



**WAZIR ALI INDUSTRIES LIMITED**

**FINANCIAL STATEMENTS**  
**2ND QUARTER**

**(UN-AUDITED)**

**SIX MONTHS PERIOD ENDED**

**31-Dec-06**

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

#### **CHAIRMAN/CHIEF EXECUTIVE OFFICER**

Syed Yawar Ali

#### **DIRECTORS**

Syeda Ferial R.Ali  
Syed Naseem Ahmad  
Mr. Mohammad Bashir Janmohammad  
Mr. Abdul Rashid Janmohammad  
Mr. Perwaiz Hasan Khan  
Mr. Abdus Samad  
Syed Hasnain Ali

### **BOARD AUDIT COMMITTEE**

#### **CHAIRMAN**

Syeda Ferial R.Ali

#### **MEMBERS**

Mr. Abdul Rashid Janmohammad  
Mr. Abdus Samad  
Syed Hasnain Ali

#### **CHIEF FINANCIAL OFFICER/COMPANY SECRETARY** Mr.Amjad Waheed

#### **AUDITORS**

*KPMG* Taseer Hadi & Co.  
Chartered Accountants

#### **LEGAL ADVISORS**

Hussain & Haider  
Advocates & Solicitors

#### **BANKERS**

Prime Commercial Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited  
ABN AMRO Bank  
Habib Bank Limited

#### **REGISTRARS & SHARE TRANSFER OFFICE**

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

#### **REGISTERED OFFICE**

3rd Floor, Kandawala Building  
M. A. Jinnah Road, Karachi.  
Telephone: +92.21.2259941  
Fax: +92.21.2220874

#### **LAHORE OFFICE**

406-A, Office Block,  
Siddiq Trade Center,  
72-Main Boulevard, Gulberg, Lahore.  
Telephone: +92.42.5787546-9  
Fax: +92.42.5787582

#### **FACTORY**

Hali Road, Hyderabad (Sindh)  
Telephone: +92.22.3881477-9  
Fax: +92.22.3880670

#### **WEBSITE**

[www.wazirali.com.pk](http://www.wazirali.com.pk)

## 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 2006.

### Overview

The Sales Turnover of the Company was Rs. 442.340 as against Rs. 498.208M during the same period of last year indicating a decline of 11%. The Gross Profit percentage, however, shows a marginal improvement from 16.85% to 16.91%.

The Administrative Expenses have reduced by 18% mainly due to certain expenses related to the shifting of offices and staff relocation which were incurred in the same period last year. Selling and Distribution expenses however increased by 18% owing to more advertisements and sales promotional activities. The Financial Charges were higher by 34% owing to increase in the mark-up rate, as compared to the same period of last year.

During the period under review, the company has suffered a pre tax loss of Rs. 23.020 M as against a loss of Rs.0.444 M during the same period of the previous year.

Earning per share for the period under review is Rs. (3.03) negative as compared to Rs (0.87) negative during the same period of last year.

### Board of Directors

Messrs. Syed Tariq Ali, H. Aftab Ahmad, Syeda Nighat Ali and Syed Maratib Ali resigned as Directors from the Board of Wazir Ali Industries Limited and Messrs. M. Bashir Janmohammed, Perwaiz Hasan Khan, A. Rashid Janmohammed and Abdus Samad were co-opted as Nominee Directors of Dalda Foods (Pvt) Ltd on 9th January 2007.

### Future Outlook

The recent public announcement of the acquisition of 20.13% equity by 31st December, 2006 and 3.178% acquired subsequently by Dalda Foods (Pvt) Ltd will auger well for our Company. Outsourcing of certain services will improve both cost effectiveness and cost efficiencies and is envisaged to give the much needed boost to the company's growth.

The vision of gaining back company's strong place in the sector shall be achieved by availing the opportunities present in the market place, with improved infrastructure and distribution network.

### 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 Brand and for efficient distribution to our customers. We also acknowledge the support from our bankers for their corporate support.

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

For and on behalf of the Board

**Syed Yawar Ali**  
Chief Executive Officer



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
201-Office Block  
Siddiq Trade Centre  
72-Main Boulevard, Gulberg-II  
Lahore, Pakistan

Telephone +92 (42) 578 1751-6  
Fax +92 (42) 578 1757  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Wazir Ali Industries Limited** ("the Company") as at 31 December 2006, 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 half-year 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 Review Engagements 2400. 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 the 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 of Rs 23.020 million during the six months ended on 31 December 2006 and, as of that date, its accumulated losses exceeded the shareholders equity by Rs 68.624 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.

The figures of condensed interim profit and loss account for the quarters ended 31 December 2005 and 2006 were not subject to review, as we are required to review only the cumulative figures for the half year ended 31 December 2006.

*Lahore:*

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

# Wazir Ali Industries Limited

## Balance Sheet

As at 31 December 2006

		31 December 2006 (Un-audited)	30 June 2006 (Audited)
(Rupees in thousands)			
Operating fixed assets - at cost/revaluation			
less accumulated depreciation	5	143,685	102,454
Capital work in progress		1,099	936
Investment in subsidiary		50,000	50,000
Long term loans to employees - secured, considered good		266	256
Long term advances and security deposits - secured, considered good		431	404
		<b>195,481</b>	<b>154,050</b>
<b>Current assets</b>			
Stock-in-trade		83,009	43,287
Goods in transit		-	5,634
Stores and spares		7,842	7,177
Trade debts - unsecured, considered good		41,388	41,367
Loans and advances - considered good		9,660	18,278
Deposits, prepayments and other receivables		36,005	32,185
Cash and bank balances		15,364	14,238
		<b>193,268</b>	<b>162,166</b>
<b>Current liabilities</b>			
Current maturity of long term finance and liabilities against assets subject to finance lease		20,477	19,292
Short term borrowings - secured		158,151	131,159
Mark-up payable on borrowings		10,848	7,929
Trade and other payables		101,091	61,126
Provision for taxation		1,659	10,396
		<b>292,226</b>	<b>229,902</b>
<b>Net current liabilities</b>		<b>(98,958)</b>	<b>(67,736)</b>
<b>Net assets</b>		<b>96,523</b>	<b>86,314</b>
<b>Authorised capital</b> (8 million ordinary shares of Rs 10 each)		<b>80,000</b>	<b>80,000</b>
<b>Represented by:</b>			
Share capital		76,057	76,057
Share premium		14,449	14,449
Revenue reserves		66,067	66,067
Accumulated loss		(225,197)	(204,133)
<b>Shareholders' equity</b>		<b>(68,624)</b>	<b>(47,560)</b>
Surplus on revaluation of fixed assets	6	133,360	91,523
Liabilities against asset subject to finance lease		293	448
Long term finance - secured	7	28,842	39,229
Long term deposits		760	760
Deferred liability		1,892	1,914
<b>Contingencies and commitments</b>	8		
		<b>96,523</b>	<b>86,314</b>

These accounts should be read in conjunction with the attached notes 1 to 13.

**Wazir Ali Industries Limited**  
**Profit and Loss Account (unaudited)**

*For the six months period ended 31 December 2006*

		Quarter ended 31 December 2006	Six months ended 31 December 2006	Quarter ended 31 December 2005	Six months ended 31 December 2005
	Note	(Rupees in thousands)		(Rupees in thousands)	
Sales - net	9	192,048	442,341	254,934	498,208
Cost of goods sold	10	(170,159)	(367,523)	(207,491)	(414,241)
<b>Gross profit</b>		<b>21,889</b>	<b>74,818</b>	<b>47,443</b>	<b>83,967</b>
Distribution expenses		28,974	71,202	35,631	60,270
Administrative and general expenses		6,842	13,347	8,579	16,321
		<b>35,816</b>	<b>84,549</b>	<b>44,210</b>	<b>76,592</b>
<b>Operating (loss)/profit</b>		<b>(13,927)</b>	<b>(9,730)</b>	<b>3,233</b>	<b>7,376</b>
Other operating expense		-	7	-	-
Other operating income		948	1,645	1,961	2,061
<b>(Loss)/profit from operation</b>		<b>(12,979)</b>	<b>(8,093)</b>	<b>5,194</b>	<b>9,437</b>
Finance cost		7,292	13,268	5,197	9,880
<b>Loss before taxation</b>		<b>(20,271)</b>	<b>(21,361)</b>	<b>(3)</b>	<b>(443)</b>
<b>Provision for taxation for current year</b>		<b>(784)</b>	<b>(1,659)</b>	<b>(3,389)</b>	<b>(6,160)</b>
<b>Loss after taxation</b>		<b>(21,055)</b>	<b>(23,020)</b>	<b>(3,392)</b>	<b>(6,603)</b>
<b>Loss per share - basic and diluted</b>		<b>(2.77)</b>	<b>(3.03)</b>	<b>(0.45)</b>	<b>(0.87)</b>

These accounts should be read in conjunction with the attached notes 1 to 13.

Lahore:

23-Feb-07

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

\_\_\_\_\_  
Director

# Wazir Ali Industries Limited

## Cash Flow Statement (unaudited)

For the six months period ended 31 December 2006

	31 December 2006 (Rupees in thousands)	31 December 2005
<b>Cash flows from operating activities</b>		
<b>(Loss) before taxation</b>	<b>(21,361)</b>	<b>(443)</b>
<b>Adjustments for:</b>		
Depreciation	2,562	2,653
Gain on disposal of fixed assets	(687)	-
Finance cost	12,963	9,615
Provision for deferred liabilities	73	297
Workers' welfare fund	7	-
	<b>14,918</b>	<b>12,565</b>
<b>Operating profit before working capital changes</b>	<b>(6,443)</b>	<b>12,122</b>
<b>Decrease/(increase) and increase/(decrease) in operating assets and liabilities:</b>		
Stores and spares	(665)	(892)
Stock in trade	(39,721)	7,538
Goods in transit	5,634	279
Trade debts	(21)	(20,277)
Long term advances and security deposits	(28)	(137)
Loans and advances	11	(5,018)
Deposits, prepayments and other receivables	(3,880)	(7,968)
Trade and other payables	39,958	56,267
	<b>1,288</b>	<b>29,792</b>
Deferred liabilities paid	(312)	(395)
Finance cost paid	(10,004)	(6,157)
Income tax paid	(1,798)	(4,879)
	<b>(12,114)</b>	<b>(11,431)</b>
<b>Net cash flows from operating activities</b>	<b>(17,269)</b>	<b>30,483</b>
<b>Cash flows from investing activities</b>		
Fixed capital expenditure	(163)	(2,719)
Proceeds from sale of fixed assets	963	-
<b>Net cash flows from investing activities</b>	<b>800</b>	<b>(2,719)</b>
<b>Cash flows from financing activities</b>		
Long term finance	(9,222)	(4,863)
Lease payments	(176)	(279)
Short term borrowings (FATR)	3,778	(8,042)
<b>Net cash flows from financing activities</b>	<b>(5,620)</b>	<b>(13,184)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(22,089)</b>	<b>14,580</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(80,473)</b>	<b>(106,088)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(102,562)</b>	<b>(91,508)</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	15,364	13,447
Finance under mark-up arrangements	(117,926)	(104,955)
	<b>(102,562)</b>	<b>(91,508)</b>

These accounts should be read in conjunction with the attached notes 1 to 13.

**Wazir Ali Industries Limited**  
**Statement of Changes in Equity (unaudited)**

*For the six months period ended 31 December 2006*

	Ordinary shares paid in cash	Capital reserves share premium	Revenue reserves		Total
			Revenue reserves	Accumulated loss	
	(----- Rupees in thousands -----)				
<b>Balance as at 01 July 2005</b>	76,057	14,449	66,067	(172,308)	<b>(15,735)</b>
Loss for the six months period ended 31 December 2005	-	-	-	(6,603)	<b>(6,603)</b>
Transferred from surplus on revaluation of fixed assets	-	-	-	1,264	<b>1,264</b>
<b>Balance as at 31 December 2005</b>	<b>76,057</b>	<b>14,449</b>	<b>66,067</b>	<b>(177,647)</b>	<b>(21,074)</b>
<b>Balance as at 01 July 2006</b>	76,057	14,449	66,067	(204,133)	<b>(47,560)</b>
Loss for the six months period ended 31 December 2006	-	-	-	(23,020)	<b>(23,020)</b>
Transferred from surplus on revaluation of fixed assets	-	-	-	1,956	<b>1,956</b>
<b>Balance as at 31 December 2006</b>	<b>76,057</b>	<b>14,449</b>	<b>66,067</b>	<b>(225,197)</b>	<b>(68,624)</b>

These accounts should be read in conjunction with the attached notes 1 to 13.

Lahore: 23-Feb-07

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

\_\_\_\_\_  
Director



# **Wazir Ali Industries Limited**

## **Notes to the Financial Statements (unaudited)**

*For the six months period ended 31 December 2006*

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

The Karachi Stock Exchange has placed the Company on the Defaulters' Counter for non-payment of a dividend in the last 5 years, however, the name will be removed from the list as soon as the default is cleared.

### **2 Basis of presentation**

These condensed interim financial statements have been presented 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. These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2006. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

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. 23.020 million during the period ended 31 December 2006 and, as of that date, its accumulated loss exceeded the shareholders equity by Rs. 68.624 million (December 2005: Rs. 21.074 million restated), while the current liabilities exceeded current assets by Rs. 98.958 million (December 2005: Rs. 47.963 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.

### **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 2006.

### **4 Estimates**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2006.

**5 Property, plant and equipment** - at cost/revaluation less accumulated depreciation

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

	<b>31 December 2006 (Rupees in thousands)</b>	<b>30 June 2006</b>
Opening book value	102,454	104,608
Increase due to revaluation	43,793	-
Additions		
Office/residential equipment	-	776
Furniture	-	946
Plant and machinery	-	1,009
Vehicle	-	969
	-	<b>3,700</b>
	<b>146,247</b>	<b>108,308</b>
Disposals		
Vehicles	-	(276)
Depreciation charge for the period	(2,562)	(5,578)
	<b>(2,562)</b>	<b>(5,854)</b>
	<b>143,685</b>	<b>102,454</b>
<b>6 Surplus on revaluation of fixed assets</b>		
Opening balance	91,523	95,121
Revaluation during the period	43,793	-
Surplus transferred to accumulated loss in respect of incremental depreciation charged on related assets during the year	(1,956)	(3,598)
	<b>133,360</b>	<b>91,523</b>

This represents surplus arising on revaluation of freehold land, building and plant and machinery of the Company. The revaluation was carried out by an independent valuer, M/s Imran Associates on 31 January 2005 and M/s Iqbal Nanjee & Co. on 04 March 2005 and 30 September 2006.

**7 Long term finance**

This represents facility obtained from Prime Commercial Bank Limited Karachi. The loan is repayable in 16 equal 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 12 % per annum. 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.

	<b>31 December 2006 (Rupees in thousands)</b>	<b>30 June 2006</b>
<b>8 Contingencies and commitments</b>		
<b>8.1</b> Claims against the company not acknowledged as debts	13,673	13,673
<b>8.2</b> Bank guarantee	6,071	4,836

	Quarter ended 31 December 2006	Six months ended 31 December 2006	Quarter ended 31 December 2005	Six months ended 31 December 2005
<i>Note</i>	(Rupees in thousands)		(Rupees in thousands)	
<b>9 Sales - Net</b>				
Sales	198,818	471,191	295,331	574,561
Sales tax	(4,427)	(24,833)	(38,250)	(73,522)
Leakages and damages	(2,343)	(4,017)	(2,147)	(2,831)
	<b>192,048</b>	<b>442,341</b>	<b>254,934</b>	<b>498,208</b>
<b>10 Cost of goods sold</b>				
<b>Opening balance of</b>				
Finished goods	13,973	11,404	16,200	25,656
Cost of goods manufactured	202,481	402,414	213,379	410,673
Available for sale	216,454	413,818	229,579	436,329
<b>Closing balance of</b>				
Finished goods	(46,295)	(46,295)	(22,088)	(22,088)
	<b>170,159</b>	<b>367,523</b>	<b>207,491</b>	<b>414,241</b>
<b>10.1 Cost of goods manufactured</b>				
<b>Opening balance of</b>				
Work in process	12,960	10,080	7,844	7,268
Raw materials consumed	168,536	333,597	172,117	335,199
Packing materials consumed	20,268	42,112	24,778	45,079
Stores and spares consumed	1,319	2,306	1,588	2,904
Salaries, wages and other benefits	7,245	14,648	7,138	14,145
Contribution to provident fund	185	378	184	376
Fuel and power	6,532	12,554	6,343	10,987
Repair and maintenance	283	531	154	354
Rent, rates and taxes	1	1	95	110
Insurance	211	347	553	707
Depreciation	791	1,710	937	1,896
	<b>218,331</b>	<b>418,264</b>	<b>221,731</b>	<b>419,025</b>
<b>Closing balance of</b>				
Work in process	(15,850)	(15,850)	(8,352)	(8,352)
	<b>202,481</b>	<b>402,414</b>	<b>213,379</b>	<b>410,673</b>

## 11 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.

Associated companies with whom such transactions have taken place includes Zulfiqar Industries Limited, IGI Insurance Company Limited, Wazir Ali Ventures (Pvt) Limited and Treet Corporation Limited. These are associated companies as they are either under the same management and/or with common directors. The Company has a policy whereby all transactions with related parties are entered into at arm's length prices using the comparable uncontrolled price method for purchases and sales and cost plus method for other transactions. Transactions with related parties during the six months are as follows:

	<b>Six months period ended</b>	
	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>(Rupees in thousands)</b>	
Contribution to staff retirement funds	1,561	705
Chief executive's remuneration	620	803
Sales/services rendered	1,524	2,057
Purchases/services availed	234	1,359
Allocation of common expenses	2,458	1,174
Settlement of liability	44	-
Insurance premium paid	922	1,091
Rent expense	75	103

## 12 Post balance sheet events

Dalda Foods (Private) Limited has acquired 23.308% shares in the Company including 3.178% shares acquired subsequent to the period end. A service agreement is awaiting approval of the Board of Directors in its next meeting.

## 13 General

Figures have been rounded off to the nearest thousand rupees.

These financial statements were approved in the Board of Directors meeting held on 23-Feb-2007

Lahore: 23-Feb-07

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

\_\_\_\_\_  
Director



**WAZIR ALI INDUSTRIES LIMITED**

**And its Subsidiary**

**FINANCIAL STATEMENTS**

**2ND QUARTER**

**CONSOLIDATED**

**(UN-AUDITED)**

**SIX MONTHS PERIOD ENDED**

**31-Dec-06**

# Wazir Ali Industries Limited and its Subsidiary

## Consolidated Balance Sheet

As at 31 December 2006

		31 December 2006 (Un-audited)	30 June 2006 (Audited)
(Rupees in thousands)			
Operating fixed assets - at cost/revaluation			
less accumulated depreciation	6	143,685	102,454
Capital work in progress		1,099	936
Investment Property		87,697	87,697
Long term loans to employees - secured, considered good		265	256
Long term advances and security deposits - secured, considered good		431	404
		<b>233,178</b>	<b>191,747</b>
<b>Current assets</b>			
Stock-in-trade		83,009	43,287
Goods in transit		-	5,634
Stores and spares		7,842	7,177
Trade debts - unsecured, considered good		41,388	41,367
Loans and advances - considered good		9,765	18,293
Deposits, prepayments and other receivables		34,898	31,505
Cash and bank balances		31,311	29,370
		<b>208,213</b>	<b>176,632</b>
<b>Current liabilities</b>			
Current maturity of long term finance and liabilities against assets subject to finance lease		20,477	19,292
Short term borrowings - secured		162,478	132,023
Mark-up payable on borrowings		13,449	9,693
Trade and other payables		101,090	61,126
Provision for taxation		1,659	10,396
		<b>299,154</b>	<b>232,530</b>
<b>Net current liabilities</b>		<b>(90,941)</b>	<b>(55,899)</b>
<b>Net assets</b>		<b>142,237</b>	<b>135,848</b>
<b>Authorised capital</b> (8 million ordinary shares of Rs 10 each)		<b>80,000</b>	<b>80,000</b>
<b>Represented by:</b>			
Share capital		76,057	76,057
Share premium		14,449	14,449
Revenue reserves		66,068	66,068
Accumulated loss		(322,366)	(297,480)
<b>Shareholders' equity</b>		<b>(165,792)</b>	<b>(140,907)</b>
Surplus on revaluation of fixed assets	7	218,742	176,905
Liabilities against asset subject to finance lease		293	448
Long term finance - secured	8	86,342	96,729
Long term deposits		760	760
Deferred liability		1,892	1,914
<b>Contingencies and commitments</b>	9	<b>142,237</b>	<b>135,848</b>

These accounts should be read in conjunction with the attached notes 1 to 14.

**Wazir Ali Industries Limited and its Subsidiary**  
**Consolidated Profit and Loss Account (unaudited)**

*For the six months period ended 31 December 2006*

	Note	Quarter ended 31 December 2006	Six months ended 31 December 2006	Quarter ended 31 December 2005	Six months ended 31 December 2005
		(Rupees in thousands)		(Rupees in thousands)	
Sales - net	10	192,048	442,341	254,934	498,208
Cost of goods sold	11	(170,159)	(367,523)	(207,491)	(414,241)
<b>Gross profit</b>		<b>21,889</b>	<b>74,818</b>	<b>47,443</b>	<b>83,967</b>
Distribution expenses		28,974	71,202	35,631	60,270
Administrative and general expenses		8,980	15,484	9,784	17,536
		<b>37,954</b>	<b>86,686</b>	<b>45,415</b>	<b>77,807</b>
<b>Operating (loss)/profit</b>		<b>(16,065)</b>	<b>(11,868)</b>	<b>2,028</b>	<b>6,161</b>
Other operating expense		-	7	-	-
Other operating income		1,854	2,550	1,961	2,061
<b>(Loss)/profit from operation</b>		<b>(14,211)</b>	<b>(9,325)</b>	<b>3,989</b>	<b>8,222</b>
Finance cost		9,881	15,858	5,197	9,880
<b>Loss before taxation</b>		<b>(24,093)</b>	<b>(25,182)</b>	<b>(1,208)</b>	<b>(1,659)</b>
<b>Provision for taxation for current year</b>		<b>(784)</b>	<b>(1,659)</b>	<b>(3,389)</b>	<b>(6,160)</b>
<b>Loss after taxation</b>		<b>(24,877)</b>	<b>(26,842)</b>	<b>(4,597)</b>	<b>(7,818)</b>
<b>Loss per share - basic and diluted</b>		<b>(3.27)</b>	<b>(3.53)</b>	<b>(0.60)</b>	<b>(1.03)</b>

These accounts should be read in conjunction with the attached notes 1 to 14.

Lahore:

23-Feb-07

Chief Executive

Director

**Wazir Ali Industries Limited** and its Subsidiary  
**Consolidated Cash Flow Statement (unaudited)**

For the six months period ended 31 December 2006

	31 December 2006 (Rupees in thousands)	31 December 2005
<b>Cash flows from operating activities</b>		
<b>(Loss) before taxation</b>	(25,182)	(1,658)
<b>Adjustments for:</b>		
Depreciation	2,562	2,653
Gain on disposal of fixed assets	(687)	-
Finance cost	15,552	9,615
Provision for deferred liabilities	73	297
Workers' welfare fund	7	-
	<b>17,508</b>	<b>12,565</b>
<b>Operating profit before working capital changes</b>	<b>(7,675)</b>	<b>10,907</b>
<b>Decrease/(increase) and increase/(decrease) in operating assets and liabilities:</b>		
Stores and spares	(665)	(892)
Stock in trade	(39,722)	7,538
Goods in transit	5,634	279
Trade debts	(21)	(20,277)
Long term advances and security deposits	(28)	(137)
Loans and advances	(79)	(5,018)
Deposits, prepayments and other receivables	(3,451)	(6,720)
Trade and other payables	39,958	56,257
	<b>1,625</b>	<b>31,030</b>
Deferred liabilities paid	(312)	(395)
Finance cost paid	(11,755)	(6,157)
Income tax paid	(1,798)	(4,879)
	<b>(13,866)</b>	<b>(11,431)</b>
<b>Net cash flows from operating activities</b>	<b>(19,917)</b>	<b>30,505</b>
<b>Cash flows from investing activities</b>		
Fixed capital expenditure	(163)	(2,742)
Proceeds from sale of fixed assets	963	-
<b>Net cash flows from investing activities</b>	<b>800</b>	<b>(2,742)</b>
<b>Cash flows from financing activities</b>		
Long term finance	(9,227)	(4,863)
Lease payments	(171)	(279)
Short term borrowings (FATR)	3,778	(8,042)
<b>Net cash flows from financing activities</b>	<b>(5,620)</b>	<b>(13,184)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(24,737)</b>	<b>14,579</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(66,205)</b>	<b>(106,088)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(90,942)</b>	<b>(91,508)</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	31,311	13,447
Finance under mark-up arrangements	(122,253)	(104,955)
	<b>(90,942)</b>	<b>(91,508)</b>

These accounts should be read in conjunction with the attached notes 1 to 14.



**Wazir Ali Industries Limited and its Subsidiary**  
**Consolidated Statement of Changes in Equity (unaudited)**

*For the six months period ended 31 December 2006*

	Ordinary shares paid in cash	Capital reserves share premium	Revenue reserves		Total
			Revenue reserves	Accumulated loss	
(----- Rupees in thousands -----)					
<b>Balance as at 01 July 2005</b>	76,057	14,449	66,067	(258,065)	<b>(101,492)</b>
Loss for the six months period ended 31 December 2005	-	-	-	(7,818)	<b>(7,818)</b>
Transferred from surplus on revaluation of fixed assets	-	-	-	1,264	<b>1,264</b>
<b>Balance as at 31 December 2005</b>	<b>76,057</b>	<b>14,449</b>	<b>66,067</b>	<b>(264,619)</b>	<b>(108,046)</b>
<b>Balance as at 01 July 2006</b>	76,057	14,449	66,067	(297,480)	<b>(140,907)</b>
Loss for the six months period ended 31 December 2006	-	-	-	(26,842)	<b>(26,842)</b>
Transferred from surplus on revaluation of fixed assets	-	-	-	1,956	<b>1,956</b>
<b>Balance as at 31 December 2006</b>	<b>76,057</b>	<b>14,449</b>	<b>66,067</b>	<b>(322,366)</b>	<b>(165,792)</b>

These accounts should be read in conjunction with the attached notes 1 to 14.

Lahore: 23-Feb-07

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

\_\_\_\_\_  
Director

# **Wazir Ali Industries Limited and its Subsidiary**

## **Notes to the Consolidated Financial Statements (unaudited)**

*For the six months period ended 31 December 2006*

### **1 Status and nature of business**

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

The Karachi Stock Exchange has placed the Company on the Defaulters' Counter for non-payment of a dividend in the last 5 years, however, the name will be removed from the list as soon as the default is cleared.

### **2 Basis of presentation**

These condensed interim financial statements have been presented 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. These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2006. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

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. 23.020 million during the period ended 31 December 2006 and, as of that date, its accumulated loss exceeded the shareholders equity by Rs. 68.624 million (December 2005: Rs. 21.074 million restated), while the current liabilities exceeded current assets by Rs. 98.958 million (December 2005: Rs. 47.963 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.

### **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 2006.

### **4 Basis of Consolidation**

Subsidiaries are those companies in which the company directly or indirectly controls, beneficially owns or hold more than 50 percent of the voting securities or otherwise has the power to elect and appoint more than 50 percent of its directors. The company has following subsidiary:

	<b>Percentage of shareholding</b>
Wazir Ali Ventures (Private) Limited	100 percent

The financial statements of the subsidiary is included in the consolidated financial statements from the date the control commences until the date that control ceases. In preparing consolidated financial statements, financial statements of the company and its subsidiary are combined on a line by line basis by adding together like of assets, liabilities, equity, income and expenses. Significant inter company transactions are eliminated.

## 5 Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2006.

## 6 Property, plant and equipment - at cost/revaluation less accumulated depreciation

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

	<b>31 December 2006 (Rupees in thousands)</b>	<b>30 June 2006</b>
Opening book value	102,454	104,608
Increase due to revaluation	43,793	-
Additions		
Office/residential equipment	-	776
Furniture	-	946
Plant and machinery	-	1,009
Vehicle	-	969
	-	<b>3,700</b>
	<b>146,247</b>	<b>108,308</b>
Disposals		
Vehicles	-	(276)
Depreciation charge for the period	(2,562)	(5,578)
	(2,562)	<b>(5,854)</b>
	<b>143,685</b>	<b>102,454</b>
<b>7 Surplus on revaluation of fixed assets</b>		
Opening balance	176,905	180,503
Revaluation during the period	43,793	-
Surplus transferred to accumulated loss in respect of incremental depreciation charged on related assets during the year	(1,956)	(3,598)
	<b>218,742</b>	<b>176,905</b>

This represents surplus arising on revaluation of freehold land, building and plant and machinery of the Company. The revaluation was carried out by an independent valuer, M/s Imran Associates on 31 January 2005 and M/s Iqbal Nanjee & Co. on 04 March 2005 and 30 September 2006.

## 8 Long term finance

This represents facility obtained from Prime Commercial Bank Limited Karachi. The loan is repayable in 16 equal 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 10-12 % per annum. 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.

	<b>31 December 2006 (Rupees in thousands)</b>	<b>30 June 2006</b>
<b>9 Contingencies and commitments</b>		
9.1 Claims against the company not acknowledged as debts	13,673	13,673
9.2 Bank guarantee	6,071	4,836

	Quarter ended 31 December 2006	Six months ended 31 December 2006	Quarter ended 31 December 2005	Six months ended 31 December 2005
Note	(Rupees in thousands)		(Rupees in thousands)	
<b>10 Sales - Net</b>				
Sales	198,818	471,191	295,331	574,561
Sales tax	(4,427)	(24,833)	(38,250)	(73,522)
Leakages and damages	(2,343)	(4,017)	(2,147)	(2,831)
	<b>192,048</b>	<b>442,341</b>	<b>254,934</b>	<b>498,208</b>
<b>11 Cost of goods sold</b>				
<b>Opening balance of</b>				
Finished goods	13,973	11,404	16,200	25,656
Cost of goods manufactured	202,481	402,414	213,379	410,673
Available for sale	216,454	413,818	229,579	436,329
<b>Closing balance of</b>				
Finished goods	(46,295)	(46,295)	(22,088)	(22,088)
	<b>170,159</b>	<b>367,523</b>	<b>207,491</b>	<b>414,241</b>
<b>11.1 Cost of goods manufactured</b>				
<b>Opening balance of</b>				
Work in process	12,960	10,080	7,844	7,268
Raw materials consumed	168,536	333,597	172,117	335,199
Packing materials consumed	20,268	42,112	24,778	45,079
Stores and spares consumed	1,319	2,306	1,588	2,904
Salaries, wages and other benefits	7,245	14,648	7,138	14,145
Contribution to provident fund	185	378	184	376
Fuel and power	6,532	12,554	6,343	10,987
Repair and maintenance	283	531	154	354
Rent, rates and taxes	1	1	95	110
Insurance	211	347	553	707
Depreciation	791	1,710	937	1,896
	<b>218,331</b>	<b>418,264</b>	<b>221,731</b>	<b>419,025</b>
<b>Closing balance of</b>				
Work in process	(15,850)	(15,850)	(8,352)	(8,352)
	<b>202,481</b>	<b>402,414</b>	<b>213,379</b>	<b>410,673</b>

## 12 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.

Associated companies with whom such transactions have taken place includes Zulfiqar Industries Limited, IGI Insurance Company Limited, and Treet Corporation Limited. These are associated companies as they are either under the same management and/or with common directors. The Company has a policy whereby all transactions with related parties are entered into at arm's length prices using the comparable uncontrolled price method for purchases and sales and cost plus method for other transactions. Transactions with related parties during the six months are as follows:

	<b>Six months period ended</b>	
	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>(Rupees in thousands)</b>	
Contribution to staff retirement funds	<b>1,561</b>	705
Chief executive's remuneration	<b>620</b>	803
Sales/services rendered	<b>1,524</b>	2,057
Purchases/services availed	<b>234</b>	1,359
Allocation of common expenses	<b>352</b>	1,174
Insurance premium paid	<b>922</b>	1,091
Rent expense	<b>75</b>	103

## 13 Post balance sheet events

Dalda Foods (Private) Limited has acquired 23.308% shares in the Company including 3.178% shares acquired subsequent to the period end. A service agreement is awaiting approval of the Board of Directors in its next meeting.

## 14 General

Figures have been rounded off to the nearest thousand rupees.

These financial statements were approved in the Board of Directors meeting held on 23-Feb-2007

Lahore:

23-Feb-07

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

\_\_\_\_\_  
Director