

Wazir Ali Industries Limited

Annual Report 2001

QUALITY POLICY

We at **Wazir Ali Industries Limited** are committed to produce such Quality Products, which at least Qualify P.S.I. standards and in their formulation / manufacturing prime importance would be given to the health of consumers.

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COMPANY INFORMATION

Board of Directors	Syed Yawar Ali Dr. Abdulraouf M. Mannaa Dr. Mohamed H. Ikhwan Syed Tariq Ali Syeda Ferial Riffat Ali Mr. Zainul Abidin Memon Syed Naseem Ahmad	Chairman & Chief Executive
Company Secretary	Sadaqat Ali	
Auditors	Taseer Hadi Khalid & Co. Chartered Accountants Karachi	
Bankers	Prime Commercial Bank Limited Habib Bank Limited ABN-AMRO Bank	
Registered Head Office	3rd Floor, Kandawala Building M.A. Jinnah Road Karachi	
Factory	Hali Road Hyderabad	
Registrars & Share Transfer Office	THK Associates (Pvt.) Limited Ground Floor, Shaikh Sultan Trust Building No.2 Beaumont Road Karachi	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 49th Annual General Meeting of the shareholders of Wazir Ali Industries Limited will be held on Thursday, 27th December 2001 at 9.00 a.m. at Hotel Beach Luxury, Karachi to transact the following business.

1. To confirm the minutes of the last Annual General Meeting held on 15th November 2000.
2. To review and adopt the audited Balance Sheet and Profit and Loss Account of the Company for the year ended 30th June 2001 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year end 30th June 2002 and fix their remuneration (Messrs. Taseer Hadi Khalid & Co., Chartered Accountants retire, and being eligible offer themselves for reappointment).
4. To transact any other business with the permission of the Chair.

By Order of the Board

SADAQAT ALI
Company Secretary

Karachi: 21st November 2001

NOTES:

1. The Share Transfer Books of the Company will remain closed from 20th December 2001 to 27th December 2001 (both days inclusive).
2. A member entitled to attend and vote at the annual general meeting is entitled to appoint another member as proxy to attend and vote instead of him except that a corporation being a member may appoint as proxy a person who is not a member. The instrument appointing a proxy must be received at the registered office of the Company not less than forty-eight hours before the time of the meeting.
3. Members are requested to notify the change in their addresses, if any, immediately to the Registrar of the Company.

(CDC Account Holders will further have to follow the undermentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original NIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the company.

DIRECTORS' REPORT TO THE MEMBERS

The members of the Board of Directors feel pleasure in presenting to you the Company's accounts for the year ended on June 30, 2001 together with the Auditors' report thereon.

Overview

The year under review was a difficult period where depressed economic environment continued to hamper business activity at every level. The sales were adversely affected due to the availability of loose unbranded oil and ghee at cut throat prices and unprecedented lowering of international edible oil prices. Furthermore the profit margins were squeezed, as the oil and ghee industry to compete with the unorganized sector had to pass on the benefit through consumer and trade promotions.

Operating Results

Although the operating results show a decline of 25% in sales over the last year due to the above stated reasons, the gross profit grew from 16.4% in last year to 19.3% in the year under review. This is mainly due to decline in raw material prices along with timely buying. Moreover, this is also reflective of some cost-effective measures that were initiated in March to relieve the pressure on margins.

In order to improve the "Tullo Quality Image" in the edible oil market, your company carried out intensive marketing activities. Consequently, the marketing, selling and distribution expenses this year recorded an increase of Rs. 1 8.58 million (Year 2001: Rs.116.880 million - Year 2000: Rs.98.3 million) as compared to the last year. Further the financial expenses remained as in the previous year.

Future Outlook

Inspite of the uncertain conditions prevalent in the country the company continues to lay focus on operational efficiencies by resorting to automation, application of new developments in narrowing the wastage, resulting in controlled costs and better management of working capital though we hope to achieve sustainable performance in future as well.

Equity Injection

During the year 2,408,175 shares at Rs. 16/- per share (including a premium of Rs.6/- per share) were issued to M/s. Savola Edible Oil Company, Saudi Arabia. These were issued on approval by the general body of the company and Securities & Exchange Commission of Pakistan.

Revaluation of Operating Fixed Assets

Freehold land, building, plant and machinery of the company were revalued on 30 June 1993, 28 May 1997 and 30 June 2001 by an independent valuation consultant M/s. Iqbal A. Nanjee & Co. on market value basis. Revaluation surplus has been credited to surplus on revaluation of fixed assets account.

Provision in the accounts for this benefit is based on actuarial valuation carried out under the projected unit credit method and surplus/deficit arising on actuarial valuation of this scheme is recognized in the year when it arises.

Earning Per Share

The after tax loss per ordinary share of Rs. 10.00 is Rs.4.91 - (Year 2000 Earning: Rs. 1.42)

Change in the Board of Directors

In the year under review, Syed Shahid Ali resigned, to whom the members of the Board of Directors place on record their appreciation and recognition for his services rendered in the development and

growth of the company.

The members of the Board of Directors welcome Syed Naseem Ahmad on his joining the Board. The company hopes to benefit from his vast and varied experience.

Auditors

The annexed accounts have been prepared on the assumption that the Company would continue as a going concern. The assumption is based on the undertaking of continued support from the sponsoring directors.

The present auditors, Messrs. Taseer Hadi Khalid & Company, Chartered Accountants, are due to retire and being eligible, offer themselves for reappointment for the year ending June 30, 2002.

Pattern of Shareholding

The statement of pattern of shareholding of the company as at June 30, 2001 is included in the financial statement.

Remuneration to Chief Executive and Company Secretary

The remuneration is paid in accordance with the appropriate approvals. The statement of executives' remuneration is in the annexed audited accounts.

Acknowledgements

Our customers have supported us fully and we highly appreciate their valuable support. We will strive our best to continue this partnership by providing them quality products.

We would also like to thank our distributors, bankers, leasing & insurance companies and the shareholders for their continued support and encouragement.

The management and other staff members are continuously playing their role in the growth of your company, which is highly appreciable and commendable.

Karachi: 21st November 2001

Syed Yawar Ali
Chief Executive

PATTERN OF SHARE HOLDING AS AT 30 JUNE 2001

<i>Number of shareholders</i>	<i>Share Holding</i>		<i>Total shares held</i>	<i>%</i>
	<i>From</i>	<i>To</i>		
2,739	1	100	41,504	0.55
380	101	500	87,793	1.15
94	501	1,000	64,541	0.85
79	1,001	5,000	165,225	2.17
13	5,001	10,000	87,854	1.16
8	10,001	15,000	89,058	1.17
1	15,001	20,000	16,000	0.21
2	20,001	25,000	44,368	0.58
1	30,001	35,000	34,596	0.45
1	35,001	40,000	36,816	0.48
1	40,001	45,000	42,750	0.56
1	55,001	60,000	55,224	0.73
2	70,001	75,000	147,264	1.94
1	85,001	90,000	87,464	1.15
2	105,001	110,000	217,288	2.86
1	130,001	135,000	131,984	1.74
1	135,001	140,000	139,816	1.84
1	140,001	145,000	141,860	1.87

1	145,001	150,000	150,000	1.97
1	150,001	155,000	150,517	1.98
1	165,001	170,000	168,095	2.21
3	225,001	230,000	683,313	8.98
2	300,001	305,000	601,975	7.91
1	1,175,001	1,180,000	1,178,100	15.49
1	3,040,001	3,045,000	3,042,270	40.00
-----			-----	-----
3,338			7,605,675	100.00
=====			=====	=====

Categories of shareholders

<i>CATEGORY</i>	<i>NUMBERS</i>	<i>SHARES</i>	<i>%</i>
1. Individuals (General Public)	3297	2,043,668	26.87
2. Investment Companies	1	141,860	1.87
3. Insurance Companies	3	344,593	4.53
4. Joint Stock Companies	18	1,689,863	22.22
5. Financial Institutions	15	337,874	4.44
6. Foreign Companies	1	3,042,270	40.00
7. Corporate Law Authority	1	1	0.00
8. Abandoned Properties Org.	1	3,146	0.04
9. Babar Ali Foundation	1	2,400	0.03
	-----	-----	-----
	3338	7,605,675	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Wazir Ali Industries Limited** as at 30 June 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in

agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2001 and of the profit, its cash flows and changes in equity for the year then ended;

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

(e) without qualifying our opinion, we draw attention to the fact that the company, upto 30 June 2001, has incurred a net loss of Rs. 166.77 million, while its current liabilities exceed the current assets by Rs. 11.37 million. These financial statements have however been prepared on a going concern basis due to the undertaking of continued support of the sponsoring directors.

BALANCE SHEET AS AT 30 JUNE 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
8,000,000 ordinary shares of Rs. 10 each		80,000	80,000
		=====	=====
Issued, subscribed and paid-up	3	76,057	51,975
RESERVES			
Share premium		14,449	--
Revenue reserve		66,067	66,067
Accumulated loss		(166,773)	(136,807)
		-----	-----
		(86,257)	(70,740)
		-----	-----
		(10,200)	(18,765)
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS			
	4	66,723	46,085
LONG TERM DEMAND FINANCE			
- secured	5	2,800	13,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	6	3,154	3,961

LONG TERM DEPOSITS		760	1,210
CURRENT LIABILITIES			
Current maturities of long term demand finance and liabilities against assets subject to finance lease	7	11,387	11,083
Short term borrowings - secured Creditors, accrued expenses and other liabilities	8	162,107	178,879
Provision for taxation	9	35,376	54,319
	10	9,141	9,449
		-----	-----
		218,011	253,730
CONTINGENCIES AND COMMITMENTS	11		
		-----	-----
		281,248	299,221
		=====	=====

Karachi: 21st November 2001

Annexed notes form an integral part of these accounts.

FIXED CAPITAL EXPENDITURE

Operating fixed assets - at cost / valuation less accumulated depreciation	12	73,705	56,309
Capital work in progress		--	1,513
Intangible assets - trade marks		1	1
		-----	-----
		73,706	57,823

LONG TERM LOANS TO EMPLOYEES

- secured, considered good	13	269	336
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LONG TERM SECURITY DEPOSITS

		627	565
--	--	-----	-----

CURRENT ASSETS

Stock in trade	14	80,577	90,163
Goods in transit		14,415	32,196
Stores and spares	15	5,264	6,098
Trade debts - unsecured, considered good	16	42,642	44,237
Loans and advances - considered good	17	21,107	23,311
Deposits, prepayments and other receivables	18	30,697	18,572
Cash and bank balances in current accounts		11,944	25,920
		-----	-----
		206,646	240,497
		-----	-----
		281,248	29,922
		=====	=====

Syed Yawar Ali
Chief Executive

S. Feriel Riffat Ali
Director

PROFIT AND LOSS ACCOUNT**For the year ended 30 June 2001**

Note *2001* *2000*
(Rupees in '000)

Sales - net	19	758,292	1,017,833
Cost of goods sold	20	(611,841)	(850,620)
		-----	-----
Gross profit		146,451	167,213
Administrative expenses	21	37,093	30,251
Selling and distribution expenses	22	117,380	98,290
Financial expenses	23	31,888	28,628
Workers' profit participation	9.1	--	823
		-----	-----
		186,361	157,992
		-----	-----
		(39,910)	9,221
Other income		19,085	6,407
		-----	-----
(Loss)/profit before taxation		(20,825)	15,628
Provision for taxation - current year	10	(9,141)	(9,449)
- prior year		--	1,183
		-----	-----
		(9,141)	(8,266)
		-----	-----
Net (Loss)/profit after taxation		(29,966)	7,362
Accumulated loss brought forward		(136,807)	(144,169)
		-----	-----
Accumulated loss		(166,773)	(136,807)
		=====	=====
(Loss)/Earnings per share - basic and diluted	26 Rupees	(4.91)	1.42
		=====	=====

Annexed notes form an integral part of these accounts.

Syed Yawar Ali
Chief Executive

S. Ferial Riffat Ali
Director

Karachi: 21st November 2001

CASH FLOW STATEMENT

For the year ended 30 June 2001

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(20,825)	15,628
Adjustments for:		
Depreciation	8,672	8,006
Gain on disposal of fixed assets	(566)	(4,187)
Financial charges	31,888	28,628
Provision against doubtful debts	1,548	--
Provision against slow moving stores and spares	1,062	--
	-----	-----

	21,779	48,075
Changes in operating assets/liabilities		
Increase in stores and spares	(228)	(146)
Decrease in stock in trade	9,586	61,210
Decrease/(increase) in goods in transit	17,781	(17,801)
Decrease/(increase) in trade debts	47	(22,894)
Increase in long term deposits	(512)	(580)
Increase in advances, deposits, prepayments and other receivables	(9,588)	(12,507)
Decrease in creditors, accrued expenses and other liabilities	(15,612)	(7,942)
	-----	-----
	1,474	(660)
Payments to workers profit participation fund	(823)	--
Financial charges paid	(34,394)	(27,076)
Income tax paid	(9,715)	(14,668)
	-----	-----
Net cash flows from operating activities	(21,679)	5,671
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(3,737)	(7,589)
Proceeds from disposal of fixed assets	911	4,330
	-----	-----
Net cash flows from investing activities	(2,826)	(3,259)
CASH FLOWS FROM FINANCIING ACTIVITIES		
Payment of dividend	(2)	(83)
Lease rentals payment	(1,028)	(458)
Decrease in short term borrowings	(16,772)	(11,549)
(Decrease)/increase in long term demand finance	(10,200)	23,200
Proceeds from issue of shares	38,531	--
	-----	-----
Net cash flows from financing activities	10,529	11,110
Net decrease/(increase) in cash and bank balances	(13,976)	13,522
Cash and bank balances at beginning of the year	25,920	12,398
	-----	-----
Cash and bank balances at end of the year	11,944	25,920
	=====	=====

Annexed notes form an integral part of these accounts.

Karachi: 21st November 2001

Syed Yawar Ali
Chief Executive

S. Ferial Riffat Ali
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2001

(Rupees in '000)

	<i>Ordinary shares paid in cash</i>	<i>Ordinary shares issued as bonus shares</i>	<i>Share Premium</i>	<i>Revenue reserve</i>	<i>Accumulated loss</i>	<i>Total</i>
Balance as on 1 July 1999	44,000	7,975	--	66,067	(144,169)	(26,127)

Profit for the year	--	--	--	--	7,362	7,362
Balance as at 30 June 2000	44,000	7,975	--	66,067	(136,807)	(18,765)
Shares issued during the year	24,082	--	14,449	--	--	38,531
Loss for the year	--	--	--	--	(29,966)	(29,966)
Balance as at 30 June 2001	68,082	7,975	14,449	66,067	(166,773)	(10,200)

Annexed notes form an integral part of these accounts.

Syed Yawar Ali
Chief Executive

S. Feriel Riffat Ali
Director

Karachi: 21st November 2001

NOTES TO THE ACCOUNTS

For the year ended 30 June 2001

1. STATUS AND NATURE OF BUSINESS

1.1 Wazir Ali Industries Limited was incorporated as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are listed on the Karachi and Lahore stock exchanges. Principal activity of the company is the manufacture and sale of vanaspati ghee and cooking oils. The company remained under the administrative control of Ghee Corporation of Pakistan (Private) Limited upto 19 December 1992, the date of its privatization under the policy of the Government, through the Privatization Commission (Ministry of Finance), Government of Pakistan. The new management has acquired the control of Wazir Ali Industries Limited under a sale agreement with "Privatization Commission" dated 28 October 1992.

1.2 These accounts have been prepared on the assumption that the company would continue as a going concern although its accumulated losses as of 30 June 2001, exceeded shareholders' equity by Rs. 10.2 million (2000: Rs. 18.77 million) while current liabilities exceeded current assets by Rs. 11.37 million (2000: Rs. 13.23 million). The assumption is based on undertaking of continued support of the sponsoring directors.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These accounts have been prepared in accordance with accounting standards issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee of the IASC as applicable in Pakistan and the requirements of the Companies Ordinance, 1984.

2.2 Accounting Convention

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

2.3 Retirement Benefits

Gratuity fund

The company has instituted an approved defined benefit plan for all its permanent employees. The scheme is operated by trustees and annual contributions on the basis of actuarial advice are transferred to the trust. The company's annual contribution in respect of any member does not exceed the salary of the member for the last month of the financial year. Provision in the accounts for this benefit is based on actuarial valuation carried out under the projected unit

credit method and surplus / deficit arising on actuarial valuation of this scheme is recognized in the year when it arises.

Provident fund

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

2.4 Taxation

Current

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

Deferred

The company accounts for deferred taxation using the liability method on all major temporary differences. However, deferred tax assets are not recognised in the financial statements.

2.5 Operating fixed assets

Owned

a) Fixed assets including all additions are stated at cost or valuation less accumulated depreciation except freehold land, which is stated at revalued amount. Depreciation is provided under straight-line basis at rates indicated in note 12 to these accounts.

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

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

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

Leased

a) Assets subject to finance lease, if any, are stated at lower of present value of minimum of lease payments under the lease agreement and the fair value of the assets.

Related obligations under the lease are accounted for as liabilities. Depreciation is charged under straight-line method at rates indicated in note 12 whereby the cost of an asset is written off over its useful life.

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

2.6 Capital Work-in-progress

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

Stores and spares

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

2.8 Stock-in-trade

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

Cost is determined on a first in first out (FIFO) method except for labour and overheads included in finished goods and work in process items, which are determined on a weighted average basis. However, the soft oil (work in process) which have not

gone through the production phase includes raw materials costs only.

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

2.9 Goods in Transit

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

2.10 Trade Debtors

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

2.11 Revenue Recognition

Sales are recorded on despatch of goods to the customers.

2.12 Allocation of common expenses

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

2.13 Foreign currencies translation

Foreign currency transactions during the year are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies at the balance sheet date are translated into Pak rupees at the rates of exchange prevailing on the balance sheet date.

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

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
<i>(Number of Shares)</i>		<i>(Rupees in '000)</i>	
6,808,175	4,400,000	68,082	44,000
	Ordinary shares of Rs. 10/- each fully paid in cash		
797,500	797,500	7,975	7,975
-----	-----	-----	-----
7,605,675	5,197,500	76,057	51,975
=====	=====	=====	=====

During the year 2,408,175 shares at Rs. 16 per share (including a premium of Rs. 6 per share) were issued to M/s. Savola Edible Oil Company, Saudi Arabia. These shares were issued on the basis of approval by the general body of the company and Securities & Exchange Commission of Pakistan.

4. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

Freehold land, building and plant & machinery of the company were revalued on 30 June 1993, 28 May 1997 and 30 June 2001 by an independent valuer M/s. Iqbal A. Nanjee & Co. Valuation in 2001 was carried out under the market value basis. Revaluation surplus credited to surplus on revaluation of fixed assets account has been arrived at as follows:

Balance as on 1 July	46,085	46,800
Surplus on revaluation during the year	20,638	--
	-----	-----
	66,723	46,800
Surplus realised on disposal of freehold land	--	(715)
	-----	-----

66,723	46,085
=====	=====

5. LONG TERM DEMAND FINANCE - secured

Balance as on 30 June	13,000	23,200
Current maturity	(10,200)	(10,200)
	-----	-----
	2,800	13,000
	=====	=====

This represent a term finance facility received in September 1999 from a bank is repayable by September 2002 in monthly installments of Rs. 0.85 million. The facility carries mark-up rate of 46 paisas per Rs. 1,000 on daily product basis and is secured against assets disclosed in note 8 to these accounts.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - secured

Present value of minimum lease payments:

Balance as on 1 July	4,844	--
Assets acquired on lease during the year	525	5,302
	-----	-----
	5,369	5,302
Repayments during the year	(1,028)	(458)
	-----	-----
	4,341	4,844
Current maturity - shown under current liabilities	(1,187)	(883)
	-----	-----
	3,154	3,961
	=====	=====

Lease payments are due as under:

	<i>Principal</i>	<i>Finance charges allocated to future years</i>	<i>(Rupees in '000) Total lease rentals</i>
Not later than one year	1,187	619	1,806
Later than one year and not later than five years	3,154	598	3,752
	-----	-----	-----
2001	4,341	1,217	5,558
	=====	=====	=====
2000	4,844	1,450	6,294
	=====	=====	=====

Present value of minimum lease payments has been discounted by using financing rate of ranging from 14.75% to 16.34% per annum (2000: 19.34%). Deposit of Rs. 0.583 million (2000: Rs. 0.53 million) has been made against these liabilities.

7. CURRENT MATURITIES OF LONG TERM

	<i>2001</i>	<i>2000</i>
DEMAND FINANCE AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	<i>(Rupees in '000)</i>	
Long term demand finance	5	10,200
Liabilities against assets subject to finance lease	6	1,187
		883

-----	-----
11,387	11,083
=====	=====

8. SHORT TERM BORROWINGS - secured

The company has running finance facilities under mark-up arrangements in aggregate of Rs. 165 million (2000: Rs. 134.9 million) from certain banks at mark-up rates ranging from 41 to 47 paisas per Rs. 1,000, per day (2000: 46 to 55 paisas per Rs. 1,000 per day), net of prompt payment rebate. These arrangements are valid upto varying periods between 31 October 2001 to 10 August 2002 and are renewable.

These facilities are secured against first pari passu charge on present and future assets of the company including freehold land, building, machinery, stock in trade items, trade debts, etc. Funds borrowed under the above facilities as at the year end amounted to Rs. 140.62 million (2000: Rs. 59.27 million).

Facilities for opening letters of credit as at 30 June 2001 amounted to Rs. 180 million (2000: Rs. 200 million). Out of these facilities, balance utilised as at the year end amounted to Rs. 30.895 million (2000: Rs. 105.92 million). These facilities carry mark-up rate of 46 and 55 paisas per Rs. 1,000 per day and are secured against above assets and import documents.

In addition, the company also have guarantee facilities of Rs. 10.92 million (2000: Rs. 14.70 million) from certain banks which are secured against cash margin of Rs. 2.23 million. (2000: Rs. 2.17 million). Facility utilised as at 30 June 2001 amounted to Rs. 4.84 million (2000: Rs. 4.71 million).

9. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>	
Trade creditors		
- For goods	10,032	21,610
- For expenses	1,454	4,522
	-----	-----
	11,486	26,132
Accrued expenses		
- Mark-up on short term borrowings and liabilities against assets subject to finance lease	4,443	6,949
- Others	13,780	12,336
	-----	-----
	18,223	19,285
Advances from customers	3,998	5,515
Other liabilities	675	1,508
Unclaimed dividends	533	535
Sales tax	461	521
Workers' profit participation	9.1	823
	-----	-----
	35,376	54,319
	=====	=====

9.1 Workers' Profit Participation

Balance as on 1 July	823	--
Contribution for the year	--	823
	-----	-----
	823	823
Payments made during the year	(823)	--
	-----	-----
	--	823
	=====	=====

10. PROVISION FOR TAXATION

10.1 In view of tax losses, provision for minimum tax under section 80 DD of the Income Tax Ordinance, 1979, has been made in these accounts.

10.2 The income tax assessments of the company have been finalised upto and including the assessment year 1998-99.

11. CONTINGENCIES AND COMMITMENTS

Claims not acknowledged as debt	11,107	10,536
	=====	=====
Bank guarantees	4,836	4,707
	=====	=====
Capital commitments	--	1,019
	=====	=====

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

	COST/VALUATION					DEPRECIATION					(Rupees in '000)	
	As at 1 July 2000	Surplus on revaluation	Additions	Disposals	As at 30 June 2001	Rate %	As at 1 July 2000	For the year	Disposals	Release on revaluation	As at 30 June 2001	Written down value as at 30 June 2001
Owned												
Freehold land	27,561	(161)	--	--	27,400	--	--	--	--	--	--	27,400
Building on freehold land	9,359	2,689	--	--	12,048	5-10	5,130	753	--	(5,883)	--	12,048
Plant and machinery	28.37	(7,804)	2,330	--	22,897	10	16,961	31,170	--	(20,031)	--	22,897
Factory equipments	2,935	--	--	--	2,935	10	1,305	256	--	--	1,561	1,374
Furniture	458	--	461	--	919	10	353	70	--	--	423	496
Fittings	2,231	--	--	--	2,231	10	2,048	42	--	--	2,090	141
Office/residential equipments	9,928	--	2,264	(110)	12.08	10 & 33.33	5,740	2,082	(26)	--	7,796	4,286
Vehicles	10,361	--	187	(1,388)	9,160	20	6,600	1,482	(1,127)	--	6,955	2,205
	-----	-----	-----	-----	-----		-----	-----	-----	-----	-----	-----
	91,204	(5,276)	5,242	(1,498)	89,672		38,137	7,755	(1,153)	(25,914)	18,825	70,847
Leased												
Vehicles	4,052	--	533	--	4,585	20	810	917	--	--	1,727	2,858
	-----	-----	-----	-----	-----		-----	-----	-----	-----	-----	-----
	4,052	--	533	--	4,585		810	917	--	--	1,727	2,858
	-----	-----	-----	-----	-----		-----	-----	-----	-----	-----	-----
2001	95,256	(5,276)	5,775	(1,498)	94,257		38,947	8,672	(1,153)	(25,914)	20,552	73,705
	=====	=====	=====	=====	=====		=====	=====	=====	=====	=====	=====
2000	84,932	--	12,115	(1,791)	95,256		31,874	8,006	(933)	--	38,947	56,309
	=====	=====	=====	=====	=====		=====	=====	=====	=====	=====	=====

12.1 As at 30 June 2001, undepreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 52.323 million (2000: Rs. 34.356 million).

12.2 Had there been no revaluation, related figures of freehold land, buildings and plant and machinery would have been as follows:

	Cost	Accumulated depreciation	(Rupees in '000) Written down value
Freehold land	127	--	127
Building	8,771	8,441	330
Plant and machinery	37,878	37,877	1
	-----	-----	-----
2001	46,776	46,318	458
	=====	=====	=====
2000	46,776	45,660	1,116

12.3 Depreciation has been allocated as follows:

	2001	2000
	<i>(Rupees in '000)</i>	
Cost of goods manufactured	4,198	4,156
Administrative expenses	2,007	1,732
Selling and distribution expenses	2,467	2,118
	-----	-----
	8,672	8,006
	=====	=====

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

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>(Rupees in '000)</i>			<i>Mode of disposal</i>	<i>Purchaser</i>
				<i>Sale Proceeds</i>	<i>Gain</i>			
Office/residential equipments								
Air Conditioner	21	2	19	19	--	Negotiation	Mr. Fahim Sulaiman (ex-employee)	
Air Conditioner	25	10	15	15	--	Negotiation	Mr. Mehmood Hussain (ex-employee)	
Refrigerator	39	4	35	35	--	Negotiation	Mr. Fahim Sulaiman (ex-employee)	
Refrigerator	25	10	15	15	--	Negotiation	Mr. Mehmood Hussain (ex-employee)	
	-----	-----	-----	-----	-----			
	110	26	84	84	--			
Vehicles								
Suzuki Khyber	252	252	--	100	100	Negotiation	Mr. Adil Fouad (ex-employee)	
Toyota Corolla	701	701	--	466	466	Negotiation	Mr. Mushtaq Ahmed Ansari	
Suzuki Khyber	435	174	261	261	--	Insurance claim	IGI Insurance Company Limited	
	-----	-----	-----	-----	-----			
	1,388	1,127	261	827	566			
	-----	-----	-----	-----	-----			
2001	1,498	1,153	345	911	566			
	=====	=====	=====	=====	=====			
2000	1,791	933	858	4,330	3,472			
	=====	=====	=====	=====	=====			

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

	2001	2000
	<i>(Rupees in '000)</i>	
Loans due from:		
- Executives	72	212
- Other employees	413	513
	-----	-----
Receivable within one year	13.1	485
	(216)	(389)
	-----	-----
	269	336
	=====	=====
Age analysis of long term loans are as follows:		
Outstanding for periods exceeding three years	--	--
Others	269	336
	-----	-----

	269	336
	=====	=====

13.1 This represent mark-up free motorcycle loans to employees under a Collective Bargaining Agreement and loans given to executives/employees which are secured against the retirement benefits of respective employees. These are recoverable within 36 monthly installments.

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

Executives	329	1,100
	=====	=====
Other employees	590	290
	=====	=====

14. STOCK IN TRADE

Raw materials	35,799	39,348
Packing materials	14,439	10,961
Work-in-process	11,675	15,585
	-----	-----
	61,913	65,894

Finished goods		
Vanaspati (Ghee and Cooking Oil)	16,401	234,871
Washing soap	1,954	633
	-----	-----
	18,355	24,120

By-product	309	149
	-----	-----
	80,577	90,163
	=====	=====

15. STORES AND SPARES

Stores	1,617	1,636
Spares	4,709	4,462
	-----	-----
	6,326	6,098
Provision against slow moving stores and spares	(1,062)	--
	-----	-----
	5,264	6,098
	=====	=====

16. TRADE DEBTS-unsecured. considered good

Trade debts - considered good	42,642	44,237
Doubtful debts	2,231	683
	-----	-----
	44,873	44,920
Provision against doubtful debts	(2,231)	(683)
	-----	-----
	42,642	44,237
	=====	=====

17. LOANS AND ADVANCES - considered good

Loans (secured) - receivable within one year		
- Executives	72	208
- Other employees	144	181
	-----	-----

	13	216	389
Advances - secured:			
-Executives		32	1951
- Other employees		1,146	1,821
		-----	-----
		1,178	2,016
		-----	-----
17.1 & 17.2		1,394	2,405
Advance payments to contractors and suppliers-unsecured		1,082	2,541
Taxation		18,631	18,365
		-----	-----
		21,107	23,311
		=====	=====

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

- Executives		1,387	1,159
		=====	=====
- Other employees		1,279	1,168
		=====	=====

17.2 These are markup free advances and are secured in the same manner as given in note 13.1 to these accounts.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits and prepayments		3,054	4,092
Margin against bank guarantees		2,233	2,167
Excise duty and sales tax receivable		408	119
		-----	-----
		5,695	6,378

Other receivables - unsecured, considered good:

Due from associated companies	18.1 & 18.2	6,668	10,121
Receivable from gratuity fund	25	18,110	--
Others		224	2,073
		-----	-----
		25,002	12,194
		-----	-----
		30,697	18,572
		=====	=====

18.1 This represents normal trade credit to associated companies and amounts receivable for common expenses shared with them (net of recoveries).

18.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 11.60 million (2000: Rs. 14.8 million).

19. SALES - net	<i>Vanaspati (Ghee and Cooking Oil)</i>	<i>Washing soap</i>	<i>2001 (Rupees in '000)</i>	<i>2000</i>
Sales	752,744	12,667	765,411	1,024,133
Rebates	(7,069)	(50)	(7,119)	(6,300)
	-----	-----	-----	-----
	745,675	12,617	758,292	1,017,833
	=====	=====	=====	=====

20. COST OF GOODS SOLD

Balance of finished goods as on 1 July		23,487	633	24,120	32,908
Cost of goods manufactured	20.1	592,231	13,845	606,076	841,832
		-----	-----	-----	-----
Available for sale		615,718	14,478	630,196	874,740
Balance of finished goods as on 30 June		(16,401)	(1,954)	(18,355)	(24,120)
		-----	-----	-----	-----
		599,317	12,524	611,841	850,620
		=====	=====	=====	=====

20.1 Cost of goods manufactured

Work in process as on 1 July		15,314	271	15,585	26,099
Raw materials consumed	20.2	438,200	6,371	444,571	644,764
Packing materials consumed	20.3	80,145	--	80,145	100,482
Processing charges of washing soap		--	7,293	7,293	14,979
Stores and spares consumed		6,418	--	6,418	6,997
Salaries, wages and other benefits		33,940	73	34,013	36,354
Fuel and power		23,145	500	23,645	21,728
Repair and maintenance		732	--	732	306
Rent, rates and taxes		445	--	445	850
Insurance		706	--	706	702
Depreciation	12.3	4,198	--	4,198	4,156
		-----	-----	-----	-----
		603,243	14,508	617,751	857,417
Work in process as on 30 June		(11,012)	(663)	(11,675)	(15,585)
		-----	-----	-----	-----
		592,231	13,845	606,076	841,832
		=====	=====	=====	=====

20.2 Raw materials consumed

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>	
Balance as on 1 July	39,348	83,209
Purchases	444,948	607,243
	-----	-----
	484,296	690,452
Cost allocated to by-products	(3,926)	(6,340)
	-----	-----
	480,370	684,112
Balance as on 30 June	(35,799)	(39,348)
	-----	-----
	444,571	644,764
	=====	=====

20.3 Packing materials consumed

Balance as on 1 July	10,961	8,970
Purchases	83,623	102,473
	-----	-----
	94,584	111,443
Balance as on 30 June	(14,439)	(10,961)

		----- 80,145 =====	----- 100,482 =====
21. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		18,538	16,318
Directors' remuneration			
-Fee		211	1
- Salaries and other benefits		1,970	1,738
	28	----- 1,972	----- 1,739
Repair and maintenance		3,045	1,833
Electricity and gas		1,656	1,316
Rent, rates and taxes		993	924
Insurance		450	432
Traveling and conveyance		1,600	1,289
Entertainment		412	247
Postage, telegrams and telephone		834	1,362
Printing and stationery		725	554
Legal and professional		1,376	1,385
Auditors' remuneration	21.1	88	88
Advertisement		389	283
Charity and donation	21.2	35	7
Meeting and conferences		37	32
Subscription		157	226
Other expenses		24	51
Depreciation	12.3	2,007	1,732
Bad debts written off		145	433
Provision against doubtful debts		1,548	--
Provision against slow moving stores and spares		1,062	--
		----- 37,093 =====	----- 30,251 =====
21.1 Auditors' remuneration			
Audit fees		80	80
Out of pocket expenses		8	8
		----- 88 =====	----- 88 =====

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

22. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits		17,961	14,058
Advertisement		23,669	32,856
Sales promotion		57,486	30,448
Repair and maintenance - vehicles and others		2,317	1,960
Rent, rate and taxes		1,240	951
Freight		16,046	17,352
Traveling and conveyance		4,465	3,728
Research and development		482	587
Entertainment		235	118
Insurance		1,231	1,193
Postage, telegram and telephone		2,756	1,980
Subscription		32	44
Printing and stationery		1,253	1,169

Gas and electricity charges		403	258
Depreciation	12.3	2,467	2,118
Meeting and conferences		277	463
Others		150	265
		-----	-----
		132,470	109,548
Common expenses allocated to Zulfeqar industries Limited (an associated company)		(15,090)	(11,258)
		-----	-----
		117,380	98,290
		=====	=====

23. FINANCIAL EXPENSES

Mark-up on bank borrowings		30,126	27,400
Bank charges		1,045	832
Finance charges on liabilities against assets subject to finance lease		717	396
		-----	-----
		31,888	28,628
		=====	=====

24. OTHER INCOME

Actuarial gain on gratuity fund	25	18,110	--
Gain on sale of fixed assets	12.4	566	4,187
Mark-up income		19	237
Rent		11	50
Compensation on income tax refund orders		--	1,057
Sale of oxygen gas		--	231
Miscellaneous		379	645
		-----	-----
		19,085	6,407
		=====	=====

2.5 STAFF RETIREMENT BENEFIT - gratuity fund

Latest actuarial valuation of the company's obligation under the gratuity fund scheme was carried out on 30 June 2000, using the following significant assumptions.

- Expected rate of increase in salary level
 - 12% for management employees
 - 10% for non-management employees
- Expected rate of return on funds invested
 - 12% per annum

Net surplus in the fund recognised in the financial statements as on 30 June 2000, based on the actuarial valuation is as follows:

(Rupees in '000)

Fair value of plan asset	33,873
Present value of defined benefit obligation	(15,763)

Net surplus as on 30 June 2000 recognised in the financial statement	18,110
	=====

In view of the above surplus and since expected return for the year ended 30 June 2001 is expected to exceed the cost for the said year, no provision / contribution have been made in the current year.

2001

2000

26. (LOSS)/ EARNING PER SHARE - basic and diluted

Net (loss)/profit for the year	Rupees	(29,966,000)	7,362,000
		=====	=====
Weighted average number of ordinary shares		6,100,566	5,197,500
		=====	=====
(Loss)/earning per share	Rupees	(4.91)	1.42
		=====	=====

2001 **2000**
(Rupees in '000)

27. TRANSACTIONS WITH ASSOCIATED COMPANIES

Purchases		9,110	18,984
		=====	=====
Sales		4,855	11,919
		=====	=====
Insurance premium paid		1,184	1,061
		=====	=====
Insurance claims		260	315
		=====	=====
Common selling and distribution expenses allocated to Zulfeqar Ind		15,090	11,258
		=====	=====
Purchase of freehold land		--	4,019
		=====	=====
Proceeds from disposal of freehold land		--	3,730
		=====	=====

28. EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts for the year for remuneration and benefits to the executives and directors of the company are as follows:

	2001			2000				
	<i>Chief Executive</i>	<i>Directors Other Directors</i>	<i>Total</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Directors Other Directors</i>	<i>Total</i>	<i>Executives</i>
Fee	--	2	2	--	--	1	1	
Remuneration	--	300	300	12,584	--	300	300	10,102
Rent and utilities	736	431	1,167	7,114	531	505	1,036	6,682
Medical expenses	66	51	117	1,687	69	33	102	1,741
Entertainment	29	30	59	350	55	30	85	297
Company's contribution to Provident Fund	--	30	30	705	--	30	30	699
Other perquisites	177	120	297	352	65	120	185	495
	-----	-----	-----	-----	-----	-----	-----	-----
	1,008	964	1,972	22,792	720	1,019	1,739	20,016
	=====	=====	=====	=====	=====	=====	=====	=====
No. of persons	1	4	5	55	1	2	3	58
	=====	=====	=====	=====	=====	=====	=====	=====

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

2001 **2000**
(M. Tons)

29. PLANT CAPACITY, PRODUCTION AND SALES

Vanaspati - Ghee and Cooking Oil			
Assessed capacity		30,000	30,000
		=====	=====
Production		13,160	16,567

Sales	13,303	16,710
-------	--------	--------

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

31. MARK-UP RATE RISK EXPOSURE

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

	2001			(Rupees in '000)	
	Less than one month	Mark-up bearing One month to one year	More than one year	Non mark-up bearing	Total
Financial Assets					
Loans and advances	--	--	--	1,663	1,663
Long term security deposits	--	--	--	627	627
Deposits and other receivables	--	--	--	46,205	46,205
Trade debts - unsecured, consider	--	--	--	42,642	42,642
Cash and bank balances	--	--	--	11,944	11,944
	-----	-----	-----	-----	-----
	--	--	--	103,081	103,081
	=====	=====	=====	=====	=====
Financial Liabilities					
Long term demand finance	--	2,800	10,200	--	13,000
Liabilities against assets subject to	--	1,187	3,154	--	4,341
Long term deposits	--	--	--	760	760
Short term borrowings	--	162,107	--	--	162,107
Creditors, accrued expenses and	--	--	--	30,917	30,917
	--	166,094	13,354	31,677	211,125
	-----	-----	-----	-----	-----
On-balance sheet gap (a) - 2001	--	(166,094)	(13,354)	71,404	(108,044)
	=====	=====	=====	=====	=====
- 2000	--	(189,962)	(16,961)	39,341	(167,582)
	=====	=====	=====	=====	=====

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

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

Financial Liabilities	2001 (%)	2000 (%)
Long term demand finance	16.79	16.79
	=====	=====
Short term borrowings	16.57	17.24
	=====	=====
Liabilities against assets subject to finance lease	16.23	19.34
	=====	=====

32. CONCENTRATION OF CREDIT RISK

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

33. GENERAL

33.1 Total number of employees as at 30 June 2001 was 365 (2000: 389).

33.2 Figures have been rounded off to nearest thousand rupee