



Financial Statements

**For the six months ended
31 December 2004**

DIRECTORS' REVIEW

The Directors of the Company would like to present the financial statements of the Company reviewed by the auditors for the half-year ended 31 December 2004.

Overview

The company has generated sales in terms of value at Rs 445.070M as against Rs 327.073M during the same period last year registering a growth of 36%.

The administrative, selling and distribution expenses have remained stable, whereas the financial expenses have reduced considerably due to maintenance of stocks at the required levels, timely recoveries from debtors and resultantly sufficient cash and bank balances as compared to the same period last year despite of the absorption of fixed costs.

During the period under review, the company has earned a pre tax profit of Rs 1.311M as against a pre tax loss of Rs 21.539M during the same period last year.

The bottom line has improved considerably and would have been still better if the charge of income tax had been more realistic keeping in view its impact on the individual industry, oil and ghee industries as a whole and Government itself in terms of generation of revenues.

Earning per share for the period under review is Rs (0.59) negative as compared to Rs (3.52) negative during the same period last year.

Henceforth, the company shall place its quarterly/periodical accounts on website: www.wazirali.com.pk

Board of Directors

Syeda Nighat Ali has been appointed as Director on the Board of Wazir Ali Industries Limited to fill the vacancy on 05 October 2004.

Future Outlook

The raw material prices in the international market are now decreasing and stabilizing that would play an important role in the future profitability of the company.

It is evident from the financial results for the period under review that the performance of the company is improving. A wholly owned subsidiary is under formation for real estate business. Necessary amendments in the Memorandum and Articles of Association of the company have been approved by the Securities and Exchange Commission of Pakistan for which an Extraordinary General Meeting would be called for approval of the members.

Going Concern

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

Acknowledgements

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

We wish to thank our distributors for promoting the Tullo Quality Image and our bankers, development financial institutions for their corporate support.

We also wish to place on record our appreciation for the hard work put in by the staff of the Company to achieve excellence.

Karachi: 22 February 2005

For and on behalf of the Board
Syed Yawar Ali
Chief Executive Officer

Review report to the members

We have reviewed the annexed balance sheet of **Wazir Ali Industries Limited** as at 31 December 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”) for the six months period then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to the fact that the Company has incurred a net loss Rs. 4.477 million during the six months ended on 31 December 2004 and, as of that date, its accumulated losses exceeded the shareholders equity by Rs. 85.892 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The financial statements have however been prepared on a going concern basis on the basis of expectation of future profitability and undertaking of financial support of the sponsoring family directors.

Date: 22 February 2005

Karachi

Taseer Hadi Khalid & Co.
Chartered Accountants

Wazir Ali Industries Limited

Balance Sheet (unaudited)

As at 31 December 2004

	Note	31 December 2004	30 June 2004
(Rupees in '000)			
Operating fixed assets - at cost / revaluation			
less accumulated depreciation	4	108,671	110,221
Long term loans to employees - secured, considered good		341	472
Long term advances and security deposits - secured, considered good		482	497
CURRENT ASSETS			
Stock-in-trade		62,846	56,433
Goods in transit		18,112	-
Stores and spares		5,560	5,260
Trade debts - unsecured, considered good		41,736	27,786
Loans and advances - considered good		23,439	18,624
Deposits, prepayments and other receivables		13,964	7,497
Cash and bank balances		17,188	10,465
		182,845	126,065
CURRENT LIABILITIES			
Current maturity of long term finance and liabilities against assets subject to finance lease		18,624	9,693
Short term borrowings - secured		128,941	85,859
Creditors, accrued expenses and other liabilities		56,808	44,886
Provision for taxation		11,210	5,422
		215,583	145,860
NET CURRENT ASSETS / (LIABILITIES)		(32,738)	(19,795)
NET ASSETS		76,756	91,395
AUTHORISED CAPITAL (8 million ordinary shares of Rs. 10 each)		80,000	80,000
REPRESENTED BY:			
Share capital		76,057	76,057
Share premium		14,449	14,449
Revenue reserves		66,067	66,067
Accumulated loss		(242,465)	(239,252)
Shareholders' equity		(85,892)	(82,679)
Surplus on revaluation of fixed assets	5	97,252	98,516
Long term finance - secured	6	62,310	71,330
Liabilities against assets subject to finance lease		-	501
Long term deposits		760	760
Deferred liability		2,326	2,967
		76,756	91,395
CONTINGENCIES	7		

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

These financial statements were approved in the Board of Directors meeting held on 22 February 2005

Chief Executive

Director

Wazir Ali Industries Limited

Profit and Loss Account (unaudited)

For the six months period ended 31 December 2004

		Quarter ended 31 December 2004	Six months ended 31 December 2004	Quarter ended 31 December 2003	Six months ended 31 December 2003
	<i>Note</i>				
					(Rupees in '000)
Sales - net	8	242,901	445,070	180,694	327,073
Cost of goods sold	9	(201,737)	(367,503)	(146,684)	(267,411)
Gross profit		41,164	77,567	34,010	59,662
Administrative expenses		7,450	14,161	5,931	13,825
Selling and distribution expenses		25,956	54,179	32,467	55,203
Financial expenses		5,094	8,908	6,254	12,410
Workers' profit participation fund		69	69	-	-
		(38,569)	(77,317)	(44,652)	(81,438)
		2,595	250	(10,642)	(21,776)
Other income		478	1,061	301	417
Profit / (loss) before taxation		3,073	1,311	(10,341)	(21,359)
Provision for taxation - current year		(4,777)	(5,788)	(3,424)	(5,422)
(Loss) / Profit after taxation		(1,704)	(4,477)	(13,765)	(26,781)
(Loss) / Earnings per share - basic and diluted		(0.22)	(0.59)	(1.81)	(3.52)

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

Chief Executive

Director

Wazir Ali Industries Limited
Cash Flow Statement (unaudited)
For the six months period ended 31 December 2004

	31 December 2004	31 December 2003
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	1,311	(21,359)
Adjustments for:		
Depreciation	2,621	2,773
Gain on disposal of fixed assets	(778)	-
Financial charges	8,908	12,410
Provision for deferred liabilities	261	695
Workers' profit participation fund	69	-
	11,081	15,878
Operating profit before working capital changes	12,392	(5,481)
Decrease / (increase) and increase / (decrease) in operating assets and liabilities		
Stores and spares	(300)	(147)
Stock in trade	(6,413)	(32,958)
Goods in transit	(18,112)	15,525
Trade debts	(13,950)	6,509
Long term loans to employees	131	-
Long term advances and security deposits	15	469
Loans and advances	(1,211)	(6,558)
Deposits, prepayments and other receivables	(6,467)	(10,646)
Creditors, accrued expenses and other liabilities	8,145	(2,923)
	(38,162)	(30,729)
Deferred liabilities paid	(902)	-
Financial charges paid	(5,199)	(7,117)
Income tax paid	(3,604)	(5,732)
	(9,705)	(12,849)
Net cash flows from operating activities	(35,475)	(49,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,073)	(18)
Proceeds from sale of fixed assets	778	-
Net cash flows from investing activities	(295)	(18)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance	-	80,000
Lease payments	(590)	(971)
Short term borrowings (FATR)	12,708	18,427
Net cash flows from financing activities	12,118	97,456
Net decrease in cash and cash equivalents	(23,652)	48,379
Cash and cash equivalents at beginning of the period	(68,682)	(192,239)
Cash and cash equivalents at end of the period	(92,334)	(143,860)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	17,188	7,568
Finance under mark-up arrangements	(109,522)	(151,428)
	(92,334)	(143,860)

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

Chief Executive

Director

Wazir Ali Industries Limited
Statement of Changes in Equity (unaudited)
For the six months period ended 31 December 2004

	Ordinary shares paid in cash	Ordinary shares as bonus shares	Share premium	Revenue reserves	Accumulated loss	Total
	(Rupees in '000)					
Balance as at 30 June 2003	68,082	7,975	14,449	66,067	(181,082)	(24,509)
(Loss) for the six month period ended 31 December 2003	-	-	-	-	(26,781)	(26,781)
Tranferred from surplus on revaluation of fixed assets	-	-	-	-	1,206	1,206
Balance as at 31 December 2003	<u>68,082</u>	<u>7,975</u>	<u>14,449</u>	<u>66,067</u>	<u>(206,657)</u>	<u>(50,084)</u>
Balance as at 30 June 2004	68,082	7,975	14,449	66,067	(239,252)	(82,679)
(Loss) for the six month period ended 31 December 2004	-	-	-	-	(4,477)	(4,477)
Tranferred from surplus on revaluation of fixed assets	-	-	-	-	1,264	1,264
Balance as at 31 December 2004	<u>68,082</u>	<u>7,975</u>	<u>14,449</u>	<u>66,067</u>	<u>(242,465)</u>	<u>(85,892)</u>

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

Chief Executive

Director

Wazir Ali Industries Limited

Notes to the Financial Statements (unaudited)

For the six months period ended 31 December 2004

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and are unaudited but subject to limited scope review performed by the external auditors of the company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Had this change not been made, the profit for the period and operating fixed assets would have been lower by Rs. 0.033 million.

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

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

	31 December 2004	31 December 2003
	(Rupees in '000)	
Increase due to revaluation	-	54,187
Additions		
Office/ Residential Equipment	-	5
Furniture	-	13
Vehicle	1,073	-
	1,073	54,205
Disposals		
Vehicle	1,532	-
	1,532	-

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

5. SURPLUS ON REVALUATION OF FIXED ASSETS

	31 December 2004	30 June 2004
	(Rupees in '000)	
Opening balance	98,516	46,806
Revaluation during the period	-	54,187
Transferred to retained earnings (accumulated loss)	(1,264)	(2,477)
	97,252	98,516

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

6. LONG TERM FINANCE

During the six months period ended 31 December 2003, running finance of Rs. 80 million was restructured as long term finance. This loan is repayable in 16 equal quarterly installments commencing from 31 March 2005 along with markup over a term of 5 years, including one year grace period for repayment of principal. This is a floating rate loan carrying markup rate of SBP discount rate plus 0.5%. The loan facility is secured against first pari passu charge on present and future assets of the company including freehold land, building, machinery, stock in trade items, trade debts, etc.

			31 December 2004	30 June 2004
			(Rupees in '000)	
7. CONTINGENCIES				
7.1	Claims against the company not acknowledged as debts	7.3	13,673	13,673
7.2	Bank guarantee		4,836	4,836
7.3	Messrs Parcel Tankers have filed a suit against the company in 1987 before Sindh High Court, since then they have not followed up the case. During the year ended 30 June 2002 the case was discharged by the High Court, as the amount involved was less than the jurisdiction of High Court and was referred to the lower courts. The Company considers that chances of any adverse outcome are remote.			
8. SALES - net	Quarter ended 31 December 2004	Six months ended 31 December 2004	Quarter ended 31 December 2003	Six months ended 31 December 2003
	(Rupees in '000)			
Sales	278,438	510,924	208,907	378,281
Sales tax	(34,556)	(63,200)	(27,045)	(48,805)
Leakages and damages	(981)	(2,654)	(1,168)	(2,403)
	242,901	445,070	180,694	327,073
9. COST OF GOODS SOLD				
Finished goods as of 1 July	31,907	26,027	25,180	24,751
Cost of goods manufactured 9.1	198,082	369,728	142,826	264,067
Available for sale	229,989	395,755	168,006	288,818
Balance of finished goods as on 31 December	(28,252)	(28,252)	(21,322)	(21,407)
	201,737	367,503	146,684	267,411
9.1 Cost of goods manufactured				
Work in process as of 1 July	14,607	10,976	18,820	13,733
Raw materials consumed	164,692	309,267	114,844	215,042
Packing materials consumed	19,665	36,901	14,248	26,275
Stores and spares consumed	1,335	2,296	825	2,051
Salaries, wages and other benefits	6,559	12,874	6,859	14,064
Contribution to provident fund	187	373	194	392
Fuel and power	4,273	8,721	4,879	9,233
Repair and maintenance	223	395	240	367
Rent, rates and taxes	1	1	1	1
Insurance	177	300	125	246
Depreciation	960	1,919	960	1,864
Marking Fee (PSI)	343	645	-	-
	213,022	384,668	161,995	283,268
Work in process as on 31 December	(14,940)	(14,940)	(19,169)	(19,201)
	198,082	369,728	142,826	264,067

10. RELATED PARTY TRANSACTIONS

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

The related parties comprise related group companies, directors and their close family members, staff retirement funds, executives and major shareholders of the company. Associated companies with whom such transactions have taken place includes Zulfeqar Industries Limited, IGI Company of Pakistan Limited and Treet Corporation Limited. These are associated companies as they are either under the same management and / or with common directors. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using the comparable uncontrolled price method for purchases and sales and cost plus method for other transactions. Transaction with related parties during the six months are as follows:

	Six months period ended	
	31 December 2004	31 December 2003
	(Rupees in '000)	
Contribution to staff retirement funds	<u>693</u>	<u>5,441</u>
Chief executive's remuneration	<u>589</u>	<u>440</u>
Sales / services rendered	<u>4,900</u>	<u>4,581</u>
Purchases / services availed	<u>2,898</u>	<u>996</u>
Allocation of common selling and distribution expenses	<u>2,424</u>	<u>7,961</u>
Insurance premium paid	<u>1,223</u>	<u>630</u>
Rent expense	<u>75</u>	<u>80</u>

11. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chief Executive

Director