

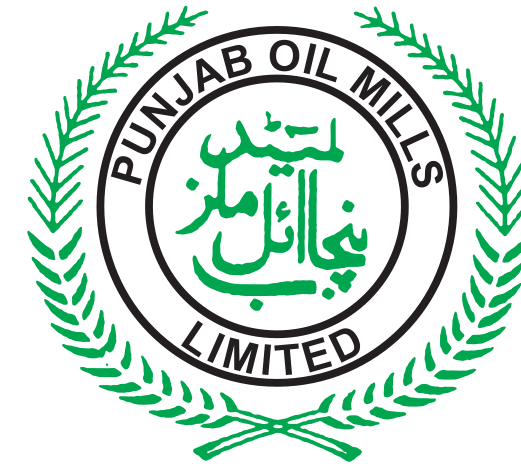
# ANNUAL REPORT 2010



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**PUNJAB OIL MILLS LTD.**

26,27,28 Industrial Triandgle Kahuta Road, Islamabad.



**PUNJAB OIL MILLS LTD**

AN ISO 9001 - 2000 CERTIFIED COMPANY



## **CONTENTS**

Company Information .....	1
Notice of Annual General Meeting .....	2-3
Directors Report .....	4-8
Statement of Compliance with the Code of Corporate Governance .....	9-10
Pattern of Shareholding .....	11-12
Key Financial Data .....	13
Auditors Review Report .....	14
Auditors Report to the members .....	15
Balance Sheet .....	16
Profit and Loss Account .....	17
Statement of Comprehensive Income.....	18
Cash Flow Statement .....	19
Statement of changes in Equity .....	20
Notes to the Accounts .....	21-41
Form of Proxy .....	42



## **Company Information**

### **Board of Directors**

Mr. Tahir Jahangir	Chairman
Mr. Izaz Ilahi Malik	Managing Director / Chief Executive
Sh. Anwar Ahmad Batla	Director
Mr. Usman Ilahi Malik	Director
Ch. Muhammad Sarwar	Director
Syed Zubair Ahmad Shah	Director (NIT Nominee)
Mr. Gul Nawaz	Director (NIT Nominee)

### **Company Secretary**

Mr. Muhammad Saeed Malik

### **Chief Financial Officer**

Mr. Muhammad Saeed Malik

### **Auditors**

M/S Qadeer & Company  
Chartered Accountants

### **Bankers**

Faysal Bank Limited

### **Registered Office & Mills**

Plot No. 26,27 & 28 Industrial Triangle,  
Kahuta Road, Islamabad.  
Ph: 051-4490017-20 Fax: 051-4490016

### **Share Registrar Office**

M/s Scarlet ITSystems (Pvt) Limited  
1" Floor, Hassan Plaza, 6A, Jail Road,  
Lahore. Ph: 042-37570202  
Fax: 042-37234298  
E-mail: poml@scarlatsystems.com



## PUNJAB OIL MILLS LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of the shareholders of **PUNJAB OIL MILLS LIMITED** will be held on Saturday, October 30, 2010 at 11:00 A.M. at Plot No. 26, 27, 28 Industrial Triangle, Kahuta Road, Islamabad to transact the following business:

#### ORDINARY BUSINESS

1. To confirm the minutes of the last annual general meeting of the company held on October 31, 2009.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2010 together with the Directors' and Auditors' Reports.
3. To consider and approve 15% cash dividend as recommended by the Directors of the company in their meeting held on October 02, 2010 for the year ended June 30, 2010.
4. To appoint Auditors for the financial year 2010-2011 and to fix their remuneration. In accordance with the code of corporate governance, the Board of Directors on the recommendations of the audit committee has proposed the appointment of M/s Maqbool Haroon Shahid Safdar and Company, Chartered Accountants, a representative firm of "PKF International" in place of retiring auditors M/s Qadeer & Company, Chartered Accountants. M/s Maqbool Haroon Shahid Safdar and Company, Chartered Accountants, being eligible have offered themselves for appointment.

#### SPECIAL BUSINESS

5. To consider and approve the remuneration of Executive Directors of the Company.
6. To transact any other business with the permission of the Chair.

By order of the Board

**Lahore:**  
October 09, 2010.

Sd/-  
**(Muhammad Saeed Malik)**  
Company Secretary

#### **Notes:**

1. The Share Transfer Books of the Company will remain closed from 23<sup>rd</sup> October 2010 to 30<sup>th</sup> October 2010 (both days inclusive).
2. A member of the Company entitled to attend and vote may appoint a proxy to attend and vote instead of him/her. Proxies must be deposited at the Registered Office of the Company not later than 48 hours before the time of Meeting.
3. Shareholders are requested to notify of any change in their addresses immediately to our Registrar M/s Scarlet IT Systems (Pvt) Limited 1st Floor, Hassan Plaza, 6A, Jail Road, Lahore. Ph: 042-37570202 FAX: 042-37234298.
4. A Statement under Section 160 of the Companies Ordinance, 1984 in respect of special business alongwith proposed resolution is being sent to the members alongwith this notice.



**STATEMENT OF MATERIAL FACTS UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.**

This statement set out the material facts concerning the "**Special Business**" to be transacted at the 29<sup>th</sup> Annual General Meeting of the Company to be held on October 30, 2010.

The approval of the members will be sought for:

**Increase the Remuneration of Executive Directors. As required by under Section 218 of the Companies Ordinance, 1984.**

The Approval of remuneration of Executive Directors in the Special Resolution set out below includes approval to the holding of their respective office of profit in the Company, the said Directors are thus personally interested to the extent of remuneration payable to them and the office of profit held by them. Mr. Usman Ilahi Malik is related to Chairman and Chief Executive of the Company.

The Board of Directors of the Company in its meeting held on October 02, 2010 has approved an increase of Rs. 50,000/- per month in remuneration of Mr. Usman Ilahi Malik and Rs. 30,000/-per month in remuneration of Ch. Muhammad Sarwar Executive Directors of the Company w.e.f. July 01, 2010. Their monthly remuneration after increase would be as follows:-

Mr. Usman Ilahi Malik	Rs. 200,000/-
Ch. Muhammad Sarwar	Rs. 140,000/-

The said increase was given in view of rising inflation in recent time.

The members are accordingly requested to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT the gross salary of Mr. Usman Ilahi Malik and Ch. Muhammad Sarwar, Executive Directors of the Company be and are hereby increased from Rs. 150,000/- to Rs. 200,000/- and from Rs. 110,000/- to Rs. 140,000/- respectively per month (increase Rs. 50,000/- and Rs. 30,000) with effect from 01-07-2010, while other terms and conditions of service will remain unchanged.



## **DIRECTORS REPORT**

The Directors of your company take pleasure in presenting the 29<sup>th</sup> Annual Report on the operations of the company along with the audited financial statements for the year ended June 30<sup>th</sup>, 2010.

### **Operational Results**

This was another tumultuous year for the country and economy on several accounts. The uncertain political and security scenario, together with a surge in utility, fuel and power costs not only made maintaining manufacturing margins a challenge, but also further reduced the purchasing power of our consumers. In a fiercely competitive landscape, it was difficult to improve margins and sales volumes at the same time.

For the year under review, overall sales revenue for the year increased by 7.4%. This was mainly on the back of robust growth in cooking oil sales volumes as well as an increase in average prices.

At the gross profit level our margins showed a slight dip and stood at 6.0% compared to 6.6% for the last year. This was mainly on account of increasing cost of manufacturing inputs, for which the prices had not been fully adjusted till close of the fiscal year due to the intensely competitive scenario which usually mandates a certain time lag before the prices are fully adjusted. As a result of the reduced margins, the gross profit declined slightly by 2% for the year under review. However, with the start of the New Year, most companies have reworked their costs and we have already seen a spate of price increases which should help to shore up our profitability by giving us some room to improve our pricing.

At the operating level the overall operating expenses increased by 21.4%. Even though as % of sales this represented only an increase from 3.0% to 3.4%, the quantum was enough to decrease the operating profit by 21.5% for the year under review. The main contributors by value to the operating increase were the over-all administration costs. However the largest sub-category of costs responsible for the rise in costs was our salaries and wages expense. Last year we had forecasted increased spending on sales force salaries as well as advertisement to further push our sales and expand our network. However, for the year under review we took a tactical decision to freeze our advertisement budgets and instead focus more on expanding and building our distribution net-work. As a result while our advertisement costs did not show any increase, the expansion in our sales force to set-up distribution net works in all the major towns and cities of Pakistan, caused our salary expense to increase significantly. This increase was expected to a large degree as noted in our review of previous year's accounts, and was part of a planned strategy to invest in our sales and distribution net-work. However, the management is aware of the strain this is placing on our margins and has set minimum targets for the sales team which will be reviewed aggressively for the next two quarters to ensure that the cost impact is minimized by volume increases. We are confident that over the course of the year sales volume will be pushed up while further increase to the sales team will be limited, thereby setting the foundation for improved margins and profitability in the years to come.

Profit before tax decreased from Rs. 103.5 million to Rs. 77.1 million for the current year; a decrease of 25.5%. However, it should be noted that previous year profit before tax included an



## PUNJAB OIL MILLS LIMITED

amount of Rs. 8.58 million recorded as an extra-ordinary item; a non-recurring event resulting from write-off by United Bank Limited of the outstanding mark-up with regards to repayment of their balance loan amount (See Notes 14 and 38 of previous year's annual report). If we exclude this item from previous year's income, the decrease in profit before tax is limited to 18.7%. Lower tax provisioning for the year, down by 57.6% from the previous year, increased the profit after tax from Rs. 40.3 million last year to Rs. 50.3 million for the year under review, a growth of 25%. It should be noted that last year's tax provisioning included an additional tax liability of Rs. 19.13 million (see note 39 of the last year's annual report) on account of recording of previous years' assessment arising from changes in tax rate on locally produced oil from 1% to 2%. If we consider previous year's net profit without the additional taxation as well as without the non-recurring mark-up write off mentioned before, the bottom line shows a 1.0% decline from previous year.

The directors have noted that the edible oils industry is a low margin industry and hence comparatively speaking the company is showing satisfactory performance at the operating level; especially keeping in view the general state of the economy and an intensely competitive environment. The directors have no doubt what so ever that the company is a going concern.

We would like to confirm that the financial statements, prepared by the management of the listed company, fairly present its state of affairs and operations and proper books of account have been maintained according to the applicable and appropriate accounting policies and standards. A system of internal control has also been put in place to effectively implement and monitor the workings of the company to ensure compliance with all relevant policies and guidelines as per the Code of Corporate Governance issued by the SECP.

<b>Financial and Operating Results</b>	<b>2010 RUPEES</b>	<b>2009 RUPEES</b>
Operating Profit	78,200,534	99,660,849
Finance cost & other charges	7,154,264	8,788,259
Other operating income	6,073,121	4,028,573
Extraordinary item	-	8,576,523
Profit before Taxation	77,119,391	103,477,686
Taxation	(26,799,599)	(63,206,199)
Profit after taxation	50,319,792	40,271,487
Un-appropriated profit as at 2009/2008	55,444,993	22,059,499
Available for appropriation	105,764,785	62,330,986
<b>Appropriations:-</b>		
25 % bonus shares for the year ended June 30, 2009 (2008: 50 %)	(7,657,175)	(10,209,570)
15 % final dividend for the year ended June 30, 2009 (2008: Nil)	(4,594,305)	-
Transferred from surplus on revaluation of property, plant and equipment	1,944,292	3,323,577
Balance as at June 30, 2010/2009	95,457,597	55,444,993





Subsequent effects:

The board of directors has recommended final cash dividend @ 15 % (2009: 15 %). The final dividend will be subject to approval by the shareholders in the annual general meeting.

### **Future Outlook**

Although the year under review also turned out to be a challenging one for us with continued stiff competition from new brands and companies and general economic weakness of the country, the management is committed to continuing sales growth and improving profitability for the future. Over the course of the last two years the company has been transitioning from being a regional player to a national level player. The most essential part of this transition was the setting up of a nation-wide distribution network which has been completed to a large extent. Although this entailed increased sales department expenses, such increases should be viewed as an investment as the distribution set-up is an asset which will serve us in the years to come. At present we are shifting focus to now pushing up our sales through this asset, which means that the marketing costs which were static for the year under review, are likely to rise for next fiscal year.

It should be noted that in line with profitability targets as well as market trends we have been focusing more on the cooking oil sector of the market and will continue to do so. As a result our cooking oil sales have shown impressive growth in the last five years and we are currently\ operating beyond our installed capacity of cooking oils. Although in the very short run we are managing by diverting some of our banaspati capacity to cooking oil production, this diversion is limited by technical reasons as well as our need to properly cater to our banaspati customers who are still the core source of our revenue. As such we have an urgent and critical need to enhance our cooking oil capacity. Doing so will also provide the additional benefit of upgrading our production technology to the continuous system from the outdated batch system which will reduce our processing costs, adding to our margins. In this regard, the Board of Directors has approved technical and financial plans for the expansion and modernization of the existing plant for a total cost of approximately Rs. 40 million. The Board has also approved issuance of 28 % right shares (i.e. 28 right shares for every 100 shares held) at a premium of Rs. 20 per share. This will fetch additional equity amounting to Rs. 32.16 million which shall be used for the expansion and modernization plan. The balance funds requirement shall be met by the company from its own resources.

### **Earning per Share**

Earning per share for the year under review is Rs.13.14 (2009:Rs. 10.52) per share.

### **Staff Retirement Benefits**

The company operates an un-funded gratuity scheme covering all employees whose period of services with the company is more than one year. Provision is made annually to cover the liability under the scheme. The company pays a lump-sum gratuity to members on leaving the company after completion of one year of continuous service.

### **Auditors**

The External Auditors of the Company, M/s Qadeer & Company, Chartered Accountants retire at the conclusion of the general meeting. In accordance with the Code of Corporate Governance, the





audit committee considered and recommended the appointment of M/s Maqbool Haroon Shahid Safdar and Company, Chartered Accountants, a representative firm of "PKF International" as auditors for the financial year 2010-2011 and the Board of Directors also endorsed the recommendations of the audit committee.

### **Audit Committee**

The following constitutes the Audit Committee:

- 1) Sh.Anwar A.Batla
- 2) Mr.Usman Ilahi Malik
- 3) Mr.Gul Nawaz

### **Pattern of Shareholding**

The Statement of pattern of shareholding alongwith categories of shareholders of the company as at June, 30, 2010, as required under Section 236 of the Companies Ordinance, 1984 and Code of Corporate Governance is annexed with this report.

### **Key Operating and Financial data**

A summary of key financial and operating data of Last Six Years is annexed herewith this report.

### **Board of Director's Meeting**

During the year under review, 4 meetings were held and number of meetings attended by each director is as follows:

<b><u>NAME OF DIRECTOR</u></b>	<b><u>NO.OF MEETINGS ATTENDED</u></b>
Mr.Tahir Jahangir	4
Mr.Izaz Ilahi Malik	4
Sh.Anwar A.Batla	4
Ch.Muhammad Sarwar	4
Mr.Usman Ilahi Malik	4
Mr.Firasat Ali	4
Mr.Gul Nawaz	2

### **Acknowledgements**

We would like to take this opportunity to thank our customers, suppliers and bankers for their continued support and cooperation towards the progress of the company. We hope that this support would continue in the future as well.



## PUNJAB OIL MILLS LIMITED

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We would also like to thank our dedicated and talented team of executives, staff and workers for the hard work put in towards the company's performance for the year. We expect continued efforts from our employees to achieve even better results next year. And last but not the least, the management is grateful to the board for its persistent support, cooperation and guidance in setting a course for the company that will InshAllah prove to be highly rewarding to all its stakeholders.

For & on behalf of the board

(IZZAT ILAHI MALIK)  
CHIEF EXECUTIVE

LAHORE  
Dated October 02 2010.



**STATEMENT OF COMPLIANCE WITH CODE  
OF CORPORATE GOVERNANCE**


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

1. The Company encourages representation of independent non-executive directors and director's representing minority interests on its Board of Directors. At present the Board includes at least four independent non-executive directors.
2. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company in their personal capacity, a DF1 or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
3. The Company has prepared a 'Statement of Ethics and Business Practices, which has been signed by all the management of the company as stipulated by the Securities and Exchange Commission of Pakistan.
4. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A policy manual containing a complete record of particulars of significant policies along with the dates on which were approved or amended is at final stage for presentation to the Board of Directors.
5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been approved by the Board.
6. The meetings of Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
7. Officers having positions of CFO, Company Secretary and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance, however their terms of appointment, including remuneration were approved by the Board of Directors.
8. The Director's report for this year has been prepared in close proximity with the requirements of Code and fully described the salient matters required to be disclosed.
9. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
10. The Directors, CEO and Executives do not hold any interest in the shares of Company other than disclosed in the pattern of shareholding.
11. The Company has complied with all the corporate and financial reporting requirements of the Code.



## PUNJAB OIL MILLS LIMITED

12. The Audit Committee is chaired by a Non-Executive Director, and the Committee's member are exclusively all Non-Executive Directors, while Executive Directors are invited to attend from time to time.
13. The meeting of Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the Code.
14. The Board has set-up an effective internal audit functioned managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
15. The statutory auditors of the Company were given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or their spouses and minor children do not hold any shares of the Company and that the firm is in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
17. We confirm that all other material principles in the Code have been complied with.

  
(IZAZ ILAHI MALIK)  
CHIEF EXECUTIVE



**PATTERN OF SHAREHOLDING AS AT 30-06-2010**

SHAREHOLDING			NO. OF SHAREHOLDERS	TOTAL SHARES HELD
FROM		TO		
1	-	100	474	15,997
101	-	500	421	104,816
501	-	1000	64	47,759
1001	-	5000	55	105,073
5001	-	10000	5	33,568
15001	-	20000	4	69,881
20001	-	25000	4	86,987
25001	-	30000	1	29,806
30001		45000	2	80,920
45001	-	65000	2	99,397
65001	-	105000	1	105,375
105001	-	140000	1	546,058
155001	-	200000	6	1,104,330
200001	-	300000	2	77,883
500001	-	1000000	2	1,320,738
			1044	3,828,588

Numbers	Categories of Shareholders	Shares Held	Percentage
1039	Others/Individuals	2,195,854	57.36
3	Investment Companies	1,337,725	34.93
2	Joint Stock Companies	295,309	7.71
1044		3,828,588	100.00



**COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS AT JUNE 30, 2010**

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE %
1	Others/Individuals	1,032	1,941,015	50.70
2	Investment Companies	NIL	NIL	
3	Joint Stock Companies	NIL	NIL	
4	Financial Institutions	NIL	NIL	
5	Modaraba Companies	NIL	NIL	
6	Foreign Companies	NIL	NIL	
7	NIT/ICP			
	I. National Bank of Pakistan	1	577,218	15.08
	II. National Investment Trust Ltd.	1	743,520	19.42
	III. Investment Corporation of Pakistan	1	16,687	0.44
8	Public Sector Companies & Corporation	NIL	NIL	
9	Directors, Chief Executives, Their Spouses & Minor Children			
	1 Mr. Tahir Jahangir	1	4,305	0.11
	2 Mr. Izaz Ilahi Malik	1	1,875	0.05
	3 Sh. Anwar Ahmad Batla	1	49,542	1.29
	4 Mr. Usman Ilahi Malik	1	191,430	5.00
	5 Ch. Muhammad Sarwar	1	937	0.02
	6 Mrs. Nageen Malik W/o Mr. Izaz Ilahi Malik	1	3,750	0.10
	7 Mrs. Jui Anwar W/o Sh. Anwar Ahmad Batla	1	3,000	0.08
	<b>NIT Nominee Directors</b>			
	7 Mr. Firasat Ali			
	8 Mr. Gul Nawaz			
10	Associated Companies Undertaking & Related Parties	2	295,309	7.71
11	Executives	NIL	NIL	
12	Shareholding 10% or More Shares	NIL	NIL	
	<b>National Bank of Pakistan</b>			
	<b>National Investment Trust Ltd.</b>			
13	Others	NIL	NIL	
<b>TOTAL</b>		<b>1,044</b>	<b>3,828,588</b>	<b>100.00</b>



**KEY FINANCIAL DATA LAST SIX YEARS**

<b>PARTICULARS</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Issued, Subscribed and paid up capital	20,419,130	20,419,130	20,419,130	20,419,130	30,628,700	38,285,875
Capital Reserves	1,880,875	1,880,875	1,880,875	1,880,875	1,880,875	1,880,875
General Reserves	8,600,000	8,600,000	8,600,000	8,600,000	8,600,000	8,600,000
Long Term Loan	6,712,634	452,912	-	-	-	-
Deferred Liabilities	19,023,390	16,606,677	22,696,372	24,743,752	22,093,067	25,916,180
Current Liabilities	181,276,481	193,227,635	208,848,708	482,780,089	403,849,997	394,031,587
Operating Fixed Assets	66,667,945	67,926,139	184,256,430	184,333,874	185,055,146	191,596,543
Current Assets	138,416,349	160,135,071	188,394,617	495,534,275	454,214,298	482,108,544
Sales	1,021,081,382	1,218,978,824	1,736,133,111	2,501,790,859	2,809,909,510	3,018,441,736
Gross Profit	35,016,565	54,763,808	75,218,700	123,219,862	184,599,614	181,294,285
Operating Profit	13,436,216	26,446,083	31,587,550	59,581,676	99,660,849	78,200,534
Profit before taxation	7,400,299	16,491,334	27,354,673	54,342,576	103,477,686	77,119,391
Profit / (Loss) after taxation	(17,957,672)	30,661,220	15,278,255	38,443,014	40,271,487	50,319,792





**AUDITORS' REPORT TO THE MEMBERS**


We have audited the annexed Balance Sheet of PUNJAB OIL MILLS LIMITED ('the company') as at June 30, 2010 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) In our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as described in note 6.23 to the financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the profit.comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore  
Dated: October 02,2010

  
QADEER AND COMPANY  
CHARTERED ACCOUNTANTS  
NAWAZ KHAN, FCA



**AUDITORS' REVIEW REPORT TO THE MEMBERS**  
On Statement of Compliance with Best Practices of the Code of  
Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010 prepared by the Board of Directors of **PUNJAB OIL MILLS LIMITED** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The reasonability for the compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of listing regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010.

Lahore  
Dated: October 02, 2010

QADEER AND COMPANY  
CHARTERED ACCOUNTANTS  
NAWAZ KHAN, FCA



# PUNJAB OIL MILLS LIMITED

## BALANCE SHEET AS AT JUNE 30, 2010

EQUITY AND LIABILITIES	NOTE	2010 RUPEES	2009 RUPEES <i>Restated</i>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 5,000,000 (2009: 5,000,000) ordinary shares of Rs. 10/- each		50,000,000	50,000,000
Issued, subscribed and paid-up capital	7	38,285,875	30,628,700
Capital reserves		1,880,875	1,880,875
Revenue reserves		8,600,000	8,600,000
Accumulated profit		95,457,597	55,444,993
		<u>144,224,347</u>	<u>96,554,568</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	8	127,544,384	129,488,676
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	9	364,311	1,742,909
Deferred liabilities	10	25,916,180	22,093,067
<b>CURRENT LIABILITIES</b>			
Trade & other payables	11	331,682,731	341,692,709
Current portion of long term liabilities	9	269,305	423,901
Unclaimed dividend		1,036,241	787,317
Provision for taxation	12	61,043,310	60,946,070
		394,031,587	403,849,997
Contingencies & Commitments	13	-	-
		<u>692,080,809</u>	<u>653,729,217</u>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		188,517,747	181,415,664
Capital work in progress	14	3,078,796	3,639,482
	15	191,596,543	185,055,146
Investment in associates		-	-
Long term deposits	16	18,375,722	14,459,773
	17		
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	18	29,002,775	28,587,640
Stock in trade	19	192,583,105	168,874,015
Trade debts	20	145,882,171	132,323,057
Loans and advances	21	4,023,832	23,769,295
Trade deposits and short term prepayments	22	15,491,825	5,542,522
Interest accrued	23	-	11,789,627
Other receivables	24	300,561	220,256
Advance income tax	25	64,060,349	44,556,556
Cash and bank balances	26	30,763,926	38,551,330
		482,108,544	454,214,298
		<u>692,080,809</u>	<u>653,729,217</u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR



## PUNJAB OIL MILLS LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30,2010

	NOTE	2010 RUPEES	2009 RUPEES <i>Restated</i>
Sales - net	27	3,018,441,736	2,809,909,510
Cost of sales	28	<u>2,837,147,451</u>	<u>2,625,309,896</u>
<b>Gross profit</b>		181,294,285	184,599,614
<b>Operating Expenses</b>			
Selling and distribution Cost	29	<u>55,120,077</u>	<u>49,004,316</u>
Administrative expenses	30	<u>47,973,674</u>	<u>35,934,449</u>
		<u>103,093,751</u>	<u>84,938,765</u>
<b>Operating profit</b>		78,200,534	99,660,849
Finance cost	31	<u>719,488</u>	<u>857,354</u>
Other operating charges	32	<u>6,434,776</u>	<u>7,930,905</u>
		<u>7,154,264</u>	<u>8,788,259</u>
		<u>71,046,270</u>	<u>90,872,590</u>
Other operating income	33	6,073,121	4,028,573
Markup waived off by bank on early settlement of loan		<u>-</u>	<u>8,576,523</u>
Profit before taxation		77,119,391	103,477,686
Taxation	34	<u>26,799,599</u>	<u>63,206,199</u>
Profit for the year		<u>50,319,792</u>	<u>40,271,487</u>
Earnings per share - Basic and diluted	35	<u>13.14</u>	<u>10.52</u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR



## PUNJAB OIL MILLS LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010 RUPEES	2009 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	77,119,391	103,477,686
Adjustments for following items:		
Workers' profit participation fund	4,192,553	5,566,819
Workers' welfare fund	1,587,223	2,019,086
Loss/(gain) on disposal of property, plant and equipment	(1,310,156)	(295,840)
Provision for gratuity	4,348,123	3,371,738
Depreciation	10,722,610	9,901,064
Mark up Income from related parties	(268,636)	(998,973)
Liability no more payable	-	(8,576,523)
Finance cost	719,488	857,354
	<u>19,991,205</u>	<u>11,844,725</u>
<b>Operating Profit before Working Capital Changes</b>	<u>97,110,596</u>	<u>115,322,411</u>
<b>(Increase)/Decrease in Current Assets:</b>		
Stores, spare parts and loose tools	(415,135)	(4,785,217)
Stock in trade	(23,709,090)	(71,436,873)
Trade debts	(13,559,114)	140,756,680
Loan and advances	19,745,463	(12,019,817)
Trade deposits and short term prepayments	(9,949,303)	(293,371)
Other receivables	(80,305)	254,172
	<u>(27,967,484)</u>	<u>52,475,574</u>
<b>Increase / (Decrease) in Current Liabilities:</b>		
Trade & other payable	(7,808,309)	(78,439,692)
Cash Generated from Operations	<u>61,334,803</u>	<u>89,358,293</u>
Workers' Profit Participation fund paid	(6,259,256)	(2,774,346)
Workers' Welfare Fund Paid	(2,019,086)	(1,076,534)
Staff retirement benefits Paid	(525,010)	(291,800)
Finance Cost Paid	(422,591)	(584,569)
Income Tax Paid	(46,206,152)	(47,083,545)
Dividend Paid	(4,345,381)	(17,747)
	<u>(59,777,476)</u>	<u>(51,828,541)</u>
<b>Net Cash Generated from Operations</b>	<u>1,557,327</u>	<u>37,529,752</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(14,336,609)	(2,924,275)
Proceeds from disposal of property, plant and equipment	3,339,000	1,392,000
Capital work in progress	(4,956,242)	(8,794,221)
Mark up income from related parties	12,058,263	15,011,455
Long term deposits	(3,915,949)	(2,052,087)
	<u>(7,811,537)</u>	<u>2,632,872</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans	-	(9,903,221)
Increase/(decrease) in finance lease	(1,533,194)	(4,575,392)
Short term borrowings	-	(26,500,000)
	<u>(1,533,194)</u>	<u>(40,978,613)</u>
Net Increase in Cash and Cash Equivalents	<u>(7,787,404)</u>	<u>(815,989)</u>
Cash and Cash Equivalents at the beginning of the year	38,551,330	39,367,319
Cash and Cash Equivalents at the end of the year	<u><b>30,763,926</b></u>	<u><b>38,551,330</b></u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR



## PUNJAB OIL MILLS LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010 RUPEES	2009 RUPEES
Profit for the year		50,319,792	40,271,487
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>50,319,792</b>	<b>40,271,487</b>

*Izzat Ali Khan*

CHIEF EXECUTIVE

*M. J. Akhtar*

DIRECTOR



## PUNJAB OIL MILLS LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

(RUPEES)

	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	UN- APPROPRIA TED PROFIT	REVALUATION SURPLUS	TOTAL
				<i>Restated</i>	<i>Restated</i>	
<b>Balance as at 01 July 2008 - restated</b>	20,419,130	1,880,875	8,600,000	22,059,499	132,812,253	185,771,757
Total Comprehensive Income for the year -Profit for the year ended 30 June 2009	-	-	-	40,271,487	-	40,271,487
<i>Transaction with owners recorded directly in Equity - Distributions</i>						
50% bonus share for the year ended June 30, 2008	10,209,570	-	-	(10,209,570)	-	-
Total transaction with owners-distribution	10,209,570	-	-	(10,209,570)	-	
Transferred from surplus on revaluation of property, plant and equipment - restated	-	-	-	3,323,577	(3,323,577)	-
<b>Balance as at 30 June 2009</b>	<b>30,628,700</b>	<b>1,880,875</b>	<b>8,600,000</b>	<b>55,444,993</b>	<b>129,488,676</b>	<b>226,043,244</b>
Total Comprehensive Income for the year -Profit for the year ended 30 June 2010	-	-	-	50,319,792	-	50,319,792
<i>Transaction with owners recorded directly in Equity - Distributions</i>						
15% final dividend for the year ended June 30, 2009	-	-	-	(4,594,305)	-	(4,594,305)
25% bonus share for the year ended June 30, 2009	7,657,175	-	-	(7,657,175)	-	-
Total transaction with owners-distribution	7,657,175	-	-	(12,251,480)	-	(4,594,305)
Transferred from surplus on revaluation of property, plant and equipment	-	-	-	1,944,292	(1,944,292)	-
<b>Balance as at 30 June 2010</b>	<b>38,285,875</b>	<b>1,880,875</b>	<b>8,600,000</b>	<b>95,457,597</b>	<b>127,544,384</b>	<b>271,768,731</b>

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

*Izzat Ali Khan*  
CHIEF EXECUTIVE

*M. J. ...*  
DIRECTOR





## **PUNJAB OIL MILLS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

#### **1 THE COMPANY AND ITS ACTIVITIES**

Punjab Oil Mills Limited ('the company') was incorporated in Pakistan as a Public Limited Company. Its shares are quoted in Stock exchanges in Pakistan. The registered office of the company is located at Plot No. 26, 27, & 28 Industrial Triangle, Kahuta Road, Islamabad. It is mainly engaged in the manufacturing and sale of Ghee, Cooking Oil, Speciality fats and laundry Soap.

#### **2 STATEMENT OF COMPLIANCE**

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

#### **3 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value and certain items of property, plant and equipment that are stated at revalued amounts and investment in associate on equity basis. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

#### **4 JUDGMENT, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with approved accounting standards which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, slow moving inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of approved standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent year are as follows:

##### **4.01 Depreciation method, rates and useful lives of property, plant and equipment**

The management of the Company reassesses useful lives, depreciation method, and rates for each item of property, plant and equipment annually by considering expected pattern of economic pattern of economic benefits that the Company expects to derive from that item.

##### **4.02 Fair value of financial instruments having no active market**

Fair value of financial instruments having no active market is determined using discounted cash flow analysis after incorporating all factors that market participants would consider in setting a price and using inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.



### 4.03 Taxation

The Company takes into account income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by tax department at the assessment stage and where the Company considers that its view of items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

### 4.04 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

### 4.05 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

## 5 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.01 Tangible fixed assets and depreciation

#### a) Owned

Property, plant and equipment (except leasehold land, building on leasehold land and plant, machinery and equipment) are stated at cost less any accumulated depreciation and any accumulated impairment losses. Leasehold land are stated at revalued amounts and building on leasehold land and plant, machinery and equipment are stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Residual value and the useful life of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance cost are charged to profit and loss account during the year in which these are incurred.

#### b) Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over their respective useful life of the assets on reducing balance method using the same rate as of owned assets. Depreciation of leased assets is charged to current year's income.



**c) Depreciation**

Depreciation on property, plant and equipment (except leasehold land) is charged to profit and loss account by applying the reducing balance method so as to write off the cost/depreciable amount of the assets over their estimated useful lives at the rates specified in note 17 . Depreciation on additions is charged from the month in which the asset was available for use up to the month prior to disposal. The residual values, depreciation method and useful lives of property, plant and equipment are reviewed by the management, at each financial year-end and adjusted if appropriate.

**d) De-recognition**

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings/unappropriated profits.

**c) Surplus on revaluation**

Surplus on revaluation of revalued assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation, if any) is transferred directly to retained earnings/unappropriated profit.

**6.02 Staff Retirement Benefits**

The company operates an un-funded gratuity scheme covering all employees whose period of services with the company is more than one year. Provision is made annually to cover the liability under the scheme. The company pays a lump-sum gratuity to members on leaving the company after completion of one year of continuous service. The benefit is calculated as follows:

Last drawn gross salary x Number of completed years of services

6 or more months of service in excess of completed years of services is counted as 1 complete year. However, less than six month of services is ignored.

During the year, the company assessed its liabilities under the gratuity scheme through actuarial valuation under IAS-19 (Employees Benefit).

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions in excess of the greater of 10% of the defined benefit obligation are charged or credited to income over the employees expected average remaining working lives.

As per Actuarial valuation carried out as at June 30, 2010, the following significant assumptions were

	<b>2010</b>	<b>2009</b>
Discount rate	12%	12%
Expected rate of eligible salary increase in future years	11%	11%
Average expected remaining working lifetime of employees	7 years	7 years
Actuarial valuation method	Project Unit Credit Method	

**6.03 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortized cost.



**6.04 Dividend**

Dividend is recognized as a liability in the period in which it is declared.

**6.05 Taxation-Current**

Provision for current taxation is based on taxability of imported and locally purchased raw material under presumptive / final tax regime at the applicable tax rate; while other income chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, under the provisions of Income Tax Ordinance, 2001.

**6.06 Capital work in progress**

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of property-, -plant and equipment. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

**6.07 Investment in related parties**

Investment in associated companies where the company has significant influence but not control over the financial and operating policies is accounted for using equity basis of accounting under which the investment in associate is initially recognized at cost and the carrying amounts are increased or decreased to recognize the company's share of profit or loss for the associate after the date of acquisition, less impairment losses, if any. The Company's share of profit or loss of the associate is recognized in the Company's profit or loss. Distributions received from associated reduce the carrying amount of the investment. Adjustments to the carrying amounts are also made for changes in the associate's equity that have not been recognized in the associate's profit or loss. The Company's share of those changes is recognized directly in equity of the Company.

Gain/(loss) on sale of above investments, if any, are recognized in the period of sale. The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognized in profit and loss account.

**6.08 Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses". If any such indication exists, the recoverable amount of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

**6.09 Stores, spare parts and loose tools**

These are valued at lower of weighted average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus incidental charges paid thereon.

**6.10 Stock in trade**

These are valued at lower of cost or net realizable value and cost is determined by using following

Raw materials-in hand	at weighted average cost
Raw materials-in transit	at cost accumulated up to the balance sheet date
Work in process	at raw material cost plus appropriate manufacturing costs
Finished goods	at average manufacturing cost
By - products	at Net realizable value (NRV)

Costs in relation to work in process and finished goods represent annual weighted average costs which consist of prime costs and appropriate manufacturing overheads.



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

### **6.11 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at original invoice amount which is the fair value of trade debts and other receivables and subsequently measure at amortized cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

### **6.12 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and saving accounts.

### **6.13 Foreign currency transactions**

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

### **6.14 Revenue recognition**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer which generally coincides with dispatch of goods to customers.

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

### **6.15 Borrowing costs**

Borrowing costs are charged to income as and when incurred except to the extent of costs directly attributable to the acquisition, construction or production of qualifying assets that are capitalized as part of the cost of relevant asset.

### **6.16 Financial instruments**

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the company loses control of the contractual rights that comprise the financial asset. Financial liabilities are de-recognized when they are extinguished (when the obligation is discharged, cancelled, or expired).

### **6.17 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **6.18 Contingencies and commitments**

Capital commitments and contingencies, unless those are actual liabilities are not incorporated in the financial statements.



**6.18 Provisions**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are measured at the present value of expected expenditure, discounted at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect best estimate.

**6.19 Related parties**

- a) Hala Enterprises Limited.
- b) Premier Garments Limited.
- c) Teejay Corporation (Pvt) Limited.

**6.2 Transactions with related parties**

Transactions with related parties are based on the transfer pricing policy that all transactions between

**6.21 Leases**

Assets acquired under a finance lease are capitalized and depreciated over their useful lives. A finance lease liability is raised at the inception of the lease, which is then reduced by the capital portion of each payment. The interest portion of the repayments is calculated using the interest rate implicit in the lease and is expensed in the profit and loss account.

**6.22 Earning per share (EPS)**

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**6.23 Standards, interpretations and amendments to published approved accounting standards that are effective in the year ended June 30, 2010.**

The International Accounting Standards Board has published following standards, interpretations and amendments that are effective and have been applied during the current accounting period in preparing these financial statements.

- a) "Revised IAS 1 Presentation of Financial Statements (2007)" became effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a profit and loss account and a statement of comprehensive income.





- b) IFRS 8 - Operating Segments (effective from January 1, 2009). This standard requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker, that is, the organization's function which allocates resources to and assesses performance of its operating segments. Management has determined that the Company has a single reportable segment and therefore the adoption of the said IFRS has only resulted in some entity wide disclosures as described in note No. 41

**6.24 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective and have not been applied in preparing these financial statements.

Improvements to IFRSs 2009 - Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is unlikely to have an impact on Company's financial statements.

Improvements to IFRSs 2009 - Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after I January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

Improvements to IFRSs 2009 - Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements.

Improvements to IFRSs 2009 - Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7-13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is unlikely to have an impact on Company's financial statements.

Improvements to IFRSs 2009 - Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after I January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Company's financial statements other than increase in disclosures.

There are other amendments to the approved accounting standards and interpretations that are not yet effective but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.





## PUNJAB OIL MILLS LIMITED

### 7 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	NOTE	2010 RUPEES	2009 RUPEES
1,782,538 (2009: 1,782,538) ordinary shares of Rs. 10/- each fully paid in cash		17,825,380	17,825,380
2,046,050 (2009: 1,280,332) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	7.02	20,460,495	12,803,320
		<b>38,285,875</b>	<b>30,628,700</b>

7.01 Ordinary shares of the company held by associated undertakings as at the year end are 295,309 (2009: 236,248).

		2010 Number of Shares	2009
7.02 Reconciliation of fully paid bonus shares of Rs. 10/- each			
At 01 July		1,280,332	259,375
Issued during the year		765,718	1,020,957
At 30 June		2,046,050	1,280,332

### 8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

		2010 RUPEES	2009 RUPEES <i>Restated</i>
Land-Lease hold		99,576,476	99,576,476
Building-on Lease hold land		20,926,175	23,251,305
Plant, Machinery & Equipments		8,986,025	9,984,472
		129,488,676	132,812,253
Less: Incremental depreciation charged on revalued assets transferred to retained earnings during the year		1,944,292	3,323,577
		<b>127,544,384</b>	<b>129,488,676</b>

8.01 The revaluation of land, building, plant and machinery, fittings and installation was carried out by an independent valuers M/s Project (Pvt) Limited as at June 30, 2007 on the basis of depreciated replacement values and duly certified by the statutory auditors.

		2010 RUPEES	2009 RUPEES
<b>9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
The amount of future payments and the years in which these will become due are:			
Year 2009-10		-	520,383
Year 2010-11		309,495	309,495
Year 2011-12		145,552	145,552
		455,047	975,430
Add: Lease key money		315,722	1,399,773
		770,769	2,375,203
Less: Financial charges allocated to future periods		137,153	208,393
Present value of minimum lease payments	9.01	633,616	2,166,810
Less: Current portion shown under current liabilities		269,305	423,901
		<b>364,311</b>	<b>1,742,909</b>
9.01 Present value of minimum lease payments			
Due not later than one year		269,305	423,901
Due later than one year but not later than five years		364,311	1,742,909
		<b>633,616</b>	<b>2,166,810</b>
9.02 This represents finance lease obtained from leasing companies The liabilities under these agreements			



## PUNJAB OIL MILLS LIMITED

are payable under monthly installments and are subject to financial charges at the rates ranging from 9.69% to 17.99% (2009: 9.69% to 17.99%) per annum. The cost of operating and maintaining the leased assets is borne by the company. The company intends to exercise its option to purchase leased assets upon completion of the respective lease terms.

10 DEFERRED LIABILITIES	NOTE	2010 RUPEES	2009 RUPEES <i>Restated</i>		
Staff retirement benefits	10.01	25,916,180	22,093,067		
Deferred Taxation	45	-	-		
		<u>25,916,180</u>	<u>22,093,067</u>		
<b>10.01 Staff retirement benefits</b>					
<i>Balance sheet liability</i>					
Opening balance		22,093,067	19,013,129		
Amount recognized during the year		4,348,123	3,371,738		
		<u>26,441,190</u>	<u>22,384,867</u>		
Benefits paid during the year		(525,010)	(291,800)		
Closing balance		<u>25,916,180</u>	<u>22,093,067</u>		
<i>The amounts recognized in the balance sheet are as follows</i>					
Present value of defined benefit obligation		25,995,239	20,903,091		
Unrecognized actuarial gain / (loss)		(579,059)	-		
Benefits due but not paid		500,000	1,189,976		
		<u>25,916,180</u>	<u>22,093,067</u>		
<i>Charge for the defined benefit plan</i>					
Service cost		1,839,752	1,232,960		
Interest cost		2,508,371	2,138,778		
		<u>4,348,123</u>	<u>3,371,738</u>		
<i>Historical information for gratuity:</i>					
	2010	2009	2008	2007	2006
	<u>RUPEES</u>				
Present value of defined benefit obligation	<u>25,995,239</u>	<u>20,903,091</u>	<u>17,823,153</u>	<u>16,574,340</u>	<u>12,103,835</u>
Experience adjustment arising on plan liabilities	<u>(579,059)</u>	<u>-</u>	<u>689,976</u>	<u>-</u>	<u>318,791</u>



## PUNJAB OIL MILLS LIMITED

11 TRADE & OTHER PAYABLES	NOTE	2010 RUPEES	2009 RUPEES
Creditors		13,955,644	23,564,304
Accrued expenses		15,103,924	18,633,499
Workers' profit participation fund	11.01	4,607,758	6,377,564
Security deposits		475,000	415,000
Workers' welfare fund		1,587,223	2,019,086
Tax deducted at source		11,752	11,505
Advances from customers		295,941,430	290,671,751
		<u>331,682,731</u>	<u>341,692,709</u>

### 11.01 WORKERS' PROFIT PARTICIPATION FUND (WPPF)

Opening balance	6,377,564	3,312,306
Provision for the year	4,192,553	5,566,819
Mark up on WPPF	296,897	272,785
	<u>10,867,014</u>	<u>9,151,910</u>
Payment during the Year	(6,259,256)	(2,774,346)
	<u>4,607,758</u>	<u>6,377,564</u>

### 12 PROVISION FOR TAX

Opening balance	60,946,070	18,839,348
Add: Taxation - current	44,171,212	63,206,199
	<u>105,117,282</u>	<u>82,045,547</u>
Less: Tax payments /adjustments during the year	44,073,972	21,099,477
	<u>61,043,310</u>	<u>60,946,070</u>

### 13 CONTINGENCIES AND COMMITMENTS

#### 13.01 CONTINGENCIES

- The company has challenged "Infrastructure Development Cess" levied under Sindh Finance Act, 1994 (as amended by Sindh (Amendment) Ordinance, 2001) in the Sindh High Court in Suit No. 463/2003. Initially, Hon'ble Sindh High Court has decided the levy of "Infrastructure Development Cess" on the carriage of goods against the company. The company has filed an appeal before Supreme Court of Pakistan against the decision of Hon'ble Sindh High Court. Pursuant to direction of Hon'ble court the company has Provided bank guarantees amounting to Rs. 9,050,000 (2009: 4,050,000/-) in favour of Excise and Taxation authorities. The company may be contingently liable for payment of the said amount in case of unfavorable decision. However, the management is confident that the ultimate decision shall be in favour of the Company. Therefore, no provision has been made in these financial statements.
- The Taxation Officer had issued assessment orders for the tax year 2005 to 2007 incorporating the liability of Income Tax and WWF and raising demand for payment of Income Tax and WWF amounting to Rs. 16,110,132/- and Rs. 761,966/- respectively. The company has filed an appeal before the Commissioner Income Tax (Appeals) {CIT(A)} against the order of Taxation Officer and obtained stay against the demand of Income Tax and WWF from the Hon'ble Lahore High Court. However, during the current year CIT(A) has made the decision in favor of the Company but FBR has filled an appeal in ITAT against the decision of the CIT(A). The company as a matter of prudence has not reversed the provision for an amount of Rs. 16,872,098/- as aggregate liability which were created during the prior years.

#### 13.02 COMMITMENTS

Commitments in respect of irrevocable letters of credit for the import of raw material as at the balance sheet date amounted to Rs. 120.480 million (2009: Rs. 18.719 million).

14 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST		RATE %	DEPRECIATION			WRITTEN DOWN VALUE AS ON 30-06-2010
	AS ON 01-07-2009	ADDITION / (DELETIONS) 30-06-2010		AS ON 01-07-2009	ADJUSTMENTS FOR THE YEAR	AS ON 30-06-2010	
<b>OWNED</b>							
Land-lease hold	100,000,000	-	-	-	-	100,000,000	
Building on lease hold land	72,103,059	243,328	10	41,319,858	3,092,514	44,412,372	
Plant, machinery & equipment	95,714,139	7,212,649	10-15	58,427,184	4,146,797	62,573,981	
Laboratory equipment	181,335	-	25	181,202	33	181,235	
Guest house furniture & machinery	318,812	-	10	286,820	3,199	290,019	
Scales & weigh bridge	1,127,655	-	12	1,063,494	7,700	1,071,194	
Office machinery & equipment	4,011,697	1,567,510	10	1,887,669	244,740	2,132,409	
Furniture & fixture	993,839	35,050	10	508,675	49,636	558,311	
Vehicles	17,433,480	10,795,000 (4,108,800) 2,409,000	20	9,017,624 (2,079,956)	2,752,308	11,260,259	
<b>LEASED</b>							
Vehicles	4,032,855	(2,409,000)	20	1,808,681	(1,570,283)	664,081	
<b>RUPEES 2010</b>	<b>295,916,871</b>	<b>19,853,537 (4,108,800)</b>		<b>114,501,207</b>	<b>(2,079,956)</b>	<b>123,143,861</b>	
<b>RUPEES 2009</b>	<b>289,516,648</b>	<b>15,465,223 (9,065,000)</b>		<b>105,213,983</b>	<b>(613,840)</b>	<b>114,501,207</b>	

14.01 DEPRECIATION HAS BEEN ALLOCATED AS UNDER:-

	2010 RUPEES	2009 RUPEES
Cost of Sale	9,650,349	8,910,958
Administrative and General Expenses	1,072,261	990,106
	<u>10,722,610</u>	<u>9,901,064</u>

14.02 The revaluation of land, building and property, plant, machinery & equipment was carried out by independent valuers. Had there been no revaluation, the cost, accumulated depreciation and written down value of the revalued assets would have been as follows:

PARTICULARS	AS ON JUNE 30, 2010	
	Cost	Written Down Value
Land Lease-hold	423,524	423,524
Building	25,708,647	16,608,190
Plant, Machinery & Equipment	75,815,113	43,115,779
	<u>101,947,284</u>	<u>59,723,969</u>
		<u>42,223,315</u>

14.03 DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

PARTICULARS	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS/ INSURANCE CLAIM	PROFIT / (LOSS)	MODE OF DISPOSAL	BUYER'S NAME
Honda City (NZ-798)	1,437,500	118,194	1,319,306	1,350,000	30,694	Accident Claim	M/s Askari General Insurance Co. Ltd
Toyota Corolla (HG-803)	1,197,000	777,358	419,642	850,000	430,358	Negotiation	Mr.Wasse Ashraf Jafri (Rawalpindi)
Suzuki Baleno (HK-587)	782,000	513,654	268,346	575,000	306,654	Negotiation	Mr.Mansoor Ahmad (Rawalpindi)
Toyota Corolla (LOV-7130)	692,300	670,750	21,550	654,000	542,450	Negotiation	Mr.Irfan Khan (Lahore)
	<b>4,108,800</b>	<b>2,079,956</b>	<b>2,028,844</b>	<b>3,339,000</b>	<b>1,310,156</b>		



## PUNJAB OIL MILLS LIMITED

15 CAPITAL WORK IN PROGRESS	NOTE	2010 RUPEES	2009 RUPEES
Opening Balance		3,639,482	31,209
Additions during the year		4,956,242	8,794,221
		<u>8,595,724</u>	<u>8,825,430</u>
Less: Transferred to property, plant and equipment	15.01	5,516,928	5,185,948
		<u><b>3,078,796</b></u>	<u><b>3,639,482</b></u>
<b>15.01 Transferred to property, plant and equipment is represented by:-</b>			
Building		243,328	1,038,789
Machinery		5,273,600	4,147,159
		<u><b>5,516,928</b></u>	<u><b>5,185,948</b></u>
<b>16 INVESTMENT IN ASSOCIATE</b>			
<b>At Cost:</b>			
Premier Garments Limited	16.01	2,720,000	2,720,000
Provision for the diminution in the value of investment		(2,720,000)	(2,720,000)
		<u>-</u>	<u>-</u>
<b>16.01</b>	27,200 ordinary shares of Rs.100/- each, represent 38.86% equity in Premier Garments Limited company. The market value of the investment is Nil. The management is of the view that the investment which was previously valued at cost under IAS-28 is now impaired, so provision for diminution in the value of long term investment was provided in the year 2006.		
<b>16.02</b>	The summarized financial information of the associates over which the Company exercises significant influence, based on the audited financial statements for the year ended June 30,2009, is as follows:		
<b>Premier Garments Limited</b>		<b>2009 RUPEES</b>	<b>2008 RUPEES</b>
Total assets		<u>17,718,719</u>	<u>27,626,418</u>
Total liabilities		<u>39,203,390</u>	<u>50,718,790</u>
Revenues		<u>-</u>	<u>1,851,360</u>
Profit after tax		<u>1,607,700</u>	<u>608,638</u>
<b>17 LONG TERM DEPOSITS</b>			
Lease key money		2,399,773	4,047,686
Additions net of transfers		(1,084,051)	(1,647,913)
		<u>1,315,722</u>	<u>2,399,773</u>
Deposits against bank guarantees		17,060,000	12,060,000
		<u><b>18,375,722</b></u>	<u><b>14,459,773</b></u>
<b>18 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		26,826,120	26,901,507
Spare parts		1,741,324	1,348,906
Loose tools		435,331	337,227
		<u><b>29,002,775</b></u>	<u><b>28,587,640</b></u>

**18.01** No identifiable stores and spares are held for specific capitalization.



## PUNJAB OIL MILLS LIMITED

		2010 RUPEES	2009 RUPEES
<b>19 STOCK IN TRADE</b>	<b>NOTE</b>		
Raw materials			
- In hand		35,459,542	75,115,482
- In transit		31,919,612	10,631,916
Work in process		32,893,295	20,196,335
Finished goods		92,310,656	62,930,282
		<u>192,583,105</u>	<u>168,874,015</u>
<b>19.01</b>	No stock in trade has been pledged with any institution / party.		
<b>20 TRADE DEBTS</b>			
Trade debts - unsecured but considered good		<u>145,882,171</u>	<u>132,323,057</u>
<b>21 LOANS AND ADVANCES</b>			
<b>Considered good:</b>			
Suppliers		2,437,249	20,196,952
Employees		1,586,583	213,491
Related Parties	21.01	-	3,358,852
		<u>4,023,832</u>	<u>23,769,295</u>
<b>21.01 Related parties - unsecured</b>			
Premier Garments Limited		-	3,358,852
Nature of transactions with related parties:-			
Advances made	21.02	-	2,521,851
Share of office expenses		-	837,001
		-	3,358,852
<b>21.02</b>	The Company charges interest on the closing balance of the account @ 16% p.a. (2009: 16% p.a.).		
<b>22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		1,693,053	1,584,053
Letter of credit- margin		12,119,224	2,237,000
Prepayments		1,679,548	1,721,469
		<u>15,491,825</u>	<u>5,542,522</u>
<b>23 INTEREST ACCRUED</b>			
Mark up receivable from related parties - considered good			
Hala Enterprises Limited		-	3,199,848
Premier Garments Limited		-	8,589,779
		-	<u>11,789,627</u>
<b>24 OTHERS RECEIVABLES</b>			
Zakat on dividend receivables from government		76,962	76,962
Sales tax receivable		91,158	3,151
Other receivables			
- from fair price shop		132,441	140,143
		<u>300,561</u>	<u>220,256</u>
<b>25 ADVANCE INCOME TAX</b>			
Advance income tax		<u>64,060,349</u>	<u>44,556,556</u>



## PUNJAB OIL MILLS LIMITED

26 CASH AND BANK BALANCES	NOTE	2010 RUPEES	2009 RUPEES
Cash in hand		760,682	404,042
Cash with banks			
- In current accounts		27,357,899	35,815,978
- In deposit accounts		2,645,345	2,331,310
		<b>30,763,926</b>	<b>38,551,330</b>
<b>27 SALES</b>			
Ghee		1,909,392,909	1,907,335,235
Cooking Oil		1,034,000,194	717,538,938
Speciality Fats		38,571,625	147,583,531
		2,981,964,728	2,772,457,704
Soap		56,697,876	53,704,126
Gases		2,720,895	1,542,336
		59,418,771	55,246,462
Less: Sales Tax		8,195,712	7,620,911
		51,223,059	47,625,551
		3,033,187,787	2,820,083,255
Less: Trade discount		10,545,409	8,137,441
Commission		4,200,642	2,036,304
		14,746,051	10,173,745
		<b>3,018,441,736</b>	<b>2,809,909,510</b>
<b>28 COST OF SALE</b>			
Raw material consumed	<b>28.01</b>	2,530,711,037	2,357,143,699
Stores and spare parts consumed		3,346,911	2,324,549
Chemicals consumed		31,251,899	26,490,432
Packing Materials consumed		201,181,610	173,136,318
Salaries, wages and benefits	<b>28.02</b>	18,448,336	12,737,763
Power, fuel and lubricants		74,633,665	63,204,951
Repair and maintenance		3,210,436	2,394,967
Filling and Loading		5,186,105	3,910,491
Insurance		1,604,437	1,001,452
Depreciation	<b>14.01</b>	9,650,349	8,910,958
		2,879,224,785	2,651,255,580
Work in process:			
Opening		20,196,335	34,321,915
Closing		(32,893,295)	(20,196,335)
		(12,696,960)	14,125,580
Cost of goods manufactured		2,866,527,825	2,665,381,160
Finished goods:			
Opening		62,930,282	22,859,018
Closing		(92,310,656)	(62,930,282)
		(29,380,374)	(40,071,264)
		<b>2,837,147,451</b>	<b>2,625,309,896</b>
<b>28.01 RAW MATERIAL CONSUMED</b>			
Opening		75,115,482	23,591,768
Purchases		2,491,055,097	2,408,667,413
		2,566,170,579	2,432,259,181
Closing		(35,459,542)	(75,115,482)
		<b>2,530,711,037</b>	<b>2,357,143,699</b>



## PUNJAB OIL MILLS LIMITED

**28.02** Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 2,391 thousand (2009: Rs. 1,854 thousand).

<b>29 SELLING AND DISTRIBUTION COST</b>	<b>NOTE</b>	<b>2010 RUPEES</b>	<b>2009 RUPEES</b>
Salaries, wages and benefits	<b>29.01</b>	20,243,476	11,289,388
Travelling and Conveyance		1,310,127	1,160,567
Advertisement		23,199,665	25,338,585
Outward Carriage		10,366,809	11,215,776
		<u><b>55,120,077</b></u>	<u><b>49,004,316</b></u>

**29.01** Salaries wages and other benefits include provision for staff retirement benefits for the year Rs.435 thousand (2009: Rs. 337 thousand).

### **30 ADMINISTRATIVE EXPENSES**

Directors' meeting fee		17,000	9,000
Directors' remuneration		8,356,054	6,866,053
Salaries, wages and benefits	<b>30.01</b>	15,409,778	12,076,742
Travelling and conveyance		2,329,116	2,063,229
Entertainment		603,552	512,652
Printing and stationary		964,210	708,556
Postage, telephone and telex		1,843,896	1,402,351
Rent, rates and taxes		4,845,373	3,078,729
Fees and subscription		2,338,390	474,734
Legal and professional charges		616,500	600,000
Vehicle running and maintenance		4,117,638	3,076,162
Repair and maintenance		1,070,145	798,322
Power, fuel and lubricant		1,136,553	962,512
Office expenses		2,286,555	1,259,527
Advertisement		966,653	1,055,774
Depreciation	<b>14.01</b>	1,072,261	990,106
		<u><b>47,973,674</b></u>	<u><b>35,934,449</b></u>

**30.01** Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 1,522 thousand (2009: Rs. 1,180 thousand).

### **31 FINANCE COST**

Financial charges on finance lease		95,283	324,605
Mark up charged on W.P.P.F		296,897	272,785
Bank charges		327,308	259,964
		<u><b>719,488</b></u>	<u><b>857,354</b></u>

### **32 OTHER OPERATING CHARGES**

Auditors' remuneration	<b>32.01</b>	655,000	345,000
Workers' profit participation fund		4,192,553	5,566,819
Workers' welfare fund		1,587,223	2,019,086
		<u><b>6,434,776</b></u>	<u><b>7,930,905</b></u>

#### **32.01 AUDITOR'S REMUNERATION**

Audit fee		500,000	265,000
Half yearly review		75,000	25,000
Other attestation services		50,000	25,000
Out of pocket expenses		30,000	30,000
		<u><b>655,000</b></u>	<u><b>345,000</b></u>





## PUNJAB OIL MILLS LIMITED

33 OTHER OPERATING INCOME	NOTE	2010 RUPEES	2009 RUPEES
<b>Income from financial assets</b>			
Profit on bank deposits		4,297,541	2,640,615
Mark up on loan to related parties		268,636	998,973
<b>Income from non-financial assets</b>			
Scrap Sale		204,000	75,000
Profit/(loss) on disposal of property, plant and equipment		1,310,156	295,840
Exchange Gain / (Loss)		(7,212)	18,145
		<u>6,073,121</u>	<u>4,028,573</u>
<b>34 TAXATION</b>			
<i>Restated</i>			
Taxation			
-Current Year	<b>34.01</b>	44,171,212	44,073,972
-Prior Years		(17,371,613)	19,132,227
		<u>26,799,599</u>	<u>63,206,199</u>
Deferred		-	-
		<u>26,799,599</u>	<u>63,206,199</u>
<b>34.01</b> Income tax return has been filed to the income tax authorities up to tax year 2009 under the provisions of the Income Tax Ordinance, 2001.			
<b>34.02</b> Deferred tax has not been provided for because the Company falls under Presumptive Tax Regime. Also refer to Note 45.			
<b>35 EARNINGS PER SHARE</b>			
<i>Restated</i>			
<b>Basic Earnings per share:</b>			
Profit after Taxation		<u>50,319,792</u>	<u>40,271,487</u>
No. of ordinary shares	Number	<u>3,828,588</u>	<u>3,828,588</u>
Earnings per share - basic	Rupees	<u>13.14</u>	<u>10.52</u>
<b>Diluted Earnings per share:</b>			
There is no dilution effect on the basic earnings per share of the company because the company has no such commitments.			
<b>36 FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>2010</b>			
<b>RUPEES</b>			
<b>2009</b>			
<b>RUPEES</b>			
<b>Financial assets as per balance sheet</b>			
Long term deposits		18,375,722	14,459,773
Trade debts		145,882,171	132,323,057
Loans and advances		1,586,583	3,572,343
Trade deposits and short term prepayments		13,812,277	3,821,053
Interest accrued		-	11,789,627
Other receivables		132,441	140,143
Cash and bank balances		30,763,926	38,551,330
		<u>210,553,120</u>	<u>204,657,326</u>
<b>Financial liabilities as per balance sheet</b>			
Liability against assets subject to finance lease		633,616	2,166,810
Trade and other payables		29,534,568	42,612,803
Unclaimed dividend		1,036,241	787,317
		<u>31,204,425</u>	<u>45,566,930</u>



**36.01 Fair values of financial assets and liabilities**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**37 FINANCIAL INSTRUMENTS**

**37.01 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

**(a) Market risk**

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports edible palm oil and some items of chemicals and is exposed to currency risk, primarily with respect to liabilities denominated in US Dollars.

The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

At June 30, 2010, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post-tax loss/profit for the year would have been higher/lower by Rs. Nil (2009: Rs. Nil), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade payables.

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

**(iii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as its investment is in non-listed securities.

**(b) Credit risk**

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.



## PUNJAB OIL MILLS LIMITED

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties.. Out of the total financial assets of Rs. 210,553,120 (2009: Rs. 204,657,326), the maximum exposure to credit risk amounts to Rs. 209,792,438 (2009: Rs. 204,253,284).

Geographically, (here is no concentration of credit risk).

The maximum exposure to credit risk for trade debts, loans and receivables at the reporting date by type of parties was:

	<b>2010</b>	<b>2009</b>
	<b>RUPEES</b>	<b>RUPEES</b>
Government institution and utility stores	59,765,604	69,692,768
Private sector's companies	17,564,574	3,675,301
Distributors	65,551,993	55,634,948
Others	4,586,583	6,892,383
	<b>147,468,754</b>	<b>135,895,400</b>

The aging of loans and receivables at the reporting date was:

Past due 0-6 months	146,854,946	135,128,993
Past due 6-12 months	92,354	156,092
More than one year	521,454	610,315
	<b>147,468,754</b>	<b>135,895,400</b>

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which have not impaired are as under:

Long term deposits	18,375,722	14,459,773
Trade debts	145,882,171	132,323,057
Loans and advances	1,586,583	3,572,343
Short term trade deposits	13,812,277	3,821,053
Interest accrued	-	11,789,627
Other receivables	132,441	140,143
Cash and bank balances	30,763,926	38,551,330
	<b>210,553,120</b>	<b>204,657,326</b>

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

<b>Bank</b>	<b>Rating agency</b>	<b>Rating</b>	
		<b>Short term</b>	<b>Long term</b>
National Bank of Pakistan	JCR-VIS	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Bank Al-Falah Limited	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA
Faysat Bank Limited	JCR-VIS	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+



**(c) Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the businesses, the Company maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Interest Bearing				Non- Interest Bearing				Total	
	Maturity up to one Year	Maturity after one year	Sub Total		Maturity up to one Year	Maturity after one year	Sub Total		2010	2009
			2010	2009			2010	2009		
Rupees										
<b>Financial Assets</b>										
Long Term Deposits	-	-	-	-	-	18,375,722	18,375,722	14,459,773	18,375,722	14,549,773
Trade Debtors	-	-	-	-	145,882,171	-	145,882,171	132,323,057	145,882,171	132,323,057
Loan and advances	-	-	-	3,358,852	1,586,583	-	1,586,583	213,491	1,586,583	3,572,343
Trade deposits and short term prepayments	-	-	-	-	13,812,277	-	13,812,277	3,821,053	13,812,277	3,821,053
Interest accrued	-	-	-	-	-	-	-	11,789,627	-	11,789,627
Other receivables	-	-	-	-	132,441	-	132,441	140,143	132,444	140,143
Cash and Bank balances	2,645,345	-	2,645,345	2,331,310	28,118,581	-	28,118,581	36,220,020	30,763,926	38,551,330
	<b>2,645,345</b>	<b>-</b>	<b>2,645,345</b>	<b>5,690,162</b>	<b>189,532,053</b>	<b>18,375,722</b>	<b>207,907,775</b>	<b>198,967,164</b>	<b>210,553,120</b>	<b>204,657,626</b>
<b>Financial Liabilities</b>										
Finance Lease	269,305	364,311	633,616	2,166,810	-	-	-	-	633,616	2,166,810
Trade and other payables	-	-	-	-	29,534,568	-	29,534,568	42,612,803	29,534,568	42,612,803
Unclaimed Dividend	-	-	-	-	1,036,241	-	1,036,241	787,317	1,036,241	787,317
	<b>269,305</b>	<b>364,311</b>	<b>633,616</b>	<b>2,166,810</b>	<b>30,570,809</b>	<b>-</b>	<b>30,570,809</b>	<b>43,400,120</b>	<b>31,204,425</b>	<b>45,566,930</b>
Net Liquidity	<b>2,376,040</b>	<b>(364,311)</b>	<b>2,011,729</b>	<b>3,523,352</b>	<b>158,961,244</b>	<b>18,375,722</b>	<b>177,336,966</b>	<b>155,567,044</b>	<b>179,348,695</b>	<b>159,090,396</b>

**38 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During the year, the Company has managed its capital structure by monitoring returns on net assets, while maintaining gearing ratio at 0% which is the same as in year ended 2009. As at 30 June 2010 the shareholders' equity amounts to Rs. 271,768,731 (2009: Rs. 226,043,244) which is the only source of finance as well as capital during the current financial year.

However, the Company can finance its operations through equity, loans and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.



## PUNJAB OIL MILLS LIMITED

### 39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2010	2009	2010	2009	2010	2009
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Managerial remuneration	1,035,000	1,035,000	3,134,340	2,720,160	1,424,900	551,232
House rent and utilities	372,000	372,000	1,203,826	901,115	441,600	303,168
Medical Expenses	107,097	120,133	686,689	89,037	86,322	-
Travelling Expenses	360,640	294,470	1,456,462	1,334,138	3,600	3,600
	<b>1,874,737</b>	<b>1,821,603</b>	<b>6,481,317</b>	<b>5,044,450</b>	<b>1,956,422</b>	<b>858,000</b>
Number of persons	1	1	3	2	2	1

**39.01** The Chief Executive is also provided with free use of company's maintained car and reimbursement of residential telephone expenses.

### 40 CAPACITY AND PRODUCTION

		2010	2009
		RUPEES	RUPEES
Ghee / specialty fats	M.TON	20,000	20,000
Cooking Oil	M.TON	5,000	5,000
		<b>25,000</b>	<b>25,000</b>
<b>Actual Production</b>			
Ghee / specialty fats	M.TON	17,701	20,000
Cooking Oil	M.TON	8,738	6,039
		<b>26,439</b>	<b>26,039</b>

#### 40.01 RATED CAPACITY

On the basis of blending hard oil with soft oil rated capacity comes to 25 000 M.Ton annually.

### 41 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segments.

**41.01** Revenue from sale of ghee, cooking oil and specialty fats represents 98.8% (2009: 98.7%) of the total income of the company.

**41.02** 100% (2009: 100%) of the gross sales of the Company are made to customers located in Pakistan.

**41.03** All non current assets of the Company at 30 June 2010 are located in Pakistan.

**41.04** None of the customer of the Company accounts for more than 10% of the gross sales of the Company for the year.

### 42 EMPLOYEES

	2010	2009
Average number of employees during the year.	<b>190</b>	<b>162</b>



## PUNJAB OIL MILLS LIMITED

### 43 POST BALANCE SHEET EVENTS

The board of directors of the company in its meeting held on October 02, 2010 has proposed final cash dividend @15% - (2009: @ 15%) for approval of the members in the annual general meeting.

### 44 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors of the Company on October 02, 2010

### 45 GENERAL

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been rearranged / reclassified, wherever necessary, to facilitate comparison.
- Upto financial year ended June 30, 2009, the Company has created a deferred tax liability of Rs. 10,005,317 while under Income tax Ordinance 2001, the Company's status has changed from Normal Tax Regime to Presumptive / final tax regime during prior years. Under Presumptive / final tax regime, the outstanding liability of Rs. 10,005,317 does not meet the definition of Deferred Tax Liability under International Accounting Standard 12. As a result the Company has decided to correct the related accounting policy (both for current and deferred taxation) and the financial statements of 2009 have been restated to correct this error. The effect of the restatement on the financial statement is summarized below. There is no effect in 2010.

	<u>Effect on 2009</u>
<b><i>Profit and loss account</i></b>	
Increase in deferred tax expense / (income)	7,357,828
	<u>7,357,828</u>
<b><i>Balance sheet</i></b>	
(Increase) / decrease in deferred tax liability	10,005,317
Decrease / (increase) in revaluation surplus	(10,469,270)
Incremental transfer from revaluation surplus to retained earning	(1,163,252)
Decrease / (increase) in opening accumulated profit	(5,730,623)
	<u>(7,357,828)</u>

CHIEF EXECUTIVE

DIRECTOR



**PUNJAB OIL MILLS LIMITED**

**FORM OF PROXY**

**FOLIO NO:**

I / We \_\_\_\_\_

Of \_\_\_\_\_

Being a member of PUNJAB OIL MILLS LIMITED hereby appoint \_\_\_\_\_

Mr. \_\_\_\_\_

Of \_\_\_\_\_

Another member of the company of (failing him Mr. \_\_\_\_\_

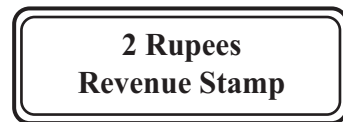
Of \_\_\_\_\_

another member of the Company) as my / out Proxy to attend and vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on Saturday, the October 30, 2010 at 11:00 A.M. at its Registered office in the Mills premises 26-27-28, Industrial Triangle, Kahuta Road, Islamabad.

AS WITNESS MY HAND THIS \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signed by the said \_\_\_\_\_

In the presence of \_\_\_\_\_



NOTE: This form Proxy duly completed must be deposited at the Company's Registered Office not later than 11:00 A.M. on October 28, 2010.