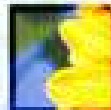


# Annual Report 2006



**WAZIR ALI INDUSTRIES LIMITED**



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WAZIR ALI INDUSTRIES LIMITED

## 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 /  
Chief Executive Officer

Syed Yawar Ali

Directors

Syed Tariq Ali  
Syeda Ferial R. Ali  
Syed Naseem Ahmad  
Mr. H. Aftab Ahmad  
Syeda Nighat Ali  
Syed Maratib Ali  
Syed Hasnain Ali

### BOARD AUDIT COMMITTEE

Chairman

Syed Tariq Ali

Members

Syeda Ferial R. Ali  
Mr. H. Aftab Ahmed

CHIEF FINANCIAL OFFICER /  
COMPANY SECRETARY

Mr. Amjad Waheed

EXTERNAL AUDITORS

KPMG Taseer Hadi & Company  
Chartered Accountants

LEGAL ADVISORS

Hussain & Haider  
Advocates & Solicitors

BANKERS

Prime Commercial Bank Limited  
Habib Bank Limited  
ABN AMRO Bank  
Union Bank Limited  
National Bank of Pakistan

REGISTERED & SHARE  
TRANSFER OFFICE

THK Associates (Pvt.) Limited  
Ground Floor,  
Statelife Building-3,  
Dr. Ziauddin Ahmed Road,  
Karachi.

REGISTERED HEAD OFFICE

3rd Floor, Kandawala Building  
M. A. Jinnah Road, Karachi.

FACTORY

Hali Road, Hyderabad



## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 54<sup>th</sup> Annual General Meeting of Wazir Ali Industries Limited will be held on Saturday, 28<sup>th</sup> October 2006 at 9.30 hours at Pakistan Society for Training and Development, Plot No. TC-3, Off Khayaban-e-Sehar, 34<sup>th</sup> Street, Phase – V (Extension) DHA, Karachi, Pakistan to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on October 26, 2005.
2. To receive, consider and approve the Audited Financial Statements of the Company for the year ended June 30, 2006 together with the report of Auditors and Directors thereon.
3. To elect 8 directors as fixed by the Board of Directors in their meeting held on September 23, 2006 in pursuant to section 178 (1) of the Companies Ordinance, 1984, for a term of next three years. The retiring Directors namely:
  - o Syed Yawar Ali
  - o Syed Tariq Ali
  - o Syeda Ferial R. Ali
  - o Syed Naseem Ahmad
  - o Mr. H. Aftab Ahmad
  - o Syeda Nighat Ali
  - o Syed Maratib Ali
  - o Syed Hasnain Ali.
4. To consider the appointment of External Auditors M/s KPMG Taseer Hadi & Co. to audit Annual Accounts for the year ending June 30, 2007 as well as to review the Half Yearly Accounts for the period ending December 31, 2006 and to review the compliance of Code of Corporate Governance and to fix their remuneration for the same.

By order of the Board  
**AMJAD WAHEED**  
Company Secretary

Lahore: September 23, 2006.

### NOTES:

- I. The Share Transfer Books of the Company will remain closed from 22 October 2006 to 28 October 2006 (both days inclusive).
- II. A member entitled to attend and vote at the general meeting is entitled to appoint another member as 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.
- III. 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.
- IV. 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, Statelife Building-3, Dr. Ziauddin Ahmed Road, Karachi.
- V. CDC Account Holders will further have to follow the guidelines as laid down by the Securities & 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 2006.

### 1. Overview

The continuing difficulties faced by the edible oil and ghee industry due to the anomalies in the duty and tax structures did not improve during the year and despite efforts by the Central Board of Revenue to bridge the gap within the oil and ghee business community by imposing federal excise duty on imports, the differential for the indigenous or locally obtainable oil remains the same as in the previous years.

Inflation has taken its toll with higher tin plate costs, utility charges, and transportation and communication costs. Also, the increase in discount rate by the State Bank of Pakistan has had a full year's impact on our cost of borrowing both for short term and long term loans. The presumptive tax regime applicable to the edible oil industry continues to play a major role in the already deteriorating financial position of the company.

The anomaly in taxes between organised and unorganized sectors exists despite representations to the Government for removing discrimination and creating a level playing field for the oil and ghee industry. The vegetable ghee and cooking oil units located in FATA/PATA areas are exempted from payment of income tax as the provisions of Income Tax Act 2001 do not apply to these areas. This discrimination has made the ghee and cooking oil industries in the tariff areas unfeasible and they have gradually started phasing out creating unemployment besides causing loss to the national exchequer in revenue terms.

The company had to reduce its dependence on importing RBD Palm and Palm Olien owing to the increase in prices in the international market. This effectively had a positive impact on our overall costs as the lead time in obtaining raw material reduced from 45 days to 7 days and the impact of lower taxation on the locally purchased oil

The removal of edible oil and ghee from the negative list of Afghan Transit Trade is having a damaging impact on the sale volumes of the local industry. Edible oil and ghee exported to Afghanistan is brought back into Pakistan and is freely available in the markets at very low rates thus creating an unhealthy and cutthroat competition.

Despite all these odds Sales have registered a growth of approximately 13% due to focus on sale of the popular segment of oil and ghee during the year on which the margins remained under pressure due to its low profitability.

The proposed land development project of the wholly owned subsidiary, Wazir Ali Ventures (Private) Limited, moved at a snails pace owing to bureaucratic delays in receiving permissions from various Government departments. The recent slow-down in the abnormal increase in real estate prices witnessed country-wide has, however, not affected the viability of our project and it is anticipated to come on stream by the second quarter of the next financial year.

### 2. Financial Review

Gross profit for the year under review has increased to Rs.174.420M from Rs 129.444M last year, showing a percentage increase from 14.55% to 16.84%.

Pre-tax and post-tax losses have reduced from Rs 25.892 to Rs 25.025M and from Rs 37.593M to Rs 35.422M respectively, as compared to last year.

Provision for minimum tax @ 3% of the value of goods imported and 1% of the value of oil purchased locally under section 148(8) of the Income Tax Ordinance 2001 has been incorporated in the accounts.

### 3. Loss per Share

The loss per share for the year has reduced to Rs 4.66 from loss per share of Rs 4.94 in the preceding year.



#### 4. Operating Results

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

	(Rs '000)	
	2006	2005
Operating (loss)/profit	(26,837)	(28,795)
Add: Other income	1,810	2,905
(Loss)/profit before taxation	(25,027)	(25,890)
Provision for taxation	(10,396)	(11,701)
(Loss)/Profit after taxation	(35,423)	(37,591)

#### 5. Risks

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

#### 6. Uncertainties

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

- I. The removal of edible oil and ghee from the negative list of Afghan Transit Trade due
- II. to which the indigenous industry would lose its market share to unrestricted inflow of
- III. edible oil and ghee from Afghanistan into Pakistan
- IV. Fixation of Sales Tax per ton on value addition would help the oil and ghee industry
- V. as well as facilitate in the generation of more revenues for the Government.
- VI. Prices of raw materials in the international market.
- VII. Correct interpretation of the regulatory duty on raw material

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. Provident and Gratuity Funds

The company is operating funded Provident and Gratuity Funds. The funds have been appropriately invested in the Government securities and are audited annually by independent auditors. The value of investments of the Provident Fund and Gratuity Fund according to the un-audited accounts for the year ended 30 June 2005 are Rs.55.124M and Rs. 8.900M respectively.

In accordance with the requirement IAS 8: Accounting policies, changes in accounting estimates and errors, the change in accounting policies has been accounted for retrospectively and comparative statement for the previous year have been restated. An amount of Rs. 16.625 million has been adjusted in the retained earning as at July 01, 2004.

## 9. Meetings of the Board of Directors

Four meetings of the Board of Directors of the Company were held on 29 September 2005, 26 October 2005, 16 February 2006 and 22 April 2006. Following was the attendance of the directors:

Names of Directors	No. of Meetings attended	Leave of Absence granted
1. Syed Yawar Ali	4	-
2. Syed Tariq Ali	4	-
3. Syeda Ferial R. Ali	3	1
4. Syed Naseem Ahmad	0	4
5. Mr. Nasim Beg	2	2
6. Mr. H. Aftab Ahmad	3	1
7. Syed Maratib Ali	2	2
8. Syeda Nighat Ali	2	2
9. Syed Hasnain Ali	1	1

During the year Syed Hasnain Ali was appointed as a Director of the company in place of Mr. Nasim Beg who resigned on 5 January 2006

## 10. Capital Expenditure and Commitments

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

## 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

Wazir Ali Industries Ltd closed the year registering the quantitative growth of 16.3% in the category. To meet the increasing challenges in the industry and aggressive marketing activities by the major players, the company increased its focus on the marketing support of its brands to enhance awareness and top of the mind recall.





Recognizing the need to enter the main-stream market of cooking oil, the company relaunched its flagship brand “Tullo Light Cooking Oil” with a new look & name “Tullo Cooking Oil”. The launch was supported by strong media campaign which got positive response from the market. Trade end activities were also initiated to develop strong relations with the trade.

To further strengthen relationship with the consumers, several consumer promotions and other consumer related activities were successfully executed during the year.

Especially, to generate consumer trial of the newly launched brand “Tullo Cooking Oil” a consumer promotion “Amazing Saving Scheme” was also introduced in the last 2 quarters of the year.

The company’s top management is strongly committed for more aggressive marketing activities in the coming financial year to develop the positive image and further enhancing the top of the mind recall of all of its brands, which shall substantially impact the sales volume positively.

#### 14. Safety, health and environment

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

#### 15. Future Outlook

During the last financial year a subsidiary company, Wazir Ali Ventures (Pvt) Ltd., was formed as mentioned earlier in this report, which will provide extra cash generation towards our working capital requirements through its development in the real estate business. These additional funds will assist us in achieving our targets for the current year.

We are optimistic about the future of the company and with the improved cash flow position and the introduction of the economical and affordable brands we have budgeted an improvement of 40% in our sales volume in the current year to match that of the year under review.

#### 16. Going Concern

The sponsoring family 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.

#### 17. 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 exceed the current assets by Rs 67.736M and the shareholders equity is in the negative by Rs 47.560M.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.



## 18. Statement in compliance of the Code of Corporate Governance

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

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

- a. The Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes at least five independent non-executive directors.
- b. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- c. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- d. Casual vacancies occurred in the Board during the year were appropriately filled.
- e. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and management employees of the Company. However, the company is in the process of obtaining signatures from non-management employees also.
- f. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the Company are in the process of development and maintaining a complete record of particulars of significant policies.
- g. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
- h. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- i. The Board has approved the appointment of CFO, Company Secretary and Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.
- j. 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.
- k. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- l. 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.
- m. The Company has complied with all the corporate and financial reporting requirements of the Code.
- n. The Board has formed an Audit Committee. It comprises three members, of whom three are non-executive directors including the chairman of the committee.
- o. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and pre audit and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- p. The Board has set-up an internal audit function and taking appropriate measures to make it effective.
- q. 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.



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

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

#### 19. Audit Committee

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

Syed Tariq Ali	Chairman
Syeda Feriel R. Ali	Member
Mr. H. Aftab Ahmad	Member

#### 20. Outstanding Statutory Payments

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

#### 21. Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2006-07.

#### 22. Pattern of Shareholding

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

#### Acknowledgements

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

We wish to thank our distributors for promoting the Tullo Quality Image and our bankers 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.

Syed Yawar Ali

Lahore: 23 September 2006

Chief Executive Officer



Key Operating and Financial Results for the last-10 years

	JUNE 2006	JUNE 2005	JUNE 2004	JUNE 2003	JUNE 2002	JUNE 2001	JUNE 2000	JUNE 1999	JUNE 1998	JUNE 1997
Sale-net	1,035,555	889,828	626,297	890,150	958,600	758,292	1,017,833	1,028,102	1,105,648	1,161,894
Cost of goods sold	861,135	760,384	530,057	715,792	756,021	611,841	850,620	926,487	994,941	1,065,818
Gross profit	174,420	129,444	96,240	174,358	202,579	146,451	167,213	101,615	110,707	96,076
Administrative	28,621	29,390	29,717	36,490	31,183	37,093	30,251	28,713	28,121	23,839
Selling and distribution	147,937	110,155	100,889	134,802	132,884	117,380	98,290	65,008	51,597	52,343
Financial charges	24,699	18,694	22,079	30,809	31,872	31,888	28,628	27,136	15,506	16,391
Amortization of deferred cost	-	-	-	-	-	-	-	-	-	7,832
Workers profit participation fund	-	-	-	-	558	-	823	-	862	8
Operating Expenses	201,257	158,239	152,685	202,101	196,497	186,361	157,992	120,857	96,086	100,413
	(26,837)	(28,795)	(56,445)	(27,743)	6,082	(39,910)	9,221	(19,242)	14,621	(4,337)
Other income	1,810	2,905	1,220	2,068	4,516	19,085	6,407	2,376	1,748	4,484
Profit (Loss) before taxation	(25,027)	(25,890)	(55,225)	(25,675)	10,598	(20,825)	15,628	(16,866)	16,369	147
Provision for Taxation	(10,396)	(11,701)	(5,422)	(10,861)	(8,288)	(9,141)	(9,449)	(5,142)	(5,530)	(5,886)
	-	-	-	-	-	-	1,183	-	-	2,310
Profit/(Loss) after taxation	(10,396)	(11,701)	(5,422)	(10,861)	(8,288)	(9,141)	(8,266)	(5,142)	(5,530)	(3,576)
	(35,423)	(37,591)	(60,647)	(36,536)	2,310	(29,966)	7,362	(22,008)	10,839	(3,429)
Paid Up Capital	76,057	76,057	76,057	76,057	76,057	76,057	51,975	51,975	51,975	25,987
Current Assets	162,166	220,977	126,065	238,357	244,099	206,464	240,497	224,325	294,864	228,928
Current Liabilities	229,902	240,873	145,860	273,670	249,660	218,011	253,730	256,362	294,880	265,136



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## **Auditors' report to the members'**

We have audited the annexed balance sheet of **Wazir Ali Industries Limited** as at 30 June 2006 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 account 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 except for change in accounting policy as stated in note 2.12 to the financial statements to which we concur;
  - 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 2006 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



KPMG Taseer Hadi & Co.

Without qualifying our opinion, we draw attention to note 1.3 in the financial statements which indicates that the Company incurred a net loss Rs. 35.423 million during the year ended on 30 June 2006 and, as of that date, its accumulated losses exceeded the shareholders equity by Rs. 47.560 million, while the current liabilities exceeded current assets by Rs. 67.736 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have however been prepared on a going concern basis on the basis of expectation of future profitability, restructuring of the Company and the undertaking of financial support by the sponsoring family directors, if required.

Lahore: 23 Sep 2006

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KPMG Taseer Hadi & Co.  
Chartered Accountants



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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 Regulations of the respective 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 system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2006.

Lahore: 23 Sep 2006

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**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



## Balance Sheet

As at 30 June 2006

	Note	2006 (Rupees in thousand)	2005 Restated (Rupees in thousand)		Note	2006 (Rupees in thousand)	2005 Restated (Rupees in thousand)
<b>SHARE CAPITAL AND RESERVES</b>				<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Share capital				Operating fixed assets	13	102,454	104,608
Authorised				Capital work in progress		936	46
8,000,000 ordinary shares of Rs10 each		80,000	80,000			103,390	104,654
Issued, subscribed and paid-up capital	3	76,057	76,057	Investment in subsidiary	14	50,000	50,000
Reserves				Long term loans to employees - secured			
Share premium		14,449	14,449	considered good	15	256	230
Revenue reserve		66,067	66,067	Long term security deposits		404	154
Accumulated loss		(204,133)	(172,308)	Current assets			
		(123,617)	(91,792)	Stock in trade	16	43,287	57,299
		(47,560)	(15,735)	Goods in transit		5,634	22,292
Surplus on revaluation of operating fixed assets	4	91,523	95,121	Stores and spares	17	7,177	5,300
Liabilities against assets subject to finance lease	5	448	-	Trade debts - unsecured, considered good	18	41,367	44,603
Long term deposits		760	760	Loans and advances - considered good	19	18,278	21,170
Long term finance - secured	6	39,229	52,925	Advances, deposits, prepayments and			
Deferred liability for compensated absences	7	1,914	2,071	other receivables	20	32,185	63,009
Current liabilities				Cash and bank balances	21	14,238	7,304
Current maturities of long term liabilities	8	19,292	22,917			162,166	220,977
Short term borrowings - secured	9	131,159	153,365				
Mark-up payable on borrowings		7,929	11,182				
Trade and other payables	10	61,126	41,708				
Provision for taxation	11	10,396	11,701				
		229,902	240,873				
Contingencies and commitments	12						
		316,216	376,015			316,216	376,015

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Lahore : 23 Sep 2006

Syed Tariq Ali  
Director





Profit and Loss Account  
For the year ended 30 June 2006

	Note	2006 (Rupees in thousand)	2005 Restated
Sales - net	22	1,035,555	889,828
Cost of goods sold	23	861,135	760,384
Gross profit		174,420	129,444
Administration expenses	24	28,621	29,390
Distribution and marketing expenses	25	147,937	110,155
Other operating income	27	1,810	2,905
Loss from operations		(328)	(7,196)
Finance cost	26	24,699	18,694
Loss before taxation		(25,027)	(25,890)
Provision for taxation	11	10,396	11,701
Loss after taxation		(35,423)	(37,591)
Loss per Share - Basic and diluted	30	(4.66)	(4.94)

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director

Lahore : 23 Sep 2006



### Cash Flow Statement

For the year ended 30 June 2006

Note	2006	2005 Restated
	(Rupees in thousand)	
Cash flows from operating activities		
Loss before taxation	(25,027)	(25,890)
Adjustments for:		
Depreciation	5,578	5,346
Gain on disposal of fixed assets	-	(1,494)
Financial charges	24,699	18,694
Provision for Staff retirement benefits	(500)	4,989
Provision for deferred liabilities for leave encashment	474	252
	5,224	1,897
Changes in operating assets/liabilities		
(Increase)/decrease in stores and spares	(1,877)	(40)
(Increase)/decrease in stock in trade	14,012	(866)
(Increase)/decrease in goods in transit	16,658	(22,292)
Decrease/( increase) in trade debts	3,236	(16,817)
(Increase)/decrease in long term loans to employees	(26)	242
(Increase)/decrease in long term security deposits	(250)	343
(Increase)/decrease in advances, deposits, prepayments and other receivables	33,473	(4,707)
Increase/(decrease) in trade and other payables	19,418	1,956
	84,644	(42,181)
Leave encashment	(631)	(1,148)
Staff retirement benefit paid	(1,794)	(2,400)
Financial charges paid	(27,952)	(12,645)
Income tax paid	(9,164)	(5,422)
Net cash flows from/(used in) operating activities	50,327	(61,899)
Cash flows from investing activities		
Fixed capital expenditure	(3,700)	(3,818)
Increase in capital work in progress	(890)	(46)
Disposal of fixed assets	276	778
Net cash flows from investing activities	(4,314)	(3,086)
Cash flows from financing activities		
Liability against assets subject to finance lease - net	596	(1,390)
(Decrease)/increase in short term borrowings - FATR	(3,525)	33,261
(Decrease)/increase in long term finance	(17,469)	(4,292)
Net cash flows from/(used in) financing activities	(20,398)	27,579
Net (decrease)/increase in cash and cash equivalents	25,615	(37,406)
Cash and cash equivalents at beginning of the year	(106,088)	(68,682)
Cash and cash equivalents at end of the year	28 (80,473)	(106,088)

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director

Lahore : 23 Sep 2006



Statement of Changes in Equity

For the year ended 30 June 2006

	Issued subscribed and paid-up capital	Capital reserve (share premium)	Revenue reserves		Total
			Revenue reserve	Accumulated loss	
(----- Rupees in thousand -----)					
Balance as at 1 July 2004	76,057	14,449	66,067	(239,252)	(82,679)
Adjustment due to change in policy of recognition of retirement benefits	-	-	-	16,625	16,625
Balance as at 1 July 2004 (Restated)	<u>76,057</u>	<u>14,449</u>	<u>66,067</u>	<u>(222,627)</u>	<u>(66,054)</u>
Loss for the year	-	-	-	(37,591)	(37,591)
Transferred from surplus					
on revaluation of fixed assets	-	-	-	2,528	2,528
Surplus on revaluation realised					
on disposal of fixed assets	-	-	-	85,382	85,382
Balance as at 30 June 2005 (Restated)	<u>76,057</u>	<u>14,449</u>	<u>66,067</u>	<u>(172,308)</u>	<u>(15,735)</u>
Loss for the year	-	-	-	(35,423)	(35,423)
Transferred from surplus					
on revaluation of fixed assets	-	-	-	3,598	3,598
Balance as at 30 June 2006	<u><u>76,057</u></u>	<u><u>14,449</u></u>	<u><u>66,067</u></u>	<u><u>(204,133)</u></u>	<u><u>(47,560)</u></u>

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director

Lahore : 23 Sep 2006



## Notes to the Accounts

For the year ended 30 June 2006

### 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 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 current management acquired the control of Wazir Ali Industries Limited under a sale agreement with "Privatization Commission" dated 28 October 1992.

1.2 The Company is domiciled in Karachi, Pakistan.

1.3 These financial statements have been prepared on the assumption that the Company would continue as a going concern although the Company has incurred a net loss of Rs.35.423 million during the year ended 30 June 2006 and, as of that date, its accumulated losses exceeded the shareholders' equity by Rs. 47.560 million (2005: Rs. 15.735 million), while the current liabilities exceeded current assets by Rs. 67.736 million (2005: Rs. 19.896 million). The assumption that the Company would continue as a going concern is based on expectation of future profitability, restructuring of Company and the undertaking of financial support of the sponsoring family directors, if required.

### 2 Significant accounting policies

#### 2.1 Statement of compliance

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

#### 2.2 Basis of preparation

These accounts have been prepared under the historical cost basis except that certain fixed assets, stated in note 13, are shown at revalued amounts.

#### 2.3 Property, plant and equipment

##### Owned

Fixed assets including all additions are stated at cost or valuation less accumulated depreciation and impairment losses, if any. However, freehold land is stated at revalued amount. Depreciation is calculated so as to write off the assets over their expected economic lives under the straight-line basis at rates indicated in note 13 to these financial statements. The residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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

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



#### Leased

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 2.9 to these financial statements.

#### Capital work-in-progress

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

#### 2.4 Investment in subsidiary

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

#### 2.5 Stock-in-trade

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

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

#### 2.6 Goods in transit

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

#### 2.7 Stores and spares

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

#### 2.8 Trade and other receivables

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

#### 2.9 Mark-up bearing borrowings

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

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

#### 2.10 Trade and other payables

Trade and other payables are stated at cost.



2.11 Taxation  
Current

The Company is subject to presumptive tax regime whereby tax deducted at source on imports and local purchases is treated as full and final settlement of tax liability.

Deferred

The Company accounts for deferred taxation using the liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes to the extent of Company's income subject to normal tax regime. This is recognised on the basis of expected manner of settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised. However, as more fully explained in note 4.2 to the financial statements, deferred tax liability on surplus arising on revaluation of fixed assets is recognised only (and to the extent) if it is probable that tax payable under the normal tax regime would be higher than tax liability under the presumptive tax regime.

2.12 Staff retirement benefits

Provident fund – defined contribution plan

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

Gratuity scheme – defined benefit plan

The Company is also operating an approved funded gratuity scheme for its permanent employees. Company's obligation under this scheme is determined by estimating the amount of future benefits that employees have earned in return for their services in the current and prior years; that benefit is discounted to determine the present value, and the fair value of the plan asset is deducted. The determination is made by a qualified actuary.

During the year, the Company has changed its accounting policy for the recognition of net cumulative unrecognized actuarial gains and losses at each balance sheet date. The change has been made as the management is of the view that the new policy, which results in faster recognition of actuarial gains and losses, provides more reliable relevant information in financial statements. Under the new policy the Company immediately recognises all actuarial gains and losses in the profit and loss account in the year in which they arise. Previously net cumulative gains in excess of the corridor limits were recognized over the remaining useful lives of the employees on a straight line basis.

In accordance with the requirements of IAS 8: Accounting policies, changes in accounting estimates and errors, the change in accounting policy has been accounted for retrospectively, and the comparative statements for previous years have been restated. An amount of Rs. 16.625 million has been adjusted in the retained earnings as at 1 July 2004.

The effect of change on the current and previous years result is tabulated below:

	2006	2005
	(Rupees in thousand)	
Loss before tax would have been lower by	<u>1,201</u>	<u>4,989</u>
Advances, deposits, prepayments and other receivables would have been lower by	<u>10,435</u>	<u>11,636</u>
Loss per share would have been lower by - Rs	<u>0.16</u>	<u>0.65</u>



#### Accumulating compensated absences

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

#### 2.13 Provisions

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

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

#### 2.14 Foreign currency transactions

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

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

#### 2.15 Off-setting

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

#### 2.16 Revenue recognition

Revenue from sales is recorded when significant risk and rewards have been transferred i.e on despatch of goods to the customers.

#### 2.17 Impairment

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

#### 2.18 Financial instruments

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

#### 2.19 Cash and cash equivalents

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

#### 2.20 Allocation of common expenses

The Company, under an agreement, is allocating certain common selling, distribution and administrative expense.



		2006 (Rupees in thousand)	2005
3	Issues, subscribed and paid-up capital		
	6,808,175 (2005: 6,808,175) ordinary shares of Rs 10 each fully paid in cash	68,082	68,082
	797,500 (2005: 797,500) ordinary shares of Rs 10 each fully paid Bonus shares	7,975	7,975
		<u>76,057</u>	<u>76,057</u>

3.1 Related parties, International General Insurance Company of Pakistan Limited and Treet Corporation Limited hold 3.97 percent and 15.49 percent shares of the Company respectively.

		Note	2006 (Rupees in thousand)	2005
4	Surplus on revaluation of operating fixed assets			
	Balance as on 1 July		95,121	98,516
	Revaluation during the year	4.1	-	84,515
			<u>95,121</u>	<u>183,031</u>
	Surplus transferred to accumulated losses in respect of incremental depreciation charged on related assets during the year		(3,598)	(2,528)
	Surplus realised on disposal of land taken to accumulated losses		-	(85,382)
			<u>(3,598)</u>	<u>(87,910)</u>
	Balance as on 30 June		<u>91,523</u>	<u>95,121</u>

4.1 This represents surplus arising on revaluation of freehold land of the Company. The revaluation was carried out under the market value basis by independent valuers Iqbal A. Nanjee & Co and Imran Associates on 04 March 2005 and 31 January 2005 respectively.

4.2 Deferred tax liability on the above surplus has not been recognized by the Company as the management is of the view, that in the foreseeable future the Company would continue to be assessed under the Presumptive Tax Regime.





5 Liabilities against assets subject to finance lease - secured

	2006			2005		
	Minimum lease payments	Finance cost for future periods	Principal outstanding	Minimum lease payments	Finance cost for future periods	Principal outstanding
	(----- Rupees in thousand -----)					
Upto 1 year	349	67	282	136	2	134
Over one year to five years	476	28	448	-	-	-
	<u>825</u>	<u>95</u>	<u>730</u>	<u>136</u>	<u>2</u>	<u>134</u>

5.1 Present value of minimum lease payments has been discounted by using financing rates ranging from 6 months KIBOR plus 3.5% with a floor of 11%. (2005: 11.67 percent to 14 percent). Title to the assets acquired under the leasing arrangements are transferable to the Company at the end of lease term. Repair and insurance costs are to be borne by the Company.

	2006	2005
	(Rupees in thousand)	
6 Long term finance - secured		
Balance as on 01 July	75,708	80,000
Repayments made during the year	(17,469)	(4,292)
	<u>58,239</u>	<u>75,708</u>
Current maturity	(19,010)	(22,783)
	<u>39,229</u>	<u>52,925</u>

6.1 This represents facility obtained from Prime Commercial Bank Limited Karachi. The loan is repayable in 16 quarterly installments alongwith markup over a term of 5 years, including one year grace period of repayment of principal. The loan carries markup at rate of 3 months KIBOR plus 2 % with a floor of 8 % p.a. The loan facility is secured against first pari passu charge on present and future assets of the Company including freehold land, building, machinery, stock in trade and trade debts.

	2006	2005
	(Rupees in thousand)	
7 Deferred liabilities for compensated absences		
Balance as at 01 July	2,071	2,967
Provision made during the year	474	252
	<u>2,545</u>	<u>3,219</u>
Payments made during the year	(631)	(1,148)
Balance as at 30 June	<u>1,914</u>	<u>2,071</u>



		2006	2005
		(Rupees in thousand)	
8	Current maturities of long term liabilities		
	Liabilities against assets subject to finance lease	282	134
	Long term finance	19,010	22,783
		<u>19,292</u>	<u>22,917</u>
9	Short term borrowings - secured		
	Short term running finance	94,711	113,392
	Finance against trust receipt (FATR)	36,448	39,973
		<u>131,159</u>	<u>153,365</u>

- 9.1 The Company has running finance facilities under mark-up arrangements in aggregate of Rs. 120 million (2005: Rs.125 million) from certain banks at mark-up rate of 3 months KIBOR plus 2 % with a floor of 8 % p.a. for facility amounting to Rs. 25 million and 6 months KIBOR plus 2 % for facility amounting to Rs. 95 million (2005: 19 to 29 paisas per Rs. 1,000 per day), net of prompt payment rebate. These arrangements are valid upto varying periods between June 2006 to April 2007. The facility of Rs. 25 million is secured against first mortgage charge over Company's fixed assets comprising land, building, plant and machinery for Rs. 104 million and facility of Rs. 95 million is secured against hypothecation of stock in trade and receivables with 25 % margin and pari passu charge on all present and future current assets (to extent of Rs. 127 million) and fixed assets (to extent of Rs. 158 million) of the Company.
- 9.2 Facilities for finance against trust receipt from certain banks at 30 June 2006 amounted to Rs. 40 million (2005: Rs. 40 million). These facilities carry mark-up rate of 3 months KIBOR plus 2 % with a floor of 8 % p.a. (2005: 19 to 29 paisas per Rs. 1000 per day) and are secured against assets specified in 9.1 and import documents.
- 9.3 Facilities for opening letters of credit from certain banks at 30 June 2006 amounted to Rs. 80 million (2005: Rs. 110 million) and are secured against assets specified in 9.1 and import documents. Facilities utilised as at 30 June 2006 amounted to Rs. Nil (2005: Rs. 11 million).
- 9.4 In addition, the Company also has guarantee facilities of Rs. 10 million (2005: Rs. 10 million) from certain banks. Facility utilised as at 30 June 2006 amounted to Rs. 4.84 million (2005: Rs. 4.84 million). This is secured against cash margin of Rs. 4.836 million (2005: Rs. 2.23 million).



	2006	2005
	(Rupees in thousand)	
10 Trade and other payables		
Trade payables		
For goods	18,729	22,718
For expenses	10,695	75
	<u>29,424</u>	<u>22,793</u>
Accrued expenses	7,890	9,676
Customers balances	6,597	3,686
Unclaimed dividends	533	533
Excise duty and sales tax payable	930	2,633
Due to related parties	1,033	52
Other liabilities	14,719	2,335
	<u>61,126</u>	<u>41,708</u>

11 Provision for taxation

11.1 Provision for tax represents tax at 3 percent of the value of the goods imported under section 148(8) and tax at 1 percent on value of local purchases under clause (13C) of part II of 2nd Schedule of the Income Tax Ordinance, 2001. This is treated as full and final settlement of tax liability.

11.2 The income tax assessments of the Company have been finalised upto and including the tax year 2005

	Note	2006	2005
		(Rupees in thousand)	
12 Contingencies and commitments			
Claims against the Company			
not acknowledged as debt	12.1	13,673	13,673
Bank guarantees		<u>4,836</u>	<u>4,836</u>

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



13 Operating fixed assets

	Cost			Depreciation			Written down value 30 June 2006	Rate %
	As on 01 July 2005	(Disposals)/ (transfer)/ adjustment	As at 30 June 2006	As on 01 July 2005	For the year	(Disposals)/ (transfer)/ adjustment		
(-----Rupees in thousand-----)								
Owned								
Freehold land	69,164	-	69,164	-	-	-	69,164	-
Building on freehold land	12,048	-	12,048	2,589	1,098	-	3,687	5-10
Plant and machinery	24,996	1,009	26,005	4,374	2,584	-	6,958	10
Factory equipments	2,995	-	2,995	2,609	193	-	2,802	10
Furniture	959	946	1,905	683	128	-	811	10
Fittings	2,231	-	2,231	2,221	5	-	2,226	10
Office/residential equipment	12,103	776	12,879	10,834	573	-	11,407	10 & 33.33
Vehicles	10,692	850	11,192	7,610	916	(74)	8,962	20
						510		
Intangible assets	776	-	776	776	-	-	776	-
	135,964	3,581	139,195	31,696	5,497	436	37,629	101,566
Leased								
Vehicles	850	969	(850)	969	510	81	(510)	81
								888
2006	136,814	4,550	(1,200)	140,164	32,206	5,578	(74)	37,710
2005	139,709	88,333	(91,228)	136,814	29,488	5,346	(2,628)	32,206

13.1 As at 30 June 2006, undepreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 91.523 million (2005 : Rs. 95.121 million).

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

	Cost	Accumulated depreciation	Written down value
(-----Rupees in thousand-----)			
Freehold land	1,826	-	1,826
Building	9,427	9,427	-
Plant and machinery	47,929	47,929	-
2006	59,182	57,356	1,826
2005	59,182	57,356	1,826

2006  
2005  
(Rupees in thousand)

13.3 Depreciation expense has been allocated as follows:

Cost of goods manufactured	23.1	3,792	3,837
Administration expenses	24	1,183	692
Distribution and marketing expenses	25	603	817
		5,578	5,346



13.4 Details of fixed assets with book value of Rs. 50,000 and more disposed off during the year are as follows:

Description	Cost/ revaluation	Accumulated depreciation	Carrying value	Sale proceeds	Gain/ (loss)	Mode of disposal	Purchaser
	(----- Rupees in '000 -----)						
Vehicles							
Suzuki Mehran	350	(74)	276	276	-	Insurance claim	IGI Insurance Company Limited of Pakistan
2006	<u>350</u>	<u>(74)</u>	<u>276</u>	<u>276</u>	<u>-</u>		
2005	<u>89,229</u>	<u>(630)</u>	<u>88,599</u>	<u>89,045</u>	<u>446</u>		

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



14 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.

Note	2006 (Rupees in thousand)	2005
	505	453
	(249)	(223)
	<u>256</u>	<u>230</u>

15 Long term loans to employees - secured considered good

Loans and advances due from employees Receivable within one year

15.2	505	453
	(249)	(223)
	<u>256</u>	<u>230</u>

15.1 There are no loans given to executives (2005: Rs. NIL). All the loans are recoverable within a period of 3 years.

15.2 This 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.

16 Stock in trade

Raw materials  
Packing materials  
Work-in-process

	2006 (Rupees in thousand)	2005
	2,351	5,475
	19,452	18,900
	10,080	7,268
	<u>31,883</u>	<u>31,643</u>
Finished goods - Ghee and cooking oil	9,746	24,378
Acid oil (by-product)	1,658	1,278
	<u>43,287</u>	<u>57,299</u>

16.1 Stock in trade items are part of the overall security given to the banks for financing facilities obtained from them. Details of this security are given in note 9.1 to these financial statements.

17 Stores and spares

Stores  
Spares

	2006 (Rupees in thousand)	2005
	3,256	1,923
	4,983	4,439
	<u>8,239</u>	<u>6,362</u>
Provision against slow moving stores and spares	(1,062)	(1,062)
	<u>7,177</u>	<u>5,300</u>





20.1 This balance is receivable from Zulfeqar Industries Limited due to normal trading activities and amounts receivable for common expenses shared with them (recoveries), etc. No mark-up / interest is charged on the outstanding balances.

20.2 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 1.561 million (2005: Rs. 4.243 million).

		2006	2005
		(Rupees in thousand)	
21	Cash and bank balances		
	Cash in hand	184	48
	With bank on current account	14,054	7,256
		<u>14,238</u>	<u>7,304</u>
22	Sales - net		
	Sales	1,150,464	1,028,005
	Sales tax	(109,690)	(130,772)
	Leakages and damages	(5,219)	(7,405)
		<u>1,035,555</u>	<u>889,828</u>
		Note	
		2006	2005
			Restated
		(Rupees in thousand)	
23	Cost of goods sold		
	Balance of finished goods as on 1 July	25,656	27,563
	Cost of goods manufactured	23.1 846,883	758,477
	Available for sale	872,539	786,040
	Balance of finished goods as on 30 June	(11,404)	(25,656)
		<u>861,135</u>	<u>760,384</u>
23.1	Cost of goods manufactured		
	Work in process as on 1 July	7,268	10,976
	Raw materials consumed	23.2 694,273	614,533
	Packing materials consumed	23.3 91,057	80,522
	Stores and spares consumed	4,968	4,943
	Salaries, wages and other benefits	28,733	29,914
	Contribution to provident fund	1,139	770
	Fuel and power	23,988	18,789
	Repair and maintenance	818	896
	Rent, rates and taxes	146	40
	Insurance	781	525
	Depreciation	13.3 3,792	3,837
		<u>856,963</u>	<u>765,745</u>
	Work in process as on 30 June	(10,080)	(7,268)
		<u>846,883</u>	<u>758,477</u>





23.2	Raw materials consumed		
	Balance as on 1 July	5,475	983
	Purchases	691,149	619,025
		<u>696,624</u>	<u>620,008</u>
	Balance as on 30 June	(2,351)	(5,475)
		<u>694,273</u>	<u>614,533</u>
		Note	
		2006	2005
		(Rupees in thousand)	
23.3	Packing materials consumed		
	Balance as on 1 July	18,900	16,911
	Purchases	91,609	82,511
		<u>110,509</u>	<u>99,422</u>
	Balance as on 30 June	(19,452)	(18,900)
		<u>91,057</u>	<u>80,522</u>
24	Administrative expenses		
	Salaries, wages and other benefits	15,812	12,825
	Contribution to provident fund	542	390
	Electricity and gas charges	1,524	1,971
	Repair and maintenance	2,044	1,506
	Traveling and conveyance	2,309	2,763
	Legal and professional charges	2,592	3,446
	Depreciation	13.3	1,183
	Rent, rates and taxes	2,050	1,768
	Postage, telegrams and telephone	1,543	1,146
	Printing and stationery	836	933
	Insurance	385	285
	Subscription	120	66
	Entertainment	336	185
	Auditors' remuneration	24.1	252
	Advertisement	137	161
	Meeting and conferences	6	16
	Charity and donation	1	-
	Other expenses	322	75
	Common expenses allocated by Zulfeqar Industries Limited - a related party	1,040	4,083
Less:	Common expenses allocated to Zulfeqar Industries Limited - (a related party)	<u>33,034</u>	<u>32,553</u>
	Common expenses allocated to Wazir Ali Ventures (Pvt) Limited - (a subsidiary company)	(1,138)	-
		<u>(3,275)</u>	<u>(3,163)</u>
		<u>28,621</u>	<u>29,390</u>



24.1 Auditors' remuneration

Statutory audit fee	150	150
Half yearly review	50	50
Certification for code of corporate governance	35	35
Out of pocket expenses	17	7
	<u>252</u>	<u>242</u>

	Note	2006 (Rupees in thousand)	2005
25 Distribution and marketing expenses			
Salaries and other benefits		13,256	10,397
Contribution to provident fund		415	285
Sales promotion		65,762	51,953
Advertisement		27,444	14,892
Freight		30,912	23,375
Traveling and conveyance		3,617	3,157
Postage, telegram and telephone		1,345	2,341
Depreciation	13.3	603	817
Repair and maintenance		1,966	1,496
Insurance		1,250	1,425
Rent, rate and taxes		901	820
Printing and stationery		215	585
Gas and electricity charges		99	107
Research and development		89	59
Entertainment		145	191
Meeting and conferences		79	128
Subscription		-	4
Others		-	107
Common expenses allocated by Zulfeqar Industries Limited (a related party)		60	1,163
		<u>148,158</u>	<u>113,302</u>
Common expenses allocated to Zulfeqar Industries Limited (a related party)		(221)	(3,147)
		<u>147,937</u>	<u>110,155</u>



26	Finance cost		
	Mark-up on:		
	Short term bank borrowings	12,344	9,219
	Long term demand finance	7,365	6,400
	FATR ( Import)	4,023	1,909
	Bank charges	885	1,042
	Finance cost on liabilities against assets subject to finance lease	82	124
		<u>24,699</u>	<u>18,694</u>
27	Other operating income		
	Income from non financial assets		
	Gain on sale of fixed assets	-	1,494
	Scrap sales	477	496
	Profit on term deposits	-	-
	Processing charges received	1,151	-
	Miscellaneous	182	915
		<u>1,810</u>	<u>2,905</u>
		Note	
		2006	2005
		(Rupees in thousand)	
28	Cash and cash equivalents		
	Cash and bank balances	14,238	7,304
	Short term running finance	(94,711)	(113,392)
		<u>(80,473)</u>	<u>(106,088)</u>
29	Staff retirement benefits		
29.1	Gratuity fund		

#### Liability for defined benefit obligation

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

Latest actuarial valuation of the gratuity scheme was carried out as at 30 June 2006. Company has changed its accounting policy of the recognition of actuarial gains and losses, based on which, Company has recognized the un-recognized actuarial gains and losses immediately as explained in note 2.12 to these financial statements

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

Expected rate of increase in salary level 10% (2005: 10%) for management employees.

Expected rate of increase in salary level 9% (2005: 9%) for non-management employees.

Expected rate of return on funds invested 10% (2005: 10%).



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

	2006 (Rupees in thousand)	2005 Restated
Balance as at 1 July	21,016	3,063
Income recognised in the current year	500	(1,072)
Contribution made to the fund	1,794	2,400
Charged to statement of equity statement	-	16,625
Balance as on 30 June	<u>23,310</u>	<u>21,016</u>

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

Current service cost	1,047	1,135
Mark-up expense	1,820	1,449
Expected return on plan assets	(3,921)	(3,024)
Actuarial gains and losses	554	3,030
Curtailement gain	-	(1,518)
Net (income)/expense for the year	<u>(500)</u>	<u>1,072</u>

Amount recognised in balance sheet as follows:

	2006 (Rupees in thousand)	2005 Restated
Present value of defined benefit obligation	(19,682)	(18,201)
Fair value of any plan assets	42,992	39,217
Net actuarial gains not recognised	-	-
	<u>23,310</u>	<u>21,016</u>

As per the actuarial recommendation the unrecognised actuarial losses are recognized immediately as per Para 93 of IAS 19.

## 29.2 Provident fund

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

The Company's contribution towards the provident fund for the year ended 30 June 2006 amounted to Rs. 4.192 million.



		2006	2005 Restated
30	Loss per share - basic and diluted		
	Net loss for the year	Rupees (35,423)	(37,591)
	Weighted average number of ordinary shares	Numbers 7,605,675	7,605,675
	Loss per share	Rupees (4.66)	(4.94)

31 Related party transactions

The related parties comprise related group companies, directors and their close family members, staff retirement funds, executives and major shareholder's of the Company. Associated companies with whom such transactions have taken place includes Zulfeqar Industries Limited, IGI Insurance Company Limited, Treet Corporation Limited and Wazir Ali Ventures (Pvt) Ltd. These are associated companies except Wazir Ali Ventures (Pvt) Ltd. a wholly owned subsidiary as they are either under the same management and /or with common directors. The Company has a policy whereby all transactions with related parties are entered into arm's length basis using the comparable uncontrolled valuation method. However, contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation/terms of the contribution plan. Transactions with related parties during the year are as follows:

	2006	2005 Restated
	(Rupees in thousand)	
Contribution to staff retirement funds	1,794	2,400
Sales/services rendered	1,971	98,233
Purchases/services availed	623	6,219
Allocation of common expenses by Related Parties	1,101	5,246
Allocation of common expenses to Related Parties	4,635	6,310
Settlement of Liability on behalf of Related Party	2,367	-
Rent expense	150	163
Insurance premium paid	1,085	1,635
Investment in subsidiary company	-	50,000
Disposal of freehold land	-	87,750



32 Executives' remuneration

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

	2006		2005	
	Chief Executive	Executives	Chief Executive	Executives
	(----- Rupees in thousand -----)			
Remuneration	-	1,278	-	-
Rent and utilities	962	823	955	-
Medical expenses	88	112	88	-
Entertainment	15	-	12	-
Company's contribution to provident fund	-	76 496	-	-
Other perquisites	144	-	144	-
	<u>1,209</u>	<u>2,785</u>	<u>1,199</u>	<u>-</u>
Number of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>-</u>

In addition, the Chief Executive is also provided with free use of Company maintained vehicle.

33 Fair value of financial instruments

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

34 Foreign exchange risk management

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. Payable exposed to foreign currency is covered through forward foreign exchange contracts whenever the Company expects there would be significant fluctuations in exchange rates. The Company is exposed to foreign currency risk in US Dollars.



35 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:

	Mark-up bearing		Non mark-up bearing	Total
	Upto one year	one year to five years		
(----- Rupees in thousand -----)				
<b>Financial assets</b>				
Investment in subsidiary	-	-	50,000	50,000
Long term loans to employees	-	-	256	256
Long term security deposits	-	-	404	404
Trade debts - unsecured, considered goods	-	-	41,367	41,367
Loans and advances	-	-	249	249
Deposits, prepayments and other receivables	-	-	2,622	2,622
Cash and bank balances	-	-	14,238	14,238
	-	-	109,136	109,136
<b>Financial Liabilities</b>				
Long term deposits	-	-	760	760
Long term demand finance	19,010	39,299	-	58,309
Liabilities against assets subject to finance lease	282	448	-	730
Short term borrowings	131,159	-	-	131,159
Mark-up payable on borrowings	-	-	7,928	7,928
Trade and other payables	-	-	53,599	53,599
	150,451	39,747	62,287	252,485
On-balance sheet gap (a)	2006	(150,451)	(39,747)	46,849
	2005	(185,692)	(52,925)	130,458

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	2006 %	2005 %
Long term finance	12	8
Short term borrowing	11 - 11.90	9
Liabilities against assets subject to finance lease	12.5	13.58



36 Concentration of credit risk

The Company attempts to control credit risks by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of the customers. Maximum amount exposed to credit risk is Rs. 92.979 million (2005: Rs. 120.713 million) at the year end.

37 Plant, capacity, production and sales

Vanaspati - Ghee and Cooking Oil

Assessed capacity

Production

Sales

	2006	2005
	(M. tonnes)	
	30,000	30,000
	17,184	15,184
	17,255	15,280

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

38 General

38.1 Number of employees as at 30 June 2006 were 267 (2005: 260).

38.2 Figures have been rounded off to nearest thousand rupee.

38.3 These financial statements were authorised for issue in the Board of Directors meeting held on September 23, 2006.

Lahore: 23 September 2006

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director



**PATTERN OF SHARES HOLDING AS OF JUNE 30, 2006**

Number of Shareholders	Shareholding		Total Shares held	%
	From	To		
2517	1	100	37741	0.496
363	101	500	93323	1.227
106	501	1000	81255	1.068
99	1001	5000	229299	3.015
16	5001	10000	116983	1.538
7	10001	15000	80423	1.057
5	15001	20000	89575	1.178
1	20001	25000	24000	0.316
2	30001	35000	64846	0.853
1	35001	40000	36816	0.484
1	40001	45000	40500	0.532
1	55001	60000	55224	0.726
3	70001	75000	221222	2.909
1	85001	90000	87464	1.150
1	130001	135000	131984	1.735
1	135001	140000	139816	1.838
2	145001	150000	299000	3.931
1	150001	155000	150517	1.979
1	165001	170000	168095	2.210
2	300001	305000	603887	7.940
1	515001	520000	515092	6.772
1	530001	535000	533295	7.012
1	585001	590000	589050	7.745
1	690001	695000	694065	9.126
1	985001	990000	987840	12.988
1	1530001	1535000	1534363	20.174
<b>3137</b>			<b>7,605,675</b>	<b>100.000</b>

**CATEGORIES OF SHAREHOLDERS**

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	%
<b><u>DIRECTORS &amp; FAMILY</u></b>			
Syed Yawar Ali	1	1,534,363	20.174%
Syed Maratib Ali	2	534,795	7.032%
Mrs. Nighat Ali	1	10,724	0.141%
Syed Hasnain Ali	1	987,840	12.988%
Syed Tariq Ali	4	107,285	1.411%
Syeda Ferial Riffat Ali	2	213,448	2.806%
Mr. H. Aftab Ahmed	1	694,065	9.126%
Syed Naseem Ahmed	1	2,500	0.033%
<b><u>ASSOCIATED COMPANIES</u></b>			
International General Insurance Co. of Pakistan	1	301,743	3.967%
Treet Corporation Limited	3	1,178,100	15.490%
Insurance Companies	2	30,350	0.399%
Joint Stock Companies	12	152,905	2.010%
Financial Institutions	10	320,516	4.214%
Investment Corporation Of Pakistan	3	1,002	0.013%
National Bank Of Pakistan, Trustee Deptt.	1	200	0.003%
Others	3	5,559	0.073%
Individuals	3,089	1,530,280	20.120%
<b>TOTAL</b>	<b>3,137</b>	<b>7,605,675</b>	<b>100.000%</b>



**Wazir Ali Industries Limited**

**and its Subsidiary**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(AUDITED)**

**30 June 2006**



**KPMG Taseer Hadi & Co.**  
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## **Auditors' report to the members**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Wazir Ali Industries Limited and its subsidiary Wazir Ali Ventures (Private) Limited (the 'Group') as at 30 June 2006 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, (here-in-after referred to as the 'financial statements') for the year then ended. We have also expressed separate opinion on the financial statements of Wazir Ali Industries Limited and Wazir Ali Ventures (Private) Limited.

It is the responsibility of the holding company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express our opinion on these 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 examined by us present fairly the financial position of Wazir Ali Industries Limited and its subsidiary company as at 30 June 2006 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to note 1.3 in the financial statements which indicates that the Group incurred a net loss Rs. 43.013 million during the year ended on 30 June 2006 and, as of that date, its accumulated losses exceeded the shareholders equity by Rs. 140.907 million, while the current liabilities exceeded current assets by Rs. 55.898 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. The financial statements have however been prepared on a going concern basis on the basis of expectation of future profitability, restructuring of Company and the undertaking of financial support by the sponsoring family directors, if required.

*Lahore: 23 September 2006*

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



**Consolidated Balance Sheet**  
As at 30 June 2006

	Note	2006	2005		Note	2006	2005
		(Rupees in thousand)				(Rupees in thousand)	
			Restated				Restated
<b>SHARE CAPITAL AND RESERVES</b>				<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Share capital				Operating fixed assets	13	102,454	104,608
Authorised				Capital work in progress		936	46
8,000,000 ordinary shares of Rs10 each		80,000	80,000			103,390	104,654
Issued, subscribed and paid-up capital	3	76,057	76,057	Investment property	14	87,697	87,697
Reserves				Long term loans to employees - secured			
Share premium		14,449	14,449	considered good	15	256	230
Revenue reserve		66,067	66,067	Long term security deposits		404	154
Accumulated loss		(297,480)	(258,065)	Current assets			
		(216,964)	(177,549)	Stock in trade	16	43,287	57,299
		(140,907)	(101,492)	Goods in transit		5,634	22,292
Surplus on revaluation of operating fixed assets	4	176,905	180,503	Stores and spares	17	7,177	5,300
Liabilities against assets subject to finance lease	5	448	-	Trade debts - unsecured, considered good	18	41,367	44,603
Long term deposits		760	760	Loans and advances - considered good	19	18,293	21,170
Long term finance - secured	6	96,729	52,925	Advances, deposits, prepayments and			
Deferred liability for compensated absences	7	1,914	2,071	other receivables	20	31,504	24,957
Current liabilities				Cash and bank balances	21	29,370	7,309
Current maturities of long term liabilities	8	19,292	22,917			176,632	182,930
Short term borrowings - secured	9	132,023	153,365				
Mark-up payable on borrowings		9,693	11,182				
Trade and other payables	10	61,126	41,733				
Provision for taxation	11	10,396	11,701				
		232,530	240,898				
Contingencies and commitments	12						
		368,379	375,665			368,379	375,665

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director

Lahore: 23 September 2006



Consolidated Profit and Loss Account  
For the year ended 30 June 2006

	Note	2006	2005 Restated
(Rupees in thousand)			
Sales - net	22	1,035,555	889,828
Cost of goods sold	23	861,135	760,384
Gross profit		174,420	129,444
Administration expenses	24	34,164	29,712
Distribution and marketing expenses	25	147,937	110,155
Other operating income	27	1,957	2,852
Profit/(loss) from operations		(5,724)	(7,571)
Finance cost	26	26,893	18,694
Loss before taxation		(32,617)	(26,265)
Provision for taxation	11	10,396	11,701
Loss after taxation		(43,013)	(37,966)
Loss per Share - Basic and diluted	30	(5.66)	(4.99)

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director

Lahore: 23 September 2006



Consolidated Cash flow statement

For the year ended 30 June 2006

Note	2006	2005 Restated
	(Rupees in thousand)	
	(32,617)	(26,265)
Cash flows from operating activities		
Loss before taxation		
Adjustments for:		
Depreciation	5,578	5,346
Gain on disposal of fixed assets	-	(1,441)
Financial charges	26,893	18,694
Provision for Staff retirement benefits	(500)	4,989
Provision for deferred liabilities for leave encashment	474	252
Changes in operating assets/liabilities	(172)	1,575
(Increase)/decrease in stores and spares	(1,877)	(40)
(Increase)/decrease in stock in trade	14,012	(866)
(Increase)/decrease in goods in transit	16,658	(22,292)
Decrease/( increase) in trade debts	3,236	(16,817)
(Increase)/decrease in long term loans to employees	(26)	242
(Increase)/decrease in long term security deposits	(250)	343
(Increase)/decrease in advances, deposits, prepayments and other receivables	(3,898)	(4,405)
Increase/(decrease) in trade and other payables	19,393	1,981
	47,248	(41,854)
Leave encashment	(631)	(1,148)
Staff retirement benefit paid	(1,794)	(2,400)
Financial charges paid	(28,382)	(12,645)
Income tax paid	(9,179)	(5,422)
Net cash flows from/(used in) operating activities	7,090	(61,894)
Cash flows from investing activities		
Fixed capital expenditure	(3,700)	(3,818)
Increase in capital work in progress	(890)	(46)
Disposal of fixed assets	276	778
Net cash flows from investing activities	(4,314)	(3,086)
Cash flows from financing activities		
Liability against assets subject to finance lease - net	596	(1,390)
(Decrease)/increase in short term borrowings - FATR	(3,525)	33,261
(Decrease)/increase in long term finance	40,031	(4,292)
Net cash flows from/(used in) financing activities	37,102	27,579
Net (decrease)/increase in cash and cash equivalents	39,878	(37,401)
Cash and cash equivalents at beginning of the year	(106,083)	(68,682)
Cash and cash equivalents at end of the year	(66,205)	(106,083)

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director

Lahore: 23 September 2006



### Consolidated Statement Changes in Equity

For the year ended 30 June 2006

	Issued subscribed and paid-up capital	Capital reserve (share premium)	Revenue reserves		Total
			Revenue reserve	Accumulated loss	
(----- Rupees in thousand -----)					
Balance as at 1 July 2004	76,057	14,449	66,067	(239,252)	(82,679)
Adjustment due to change in policy of recognition of retirement benefits	-	-	-	16,625	16,625
Balance as at 1 July 2004 (Restated)	76,057	14,449	66,067	(222,627)	(66,054)
Loss for the year	-	-	-	(37,966)	(37,966)
Transferred from surplus on revaluation of fixed assets	-	-	-	2,528	2,528
Balance as at 30 June 2005 (Restated)	76,057	14,449	66,067	(258,065)	(101,492)
Loss for the year	-	-	-	(43,013)	(43,013)
Transferred from surplus on revaluation of fixed assets	-	-	-	3,598	3,598
Balance as at 30 June 2006	76,057	14,449	66,067	(297,480)	(140,907)

The annexed notes 1 to 38 form an integral part of these financial statements.

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
Director

Lahore: 23 September 2006



## Consolidated Notes to the Accounts

For the year ended 30 June 2006

### 1 Status and nature of business

1.1 Wazir Ali Industries Limited (holding Company and 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 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 current management acquired the control of Wazir Ali Industries Limited under a sale agreement with "Privatization Commission" dated 28 October 1992.

1.2 The Company is domiciled in Karachi, Pakistan.

1.3 These financial statements have been prepared on the assumption that the Company would continue as a going concern although the Company has incurred a net loss of Rs. 43.013 million during the year ended 30 June 2006 and, as of that date, its accumulated losses exceeded the shareholders' equity by Rs. 140.907 million (2005: Rs. 101.492 million), while the current liabilities exceeded current assets by Rs. 55.898 million (2005: Rs. 57.968 million). The assumption that the Company would continue as a going concern is based on expectation of future profitability, restructuring of Company and the undertaking of financial support of the sponsoring family directors, if required.

### 2 Significant accounting policies

#### 2.1 Statement of compliance

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

#### 2.2 Basis of preparation

These accounts have been prepared under the historical cost basis except that certain fixed assets, stated in note 13, are shown at revalued amounts.

#### 2.3 Principals of consolidation

The Consolidated financial statements include Wazir Ali Industries Limited and Wazir Ali Ventures (Private) Ltd. A wholly owned subsidiary of Wazir Ali Industries Limited. Subsidiary is consolidated from the date of acquisition using the purchase method

#### 2.4 Basic of Consolidated

##### Owned

Fixed assets including all additions are stated at cost or valuation less accumulated depreciation and impairment losses, if any. However, freehold land is stated at revalued amount. Depreciation is calculated so as to write off the assets over their expected economic lives under the straight-line basis at rates indicated in note 13 to these financial statements. The residual values, and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

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





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

#### Leased

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 2.9 to these financial statements.

#### Capital work-in-progress

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

#### 2.5 Stock-in-trade

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

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

#### 2.6 Goods in transit

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

#### 2.7 Stores and spares

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

#### 2.8 Trade and other receivables

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

#### 2.9 Mark-up bearing borrowings

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

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

#### 2.10 Trade and other payables

Trade and other payables are stated at cost.

#### 2.11 Taxation

##### Current



The Company is subject to presumptive tax regime whereby tax deducted at source on imports and local purchases is treated as full and final settlement of tax liability.

#### Deferred

The Company accounts for deferred taxation using the liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes to the extent of Company's income subject to normal tax regime. This is recognised on the basis of expected manner of settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised. However, as more fully explained in note 4.2 to the financial statements, deferred tax liability on surplus arising on revaluation of fixed assets is recognised only (and to the extent) if it is probable that tax payable under the normal tax regime would be higher than tax liability under the presumptive tax regime.

#### 2.12 Staff retirement benefits

##### Provident fund – defined contribution plan

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

##### Gratuity scheme – defined benefit plan

The Company is also operating an approved funded gratuity scheme for its permanent employees. Company's obligation under this scheme is determined by estimating the amount of future benefits that employees have earned in return for their services in the current and prior years; that benefit is discounted to determine the present value, and the fair value of the plan asset is deducted. The determination is made by a qualified actuary.

During the year, the Company has changed its accounting policy for the recognition of net cumulative unrecognized actuarial gains and losses at each balance sheet date. The change has been made as the management is of the view that the new policy, which results in faster recognition of actuarial gains and losses, provides more reliable relevant information in financial statements. Under the new policy the Company immediately recognises all actuarial gains and losses in the profit and loss account in the year in which they arise. Previously net cumulative gains in excess of the corridor limits were recognized over the remaining useful lives of the employees on a straight line basis.

In accordance with the requirements of IAS 8: Accounting policies, changes in accounting estimates and errors, the change in accounting policy has been accounted for retrospectively, and the comparative statements for previous years have been restated. An amount of Rs. 16.625 million has been adjusted in the retained earnings as at 1 July 2004.

The effect of change on the current and previous years results is tabulated below:

	2006 (Rupees in thousand)	2005
Loss before tax would have been lower by	1,197	4,989
Advances, deposits, prepayments and other receivables would have been lower by	10,435	11,636
Loss per share would have been lower by - Rs	0.16	0.65



#### Accumulating compensated absences

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

#### 2.13 Provisions

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

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

#### 2.14 Foreign currency transactions

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

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

#### 2.15 Off-setting

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

#### 2.16 Revenue recognition

Revenue from sales is recorded when significant risk and rewards have been transferred i.e on despatch of goods to the customers.

#### 2.17 Impairment

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

#### 2.18 Financial instruments

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

#### 2.19 Cash and cash equivalents

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

#### 2.20 Allocation of common expenses

The Company, under an agreement, is allocating certain common selling, distribution and administrative expense.



		2006 (Rupees in thousand)	2005
3	Issues, subscribed and paid-up capital		
	6,808,175 (2005: 6,808,175) ordinary shares of Rs 10 each fully paid in cash	68,082	68,082
	797,500 (2005: 797,500) ordinary shares of Rs 10 each fully paid Bonus shares	7,975	7,975
		<u>76,057</u>	<u>76,057</u>

3.1 Related parties, International General Insurance Company of Pakistan Limited and Treet Corporation Limited hold 3.97 percent and 15.49 percent shares of the Company respectively.

		Note	2006 (Rupees in thousand)	2005
4	Surplus on revaluation of operating fixed assets			
	Balance as on 1 July		180,503	98,516
	Revaluation during the year	4.1	-	84,515
			<u>180,503</u>	<u>183,031</u>
	Surplus transferred to accumulated losses in respect of incremental depreciation charged on related assets during the year		(3,598)	(2,528)
	Surplus realised on disposal of land taken to accumulated losses		-	-
			<u>(3,598)</u>	<u>(2,528)</u>
	Balance as on 30 June		<u>176,905</u>	<u>180,503</u>

4.1 This represents surplus arising on revaluation of freehold land of the Company. The revaluation was carried out under the market value basis by independent valuers Iqbal A. Nanjee & Co and Imran Associates on 04 March 2005 and 31 January 2005 respectively.

4.2 Deferred tax liability on the above surplus has not been recognized by the Company as the management is of the view, that in the foreseeable future the Company would continue to be assessed under the Presumptive Tax Regime.

5 Liabilities against assets subject to finance lease - secured

	2006			2005		
	Minimum lease payments	Finance cost for future periods	Principal outstanding	Minimum lease payments	Finance cost for future periods	Principal outstanding
	(----- Rupees in thousand -----)					
Upto 1 year	349	67	282	136	2	134
Over one year to five years	476	28	448	-	-	-
	<u>825</u>	<u>95</u>	<u>730</u>	<u>136</u>	<u>2</u>	<u>134</u>



5.1 Present value of minimum lease payments has been discounted by using financing rates ranging from 6 months KIBOR plus 3.5% with a floor of 11%. (2005: 11.67 percent to 14 percent). Title to the assets acquired under the leasing arrangements are transferable to the Company at the end of lease term. Repair and insurance costs are to be borne by the Company.

	Note	2006 (Rupees in thousand)	2005
6			
Balance as on 01 July	6.1	75,708	80,000
Loan during the year	6.2	57,500	-
Repayments made during the year		(17,469)	(4,292)
		<u>115,739</u>	<u>75,708</u>
Current maturity		(19,010)	(22,783)
		<u>96,729</u>	<u>52,925</u>

6.1 This represents facility obtained from Prime Commercial Bank Limited Karachi. The loan is repayable in 16 quarterly installments alongwith markup over a term of 5 years, including one year grace period of repayment of principal. The loan carries markup at the rate of 3 months KIBOR plus 2 % with a floor of 8 % p.a. The loan facility is secured against first pari passu charge on present and future assets of the Company including freehold land, building, machinery, stock in trade and trade debts.

6.2 This represents facility obtained from Prime Commercial Bank Limited Karachi. The loan is repayable in 60 equal monthly installments beginning after a grace period of two years. The loan carries markup at the rate of 3 months KIBOR plus 2 % with a floor of 10 % p.a. The loan facility is secured against first mortgage charge over present and future fixed assets (land and building) of the Company and first hypothecation charge over current assets.

		2006 (Rupees in thousand)	2005
7			
Balance as at 01 July		2,071	2,967
Provision made during the year		474	252
		<u>2,545</u>	<u>3,219</u>
Payments made during the year		(631)	(1,148)
Balance as at 30 June		<u>1,914</u>	<u>2,071</u>

8 Current maturities of long term liabilities

Liabilities against assets subject to finance lease	5	282	134
Long term finance	6	19,010	22,783
		<u>19,292</u>	<u>22,917</u>

9 Short term borrowings - secured

Short term running finance	9.1	95,575	113,392
Finance against trust receipt (FATR)	9.2	36,448	39,973
		<u>132,023</u>	<u>153,365</u>



- 9.1 The Company has running finance facilities under mark-up arrangements in aggregate of Rs. 120 million (2005: Rs.125 million) from certain banks at mark-up rate of 3 months KIBOR plus 2 % with a floor of 8 % p.a. for facility amounting to Rs. 25 million and 6 months KIBOR plus 2 % for facility amounting to Rs. 95 million (2005: 19 to 29 paisas per Rs. 1,000 per day), net of prompt payment rebate. These arrangements are valid upto varying periods between June 2006 to April 2007. The facility of Rs. 25 million is secured against first mortgage charge over Company's fixed assets comprising land, building, plant and machinery for Rs. 104 million and facility of Rs. 95 million is secured against hypothecation of stock in trade and receivables with 25 % margin and pari passu charge on all present and future current assets (to extent of Rs. 127 million) and fixed assets (to extent of Rs. 158 million) of the Company.
- 9.2 Facilities for finance against trust receipt from certain banks at 30 June 2006 amounted to Rs. 40 million (2005: Rs. 40 million). These facilities carry mark-up at the rate of 3 months KIBOR plus 2 % with a floor of 8 % p.a. (2005: 19 to 29 paisas per Rs. 1000 per day) and are secured against assets specified in 9.1 and import documents.
- 9.3 Facilities for opening letters of credit from certain banks at 30 June 2006 amounted to Rs. 80 million (2005: Rs. 110 million) and are secured against assets specified in 9.1 and import documents. Facilities utilised as at 30 June 2006 amounted to Rs. Nil (2005: Rs. 11 million).
- 9.4 In addition, the Company also has guarantee facilities of Rs. 10 million (2005: Rs. 10 million) from certain banks. Facility utilised as at 30 June 2006 amounted to Rs. 4.84 million (2005: Rs. 4.84 million). This is secured against cash margin of Rs. 4.836 million (2005: Rs. 2.23 million).

	2006	2005
	(Rupees in thousand)	
10 Trade and other payables		
Trade payables		
For goods	18,729	22,718
For expenses	10,695	75
	<u>29,424</u>	<u>22,793</u>
Accrued expenses	7,890	9,701
Customers balances	6,597	3,686
Unclaimed dividends	533	533
Excise duty and sales tax payable	930	2,633
Due to related parties	1,033	52
Other liabilities	14,719	2,335
	<u>61,126</u>	<u>41,733</u>



11 Provision for taxation

11.1 Provision for tax represents tax at 3 percent of the value of the goods imported under section 148(8) and tax at 1 percent on value of local purchases under clause (13C) of part II of 2nd Schedule of the Income Tax Ordinance, 2001. This is treated as full and final settlement of tax liability.

11.2 The income tax assessments of the Company have been finalised upto and including the tax year 2005.

	Note	2006 (Rupees in thousand)	2005
12 Contingencies and commitments			
Claims against the Company not acknowledged as debt	12.1	13,673	13,673
Bank guarantees		4,836	4,836

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

13 Operating fixed assets

	Cost			Depreciation				Written down value 30 June 2006	Rate %
	As on 01 July 2005	(Disposals)/ (transfer)/ adjustment	As at 30 June 2006	As on 01 July 2005	For the year	(Disposals)/ (transfer)/ adjustment	As at 30 June 2006		
(----- Rupees in thousand -----)									
Owned									
Freehold land	69,164	-	69,164	-	-	-	-	69,164	-
Building on freehold land	12,048	-	12,048	2,589	1,098	-	3,687	8,361	5-10
Plant and machinery	24,996	1,009	26,005	4,374	2,584	-	6,958	19,047	10
Factory equipments	2,995	-	2,995	2,609	193	-	2,802	193	10
Furniture	959	946	1,905	683	128	-	811	1,094	10
Fittings	2,231	-	2,231	2,221	5	-	2,226	5	10
Office/residential equipment	12,103	776	12,879	10,834	573	-	11,407	1,472	10 & 33.33
Vehicles	10,692	850	11,192	7,610	916	(74)	8,962	2,230	20
						510			
Intangible assets	776	-	776	776	-	-	776	-	
	135,964	3,581	139,195	31,696	5,497	436	37,629	101,566	
Leased									
Vehicles	850	969	969	510	81	(510)	81	888	20
2006	136,814	4,550	140,164	32,206	5,578	(74)	37,710	102,454	
2005	139,709	88,333	136,814	29,488	5,346	(2,628)	32,206	104,608	

13.1 As at 30 June 2006, undepreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 91.523 million (2005 : Rs. 95.121 million).



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

	Cost	Accumulated depreciation	Written down value
	(-----Rupees in thousand-----)		
Freehold land	1,826	-	1,826
Building	9,427	9,427	-
Plant and machinery	47,929	47,929	-
2006	<u>59,182</u>	<u>57,356</u>	<u>1,826</u>
2005	<u>59,182</u>	<u>57,356</u>	<u>1,826</u>

13.3 Depreciation expense has been allocated as follows:

		2006 (Rupees in thousand)	2005
Cost of goods manufactured	23.1	3,792	3,837
Administration expenses	24	1,183	692
Distribution and marketing expenses	25	603	817
		<u>5,578</u>	<u>5,346</u>

13.4 Details of fixed assets with book value of Rs. 50,000 and more disposed off during the year are as follows:

Description	Cost/ revaluation	Accumulated depreciation	Carrying value	Sale proceeds	Gain / (loss)	Mode of disposal	Purchaser
	(-----Rupees in '000-----)						
Vehicles							
Suzuki Mehran	350	(74)	276	276	-	Insurance claim	IGI Insurance Company Limited of Pakistan
2006	<u>350</u>	<u>(74)</u>	<u>276</u>	<u>276</u>	<u>-</u>		
2005	<u>89,229</u>	<u>(630)</u>	<u>88,599</u>	<u>89,045</u>	<u>446</u>		

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

14 Investment Property

	Cost			Depreciation			Written down value	Rate
	As on 01 July 2005	(Disposals)/ (transfer)/ adjustment	As at 30 June 2006	As on 01 July 2005	(Disposals)/ (transfer)/ adjustment	As at 30 June 2006	30 June 2006	%
	(-----Rupees in thousand-----)							
Freehold land	87,697	-	87,697	-	-	-	87,697	-
	<u>87,697</u>	<u>-</u>	<u>87,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,697</u>	<u>-</u>





	Note	2006	2005
		(Rupees in thousand)	
15	Long term loans to employees - secured - considered good		
	Loans and advances due from employees	505	453
	Receivable within one year	(249)	(223)
		<u>256</u>	<u>230</u>
15.1	There are no loans given to executives (2005 : Rs. NIL). All the loans are recoverable within a period of 3 years.		
15.2	This 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.		
		2006	2005
		(Rupees in thousand)	
16	Stock in trade		
	Raw materials	2,351	5,475
	Packing materials	19,452	18,900
	Work-in-process	10,080	7,268
		<u>31,883</u>	<u>31,643</u>
	Finished goods - Ghee and cooking oil	9,746	24,378
	Acid oil (by-product)	1,658	1,278
		<u>43,287</u>	<u>57,299</u>
16.1	Stock in trade items are part of the overall security given to the banks for financing facilities obtained from them. Details of this security are given in note 9.1 to these financial statements.		
		2006	2005
		(Rupees in thousand)	
17	Stores and spares		
	Stores	3,256	1,923
	Spares	4,983	4,439
		<u>8,239</u>	<u>6,362</u>
	Provision against slow moving stores and spares	(1,062)	(1,062)
		<u>7,177</u>	<u>5,300</u>



	Note	2006 (Rupees in thousand)	2005
18			
Trade debts - unsecured - considered good			
Trade debts - considered good	18.1	41,367	44,603
Doubtful debts		5,000	5,000
		<u>46,367</u>	<u>49,603</u>
Provision for impaired debts		(5,000)	(5,000)
		<u>41,367</u>	<u>44,603</u>

18.1 This includes balance due from related parties amounting to Rs. Nil (2005: Rs. 0.212 million). These are in the normal course of business and are mark-up/interest free.

	Note	2006 (Rupees in thousand)	2005
19			
Loans and advances - secured - considered good			
Current maturity of long term loans to employees	15	249	223
Short term advances to staff	19.1	548	355
Advance payments to contractors and suppliers - unsecured		1,080	1,654
Advance income tax		16,416	18,938
		<u>18,293</u>	<u>21,170</u>

19.1 These are mark-up free advances (against salary) and are secured in the same manner as given in note 15.2 to these financial statements.

	Note	2006 (Rupees in thousand)	2005 Restated
20			
Deposits, prepayments and other receivables			
Deposits and prepayments		1,506	616
Margin against bank guarantees		4,836	2,233
		<u>6,342</u>	<u>2,849</u>
Other receivables - unsecured - considered good:			
Due from related parties	20.1 & 20.2	1,852	791
Receivable from the gratuity fund		23,310	21,016
Others		-	301
		<u>25,162</u>	<u>22,108</u>
		<u>31,504</u>	<u>24,957</u>



20.1 This balance is receivable from Zulfeqar Industries Limited due to normal trading activities and amounts receivable for common expenses shared with them (recoveries), etc. No mark-up / interest is charged on the outstanding balances.

20.2 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 1.561 million (2005: Rs. 4.243 million).

		2006	2005
		(Rupees in thousand)	
21	Cash and bank balances		
	Cash in hand	184	53
	With bank	14,054	7,256
	Current account	15,132	-
	Term deposit	<u>29,370</u>	<u>7,309</u>

22	Sales - net		
	Sales	1,150,464	1,028,005
	Sales tax	(109,690)	(130,772)
	Leakages and damages	(5,219)	(7,405)
		<u>1,035,555</u>	<u>889,828</u>

		Note	2006	2005
			Restated	
			(Rupees in thousand)	
23	Cost of goods sold			
	Balance of finished goods as on 1 July		25,656	27,563
	Cost of goods manufactured	23.1	846,883	758,477
	Available for sale		<u>872,539</u>	<u>786,040</u>
	Balance of finished goods as on 30 June		(11,404)	(25,656)
			<u>861,135</u>	<u>760,384</u>

23.1	Cost of goods manufactured			
	Work in process as on 1 July		7,268	10,976
	Raw materials consumed	23.2	694,273	614,533
	Packing materials consumed	23.3	91,057	80,522
	Stores and spares consumed		4,968	4,943
	Salaries, wages and other benefits		28,733	29,914
	Contribution to provident fund		1,139	770
	Fuel and power		23,988	18,789
	Repair and maintenance		818	896
	Rent, rates and taxes		146	40
	Insurance		781	525
	Depreciation	13.3	3,792	3,837
			<u>856,963</u>	<u>765,745</u>
	Work in process as on 30 June		(10,080)	(7,268)
			<u>846,883</u>	<u>758,477</u>



23.2	Raw materials consumed		
	Balance as on 1 July	5,475	983
	Purchases	691,149	619,025
		<u>696,624</u>	<u>620,008</u>
	Balance as on 30 June	(2,351)	(5,475)
		<u>694,273</u>	<u>614,533</u>
		Note	
		2006	2005
		(Rupees in thousand)	
23.3	Packing materials consumed		
	Balance as on 1 July	18,900	16,911
	Purchases	91,609	82,511
		<u>110,509</u>	<u>99,422</u>
	Balance as on 30 June	(19,452)	(18,900)
		<u>91,057</u>	<u>80,522</u>
24	Administrative expenses		
	Salaries, wages and other benefits	15,990	12,825
	Contribution to provident fund	542	390
	Preliminary expenses	-	297
	Electricity and gas charges	1,524	1,971
	Repair and maintenance	2,172	1,506
	Traveling and conveyance	2,346	2,763
	Legal and professional charges	3,090	3,446
	Depreciation	13.3	1,183
	Rent, rates and taxes	3,452	1,768
	Postage, telegrams and telephone	1,543	1,146
	Printing and stationery	836	933
	Insurance	385	285
	Subscription	120	66
	Entertainment	336	185
	Auditors' remuneration	24.1	277
	Advertisement	137	161
	Meeting and conferences	6	16
	Charity and donation	1	-
	Other expenses	322	75
	Common expenses allocated by Zulfeqar Industries Limited - a related party	1,040	4,083
		<u>35,302</u>	<u>32,875</u>
	Less: Common expenses allocated to Zulfeqar Industries Limited - (a related party)	(1,138)	(3,163)
		<u>34,164</u>	<u>29,712</u>



24.1	Auditors' remuneration			
	Statutory audit fee		175	175
	Half yearly review		50	50
	Certification for code of corporate governance		35	35
	Out of pocket expenses		17	7
			<u>277</u>	<u>267</u>
		Note	2006	2005
25	Distribution and marketing expenses		(Rupees in thousand)	
	Salaries and other benefits		13,256	10,397
	Contribution to provident fund		415	285
	Sales promotion		65,762	51,953
	Advertisement		27,444	14,892
	Freight		30,912	23,375
	Traveling and conveyance		3,617	3,157
	Postage, telegram and telephone		1,345	2,341
	Depreciation	13.3	603	817
	Repair and maintenance		1,966	1,496
	Insurance		1,250	1,425
	Rent, rate and taxes		901	820
	Printing and stationery		215	585
	Gas and electricity charges		99	107
	Research and development		89	59
	Entertainment		145	191
	Meeting and conferences		79	128
	Subscription		-	4
	Others		-	107
	Common expenses allocated by Zulfeqar Industries Limited (a related party)		60	1,163
			<u>148,158</u>	<u>113,302</u>
			(221)	(3147)
			<u>147,937</u>	<u>110,115</u>
26	Finance cost			
	Mark-up on:			
	Short term bank borrowings		12,763	9,219
	Long term demand finance		9,104	6,400
	FATR ( Import)		4,023	1,909
	Bank charges		921	1,042
	Finance cost on liabilities against assets subject to finance lease		82	124
			<u>26,893</u>	<u>18,694</u>



27	Other operating income		
	Income from financial assets		
	Profit on term deposits	147	-
	Income from non financial assets		
	Gain on sale of fixed assets	-	1,441
	Scrap sales	477	496
	Profit on term deposits	-	-
	Processing charges received	1,151	-
	Miscellaneous	182	915
		<u>1,957</u>	<u>2,852</u>

	Note	2006	2005
28		(Rupees in thousand)	
		29,370	7,309
		(95,575)	(113,392)
		<u>(66,205)</u>	<u>(106,083)</u>

29 Staff retirement benefits

29.1 Gratuity fund

Liability for defined benefit obligation

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

Latest actuarial valuation of the gratuity scheme was carried out as at 30 June 2006. Company has changed its accounting policy of the recognition of actuarial gains and losses, based on which, Company has recognized the un-recognized actuarial gains and losses immediately as explained in note 2.12 to these financial statements

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

Expected rate of increase in salary level 10% (2005: 10%) for management employees.

Expected rate of increase in salary level 9% (2005: 9%) for non-management employees.

Expected rate of return on funds invested 10% (2005: 10%).



	2006	2005 Restated
Movement in net assets recognised in the balance sheet are as follows:		
	(Rupees in thousand)	
Balance as at 1 July	21,016	3,063
Income recognised in the current year	500	(1,072)
Contribution made to the fund	1,794	2,400
Charged to statement of equity statement	-	16,625
Balance as on 30 June	<u>23,310</u>	<u>21,016</u>

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

Current service cost	1,047	1,135
Mark-up expense	1,820	1,449
Expected return on plan assets	(3,921)	(3,024)
Actuarial gains and losses	554	3,030
Curtailement gain	-	(1,518)
Net (income)/expense for the year	<u>(500)</u>	<u>1,072</u>

Amount recognised in balance sheet as follows:

	2006	2005 Restated
	(Rupees in thousand)	
Present value of defined benefit obligation	(19,682)	(18,201)
Fair value of any plan assets	42,992	39,217
Net actuarial gains not recognised	-	-
	<u>23,310</u>	<u>21,016</u>

A per the actuarial recommendation the unrecognised actuarial losses are recognized immediately as per Para 93 of IAS 19.

## 29.2 Provident fund

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

The Company's contribution towards the provident fund for the year ended 30 June 2006 amounted to Rs. 4.192 million.



		2006	2005
			Restated
30	Loss per share - basic and diluted		
	Net loss for the year	Rupees (43,013)	(37,966)
	Weighted average number of ordinary shares	Numbers 7,605,675	7,605,675
	Loss per share	Rupees (5.66)	(4.99)

31 Related party transactions

The related parties comprise related group companies, directors and their close family members, staff retirement funds, executives and major shareholder's of the Group. Associated companies with whom such transactions have taken place includes Zulfeqar Industries Limited, IGI Insurance Company Limited, Treet Corporation Limited These are associated companies as they are either under the same management and /or with common directors. The Company has a policy whereby all transactions with related parties are entered into arm's length basis using the comparable uncontrolled valuation method. However, contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation/terms of the contribution plan. Transactions with related parties during the year are as follows:

	2006	2005
		Restated
(Rupees in thousand)		
Contribution to staff retirement funds	1,794	2,400
Sales/services rendered	1,971	98,233
Purchases/services availed	623	6,219
Allocation of common expenses by Zulfeqar Industries Limited	1,101	5,246
Allocation of common expenses to Zulfeqar Industries Limited	1,360	6,310
Rent expense	150	163
Insurance premium paid	1,085	1,635





32 Executives' remuneration

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

	2006		2005	
	Chief Executive	Executives	Chief Executive	Executives
(----- Rupees in thousand -----)				
Remuneration	-	1,278	-	-
Rent and utilities	962	823	955	-
Medical expenses	88	112	88	-
Entertainment	15	-	12	-
Company's contribution to provident fund	-	76	-	-
	-	496	-	-
Other perquisites	144	-	144	-
	<u>1,209</u>	<u>2,785</u>	<u>1,199</u>	<u>-</u>
Number of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>-</u>

In addition, the Chief Executive is also provided with free use of Company maintained vehicle.

33 Fair value of financial instruments

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

34 Foreign exchange risk management

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. Payable exposed to foreign currency is covered through forward foreign exchange contracts whenever the Company expects there would be significant fluctuations in exchange rates. The Company is exposed to foreign currency risk in US Dollars.



35 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:

	Mark-up bearing			Total
	Upto one year	one year to five years	Non mark-up bearing	
(----- Rupees in thousand -----)				
<b>Financial assets</b>				
Long term loans to employees	-	-	256	256
Long term security deposits	-	-	404	404
Trade debts - unsecured, considered goods	-	-	41,367	41,367
Loans and advances	-	-	249	249
Deposits, prepayments and other receivables	-	-	1,941	1,941
Cash and bank balances	-	-	29,370	29,370
	-	-	73,587	73,587
<b>Financial Liabilities</b>				
Long term deposits	-	-	760	760
Long term demand finance	19,010	96,729	-	115,739
Liabilities against assets subject to finance lease	282	448	-	730
Short term borrowings	132,023	-	-	132,023
Mark-up payable on borrowings	-	-	9,693	9,693
Trade and other payables	-	-	53,599	53,599
	151,315	97,177	64,052	312,544
On-balance sheet gap (a)	2006	2005		
	(151,315)	(97,177)	9,535	(238,957)
	(185,692)	(52,925)	130,458	(108,159)

- 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:

	2006	2005
	%	%
<b>Financial liabilities</b>		
Long term finance	12	8
Short term borrowing	11 - 11.90	9
Liabilities against assets subject to finance lease	12.5	13.58



36 Concentration of credit risk

The Company attempts to control credit risks by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of the customers. Maximum amount exposed to credit risk is Rs. 92.979 million (2005: Rs. 120.713 million) at the year end.

	2006	2005
	(M. tonnes)	
37 Plant, capacity, production and sales		
Vanaspati - Ghee and Cooking Oil		
Assessed capacity	30,000	30,000
Production	17,184	15,184
Sales	17,255	15,280

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

38 General

38.1 Number of employees as at 30 June 2006 were 267 (2005: 260).

38.2 Figures have been rounded off to nearest thousand rupee.

38.3 These financial statements were authorised for issue in the Board of Directors meeting held on 23 September 2006

Lahore : 23 September 2006

Syed Yawar Ali  
Chief Executive Officer

Syed Tariq Ali  
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 invitation for the enactment of legislations.

- **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.

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

- **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.



## 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.



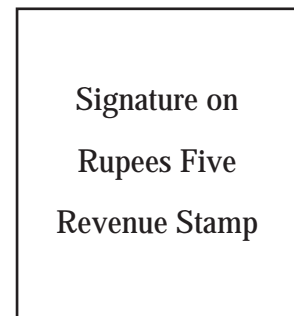
FORM OF PROXY

I/We.....
of .....being a member of WAZIR ALI INDUSTRIES LIMITED and holding.....
ordinary shares as per share Register Folio No .....and / or CDC Participant I.D. No.....
and Sub-Account No.....hereby appoint.....
of .....or failing him .....of .....as
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 Saturday 28 oct 2006 at 9:30 a.m. at Pakistan Society
for Training and development Plot # TC-3, off Khayaban-e-sehar, 34 street, Phase 5 , (exten)
DHA, Karachi.and at any adjournment thereof.

Signed this .....day of .....2006

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.

