



Fruitfully Yours

CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED
31 DECEMBER 2019



Happy farms



حلال
HALAL

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-22610.
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.
Allied Bank Limited.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors we present Condensed Interim Financial Statements (un-audited) of the Company for the six-month period ended 31 December 2019.

ECONOMIC OVERVIEW

The economic situation of Pakistan over the past six months of FY-2019-20 remained critical due to economic challenges coupled with measures taken by Government of Pakistan to redress these challenges through tight monetary policy, raise in import duties, increase in energy prices and drive for documentation of economy. The State Bank of Pakistan continued to increase policy rate which led to higher borrowing costs and inflation. These unprecedented anti-business measures, withdrawal of various subsidies on utilities and imposition of additional surcharges and duties have increased cost of doing business.

FINANCIAL PERFORMANCE

Summarized operating performance of the Company for the six-month period ended 31 December 2019 is as follows:

Particulars	2019	2018
	Rupees in thousand	
Revenue from contracts with customers—net	3,545,325	3,437,835
Gross profit	459,988	674,056
Net (loss) / profit after tax for the period	(239,627)	85,551
(Loss) / earnings per share (Rs.)	(27.28)	9.74

On the operational side, we would like to apprise our shareholders that our Company is facing the worst ever business conditions since its inception. Surge in cost of utilities, pulps, packaging, raw materials mainly sugar, fruits and vegetables, imposition of water charge coupled with a prolonged and an extraordinarily cold winter season, resulted in huge loss during the period under review. Finance cost for the period under review has also significantly increased owing to prevailing highest interest rates, long-term borrowings for capital expenditure and increase in short term borrowings to meet the working capital requirements.

Moreover, in the fiscal budget of 2019-20, a federal excise duty of 5% was imposed on our juices, squashes and syrups, impact of which could not be passed on to our customers completely due to prevailing intense market competitiveness. Significant increase in minimum wage also placed an additional burden to the business. Due to high inflation and immense increase in the commodity prices the buying power of the consumers was affected adversely, as a result Company could not achieve destined sales growth.

FUTURE OUTLOOK

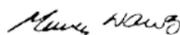
The management acknowledges that the uncertain macroeconomic conditions will continue to pose severe challenges to the Company. The third quarter will remain under pressure due to the monetary and fiscal measures taken by the Government and will have an ongoing inflationary impact on escalating cost of doing business.

Our peak season is summer season, management is well prepared to overcome the current difficult scenario in the coming months as we have already enhanced our production capacities by making heavy investments in state of the art Tetra Pak high speed machines. Management of the Company foresees increased demand for Company's products and will constantly be striving for sales growth with aggressive marketing strategies and will continue to serve our valued customers with best quality products.

ACKNOWLEDGEMENT

We take this opportunity to express gratitude to our valued shareholders and customers who have continued to place trust in our products and provided sustained support. We are thankful to our fellow directors as well for their leadership and continuous guidance at all times.

For and on behalf of the Board



Muneer Nawaz
Chairman



Humayun A. Shahnawaz
Chief Executive

Lahore:
26 February 2020

ڈائریکٹرز رپورٹ

برائے ممبران

ہم بورڈ آف ڈائریکٹرز کی جانب سے اختتام شدہ ششماہی 31 دسمبر 2019ء کیلئے کمپنی کے عبوری مالیاتی نتائج پیش کرتے ہیں۔

اقتصادی جائزہ

مالی سال 2019-20ء کے گزشتہ چھ ماہ کے دوران، حکومت پاکستان کے اقتصادی چیلنجوں سے نمونہ آزاہ ہونے کیلئے سخت مالیاتی پالیسی، درآمدی محصولات میں اضافے، توانائی کی قیمتوں میں اضافے اور معیشت کو دستاویزی بنانے کیلئے اٹھائے جانے والے اقدامات، کی وجہ سے ملکی اقتصادی صورتحال نازک رہی۔ بینک دولت پاکستان نے بنیادی شرح سود میں اضافے کو جاری رکھا جسکی وجہ سے قرض کی لاگت اور فراہم کنندگان میں اضافہ ہوا۔ ان تاریخی کاروبار مخالف اقدامات، یونٹیلیٹی کی لاگت میں دی گئی کٹوتی کو ختم کرنے اور اضافی سرچارج اور ڈیوٹیوں لگانے سے کاروبار کی لاگت میں اضافہ ہوا ہے۔

مالیاتی کارکردگی

اختتام شدہ ششماہی 31 دسمبر 2019ء کے لئے کمپنی کے عبوری مالیاتی نتائج مختصر اور ذیل ہیں۔

2018	2019	
روپے ہزاروں میں		
3,437,835	3,545,325	مجموعی فروخت
674,056	459,988	مجموعی منافع
85,551	(239,627)	خالص (تقصان) / منافع بعد اخراجات
9.74	(27.28)	فی شخص (تقصان) / آمدنی - روپوں میں

عملی کارکردگی پر ہم اپنے حصص داران کو آگاہ کرنا چاہتے ہیں کہ کمپنی کو پہلی دفعہ اسے مشکل ترین کاروباری حالات کا سامنا ہے۔ کمپنی کو یونٹیلیٹی، پبلیس، بیکننگ، خام مال میں خاص طور پر چینی، پھلوں اور سبز یوں، پانی کی اضافی لاگت اور موسم سرما کی شدت اور طوالت کی وجہ سے ہماری نقصان اٹھانا پڑا ہے۔ طویل مدتی قرضے شرح سود میں بے پناہ اضافے اور کاروباری سرمائے کی ضروریات کو پورا کرنے کیلئے قلیل مدتی قرضوں کی وجہ سے سرمائے کی لاگت میں نمایاں اضافہ ہوا ہے۔

علاوہ ازیں، مالی سال 2019-20ء میں ہمارے جو سبز، سکواش اور شربت پر پانچ فی صد فیڈرل ایکسائز ڈیوٹی عائد کردی گئی سخت مقابلے کی فضا کی وجہ سے اس کا اثر مکمل طور پر صارفین کو منتقل نہیں کیا جا سکا۔ کم سے کم اجرت میں نمایاں اضافے نے بھی کاروبار پر ایک اضافی بوجھ ڈالا۔ ہنگامی اور اجناس کی قیمتوں میں ہوش رُبا اضافے نے صارفین کی قوت خرید کو بڑی طرح متاثر کیا ہے۔ اسکے نتیجے میں کمپنی اپنی فروخت میں مطلوبہ نمو حاصل نہ کر سکی۔

مستقبل کے امکانات

انتظامیہ کو ادرک ہے کہ موجودہ غیر یقینی معاشی حالات کی وجہ سے کمپنی کو سخت چیلنجز کا سامنا کرے گا۔ تیسری سہ ماہی، حکومت پاکستان کی جانب سے مشکل مالیاتی اقدامات کی وجہ سے دباؤ کا شکار رہے گی اور فراہم کنندگان کے بڑھتے ہوئے اثرات کا کاروباری لاگت پر اثر پڑے گا۔ موسم گرما ہمارے کاروبار کیلئے موزوں ترین موسم ہے اور آنے والے مہینوں میں موجودہ مشکل صورتحال پر قابو پانے کے لئے انتظامیہ پوری طرح تیار ہے کیونکہ ہم جدید ترین میٹریٹل ایک مشینوں میں ہماری سرمایہ کاری کر کے اپنی پیداواری صلاحیت کو پہلے ہی بڑھا چکے ہیں۔ انتظامیہ میٹریٹل مارکیٹنگ حکمت عملی کے باعث کمپنی کی مصنوعات کی طلب میں اضافہ دیکھ رہی ہے اور اپنے معزز صارفین کو بہترین کوالٹی کی مصنوعات فراہم کرتی رہے گی۔

اظہار تشکر

ہم اس موقع پر اپنے حصص داران کے اعتماد اور معزز صارفین کے انتخاب پر ان کا شکریہ ادا کرتے ہیں جنہوں نے ہماری مصنوعات پر اعتماد جاری رکھا۔ ہم اپنے معزز ساتھی ڈائریکٹرز کا بھی اعلیٰ قیادت اور مستقل رہنمائی کرنے پر شکریہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی اجلاس

H. N. Shah

ممبران اسے شاہ نواز

چیف ایگزیکٹو

Muhammad Nawaz

ممبر نواز

چیرمین

لاہور

26 فروری 2020ء

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Shezan International Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Shezan International Limited as at 31 December 2019 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

Conclusion

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

Other matter

The figures of the condensed interim statement of comprehensive income for the three-month periods ended 31 December 2019 and 31 December 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 31 December 2019.

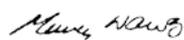
The engagement partner on the review resulting in this independent auditor's report is Abdullah Fahad Masood.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	(Un-Audited) 31 December 2019	(Audited) 30 June 2019
Rupees in thousand			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,025,778	1,929,317
Long-term investment	7	2,524	2,478
Long-term receivable		31,763	35,340
Long-term deposits		4,738	4,838
Deferred taxation		47,360	3,670
		2,112,163	1,975,643
CURRENT ASSETS			
Stores and spares		156,458	126,326
Stock-in-trade		1,620,302	1,645,062
Right to recover asset		14,207	18,123
Trade debts		128,232	136,615
Loans and advances		41,736	28,032
Trade deposits and short term prepayments		22,783	11,856
Interest accrued		216	637
Income tax recoverable		682,473	629,126
Cash and bank balances		134,763	233,723
		2,801,170	2,829,500
TOTAL ASSETS		4,913,333	4,805,143
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		87,846	87,846
Reserves		2,005,149	2,005,103
(Accumulated loss) / unappropriated profits		(147,311)	140,631
TOTAL EQUITY		1,945,684	2,233,580
NON-CURRENT LIABILITIES			
Long term loan	8	317,162	422,882
Lease liabilities		71,106	–
		388,268	422,882
CURRENT LIABILITIES			
Trade and other payables		480,088	869,963
Contract liabilities		97,154	106,331
Interest accrued on borrowings		52,110	27,724
Current portion of long term loan	8	211,440	105,720
Current portion of lease liabilities		6,314	–
Short-term borrowings	9	1,051,373	376,383
Refund liability		84,148	112,539
Unclaimed dividend		5,046	4,105
Provision for taxation		591,708	545,916
		2,579,381	2,148,681
TOTAL LIABILITIES		2,967,649	2,571,563
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		4,913,333	4,805,143

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Director



Chief Executive

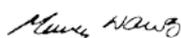


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

	Note	Six-month period ended		Three-month period ended	
		2019	2018	2019	2018
		Rupees in thousand		Rupees in thousand	
Revenue from contracts with customers-net		3,545,325	3,437,835	1,181,962	1,231,848
Cost of sales		3,085,337	2,763,779	1,133,981	1,072,118
Gross profit		459,988	674,056	47,981	159,730
Distribution costs		413,153	398,620	184,002	161,826
Administrative expenses		170,409	157,369	81,581	73,917
Other operating expenses		48,278	64,583	15,897	24,408
Other income		(31,180)	(44,535)	(13,693)	(26,869)
		600,660	576,037	267,787	233,282
Operating (loss) / profit		(140,672)	98,019	(219,806)	(73,552)
Finance costs		96,853	19,224	56,146	9,010
(Loss) / profit before taxation		(237,525)	78,795	(275,952)	(82,562)
Taxation		2,102	(6,756)	(26,116)	(59,683)
Net (loss) / profit for the period		(239,627)	85,551	(249,836)	(22,879)
Other comprehensive income / (loss)					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Unrealized gain / (loss) on remeasurement of investment designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition					
		46	(209)	132	45
Total comprehensive (loss) / income		(239,581)	85,342	(249,704)	(22,834)
 (Loss) / earnings per share - basic and diluted (Rupees)					
	11	(27.28)	9.74	(28.44)	(2.60)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Director



Chief Executive



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

Six-month period ended
31 December
2019 2018
Rupees in thousand

CASH FLOWS FROM OPERATING ACTIVITIES

Cash (used in) / generated from operations:

(Loss) / profit before taxation	(237,525)	78,795
Adjustments to reconcile (loss) / profit before tax to net cash:		
Depreciation	161,957	115,054
Interest / markup expense	97,243	20,728
Un-winding of interest	(2,539)	(3,323)
Profit on bank deposits	(3,626)	(1,707)
Loss on disposal of property, plant and equipment	7,743	13,168
	260,778	143,920

Operating profit before working capital changes **23,253** 222,715

(Increase) / decrease in current assets:

Stores and spares	(30,132)	(9,993)
Stock-in-trade	24,760	305,006
Right to recover asset	3,916	3,674
Trade debts	8,383	14,032
Loans and advances	(13,704)	136,958
Trade deposits and short-term prepayments	(10,927)	18,092
	(17,704)	467,769

Increase / (decrease) in current liabilities:

Trade and other payables	(389,875)	(334,844)
Contract liabilities	(9,177)	(260)
Refund liability	(28,391)	(9,065)
Short-term borrowings	674,990	118,612
	247,547	(225,557)

Cash generated from operations **253,096** 464,927

Interest expense paid	(69,009)	(12,650)
Profit on bank deposits received	4,047	1,595
Income tax paid	(53,347)	(42,866)
Long-term receivable received	6,116	2,310
Long-term deposits received / (paid)	100	(30)

Net cash generated from operating activities **141,003** 413,286

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(272,659)	(326,820)
Sale proceeds from disposal of property, plant and equipment	6,498	8,969
Net cash used in investing activities	(266,161)	(317,851)

CASH FLOWS FROM FINANCING ACTIVITIES

New leases acquired during the period	79,870	-
Repayment of lease liabilities	(6,298)	-
Dividends paid	(47,374)	(118,262)

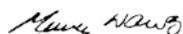
Net cash generated from / (used in) financing activities **26,198** (118,262)

Net decrease in cash and cash equivalents **(98,960)** (22,827)

Cash and cash equivalents at the beginning of the period **233,723** 152,949

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD **134,763** 130,122

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Director



Chief Executive



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

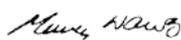
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

	Capital Reserve		Revenue Reserve			Total
	Share Capital	Merger Reserve	Reserve for Issue of bonus Shares	General reserve	Unrealized gain/(loss) on remeasurement of investments	

Rupees in thousand

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 -net of tax	-	-	-	-	-	(91,825)	(91,825)
Balance as at 01 July 2018-Restated	79,860	5,000	-	1,800,000	292	332,500	2,217,652
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 six-month period ended 31 December 2018	-	-	-	-	-	85,551	85,551
Other comprehensive loss	-	-	-	-	(209)	-	(209)
Total comprehensive income	-	-	-	-	(209)	85,551	85,342
Balance as at 31 December 2018	87,846	5,000	-	2,000,000	83	90,275	2,183,204
Balance as at 01 July 2019	87,846	5,000	-	2,000,000	103	140,631	2,233,580
Final dividend @ Rs.5.5/- per share for the year ended 30 June 2019	-	-	-	-	-	(48,315)	(48,315)
Loss for the six-month period ended 31 December 2019	-	-	-	-	-	(239,627)	(239,627)
Other comprehensive income	-	-	-	-	46	-	46
Total comprehensive loss	-	-	-	-	46	(239,627)	(239,581)
Balance as at 31 December 2019	87,846	5,000	-	2,000,000	149	(147,311)	1,945,684

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Director



Chief Executive



Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

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 AND BASIS OF PREPARATION

- 2.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** These condensed interim financial statements do not include all the information and the disclosures required in the annual audited financial statements and should be read in conjunction with annual audited financial statements of the Company for the year ended 30 June 2019.
- 2.3** These condensed interim financial statements are un-audited but subject to limited scope review by the auditors and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.
- 2.4** The condensed interim financial statements have been prepared under the historical cost convention. These financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 30 June 2019, except as follows:

3.1 New / Revised Standards, Interpretations and Amendments

The Company has adopted the following standards, amendments and interpretation of IFRSs which became effective for the current period:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

New Standards, Interpretations and amendments

IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)
IAS 19	Plan Amendment, Curtailment or Settlement — (Amendments)
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (AIP)
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation — (AIP)
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity — (AIP)
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization — (AIP)

The nature and effect of the changes as a result of adoption of IFRS 16 are described below. The adoption of other standards, interpretations and amendments applied for the first time in the period did not have any material impact on the condensed interim financial statements of the Company.

3.2 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The effect of adoption of IFRS 16 as at 01 July 2019 (increase / (decrease)) is as follows:

	31 December 2019	01 July 2019
	Rupees in thousand	
Condensed Interim statement of financial position (un-audited)		
Assets		
Property, plant and equipment - right-of-use assets	74,403	74,894
Deferred taxation	875	-
Liabilities		
Lease liabilities	(77,420)	(74,894)
	(2,142)	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

31 December
2019
Rupees in thousand

The effect of adoption of IFRS 16 during the period ended 31 December 2019 is as follows:

Condensed Interim statement of comprehensive income (un-audited)	
Lease rental expense not booked	(6,298)
Depreciation - right-of-use assets	5,467
Mark-up on lease liabilities	<u>3,848</u>
Impact on profit before taxation	3,017
Taxation	<u>(875)</u>
Impact on profit after taxation	<u>2,142</u>
Impact on earnings per share - basic and diluted (Rupees)	<u>0.24</u>

The Company has lease contracts for various buildings. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

3.3 Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

a) Right-of-use assets

The Company recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leases asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

b) Lease liabilities - rented premises

At the commencement of the lease, the Company recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate and amount expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4 TAXATION, WORKERS' WELFARE FUND AND WORKERS' PROFIT PARTICIPATION FUND

Provisions in respect of Workers' Welfare Fund, Workers' Profit Participation Fund and Taxation are estimated based on management judgment and prevailing laws; these are subject to final adjustments in the annual audited financial statements.

5 SEASONALITY OF OPERATIONS

The quarterly results of the Company are subject to seasonal fluctuations due to variation in demand of the main products (juices, squashes and syrups).

6 PROPERTY, PLANT AND EQUIPMENT

The additions / (deletions) / transfers (at cost), made during the six-month period ended 31 December 2019 are as follows:

	Additions	Deletions/ Transfers
	Rupees in thousand	
Operating fixed assets		
Plant and machinery	20,955	(560)
Furniture and fixtures	549	-
Motor vehicles	3,904	(4,188)
Forklifts	3,652	-
Electric equipment	6,843	-
Computers and accessories	1,044	-
Empty bottles, shells, pallets and barrels	141,520	(38,348)
Buildings - leased*	79,870	-
	258,337	(43,096)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

	Additions	Deletions/ Transfers
	Rupees in thousand	
Capital work in progress		
Furniture and fixtures	186	(186)
Plant and machinery	18,300	(18,300)
Buildings on free-hold land	14,645	(323)
	33,131	(18,809)
	291,468	(61,905)

* This represents initial recognition of right-of-use asset on rented buildings for period ranging from three to eight years.

	(Un-Audited) 31 December 2019	(Audited) 30 June 2019
Note	Rupees in thousand	

7 LONG - TERM INVESTMENT

Quoted Modaraba - Fair value through OCI

BRR Guardian Modaraba - Credit rating - A

305,000 (30 June 2019: 305,000) certificates of Rs. 10/- each

Gain on remeasurement

7.1

2,375

2,375

149

103

2,524

2,478

7.1 The above investment represents 0.35% (30 June 2019: 0.35%) of the issued certificate capital of the Modaraba.

7.2 This investment is placed under a shariah permissible arrangement.

	(Un-Audited) 31 December 2019	(Audited) 30 June 2019
Note	Rupees in thousand	

8 LONG TERM LOAN - SECURED

Long term loan

8.1

528,602

528,602

Less: Current maturity shown under current liabilities

(211,440)

(105,720)

317,162

422,882

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

9 SHORT TERM BORROWINGS - SECURED

The aggregate short-term borrowings available from commercial banks under mark-up / interest arrangements are Rs. (thousand) 2,225,000 (30 June 2019: Rs. (thousand) 2,125,000). The un-utilized portion of the said facility amounts to Rs. (thousand) 1,173,627 (30 June 2019: Rs. (thousand) 1,748,617).

The rate of mark-up / interest on short-term borrowings ranges between 1 month KIBOR plus 0.05% to 1 month KIBOR / 3 months KIBOR plus 0.50% (30 June 2019: 1 month KIBOR plus 0.08% to 1 month KIBOR / 3 months KIBOR plus 0.25%), payable monthly / quarterly.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

The facilities are secured against first registered joint pari passu hypothecation and ranking charge on current assets of the Company up to Rs. (thousand) 2,314,000 (30 June 2019: Rs. (thousand) 2,314,000) and Rs. (thousand) 1,067,000 (30 June 2019: Rs. (thousand) 400,000).

The un-utilized facility for opening letters of credit and for guarantees amounts to Rs. (thousand) 332,943 (30 June 2019: Rs. (thousand) 204,544) and Rs. (thousand) 133,266 (30 June 2019: Rs. (thousand) 64,569), respectively.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There has been no change in the status of the contingencies reported in the annual audited financial statements for the year ended 30 June 2019.

10.2 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) 17,057 (30 June 2019: Rs. (thousand) 45,456).
- (ii) Counter-guarantees in favor of banks in the ordinary course of business, amounted to Rs. (thousand) 46,734 (30 June 2019: Rs. (thousand) 45,431).

(Un-Audited)

Six-month period ended		Three-month period ended	
31 December		31 December	
2019	2018	2019	2018
Rupees in thousand		Rupees in thousand	

11 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / profit after taxation attributable to ordinary shareholders (Rupees in thousand)	(239,627)	85,551	(249,836)	(22,879)
Weighted average number of ordinary shares at the end of the period (in thousand)	8,785	8,785	8,785	8,785
(Loss) / earnings per share - Basic and diluted (Rupees)	(27.28)	9.74	(28.44)	(2.60)

11.1 No 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.

12 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 subjudice before the Honorable Sindh High Court, the Company has retained 5% of the bonus shares issued to plaintiff shareholders.

13 TRANSACTIONS WITH RELATED PARTIES

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

(Un-Audited)
Six-month period ended
31 December
2019 2018
Rupees in thousand

Transactions during the period:

Associated undertakings

Purchases of raw materials	393,020	288,873
Sales of finished goods	–	83
Royalty charged	37,776	36,943
Purchases/repairs of electric equipment/vehicles	5	68
Contributions to staff provident fund	3,289	2,999
Remuneration and benefits of Directors, Chief Executive and key management personnel	24,661	22,009

Period/year end balances	Relationship with the Company	(Un-Audited) 31 December 2019 Rupees in thousand	(Audited) 30 June 2019
Due to related parties	Associate	38,733	47,050
Due to staff provident fund	Employees' Fund	–	215

14 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 31 December 2019, the Company is organized into two operating segments based on their products.

Juice drinks

Juice drinks segment includes bottled drinks as well as juices in tetra pack packing.

Others

Others include pickles, ketchup, sauces, jams etc.

Statement of profit or loss for six-month period ended 31 December 2019 (Un-Audited):

	Juices and Drinks	Others	Total
	Rupees in thousand		
Revenue from contract with customers-net	3,015,180	530,145	3,545,325
Cost of sales	(2,569,013)	(516,324)	(3,085,337)
Gross profit	446,167	13,821	459,988
Unallocated expenses and income			
Distribution costs			(413,153)
Administrative expenses			(170,409)
Other operating expenses			(48,278)
Other income			31,180
Finance costs			(96,853)
Taxation			(2,102)
Loss after taxation			(239,627)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2019

Assets and liabilities as at 31 December 2019 (Un-Audited):

	Juices and Drinks	Others Rupees in thousand	Total
Segment assets	3,317,415	525,446	3,842,861
Unallocated assets			1,070,472
Total			4,913,333
Segment liabilities	962,663	101,981	1,064,644
Unallocated liabilities			1,903,005
Total			2,967,649

Statement of profit or loss for six-month period ended 31 December 2018 (Un-Audited):

	Juices and Drinks	Others Rupees in thousand	Total
Revenue from contract with customers-net	2,978,236	459,599	3,437,835
Cost of sales	(2,286,447)	(477,332)	(2,763,779)
Gross profit / (loss)	691,789	(17,733)	674,056
Unallocated expenses and income			
Distribution costs			(398,620)
Administrative expenses			(157,369)
Other operating expenses			(64,583)
Other income			44,535
Finance costs			(19,224)
Taxation			6,756
Profit after taxation			85,551

Assets and liabilities as at 30 June 2019 (Audited):

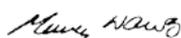
Segment assets	3,305,252	509,424	3,814,676
Unallocated assets			990,467
Total			4,805,143
Segment liabilities	1,334,852	234,922	1,569,774
Unallocated liabilities			1,001,789
Total			2,571,563

15 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors on 26 February 2020.

16 GENERAL

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



Director



Chief Executive



Chief Financial Officer



*Happiness
in every sip*



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