ANNUAL REPORT '04

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 2004.

1. **Overview**

There has been a reduction in the premium segment edible oil and ghee market due to anomalies in the duty and tax structures, discrimination within the oil and ghee business community.

This difficult condition was further intensified by record high international edible oil prices of Soyabean and RBD Palm oil increasing from US $ 350 to US $ 600 with no change in the consumer prices.

The Government had imposed regulatory duty on import of raw material instead of customs duty to facilitate the importers by adjusting the regulatory duty when there is a rising trend in the prices of raw material in the international market.

Ironically, the Government did not adjust the regulatory duty when the prices of raw material were soaring in the international market that defeated the purpose of introduction of regulatory duty and the company had to bear the high cost of regulatory duty on raw material resulting in the higher cost of production.

Edible oil units located in FATA and PATA areas do not pay any sales tax. The importers in FATA and PATA areas have now stepped up their sale of imported oil in big cities taking advantage of no sales tax. The Government needs to this glaring discrepancy.

The removal of edible oil and ghee from the negative list of Afghan Transit Trade is also going to have serious repercussions on the local industry, which would further damage the local market due to unrestricted inflow of imported products into Pakistan as import of ghee and cooking oil is allowed free of duty, sales tax and income tax.

If the Government does not take appropriate measures to remove the anomalies in the duty and tax structures, discrimination within the oil and ghee business community and does not create a level playing field for them, many well established indigenous industries would be in jeopardy.

There was a sharp decline in sales in terms of volume as well as value due to competition in the commodity market influenced by commodity prices and heavy sales promotion. The decline in sales is also attributed to the massive recovery of funds blocked with the debtors and sales being executed on cash basis.

Margins of the company remained under pressure due to decline in sales volume during the period under review restricting adequate sales promotion schemes.

We are confident that the company would be steered out of the difficult waters by the remedial measures that the company has adopted to ameliorate it.

2. **Financial Review**

The gross profit for the year is Rs.96.24M as against Rs.174.358M last year. The main reason for reduction in the gross profit is the decline in sales volume and very high international raw material prices during the period under review which the industry could not pass on to the consumer.

The operating expenses have been reduced to Rs 152.685M as against Rs.202.101M last year and the market credit has been reduced from Rs 110.649M to Rs 27.786M.

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

Cost of finance has been renegotiated at a competitive rate, funds blocked in inventories have been liquidated and raw materials have been procured strictly in accordance with the requirements.

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

3. Earning per Share

The loss per share for the period under review is Rs 7.97 in comparison to loss per share of Rs 4.80 in the preceding year.

4. Operating Results

Profit and loss for the year under review is as follows:

(Rs '000)

	2004	**2003**
Operating (loss)/profit	(56,445)	(27,743)
Add: Other income	1,220	2,068
(Loss)/profit before taxation	(55,225)	(25,675)
Provision for taxation	(5,422)	(10,861)
(Loss)/Profit after taxation	(60,647)	(36,536)

5. 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, discrimination within the business community and does not create a level playing field for them. 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.

6. Uncertainties

The business of the company would be subject to the following uncertainties:

1. The removal of edible oil and ghee from the negative list of Afghan Transit Trade due to which the indigenous industry would lose its market share to unrestricted inflow of imported of imported products into Pakistan
2. The introduction of the WTO regime from January 2005
3. Fixation of Sales Tax per ton on value addition would help the oil and ghee industry as well as facilitate in the generation of more revenues for the Government.

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.

7. 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.

8. Dividend

Due to dismal situation, the company is not in a position to declare dividend for the period under review.

9. 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 2004 are Rs 56.916M and Rs 8.900M respectively.

10. Meetings of the Board of Directors

Five meetings of the Board of Directors of the Company were held on 23 September, 24 October 2003, 23 February, 08 and 15 April 2004. Following was the attendance of the directors:

Names of Directors	No. of Meetings attended
1. Syed Yawar Ali	5
2. Syed Tariq Ali	4
3. Syeda Feriel R. Ali	5
4. Dr. Abdulraouf M. Mannaa	0
5. Dr. Mohamed H. Ikhwan	0
6. Mr. Mohammed Akhtar Zaidi	3

7.	Syed Naseem Ahmad	2
8.	Mr. Nasim Beg	4

11. Capital expenditure and commitments

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

12. Corporate Review

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.

13. 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.

14. Development and Diversification

The company is constantly devoting its time and effort on the research and development of the existing and new products. Further, the company is exploring various avenues for diversification of business with the available resources.

15. 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 while maintaining high quality standards.

16. Future Outlook

We are optimistic about the future of the company and with the introduction of popularly priced brands, we are confident that the company would be turned around into a profitable venture subject to consistent policy of the Government. The following decisions of the Government would contribute to better performance of the company and edible oil sector:

- Imposition of CED on cotton seed oil
- FATA and PATA have been brought in the ambit of CED
- The raw material prices have started coming down in the international market
- The government has agreed upon a uniform rate of value addition for the entire industry that would definitely provide relief to the organized sector

17. Going Concern

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

Restructuring of the statement of affairs of the company by converting short-term finance into long-term demand finance has brought the current ratio to satisfactory 1:0.89. Funds blocked with the debtors have been recovered to a great extent resulting in a positive operating cash flow.

18. 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 19.795M and the shareholders equity is in the negative at Rs 82.679M.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

19. 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.

20. 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:

Mr. Nasim Beg	Chairman
Syed Tariq Ali	Member
Syeda Feriel R. Ali	Member

21. Outstanding Statutory Payments

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

22. Auditors

The present auditors, Taseer Hadi Khalid & Co., Chartered Accountants are due for rotation in terms of Clause xli of the Code of Corporate Governance. Securities and Exchange Commission of Pakistan has permitted to appoint Taseer Hadi Khalid & Co., Chartered Accountants as auditors of the company for the year 2004-05 subject to rotation of partner who was incharge of audit of the company for the year 2003-04 in view of the pending proceeding in the Sindh High Court on the matter of rotation of auditors and the grant of stay by the said Honourable Court.

23. 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: 07 September 2004

WAZIR ALI INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YAER ENDED JUNE 1995 TO JUNE 2004

(Rupees in '000)

	JUNE 2004	JUNE 2003	JUNE 2002	JUNE 2001	JUNE 2000	JUNE 1999	JUNE 1998	JUNE 1997	JUNE 1996	JUNE 1995	TOTAL
Sale-net	626,297	890,150	958,600	758,292	1,017,833	1,028,102	1,105,648	1,161,894	1,036,465	1,095,019	9,678,300
Cost of goods sold	(530,057)	(715,792)	(756,021)	(611,841)	(850,620)	(926,487)	(994,941)	(1,065,818)	(951,566)	(991,839)	(8,394,982)
Gross profit	96,240	174,358	202,579	146,451	167,213	101,615	110,707	96,076	84,899	103,180	1,283,318
Administrative	29,717	36,490	31,183	37,093	30,251	28,713	28,121	23,839	25,216	21,277	291,900
Cost/Saving from Voluntary Retirement Scheme											
Selling and distribution	100,889	134,802	132,884	117,380	98,290	65,008	51,597	52,343	50,363	49,533	853,089
Financial charges	22,079	30,809	31,872	31,888	28,628	27,136	15,506	16,391	24,517	19,185	248,011
Margin of CDSO Sales											
Amortisation of deerred cost		-	-	-	-	-	-	7,832	10,593	6,828	25,253
Workers profit participation fund		-	558	-	823	-	862	8	-	449	2,700
Operating Expenses	152,685	202,101	196,497	186,361	157,992	120,857	96,086	100,413	110,689	97,272	1,420,953
	(56,445)	(27,743)	6,082	(39,910)	9,221	(19,242)	14,621	(4,337)	(25,790)	5,908	(137,635)
Other income	1,220	2,068	4,516	19,085	6,407	2,376	1,748	4,484	15,001	2,626	59,531
Profit/(Loss) before taxation	(55,225)	(25,675)	10,598	(20,825)	15,628	(16,866)	16,369	147	(10,789)	8,534	(78,104)
Provision for taxation - Current Year	(5,422)	(10,861)	(8,288)	(9,141)	(9,449)	(5,142)	(5,530)	(5,886)	(5,234)	(5,518)	(70,471)
Prior Year		-	-	-	1,183	300	-	2,310	-	-	3,793
	(5,422)	(10,861)	(8,288)	(9,141)	(8,266)	(4,842)	(5,530)	(3,576)	(5,234)	(5,518)	(66,678)
Profit/(Loss) after taxation	(60,647)	(36,536)	2,310	(29,966)	7,362	(21,708)	10,839	(3,429)	(16,023)	3,016	(144,782)
Paid Up Capital	76,057	76,057	76,057	76,057	51,975	51,975	51,975	25,987	25,987	25,987	
Current Assets	126,065	238,357	244,099	206,646	240,497	224,325	284,864	228,928	258,064	210,965	
Current Liabilities	145,860	273,670	249,660	218,011	253,730	256,362	294,880	265,136	308,428	256,078	

STETEMENT OF GOVERNMENT LEVIES

	JUNE 2004	JUNE 2003	JUNE 2002	JUNE 2001	JUNE 2000	JUNE 1999	JUNE 1998	JUNE 1997	JUNE 1996	JUNE 1995	TOTAL
C/DUTY:W.H.TAX S.TAX & OTHER CHARGES	71,531	145,329	124,996	156,790	205,586	147,242	95,235	116,389	150,374	126,304	1,339,776
KPT-PQA CHARGES	121	295	266	329	487	457	383	436	734	642	4,150
KMC-OCTROI CHARGES	-	-	-	-	-	2,395	2,879	1,111	3,894	4,723	15,002
EXCISE DUTY	511	1,180	809	961	995	1,149	839	1,018	641	452	8,555
W/HOUSE CHARGES	514	2,378	1,376	152	1,042	4,636	3,140	2,988	-	-	16,226
TOTAL	72,677	149,182	127,447	158,232	208,110	155,879	102,476	121,942	155,643	132,121	1,383,709

Auditors' report to the members'

We have audited the annexed balance sheet of **Wazir Ali Industries Limited** as at 30 June 2004 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 2004 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. 60.647 million during the year ended on 30 June 2004 and, as of that date, its accumulated losses exceeded the shareholders equity by Rs. 82.679 million, while the current liabilities exceeded current assets by Rs. 19.795 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 family directors, if required.

Karachi: 7 September 2004

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 of the Karachi Stock Exchange and Chapter XIII of the Listing Regulations of the Lahore Stock Exchange 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: 7 September 2004

Taseer Hadi Khalid & Co.
Chartered Accountants

Wazir Ali Industries Limited

Balance Sheet

As at 30 June 2004

	Note	2004	2003
		(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		**(239,252)**	(181,082)
		(158,736)	(100,566)
		(82,679)	(24,509)
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	*4*	**98,516**	46,806
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	*5*	**501**	1,524
LONG TERM DEPOSITS		**760**	760
LONG TERM FINANCE - secured	*6*	**71,330**	-
DEFERRED LIABILITY	*7*	**2,967**	3,024
CURRENT LIABILITIES			
Current maturities of long term demand finance and liabilities against assets subject to finance lease	*8*	**9,693**	1,838
Short term borrowings – secured	*9*	**85,859**	213,858
Creditors, accrued expenses and other liabilities	*10*	**44,886**	47,113
Provision for taxation	*11*	**5,422**	10,861
		145,860	273,670
CONTINGENT LIABILITY	*12*		
		237,255	301,275

	Note	2004	2003
		(Rupees in '000)	
OPERATING FIXED ASSETS - at cost / valuation less accumulated depreciation	*13*	**110,221**	61,537
LONG TERM LOANS TO EMPLOYEES - secured, considered good	*14*	**472**	467
LONG TERM SECURITY DEPOSITS		**497**	914
CURRENT ASSETS			
Stock in trade	*15*	**56,433**	71,259
Goods in transit		**-**	15,525
Stores and spares	*16*	**5,260**	5,098
Trade debts - unsecured, considered good	*17*	**27,786**	110,649
Loans and advances - considered good	*18*	**18,624**	23,762
Deposits, prepayments and other receivables	*19*	**7,497**	7,077
Cash and bank balances	*20*	**10,465**	4,987
		126,065	238,357
		237,255	301,275

The annexed notes 1 to 37 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 2004

	Note	2004	2003
		(Rupees in '000)	
Sales - net	*21*	**626,297**	890,150
Cost of goods sold	*22*	**(530,057)**	(715,792)
Gross profit		**96,240**	174,358
EXPENSES			
Administrative	*23*	**29,717**	36,490
Selling and distribution	*24*	**100,889**	134,802
Financial	*25*	**22,079**	30,809
		152,685	202,101
		(56,445)	(27,743)
Other income	*26*	**1,220**	2,068
Loss before taxation		**(55,225)**	(25,675)
Provision for taxation - current year	*11*	**(5,422)**	(10,861)
Net loss after taxation		**(60,647)**	(36,536)
Loss per share - basic and diluted	*30* *Rupees*	**(7.97)**	(4.80)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

Wazir Ali Industries Limited

Cash Flow Statement

For the year ended 30 June 2004

	Note	2004	2003
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(55,225)**	(25,675)
Adjustments for:			
Depreciation		**5,645**	6,485
Gain on disposal of fixed assets		**(235)**	(1,019)
Financial charges		**22,078**	30,809
Provision for staff retirement benefits		**4,846**	3,402
Provision for deferred liabilities		**622**	3,024
Provision against doubtful debts		**-**	400
Provision for voluntary retirement scheme		**-**	4,512
		(22,269)	21,939
Changes in operating assets / liabilities			
(Increase) / decrease in stores and spares		**(162)**	55
Decrease in stock in trade		**14,826**	3,507
Decrease in goods in transit		**15,525**	16,876
Decrease / (increase) in trade debts		**82,863**	(22,365)
Decrease / (increase) in long term security deposits		**417**	(155)
Decrease in advances, deposits, prepayments and other receivables		**2,129**	6,685
(Decrease) in creditors, accrued expenses and other liabilities		**(1,407)**	(38,644)
		114,191	(34,041)
Payments to workers profit participation fund		**-**	(558)
Staff retirement benefit paid		**(8,522)**	(2,929)
Financial charges paid		**(22,204)**	(28,338)
Income tax paid		**(5,677)**	(11,716)
Net cash flows from / (used in) operating activities		**55,519**	(55,643)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(143)**	(547)
Proceeds from disposal of fixed assets		**235**	1,641
Net cash flows from investing activities		**92**	1,094
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals payments		**(2,136)**	(2,999)
Decrease in short term borrowings - FATR		**(9,919)**	(9,838)
Increase / (decrease) in long term demand finance		**80,000**	(2,800)
Net cash flows from / (used in) financing activities		**67,945**	(15,637)
Net increase / (decrease) cash and cash equivalents		**123,556**	(70,186)
Cash and cash equivalents at beginning of the year		**(192,238)**	(122,052)
Cash and cash equivalents at end of the year	*28*	**(68,682)**	(192,238)

The annexed notes 1 to 37 form 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 2004

(Rupees in '000)

	Issued subscribed and paid-up capital	Capital reserve (Share premium)	Revenue reserve: Revenue reserve	Revenue reserve: Accumulated loss	Total
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)
Loss for the year	-	-	-	(60,647)	(60,647)
Transferred from surplus on revaluation of fixed assets	-	-	-	2,477	2,477
Balance as at 30 June 2004	76,057	14,449	66,067	(239,252)	(82,679)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

Wazir Ali Industries Limited
Notes to the Financial Statements
For the year ended 30 June 2004

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 financial statements 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. 60.647 million during the year ended 30 June 2004 and, as of that date, its accumulated losses exceeded the shareholders' equity by Rs. 82.679 million (2003: Rs. 24.509 million), while the current liabilities exceeded current assets by Rs. 19.795 million (2003: Rs. 35.313 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 family directors, if required.

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 13, 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 13 to these financial statements.

- 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 is 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) include 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 4.2 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. Monitory 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 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

2.17 Financial instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on derecognition of financial assets and liabilities are taken to profit and loss account currently.

2.18 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.

2.19 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

2004	2003		**2004**	2003
(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

3.1 Associated companies, International General Insurance Company of Pakistan Limited, Treet Corporation Limited and Savola Edible Oil Company Limited, Jeddah - Saudi Arabia holds 3.97%, 15.49% and 40% shares of the company respectively.

4. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

	Note	2004	2003
Balance as on 1 July		**46,806**	66,723
Revaluation during the year	*4.1*	**54,187**	-
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		**(2,477)**	(2,269)
		(2,477)	(19,917)
Balance as on 30 June		**98,516**	46,806

4.1 This represents surplus arising on revaluation of freehold land, building and plant and machinery of the company as on 30 September 2003. The revaluation was carried out under the market value basis by an independent valuer M/s. Iqbal A.Nanjee & Co.

4.2 Deferred tax liability on the above surplus has not been recognised by the Company in view of available tax losses (refer note 11.3).

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

	2004	2003
	(Rupees in '000)	
Present value of minimum lease payments:		
Balance as on 1 July	**3,362**	3,920
Assets acquired on lease during the year	**-**	1,385
	3,362	5,305
Repayments / terminated during the year	**(1,838)**	(1,943)
	1,524	3,362
Current maturity	**(1,023)**	(1,838)
	501	1,524

5.1 Lease payments are due as under:

(Rupees in '000)

		Principal	Finance charges allocated to future years	Total lease rentals
Not later than one year		**1,023**	**108**	**1,131**
Later than one year and not later than five years		**501**	**6**	**507**
	2004	**1,524**	**114**	**1,638**
	2003	3,362	412	3,774

5.2 Present value of minimum lease payments has been discounted by using financing rates ranging from 11.67 % to 14 % per annum (2003:11.67% 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. 0.398 million (2003: 0.623 million) paid against these liabilities. Repair and insurance costs are to be borne by the Company.

6. LONG TERM FINANCE - secured

	2004	2003
	(Rupees in '000)	
Loan acquired during the year	**80,000**	-
Repayments during the year	**-**	-
	80,000	-
Current maturity	**(8,670)**	-
	71,330	-

6.1 During the year, running finance of Rs. 80 million was restructured as long term finance from Prime Commercial Bank, Karachi. The loan is repayable in 16 equal quarterly installments (commencing from 31 March 2005) alongwith markup over a term of 5 years, including one year grace period of repayment of principal. The loan carry markup rate of 8% per annum i.e. 21.918 paisas per Rs. 1,000 per day. The loan facility is 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.

7. DEFERRED LIABILITY- Compensated absences

	2004	2003
	(Rupees in '000)	
Opening balance	**3,024**	-
Provision made during the year	**622**	3,024
	3,646	3,024
Payments made during the year	**(679)**	-
Closing balance	**2,967**	3,024

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

Liabilities against assets subject to finance lease	*5*	**1,023**	1,838
Long term demand finance	*6*	**8,670**	-
		9,693	1,838

9. SHORT TERM BORROWINGS - secured

Short term running finance	*9.1*	**79,147**	197,225
Finance against trust receipt (FATR)	*9.2*	**6,712**	16,633
		85,859	213,858

9.1 The company has running finance facilities under mark-up arrangements in aggregate of Rs. 125 million (2003: Rs. 255 million) from certain banks at mark-up rates ranging from 19 to 25 paisa per Rs. 1,000 per day (2003: 25 to 31 paisas per Rs. 1,000 per day), net of prompt payment rebate. These arrangements are valid upto varying periods between 30 September 2004 to 30 November 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.

9.2 Facilities for finance against trust receipt from certain banks at 30 June 2004 amounted to Rs.100 million (2003: Rs. 100 million). These facilities carry mark-up rate of 19 to 25 paisa per Rs. 1,000 per day (2003: 25 to 30 paisas per 1000 per day) and are secured against above assets and import documents.

9.3 Facilities for opening letters of credit from certain banks at 30 June 2004 amounted to Rs. 230 million (2003: Rs. 230 million) and are secured against above assets and import documents. Facilities utilised as at 30 June amounted to Rs nil (2003: Rs. 71.259 million).

9.4 In addition, the company also has guarantee facilities of Rs. 10 million (2003: Rs. 10 million) from certain banks. Facility utilised as at 30 June 2004 amounted to Rs. 4.84 million (2003: Rs. 4.84 million). This is secured against cash margin of Rs. 2.23 million (2003: Rs. 2.23 million).

10. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	2004	2003
	(Rupees in '000)	
Trade creditors		
- For goods	**11,502**	17,168
- For expenses	**75**	75
	11,577	17,243
Accrued expenses		
- Mark-up due against bank borrowings and liabilities against assets subject to finance lease	**5,138**	5,561
- Others	**16,817**	13,527
	21,955	19,088
Advances from customers	**5,023**	3,018
Unclaimed dividends	**533**	533
Withholding tax payable	**470**	539
Excise duty and sales tax payable	**4,562**	1,016
Provision for voluntary retirement scheme	**-**	4,512
Other liabilities	**766**	1,164
	44,886	47,113

11. PROVISION FOR TAXATION

11.1 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 financial statements.

11.2 The income tax assessments of the company have been finalised upto and including the tax year 2003. Income tax assessment for assessment year 2002-2003 is still pending.

11.3 As at 30 June 2004, tax losses available for carry forward to future years amounted to Rs. 80.959 million. This includes unabsorbed assessed tax depreciation and assessed tax losses amounting to Rs. 29.769 million. However, the company is of the view that in the foreseeable future it would continue to be assessed under the presumptive tax regime therefore, relevant tax asset of Rs. 28.336 million has not been recognised in these financial statements.

12. CONTINGENT LIABILITY

Claims against the company not acknowledged as debt	*12.1*	**13,673**	12,521
Bank guarantees		**4,836**	4,836

12.1 Management is confident that these claims will not be ultimately payable.

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

(Rupees in '000)

	Cost / Valuation				Depreciation				Written down value at 30 June 2004	Rate %
	At 01 July 2003	Additions / *Transfer / Adjustment	(Disposals) / *(Transfer) / Adjustment	At 30 June 2004	At 01 July 2003	For the year	(Disposals) / *(Transfer) / Adjustment	At 30 June 2004		
Owned										
Freehold land	27,400	- **	44,946	72,346	-	-	-	-	**72,346**	-
Building on freehold	12,048	-	-	12,048	2,196	1,098 **	(1,803)	1,491	**10,557**	5-10
Plant and machinery	22,658	- **	2,338	24,996	4,531	2,441 **	(5,098)	1,874	**23,122**	10
Factory equipments	2,995	-	-	2,995	2,085	262	-	2,347	**648**	10
Furniture	946	13	-	959	565	60	-	625	**334**	10
Fittings	2,231	-	-	2,231	2,161	30	-	2,191	**40**	10
Office / residential equipments	12,630	130	(11)	12,749	10,535	591	(11)	11,115	**1,634**	10&33.33
Vehicles	6,155	2,496 *	(400)	8,251	6,080	536	(400) 1,997 *	8,213	**38**	20
	87,063	2,639	46,873	136,575	28,153	5,018	(5,315)	27,856	**108,719**	
Leased										
Vehicles	5,630	-	(2,496) *	3,134	3,002	627	(1,997) *	1,632	**1,502**	20
	5,630	-	(2,496)	3,134	3,002	627	(1,997)	1,632	**1,502**	
2004	**92,693**	**2,639**	**44,377**	**139,709**	**31,155**	**5,645**	**(7,312)**	**29,488**	**110,221**	
2003	92,722	2,324	(2,354)	92,692	26,402	6,485	(1,732)	31,155	61,537	

** This represents adjustments due to revaluation of freehold land, building and plant & machinery of the company as on 30 September 2003. The revaluation w market value basis by an independent valuer M/s Iqbal A. Nanjee & Co.

13.1 As at 30 June 2004, undepreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 98.516 million (2003 : Rs. 46.806 million).

13.2 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	9,427	9,351	76
Plant and machinery	47,929	44,621	3,308
2004	61,497	53,972	7,525
2003	61,735	52,926	8,809

13.3 Depreciation expense has been allocated as follows:

	2004	2003
	(Rupees in '000)	
Cost of goods manufactured	**3,786**	3,611
Administrative expenses	**704**	1,016
Selling and distribution expenses	**1,156**	1,858
	5,646	6,485

13.4 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
Office / residential equipment							
Air Conditioner	3	3	-	2	2	Negotiation	Mr. Kamal, employee of an associated company
Air Conditioner	8	8	-	3	3	Negotiation	Mr. Kamal, employee of an associated company
	11	11	-	5	5		
Vehicles							
Suzuki Khyber ABC	400	400	-	230	230	Negotiation	Kids Educational Supply Corporation
2004	**411**	**411**	**-**	**235**	**235**		
2003	2,354	(1,732)	622	1,641	1,019		

13.5 Details of restrictions on certain items of fixed assets are given in note 9 to these financial statements.

14. LONG TERM LOANS TO EMPLOYEES - secured, considered good		**2004**	2003
		(Rupees in '000)	
Loans and advances due from:			
- Executives		**193**	-
- Other employees		**984**	746
	14.1	**1,177**	746
Receivable within one year		**(705)**	(279)
		472	467
Age analysis of long term loans are as follows:			
- Outstanding for periods exceeding three years		**1**	23
- Others		**471**	444
		472	467

14.1 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 of loan due at the end of any month during the year were as follows:

	2004	2003
Executives	**-**	-
Other employees	**736**	746

15. STOCK IN TRADE

	2004	2003
Raw materials	**983**	12,971
Packing materials	**16,911**	18,873
Work-in-process	**10,976**	13,733
	28,870	45,577
Finished goods - Ghee and cooking oil	**26,027**	24,751
Acid oil (by-product)	**1,536**	931
	56,433	71,259

15.1 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 9.1 to these financial statements.

16. STORES AND SPARES

		2004	2003
		(Rupees in '000)	
Stores		**1,811**	1,515
Spares		**4,511**	4,645
		6,322	6,160
Provision against slow moving stores and spares		**(1,062)**	(1,062)
		5,260	5,098

17. TRADE DEBTS - unsecured, considered good

Trade debts - considered good	*17.1*	**27,786**	110,649
Doubtful debts		**5,000**	4,331
		32,786	114,980
Provision for impairment losses		**(5,000)**	(4,331)
		27,786	110,649

17.1 This includes balance due from associated undertakings amounting to Rs.0.940 million (2003: Rs. 0.320 million). These are in the normal course of business and are mark-up / interest free.

17.2 Maximum aggregate balances due at the end of any month during the year were Rs. 0.940 million (2003: Rs. 0.973 million).

18. LOANS AND ADVANCES - considered good

Loans (secured) – receivable within one year			
- Executives		**-**	-
- Other employees		**247**	279
		247	279
Advances to staff - secured			
- Executives		**192**	360
- Other employees		**266**	665
	18.1& 18.2	**458**	1,025
	14	**705**	1,304
Advance payments to contractors and suppliers – unsecured		**1,313**	668
Income tax		**16,606**	21,790
		18,624	23,762

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

- Chief executive	**232**	275
- Executives	**543**	284
- Others employees	**343**	1,211

18.2 These are mark-up free advances (against salary) and are secured in the same manner as given in note 14.1 to these financial statements.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	**2004**	2003
		(Rupees in '000)	
Deposits and prepayments		**456**	708
Margin against bank guarantees		**2,233**	2,233
		2,689	2,941
Other receivables – unsecured, considered good:			
Due from associated companies	*19.1 &19.2*	**889**	3,496
Receivable from the gratuity fund		**3,063**	463
Others		**856**	177
		4,808	4,136
		7,497	7,077

19.1 This balance is the composition of the balance receivable from International General Insurance Company Limited and Zulfeqar Industries Limited amounting to Rs. nil (2003 : Rs.1.047 million) and Rs. 0.889 million (2003 : Rs. 2.449 million) respectively due to normal trading activities and amounts receivable for common expenses shared with them (net of recoveries), etc. No mark-up / interest is charged on the outstanding balances.

19.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 4.411 million (2003: Rs. 6.979 million).

20. CASH AND BANK BALANCES

	2004	2003
Cash in hand	**49**	7
With banks on:		
- Current account	**10,416**	3,016
- Deposit account	**-**	1,964
	10,416	4,980
	10,465	4,987

21. SALES - net

	2004	2003
Sales	**726,584**	1,032,246
Sales tax	**(93,949)**	(135,230)
Leakages and damages	**(6,338)**	(6,866)
	626,297	890,150

22. COST OF GOODS SOLD

	Note	**2004**	2003
Balance of finished goods as on 1 July		**24,751**	26,594
Cost of goods manufactured	*22.1*	**531,333**	713,949
Available for sale		**556,084**	740,543
Balance of finished goods as on 30 June		**(26,027)**	(24,751)
		530,057	715,792

22.1 Cost of goods manufactured

	Note	2004	2003
		(Rupees in '000)	
Work in process as on 1 July		**13,733**	22,207
Raw materials consumed	*22.2*	**422,307**	565,731
Packing materials consumed	*22.3*	**50,726**	70,121
Processing charges of washing soap		**137**	-
Stores and spares consumed		**4,173**	5,599
Salaries, wages and other benefits		**28,750**	33,749
Contribution to provident fund		**776**	909
Fuel and power		**15,995**	23,712
Repair and maintenance		**662**	606
Rent, rates and taxes		**732**	959
Insurance		**532**	478
Depreciation	*13.3*	**3,786**	3,611
		542,309	727,682
Work in process as on 30 June		**(10,976)**	(13,733)
		531,333	713,949

22.2 Raw materials consumed

	2004	2003
Balance as on 1 July	**12,971**	12,799
Purchases	**410,319**	565,903
	423,290	578,702
Balance as on 30 June	**(983)**	(12,971)
	422,307	565,731

22.3 Packing materials consumed

	2004	2003
Balance as on 1 July	**18,873**	12,408
Purchases	**48,764**	76,586
	67,637	88,994
Balance as on 30 June	**(16,911)**	(18,873)
	50,726	70,121

23. ADMINISTRATIVE EXPENSES

	Note	2004	2003
		(Rupees in '000)	
Salaries, wages and other benefits		**15,122**	17,582
Contribution to provident fund		**417**	448
Chief Executive's remuneration			
- Salaries and other benefits	*32*	**1,109**	1,128
Provision for voluntary retirement scheme		**-**	4,512
Electricity and gas		**1,274**	1,389
Repair and maintenance		**825**	1,363
Traveling and conveyance		**1,551**	1,390
Legal and professional		**3,912**	2,013
Depreciation	*13.3*	**704**	1,016
Rent, rates and taxes		**1,237**	1,802
Postage, telegrams and telephone		**982**	1,267
Impairment losses - trade debts		**669**	400
Printing and stationery		**646**	863
Insurance		**339**	362
Subscription		**250**	277
Entertainment		**250**	237
Auditors' remuneration	*23.1*	**217**	192
Advertisement		**139**	60
Meeting and conferences		**7**	17
Charity and donation	*23.2*	**12**	7
Other expenses		**55**	165
		29,717	36,490

23.1 Auditors' remuneration

	2004	2003
Audit fees	**125**	100
Half yearly review	**50**	50
Certification for code of corporate governance	**35**	35
Out of pocket expenses	**7**	7
	217	192

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

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2004	2003
		(Rupees in ‘000)	
Salaries and other benefits		**18,995**	24,387
Contribution to provident fund		**501**	593
Sales promotion		**48,664**	71,593
Advertisement		**17,605**	17,770
Freight		**15,169**	21,726
Traveling , conveyance		**4,785**	6,659
Postage, telegram and telephone		**2,400**	2,526
Depreciation	*13.3*	**1,156**	1,858
Repair and maintenance		**1,961**	2,410
Insurance		**1,757**	1,978
Rent, rate and taxes		**650**	1,139
Printing and stationery		**898**	1,034
Gas and electricity charges		**171**	298
Research and development		**76**	246
Entertainment		**192**	99
Meeting and conferences		**155**	251
Subscription		**69**	47
Others		**9**	1
		115,213	154,615
Common expenses allocated to Zulfeqar Industries Limited (an associated company)		**(14,324)**	(19,813)
		100,889	134,802

25. FINANCIAL EXPENSES

	2004	2003
Mark-up on:		
- short term bank borrowings	**17,773**	27,727
- long term demand finance	**3,226**	75
Bank charges	**782**	2,344
Finance charges on liabilities against assets subject to finance lease	**298**	663
	22,079	30,809

26. OTHER INCOME

	Note	2004	2003
Gain on sale of fixed assets	*13.4*	**235**	1,019
Scrap sales		**457**	840
Rent		**2**	10
Processing charges received		**526**	-
Mark-up income		**-**	139
Miscellaneous		**-**	60
		1,220	2,068

27. TAXATION

	Note	2004	2003
		(Rupees in '000)	
Relationship between tax expense and accounting profit			
Accounting loss for the year		**(55,225)**	(25,675)
Tax @ 35% (2003: 35%)		**(19,329)**	(8,986)
Temporary differences on which deferred tax has not been recognised		**18,581**	7,883
Permanent differences		**748**	1,103
Minimum tax due under section 148(8) of the Income Tax Ordinance, 2001		**5,422**	10,861
		5,422	10,861

28. CASH AND CASH EQUIVALENTS

	Note	2004	2003
Cash and bank balances	*20*	**10,465**	4,987
Short term running finance	*9*	**(79,147)**	(197,225)
		(68,682)	(192,238)

29. STAFF RETIREMENT BENEFIT

29.1 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 2004 under the projected unit credit method, based on which, charge of Rs. 3.152 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 8% (2003: 7%) for management employees.
- Expected rate of increase in salary level 7% (2003: 6%) for non-management employees.
- Expected rate of return on funds invested 8% (2003: 7%).

Movement in net assets recognised in the balance sheet are as follows:

	2004	2003
Balance as at 1 July	**463**	875
Expense recognised in the current year	**(3,152)**	(1,452)
Contribution made to the fund	**5,752**	1,040
Balance as on 30 June	**3,063**	463

The following assets have been charged in the profit and loss account

	2004	2003
Current service cost	**1,437**	1,168
Mark-up expense	**1,509**	1,836
Expected return on plan assets	**(1,557)**	(1,627)
Actuarial gains and losses	**-**	75
Past service cost	**1,763**	-
Net income for the year	**3,152**	1,452

	2004	2003
	(Rupees in '000)	

Amount recognised in balance sheet as follows:

Present value of defined benefit obligation	**(18,109)**	(21,567)
Fair value of any plan assets	**37,797**	22,239
Net Actuarial (Losses) not Recognised	**(16,625)**	(209)
	3,063	463

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.

29.2 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.

30. LOSS PER SHARE - basic and diluted

Net loss for the year		**(60,647)**	(36,536)
Weighted average number of ordinary shares		**7,605,675**	7,605,675
Loss per share	*Rupees*	**(7.97)**	(4.80)

31. 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. However, contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. Transactions with related parties during the year are as follows:

Contribution to staff retirement funds	**4,846**	3,038
Sales / services rendered	**9,328**	4,186
Purchases / services availed	**2,586**	9,469
Allocation of common selling and distribution expenses	**14,324**	19,813
Rent expense	**137**	145
Insurance premium paid	**1,256**	1,739
Insurance claim receivable	**-**	1,099

32. EXECUTIVES' REMUNERATION

The aggregate amount charged in the financial statements for the year for remuneration and benefits to the executives directors of the Company are as follows:

(Rupees in '000)

	2004			2003		
	Chief executive	**Executives**	**Total**	Chief executive	Executives	Total
Fee	-	-	-	-	-	-
Remuneration	-	**6,782**	**6,782**	-	8,406	8,406
Rent and utilities	**909**	**4,024**	**4,933**	945	4,868	5,813
Medical expenses	**67**	**669**	**736**	52	502	554
Entertainment	**9**	-	**9**	14	-	14
Company's contribution to provident fund	-	**678**	**678**	-	841	841
Other perquisites	**124**	**5,163**	**5,287**	117	7,310	7,427
	1,109	**17,316**	**18,425**	1,128	21,927	23,055
No. of persons	**1**	**39**		1	42	

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

34. 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)

	2004				
	Mark-up bearing			**Non mark-up bearing**	**Total**
Financial Assets	**Less than one month**	**One month to one year**	**one year to five years**		
Long term security deposits	-	-	-	497	497
Loans and advances	-	-	-	2,018	2,018
Deposits, prepayments and other receivables	-	-	-	2,201	2,201
Trade debts – unsecured, considered goods	-	-	-	32,786	32,786
Cash and bank balances	-	-	-	10,465	10,465
	-	-	-	47,967	47,967
Financial Liabilities					
Long term demand finance	-	8,670	71,330	-	80,000
Liabilities against assets subject to finance l	-	1,023	501	-	1,524
Long term deposits	-	-	-	760	760
Short term borrowings	-	85,859	-	-	85,859
Creditors, accrued expenses and other liabili	-	5,138	-	29,693	34,831
	-	100,690	71,831	30,453	202,974
On-balance sheet gap (a **2004**	-	(100,690)	(71,831)	17,514	(155,007)
2003	1,964	(221,257)	(1,524)	93,568	(127,249)

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	**2004 (%)**	2003 (%)
Long term demand finance	**8.00**	-
Short term borrowings	**10.01**	10.01
Liabilities against assets subject to finance lease	**13.58**	13.58

35. CONCENTRATION 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 the customers.

36. PLANT CAPACITY, PRODUCTION AND SALES

	2004	2003
	(M. Tons)	
Vanaspati - Ghee and Cooking Oil		
Assessed capacity	**30,000**	30,000
Production	**9,786**	14,300
Sales	**9,795**	14,296

Under-utilisation of capacity is attributable to lack of orders / demand for the company's products.

37. GENERAL

37.1 Number of employees as at 30 June 2004 was 280 (2003: 366).

37.2 Figures have been rounded off to nearest thousand rupee.

37.3 These financial statements were authorised for issue in the Board of Directors meeting held on **Karachi: 7 September 2004**

Chief Executive **Director**

Wazir Ali Industries Limited

Pattern of Share Holding as at 30-6-2004

Number of Shareholders	Share Holding From	Share Holding To	Total shares held	%
2,631	1	100	39,142	0.51
341	101	500	81,180	1.07
76	501	1,000	50,187	0.66
74	1,001	5,000	162,383	2.14
12	5,001	10,000	82,077	1.08
7	10,001	15,000	79,960	1.05
3	15,001	20,000	51,564	0.68
1	20,001	25,000	21,950	0.29
1	30,001	35,000	34,596	0.45
2	35,001	40,000	73,066	0.96
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	130,001	135,000	131,984	1.74
1	135,001	140,000	139,816	1.84
1	145,001	150,000	149,000	1.96
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
2	300,001	305,000	605,475	7.96
1	395,001	400,000	398,860	5.24
1	1,175,001	1,180,000	1,178,100	15.49
1	3,040,001	3,045,000	3,042,270	40.00
3,166			7,605,675	100.00

Categories of shareholders

Categories of Shareholders as on 30 June 2004	No. of share holder	Shares held	Percentage
DIRECTORS & FAMILY			
Syed Yawar Ali - Chief Executive	4	490005	6.44
Mrs. Nighat Ali w/o Syed Yawar Ali	1	10724	0.14
Syed Hasnain Ali s/o Syed Yawar Ali	1	108644	1.43
Syed Maratib Ali s/o Syed Yawar Ali	1	108644	1.43
Syed Tariq Ali - Director	4	107285	1.41
Syeda Feriel R.Ali- Director	2	213448	2.81
Syed Naseem Ahmad - Director	1	2500	0.03
Mr.Nasim Beg - Director	1	2555	0.03
ASSOCIATED COMPANIES			
International General Insurance Co. of Pakistan	1	301743	3.97
Treet Corporation Limited	1	1178100	15.49
Savola Edible Oil Company Limited	1	3042270	40.00
INSURANCE COMPANIES	2	36,350	0.48
JOINT STOCK COMPANIES	17	543,296	7.14
FINANCIAL INSTITUTIONS	11	331,604	4.36
INVESTMENT CORP OF PAKISTAN	3	1,452	0.02
NBP - TRUSTEE COMPANY	1	200	0.00
OTHERS	3	5,547	0.07
INDIVIDUALS	3111	1,121,308	14.74
TOTAL	**3166**	**7,605,675**	**100.00**