

SHEZAN INTERNATIONAL LIMITED

ANNUAL REPORT 1997

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Company's Profile

BOARD OF DIRECTORS:

Mr. Muneer Nawaz Chairman
Mr. Saifi Chaudhary Chief Executive
Mrs. Majeeda Begum
Mr. Mahmood Nawaz
Mr. C.M. Khalid
Mr. M. Naeem
Mrs. Amtul Hai Khalid
Mr. Muhammad Khalid
Mr. Sk. Jahangir (Nominee N.I.T)

EXECUTIVE DIRECTOR & SECRETARY:

Mr. Muhammad Khalid

REGISTERED OFFICE / HEAD OFFICE:

56-Bund Road, Lahore-54500.

FACTORIES:

Lahore:

Bund Road, Lahore.

Ph: (042) 7466900- 04
Fax: (042) 7466899
Telex: 47275 SHEZN PK
Grams: SHEZJUICE
E-Mail: shezan@brain.net.pk

Karachi:

Federal B. Industrial Area.

Ph: (021) 6344722-23
Fax: (021) 6313790
Telex: 23160 SHZAN PK

E-Mail: shezan@cyber.net.pk

AUDITORS:

Messrs Ford, Rhodes, Robson, Morrow

Chartered Accountants

1st Floor, The Syed, 11-Civic Centre,
New Garden Town, Lahore.

LEGAL ADVISORS:

Messrs Cornelius, Lane & Mufti

Nawa-i-Waqt Building,

Shahtab-e-Fatima Jinnah, Lahore.

BANKERS:

United Bank Limited.

Citibank N.A.

The Bank of Khyber.

Notice of Meeting

Notice is hereby given that the 34th Annual General Meeting of the Company will be held on Tuesday, 30th December, 1997 at 10.30 hours at Hotel Avari, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

1. To confirm the Minutes of Annual General Meeting held on 30th December, 1996.
2. To receive and adopt the Directors' and Auditors' Reports and Audited Accounts for the year ended 30th June, 1997.
3. To approve the dividend @ Rs. 3.00 per share as recommended by the Board of Directors.
4. To appoint Auditors for the year 1997-98 and to fix their remuneration. The present Auditors Messrs FORD, RHODES, ROBSON, MORROW, Chartered Accountants being eligible, offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

Shares Transfer Book of the Company will be closed from 29th December, 1997 to 08th January, 1998 (both days inclusive) for determining entitlement of the dividend.

NOTES:

1. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Form of Proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48-hours before the Meeting.
2. Shareholders are requested to notify the change of address if any, immediately.

Consolidated Financial Information

Shezan International Limited and its subsidiary,
Hattar Fruit Products Limited

GENERAL INFORMATION SUBSIDIARIES

Name	Hattar Fruit Products Limited
Accounting year end	June 30
Percentage of holding	100%
Nature of business	Manufacture and sale of juices, beverages, pickles, preserves and flavourings based upon or derived from fresh fruits and vegetables.

Reserves attributable to member of the parent dealt with in the financial statements of the parent:

- In the current year	NIL
- In the previous years	NIL

Reserves attributable to members of the parent not dealt within the financial statement of the parent:

In the current year	NIL
In the previous years	NIL

ASSOCIATE

Name of the Associated Company	Basis of Association
NOT APPLICABLE	

TRANSACTIONS WITH SUBSIDIARIES/ASSOCIATED COMPANIES

Type of Transaction	Value during the period (Rupees in thousands)	Basis of determination of the transaction value
Purchases	99,651	Standard sales policy.
Sales	16,218	Cost to Shezan International Limited.
Interest earned	Nil	-

Subsidiaries/Associated Companies Balances

	Year end Balance	Nature of Balance (Rupees in thousands)	Maximum balance at the end of any month during the year
Hattar Fruit Products Limited		Nil Advance	Nil

Details of Group Banking Arrangements

(e.g. Cross guarantee's charge on group assets to secure the debts)

NOT APPLICABLE

Consolidated Balance Sheet as at June 30, 1997

Shezan International Limited and its subsidiary,
Hattar Fruit Products Limited

	1997 (Rupees in thousands)	1996
TANGIBLE FIXED ASSETS		
Operating fixed assets	90,342	99,749
Capital work-in-progress	-	716

	90,342	100,465
LONG TERM INVESTMENT	1,250	1,250
LONG TERM DEPOSITS	1,074	1,126
	92,666	102,841
CURRENT ASSETS		
Stores and spares	24,287	38,236
Stock in trade	214,443	221,738
Trade debts	35,394	28,336
Loans and advances	3,967	3,134
Advances, deposits and prepayments and other receivables	11,297	4,727
Cash and bank balances	17,675	12,198
	307,063	308,369
LESS: CURRENT LIABILITIES		
Short-term running finances	28,388	26,651
Current maturity of long term loans	3,750	6,625
Current maturity of obligations under finance lease	1,825	864
Creditors, accrued and other liabilities	68,000	76,913
Provision for taxation	754	9,257
Dividends	15,096	21,950
	117,813	142,260
WORKING CAPITAL	189,250	166,109
CAPITAL EMPLOYED	281,916	268,950
LESS: LONG TERM AND DEFERRED LIABILITIES		
Long-term loans	3,750	7,500
Deferred taxation	3,000	4,000
Obligations under finance lease	1,773	3,598
	8,523	15,098
	273,393	253,852
REPRESENTED BY:		
Issued, subscribed and paid up capital	50,000	50,000
Reserves attributable to Parent Company		
Revenue reserves	200,000	145,000
Retained earnings	18,412	53,852
Bonus shares received	5,000	5,000
	223,412	203,852
Minority interest	-	-
	273,412	253,852

Consolidated Profit and Loss Account for the year ended June 30,1997

**Shezan International Limited and its subsidiary,
Hattar Fruit Products Limited**

	1997	1996
	(Rupees in thousands)	
Consolidated sales	590,909	724,795
	-----	-----
Net Profit for the year		
Shezan International Limited	22,690	40,547
Hattar Fruit Products Limited	13,079	31,992
	-----	-----
	35,769	72,539
Less: Adjustment for unrealised profits and inter group dividends	-	-
	-----	-----
Consolidated profit before taxation	35,769	72,539
Provision for taxation	1,209	16,658
	-----	-----
Consolidated profit after taxation	34,560	55,881
Less: Minority interest	-	-
	-----	-----
Net profit attributed to Parent Company	34,560	55,881
	=====	=====
STATEMENT OF RETAINED EARNINGS		
Retained earnings brought forward	53,852	80,721
Net profit for the year	34,560	55,881
	-----	-----
	88,412	136,602
Appropriations:	-----	-----
Transfer to General Reserve	55,000	56,500
Proposed dividend @ 30% (1996: 42.50%)	15,000	21,250
Bonus shares	-	5,000
	-----	-----
	70,000	82,750
	-----	-----
Retained earnings carried forward	18,412	53,852
	=====	=====

Director's Report to the Shareholders

It gives us great pleasure to welcome you to the 34th Annual General Meeting of the Company. Sales during the year under review were Rs. 536.428 million as compared to Rs. 645.893 million last year.

As you will observe there has been a substantial fall in sales and our sales are about 17% less than last year. Our after tax profit was

Rs. 18.690 million this year as compared with Rs. 26.097 million last year. We had been informing our shareholders from time to time

since last year that the prospects are not 'that good keeping in view the

general economic conditions of the country and the effects of inflation on our input cost.

Keeping in view consumers resistance due to general decline in disposable income, it is not possible to pass

on all the cost of production increase to the customer. As a result we had to absorb the increase without

getting an increase in price. Our products are not essentials and whenever there is an economic slow down,

people tend to decrease the consumption of our products. The fall in sales has been about 17% and the fall in

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after tax profit is 28%; the fall in after tax profit is a direct consequence of the decrease in sales and increase in input cost of which our shareholders are well aware. As an example, just in case of utilities the increase has been about 30% as compared to the previous year. The tariff on imported products has also been reduced and because of this there is an increasing competition due to the availability of large quantities of imported consumer products in the market which, in turn, effects our margins.

I am pleased to inform the shareholders that our exports showed a healthy growth this year and we were able to increase our exports from Rs. 53.288 million to Rs. 71.069 million.

The continued slow down in the economic activity of the country due to political uncertainty is a cause of concern for all of us and we pray and hope that the situation would improve in the coming months.

FINANCIAL RESULTS

As you will observe from Balance Sheet and Profit and Loss Account our financial results are as under:

	(Rupees in thousands)
Profit Before Taxation	22,690
Provision for Taxation	4,000

Profit after Taxation	18,690
Unappropriated Profit Brought Forward	3,536

Available for Appropriation	22,226
Appropriations:	
Proposed dividends @ 30% (1996: 42.50%)	15,000
Transfer to General Reserve	5,000

Unappropriated profit carried forward	20,000
	2,226

DIVIDEND

You are aware that it has always been the policy of the company to share the profit with the shareholders and we have been quite generous in this regard in the past. However, due to slow down in profits this year, the dividend policy has to be conservative and prudent.

FUTURE PROSPECTS

Your Directors feel that the fruit and vegetable industry is going through a crisis and the Government should come out with a package of incentives for this industry.

This industry has a direct positive affect on the rural economy as we buy in large quantity the produce from the farmers.

Shezan brand is still, by the Grace of Allah, a very strong brand in the mind of the consumer and we are confident that with the improvement in the economy we would be able to come up to our previous level of performance.

We plan to concentrate more on the exports as our products are becoming popular in the export market. We also plan to cut down our cost to the maximum extent wherever possible so that the financial position of the company is strengthened.

In order to make up the lost sales, we plan to somewhat diversify our product range to capture the new segments of the market.

We can say nothing about the performance of the company in the coming months but we can assure our shareholders that since we are a strong brand name in the mind of the consumer, we are confident that with the upturn in the economy, we would be able to get our due market share and improve our performance. We continue to make our humble contribution to the National Exchequer by contributing Rs. 29,035,987 in the shape of Excise Duty and Rs. 67,377,028 in Sales Tax for the year ended 30th June, 1997.

AUDITORS

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants have conveyed their willingness to be appointed in the ensuing year.

LABOUR & MANAGEMENT RELATIONS

During the year under review, the labour and management relations remained cordial. Your Directors place on record their appreciation for the loyalty and devotion to duty of the officers and workers of all categories.

Five Years Review At a Glance

	(Rupees in thousands)				
	Year 1993	Year 1994	Year 1995	Year 1996	Year 1997
	(Six months)				
Income					
Sales	466,798	548,163	397,417	682,248	536,428
Others	9,523	4,308	1,336	3,911	2,154
	-----	-----	-----	-----	-----
	476,321	552,471	398,753	686,159	538,582
	-----	-----	-----	-----	-----
Expenditure					
Cost of Sales	329,490	400,925	288,154	524,704	415,481
Administrative, Selling and General Financial	73,709	79,487	53,516	99,956	82,819
Others	6,312	4,887	1,860	3,452	1,986
	17,787	16,509	10,575	17,500	15,606
	-----	-----	-----	-----	-----
	427,298	501,808	354,105	645,612	515,892
	-----	-----	-----	-----	-----
Profit before taxation	49,023	50,663	44,648	40,547	22,690
Taxation	19,500	17,707	16,500	14,450	4,000
	-----	-----	-----	-----	-----
Profit after taxation	29,523	32,956	28,148	26,097	18,690
	=====	=====	=====	=====	=====
Paid up Capital					
Ordinary Shares of Rs. 10 each (thousands shares)	5,000	5,000	5,000	5,000	5,000
	=====	=====	=====	=====	=====
Reserves & Unappropriated					
Profits	75,083	83,039	93,689	98,536	102,226
Shareholders Equity	125,083	133,039	143,689	148,536	152,226
Break Up value per share (Rs.)	25.92	27.51	29.64	30.51	31.04

Earnings Per Share (Rs.)	5.90	6.60	5.63	5.22	3.74
Cash Distribution per share (Rs.)	5.00	5.00	3.50	4.25	3.00
	=====	=====	=====	=====	=====

Pattern of Shareholders as on June 30, 1997

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
62	1	100	6,200
151	101	500	62,900
41	501	1,000	37,000
46	1,001	5,000	109,500
5	5,001	10,000	32,100
2	10,001	15,000	26,450
1	15,001	20,000	15,500
4	20,001	25,000	87,330
3	25,001	30,000	84,575
2	30,001	35,000	69,405
1	40,001	45,000	43,200
1	50,001	55,000	54,925
1	55,001	60,000	55,530
1	60,001	65,000	63,000
2	70,001	75,000	147,805
1	75,001	80,000	76,000
1	90,001	95,000	92,400
1	95,001	100,000	99,600
1	100,001	105,000	102,200
1	105,001	110,000	109,625
1	160,001	165,000	162,635
3	210,001	215,000	633,730
1	345,001	350,000	349,765
1	460,001	465,000	460,755
1	2,000,001	2,020,000	2,017,870
-----	-----	-----	-----
335			5,000,000
=====	=====	=====	=====

The Slabs representing NIL holding have been omitted.

CATEGORIES OF SHAREHOLDING

Particulars	Number	Shares Held	Percentage
Individuals	323	2,724,305	54.49%
Joint Stock Companies	2	21,725	0.44%
Investment Companies	3	35,100	0.70%
Insurance Companies	3	45,200	0.90%
Financial Institutions	1	2,017,870	40.36%
OTHERS			
National Industrial Co-op Finance	1	400	-
* Foreign Investment	2	155,400	3.11%
	-----	-----	-----
Total	335	5,000,000	100.00%

	=====	=====	=====
* Somers Nominee (Far East) Limited	63,000		
Pictet & Cie, Geneva	92,400		

Auditors' Report to the Members

We have audited the annexed balance sheet of Shezan International Limited as at June, 30 1997 and the related profit and loss account and statement of sources and application of funds, together with the notes

forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of sources and application of funds, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1997 and of the profit and the changes in sources and application of funds for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Lahore: Dec 4, 1997

Balance Sheet as at June 30, 1997

Notes	1997	1996
	(Rupees in thousands)	
TANGIBLE FIXED ASSETS		
Operating fixed assets	38,214	41,673
Capital work-in-progress	-	716
LONG TERM INVESTMENTS	21,250	21,250
LONG TERM DEPOSITS	1,028	900
	-----	-----
	60,492	64,539

CURRENT ASSETS			
Stores and spares	8	15,565	32,854
Stock in trade	9	163,200	172,547
Trade debts	10	26,472	27,629
Loans and advances	11	3,789	2,320
Advances, deposits and prepayments and other receivables	12	6,584	3,764
Cash and bank balances	13	14,815	10,695
		-----	-----
		230,425	249,809
LESS: CURRENT LIABILITIES			
Short-term running finances	14	26,167	16,717
Current maturity of long term loans		-	2,875
Current maturity of obligations under finance lease	19	1,825	864
Creditors, accrued and other liabilities	15	90,076	108,017
Provision for taxation		754	7,791
Dividends	16	15,096	21,950
		-----	-----
		133,918	158,214
		-----	-----
WORKING CAPITAL		96,507	91,595
		-----	-----
CAPITAL EMPLOYED		156,999	156,134
		=====	=====
REPRESENTED BY			
Share Capital	17	50,000	50,000
Revenue reserves and unappropriated profits	18	102,226	98,536
		-----	-----
		152,226	148,536
Deferred taxation		3,000	4,000
Obligations under finance lease	19	1,773	3,598
CONTINGENCIES AND COMMITMENTS			
	20	-	-
		-----	-----
		156,999	1,561.34
		=====	=====

The attached notes form an integral part of these accounts.

Profit and Loss Account for the year ended June 30, 1997

	Notes	1997 (Rupees in thousands)	1996
Sales	21	536,428	645,893
Cost of sales	22	415,481	488,349
		-----	-----
Gross Profit		120,947	157,544
		-----	-----
Less: Administrative and general expenses	23	20,329	24,255

Selling and distribution expenses	24	62,490	75,701
Financial charges	25	1,986	3,452
Other expenses and provisions	26	15,606	17,500
		-----	-----
		100,411	120,908
		-----	-----
Operating profit		20,536	36,636
Other income	27	2,154	3,911
		-----	-----
Profit before taxation		22,690	40,547
Provision for taxation	28	4,000	14,450
		-----	-----
Profit after taxation		18,690	26,097
Unappropriated profit brought forward		3,536	5,189
		-----	-----
		22,226	31,286
Appropriations:			
Transfer to General Reserve		5,000	6,500
Proposed dividend @ 30% (1996: 42.50%)		15,000	21,250
		-----	-----
		20,000	27,750
		-----	-----
Unappropriated profit carried forward		2,226	3,536
		=====	=====

The attached notes form an integral part of these accounts.

**Statement of Sources and Application of Funds for the year ended June 30,1997
(Cash Flow)**

	1997	1996
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Funds provided from operations:		
Profit after tax	18,690	26,097
Adjustment for items not involving movement of funds:	-----	-----
Depreciation	5,467	6,132
Deferred taxation	(1,000)	(550)
Provision for diminution in long term investments	-	1,250
Profit on sale of fixed assets	(918)	(2,262)
	-----	-----
	22,239	30,667
(Increase)/decrease in current assets	-----	-----
Stores and spares	17,289	(8,018)
Stock in trade	9,347	(20,828)
Trade debts	1,157	(6,906)
Loans and advances	(1,469)	15,190
Advances, deposits and prepayments and other receivables	(2,820)	(426)
	-----	-----
	23,504	(20,988)
Increase/(decrease) in current liabilities	-----	-----

Short-term running finances	9,450	(11,498)
Creditors, accrued and other liabilities	(17,941)	34,068
Provision for taxation	(7,037)	(12,894)
	-----	-----
	(15,528)	9,676
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	30,215	19,355
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	-----	-----
	(2,550)	(10,867)
Capital Work-in-Progress	716	345
Sale proceeds from disposal of fixed assets		
	1,460	4,281
Long term deposits	(128)	(529)
Dividends paid	(21,854)	(41,847)
	-----	-----
NEW CASH FROM INVESTING ACTIVITIES	(22,356)	(48,617)
CASH FLOW FROM FINANCING ACTIVITIES	-----	-----
Proceeds from obligations under finance lease	-	5,743
Repayments of obligations under finance lease	(864)	(2,125)
Repayment of long term loan	(2,875)	(5,750)
	-----	-----
NET CASH FROM FINANCING ACTIVITIES	(3,739)	(2,132)
	-----	-----
NET INCREASE/(DECREASE)IN CASH AND BANK BALANCES	4,120	(31,394)
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR	10,695	42,089
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	14,815	10,695
	=====	=====

Notes to the Accounts for the year ended June 30, 1997

1. THE COMPANY AND ITS OPERATIONS

The Company is a Public Limited Company quoted on the Lahore and Karachi Stock Exchanges. It is engaged in the manufacture and sale of juices, beverages, pickles, preserves and flavorings based upon or derived from fresh fruits and vegetables.

2. COMPLIANCE WITH IAS

These accounts comply with International Accounting Standards where applicable in all material respects.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue Recognition

Sales are recorded upon delivery of goods to the customers.
Income from bank deposits, loans and advances is recognized on accrual basis.
Dividend income is recognized when right to receive is established.

3.2 Historical costs are used as the basis for valuing transactions.

3.3 Research and development costs are expensed as incurred.

3.4 Tax provision is based on profits as adjusted for tax purposes. Effect of timing differences on account of accelerated tax depreciation is fully provided for, using the liability method.

3.5 Fixed assets are stated at historical cost less accumulated depreciation except for freehold land and capital work in progress which are stated at cost.

Depreciation is calculated using the reducing balance method at rates disclosed in the schedule of fixed assets, which rates are considered appropriate to write off the cost of the assets over their useful lives.

Leased assets held under finance lease are stated at cost less depreciation at the rates and basis applicable to company owned assets. The outstanding obligations under the lease less finance charges allocated to future period is shown as liability. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

Profits or losses on disposal of fixed assets are recognised in the profit and loss account in the year of disposal.

3.6 Stocks and stores are valued at lower of cost or net realisable value except those in transit which are valued at invoice value including other charges, if any, incurred thereon. Basis of determining cost is as follows:-

Raw materials	- Moving average
Finished goods	- Actual cost of manufacture
Mango Pulp	- Cost of manufacture according to annual average method
Bottles	- Moving average
Shells, pallets and barrels	- Moving average
Stores and spares	- Moving average

Shells, pallets and barrels are subject to a deterioration of 20% per annum using the reducing balance method.

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.

3.7 The Company contributes to a recognised provident fund for all permanent employees.

Other significant accounting policies are disclosed in the following notes wherever relevant.

4. OPERATING FIXED ASSETS

(Rupees in thousands)

PARTICULARS	To June 30, 1996	COST Additions/ Adjustments	Disposals/ Adjustment	Book Value		DEPRECIATION		Charge for the year
				To June 30, 1997	As at June 30, 1997	Accumulated as at June 30, 1997	Annual rate %	
COMPANY								
OWNED ASSETS								
Freehold land	7,091	-	-	7,091	7,091	-	-	-
Buildings on freehold land	11,688	748	-	12,436	4,056	8,380	10	451
Plant and machinery	47,773	-	-	47,773	10,643	37,130	12.50	1,520
Furniture and fixtures	1,917	88	-	2,005	503	1,502	15	89
Motor vehicles and bicycles	23,025	2,169	1,670	23,524	8,399	15,125	20	2,100
Electric fittings	366	-	-	366	100	266	10	11
Electric equipment	2,583	80	-	2,663	1,128	1,535	15	199
Loose tools	124	-	-	124	4	120	25	1
Laboratory equipment	179	-	-	179	39	140	10	4
Fork lifts	5,096	-	490	4,606	1,794	2,812	20	449
Arms and ammunitions	94	-	-	94	60	34	20	15
	-----	-----	-----	-----	-----	-----	-----	-----

99,936	3,085	2,160	100,861	33,817	67,044	4,839
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**ASSETS SUBJECT TO
FINANCE LEASE**

Motor vehicle	1,160	-	1,160	-	-	-	20	-
Fork lift	5,743	-	-	5,743	4,397	1,346	20	628
	-----	-----	-----	-----	-----	-----	-----	-----
	106,839	3,085	3,320	106,604	38,214	68,390		5,467
	=====	=====	=====	=====	=====	=====	=====	=====
1996	103,693	11,236	8,090	106,839	41,673	65,166		6,132
	=====	=====	=====	=====	=====	=====	=====	=====

4.1 Addition in vehicles includes transfer from leased assets at net book value of Rs. (thousands) 535 representing cost of Rs. (thousands) 1,160 less accumulated depreciation of Rs. (thousands) 625.

4.2 Depreciation charge for the year has been allocated as follows:-

	1997	1996
	(Rupees in thousands)	
Cost of sales (Note: 22)	2,740	3,067
Administrative and general expenses (Note: 23)	595	655
Selling and distribution expenses (Note: 24)	2,132	2,410
	-----	-----
	5,467	6,132
	=====	=====
5. CAPITAL WORK-IN-PROGRESS		
Factory building	-	716
	=====	=====

6. LONG TERM INVESTMENTS

Subsidiary company unlisted			
Hattar Fruit Products Limited			
2,500,000 (1996, 2,500,000) ordinary			
shares of Rs. 10 each at cost (Note: 6.1)	20,000	20,000	
Associated undertaking - listed -			
Guardian Leasing Modaraba			
250,000 (1996: 250,000) Certificates			
of Rs. 10 each at cost (Note: 6.2)	2,500	2,500	2,500
Less: Provision for diminution in value of investments	1,250	1,250	1,250
	-----	-----	-----
	1,250	1,250	1,250
	-----	-----	-----
	21,250	21,250	21,250
	=====	=====	=====

6.1 Extent of holding directly and through nominees was 100% (1996: 100%). Value of each share of Rs. 10/- based on the audited accounts for the year ended 30th June. 1997 is Rs. 56.47 11996: Rs. 50. t3). It includes 500,000 (1996:500.000) ordinary shares of Rs 10/- each received as bonus shares.

Chief Executive of the company is Mr. Saifi Chaudhary.

6.2 The above investment represents 2.50% (1996: 2.50%) of the issued certificate capital of the associated undertaking. Chief Executive of the modaraba is Mr. Mahmood Nawaz.

Market value of the quoted certificates at year end is Rs. (thousands) 400 (1996: Rs. (thousands) 438). Management considers 50% of the cost as adequate provision for permanent impairment in the value of investments. Remaining provision has not been made for the diminution in value as it is considered temporary in the context of the company's intention to hold these investments on a long term basis.

	1997	1996
	(Rupees in thousands)	
7. LONG TERM DEPOSITS		
Leasing companies	574	690
Others	456	230
	-----	-----
	1,030	920
Less: Provision for doubtful deposits - Others	2	20
	-----	-----
	1,028	900
	=====	=====
8. STORES AND SPARES		
Stores	11,568	28,173
Spares	101	201
	-----	-----
Shells, pallets and barrels	4,870	5,600
Less: Provision for deterioration in value	974	1,120
	-----	-----
	3,896	4,480
	-----	-----
	15,565	32,854
	=====	=====
9. STOCK IN TRADE		
Finished goods	37,875	48,781
Mango pulp	33,625	36,485
Packing materials	43,284	31,940
Bottles	48,081	53,365
Goods in transit	335	1,976
	-----	-----
	163,200	172,547
	=====	=====
10. TRADE DEBTS-UNSECURED		
Considered good:		
Associated undertakings (Note: 10.1)		
Shahtaj Sugar Mills Ltd.	1	-
Shahnawaz Limited	3	14
Shezan (Pvt) Limited	13	57
	-----	-----
	17	71
Others	26,455	27,558

	-----	-----
	26,472	27,629
Considered doubtful - Others	1,462	1,157
	-----	-----
	27,934	28,786
Less: Provision for doubtful debts	1,462	1,157
	-----	-----
	26,472	27,629
	=====	=====

1997 **1996**
(Rupees in thousands)

10.1 Maximum balance receivable at the end of any month during the year

155	152
=====	=====

11. LOANS AND ADVANCES

Unsecured, considered good:

Advances - Staff
- Others

56	95
3,733	2,225
-----	-----
3,789	2,320
=====	=====

12. ADVANCES, DEPOSITS AND PREPAYMENTS AND OTHER RECEIVABLES

Advance excise duty
LC expenses and charges
Short term deposits
Prepayments
Other receivables

1,021	746
37	931
3,976	1,437
392	589
1,276	180
-----	-----
6,702	3,883
-----	-----
118	119
-----	-----
6,584	3,764
=====	=====

Less: Provision for doubtful deposits

13. CASH AND BANK BALANCES

Cash and cheques in hand
At banks - Current accounts
- PLS deposits accounts

2,338	200
297	5,259
12,180	5,236
-----	-----
14,815	10,695
=====	=====

14. SHORT TERM RUNNING FINANCES

The aggregate running finance facility available from commercial banks under the mark-up arrangements is Rs. (thousands) 45,000 (1996: Rs. (thousands) 20,000). The rates of mark-up range between 18% to 20.5% per annum, payable quarterly.

The above facilities are secured against hypothecation of current assets and personal guarantees of directors.

1997 **1996**
(Rupees in thousands)

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	18,225	14,460
Deposits (Note: 15.1)	2,545	2,685
Dealer's credit balances	6,482	8,963
Associated undertakings	44,922	61,987
Accrued expenses	14,043	15,892
Mark up accrued on short term secured running finances	-	108
Workers' Profit Participation Fund (Note: 15.2)	1,194	2,180
Workers' Welfare Fund	450	1,298
Other Liabilities	2,210	444
	-----	-----
	90,076	108,017
	=====	=====

15.1 Security deposits from dealers have been obtained and are being utilised in pursuance of written agreements with them.

15.2 Workers' Profit Participation Fund

Balance at the beginning of the year	2,180	3,275
Allocation for the year	1,194	2,180
	-----	-----
	3,374	5,455
Interest on funds utilised in the Company's business	185	399
	-----	-----
	3,559	5,854
Amount paid to the Fund's Trust	2,365	3,674
	-----	-----
Balance at the end of the year	1,194	2,180
	=====	=====

16. DIVIDENDS

Unclaimed	96	700
Proposed	15,000	21,250
	-----	-----
	15,096	21,950
	=====	=====

17. SHARE CAPITAL**Authorised:**

10,000,000 (1996: 1,000,000) ordinary shares of Rs. 10 each	100,000	100,000
	=====	=====

Issued, subscribed and paid up:

237,500 (1996: 237,500) ordinary shares of Rs. 10 each fully paid in cash	2,375	2,375
4,762,500 (1996: 4,762,500) ordinary shares of Rs. 10 each issued as fully paid bonus shares	47,625	47,625
	-----	-----
	50,000	50,000
	=====	=====

1997 1996
(Rupees in thousands)

18. REVENUE RESERVES AND UNAPPROPRIATED PROFITS

General reserve:

Balance brought forward	95,000	88,500
Transfer from Profit and Loss Account	5,000	6,500
	-----	-----
	100,000	95,000
Unappropriated profits	2,226	3,536
	-----	-----
	102,226	98,536
	=====	=====

19. OBLIGATIONS UNDER FINANCE LEASE

The average rate of interest used as the discount factor (i.e. implicit in the lease) is 19.24% per annum. The amount of future payments and the period during which they will become due are:

Year ending June 30,

1997	-	1,526
1998	2,253	2,253
1999	1,902	1,902
	-----	-----
	4,155	5,681
Less: Future finance charges	557	1,219
	-----	-----
	3,598	4,462
Less: Current maturity	1,825	864
	-----	-----
	1,773	3,598
	=====	=====

The lease has the option for purchase of the assets at the end of the lease period. There are no financial restrictions in the lease agreement.

20. CONTINGENCIES AND COMMITMENTS**a) Contingencies**

i) Claim of E.O.B.I. for Rs. (thousands) 133 ~ 1996: Rs. (thousands) 133) not acknowledged as debt by the company.

ii) Claim of P.E.S.S.I. Rs. (thousands) 2,379 (1996: (thousands) 2,379) not acknowledged as debt by the company.

iii) Notices for additional payment of sales tax amounting to Rs. (thousands) 14,697 (1996: Rs. (thousands) 15,000) contested with the Department.

b) Commitments

i) Commitments in respect of letters of credit established for the import of raw and packing materials Rs. (thousands) Nil (1996: (thousands) 3,989).

ii) Commitments in respect of cottoter bank guarantees were Rs. (thousands) 16,270 (1996: Rs. (thousands) 38,976).

1997 **1996**
(Rupees in thousands)

21. SALES

Domestic	556,463	684,135
Export	71,069	53,288
Export rebate	1,876	1,137

	629,408	738,560
Less: Commission and discount	18,909	22,127
Sales tax & excise duty	74,071	70,540
	92,980	92,667
	536,428	645,893
	=====	=====
22. COST OF SALES		
Raw materials consumed	128,827	129,687
Packing materials consumed	133,486	113,800
Factory expenses:		
Salaries, wages and amenities	17,749	18,223
Company's contribution to provident fund	249	251
Stores consumed	5,739	8,677
General expenses	3,256	2,796
Travelling and conveyance	97	130
Repairs and maintenance	6,403	5,435
Insurance	334	590
Fuel and power	15,440	12,931
Bottle breakage	5,454	5,694
Depreciation (Note: 4)	2,740	3,067
	57,461	57,794
Cost of production	319,774	301,281
Add: Finished goods stocks July 01, 1996	85,266	65,454
Finished goods purchased	102,997	234,296
	508,037	601,031
Less: Cost of samples and wastage	21,056	27,416
Finished goods stocks June 30, 1997	71,500	85,266
	92,556	112,682
	415,481	488,349
	=====	=====

1997 1996
(Rupees in thousands)

23. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and amenities	13,124	13,794
Company's contribution to provident fund	245	240
Postage and telephone	1,648	1,509
Stationery and printing	1,076	1,292
Rent, rates and taxes	768	830
Travelling and conveyance	135	492
Auditors' remuneration (Note: 23.1)	127	86
General expenses	349	400
Repairs and maintenance	688	1,224
Insurance	471	790

Legal and professional	371	477
Donations (Note: 23.2)	62	243
Provision for diminution in value of investments	-	1,250
Provision for doubtful - Long term deposits	-	2
- Trade debts	670	957
- Short term deposits	-	14
Depreciation (Note: 4)	595	655
	-----	-----
	20,329	24,255
	=====	=====

23.1 Auditors' Remuneration

Audit fee	100	70
Misc. certification charges	6	16
Expenses reimbursed	21	-
	-----	-----
	127	86
	=====	=====

23.2 Donations

None of the directors or their spouses had any interest in any of the donees.

1997 **1996**
(Rupees in thousands)

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and amenities	14,368	16,313
Company's contribution to provident fund	276	281
Postage and telephone	410	358
Stationery and printing	585	432
Utilities	321	293
Rent, rates and taxes	830	686
Travelling and conveyance	1,951	1,837
General expenses	100	131
Repairs and maintenance	4,740	6,281
Advertising and publicity	21,759	31,690
Cartage and freight	8,737	9,084
Staff sales incentive	1,169	1,429
Petrol oil and lubricants	4,545	3,880
Depreciation (Note: 4)	2,132	2,410
Deterioration on shells and pallets	567	596
	-----	-----
	62,490	75,701
	=====	=====

25. FINANCIAL CHARGES**Interest, mark-up and charges on:**

Secured long term loans and running finances	870	1,829
Unsecured loans	27	60
Workers' Profit Participation Fund (Note: 15.2)	185	399
Finance lease charges	662	954
	-----	-----
	1,744	3,242
Bank charges	242	210
	-----	-----
	1,986	3,452
	=====	=====

26. OTHER EXPENSES AND PROVISIONS

Product spoilage and barrel deterioration	9,107	8,110
Royalty	5,293	6,340
Workers' Profit Participation Fund (Note: 15.2)	1,194	2,180
Workers' Welfare Fund - Prior years	(438)	-
- For the year	450	870
	-----	-----
	15,606	17,500
	=====	=====

27. OTHER INCOME

Sale of scrap	1,161	1,129
Profit on disposal of fixed assets (Note: 27.1)	918	2,262
Profit on bank deposits	75	520
	-----	-----
	2,154	3,911
	=====	=====

27.1 Profit on disposal of fixed assets

Description	Cost	Book Value	Sale Proceeds	Profit/(Loss)	Purchaser
Motor vehicles					
Honda Civic	566	134	225	91	Mr. Rizwan Abroad, Lahore.
Mitsubishi Lancer	349	53	270	217	Mr. Azhar Aziz, t87-A/3 Block-2, P.E.C.H.S., Karachi.
Suzuki pickup	151	44	90	46	M/s Capital Distributors, Plot No. 195 St. No. 2, Sector I 9, Islamabad.
Suzuki pickup	11	3	73	70	Mr. M. Hussain, Ex-Employee.
Suzuki pickup	154	71	100	29	M/s N.S. Distributors, 398-11-C 1, North Karachi.
Suzuki pickup	154	71	95	24	M/s N.S. Distributors, 398-1 I-C 1, North Karachi.
Suzuki pickup	150	69	93	24	Mr. Nazir Ahmad L-454, Sector 4 B, Surjani Town, Karachi.
Suzuki Bolan	135	50	77	27	Mr. M. K. Abdal, Ex-Employee.
Fork lifts					
Forklift	245	24	235	211	M/s Agricultural Marketing Co., Tando Adam.
Forklift	245	24	203	179	M/s Pakistan Chip Board (Pvt.) Ltd., Jehlum.
	-----	-----	-----	-----	
	2,160	543	1,461	918	
	=====	=====	=====	=====	

27.1.1 Mode of sale of the above assets was by negotiation.

27.1.2 No assets were sold to Chief Executive, Directors or Shareholders holding more than

10% of total paid-up capital.

	1997	1996
	(Rupees in thousands)	
28. PROVISION FOR TAXATION		
Current - Prior years	(3,444)	15,000
- For the year	8,444	-
Deferred	(1,000)	(550)
	-----	-----
	4,000	14,450
	=====	=====

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases	123,685	281,235
Sales	16,218	14,352
Royalty charged	5,293	6,340

30. REMUNERATION OF CHIEF EXECUTIVE, PAID DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1997	1996	1997	1996	1997	1996
Total number	1	1	2	2	2	2
Managerial remuneration	392	381	917	933	508	493
Provident fund	22	21	41	40	28	27
Housing	102	102	204	204	186	177
Utilities	76	76	151	151	150	149
Medical	10	10	20	20	20	20
	-----	-----	-----	-----	-----	-----
	602	590	133.30	1,348	892	866
	=====	=====	=====	=====	=====	=====

30.1 Fees paid to four non-executive directors during the year for attending Board meetings Rs. (thousands) 5 (1996: (thousands) 2).

30.2 The company also provides the Chief Executive, certain directors and executives with company maintained vehicles.

31. CAPACITY AND PRODUCTION

Production	Capacity per 8 hour shift	1996	1997
Juices:			
Bottling plant	9,000 Crates	1,715,053	2,288,815
Tetrapak plant	3,000 Dozens	1,905,961	2,044,485
Squashes and syrups plant	3,000 Dozens	143,808	98,230
Jams and ketchup plant	600 Dozens	227,169	188,442
Achar plant	300 Dozens	64,767	68,526
Canning plant	600 Dozens	89,402	54,788

32. GENERAL

- Figures in these accounts are rounded off to the nearest thousand of rupees.

- Figures of the previous year have been re-arranged wherever necessary for the purposes of

comparison.

Statement Pursuant to Section 237 of The Companies Ordinance, 1984

Accounts of the Subsidiary Company Messrs. Hattar Fruit Products Limited for the year ended 30th June, 1997 are annexed to these Accounts. The total profits of the Subsidiary Company are not dealt with in the Accounts of the Holding Company.

The Holding Company's interest in Subsidiary Company Messrs. Hattar Fruit Products Limited was not changed during the period from 1st July, 1996 to 30th June, 1997.

SHEZAN'S WHOLLY OWNED SUBSIDIARY
HATTAR FRUIT PRODUCTS LIMITED

Directors' Report to the Shareholders

Directors of the Company feel pleasure in presenting their 7th Report and Audited Accounts of the Company for the year ended 30th June, 1997.

Our sales were Rs. 154.132 million as compared with Rs. 246.762 million last year. After tax profit was Rs. 15.851 million as compared to Rs. 29.784 million last year.

We had already informed our shareholder that Sales %x concession in Hattar expired on 30th June, 1996 therefore during the year under review we had to pay full amount of Sales %x (which was not payable before) alongwith the Excuse duty. Keeping in view this with-drawal of concession, there has been a substantial decline in the profit. Our sales decreased by 38% but after tax profit declined by 47%. The decline in sales is primarily due to the general slow down of economic activity in the country.

We are confident that this project is well located to serve the interest of the northern part of the country and we feel with the improvement in the economy, we would get our due market share and the project would remain economically and financially healthy. It is only natural that with the with-drawal of the sales tax concession, the high level of profit which we have been used to in the past cannot be maintained.

In the field of product diversification, we plan to further pursue the litre packaging with the hope that the package would grow in the future. I am pleased to inform you that due to the decision of the honourable Supreme court the turn-over tax would no longer be leviable on our company during the tax holiday period. During this period your company paid Rs. 10,559,956 as Excise Duty and Rs. 13,323,907 as Sales %x.

AUDITORS

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants have conveyed their willingness to be appointed in the ensuing year.

LABOUR MANAGEMENT RELATIONS

During the year under review the Labour Management relations remained cordial. Your Directors place on record their appreciation for the loyalty and devotion to duty of the Officers and Workers of all categories.

Auditors' Report to the Members

We have audited the annexed balance sheet of Hattar Fruit Products Limited as at June 30, 1997 and the

related profit and loss account and statement of sources and application of funds, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of sources and application of funds, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1997 and of the profit and the changes in sources and application of funds for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Ford, Rhodes, Robson, Morrow

Chartered Accountants

Lahore: Dec 4, 1997

Balance Sheet as at June 30, 1997

	Notes	1997 (Rupees in thousands)	1996
TANGIBLE FIXED ASSETS			
Operating fixed assets	4	52,128	58,076
LONG TERM DEPOSITS	5	46	46
CURRENT ASSES			
Stores	6	8,722	5,382
Stock in trade	7	51,243	49,191
Trade debts	8	50,451	60,835
Loans and advances	9	178	814
Advances, deposits, prepayments and other receivables	10	4,713	1,143
Cash and bank balances	11	2,860	1,503
		118,167	118,868
LESS: CURRENT LIABILITIES			
Short term running finance	12	2,221	9,934
Current maturity of long term loan	16	3,750	3,750
Creditors, accrued and other liabilities	13	19,434	29,024

Provision for taxation		-	1,466
		-----	-----
		25,405	44,174
		-----	-----
WORKING CAPITAL		92,762	74,694
		-----	-----
CAPITAL EMPLOYED		144,936	132,816
		=====	=====
REPRESENTED BY			
Share Capital	14	25,000	25,000
Revenue reserves and unappropriated profits	15	116,186	100,316
		-----	-----
		141,186	125,316
Long term loan	16	3,750	7,500
		-----	-----
CONTINGENCIES AND COMMITMENTS	17	-	-
		-----	-----
		144,936	132,816
		=====	=====

The attached notes form an integral part of these accounts.

Profit and Loss Account for the year ended June 30, 1997

	Notes	1997	1996
		(Rupees in thousands)	
Sales	18	154,132	246,762
Cost of sales	19	129,928	205,307
Gross Profit		24,204	41,455
		-----	-----
Less:			
Administrative and general expenses	20	2,778	2,718
Selling and distribution expenses	21	5,398	1,955
Financial charges	22	2,690	3,657
Other expenses	23	1,416	2,117
		-----	-----
		12,282	10,447
		-----	-----
Operating profit		11,922	31,008
Other income	24	1,157	983
		-----	-----
Profit before taxation		13,079	31,991
Provision for taxation	25	(2,791)	2,207
		-----	-----
Profit after taxation		15,870	29,784
Unappropriated profit brought forward		50,316	75,532
		-----	-----
		66,186	105,316

Appropriations:

Transfer to reserve for issue of bonus shares (1996: @ 25%)	-----	-----
	-	5,000
Transfer to general reserve	50,000	50,000
	-----	-----
	50,000	55,000
	-----	-----
Unappropriated profit carried forward	16,186	50,316
	=====	=====

The attached notes form an integral part of these accounts.

**Statement of Sources and Application of funds
for the year ended June 30, 1997
(Cash Flow)**

	1997	1996
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Funds provided from operations:		
Profit after tax	15,870	29,784
Adjustment for items not involving movement of funds:		
Depreciation	7,144	7,983
Loss on sale of fixed assets	8	32
	-----	-----
	23,022	37,799
(Increase)/decrease in current assets:	-----	-----
Stores	(3,340)	1,489
Stock in trade	(2,052)	6,636
Trade debts	10,384	(48,997)
Loans and advances	636	347
Advances, deposits, prepayments and other receivables	(3,570)	37
	-----	-----
	2,058	(40,488)
Increase/(decrease) in current liabilities:	-----	-----
Short-term running finance	(7,713)	9,934
Creditors, accrued and other liabilities	(9,590)	(8,843)
Provision for taxation	(1,466)	(225)
	-----	-----
	(18,769)	866
NET CASH FROM OPERATING ACTIVITIES	6,31	(1,823)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,589)	(552)
Sale proceeds from disposal of fixed assets	385	1,040
Long term deposits	-	64
	-----	-----
NET CASH FROM INVESTING ACTIVITIES	(1,204)	552
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loan	(3,750)	(3,750)
Repayment of obligations under finance lease	-	(252)
	-----	-----
NET CASH FLOW FROM FINANCING ACTIVITIES	(3,750)	(4,002)

NET INCREASE/{DECREASE} IN CASH AND BANK BALANCES	1,357	(5,273)
CASH AND BANK BALANCES AT THE BEGINNING OF YEAR	1,503	6,776
CASH AND BANK BALANCES AT THE END OF YEAR	2,860	1,503

Notes to the Accounts for the year ended June 30, 1997

1. THE COMPANY AND ITS OPERATIONS

The company is an unlisted Public Limited Company and is a wholly owned subsidiary of Shezan International Limited, a listed company. It is engaged in the manufacture and sale of juices, beverages, pickles, preserves and flavourings based upon or derived from fresh fruits and vegetables.

2. COMPLIANCE WITH IAS

These accounts comply with international Accounting Standards where applicable in all material respects.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Sales are recorded upon delivery of goods to the customers.

3.2 Historical costs are used as the basis for valuing transactions.

3.3 Fixed assets are stated at historical cost less accumulated depreciation except for leasehold land which is held on a 99 years renewable lease and capital work in progress which is stated at cost.

Depreciation is calculated using the reducing balance method at rates disclosed in the schedule of fixed assets, which rates are considered appropriate to write off the cost of the assets over their useful lives.

Full year's depreciation is charged in the year of addition and no depreciation is charged in the year of disposal.

Repairs and maintenance are charged to revenue. Material betterment are, however, capitalised.

Profits or losses on disposal of fixed assets are recognised in the profit and loss account in the year of disposal.

3.4 Stocks and stores are valued at lower of cost and net realisable value except those in transit which are valued at invoice value including other charges, if any, incurred thereon. Basis of determining cost is as follows:

Raw materials	Moving average
Finished goods	Actual cost of manufacture
Bottles	Moving average
Shells, pallets and barrels	Moving average
Stores and spares	Moving average

Shells, pallets and barrels are subject to a deterioration of 20% per annum using the reducing balance method.

Net realisable 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.

3.5 The company claims tax exemption for eight years commencing froth the year 1991, under Clause (1 18C) of the Second Schedule to the Income Tax Ordinance, 1979.

3.6 The company contributes to a recognized provident fund for all permanent employees.

3.7 Other significant accounting policies are disclosed in the following notes wherever relevant.

4. OPERATING FIXED ASSETS

PARTICULARS	To June 30, 1996	COST		To June 30, 1997	Accumulated DEPRECIATION		Annual rate of Depreciation %	Book value as at June 30, 1997	Depreciation Charge for the year
		Additions/ Adjustments	Disposals/ Adjustments		as at June 30, 1997	as at June 30, 1997			
Leasehold land	1,802	-	-	1,802	-	1,802	-	-	-
Buildings on leasehold land	10,294	-	-	10,294	4,743	5,551	10		617
Plant and machinery	74,519	1,224	465	75,278	32,054	43,224	12.5		6,175
Laboratory equipment	63	-	-	63	22	41	10		4
Furniture & fixtures	156	-	-	156	87	69	15		12
Motor vehicles	1,085	325	211	1,199	557	642	20		161
Electric fittings	95	-	-	95	37	58	10		6
Electric equipment	477	40	32	485	241	244	15		43
Loose tools	70	-	-	70	59	11	25		4
Fork Lifts	1,429	-	-	1,429	943	486	20		122
	=====	=====	=====	=====	=====	=====	=====	=====	=====
	89,990	1,589	708	90,871	35,743	52,128			7,144
1996	91,416	921	2,347	89,990	31,914	58,075			7,984
	=====	=====	=====	=====	=====	=====	=====	=====	=====

4.1 Depreciation charge for the year has been allocated as follows:

	1997	1996
Cost of sales (Note: 19)	6,732	7,546
Administrative anti General expenses (Note: 20)	236	299
Selling and distribution expenses (Note: 21)	176	138
	-----	-----
	7,144	7,983
	=====	=====

5. LONG TERM DEPOSITS

These are with utility companies

	1997	1996
Stores	7,819	4,319
	-----	-----
Shells and pallets	1,129	1,329
Less: Provision for deterioration in value (Note: 21)	226	266
	-----	-----

	903	1,063
	-----	-----
	8,722	5,382
	=====	=====

7. STOCK IN TRADE

Packing materials	20,332	18,019
Bottles	15,526	16,032
Raw material	11,542	13,193
Finished goods	3,827	1,947
Goods in Transit	16	-
	-----	-----
	51,243	49,191
	=====	=====

8. TRADE DEBTS - UNSECURED**Considered good:**

Holding company (Note: 8.1)		
Shezan international Ltd.	41,529	60,128
Others	8,922	707
	-----	-----
	50,451	60,835
	-----	-----

8.1 Maximum receivable at the end of
any month during the year

	51,349	60,128
	=====	=====

9. LOANS AND ADVANCES**Unsecured, considered good:**

Advances- Staff	-	6
- Suppliers	178	808
	-----	-----
	178	814
	=====	=====

**10. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advance excise duty	272	432
Short term deposits	517	481
Prepayments	91	230
Accrued profit on PLS deposit account	257	-
Sales tax refundable	869	-
Income-tax recoverable	2,707	-
	-----	-----
	4,713	1,143
	=====	=====

1997 **1996**
(Rupees in thousands)

11. CASH AND BANK BALANCES

In hand	252	59
At banks- Current accounts	2,302	1,444
- PLS deposit accounts	306	-
	-----	-----
	2,860	1,503

12. SHORT TERM RUNNING FINANCES

From a bank - secured (Note: 12.1)

=====	=====
2,221	9,934
=====	=====

12.1 The aggregate running finance facility available under the mark-up arrangement is Rs. (thousands) 25,000 (1996:(thousands) 25,000) and carries mark-up @ 51 paisas per thousand per day. (Payable quarterly)

The above facility is secured against first charge on all existing assets of the company, hypothecation of stocks and guarantee of holding company.

13. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	11,479	23,791
Deposits (Note: 13.1)	680	745
Distributors' credit balances	1,106	-
Accrued expenses	1,492	1,289
Workers' Profit Participation Fund (Note: 13.2)	688	1,684
Mark-up accrued on long term secured loan	1,694	1,515
Sales tax payable	2,295	-
	-----	-----
	19,434	29,024
	=====	=====

13.1 Security deposits from dealers have been obtained and are being utilised in pursuance of written agreements with them.

13.2 Workers' Profit Participation Fund

Balance at the beginning of the year	1,684	3,477
Allocation for the year	688	1,684
	-----	-----
	2,372	5,161
Interest on funds utilised in the company's business	123	258
	-----	-----
	2,495	5,419
Amount paid to the Fund's Trust	1,807	3,735
	-----	-----
Balance at the end of the year	688	1,684
	=====	=====

1997 **1996**
(Rupees in thousands)

14. SHARE CAPITAL

Authorised		
5,000,000 (1996: 5,000,000)		
ordinary shares of Rs. 10 each	50,000	50,000
	=====	=====
Issued, subscribed and paid-up		
2,000,000 (1996: 2,000,000) ordinary		
shares of Rs. 10 each fully paid in cash	20,000	20,000
500,000 (1996: 500,000) ordinary shares of Rs. 10		
each issued as fully paid bonus shares	5,000	5,000
	-----	-----

25,000	25,000
=====	=====

Out of 2,500,000 (1996: 2,500,000) shares, 2,496,000 (1996: 2,496,000) shares are held by Shezan International Ltd, the holding company, whilst the balance 4,000 (1996: 4,000) shares are held by its nominees.

15. REVENUE RESERVES AND UNAPPROPRIATED PROFITS

General reserve:

Balance brought forward	50,000	-
Transfer from Profit and Loss Account	50,000	50,000
	-----	-----
	100,000	50,000
Unappropriated profit	16,167	50,316
	-----	-----
	116,167	100,316
	=====	=====

16. LONG TERM LOANS - SECURED

The Bank of Khyber (Note: 16.1)	7,500	11,250
Less: Current maturity	3,750	3,750
	-----	-----
	3,750	7,500
	=====	=====

16.1 The aggregate finance facility available under the mark-up arrangements is Rs. (thousands) 15,000 1996 (thousands) 15,000) and carries mark-up @ 50 paisas per thousands per day. The loan is repayable in 8 half yearly installments inclusive of mark-up starting October 04, 1995. The above facility is secured against first charge on Tetra Pak plant and guarantee of the holding company; Shezan International Limited.

17. CONTINGENCIES AND COMMITMENTS

Counter guarantees in favour of banks in the ordinary course of business were Rs. (thousands) 1,330 (1996: Rs. (thousands) 1,355).

	1997	1996
	(Rupees in thousands)	

18. SALES

Sales	187,595	276,586
	-----	-----
Less: Commission and discount	5,079	2,695
Sales tax & excise duty	28,384	27,129
	-----	-----
	33,463	29,824
	-----	-----
	154,132	246,762
	=====	=====

19. COST OF SALES

Raw materials consumed	40,844	74,895
Packing material consumed	68,143	110,122
	-----	-----
	108,987	185,017

Factory expenses:

-----	-----
-------	-------

Salaries, wages and amenities	2,313	2,671
Company's contribution for provident fund	17	16
Travelling and conveyance	49	38
Repairs and maintenance	2,427	2,066
Stores consumed	649	797
Fuel and Power	4,099	3,846
Insurance	291	313
Rent, rates and taxes	66	88
Bottle breakage	753	682
General expenses	119	109
Depreciation (Note: 4)	6,732	7,546
	-----	-----
	17,515	18,172
	-----	-----
Cost of production	126,502	203,189
	-----	-----
Add: Finished goods stock, July 01, 1996	1,947	4,308
Finished goods purchased	7,367	-
	-----	-----
	135,816	207,497
	-----	-----
Less: Cost of samples and wastage	2,061	243
Finished goods stock, June 30, 1997	3,827	1,947
	-----	-----
	5,888	2,190
	-----	-----
	129,928	205,307
	=====	=====
	1997	1996
	(Rupees in thousands)	

20. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and amenities	1,701	1,625
Company's contribution for provident fund	19	13
Postage and telephone	212	200
Stationery and printing	129	91
Travelling and conveyance	128	71
Rent, rates and taxes	17	37
Auditors' Remuneration	55	40
Repairs and maintenance	98	70
Insurance	93	61
Legal and professional	11	27
General expenses	79	77
Donations	-	107
Depreciation (Note: 4)	236	299
	-----	-----
	2,778	2,718
	=====	=====

21. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and amenities	382	191
Utilities	0,327	192
Repairs and maintenance	538	452
Cartage and freight	1,253	53
Advertising and publicity	1,957	285
Rent, rates and taxes	4	15
Travelling & conveyance	103	-
Insurance	62	75
Loading/Unloading	188	234

General expenses	87	54
Postage & telephone	95	-
Deterioration on shells and pallets (Note: 6)	226	266
Depreciation (Note: 4)	176	138
	-----	-----
	5,398	1,955
	=====	=====

22. FINANCIAL CHARGES**Interest, mark-up and charges on:**

Secured:

Long term loan and running finance	2,356	3,127
Workers' profit participation fund (Note: 13.1)	123	258
Finance lease charges	-	24
Bank charges	211	248
	-----	-----
	2,690	3,657
	=====	=====

1997 1996
(Rupees in thousands)

23. OTHER EXPENSES

Workers' profit participation fund (Note: 13.2)	688	1,684
Royalty	425	154
Products spoilage	295	247
Loss on sale of fixed assets	8	32
	-----	-----
	1,416	2,117
	=====	=====

24. OTHER INCOME

Sate of scrap	407	790
Profit on PLS deposit accounts	750	193
	-----	-----
	1,157	983
	=====	=====

25. PRO-VISION FOR TAXATION

Current (Note: 25.1)	323	1,379
Prior Years	(3,114)	78
Issue of bonus shares	-	750
	-----	-----
	(2,791)	2,207
	=====	=====

25.1 The company enjoys eight years tax holiday under clause 118-C of the Second Schedule to the Income Tax Ordinance, 1979. In view of the decision made by the Honourable Supreme Court of Pakistan, no tax provision has been made under section 80D of the Income Tax Ordinance, 1979.

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	37,425	53,687
	99,651	231,344
	425	154

27. GENERAL

- Figures in the accounts are rounded off to the nearest thousand of rupees.
- Figures of the previous year have been re-arranged wherever necessary for the purpose of comparison.

Pattern of Shareholders as at June 30, 1997

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
8	1	500	4,000
1	2491000	2496000	2,496,000
-----	-----	-----	-----
9			2,500,000
=====	=====	=====	=====

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	8	4000	0.16
Joint Stock Companies	1	2496000	99.84
	-----	-----	-----
Total	9	2500000	100.00
	=====	=====	=====