ANNUAL REPORT '03

Wazir Ali Industries Limited

DIRECTORS' REPORT

The Directors of the Company would like to present the audited financial statements of the Company for the year ended 30 June 2003.

1. Election of Directors

An Extra-Ordinary General Meeting of the Company was held on 12 June 2003 and the following persons were elected as Directors of the Company for a three-year term commencing from 12 June 2003:

I. Syed Yawar Ali
II. Syed Tariq Ali
III. S. Feriel R. Ali
IV. Dr. Abdulraouf M. Mannaa
V. Dr. Mohamed H. Ikhwan
VI. Mr. Mohammed Akhtar Zaidi
VII. Syed Naseem Ahmad
VIII. Mr. Nasim Beg

Following the election of Directors, Syed Yawar Ali was appointed Chief Executive Officer of the Company for three years commencing from 12 June 2003.

During the period under review, Mr. Nasim Beg purchased 2,555 shares from Syed Yawar Ali.

2. **Overview**

The period under review remained difficult for the indigenous oil and ghee industry as the inequitable competition between organized and unorganized sectors was at its highest level. The reason being the vast gap in the selling prices of the respective industries. The premium segment is selling at Rs 395/- per 5 kg as against Rs 280/- per 5 kg in the lower segment.

The Trade Offer war and consumer promotional schemes were at their peak during the period under review.

The raw material prices were higher in the international market during the period under review, which gave rise to cost of production thereby affecting the profitability of the company.

It is not only your company that has been affected by the above adversities, all premium segment producing companies including the multinational companies have been the victims of the above hardships.

The impact of income tax is playing a major role in eroding the shareholders equity. The company has to pay income tax even on incurring a loss, which is evident from the period under review that the company has incurred a pre tax loss of Rs 25.675M that has piled up to a post tax loss of Rs 36.536M by the income tax impact of Rs 10.861M.

In accordance with the Income Tax Ordinance 2001, 3% advance income tax under section 148(8) is paid at the import stage on edible oils and is treated as full and final settlement of the tax liability if the normal income tax is lower than the tax paid at import stage.

Income tax paid at import stage by the manufacturers who are dealing in other products in addition to Oil and Ghee is adjustable with the income as a whole of other products together with Oil and Ghee in discharge of their liability in full.

The manufacturers who are chiefly the sellers of cooking oil with meager quantities of ghee mainly depend on local oil products and pay less income tax on imported raw material, Palm Oil, required for the production of Ghee. Therefore their income comes under the ambit of normal tax regime and tax paid at the import stage is adjusted.

Whereas, the manufacturers of Ghee and Cooking Oil dealing only in Ghee products and depending on the import of Palm Oil for raw material and less dependent on local oils are the worst affected by this tax regime. The tax paid at import stage is higher than the charge of tax under the normal tax regime as a consequence of which these manufacturers have to pay higher income tax even if they sustain a loss as compared to other categories as highlighted above.

To make it equitable, all manufacturers should be allowed to adjust income tax paid at import stage without any discrimination to any particular segment of industry. The charge of income tax under section 113 should prevail, which in case of loss sustained by the company is 0.5% of the turnover. This is the normal prevailing practice of charging income tax from other companies; only the ghee industry is a victim of this advance tax regime.

The enclosed ten years financial statistics from 1993-94 to 2002-03 reveal that the accumulated losses of the company before tax are Rs 12.246M only. After the impact of Rs 65.451M income tax, the accumulated losses have soared up to Rs 77.697M, which means that the accumulated cost of finance of Rs 251.779M apart from other business needs has been paid for servicing the tax liability. An aggregate of Rs 55.155M was paid as financing cost for income tax, the impact of which, if eliminated from the financial results would transform into a pre tax profit of Rs 42.909M.

During these ten years, the company paid Rs 1.392 billion on account of duties, taxes, sea dues, warehouse charges etc. apart from contributing to the Employees Old Age Benefits Institution, Employees Social Security Institution, Education Cess, Workers Profit Participation and Welfare Funds, which are an additional burden on the profitability of the company thereby increasing the cost of oil and ghee manufactured.

The audit parameters and costing for vanaspati ghee and cooking oil units in respect of RBD Palm Oil, RBD Palm Olien and Soyabean Oil set by the Central Board of Revenue, Revenue Division, Sales Tax Wing, Islamabad vide their letter No. 1(9)STR/2000 dated 30 December 2002 speak for themselves the unbalanced sales price including sales tax @ 15% per kg. The price per ton has been computed as follows by the CBR:

		Value	**Percentage**
I.	Government levies	21,083	31.73
II.	Cost of Raw Material	31,680	47.67
III.	Other charges	1,514	2.28
IV.	Packing cost	4,850	7.30
V.	Variable cost	1,720	2.59
VI.	Fixed cost	1,604	2.41
VII.	Gross profit	4,000	6.02
	Total	66,451	100.00

It may be observed that 31.73% is paid to the Government which is exclusive of other levies such as Employees Old Age Benefits Institution, Employees Social Security Institution, Education Cess, Workers Profit Participation and Welfare Funds etc. The fixed cost has also been taken into account without the essential trade and promotional offers and advertising for the trade and consumers.

If the expenses cited above were also taken into account in computing the minimum invoice price per ton with sales tax fixed by the CBR, the gross profit would erode to a considerable extent putting the survival of the organized manufacturing units at stake, which is already in jeopardy. Therefore the minimum invoice price per ton with sales tax set by the CBR is unsubstantiated.

It is also evident from the above computation that the meager gross profit of 6.02% is subject to the stability in the international raw material prices and liable to income tax that would further increase the Government levies from 31.73% to 35.64%.

The cost of raw material and Government levies work out to 80% of the sale price. If the Government is sincerely interested in making affordable for the common man, then it has to consider waiving off some the levies.

The edible oil industry is paying regulatory duty ranging from Rs 9,050/- per metric ton to Rs 10,850/- per metric ton on raw material, which works out to approximately 35% to 45%, though it is stipulated in the World Trade Order (WTO) that the duty must be restricted to maximum 25%. The Government is thus using the ghee industry as a major source of its tax revenues.

These high taxes have resulted in the escalation of ghee and oil prices, which are beyond the reach of the common man. Edible oil and ghee are the BASIC FOOD and need to be excluded from the ambit of sales tax like other food items.

It has been reported by the State Bank of Pakistan that the production of vegetable ghee is on decline over the last couple of years despite increase in imports of edible oil and oilseeds. The combined growth in the production of ghee and cooking oil does not match the availability of raw material. The major reason for this is the shifting of production from formal to informal sector. The manufacturing units established in provincially and federally administered tribal areas are exempt from General Sales Tax. These mostly unregistered units are importing raw edible oil and producing ghee at comparatively lower cost of approximately 20% of the price of branded ghee. As a result, many registered large-scale manufacturing units have been closed.

3. **Financial Review**

The company commenced its operations on sound footings and was able to sell good volumes till the second quarter, but unfortunately could not keep the good sales due to problems enumerated above.

The sales volume during the year was 14,297 tons as compared to 15,511 tons last year.

In the last quarter the sales were only 2,100 tons as against 3,625 tons in comparison to the same quarter last year.

The sales for the period July-March 2003 were 12,197 tons. The Company did maintain an approximate breakeven level till March 2003 but during the last quarter, the targeted sales volume could not be achieved, which resulted in the depressed sales volume during the year under review.

The gross profit for the year is Rs.174.358M as against Rs.202.579M last year. The main reason for reduction in the gross profit is the decline in sales volume from 15,511 tons from last year to 14,297 tons during the period under review.

The operating expenses remained at Rs 202.101M as against Rs.196.497M last year.

The administrative, selling sand distribution and financial expenses have been kept well under control.

Presently, the factory is operating at 35% capacity. It has become extremely difficult for the Company to absorb the fixed cost in full any further. The following steps were taken to reduce the fixed cost:

a. A Voluntary Retirement Scheme was offered to the unionized staff with some extra benefits. In response to the above scheme, 47 employees opted and applied for voluntary retirement. The total dues of these employees work out to Rs 4.512M.

b. The region warehouse being unproductive was closed which resulted in the reduction of employee cost apart from the elimination of the maintenance cost of the warehouse.

c. The Northern Region office at Lahore was also closed, which resulted in the reduction of employee cost apart from the elimination of the maintenance cost of the office. The sales operation of Lahore office is now being carried out from the Southern Region at Karachi.

Appropriate rightsizing of the redundant and surplus staff has also been done to save costs.

There would be a saving of approximately Rs 8.000M to Rs 9.000M per annum as a result of the above measures.

4. Earning per Share

The loss per share for the period under review is Rs 4.80 in comparison to earning per share of Rs 0.30 in the preceding year.

5. Operating Results

Profit and loss for the year ended is as follows:

(Rs ‘000)

	2003	**2002**
Operating (loss)/profit	(27,743)	6,082
Add: Other income	2,068	4,516
(Loss)/profit before taxation	(25,675)	10,598
Provision for taxation	(10,861)	(8,288)
(Loss)/Profit after taxation	(36,536)	2,310

A provision of Rs 0.400M for doubtful debts has been made in the accounts.

6. Risks

The indigenous oil and ghee industry in the organized sector would be at risk if the Government does not take appropriate measures to remove the anomalies that now exist in the Government levies. It is also stipulated in the World Trade Order (WTO) that there must be sufficient cushion in the rate of custom duty between raw materials and finished products so that the local industry must survive.

7. Uncertainties

The Pakistan Vanaspati Manufacturers’ Association (PVMA) has raised the following legitimate demands with the Government:

a) Amendment in section 148 of the Income Tax Ordinance 2001 where the withholding tax collected at import stage was made minimum only in respect of imported edible oils

b) To place edible oil at par with the import of other raw materials/intermediary products to make the withholding tax charged at import stage on edible oils adjustable in line with profit/loss of the units
c) To rescind SRO 487(1)2003 dated 07 June 2003 and import of tin plate on C&F and its clearance be allowed on declared transacted value.
d) Imposition of additional duty @ 25% on import of vegetable ghee/cooking oil over the existing duty of Rs 10,800/- per ton to allow reasonable protection to the local industry.
e) The Government has imposed 20% sales tax on imported oilseeds while the intermediate product (extracted oil) is liable to 15% GST. Neither the local edible oilseed is subjected to sales tax at the procurement stage nor the extracted oil is subjected to 15% GST. It would be appropriate to levy sales tax at the procurement stage on edible local oilseeds as well as the finished product stage to bring the unorganized sector in the sales tax ambit.

If the Government does not redress the grievances being faced by the organized local manufacturers, the existence of local industries would be at stake and their survival difficult.

8. Summary of key Operating and Financial data of last ten years

A summary of key operating and financial results for the last ten years is included in the financial results for the year under review.

9. Dividend

Due to heavy accumulated losses, the company is unable to declare the dividend.

10. Provident and Gratuity Funds

The company is operating funded Provident and Gratuity Funds. The funds have been appropriately invested in the Government securities and are audited annually by independent auditors. The value of investments of Provident Fund and Gratuity Fund as per the un-audited accounts for the year ended 30 June 2002 are Rs 47.358M and Rs 8.900M respectively.

11. Meetings of the Board of Directors

Five meetings of the Board of Directors of the Company were held on 03 July, 30 August, 24 October 2002, 19 February and 24 April 2003. Following was the attendance of the directors:

Names of Directors	No. of Meetings attended
1. Syed Yawar Ali	5
2. Syed Tariq Ali	5
3. S. Feriel R. Ali	5
4. Dr. Abdulraouf M. Mannaa	0

5.	Dr. Mohamed H. Ikhwan	0
6.	Mr. Mohammed Akhtar Zaidi	4
7.	Syed Naseem Ahmad	4
8.	Mr. Zainul Abedin Memon	4

12. Capital expenditure and commitments

There are no plans for any capital expenditure and future commitments.

13. Corporate Review

The human resource policies have been framed to run the company in a more organized manner.

The company has provided refresher courses and trainings in house and externally to its employees on regular basis to further their education and achieve professional excellence in their chosen fields.

The Company continues to have very cordial relations with the Collective Bargaining Agents and all its employees.

14. Safety, health and environment

The company has provided safe, healthy and congenial environment to its employees. There were no casualties in the company during the period under review.

15. Development and Diversification

The company is constantly devoting its time and effort on the research and development of the existing and new products. We are confident that better avenues would be explored which would take the company out of the present crisis.

16. Significant Plans and Decisions

The company is devoting more time and effort for the introduction of economical and affordable brand segments, which are within the reach of the common man without compromising on quality.

17. Future Outlook

We are optimistic about the future of the company and with the introduction of economical and affordable brand segment, we are confident that the company would be turned around into a profitable venture subject to corporate support from the Government to save the organized oil and ghee industry from collapse.

18. Going Concern

The sponsoring directors have committed for continued financial support to keep the company as a going concern.

19. Directors' statement

The directors state that:

a. The financial statements prepared by the management present a true and fair state of affairs of the company.
b. Proper books of accounts have been maintained.
c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment
d. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
e. The system of internal control is sound in design and has been effectively implemented and monitored.
f. The current liabilities have increased the current assets by Rs 35.313M and the shareholders equity is in the negative at Rs 24.509M.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

20. Statement in compliance of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 2(10)SE/SMD/2002 of listing regulations of Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

a. The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes at least five independent non-executive directors.

b. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

c. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

d. No casual vacancy occurred in the Board during the year.

e. The Company has prepared a ‘Statement of Ethics and Business Practices’, which has been signed by all the directors and management employees of the Company. However, the company is in the process of obtaining signatures from non-management employees also.

f. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the Company are in the process of development and maintaining a complete record of particulars of significant policies.

g. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

h. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

i. An orientation course was arranged for the directors during the year to apprise them of their duties and responsibilities. Study material and other relevant papers were provided to them for their review and understanding.

j. The Board has approved the appointment of CFO, Company Secretary and Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.

k. The directors’ report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

l. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

m. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

n. The Company has complied with all the corporate and financial reporting requirements of the Code.

o. The Board has formed an audit committee. It comprises three members, of whom three are non-executive directors including the chairman of the committee.

p. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and pre audit and as required by the

Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

q. The Board has set-up an internal audit function and taking appropriate measures to make it effective.

r. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

s. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and approval from the Securities and Exchange Commission of Pakistan and the auditors have confirmed that they have observed IFAC guidelines in this regard.

t. We confirm that all other material principles contained in the Code have been complied with.

21. Audit Committee

The Board of Directors in compliance of the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members:

Syed Naseem Ahmad	Chairman
Syed Tariq Ali	Member
S. Feriel R. Ali	Member

22. Outstanding Statutory Payments

There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature.

23. Auditors

The present auditors, Taseer Hadi Khalid & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2003-04.

24. Pattern of Shareholding

The statement of pattern of shareholding in the company is attached.

Acknowledgements

We are grateful to our customers for adhering to the quality brands of Tullo and would continue to provide them with our best quality products.

We wish to thank our distributors for promoting the Tullo Quality Image and our bankers, development financial institutions for their corporate support.

We also wish to place on record our appreciation for the hard work put in by the staff of the Company to achieve excellence.

Syed Yawar Ali
Chief Executive Officer

Karachi: 23 September 2003

WAZIR ALI INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YAER ENDED JUNE 1994 TO JUNE 2003

(Rupees in '000)

	JUNE 2003	JUNE 2002	JUNE 2001	JUNE 2000	JUNE 1999	JUNE 1998	JUNE 1997	JUNE 1996	JUNE 1995	JUNE 1994	TOTAL
Sale-net	890,150	958,600	758,292	1,017,833	1,028,102	1,105,648	1,161,894	1,036,465	1,095,019	834,965	9,886,968
Cost of goods sold	(715,792)	(756,021)	(611,841)	(850,620)	(926,487)	(994,941)	(1,065,818)	(951,566)	(991,839)	(737,528)	(8,602,453)
Gross profit	174,358	202,579	146,451	167,213	101,615	110,707	96,076	84,899	103,180	97,437	1,284,515
Administrative	36,490	31,183	37,093	30,251	28,713	28,121	23,839	25,216	21,277	17,293	279,476
Selling and distribution	134,802	132,884	117,380	98,290	65,008	51,597	52,343	50,363	49,533	38,969	791,169
Financial charges	30,809	31,872	31,888	28,628	27,136	15,506	16,391	24,517	19,185	25,847	251,779
Amortisation of deerred cost	-	-	-	-	-	-	7,832	10,593	6,828	6,828	32,081
Workers profit participation fund	-	558	-	823	-	862	8	-	449	560	3,260
Operating Expenses	202,101	196,497	186,361	157,992	120,857	96,086	100,413	110,689	97,272	89,497	1,357,765
	(27,743)	6,082	(39,910)	9,221	(19,242)	14,621	(4,337)	(25,790)	5,908	7,940	(73,250)
Other income	2,068	4,516	19,085	6,407	2,376	1,748	4,484	15,001	2,626	2,693	61,004
Profit/(Loss) before taxation	(25,675)	10,598	(20,825)	15,628	(16,866)	16,369	147	(10,789)	8,534	10,633	(12,246)
Provision for taxation - Current Year	(10,861)	(8,288)	(9,141)	(9,449)	(5,142)	(5,530)	(5,886)	(5,234)	(5,518)	(4,195)	(69,244)
Prior Year	-	-	-	1,183	300	-	2,310	-	-	-	3,793
	(10,861)	(8,288)	(9,141)	(8,266)	(4,842)	(5,530)	(3,576)	(5,234)	(5,518)	(4,195)	(65,451)
Profit/(Loss) after taxation	(36,536)	2,310	(29,966)	7,362	(21,708)	10,839	(3,429)	(16,023)	3,016	6,438	(77,697)
Paid Up Capital	76,057	76,057	76,057	51,975	51,975	51,975	25,987	25,987	25,987	25,987	
Current Assets	238,357	244,099	206,646	240,497	224,325	284,864	228,928	258,064	210,965	134,195	
Current Liabilities	273,670	249,660	218,011	253,730	256,362	294,880	265,136	308,428	256,078	184,452	

STETEMENT OF GOVERNMENT LEVIES											
C/DUTY:W.H.TAX S.TAX & OTHER CHARGES	145,329	124,996	156,790	205,586	147,242	95,235	116,389	150,374	126,304	74,610	1,342,855
KPT-PQA CHARGES	295	266	329	487	457	383	436	734	642	344	4,373
KMC-OCTROI CHARGES	-	-	-	-	2,395	2,879	1,111	3,894	4,723	2,230	17,232
EXCISE DUTY	1,180	809	961	995	1,149	839	1,018	641	452	3,338	11,382
W/HOUSE CHARGES	2,378	1,376	152	1,042	4,636	3,140	2,988	-	-	-	15,712
TOTAL	149,182	127,447	158,232	208,110	155,879	102,476	121,942	155,643	132,121	80,522	1,391,554

Auditors’ report to the members`

We have audited the annexed balance sheet of **Wazir Ali Industries Limited** as at 30 June 2003 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company’s management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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 2003 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 1.3 in the financial statements which indicates that the Company incurred a net loss Rs. 36.536 million during the year ended on 30 June 2003 and, as of that date, its accumulated losses exceeded the shareholders equity by Rs. 24.509 million, while the current liabilities exceeded current assets by Rs. 35.313 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have however been prepared on a going concern basis on the basis of expectation of future profitability and undertaking of financial support of the sponsoring directors, if required and expectation of availability of further bank financing.

Karachi: 23 September 2003

Taseer Hadi Khalid & Co.
Chartered Accountants

Review report to the members on statement of compliance with best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Wazir Ali Industries Limited to comply with the Listing Regulation No. 37 and Chapter XIII of the Karachi and Lahore Stock Exchanges respectively where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi: 23 September 2003

Taseer Hadi Khalid & Co.
Chartered Accountants

Wazir Ali Industries Limited

Balance Sheet

As at 30 June 2003

	Note	2003	2002
		(Rupees in '000)	
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
8,000,000 ordinary shares of Rs.10 each		**80,000**	80,000
Issued, subscribed and paid-up capital	*3*	**76,057**	76,057
Reserves			
Share premium		**14,449**	14,449
Revenue reserve		**66,067**	66,067
Accumulated loss		**(181,082)**	(164,463)
		(100,566)	(83,947)
		(24,509)	(7,890)
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	*4*	**46,806**	66,723
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	*5*	**1,524**	2,297
LONG TERM DEPOSITS		**760**	760
DEFERRED LIABILITY	*6*	**3,024**	-
CURRENT LIABILITIES			
Current maturities of long term demand finance and liabilities against assets subject to finance lease	*7*	**1,838**	4,423
Short term borrowings – secured	*8*	**213,858**	157,015
Creditors, accrued expenses and other liabilities	*9*	**47,113**	79,934
Provision for taxation	*10*	**10,861**	8,288
		273,670	249,660
CONTINGENT LIABILITY	*11*		
		301,275	311,550

	Note	2003	2002
		(Rupees in '000)	
OPERATING FIXED ASSETS - at cost / valuation less accumulated depreciation	*12*	**61,537**	66,320
LONG TERM LOANS TO EMPLOYEES - secured, considered good	*13*	**467**	372
LONG TERM SECURITY DEPOSITS		**914**	759
CURRENT ASSETS			
Stock in trade	*14*	**71,259**	74,766
Goods in transit		**15,525**	32,401
Stores and spares	*15*	**5,098**	5,153
Trade debts - unsecured, considered good	*16*	**110,649**	88,684
Loans and advances - considered good	*17*	**23,762**	22,906
Deposits, prepayments and other receivables	*18*	**7,077**	11,697
Cash and bank balances	*19*	**4,987**	8,492
		238,357	244,099
		301,275	311,550

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

Wazir Ali Industries Limited

Profit and Loss Account

For the year ended 30 June 2003

	Note	2003	2002
		(Rupees in '000)	
Sales - net	*20*	**890,150**	958,600
Cost of goods sold	*21*	**(715,792)**	(756,021)
Gross profit		**174,358**	202,579
Administrative expenses	*22*	**36,490**	31,183
Selling and distribution expenses	*23*	**134,802**	132,884
Financial expenses	*24*	**30,809**	31,872
Workers' profit participation	*9.1*	**-**	558
		202,101	196,497
		(27,743)	6,082
Other income	*25*	**2,068**	4,516
(Loss) / profit before taxation		**(25,675)**	10,598
Provision for taxation - current year	*10 & 26*	**(10,861)**	(8,288)
Net (loss) / profit after taxation		**(36,536)**	2,310
(Loss) / earnings per share – basic and diluted	*29 Rupees*	**(4.80)**	0.30

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

Wazir Ali Industries Limited

Cash Flow Statement

For the year ended 30 June 2003

	Note	2003	2002
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		**(25,675)**	10,598
Adjustments for:			
Depreciation		**6,485**	7,616
Gain on disposal of fixed assets		**(1,019)**	(1,821)
Financial charges		**30,810**	31,872
Provision for staff retirement benefits		**3,402**	603
Provision for deferred liabilities		**3,024**	-
Provision against doubtful debts		**400**	1,701
Provision for voluntary retirement schemee		**4,512**	
Provision for workers' profit participation fund		**-**	558
		21,939	51,127
Changes in operating assets / liabilities			
Decrease in stores and spares		**55**	111
Decrease in stock in trade		**3,507**	5,811
Decrease / (increase) in goods in transit		**16,876**	(17,986)
(Increase) in trade debts		**(22,365)**	(47,742)
(Increase) in long term security deposits		**(155)**	(132)
Decrease in advances, deposits, prepayments and other receivables		**6,685**	17,704
(Decrease) / increase in creditors, accrued expenses and other liabilities		**(38,644)**	44,690
		(34,041)	2,456
Payments to workers profit participation fund		**(558)**	-
Staff retirement benefit paid		**(2,929)**	(1,478)
Financial charges paid		**(28,338)**	(32,561)
Income tax paid		**(11,716)**	(8,872)
Net cash flows from operating activities		**(55,643)**	10,672
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(547)**	(217)
Proceeds from disposal of fixed assets		**1,641**	2,630
Net cash flows from investing activities		**1,094**	2,413
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals payments		**(2,999)**	(1,244)
(Decrease) / increase in short term borrowings		**(9,838)**	4,981
(Decrease) in long term demand finance		**(2,800)**	(10,200)
Net cash flows from financing activities		**(15,637)**	(6,463)
Net (decrease) / increase in cash and cash equivalents		**(70,186)**	6,622
Cash and cash equivalents at beginning of the year		**(122,052)**	(128,674)
Cash and cash equivalents at end of the year	*27*	**(192,238)**	(122,052)

The annexed notes form 1 to 36 an integral part of these financial statements.

Chief Executive

Director

Wazir Ali Industries Limited
Statement of Changes in Equity
For the year ended 30 June 2003

(Rupees in '000)

	Ordinary shares paid	**Share premium**	**Revenue reserve**	**Accumulated loss**	**Total**
Balance as at 30 June 2001	76,057	14,449	66,067	(166,773)	(10,200)
Profit for the year	-	-	-	2,310	2,310
Balance as at 30 June 2002	76,057	14,449	66,067	(164,463)	(7,890)
Loss for the year	-	-	-	(36,536)	(36,536)
Transferred from surplus on revaluation of fixed assets :					
- prior years	-	-	-	17,648	17,648
- current year	-	-	-	2,269	2,269
Balance as at 30 June 2003	76,057	14,449	66,067	(181,082)	(24,509)

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

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 28 October 1992.

1.2 The company is domiciled in Karachi, Pakistan.

1.3 These accounts have been prepared on the assumption that the company would continue as a going concern although the company has incurred a net loss of Rs.36.536 million during the year ended 30 June 2003 and, as of that date, its accumulated losses exceeded the shareholders' equity by Rs. 24.509 million (2002: Rs. 7.89 million), while the current liabilities exceed current assets by Rs. 35.313 million (2002: Rs.5.56 million). The assumption that the Company would continue as a going concern is based on expectation of future profitability and the undertaking of financial support of the sponsoring directors, if required. Further, the Company is also negotiating further bank financing facilities in addition to already available banking facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise such International Accounting Standards as are notified under the provisions of Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance 1984, or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of preparation

These accounts have been prepared under the historical cost basis except that certain fixed assets, stated in note 12, are shown at revalued amounts.

2.3 Fixed assets and depreciation

Owned

- Fixed assets including all additions are stated at cost or valuation less accumulated depreciation and impairment losses, if any. However, freehold land is stated at revalued amount. Depreciation is calculated so as to write off the assets over their expected economic lives under the straight-line basis at rates indicated in note 12 to these accounts.

- A full year's depreciation is charged on assets acquired during the year, while no depreciation is charged in the year of disposal.

- Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account, except that the related surplus on the revaluation of fixed asset is transferred directly to retained earnings / accumulated losses.

- Expenditure incurred to replace a component of an item of fixed asset that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of fixed asset. All other expenditure is recognised in the profit and loss account as an expense as incurred.

Leased

Leases in terms of which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 2.8 to these financial statements.

Capital work-in-progress

Capital work-in-progress is stated at cost. Assets are transferred to operating fixed assets when they are available for intended use.

2.4 Stock-in-trade

Stock-in-trade are stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling prices.

The cost of stock-in-trade items are determined on the weighted average basis and includes expenditure incurred in acquiring / bringing the inventories to their existing location and condition. In the case of finished goods and work-in-progress (hard oil), cost includes appropriate share of overheads. However, work-in-progress items which have not gone through the production phase (soft oil) includes raw materials costs only.

2.5 Goods in transit

These are stated at cost, which includes invoice value and other charges incurred thereon, less impairment losses, if any.

2.6 Stores and spares

These are valued at cost determined under first-in-first-out basis less impairment losses, if any.

2.7 Trade and other receivables

These are stated net of provision for impaired debts. Full provision is made against the debts considered doubtful.

2.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the profit and loss account over the period of the borrowings on an effective mark-up basis.

The company accounts for lease obligations by recording the asset and the corresponding liability there against determined on the basis of discounted value of total minimum lease payments. Financial charge is recognised in the profit and loss account using the effective mark-up rate method.

2.9 Trade and other payables

Trade and other payables are stated at cost.

2.10 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 available, one half percent of turnover or three percent of the value of goods imported, whichever is higher.

Deferred

The company accounts for deferred taxation using the liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. This is recognised on the basis of expected manner of settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised. However, as more fully explained in note 4.3 to the financial statements, deferred tax liability on surplus arising on revaluation of fixed assets is recognised only (and to the extent) if it is probable that tax payable under the normal tax regime would be higher then tax liability under the presumptive tax regime.

2.11 Staff retirement benefits

Provident fund

The company operates a recognised provident fund scheme for its permanent employees. Equal contributions are made by the company and the employees.

Gratuity scheme

The company is also operating an approved funded defined benefit plan comprising of gratuity scheme for its permanent employees. Company’s obligation under this scheme is calculated by estimating the amount of future benefits that employees have earned in return for their services in the current and prior years; that benefit is discounted to determine the present value, and the fair value of the plan asset is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

In calculating the company's obligation in respect of the plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit and loss account over the expected remaining average working lives of the employees participating in the plan. Surplus / deficit, if any, over and above the actuarial gains / losses is immediately recognised in the profit and loss account.

Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account. The above benefit is payable at the time of retirement, resignation or termination.

2.12 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for leakages and damages and claims against trade offers is recognised in the profit and loss account when the underlying products are sold. The provision is made on the basis of claims lodged with the company and historical data.

2.13 Foreign currency transactions

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.

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

2.14 Off-setting

Assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

2.15 Revenue recognition

Sales are recorded on despatch of goods to the customers.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Short term running finance that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.17 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).

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2003	2002		2003	2002
(Number of shares)			**(Rupees in '000)**	
6,808,175	6,808,175	Ordinary shares of Rs. 10/- each fully paid in cash	**68,082**	68,082
797,500	797,500	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	**7,975**	7,975
7,605,675	7,605,675		**76,057**	76,057

4. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

	Note	2003	2002
Balance as on 1 July	*4.1*	**66,723**	66,723
Surplus relating to incremental depreciation charged on related assets in prior years - transferred to accumulated losses		**(17,648)**	-
Surplus transferred to accumulated losses in respect of incremental depreciation charged on related assets during the year		**(2,269)**	-
		(19,917)	-
Balance as on 30 June		**46,806**	66,723

4.1 This represents surplus arising on revaluation of freehold land, building and plant and machinery of the company as on 30 June 2001. The revaluation was carried out under the market value basis by an independent valuer M/s. Iqbal A. Nanjee & Co.

4.2 During the year, the Companies (Amendment) Ordinance, 2002 was promulgated, which introduced certain amendments in Companies Ordinance, 1984. One of these amendments, relates to section 235 of the Companies Ordinance, 1984 under which the surplus on revaluation of fixed assets can now be utilised to the extent of incremental depreciation charged on these assets. Before this amendment, the surplus could be utilised only at the time of disposal of the related fixed asset or to set off a deficit arising on revaluation of any other fixed assets of the Company.

As a result of the amendment in law, the surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is now transferred to accumulated losses. In accordance with the above change in law, as clarified by the Securites and Exchange Commission of Pakistan an amount equal to the incremental depreciation charged on these assets till 30 June 2002 has been transferred from surplus on revaluation of fixed assets to retained earnings / accumulated losses in the current year.

4.3 The company's taxable income is assessed under the presumptive tax regime of the Income Tax Ordinance, 2001. Under this regime, payment of tax at the import stage is considered as full and final settlement of its tax liability, except where tax payable under the normal tax regime is higher then the tax liability under the presumptive tax regime. The company is of the view that in the foreseeable future it would continue to be assessed under the presumptive tax regime and as such would not be liabile to tax under the normal tax regime. As such deferred tax liability of Rs. 8.6 million on the above surplus has not been recognised by the company (since the reversal of temporary difference is not likely in the foreseeable future).

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

Present value of minimum lease payments:

	2003	2002
Balance as on 1 July	**3,920**	4,341
Assets acquired on lease during the year	**1,385**	823
	5,305	5,164
Repayments / terminated during the year	**(1,943)**	(1,244)
	3,362	3,920
Current maturity - shown under current liabilities	**(1,838)**	(1,623)
	1,524	2,297

Lease payments are due as under: **(Rupees in '000)**

		Principal	Finance charges allocated to future years	Total lease rentals
Not later than one year		1,838	298	2,136
Later than one year and not later than five years		1,524	114	1,638
	2003	3,362	412	3,774
	2002	3,920	776	4,696

Present value of minimum lease payments has been discounted by using financing rates ranging from 11.67 % to16.34 % per annum (2002:14.75% to 16.34%). Title to the assets acquired under the leasing arrangements are transferable to the company on the adjustment of deposit (residual value) of Rs. 0.558 million (2002: Rs. 0.624 million) paid against these liabilities. Repair and insurance costs are to be borne by the Company.

6. DEFERRED LIABILITY- Compensated leave absences

	2003	2002
	(Rupees in '000)	
Opening balance	-	-
Provision for compensating leave absences	**3,024**	
	3,024	-
Less: Payments made during the year	-	-
Closing balance	**3,024**	-

7. CURRENT MATURITIES OF LONG TERM DEMAND FINANCE AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Long term demand finance		-	2,800
Liabilities against assets subject to finance lease	*5*	**1,838**	1,623
		1,838	4,423

8. SHORT TERM BORROWINGS - secured

Short term running finance	*8.1*	**197,225**	130,544
Finance against trust receipt	*8.2*	**16,633**	26,471
		213,858	157,015

8.1 The company has running finance facilities under mark-up arrangements in aggregate of Rs. 255 million (2002: Rs. 165 million) from certain banks at mark-up rates ranging from 25 to 31 paisas per Rs. 1,000 per day (2002: 38 to 46 paisas per Rs. 1,000 per day), net of prompt payment rebate. These arrangements are valid upto varying periods between 31 October 2003 to 29 February 2004. These facilities are secured against first pari passu charge on present and future assets of the company including freehold land, building, machinery, stock in trade items, trade debts, etc.

8.2 Facilities for finance against trust receipt from certain banks at 30 June 2003 amounted to Rs. 100 million (2002: Rs. 160 million). These facilities carry mark-up rate of 25 to 30 paisas per Rs. 1,000 per day (2002: 38 to 46 paisas per 1000 per day) and are secured against above assets and import documents.

8.3 Facilities for opening letters of credit from certain banks at 30 June 2003 amounted to Rs. 230 million (2002: Rs. 160 million) and are secured against above assets and import documents. Facilities utilised as at 30 June amounted to Rs. 71.259 million (2002: Rs. 74.766 million).

8.4 In addition, the company also has guarantee facilities of Rs. 10 million (2002: Rs. 10.92 million) from certain banks. Facility utilised as at 30 June 2003 amounted to Rs. 4.84 million (2002: Rs. 4.84 million). This is secured against cash margin of Rs. 2.23 million (2002: Rs. 2.23 million).

9. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2003	2002
		(Rupees in '000)	
Trade creditors			
- For goods		**17,168**	54,547
- For expenses		**75**	75
		17,243	54,622
Accrued expenses			
- Mark-up due against bank borrowings and liabilities against assets subject to finance lease		**5,561**	3,753
- Others		**13,527**	13,521
		19,088	17,274
Advances from customers		**3,018**	5,105
Workers' profit participation	*9.1*	**-**	558
Unclaimed dividends		**533**	560
Withholding tax payable		**539**	597
Excise duty and sales tax payable		**1,016**	-
Provision for voluntary retirement scheme	*9.2*	**4,512**	-
Other liabilities		**1,164**	1,218
		47,113	79,934

9.1 Workers' Profit Participation

	2003	2002
Balance as on 1 July	**558**	-
Contribution due for the year	**-**	558
	558	558
Payments made during the year	**(558)**	-
	-	558

9.2 This pertains to the voluntary retirement scheme introduced by the Company for non-management employees. The scheme was opted by the Company on 30 June 2003.

10. PROVISION FOR TAXATION

10.1 Provision for minimum tax @ 3% of the value of the goods imported under section 148(8) of the Income Tax Ordinance, 2001, has been made in these accounts.

10.2 The income tax assessments of the company have been finalised upto and including assessment year 2001-2002. The return for the assessment year 2002-2003 has been filed by the Company for which tax assessment has not yet been finalised.

10.3 At 30 June 2003, tax losses available for carry forward to future years amounted to Rs. 28.78 million. This includes unabsorbed assessed tax depreciation, unassessed tax losses and declared losses (for assessment years for which tax assessments have not yet been finalised). However, the company is of the view that in the foreseeable future it would continue to be assessed under the persumptive tax regime therefore, relevant deferred tax asset of Rs. 10.07 million has not been recognised in these financial statements.

11. CONTINGENT LIABILITY

	2003	2002
Claims against the company not acknowledged as debt	**12,521**	11,764
Bank guarantees	**4,836**	4,836

12. OPERATING FIXED ASSETS - at cost / valuation less accumulated depreciation

(Rupees in '000)

	COST / VALUATION				DEPRECIATION					
	At 1 July 2002	Additions	Disposals	At 30 June 2003	At 1 July 2002	For the year	Disposals	At 30 June 2003	Written down value at 30 June 2003	Rate %
Owned										
Freehold land	27,400	-	-	27,400	-	-	-	-	27,400	-
Building on freehold land	12,048	-	-	12,048	1,098	1,098	-	2,196	9,852	5-10
Plant and machinery	22,657	-	-	22,657	2,266	2,266	-	4,532	18,125	10
Factory equipments	2,995	-	-	2,995	1,823	262	-	2,085	910	10
Furniture	945	-	-	945	496	68	-	564	381	10
Fittings	2,231	-	-	2,231	2,132	30	-	2,162	69	10
Office / residential equipments	12,084	547	-	12,631	9,500	1,033	-	10,533	2,098	10&33.33
Vehicles	6,954	-	(799)	6,155	6,278	602	(799)	6,081	74	20
	87,314	547	(799)	87,062	23,593	5,359	(799)	28,153	58,909	
Leased										
Vehicles	5,408	1,777	(1,555)	5,630	2,809	1,126	(933)	3,002	2,628	20
	5,408	1,777	(1,555)	5,630	2,809	1,126	(933)	3,002	2,628	
2003	92,722	2,324	(2,354)	92,692	26,402	6,485	(1,732)	31,155	61,537	
2002	94,257	1,040	(2,574)	92,723	20,552	7,616	(1,765)	26,403	66,320	

12.1 As at 30 June 2003, undepreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 46.806 million (2002 : Rs. 49.075 million).

12.2 As referred to in note 4 to these financial statements, freehold land, building and plant and machinery are carried at revalued amounts.
Had there been no revaluation, related figures of revalued assets would have been as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value
Freehold land	4,141	-	4,141
Building	9,425	9,286	139
Plant and machinery	48,169	43,640	4,529
2003	61,735	52,926	8,809
2002	61,020	51,829	9,191

12.3 Depreciation expense has been allocated as follows:

	2003	2002
	(Rupees in '000)	
Cost of goods manufactured	**3,611**	3,620
Administrative expenses	**1,016**	1,849
Selling and distribution expenses	**1,858**	2,147
	6,485	7,616

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

(Rupees in '000)

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain / (loss)	Mode of disposal	Purchaser
Vehicles							
- Suzuki Khyber	399	(399)	-	235	235	Negotiation	Mrs. Razia Sultana
- Suzuki Khyber	400	(400)	-	211	211	Negotiation	Mr. Muhammad Ali
- Toyota Corolla	902	(541)	361	695	334	Negotiation	Mr. Pervaiz Mirza
- Suzuki Balino	653	(392)	261	500	239	Negotiation	Mr. Muzamil Hussain
2003	**2,354**	**(1,732)**	**622**	**1,641**	**1,019**		
2002	2,574	1,765	809	1,990	1,181		

12.5 Details of restrictions on certain items of fixed assets are given in note 8 to these financial statements.

13. LONG TERM LOANS TO EMPLOYEES - secured, considered good

	Note	2003	2002
		(Rupees in '000)	
Loans due from:			
- Executives		**-**	-
- Other employees		**746**	567
	13.1	**746**	567
Receivable within one year		**(279)**	(195)
		467	372
Age analysis of long term loans are as follows:			
- Outstanding for periods exceeding three years		**23**	10
- Others		**444**	362
		467	372

13.1 This represent mark-up free motorcycle loans to employees under a Collective Bargaining Agreement and personal loans given to executives/employees which are secured against the retirement benefits of respective employees. These are recoverable within 50 monthly instalments.

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

	2003	2002
Executives	**-**	60
Other employees	**746**	567

14. STOCK IN TRADE

	2003	2002
Raw materials	**12,971**	12,799
Packing materials	**18,873**	12,408
Work-in-process	**13,733**	22,207
	45,577	47,414
Finished goods		
Ghee and cooking oil	**24,751**	23,469
Washing soap (by-product)	**-**	3,125
	24,751	26,594
Acid oil (by-product)	**931**	758
	71,259	74,766

14.1 Stock in trade items are part of the overall security given to the banks for financing facilities obtained from them. Details of this security are given in note 8.1 to these financial statements.

15. STORES AND SPARES

	2003	2002
Stores	**1,515**	1,510
Spares	**4,645**	4,705
	6,160	6,215
Provision against slow moving stores and spares	**(1,062)**	(1,062)
	5,098	5,153

16. TRADE DEBTS - unsecured, considered good

	Note	2003	2002
		(Rupees in '000)	
Trade debts - considered good	*16.1*	**110,649**	88,684
Doubtful debts		**4,331**	3,931
		114,980	92,615
Provision for impairment losses		**(4,331)**	(3,931)
		110,649	88,684

16.1 This includes balance due from associated undertakings amounting to Rs. 0.320 million (2002: Rs. 0.113 million). These are in the normal course of business and are interest free.

16.2 Maximum aggregate balances due at the end of any month during the year were Rs. 0.973 million (2002: Rs. 0.113 million).

17. LOANS AND ADVANCES - considered good

	Note	2003	2002
		(Rupees in '000)	
Loans (secured) – receivable within one year			
- Executives		**-**	-
- Other employees		**279**	195
	13	**279**	195
Advances to staff - secured			
- Executives		**360**	301
- Other employees		**665**	788
	17.1& 17.2	**1,025**	1,089
		1,304	1,284
Advance payments to contractors and suppliers – unsecured		**668**	3,260
Income tax		**21,790**	18,362
		23,762	22,906

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

	2003	2002
- Chief executive	**275**	-
- Executives	**284**	580
- Others employees	**1,211**	1,393

17.2 These are mark-up free advances (against salary) and are secured in the same manner as given in note 13.1 to these accounts.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2003	2002
Deposits and prepayments		**708**	1,200
Margin against bank guarantees		**2,233**	2,233
Excise duty and sales tax receivable		**-**	4,793
		2,941	8,226
Other receivables – unsecured, considered good :			
Due from associated companies	*18.1 &18.2*	**3,496**	2,415
Receivable from the gratuity fund		**463**	875
Others		**177**	181
		4,136	3,471
		7,077	11,697

18.1 This balance is the composition of the balance receivable from International General Insurance Company Limited, Zulfeqar Industries Limited and Treet Corporation Limited amounting to Rs. 1.047 million (2002 : Rs.nil), Rs. 2.449 million (2002 : Rs. 2.331 million) and Rs. nil (2002 : 0.000083 million) respectively due to normal trading activities and amounts receivable for common expenses shared with them (net of recoveries), etc. No interest is charged on the outstanding balances.

18.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 6.979 million (2002: Rs. 17.33 million).

19. CASH AND BANK BALANCES

		2003	2002
		(Rupees in '000)	
Cash in hand		**7**	38
With banks on:			
- Current account		**3,016**	6,312
- Deposit account	*19.1 & 19.2*	**1,964**	-
- Short term deposit account		**-**	2,142
		4,980	8,454
		4,987	8,492

19.1 Deposit account represents cash margin maintained with Prime Commercial Bank Limited as against outstanding letters of credit.

19.2 It carries mark up of 3.75% per annum. The profit is paid monthly on daily product basis.

20. SALES - net

	Ghee and cooking oil	**Washing soap**	**2003**	2002
			(Rupees in '000)	
Sales	1,020,675	11,571	**1,032,246**	971,235
Sales tax	(133,488)	(1,742)	**(135,230)**	(4,507)
Leakages and damages	(6,864)	(2)	**(6,866)**	(8,128)
	880,323	9,827	**890,150**	958,600

21. COST OF GOODS SOLD

Balance of finished goods as on 1 July		23,469	3,125	**26,594**	18,355
Cost of goods manufactured	*21.1*	706,954	6,995	**713,949**	764,260
Available for sale		730,423	10,120	**740,543**	782,615
Balance of finished goods as on 30 June		(24,524)	(227)	**(24,751)**	(26,594)
		705,899	9,893	**715,792**	756,021

21.1 Cost of goods manufactured

Work in process as on 1 July		21,722	485	**22,207**	11,675
Raw materials consumed	*21.2*	558,573	7,158	**565,731**	611,608
Packing materials consumed	*21.3*	70,121	-	**70,121**	89,991
Processing charges of washing soap		-	-	**-**	3,235
Stores and spares consumed		5,585	14	**5,599**	5,768
Salaries, wages and other benefits		33,575	174	**33,749**	33,340
Contribution to provident fund		909	-	**909**	743
Fuel and power		23,452	260	**23,712**	24,886
Repair and maintenance		606	-	**606**	574
Rent, rates and taxes		959	-	**959**	615
Insurance		478	-	**478**	412
Depreciation	*12.3*	3,611	-	**3,611**	3,620
		719,591	8,091	**727,682**	786,467
Work in process as on 30 June		(12,637)	(1,096)	**(13,733)**	(22,207)
		706,954	6,995	**713,949**	764,260

21.2 Raw materials consumed

		2003	2002
		(Rupees in ‘000)	
Balance as on 1 July		**12,799**	35,799
Purchases		**565,903**	588,608
		578,702	624,407
Balance as on 30 June		**(12,971)**	(12,799)
		565,731	611,608

21.3 Packing materials consumed

Balance as on 1 July		**12,408**	14,439
Purchases		**76,586**	87,960
		88,994	102,399
Balance as on 30 June		**(18,873)**	(12,408)
		70,121	89,991

22. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits		**17,582**	16,361
Contribution to provident fund		**448**	408
Chief Executive's remuneration			
- Fee		**-**	-
- Salaries and other benefits	*31*	**1,128**	1,109
		1,128	1,109
Provision for voluntary retirement scheme		**4,512**	-
Electricity and gas		**1,389**	1,841
Repair and maintenance		**1,363**	1,402
Traveling and conveyance		**1,390**	1,281
Legal and professional		**2,013**	1,226
Depreciation	*12.3*	**1,016**	1,849
Rent, rates and taxes		**1,802**	1,136
Postage, telegrams and telephone		**1,267**	850
Impairment losses - trade debts		**400**	1,701
Printing and stationery		**863**	697
Insurance		**362**	524
Subscription		**277**	286
Entertainment		**237**	247
Auditors’ remuneration	*22.1*	**192**	112
Advertisement		**60**	56
Meeting and conferences		**17**	48
Charity and donation	*22.2*	**7**	6
Other expenses		**165**	43
		36,490	31,183

22.1 Auditors' remuneration

		2003	2002
		(Rupees in '000)	
Audit fees		**100**	100
Half yearly review		**50**	-
Certification for code of corporate governance		**35**	-
Out of pocket expenses		**7**	12
		192	112

22.2 Directors or their spouses did not have any interest in the donee fund.

23. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits		**24,387**	18,213
Contribution to provident fund		**593**	327
Sales promotion		**71,593**	63,124
Advertisement		**17,770**	31,905
Freight		**21,726**	19,692
Traveling and conveyance		**6,659**	4,387
Postage, telegram and telephone		**2,526**	2,585
Depreciation	*12.3*	**1,858**	2,147
Repair and maintenance		**2,410**	1,955
Insurance		**1,978**	1,349
Rent, rate and taxes		**1,139**	876
Printing and stationery		**1,034**	821
Gas and electricity charges		**298**	402
Research and development		**246**	228
Entertainment		**99**	143
Meeting and conferences		**251**	203
Subscription		**47**	6
Others		**1**	9
		154,615	148,372
Common expenses allocated to Zulfeqar Industries Limited (an associated company)		**(19,813)**	(15,488)
		134,802	132,884

24. FINANCIAL EXPENSES

Mark-up on:			
- short term bank borrowings		**27,727**	28,704
- long term demand finance		**75**	1,441
Bank charges		**2,344**	1,092
Finance charges on liabilities against assets subject to finance lease		**663**	635
		30,809	31,872

25. OTHER INCOME

Gain on sale of fixed assets	*12.4*	**1,019**	1,821
Scrap sales		**840**	454
Rent		**10**	10
Mark-up income		**139**	6
Miscellaneous		**60**	169
Surplus in the gratuity fund		**-**	875
Processing charges received		**-**	1,181
		2,068	4,516

26. TAXATION

	Note	2003	2002
		(Rupees in '000)	
Relationship between tax expense and accounting profit			
Accounting profit / (loss) for the year		**(17,897)**	10,569
Tax @ 35% (2002: 33%)		**-**	3,488
Temporary differences on which deferred tax has not been recognised		**-**	(3,490)
Permanent differences		**-**	2
Minimum tax due under section 148(8) of the Income Tax Ordinance, 2001		**10,861**	8,288
		10,861	8,288

27. CASH AND CASH EQUIVALENTS

	Note	2003	2002
Cash and bank balances	*19*	**4,987**	8,492
Short term running finance	*8*	**(197,225)**	(130,544)
		(192,238)	(122,052)

28. STAFF RETIREMENT BENEFIT

28.1 Gratuity fund

Liability for defined benefit obligation

The company operates a funded defined benefit obligation to provide gratuity to the permanent employees on retirement and makes contributions on the basis of actuarial advice.

Latest actuarial valuation of the gratuity scheme was carried out as at 30 June 2003 under the projected unit credit method, based on which, charge of Rs. 1.452 million has been recognised in the profit and loss account.

Principal actuarial assumptions used in the valuation of the scheme are as follows:

- Expected rate of increase in salary level	- 7% for management employees (previous: 10%)
	- 6% for non-management employees (previous: 9%)
- Expected rate of return on funds invested	- 7% (previous: 10%)

Actual return on plan assets during the year 2003 amounted to Rs. 4.272 million.

Movement in net asset recognised

	2003	2002
Balance as at 1 July	**875**	18,110
(Expense) / income recognised in the current year	**(1,452)**	875
Withdrawals from the fund	**1,040**	(18,110)
Balance as on 30 June	**463**	875

Income recognised on defined benefit plan

	2003	2002
Current service cost	**1,168**	(936)
Mark-up expense	**1,836**	(1,576)
Expected return on plan assets	**(1,627)**	3,387
Actuarial gains and losses	**75**	-
Net income for the year	**1,452**	875

	2003	2002
	(Rupees in '000)	

Other details of the defined benefit plan are as follows:

	2003	2002
Present value of defined benefit obligation	**(21,567)**	(18,354)
Fair value of any plan assets	**22,239**	16,269
Net Acturial (Losses) / Gains not Recognised	**(209)**	2,960
	463	875

As per the actuarial recommendation the unrecognised actuarial losses after applying the corridor limit, are being amortised over the expected future service life time of the employees from the next year.

28.2 Provident fund

The company also operates a recognised provident fund scheme for its permanent employees. Equal contributions are made by the company and the employees at 10% of basic salary including cost of living allowance for non-management staff and at basic salary only for the management staff. Company's contributions to the fund during the year have been recognised in the profit and loss account.

The Company's contribution towards the provident fund for the year ended 30 June 2003 amounted to Rs. 1.998 million.

29. EARNINGS / (LOSS) PER SHARE – basic and diluted

	2003	2002
	(Rupees in '000)	
Net (loss) / profit for the year	**(36,536)**	2,310
Weighted average number of ordinary shares	**7,606**	7,606
(Loss) / earning per share	**(4.80)**	0.30

30. RELATED PARTY TRANSACTIONS

The related parties comprise related group companies, directors and their close family members, staff retirement funds, executives and major shareholder's of the Company. Associated companies with whom such transactions have taken place includes Zulfeqar Industries Limited, IGI Insurance Company Limited and Treet Corporation Limited. These are associated companies as they are either under the same management and /or with common directors. The company has a policy whereby all transactions with related parties are entered into arm's length prices using the comparable uncontrolled valuation method. Transactions with related parties during the year are as follows:

	2003	2002
	(Rupees in '000)	
Contribution to staff retirement funds	**3,038**	1,478
Sales	**4,186**	3,624
Purchases / services availed	**9,469**	6,320
Allocation of common selling and distribution expenses	**19,813**	15,488
Rent expense	**145**	-
Insurance claim receivable	**1,099**	-
Insurance premium paid	**1,739**	759
Commission expenses	**-**	77
Processing charges for washing soap	**-**	3,235

31. EXECUTIVES' REMUNERATION

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:

	2003			2002		
	Chief executive	**Executives**	**Total**	Chief executive	Executives	Total
Fee	**-**	**-**	**-**	-	-	-
Remuneration	**-**	**8,406**	**8,406**	-	10,299	10,299
Rent and utilities	**945**	**4,868**	**5,813**	931	7,101	8,032
Medical expenses	**52**	**502**	**554**	17	1,207	1,224
Entertainment	**14**	**-**	**14**	18	276	294
Company's contribution to provident fund	**-**	**841**	**841**	-	684	684
Other perquisites	**117**	**7,310**	**7,427**	143	448	591
	1,128	**21,927**	**23,055**	1,109	20,015	21,124
No. of persons	**1**	**42**		1	42	

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

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

33. MARK-UP RATE RISK EXPOSURE

Information about the company's exposure to mark-up rate risk based on contractual refinancing and maturity dates, whichever is earlier, is as follows:

(Rupees in '000)

	2003				
	Mark-up bearing			**Non mark-up bearing**	**Total**
Financial Assets	**Less than one month**	**One month to one year**	**More than one year**		
Loans and advances	-	-	-	1,972	1,972
Long term security deposits	-	-	-	914	914
Deposits and other receivables	-	-	-	5,906	5,906
Trade debts – unsecured, considered goods	-	-	-	114,980	114,980
Cash and bank balances	1,964	-	-	3,023	4,987
	1,964	-	-	126,795	128,759
Financial Liabilities					
Long term demand finance	-	-	-	-	-
Liabilities against assets subject to finance le	-	1,838	1,524	-	3,362
Long term deposits	-	-	-	760	760
Short term borrowings	-	213,858	-	-	213,858
Creditors, accrued expenses and other liabiliti	-	5,561	-	32,467	38,028
	-	221,257	1,524	33,227	256,008
On-balance sheet gap (a) **2003**	1,964	(221,257)	(1,524)	93,568	(127,249)
2002	2,142	(161,438)	(2,297)	28,735	(132,858)

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

b) Effective rates of mark-up on financial liabilities are as follows:

Financial liabilities	**2003 (%)**	2002 (%)
Long term demand finance	**-**	16.79
Short term borrowings	**10.01**	14.58
Liabilities against assets subject to finance lease	**13.58**	16.24

34. CONCENTRATION OF CREDIT RISK

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

35. PLANT CAPACITY, PRODUCTION AND SALES

Vanaspati - Ghee and Cooking Oil

	2003	2002
	(M. Tons)	
Assessed capacity	**30,000**	30,000
Production	**14,300**	15,652
Sales	**14,296**	15,511

Under-utilisation of capacity is mostly attributable to lack of orders and overall economic recession in the country.

36. GENERAL

36.1 Number of employees as at 30 June 2003 was 366 (2002: 349).

36.2 Figures have been rounded off to nearest thousand rupee.

36.3 These accounts were authorised for issue in the Board of Directors meeting held on ________________________.

Chief Executive

Director

Wazir Ali Industries Limited

Pattern of Shareholding
as on 30 June 2003

No. of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
2725	1	100	40,561	0.53
363	101	500	85,873	1.13
85	501	1,000	57,235	0.75
85	1,001	5,000	185,542	2.44
12	5,001	10,000	84,659	1.11
7	10,001	15,000	77,559	1.02
3	15,001	20,000	51,564	0.68
1	20,001	25,000	21,950	0.29
1	25,001	35,000	34,596	0.45
1	35,001	40,000	36,816	0.48
1	40,001	45,000	42,750	0.56
1	55,001	60,000	55,224	0.73
2	70,001	75,000	147,264	1.94
1	85,001	90,000	87,464	1.15
2	105,001	110,000	217,288	2.86
1	120,001	125,000	124,860	1.64
1	130,001	135,000	131,984	1.74
1	135,001	140,000	139,816	1.84
1	145,001	150,000	150,000	1.97
1	150,001	155,000	150,517	1.98
1	165,001	170,000	168,095	2.21
2	225,001	230,000	458,213	6.02
1	230,001	235,000	233,500	3.07
2	300,001	305,000	601,975	7.91
1	1,175,001	1,180,000	1,178,100	15.49
1	3,040,001	3,045,000	3,042,270	40.00
3303			7,605,675	100.00

Categories of shareholders

Categories of Shareholders as on 30 June 2003	Shares held	Percentage
DIRECTORS & FAMILY		
Syed Yawar Ali - Chief Executive	479178	6.30
Mrs. Nighat Ali w/o Syed Yawar Ali	10724	0.14
Syed Hasnain Ali s/o Syed Yawar Ali	108644	1.43
Syed Maratib Ali s/o Syed Yawar Ali	108644	1.43
Syed Tariq Ali - Director	107285	1.41
Syeda Feriel R.Ali- Director	213448	2.81
Syed Naseem Ahmad - Director	2500	0.03
Mr.Nasim Beg - Director	2555	0.03
ASSOCIATED COMPANIES		
International General Insurance Co. of Pakistan	301743	3.97
Treet Corporation Limited	1178100	15.49
Savola Edible Oil Company Limited	3042270	40.00
INSURANCE COMPANIES	42,850	0.56
JOINT STOCK COMPANIES	372,395	4.90
INVESTMENT COMPANIES	124,860	1.64
FINANCIAL INSTITUTIONS	328,104	4.31
INVESTMENT CORP OF PAKISTAN	1,952	0.03
NBP - TRUSTEE COMPANY	200	0.00
OTHERS	5,547	0.07
INDIVIDUALS	1,174,676	15.44
TOTAL	**7,605,675**	**100.00**