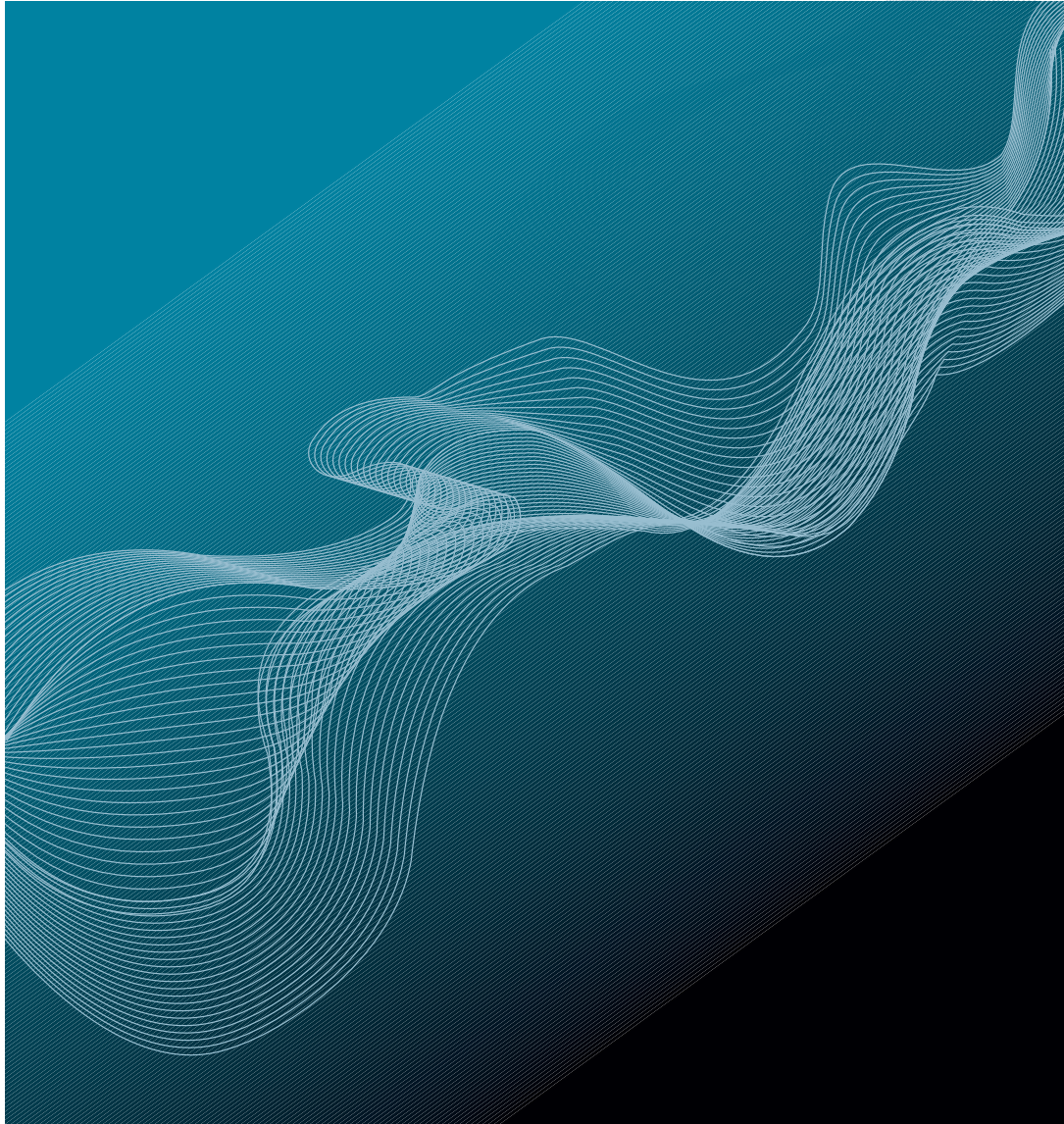


Half Yearly Report  
December **2010**



**COMPANY INFORMATION****BOARD OF DIRECTORS**

**CHAIRMAN** Syed Yawar Ali  
**CHIEF EXECUTIVE OFFICER** Mr. Abdus Samad

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

**BOARD AUDIT COMMITTEE**

**CHAIRMAN** Mr. Mohammed Bashir Janmohammed  
**MEMBERS** Mr. Abdul Rasheed Janmohammed  
Mr. Perwaiz Hasan Khan  
Mr. Mohammad Rabbani

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

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

**LEGAL ADVISORS** Hussain & Haider  
Advocates & Solicitors

**BANKERS** The Royal Bank of Scotland Limited  
National Bank of Pakistan  
Bank Islami Pakistan Limited  
Habib Bank Limited  
MCB Bank Limited  
United 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: +92.21.35655595

**REGISTERED OFFICE** F-33, Hub River Road, SITE, Karachi.  
Telephone: +92.21.32579683-7  
Fax: +92.21.32578654

**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 unconsolidated financial statements of the Company reviewed by the auditors for the half-year ended 31 December 2010.

### Overview

The Sales of the Company was Rs. 946.521 M as against Rs. 783.194 M during the same period last year indicating an increase of 20.8%. The Gross Profit Percentage on Sales is higher at 10.4% from 9.6% owing to faster rolling over of inventory and a new market oriented pricing mechanism.

The Administrative Expenses increased to 64.929 M as compared to Rs. 11.538 M during the corresponding period, as a result of an agreement between the management and CBA, workers were offered Golden Handshake Scheme and accordingly Rs. 51.85 M was paid. The Selling & Distribution Expenses have remained at 5.63% of sales. The financial charges have decreased by 1.4%.

Loss per share for the period under review is Rs. 7.54 as compared to Rs. 1.82 during the same period of last year. Without the impact of the once off exceptional restructuring charge on account of workers separation the loss per share would have been Rs. 1.05 per share.

### Future Outlook

The Company took a bold step to massively reduce its major structural fixed production costs in order to improve the financial as well as operational viability of the company and has decided to produce its products through more cost effective Toll manufacturing arrangements in order to reduce overall costs and for enhancement of value. Besides, the Company continues its efforts to increase the coverage and penetration of the Company's brands in the premium as well as mass market segments. Efforts to find cheaper financing options along with other cost effective measures will be continued.

### Going Concern

The directors are 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 efficient distribution to our customers. We also acknowledge the support of 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



Abdus Samad  
Chief Executive Officer

Karachi : 23 February 2011



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Chartered Accountants  
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## **Independent Auditors' Report on review of Condensed Unconsolidated Interim Financial Information to the Members of Wazir Ali Industries Limited**

### ***Introduction***

We have reviewed the accompanying condensed unconsolidated interim balance sheet of **Wazir Ali Industries Limited** ("the Company") as at 31 December 2010 and the related condensed unconsolidated interim income statement, condensed unconsolidated interim statement of comprehensive income, condensed unconsolidated interim cash flow statement, condensed unconsolidated interim statement of changes in equity and notes to the condensed unconsolidated interim information for the six months period ended 31 December 2010 (here-in-after referred to as the "condensed unconsolidated interim financial information"). Management of the Company is responsible for the preparation and presentation of this condensed unconsolidated interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed unconsolidated interim financial information based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed unconsolidated interim financial information as at and for the six months period ended 31 December 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### ***Emphasis of Matter***

We draw attention to note 1.2, 1.3 and 5 to the condensed unconsolidated interim financial information which indicates that the Company has incurred a net loss of Rs. 60.253 million during the six months period ended 31 December 2010 and, as of that date, its accumulated loss exceeded the shareholders' equity by Rs. 346.251 million, while the current liabilities exceeded current assets by Rs. 40.461 million.



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Further, the production facility has been closed / shut down as on 30 December 2010. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These condensed unconsolidated interim financial information has however been prepared on a going concern basis on the expectation of future profitability, restructuring of the Company's activities and availability of financial support from its directors and Dalda Foods (Private) Limited – the Holding Company. Our conclusion is not qualified in respect of this matter.

***Other matters***

The figures for the quarter ended 31 December 2010 in the condensed interim financial information have not been reviewed and we do not express a conclusion thereon.

**Date:** 23 February 2011

**Karachi.**

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

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative

**Condensed Unconsolidated Interim Balance Sheet (Unaudited)**  
As at 31 December 2010

	Note	(Unaudited) 31 December 2010 (Rupees in '000)	(Audited) 30 June 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	150,360	152,388
Investment in subsidiary - at cost		31,606	33,886
Long term loans to employees - secured, considered good		-	580
Long term security deposits - unsecured, considered good		814	762
<b>Total non-current assets</b>		<b>182,780</b>	<b>187,616</b>
<b>Current Assets</b>			
Stores and spares		4,478	4,942
Stock-in-trade	6	344,783	144,642
Trade debts - secured, considered good	7	131,189	83,754
Loans and advances - considered good		-	447
Deposits, prepayments and other receivables	8	36,199	19,390
Taxation - net		13,603	16,825
Cash and bank balances	9	60,320	89,349
<b>Total current assets</b>		<b>590,572</b>	<b>359,349</b>
<b>Total Assets</b>		<b>773,352</b>	<b>546,965</b>
<b>Equity and Liabilities</b>			
<b>Share capital and reserves</b>			
Authorised capital 8,000,000 (30 June 2010: 8,000,000) ordinary shares of Rs. 10 each		80,000	80,000
Issued, subscribed and paid up capital 7,986,000 (30 June 2010: 7,986,000) ordinary shares of Rs. 10 each		79,860	79,860
Capital reserve		10,646	10,646
Accumulated loss		(436,757)	(377,459)
		<b>(346,251)</b>	<b>(286,953)</b>
<b>Surplus on revaluation of property, plant and equipment</b>		<b>133,259</b>	<b>134,214</b>
<b>Sub-ordinated loans from holding company - unsecured</b>	10	<b>342,500</b>	<b>350,000</b>
<b>Non - current liabilities</b>			
Deferred tax liability on surplus on revaluation of property, plant and equipment		11,569	12,084
Provision for compensated absences		1,242	1,877
<b>Total non-current liabilities</b>		<b>12,811</b>	<b>13,961</b>
<b>Current liabilities</b>			
Current maturity on sub-ordinated loans from holding company - unsecured	10	7,500	-
Trade and other payables	11	328,264	182,829
Mark-up payable on borrowings	12	106,353	82,972
Short term borrowings - secured	13	188,916	69,942
<b>Total current liabilities</b>		<b>631,033</b>	<b>335,743</b>
<b>Contingencies</b>	14		
<b>Total Equity and Liabilities</b>		<b>773,352</b>	<b>546,965</b>

The annexed notes 1 to 19 form an integral part of these condensed unconsolidated interim financial statements.



Chief Executive Officer



Director

Condensed Unconsolidated Interim Profit and Loss Account (Unaudited)  
For the six months period ended 31 December 2010

	Note	Six months period ended 31 December 2010	Six months period ended 31 December 2009	Quarter ended 31 December 2010	Quarter ended 31 December 2009
----- (Rupees in '000) -----					
Revenue - net		946,521	783,194	540,518	483,450
Cost of goods sold / services rendered		(848,158)	(708,065)	(481,048)	(433,120)
<b>Gross profit</b>	15.1	<b>98,363</b>	75,129	<b>59,470</b>	50,330
Administration expenses	16	(64,929)	(11,538)	(58,225)	(1,093)
Selling and distribution expenses		(53,257)	(44,141)	(28,151)	(40,069)
		(118,186)	(55,679)	(86,376)	(41,162)
Other operating (expense) / income	17	(2,484)	(1,084)	(2,909)	(1,478)
<b>Operating (loss) / income</b>		<b>(22,307)</b>	18,366	<b>(29,815)</b>	7,690
Financial charges		(28,972)	(29,384)	(14,691)	(14,371)
<b>(Loss) / income before taxation</b>		<b>(51,279)</b>	(11,018)	<b>(44,506)</b>	(6,681)
Taxation - net		(8,974)	(3,532)	(4,904)	(2,145)
<b>Loss for the period</b>		<b>(60,253)</b>	(14,550)	<b>(49,410)</b>	(8,826)
<b>Loss per share - basic and diluted</b>		<b>(7.54)</b>	(1.82)	<b>(6.19)</b>	(1.11)

The annexed notes 1 to 19 form an integral part of these condensed unconsolidated interim financial statements.



Chief Executive Officer



Director

Condensed Unconsolidated Interim Statement of Comprehensive Income (Unaudited)  
For the six months period ended 31 December 2010

	Six months period ended 31 December 2010	Six months period ended 31 December 2009	Quarter ended 31 December 2010	Quarter ended 31 December 2009
	----- (Rupees in '000) -----			
Loss for the period	(60,253)	(14,550)	(49,410)	(8,826)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u>(60,253)</u>	<u>(14,550)</u>	<u>(49,410)</u>	<u>(8,826)</u>

The annexed notes 1 to 19 form an integral part of these condensed unconsolidated interim financial statements.



Chief Executive Officer



Director

Condensed Unconsolidated Interim Cash Flow Statement (Unaudited)  
For the six months period ended 31 December 2010

	<b>Six months period ended 31 December 2010</b>	Six months period ended 31 December 2009
<b>(Rupees in '000)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	<b>(51,279)</b>	(11,018)
Adjustments for:		
- Depreciation	2,028	2,001
- Profit on disposal of property, plant and equipment	-	(310)
- Provision for impairment in investment in Subsidiary Company	2,280	-
- Provision for impaired debts	1,799	-
- Provision against mark-up receivable from Subsidiary Company	1,025	-
- Financial charges	28,972	29,384
<b>Operating (loss) / profit before working capital changes</b>	<b>(15,175)</b>	20,057
<i>Movement in:</i>		
- Stores and spares	464	4
- Stock in trade	(200,141)	(29,458)
- Trade debts	(49,234)	(35,586)
- Loans and advances	1,027	(77)
- Deposits, prepayments and other receivables	(17,834)	(5,972)
- Long term security deposits	(52)	(1,000)
- Compensated absences paid	(635)	-
- Trade and other payables and compensated absences	145,435	114,777
<b>Cash (used in) / generated from operations</b>	<b>(136,145)</b>	62,745
Financial charges paid	(5,591)	(6,391)
Income tax paid	(6,267)	(2,285)
<b>Net cash (used in) / generated from operating activities</b>	<b>(148,003)</b>	54,069
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	-	(95)
Proceeds from disposal of items of property, plant and equipment	-	328
Net cash generated from investing activities	-	233
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash generated from financing activities - Short term borrowing obtained	138,973	-
Net (decrease) / increase in cash and cash equivalents	(9,030)	54,302
Cash and cash equivalents at beginning of the period	19,407	(35,550)
<b>Cash and cash equivalents at end of the period</b>	<b>10,377</b>	18,752
<b>Cash and cash equivalents</b>		
Cash and bank balances	60,320	88,682
Running finance against mark-up arrangement	(49,943)	(69,930)
	<b>10,377</b>	18,752

The annexed notes 1 to 19 form an integral part of these condensed unconsolidated interim financial statements.



Chief Executive Officer



Director

Condensed Unconsolidated Interim Statement of Changes in Equity (Unaudited)  
For the six months period ended 31 December 2010

	Issued, subscribed & paid-up capital	Capital reserve Share premium	Revenue reserves		Total
			General reserves	Accumulated loss	
----- (Rupees in '000) -----					
Balance as at 1 July 2009	79,860	10,646	66,067	(370,292)	(213,719)
<i>Changes in equity for the six months period ended 31 December 2009</i>					
Total comprehensive loss for the period	-	-	-	(14,550)	(14,550)
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	1,038	1,038
Balance as at 31 December 2009	<u>79,860</u>	<u>10,646</u>	<u>66,067</u>	<u>(383,804)</u>	<u>(227,231)</u>
Balance as at 1 July 2010	79,860	10,646	66,067	(443,526)	(286,953)
<i>Changes in equity for the six months period ended 31 December 2010</i>					
Total comprehensive loss for the period	-	-	-	(60,253)	(60,253)
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	955	955
<b>Balance as at 31 December 2010</b>	<u><u>79,860</u></u>	<u><u>10,646</u></u>	<u><u>66,067</u></u>	<u><u>(502,824)</u></u>	<u><u>(346,251)</u></u>

The annexed notes 1 to 19 form an integral part of these condensed unconsolidated interim financial statements.



Chief Executive Officer



Director

Notes to the Condensed Unconsolidated Interim Financial Statements (Unaudited)  
For the six months period ended 31 December 2010

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 Wazir Ali Industries Limited ("the Company") was incorporated as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are listed on the Karachi and Lahore Stock Exchanges. Principal activity of the Company is to manufacture and sale of vanaspati ghee and cooking oils. The registered office of the Company is located at F-33, Hub River Road, S.I.T.E. Area Karachi, Pakistan. The Company is the subsidiary company of Dalda Foods (Private) Limited (the Holding Company).
- 1.2 During the six months period ended 31 December 2010, the Board of Directors of the Company decided to explore various options in relation to its current production facility in order to reduce production costs and for enhancement of value. However, Board of Directors of the Company decided as an immediate step, the production facility should be closed while complying with legal formalities and product demands should be met through manufacturing arrangement.

As result of above decision, following steps have been taken :

- Production facility has been shut down / closed with effect from 31 December 2010 (Refer note 5),
- After discussions and dialogue with Collective Bargaining Agent (CBA) Golden handshake scheme was offered to workers which has been accepted by workers (Refer note 16),
- Toll Manufacturing Service Agreement effective from February 2007 under which the Holding Company guaranteed to place order at minimum of 10,000 tons annually has been terminated. However, the Holding Company has given waiver in respect of six months notice period requirement, and
- A new Toll Manufacturing Agreement between Holding Company and the Company has been executed on 1 January 2011 whereby the Holding Company is agreed to provide toll manufacturing services to the Company for manufacturing of its product "TULLO". The Holding Company is entitled to charge toll manufacturing fee at the rates specified in the agreement. This agreement may be terminated by either party by giving one month written notice.

The agreement dated 1 January 2007 between the Holding Company and the Company is still effective whereby the holding company agreed to provide various services such as accounting, procurement and human resource services to the Company at fees specified in the agreement. The agreement also specifies sales and marketing services to the Company by the Holding Company; which include selling of the Company's products through the Holding Company's sales and distribution network and marketing management support by the Holding Company to the Company.

- 1.3 The Company has incurred a net loss of Rs. 60.253 million during the six months period ended 31 December 2010 (December 2009: Rs. 14.550 million) and, as of that date, its accumulated loss exceeded the shareholders' equity by Rs. 346.251 million (June 2009: Rs. 286.953 million), while the current liabilities exceeded current assets by Rs. 40.461 million. However, these condensed unconsolidated interim financial information have been prepared on the assumption that the Company would continue as a going concern. The assumptions that the Company would continue as a going concern are as follows:
- Based on restructuring of Company's activities as stated in note 1.2 above, the management considers that the company would be able to reduce its fixed costs and expects future profits and the financial support of the directors, if required.
  - Availability of financial support from the Holding Company. As part of this, during the year ended 30 June 2010, the Holding Company has rescheduled / restructured repayment of subordinated loans of Rs. 350 million.

## 2. BASIS OF PRESENTATION

### 2.1 Statement of compliance

These condensed unconsolidated interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed unconsolidated interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements as at and for the year ended 30 June 2010.

These condensed unconsolidated interim financial information comprise of condensed unconsolidated interim balance sheet as at 31 December 2010 and the related condensed unconsolidated interim profit and loss account, condensed unconsolidated interim statement of comprehensive income, condensed unconsolidated interim cash flow statement, condensed unconsolidated interim statement of changes in equity, and notes thereto, for the six months period ended 31 December 2010.

These condensed unconsolidated interim financial information are being submitted to the shareholders as required by the Listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984.

### 2.2 Functional and presentation currency

These condensed unconsolidated interim unconsolidated financial information are presented in Pakistan Rupees which is also the Company's functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed unconsolidated interim unconsolidated financial information are the same as those applied in preparation of the unconsolidated financial statements for the preceding year ended 30 June 2010.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any impact on the accounting policies of the Company.

#### 4. ACCOUNTING ESTIMATES, JUDGEMENT AND RISK MANAGEMENT

- 4.1 The preparation of this condensed unconsolidated interim financial information is in conformity with the approved accounting standards as applicable in Pakistan that requires management to make estimates, assumptions and judgments that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing the condensed unconsolidated interim financial information, significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the annual unconsolidated financial statements as at and for the year ended 30 June 2010.

- 4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the annual unconsolidated financial statements as at and for the year ended 30 June 2010.

#### 5. PROPERTY, PLANT AND EQUIPMENT

at cost / revaluation less accumulated depreciation

	(Unaudited) 31 December 2010	(Audited) 30 June 2010
	(Rupees in '000)	
<i>Cost</i>		
Opening balance	177,168	166,059
Additions / (disposals) - net	-	(691)
Revaluation surplus	-	11,800
	<u>177,168</u>	<u>177,168</u>
<i>Accumulated depreciation</i>		
Opening balance	(24,780)	(33,761)
Depreciation expense for the period / year	(2,028)	(3,967)
Depreciation on assets disposed off	-	831
Revaluation adjustment	-	12,117
	<u>(26,808)</u>	<u>(24,780)</u>
<b>Written down value</b>	<u><u>150,360</u></u>	<u><u>152,388</u></u>

Property, plant and equipment as at 31 December 2010 are relating to factory (Production facility). As per Board of directors' decision refer note 1.2 to the condensed unconsolidated interim financial information, the production facility of the Company has been shut down / closed on 30 December 2010. The management based on internal assessment has estimated that no impairment is required on account of production facility and stores & spares as realisable amount is more than their carrying values. The independent valuation exercise will be carried out in near future.

	<b>(Unaudited) 31 December 2010</b>	<b>(Audited) 30 June 2010</b>
	<b>(Rupees in '000)</b>	
<b>6. STOCK - IN - TRADE</b>		
Raw materials	143,434	1,537
Packing materials	13,722	18,266
Write down of packing material to net realisable value	-	(2,273)
	13,722	15,993
Work-in-process	28,887	30,960
	<u>186,043</u>	<u>48,490</u>
Finished goods - Ghee and cooking oil	158,413	90,784
Write down of finished goods to net realisable value	(5,712)	(765)
	152,701	90,019
Acid oil (by-product)	6,039	6,133
	<u>344,783</u>	<u>144,642</u>
<b>7. TRADE DEBTS - secured and considered good</b>		
Trade debts - considered good	131,189	83,754
Doubtful debts	29,767	27,968
	<u>160,956</u>	<u>111,722</u>
Provision for impaired debts	(29,767)	(27,968)
	<u>131,189</u>	<u>83,754</u>
<b>8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Deposits and prepayments	1,754	1,238
Provision there against	(379)	(379)
	<u>1,375</u>	<u>859</u>
Margin against bank guarantees	6,072	6,072
Accrued profit on foreign currency fixed deposit	610	359
Sales tax refundable	1,954	-
Accrued markup on due from Subsidiary Company	1,025	1,025
Less: Provision there against	(1,025)	-
	-	1,025
Other receivables - unsecured - considered good:		
Due from ZIL Limited	557	1,152
Due from the Subsidiary Company	9,924	9,924
Others	996	996
Less: Provision there against	(997)	(997)
	<u>10,480</u>	<u>11,075</u>
Receivable from Gratuity Fund	15,708	-
	<u>36,199</u>	<u>19,390</u>

- 8.1 The Company has made payments amounting to Rs. 17.694 million on behalf of the Gratuity Fund pursuant to settlements of factory workers under Golden Handshake Scheme as disclosed in note 16 to this condensed consolidated interim financial information.

	<b>(Unaudited)</b> <b>31 December</b> <b>2010</b>	(Audited) 30 June 2010
<b>(Rupees in '000)</b>		
<b>9. CASH AND BANK BALANCES</b>		
Cash in hand	352	218
With banks - current accounts	36,260	31,997
- saving account	6,044	39,533
Deposit with bank - foreign currency FDR 9.1	17,664	17,601
	<u><b>60,320</b></u>	<u><b>89,349</b></u>

- 9.1 The saving and foreign currency deposit account carry mark-up at the rates ranging from 1.50% to 2% (2010: 1.5% to 2%) per annum. The deposit is furnished to the Supreme Court of Pakistan.

**10. SUB-ORDINATED LOANS FROM HOLDING COMPANY - unsecured**

Loan I 10.1	150,000	150,000
Loan II 10.2	200,000	200,000
	<u>350,000</u>	<u>350,000</u>
Less: Current maturity	<u>(7,500)</u>	<u>-</u>
	<u><b>342,500</b></u>	<u><b>350,000</b></u>

- 10.1 Loan I was obtained on 31 December 2007 from the Holding Company to meet the operational requirements of the Company. This carry mark-up at the rate of 6 months' KIBOR plus 1.5 percent per annum and is repayable in 20 equal quarterly instalments after expiry of four years' grace period. Initially the grace period was of two years which has been extended to four years by the Holding Company during the year ended 30 June 2010.

- 10.2 Loan II was obtained on 25 June 2009 from the Holding Company to meet the operational requirements of the Company. This carry mark-up at the rate of 1 month's KIBOR and is repayable in 20 equal quarterly instalments after expiry of four years' grace period. Initially the grace period was of two years which has been extended to four years by the Holding Company during the year ended 30 June 2010.

**11. TRADE AND OTHER PAYABLES**

	<b>(Unaudited)</b>	(Audited)
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>(Rupees in '000)</b>	
Trade payables for:		
- Goods	11.1 269,873	146,334
- Expenses	4,224	3,098
	<u>274,097</u>	<u>149,432</u>
Accrued expenses	39,006	11,550
Due to the Holding Company	4,890	6,696
Advances from customers	7,651	11,516
Other liabilities	2,063	1,281
Payable to gratuity fund	-	1,521
Unclaimed dividends	557	557
Sales tax payable on toll manufacturing	-	276
	<u><u>328,264</u></u>	<u><u>182,829</u></u>

11.1 This includes amounts payable to associated companies amounting to Rs. 172.272 million (30 June 2010: Rs. 122.605 million).

**12. MARK-UP PAYABLE ON BORROWINGS**

This includes an amount of Rs. 104.159 million (30 June 2010: Rs. 80.476 million) payable to the Holding Company on account of Sub-ordinated loans.

**13. SHORT TERM BORROWINGS - SECURED**

Running finance against mark-up arrangement	13.1 49,943	69,942
Financing under Murabaha facility	138,973	-
	<u>188,916</u>	<u>69,942</u>

13.1 The Company has entered into financing arrangements with Bank Islami Pakistan Limited for foreign and local letter of credit, Murabaha and Istisna facilities for the purpose of import of raw material. These facilities carry mark-up at the rate of KIBOR plus 0.5 percent per annum. As per terms of agreement, maximum exposure under each facility cannot exceed Rs. 200 million. These facilities have been secured against lien of LC documents, corporate guarantee of the Holding Company, ranking charge over stocks and receivables of the Company.

**14. CONTINGENCIES**

There have been no change in the status of the contingencies as disclosed in note 10 to the annual unconsolidated financial statements for the year ended 30 June 2010.




**Wazir Ali Industries Limited**

	For quarter ended 31 December 2010				For quarter ended 31 December 2009			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
	(Rupees in '000)				(Rupees in '000)			
Non-cash items (excluding depreciation and amortisation)	(2,909)	-	-	(2,909)	(1,477)	-	-	(1,477)
Depreciation and amortisation	953	214	-	1,167	862	65	-	927
Capital expenditure	-	-	-	-	95	-	-	95
Cost of goods manufactured / services provided:								
Opening stock of work in process	33,606	-	-	33,606	28,620	-	-	28,620
Raw materials consumed	515,780	4,693	-	520,473	365,248	491	-	365,739
Packing materials consumed	40,361	-	-	40,361	28,345	-	-	28,345
Stores and spares consumed	(305)	964	-	659	1,524	80	-	1,604
Salaries, wages and other benefits	8,164	2,900	-	11,064	7,049	1,380	-	8,429
Fuel and power	11,047	3,143	-	14,190	3,834	898	-	4,732
Repair and maintenance	446	109	-	555	81	(13)	-	68
Travelling, conveyance and others	141	35	-	176	55	2	-	57
Rent, rates and taxes	37	-	-	37	352	28	-	380
Insurance	122	35	-	157	862	65	-	927
Depreciation	750	214	-	964	862	65	-	927
PSI Marking fee	268	-	-	268	-	-	-	-
	610,417	12,093	-	622,510	435,970	2,931	-	438,901
Closing stock of work in process	(28,887)	-	-	(28,887)	(14,057)	-	-	(14,057)
	581,530	12,093	-	593,623	421,913	2,931	-	424,844

15.1.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months period ended 31 December 2010.

15.1.2 Variable costs incurred during the period have been allocated based on tonnages produced under toll manufacturing agreement, except those specifically incurred on own production.

	For six months period ended 31 December 2010				30 June 2010			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
	(Rupees in '000)				(Rupees in '000)			
Segment assets	475,972	-	297,380	773,352	385,726	-	161,239	546,965
Segment Liabilities	328,264	4,890	310,690	643,844	178,010	6,696	514,998	699,704

15.2.1 All assets and liabilities of the Company are allocated to these segments on the basis as disclosed in the unconsolidated financial statements of the Company for the year ended 30 June 2010.

## 16. ADMINISTRATION EXPENSES

This includes separation cost incurred amounting to Rs. 51.854 million paid to factory workers under Golden Handshake Scheme offered during the year through Collective Bargaining Agent (CBA) which has been accepted by workers.

17. OTHER OPERATING (EXPENSE) / INCOME	(Unaudited) 31 December 2010 (Rupees in '000)	(Unaudited) 31 December 2009
Profit on foreign currency fixed deposit	314	-
Profit on local currency deposit	1,385	-
Gain on sale of fixed assets	-	310
Scrap sale of damage packing material	1,113	557
Loans to employees written off	(192)	-
Exchange gain	-	608
Provision against deposits and prepayments	-	(2,561)
Provision for impairment in investment in Subsidiary Company	(2,280)	-
Provision for impaired debts	(1,799)	-
Provision against mark-up receivable from Subsidiary Company	(1,025)	-
Others	-	-
	<b>(2,484)</b>	<b>(1,084)</b>

**18. RELATED PARTY TRANSACTIONS**

Related parties comprise of group companies; directors and their close family members; staff retirement funds; key management personnel and major shareholders of the Company. Holding company, Subsidiary Company and associated companies with whom such transactions have taken place includes Dalda Foods (Private) Limited (Holding Company), Wazir Ali Ventures (Private) Limited (Subsidiary Company), Mapak Edible Oils (Private) Limited, Shakoo (Private) Limited, ZIL Limited, IGI Insurance Limited. These associated companies are associated companies either based on holding in equity or they are either under the same management and / or with common directors. All transactions with related entered on commercial basis / agreement. However, contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan and remuneration to key management personnel are determined in accordance with the terms of employment. The aggregate value of transactions and with related parties during the six months period ended 31 December 2010 other than those which have been disclosed elsewhere are as follows:

	Six months period ended	
	31 December 2010	31 December 2009
	(Rupees in '000)	
<b>Holding Company</b>		
Toll manufacturing fee	855	6,457
Common expenses allocated by related party	3,000	3,000
Mark-up on borrowing from Holding company	23,412	23,885
Fee charged under distribution and marketing agreement - refer note 1.2	14,191	14,720
Freight charges and other payments made on behalf of holding company	4,917	585
Cash receipts from holding company	9,408	-
Reimbursement of expenses under toll manufacturing agreement	22,700	-
<b>Subsidiary Company</b>		
Mark-up income	-	685
<b>Associated Companies</b>		
Purchases / services availed	477,096	453,438
Common expenses allocated to related party	1,136	-
Cash receipts from associated company	1,604	-
Insurance premium paid	1,484	-
<b>Executive's remuneration</b>	600	600

**19. GENERAL**

- 19.1 These condensed unconsolidated interim financial information has been prepared in Pak Rupee rounded off to nearest thousand.
- 19.2 These condensed unconsolidated interim financial information was approved in the Board of Directors meeting held on 23 February 2011.



Chief Executive Officer



Director



*Wazir Ali Industries Limited*

*and its Subsidiary*

*Consolidated Financial Statements*

**(Un-Audited)**

**Six months period ended  
December 31, 2010**

## DIRECTORS' REVIEW

The Directors of the Company would like to present the consolidated financial statements of the Company for the half-year ended 31 December 2010.

### Overview

The Sales of the Company was Rs. 946.521 M as against Rs. 783.194 M during the same period last year indicating an increase of 20.8%. The Gross Profit Percentage on Sales is higher at 10.4% from 9.6% owing to faster rolling over of inventory and a new market oriented pricing mechanism.

The Administrative Expenses increased to 64.929 M as compared to Rs. 11.538 M during the corresponding period, as a result of an agreement between the management and CBA, workers were offered Golden Handshake Scheme and accordingly Rs. 51.85 M was paid. The Selling & Distribution Expenses have remained at 5.63% of sales. The financial charges have decreased by 8.63%.

Loss per share for the period under review is Rs. 7.54 as compared to Rs. 2.43 during the same period of the last year. Without the impact of the once off exceptional restructuring charge on account of workers separation the loss per share would have been Rs. 1.05 per share.

### Future Outlook

The Company took a bold step to massively reduce its major structural fixed production costs in order to improve the financial as well as operational viability of the company and has decided to produce its products through more cost effective Toll manufacturing arrangements in order to reduce overall costs and for enhancement of value. Besides, the Company continues its efforts to increase the coverage and penetration of the Company's brands in the premium as well as mass market segments. Efforts to find cheaper financing options along with other cost effective measures will be continued.

### Going Concern

The directors are 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 efficient distribution to our customers. We also acknowledge the support of 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



Abdus Samad  
Chief Executive Officer

Karachi : 23 February 2011

**Condensed Consolidated Interim Balance Sheet (Unaudited)**

As at 31 December 2010

	<i>Note</i>	<b>(Unaudited) 31 December 2010</b>	<b>(Audited) 30 June 2010</b>
<b>(Rupees in '000)</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	150,360	152,388
Investment in Property		135,399	135,399
Long term loans to employees - secured, considered good		-	580
Long term security deposits - unsecured, considered good		814	762
<b>Total non-current assets</b>		<b>286,573</b>	<b>289,129</b>
<b>Current Assets</b>			
Stores and spares		4,478	4,942
Stock-in-trade	6	344,783	144,642
Trade debts - secured, considered good	7	131,189	83,754
Loans and advances - considered good		-	447
Deposits, prepayments and other receivables	8	26,275	8,441
Taxation - net		13,603	16,825
Cash and bank balances	9	60,584	89,601
<b>Total current assets</b>		<b>580,912</b>	<b>348,652</b>
<b>Total Assets</b>		<b>867,485</b>	<b>637,781</b>
<b>Equity and Liabilities</b>			
<b>Share capital and reserves</b>			
Authorised capital			
8,000,000 (30 June 2010: 8,000,000)			
ordinary shares of Rs. 10 each		80,000	80,000
Issued, subscribed and paid up capital			
7,986,000 (30 June 2010: 7,986,000)			
ordinary shares of Rs. 10 each		79,860	79,860
Capital reserve		10,646	10,646
Revenue reserves		(522,138)	(461,472)
		(431,632)	(370,966)
<b>Surplus on revaluation of property, plant and equipment</b>		<b>218,641</b>	<b>219,596</b>
<b>Sub-ordinated loan from holding company - unsecured</b>	10	<b>342,500</b>	<b>350,000</b>
<b>Non - current liabilities</b>			
Deferred tax liability on surplus on revaluation of property, plant and equipment		28,246	28,761
Provision for compensated absences		1,242	1,877
<b>Total non-current liabilities</b>		<b>29,488</b>	<b>30,638</b>
<b>Current liabilities</b>			
Trade and other payables	11	328,371	182,951
Payable to Ultimate Holding Company		47,852	26,618
Mark-up payable on borrowings	12	109,082	84,620
Short term borrowings - secured	13	188,916	79,913
Current maturity of long term liabilities		34,267	34,411
<b>Total current liabilities</b>		<b>708,488</b>	<b>408,513</b>
<b>Contingencies</b>			
	14		
<b>Total Equity and Liabilities</b>		<b>867,485</b>	<b>637,781</b>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.



Chief Executive Officer



Director

Condensed Consolidated Interim Profit and Loss Account (Unaudited)  
For the six months period ended 31 December 2010

	Note	Six months period ended 31 December 2010	Six months period ended 31 December 2009	Quarter ended 31 December 2010	Quarter ended 31 December 2009
(Rupees in '000)					
Revenue - net		946,521	783,194	540,518	483,450
Cost of goods sold / services rendered		(848,158)	(708,065)	(481,048)	(433,120)
<b>Gross profit / (loss)</b>	15.1	<b>98,363</b>	75,129	<b>59,470</b>	50,330
Administration expenses	16	(64,929)	(11,538)	(58,225)	(1,093)
Selling and distribution expenses		(53,257)	(44,141)	(28,151)	(40,069)
		(118,186)	(55,679)	(86,376)	(41,162)
Other operating (expense) / income	17	(204)	(1,084)	(629)	(1,478)
<b>Operating (loss) / profit</b>		<b>(20,027)</b>	18,366	<b>(27,535)</b>	7,690
Financial charges		(31,252)	(34,202)	(15,733)	(17,004)
<b>Loss before taxation</b>		<b>(51,279)</b>	(15,836)	<b>(43,268)</b>	(9,314)
Taxation - net		(8,974)	(3,531)	(4,904)	(2,145)
<b>Loss for the period</b>		<b>(60,253)</b>	(19,367)	<b>(48,172)</b>	(11,459)
<b>Loss per share - basic and diluted</b>		<b>(7.54)</b>	(2.43)	<b>(6.03)</b>	(1.43)

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

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

  
\_\_\_\_\_  
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)  
For the six months period ended 31 December 2010

<i>Note</i>	<b>Six months period ended 31 December 2010</b>	Six months period ended 31 December 2009	<b>Quarter ended 31 December 2010</b>	Quarter ended 31 December 2009
----- (Rupees in '000) -----				
Loss for the period	(60,253)	(19,367)	(48,172)	(11,459)
<b>Other comprehensive income</b>				
Total comprehensive loss for the period	<u>(60,253)</u>	<u>(19,367)</u>	<u>(48,172)</u>	<u>(11,459)</u>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.



Chief Executive Officer



Director

Condensed Consolidated Interim Cash Flow Statement (Unaudited)  
For the six months period ended 31 December 2010

	Six months period ended 31 December 2010	Six months period ended 31 December 2009
<b>(Rupees in '000)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(51,279)	(15,836)
Adjustments for:		
- Depreciation	2,028	2,001
- Profit on disposal of property, plant and equipment	-	(310)
- Provision for impaired debts	1,799	-
- Financial charges	31,252	34,202
<b>Operating (loss) / profit before working capital changes</b>	<b>(16,200)</b>	<b>20,057</b>
<i>Movement in:</i>		
- Stores and spares	464	4
- Stock in trade	(200,141)	(29,458)
- Trade debts	(49,234)	(35,586)
- Loans and advances	1,027	(77)
- Advances, deposits, prepayments and other receivables	(17,834)	(5,287)
- Long term security deposits	(52)	(1,000)
- Payable to related party	21,234	7,172
- Compensated absences paid	(635)	-
- Trade and other payables and compensated absences	145,420	114,395
<b>Cash (used in) / generated from operations</b>	<b>(115,951)</b>	<b>70,220</b>
Financial charges paid	(8,158)	(10,222)
Income tax paid	(6,267)	(2,285)
<b>Net cash (used in) / generated from operating activities</b>	<b>(130,376)</b>	<b>57,713</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	-	(95)
Proceeds from disposal of items of property, plant and equipment	-	328
Net cash from / (used in) investing activities	-	233
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment long term finance	(7,644)	(3,729)
Net (decrease) / increase in cash and cash equivalents	(138,020)	54,217
Cash and cash equivalents at beginning of the period	9,688	(45,184)
<b>Cash and cash equivalents at end of the period</b>	<b>(128,332)</b>	<b>9,033</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	60,584	88,934
Short term borrowings	(188,916)	(79,901)
	<b>(128,332)</b>	<b>9,033</b>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.



Chief Executive Officer



Director

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)  
For the six months period ended 31 December 2010

	Issued, subscribed & paid-up capital	Capital reserve Share premium	Revenue reserves		Total
			General reserves	Accumulated loss	
----- (Rupees in '000) -----					
<b>Balance as at 1 July 2009</b>	79,860	10,646	66,067	(462,885)	<b>(306,312)</b>
<b>Changes in equity for the six months period ended 31 December 2009</b>					
Total comprehensive loss for the period	-	-	-	(19,367)	<b>(19,367)</b>
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	1,038	<b>1,038</b>
<b>Balance as at 31 December 2009</b>	<u>79,860</u>	<u>10,646</u>	<u>66,067</u>	<u>(481,214)</u>	<b><u>(324,641)</u></b>
<b>Balance as at 1 July 2010</b>	79,860	10,646	66,067	(527,539)	<b>(370,966)</b>
<b>Changes in equity for the six months period ended 31 December 2010</b>					
Total comprehensive loss for the period	-	-	-	(60,253)	<b>(60,253)</b>
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	955	<b>955</b>
<b>Balance as at 31 December 2010</b>	<u>79,860</u>	<u>10,646</u>	<u>66,067</u>	<u>(586,837)</u>	<b><u>(430,264)</u></b>

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.



Chief Executive Officer



Director

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)  
For the six months period ended 31 December 2010

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** Wazir Ali Industries Limited ("the Company") was incorporated as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are listed on the Karachi and Lahore Stock Exchanges. Principal activity of the Company is to manufacture and sale of vanaspati ghee and cooking oils. The registered office of the Company is located at F-33, Hub River Road, Karachi, Pakistan. The Company is subsidiary of Dalda Foods (Private) Limited (Holding Company).
- 1.2** During the six months period ended 31 December 2010, the Board of Directors of the Company decided to explore various options in relation to its current production facility in order to reduce production costs and for enhancement of value. However, Board of Directors of the Company decided as an immediate step, the production facility should be closed while complying with legal formalities and product demands should be met through manufacturing arrangement.

As result of above decision, following steps have been taken :

- Production facility has been shut down / closed with effect from 31 December 2010 (Refer note 5),
- After discussions and dialogue with Collective Bargaining Agent (CBA) Golden handshake scheme was offered to workers which has been accepted by workers (Refer note 16),
- Toll Manufacturing Service Agreement effective from February 2007 under which the Holding Company guaranteed to place order at minimum of 10,000 tons annually has been terminated. However, the Holding Company has given waiver in respect of six months notice period requirement, and
- A new Toll Manufacturing Agreement between Holding Company and the Company has been executed on 1 January 2011 whereby the Holding Company is agreed to provide toll manufacturing services to the Company for manufacturing of its product "TULLO". The Holding Company is entitled to charge toll manufacturing fee at the rates specified in the agreement. This agreement may be terminated by either party by giving one month written notice.

The agreement dated 1 January 2007 between the Holding Company and the Company is still effective whereby the holding company agreed to provide various services such as accounting, procurement and human resource services to the Company at fees specified in the agreement. The agreement also specifies sales and marketing services to the Company by the Holding Company; which include selling of the Company's products through the Holding Company's sales and distribution network and marketing management support by the Holding Company to the Company.

**1.3** The Company has incurred a net loss of Rs. 60.253 million during the six months period ended 31 December 2010 (December 2009: Rs. 19.367 million) and, as of that date, its accumulated loss exceeded the shareholders' equity by Rs. 431.632 million (June 2010: Rs. 370.966 million). However, these consolidated condensed interim financial information have been prepared on the assumption that the Company would continue as a going concern. The assumptions that the Company would continue as a going concern are as follows:

- Based on restructuring of Company's activities as stated in note 1.2 above, the management considers that the company would be able to reduce its fixed costs and expects future profits and the financial support of the directors, if required.
- Availability of financial support from the Holding Company. As part of this, during the year ended 30 June 2010, the Holding Company has rescheduled / restructured repayment of subordinated loans of Rs. 350 million.

## **2. BASIS OF PRESENTATION**

### **2.1 Statement of compliance**

These condensed consolidated interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed consolidated interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements as at and for the year ended 30 June 2010.

These condensed consolidated interim financial information comprise of condensed consolidated interim balance sheet as at 31 December 2010 and the related condensed consolidated interim profit and loss account, condensed consolidated interim statement of comprehensive income, condensed consolidated interim cash flow statement, condensed consolidated interim statement of changes in equity, and notes thereto, for the six months period ended 31 December 2010.

These condensed consolidated interim financial information are being submitted to the shareholders as required by the Listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984.

### **2.2 Functional and presentation currency**

These condensed consolidated interim financial information are presented in Pak Rupees which is also the Company's functional currency.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation which have been used in the preparation of this condensed consolidated interim financial information are the same as those applied in preparation of the consolidated financial statements for the preceding year ended 30 June 2010.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any impact on the accounting policies of the Company.

#### 4. ACCOUNTING ESTIMATES, JUDGEMENT AND RISK MANAGEMENT

4.1 The preparation of this condensed consolidated interim financial information is in conformity with the approved accounting standards as applicable in Pakistan that requires management to make estimates, assumptions and judgments that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing the condensed consolidated interim financial information, significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the annual consolidated financial statements as at and for the year ended 30 June 2010.

4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 30 June 2010.

#### 5. PROPERTY, PLANT AND EQUIPMENT

at cost / revaluation less accumulated depreciation

	<b>(Unaudited)</b> <b>31 December</b> <b>2010</b>	(Audited) 30 June 2010
	<b>(Rupees in '000)</b>	
<i>Cost</i>		
Opening balance	177,168	166,059
Additions / (disposals) - net	-	(691)
Revaluation surplus	-	11,800
	<u>177,168</u>	<u>177,168</u>
<i>Accumulated depreciation</i>		
Opening balance	(24,780)	(33,761)
Depreciation expense for the period / year	(2,028)	(3,967)
Revaluation adjustment	-	12,117
Depreciation on assets disposed off	-	831
	<u>(26,808)</u>	<u>(24,780)</u>
	<u><u>150,360</u></u>	<u><u>152,388</u></u>

#### Written down value

Property, plant and equipment as at 31 December 2010 are relating to factory (Production facility). As per Board of directors' decision refer note 1.2 to the condensed consolidated interim financial information, the production facility of the Company has been shut down / closed on 30 December 2010. The management based on internal assessment has estimated that no impairment is required on account of production facility and stores & spares as realisable amount is more than their carrying values. The independent valuation exercise will be carried out in near future.

	<b>(Unaudited)</b> <b>31 December</b> <b>2010</b>	<b>(Audited)</b> <b>30 June</b> <b>2010</b>
	<b>(Rupees in '000)</b>	
<b>6. STOCK - IN - TRADE</b>		
Raw materials	143,434	1,537
Packing materials	13,722	18,266
Write down of packing material to net realisable value	-	(2,273)
	13,722	15,993
Work-in-process	28,887	30,960
	<u>186,043</u>	<u>48,490</u>
Finished goods - Ghee and cooking oil	158,413	90,784
Write down of finished goods to net realisable value	(5,712)	(765)
	152,701	90,019
Acid oil (by-product)	6,039	6,133
	<u>344,783</u>	<u>144,642</u>
<b>7. TRADE DEBTS - secured and considered good</b>		
Trade debts - considered good	131,189	83,754
Doubtful debts	29,767	27,968
	<u>160,956</u>	<u>111,722</u>
Provision for impaired debts	(29,767)	(27,968)
	<u>131,189</u>	<u>83,754</u>
<b>8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Deposits and prepayments	1,754	1,238
Provision there against	(379)	(379)
	1,375	859
Margin against bank guarantees	6,072	6,072
Accrued profit on foreign currency fixed deposit	610	359
Sales tax refundable	1,954	-
Other receivables - unsecured - considered good:		
Due from ZIL Limited	557	1,152
Others	996	996
Less: Provision there against	(997)	(997)
	556	1,151
Receivable from Gratuity Fund	15,708	-
	<u>26,275</u>	<u>8,441</u>

- 8.1 The Company has made payments amounting to Rs. 17.694 million on behalf of the Gratuity Fund pursuant to settlements of factory workers under Golden Handshake Scheme as disclosed in note 16 to this condensed consolidated interim financial information.

	<b>(Unaudited)</b>	(Audited)
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>(Rupees in '000)</b>	
<b>9. CASH AND BANK BALANCES</b>		
Cash in hand	352	218
With banks - current accounts	36,524	32,249
- saving account	6,044	39,533
Deposit with bank - foreign currency FDR	17,664	17,601
	<u>60,584</u>	<u>89,601</u>

- 9.1 The saving and foreign currency deposit account carry mark-up at the rates ranging from 1.50% to 2% (2010: 1.5% to 2%) per annum. The deposit is furnished to the Supreme Court of Pakistan.

**10. SUB-ORDINATED LOANS FROM HOLDING COMPANY - unsecured**

Loan I	10.1	150,000	150,000
Loan II	10.2	200,000	200,000
		<u>350,000</u>	350,000
Less: Current maturity		<u>(7,500)</u>	-
		<u>342,500</u>	<u>350,000</u>

- 10.1 Loan I was obtained on 31 December 2007 from the Holding Company to meet the operational requirements of the Company. This carry mark-up at the rate of 6 months' KIBOR plus 1.5 percent per annum and is repayable in 20 equal quarterly instalments after expiry of four years' grace period. Initially the grace period was of two years which has been extended to four years by the Holding Company during the year ended 30 June 2010.

- 10.2 Loan II was obtained on 25 June 2009 from the Holding Company to meet the operational requirements of the Company. This carry mark-up at the rate of 1 month's KIBOR and is repayable in 20 equal quarterly instalments after expiry of four years' grace period. Initially the grace period was of two years which has been extended to four years by the Holding Company during the year ended 30 June 2010.

**11. TRADE AND OTHER PAYABLES**

	<b>(Unaudited)</b>	(Audited)
	<b>31 December</b>	30 June
	<b>2010</b>	2010
	<b>(Rupees in '000)</b>	
Trade payables for:		
- Goods	11.1 269,873	146,334
- Expenses	4,224	3,098
	<u>274,097</u>	<u>149,432</u>
Accrued expenses	39,113	11,672
Due to the Holding Company	4,890	6,696
Advances from customers	7,651	11,516
Other liabilities	2,063	1,281
Payable to gratuity fund	-	1,521
Unclaimed dividends	557	557
Sales tax payable on toll manufacturing	-	276
	<u><u>328,371</u></u>	<u><u>182,951</u></u>

**11.1** This includes amounts payable to associated companies amounting to Rs. 172.272 million (30 June 2010: Rs. 122.605 million).

**12. MARK-UP PAYABLE ON BORROWINGS**

This includes an amount of Rs. 104.159 million (30 June 2010: Rs. 80.476 million) payable to the Holding Company on account of Sub-ordinated loans.

**13. SHORT TERM BORROWINGS - SECURED**

Running finance against mark-up arrangement	49,943	79,913
Financing under Murabaha facility	13.1 138,973	-
	<u>188,916</u>	<u>79,913</u>

**13.1** The Company has entered into financing arrangements with Bank Islami Pakistan Limited for foreign and local letter of credit, Murabaha and Istisna facilities for the purpose of import of raw material. These facilities carry mark-up at the rate of KIBOR plus 0.5 percent per annum. As per terms of agreement, maximum exposure under each facility cannot exceed Rs. 200 million. These facilities have been secured against lien of LC documents, corporate guarantee of the Holding Company, ranking charge over stocks and receivables of the Company.

**14. CONTINGENCIES**

There have been no change in the status of the contingencies as disclosed in note 14 to the annual consolidated financial statements for the year ended 30 June 2010.

**15. SEGMENT INFORMATION**
**15.1 Segment result and other information**

	For six months period ended 31 December 2010				For six months period ended 31 December 2009			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
	(Rupees in '000)				(Rupees in '000)			
Revenue - net	945,666	855	-	946,521	776,738	6,456	-	783,194
Cost of goods sold / services								
Opening balance of finished goods	96,917	-	-	96,917	112,254	-	-	112,254
Cost of goods manufactured / services provided	915,517	22,700	-	938,217	715,825	6,248	-	722,073
Less: Reimbursable manufacturing expense	-	(22,524)	-	(22,524)	-	-	-	-
Available for sale	1,012,434	176	-	1,012,610	828,079	6,248	-	834,327
Closing balance of finished goods	(847,982)	176	-	(848,452)	(126,262)	-	-	(126,262)
Gross profit	97,684	679	-	98,363	74,921	208	-	75,129
Administration expenses	(64,929)	-	-	(64,929)	(11,538)	-	-	(11,538)
Distribution and marketing expenses	(53,257)	-	-	(53,257)	(44,141)	-	-	(44,141)
Other operating expenses /	(204)	-	-	(204)	(1,084)	-	-	(1,084)
	(118,390)	-	-	(118,390)	(56,763)	-	-	(56,763)
Operating result	(20,706)	679	-	(20,027)	18,158	208	-	18,366
Non-cash items (excluding depreciation and amortisation)	(204)	-	-	(204)	(1,084)	-	-	(1,084)
Depreciation and amortisation	576	-	1,425	2,001	1,624	228	149	2,001
Capital expenditure	-	-	-	-	95	-	-	95

**Cost of goods manufactured / services provided:**

Opening stock of work in process	30,960	-	-	30,960	6,670	-	-	6,670
Raw materials consumed	816,185	6,640	-	822,825	639,903	1,329	-	641,232
Packing materials consumed	56,461	-	-	56,461	49,457	-	-	49,457
Stores and spares consumed	1,822	964	-	2,786	3,324	466	-	3,790
Salaries, wages and other benefits	17,056	3,888	-	20,944	16,308	2,223	-	18,531
Fuel and power	18,652	9,876	-	28,528	11,332	1,819	-	13,151
Repair and maintenance	800	423	-	1,223	406	57	-	463
Travelling, conveyance and others	251	133	-	384	-	-	-	-
Rent, rates and taxes	174	-	-	174	210	35	-	245
Insurance	206	109	-	315	648	91	-	739
Depreciation	1,261	667	-	1,928	1,624	228	-	1,852
PSI Marking fee	576	-	-	576	-	-	-	-
	944,404	22,700	-	967,104	729,882	6,248	-	736,130
	(28,887)	-	-	(28,887)	(14,057)	-	-	(14,057)
Closing stock of work in process	915,517	22,700	-	938,217	715,825	6,248	-	722,073

	For quarter ended 31 December 2010				For quarter ended 31 December 2009			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
	(Rupees in '000)				(Rupees in '000)			
Revenue - net	540,084	434	-	540,518	480,723	2,727	-	483,450
Cost of goods sold / services								
Opening balance of finished goods	63,902	-	-	63,902	134,537	-	-	134,537
Cost of goods manufactured / services provided	581,530	12,093	-	593,623	-	-	-	-
Less: Reimbursable manufacturing expense and processing loss	-	(12,025)	-	(12,025)	421,913	2,931	-	424,844
Available for sale	645,432	68	-	645,500	556,450	2,931	-	559,381
Closing balance of finished goods	(164,452)	-	-	(164,452)	(126,262)	-	-	(126,262)
	480,980	68	-	481,048	430,188	2,931	-	433,119
Gross profit / (loss)	59,104	366	-	59,469	50,535	(204)	-	50,331
Administration expenses	(58,225)	-	-	(58,225)	(1,093)	-	-	(1,093)
Selling and distribution expenses	(28,151)	-	-	(28,151)	(40,069)	-	-	(40,069)
Other income / (charges)	(2,909)	-	-	(2,909)	(1,477)	-	-	(1,477)
	(89,285)	-	-	(89,285)	(42,639)	-	-	(42,639)
Operating result	(30,181)	366	-	(29,815)	7,896	(204)	-	7,692

	For quarter ended 31 December 2010				For quarter ended 31 December 2009			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
	(Rupees in '000)				(Rupees in '000)			
Non-cash items (excluding depreciation and amortisation)	(2,909)	-	-	(2,909)	(1,477)	-	-	(1,477)
Depreciation and amortisation	953	214	-	1,167	862	65	-	927
Capital expenditure	-	-	-	-	95	-	-	95
Cost of goods manufactured / services provided:								
Opening stock of work in process	33,606	-	-	33,606	28,620	-	-	28,620
Raw materials consumed	515,780	4,693	-	520,473	365,248	491	-	365,739
Packing materials consumed	40,361	-	-	40,361	28,345	-	-	28,345
Stores and spares consumed	(305)	964	-	659	1,524	80	-	1,604
Salaries, wages and other benefits	8,164	2,900	-	11,064	7,049	1,380	-	8,429
Fuel and power	11,047	3,143	-	14,190	3,834	898	-	4,732
Repair and maintenance	446	109	-	555	81	(13)	-	68
Travelling, conveyance and others	141	35	-	176	-	-	-	-
Rent, rates and taxes	37	-	-	37	55	2	-	57
Insurance	122	35	-	157	353	28	-	381
Depreciation	750	214	-	964	862	65	-	927
PSI Marking fee	268	-	-	268	-	-	-	-
Closing stock of work in process	610,417	12,093	-	622,510	435,971	2,931	-	438,902
	(28,887)	-	-	(28,887)	(14,057)	-	-	(14,057)
	<b>581,530</b>	<b>12,093</b>	<b>-</b>	<b>593,623</b>	<b>421,914</b>	<b>2,931</b>	<b>-</b>	<b>424,845</b>

15.1.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months period ended 31 December 2010.

15.1.2 Variable costs incurred during the period have been allocated based on tonnages produced under toll manufacturing agreement, except those specifically incurred on own production.

	For six months period ended 31 December 2010				30 June 2010			
	Own	Toll	Unallocated	Total	Own	Toll	Unallocated	Total
	Manufacturing	Manufacturing			Manufacturing	Manufacturing		
	(Rupees in '000)				(Rupees in '000)			
Segment assets	475,972	-	391,513	867,485	385,726	-	161,239	546,965
Segment Liabilities	323,481	4,860	409,635	737,976	178,010	6,696	514,998	699,704

15.2.1 All assets and liabilities of the Company are allocated to these segments on the basis as disclosed in the consolidated financial statements of the Company for the year ended 30 June 2010.

## 16. ADMINISTRATION EXPENSES

This includes separation cost incurred amounting to Rs. 51.854 million paid to factory workers under Golden Handshake Scheme offered during the year through Collective Bargaining Agent (CBA) which has been accepted by workers.

## 17. OTHER OPERATING (EXPENSE) / INCOME

	(Unaudited) 31 December 2010 (Rupees in '000)	(Unaudited) 31 December 2009
Profit on foreign currency fixed deposit	314	-
Profit on local currency deposit	1,385	-
Gain on sale of fixed assets	-	310
Scrap sale of damage packing material	1,113	557
Loans to employees written off	(192)	-
Exchange gain	-	608
Provision against deposits and prepayments	-	(2,561)
Provision for impaired debts	(1,799)	-
Provision against mark-up receivable from Subsidiary Company	(1,025)	-
Others	-	2
	<b>(204)</b>	<b>(1,084)</b>

**18. RELATED PARTY TRANSACTIONS**

Related parties comprise of group companies; directors and their close family members; staff retirement funds; key management personnel and major shareholders of the Company. Holding company, Subsidiary Company and associated companies with whom such transactions have taken place includes Dalda Foods (Private) Limited (Holding Company), Wazir Ali Ventures (Private) Limited (Subsidiary Company), Mapak Edible Oils (Private) Limited, Shakoo (Private) Limited, ZIL Limited, IGI Insurance Limited. These associated companies are associated companies either based on holding in equity or they are either under the same management and / or with common directors. All transactions with related entered on commercial basis / agreement. However, contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan and remuneration to key management personnel are determined in accordance with the terms of employment. The aggregate value of transactions and with related parties during the six months period ended 31 December 2010 other than those which have been disclosed elsewhere are as follows:

	<b>Six months period ended</b>	
	<b>31 December 2010</b>	31 December 2009
	<b>(Rupees in '000)</b>	
<b>Holding Company</b>		
Toll manufacturing fee	<u>855</u>	<u>6,457</u>
Common expenses allocated by related party	<u>3,000</u>	<u>3,000</u>
Mark-up on borrowing from Holding company	<u>23,412</u>	<u>23,885</u>
Fee charged under distribution and marketing agreement - refer note 1.2	<u>14,191</u>	<u>14,720</u>
Freight charges and other payments made on behalf of holding company	<u>4,917</u>	<u>585</u>
Cash receipts from holding company	<u>9,408</u>	<u>-</u>
Reimbursement of expenses under toll manufacturing agreement	<u>22,700</u>	<u>-</u>
<b>Subsidiary Company</b>		
Mark-up income	<u>-</u>	<u>685</u>
<b>Associated Companies</b>		
Purchases / services availed	<u>477,096</u>	<u>453,438</u>
Common expenses allocated to related party	<u>1,136</u>	<u>-</u>
Cash receipts from associated company	<u>1,604</u>	<u>-</u>
Insurance premium paid	<u>1,484</u>	<u>-</u>
<b>Executive's remuneration</b>	<u>600</u>	<u>600</u>

**19. GENERAL**

- 19.1 These condensed unconsolidated interim financial information has been prepared in Pak Rupee rounded off to nearest thousand.
- 19.2 These condensed unconsolidated interim financial information was approved in the Board of Directors meeting held on 23 February 2011.


  
 Chief Executive Officer


  
 Director



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