

Wazir Ali Industries Limited

Annual Report 1999

COMPANY INFORMATION

BOARD OF DIRECTORS	SYED YAWAR ALI DR. ABDUL RAOUF M. MANNA DR. SAMI MOHSIN BAROUM SYED TARIQ ALI SYEDA FERIEL RIFFAT ALI SYED SHAHID ALI BEHRAM HASAN	Chairman & Managing Director (Alternate KARAM ELLAHI SHAIKH)
COMPANY SECRETARY	A. JABBAR GHORI	
AUDITORS	TASEER HADI KHALID & CO. CHARTERED ACCOUNTANTS KARACHI	
BANKERS	HABIB BANK LIMITED NATIONAL DEVELOPMENT FINANCE CORPORATION PRIME COMMERCIAL BANK LIMITED	
REGISTERED OFFICE	KANDAWALA BUILDING M.A. JINNAH ROAD KARACHI	
FACTORY	HALI ROAD HYDERABAD	
REGISTRAR AND SHARE TRANSFER OFFICE	THK ASSOCIATES (PVT) LIMITED GROUND FLOOR SHAIKH SULTAN TRUST BUILDING NO.2 BEAUMONT ROAD KARACHI	

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of the shareholders of Wazir Ali Industries Limited will be held on 7th December 1999 at 02.00 p.m. at Hotel Beach Luxury, Karachi, to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting of the company held on 23rd December 1998.
2. To receive and adopt the audited Balance Sheet and Profit and Loss Account of the company for the year ended 30th June 1999 together with the directors' and auditors' reports thereon.
3. To appoint auditors for the year ending 30th June 2000 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

B. SPECIAL BUSINESS

5. To ratify the remuneration of Managing Director and Chief Executive as drawn by him earlier in the capacity of Executive Director who is also a director on Board.

A statement under section 160 of the Companies Ordinance 1984 pertaining to the Special Business is being sent to the members with this notice.

By Order of the Board

Karachi: 2nd November 1999

Company Secretary

NOTES:

1. The Share Transfer Books of the company will remain closed from 30th November 1999 to 7th December 1999 (both days inclusive).
2. A member entitled to attend and vote at the annual general meeting is entitled to appoint another member as a proxy to attend and vote instead of him. The instrument appointing a proxy must be received at the registered office of the company not less than forty-eight hours before the time of the meeting.
3. Members are requested not to bring children along with them, as they will not be allowed in the meeting hall.
4. Members are requested to notify the change in their addresses, if any, immediately to the Registrar of the Company, Messrs. THK Associates (Pvt.) Limited, Ground Floor, Shaikh Sultan Trust Building No 2, Beaumont Road, Karachi.

STATEMENT IN REGARD TO SPECIAL BUSINESS

Remuneration of Managing Director and Chief Executive

The approval of the members is required for the payment of remuneration to Syed Yawar Ali as the Managing Director and the Chief Executive of the Company, being the same as drawn earlier by him as the Executive Director of the Company and to pass the following resolution with or without modification(s):

"Resolved that Syed Yawar Ali as the Managing Director and Chief Executive of the Company be and is

hereby entitled to be paid the same remuneration of Rs 720,000/- per annum and other benefits, as drawn by him earlier in his capacity as the Executive Director of the Company with effect from 12th October 1998."

Syed Yawar All is interested in this business to the extent of indicated remuneration.

DIRECTORS' REPORT TO THE MEMBERS

The members of the Board of Directors, feel pleasure in presenting to you the Company's audited accounts for the year ended on June 30, 1999, together with the Auditors report, thereon.

Overview

Not only the year under review had been a difficult year for the country, but to your Company as well. The reason being the depressed economic conditions, which further worsened, consequent upon Pakistan's Nuclear Test, freezing of Dollar accounts, resulting into a general hike / escalation in prices of all items.

The depressed economic conditions together with many other unforeseen factors / changes, bearing huge adverse financial implications, on the edible oil industry in Pakistan, could be classified as the most affected industry of Pakistan in the year 1998-1999. To mention a few, the year has seen the most volatile world edible oil market, forced reduction at Rs. 3,000 per M. Ton in the selling prices of ghee and cooking oils, an upward revision in the customs duty rates, together with a levy of regulatory duty, which cumulatively increased from Rs. 4,800 to Rs. 10,800 and from Rs 3,800 to Rs. 9,050 per M. Ton, on RBD Palm oil and crude Soya Bean oil respectively. The Sales Tax at 12.5% revised to 15% and the Income Tax at 2.0% of the duty paid value and the duty plus Sales Tax paid value respectively, were also levied on the edible oils.

Operating Results

The impact of the high priced oils, the upward revision in the Government levies and other changes dealt above, mostly appeared / implemented in the second half of the year. Further, these coupled with the growing competition in the Non Premium Segment, bearing huge adverse financial implications, in-fact have distorted the Operating Results for the year under review.

Tile Gross Profit at 10% remained at the same level of last year. The Net Before Tax Profit of Rs. 11.12 Million posted for the first half of the year ended on December 31, 1998, converted into a Net Before Tax Loss of Rs. 16.87 Million, due to the reasons stated above.

To minimize the adverse financial impact, your Company this year, had carried out intensive marketing activities against the most volatile and aggressive competition, to maintaining and further strengthening the premium image of your brand "TULLO" and as such the marketing, selling and distribution expenses have recorded an increase of Rs. 13.4 million. Further, the utilization of the local credit at a comparatively much higher Markup, caused an increase of Rs. 11.63 million in the financial expenses.

Future Prospects

In-order to overcome the above situation, the management of your Company has taken several corrective measures. These include the removal of organization fatigue through restructuring, induction of the most professionally qualified, dynamic and aggressive personnel, adjustment in the distribution net work and a total change in working environment "Ownership and Team Working".

At this stage, it is also highly gratifying to me to report to you, that the Company has signed a Joint Venture Agreement with one of the most professionally organized and a leading multinational group of companies, Savola Edible Oil Company Limited, Jeddah, Kingdom of Saudi Arabia. Under the terms of Joint Venture

Agreement, they have already acquired 12.2% shareholding in the Company.

Further, the management of your Company, with the blessing of Allah the Almighty, who is the most gracious and merciful, has successfully set its corporate objectives, the Vision and Mission "To turn around the Company and to regain the lost market share" through well planned sales and marketing strategy. Let me assure you, that the management of your company has full trust and confidence, about the bright future of your Company.

Development and Diversification

The improvement in the existing products and the development of the new products remained apace.

A new Oil, based on a comprehensive study of potential market requirement of an Ideal Blended Oil, that takes care of health and provides best taste and nourishment to food, has been developed and is being launched.

Further, the management of your Company has also considered it advisable to diversify in some related food products business, with the consent and cooperation of its Joint Venture partner.

ISO-9000

Another encouraging news is that your Company has been awarded the ISO 9002 certification. It represents the hard working and determination of your management in modifying and developing the Production Processes and Factories to classify Wazir Ali Industries Limited, as one of the best quality manufacturer of edible ghee and oils under the "Most Clean and Hygenic Environment"

Membership to Central Depository Company (CDC)

As per the requirements of the Central Depository Act 1997, your Company has taken the membership of the "Central Depository Company of Pakistan Limited (CDC)" and has also appointed THK Associates (Pvt.) Limited as Registrar of the Company.

Y2K Compliance

The Company has made all necessary arrangements for the compliance of Y2K, at all operational levels and there would be no problem while entering to the New Millennium.

Change in the Board of Directors

On the sad demise of Syed Asad Ali, the Chairman of the Board of Directors, who served the Company for more than 35 years and expired after a long protracted illness on February 13, 1999, may Allah the Almighty, rest his soul in peace, the Board of Directors, recorded their appreciation for his valuable contribution, and co-opted Syeda Feriel Riffat Ali as director on Board in his place.

Auditors

The present Auditors, Taseer Hadi Khalid & Company, Chartered Accountants, due to retirement and being eligible, offer themselves for reappointment for the next financial year ending on June 30, 2000.

Pattern of Shareholding

The statement of the Pattern of Shareholding is given on page 30.

Acknowledgment

The directors place on record their recognition and appreciation for the valuable contribution made by all employees in the progress and development of the Company. Further the relationship between the workers and the staff remained cordial.

Karachi: 2nd November 1999,

Syed Yawar Ali
Chairman & Managing Director

Auditors' Report to the Members

We have audited the annexed balance sheet of Wazir Ali Industries Limited as at 30 June 1999 and the related profit and loss account and statement of changes in financial position, 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 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 1999 and of the loss and the changes in financial position 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.

Karachi: 2nd November 1999

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1999

Note

1999

1998

(Rupees in '000)

SHARE CAPITAL AND RESERVES

Share Capital			
Authorised			
8,000,000 ordinary shares of Rs. 10/=		80,000	80,000
		=====	=====
Issued, subscribed and paid-up	3	51,975	51,975
RESERVES			
Revenue reserves		66,067	66,067
Accumulated loss		(144,169)	(122,461)
		-----	-----
		(78,102)	(56,394)
	4	-----	-----
		(26,127)	(4,419)
SURPLUS ON REVALUATION OF FIXED ASSETS	5	46,800	46,800
LONG TERM DEPOSITS		1,260	1,284
CURRENT LIABILITIES			
Short term bank financing - secured	6	190,428	135,498
Creditors, accrued expenses and other liabilities	7	60,792	151,253
Provision for taxation	8	5,142	5,530
Proposed dividend		--	2,599
		-----	-----
		256,362	294,880
CONTINGENCIES AND COMMITMENTS	9	-----	-----
		278,295	338,545
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets - at cost/valuation			
less accumulated depreciation	10	53,058	53,119
Capital work in progress	11	737	260
Intangible assets - trade marks		1	1
		-----	-----
		53,796	53,380
LONG TERM LOANS - secured, considered good	12	139	256
LONG TERM SECURITY DEPOSITS		35	45
CURRENT ASSETS			
Stock in trade	13	151,373	115,301
Goods in transit		14,395	95,179
Stores and spares	14	5,952	5,777
Trade debts - unsecured, considered good		21,343	39,385
Loans and advances -			

considered good	15	10,200	13,171
Deposits, prepayments and other receivables	16	8,664	11,234
Cash and bank balances	17	12,398	4,817
		-----	-----
		224,325	284,864
		-----	-----
		278,295	338,545
		=====	=====

Annexed notes form an integral part of these accounts.

Syed Yawar Ali
Chief Executive

Behram Hasan
Director

Karachi: 2nd November 1999

Profit and Loss Account
For the year ended 30 June 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
INCOME			
Sales - net	18	1,028,102	1,105,648
Cost of goods sold	19	926,487	994,941
		-----	-----
Gross profit		101,615	110,707
EXPENSES			
Administrative	20	28,713	28,121
Selling and distribution	21	65,008	51,597
Financial	22	27,136	15,506
Workers' profit participation		--	862
		-----	-----
		120,857	96,086
		-----	-----
		(19,242)	14,621
Other income	23	2,376	1,748
		-----	-----
PROFIT BEFORE TAXATION		(16,866)	16,369
Provision for taxation - Current	8	(5,142)	(5,530)
- Prior year		300	--
		-----	-----
		(4,842)	(5,530)
		-----	-----
PROFIT AFTER TAXATION		(21,708)	10,839

APPROPRIATION

Proposed dividend: Nil (1998: @ 5%)	--	2,599	
	-----	-----	
	(21,708)	8,240	
Accumulated loss brought forward	(122,461)	(130,701)	
	-----	-----	
ACCUMULATED LOSS CARRIED FORWARD	(144,169)	(122,461)	
	=====	=====	
(Loss) / earning per share - basic and diluted	24	(4.18)	3.49

Annexed notes form an integral part of these accounts.

Syed Yawar Ali
Chief Executive

Behram Hasan
Director

Karachi: 2nd November 1999

Statement of Changes in Financial Position For the year ended 30 June 1999

	1999	1998
	<i>(Rupees in '000)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(16,866)	16,369
Adjustments for:		
Depreciation	6,327	5,739
Gain on disposal of fixed assets	(509)	(184)
Financial charges	27,136	15,506
Doubtful receivables written off	--	1,427
Workers' profit participation fund	--	862
	-----	-----
	16,088	39,719
<i>Changes in operating assets/liabilities</i>		
(Increase) in stores and spares	(175)	(187)
(Increase) in stock in trade	(36,072)	(58,630)
Decrease/(Increase) in goods in transit	80,784	(14,018)
Decrease in trade debts - unsecured	18,042	11,132
Decrease/(Increase) in deposits, prepayments and other receivables	2,570	(4,854)
(Decrease) in creditors accrued expenses and other liabilities	(93,467)	(22,194)
	-----	-----
	(28,318)	(88,751)
Payments to Workers Profit Participation fund	(862)	(8)
Financial charges paid	(23,369)	(13,876)
Long term deposits (paid)/received	(14)	142
Income Tax paid	(2,860)	(3,068)
	-----	-----

Net cash used in operating activities	(39,335)	(65,842)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(7,764)	(4,891)
Decrease/(Increase) in loans & advances	718	618
Proceeds from sale of fixed assets	335	--
Insurance claim receipts on fixed assets	1,195	225
	-----	-----
Net cash used in investing activities	(5,516)	(4,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividend	(2,498)	(3)
Increase in short term borrowings	54,930	47,214
Issue of share capital	--	17,017
	-----	-----
Net cash generated from financing activities	52,432	64,228
Net increase/(decrease) in cash and bank balances	7,581	(5,662)
Cash and bank balances at beginning of the year	4,817	10,479
	-----	-----
Cash and bank balances at end of the year	12,398	4,817
	=====	=====

Notes to the Accounts

For the year ended 30 June 1999

1. STATUS AND NATURE OF BUSINESS

1.1 Wazir Ali 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. 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 privatization under the policy of the Government, through the Privatization Commission (Ministry of Finance), Government of Pakistan. The new management has acquired the control of Wazir Ali Industries Limited under a sale agreement with "Privatization Commission" dated 28th 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 1999, exceeded shareholders' equity by Rs. 26.129 million (1998: Rs. 4.419 million) while current liabilities exceeded current assets by Rs. 32.039 million (1998: Rs. 10.016 million). The assumption is based on following matters, namely:

* undertaking of continued support of the sponsoring directors.

* the company has entered into an agreement with Savola Edible Oils Company (SEO), a limited liability company registered in Saudi Arabia, salient features of which are as follows:

* SEO has purchase 634,095 shares (12.2%) of the company.

* SEO has an option to acquire on or before 15 October 2000, such number of additional shares of the company as becomes necessary to increase SEO's total holding from 12.2% to 40% of the company's total issued capital as at the date of the exercise of such option.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for Preparation

These accounts have been prepared in accordance with International Accounting Standards, as applicable in Pakistan.

2.2 Accounting Convention

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

2.3 Retirement Benefits

Gratuity fund

The company has instituted an approved defined benefit plan for all its permanent 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. The company, as per the trust deed has the authority to reduce and regulate its annual contribution to the fund depending upon the income accruing to the fund. Further, the company's annual contribution in respect of any member does not exceed the salary of the member for the last month of the financial year.

The latest actuarial valuation was carried out on 30 June 1997. "Entry Age Normal" method has been used for the valuation of the scheme, based on the following significant assumptions:

* Expected rate of increase in salary level	* 14% for management employees
	* 12% for non-management employees
* Expected rate of return on funds invested	* 14% per annum compound

Fair value of the fund's assets and liabilities as on the date of valuation was Rs.24.654 million and Rs. 15.275 million respectively.

Provident fund

A recognized provident fund scheme is in operation which covers all permanent employees. Equal contributions are made by the company and the employees.

2.4 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account available tax credit and tax rebates.

Deferred

The company accounts for deferred taxation using the liability method on all major timing differences. However, deferred tax debits are not accounted for in the financial statements.

2.5 Operating 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 a straight line basis at rates indicated in note 10 to these accounts.

b) A full year's depreciation is charged on fixed assets capitalized during the year, but no depreciation is charged in the year of disposal.

c) Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account currently.

d) Normal repairs and maintenance are taken to profit and loss account currently.

Leased

a) Assets subject to finance lease, if any, are stated at lower of present value of minimum of 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 under the straight line method at rates indicated in note 10 whereby the cost of an asset is written off over its useful life.

b) Financial charge is calculated at the rate implicit in the lease.

2.6 Capital Work-in-progress

Capital work-in-progress is stated at cost. Assets are capitalised as and when they are available for intended use.

2.7 Stores and spares

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

2.8 Stock-in-trade

Stock of raw materials, packing material, work-in-process and finished goods are valued at lower of cost and net realizable value. By-products are valued at net realizable values.

Cost is determined on a first in first out (FIFO) method except for labour and overheads relating to finished goods and work in process items, which are determined on a weighted average basis.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

In respect of finished goods and work-in-process, cost includes prime costs and appropriate production overheads.

2.9 Goods in Transit

These are stated at cost which includes invoice value and other charges incurred thereon.

2.10 Trade Debtors

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

2.11 Revenue Recognition

Sales are recorded on despatch of goods to the customers.

2.12 Allocation of common expenses

The company, under an agreement, is allocating certain common selling and distribution expenses to M/s. Zulfeqar Industries Limited (an associated company).

2.13 Foreign currencies translation

Foreign currency transactions during the year are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies at the balance sheet date are translated into Pak rupees at the rates of exchange prevailing on the balance sheet date except for balances covered Under the forward exchange contracts, which are converted at the contracted rates.

Exchange differences, if any, are included in income currently.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1999	1998		1999	1998
			<i>(Rupees in '000)</i>	
4,400,000	4,400,000	Ordinary shares of Rs. 10/- each fully paid in cash	44,000	44,000
797,500	797,500	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	7,975	7,975
-----	-----		-----	-----
5,197,500	5,197,500		51,975	51,975
=====	=====		=====	=====

4. STATEMENT OF CHANGES IN EQUITY

	<i>(Rupees in '000)</i>			
	<i>Share Capital</i>	<i>Revenue Reserve</i>	<i>Accumulated Loss</i>	<i>Total</i>
Balance as at 30 June 1997	25,987	66,067	(130,701)	(38,647)
Further issue of shares	25,988	--	--	25,988
Profit for the year	--	--	10,839	10,839
Proposed dividend	--	--	(2,599)	(2,599)
	-----	-----	-----	-----
Balance as at 30 June 1998	51,975	66,067	(122,461)	(4,419)
Loss for the year	--	--	(21,710)	(21,710)
	-----	-----	-----	-----
Balance as at 30 June 1999	51,975	66,067	(144,171)	(26,129)
	=====	=====	=====	=====

5. SURPLUS ON REVALUATION OF FIXED ASSETS

Fixed assets i.e. land, building and plant & machinery were revalued as of 30 June 1993 and 28 May 1997 by an independent valuer 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 to these accounts.

6. SHORT TERM BANK FINANCING - Secured

The company has short term financing facilities under mark-up arrangement in aggregate of Rs. 190 million (1998: Rs. 135 million) from Habib Bank Limited, Prime Commercial Bank Limited and National Development Finance Corporation (NDFC) at mark-ups ranging from 50 to 60 paisas per Rs. 1,000 per day, net of prompt payment rebate. Under the terms of arrangement with NDFC, against an available facility of Rs. 45 million, company is required to reduce the facility to Rs. 35 million by 31 December 1999.

These arrangements are valid upto 30 September 1999, 30 June 2000 and 31 December 1999 respectively and are renewable.

These arrangements are secured against first pari passu charge on present and future assets including building, machinery etc. and guarantee from an associated company.

Facilities for opening letter of credit and guarantees as at 30 June 1999 amounted to Rs. 360 million (1998: Rs. 400 million). Out of these facilities amount utilised as at the year end aggregated to Rs. 72.86 million (1998: Rs. 97.415 million)

7. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	1999	1998
	<i>(Rupees In '000)</i>	
Trade Creditors		
- For goods	19,977	131,683
- For expenses	2,914	2,537
	-----	-----
	22,891	134,220
Accrued Expenses		
-Mark-up on short term financing	5,397	1,630
-Others	15,122	5,466
	-----	-----
	20,519	7,096
Advances from customers	16,039	7,653
Other liabilities	725	619
Unclaimed dividends	618	517
Sales tax	--	286
Workers' profit participation	--	862
	-----	-----
	60,792	151,253
	=====	=====

Note 7.1

7.1 Workers' Profit Participation

	1999	1998
	<i>(Rupees In '000)</i>	
As at 01 July	862	8
Contribution for the year	--	862
	-----	-----
	862	870
Payment made during the year	(862)	(8)
	-----	-----
	--	862
	=====	=====

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.

8.2 The income tax assessments of the company have been finalised upto and including assessment year 1996-97. The assessing officer while determining the income for the assessment year 1996-97 had applied provisions of presumptive tax under section 80G and had taxed certain sales of the company under that section. The company has filed an appeal before the Commissioner of Income Tax (Appeals)

against an additional tax demand of Rs. 2.44 million and is confident of a decision in its favour.

Further for assessment years 1971-72 and 1986-87, reference applications have been filed by Income Tax Department before the Sindh High Court. In case of adverse decisions in these reference applications additional tax liabilities of Rs. 1.320 million and Rs. 0.56 million respectively, may arise which have not been provided in these account as management is confident of decision in its favour.

9. CONTINGENCIES AND COMMITMENTS

Claims not acknowledged as debt	3,480	--
Bank guarantees	4,708	15,293
Capital commitments	1,040	240

10. OPERATING FIXED ASSETS

At cost/valuation less accumulated depreciation

(Rupees in '000)

	COST/VALUATION			As at 30 June 1999	Rate %	DEPRECIATION			WRITTEN DOWN VALUE	
	As at 01 July 1998	Additions/ *Adjustments	(Disposal)			As at 01 July 1998	For the year	(Disposals)	As at 30 June 1999	As at 30 June 1999
Freehold land	24,262	--	--	24,262	--	--	--	--	--	24,262
Building on free hold land	9,357	*2	--	9,359	5-10	3,623	754	--	4,377	4,982
Plant and Machinery	25,929	883	--	26,812	10	11,443	2,681	--	14,124	12,688
Factory Equipment	2,391	--	--	2,391	10	837	212	--	1,049	1,342
Furniture	419	39	--	458	10	294	34	--	328	130
Fittings	2,231	--	--	2,231	10	1,939	56	--	1,995	236
Office/residential Equipments	5,881	2,343	(123)	8,101	10	3,647	580	(49)	4,178	3,923
Vehicles	9,041	4,020	(1,743)	11,318	20	4,609	2,010	(796)	5,823	5,495
1999	79,511	7,287	(1,866)	84,932		26,392	6,327	(845)	31,874	53,058
1998	74,153	5,560	(202)	79,511		20,814	5,739	(161)	26,392	53,119

10.1 Surplus on revaluation undertaken as at 30 June 1993 and 28 May 1997 on land, building and plant & machinery has been arrived at as follows:

(Rupees in '000)

	Land	Building	Plant and Machinery	Total
Cost as at 01 July 1992	127	8,771	37,878	46,776
Accumulated depreciation as at 30 June 1993	--	(5,846)	(34,355)	1,402,011

	127	2,925	3,523	6,575
Market value/depreciated replacement value on 30 June 1993	1,161,701	(8,703)	1,204,101	(45,283)
Market value on 28 May 1997	(8,092)	--	--	(8,092)
Surplus on revaluation	1,241,351	(5,778)	1,168,871	(46,800)

10.2 Depreciation has been allocated as follows:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in '000)</i>	
Cost of goods manufactured	3,877	3,865
Administrative expenses	1,042	854
Selling and distribution expenses	1,408	1,020
	-----	-----
	6,327	5,739
	=====	=====

10.3 Disposal of operating fixed assets

Details of fixed assets disposed off during the year as follows:

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale/Claim Proceeds</i>	<i>Gain/ (Loss)</i>	<i>(Rupees in '000)</i>	
						<i>Mode of disposal</i>	<i>Purchaser/Insurer</i>
Suzuki Carry	100	100	--	100	100	Insurance Claim	IGI Insurance Company Limited (Associated company)
Suzuki Swift	262	262	--	150	150	Negotiation	Saifuddin (Employee)
Suzuki Khyber	198	198	--	150	150	Negotiation	Raza Abbass (Employee)
Suzuki Khyber	395	79	316	315	(1)	Insurance Claim	IGI Insurance Company Limited (Associated company)
Toyota Corolla	788	157	631	780	149	Insurance Claim	IGI Insurance Company Limited (Associated company)
Computer	38	11	27	5	(22)	Negotiation	Compu Logic, 14 Saleem Plaza, Gulshan-e-Iqbal, Block- 16, Karachi
Computer	39	12	27	10	(17)	Negotiation	Compu Logic, 14 Saleem Plaza, Gulshan-e-Iqbal, Block- 16, Karachi.
Refrigerator	24	15	9	9	--	Negotiation	Sarwat Abdullah (Ex-Employee)
Air Conditioner	19	11	8	8	--	Negotiation	Sarwat Abdullah (Ex-Employee)
Stabilizer	3	3	3	3	--	Negotiation	Sarwat Abdullah (Ex-Employee)
Total 1999	-----	-----	-----	-----	-----		
	1,866	845	1,021	1,530	509		
Suzuki Khyber 1998	-----	-----	-----	-----	-----		
	202	161	41	225	184	Insurance Claim	IGI Insurance Company Limited (Associated company)
	=====	=====	=====	=====	=====		

11. CAPITAL WORK IN PROGRESS

	1999	1998
	<i>(Rupees in '000)</i>	
Modification of bleacher ejectors	187	--
Two gas holders	303	--
Modification of Vanaspati plant equipment	77	--
Modification of filling hall	170	--
Modification of bleacher	--	65
Acid oil vessels	--	195
	-----	-----
	737	260
	=====	=====

12. LONG TERM LOANS - secured, considered good

Loans due from:

- Executives		208	391
- Employees		296	611
		-----	-----
	12.1	504	1,002
Receiveable within one year		(365)	(746)
		-----	-----
		139	256
		=====	=====

12.1 This represents markup free motorcycle loans to employees under a Collective Bargaining Agreement and loans given to executives/employees in accordance with the company's policy which are secured against the retirement benefits of respective employees. These are recoverable in 16-40 monthly installments.

Maximum aggregate balances due at the end of any month during the year were as follows:

	1999	1998
	<i>(Rupees in '000)</i>	
Executive	18	115
	=====	=====
Others	203	186
	=====	=====
Age analysis of long term loans are as follows:		
Less than three years	139	256
	=====	=====

13. STOCK IN TRADE

Raw material	83,209	64,005
Packing materials	8,970	834
Work-in-process	26,099	16,835
	-----	-----
	118,278	81,674
Finished goods		
Vanaspati (Ghee and Cooking Oil)	32,126	27,316

Washing soap		782	6,184
By-product		187	127
		-----	-----
		33,095	33,627
		-----	-----
		151,373	115,301
		=====	=====

14. STORES AND SPARES

Stores		1,323	1,223
Spares		4,629	4,554
		-----	-----
		5,952	5,777
		=====	=====

15. LOANS AND ADVANCES - considered good

Loans due from (secured) - receivable within one year

- Executives		202	347
- Employees	12	163	399
		-----	-----
		365	746

Advances to (secured):

-Executives		50	93
- Employees		1,262	1,991
		-----	-----
		1,312	2,084
		-----	-----

Contractors and suppliers - unsecured	15.1	1,677	2,830
Advance tax		867	315
		7,656	10,026
		-----	-----
		10,200	13,171
		=====	=====

Maximum aggregate balances of advances due at the end of any month during the year were as follows:

Executives		1,050	671
		=====	=====
Employees		1,733	173
		=====	=====

15.1 These are secured in the same manner as given in note 12.1 to these accounts.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits and prepayments		1,074	1,032
Margin against bank guarantees		1,868	1,858
Excise duty and sales tax receivable		230	--
		-----	-----
		3,172	2,890

Other receivables - unsecured, considered good:

Due from associated companies	16.1	5,077	7,652
-------------------------------	------	-------	-------

Others	415	692
	-----	-----
	5,492	8,344
	-----	-----
	8,664	11,234
	=====	=====

16.1 This represents normal trade credit to associated companies and amounts relating to expenses shared with them (net of recoveries).

16.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 12.518 million (1998:7.657 million).

17. CASH AND BANK BALANCES

Cash with banks on:

- Current account	9,422	(239)
- Profit and loss sharing (PLS) account	587	5,056
	-----	-----
	10,009	4,817
Cash in hand	2,389	--
	-----	-----
	12,398	4,817
	=====	=====

18. SALES - net

				<i>(Rupees in '000)</i>
	<i>Vanaspati (Ghee and Cooking Oil)</i>	<i>Washing Soap</i>	<i>Total 1999</i>	<i>Total 1998</i>
Sales	1,010,538	30,696	1,041,234	1,121,174
Rebates	(10,514)	(5)	1(10,519)	(13,576)
Sales Tax	--	(2,613)	(2,613)	(1,950)
	-----	-----	-----	-----
	(10,514)	(2,618)	(13,132)	(15,526)
	-----	-----	-----	-----
	1,000,024	28,078	1,028,102	1,105,648
	=====	=====	=====	=====

19. COST OF GOODS SOLD

				<i>(Rupees in '000)</i>	
	<i>Vanaspati (Ghee and Cooking Oil)</i>	<i>Washing Soap</i>		<i>Total 1999</i>	<i>Total 1998</i>
	<i>Manufactured</i>	<i>Manufactured</i>	<i>Traded</i>		
Balance of finished goods as on 01 July	27,316	5,562	622	33,500	29,946
Cost of goods manufactured/ available for sale	19.1	903,062	5,877	16,956	925,895
				925,895	998,495

	930,378	11,439	17,578	959,395	1,028,441
Balance of finished goods as on 30 June	(32,126)	(314)	(468)	(32,908)	(33,500)
	898,252	11,125	17,110	926,487	994,941

19.1 Cost of goods manufactured/available for sale

						<i>(Rupees in '000)</i>	
		<i>Vanaspati (Ghee and Cooking Oil)</i>		<i>Washing Soap</i>		<i>Total 1999</i>	<i>Total 1998</i>
		<i>Manufactured</i>	<i>Manufactured</i>	<i>Traded</i>			
Work in Process as on 01 July		16,199	636		--	16,835	16,036
Raw material consumed	19.2	738,135	4,339		--	742,474	783,889
Packing material consumed	19.3	107,758			--	107,758	131,097
Purchases of washing soap		--		16,956	--	16,956	13,827
Stock arid spares consumed		7,144	11		--	7.16	7,498
Salaries, wages and other benefits		30,828	615		--	31,443	32,171
Fuel and power		22,886	658		--	23,544	25,125
Repair and maintenance		369	--		--	369	463
Rent, rates and taxes		820	--		--	820	677
Insurance		762	--		--	762	682
Depreciation	10.2	3,877	--		--	3,877	3,865
		928,778	6,259	16,956	--	951,993	1,015.33
Work in Process as on 30 June		(25,716)	(382)		--	(26,098)	(16,835)
		903,062	5,877	16,956	--	925,895	998,495

19.2 Raw materials consumed - Vanaspati and Cooking Oil

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
Balance as on 01 July		64,005	9,797
Purchases		763,627	844,583
		827,632	854,380
Balance as on 30 June		(83,209)	(64,005)
		744,423	790,375
Cost allocated to by-product		(6,288)	(7,831)
		738,135	782,544

19.3 Packing materials consumed - Vanaspati and Cooking Oil

Balance as on 01 July	834	560
Purchases	115,894	131,368
	-----	-----
	116,728	131,928
Balance as on 30 June	(8,970)	(834)
	-----	-----
	107,758	131,094
	=====	=====

20. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	16,077	13,119
Director's remuneration		
- Fee	1	21
- Salaries and other benefits	26	1,680
	-----	-----
	1,584	1,682
Repair and maintenance	1,509	3,021
Electricity and gas	1,731	296
Rent, rates and taxes	821	1,423
Insurance	421	391
Traveling and conveyance	1,290	979
Entertainment	227	153
Postage, telegrams and telephone	1,275	1,252
Printing and stationery	596	475
Legal and professional	947	563
Auditors' remuneration	20.1	148
Advertisement	229	311
Charity and donation	20.2	9
Meeting and conferences	26	41
Subscription	748	444
Other expenses	34	26
Depreciation	10.2	1,041
Receivables written off	--	1,427
Provision for doubtful debts	--	1,500
	-----	-----
	28,713	28,121
	=====	=====

1999
(Rupees in '000)

1998

20.1 Auditors' remuneration

Audit fees	80	60
Special audit fees	60	55
Out of pocket expenses	8	17
	-----	-----
	148	132

20.2 Directors and their spouses did not have any interest in donee fund.

21. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits		16,815	12,181
Advertisement		13,377	10,540
Sales promotion		13,875	6,006
Repair and maintenance - vehicles and others		1,998	1,495
Rent, rate and taxes		654	855
Freight and octroi		18,316	18,834
Traveling and conveyance		4,471	4,488
Research and development		504	122
Entertainment		195	180
Insurance		1,143	1,555
Postage, telegram and telephone		2,446	2,115
Subscription		188	690
Printing and stationery		896	1,046
Gas and electricity charges		265	233
Depreciation	10.2	1,407	1,020
Meeting and Conferences		326	277
Others		462	199
		-----	-----
		77,338	61,836
Common expenses transferred to Zulfeqar Industries Limited (an associated company)		(12,330)	(10,239)
		-----	-----
		65,008	51,597
		=====	=====

22. FINANCIAL EXPENSES

Markup on bank financing		26,531	13,758
Bank charges and commission		605	1,748
		-----	-----
		27,136	15,506
		=====	=====

23. OTHER INCOME

Gain on insurance claim/sale of fixed assets		509	184
Sale of Oxygen gas		556	587
Rent		116	237
Miscellaneous		1,195	740
		-----	-----
		2,376	1,748
		=====	=====

24. EARNING PER SHARE - Basic and Diluted

		<i>1999</i>	<i>1998</i>
Net (Loss)/Profit for the year	Rupees	(21,708,294)	10,840,445
		=====	=====
Weighted average number of ordinary shares		5,197,500	3,100,625
		=====	=====

Earning per share	Rupees	(4.18)	3.49
		=====	=====

25. TRANSACTIONS WITH ASSOCIATED COMPANIES

(Rupees in '000)

Purchases	16,956	13,827
	=====	=====
Sales	8,757	9,071
	=====	=====
Insurance premium paid	1,211	2,117
	=====	=====
Claims received	1,195	225
	=====	=====
Common expenses allocated to Zulfeqar Industries Ltd.	12,330	10,239
	=====	=====

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)

	1999			1998		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Fee	--	1	--	--	2	--
Remuneration	--	301	10,125	--	270	8,078
Rent and utilities	493	409	7,631	--	870	5,825
Medical expenses	14	18	2,203	--	34	1,296
Entertainment	33	29	324	--	92	281
Company's contribution to Provident Fund	--	30	733	--	27	600
Other perquisites	52	204	531	--	387	413
	-----	-----	-----	-----	-----	-----
	592	992	21,547	--	1,682	16,493
	=====	=====	=====	=====	=====	=====
No. of persons	1	3	55	1	3	63
	=====	=====	=====	=====	=====	=====

In addition executives are also provided with free use of company maintained vehicles.

27. PLANT CAPACITY, PRODUCTION AND SALES

	Metric Tons	Metric Tons
Vanaspati - Ghee and Cooking Oil		
Assessed capacity	30,000	30,000
	=====	=====
Production	16,136	20,322

Sales	16,003	20,334
-------	--------	--------

The under-utilization of capacity is mostly attributable to lack of orders due to overall economic recession in the country.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all the financial assets and financial liabilities are estimated to approximate their respective carrying values.

29. INTEREST RATE RISK EXPOSURE

Information about the company's exposures to interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, is as follows:

	<i>1999</i>		<i>(Rupees in '000)</i>	
	<i>Less than one month</i>	<i>One month to one year</i>	<i>Non-Interest bearing</i>	<i>Total</i>
Financial Assets				
Long term security deposits	--	--	35	35
Loans and advances	--	--	2.68	2,683
Deposits, margins and other receivables	--	--	2,437	2,437
Due from associated companies	--	--	5,077	5,077
Trade debts - net	--	--	21,343	21,343
Cash and Bank balances	587	--	11.81	12,398
	-----	-----	-----	-----
	587	--	43,386	43.97
	=====	=====	=====	=====
Financial Liabilities				
Long term deposits	--	--	1,260	1.26
Short term financing	--	190,428	--	190,428
Creditors, accrued expenses and other liabilities	--	--	44,135	44,135
Unclaimed dividend	--	--	618	618
	-----	-----	-----	-----
	--	190,428	46,013	236,441
On-balance sheet gap (a)	587	(190,428)	(2,627)	(192,468)
	-----	-----	-----	-----
	587	(189,841)	(192,468)	--
	=====	=====	=====	=====

1998 *(Rupees in '000)*

	<i>Less than one month</i>	<i>One month to one year</i>	<i>Non-Interest bearing</i>	<i>Total</i>
--	----------------------------	------------------------------	-----------------------------	--------------

Financial Assets

Long term security deposits	--	--	45	45
Loan and advances	--	--	3,401	3,401
Deposits, margins and other receivables.	--	--	2,624	2,624
Due from associated companies	--	--	7,652	7,652
Trade debts - net	--	--	39,385	39,385
Bank balances	5,056	--	(239)	4,817
	-----	-----	-----	-----
	5,056	--	52,868	57,924
	=====	=====	=====	=====

Financial Liabilities

Long term deposits	--	--	1,284	1,284
Short term financing	34,793	100,705	--	135,498
Creditors, accrued expenses and other liabilities	--	--	141,935	141,935
Unclaimed dividend	--	--	517	517
Proposed dividend	--	--	2,599	2,599
	-----	-----	-----	-----
	34,793	100,705	146,335	281,833
On-balance sheet gap (a)	(29,737)	(100,705)	(93,467)	(223,909)
	-----	-----	-----	-----
	(29,737)	(130,442)	(223,909)	--
	=====	=====	=====	=====

(a) The on balance sheet gap represents the net amounts of on-balance sheet items.

(b) Effective rates of markup for financial assets and liabilities are as follows:

Assets	1999	1998
	%	%
Bank balances	7.00	8.00
	=====	=====
Liabilities		
Short term financing	19.78	21.29
	=====	=====

30. CONSIDERATION OF CREDIT RISK

The company attempts to control credit risks by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers.

31. GENERAL

31.1 Total number of employees as at 30 June 1999 was 380 (1998: 403).

31.2 Figures have been rounded off to nearest thousand rupee.

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

PATTERN OF SHAREHOLDING AS OF 30 JUNE 1999

No. of *Having Shares*

<i>Shareholders</i>	<i>From</i>	<i>To</i>	<i>Shares Held</i>	<i>Percentage</i>
2,779	1	100	43,188	0.8309
379	101	500	87,481	1.6831
99	501	1,000	68,107	1.3103
81	1,001	5,000	167,477	3.2222
13	5,001	10,000	89,252	1.7172
6	10,001	15,000	64,859	1.2478
1	15,001	20,000	16,000	0.3078
2	20,001	25,000	44,368	0.8536
1	30,001	35,000	34,596	0.6656
1	35,001	40,000	36,816	0.7083
1	40,001	45,000	42,750	0.8225
1	45,001	50,000	48,100	0.9254
1	55,001	60,000	55,224	1.0625
2	70,001	75,000	147,264	2.8333
1	85,001	90,000	88,268	1.6982
3	105,001	110,000	322,352	6.2020
2	110,001	115,000	225,774	4.3438
1	120,001	125,000	123,922	2.3842
1	130,001	135,000	131,984	2.5393
1	135,001	140,000	138,976	2.6739
2	225,001	230,000	458,213	8.8160
2	300,001	305,000	602,175	11.5858
1	345,001	350,000	348,159	6.6985
1	630,001	635,000	634,095	12.2000
1	1,175,001	1,180,000	1,178,100	22.6666
-----			-----	-----
3383			5,197,500	100.0000
=====			=====	=====

CATEGORIES OF SHAREHOLDERS

	<i>NUMBERS</i>	<i>SHARES</i>	<i>PERCENTAGE</i>
1. Individuals	3352	2512186	48.3345
2. Insurance Companies	4	344613	6.6303
3. Joint Stock Companies	11	1361770	26.2004
4. Financial Institution	11	337514	6.4937
5. Foreign Companies	1	634095	12.2000
6. Babar Ali Foundation	1	2400	0.0461
7. Punjab Coop. Board For Liquidation	1	1775	0.0341
8. The Corporate Law Authority	1	1	--
9. Abandoned Properties Organisation	1	3146	0.0605
-----		-----	-----
	3383	5197500	100.0000
=====	=====	=====	=====