

3735

ANNUAL REPORT

2009



PUNJAB OIL MILLS LIMITED
AN ISO 9001 - 2000 CERTIFIED COMPANY



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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
Mr. Firasat Ali	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
1st 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 28th Annual General Meeting of the Shareholders of **PUNJAB OIL MILLS LIMITED** will be held on Saturday, October 31, 2009 at 11:30 A.M. at its Registered Office in Mills Premises Plot No. 26, 27, 28 Industrial Triangle, Kahuta Road, Islamabad to transact the following business.

ORDINARY BUSINESS

- 1- To confirm minutes of the last Annual General Meeting held on 31-10-2008.
- 2- To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2009 together with the Reports of the Auditors and Directors.
- 3- To consider and approve 15% cash dividend recommended by the Directors of the company in their Board Meeting held on October 03, 2009 for the year ended June 30, 2009.
- 4- To appoint Auditors of the Company to hold office till conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

- 5- To consider and approve to issue Bonus Shares in the proportion of 25 Shares for every 100 Shares held by the members (i.e. 25%).
- 6- To consider and approve the remuneration of Executive Directors of the Company.
- 7- Any other business with the permission of the Chair.

By order of the Board

Sd/-

(Muhammad Saeed Malik)
Company Secretary

Lahore:
October 10, 2009

NOTES:

- 1 The Share Transfer Books of the Company will remain closed from 25th October 2009 to 31st October 2009 (both days inclusive).
- 2 Any member of the Company entitled to attend and vote may appoint a Proxy to attend and vote instead of him/her. Proxies must be received at the Registered Office of the Company not later than 48 hours before the Meeting.
- 3 Shareholders are requested to notify of any change in their addresses immediately to our Registrar M/s Scarlet ITSystems (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.



PUNJAB OIL MILLS LIMITED

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

This statement set out the material facts concerning "Special Business" to be transacted at the 28th Annual General Meeting of the Company to be held on October 31, 2009.

The approval of the members will be sought for:

1. ITEM NO. 5.

The Directors have recommended the issue of bonus shares in the ratio of 25 new shares for every 100 shares held by members on 24th October, 2009 in view of existing profit which justifies capitalization of Rs. 7.657 million out of profit available for appropriation as on 30th June 2009. Upon issuance of Bonus Shares the paid up capital of the Company shall stand increased to Rs. 38.286 million.

The Directors are interested in this business to the extent of their entitlement to bonus shares in the Company.

"RESOLVED THAT:

- i. A sum of Rs. 7,657,175 out of the company's Revenue Reserves as at June 30, 2009 be capitalized and the Company do issue 765,717.50 fully paid ordinary shares of Rs. 10/-each as Bonus Shares to Shareholders whose names stand in the Register of Members at the close of business on 24th October 2009 in proportion of 25% i.e. 25 shares for every 100 shares held by them.
- ii. That all fractions of bonus shares be consolidated and sold in the stock market and the proceeds be distributed among the members in proportion to their entitlement.
- iii. The Company Secretary be and is hereby authorized to give effect to this resolution and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, distribution of the said Bonus Shares or payment of the sale proceeds for the fractions.

2. ITEM NO. 6.

Increase the Remuneration of Executive Directors. As required by under Section 218 of the Company 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 of Chairman and Chief Executive of the Company.

The Board of directors of the Company in its meeting held on October 03, 2009 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, 2009. Their monthly remuneration after increase would be as follows:-

Mr. Usman Ilahi Malik	Rs. 150,000/-
Ch. Muhammad Sarwar	Rs. 110,000/-



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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. 100,000/- to Rs. 150,000/- and from Rs. 80,000/- to Rs. 110,000/- respectively per month (increase Rs. 50,000/- and Rs. 30,000/-) with effect from 01-07-2009, while other terms and conditions of service will remain unchanged.



PUNJAB OIL MILLS LIMITED

DIRECTORS REPORT

The Directors of your company take pleasure in presenting the 28th Annual Report on the operations of the company along with the audited financial statements for the year ended June 30, 2009.

Operational Results

This was a tumultuous year for the country and economy on several accounts. In short the uncertain security situation and a sluggish economy proved to be a challenge for the company; as erosion of investor confidence made attracting fresh trade capital for expanding our network difficult while a fall in the consumer's purchasing power made it difficult to increase sales volume.

Despite the challenging environment, overall sales revenue for the year increased by 12.3%. This was mainly on the back of volume growth in banaspati sales, followed by cooking oil sales volumes. At the same a slight increase in the average price level also contributed to the revenue growth. However, it should be noted that our sales of specialty fats declined during the year due to stiff price competition from new market entrants that employed a very aggressive strategy; thereby capturing some of our market share. However the management is preparing counter strategies to re-capture our share.

At the gross profit level our margins improved from 4.9% previous year to 6.5% for the year under review. Together with the higher sales, this led to a 50% increase in gross profit. The major reason for this improvement was our ability to sustain relatively higher pricing for our branded products and buying of oil at the right time in fluctuating market conditions. We were able to enjoy better pricing by increased focus on marketing and promotional activities and strict quality control to build consumer confidence and give premium positioning to our products.

The good performance at the gross level was carried through to the operating level despite a 33.5% increase in overall operating expenses. The main contributors to this increase were the selling and distribution costs. A closer analysis of this head reveals that this rise was primarily on account of higher advertisement cost that went up by 88.6% for the year, followed by salaries and wages that rose by 57%. The higher spending on advertisement was necessary to protect our market share from new and upcoming lower-priced brands that have been spending heavily on marketing to gain market share. In order to sustain our premium pricing we had to increase spending on advertisement to retain our customers. As can be observed we were successful in doing this and our profit margins for the year actually benefited from this activity. At the same time our new cooking oil brand CanOlive was also launched this year, which incurred heavy marketing expenses and significant expansion in our sales force to set-up distribution net works in all the major towns and cities of Pakistan.

Although the operating expenses increased for the year, higher sales and better gross margin improved operating margin to 3.5% from 2.4%, and consequently operating profit showed an increase of 67.3% for the year.

Profit before tax increased from Rs. 54.3 million last year to Rs. 103.5 million for the current year; an increase of 90%. This was mainly due to the improvement in gross margin and to a lesser extent decrease in financial cost. This also included an 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). Higher tax provisioning for the year, up by 251% from the previous year, reduced the profit after tax growth to 24% compared to profit before tax growth of 90%. The tax liability was increased due to change in tax rate on locally produced oil from 1% to 2%. The resulting assessment for the Years 2005, 2006, 2007 & 2008 were recorded during this period which causes an additional tax liability of Rs. 19.13 million as shown in Note 39 of the Annual Accounts.

Due to our improved profitability and balance sheet position, the management decided to pay-off the outstanding loan amounts of UBL with waiver of the outstanding mark-up in order to negotiate fresh financing arrangements from the banks to get better terms; thereby lowering financing costs and improving our ability to efficiently manage our working capital requirements. Thereby an amount of Rs. 30.774 million was paid off to UBL, reflected in the balance sheet and the financing cash flows.



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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.

Financial and Operating Results	2009 RUPEES	2008 RUPEES
Operating Profit	99,660,849	59,581,676
Finance cost & other charges	8,788,259	7,371,448
Other operating income	4,028,573	2,132,348
Extraordinary item	8,576,523	-
Profit before Taxation	<u>103,477,686</u>	<u>54,342,576</u>

Appropriations:-

The Directors have recommended a Final Cash Dividend on Ordinary shares @ 15% and issue of Bonus Shares in proportion of 25 Ordinary Shares for every 100/- Ordinary Shares held (i.e. 25%).

Future Outlook

Although the year under review turned out to be a challenging one for us with emergence of stiff competition from new brands and companies and general economic weakness of the country, the management is committed to continuing sales and profitability growth for the future. However, despite achieving sales growth for this year, we feel that the highly increased competition requires us to make significant further investment in sales and marketing to protect and grow our core business. This is critical to the company's long term growth and diversification plans as our core business will be the foundation to generate and service financing strategies for the same purpose. We have already taken the first step by launching a unique, new premium cooking oil that is set to capture its own market niche and can contribute handsomely to company's profits in the future provided it is aggressively marketed in the coming months.

For this reason it should be noted that the operating expenses will have to be further increased under the lead of selling and distribution costs. However, this will be done as part of a planned strategy to increase profits sizably in the long run, while bearing the increased expenses in the initial stages. This is critical because while the company has successfully transitioned over the past few years into a financially healthy enterprise with successful and profitable products, the emergence of highly aggressive and financially strong competition is a clear threat in terms of maintaining the revenues and profits coming from our core business. As such, now is the time to make a further transition into a leading company by securing the core business of oils and fats via significant investments into the positioning and establishment of our most profitable brands on a national level. This has the potential of giving us a long-run sustainable cash platform to undertake future growth and diversification strategies.

Earning per Share

Earning per share for the year under review is Rs. 15.55.

Auditors

The External Auditors of the Company, M/s Qadeer & Company, Chartered Accountants shall retire on the



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conclusion of forthcoming Annual General Meeting. Being eligible for re-appointment under the Companies Ordinance, 1984, they have offered their services as Auditors of the Company for the year ending June 30, 2010.

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, 2009, 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 the 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:

<u>NAME OF DIRECTOR</u>	<u>NO. OF MEETINGS ATTENDED</u>
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

Directors who could not attend Board Meetings due to illness or some other engagement were granted leave of absence in accordance with the Law.

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.

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 Insha Allah prove to be highly rewarding to all its stakeholders.

For & on behalf of the board



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 DFI or an NBFIs 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.



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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.

-Sd-
(IZAZ ILAHI MALIK)
CHIEF EXECUTIVE



PUNJAB OIL MILLS LIMITED

PATTERN OF SHAREHOLDING AS AT 30-06-2009

SHAREHOLDING		NO. OF SHAREHOLDING	TOTAL SHARES HELD
FROM	TO		
1	- 100	489	14,560
101	- 500	429	92,672
501	- 1000	57	40,784
1001	- 5000	49	96,956
5001	- 10000	1	5,019
10001	- 15000	2	28,114
15001	- 20000	5	84,633
20001	- 25000	1	23,845
25001	- 30000	1	29,530
30001	- 45000	4	149,978
45001	- 65000	2	121,107
105001	- 140000	1	123,988
140001	- 155000	5	759,243
200001	- 300000	2	435,847
400001	- 500000	1	461,775
500001	- 1000000	1	591,816
		1050	3,062,870

Numbers	Categories of Shareholders	Shares Held	Percentage
1045	Others/Individuals	1,756,681	57.36
3	Investment Companies	1,069,941	34.93
2	Joint Stock Companies	236,248	7.71
1050		3,062,870	100.00



PUNJAB OIL MILLS LIMITED

COMBINED PATTERN OF CDS & PHYSICAL SHAREHOLDINGS AT JUNE 30, 2009

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE %
1	Others/Individuals	1,038	1,552,809	50.70
2	Investment Companies	NIL	NIL	
3	Joint 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	461,775	15.08
	II. National Investment Trust Unit	1	594,816	19.42
	III. Investment Corporation & Corporation	1	13,350	0.44
8	Public Sector Companies & corporation	NIL	NIL	
9	Directors, Chief Executives, Their Spouses & Minor Children			
	1 Mr. Tahir Jahangir	1	3,444	0.11
	2 Mr. Izaz Ilahi Malik	1	1,500	0.05
	3 Sh. Anwar Ahmad Batla	1	39,634	1.29
	4 Mr. Usman Ilahi Malik	1	153,144	5.00
	5 Ch. Muhammad Sarwar	1	750	0.02
	6 Mrs. Nageen Malik W/o Mr. Izaz Ilahi Malik	1	3,000	0.10
	7 Mrs. Jui Anwar W/o Sh. Anwar Ahmad Batla NIT Nominee Directors	1	2,400	0.08
	8 Mr. Firasat Ali			
	9 Mr. Gul Nawaz			
10	Associated Companies Undertaking & Related Parties	2	236,248 NIL	7.71
11	Executives	NIL	NIL	
12	Shareholding 10% or More Shares National Bank of Pakistan National Investment Trust Limited	NIL	NIL NIL	
13	Others	NIL		
TOTAL		1,050	3,062,870	100.00



PUNJAB OIL MILLS LIMITED

KEY FINANCIAL DATA LAST SIX YEARS

PARTICULARS	2004	2005	2006	2007	2008	2009
Issued, Subscribed and paid up capital	20,419,130	20,419,130	20,419,130	20,419,730	20,419,130	30,628,700
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	22,043,522	6,712,634	452,912	-	-	-
Deferred Liabilities	16,102,316	19,023,390	16,606,677	22,696,372	24,743,752	32,098,384
Current Liabilities	149,041,207	181,276,481	193,227,635	208,848,708	482,780,089	403,849,997
Operating Fixed Assets	58,770,641	66,667,945	67,926,139	184,256,430	184,333,874	185,055,146
Current Assets	140,904,631	138,416,349	160,135,071	188,394,617	495,534,275	454,214,298
Sales	906,301,270	1,021,081,382	1,218,978,824	1,736,133,111	2,501,790,859	2,809,909,510
Gross Profit	37,287,636	35,016,565	54,763,808	75,218,700	123,219,862	184,599,614
Operating Profit / (Loss)	18,350,087	13,436,216	26,446,083	31,587,550	59,581,676	99,660,849
Profit / (Loss) before taxation	10,844,887	7,400,299	16,491,334	27,354,673	54,342,576	103,477,686
Profit / (Loss) after taxation	6,741,392	(17,957,672)	30,661,220	15,278,255	38,443,014	47,629,315



PUNJAB OIL MILLS LIMITED

AUDITORS REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009 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.

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 practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

Lahore
Dated: October 03, 2009

-Sd-
QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN



PUNJAB OIL MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of PUNJAB OIL MILLS LIMITED ('the company') as at June 30, 2009 and the related Profit and Loss Account, Cash Flow Statement and Statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 statement 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;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance sheet, Profit and Loss Account, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof, conform with 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, 2009 and of the profit, cash flow and changes in equity for the year then ended; and
- (d) No Zakat was deductible at source under Zakat & Ushr Ordinance 1980.

Lahore
Dated: October 03, 2009

-Sd-
QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN



PUNJAB OIL MILLS LIMITED

BALANCE SHEET AS AT JUNE 30, 2009

<u>EQUITY AND LIABILITIES</u>	NOTE	2009 RUPEES	2008 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized share capital 5,000,000 (2008: 5,000,000) ordinary shares of Rs. 10/- each		50,000,000	50,000,000
Issued, subscribed and paid-up capital	7	30,628,700	20,419,130
Capital reserves		1,880,875	1,880,875
General reserves		8,600,000	8,600,000
Accumulated Profit/(loss)		55,908,947	16,328,876
		97,018,522	47,228,881
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	119,019,405	132,812,253
NON CURRENT LIABILITIES			
Long term financing	9	-	-
Liabilities against assets subject to finance lease	10	1,742,909	4,710,860
Deferred liabilities	11	32,098,384	24,743,752
CURRENT LIABILITIES			
Trade & other payables	12	341,692,709	416,124,591
Accrued mark up	13	-	7,221,406
Short term borrowings	14	-	26,500,000
Current portion of long term liabilities	15	423,901	13,289,680
Unclaimed dividend		787,317	805,064
Provision for taxation	16	60,946,070	18,839,348
		403,849,997	482,780,089
Contingencies & Commitments	17	-	-
		653,729,217	692,275,835
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	18	181,415,664	184,302,665
Capital work in progress	19	3,639,482	31,209
		185,055,146	184,333,874
Long term deposits	20	14,459,773	12,407,686
CURRENT ASSETS			
Stores, spare parts and loose tools	21	28,587,640	23,802,423
Stock in trade	22	168,874,015	97,437,142
Trade debts	23	132,323,057	273,079,737
Loans and advances	24	23,769,295	11,749,478
Trade deposits and short term prepayments	25	5,542,522	5,249,151
Investments	26	-	-
Interest accrued	27	11,789,627	25,802,109
Other receivables	28	220,256	474,428
Advance income tax	29	44,556,556	18,572,488
Cash and bank balances	30	38,551,330	39,367,319
		454,214,298	495,534,275
		653,729,217	692,275,835

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



PUNJAB OIL MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
Sales - net	31	2,809,909,510	2,501,790,859
Cost of sale	32	2,625,309,896	2,378,570,997
Gross profit		<u>184,599,614</u>	<u>123,219,862</u>
Operating Expenses			
Selling and distribution cost	33	49,004,316	32,490,453
Administrative expenses	34	35,934,449	31,147,733
Operating profit		<u>84,938,765</u>	<u>63,638,186</u>
		<u>99,660,849</u>	<u>59,581,676</u>
Finance cost	35	857,354	3,177,219
Other operating charges	36	7,930,905	4,194,229
		<u>8,788,259</u>	<u>7,371,448</u>
Other operating income	37	90,872,590	52,210,228
Profit before extraordinary item		<u>4,028,573</u>	<u>2,132,348</u>
		<u>94,901,163</u>	<u>54,342,576</u>
Extraordinary item	38	8,576,523	-
PROFIT BEFORE TAXATION		<u>103,477,686</u>	<u>54,342,576</u>
Taxation	39	55,848,371	15,899,562
PROFIT AFTER TAXATION		<u>47,629,315</u>	<u>38,443,014</u>
Earnings per share - Basic	40	<u>15.55</u>	<u>12.55</u>

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



PUNJAB OIL MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOW FROM OPERATING ACTIVITIES	2009 RUPEES	2008 RUPEES
Profit for the year before taxation	103,477,686	54,342,576
Adjustments for following items:		
Workers' profit participation fund	5,566,819	2,922,695
Workers' welfare fund	2,019,086	1,076,534
Loss/(gain) on disposal of property, plant and equipment	(295,840)	5,797
Provision for gratuity	3,371,738	2,689,718
Depreciation	9,901,064	9,836,687
Mark up Income from related parties	(998,973)	(1,542,415)
Extraordinary item	(8,576,523)	-
Finance cost	857,354	3,177,219
	<u>11,844,725</u>	<u>18,166,235</u>
Operating Profit Before Working Capital Changes	115,322,411	72,508,811
(Increase)/Decrease in Current Assets:		
Stores, spare parts and loose tools	(4,785,217)	(10,346,374)
Stock in trade	(71,436,873)	(20,006,410)
Trade debts	140,756,680	(242,842,362)
Loans and advances	(12,019,817)	3,442,425
Trade deposits and short term prepayments	(293,371)	(4,136,180)
Other receivables	254,172	(96,809)
	<u>52,475,574</u>	<u>(273,985,710)</u>
Increase / (Decrease) in Current Liabilities:		
Trade & other payable	(78,439,692)	268,945,342
Cash Generated from Operations	<u>89,358,293</u>	<u>67,468,443</u>
Workers' Profit Participation fund paid	(2,774,346)	(2,436,113)
Workers' Welfare Fund Paid	(1,076,534)	(638,896)
Staff retirement benefits Paid	(291,800)	(930,929)
Finance Cost Paid	(584,569)	(2,150,553)
Income Tax Paid	(47,083,545)	(16,201,887)
Dividend Paid	(17,747)	(4,317,281)
	<u>(51,828,541)</u>	<u>(26,675,659)</u>
Net Cash Generated from Operations	37,529,752	40,792,784
CASH FLOW FROM INVESTMENT ACTIVITIES		
Fixed capital expenditure	(2,924,275)	(6,687,574)
Proceeds from disposal of property, plant and equipment	1,392,000	93,500
Capital work in progress	(8,794,221)	(3,325,854)
Mark up income from related parties	15,011,455	1,103,233
Long term deposits	(2,052,087)	(1,588,740)
	<u>2,632,872</u>	<u>(10,405,435)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	(9,903,221)	(5,499,766)
Increase/(decrease) in finance lease	(4,575,392)	(1,053,457)
Short term borrowings	(26,500,000)	-
	<u>(40,978,613)</u>	<u>(6,553,223)</u>
Net Increase in cash and cash equivalent	(815,989)	23,834,126
Cash and cash Equivalent at the beginning of the year	39,367,319	15,533,193
Cash and cash Equivalent at the end of the year	<u>38,551,330</u>	<u>39,367,319</u>

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



PUNJAB OIL MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	RUPEES				
	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	UN- APPROPRIATED PROFIT	TOTAL
Balance as at 01 July 2007	20,419,130	1,880,875	8,600,000	(21,314,793)	9,585,212
Net profit for the year ended 30 June 2008	-	-	-	38,443,014	38,443,014
Final dividend for the year ended June 30, 2007	-	-	-	(4,492,209)	(4,492,209)
Transferred from surplus on revaluation of property, plant and equipment	-	-	-	3,692,864	3,692,864
Balance as at 30 June 2008	20,419,130	1,880,875	8,600,000	16,328,876	47,228,881
Net profit for the year ended 30 June 2009	-	-	-	47,629,315	47,629,315
50% bonus shares for the year ended June 30, 2008	10,209,570	-	-	(10,209,570)	-
Transferred from surplus on revaluation of property, plant and equipment	-	-	-	2,160,326	2,160,326
Balance as at 30 June 2009	30,628,700	1,880,875	8,600,000	55,908,947	97,018,522

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



PUNJAB OIL MILLS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2009

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, Specially 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 Accounting Standards 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 take precedence.

3. BASIS OF MEASUREMENT

These accounts 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. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

4. JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The 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.

Judgement 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 discount 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

These are stated at cost less accumulated depreciation except leasehold land, building on leasehold land, plant, machinery and equipment which are stated at revalued amount less accumulated depreciation and accumulated impairment, if any. Cost in relation to certain property, plant and equipment signifies historical cost, applicable exchange differences on foreign currency loans and directly attributable cost of bringing the asset to working condition. Borrowing cost pertaining to the construction/ erection period is also capitalized as part of historical cost.



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 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 they 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 is charged to profit and loss account 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 upto the month in which the asset was disposed off. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

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. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

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).

As per Actuarial valuation carried out as at June 30, 2008, the following significant assumptions were used:



PUNJAB OIL MILLS LIMITED

	2009	2008
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 payable 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.

6.04 Dividend

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

6.05 Taxation

a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, under the provision of Income Tax Ordinance, 2001.

b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS - 12 (Income Taxes), are recognized to the extent of potential available taxable profit against which temporary differences, unused tax losses and tax credits can be utilized.

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 undertaking was originally recorded at cost. For this purpose the investment has been written down to its market fair value and the provision has been recognized as an expense in the period in which the provision is accounted for.



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 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 basis:

Raw materials-in hand	at weight 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 average costs which consist of prime costs and appropriate manufacturing overheads.

Net realizable value signifies the selling price in the ordinary course of business less the cost necessary to effect sale.

6.11 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

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 translation



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

Sales are recorded on dispatch of goods.

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 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.

6.19 Related parties

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



6.20 Transactions with related parties

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

6.21 Segment reporting

A segment is a distinguishable component within the Company that is engaged in providing products under a common control environment (business segment) or in providing products within a particular economic environment (geographical segment) which is subject to risks and returns that are different from those of other segments.

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 not yet effective

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

IFRS 7, 'Financial Instruments: Disclosures'. The SECP vide S.R.O 411 (I) / 2008 dated April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e. April 28, 2008. Application of IFRS 7 has only impacted the format and extent of disclosures presented in these financial statements, superseding disclosures under IAS 32.

IFRS 13, 'Customer loyalty programmes' (effective from July 1, 2008). IFRS 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangements using fair values. Management has determined that the impact of this interpretation on these financial statements is not material.



IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRS 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised minimum funding requirement. This interpretation does not have any impact on these financial statements, as the Company has a funding deficit and is not subject to any minimum funding requirements.

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.

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 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 will be 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 statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of IAS 1 (Revised) will only impact the presentation of financial statements.

IAS 1 (Amended), 'Presentation of financial statements' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Company will apply the IAS I (Amendment) from July 1, 2009. There is no impact of this amendment on the Company's financial statements.

IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefits obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.



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- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The company will apply IAS 19 (Amendment) from July 1, 2009. The amendment has no material impact on the Company's financial statements.

- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company's accounting policy is in compliance with the IAS 23 (Amendment) and therefore, there will be no effect on the financial statements.
- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). The Amendment is the part of the IASB's annual improvements project published in May 2008. Through this amendment, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Finance Instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the IAS 23 (Amendment) prospectively to the capitalization of borrowing cost, if any, on qualifying assets from July 1, 2009.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial Instruments: Disclosures') (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from July 1, 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosures where applicable for impairment tests from July 1, 2009.
- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment requires that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of



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services. The amendment is not expected to have a significant effect on the Company's financial statements.

- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that result in a lower rate of amortization than the straight-line method. The amendment will not have any impact on the Company's financial statements, as all intangible assets are amortized using the straight-line method.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvement project published in May 2008. These amendments are unlikely to have an impact on the Company's financial statements and have therefore not been analysed in detail.

The other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after January 1, 2009 which are not considered relevant nor have any significant effect on the Company's operations and financial statements have not been detailed in these financial statements.

7 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2009 RUPEES	2008 RUPEES
1,782,538 (2008: 1,782,538) ordinary Shares of Rs. 10/- each fully paid in cash	17,825,380	17,825,380
1,280,332 (2008: 259,375) ordinary Shares of Rs. 10/- each issued as fully paid bonus shares.	<u>12,803,320</u>	<u>2,593,750</u>
	<u>30,628,700</u>	<u>20,419,130</u>

7.01 Ordinary shares of the Company held by associated undertakings as at the year end are 236,248 (2008: 157,499).

8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Land-Lease hold		
Opening Balance	99,576,476	99,576,476
Addition	-	-
	<u>99,576,476</u>	<u>99,576,476</u>
Building-on Lease hold land		
Opening Balance	23,251,305	25,834,783
Addition	-	-
	<u>23,251,305</u>	<u>25,834,783</u>
Plant, Machinery & Equipments		
Opening Balance	9,984,472	11,093,858
Addition	-	-
	<u>9,984,472</u>	<u>11,093,858</u>
Less: Related deferred taxation:	132,812,253	136,505,117
- on revaluation as on 01 July	11,632,522	-
- on incremental depreciation	(1,163,252)	-
	10,469,270	-
Less: Incremental depreciation charged on revalued assets		
- net of deferred tax	2,160,326	2,400,362
- related deferred tax	1,163,252	1,292,502
	<u>3,323,578</u>	<u>3,692,864</u>
	<u>119,019,405</u>	<u>132,812,253</u>



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8.01 The incremental depreciation charged on revalued property, plant and equipment during the year has been transferred to retained earnings (un-appropriated profit) to record realization of surplus to the extent of incremental depreciation in compliance with the requirements of the Companies Ordinance, 1984.

8.02 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 that has resulted a revaluation of Rs. 101.940 million.

9 LONG TERM FINANCING

United Bank Limited NIDF-II	9.01	-	11,258,338
Less: Portion under current maturity		-	(11,258,338)
		<u>-</u>	<u>-</u>

9.01 As referred to Note No. 14.01

Securities

- 1) Hypothecation of stock in trade.
 - 2) First charge on all fixed assets of company to cover purchase price of Rs. 158.22 million.
 - 3) Personal guarantees of the three sponsoring directors of the company.
- Long term financing represents NIDF-II of Rs. 31 Million which have been rescheduled by UBL and the amount is to be paid in 84 monthly installments commencing from August 2000.

	2009 RUPEES	2008 RUPEES
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
The amount of future payments and the years in which these will become due are:-		
Year 2008-09	-	2,462,564
Year 2009-10	520,383	1,190,664
Year 2010-11	309,495	594,591
Year 2011-12	145,552	138,066
	<u>975,430</u>	<u>4,385,885</u>
Add: Lease key money	<u>1,399,773</u>	<u>3,047,686</u>
	<u>2,375,203</u>	<u>7,433,571</u>
Less: Financial charges allocated to future periods	<u>208,393</u>	<u>691,369</u>
	<u>2,166,810</u>	<u>6,742,202</u>
Less: Current portion shown under current liabilities	<u>423,901</u>	<u>2,031,342</u>
	<u>1,742,909</u>	<u>4,710,860</u>



PUNJAB OIL MILLS LIMITED

Reconciliation between total of minimum lease payments and their present values is as under:-

	2009 RUPEES	2008 RUPEES
Gross minimum lease payments		
- Due not later than one year	520,383	2,462,564
- Due later than one year but not later than five years	455,047	1,923,321
	<u>975,430</u>	<u>4,385,885</u>
Present value of minimum lease payments		
- Due not later than one year	423,901	2,031,342
- Due later than one year but not later than five years	343,136	1,663,174
	<u>767,037</u>	<u>3,694,516</u>

10.01 This represents finance lease obtained from leasing companies. The liabilities under these agreements are payable under monthly installments and are subject to financial charges at the rates ranging from 9.69% to 17.99% (2008: 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.

11 DEFERRED LIABILITIES

Staff retirement benefits	11.01	22,093,067	19,013,129
Deferred Taxation	11.02	10,005,317	5,730,623
		<u>32,098,384</u>	<u>24,743,752</u>

11.01 Staff retirement benefits

Balance sheet liability

Opening balance	19,013,129	17,254,340
Amount recognized during the year	3,371,738	2,689,718
	<u>22,384,867</u>	<u>19,944,058</u>
Benefits paid during the year	(291,800)	(930,929)
Closing balance	<u>22,093,067</u>	<u>19,013,129</u>

The amounts recognized in the balance sheet are as follows

Present value of defined benefit obligation	20,903,091	17,823,153
Unrecognized actuarial gain / (loss)	-	689,976
Benefits due but not paid	1,189,976	500,000
	<u>22,093,067</u>	<u>19,013,129</u>

Charge for the defined benefit plan

Service cost	1,232,960	1,181,827
Interest cost	2,138,778	1,507,891
Actuarial gains recognized	-	-
	<u>3,371,738</u>	<u>2,689,718</u>

Historical information for gratuity:

	2009	2008	2007	2006	2005
	RUPEES				
Present value of defined benefit obligation	<u>20,903,091</u>	<u>17,823,153</u>	<u>16,754,340</u>	<u>12,103,835</u>	<u>-</u>
Experience adjustment arising on plan liabilities	<u>-</u>	<u>(689,976)</u>	<u>-</u>	<u>318,791</u>	<u>-</u>



PUNJAB OIL MILLS LIMITED

		2009 RUPEES	2008 RUPEES
11.02	DEFERRED TAXATION		
The balance of deferred tax is in respect of the major timing difference is as follows:			
	Accelerated depreciation	8,979,004	8,065,530
	Obligation under finance lease	(758,384)	-
	Investment in associated undertaking	(952,000)	-
	Staff retirement benefits	(7,732,573)	(2,334,907)
	Surplus on revaluation on property, plant and equipment	10,469,270	-
		<u>10,005,317</u>	<u>5,730,623</u>
12	TRADE & OTHER PAYABLES		
	Creditors	23,564,304	45,149,761
	Accrued expenses	18,633,499	17,475,059
	Workers' profit participation fund	6,377,564	3,312,306
	Security deposits	415,000	405,000
	Workers' welfare fund	2,019,086	1,076,534
	Tax deducted at source	11,505	4,611
	Advances from customers	290,671,751	348,701,320
		<u>341,692,709</u>	<u>416,124,591</u>
12.01	WORKERS' PROFIT PARTICIPATION FUND (WPPF)		
	Opening	3,312,306	2,825,724
	Provision for the year	5,566,819	2,922,695
	Mark up on WPPF	272,785	112,087
		<u>9,151,910</u>	<u>5,860,506</u>
	Payment during the Year	(2,774,346)	(2,548,200)
		<u>6,377,564</u>	<u>3,312,306</u>
13	ACCRUED MARK UP		
	Mark up/ Interest on:		
	Long term financing	-	2,714,894
	Short term borrowings	-	4,506,512
		<u>-</u>	<u>7,221,406</u>
14	SHORT TERM BORROWINGS		
	SECURED - FROM BANKING COMPANIES		
	United Bank Limited	-	26,500,000
		<u>-</u>	<u>26,500,000</u>

14.01 United Bank Limited has been repaid all the outstanding balance of loan amount confirmed by it through letter No. SA:POML:QA: 09 dated 16-04-09 amounted to Rs. 30.774 million and outstanding markup has been waived off by the bank. Bank has issued NOC and has released all collateral documents held by it. Waived off amount of markup has been transferred to the head "extraordinary item" in profit and loss account.



PUNJAB OIL MILLS LIMITED

The significant terms and conditions of the loan agreement were as follows:-

NATURE OF FACILITY	LIMIT RUPEES	MARK UP RATE
--------------------	--------------	--------------

Cash Finance	26,500,000	16%
--------------	------------	-----

Securities:

- 1) Hypothecation of stock in trade.
- 2) First charge on all fixed assets of company to cover purchase price of Rs. 158.22 million.
- 3) Personal guarantees of the three sponsoring directors of the company.

		2009 RUPEES	2008 RUPEES
15	CURRENT PORTION OF LONG TERM LIABILITIES		
	United Bank Limited NIDF - II	-	11,258,338
	Obligations under finance lease	423,901	2,031,342
		<u>423,901</u>	<u>13,289,680</u>
15.01	Overdue Payments		
	- NIDF - II	-	11,258,338
		<u>-</u>	<u>11,258,338</u>
16	PROVISION FOR TAXATION		
	Opening balance	18,839,348	10,549,624
	Taxation - current	63,206,199	15,610,971
		<u>82,045,547</u>	<u>26,160,595</u>
	Tax payments/adjustments during the year	21,099,477	7,321,247
		<u>60,946,070</u>	<u>18,839,348</u>
17	CONTINGENCIES AND COMMITMENTS		
17.01	CONTINGENCIES		
a)	The company has challenged "Infrastructure Development Cess" levied under Sindh Finance Act, 1994 (as amended by Sind (Amendment) Ordinance, 2001), in the Sindh 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 deposited bank guarantees amounting to Rs. 4,050,000/- (2008: 3,050,000/-) in favour of Excise and Taxation authorities. The company may be contingently liable for payment of the said amount in case of unfavourable decision. However, the management is of confident that the ultimate decision shall be in favour of the Company. Therefore, no provision has been made in these financial statements.		
b)	The Taxation Officer had issued assessment order for the 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. The company as a matter of prudence has provided for amounting to Rs. 16,872,098/- as aggregate liability.		
17.02	COMMITMENTS		

Commitments in respect of irrevocable letters of credit for the import of raw material as at the balance sheet date amounted to Rs. 18.719 million (2008: Rs. 22.059 million).

18 PROPERTY, PLANT And EQUIPMENT

PARTICULARS	COST		RATE %	DEPRECIATION		WRITTEN DOWN VALUE ON 30-06-2009
	AS ON 01-07-2008	ADDITION / (DELETIONS)		AS ON 30-06-2009	AS ON 01-07-2008	
OWNED						
Land lease hold	100,000,000	-	-	-	-	100,000,000
Building on lease hold land	71,064,270	1,038,789	10	38,005,305	3,314,553	30,783,201
Plant machinery & equipment	91,338,573	4,375,566	10-15	54,714,336	3,712,848	37,286,955
Laboratory equipment	181,335	-	25	181,158	44	181,202
Guest house furniture & machinery	318,812	-	10	283,266	3,554	31,992
Scales & weigh bridge	1,127,655	-	12	1,054,744	8,750	64,161
Office machinery & equipment	3,653,254	358,443	10	1,676,601	211,068	2,124,028
Furniture & fixture	993,839	-	10	454,769	53,906	485,164
Vehicles	9,451,055	9,692,425 (1,710,000)	20	4,469,191	1,381,004 (613,840)	8,415,856
LEASED						
Vehicles	11,387,855	(7,355,000)	20	4,374,613	1,215,337	2,224,174
RUPEES 2009	289,516,648	15,465,223 (9,065,000)		105,213,983	9,901,064	181,415,664
RUPEES 2008	279,635,409	11,179,219 (1,297,980)		95,378,979	9,836,687	184,302,665

18.01 DEPRECIATION HAS BEEN ALLOCATED AS UNDER:-

	2009 RUPEES	2008 RUPEES
Cost of Sale	8,910,958	8,853,018
Administrative and General Expenses	990,106	983,669
	<u>9,901,064</u>	<u>9,836,687</u>

18.02 The revaluation of land, building and property, plant & 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, 2009	
	Cost	Written Down Value
Land lease-hold	423,524	423,524
Building	25,465,319	15,608,293
Plant, Machinery & Equipment	68,602,464	40,301,534
	<u>94,491,307</u>	<u>55,909,827</u>
		<u>38,581,480</u>

18.03 DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

PARTICULARS	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS/ INSURANCE CLAIM	PROFIT / (LOSS)	MODE OF DISPOSAL	BUYER'S NAME
Changhan Pick-up(IDS-6053)	327,500	108,002	219,498	250,000	30,502	Negotiation	Mr. Muhammad Ramzan (Isd.)
Changhan Pick-up(IDS-6057)	327,500	108,002	219,498	250,000	30,502	Negotiation	Mr. Muhammad Ramzan (Isd.)
Changhan Pick-up(IDS-6058)	327,500	108,002	219,498	250,000	30,502	Negotiation	Mr. Muhammad Ramzan (Isd.)
Changhan Pick-up(IDS-6198)	327,500	108,003	219,497	250,000	30,503	Negotiation	Mr. Muhammad Ramzan (Isd.)
Suzuki Mehran (KF-137)	400,000	181,831	218,169	392,000	173,831	Negotiation	Mr. Mehr Ali Akhtar (Rwp.)
	1,710,000	613,840	1,096,160	1,392,000	295,840		



PUNJAB OIL MILLS LIMITED

	2009 RUPEES	2008 RUPEES
19 CAPITAL WORK IN PROGRESS		
Opening Balance	31,209	-
Additions during the year	<u>8,794,221</u>	<u>3,325,854</u>
	8,825,430	3,325,854
Less: Transferred to property, plant and equipment 19.01	<u>5,185,948</u>	<u>3,294,645</u>
	<u><u>3,639,482</u></u>	<u><u>31,209</u></u>
19.01 Transferred to property, plant and equipment is represented by:-		
Building	1,038,789	2,633,643
Machinery	4,147,159	661,002
	<u>5,185,948</u>	<u>3,294,645</u>
20 LONG TERM DEPOSITS		
Lease key money	4,047,686	4,058,946
Additions net of transfers	<u>(1,647,913)</u>	<u>(11,260)</u>
	2,399,773	4,047,686
Deposits against bank guarantees	<u>12,060,000</u>	<u>8,360,000</u>
	<u><u>14,459,773</u></u>	<u><u>12,407,686</u></u>
21 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	26,901,507	22,005,418
Spare parts	1,348,906	1,437,604
Loose tools	337,227	359,401
	<u>28,587,640</u>	<u>23,802,423</u>
21.01 No identifiable stores and spare parts are held for specific capitalization.		
22 STOCK IN TRADE		
Raw materials		
- In hand	75,115,482	23,591,768
- In transit	10,631,916	16,664,441
Work in process	20,196,335	34,321,915
Finished goods	<u>62,930,282</u>	<u>22,859,018</u>
	<u><u>168,874,015</u></u>	<u><u>97,437,142</u></u>
22.01 No stock in trade has been pledged with any institution / party.		
23 TRADE DEBTS		
Unsecured:		
Trade debts - considered good	<u>132,323,057</u>	<u>273,079,737</u>



PUNJAB OIL MILLS LIMITED

		2009 RUPEES	2008 RUPEES
24 LOANS AND ADVANCES			
Considered good:			
Suppliers		20,196,952	1,704,290
Employees		213,491	186,336
Related Parties	24.01	3,358,852	9,858,852
		<u>23,769,295</u>	<u>11,749,478</u>
24.01 Related parties - unsecured			
Premier Garments Limited		<u>3,358,852</u>	<u>9,858,852</u>
Nature of transactions with related parties:-			
Advances made	24.02	3,021,851	9,021,851
Share of office expenses		837,001	837,001
		<u>3,858,852</u>	<u>9,858,852</u>
24.02	The company charges interest on the closing balance of the account @ 16% p.a. (2008: 12% p.a.)		
25 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		1,584,053	1,470,253
Letter of credit - margin		2,237,000	2,925,633
Prepayments		1,721,469	853,265
		<u>5,542,522</u>	<u>5,249,151</u>
26 INVESTMENTS			
Investments in Related parties			
At Cost:			
Premier Garments Limited	26.01	2,720,000	2,720,000
Provision for the diminution in the value of investment		<u>(2,720,000)</u>	<u>(2,720,000)</u>
		<u>-</u>	<u>-</u>

26.01 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 2006.

26.02 The summarised financial information of the associates over which the Company exercises significant influence, based on the audited financial statements for the year ended June 30, 2008, is as follows:

	Premier Garments Limited
Total assets	<u>27,626,418</u>
Total liabilities	<u>13,896,649</u>
Revenues	<u>6,651,360</u>
Profit after tax	<u>608,637</u>



PUNJAB OIL MILLS LIMITED

	2009 RUPEES	2008 RUPEES
27 INTEREST ACCRUED		
Mark up receivable from related parties - considered good		
Hala Enterprises Limited	3,199,848	8,814,623
Premier Garments Limited	8,589,779	16,987,486
	<u>11,789,627</u>	<u>25,802,109</u>
28 OTHERS RECEIVABLES		
Zakat on dividend receivables from government	76,962	76,962
Sales tax receivable	3,151	153,459
Other receivable		
- from fair price shop	140,143	244,007
	<u>220,256</u>	<u>474,428</u>
29 ADVANCE INCOME TAX		
Advance income tax	44,556,556	18,572,488
	<u>44,556,556</u>	<u>18,572,488</u>
30 CASH AND BANK BALANCES		
Cash in hand	404,042	612,459
Cash with banks		
- In current accounts	35,815,978	38,599,473
- In deposit accounts	2,331,310	155,387
	<u>38,551,330</u>	<u>39,367,319</u>
31 SALES		
Ghee	1,907,335,235	1,588,402,247
Cooking Oil	717,538,938	622,489,724
Speciality fats	147,583,531	253,680,026
	<u>2,772,457,704</u>	<u>2,464,571,997</u>
Soap	53,704,126	42,776,269
Gases	1,542,336	1,865,285
	55,246,462	44,641,554
Less: Sales Tax	7,620,911	5,822,827
	<u>47,625,551</u>	<u>38,818,727</u>
	2,820,083,255	2,503,390,724
Less: Trade discount	8,137,441	467,213
Commission	2,036,304	1,132,652
	10,173,745	1,599,865
	<u>2,809,909,510</u>	<u>2,501,790,859</u>



PUNJAB OIL MILLS LIMITED

		2009 RUPEES	2008 RUPEES
32	COST OF SALE		
	Raw material consumed	2,357,143,699	2,190,556,269
	Store and spare parts consumed	2,324,549	3,944,099
	Chemicals consumed	26,490,432	18,884,730
	Packing Materials consumed	173,136,318	121,485,610
	Salaries, wages and benefits	12,737,763	8,143,223
	Power, fuel and lubricants	63,204,951	47,725,097
	Repair and maintenance	2,394,967	4,541,048
	Filling and Loading	3,910,491	2,162,931
	Insurance	1,001,452	978,085
	Depreciation	8,910,958	8,853,018
		<u>2,651,255,580</u>	<u>2,407,274,110</u>
	Work in process		
	Opening	34,321,915	23,800,721
	Closing	(20,196,335)	(34,321,915)
		<u>14,125,580</u>	<u>(10,521,194)</u>
	Cost of goods manufactured	<u>2,665,381,160</u>	<u>2,396,752,916</u>
	Finished goods		
	Opening	22,859,018	4,677,099
	Closing	(62,930,282)	(22,859,018)
		<u>(40,071,264)</u>	<u>(18,181,919)</u>
		<u><u>2,625,309,896</u></u>	<u><u>2,378,570,997</u></u>
	32.01 RAW MATERIAL CONSUMED		
	Opening	23,591,768	24,830,790
	Purchases	2,408,667,413	2,189,317,247
		<u>2,432,259,181</u>	<u>2,214,148,037</u>
	Closing	(75,115,482)	(23,591,768)
		<u><u>2,357,143,699</u></u>	<u><u>2,190,556,269</u></u>
	32.02		
	Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 1,854 thousand (2008: Rs. 1,479 thousand).		
33	SELLING AND DISTRIBUTION COST		
	Salaries, wages and benefits	11,289,388	7,189,305
	Travelling and Conveyance	1,160,567	977,920
	Advertisement	25,338,585	13,431,925
	Outward Carriage	11,215,776	10,891,303
		<u>49,004,316</u>	<u>32,490,453</u>
	33.01		
	Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 337 thousand (2008: Rs. 269 thousand).		



PUNJAB OIL MILLS LIMITED

		2009 RUPEES	2008 RUPEES
34 ADMINISTRATIVE EXPENSES			
Directors' meeting fee		9,000	10,500
Directors' remuneration		6,866,053	5,768,173
Salaries, wages and benefits	34.01	12,076,742	10,486,215
Travelling and conveyance		2,063,229	1,738,524
Entertainment		512,652	262,354
Printing & stationery		708,556	601,315
Postage, telephone and telex		1,402,351	1,207,722
Rent, rates and taxes		3,078,729	3,401,615
fees and subscription		474,734	556,567
Legal and professional charges		600,000	418,100
vehicle running and maintenance		3,076,162	2,157,180
Repair and maintenance		798,322	1,513,683
Power, fuel and lubricant		962,512	726,778
Office expenses		1,259,527	755,675
Advertisement		1,055,774	559,663
Depreciation	18.01	990,106	983,669
		<u>35,934,449</u>	<u>31,147,733</u>
34.01 Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 1,180 thousand (2008: Rs. 941 thousand).			
35 FINANCE COST			
Financial charges on finance lease		324,605	650,051
Mark up on short term borrowings		-	2,120,000
Mark up charged on W.P.P Fund		272,785	112,087
Bank charges		259,964	295,081
		<u>857,354</u>	<u>3,177,219</u>
36 OTHER OPERATING CHARGES			
Auditors' remuneration	36.01	345,000	195,000
Workers' profit participation fund		5,566,819	2,922,695
Workers' welfare fund		2,019,086	1,076,534
		<u>7,930,905</u>	<u>4,194,229</u>
36.01 AUDITOR'S REMUNERATION			
Audit fee		265,000	125,000
Other attestation services		50,000	50,000
Out of pocket expenses		30,000	20,000
		<u>345,000</u>	<u>195,000</u>
37 OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposits		2,640,615	451,730
Mark up on loan to related parties		998,973	1,542,415
Exchange Gain		18,145	-
Income from non-financial assets			
Scrap Sale		75,000	144,000
profit/(loss) on disposal of property, plant and equipment		295,840	(5,797)
		<u>4,028,573</u>	<u>2,132,348</u>



PUNJAB OIL MILLS LIMITED

		2009 RUPEES	2008 RUPEES
38 EXTRA ORDINARY ITEM			
Liability no more payable	38.01	8,576,523	-
		<u>8,576,523</u>	<u>-</u>
38.01 This is the amount waived off by UBL as disclosed in Note No. 14.01.			
39 TAXATION			
Taxation			
- Current Year	39.02	44,073,972	18,839,348
- Prior Year		19,132,227	(3,228,377)
		<u>63,206,199</u>	<u>15,610,971</u>
Deferred		(7,357,828)	288,591
		<u>55,848,371</u>	<u>15,899,562</u>
39.01 Income tax return has been filed to the income tax authorities up to tax year 2008 under the provision of the Income Tax Ordinance, 2001.			
39.02 Relationship between income tax expense and accounting profit			
Profit before taxation		<u>103,477,686</u>	<u>54,342,576</u>
Tax @ 35%		36,217,190	19,019,902
Tax effect of amounts:			
Not deductible for tax purpose		3,578,984	4,047,145
Effect of tax under presumptive tax regime		9,446,642	-
Deductible for tax purpose		(5,168,844)	(4,227,699)
Effect of change in prior year's tax		19,132,227	(3,228,377)
Tax effect of deferred tax		(7,357,828)	288,591
		<u>55,848,371</u>	<u>15,899,562</u>
40 EARNINGS PER SHARE:			
Basic Earnings per share:			
Profit after Taxation		<u>47,629,315</u>	<u>38,443,014</u>
No. of ordinary shares	NUMBER	<u>3,062,870</u>	<u>3,062,870</u>
Earnings per share - basic	RUPEES	<u>15.55</u>	<u>12.55</u>
Diluted Earnings per share:			
There is no dilution effect on the basic earnings per share of the company because the company has no such commitments.			
41 FINANCIAL INSTRUMENTS BY CATEGORY			
Financial assets as per balance sheet			
Long term deposits		14,459,773	12,407,686
Trade debts		132,323,057	273,079,737
Loans and advances		3,572,343	10,045,188
Trade deposits and short term prepayments		3,821,053	4,395,886
Interest accrued		11,789,627	25,802,109
Other receivables		140,143	244,007
Cash and bank balances		38,551,330	39,367,319
		<u>204,657,326</u>	<u>365,341,932</u>
Financial liabilities as per balance sheet			
Long term financing		-	11,258,338
Liability against assets subject to finance lease		2,166,810	6,742,202
Trade and other payables		42,612,803	63,029,820
Accrued interest/mark-up		-	7,221,406
Short term borrowings		-	26,500,000
		<u>44,779,613</u>	<u>114,751,766</u>



41.01 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.

42 FINANCIAL INSTRUMENTS

42.01 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 of 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, 2009, 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 (2008: 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.

Also, the Company's interest rate risk does not arise from long term financing and short-term borrowings facilities. Long term financing and short term borrowings obtained at variable rates, have been repaid by the Company during current year.

The Company analysed its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

At June 30, 2009, if interest rates on company's borrowings had been 1% higher/lower with all other variables held constant, post tax loss/profit for the year would have been higher/lower by Rs. NIL (2008: Rs. 377,583) mainly as a result of higher/lower interest exposure on variable rate borrowings.



PUNJAB OIL MILLS LIMITED

(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.

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. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 226,655,860 (2008: Rs. 368,129,908), the financial assets exposed to credit risk amount to Rs. 204,657,326 (2008: Rs. 365,341,932).

Geographically, there is no concentration of credit risk.

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

Government institution and utility stores	69,692,768	190,610,094
Private sector's companies	3,675,301	42,888,317
Distributors	55,634,948	38,882,874
Others	6,892,383	10,743,640
	<u>135,895,400</u>	<u>283,124,925</u>

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

Past due 0-6 months	135,128,993	279,332,891
Past due 6-12 months	156,092	3,765,927
More than one year	610,315	26,107
	<u>135,895,400</u>	<u>283,124,925</u>

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 has not impaired are as under:-

	2009 RUPEES	2008 RUPEES
Long term deposits	14,459,773	12,407,686
Trade debts	132,323,057	273,079,737
Loans and advances	3,572,343	10,045,188
Short term trade deposits	3,821,053	4,395,886
Interest accrued	11,789,627	25,802,109
Other receivables	140,143	244,007
Cash and bank balances	38,551,330	39,367,319
	<u>204,657,326</u>	<u>365,341,932</u>



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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:

Bank	Rating agency	Rating	
		Short term	Long term
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
Faysal 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 business 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		2009	2008
		2009	2008			2009	2008		

Rupees

Financial Assets

Long Term Deposits	-	-	-	-	14,459,773	14,459,773	12,407,686	14,459,773	12,407,686
Trade Debts	-	-	-	132,323,057	-	132,323,057	273,079,737	132,323,057	273,079,737
Loan and advances	3,358,852	-	3,858,852	9,858,852	20,410,443	-	20,410,443	1,890,626	23,769,295
Investments	-	-	-	-	-	-	-	-	-
Trade deposits and short term prepayments	-	-	-	-	3,821,053	-	3,821,053	4,395,886	3,821,053
Interest accrued	-	-	-	-	11,789,627	-	11,789,627	25,802,109	11,789,627
Other receivables	-	-	-	-	140,143	-	140,143	244,007	140,143
Cash and Bank balances	2,331,310	-	2,331,310	1,55,387	36,220,020	-	36,220,020	39,211,932	38,551,330
	5,690,162	-	5,690,162	10,014,239	204,704,343	14,459,773	219,164,116	357,031,983	224,854,278

Financial Liabilities

Long Term Financing	-	-	-	11,258,338	-	-	-	-	11,258,338
Finance Lease	423,901	1,742,909	2,166,810	6,742,202	-	-	-	2,166,810	6,742,202
Short term borrowings	-	-	-	26,500,000	-	-	-	-	26,500,000
Trade and other payables	-	-	-	-	42,612,803	-	42,612,803	63,029,820	42,612,803
Accrued markup	-	-	-	-	-	-	7,221,406	-	7,221,406
Unclaimed Dividend	-	-	-	-	787,317	-	787,317	805,064	787,317
	423,901	1,742,909	2,166,810	44,500,540	43,400,120	-	43,400,120	71,056,290	45,566,930
Net Liquidity	5,266,261	(1,742,909)	3,523,352	(34,486,301)	161,304,223	14,459,773	175,763,996	285,975,693	179,287,348

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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. _____

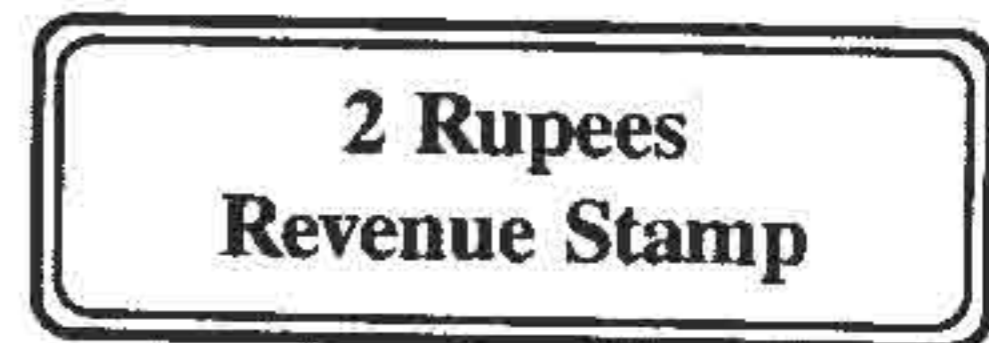
Of _____

another member of the Company) as my / our Proxy to attend and vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held on Saturday, the October 31, 2009 at 11:30 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 _____ 2009

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 11:30 A.M. on October 29, 2009.

_____ | _____

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