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Our Mission

We are one of the established traditional Producers and Marketers of high quality Edible Oils in the health conscious categories, catering to the ever-changing consumer demand, their convenience and satisfaction.

Our Vision

We envision becoming leaders in the edible oil and food category in 5 years.



COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Syed Yawar Ali

CHIEF EXECUTIVE OFFICER

Mr. Abdus Samad

DIRECTORS

Mr. Mohammed Bashir Janmohammed
Mr. Abdul Rasheed Janmohammed
Mr. Perwaiz Hasan Khan
Mr. Mohammad Rabbani
Mr. Perwaiz Masud Ansari
Mr. Ahmed Sattar

BOARD AUDIT COMMITTEE

CHAIRMAN

Mr. Mohammed Bashir Janmohammed

MEMBERS

Mr. Abdul Rasheed Janmohammed
Mr. Perwaiz Hasan Khan
Mr. Mohammad Rabbani

CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY

Mr. Amjad Waheed

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISORS

Hussain & Haider
Advocates & Solicitors

BANKERS

The Royal Bank of Scotland Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Habib Bank Limited
MCB Bank Limited

REGISTRARS & SHARE TRANSFER OFFICE

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road, Karachi.
Telephone: +92.21.111-000-322
Fax: +92.21.5655595

REGISTERED OFFICE

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Telephone: +92.21.2579683-7
Fax: +92.21.2578654

FACTORY

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Fax: +92.22.3880670

WEBSITE

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that 57th Annual General Meeting of the shareholders of Wazir Ali Industries Limited will be held on Wednesday, 28th October 2009 at 11:30 hours at **MUSLIM GYMKHANA**, Aiwana-e-Saddar Road, Karachi, to transact the following business:

A. Ordinary Business

1. To Confirm the minutes of the last General Meeting held on 30th October 2008.
2. To receive, consider and adopt the Audited Financial Statements of the Company for year ended 30th June 2009 together with Directors and Auditors report thereon.
3. To elect 8 directors as fixed by the Board of Directors in their meeting held on September 30, 2009 in pursuant to Section 178(1) of the Companies Ordinance, 1984, for term of next three years. The retiring Directors namely:
 - Syed Yawar Ali
 - Mr. Abdus Samad
 - Mr. Mohammed Bashir Janmohammed
 - Mr. Abdul Rasheed Janmohammed
 - Mr. Perwaiz Hasan Khan
 - Mr. Mohammad Rabbani
 - Mr. Perwaiz Masud Ansari
 - Mr. Ahmed Sattar
4. The Present Auditors, KPMG Taseer Hadi & Co., Chartered Accountants, to appoint as auditors of the Company for the year ending June 30, 2010 as well as to review the Half Yearly Accounts for the period ending 31 December 2009 and to review the compliance of Code of Corporate Governance and to fix their remuneration for the same.

Karachi: September 30, 2009

By Order of the Board
AMJAD WAHEED
Company Secretary

NOTES

1. The Share Transfer Books of the Company will remain closed from October 22, 2009 to October 28, 2009 (both days inclusive)
2. A member entitled to attend and vote of the General Meeting is entitled to appoint another member as his proxy to attend and vote in his place except that a corporation being a member may appoint as proxy a person who is not a member.
3. The instrument appointing a proxy must be received at the registered office of the company not less than forty-eight hours before the time of the meeting
4. Members are requested to notify the change in their addresses, if any, immediately to the Share Registrars of the Company, M/s THK Associates (Pvt) Ltd. Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi
5. CDC Account Holders will further have to follow the guidelines as laid down by the Securities and Exchange Commission of Pakistan.



DIRECTORS' REPORT

The Directors of the Company would like to present the audited financial statements of the Company for the year ended 30 June 2009.

1. Overview

The general economic downturn witnessed in the current financial year has had an impact on the edible oil industry as well. The profitability of the company was likewise affected as compared to the preceding year.

During the year an increase in interest rates, substantial rise in fuel prices and in the cost of utilities, tin plate and other packaging materials, have all contributed to a very substantial increase in production costs and put the margins under pressure. As all such costs cannot be immediately passed on to consumers, your company is taking cost effectiveness measures to offset the adverse cost impact.

The Marketing and Service Agreement made with Dalda Foods (Pvt) Ltd continues to show a drop in the Administrative Costs and except for direct advertising expenses the Distribution and Marketing Expenses have shown an improvement over the preceding year. The Toll Manufacturing Agreement has enabled the company to maintain production levels while at the same time utilising the spare capacity available.

The land development project of the wholly owned subsidiary, Wazir Ali Ventures (Private) Limited, which had been temporarily put on hold last year is likely to be revived in the near future owing to an upturn in the housing market and the economic outlook.

2. Financial Review

The Sales Turnover for the year under review decreased by 2.3% from Rs. 919.345M to Rs. 897.774M.

Gross profit for the year decreased by 45.5% from Rs 103.793M to Rs. 56.525M as compared to last year and the percentage reduction against sales was from 11.3% to 6.3%.

Pre-tax and post-tax losses have increased from Rs. 37.610M to Rs. 57.021M and from Rs. 41.103 to Rs. 55.904M respectively, as compared to last year.

Provision for current year tax represents minimum tax under section 113 of the Income Tax Ordinance.

The company manufactured 21,392 tons which was 3% lower than last year.



3. Loss per Share

The loss per share for the year has increased to Rs 7.00 from loss per share of Rs 5.15 in the preceding year.

4. Operating Results

Profit and loss for the year under review is as follows:
(Rs'000)

	2009	2008
Operating (Loss)/Profit	(53,462)	15,867
Add: Other income	41,109	2,920
Loss before taxation	(57,021)	(37,610)
Provision for taxation	(1,117)	(3,493)
Loss after taxation	(55,904)	(41,103)

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 reduce high import duty and sales tax on this basic food item. 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 edible oil and ghee from Afghanistan into Pakistan.
2. Prices of raw materials in the international market.
3. Duty and sales tax evasion by un-organised local manufacturers. 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. Gratuity Fund

The company is operating Gratuity Fund. The fund has been appropriately invested in the Government securities. The value of investments of the Gratuity Fund according to the un-audited accounts for the year ended 30 June 2009 is Rs.17 million.

9. Meetings of the Board of Directors

Four meetings of the Board of Directors of the Company were held on 29 September and 30 October 2008, 25 February and 27 April 2009. Following was the attendance of the Directors:

<i>Names of Directors</i>	<i>No. of Meetings Attended.</i>	<i>Leave of Absence Granted</i>
1. Syed Yawar Ali	3	1
2. Mr. M. Bashir Janmohammed	3	1
3. Mr. Perwaiz Hasan Khan	4	-
4. Mr. A. Rasheed Janmohammed	4	-
5. Mr. Abdus Samad	4	-
6. Mr. Mohammed Rabbaani	4	-
7. Mr. Perwaiz Masud Ansari	4	-
8. Mr. Ahmed Sattar	3	1

10. Capital Expenditure and Commitments

There are no plans for any major capital expenditure hence no future commitments have been made.

11. 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.

12. Marketing Review

To further strengthen the brand equity local media activities and on ground activations were undertaken.

Focused efforts were made to increase the coverage and penetration of company's brands in the premium as well as mass market segments.



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. Future Outlook

After the re-launch of Tullo and Pride brands a focused campaign is being rolled out in the market to achieve sustainable and profitable growth of sales volumes. The company is confident about the success of its strategy and its implementation which is expected to yield positive results in the coming years.

15. Going Concern

The Directors are fully committed for continued financial support to keep the company as a going concern as evidenced by the fact that every effort is being made to improve the financials of the company mentioned above.

16. 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 exceeded the current assets by Rs 65.887M and the shareholders equity is in the negative by Rs 213.719.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.



17. Statement of compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation no. 35 (chapter XI) of the Karachi and Lahore Stock Exchanges 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:

1. The Company encourages representation of independent non-executive directors on its Board of Directors including those representing minority interests. At present the board includes four (4) non-executive directors.
2. The directors of the Company have confirmed that none of them is serving as a director in ten or more listed companies, including the Company.
3. 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 Development Financial Institution or a Non-Banking Financial Institution, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the year.
5. The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the directors and some of the employees of the Company. However, the process of obtaining signatures from remaining employees is in process.
6. 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.
7. 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, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation course of all the directors has not been conducted during the year. However, in order to appraise the directors of their duties and responsibilities and the requirement of the code, they have been kept updated with the changes in relevant laws applicable to the Company. Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.



10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive directors including he chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been framed and advised to the committee for compliance.
17. The related party transactions were placed before the audit committee and approved by the Board of directors. The company understands the requirements of sub-regulation (xiii a) of Listing Regulation No. 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009. All related party transactions are executed at arm's length.
18. The Board has set-up an effective internal audit function for the company.
19. 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide any service other than permissible services.
21. We confirm that all other material principles except for matters stated above contained in the code have been duly complied with.



18. Audit Committee

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

Mr. M. Bashir Janmohammed	Chairman
Mr. Perwaiz Hasan Khan	Member
Mr. A. Rasheed Janmohammed	Member
Mr. Mohammad Rabbani	Member

19. Outstanding Statutory Payments

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

20. Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2009-10.

21. Pattern of Shareholding

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

Acknowledgments

We are grateful to our customers for adhering to the quality brands of Tullo and Pride 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 and 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.

Karachi: 30 September, 2009

Abdus Samad
Chief Executive Officer



Key Operating and Financial Results for the last-10 years

	JUNE 2009	JUNE 2008	JUNE 2007	JUNE 2006	JUNE 2005	JUNE 2004	JUNE 2003	JUNE 2002	JUNE 2001	JUNE 2000
Sale-net	897,774	919,345	826,356	1,035,555	889,828	626,297	890,150	958,600	758,292	1,017,833
Cost of goods sold	841,249	815,552	737,383	861,135	760,384	530,057	715,792	756,021	611,841	850,620
Gross profit	56,525	103,793	88,973	174,420	129,444	96,240	174,358	202,579	146,451	167,213
Administrative	26,029	27,722	27,867	28,621	29,390	29,717	36,490	31,183	37,093	30,251
Selling and distribution	68,629	56,389	92,016	147,937	110,155	100,889	134,802	132,884	117,380	98,290
Financial charges	44,668	56,397	24,733	24,699	18,694	22,079	30,809	31,872	31,888	28,628
Amortization of deferred cost/other operating expenses	15,329	3,815	18,931	-	-	-	-	-	-	-
Workers profit participation fund	-	-	-	-	-	-	-	558	-	823
Operating Expenses	154,655	144,323	163,547	201,257	158,239	152,685	202,101	196,497	186,361	157,992
Other income	41,109	2,920	2,418	1,810	2,905	1,220	2,068	4,516	19,085	6,407
Profit (Loss) before taxation	(57,021)	(37,610)	(72,156)	(25,027)	(25,890)	(55,225)	(25,675)	10,598	(20,825)	15,628
Provision for Taxation	-	(3,493)	(4,504)	(10,396)	(11,701)	(5,422)	(10,861)	(8,288)	(9,141)	(9,449)
Current Year	(1,117)	-	-	-	-	-	-	-	-	1,183
Prior Year	(1,117)	(3,493)	(4,504)	(10,396)	(11,701)	(5,422)	(10,861)	(8,288)	(9,141)	(8,266)
Profit/(Loss) after taxation	(55,904)	(41,103)	(76,660)	(35,423)	(37,591)	(60,647)	(36,536)	2,310	(29,966)	7,362
Paid Up Capital	79,860	79,860	79,860	76,057	76,057	76,057	76,057	76,057	76,057	51,975
Current Assets	256,141	249,034	181,720	162,166	220,977	126,065	238,357	244,099	206,464	240,497
Current Liabilities	190,254	316,503	336,266	229,902	240,873	145,860	273,670	249,660	218,011	253,730



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Auditors' report to the members

We have audited the annexed unconsolidated balance sheet of **Wazir Ali Industries Limited** ("the Company") as at 30 June 2009 and the related unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated 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 account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the unconsolidated balance sheet and unconsolidated 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated 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 2009 and of the loss, its cash flows and changes in equity for the year then ended; and



KPMG Taseer Hadi & Co.

- 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 unconsolidated financial statements which indicates that the Company incurred a net loss Rs. 55.904 million during the year ended on 30 June 2009 and, as of that date and its accumulated losses exceeded the shareholders equity by Rs. 213.719 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. These unconsolidated financial statements have however been prepared on a going concern basis on the expectation of future profitability, restructuring of the Company's activities and availability of financial support from its directors and Dalda Foods (Private) Limited – the Holding Company.

Date: 30 Sep 2009

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem



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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** ("the Company") to comply with the Listing Regulation no. 35 (chapter XI) of the Karachi and Lahore Stock Exchanges, 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 are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, sub regulation (xiii a) of Listing Regulation no. 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transaction before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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

Dated: 30 Sep 2009

KPMG Taseer Hadi & Co.
Chartered Accountants



Unconsolidated Balance Sheet
As at 30 June 2009

	Note	2009 (Rupees in '000)	2008		Note	2009 (Rupees in '000)	2008
EQUITY AND LIABILITIES				ASSETS			
Share capital and reserves				Non-current assets			
Authorised capital				Property, plant and equipment	12	132,298	136,324
8,000,000 ordinary shares of Rs. 10 each (2008: 8,000,000 shares of Rs. 10 each)		<u>80,000</u>	<u>80,000</u>	Investment in subsidiary	13	50,000	50,000
Issued, subscribed and paid-up capital	4	79,860	79,860	Long term loans to employees - secured and considered good	14	370	681
Capital reserve		10,646	10,646	Long term security deposits		-	183
Revenue reserves		<u>(304,225)</u>	<u>(250,396)</u>	Total non-current assets		<u>182,668</u>	<u>187,188</u>
		<u>(213,719)</u>	<u>(159,890)</u>	Current assets			
Surplus on revaluation of property, plant and equipment				Stores and spares	15	6,912	5,269
	5	118,247	120,322	Stock-in-trade	16	131,463	176,295
Subordinated loans from Holding Company - unsecured				Trade debts - secured and considered good	17	11,167	33,093
	6	335,000	150,000	Loans and advances - considered good	18	396	881
Non-current liabilities				Deposits, prepayments and other receivables	19	21,199	13,085
Deferred tax liability on surplus on revaluation of property, plant and equipment		7,326	8,443	Taxation - net	20	19,172	9,960
Provision for compensated absences	7	1,701	844	Cash and bank balances	21	65,832	10,451
Total non-current liabilities		<u>9,027</u>	<u>9,287</u>	Total current assets		<u>256,141</u>	<u>249,034</u>
Current liabilities							
Trade and other payables	8	36,374	181,421				
Mark-up payable on borrowings		37,498	12,767				
Short term borrowings - secured	9	101,382	104,375				
Current maturity of long term liabilities	10	15,000	17,940				
Total current liabilities		<u>190,254</u>	<u>316,503</u>				
Contingencies and Commitment							
	11						
Total Equity and Liabilities		<u>438,809</u>	<u>436,222</u>	Total Assets		<u>438,809</u>	<u>436,222</u>

The annexed notes 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive

Director



Unconsolidated Profit and Loss Account
For the year ended 30 June 2009

	Note	2009 (Rupees in '000)	2008
Revenue - net	22	897,774	919,345
Cost of goods sold / services rendered	23	(841,249)	(815,552)
Gross profit		56,525	103,793
Administrative expenses	24	(26,029)	(27,722)
Selling and distribution expenses	25	(68,629)	(56,389)
Other operating expenses	26	(15,329)	(3,815)
		(109,987)	(87,926)
Other operating income	27	41,109	2,920
Operating (loss) / profit		(12,353)	18,787
Finance cost	28	(44,668)	(56,397)
Loss before taxation		(57,021)	(37,610)
Taxation - net	29	1,117	(3,493)
Loss for the year		(55,904)	(41,103)
Loss per share - basic and diluted	30	(7.00)	(5.15)

The annexed notes 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive

Director



Unconsolidated Cash Flow Statement
For the year ended 30 June 2009

Note	2009 (Rupees in '000)	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(57,021)	(37,610)
Adjustments for:		
Depreciation	4,254	4,498
(Gain) / loss on disposal of property, plant and equipment	(972)	17
Finance cost	44,668	56,397
Liabilities no more payable, written back	(1,869)	(760)
Provision against deposits, prepayments and other receivables	535	-
Provision against advances to suppliers	500	-
Provision for impairment in capital work-in-progress	-	1,099
Provision for compensated absences	947	96
Provision for impaired debts	5,905	2,121
	(3,053)	25,858
(Increase) / decrease in assets		
Long term loans to employees	311	(432)
Long term security deposits	183	248
Stores and spares	(1,643)	(1,018)
Stock in trade	44,832	(71,390)
Trade debts	16,021	2,022
Loans and advances	(15)	1,324
Deposits, prepayments and other receivables	(8,649)	1,402
Increase / (decrease) in liabilities		
Compensated absences	(90)	(1,492)
Trade and other payables	(143,178)	25,328
	(95,281)	(18,150)
Finance cost paid	(19,937)	(48,613)
Income tax paid	(9,212)	(8,801)
Net cash (used in) operating activities	(124,430)	(75,564)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(321)	(755)
Proceeds from sale of property, plant and equipment	1,065	718
Net cash from / (used in) investing activities	744	(37)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of liabilities against assets subject to finance lease	(124)	(353)
Proceeds from long term borrowings	200,000	150,000
Repayment of long term finance	(17,816)	(27,413)
Net cash from financing activities	182,060	122,234
Net increase in cash and cash equivalents	58,374	46,633
Cash and cash equivalents at beginning of the year	(93,924)	(140,557)
Cash and cash equivalents at end of the year	(35,550)	(93,924)

The annexed notes 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive

Director



Unconsolidated Statement of Changes in Equity
For the year ended 30 June 2009

	Issued subscribed and paid-up capital	Capital reserve Share premium reserves	Revenue reserves		Total
			General reserve	Accumulated loss	
----- (Rupees in '000) -----					
Balance as at 1 July 2007	79,860	10,646	66,067	(277,435)	(120,862)
Changes in equity for the year ended 30 June 2008					
Total recognised income and expenses for the year - loss for the year	-	-	-	(39,028)	(39,028)
Balance as at 30 June 2008	79,860	10,646	66,067	(316,463)	(159,890)
Changes in equity for the year ended 30 June 2009					
Total recognised income and expenses for the year - loss for the year	-	-	-	(53,829)	(53,829)
Balance as at 30 June 2009	79,860	10,646	66,067	(370,292)	(213,719)

Statement of recognised income and expense

	2009 (Rupees in '000)	2008
Loss for the year	(55,904)	(41,103)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	2,075	2,075
	(53,829)	(39,028)

The annexed notes 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive

Director



Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2009

1 STATUS AND NATURE OF BUSINESS

1.1 Wazir Ali Industries Limited ("the Company") 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 to manufacture and sale of vanaspati ghee and cooking oils. The registered office of the Company is located at F-33, Hub River Road, S.I.T.E. Area Karachi, Pakistan. The Company is the subsidiary company of Dalda Foods (Private) Limited (the Holding Company).

1.2 The Company had an agreement dated 1 January 2007 with the Holding Company whereby the holding company has agreed to provide various services such as accounting, procurement and human resource services to the Company at fees specified in the agreement. The agreement also specifies sales and marketing services to the Company by the Holding Company; which include selling of the Company's products through the Holding Company's sales and distribution network and marketing management support by the Holding Company to the Company. Another agreement, "Toll Manufacturing Service", is between the Holding Company and the Company with effect from February 2007. Under this agreement, the Holding Company guarantees that it will place orders at minimum of 10,000 tons annually. The Company is entitled to charge toll manufacturing fee at the rates specified in the agreement. This agreement may be terminated on providing 6 months notice by either party.

1.3 The Company has incurred a net loss of Rs. 55.904 million during the year ended 30 June 2009 (2008: net loss Rs. 41.103 million) and, as of that date, and its accumulated losses exceeded the shareholders' equity by Rs. 213.719 million (2008: Rs. 159.890 million). However, these unconsolidated financial statements have been prepared on the assumption that the Company would continue as a going concern. The assumption that the Company would continue as a going concern are as follows:

- Restructuring of Company's activities and the financial support of the directors, if required. As part of restructuring efforts, the Company entered into certain agreements with the Holding Company for the utilisation of its idle capacity and obtaining various operational services from Holding Company as stated in note 1.2 above.

- Availability of financial support from the Holding Company. As part of this subordinated loans of Rs. 350 million has been provided by Holding Company upto 30 June 2009. Refer note 6 to these unconsolidated financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for the land, building and plant and machinery, which are stated at revalued amounts. Refer note 12 to these unconsolidated financial statements.

2.3 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistan Rupees, which is the Company's functional currency.



2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 38 to these financial statements.

2.5 Initial application of a standard or an interpretation

-IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's unconsolidated financial statements other than increase in disclosures.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's unconsolidated financial statements.

- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's unconsolidated financial statements.

- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The application of IFRIC 14 did not affect the Company's unconsolidated financial statements.

2.6 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's unconsolidated financial statements.



- Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's unconsolidated financial statements.

- Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's unconsolidated financial statements.

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard will not effect the Company's unconsolidated financial statements.

- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Company's unconsolidated financial statements.

- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's “chief operating decision maker” in order to assess each segment's performance and to allocate resources to them. The application of the standard is not expected to have significant impact on the Company's unconsolidated financial statements other than increase in disclosures.

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

- The International Accounting Standards Board made certain amendments to existing standards as part of its annual improvement project. The effective dates for these amendments vary by standards and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's unconsolidated financial statements.



- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's unconsolidated financial statements.
- IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial statements.
- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's unconsolidated financial statements.
- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Company's operations.
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Company's operations.
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Company's unconsolidated financial statements.
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Company's unconsolidated financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standards and most will be applicable to the Company's 2011 financial statements. These amendments are unlikely to have an impact on the Company's unconsolidated financial statements.
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.



3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Mark-up bearing borrowings and borrowing cost

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3.2 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently carried at amortised cost, if any.

3.3 Taxation

Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred taxation is provided, using the balance sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities in the unconsolidated financial statements and their tax base. The amount of deferred tax recognised is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.4 Employee benefits

Accumulating compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

Post retirement benefits

Defined contribution plan

The Company operated a recognised provident fund scheme for its permanent employees. Equal contributions were made by the Company and the employees. This scheme was discontinued on 31 December 2007.

Defined benefit plan

The Company is also operating an approved funded gratuity scheme for its permanent employees. Contributions are paid to the gratuity fund on the basis of actuarial recommendations. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized immediately in the profit and loss account in the year in which they arise. Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the



unrecognized past service cost, if any, plus the present value of available refunds and reduction in future contributions to the plan.

3.5 Provisions

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle 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.

3.6 Property, plant and equipment

Tangible

Owned

Items of property, plant and equipment except free hold land, are measured at cost / revalued amount less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets. Freehold land is stated at revalued amount. Free hold land, building on freehold land and plant and machinery of the Company are revalued by professionally qualified valuers to ensure that the net carrying amount does not differ materially from their fair value. Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment assets account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to retained earnings (net of deferred taxation). Surplus on revaluation is transferred to retained earnings on their disposal. Depreciation is calculated on straight line basis over the estimated useful life of the assets. Depreciation on additions is charged from the month in which they are put to use and on deletions up to the month of deletion at the rate specified in note 12. Normal repairs and maintenance are charged to income as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property plant and equipment.

Gain and loss on disposal of assets, if any, is included in the profit and loss account.

Leased

Leases in terms of which the Company assumes substantially all the risks 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.

Depreciation is charged on the same basis as used for owned assets.

Capital work-in-progress

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

3.7 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Indefinite intangibles

These are stated at cost less impairment, if any. Cost includes the purchase cost of indefinite intangible asset and other directly attributable costs, if any.



Definite intangibles

These are stated at cost less accumulated amortisation and impairment losses, if any. Cost includes the purchase costs of definite intangible asset and other directly attributable costs of preparing the asset for its intended use.

3.8 Investment in Subsidiary

Investment in subsidiary company is carried at cost less impairment losses, if any.

3.9 Stock-in-trade

Stock in trade is stated at the lower of cost and net realizable value. Cost is determined using weighted average basis and includes expenditure incurred in acquiring / bringing the inventories to their present location and condition. In the case of finished goods and work-in-process (hard oil), cost consists of raw materials and appropriate share of overheads. Work-in-process items which have not gone through the production phase (soft oil) includes raw material costs only. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3.10 Goods in transit

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

3.11 Stores and spares

Stores and spares are valued at lower of cost and net realisable value less impairment losses, if any. Cost is determined using first-in-first-out basis.

3.12 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, if applicable, less provision for impairment losses, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term borrowings 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.

3.14 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.



Non-financial assets

The carrying amount 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 in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.15 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

3.16 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.17 Revenue recognition

- Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred i.e. despatch of goods to the customers.

- Service income (toll manufacturing) is recorded when the services are performed.

- Interest income is recognized on the basis of constant periodic rate of return.

3.18 Allocation of common expenses

The Company, under an agreement, is allocating certain common selling, distribution and administrative expenses to certain related parties. The Company charges its share of these expenses to the profit and loss account.

3.19 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business and geographical segments. The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets, if any other than goodwill.

3.20 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves is recognized in the period in which these are approved.



4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

6,808,175 (2008: 6,808,175) ordinary shares of Rs. 10 each fully paid in cash
1,177,784 (2008: 1,177,784) ordinary shares of Rs. 10 each fully paid bonus shares

2009 (Rupees in '000)	2008
68,082	68,082
11,778	11,778
79,860	79,860

4.1 As at 30 June 2009, Dalda Foods (Private) Limited, Holding Company held 73.64% (2008: 73.64%) shares of the Company.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Balance as on 1 July
Surplus transferred to accumulated losses in respect of incremental depreciation charged on related assets during the year

Less: related deferred tax liability

2009 (Rupees in '000)	2008
128,765	131,957
(3,192)	(3,192)
125,573	128,765
(7,326)	(8,443)
118,247	120,322

This represents surplus arising on revaluation of freehold land, building on free hold land and plant and machinery of the Company. The revaluations were carried out under market value basis by independent valuers; M/s Iqbal A Nanjee & Co. on 30 September 2003, M/s Imran Associates on 31 January 2005 and M/s Iqbal A Nanjee & Co. on 18 September 2006.

6. SUBORDINATED LOANS FROM HOLDING COMPANY - unsecured

Loan I	6.1	150,000	150,000
Loan II	6.2	200,000	-
		350,000	150,000
Current maturity		(15,000)	-
		335,000	150,000

6.1 Loan I was obtained on 31 December 2007 from the Holding Company to meet the operational requirements of the Company. This carry mark-up at the rate of 6 months' KIBOR plus 1.5 per cent per annum and is repayable in 20 equal quarterly instalments after expiry of two years' grace period. The first instalment falls due on 1 January 2010.

6.2 Loan II was obtained on 25 June 2009 from the Holding Company to meet the operational requirements of the Company. This carry mark-up at the rate of 1 month's KIBOR and is repayable in 20 equal quarterly instalments after expiry of two years' grace period. The first instalment falls due on 26 June 2011.



	2009	2008
	(Rupee in 000)	
7. PROVISION FOR COMPENSATED ABSENCES		
Balance as at 01 July	844	2,240
Provision made during the year	947	96
	<u>1,791</u>	<u>2,336</u>
Payments made during the year	(90)	(1,492)
Balance as at 30 June	<u>1,701</u>	<u>844</u>

7.1 The Company accounts for compensated absences on the basis of unavailed leave balances of each employee at the end of the year. Payments are made on the sum of basic salary, house rent and utilities.

8. TRADE AND OTHER PAYABLES

Trade payables against:			
-Goods	8.1	8,614	125,163
-Expenses		2,944	6,882
-Inland letters of credit		-	29,947
		<u>11,558</u>	<u>161,992</u>
Accrued expenses		5,618	7,098
Advances from customers		13,890	10,360
Other liabilities		1,108	1,411
Payable to gratuity fund		3,640	-
Unclaimed dividends		560	560
		<u>36,374</u>	<u>181,421</u>

8.1 Trade payable against goods include amount due to:

-Holding company		-	26,497
-Associated companies		6,410	96,533
-Others		2,204	2,133
		<u>8,614</u>	<u>125,163</u>

9. SHORT TERM BORROWINGS - secured

Running finance against mark-up arrangement	9.1	84,865	89,757
Finance against trust receipt (FATR)	9.2	16,517	14,618
		<u>101,382</u>	<u>104,375</u>

9.1 The Company has running finance facilities under mark-up arrangements in aggregate of Rs. 105 million (2008: Rs. 90 million) from certain banks. The facility of Rs. 15 million carries mark-up rate of 3 month KIBOR plus 351 bps with a floor of 11% p.a (2008: 3 months KIBOR plus 200 bps with a floor of 11% p.a) and the facility of Rs. 95 million carries mark-up rate of 3 months KIBOR (ask side) plus 2% p.a (2008: 6 months KIBOR plus 2 % p.a). These arrangements are renewable and valid upto varying periods between 30 June 2009 to 30 September 2009. The facility of Rs. 15 million is secured against first parri passu charge over Company's fixed assets comprising land, building, plant and machinery for Rs. 135 million and facility of Rs. 95 million is secured against hypothecation of stock in trade and receivables with 25 % margin (to the extent of Rs. 126.667 million) and pari passu charge on all present and future fixed assets (to the extent of Rs. 158 million) of the Company.



- 9.2** Facility for finance against trust receipt from a commercial bank at 30 June 2009 amounted to Rs. 45 million (2008: Rs. 40 million). These mark-up of this facility is to be mutually agreed at the time of disbursement (2008: mark-up rate of 3 months KIBOR plus 200 bps with a floor of 11% p.a) and are secured against securities specified in note 9.1 and import documents. This facility is renewable.
- 9.3** The facilities for opening letters of credit from certain banks at 30 June 2009 amounted to Rs. 75 million (2008: Rs. 75 million). The facility of Rs. 45 million is secured against securities specified in 9.1 and import documents and facility of Rs. 30 million is secured against 10% cash margin, import documents, present and future charge over fixed and current assets of Rs. 8.334 million and Rs. 30 million respectively. These facilities were remained unavailed as at 30 June 2009.
- 9.4** Under the agreements with bank, the Company is entitled to avail maximum facility of Rs. 45 million either from facility stated in note 9.2 or 9.3 above or in aggregate from both.

10. CURRENT MATURITY OF LONG TERM LIABILITIES

Liabilities against asset subject to finance lease
 Long term finance *10.1*
 Subordinated loan from Holding Company *6*

	2009 (Rupees in '000)	2008
	-	124
	-	17,816
	15,000	-
	15,000	17,940

- 10.1** The facility was obtained from the Royal Bank of Scotland Limited amounted to Rs. 17.816 which has been repaid during the year in accordance with terms of financing. It carried mark-up at the rate of 3 months' KIBOR plus 200 bps with a floor of 12% per annum. The facility was secured against first parri passu charge of Rs. 135 million on present and future assets of the Company including freehold land, building, machinery, stock in trade and trade debts.

CONTINGENCIES AND COMMITMENT

11.1 Contingencies

Claims against Company
 not acknowledged as debt *11.1.1 & 11.1.2*
 Bank guarantees

	28,055	16,648
	6,072	6,072

- 11.1.1** The decision of First Senior Civil Judge for claim of US\$ 35,867 of 500 metric tons of oil filed by a transporter company has been made which directs the Company to pay the sum of US\$ 35,867 with interest at 12% per annum from the date of filing of the suit till date of payment along with other restrictions. The Company filed an appeal before District Court, Karachi South against the order of First Senior Civil Judge. The District Court South, Karachi suspended the order of First Senior Civil Judge and fixed the date of hearing. The hearing is pending to date. No provision has been made in these unconsolidated financial statements as the management based on consultation with legal advisor is confident of a favourable outcome.
- 11.1.2** The Company filed a suit before the Honorable High Court claiming recovery of palm oil brought to Karachi on board vessel on the ground that the same was imported by it. Oil was purchased through Swiss Bank Corporation (the Bank) which impeaded as defendant in the case subsequently. The High Court provided interim measure and allowed delivery of palm oil to the Company against bank guarantee of US\$ 206,110. The Bank filed a suit before High Court claiming right to said palm oil. Subsequently, the Company withdrew its case and bank guarantee was released. Thereafter, the



Honorable Supreme Court on an application by the bank has restored the earlier order and required the bank guarantee of US\$ 206,108 from the Company, which had been furnished accordingly. This guarantee was replaced by fixed deposits receipts on its expiry. (Refer note 21.1) However, based on consultation with legal advisor, the Company is confident that the ultimate outcome of the case would be in favour of the Company. Hence, no provision has been made in these unconsolidated financial statements.

11.2 Commitment

Commitment under letters of credit for raw materials as at 30 June 2009 amounted to Rs. Nil (2008: Rs. 29 million).

12. PROPERTY, PLANT AND EQUIPMENT

Operating assets

	2009										
	Cost				Depreciation				Written down value as at 30 June 2009	Rate %	
	As at 01 July 2008	Transfer	Additions (Disposals)	As at 30 June 2009	As at 01 July 2008	For the year	Transfer	(Disposals)			As at 30 June 2009
(Rupees in '000)											
<i>Owned</i>											
Freehold land	106,470	-	-	106,470	-	-	-	-	-	106,470	-
Building on freehold land	11,948	-	-	11,948	1,900	1,086	-	-	2,986	8,962	5-10
Plant and machinery	21,596	-	-	21,596	3,725	2,160	-	-	5,885	15,711	10
Factory equipment	3,148	-	-	3,148	2,924	76	-	-	3,000	148	10
Furniture	828	-	-	828	723	46	-	-	769	59	10
Fittings	2,231	-	-	2,231	2,231	-	-	-	2,231	-	10
Office/residential equipment	12,593	-	321 (23)	12,891	12,228	292	-	(22)	12,498	393	10 & 33.33
Vehicles	7,595	969	(2,393)	6,171	6,855	594	468	(2,301)	5,616	555	20
Intangible assets	776	-	-	776	776	-	-	-	776	-	-
<i>Leased</i>											
Vehicles	969	(969)	-	-	468	-	(468)	-	-	-	20
	168,154	-	(2,416)	166,059	31,830	4,254	-	(2,323)	33,761	132,298	
2008											
	Cost				Depreciation				Written down value as at 30 June 2008	Rate %	
	As at 01 July 2007	Transfer	Additions (Disposals)	As at 30 June 2008	As at 01 July 2007	For the year 2008	Transfer	(Disposals)			As at 30 June 2008
(Rupees in '000)											
<i>Owned</i>											
Freehold land	106,470	-	-	106,470	-	-	-	-	-	106,470	-
Building on freehold land	11,948	-	-	11,948	815	1,085	-	-	1,900	10,048	5-10
Plant and machinery	21,021	-	575	21,596	1,618	2,107	-	-	3,725	17,871	10
Factory equipment	2,995	-	153	3,148	2,862	62	-	-	2,924	224	10
Furniture	1,905	-	(1,077)	828	963	132	-	(372)	723	105	10
Fittings	2,231	-	-	2,231	2,231	-	-	-	2,231	-	10
Office/residential equipment	12,879	-	(286)	12,593	11,960	524	-	(256)	12,228	365	10 & 33.33
Vehicles	8,318	-	(750)	7,595	7,210	395	-	(750)	6,855	740	20
Intangible assets	776	-	-	776	776	-	-	-	776	-	-
<i>Leased</i>											
Vehicles	969	-	-	969	275	193	-	-	468	501	20
	169,512	-	(2,113)	168,154	28,710	4,498	-	(1,378)	31,830	136,324	



12.1 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 follow:

	Cost	Accumulated depreciation	Written down value
	----- (Rupees in '000) -----		
Freehold land	1,826	-	1,826
Building on freehold land	9,427	9,427	-
Plant and machinery	49,513	48,252	1,261
	<u>60,766</u>	<u>57,679</u>	<u>3,087</u>
2008	<u>60,766</u>	<u>57,622</u>	<u>3,144</u>

12.2 The depreciation charge for the year has been allocated as follows:

	2009	2008
	(Rupees in '000)	
Cost of goods manufactured	3,217	3,167
Administration Expenses	833	1,104
Selling and distribution expenses	204	227
	<u>4,254</u>	<u>4,498</u>

12.3 Details of property, plant and equipment disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain / (loss)	Mode of disposal	Purchaser
	----- (Rupees in '000) -----						
<i>Motor vehicles</i>							
Book value more than Rs.50,000	469	(377)	92	300	208	Negotiation	Ex-employee
Book value upto Rs.50,000 each	1,924	(1,924)	-	762	762	Negotiation	Ex-employees & individuals
<i>Official / residential equipment</i>							
Book value upto Rs.50,000 each	23	(22)	1	3	2	Negotiation	Ex-employees
2009	<u>2,416</u>	<u>(2,323)</u>	<u>93</u>	<u>1,065</u>	<u>972</u>		
2008	<u>2,113</u>	<u>1,378</u>	<u>735</u>	<u>718</u>	<u>(17)</u>		



12.4 Details of charges created on certain items of property, plant and equipment are given in note 9 to these unconsolidated financial statements.

13. INVESTMENT IN SUBSIDIARY

This represents investment in 5 million ordinary shares of Rs. 10 each of Wazir Ali Ventures (Private) Limited, a wholly owned subsidiary, incorporated in Pakistan on 9 May 2005. Mr. Inam Bari (Director Human Resource of the Holding Company) is the Chief Executive Officer of the Subsidiary Company.

14. LONG TERM LOANS TO EMPLOYEES - secured and considered good

Loans and advances due from employees
Less: doubtful loans and advances

14.1

2009 **2008**
(Rupees in '000)

	715	955
	(71)	-
	644	955
Receivable within one year	(274)	(274)
	370	681

14.1 These represent mark-up free motorcycle, bicycle and laptop loans to employees under a Collective Bargaining Agreement and personal loans given to employees which are secured against the retirement benefits of respective employees. These are recoverable within 50 monthly installments.

15. STORES AND SPARES

Stores
Spares

Provision against slow moving stores and spares

15.1

	7,959	4,770
	3,330	4,876
	11,289	9,646
	(4,377)	(4,377)
	6,912	5,269

15.1 Movement in provision against slow moving stores and spares

Balance as at 1 July
Provision made during the year
Balance as at 30 June

	4,377	4,377
	-	-
	4,377	4,377



		2009	2008
		(Rupees in '000)	
16.	STOCK-IN-TRADE		
	Raw materials	4,079	17,021
	Packing materials	15,577	13,552
	Work-in-process	6,670	53,507
		<u>26,326</u>	<u>84,080</u>
	Finished goods - Ghee and cooking oil	104,625	88,654
	Write down of finished goods to net realisable value	(7,117)	-
		<u>97,508</u>	<u>88,654</u>
	Acid oil (by-product)	7,629	3,561
		<u>131,463</u>	<u>176,295</u>

16.1 This includes stock of oil of Rs. 21.331 million (net realisable value of Rs. 18.084 million) held by Holding Company as at 30 June 2009.

17. TRADE DEBTS - secured and considered good

	Trade debts - considered good	17.1	11,167	33,093
	Doubtful debts		28,642	22,737
			<u>39,809</u>	<u>55,830</u>
	Provision for impaired debts	17.2	(28,642)	(22,737)
			<u>11,167</u>	<u>33,093</u>

17.1 This includes balance due from an associated company amounting to Rs. Nil million (2008: Rs. 1.01 million).

17.2 Movement in provision for impaired debts

	Balance as at 1 July	22,737	20,616
	Provision made during the year	5,905	2,121
	Balance as at 30 June	<u>28,642</u>	<u>22,737</u>



18. LOANS AND ADVANCES - considered good

		2009 (Rupees in '000)	2008
Current maturity of long term loans to employees - secured and considered good	<i>14</i>	274	274
Short term advances to staff - secured	<i>18.1</i>	323	400
Less: provision there against		(201)	(293)
		122	107
Advance payments to contractors and suppliers - unsecured		500	500
Less: provision there against		(500)	-
		-	500
		396	881

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

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits and prepayments		379	509
Provision there against		(299)	-
		80	509
Margin against bank guarantees		6,072	6,072
Accrued profit on foreign currency fixed deposit		95	-
Accrued markup on due from Subsidiary Company		1,025	-
Other receivables - unsecured - considered good:			
Due from ZIL Limited (formally Zulfeqar Industries Limited)	<i>19.1</i>	1,215	1,462
Due from a Subsidiary Company	<i>19.2</i>	9,924	4,692
Due from a Holding company		2,788	-
Others		236	-
Receivable from the gratuity fund		-	350
		14,163	6,504
Provision against other receivables		(236)	-
		21,199	13,085



- 19.1** This represents balance receivable from ZIL Limited (formerly Zulfeqar Industries Limited) on account of common expenses shared with them. This Company was an associated company due to common directorship, which has ceased to exist during the year. No mark-up / interest is charged on the outstanding balances.
- 19.2** This balance is receivable from Wazir Ali Ventures (Private) Limited (subsidiary) on account of common expenses shared with the it (recoveries) and advances made by the Company on behalf of its subsidiary. These carry markup equal to borrowing cost of the Company.

		2009	2008
		(Rupees in '000)	
20.	TAXATION - net		
	Advance tax	38,682	29,470
	Provision for tax	(19,510)	(19,510)
		<u>19,172</u>	<u>9,960</u>
21.	CASH AND BANK BALANCES		
	Cash in hand	304	395
	With bank on current accounts	48,761	10,056
	Deposit with bank - foreign currency FDR	16,767	-
		<u>65,832</u>	<u>10,451</u>

- 21.1** This represents foreign currency deposit of US\$ 206,110 and carries mark-up at the rate of 2.25 per cent per annum. The deposit is furnished to the Supreme Court of Pakistan. Refer note 11.1.2.

22.	REVENUE - net		
	Own manufacturing	814,119	833,513
	Toll manufacturing	84,263	88,497
	Leakages and damages	(608)	(2,665)
		<u>897,774</u>	<u>919,345</u>
23.	COST OF GOODS SOLD / SERVICES RENDERED		
	Finished goods as on 1 July	92,215	81,825
	Cost of goods manufactured / services rendered	861,288	825,942
	Available for sale	953,503	907,767
	Finished goods as on 30 June	(112,254)	(92,215)
		<u>841,249</u>	<u>815,552</u>



		2009	2008
		(Rupees in '000)	
23.1	Cost of goods manufactured / services rendered		
	Work in process as on 1 July	53,507	10,616
	Raw materials consumed 23.2	658,978	724,588
	Packing materials consumed 23.3	58,623	45,990
	Stores and spares consumed	14,413	11,660
	Salaries, wages and other benefits	40,669	34,402
	Contribution to provident fund	-	360
	Fuel and power	35,647	44,856
	Repair and maintenance	1,581	2,936
	Rent, rates and taxes	1	23
	Insurance	1,322	851
	Depreciation 12.2	3,217	3,167
		<u>867,958</u>	<u>879,449</u>
	Work in process as on 30 June	(6,670)	(53,507)
		<u>861,288</u>	<u>825,942</u>
23.2	Raw materials consumed		
	Balance as on 1 July	17,021	1,526
	Purchases	646,036	740,083
		<u>663,057</u>	<u>741,609</u>
	Balance as on 30 June	(4,079)	(17,021)
		<u>658,978</u>	<u>724,588</u>
23.3	Packing materials consumed		
	Balance as on 1 July	13,552	10,938
	Purchases	60,648	48,604
		<u>74,200</u>	<u>59,542</u>
	Balance as on 30 June	(15,577)	(13,552)
		<u>58,623</u>	<u>45,990</u>



		2009	2008
		(Rupees in '000)	
24.	ADMINISTRATIVE EXPENSES		
	Salaries, wages and other benefits	9,360	11,202
	Contribution to provident fund	-	145
	Electricity and gas charges	3,638	1,051
	Repair and maintenance	656	2,016
	Travelling and conveyance	450	886
	Legal and professional charges	4,144	2,553
	Depreciation	12.2	833
	Rent, rates and taxes	296	792
	Postage, telegrams and telephone	396	598
	Printing and stationery	744	505
	Insurance	708	198
	Subscription	206	231
	Entertainment	37	106
	Auditors' remuneration	24.1	460
	Advertisement	40	65
	Meeting and conferences	14	9
	Other expenses	26	17
	Fee under service level agreement with Dalda Foods (Private) Limited - the Holding Company (note 1.2)	6,000	6,000
		28,008	27,743
	Less: Common expenses allocated to ZIL Limited (formerly Zulfeqar Industries Limited) Refer note 19.1	(1,979)	(21)
		26,029	27,722
24.1	Auditors' remuneration		
	Statutory audit fee	225	150
	Half yearly review	75	50
	Certification for code of corporate governance	35	35
	Other certifications	85	-
	Out of pocket expenses	40	30
		460	265



25. SELLING AND DISTRIBUTION EXPENSES

		2009	2008
		(Rupees in '000)	
Salaries and other benefits		364	-
Sales promotion		10,763	13,958
Advertisement		24,144	14,808
Freight		12,710	11,263
Rebate		3,634	-
Depreciation	12.2	204	227
Repair and maintenance		-	2
Insurance		829	755
Research and development		8	140
		52,656	41,153
Expenses under the agreement to Dalda Foods (Private) Limited (DFL) - Holding Company (note 1.2)		15,973	15,236
		68,629	56,389

26. OTHER OPERATING EXPENSES

Provision for impaired debts	17.2	5,905	2,121
Write down of finished goods to net realisable value		7,117	-
Provision for doubtful advances to employees		-	293
Provision for impairment in capital work-in-progress		-	1,099
Exchange loss on revaluation of foreign currency fixed deposit		1,061	-
Security deposits written off		87	-
Provision against deposits, prepayments and other receivables	19	535	-
Provision against advances to suppliers		500	-
Others		124	302
		15,329	3,815



27. OTHER OPERATING INCOME	2009	2008
	(Rupees in '000)	
Income from financial assets		
Profit on foreign currency fixed deposit	95	-
Markup on balance of Subsidiary Company	1,025	-
Income from non-financial assets		
Gain / (loss) on sale of property, plant and equipment	972	(17)
Scrap sales	1,179	1,279
Provision against advances to employees written back	21	-
Liabilities written back	1,869	-
Gain on settlement of oil borrowed from Holding Company	35,948	-
Others	-	1,658
	39,989	2,920
	41,109	2,920
28. FINANCE COST		
Mark-up on:		
- Short term borrowings	13,577	9,956
- Long term finance	926	4,468
- Subordinated loan from the Holding Company	24,419	9,543
- Finance against trust receipts	4,572	3,067
Bank charges	1,173	796
Finance cost on liabilities against asset subject to finance lease	1	29
Finance cost on oil borrowed from the Holding Company	-	28,538
	44,668	56,397
28.1 This includes interest / mark-up on borrowing from a director amounting to Rs. Nil (2008: Rs. 0.357 million).		
29. TAXATION		
Current	-	4,610
Deferred	(1,117)	(1,117)
	(1,117)	3,493

No provision for current year tax has made in view of tax losses available to the Company. The net deferred tax assets of Rs. 84.448 million (2008: Rs. 62.626 million) arising on unused tax losses and temporary differences have not been accounted for due to uncertainty of the future profitability of the Company.



	2009	2008
	(Rupees in '000)	
30. LOSS PER SHARE - BASIC AND DILUTED		
Net loss for the year	<u>(55,904)</u>	<u>(41,103)</u>
	(Numbers)	
Weighted average number of ordinary shares	<u>7,985,959</u>	<u>7,985,959</u>
	(Rupees)	
Loss per share	<u>(7.00)</u>	<u>(5.15)</u>
31. CASH AND CASH EQUIVALENTS	(Rupees in '000)	
Cash and bank balances	65,832	10,451
Short term borrowings	<u>(101,382)</u>	<u>(104,375)</u>
	<u>(35,550)</u>	<u>(93,924)</u>

**32. STAFF RETIREMENT BENEFITS*****Provident Fund***

Salaries, wages and benefits include Rs. Nil (2008: Rs. 0.505 million) in respect of provident fund contribution.

Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out as at 30 June 2009 are as follows:

- Discount rate at 13 % per annum (2008: 12% per annum).
- Expected rate of return on plan assets at 13% per annum (2008: 12% per annum).
- Expected rate of increase in salary level at 13% per annum for management employees (2008: 12% per annum) and at 12% for non-management employees (2008: 11% per annum).

The amount recognised in unconsolidated balance sheet is as follows:

	2009 (Rupees in '000)	2008
Present value of defined benefit obligation	20,657	18,373
Fair value of plan assets	17,017	(18,723)
Asset in balances	<u>37,674</u>	<u>(350)</u>
Changes in present value of defined benefit obligation		
Obligation as at 1 July	18,373	17,140
Current service cost	713	744
Interest cost	2,205	1,714
Actuarial loss	1,025	784
Benefits paid	(1,659)	(2,009)
Obligation as at 30 June	<u>20,657</u>	<u>18,373</u>
Changes in fair value of plan assets		
Fair value as at 1 July	18,723	19,125
Expected return on plan assets	2,247	1,913
Actuarial loss	(2,294)	(306)
Benefits paid	(1,659)	(2,009)
Fair value as at 30 June	<u>17,017</u>	<u>18,723</u>
Recognised (asset) / liability		
Balance as at 1 July	(350)	(1,985)
Expenses / (income) recognized	3,990	1,635
Contributions	-	-
Benefits paid by the Company	-	-
Company's liability / (asset) as at 30 June	<u>3,640</u>	<u>(350)</u>



The amount recognised in the unconsolidated profit and loss account is as follows:

	2009 (Rupees in '000)	2008
Current service cost	713	744
Interest cost	2,205	(1,913)
Expected return on plan assets	(2,247)	1,714
Actuarial losses	3,319	1,090
Net expense for the year	<u>3,990</u>	<u>1,635</u>

Composition / fair value of plan assets used by the fund

Equity instruments	93.76%	99.33%
Others	6.24%	0.67%

Actual return on plan assets is as follows:

Expected return on plan assets	2,247	1,913
Actuarial (loss) / gain on plan assets	(1,025)	(784)
Actual return on plan assets	<u>1,222</u>	<u>1,129</u>

Historical information

	2008	2007	2006	2005	2004
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	18,373	17,140	19,682	18,201	18,109
Fair value of planned assets	(18,723)	(19,125)	(42,992)	(39,217)	(37,797)
(Asset) / liability in balance sheet	<u>(350)</u>	<u>(1,985)</u>	<u>(23,310)</u>	<u>(21,016)</u>	<u>(19,688)</u>
Experience adjustment arising on plan liabilities (gains) / losses	<u>784</u>	<u>(656)</u>	<u>408</u>	<u>(221)</u>	<u>(2,415)</u>
Experience adjustment arising on plan assets gains / (losses)	<u>(306)</u>	<u>(104)</u>	<u>(147)</u>	<u>(1,733)</u>	<u>14,001</u>

**33. RELATED PARTY TRANSACTIONS**

Related parties comprise of group companies; directors and their close family members; staff retirement funds; key management personnel and major shareholders of the Company. Holding company, Subsidiary Company and associated companies with whom such transactions have taken place includes Dalda Foods (Private) Limited (Holding Company), Wazir Ali Ventures (Private) Limited, ZIL Limited (formerly Zulfeqar Industries Limited) and Mapak Qasim Edible Oils (Private) Limited. These associated companies are associated companies either based on holding in equity or they are either under the same management and / or with common directors. During the year, common directorship with ZIL Limited (formerly Zulfeqar Industries Limited) ceased to exist. Therefore, it is no longer an associated company of the Company. All transactions with related parties have been entered on commercial basis / agreement. 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 and remuneration to key management personnel are determined in accordance with the terms of employment (Note 34). The aggregate value of transactions and outstanding balances as at 30 June 2008 with related parties other than those which have been disclosed else where are as follows:

	2009				
	Balance as at 1 July 2008 receivable / (payable)	(Purchases) / sales / service income	Common expenses allocated receivable / (payable)	Payment made by received	Balance as at 30 June 2009 receivable / (payable)
----- (Rupees in '000) -----					
Holding Company					
Dalda Foods (Private) Limited	(26,498)	45,757 84,263	11,664 (24,570)	- (87,828)	2,788
Subsidiary Company					
Wazir Ali Ventures (Private) Limited	4,692	-	-	*5,231	9,923
Associated Companies					
Mapak Edible Oils (Private) Limited	(80,774)	(539,167)	-	613,553	(6,388)
Shakoo (Private) Limited	(17,633)	(36,866)	-	54,499	-
IGI Insurance Limited - insurance Premium	(591)	(1,150)	-	1,324	(417)

* This represents payment of interest made on behalf of the Subsidiary Company to the bank.

	2008				
	Balance as at 1 July 2007 receivable / (payable)	(Purchases) / Sales	Common expenses allocated receivable / (payable)	Payment made received	Balance as at 30 June 2008 receivable / (payable)
----- (Rupees in '000) -----					
Holding Company					
Dalda Foods (Private) Limited	(16,504)	(52,330) 88,497	15,236 (27)	- (61,370)	(26,498)
Subsidiary Company					
Wazir Ali Ventures (Private) Limited	4,692	-	-	-	4,692



	2008				
	Balance as at 1 July 2007 receivable / (payable)	(Purchases) / Sales	Common expenses allocated receivable / (payable)	Payment made Received	Balance as at 30 June 2008 receivable / (payable)
----- (Rupees in '000) -----					
Associated Companies					
Mapak Edible Oils (Private) Limited	(51,992)	(386,328)	-	357,546	(80,774)
Shakoo (Private) Limited	(15,832)	(92,786)	-	90,985	(17,633)
Zulfeqar Industries Limited	1,610	(341) 1,617	1,476	593	(2,482) 2,473
IGI Insurance Limited - Insurance Premium	(278)	(891)	-	578	(591)
Others					
	Transaction value		Balance receivable / (payable)		
	2009		2009		2008
Contribution to staff retirement funds - Employee Provident Fund	-		505		(757)
Receipts from staff retirement fund - Employee Gratuity Fund	-		-		350

34. EXECUTIVES' REMUNERATION

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

	2009		2008	
	Chief Executive	Other Executives	Chief Executive	Other Executives
----- (Rupees in '000) -----				
Remuneration	1,200	1,734	-	910
Rent and utilities	-	954	926	501
Medical expenses	-	188	18	76
Entertainment	-	-	12	-
Company's contribution to provident fund	-	-	-	42
Other perquisites	-	1,142	205	612
	1,200	4,018	1,161	2,141
----- (Number) -----				
Number of persons	1	3	1	2

The Ex-Chief Executive and Factory Manager were also provided with free use of the Company maintained vehicle.



35. FINANCIAL INSTRUMENTS

The objective of the Company's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management controls and procedures and reviews their adequacy. The Company's Audit Committee is assisted in its role by Internal Audit function, for which a professional firm of Chartered Accountants has been contacted by the Company. Internal Audit undertakes regular reviews of the risk management controls and procedures, the results of which are reported to the Audit Committee.

35.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by the changes in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance for developments affecting a particular industry.

35.1.1 Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affect the Company's counter parties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's credit risk principally arising from trade debts, related parties, loans and advances to staff, deposits and other receivables.

To reduce the exposure toward the credit risk, consumer category wise credit limits and terms have been established, which are continuously monitored by the Company. Loans and advances given to employees are secured against retirement benefits of the employees as disclosed in note 14.1 to these unconsolidated financial statements properties of employees. Bank balances are maintained with sound credit rating banks. Deposits and other receivables include margin against guarantees held with banks and balances with related parties. The Company attempts to control credit risk in respect of other receivables by monitoring credit exposures of counter parties.



The maximum credit exposure as at the reporting date consists of following financial assets :

	2009	2008
	(Rupees in '000)	
Long term loans to employees	370	681
Trade debts	11,167	33,093
Loans and advances	396	881
Deposits and other receivables	18,784	10,764
Cash and bank balances	65,832	10,451
	96,549	55,870

35.1.2 Credit Quality

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of all financial assets which are neither past due nor impaired are given in the note 35.1.3 below:

The credit quality of the Company's major bank accounts is assessed with reference to external credit ratings which are as follows:

Bank	Rating Agency	Rating	
		Short term	Long term
National Bank of Pakistan Limited	JCR-VIS	A-1+	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A-1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AA+
The Royal Bank Of Scotland Limited	PACRA	A1+	AA
Meezan Bank Limited	JCR-VIS	A-1	A+
Soneri Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AA

**35.1.3 Past due and impaired financial assets****Trade Debts**

Trade debtors majorly comprise of wholesalers / distributors, except for Utility Stores Corporation and Canteen Stores Department, of edible oils spread through out the country. The Company has not made export sales during the year ended 30 June 2009. The aging of trade debtors as at reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
----- (Rupees in '000) -----				
Not past due	-	-	-	
Past due but not impaired				
Past due 1-90 days	1,316	-	29,856	1,300
Past due 91 days -1 year	2,587	-	6,702	2,166
	3,903	-	36,558	3,466
Past due and impaired				
More than one year	35,906	28,642	19,272	19,271
Total	39,809	28,642	55,830	22,737

Utility Stores Corporation (USC) and Canteen Stores Department (CSD) were the major customers of the Company during the year. The Company creates a provision for doubtful trade debts based on past experience, consideration of financial position and past track record of recoveries.

Other financial assets

The Company creates provision based on past experience, consideration of financial position and past record of recoveries.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

Exposure to liquidity risk

The Company is exposed to liquidity risk in respect of its financial liabilities. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.



	2009					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	one to five years	More than five years
----- (Rupees in '000) -----						
Non-derivative financial liabilities						
Subordinated loans from Holding Company	350,000	(574,788)	-	(64,270)	(430,242)	(80,276)
Short term borrowings	101,382	(104,869)	(3,536)	(101,333)	-	-
Trade and other payables	18,284	(18,284)	(18,284)	-	-	-
	469,666	(697,941)	(21,820)	(165,603)	(430,242)	(80,276)

	2008					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	one to five years	More than five years
----- (Rupees in '000) -----						
Non-derivative financial liabilities						
Long term loan	17,816	(18,742)	(18,742)	-	-	-
Subordinated loan from Holding Company	150,000	(238,562)	-	-	(238,562)	-
Short term borrowings	104,375	(105,294)	(919)	(104,375)	-	-
Trade and other payables	170,501	(170,501)	(170,501)	-	-	-
	442,692	(533,099)	(190,162)	(104,375)	(238,562)	-

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company meets these requirements by having credit lines available as at 30 June 2009 as specified in note 9 to these unconsolidated financial statements and financial assistance available from the Holding Company as and when the need arises.

35.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June as disclosed in note 6 and 9 to these unconsolidated financial statements.

35.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return. The Company does not hold equity instrument other than shares in Subsidiary Company, therefore, it is not subject to the other price risk. However, it is exposed to interest rate risk and currency risk.



35.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk

Majority of the interest rate risk exposure arises from subordinated loans the from the Holding Company and short term borrowings from banks. As at the reporting date, following is the interest rate profile of the Company's interest bearing variable rate financial instruments:

	2009 (Rupees in '000)	2008
Fixed rate instruments		
Financial assets		
Fixed deposit receipt with bank	16,767	-
Due from Subsidiary Company	9,924	-
Financial liabilities - short term borrowings from a commercial bank	(14,924)	-
Variable rate instruments		
Financial liabilities		
Subordinated loans from the Holding Company	(350,000)	(150,000)
Running finance against mark-up arrangement	(84,865)	(104,375)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect unconsolidated profit and loss account and the unconsolidated equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased / decreased the loss of the Company as at 30 June 2009 by Rs. 2.473 million (2008: Rs. 0.770 million) . This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.



35.3.2 Currency Risk

Foreign currency risk is the risk that the value of a financial asset or liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company is exposed to currency risk only on foreign currency fixed deposit receipt with bank and accrued profit thereon that is denominated in a currency other than the respective functional currency of the Company. There are no estimated forecast sales or purchases in foreign currency.

	2009		2008	
	Rupees In '000	US Dollars	Rupees In '000	US Dollars
Financial assets				
Deposit with bank	16,767	206	-	-
Accrued profit on foreign currency fixed deposit	95	1	-	-
Gross and net balance sheet exposure	16,862	207	-	-

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2009	2008	2009	2008
US Dollars	80	65	81.35 / 81.90	68.7

35.3.2 SENSITIVITY ANALYSIS

A ten percent strengthening / (weakening) of the Rupee against US Dollar at 30 June 2009 would have increased / (decreased) fixed deposits receipts and accrued profit thereon by Rs. 0.169 million (2008: Rs.nil). Accordingly, the equity and loss of the Company would also have increased / (decreased) by the same amount. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

35.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values.

36. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide return to the shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company is not externally exposed to regulatory capital requirements.



37. **PLANT CAPACITY, PRODUCTION AND SALES**

Vanaspati - Ghee and Cooking Oil

Assessed capacity

Capacity utilized:

Production

Toll Manufacturing

Total Capacity utilized

Sales

	2009	2008
	(M. Tonnes)	
	30,000	30,000
	7,577	7,188
	13,815	14,833
	21,392	22,021
	7,430	7,786

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

38. **ACCOUNTING ESTIMATES AND JUDGEMENTS**

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. The valuation of freehold land, building and plant and machinery is carried out after every three years. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

Stock in trade and stores and spares

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

Trade Debts

The Company reviews its receivable against provision required there on an ongoing basis, and appropriate provision is made against outstanding receivable based on systematic basis as approved by the Board of Directors.

Actuarial assumptions

The liability for employee benefits is estimated based on actuarial assumptions. Any change in these assumptions would have an impact on next and subsequent years financial statements.



39. INFORMATION ABOUT BUSINESS SEGMENTS

	2009				2008			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
------(Rupees in '000)-----								
Revenue - net	813,511	84,263	-	897,774	830,848	88,497	-	919,345
Cost of goods sold / services								
Opening balance of finished goods	92,215	-	-	92,215	81,825	-	-	81,825
Cost of goods manufactured / services rendered	779,033	82,255	-	861,288	746,061	79,881	-	825,942
Available for sale	871,248	82,255	-	953,503	827,886	79,881	-	907,767
Closing balance of finished goods	(112,254)	-	-	(112,254)	(92,215)	-	-	(92,215)
	758,994	82,255	-	841,249	735,671	79,881	-	815,552
Gross profit / (loss)	54,517	2,008	-	56,525	95,177	8,616	-	103,793
Administration expenses	(6,040)	-	(19,989)	(26,029)	(6,065)	-	(21,657)	(27,722)
Selling and distribution expenses	(68,629)	-	-	(68,629)	(56,389)	-	-	(56,389)
Other operating expenses	(15,329)	-	-	(15,329)	(3,815)	-	-	(3,815)
	(89,998)	-	(19,989)	(109,987)	(66,269)	-	(21,657)	(87,926)
Other operating income	41,109	-	-	41,109	1,279	-	1,641	2,920
Operating result	5,628	2,008	(19,989)	(12,353)	30,187	8,616	(20,016)	18,787
39.1 Segment assets	149,542	2,788	286,479	438,809	209,388	-	226,834	436,222
39.2 Segment liabilities	36,374	-	497,907	534,281	155,110	-	320,465	475,575
39.3 Non-cash items (excluding depreciation & amortisation)	15,329	-	-	15,329	3,815	-	-	3,815
39.4 Depreciation & amortisation	1,139	2,078	1,037	4,254	1,034	2,133	1,331	4,498
39.5 Capital expenditure	-	-	321	321	-	-	755	755
39.6 Cost of goods manufactured / services rendered:								
Opening stock of work in process	53,507	-	-	53,507	10,616	-	-	10,616
Raw materials consumed	* 639,272	19,706	-	658,978	* 699,467	25,121	-	724,588
Packing materials consumed	58,623	-	-	58,623	45,990	-	-	45,990
Stores and spares consumed	5,105	9,308	-	14,413	3,806	7,854	-	11,660
Salaries, wages and other benefits	14,404	26,265	-	40,669	22,533	11,869	-	34,402
Contribution to provident fund	-	-	-	-	236	124	-	360
Fuel and power	12,625	23,022	-	35,647	14,642	30,214	-	44,856
Repair and maintenance	560	1,021	-	1,581	958	1,978	-	2,936
Rent, rates and taxes	-	1	-	1	8	15	-	23
Insurance	468	854	-	1,322	278	573	-	851
Depreciation	1,139	2,078	-	3,217	1,034	2,133	-	3,167
	785,703	82,255	-	867,958	799,568	79,881	-	879,449
Closing stock of work in process	(6,670)	-	-	(6,670)	(53,507)	-	-	(53,507)
	779,033	82,255	-	861,288	746,061	79,881	-	825,942

* This includes raw material of Rs. 137.116 million (2008: Rs.184.474 million) borrowed from the Holding company.

39.7 Variable costs incurred during the period have been allocated based on tonnages produced under toll manufacturing agreement.

40. GENERAL

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on *September 30, 2009*.

Chief Executive

Director



PATTERN OF HOLDING OF THE SHARES

Number of Shareholders	Shareholding		Total Shares held	%
	From	To		
2,256	1	100	34,612	0.4334%
411	101	500	110,109	1.3788%
126	501	1,000	99,758	1.2492%
118	1,001	5,000	255,569	3.2002%
19	5,001	10,000	140,852	1.7637%
2	10,001	15,000	23,482	0.2940%
2	15,001	20,000	33,350	0.4176%
1	20,001	25,000	21,000	0.2630%
1	40,001	45,000	41,023	0.5137%
1	100,001	105,000	101,024	1.2650%
1	145,001	150,000	150,000	1.8783%
1	150,001	155,000	154,950	1.9403%
1	230,001	235,000	233,251	2.9208%
1	705,001	710,000	706,313	8.8444%
1	5,880,001	5,885,000	5,880,665	73.6376%
2,942			7,985,958	100.0000%

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	%
<u>DIRECTORS & FAMILY</u>			
Syed Yawar Ali	3	732,870	9.17698%
Mr. Mohammad Bashir Janmohammed	1	4,200	0.05259%
Mr. Abdul Rasheed Janmohammed	1	3,675	0.04602%
Mr. Perwaiz Hasan Khan	1	3,150	0.03944%
Mr. Abdus Samad	1	2,625	0.03287%
Mr. Mohammed Rabbani	1	100	0.00125%
Mr Perwaiz Masud Ansari	1	1	0.00001%
Mr. Ahmed Sattar	1	1	0.00001%
<u>ASSOCIATED COMPANIES AND OTHERS</u>			
Dalda Foods Pvt Limited	2	5,880,710	73.63813%
Insurance Companies	1	105	0.00131%
Joint Stock Companies	19	37,415	0.46851%
Financial Institutions	9	1,931	0.02418%
Securities & Exchange Commission of Pakistan	1	1	0.00001%
Investment Corporation of Pakistan	2	838	0.01049%
National Bank of Pakistan, Trustee Deptt.	2	209	0.00262%
Others	4	12,487	0.15636%
Individuals	2,892	1,305,640	16.34920%
TOTAL	2,942	7,985,958	100.0000%



Wazir Ali Industries Limited



Wazir Ali Industries Limited

and its Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

(AUDITED)

30 June 2009



DIRECTORS' REPORT

The Directors would like to present the audited consolidated financial statements for the year ended 30 June 2009.

Group Financial Review

The Sales Turnover for the year under review decreased by 2.3% from Rs. 919.345M to Rs. 897.774M.

Gross profit for the year decreased by 45.5% from the previous year's figure Rs.103.793M to Rs. 56.525M. Gross profit percentage for the year dropped to 6.3% from 11%.

Pre-tax and post-tax losses have increased from Rs. 18.280M to Rs. 68.043M and from Rs. 31.493 to Rs. 67.065M respectively, as compared to last year.

Group Operating Results

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

	(Rs '000)	
	2009	2008
Operating (Loss)/Profit	(53,603)	15,835
Add: Other income	40,483	30,856
Loss before taxation	(68,043)	(18,280)
Provision for taxation	978	(13,213)
Loss after taxation	(67,065)	(31,493)

Wazir Ali Venture (Pvt.) Ltd.

The land development project of the wholly owned subsidiary, Wazir Ali Ventures (Private) Limited, which had been temporarily put on hold last year is likely to be revived in the near future owing to an upturn in the housing market and the economic outlook.

Pattern of Shareholding

The pattern of shareholding is included in the parent company's information annexed to their directors' report.

Abdus Samad
Chief Executive Officer

Karachi: 30 September, 2009



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Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed consolidated financial statements of **Wazir Ali Industries Limited** and its subsidiary (the "Group") comprising consolidated balance sheet as at 30 June 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial 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.

In our opinion, the consolidated financial statements present fairly the consolidated financial position of the Group as at 30 June 2009, and the consolidated results of its operations, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to note 1.3 in the consolidated financial statements which indicates that the Group incurred a net loss Rs. 67.065 million during the year ended on 30 June 2009 and, as of that date, its accumulated losses exceeded the shareholders equity by Rs. 306.312 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. These consolidated financial statements have however been prepared on a going concern basis on the expectation of future profitability, restructuring of the Group's activities and availability of financial support from its directors and Dalda Foods (Private) Limited – the Ultimate Holding Company.

Date:

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem



Consolidated Balance Sheet

As at 30 June 2009

	Note	2009 (Rupees in '000)	2008		Note	2009 (Rupees in '000)	2008
EQUITY AND LIABILITIES				ASSETS			
Share capital and reserves				Non-current assets			
Authorised capital				Property, plant and equipment	15	132,298	136,324
8,000,000 ordinary shares of Rs. 10 each (2008: 8,000,000 shares of Rs. 10 each)		<u>80,000</u>	<u>80,000</u>	Investment property	16	135,399	135,000
Issued, subscribed and paid-up capital	4	79,860	79,860	Investment in subsidiary			
Capital reserve		10,646	10,646	Long term loans to employees - secured and considered good	17	370	681
Revenue reserves		<u>(396,818)</u>	<u>(331,828)</u>	Long term security deposits		-	183
		<u>(306,312)</u>	<u>(241,322)</u>	Total non-current assets		<u>268,067</u>	<u>272,188</u>
Surplus on revaluation of property, plant and equipment	5	203,629	205,704	Current assets			
Non-current liabilities				Stores and spares	18	6,912	5,269
Subordinated loans from the Ultimate Holding Company - unsecured	6	335,000	150,000	Stock-in-trade	19	131,463	176,295
Long term finance	7	32,511	43,791	Trade debts - secured and considered good	20	11,167	33,093
Deferred taxation	8	24,003	24,981	Loans and advances - considered good	21	396	881
Provision for compensated absences	9	1,701	844	Deposits, prepayments and other receivables	22	10,250	8,393
Total non-current liabilities		393,215	219,616	Taxation - net	23	19,172	9,960
Current liabilities				Cash and bank balances	24	66,084	10,723
Trade and other payables	10	36,444	181,497	Total current assets		<u>245,444</u>	<u>244,614</u>
Mark-up payable on borrowings		38,224	13,421				
Payable to the Ultimate Holding Company	11	10,763	-				
Short term borrowings	12	111,268	108,945				
Current maturity of long term liabilities	13	26,280	28,941				
Total current liabilities		222,979	332,804				
Contingencies and Commitment	14						
Total Equity and Liabilities		<u>513,511</u>	<u>516,802</u>	Total Assets		<u>513,511</u>	<u>516,802</u>

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive

Director



Consolidated Profit and Loss Account

For the year ended 30 June 2009

	Note	2009 (Rupees in '000)	2008
Revenue - net	25	897,774	919,345
Cost of goods sold / services rendered	26	(841,249)	(815,552)
Gross profit		56,525	103,793
Administrative expenses	27	(26,170)	(27,754)
Selling and distribution expenses	28	(68,629)	(56,389)
Other operating expenses	29	(15,329)	(3,815)
		(110,128)	(87,958)
Other operating income	30	40,483	30,856
Operating (loss) / profit		(13,120)	46,691
Finance cost	31	(54,923)	(64,971)
Loss before taxation		(68,043)	(18,280)
Taxation - net	32	978	(13,213)
Loss for the year		(67,065)	(31,493)
		(Rupees)	
Loss per share - basic and diluted	33	(8.40)	(3.94)

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive

Director



Consolidated Cash Flow Statement

For the year ended 30 June 2009

	2009 (Rupees in '000)	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(68,043)	(18,280)
Adjustments for:		
Depreciation	4,254	4,498
(Gain) / loss on disposal of property, plant and equipment	(972)	17
Finance cost	54,923	64,971
Liabilities no more payable, written back	(1,869)	(760)
Provision against deposits, prepayments and other receivables	535	-
Provision against advances to suppliers	500	-
Provision for impairment in capital work-in-progress	-	1,099
Provision for compensated absences	947	96
Fair value gain on investment property	(399)	(27,000)
Provision for impaired debts	5,905	2,121
	(4,219)	26,762
(Increase) / decrease in assets		
Long term loans to employees	311	(432)
Long term security deposits	183	248
Stores and spares	(1,643)	(1,018)
Stock in trade	44,832	(71,390)
Trade debts	16,021	2,022
Loans and advances	(15)	1,324
Deposits, prepayments and other receivables	(2,392)	1,402
Increase / (decrease) in liabilities		
Compensated absences	(90)	(1,492)
Trade and other payables	(143,184)	25,360
	(90,196)	(17,214)
Finance cost paid	(30,120)	(58,656)
Income tax paid	(9,212)	(8,888)
Net cash (used in) operating activities	(129,528)	(84,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(321)	(755)
Proceeds from sale of property, plant and equipment	1,065	718
Net cash from / (used in) investing activities	744	(37)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of liabilities against assets subject to finance lease	(124)	(353)
Payable to the Ultimate Holding Company	10,763	-
Proceeds from long term borrowings	200,000	150,000
Repayment of long term finance	(28,817)	(30,121)
Net cash from financing activities	181,822	119,526
Net increase in cash and cash equivalents	53,038	34,731
Cash and cash equivalents at beginning of the year	(98,222)	(132,953)
Cash and cash equivalents at end of the year	(45,184)	(98,222)

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The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive

Director



Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Issued subscribed and paid-up capital	Capital reserve Share premium reserves	Revenue reserves		Total
			General reserve	Accumulated loss	
(Rupees in '000)					
Balance as at 1 July 2007	79,860	10,646	66,067	(368,477)	(211,904)
Changes in equity for the year ended 30 June 2008					
Total recognised income and expense for the year - loss for the year	-	-	-	(29,418)	(29,418)
Balance as at 30 June 2008	79,860	10,646	66,067	(397,895)	(241,322)
Changes in equity for the year ended 30 June 2009					
Total recognised income and expense for the year - loss for the year	-	-	-	(64,990)	(64,990)
Balance as at 30 June 2009	79,860	10,646	66,067	(462,885)	(306,312)

Statement of recognised income and expense

	2009 (Rupees in '000)	2008
Loss for the year	(67,065)	(31,493)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	2,075	2,075
	(64,990)	(29,418)

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive

Director



Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2009

1. STATUS AND NATURE OF BUSINESS

1.1 Wazir Ali Industries Limited ("the Holding Company") 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 Holding Company is to manufacture and sale of vanaspati ghee and cooking oils. The Holding Company is the subsidiary of Dalda Foods (Private) Limited (the Ultimate Holding Company).

Wazir Ali Ventures (Private) Limited, the wholly owned subsidiary ("the Subsidiary") was incorporated as a private limited company under the Companies Ordinance, 1984. The Subsidiary was incorporated on 9 May 2005. The principal activity of the Subsidiary is to develop / construct and sale of buildings and related infrastructure. The commercial activities of the Subsidiary have not yet commenced.

The registered office of the Holding Company and Subsidiary is located at F-33, Hub River Road, S.I.T.E. Area Karachi, Pakistan.

These financial statements represent the consolidated financial statements of the Holding Company and its Subsidiary (together referred as "Group"). The financial statements of the Holding Company are prepared separately.

1.2 The Holding Company had an agreement dated 1 January 2007 with the Ultimate Holding Company whereby the Holding Company has agreed to provide various services such as accounting, procurement and human resource services to the Holding Company at fees specified in the agreement. The agreement also specifies sales and marketing services to the Holding Company by the Ultimate Holding Company; which include selling of the Holding Company's products through the Ultimate Holding Company's sales and distribution network and marketing management support by the Ultimate Holding Company to the Holding Company. Another agreement, "Toll Manufacturing Service", is between the Ultimate Holding Company and the Holding Company with effect from February 2007. Under this agreement, the Ultimate Holding Company guarantees that it will place orders at minimum of 10,000 tons annually. The Holding Company is entitled to charge toll manufacturing fee at the rates specified in the agreement. This agreement may be terminated on providing 6 months notice by either party.

1.3 The Group has incurred a net loss of Rs. 67.065 million during the year ended 30 June 2009 (2008: net loss Rs. 31.493 million) and, as of that date, and its accumulated losses exceeded the shareholders' equity by Rs. 306.312 million (2008: Rs. 241.322 million). However, these consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern. The assumption that the Group would continue as a going concern are as follows:

- Restructuring of Group's activities and the financial support of the directors, if required. As part of restructuring efforts, the Holding Company entered into certain agreements with the Ultimate Holding Company for the utilisation of its idle capacity and obtaining various operational services from the Ultimate Holding Company as stated in note 1.2 above.

- Availability of financial support from the Ultimate Holding Company. As part of this subordinated loans of Rs. 360.763 million has been provided by Ultimate Holding Company upto 30 June 2009. Refer notes 6 and 11 to these consolidated financial statements.



2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the land, building, plant and machinery and investment property which are stated at revalued amounts. Refer note 15 and 16 to these consolidated financial statements.

2.3 Basis of consolidation

Subsidiaries are those entities in which the holding company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date control ceases.

The consolidated financial statements as at and for the year ended 30 June 2009 comprise the financial statements of Wazir Ali Industries Limited - the Holding Company and its Subsidiary Company, Wazir Ali Ventures (Private) Limited (together referred as "Group").

The assets and liabilities of the subsidiary have been consolidated on a line-by-line basis. All intra group balances and transactions have been eliminated.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional currency.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 41 to these financial statements.

2.6 Initial application of a standard or an interpretation

- IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the



disclosure requirements of IAS 32 Financial Instruments:

Disclosure and Presentation. The application of the standard did not have significant impact on the Group's consolidated financial statements other than increase in disclosures.

- IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Group does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Group's consolidated financial statements.

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Group's consolidated financial statements.

- IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The application of IFRIC 14 did not affect the Group's consolidated financial statements.

2.7 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Group's consolidated financial statements.

- Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Group's consolidated financial statements.

- Amendment to IFRS 2 - Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Group's consolidated financial statements.

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in



profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard will not effect the Group's consolidated financial statements.

- Amended IAS 27 - consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Group's consolidated financial statements.

- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The application of the standard is not expected to have significant impact on the Group's consolidated financial statements other than increase in disclosures.

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not expected to have significant impact on the Group's consolidated financial statements

- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Group's operations.

- The International Accounting Standards Board made certain amendments to existing standards as part of its annual improvement project. The effective dates for these amendments vary by standards and most will be applicable to the Group's 2010 consolidated financial statements. These amendments are unlikely to have an impact on the Group's consolidated financial statements.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Group's consolidated financial statements.

- IAS 27 'consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Group's consolidated financial statements.

- IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a Group distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Group does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group's consolidated financial statements.



- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Group's operations.

- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Group's operations.

- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Group's consolidated financial statements.

- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Group's consolidated financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standards and most will be applicable to the Group's 2011 financial statements. These amendments are unlikely to have an impact on the Group's consolidated financial statements.

- Amendment to IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Mark-up bearing borrowings and borrowing cost

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3.2 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently carried at amortised cost, if any.



3.3 Taxation

Current

Provision for current taxation is based on taxability of certain income streams of the Group under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred taxation is provided, using the balance sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. The amount of deferred tax recognised is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax asset amounting to Rs. 94.949 million has not been accounted for in view of the uncertainty of future profitability of the Group.

3.4 Employee benefits

Accumulating compensated absences

The Group accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

Post retirement benefits

Defined contribution plan

The Group operated a recognised provident fund scheme for its permanent employees. Equal contributions were made by the Group and the employees. This scheme was discontinued on 31 December 2007.

Defined benefit plan

The Group is also operating an approved funded gratuity scheme for its permanent employees.

Contributions are paid to the gratuity fund on the basis of actuarial recommendations. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized immediately in the profit and loss account in the year in which they arise.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, if any, plus the present value of available refunds and reduction in future contributions to the plan.

3.5 Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle 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 Holding Company and historical data.

3.6 Property, plant and equipment

Tangible

Owned

Items of property, plant and equipment except free hold land, are measured at cost / revalued amount less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets. Freehold land is stated at revalued amount. Free hold land, building on freehold land and plant and machinery of the Group are revalued by professionally qualified valuers to ensure that the net carrying amount does not differ materially from their fair value. Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment assets account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Group to retained earnings (net of deferred taxation). Surplus on revaluation is transferred to retained earnings on their disposal.

Depreciation is calculated on straight line basis over the estimated useful life of the assets. Depreciation on additions is charged from the month in which they are put to use and on deletions up to the month of deletion at the rate specified in note 15.

Normal repairs and maintenance are charged to income as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property plant and equipment.

Gain and loss on disposal of assets, if any, is included in the profit and loss account.

Leased

Leases in terms of which the Group assumes substantially all the risks 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.

Depreciation is charged on the same basis as used for owned assets.

Capital work-in-progress

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

3.7 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Indefinite intangibles

These are stated at cost less impairment, if any. Cost includes the purchase cost of indefinite intangible asset and other directly attributable costs, if any.

Definite intangibles



These are stated at cost less accumulated amortisation and impairment losses, if any. Cost includes the purchase costs of definite intangible asset and other directly attributable costs of preparing the asset for its intended use.

3.8 Investment Property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Group uses “Fair value Model” for measurement of its investment property. Under the fair value method, the investment property is measured at fair value and any changes in fair value are dealt through profit and loss account.

3.9 Stock-in-trade

Stock in trade is stated at the lower of cost and net realizable value. Cost is determined using weighted average basis and includes expenditure incurred in acquiring / bringing the inventories to their present location and condition. In the case of finished goods and work-in-process (hard oil), cost consists of raw materials and appropriate share of overheads. Work-in-process items which have not gone through the production phase (soft oil) includes raw material costs only. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3.10 Goods in transit

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

3.11 Stores and spares

Stores and spares are valued at lower of cost and net realisable value less impairment losses, if any. Cost is determined using first-in-first-out basis.

3.12 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, if applicable, less provision for impairment losses, if any. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.14 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.



Non-financial assets

The carrying amount of the Group'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 in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.15 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

3.16 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.17 Revenue recognition

- Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred i.e. despatch of goods to the customers.

- Service income (toll manufacturing) is recorded when the services are performed.

- Interest income is recognized on the basis of constant periodic rate of return.

3.18 Allocation of common expenses

The Group, under an agreement, is allocating certain common selling, distribution and administrative expenses to certain related parties. The Group charges its share of these expenses to the profit and loss account.

3.19 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets, if any other than goodwill.



disclosure requirements of IAS 32 Financial Instruments:

Disclosure and Presentation. The application of the standard did not have significant impact on the Group's consolidated financial statements other than increase in disclosures.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

6,808,175 (2008: 6,808,175) ordinary shares of Rs. 10 each fully paid in cash
1,177,784 (2008: 1,177,784) ordinary shares of Rs. 10 each fully paid bonus shares

2009 (Rupees in '000)	2008
68,082	68,082
11,778	11,778
79,860	79,860

4.1 As at 30 June 2009, Dalda Foods (Private) Limited, the Ultimate Holding Company held 73.64% (2008: 73.64%) shares of the Holding Company.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Balance as on 1 July
Surplus transferred to accumulated losses in respect of incremental depreciation charged on related assets during the year

Less: related deferred tax liability

2009 (Rupees in '000)	2008
214,147	217,339
(3,192)	(3,192)
210,955	214,147
(7,326)	(8,443)
203,629	205,704

This represents surplus arising on revaluation of freehold land, building on free hold land and plant and machinery of the Group. The revaluations were carried out under market value basis by independent valuers; M/s Iqbal A Nanjee & Co. on 30 September 2003, M/s Imran Associates on 31 January 2005 and M/s Iqbal A Nanjee & Co. on 18 September 2006.

6. SUBORDINATED LOANS FROM THE ULTIMATE HOLDING COMPANY - unsecured

Loan I 6.1
Loan II 6.2

Current maturity

150,000	150,000
200,000	-
350,000	150,000
(15,000)	-
335,000	150,000



- 6.1** Loan I was obtained on 31 December 2007 from the Ultimate Holding Company to meet the operational requirements of the Holding Company. This carry mark-up at the rate of 6 months' KIBOR plus 1.5 per cent per annum and is repayable in 20 equal quarterly instalments after expiry of two years' grace period. The first instalment falls due on 1 January 2010.
- 6.2** Loan II was obtained on 25 June 2009 from the Ultimate Holding Company to meet the operational requirements of the Holding Company. This carry mark-up at the rate of 1 month's KIBOR and is repayable in 20 equal quarterly instalments after expiry of two years' grace period. The first instalment falls due on 26 June 2011.

7. LONG TERM FINANCES	2009	2008
	(Rupees in '000)	
Balance as on 01 July	72,608	96,729
Repayments made during the year	(28,817)	(24,121)
	43,791	72,608
Current maturity	(11,280)	(28,817)
	32,511	43,791

- 7.1** This represents facility obtained from The Royal Bank of Scotland Limited Karachi by the Subsidiary. The loan is repayable in 60 equal monthly installments beginning after a grace period of two years. The loan carries markup at rate of 3 months KIBOR plus 2% (2008: 3 months KIBOR plus 2% with a floor of 10%). The loan facility is secured against mortgage charge registered over Subsidiary's land for Rs. 87.5 million and personal guarantee of the Chairman of the Board of Directors of the Holding Company. This facility is renewable.

8. DEFERRED TAXATION		
Deferred tax credits arising on:		
- Surplus on revaluation of property, plant and equipment	7,326	8,443
- Revaluation of investment property	16,677	16,538
	24,003	24,981

9. PROVISION FOR COMPENSATED ABSENCES		
Balance as at 01 July	844	2,240
Provision made during the year	947	96
	1,791	2,336
Payments made during the year	(90)	(1,492)
Balance as at 30 June	1,701	844

- 9.1** The Holding Company accounts for compensated absences on the basis of unavailed leave balances of each employee at the end of the year. Payments are made on the sum of basic salary, house rent and utilities.



10. TRADE AND OTHER PAYABLES

	2009	2008
	(Rupees in '000)	
Trade payables against:		
-Goods / services	8,614	125,163
-Expenses	2,944	6,882
-Inland letters of credit	-	29,947
	<u>11,558</u>	<u>161,992</u>
Accrued expenses	5,688	7,174
Advances from customers	13,890	10,360
Other liabilities	1,108	1,411
Payable to gratuity fund	3,640	-
Unclaimed dividends	560	560
	<u>36,444</u>	<u>181,497</u>

10.1 Trade payable against goods and services include amount due to:

-Ultimate Holding Company	-	26,497
-Associated companies	6,410	96,533
-Others	2,204	2,133
	<u>8,614</u>	<u>125,163</u>

11. PAYABLE TO THE ULTIMATE HOLDING COMPANY

This represents repayment of loan of the Subsidiary Company made by the Ultimate Holding Company on its behalf. This amount is repayable in twelve months' time.

12. SHORT TERM BORROWINGS

Running finance against mark-up arrangement from banks	12.1	94,751	94,327
Finance against trust receipt (FATR) from bank	12.2	16,517	14,618
		<u>111,268</u>	<u>108,945</u>

12.1 The Holding Company has running finance facilities under mark-up arrangements in aggregate of Rs. 105 million (2008: Rs. 90 million) from certain banks. The facility of Rs. 15 million carries mark-up rate of 3 months KIBOR plus 351 bps with a floor of 11% p.a (2008: 3 months KIBOR plus 200 bps with a floor of 11% p.a) and the facility of Rs. 95 million carries mark-up rate of 3 months KIBOR (ask side) plus 2% p.a (2008: 6 months KIBOR plus 2% p.a). These arrangements are renewable and valid upto varying periods between 30 June 2009 to 30 September 2009. The facility of Rs. 15 million is secured against first parri passu charge over the Holding Company's fixed assets comprising land, building, plant and machinery for Rs. 135 million and facility of Rs. 95 million is secured against hypothecation of stock in trade and receivables with 25 % margin (to the extent of Rs. 126.667 million) and pari passu charge on all present and future fixed assets (to the extent of Rs. 158 million) of the Holding Company.

This represents facility obtained from The Royal Bank of Scotland Limited, Karachi, by the Subsidiary. The loan is repayable in 60 equal monthly installments beginning after a grace period of two years. The loan carries markup at rate of 3 months KIBOR plus 2% (2008: 3 months KIBOR plus 2% with a floor of 10%). The loan facility is secured against mortgage charge



12.1 The Holding Company has running finance facilities under mark-up arrangements in aggregate of Rs. 105 million (2008: Rs. 90 million) from certain banks. The facility of Rs. 15 million carries mark-up rate of 3 months KIBOR plus 351 bps with a floor of 11% p.a (2008: 3 months KIBOR plus 200 bps with a floor of 11% p.a) and the facility of Rs. 95 million carries mark-up rate of 3 months KIBOR (ask side) plus 2% p.a (2008: 6 months KIBOR plus 2% p.a). These arrangements are renewable and valid upto varying periods between 30 June 2009 to 30 September 2009. The facility of Rs. 15 million is secured against first pari passu charge over the Holding Company's fixed assets comprising land, building, plant and machinery for Rs. 135 million and facility of Rs. 95 million is secured against hypothecation of stock in trade and receivables with 25 % margin (to the extent of Rs. 126.667 million) and pari passu charge on all present and future fixed assets (to the extent of Rs. 158 million) of the Holding Company.

This represents facility obtained from The Royal Bank of Scotland Limited, Karachi, by the Subsidiary. The loan is repayable in 60 equal monthly installments beginning after a grace period of two years. The loan carries markup at rate of 3 months KIBOR plus 2% (2008: 3 months KIBOR plus 2% with a floor of 10%). The loan facility is secured against mortgage charge registered over Subsidiary's land for Rs. 87.5 million and personal guarantee of the Chairman of the Board of Directors of the Holding Company. This facility is renewable.

13. CURRENT MATURITY OF LONG TERM LIABILITIES

	2009 (Rupees in '000)	2008
Liabilities against asset subject to finance lease	-	124
Long term finance	11,280	28,817
Subordinated loan from the Ultimate Holding Company	15,000	-
	26,280	28,941

14. CONTINGENCIES AND COMMITMENT

14.1 Contingencies

Claims against Holding Company not acknowledged as debt	<i>14.1.1 & 14.1.2</i>	28,055	16,648
Bank guarantees		6,072	6,072

14.1.1 The decision of First Senior Civil Judge for claim of US\$ 35,867 of 500 metric tons of oil filed by a transporter company has been made which directs the Holding Company to pay the sum of US\$ 35,867 with interest at 12% per annum from the date of filing of the suit till date of payment along with other restrictions. The Holding Company filed an appeal before District Court, Karachi South against the order of First Senior Civil Judge. The District Court South, Karachi suspended the order of First Senior Civil Judge and fixed the date of hearing. The hearing is pending to date. No provision has been made in these consolidated financial statements as the management based on consultation with legal advisor is confident of a favourable outcome.

14.1.2 The Holding Company filed a suit before the Honorable High Court claiming recovery of palm oil brought to Karachi on board vessel on the ground that the same was imported by it. Oil was purchased through Swiss Bank Corporation (the Bank) which impeded as defendant in the case subsequently. The High Court provided interim measure and allowed delivery of palm oil to the Holding Company against bank guarantee of US\$ 206,110. The Bank filed a suit before High Court claiming right to said palm oil. Subsequently, the Holding Company withdrew its case and bank guarantee was released. Thereafter, the Honorable Supreme Court on an application by the bank has restored the earlier order and required the bank guarantee of US\$ 206,108 from the Holding Company, which had been furnished accordingly. This guarantee was replaced by fixed deposits receipts on its expiry (refer note 24.1). However, based on consultation with legal advisor, the Holding Company is confident that the ultimate outcome of the case would be in favour of the Holding Company. Hence, no provision has been made in these consolidated financial statements.

14.2 Commitment

Commitment under letters of credit for raw materials as at 30 June 2009 amounted to Rs. Nil (2008: Rs. 29 million).



15. PROPERTY, PLANT AND EQUIPMENT

Operating assets

	2009										
	Cost				Depreciation				Written down value as at 30 June 2009	Rate %	
	As at 01 July 2008	Transfer	Additions (Disposals)	As at 30 June 2009	As at 01 July 2008	For the year	Transfer	(Disposals)			As at 30 June 2009
(Rupees in '000)											
Owned											
Freehold land	106,470	-	-	106,470	-	-	-	-	-	106,470	-
Building on freehold land	11,948	-	-	11,948	1,900	1,086	-	-	2,986	8,962	5-10
Plant and machinery	21,596	-	-	21,596	3,725	2,160	-	-	5,885	15,711	10
Factory equipment	3,148	-	-	3,148	2,924	76	-	-	3,000	148	10
Furniture	828	-	-	828	723	46	-	-	769	59	10
Fittings	2,231	-	-	2,231	2,231	-	-	-	2,231	-	10
Office/residential equipment	12,593	-	321 (23)	12,891	12,228	292	-	(22)	12,498	393	10 & 33.33
Vehicles	7,595	969	(2,393)	6,171	6,855	594	468	(2,301)	5,616	555	20
Intangible assets	776	-	-	776	776	-	-	-	776	-	-
Leased											
Vehicles	969	(969)	-	-	468	-	(468)	-	-	-	20
			321 (2,416)	166,059	31,830	4,254	-	(2,323)	33,761	132,298	

	2008										
	Cost				Depreciation				Written down value as at 30 June 2008	Rate %	
	As at 01 July 2007	Transfer	Additions (Disposals)	As at 30 June 2008	As at 01 July 2007	For the year	Transfer	(Disposals)			As at 30 June 2008
(Rupees in '000)											
Owned											
Freehold land	106,470	-	-	106,470	-	-	-	-	-	106,470	-
Building on freehold land	11,948	-	-	11,948	815	1,085	-	-	1,900	10,048	5-10
Plant and machinery	21,021	-	575	21,596	1,618	2,107	-	-	3,725	17,871	10
Factory equipment	2,995	-	153	3,148	2,862	62	-	-	2,924	224	10
Furniture	1,905	-	(1,077)	828	963	132	-	(372)	723	105	10
Fittings	2,231	-	-	2,231	2,231	-	-	-	2,231	-	10
Office/residential equipment	12,879	-	(286) 27	12,593	11,960	524	-	(256)	12,228	365	10 & 33.33
Vehicles	8,318	-	(750)	7,595	7,210	395	-	(750)	6,855	740	20
Intangible assets	776	-	-	776	776	-	-	-	776	-	-
Leased											
Vehicles	969	-	-	969	275	193	-	-	468	501	20
			755 (2,113)	168,154	28,710	4,498	-	(1,378)	31,830	136,324	

15.1 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:

	Cost	Accumulated depreciation	Written down value
	(Rupees in '000)		
Freehold land	1,826	-	1,826
Building on freehold land	9,427	9,427	-
Plant and machinery	49,513	48,252	1,261
	<u>60,766</u>	<u>57,679</u>	<u>3,087</u>
2008	60,766	57,622	3,144



15.2 The depreciation charge for the year has been allocated as follows:

	2009 (Rupees in '000)	2008
Cost of goods manufactured	3,217	3,167
Administration expenses	833	1,104
Selling and distribution expenses	204	227
	<u>4,254</u>	<u>4,498</u>

15.3 Details of property, plant and equipment disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain / (loss)	Mode of disposal	Purchaser
----- (Rupees in '000) -----							
<i>Motor vehicles</i>							
Book value more than Rs.50,000	469	(377)	92	300	208	Negotiation	Ex-employee
Book value upto Rs.50,000 each	1,924	(1,924)	-	762	762	Negotiation	Ex-employees & individuals
<i>Official / residential equipment</i>							
Book value upto Rs.50,000 each	23	(22)	1	3	2	Negotiation	Ex-employees
2009	<u>2,416</u>	<u>(2,323)</u>	<u>93</u>	<u>1,065</u>	<u>972</u>		
2008	<u>2,113</u>	<u>1,378</u>	<u>735</u>	<u>718</u>	<u>(17)</u>		

15.4 Details of charges created on certain items of property, plant and equipment are given in note 12 to these consolidated financial statements.

16. INVESTMENT PROPERTY

The fair value of the land (industrial land) is Rs. 135.399 million (2008: Rs. 135 million) as at 30 June 2009 is determined by independent valuer M/s. Akbani & Javed Associates. The fair value has been determined by valuer based on factors of location, need of buyers, the overall prevailing market situation and other considerations linked with it. Accordingly the land has been stated at revalued amount and resultant gain of Rs. 0.399 million (2008: Rs. 27 million) has been credited to consolidated profit and loss account. Details of charges on this investment property are given in notes 7 and 12.1 to these consolidated financial statements



17. LONG TERM LOANS TO EMPLOYEES - secured and considered good

Loans and advances due from employees
Less: doubtful loans and advances

17.1

Receivable within one year

2009 (Rupees in '000)	2008
715	955
(71)	-
<u>644</u>	<u>955</u>
(274)	(274)
<u>370</u>	<u>681</u>

17.1 These represent mark-up free motorcycle, bicycle and laptop loans to employees under a Collective Bargaining Agreement and personal loans given to employees which are secured against the retirement benefits of respective employees. These are recoverable within 50 monthly installments.

18. STORES AND SPARES

Stores
Spares

Provision against slow moving stores and spares

18.1

7,959	4,770
3,330	4,876
<u>11,289</u>	<u>9,646</u>
(4,377)	(4,377)
<u>6,912</u>	<u>5,269</u>

18.1 Movement in provision against slow moving stores and spares

Balance as at 1 July
Provision made during the year
Balance as at 30 June

4,377	4,377
-	-
<u>4,377</u>	<u>4,377</u>

19. STOCK-IN-TRADE

Raw materials
Packing materials
Work-in-process

Finished goods - Ghee and cooking oil
Write down of finished goods to net realisable value

19.1

Acid oil (by-product)

4,079	17,021
15,577	13,552
6,670	53,507
<u>26,326</u>	<u>84,080</u>
104,625	88,654
(7,117)	-
<u>97,508</u>	<u>88,654</u>
7,629	3,561
<u>131,463</u>	<u>176,295</u>

19.1 This includes stock of oil of Rs. 21.331 million (net realisable value of Rs. 18.084 million) held by the Ultimate Holding Company as at 30 June 2009.



		2009	2008
		(Rupees in '000)	
20.	TRADE DEBTS - secured and considered good		
	Trade debts - considered good	20.1	11,167
	Doubtful debts		28,642
			<u>39,809</u>
	Provision for impaired debts	20.2	(28,642)
			<u>55,830</u>
			<u>(22,737)</u>
			<u>33,093</u>

20.1 This includes balance due from an associated company amounting to Rs. Nil (2008: Rs. 1.01 million).

20.2 Movement in provision for impaired debts

Balance as at 1 July	22,737	20,616
Provision made during the year	5,905	2,121
Balance as at 30 June	<u>28,642</u>	<u>22,737</u>

21. LOANS AND ADVANCES - considered good

Current maturity of long term loans to employees - secured and considered good	17	274	274
Short term advances to staff - secured		323	400
Less: provision there against		(201)	(293)
	21.1	122	107
Advance payments to contractors and suppliers - unsecured		500	500
Less: provision there against		(500)	-
		-	500
		<u>396</u>	<u>881</u>

21.1 These are mark-up free advances (against salary) and are secured in the same manner as given in note 17.1 to these consolidated financial statements.



22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits and prepayments
Provision there against

Margin against bank guarantees
Accrued profit on foreign currency fixed deposit

Other receivables - unsecured - considered good:

Due from ZIL Limited (formerly Zulfeqar Industries Limited) 22.1

Due from the Ultimate Holding Company

Others

Receivable from the gratuity fund

Provision against other receivables

2009 (Rupees in '000)	2008
379	509
(299)	-
80	509
6,072	6,072
95	-
1,215	1,462
2,788	-
236	-
-	350
4,239	1,812
(236)	-
10,250	8,393

22.1 This represents balance receivable from ZIL Limited (formerly Zulfeqar Industries Limited) on account of common expenses shared with them. This company was an associated company due to common directorship, which has ceased to exist during the year. No mark-up / interest is charged on the outstanding balances.

23. TAXATION - net

Advance tax
Provision for tax

38,682	29,470
(19,510)	(19,510)
19,172	9,960

24. CASH AND BANK BALANCES

Cash in hand
With bank in
- current accounts
Deposit with bank - foreign currency FDR 24.1

2009 (Rupees in '000)	2008
304	395
49,013	10,328
16,767	-
66,084	10,723

24.1 This represents foreign currency deposit of US\$ 206,110 and carries mark-up at the rate of 2.25 per cent per annum. The deposit is furnished to the Supreme Court of Pakistan (refer note 14.1.2).



		2009	2008
		(Rupees in '000)	
25.	REVENUE - net		
	Own manufacturing	814,119	833,513
	Toll manufacturing	84,263	88,497
	Leakages and damages	(608)	(2,665)
		<u>897,774</u>	<u>919,345</u>
26.	COST OF GOODS SOLD / SERVICES RENDERED		
	Finished goods as on 1 July	92,215	81,825
	Cost of goods manufactured / services rendered	26.1 <u>861,288</u>	<u>825,942</u>
	Available for sale	<u>953,503</u>	<u>907,767</u>
	Finished goods as on 30 June	(112,254)	(92,215)
		<u>841,249</u>	<u>815,552</u>
26.1	Cost of goods manufactured / services rendered		
	Work in process as on 1 July	53,507	10,616
	Raw materials consumed	26.2 <u>658,978</u>	<u>724,588</u>
	Packing materials consumed	26.3 <u>58,623</u>	<u>45,990</u>
	Stores and spares consumed	<u>14,413</u>	<u>11,660</u>
	Salaries, wages and other benefits	<u>40,669</u>	<u>34,402</u>
	Contribution to provident fund	-	360
	Fuel and power	<u>35,647</u>	<u>44,856</u>
	Repair and maintenance	<u>1,581</u>	<u>2,936</u>
	Rent, rates and taxes	<u>1</u>	<u>23</u>
	Insurance	<u>1,322</u>	<u>851</u>
	Depreciation	15.2 <u>3,217</u>	<u>3,167</u>
		<u>867,958</u>	<u>879,449</u>
	Work in process as on 30 June	(6,670)	(53,507)
		<u>861,288</u>	<u>825,942</u>
26.2	Raw materials consumed		
	Balance as on 1 July	17,021	1,526
	Purchases	<u>646,036</u>	<u>740,083</u>
		<u>663,057</u>	<u>741,609</u>
	Balance as on 30 June	(4,079)	(17,021)
		<u>658,978</u>	<u>724,588</u>



26.3 Packing materials consumed

	2009	2008
	(Rupees in '000)	
Balance as on 1 July	13,552	10,938
Purchases	60,648	48,604
	<u>74,200</u>	<u>59,542</u>
Balance as on 30 June	<u>(15,577)</u>	<u>(13,552)</u>
	<u>58,623</u>	<u>45,990</u>

27. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	9,360	11,202
Contribution to provident fund	-	145
Electricity and gas charges	3,638	1,051
Repair and maintenance	656	2,016
Travelling and conveyance	450	886
Legal and professional charges	4,253	2,338
Depreciation	833	1,104
Rent, rates and taxes	296	792
Postage, telegrams and telephone	396	598
Printing and stationery	744	505
Insurance	708	198
Subscription	206	231
Entertainment	37	106
Auditors' remuneration	492	512
Advertisement	40	65
Meeting and conferences	14	9
Other expenses	26	17
Fee under service level agreement with Dalda Foods (Private) Limited - the Ultimate Holding Company (note 1.2)	6,000	6,000
	<u>28,149</u>	<u>27,775</u>
Less: Common expenses allocated to ZIL Limited (formerly Zulfeqar Industries Limited) - refer note 22.1	(1,979)	(21)
	<u>26,170</u>	<u>27,754</u>

27.1 Auditors' remuneration

Statutory audit fee	250	382
Half yearly review	75	50
Certification for code of corporate governance	35	50
Other certifications	85	-
Out of pocket expenses	47	30
	<u>492</u>	<u>512</u>



28. SELLING AND DISTRIBUTION EXPENSES

		2009	2008
		(Rupees in '000)	
Salaries and other benefits		364	-
Sales promotion		10,763	13,958
Advertisement		24,144	14,808
Freight		12,710	11,263
Rebate		3,634	-
Depreciation	15.2	204	227
Repair and maintenance		-	2
Insurance		829	755
Research and development		8	140
		52,656	41,153
Expenses under the agreement to Dalda Foods (Private) Limited (DFL) - the Ultimate Holding Company (note 1.2)		15,973	15,236
		68,629	56,389

29. OTHER OPERATING EXPENSES

Provision for impaired debts	20.2	5,905	2,121
Write down of finished goods to net realisable value		7,117	-
Provision for doubtful advances to employees		-	293
Provision for impairment in capital work-in-progress		-	1,099
Exchange loss on revaluation of foreign currency fixed deposit		1,061	-
Security deposits written off		87	-
Provision against deposits, prepayments and other receivables	22	535	-
Provision against advances to suppliers		500	-
Others		124	302
		15,329	3,815



	2009 (Rupees in '000)	2008
30. OTHER OPERATING INCOME		
Income from financial assets		
Profit on foreign currency fixed deposit and term deposits	95	936
Income from non-financial assets		
Gain / (loss) on sale of property, plant and equipment	972	(17)
Scrap sales	1,179	1,279
Provision against advances to employees written back	21	-
Liabilities written back	1,869	-
Gain on settlement of oil borrowed from the Ultimate Holding Company	35,948	-
Fair value gain on investment property	399	27,000
Others	-	1,658
	40,388	29,920
	40,483	30,856

17 & 21

31. FINANCE COST

Mark-up on:		
- Short term borrowings	15,262	11,095
- Long term finance	9,495	11,875
- Subordinated loan from the Ultimate Holding Company	24,419	9,543
- Finance against trust receipts	4,572	3,067
Bank charges	1,174	824
Finance cost on liabilities against asset subject to finance lease	1	29
Finance cost on oil borrowed from the Ultimate Holding Company	-	28,538
	54,923	64,971

31.1

31.1 This includes interest / mark-up on borrowing from a director amounting to Rs. Nil (2008: Rs. 0.357 million).

32. TAXATION - net

Current	-	4,698
Prior year tax	-	182
Deferred	(978)	8,333
	(978)	13,213



	2009 (Rupees in '000)	2008
32.1 Reconciliation of tax charge for the year		
Loss before taxation	<u>(68,043)</u>	<u>(18,280)</u>
Tax @ 35%	(23,815)	(6,398)
Tax effect of income taxed under final tax regime	-	88
Tax effect of unused losses on which deferred tax asset has not been recorded due to uncertainty of future taxability	19,464	10,074
Tax effect of temporary differences on which deferred tax asset has not been recorded due to uncertainty of future taxability	3,373	4,604
Prior years' tax	-	182
Minimum tax liability under section 113 of Income Tax Ordinance, 2001	-	4,610
Others	-	53
	<u>(978)</u>	<u>13,213</u>
33. LOSS PER SHARE - BASIC AND DILUTED		
Net loss for the year	<u>(67,065)</u>	<u>(31,493)</u>
	(Numbers)	
Weighted average number of ordinary shares	<u>7,985,959</u>	<u>7,985,959</u>
	(Rupees)	
Loss per share	<u>(8.40)</u>	<u>(3.94)</u>
34. CASH AND CASH EQUIVALENTS	(Rupees in '000)	
Cash and bank balances	66,084	10,723
Running finance against mark-up arrangement from banks	(94,751)	(108,945)
Finance against trust receipt (FATR) from bank	(16,517)	-
	<u>(45,184)</u>	<u>(98,222)</u>



35. STAFF RETIREMENT BENEFITS

Provident Fund

Salaries, wages and benefits include Rs. Nil (2008: Rs. 0.505 million) in respect of provident fund contribution.

Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out as at 30 June 2009 are as follows:

- Discount rate at 13 % per annum (2008: 12% per annum).
- Expected rate of return on plan assets at 13% per annum (2008: 12% per annum).
- Expected rate of increase in salary level at 13% per annum for management employees (2008: 12% per annum) and at 12% for non-management employees (2008: 11% per annum).

The amount recognised in consolidated balance sheet is as follows:

	2009	2008
	(Rupees in '000)	
Present value of defined benefit obligation	20,657	18,373
Fair value of plan assets	17,017	(18,723)
Asset in balances	<u>37,674</u>	<u>(350)</u>
Changes in present value of defined benefit obligation		
Obligation as at 1 July	18,373	17,140
Current service cost	713	744
Interest cost	2,205	1,714
Actuarial loss	1,025	784
Benefits paid	(1,659)	(2,009)
Obligation as at 30 June	<u>20,657</u>	<u>18,373</u>
Changes in fair value of plan assets		
Fair value as at 1 July	18,723	19,125
Expected return on plan assets	2,247	1,913
Actuarial loss	(2,294)	(306)
Benefits paid	(1,659)	(2,009)
Fair value as at 30 June	<u>17,017</u>	<u>18,723</u>
Recognised (asset) / liability		
Balance as at 1 July	(350)	(1,985)
Expense recognized	3,990	1,635
Group's liability / (asset) as at 30 June	<u>3,640</u>	<u>(350)</u>



The amount recognised in the unconsolidated profit and loss account is as follows:

	2009 (Rupees in '000)	2008
Current service cost	713	744
Interest cost	2,205	(1,913)
Expected return on plan assets	(2,247)	1,714
Actuarial losses	3,319	1,090
Net expense for the year	<u>3,990</u>	<u>1,635</u>

Composition/ fair value of plan assets used by the fund

Equity instruments	93.76%	99.33%
Others	6.24%	0.67%

Actual return on plan assets is as follows:

Expected return on plan assets	2,247	1,913
Actuarial (loss) / gain on plan assets	(1,025)	(784)
Actual return on plan assets	<u>1,222</u>	<u>1,129</u>

Historical information

	2008	2007	2006	2005	2004
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	18,373	17,140	19,682	18,201	18,109
Fair value of planned assets	(18,723)	(19,125)	(42,992)	(39,217)	(37,797)
(Asset) / liability in balance sheet	<u>(350)</u>	<u>(1,985)</u>	<u>(23,310)</u>	<u>(21,016)</u>	<u>(19,688)</u>
Experience adjustment arising on plan liabilities (gains) / losses	<u>784</u>	<u>(656)</u>	<u>408</u>	<u>(221)</u>	<u>(2,415)</u>
Experience adjustment arising on plan assets gains / (losses)	<u>(306)</u>	<u>(104)</u>	<u>(147)</u>	<u>(1,733)</u>	<u>14,001</u>



36. RELATED PARTY TRANSACTIONS

Related parties comprise the Ultimate Holding Company and affiliated companies of the Group; directors and their close family members; staff retirement funds; key management personnel and major shareholders of the Group. Associated companies with whom such transactions have taken place includes ZIL Limited (formerly Zulfeqar Industries Limited), IGI Insurance Company Limited, Shakoo (Private) Limited and Mapak Qasim Edible Oils. These associated companies are associated companies either based on holding in equity or they are either under the same management and / or with common directors. During the year, common directorship with ZIL Limited (formerly Zulfeqar Industries Limited) ceased to exist. Therefore, it is no longer an associated company of the Company. All transactions with related parties have been entered on commercial basis / agreement. 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 and remuneration to key management personnel are determined in accordance with the terms of employment (note 37). The aggregate value of transactions and outstanding balances as at 30 June 2009 with related parties, other than those which have been disclosed else where, are as follows:

	2009				
	Balance as at 1 July 2008 receivable / (payable)	(Purchases) / sales / service income	Common expenses allocated receivable / (payable)	Payment made by received	Balance as at 30 June 2009 receivable / (payable)
----- (Rupees in '000) -----					
Ultimate Holding Company					
Dalda Foods (Private) Limited	(26,498)	45,757 84,263	11,664 (24,570)	* (10,763) (87,828)	(7,975)
Associated Companies					
Mapak Edible Oils (Private) Limited	(80,774)	(539,167)	-	613,553 -	(6,388)
Shakoo (Private) Limited	(17,633)	(36,866)	-	54,499 -	-
IGI Insurance Limited - insurance Premium	(591)	(1,150)	-	1,324 -	(417)

* This represents repayment of loan made on behalf of the Subsidiary to the bank by the Ultimate Holding Company.

	2008				
	Balance as at 1 July 2007 receivable / (payable)	(Purchases) / Sales	Common expenses allocated receivable / (payable)	Payment made received	Balance as at 30 June 2008 receivable / (payable)
----- (Rupees in '000) -----					
Ultimate Holding Company					
Dalda Foods (Private) Limited	(16,504)	(52,330) 88,497	15,236 (27)	- (61,370)	(26,498)



	2008				
	Balance as at 1 July 2007 receivable / (payable)	(Purchases) / Sales	Common expenses allocated receivable / (payable)	Payment made Received	Balance as at 30 June 2008 receivable / (payable)
----- (Rupees in '000) -----					
Associated Companies					
Mapak Edible Oils (Private) Limited	(51,992)	(386,328)	-	357,546	(80,774)
Shakoo (Private) Limited	(15,832)	(92,786)	-	90,985	(17,633)
Zulfeqar Industries Limited	1,610	(341) 1,617	1,476	593 (2,482)	2,473
IGI Insurance Limited - Insurance Premium	(278)	(891)	-	578	(591)
				Transaction value	Balance receivable / (payable)
				2009	2008
				----- (Rupees in '000) -----	
Others					
Contribution to staff retirement funds - Employee Provident Fund			-	505	(757)
Receipts from staff retirement fund - Employee Gratuity Fund			-	-	350

37. EXECUTIVES' REMUNERATION

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

	2009		2008	
	Chief Executive	Other Executives	Chief Executive	Other Executives
----- (Rupees in '000) -----				
Remuneration	1,200	1,734	-	910
Rent and utilities	-	954	926	501
Medical expenses	-	188	18	76
Entertainment	-	-	12	-
Holding Company's contribution to provident fund	-	-	-	42
Other perquisites	-	1,142	205	612
	1,200	4,018	1,161	2,141
----- (Number) -----				
Number of persons	1	3	1	2

The Ex-Chief Executive and Factory Manager of the Holding Company were also provided with free use of the Holding Company's maintained vehicle.



38. FINANCIAL INSTRUMENTS

The objective of the Group's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Holding Company has overall responsibility for the establishment and oversight of the Group's risk management framework and policies. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management controls and procedures and reviews their adequacy. The Holding Company's Audit Committee is assisted in its role by Internal Audit function, for which a professional firm of Chartered Accountants has been contacted by the Holding Company. Internal Audit undertakes regular reviews of the risk management controls and procedures, the results of which are reported to the Audit Committee.

38.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by the changes in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Group's performance for developments affecting a particular industry.

38.1.1 Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affect the Group's counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's credit risk principally arising from trade debts, balances with related parties, loans and advances to staff, deposits and other receivables.

To reduce the exposure toward the credit risk, consumer category wise credit limits and terms have been established, which are continuously monitored by the Group. Loans and advances given to employees are secured against retirement benefits of the employees as disclosed in note 16 to these consolidated financial statements properties of employees. Bank balances are maintained with sound credit rating banks. Deposits and other receivables include margin against guarantees held with banks and balances with related parties. The Group attempts to control credit risk in respect of other receivables by monitoring credit exposures of counter parties.



The maximum credit exposure as at the reporting date consists of following financial assets :

	2009 (Rupees in '000)	2008
Long term loans to employees	370	681
Trade debts	11,167	33,093
Loans and advances	396	881
Deposits and other receivables	10,250	8,043
Cash and bank balances	66,084	10,723
	88,267	53,421

38.1.2 Credit Quality

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of trade debts which are neither past due nor impaired are given in the note 38.1.3 below:

The credit quality of the Group's major bank accounts is assessed with reference to external credit ratings which are as follows:

Bank	Rating Agency	Rating	
		Short term	Long term
National Bank of Pakistan Limited	JCR-VIS	A-1+	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A-1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AA+
The Royal Bank Of Scotland Limited	PACRA	A1+	AA
Meezan Bank Limited	JCR-VIS	A-1	A+
Soneri Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AA+



38.1.3 Past due and impaired financial assets

Trade Debts

Trade debtors majorly comprise of wholesalers / distributors, except for Utility Stores Corporation and Canteen Stores Department, of edible oils spread through out the country. The Holding Company has not made export sales during the year ended 30 June 2009. The aging of trade debtors as at reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	-	-	-	
<i>Past due but not impaired</i>				
Past due 1-90 days	1,316	-	29,856	1,300
Past due 91 days -1 year	2,587	-	6,702	2,166
	<u>3,903</u>	-	<u>36,558</u>	<u>3,466</u>
<i>Past due and impaired</i>				
More than one year	35,906	28,642	19,272	19,271
Total	<u><u>39,809</u></u>	<u><u>28,642</u></u>	<u><u>55,830</u></u>	<u><u>22,737</u></u>

Utility Stores Corporation (USC) and Canteen Stores Department (CSD) were the major customers of the Holding Company during the year. The Holding Company creates a provision for doubtful trade debts based on past experience, consideration of financial position and past track record of recoveries.

Other financial assets

- The Group creates provision based on past experience, consideration of financial position and past record of recoveries.

38.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

**Exposure to liquidity risk**

The Group is exposed to liquidity risk in respect of its financial liabilities. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	2009					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	one to five years	More than five years
----- (Rupees in '000) -----						
Non-derivative financial liabilities						
Long term finance	43,791	(53,574)	(11,153)	(10,525)	(31,896)	
Subordinated loans from						
Ultimate Holding Company	350,000	(574,788)	-	(64,270)	(430,242)	(80,276)
Payable to the Ultimate						
Holding Company	10,763	(10,763)	-	(10,763)		
Short term borrowings	111,268	(114,755)	(3,536)	(111,219)	-	-
Trade and other payables	18,354	(18,354)	(18,354)	-	-	-
	534,176	(772,234)	(33,043)	(196,777)	(462,138)	(80,276)

	2008					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	one to five years	More than five years
----- (Rupees in '000) -----						
Non-derivative financial liabilities						
Long term finance	72,608	(89,530)	(25,559)	(11,855)	(52,116)	
Subordinated loan from						
Ultimate Holding Company	150,000	(238,562)	-	-	(238,562)	-
Short term borrowings	108,945	(109,864)	(919)	(108,945)	-	-
Trade and other payables	170,577	(170,577)	(170,577)	-	-	-
	502,130	(608,533)	(197,055)	(120,800)	(290,678)	-

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group meets these requirements by having credit lines available as at 30 June 2009 as specified in note 12 to these consolidated financial statements and financial assistance available from the Ultimate Holding Company as and when the need arises.

38.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June as disclosed in note 6 and 12 to these consolidated financial statements.



38.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return. The Group does not hold equity instrument , therefore, it is not subject to the other price risk. However, it is exposed to interest rate risk and currency risk.

38.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk

Majority of the interest rate risk exposure arises from subordinated loans the from the Ultimate Holding Company, long term finance and short term borrowings from banks. As at the reporting date, following is the interest rate profile of the Group's interest bearing variable rate financial instruments:

	2009 (Rupees in '000)	2008
Fixed rate instruments		
Financial assets		
Fixed deposit receipt with bank	16,767	-
Financial liabilities - short term borrowings from a commercial bank	(16,517)	-
Variable rate instruments		
Financial liabilities		
Subordinated loans from the Ultimate Holding Company	(350,000)	(150,000)
Long term finance	(43,791)	(72,608)
Running finance under markup arrangement	(94,751)	(108,945)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect consolidated profit and loss account and the consolidated equity of the Group.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased / decreased the loss of the Group as at 30 June 2009 by Rs. 2.510 million (2008: Rs. 0.817 million) . This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.



38.3.2 Currency Risk

Foreign currency risk is the risk that the value of a financial asset or liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Group is exposed to currency risk only on foreign currency fixed deposit receipt with bank and accrued profit thereon that is denominated in a currency other than the respective functional currency of the Group. There are no estimated forecast sales or purchases in foreign currency.

	2009		2008	
	Rupees In '000	US Dollars	Rupees In '000	US Dollars
Financial assets				
Deposit with bank	16,767	206	-	-
Accrued profit on foreign currency fixed deposit	95	2	-	-
Gross and net balance sheet exposure	16,862	208	-	-

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2009	2008	2009	2008
US Dollars	80	65	81.35 / 81.90	68.7

SENSITIVITY ANALYSIS

A ten percent strengthening / (weakening) of the Rupee against US Dollar at 30 June 2009 would have increased / (decreased) fixed deposits receipts and accrued profit thereon by Rs. 0.169 million (2008: Rs.nil). Accordingly, the equity and loss account of the Group would also have increased / (decreased) by the same amount. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

38.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values.

39. CAPITAL RISK MANAGEMENT

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide return to the shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. The Group is not externally exposed to regulatory capital requirements.



40. PLANT CAPACITY, PRODUCTION AND SALES

Vanaspati - Ghee and Cooking Oil

Assessed capacity

Capacity utilized:

Production

Toll Manufacturing

Total Capacity utilized

Sales

	2009 (M. Tonnes)	2008
	30,000	30,000
	7,577	7,188
	13,815	14,833
	21,392	22,021
	7,430	7,786

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

41. ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Property, plant and equipment

The Group reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. The valuation of freehold land, building and plant and machinery is carried out after every three years. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

Stock in trade and stores and spares

The Group reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

Trade debts

The Group reviews its receivable against provision required there on an ongoing basis, and appropriate provision is made against outstanding receivable based on systematic basis as approved by the Board of Directors.

Actuarial assumptions

The liability for employee benefits is estimated based on actuarial assumptions. Any change in these assumptions would have an impact on next and subsequent years financial statements.



42. INFORMATION ABOUT BUSINESS SEGMENTS

	2009				2008			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
------(Rupees in '000)-----								
Revenue - net	813,511	84,263	-	897,774	830,848	88,497	-	919,345
Cost of goods sold / services								
Opening balance of finished goods	92,215	-	-	92,215	81,825	-	-	81,825
Cost of goods manufactured / services rendered	779,033	82,255	-	861,288	746,061	79,881	-	825,942
Available for sale	871,248	82,255	-	953,503	827,886	79,881	-	907,767
Closing balance of finished goods	(112,254)	-	-	(112,254)	(92,215)	-	-	(92,215)
	758,994	82,255	-	841,249	735,671	79,881	-	815,552
Gross profit / (loss)	54,517	2,008	-	56,525	95,177	8,616	-	103,793
Administration expenses	(6,040)	-	(20,130)	(26,170)	(6,065)	-	(21,657)	(27,722)
Selling and distribution expenses	(68,629)	-	-	(68,629)	(56,389)	-	-	(56,389)
Other operating expenses	(15,329)	-	-	(15,329)	(3,815)	-	-	(3,815)
	(89,998)	-	(20,130)	(110,128)	(66,269)	-	(21,657)	(87,926)
Other operating income	40,483	-	-	40,483	1,279	-	1,641	2,920
Operating result	5,002	2,008	(20,130)	(13,120)	30,187	8,616	(20,016)	18,787
42.1 Segment assets	149,542	2,788	361,181	513,511	209,388	-	226,834	436,222
42.2 Segment liabilities	36,444	-	579,750	616,194	155,110	-	320,465	475,575
42.3 Non-cash items (excluding depreciation & amortisation)	15,329	-	-	15,329	3,815	-	-	3,815
42.4 Depreciation & amortisation	1,139	2,078	1,037	4,254	1,034	2,133	1,331	4,498
42.5 Capital expenditure	-	-	321	321	-	-	755	755
42.6 Cost of goods manufactured / services rendered:								
Opening stock of work in process	53,507	-	-	53,507	10,616	-	-	10,616
Raw materials consumed	* 639,272	19,706	-	658,978	* 699,467	25,121	-	724,588
Packing materials consumed	58,623	-	-	58,623	45,990	-	-	45,990
Stores and spares consumed	5,105	9,308	-	14,413	3,806	7,854	-	11,660
Salaries, wages and other benefits	14,404	26,265	-	40,669	22,533	11,869	-	34,402
Contribution to provident fund	-	-	-	-	236	124	-	360
Fuel and power	12,625	23,022	-	35,647	14,642	30,214	-	44,856
Repair and maintenance	560	1,021	-	1,581	958	1,978	-	2,936
Rent, rates and taxes	-	1	-	1	8	15	-	23
Insurance	468	854	-	1,322	278	573	-	851
Depreciation	1,139	2,078	-	3,217	1,034	2,133	-	3,167
	785,703	82,255	-	867,958	799,568	79,881	-	879,449
Closing stock of work in process	(6,670)	-	-	(6,670)	(53,507)	-	-	(53,507)
	779,033	82,255	-	861,288	746,061	79,881	-	825,942

* This includes raw material of Rs. 137.116 million (2008: Rs.184.474 million) borrowed from the Ultimate Holding Company.

42.7 Variable costs incurred during the period have been allocated based on tonnages produced under toll manufacturing agreement.

43. GENERAL

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on September 30, 2009.

Chief Executive

Director

Introduction:
Wazir Ali Industries Limited is committed to the highest standards of quality in the entire sphere of its business activity. Wazir Ali Industries Limited shall abide by all the laws prevalent in the country. Wazir Ali Industries Limited will also carry out its business activities in the utmost ethical and behavioural standards that go beyond the legal realms



Business Ethics & Practices

- **Employees:** Wazir Ali Industries Limited shall provide job opportunities to the most deserving candidates depending on their professional achievements and capabilities in their chosen fields.

The company is also committed to provide safe, healthy and congenial environment to its employees that would nurture and encourage growth to the company. All employees will be treated equally without any prejudice of discrimination irrespective of their cast and creed. It shall be the endeavour of the company to provide refresher

courses and trainings to its employees on regular basis to further their education and achieve professional excellence a sincere sense of belonging in would inculcate a sincere sense of belonging in the employees would reciprocate in the same manner and hold the interests of the company supreme by devoting their time to work in the best interest of the company by deterring their personal interests that may be in conflict with the interests of the company.

- *Public Relations: Wazir Ali Industries limited is an independent organization free from any infiltrations and vested interests. It is a member of different trade bodies, associations and organizations through which it participates at different forums and also submits proposals on Jinvitation for the enactment of legisttions.*

• **Quality Assurance, Safety and Environmental Issues:** Wazir Ali Industries Limited is committed to provide quality products to its customers that consistently offer value in terms of competitive prices and quality, and are safe for their intended use. Wazir Ali Industries Limited is committed to provide a friendly environment and aims

• **Competition:** Wazir Ali Industries Limited welcomes healthy competition in accordance with the business norms and condemns - any malpractice that are detrimental to the business community as a whole.

• **Reliability and Reporting:** The dealings of Wazir Ali Industries Limited are fair and just with the entire business community and the Government agencies. All contracts and transactions are fully documented and are available for review of the concerned. Wazir Ali Industries Limited complies with the International Accounting Standards whereby its financial statement present a true and fair view of the underlying transactions.

to ensure that its products and processes do not have any adverse environmental impact that may be against the normal business ethics.



Business Ethics & Practices

• *Code of Conduct:* Wazir Ali Industries Limited strictly adheres to the professional and business ethics and condemns any unfair community and the Government agencies.

• **Applications and Implementation:** The newly introduced Code of Corporate Governance is being adapted in its true spirit by Wazir Ali Industries Limited and its business partners locally and abroad. Industries Limited to impress upon its business partners the compliance of the Code of Corporate Governance in their dealings with the company. An internal audit department has been set up in the company to independently ensure strict compliance of the Code of Corporate Governance. The Directors, General Managers, Managers and other Heads of the Departments of the company would ensure that this Code of Business Ethics and practices is fully understood by all concerned for its implementation in the true spirit.



FORM OF PROXY

I/We.....
ofbeing a member of **WAZIR ALI INDUSTRIES LIMITED** and holding.....
ordinary shares as per share Register Folio Noand / or CDC Participant I.D. No.....
and Sub-Account No.....hereby appoint.....
ofor failing himofas
my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual
General Meeting of the company to be held on Wednesday 28 Oct. 2009 at 11:30 hours at Muslim
Gymkhana, Aiwan-e-Saddar Road, Karachi, at any adjournment thereof.

Signed thisday of2009

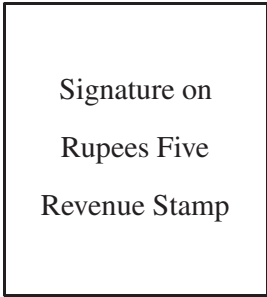
Witnesses:

- 1. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____

- 2. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____



The Signature should agree with the specimen registered with the company.

Note:

Proxies in order to be effective, must be received at the company's Registered office not less than 48 hours before the meeting. No person shall be appointed a proxy who is not a member of the company qualified to vote except that a corporation being a member may appoint as proxy a person who is not a member.
CDC shareholders and their proxies are each required to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the company.