



## **Financial Statements**

**For the Nine months ended  
31 March 2005**

## **DIRECTORS' REVIEW**

The Directors of the Company would like to present the un-audited financial statements of the Company for the quarter ended 31 March 2005.

### **Overview**

The company has achieved sales of Rs 700.577M as against Rs 473.657M during the same period last year registering a growth of 47.90% over last year. There is also a marked improvement in sale volumes during the period under review.

As a consequence of growth in sales, the gross profit ratio has also registered a growth of 42.66% during the period under review over the same period last year.

The administrative, selling and distribution and financial expenses have remained stable during the period under review.

There is a pre tax profit of Rs 0.323M during the period under review as against pre tax loss of Rs 37.215M during the same period last year. Whereas, there is a post tax loss of Rs 8.965M during the period under review as compared to a post tax loss of Rs 42.637M, which means that the impact of income tax is disturbing the profitability of the company.

Earning per share for the period under review is Rs (1.18) negative as compared to Rs (5.61) negative during the same period last year.

### **Future Outlook**

It is reiterated that the impact of income tax and anomalies in the duty and tax structures are playing a major role in disturbing the profitability of the company. The Pakistan Vanaspati Manufacturers' Association (PVMA) has sent budgetary proposals in consultation with its members for the year 2005-06 to the Central Board of Revenue for adjustment of levies on raw materials, tin plates, income tax, elimination of warehousing charges to save the indigenous industries from disintegration.

Further, the increase in discount rate by the State Bank of Pakistan would increase the cost of borrowing that may have an impact on the profitability of the company.

However, the management is confident that the loss would be reduced by the end of financial year thereby improving the profitability of the company.

An Extraordinary General Meeting has been called on 27 April 2005 for obtaining approval from the members to sell surplus land of the company to its proposed wholly owned subsidiary company for diversification of business operations. These measures would improve the financial statements of the company and bring them in conformity with the Prudential Regulations of State Bank of Pakistan thus restructuring the shareholders' equity, profitability and reducing the debt of the company.

### **Acknowledgements**

We are grateful to our customers for supporting 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.

For and on behalf of the Board

Karachi: 25 April 2005

Syed Yawar Ali  
Chief Executive Officer

# Wazir Ali Industries Limited

## Balance Sheet (Unaudited)

As at 31 March 2005

	Note	31 March 2005	30 June 2004 (Audited)
<b>(Rupees in '000)</b>			
Operating fixed assets - at cost / revaluation			
less accumulated depreciation	4	108,045	110,221
Long term loans to employees - secured, considered good		341	472
Long term advances and security deposits - secured, considered good		482	497
<b>CURRENT ASSETS</b>			
Stock-in-trade		77,273	56,433
Goods in transit		193	-
Stores and spares		5,364	5,260
Trade debts - unsecured, considered good		50,381	27,786
Loans and advances - considered good		25,379	18,624
Deposits, prepayments and other receivables		15,138	7,497
Cash and bank balances		9,098	10,465
		<b>182,826</b>	<b>126,065</b>
<b>CURRENT LIABILITIES</b>			
Current maturity of long term finance and liabilities against assets subject to finance lease		23,010	9,693
Short term borrowings - secured		126,760	85,859
Creditors, accrued expenses and other liabilities		59,730	44,886
Provision for taxation		14,710	5,422
		<b>224,210</b>	<b>145,860</b>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<b>(41,384)</b>	<b>(19,795)</b>
<b>NET ASSETS</b>		<b>67,484</b>	<b>91,395</b>
<b>AUTHORISED CAPITAL</b> (8 million ordinary shares of Rs. 10 each)		<b>80,000</b>	<b>80,000</b>
<b>REPRESENTED BY:</b>			
Share capital		76,057	76,057
Share premium		14,449	14,449
Revenue reserves		66,067	66,067
Accumulated loss		(246,321)	(239,252)
Shareholders' equity		<b>(89,748)</b>	<b>(82,679)</b>
Surplus on revaluation of fixed assets	5	96,620	98,516
Long term finance - secured	6	57,664	71,330
Liabilities against assets subject to finance lease		-	501
Long term deposits		760	760
Deferred liability		2,188	2,967
		<b>67,484</b>	<b>91,395</b>
<b>CONTINGENCIES</b>	7		

These accounts should be read in conjunction with the attached notes 1 to 11.

These financial statements were approved in the Board of Directors meeting held on 25 April 2005

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Chief Executive

\_\_\_\_\_  
Director

**Wazir Ali Industries Limited**  
**Profit and Loss Account (unaudited)**  
*For the Nine months period ended 31 March 2005*

		<b>Quarter ended 31 March 2005</b>	<b>Nine months ended 31 March 2005</b>	<b>Quarter ended 31 March 2004</b>	<b>Nine months ended 31 March 2004</b>
	<i>Note</i>	<b>(Rupees in '000)</b>			
Sales - net	8	<b>255,508</b>	<b>700,578</b>	146,584	473,657
Cost of goods sold	9	<b>(220,404)</b>	<b>(587,907)</b>	(127,271)	(394,682)
Gross profit		<b>35,104</b>	<b>112,671</b>	19,313	78,975
Administrative expenses		<b>7,020</b>	<b>21,181</b>	6,879	20,703
Selling and distribution expenses		<b>24,850</b>	<b>79,029</b>	23,693	78,896
Financial expenses		<b>4,357</b>	<b>13,264</b>	5,100	17,511
Workers' profit participation fund		<b>(52)</b>	<b>17</b>	-	-
		<b>(36,175)</b>	<b>(113,491)</b>	(35,672)	(117,110)
		<b>(1,071)</b>	<b>(820)</b>	(16,359)	(38,135)
Other income		<b>82</b>	<b>1,143</b>	503	920
Profit / (loss) before taxation		<b>(989)</b>	<b>323</b>	(15,856)	(37,215)
Provision for taxation -		<b>(3,500)</b>	<b>(9,288)</b>	-	(5,422)
(Loss) after taxation		<b>(4,489)</b>	<b>(8,965)</b>	(15,856)	(42,637)
(Loss) / Earnings per share - basic and diluted		<b>(0.59)</b>	<b>(1.18)</b>	(2.08)	(5.61)

These accounts should be read in conjunction with the attached notes 1 to 11.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# Wazir Ali Industries Limited

## Cash Flow Statement (unaudited)

For the Nine months period ended 31 March 2005

	31 March 2005	31 March 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Rupees in '000)		
Profit / (Loss) before taxation	323	(37,215)
Adjustments for:		
Depreciation	3,948	4,197
Gain on disposal of fixed assets	(778)	-
Financial charges	13,264	17,510
Provision for deferred liabilities	261	-
Workers' profit participation fund	17	-
	<u>16,712</u>	<u>21,707</u>
Operating profit before working capital changes	17,035	(15,508)
Decrease / (increase) and increase / (decrease) in operating assets and liabilities		
Stores and spares	(104)	(170)
Stock in trade	(20,840)	(46,216)
Goods in transit	(193)	14,657
Trade debts	(22,595)	52,186
Long term loans to employees	131	-
Long term advances and security deposits	15	257
Advances, Deposits, prepayments and other receivables	(8,605)	(12,423)
Creditors, accrued expenses and other liabilities	9,493	2,714
	<u>(42,698)</u>	11,005
Deferred liabilities paid	(921)	(282)
Financial charges paid	(8,047)	(18,815)
Income tax paid	(5,791)	(5,828)
	<u>(14,759)</u>	<u>(24,925)</u>
Net cash flows from operating activities	(40,422)	(29,428)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,773)	(53)
Proceeds from sale of fixed assets	778	-
Net cash flows from investing activities	(995)	(53)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finance	-	75,708
Lease payments	(850)	(1,353)
Short term borrowings (FATR)	22,685	(5,090)
Net cash flows from financing activities	<u>21,835</u>	<u>69,265</u>
Net decrease in cash and cash equivalents	(19,582)	39,784
Cash and cash equivalents at beginning of the period	(68,682)	(192,239)
Cash and cash equivalents at end of the period	<u>(88,264)</u>	<u>(152,455)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	9,099	5,937
Finance under mark-up arrangements	(97,363)	(158,392)
	<u>(88,264)</u>	<u>(152,455)</u>

These accounts should be read in conjunction with the attached notes 1 to 11.

Chief Executive

Director

**Wazir Ali Industries Limited**  
**Statement of Changes in Equity (unaudited)**  
*For the Nine months period ended 31 March 2005*

	<b>Ordinary shares paid in cash</b>	<b>Ordinary shares as bonus shares</b>	<b>Share premium</b>	<b>Revenue reserves</b>	<b>Accumulated loss</b>	<b>Total</b>
	<b>(Rupees in '000)</b>					
Balance as at 30 June 2003	68,082	7,975	14,449	66,067	(181,082)	(24,509)
(Loss) for the Nine month period ended 31 March 2004	-	-	-	-	(42,637)	(42,637)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	1,838	1,838
Balance as at 31 March 2004	<u>68,082</u>	<u>7,975</u>	<u>14,449</u>	<u>66,067</u>	<u>(221,881)</u>	<u>(65,308)</u>
Balance as at 30 June 2004	68,082	7,975	14,449	66,067	(239,252)	(82,679)
(Loss) for the Nine month period ended 31 March 2005	-	-	-	-	(8,965)	(8,965)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	1,896	1,896
Balance as at 31 March 2005	<u>68,082</u>	<u>7,975</u>	<u>14,449</u>	<u>66,067</u>	<u>(246,321)</u>	<u>(89,748)</u>

These accounts should be read in conjunction with the attached notes 1 to 11.

\_\_\_\_\_  
Chief Executive

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Director

**Wazir Ali Industries Limited**  
**Notes to the Financial Statements (unaudited)**  
*For the Nine months period ended 31 March 2005*

**1. STATUS AND NATURE OF BUSINESS**

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.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and are unaudited. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these financial statements are consistent with those applied for the preparation of the annual audited financial statements of the company for the year ended 30 June 2004, except as stated below:

Upto 30 June 2004, the company had the policy to charge a full year depreciation on all fixed assets capitalized during the year, while no depreciation was charged in the year fixed assets were disposed off or scrapped. During the current period, the company has changed its accounting policy whereby depreciation is charged from the date on which the assets are put to use and on disposal upto the date the asset is in use.

**4. OPERATING FIXED ASSETS** - at cost / revaluation  
less accumulated depreciation

Details of additions / disposals of operating fixed assets during the Nine months period are as follows:

	<b>31 March 2005</b>	31 March 2004
	<b>(Rupees in '000)</b>	
<b>Increase due to revaluation</b>	-	54,187
<b>Additions</b>		
Office/ Residential Equipment	-	40
Furniture	-	13
Vehicle	<u>1,073</u>	<u>-</u>
	<u><b>1,073</b></u>	<u><b>54,240</b></u>
<b>Disposals</b>		
Vehicle	<u>1,532</u>	<u>-</u>
	<u><b>1,532</b></u>	<u><b>-</b></u>

Written down value of the vehicles disposed during the period was Rs. Nil.

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

	<b>31 March 2005</b>	30 June 2004
	<b>(Rupees in '000)</b>	
Opening balance	<b>98,516</b>	46,806
Revaluation during the period	-	54,187
Transferred to retained earnings (accumulated loss)	<u>(1,896)</u>	<u>(2,477)</u>
	<u><b>96,620</b></u>	<u><b>98,516</b></u>

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

**6. LONG TERM FINANCE**

Rs. 80 million long term finance is repayable in 16 equal quarterly installments commencing from 31 March 2005 along with markup over a term of 5 years, including one year grace period for repayment of principal. 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.



	<b>31 March 2005</b>	<b>30 June 2004</b>
	<b>(Rupees in '000)</b>	
<b>7. CONTINGENCIES</b>		
7.1 Claims against the company not acknowledged as debts 7.3	<b>13,673</b>	13,673
7.2 Bank guarantee	<b>4,836</b>	4,836

7.3 Messrs Parcel Tankers have filed a suit against the company in 1987 before Sindh High Court, since then they have not followed up the case. During the year ended 30 June 2002 the case was discharged by the High Court, as the amount involved was less than the jurisdiction of High Court and was referred to the lower courts. The Company considers that chances of any adverse outcome are remote.

<b>8. SALES - net</b>	<b>Quarter ended 31 March 2005</b>	<b>Nine months ended 31 March 2005</b>	<b>Quarter ended 31 March 2004</b>	<b>Nine months ended 31 March 2004</b>
	<b>(Rupees in '000)</b>			
Sales	<b>291,951</b>	<b>802,875</b>	170,946	549,227
Sales tax	<b>(36,498)</b>	<b>(99,698)</b>	(22,234)	(71,039)
Leakages and damages	<b>55</b>	<b>(2,599)</b>	(2,128)	(4,531)
	<b>255,508</b>	<b>700,578</b>	146,584	473,657
<b>9. COST OF GOODS SOLD</b>				
Finished goods Opening	<b>28,252</b>	<b>26,027</b>	21,407	24,751
Cost of goods manufactured	<b>216,062</b>	<b>585,790</b>	138,979	403,046
Available for sale	<b>244,314</b>	<b>611,817</b>	160,386	427,797
Finished Goods Closing	<b>(23,910)</b>	<b>(23,910)</b>	(33,115)	(33,115)
	<b>220,404</b>	<b>587,907</b>	127,271	394,682

#### 10. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include shareholders, associated companies with or without common directors, retirement benefit fund, directors and key management personnel.

The related parties comprise related group companies, directors and their close family members, staff retirement funds, executives and major shareholders of the company. Associated companies with whom such transactions have taken place includes Zulfeqar Industries Limited, IGI Company of Pakistan 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 at arm's length prices using the comparable uncontrolled price method for purchases and sales and cost plus method for other transactions. Transactions with related parties during the nine months are as follows:

	<b>Nine months period ended</b>	
	<b>31 March 2005</b>	31 March 2004
	<b>(Rupees in '000)</b>	
Contribution to staff retirement funds	<b>1,048</b>	7,063
Chief executive's remuneration	<b>878</b>	662
Sales / services rendered	<b>6,963</b>	5,453
Purchases / services availed	<b>4,268</b>	1,928
Allocation of common selling and distribution expenses	<b>2,742</b>	11,406
Insurance premium paid	<b>1,318</b>	1,131
Rent expense	<b>100</b>	100

**11. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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Chief Executive

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Director