add: Purchases during the year		**8,772**	3,370
Less: Cost of samples		**–**	256
Cost of wastage and spoilage		**–**	1,126
Finished goods - closing stock		**2,560**	1,382
		7,594	3,956

26 DISTRIBUTION COSTS

	Note	2019	2018
Salaries, wages and amenities		**342,265**	346,763
Company's contribution to provident fund		**2,205**	2,125
Postage and telephone		**3,237**	2,945
Traveling and conveyance		**47,327**	45,130
Repairs and maintenance	26.1	**48,657**	42,266
Insurance		**7,780**	7,536
Utilities		**8,984**	8,678
Stationery and printing		**1,230**	1,437
Rent, rates and taxes		**28,072**	26,612
Advertising and promotions		**93,535**	251,977
Outward freight and distribution		**162,411**	142,307
Staff sales incentive		**11,295**	12,755
Petrol, oil and lubricants		**104,675**	85,473
General expenses		**8,112**	7,267
Depreciation	6.3	**70,090**	67,165
		939,875	1,050,436

26.1 This include loss on disposal of shells amounting to Rs. (thousand) 10,634 (2018: Rs. (thousand) 10,758)

27 ADMINISTRATIVE EXPENSES

	Note	Rupees in thousand 2019	2018
Salaries, wages and amenities		**233,244**	234,216
Company's contribution to provident fund		**2,544**	2,477
Postage and telephone		**5,354**	4,613
Traveling and conveyance		**7,199**	6,826
Repairs and maintenance		**12,922**	13,666
Insurance		**8,792**	9,159
Utilities		**5,806**	6,890
Stationery and printing		**6,439**	7,894
Rent, rates and taxes		**28,568**	26,144
Auditors' remuneration	27.1	**3,339**	4,010
Legal and professional		**4,777**	1,495
Donations	27.2	**1,685**	1,585
General expenses		**9,418**	6,373
Depreciation	6.3	**12,248**	11,258
		342,335	336,606

		Rupees in thousand	
		2019	2018
27.1	**Auditor's remuneration**		
	Audit fee	**1,250**	1,250
	Tax consultancy services	**985**	1,660
	Miscellaneous certification and limited review charges etc.	**872**	872
	Out of pocket expenses	**232**	228
		3,339	4,010

27.2 Donations

This includes an amount of Rs. (thousand) 1,200 (2018: Rs. (thousand) 1,000) donated to following donees. None of the directors or their spouses had any interest in any of the donees.

		Note	Rupees in thousand	
			2019	2018
	Diamer Bhasha and Mohmand Dam Fund		**1,000**	–
	Lahore Literary Festival Society		**200**	–
	Nusrat Jahan College		**–**	1,000
			1,200	1,000

		Note	2019	2018
28	**OTHER OPERATING EXPENSES**			
	Miscellaneous / product spoilage		**13,303**	77,505
	Barrel depreciation	6.3	**15,534**	9,047
	Royalty to related party - Shezan Services (Private) Limited	20.1.1	**83,039**	80,842
	Workers' profit participation fund	20.3	**7,997**	26,328
	Workers' welfare fund	20.4	**–**	11,000
	Loss on disposal of property, plant and equipment	29.2	**391**	326
	Provision for doubtful debts	13.4	**–**	28,402
			120,264	233,450
29	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank deposits		**4,313**	2,503
	Dividend income	29.1	**104**	305
	Foreign exchange gain-net		**9,778**	2,072
			14,195	4,880
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment	29.2	**7,774**	6,672
	Expected credit losses of trade debts - reversal	13.4	**9,794**	–
	Un-winding of interest on long term receivables	8	**4,361**	–
	Reversal of discounting adjustment	8	**2,653**	–
	Reversal of Workers Welfare Fund - excess provision	20.4	**3,582**	–
	Sale of scrap		**48,905**	39,928
			77,069	46,600
			91,264	51,480

29.1 This represents dividend income earned on shariah permissible arrangement.

29.2 Gain/ (loss) on disposal of property, plant and equipment

Description	Cost	Net Book Value	Sale Proceeds	Gain / (loss)	Purchaser	Mode
	Rupees in thousand					
Empty bottles, shells, pallets and barrels	67,668	23,566	27,782	4,216	Various parties	Negotiation
Other assets with book value less than Rs. (thousand) 500.	9,416	994	4,552	3,558	Various parties	Negotiation
	77,084	**24,560**	**32,334**	**7,774**		
30 June 2018	59,538	21,407	28,079	6,672		

Less: Loss on disposal of empties, shells and pallets transferred to:

Cost of sales	48,775	15,761	–	(15,761)
Distribution cost	29,159	10,634	–	(10,634)
Other operating expenses	2,136	391	–	(391)
	80,070	26,786	–	(26,786)
	157,154	**51,346**	**32,334**	**(19,012)**
30 June 2018	135,725	48,347	28,079	(20,268)

	Note	2019	2018
		Rupees in thousand	
30 FINANCE COSTS			
Interest / mark-up on:			
Short-term borrowings		**48,576**	17,497
Workers' Profit Participation Fund	20.3	**509**	1,688
Interest charged on long-term receivables	8	**–**	14,435
Long-term loan		**15,737**	2,882
		64,822	36,502
Bank charges		**3,373**	2,686
		68,195	39,188
31 TAXATION			
Current tax:			
- Current year		**67,108**	163,964
- Prior years		**–**	(58,952)
		67,108	105,012
Deferred tax:			
- Relating to origination and reversal of temporary differences		**(28,248)**	(8,505)
- Due to reduction in tax rates		**–**	(2,068)
		(28,248)	(10,573)
		38,860	94,439

31.1 The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

		Rupees in thousand	
		2019	2018
32	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Net profit after tax	**113,074**	394,793
		Number of shares	
	Weighted average number of ordinary shares at the end of the year (in thousand)	**8,785**	8,785
		Rupees per share	
			Re-stated
	Earnings per share - (basic / diluted)	**12.87**	44.94

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	
			2019	2018
Bottling plant	7,800,000	Crates	**5,465,328**	5,491,267
Tetra Pak plant	70,350,000	Dozens	**34,646,986**	34,748,835
Squashes and syrups plant	770,000	Dozens	**343,787**	308,557
Jams and ketchup plant	5,275,000	Dozens	**2,270,218**	3,006,539
Pickles plant	145,000	Dozens	**99,437**	108,105
Canning plant	250,000	Dozens	**63,364**	59,134

The normal annual capacity, as shown above, has been worked out on the basis of 350 working days (2018: 350 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.

The variance between normal and actual production is because of the changes in demand and supply conditions along with impact of weather on consumer preferences. Moreover, significant variance between normal and actual production of Tetra Pak Plant is due to new installed plant being operational from May 2019.

34 REMUNERATION OF CHIEF EXECUTIVE, PAID DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	**2019**	2018	**2019**	2018
Total number	**1**	1	**2**	2	**6**	6
	Rupees in thousand					
Basic salary	**3,600**	3,360	**6,300**	4,260	**11,634**	11,064
Provident fund contribution	**300**	280	**350**	330	**970**	922
Allowances and benefits						
House rent	**900**	744	**900**	744	**2,700**	2,160
Dearness	**948**	948	**948**	948	**5,292**	5,292
Special	**780**	780	**780**	780	**816**	816
Utilities	**480**	480	**480**	480	**1,408**	1,408
Medical	**2**	–	**–**	–	**352**	548
Bonus	**900**	310	**1,050**	360	**2,897**	933
Ex-gratia	**300**	280	**350**	330	**958**	898
	8,210	7,182	**11,158**	8,232	**27,027**	24,041

34.1 Fees paid to five (2018: six) non-executive directors during the year, for attending Board meetings was Rs. (thousand) 640 (2018: Rs. (thousand) 800).

34.2 Fees paid to four non-executive directors during the year for attending Audit Committee meetings was Rs. (thousand) 480 (2018: Rs. (thousand) 560).

34.3 Fees paid to two (2018: three) non-executive directors during the year for attending Human Resource Committee meeting was Rs. (thousand) 80 (2018: Rs. (thousand) 160).

34.4 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. Amount due to / from related parties are shown under receivables and payables respectively. 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 (For remuneration and benefits to key management personnel please refer to note 34):

Name of Related Party	Nature of Transaction	2019	2018
Associates			
Shahtaj Sugar Mills Limited	Purchases of raw materials	**801,302**	730,983
	Sales of finished goods	**63**	572
Shahtaj Textile Limited	Sales of finished goods	**258**	157
Shahnawaz Engineering (Private) Limited	Sales of finished goods	**25**	6
Shezan Services (Private) Limited	Royalty charged	**83,039**	81,120
Shahnawaz (Private) Limited	Sales of finished goods	**87**	83
	Purchases/repairs of electric equipment/vehicles	**114**	196
Staff Provident Fund Trust	Contributions paid	**6,366**	6,223
Key management personnel			
Mr. Faisal Ahmad Nisar	Sale of vehicle	**–**	500

35.1 Following are the details of related parties with whom the Company has entered into transactions or have arrangements / agreements in place during the year:

		Percentage of Shareholding in the Company	
Name of Related Party	Relationship	2019	2018
Shahtaj Sugar Mills Limited	Common Directorship	**–**	–
Shahtaj Textile Limited	Common Directorship	**–**	–
Shahnawaz Engineering (Private) Limited	Common Directorship	**–**	–
Shezan Services (Private) Limited	Common Directorship	**0.2942%**	0.2942%
Shahnawaz (Private) Limited	Common Directorship	**–**	–
Mr. Muneer Nawaz	Chairman	**7.5047%**	7.5047%
Mr. Mahmood Nawaz	Director	**9.7103%**	9.7103%
Mr. M. Naeem	Director	**0.6135%**	0.6135%
Mr. Humayun A. Shahnawaz	Chief Executive	**4.1948%**	4.1948%
Mr. Rashed Amjad Khalid	Director	**1.8288%**	1.8288%
Ms. Manahil Shahnawaz	Director	**2.0367%**	2.0367%
Mr. Muhammad Khalid	Independent Director	**0.0063%**	0.0063%
Mr. Shahid Hussain Jatoi	Director (NIT Nominee)	**–**	–
Mr. Waseem Amjad Mehmood	Key Management Personnel	**0.0051%**	0.0051%
Mr. Abbas Raza	Key Management Personnel	**–**	–
Mr. Hamid Ijaz	Key Management Personnel	**–**	–
Mr. Faisal Ahmad Nisar	Key Management Personnel	**–**	–
Mr. Nasim Tariq	Key Management Personnel	**–**	–
Mr. Atta Ul Noor	Key Management Personnel	**–**	–

36 PROVIDENT FUND TRUST

The Company has maintained an employees provident fund trust and investments out of the provident fund has been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	Rupees in thousand 2019	2018
Size of the fund		**195,928**	183,119
Percentage of the investments made		**100.5%**	97.6%
Fair value of Investments	36.1	**196,856**	182,296
Cost of Investments made		**198,811**	182,807

Break-up of the investments in terms of amount and percentage of the size of the provident fund are as follows:

	Investment as a % of size of the fund		Investment Rupees in thousand	
	2019	2018	**2019**	2018
36.1 Breakup of investment				
Listed securities and mutual fund units	**15.4%**	17.8%	**30,124**	32,605
Placements/certificates	**82.8%**	76.8%	**162,137**	140,588
Cash at PLS saving accounts	**2.3%**	5.0%	**4,595**	9,103
	100.5%	99.6%	**196,856**	182,296

36.2 Current year figures are based on un-audited financial statements of the Provident Fund Trust.

	No. of Persons 2019	2018
37 NUMBER OF EMPLOYEES		
Number of permanent persons employed are as follows:		
Total employees	**303**	305
Average employees	**305**	303

38 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 summarized below.

38.1 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 allowance for expected credit loss.

The Company is exposed to credit risk on long-term receivables, trade debts, deposits, loans and advances and interest accrued. 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 2019	2018
Long-term receivables	**35,340**	43,611
Long-term deposits	**4,838**	4,758
Trade debts - unsecured	**136,615**	116,219
Loans and advances	**7,406**	15,429
Trade deposits	**3,570**	10,072
Bank balances	**116,705**	68,245
Cheques in hand	**24,436**	52,121
Interest accrued	**637**	354
	329,547	310,809

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 2019	2018
38.1.1 Trade Debt		
Geographically:		
Pakistan	**114,512**	98,101
Australia	**2,173**	1,484
North America	**5,906**	5,880
Europe	**20,020**	11,839
South Asia	**74**	1,075
Africa	**17,967**	27,616
	160,652	145,995

Breakup of export debts into significant categories is as follows:

Cash against documents	**17,967**	27,616
Documents against payment	**28,173**	20,278
	46,140	47,894

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Company's trade debts using a provision matrix:

	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	Over 150 days	Total
				Rupees in thousand			
As at 30 June 2019							
Expected credit loss rate	**0.14%**	**0.82%**	**4.13%**	**17.73%**	**39.19%**	**81.22%**	
Estimated total gross carrying amount at default	**63,839**	**58,189**	**6,369**	**4,043**	**1,013**	**27,199**	**160,652**
Expected credit loss	**89**	**480**	**263**	**717**	**397**	**22,091**	**24,037**
As at 01 July 2018							
Expected credit loss rate	0.70%	2.59%	12.85%	23.99%	29.11%	81.22%	
Estimated total gross carrying amount at default	52,490	40,491	12,745	2,159	1,333	36,777	145,995
Expected credit loss	370	1,047	1,638	518	388	29,870	33,831

As at 30 June 2019, trade debts of Rs. (thousand) 24,037 (2018: Rs. (thousand) 29,776) were impaired and provided for. This includes Rs. (thousand) 13,475 (2018: Rs. (thousand) 20,712) in respect of export sales made to Zara General Trading.

	Rupees in thousand	
	2019	2018
38.1.2 Loans and advances		
Advance to related parties		
Not due yet	**–**	103,945
Past due		
31 - 60 days	**–**	41,075
	–	145,020
Others		
Not due yet	**28,032**	15,429
	28,032	160,449

38.1.3 Cash at bank

Credit risk from balances with banks and financial institutions is managed by the Company's finance department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

38.1.3 Banks	Rating Agency	Category: Short term	Category: Long term	Rupees in thousand: **2019**	Rupees in thousand: 2018
United Bank Limited	JCR-VIS	A1+	AAA	**15,634**	5,910
The Bank of Khyber	PACRA	A1	A	**15**	1,652
Bank AL-Habib Limited	PACRA	A1+	AA+	**16,318**	2,334
National Bank of Pakistan	PACRA	A1+	AAA	**28,304**	46,890
HBL Pakistan	JCR-VIS	A1+	AAA	**56,422**	11,177
Bank Alfalah Limited	PACRA	A1+	AA+	**12**	282
Cheques in hand				**24,436**	52,121
				141,141	120,366

38.1.4 With respect to credit risk arising from other financial assets of the Company, the Company's management assesses exposure to such risk to be minimal based on past experience and is restricted to the carrying amount of those assets.

38.2 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 analyzed below, with regard to their remaining contractual maturities.

	2019		
	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Long-term loan - secured	105,720	422,882	528,602
Short-term borrowings - secured	376,383	–	376,383
Trade and other payables	794,664	–	794,664
Mark up accrued on borrowings	27,724	–	27,724
	1,304,491	422,882	1,727,373

	2018		
	Maturity Upto One Year	Maturity After One Year	Total
	Rupees in thousand		
Short-term borrowings - secured	553,262	–	553,262
Trade and other payables	688,027	–	688,027
Mark up accrued on borrowings	4,444	–	4,444
	1,245,733	–	1,245,733

38.3 Market Risk

38.3.1 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 existing at 30 June 2019 would have affected the statement of profit or loss and liabilities and equity by Rs. (thousand) 461 (2018: Rs. (thousand) 479).

38.3.2 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 long-term loan, short-term borrowings and bank deposits, which have been disclosed in the relevant note to the financial statements.

Sensitivity analysis

If interest rates at the year end, fluctuate by 100 basis points higher / lower, profit for the year would have been Rs. (thousand) 8,638 (2018: Rs. (thousand) 5,047) higher / lower. This analysis is prepared assuming that all other variables held constant and the amounts of liabilities outstanding at the financial position dates were outstanding for the whole year.

38.4 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 statement of financial position less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt (as defined above).

The Company finances its operations through equity, short-term borrowing and managing working capital.

Gearing ratio

	Rupees in thousand	
	2019	2018
Net Debt		
Long term loan	**528,602**	–
Short-term borrowings	**376,383**	553,262
Cash and bank balances	**(233,723)**	(152,949)
	671,262	400,313
Total Equity	**2,233,580**	2,309,477
Total Capital	**2,904,842**	2,709,790
Gearing (%)	**23%**	15%

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

38.5 Fair value of financial instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Fair value is determined on the basis of objective evidence at each reporting date.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair values are observable either, directly or indirectly.

Level 3: Techniques which uses inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At 30 June, the Company had following financial instruments with respect to their level of fair value modelling:

Fair value is determined on the basis of objective evidence at each reporting date.

	Level 1	Level 2	Level 3
	Rupees in thousand		
2019			
Investment	**2,478**	**–**	**–**

	Level 1	Level 2	Level 3
	Rupees in thousand		
2018			
Investment	2,667	–	–

39 SEGMENTAL ANALYSIS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive. The Chief Executive considers the business from the product perspective and evaluates performance on the basis of their profit or loss. As at 30 June 2019, the Company is organized into two operating segments based on their products.

Juice drinks activities

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

Other operating activities

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

Segment analysis of profit and loss account for the year ended 30 June 2019:

	Juices and Drinks	Others	Total
	Rupees in thousand		
Revenue from contracts with customers - net	6,411,493	1,292,604	7,704,097
Cost of sales	(4,971,626)	(1,201,132)	(6,172,758)
Gross profit	1,439,867	91,472	1,531,339
Unallocated expenses and income			
Corporate expenses			(1,282,210)
Finance costs			(68,195)
Other operating expenses			(120,264)
Other income			91,264
Taxation			(38,860)
Profit after taxation			**113,074**

Segment analysis of assets and liabilities as at 30 June 2019:

	Juices and Drinks	Others	Total
	Rupees in thousand		
Segment assets	3,305,252	509,424	3,814,676
Unallocated assets			990,467
Total			**4,805,143**
Segment liabilities	1,334,852	234,922	1,569,774
Unallocated liabilities			1,001,789
Total			**2,571,563**

Segment analysis of profit and loss account for the year ended 30 June 2018:

	Juices and Drinks	Others	Total
	Rupees in thousand		
Revenue from contracts with customers - net	6,314,642	1,188,631	7,503,273
Cost of sales	(4,414,372)	(991,469)	(5,405,841)
Gross profit	1,900,270	197,162	2,097,432
Unallocated expenses and income			
Corporate expenses			(1,387,042)
Finance costs			(39,188)
Other operating expenses			(233,450)
Other income			51,480
Taxation			(94,439)
Profit after taxation			394,793

Segment analysis of assets and liabilities as at 30 June 2018:

	Juices and Drinks	Others	Total
	Rupees in thousand		
Segment assets	2,751,499	745,561	3,497,060
Unallocated assets			735,486
Total			4,232,546
Segment liabilities	506,644	241,774	748,418
Unallocated liabilities			1,174,651
Total			1,923,069

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 26 September 2019.

41 EVENTS AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend of Rs. 5.50 (2018: Rs. 15) per share, amounting to Rs. (thousand) 48,315 (2018: Rs. (thousand) 119,790) for the year ended 30 June 2019 and Nil bonus shares (2018: 10%) amounting to Rs. (thousand) Nil (2018: Rs. (thousand) 7,986) along with transfer to general reserve amounting to Rs. (thousand) Nil (2018: Rs. (thousand) 200,000) at their meeting held on 26 September 2019 for approval of the members at the Annual General Meeting to be held on 26 October 2019. These financial statements do not reflect the effect of these appropriations.

Chief Executive | Director | Chief Financial Officer

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SHEZAN INTERNATIONAL LIMITED
PROXY FORM

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 56^{th} Annual General Meeting of the Company to be held on 26 October 2019 and at any adjournment thereof.

As witness my/our hand/seal this ____________________ day of ________________ 2019.

Signed by ______________________________

in the presence of ______________________________

Folio Number / CDC A/C Number

Signature

Affix Rs. 5/- revenue stamp

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

Important notes:

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.

3. Proxies, in order to be valid must be received at the Registered Office of the Company, Shezan International Limited, 56 Bund Road, Lahore, not less than 48 hours before the meeting.

4. CDC Shareholders and their proxies, both are requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with the proxy form before submission to the Company (Original CNIC / Passport is required to be produced at the time of the meeting).

5. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

شیزان انٹرنیشنل لمیٹڈ
پراکسی کا فارم

میں رہم ______________________________

برائے ______________________________

بحیثیت حصص یافتگان شیزان انٹرنیشنل لمیٹڈ حامل ____________ حصص مقرر کرتا رکرتی ہوں ______________________

برائے ______________________________

یا انکی عدم موجوگی کی صورت میں ______________________________

برائے ____________________

جو کہ شیزان انٹرنیشنل لمیٹڈ کا حصص دار بھی ہے بطورِ پراکسی مقرر کرتا رکرتی ہوں تا کہ وہ میری رہماری جگہ 26 اکتوبر 2019ء کو آواری ہوٹل، 87 شاہراہِ قائداعظم، لاہور، میں منعقد ہونے والے 56 ویں سالانہ اجلاسِ عام میں حق رائے دہی استعمال کر سکے۔

بتاریخ ____________ بروز ____________ 2019ء

دستخط کنندہ

گواہان

فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر	دستخط
	(پانچ روپے کا محصول ٹکٹ)

یہ دستخط کمپنی میں رجسٹرڈ نمونے سے مطابقت رکھتے ہونے چاہئے۔

نوٹس:

1- کمپنی کا ممبر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جا سکتا ماسوائے کارپوریشن کے جو ممبر کے علاوہ کسی دوسرے فرد کو بھی پراکسی نامزد کر سکتی ہے۔

2- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور کمپنی کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زیادہ دستاویزات جمع کروائی جاتی ہیں تو پراکسی کی ایسی تمام دستاویزات کالعدم تصور ہونگی۔

3- پراکسی فارم کمپنی کے رجسٹرڈ آفس، شیزان انٹرنیشنل لمیٹڈ 56-بند روڈ لاہور میں اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل جمع کروانا لازمی ہے بصورتِ دیگر قابل قبول نہ ہوگا۔

4- سی ڈی سی اکاؤنٹ ہولڈر پراکسی فارم کے ہمراہ کمپیوٹرائز قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی بھی منسلک کرنی ہوگی (پراکسی کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا)۔

5- کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بمعہ نمونہ دستخط پراکسی فارم کے ہمراہ جمع کرانا ہوں گے۔

Shezan International Limited
www.shezan.pk