

# Wazir Ali Industries Ltd.

(Annual Report 1996)

## BOARD OF DIRECTORS

SYED WAJID ALI Chairman  
SYED ASAD ALI Managing Director  
SYED YAWAR ALI  
SYED TARIQ ALI  
SHAMSHAD AHMAD  
BEHRAM HASAN  
MUSHTAQ H. KHWAJA

## SECRETARY

A. JABBAR GHORI

## AUDITORS

TASEER HADI KHALID & Co.,  
CHARTERED ACCOUNTANTS  
KARACHI

## BANKERS

MUSLIM COMMERCIAL BANK LIMITED  
NATIONAL DEVELOPMENT FINANCE CORPORATION  
CITI BANK N. A.

## REGISTERED OFFICE

KANDAWALA BUILDING  
M. A. JINNAH ROAD  
KARACHI

## FACTORIES

HALI ROAD  
HYDERABAD

## TABLE OF CONTENTS

NOTICE OF MEETING	3
DIRECTORS' REPORT	
TO THE SHAREHOLDERS	5
PATTERN OF SHAREHOLDING	6
AUDITORS' REPORT TO THE MEMBERS	7
BALANCE SHEET	8
PROFIT & LOSS ACCOUNT	10
STATEMENT OF CHANGES IN FINANCIAL POSITION	11

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting of the shareholders of Wazir Ali Industries Limited, will be held on Monday, the 23 December 1996, at 2.00 P.M. at Hotel Holiday Inn, Crown Plaza, Shakra-e-Faisal, Karachi to transact the following business:

1. To confirm the minutes of the last Annual General Meeting of the Company held on 20th December 1995.
2. To receive and adopt the Audited Balance Sheet and Profit and Loss Account of the Company for the year ended June 30, 1996 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year ending 30th June 1997 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

**Notes:**

(i) The Share Transfer Books of the Company will remain closed from 16th December 1996 to 23rd December 1996 (both days inclusive).

(ii) A member entitled to attend and vote at Annual General Meeting is entitled to appoint another member as proxy to attend and vote instead of him. The instrument appointing proxy must be received at the Registered Office of the Company not less than forty-eight hours before the time of the meeting.

(iii) Members are requested not to bring children along with them as the children will not be admitted into the Meeting Hall.

(iv) Members are requested to notify the change in their addresses, if any, immediately.

**DIRECTORS' REPORT TO SHAREHOLDERS**

Dear Shareholders,

Your directors are pleased to present you their report and audited accounts of the Company for the year ended on 30th June 1996.

The year under review was not too conducive to business conditions characterizing our country which are unfavorably affecting consumers and industries which resulted in a downward trend in the edible oil industries.

**SALES**

Sales during the year 1996 decreased in volume. The consumers purchasing power came under severe pressure which resulted in consumers switching to the cheaper brands of ghee. Moreover the subsidised GCP ghee sold through the Utility Stores Corporation created distortion in the market.

The law and order situation in Karachi prevailed which disturbed the normal distribution of the product in the various localities of the city, besides the distributors of the Company remained scared due to their vans looted on gun point which affected adversely the availability of the products in the affected areas.

**GROSS PROFIT**

The gross profit of the Company in 1996 decreased to 8.19% from 9.42% in 1995, owing to increase in the cost of production particularly the packing material cost, fuel and power cost which have increased 35% and 30% respectively and the selling price of the products remained unchanged.

Administrative expenses increased 18.51% the financial expenses also increased on banking short term financial facility in order to meet the cash requirements of the company.

The company has been engaged in reorganizing various departments with particular emphasis on restructuring marketing and sales department. This is expected to result in improvement in sales and resultant profitability.

The company has started a cost-control exercise to rationalize and reduce its expenses. This alongwith improvement in the selling prices will improve the performance of the company.

The relations with the management and unionized staff remained cordial during the year. The directors place on record their sincere effort and the good work done by the workers, staff and officers.

**APPOINTMENT OF AUDITORS**

You are requested to appoint auditors for the year ending June 30, 1997 and fix their remuneration. The retiring auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants have offered themselves for re-appointment.

**FINANCIAL RESULTS**

Rs. in '000'

Loss for the year before Taxation	10,789
Provision for Taxation - Current	5,234
	-----
Accumulated Loss brought forward	16,023
Accumulated Loss carried forward	111,249
	-----
	127,272
	=====

The Statement of Pattern of Shareholding has been given on page No. 6.

**PATTERN OF SHARE HOLDINGS AS AT JUNE 30, 1996.**

NUMBER OF SHAREHOLDERS	SHARE-HOLDING		TOTAL		
			SHARES HELD	PERCENTAGE	
2468	From	1To	100	39868	1.53
380	From	101To	500	86635	3.33
90	From	501To	1000	61517	2.37
67	From	1001To	5000	140730	5.42
11	From	5001To	10000	72859	2.80
10	From	10001To	20000	118954	4.58
1	From	20001To	30000	21375	0.82
4	From	30001To	40000	147262	5.67
0	From	40001To	50000	0	0.00
6	From	50001To	100000	340306	13.09
1	From	100001To	200000	100432	3.86
3	From	200001To	500000	879762	33.85
1	From	500001To	1000000	589050	22.67
-----			-----	-----	-----

3042

2598750

100

=====

=====

=====

CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES	PERCENTAGE
1. Individuals (General Public)	3014	921930	35.48
2. Investment Companies	3	378560	14.57
3. Insurance Companies	4	327238	12.59
4. Joint Stock Companies	1	589050	22.67
5. Financial Institutions	8	307153	11.82
6. Corporate Law Authority	1	1	-
7. Abandoned Properties Organisation	1	3198	0.12
8. Bibojee Services Limited	1	234	0.01
9. Babar Ali Foundation	1	2400	0.09
10. S.M. Ishaq Holding Limited	1	42	-
11. Adamjee Sons Limited	1	62	-
12. Amin Estates Limited	1	475	0.02
13. Sind Engineering Limited	1	65992	2.54
14. Mutual Trading Company Limited	1	526	0.02
15. National Indttl. Coop. Fin. Corpn Ltd.	1	1775	0.07
16. N.H. Holding Limited	1	101	-
17. Sarfraz Mahmood (Pvt) Ltd.	1	13	-
	-----	-----	-----
	3042	2598750	100.00
	=====	=====	=====

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Wazir Ali Industries Limited as at 30 June 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year 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 changes in financial position, 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 30 June 1996 and of the loss and the changes in financial position for the year then ended; and

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

### BALANCE SHEET

	Note	(Rupees in '000)	
		1996	1995
<b>SHARE CAPITAL &amp; RESERVES</b>			
Share Capital			
Authorised			
8,000,000 ordinary shares of			
Rs. 10 each		80,000	80,000
		=====	=====
Issued, subscribed and paid-up	3	25,987	25,987
<b>RESERVES</b>			
Revenue reserves		66,067	66,067
Accumulated loss		(111,249)	(127,272)
		-----	-----
		(61,205)	(45,182)
		-----	-----
		(35,218)	(19,195)
<b>SURPLUS ON REVALUATION</b>			
OF FIXED ASSETS	4	38,708	38,708
<b>LIABILITY AGAINST ASSETS</b>			
SUBJECT TO FINANCE LEASE	5	-	250
<b>CURRENT LIABILITIES</b>			
Shod term bank financing - Secured		173,411	149,829
Current maturity of Liability against			
assets subject to finance lease		249	316
Creditors, accrued expenses and			
other liabilities		129,005	99,885
Provision for taxation		5,234	5,518
Unclaimed dividend		529	530
		-----	-----
		308,428	256,078
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9	-----	-----
		311,918	275,841

These accounts should be read in conjunction with the attached notes.

AS AT 30 JUNE 1996

### FIXED CAPITAL EXPENDITURE

Tangible fixed assets - at cost/valuation less accumulated depreciation	10	43,828	45,527
Capital work in progress	11	2,027	658
Intangible trade marks		1	1
		-----	-----
		45,856	46,186
<b>DEFERRED COST</b>	12	7,832	18,425
<b>LONG TERM DEPOSITS AND LOANS</b>	13	166	265
<b>CURRENT ASSETS</b>			
Stores and spares	14	5,651	5,598
Stock in trade	15	93,318	74,430
Goods in transit		97,390	71,427
Trade debts - Unsecured considered good	16	27,259	18,446
Loans, advances, deposits, prepayments and other receivables	17	31,851	38,883
Cash and bank balances	18	2,595	2,181
		-----	-----
		258,064	210,965
		-----	-----
		311,918	275,841
		=====	=====

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 1996**

	Note	(Rupees in '000)	
		1996	1995
SALES - Net	19	1,036,465	1,095,019
COST OF GOODS SOLD	20	951,566	991,839
		-----	-----
GROSS PROFIT		84,899	103,180
<b>EXPENSES:</b>			
Administrative	21	25,216	21,277
Selling and distribution	22	50,363	49,533
Financial	23	24,517	19,185
Amortisation of deferred cost	12	10,593	6,828
Workers profit participation fund		-	449
		-----	-----
		110,689	97,272
		-----	-----
		(25,790)	5,908
OTHER INCOME	24	15,001	2,626
		-----	-----
(LOSS) / PROFIT BEFORE TAXATION		(10,789)	8,534
PROVISION FOR TAXATION - Current	8	5,234	5,518
		-----	-----
		(16,023)	3,016

ACCUMULATED LOSS BROUGHT FORWARD	(111,249)	(114,265)
	-----	-----
ACCUMULATED LOSS CARRIED FORWARD	(127,272)	(111,249)
	=====	=====

These accounts should be read in conjunction with the attached notes.

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 1996**

(Rupees in '000)

	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(LOSS) / PROFIT BEFORE TAXATION	(10,789)	8,534
Adjustments for:		
Depreciation	4,226	4,126
Gain on sale of fixed assets	(198)	(58)
Amortisation of deferred cost	10,593	6,828
Financial charges	24,517	19,185
Provision for doubtful debts / advance	3,211	1,000
	-----	-----
<b>Changes in operating assets / liabilities</b>	31,560	39,615
<b>(Increase) / Decrease in current assets</b>		
Stores and spares	(53)	508
Stock in trade	(18,888)	(25,874)
Trade debts - unsecured	(8,813)	4,956
Goods in transit	(25,963)	(61,668)
Loans, advances, deposits, prepayments and other receivables	4,233	14,952
<b>Increase in current liabilities</b>		
Creditors accrued expenses and other liabilities	29,666	19,780
	-----	-----
	(19,818)	(47,346)
Financial charges paid	(25,063)	(16,595)
Income Tax paid	(5,930)	(13,318)
	-----	-----
Net cash used in operating activities	(19,251)	(37,644)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(4,298)	(3,866)
Decrease in long term deposits and loans	99	127

Proceeds from sale of fixed assets	600	58
	-----	-----
Net cash used in investing activities	(3,599)	(3,681)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities	(317)	(394)
Repayment of Ghee Corporation of Pakistan liabilities	-	(7,046)
Payment of dividend	(1)	(17)
Increase in shod term borrowings	23,582	55,074
Increase in deferred cost	-	(4,771)
	-----	-----
Net cash from financing activities	23,264	42,846
Net increase in cash and bank balances	414	1,521
Cash and bank balances at beginning of the year	2,181	660
	-----	-----
Cash and bank balances at end of the year	2,595	2,181
	=====	=====

**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 30 JUNE 1996****1. STATUS AND NATURE OF BUSINESS**

1.1 Wazir All Industries Limited was incorporated as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are listed on the Karachi and Lahore stock exchanges. The principal activity of the company is the manufacture and sale of vanaspati ghee and cooking oils. The company remained under the administrative control of Ghee Corporation of Pakistan (Private) Limited upto 19 December 1992, the date of its privatisation under the policy of the Government, through the privatisation commission (Ministry of Finance), Government of Pakistan. The new management has acquired the control of Wazir All Industries Limited under a sale agreement with "Privatisation Commission" dated 28 October 1992.

1.2 These accounts have been prepared on the assumption that the company would continue as a going concern although its accumulated losses as of 30 June 1996, exceeded shareholders' equity by Rs. 35.218 million while current liabilities exceeded current assets by Rs. 50.364 million. The assumption is based on the undertaking of the continued support of the sponsoring directors and proposed plan to increase equity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention**

The accounts are prepared under the historical cost convention except to the extent that certain fixed assets as stated in note 10, are shown at revalued amounts.

**2.2 Retirement Benefits****Gratuity fund**

The company has instituted an approved defined contributory gratuity scheme for its employees. The scheme is operated by trustees and annual contributions on the basis of the benefits accruing to the employees are transferred to the trust. Company however has the discretion to reduce and regulate its annual contribution to the fund depending upon the



income accruing to the fund. Further company's annual contribution in respect of any member does not exceeds the salary of the member for the last month of a financial year. Actuarial valuation of the gratuity fund has not been carried out.

#### **Provident fund**

The company operates a defined contribution provident fund scheme for all Permanent employees. Contributions are made monthly to the fund by the company and employees at an agreed rate of salary.

#### **2.3 Taxation**

The Charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credit and tax rebates. The company accounts for deferred taxation using the liability method on all major timing differences. However, deferred tax debits are not incorporated in the financial statements.

#### **2.4 Fixed Assets**

##### **Owned**

- (a) Fixed assets including all additions are stated at cost or valuation less accumulated depreciation except freehold land which is stated at revalued amount. Depreciation is provided on the straight line method at the rates indicated in note 10.
- (b) A full year's depreciation is charged on fixed assets capitalised during the year, but no depreciation is charged in the year of disposal.
- (c) Assets which have been fully depreciated are retained in the books at a token value of Rs. 1/-.
- (d) Gain or loss on disposal of fixed assets if any, are taken to profit and loss account currently.
- (e) Normal repairs and maintenance are charged to expenses as and when incurred.

##### **Leased**

- (a) Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligation under the lease are accounted for as liabilities. Depreciation is charged on the straight line method at the rates indicated in note 10.
- (b) The financial charge is calculated at the rate implicit in the lease.

#### **2.5 Capital Work-in-progress**

Capital work-in-progress is shown at cost and are transferred to fixed assets as and when the assets are available for commercial use.

#### **2.6 Stores and spares**

These are valued at cost determined on a first-in-first-out basis.

#### **2.7 Stock-in-trade**

Stock of raw materials, packing material, work-in-process and finished goods are valued at lower of cost determined on FIFO basis and net realisable value.

Net realisable value signifies the selling price less cost necessarily to be incurred in order to make the sale.

In respect of finished goods and work-in-process, cost includes direct materials, direct labour and appropriate production overheads.

#### **2.8 Goods in Transit**

These are stated at invoice value plus other charges incurred thereon.

**2.9 Trade Debtors**

Known bad debts are written off while provisions are made against debts considered doubtful.

**2.10 Revenue Recognition**

Sales are recorded on dispatch of goods.

**2.11 Foreign currencies translation**

Foreign currency transactions during the year are translated into Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies at the year end have been converted into Pak Rupees at the rates prevailing on the balance sheet date. Exchange gains and losses are included in profit and loss account.

**3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

	(Rupees in '000)	
	1996	1995
1,801,250 Ordinary shares of Rs. 10/- each fully paid in cash	18,012	18,012
Ordinary shares of Rs. 10/- each issued		
797,500 as fully paid bonus shares	7,975	7,975
-----	-----	-----
2,598,750	25,987	25,987
=====	=====	=====

**4. SURPLUS ON REVALUATION OF FIXED ASSETS**

The fixed assets i.e. land, building and plant & machinery have been revalued as of 30 June 1993 by M/s. Iqbal A. Nanjee & Co. on the basis of depreciated replacement values.

Revaluation surplus has been credited to surplus on revaluation of fixed assets account.

Refer note 10.1 also.

**5. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE**

At the beginning of the year	566	820
Less: Repayments made during the year	317	254
	-----	-----
	249	566
Less: Transferred to current maturity	249	316
	-----	-----
	-	250
	=====	=====

The company has acquired vehicles on lease from M/s. International Multileasing Corporation Limited. Salient features of the lease agreements are as follows:

Approximate rate of interest implicit in the lease agreements used as the discounting factor is 22% per annum.

Term of the lease 36 months.

The future commitments for minimum lease payments under the lease agreements are as follows:

1995-96	-	389
1996-97	162	162
	-----	-----
	162	551
Add: Security deposit	96	96
	-----	-----
	258	647
Less: Financial charges allocated to future period	9	81
	-----	-----
	249	566
	=====	=====

#### 6. SHORT TERM BANK FINANCING - SECURED

The company has short term financing facilities under mark-up arrangement in aggregate of Rs. 100 million (1995: Rs. 100 million) from various banks and a financial institution at mark-up ranging from 47 to 55 paisas per Rs. 1,000 per day, net of prompt payment rebate. The excess over facility represents temporary financing from a bank for payment against letter of credits. These arrangements are generally for a period of one year and are renewable subject to payment of re-purchase price by specified dates. The arrangements are secured against a preferential charge by way of registered joint hypothecation of stock-in-trade, stores, spares and book debts, and guarantees from associated undertakings.

#### 7. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	(Rupees in '000)	
	1996	1995
Creditors	105,228	68,002
Advances from customers	5,017	5,682
Accrued expenses:		
- Mark-up on short term financing	2,988	3,533
- Others	11,702	17,015
	-----	-----
	14,690	20,548
Sales tax	1,557	3,129
Workers profit participation fund	-	449
Other liabilities	2,513	2,075
	-----	-----
	129,005	99,885
	=====	=====

#### 7.1 Workers profit participation fund

At the beginning of the year	449	560
Contribution during the year	-	449
	-----	-----
	-	1,009
Payment during the year	449	560

-----	-----
-	449
=====	=====

## 8. PROVISION FOR TAXATION

8.1 Provision for taxation is not required in view of the tax loss for the year and brought forward assessed losses. However, minimum tax @ 0.5 percent of the turnover has been provided in these accounts. Further company has also filed protective appeal before the Income Tax Appellate Tribunal disputing the levy of minimum tax @ 0.5 percent of the turnover under section 80 (D) of the Income Tax Ordinance, 1979, in respect of assessment years 1991-92 and 1992-93. Tax liability for these years, however, has been fully paid.

8.2 The income tax assessments of the company have been finalised upto and including assessment year 1993-94. The tax department has filed references with certain judicial authorities in respect of assessment years 1971-72, 1977-78, 1978-79, 1979-80, 1984-85, and 1985-86 which are pending. In case of adverse decision, an additional tax liability of Rs. 1.320 million would arise for the assessment year 1971-72 which has not been provided in these accounts.

## 9. CONTINGENCIES AND COMMITMENTS

### Contingencies

- Bank guarantees	12,549	11,473
	=====	=====

### Commitments in respect of capital expenditure

	1,759	1,218
	=====	=====

## TANGIBLE FIXED ASSETS

At cost / valuation less accumulated depreciation

(Rupees in '000)

	COST / VALUATION			AS AT 30 JUNE 1996	RATE PERCENT	DEPRECIATION			AS AT 30 JUNE 1996	WRITTEN DOWN VALUE AS AT 30 JUNE 1996
	AS AT 01 JULY 1995	ADDITIONS	DISPOSALS			AS AT 01 JULY 1995	FOR THE YEAR	DISPOSALS		
Free hold land	16,170	-	-	16,170	-	-	-	-	-	16,170
Building on free hold land	9,106	-	-	9,106	5-10	1,414	728		2,142	6,964
Plant and Machinery	21,100	-	-	21,100	10	4,220	2,110		6,330	14,770
Factory equipments	375	689	-	1,064	10	331	80		411	653
Furniture	386	-	(6)	380	10	204	34	(3)	235	145
Fittings	1,928	257	-	2,185	10	1,752	69		1,821	364
Office/residential equipments	4,473	974	(76)	5,371	10	2,409	425	(53)	2,781	2,590
Vehicle	3,080	1,009	(627)	3,462	20	1,337	588	(251)	1,674	1,788
	-----	-----	-----	-----		-----	-----	-----	-----	-----
Leased vehicles	56,618	2,929	(709)	58,838		11,667	4,034	(307)	15,394	43,444
	-----	-----	-----	-----		-----	-----	-----	-----	-----
Rupees	57,578	2,929	(709)	59,798		12051	4,226	(307)	15,970	43,828

30 June 1995 Rupees	54,476	3,208	(106)	57,578	8,031	4,126	(106)	12,051	45,527
---------------------	--------	-------	-------	--------	-------	-------	-------	--------	--------

10.1 Surplus on revaluation undertaken as at 30 June 1993 on land, building and plant & machinery has been arrived at as follows:

	(Rupees in '000)			
	Land	Building	Plant & Machinery	Total
Cost as at 01 July 1992	127	8,771	37,878	46,776
Less: Accumulated depreciation as at 30 June 1993	-	5,846	34,355	40,201
	127	2,925	3,523	6,575
Depreciated replacement cost	(16,170)	(8,703)	(20,410)	(45,283)
Surplus on revaluation	(16,043)	(5,778)	(16,887)	(38,708)

10.2 Had there been no revaluation, the related figures of land, building and plant & machinery would have been as follows:

	Cost	Accumulated depreciation	(Rupees in '000) Written down value
Land	127	-	127
Building	8,771	6,664	2,107
Plant & Machinery	37,878	37,043	835
1996	46,776	43,707	3,069
1995	46,776	42,609	4,167

10.3 Depreciation has been allocated as follows:

	(Rupees in '000)	
	1996	1995
Cost of goods manufactured	2,986	3,001
Administrative expenses	692	618
Selling and distribution expenses	548	507
	4,226	4,126

10.4 Disposal of fixed assets

Details of fixed assets sold during the year are as follows:

Description	cost	Accumulated	Book	Sale	Gain/	(Rupees in '000)
-------------	------	-------------	------	------	-------	------------------

	depreciation	value	proceeds	(loss) on disposal	Mode of disposal	Sold to
Fitting	6	3	3	1	(2)Negotiation	Mr. Fida Hussain Jet Lines Karachi.
Air conditioners	76	53	23	13	(10)Negotiation	Mr. A. Ghaffar Qamar Electronic Near Agha Juice Centre, Nazimabad, Mr. Nasir Jawaid G-4/V, Maymar Plaza Block-1, Gulshan-e- Iqbal, Karachi.
Suzuki Margalla	375	150	225	360	135Insurance claim	M/s. International General Insurance Company, Finlay House, 1st Floor, I.I. Chundrigar Road, Karachi.
Suzuki Swift	252	101	151	226	75Insurance claim	M/s. International General Insurance Company, Finlay House, 1st Floor, I.I. Chundrigar Road, Karachi.
	----- 709	----- 307	----- 402	----- 600	----- 198	
1995	=====	=====	=====	=====	=====	
	----- 106	----- 106	----- -	----- 58	----- 58	
	=====	=====	=====	=====	=====	

**11. CAPITAL WORK IN PROGRESS**

(Rupees in '000)

	1996	1995
Chilled water tank, Laboratory equipments, etc.	1,659	444
Conveyor belt	368	214
	-----	-----
	2,027	658
	=====	=====

**12. DEFERRED COST**

Balance as on 01 July	18,425	20,482
Add: Deferred cost incurred during the year	-	4,771
	-----	-----
	18,425	25,253
Less: Amortised during the year	10,593	6,828
	-----	-----
	7,832	18,425
	=====	=====

Deferred cost represent the benefits paid, net of receipt on account of share of privatisation commission, in respect of Golden Handshake Scheme introduced by the company under the sale agreement dated 28 October 1992, with the privatisation commission. Under the scheme

employees of the company were offered four basic salaries for every completed year of service in addition to the normal gratuity and provident fund under the rules.

The management expects that the benefit of this cost would accrue to the company in the current as well as in future years. These costs are being written off over a period of five years effective from the year of expenditure. The deferred costs will be fully written off by the year 1997.

Further the management during the year ended 30 June 1995 introduced a voluntary retirement scheme for unionised employees of the company. Under the scheme the retirement benefits of the employees are being paid in installments over the period of two years. The management considers the benefit of this cost would accrue to the company in the future years, therefore this cost is being amortized over two years. The costs will be fully written off by the year 1997.

### 13. LONG TERM DEPOSITS AND LOANS

	(Rupees in '000)	
	1996	1995
Security deposits	44	44
Lease deposits	-	96
Due from employees - Secured (13.1)	122	125
	-----	-----
	166	265
	=====	=====

13.1 The loans to employees represent various long-term loans given by the company in accordance with the prescribed terms and conditions for such loans.

Age analysis of long term loans are as follows:

Outstanding for period exceeding three years	20	20
Less than three years	102	105
	-----	-----
	122	125
	=====	=====

### 14. STORES AND SPARES

Stores	1,132	1,209
Spares	4,519	4,389
	-----	-----
	5,651	5,598
	=====	=====

### 15. STOCK IN TRADE

Raw material	42,249	36,907
Packing materials	1,426	821
Work-in-process	18,054	11,563
	-----	-----
	61,729	49,291

#### Finished goods

Vanaspati (Ghee & Cooking Oil)	29,924	24,826
Washing soap	1,306	242

By-product	359	71
	-----	-----
	31,589	25,139
	-----	-----
	93,318	74,430
	=====	=====

**16. TRADE DEBTS - Unsecured**

Considered good	27,259	18,446
Considered doubtful	1,197	1,197
	-----	-----
	28,456	19,643
Less: Provision for doubtful debts	1,197	1,197
	-----	-----
	27,259	18,446
	=====	=====

**17. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Employees loans & advances - unsecured		
considered good	3,054	2,050
Advance tax	14,580	14,168
Advance to suppliers and contractors	3,670	8,598
Less: Provision for doubtful advances	3,211	-
	-----	-----
	459	8,598
Excise duty and sales tax receivable	90	50
Margin against bank guarantee	17.1	9,649
Deposits and prepayments	559	1,335
Tax refundable	13	13
Other receivables:		
Due from associated companies	17.2	827
Others - considered good	2,620	2,285
	-----	-----
	3,447	4,914
	-----	-----
	31,851	38,883
	=====	=====

17.1 This includes 100% cash margin of Rs. 7,842,096 (1995: Rs. 6,700,000) deposited with the bank against guarantee furnished to High Court of Sindh, against release of 481 metric tons of Palm Oil imported from Malaysia.

17.2 These accounts with the associated companies are in the nature of current accounts on which mark-up @ 19% per annum are charged.

The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 2.466 million (1995: Rs. 4.292 million).

**18. CASH AND BANK BALANCES**



(Rupees in '000)

	1996	1995
Cash in hand	500	-
With banks on:		
- Current accounts	2,095	1,389
- Term deposit accounts	-	792
	-----	-----
	2,595	2,181
	=====	=====

**19. SALES - Net**

(Rupees in '000)

	Vanaspati (Ghee and Cooking Oil)	Washing Soap	Total 1996	Total 1995
Sales	1,017,279	29,606	1,046,885	1,103,715
Less: Rebates	10,415	5	10,420	8,696
	-----	-----	-----	-----
	1,006,864	29,601	1,036,465	1,095,019
	=====	=====	=====	=====

**20. COST OF GOODS SOLD**

Opening Stock of finished goods	24,826	242	25,068	13,523
Add: Cost of Goods manufactured (20.1)	928,228	29,500	957,728	1,003,384
	-----	-----	-----	-----
	953,054	29,742	982,796	1,016,907
Less: Closing stock of finished goods	29,924	1,306	31,230	25,068
	-----	-----	-----	-----
	923,130	28,436	951,566	991,839
	=====	=====	=====	=====

**20.1 Cost of goods manufactured**

(Rupees in '000)

	Vanaspati (Ghee and Cooking Oil)	Washing Soap	Total 1996	Total 1995
Opening Stock of work in process	10,868	695	11,563	10,817
Raw material consumed (20.2)	729,456	1,486	730,942	797,869
Packing material consumed (20.3)	137,107	-	137,107	115,038
Stock and spares consumed	6,559	-	6,559	5,734
Salaries, wages and				

other benefits	29,324	215	29,539	33,417
Fuel and power	27,158	5	27,163	23,725
Repair and maintenance	221	-	221	409
Rent, rates and taxes	652	-	652	709
Insurance	887	-	887	732
Depreciation	2,986	-	2,986	3,001
	-----	-----	-----	-----
	945,218	2,401	947,619	991,451
Add: Purchases		28,163	28,163	23,496
	-----	-----	-----	-----
	945,218	30,564	975,782	1,014,947
Less: Closing stock of work in process	16,990	1,064	18,054	11,563
	-----	-----	-----	-----
	928,228	29,500	957,728	1,003,384
	=====	=====	=====	=====

## 20.2 Raw materials consumed - Vanaspati and Cooking Oil

	(Rupees in '000)	
	1996	1995
Opening stock	36,907	23,313
Add: Purchases	749,979	820,137
	-----	-----
	786,886	843,450
Less:		
Closing stock	42,249	36,907
Cost allocated to by-product	15,181	8,674
	-----	-----
	57,430	45,581
	-----	-----
	729,456	797,869
	=====	=====

## 20.3 Packing materials consumed - Vanaspati and Cooking Oil

Opening stock	821	684
Add: Purchases	137,712	115,175
	-----	-----
	138,533	115,859
Less: Closing stock	1,426	821
	-----	-----
	137,107	115,038
	=====	=====

## 21. ADMINISTRATIVE EXPENSES

	(Rupees in '000)	
	1996	1995
Salaries, wages and other benefits	13,938	13,825
Director's remuneration		

Fee		2	1
Salaries and other benefits		1,229	903
		-----	-----
		1,231	904
		=====	=====
Repair and maintenance		761	610
Electricity and gas		283	397
Rent, rates and taxes		599	615
Insurance		409	<b>113</b>
Travelling and conveyance		1,188	1,107
Entertainment		235	248
Postage, telegrams and telephone		1,058	981
Printing and stationery		409	446
Legal and professional		911	866
Auditors' remuneration	21.1	67	62
Advertising		54	246
Charity and donation	21.2	27	46
Meeting and conferences		35	37
Subscription		107	119
Other expenses		1	37
Depreciation		692	618
Provision for doubtful advances		3,211	-
		-----	-----
		25,216	21,277
		=====	=====

#### 21.1 Auditor's remuneration

Audit fee		50	50
Fee for audit of share transfer		5	5
Out of pocket expenses		12	7
		-----	-----
		67	62
		=====	=====

21.2 The directors and their spouses did not have any interest in donee fund.

#### 22. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits		5,696	4,455
Advertising		12,716	14,508
Sales promotion		6,742	5,158
Repair and maintenance - Vehicles and others		618	639
Rent, rate and taxes		291	280
Freight and octroi		18,166	17,656
Travelling and conveyance		2,610	2,431
Research and development		119	548
Entertainment		118	100
Insurance		181	155
Postage, telegram and telephone		1,698	1,366
Subscription		127	33
Printing and stationery		459	427
Gas / Electric		62	45

Depreciation	548	507
Meeting and Conferences	208	213
Sundry expenses including provision for doubtful debts	4	1,012
	-----	-----
	50,363	49,533
	=====	=====

**23. FINANCIAL EXPENSES**

Mark-up on:		
- Balance with Ghee Corporation of Pakistan (Pvt) Ltd.	-	618
- Bank financing	22,172	16,980
Excise duty	1,224	949
Bank charges and commission	1,042	498
Finance charges on lease	79	140
	-----	-----
	24,517	19,185
	=====	=====

**24. OTHER INCOME**

Refund of local tax	12,030	-
Gain on sale of fixed assets	198	58
Mark-up / return from:		
- Associated undertakings	65	286
- Employees loans	7	9
	-----	-----
	72	295
Sale of oxygen gas	313	386
Rent	167	262
Exchange gain	1,142	-
Miscellaneous	1,079	1,625
	-----	-----
	15,001	2,626
	=====	=====

**25. TRANSACTIONS WITH ASSOCIATED COMPANIES**

	(Rupees in '000)	
	1996	1995
Purchases	7,179	23,545
Sales	4,100	7,069
Interest received	2	286
Payments made on account of associated companies	6,780	4,333

**26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the accounts for the year for remuneration and benefits to the Executives and Directors of the Company are as follows:

	(Rupees in '000)	
	1996	1995

	Directors	Executives	Directors	Executives
Fee	2	-	1	-
Remuneration	240	4,885	100	3,819
Rent and utilities	548	4,513	248	2,374
Medical expenses	165	721	10	353
Gratuity	-	-	-	-
Entertainment	47	34	54	-
Company's contribution to Provident Fund	24	488	10	382
Other perquisites	205	573	481	1,224
	-----	-----	-----	-----
	1,231	11,213	904	8,152
	=====	=====	=====	=====
No. of persons	7	53	7	47
	=====	=====	=====	=====

In addition executives are also provided with free use of company's maintained car.

26.1 The Chief Executive of the company is not drawing any remuneration from the company.

## 27. PLANT CAPACITY, PRODUCTION AND SALES

	(Metric Tons)	
	1996	1995
Vanaspati-(Ghee and Cooking Oil)		
Assessed capacity	30,000	30,000
Production	21,677	24,526
Sales	21,540	24,262

The General increase in prices have reduced the disposable income of consumers. Further, increase in prices of packing material, fuel & power and other costs have increased the cost of production while the selling price of the company's products remained unchanged, resultantly the company is operating at loss and its sales are decreasing, therefore, production is restricted below capacity.

## 28. GENERAL

28.1 Figures have been rounded off to nearest thousand rupee.

28.2 Previous year's figures have been re-arranged, wherever necessary, for the purposes of comparison