

2011 Annual Report



Punjab Oil Mills Limited

AN ISO 9001 : 2008 & HACCP CERTIFIED COMPANY



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Vision Statement

To establish POML as a growing and diversified food and consumer goods company that consistently exceeds customer expectations by delivering the highest standards in product development, production, distribution and marketing, while maximizing shareholder value by efficient allocation of the Company's resources.

POML seeks to combine innovation and creativity with diligent resource and risk management to consistently create value for all its stakeholders and play a meaningful and sustainable role in the economic and social development of the Country.

POML has no wish to influence people in their personal beliefs but specifically disassociates itself from any activity that challenges our commitment to cultural diversity and equal opportunity.

Mission Statement

To achieve excellence in the development, production, and marketing of edible oils & fats and soaps products in order to maximize customer satisfaction, achieve high levels of growth, minimize costs and maximize profits; resulting in a secure and rewarding investment to our shareholders and investors.



PUNJAB OIL MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Tahir Jahangir	Chairman
Mr. Izaz Ilahi Malik	Chief Executive
Sh. Anwar Ahmad Batla	Director
Syed Zubair Ahmad Shah	Director (NIT Nominee)
Mr. Usman Ilahi Malik	Director
Mr. Jillani Jahangir	Director
Mr. Furqan Anwar Batla	Director

AUDIT COMMITTEE

Sh. Anwar Ahmad Batla	Chairman/Member
Syed Zubair Ahmad Shah	Member
Mr. Usman Ilahi Malik	Member

CHIEF FINANCIAL OFFICER

Mr. Muhammad Saeed Malik

COMPANY SECRETARY

Rana Shakeel Shaukat

AUDITORS

M/s Maqbool Haroon Shahid Safdar & Co.
Chartered Accountants

BANKERS

Habib Metropolitan Bank Limited
Faysal Bank Limited

REGISTERED OFFICE

Plot No. 26-27-28, Industrial Triangle,
Kahuta Road, Islamabad.
Ph: 051-4490017-20, Fax: 051-4490016 &
051-4492803

HEAD OFFICE

120-E/1, Gulberg - III, Lahore.
Tel: 042 - 35761585 - 86
Fax: 042 - 35710235
E-mail: corporate@halaenterprises.com

SHARES REGISTRAR OFFICE

M/s Corplink (Private) Limited
Wings Arcade, I - K, Commercial Model Town,
Lahore. Ph: 042 - 35916714, 35916719
Fax: 042 - 35869037



PUNJAB OIL MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the shareholders of PUNJAB OIL MILLS LIMITED will be held on Saturday, October 29, 2011 at 10:30 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 Extraordinary General Meeting of the company held on April 02, 2011.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2011 together with the Directors' and Auditors' Reports.
3. To approve the interim dividend already paid @ 10% [i.e. Rs. 1.00 per share] and interim bonus shares already issued @ 10% [i.e. 10 shares for every 100 shares held] announced by the Board of Directors of the Company for the financial year 2010-2011.
4. To appoint Auditors of the Company to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and approve the remuneration of Director of the Company.
6. To consider and recommend adoption of alteration a new object clause in Memorandum of Association and replacement of clauses of the existing Articles of Association of the Company and approve the following resolution as **Special Resolution** in this respect with or without modification:-

RESOLVED unanimously that the regulations contained in the printed documents submitted to this meeting, and for the purpose of identification subscribed by the Chairman hereof, be approved and adopted alteration in Memorandum & Articles of Association of the Company, subject to the approval of Securities and Exchange Commission of Pakistan.

FURTHER RESOLVED that the Chief Executive and Company Secretary be and are hereby authorized to comply with all formalities in this regard.

7. To transact any other business with the permission of the Chair.

By order of the Board

(Rana Shakeel Shaukat)
Company Secretary

Lahore:
October 07, 2011.

Notes:

1. The Share Transfer Books of the Company will remain closed from October 23, 2011 to October 29, 2011 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting and must be duly stamped, signed and witnessed.
3. CDC shareholders desiring to attend the meeting are requested to bring their computerized original National Identity Card, Account and participant's ID numbers, for identification purpose and in case of proxy, to enclose an attested copy of his/her National Identity Card as per guide lines laid down in Circular No. 1 dated January 26, 2000 issued by SECP.
4. Members are requested to notify the Company of any change in their addresses, if any.

A Statement under Section 160(I)(b) of the Companies Ordinance, 1984 and comparison of old and new clauses of Memorandum & Articles of Association of the Company is being sent to the shareholders 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 the “Special Business” to be transacted at theth30 Annual General Meeting of the Company to be held on October 29, 2011.

The approval of the members will be sought for:

Agenda Item # 5 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 Director is 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 September 26, 2011 has approved an increase of Rs. 20,000/- per month in remuneration of Mr. Usman Ilahi Malik Director of the Company w.e.f. July 01, 2011. The monthly remuneration after increase would be as Rs. 220,000/-.

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 Director of the Company be and are hereby increased from Rs. 200,000/- to Rs. 220,000/- with effect from 01-07-2011, while other terms and conditions of service will remain unchanged”.

The information under section 218 of the Companies Ordinance, 1984 is annexed herewith this report as **Annexure “A”**.

Agenda Item # 6: Amendments in Memorandum of Association of the Company

The Management of your Company intends to enhance the scope of business of your Company a part of its diversification strategy. The additions in Memorandum of Association are being made to augment the following object clause.

Clause 26. “To cultivate, grow, collect, process, produce, set-up and carryon the business of agriculture farming, Crop Farming, Fruit Farming, Tunnel farming, Mushrooms Farming and to purchase, seeds, feeds, fertilizers, pesticides, irrigation systems etc for the purpose”.

Amendments in Articles of Association of the Company

The amendments in the Articles of Association of the Company are being made to align the Articles of the Company to commensurate with the recent developments in laws and regulations, Code of Corporate Governance and changing business environment etc.



PUNJAB OIL MILLS LIMITED

DIRECTORS REPORT

The Directors of your company take pleasure in presenting the 30th Annual Report on the operations of the company along with the audited financial statements for the year ended June 30, 2011.

Operational Results

The highly challenging times facing the company continued for the year under review in the form of rising input costs and declining purchasing power of the consumer. In a fiercely competitive landscape, this scenario made it difficult to increase profitability and sales volumes at the same time.

Overall sales revenue for the year increased by 23%. This was mainly on the back of increase in average prices as well as volume growth in cooking oil sales; especially sales of our premium range of cooking oils. Due to better pricing obtained by focused marketing and branding efforts, improved sale of higher margin cooking oil products, and buying of crude oils at the right time, the gross profit margin increased to 6.4% compared to 6.0% for the last year. Together with higher sales revenue, this caused the gross profit figure to increase by 30%.

At the operating level the overall operating expenses increased by 24.1%. The main contributors by value to the operating increase were the over-all administration costs. However the largest sub-category of expenses responsible for the rise in costs was our salaries and wages expense, both as part of administration and selling and distribution costs. Last year we had stated that the growth in our salaries and wages will be limited while marketing costs will be increase to push sales. However, after critically reviewing our sales and distribution foot print, we took a decision to freeze our advertisement budgets and continue to focus more on expanding and building our sales and distribution net-work. As a result while our advertisement cost declined by 10%, our salary expense increased significantly; both due to expansion in the sales force as well as higher companywide bonuses and gratuity provisions. However, due to higher sales revenue and robust growth in our higher margin products, operating expenses as a ratio of sales remained static at 2.4%, improving the operating margin to 2.9% from 2.6% and causing the operating profit to jump up by 39% for the year under review.

Financial expenses increased significantly for the year under review due to higher bank borrowing to finance working capital needs while provisions for WWF and WPPF was also higher due to higher profits earned. Profit before tax increased by 33% due to improved margins at the gross and operating levels. However, significantly higher provisioning for taxation caused a 26% dip in Profit after tax. Currently the industry association is negotiation hard with the FBR to rationalize the current tax regime and reduce the burden of taxation which at present is at unfair and unjustified levels. For the year under review our tax provision was about 64% of profit before tax, while it should not be more than 35%.

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

	2011	2010
	RUPEES	RUPEES
Operating Profit	108,474,330	78,200,534
Finance cost & other charges	(10,271,200)	(7,154,264)
Other operating income	4,298,067	6,073,121
Profit before taxation	102,501,197	77,119,391
Taxation	(65,437,264)	(26,799,599)



PUNJAB OIL MILLS LIMITED

	2011 RUPEES	2010 RUPEES
Profit after tax	37,063,933	50,319,792
Un-appropriated profit brought forward	95,457,597	55,444,993
Available for appropriation	132,521,530	105,764,785
Appropriations:-		
25% bonus shares for the year ended June 30, 2009	-----	(7,657,175)
15% final dividend for the year ended June 30, 2010 (2009: 15%)	(5,742,882)	(4,594,305)
10% interim dividend for the year 2011	(4,900,593)	-----
10% interim bonus shares for the year 2011	(4,900,595)	-----
Transferred from surplus on revaluation of property, plant and equipment	2,163,222	1,944,292
Balance as at June 30, 2011/2010	119,140,682	95,457,597

Future Outlook

Although the year under review was another challenging one with continued stiff competition from other players, general economic weakness of the country and ever increasing input costs, the management is committed to continuing sales growth and improving profitability for the future. To this end the management has been investing in a nation-wide distribution network as well as targeting growth in higher margin products by developing market niches through specialised cooking oil products. Although this strategy has entailed continual increases in selling and distribution costs, it is now beginning to pay off in the form of above average growth in our newer premium cooking oils that has served to improve our margins under difficult circumstances.

At present the management feels that based on our sales and distribution efforts over the past two years, and the results obtained thereof, now is the time to fully leverage our distribution net-work by launching an advertisement campaign to create consumer awareness of our premium cooking oil products. We feel this will cause a significant increase in sales volumes of our most profitable products, which will have a positive impact on our bottom line. It is a point to be noted however, that due to the significant costs of advertisements, the impact will first show up at the gross level and then travel to the operating level in the medium term, as the bulk of the costs will be concentrated in short time periods; the impact of which will last a much longer time once our brand identity is established in the marketplace.

Statement of Ethics and Business Practices

The Board has adopted the statement of Ethics and Business Practices. All employees have been informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

Earnings per Share

Earning per share for the year under review is Rs.7.51 (2010: Rs.10.90)

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.



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Dividend and Equity

The Board of Directors declared 10% interim dividend and 10% interim bonus during the year under report. Keeping in view the profitability and liquidity position of the company as at year end, the board has not recommended any further dividend.

Transaction with Related Parties

The Board of Directors has approved the policy for transaction / contract between Company and its related parties on an arm's length basis and relevant rates are to be determined as per the "comparable un-controlled price method". The company has fully complied with the best practices on transfer pricing as contained in the listing regulations of Stock Exchanges in Pakistan.

Operating and Financial Data

The key operating and financial data for six years is annexed herewith this report.

CORPORATE GOVERNANCE- STATEMENT OF DIRECTORS' RESPONSIBILITES

In compliance of the Code of Corporate Governance, we give below the statements on Corporate and Financial Reporting Framework:

- The Financial statement prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting polices have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for six years is annexed herewith this report.
- The Company operates an un-funded gratuity scheme covering all its permanent employees who attained the minimum qualification period.

Audit Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance has been established an Audit Committee. The name of its members is as under:

1)	Sh.Anwar Ahmad Batla	Chairman/Member
2)	Syed Zubair Ahmad Shah	Member
3)	Mr.Usman Ilahi Malik	Member

Board of Director's Meeting

Meetings of the Board of Directors are held regularly to take notice of the results of corporate operations and their management and to make decisions concerning company's business activities. Meetings also take place to consider business trends and operational plans of the Company.



PUNJAB OIL MILLS LIMITED

During the year under review, Board of Directors held five (5) meetings. Attendance by each Director during these meetings was as follows:

Sr. #	Name of Director	Number of Meetings attended
1.	Mr. Tahir Jahangir	5
2.	Mr. Izaz Ilahi Malik	5
3.	Sh. Anwar Ahmad Batla	5
4.	Mr. Usman Ilahi Malik	2
5.	Syed Zubair Ahmad Shah	5
6.	Mr. Jillani Jahangir	2
7.	Mr. Furqan Anwar Batla	3
8.	Ch. Muhammad Sarwar	2 (Retired on 29-12-2010)
9.	Mr. Gul Nawaz	2 (Retired on 29-12-2010)

Leave of absence were granted by the Board, who could not attend the meeting.

We wish to place on record our appreciation for the valuable contribution made by the retired Directors during the tenure of their directorship.

Pattern of Shareholding and information under clause XIX(i) and (j) of the Code of Corporate Governance

The statement of pattern of shareholding alongwith categories of shareholders of the company as at 30 June 2011, as required under Section 236 of the Companies Ordinance, 1984 and Code of Corporate Governance is annexed with this report.

Auditors and their Report

The External Auditors of the Company, M/s Maqbool Haroon Shahid Safdar and Company, Chartered Accountants, Lahore, a representative firm of "PKF International" shall retire and being eligible, has offered them for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending 30 June 2012 on the same remuneration.

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 InshAllah prove to be highly rewarding to all its stakeholders.

For & on behalf of the board

(Izaz Ilahi Malik)
Chief Executive Officer

Islamabad:
26 September 2011



PUNJAB OIL MILLS LIMITED

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance as contained in Listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board comprises Seven Directors including the CEO. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board of Directors includes four independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. 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, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a “Statement of Ethics and Business Practices” which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 in time.
9. The Board arranged orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.



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15. The Board has formed an Audit Committee. It comprises of three Members, of whom two Members are Non-Executive Directors including the Chairman of Audit Committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function comprising of qualified and experienced persons who are conversant with the policies and procedures of the Company and are involved in the Internal Audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. 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.
20. The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.
21. We confirm that all other material principles contained in the Code have been complied with.

(Izaz Ilahi Malik)
Chief Executive Officer

Islamabad: 26 September 2011



PUNJAB OIL MILLS LIMITED

PATTERN OF SHAREHOLDING AS AT 30-06-2011

Number of Shareholders	Shareholding		Shares held
	From	To	
451	1	100	14,127
464	101	500	116,791
64	501	1,000	44,535
71	1,001	5,000	135,672
10	5,001	10,000	80,084
3	10,001	15,000	36,178
1	15,001	20,000	18,461
3	20,001	25,000	70,851
3	25,001	30,000	78,516
2	30,001	35,000	62,076
1	40,001	45,000	44,000
1	50,001	55,000	51,971
1	60,001	65,000	64,708
1	95,001	100,000	100,000
1	105,001	110,000	109,789
1	160,001	165,000	160,589
1	175,001	180,000	179,015
1	215,001	220,000	218,630
2	260,001	265,000	528,152
1	265,001	270,000	265,106
1	290,001	295,000	291,306
1	340,001	345,000	340,893
1	355,001	360,000	357,418
1	360,001	365,000	363,822
1	405,001	410,000	405,026
1	525,001	530,000	527,151
1	725,001	730,000	725,785
1090			5,390,652

Classification of Ordinary Shares by Categories as at June 30, 2011

Categories of Shareholders	Number	Shares held	Percentage
Individuals	1,079	4,254,423	78.92
Financial Institutions	1	23,870	0.44
Associated Companies	2	415,793	7.71
Joint-stock Companies	1	1,000	0.02
Investment Companies	6	595,566	11.05
Modaraba Companies	1	100,000	1.86
	1,090	5,390,652	100.00



PUNJAB OIL MILLS LIMITED

Information under clause xix(i) of the Code of Corporate Governance as on June 30, 2011

Category No.	Category of Shareholders	Number of Shares held	Percentage
1	Associated Companies, undertakings and related parties		
	1 Hala Enterprises Limited	51,971	0.96
	2 Teejay Corporation (Private) Limited	363,822	6.75
2	NIT/ICP		
	I. National Investment Trust Ltd.	540,534	10.03
	II. Investment Corporation of Pakistan & IDBP	17,840	0.33
3	Chief Executive, Directors, their Spouse and minor children		
	1 Mr. Tahir Jahangir Chairman	31,572	0.59
	2 Mr. Izaz Ilahi Malik Chief Executive	27,870	0.52
	3 Sh. Anwar Ahmad Batla Director	109,789	2.04
	4 Mr. Usman Ilahi Malik Director	357,418	6.63
	5 Mr. Jillani Jahangir Director	340,893	6.32
	6 Mr. Furqan Anwar Batla Director	291,306	5.40
	7 Mrs. Nageen Malik Spouse of Mr. Izaz Ilahi Malik	44,000	0.82
	8 Mrs. Jui Anwar Spouse of Sh. Anwar A. Batla	11,095	0.21
4	Executives	-	-
5	Public Sector Companies & Corporations		
	I. Joint Stock Companies	1,000	0.02
6	Banks, DFIs, NBFIs, Insurance Companies, Modarbas and Mutual Funds		
	Insurance Companies	-	-
	Financial Institutions	61,062	1.13
	Mutual Funds	100,000	1.86
7	Shareholders holding ten percent or more voting interest in the Listed Company		
	National Investment Trust Ltd.		
8	Others	3,040,480	56.40

Information under clause xix(j) of the Code of Corporate Governance

During the financial year, the Directors and their spouse purchased shares of the Company and submitted returns to SECP in accordance with the provisions of the Companies Ordinance, 1984



PUNJAB OIL MILLS LIMITED

KEY FINANCIAL DATA LAST SIX YEARS

PARTICULARS	2006	2007	2008	2009	2010	2011
Issued, Subscribed and paid up capital	20,419,130	20,419,130	20,419,130	30,628,700	38,285,875	53,906,520
Capital Reserves	1,880,875	1,880,875	1,880,875	1,880,875	1,880,875	23,137,159
General Reserves	8,600,000	8,600,000	8,600,000	8,600,000	8,600,000	8,600,000
Long Term Loan	452,912	-	-	-	-	-
Deferred Liabilities	16,606,677	22,696,372	24,743,752	22,093,067	25,916,180	33,489,785
Current Liabilities	193,227,635	208,848,708	482,780,089	403,849,997	394,031,587	490,643,083
Operating Fixed Assets	67,926,139	184,256,430	184,333,874	185,055,146	191,596,543	195,668,025
Current Assets	160,135,071	188,394,617	495,534,275	454,214,298	482,108,544	630,261,741
Sales	1,218,978,824	1,736,133,111	2,501,790,859	2,809,909,510	3,018,441,736	3,710,266,602
Gross Profit	54,763,808	75,218,700	123,219,862	184,599,614	181,294,285	236,431,839
Operating Profit / (Loss)	26,446,083	31,587,550	59,581,676	99,660,849	78,200,534	108,474,330
Profit / (Loss) before taxation	16,491,334	27,354,673	54,342,576	103,477,686	77,119,391	102,501,197
Profit / (Loss) after taxation	30,661,220	15,278,255	38,443,014	40,271,487	50,319,792	37,063,933



PUNJAB OIL MILLS LIMITED

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 30 June 2011 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 responsibility 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.

Further, the Listing Regulations notified by the Karachi, Lahore and Islamabad Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval 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.

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 30 June 2011.

Lahore
Dated: 26 September 2011

Maqbool Haroon Shahid Safdar

MAQBOOL HAROON SHAHID SAFDAR AND COMPANY
CHARTERED ACCOUNTANTS
SHAHID MEHMOOD



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 30 June 2011 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;
 - (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 30 June 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under Zakat & Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements for the year ended 30 June 2010 were audited by another firm of auditors, whose report dated 02 October 2010 expressed an unqualified opinion on those financial statements.

Lahore
Dated: 26 September 2011

Maqbool Haroon Shahid Safdar
MAQBOOL HAROON SHAHID SAFDAR AND COMPANY
CHARTERED ACCOUNTANTS
SHAHID MEHMOOD



PUNJAB OIL MILLS LIMITED

BALANCE SHEET AS AT 30 JUNE 2011

EQUITY AND LIABILITIES	NOTE	2011 RUPEES	2010 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10,000,000 (2010: 5,000,000) ordinary shares of Rs. 10/- each	7	<u>100,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid-up capital	8	53,906,520	38,285,875
Reserves	9	31,737,159	10,480,875
Accumulated profit		<u>119,140,682</u>	<u>95,457,597</u>
		204,784,361	144,224,347
Surplus on revaluation of property, plant and equipment	10	120,621,277	127,544,384
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	11	-	364,311
Deferred liabilities	12	33,489,785	25,916,180
CURRENT LIABILITIES			
Trade & other payables	13	361,582,160	331,682,731
Current portion of long term liabilities	11	209,829	269,305
Short Term Borrowings	14	26,545,692	-
Accrued Mark up	15	241,685	-
Unclaimed dividend		1,382,287	1,036,241
Provision for taxation	16	100,681,430	61,043,310
		490,643,083	394,031,587
Contingencies & Commitments	17	-	-
		<u>849,538,506</u>	<u>692,080,809</u>
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	18	189,804,377	188,517,747
Capital work in progress	19	5,863,648	3,078,796
		<u>195,668,025</u>	<u>191,596,543</u>
Investment in associates	20	-	-
Long term deposits	21	23,608,740	18,375,722
CURRENT ASSETS			
Stores, spare parts and loose tools	22	44,482,154	29,002,775
Stock in trade	23	204,256,349	192,583,105
Trade debts	24	252,237,417	145,882,171
Loans and advances	25	4,868,593	4,023,832
Trade deposits and short term prepayments	26	22,453,323	15,491,825
Other receivables	27	854,483	300,561
Advance income tax	28	90,098,191	64,060,349
Cash and bank balances	29	11,011,231	30,763,926
		630,261,741	482,108,544
		<u>849,538,506</u>	<u>692,080,809</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 30 JUNE 2011

	NOTE	2011 RUPEES	2010 RUPEES
Sales - net	30	3,710,266,602	3,018,441,736
Cost of sales	31	<u>3,473,834,763</u>	<u>2,837,147,451</u>
Gross profit		236,431,839	181,294,285
Operating Expenses			
Selling and distribution cost	32	<u>66,336,186</u>	<u>55,120,077</u>
Administrative expenses	33	<u>61,621,323</u>	<u>47,973,674</u>
		<u>127,957,509</u>	<u>103,093,751</u>
Operating profit		108,474,330	78,200,534
Finance cost	34	<u>1,892,040</u>	<u>719,488</u>
Other operating charges	35	<u>8,379,160</u>	<u>6,434,776</u>
		<u>10,271,200</u>	<u>7,154,264</u>
		98,203,130	71,046,270
Other operating income	36	<u>4,298,067</u>	<u>6,073,121</u>
Profit before taxation		102,501,197	77,119,391
Taxation	37	<u>65,437,264</u>	<u>26,799,599</u>
Profit for the year		<u>37,063,933</u>	<u>50,319,792</u>
			(Restated)
Earnings per share - Basic and diluted	39	<u>7.51</u>	<u>10.90</u>

Appropriations have been reflected in the statement of changes in equity.

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 30 JUNE 2011

	NOTE	2011 RUPEES	2010 RUPEES
Profit for the year		37,063,933	50,319,792
Other comprehensive income:			
Transfer from surplus on revaluation of property, plant and equipment on account of			
- Incremental depreciation - net of tax	10	2,163,222	1,944,292
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>39,227,155</u>	<u>52,264,084</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 30 JUNE 2011

	2011 RUPEES	2010 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before taxation	102,501,197	77,119,391
Adjustments for following items:		
Workers' profit participation fund	5,519,653	4,192,553
Workers' welfare fund	2,204,507	1,587,223
Loss/(gain) on disposal of property, plant and equipment	(378,054)	(1,310,156)
Provision for gratuity	5,860,781	4,348,123
Depreciation	11,493,484	10,722,610
Mark up Income from related parties	-	(268,636)
Finance cost	1,892,040	719,488
	<u>26,592,411</u>	<u>19,991,205</u>
Operating Profit before Working Capital Changes	129,093,608	97,110,596
(Increase)/Decrease in Current Assets:		
Stores, spare parts and loose tools	(15,479,379)	(415,135)
Stock in trade	(11,673,244)	(23,709,090)
Trade debts	(106,355,246)	(13,559,114)
Loan and advances	(844,761)	19,745,463
Trade deposits and short term prepayments	(6,961,501)	(9,949,303)
Other receivables	(553,922)	(80,305)
	<u>(141,868,053)</u>	<u>(27,967,484)</u>
Increase / (Decrease) in Current Liabilities:		
Trade & other payable	27,955,045	(7,808,309)
Cash Generated from Operations	<u>15,180,600</u>	<u>61,334,803</u>
Workers' Profit Participation fund paid	(4,360,255)	(6,259,256)
Workers' Welfare Fund Paid	(1,587,223)	(2,019,086)
Staff retirement benefits Paid	(2,162,840)	(525,010)
Finance Cost Paid	(1,482,653)	(422,591)
Income Tax Paid	(52,721,204)	(46,206,152)
Dividend Paid	(10,297,429)	(4,345,381)
	<u>(72,611,604)</u>	<u>(59,777,476)</u>
Net Cash Generated from Operations	<u>(57,431,004)</u>	<u>1,557,327</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(9,551,929)	(14,336,609)
Proceeds from disposal of property, plant and equipment	504,000	3,339,000
Capital work in progress	(6,138,983)	(4,956,242)
Mark up income from related parties	-	12,058,263
Long term deposits	(5,233,018)	(3,915,949)
	<u>(20,419,930)</u>	<u>(7,811,537)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(decrease) in finance lease	(423,787)	(1,533,194)
Short term borrowings	26,545,692	-
Proceed from issuance of shares	31,976,334	-
	<u>58,098,239</u>	<u>(1,533,194)</u>
Net Increase/(decrease) in Cash and Cash Equivalents	<u>(19,752,695)</u>	<u>(7,787,404)</u>
Cash and Cash Equivalents at the beginning of the year	<u>30,763,926</u>	<u>38,551,330</u>
Cash and Cash Equivalents at the end of the year	<u>11,011,231</u>	<u>30,763,926</u>

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


CHIEF EXECUTIVE


DIRECTOR



PUNJAB OIL MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

(RUPEES)

	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	UN- APPROPRIATE D PROFIT	TOTAL
Balance as at 01 July 2009	30,628,700	1,880,875	8,600,000	55,444,993	96,554,568
Total Comprehensive Income for the year					
Profit for the year ended 30 June 2010	-	-	-	50,319,792	50,319,792
Transfer from surplus on revaluation of property, plant and equipment on account of - Incremental depreciation - net of tax	-	-	-	1,944,292	1,944,292
	-	-	-	52,264,084	52,264,084
<i>Transaction with owners recorded directly in Equity - Distributions</i>					
15 % final dividend for the year ended 30 June 2009	-	-	-	(4,594,305)	(4,594,305)
25 % bonus share for the year ended 30 June 2009	7,657,175	-	-	(7,657,175)	-
Total transaction with owners-distribution	7,657,175	-	-	(12,251,480)	(4,594,305)
Balance as at 30 June 2010	38,285,875	1,880,875	8,600,000	95,457,597	144,224,347
Total Comprehensive Income for the year					
Profit for the year ended 30 June 2011	-	-	-	37,063,933	37,063,933
Transfer from surplus on revaluation of property, plant and equipment on account of - Incremental depreciation - net of tax	-	-	-	2,163,222	2,163,222
	-	-	-	39,227,155	39,227,155
<i>Transaction with owners recorded directly in Equity - Distributions</i>					
15% final dividend for the year ended 30 June 2010	-	-	-	(5,742,882)	(5,742,882)
Issuance of 28 % right shares during the year	10,720,050	21,256,284	-	-	31,976,334
10 % interim dividend during the year	-	-	-	(4,900,593)	(4,900,593)
Issuance of 10 % bonus shares during the year	4,900,595	-	-	(4,900,595)	-
Total transaction with owners-distribution	15,620,645	21,256,284	-	(15,544,070)	21,332,859
Balance as at 30 June 2011	53,906,520	23,137,159	8,600,000	119,140,682	204,784,361

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


CHIEF EXECUTIVE


DIRECTOR



PUNJAB OIL MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

Punjab Oil Mills Limited ('the company') was incorporated in Pakistan as a Public Limited Company on 05 February 1981 under the Companies Act, 1913, now Companies Ordinance 1984. Currently the shares of the Company are quoted on Lahore, Karachi and Islamabad Stock Exchanges in Pakistan. The registered office of the company is located at Plot No. 26, 27 & 28, Industrial Triangle, Kahuta Road, Islamabad. The Company is principally engaged in the manufacturing and sale of Ghee, Cooking Oil, Speciality fats and Laundry Soap.

2 BASIS OF PREPARATION

2.01 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.

2.02 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after 01 January 2010:

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It does not have a material impact on the company's financial statements.

- IAS 7, 'Statement of cash flows'. The guidance has been amended to clarify that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment results in an improvement in the alignment of the classification of cash flows from investing activities in the statement of cash flows and the presentation of recognised assets in the statement of financial position. It does not have a material impact on the company's financial statements.

- IFRS 8, 'Operating segments'. The amendment provides that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. It does not have a material impact on the company's financial statements.

- IAS 17, 'Leases'. The amendment provides that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. However, the IASB has concluded that this is inconsistent with the general principles of lease classification, so the relevant guidance has been deleted. A lease newly classified as a finance lease should be recognised retrospectively. This amendment does not have a material impact on the company's financial statements.



PUNJAB OIL MILLS LIMITED

- IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. This amendment does not have a material impact on the company's financial statements.

- Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2010:

- IFRS 3 (amendments), 'Business combinations'. These amendments clarify that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Moreover, these amendments limit the scope of the measurement choices that only the components of NCI that are present ownership interests which entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value, or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. These amendments require an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether by obligation or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. These amendments do not have a material impact on the company's financial statements.

- IAS 27 (amendment), 'Consolidated and separate financial statements'. The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 01 July 2009 or earlier when IAS 27 is applied earlier.

- IFRIC 19 (amendment), 'Extinguishing financial liabilities with equity instruments'. IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39 Financial Instruments: Recognition and Measurement. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. This interpretation does not have a material impact on the company's financial statements.

- **Standards, interpretations and amendments to published standards that are effective but not relevant to the company**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2010 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

- **Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective**

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after 01 January 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is not expected to have a material impact on the company's financial statements.



PUNJAB OIL MILLS LIMITED

- IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after 01 January 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on the company's financial statements.

- IAS 34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after 01 January 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment is not expected to have a material impact on the company's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after 01 January 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment is not expected to have a material impact on the company's financial statements.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after 01 July 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognised in their entirety. This amendment is not expected to have any impact on the company's financial statements.

- Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates but are not applicable to the company:

Standards or Interpretation	Effective date (accounting periods beginning on or after)
- IFRS 1 (amendments), 'First-time adoption of International Financial Reporting Standards'	01 January 2011
- IFRIC 13 (amendment), 'Customer loyalty programmes'	01 January 2011
- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement'	01 January 2011
- IFRS 1 (amendment), 'First-time adoption of International Financial Reporting Standards — Severe hyperinflation and removal of fixed dates for first-time adopters'	01 July 2011

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts, employee retirements benefit at present value and investment in associates 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 JUDGEMENTS, 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. 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

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 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.

4.06 Stores, spares and loose tools and stock-in-trade

The Company estimates the net realizable values of its stores, spares and loose tools and stock-in-trade to assess any diminution in the respective carrying values.



PUNJAB OIL MILLS LIMITED

4.07 Staff retirement benefit obligations

The present values of these obligations depend on a number of factors that are determined on actuarial basis, using a number of assumptions. Any change in these assumptions will impact the carrying amounts of these obligations. The underlying assumptions and the present value of these obligations are disclosed in notes 6.02 and 12.01.

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 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 annually 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 lives 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 18. 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.



PUNJAB OIL MILLS LIMITED

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. Disposal of an asset is recognized when significant risk and rewards, incidental to the ownership of an asset, have been transferred to the buyer. 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/inappropriate profits.

e) 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/inappropriate profit.

6.02 Staff Retirement Benefits

Defined Benefit Plan

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

Six or more months of service in excess of completed years of services is counted as one 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 opening 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 30 June 2011, the following significant assumptions were used:

	2011	2010
Discount factor used	14%	12%
Expected rate of eligible salary increase in future years	13%	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 and appropriation to reserves

Dividend and appropriation to reserve are recognized in the financial statements in the period in which they are approved by the shareholders and therefore, they are accounted for as non-adjusting post balance sheet event.



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6.05 Taxation

Current and prior years:

Provision for current taxation is based on applicable current rates of taxation after taking into account tax credits and rebates available, if any, under the provisions of Income Tax Ordinance, 2001. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred:

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognized for taxable temporary differences and deferred tax asset is recognized to the extent that is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account except for deferred tax arising on surplus of revaluation of fixed assets which is charged to the surplus on revaluation.

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

Stores, spares and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on weighted average cost. Items-in-transit are stated at cost accumulated up to balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if any. Impairment is also made for slow moving items identified as surplus to the requirements of the Company.



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6.10 Stock in trade

These are valued at lower of cost and net realizable value. Cost of raw materials and components represents invoice value plus other charges paid thereon. Cost of inventory is based on weighted average cost. Cost in relation to work-in-process and finished goods represents direct cost of raw materials, wages and appropriate manufacturing overheads. Goods-in-transit are stated at cost accumulated up to the balance sheet date.

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.

The Company reviews the carrying amount of stock-in-trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolete items, if any.

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 is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, commissions, sales returns and discounts. Revenue from different sources is recognized on the following basis:

- Revenue from sales of goods is recognized when goods are dispatched and invoiced to customers.
- Interest income on deposits with banks and other financial assets is recognized on accrual basis.
- Dividend income is recognized when the Company's right to receive dividend has been established.

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.

6.19 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.

6.20 Related parties

- a) Hala Enterprises Limited.
- b) Premier Garments Limited.
- c) Teejay Corporation (Pvt) Limited.
- d) Directors and key management personnel

6.21 Related party transactions and transfer pricing

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.

6.22 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.

6.23 Earnings 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.



PUNJAB OIL MILLS LIMITED

7 AUTHORIZED SHARE CAPITAL

NOTE

2011
RUPEES

2010
RUPEES

Authorized share capital	7.01	<u>100,000,000</u>	<u>50,000,000</u>
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Movement in and reconciliation of authorized share capital during the year:

Balance at beginning of the year		50,000,000	50,000,000
Authorized capital increased during the year		50,000,000	-
Balance at end of the year		<u>100,000,000</u>	<u>50,000,000</u>

7.01 The company vide its extraordinary general meeting held on 02 April 2011 increased its authorized share capital from Rs. 50 Million to Rs. 100 Million.

8 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2,854,543 (2010: 1,782,538) ordinary shares of Rs. 10/- each fully paid in cash	8.01	28,545,430	17,825,380
2,536,109 (2010: 2,046,050) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	8.02	25,361,090	20,460,495
		<u>53,906,520</u>	<u>38,285,875</u>

8.01 Movement in and reconciliation of share capital during the year:		2011	2010
		RUPEES	RUPEES
Balance at beginning of the year			
Ordinary shares of Rs. 10/- each fully paid in cash		17,825,380	17,825,380
Issuance of right shares		10,720,050	-
Balance at end of the year			
Ordinary shares of Rs. 10/- each fully paid in cash		<u>28,545,430</u>	<u>17,825,380</u>

The company issued right shares @ 28 % (i.e. 28 ordinary shares for every 100 shares held) at a premium of Rs. 20/- per share.

The related transaction costs amounting to Rs. 183,816/- have been netted off with the deemed proceeds.

Fully paid ordinary shares, which have a par value Rs. 10/-, carry one vote per share and carry right to dividends.

Ordinary shares of the company held by associated undertakings as at the year end are 415,793 (2010: 295,309).

8.02 Movement in and reconciliation of fully paid bonus shares during the year:

		<u>Number of shares</u>	
Balance at beginning of the year			
Bonus shares of Rs. 10/- each fully paid		2,046,050	1,280,332
Issuance of bonus shares during the year		490,059	765,718
Balance at end of the year:			
Bonus shares of Rs. 10/- each fully paid		<u>2,536,109</u>	<u>2,046,050</u>



PUNJAB OIL MILLS LIMITED

9 RESERVES	NOTE	2011 RUPEES	2010 RUPEES
Movement in and reconciliation of reserves is as follows:			
Capital			
Share premium			
Balance at beginning of the year		1,880,875	1,880,875
Addition during the year		21,440,100	-
Less: Issuance cost		(183,816)	-
Balance at end of the year	9.01	<u>23,137,159</u>	<u>1,880,875</u>
9.01 This reserve can be utilized by the company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.			
Revenue			
General reserves	9.02	<u>8,600,000</u>	<u>8,600,000</u>
9.02 The general reserves are used from time to time to transfer profits from retained profits. There is no policy of regular transfer.			
Total Reserves		<u>31,737,159</u>	<u>10,480,875</u>
10 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Land-Lease hold		99,576,476	99,576,476
Building-on Lease hold land		19,565,974	20,926,175
Plant, machinery & equipments		8,401,934	8,986,025
		<u>127,544,384</u>	<u>129,488,676</u>
Related deferred taxation		(4,759,885)	-
		<u>122,784,499</u>	<u>129,488,676</u>
Incremental depreciation on revalued assets		(2,692,098)	(1,944,292)
Related deferred taxation		528,876	-
Transferred to other comprehensive income during the year		(2,163,222)	(1,944,292)
		<u>120,621,277</u>	<u>127,544,384</u>
10.01 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 30 June 2007 on the basis of depreciated replacement values and was duly certified by the statutory auditors.			
11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
The amount of future payments and the years in which these will become due are:			
Not later than one year		145,552	309,495
Later than one year and not later than five years		-	145,552
Later than five years		-	-
		<u>145,552</u>	<u>455,047</u>
Add: Lease key money		161,240	315,722
		<u>306,792</u>	<u>770,769</u>
Less: Financial charges allocated to future periods		96,963	137,153
Present value of minimum lease payments	11.01	209,829	633,616
Less: Current and overdue portion		209,829	269,305
		<u>-</u>	<u>364,311</u>



PUNJAB OIL MILLS LIMITED

	2011 RUPEES	2010 RUPEES
11.01 Present value of minimum lease payments		
Due not later than one year	209,829	269,305
Due later than one year but not later than five years	-	364,311
	<u>209,829</u>	<u>633,616</u>

11.02 This represents finance lease obtained from leasing companies. The liabilities under these agreements are payable under monthly instalments and are subject to financial charges at the rates ranging from 9.69% to 17.99% (2010: 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.

12 DEFERRED LIABILITIES	NOTE	2011 RUPEES	2010 RUPEES
Staff retirement benefits	12.01	29,614,121	25,916,180
Deferred Taxation	12.02	3,875,664	-
		<u>33,489,785</u>	<u>25,916,180</u>
12.01 Staff retirement benefits			
<i>Balance sheet liability</i>			
Opening balance		25,916,180	22,093,067
Amount recognized during the year		5,860,781	4,348,123
		31,776,961	26,441,190
Benefits paid during the year		(2,162,840)	(525,010)
Closing balance		<u>29,614,121</u>	<u>25,916,180</u>
<i>The amounts recognized in the balance sheet are as follows</i>			
Present value of defined benefit obligation		30,647,661	25,995,239
Unrecognized actuarial gain / (loss)		(1,533,540)	(579,059)
Benefits due but not paid		500,000	500,000
		<u>29,614,121</u>	<u>25,916,180</u>
<i>Charge for the defined benefit plan</i>			
Service cost		2,741,352	1,839,752
Interest cost		3,119,429	2,508,371
Charged to profit and loss account		<u>5,860,781</u>	<u>4,348,123</u>

The history of experience adjustments is as follows:

	2011	2010	2009	2008	2007
	<u>RUPEES</u>				
Present value of defined benefit obligation	<u>30,647,661</u>	<u>25,995,239</u>	<u>20,903,091</u>	<u>17,823,153</u>	<u>16,574,340</u>
Experience adjustment arising on plan liabilities	<u>954,481</u>	<u>(579,059)</u>	<u>-</u>	<u>689,976</u>	<u>-</u>



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12.02 Deferred taxation

Deferred taxation comprises of the following:

Deferred tax liability on taxable temporary differences
in respect of the following:

- Accelerated tax depreciation allowance
- Surplus on revaluation of assets

	2011 RUPEES	2010 RUPEES
	5,509,203	-
	4,759,885	-
	10,269,088	-

Deferred tax asset on taxable temporary differences
in respect of the following:

- Staff retirement benefits
- Lease liability
- Provision for diminution in the value of investment

	(5,817,842)	-
	(41,224)	-
	(534,358)	-
	(6,393,424)	-
	3,875,664	-

13 TRADE & OTHER PAYABLES

	NOTE	2011 RUPEES	2010 RUPEES
Creditors		14,960,427	13,955,644
Accrued expenses		36,854,914	15,103,924
Worker's profit participation fund	13.01	5,934,858	4,607,758
Security deposits		475,000	475,000
Worker's welfare fund		2,204,507	1,587,223
Tax deducted at source		4,760	11,752
Advances from customers		299,396,741	295,941,430
Sales tax payable		933,765	-
Related parties	13.02	817,188	-
		361,582,160	331,682,731

13.01 WORKERS' PROFIT PARTICIPATION FUND (WPPF)

Opening balance	4,607,758	6,377,564
Provision for the year	5,519,653	4,192,553
Mark up on WPPF	167,702	296,897
	10,295,113	10,867,014
Payment during the Year	(4,360,255)	(6,259,256)
	5,934,858	4,607,758

13.02 Related parties - unsecured

Hala Enterprises Limited

Nature of transaction:

Sharing of office expenses

	817,188	-
	817,188	-

Balances payable to related party (associated undertaking) are subject to mark up @ 16 % (2010: 16 %) p. a.



PUNJAB OIL MILLS LIMITED

14 SHORT TERM BORROWINGS	NOTE	2011 RUPEES	2010 RUPEES
Limit in million			
From Banking Companies -Secured:			
Habib Metropolitan Bank Ltd			
- Running Finance	10.00	14.01	3,389,617
- Finance against trust receipt	50.00	14.02	23,156,075
		<u>26,545,692</u>	<u>-</u>

14.01 This facility has been obtained to meet working capital requirements. It is carrying mark up @ 3 months KIBOR + 2.5% to be paid on quarterly basis. It is secured against hypothecation of stock of raw material (edible oil, tin plate/tins, chemicals, packing material etc), semi finished and finished goods and first charge for Rs. 55 million over current assets of the company registered with SECP. This facility will expire on 31 March 2012.

14.02 This facility has been obtained for retirement of LC documents. It is carrying mark up @ 3 months KIBOR + 2.5% to be paid on quarterly basis. This facility will expire on 31 March 2012.

The above mentioned facilities are collaterally secured against the following:

- Ist Parri Passu Charge for Rs. 170 million over fixed assets situated at 26, 27, 28 industrial triangle, kahuta road, Islamabad owned by the company having market value of Rs. 170.565 million and FSV Rs. 141.624 million.
- Personal guarantees of all the directors except one NIT-nominee director.

15 ACCRUED MARKUP	NOTE	2011 RUPEES	2010 RUPEES
Accrued mark up on short term borrowings		241,685	-
		<u>241,685</u>	<u>-</u>
16 PROVISION FOR TAX			
Opening balance		61,043,310	60,946,070
Add: Taxation - current		67,908,705	44,171,212
		128,952,015	105,117,282
Less: Tax payments /adjustments during the year		28,270,585	44,073,972
		<u>100,681,430</u>	<u>61,043,310</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 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. 16,950,000 (2010: 9,050,000/-) 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 confident that the ultimate decision shall be in favour of the Company. Therefore, no provision has been made in these financial statements.



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- b) 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 filed an appeal before the Commissioner Income Tax (Appeals) {CIT(A)} against the order of Taxation Officer and the case was decided in favour of the company. However, tax department filed an appeal in ITAT against the decision of the CIT(A). The matter was again decided in favour of the company. However, as the time for appeal by tax authorities to High Court has not yet elapsed, the company as a matter of prudence has not reversed the provision for an amount of Rs. 16,872,098/- as aggregate liability which was created during the prior years.

17.02 COMMITMENTS

Letters of credit for capital expenditure as at the balance sheet date amounted to Rs. 13.47 million (2010: Rs. Nil million)

Letters of credit other than for capital expenditure as at the balance sheet date amounted to Rs. 220.35 million (2010: Rs. 120.480 million)

18 PROPERTY, PLANT AND EQUIPMENT

The following is a statement of operating fixed assets (tangible):

	Land-lease hold	Building on lease hold land	Plant, machinery & equipment	Laboratory equipment	Guest house furniture & machinery	Scales & weigh bridge	Office machinery & equipment	Furniture & fixture	Owned Vehicles	Leased Vehicles	Total
RUPEES											
At 01 July 2009											
Cost	100,000,000	72,103,059	95,714,139	181,335	318,812	1,127,655	4,011,697	993,839	17,433,480	4,032,855	295,916,871
Accumulated depreciation	-	(41,319,858)	(58,427,184)	(181,202)	(286,820)	(1,063,494)	(1,887,669)	(508,675)	(9,017,624)	(1,808,681)	(114,501,207)
Net book value	100,000,000	30,783,201	37,286,955	133	31,992	64,161	2,124,028	485,164	8,415,856	2,224,174	181,415,664
Year ended 30 June 2010											
Additions	-	-	1,939,049	-	-	-	1,567,510	35,050	10,795,000	-	14,336,609
Transfers from capital work in progress during the year (note 19.01)	-	243,328	5,273,600	-	-	-	-	-	-	-	5,516,928
Transfers with in fixed assets											
Cost	-	-	-	-	-	-	-	-	2,409,000	(2,409,000)	-
Depreciation	-	-	-	-	-	-	-	-	(1,570,283)	1,570,283	-
Net book value	-	-	-	-	-	-	-	-	838,717	(838,717)	-
Disposals (note 18.03)											
Cost	-	-	-	-	-	-	-	-	(4,108,800)	-	(4,108,800)
Depreciation	-	-	-	-	-	-	-	-	2,079,956	-	2,079,956
Net book value	-	-	-	-	-	-	-	-	(2,028,844)	-	(2,028,844)
Depreciation charge for the year (note 18.01)	-	(3,092,514)	(4,146,797)	(33)	(3,199)	(7,700)	(244,740)	(49,636)	(2,752,308)	(425,683)	(10,722,610)
Net book value as at 30 June 2010	100,000,000	27,934,015	40,352,807	100	28,793	56,461	3,446,798	470,578	15,268,421	959,774	188,517,747
Year ended 30 June 2011											
Additions	-	-	1,451,359	-	-	-	460,945	106,125	7,533,500	-	9,551,929
Transfers from capital work in progress during the year (note 19.01)	-	2,317,622	1,036,509	-	-	-	-	-	-	-	3,354,131
Disposals (note 18.03)											
Cost	-	-	-	-	-	-	-	-	(327,500)	-	(327,500)
Depreciation	-	-	-	-	-	-	-	-	201,554	-	201,554
Net book value	-	-	-	-	-	-	-	-	(125,946)	-	(125,946)
Transfers with in fixed assets											
Cost	-	-	-	-	-	-	-	-	762,375	(762,375)	-
Depreciation	-	-	-	-	-	-	-	-	(473,146)	473,146	-
Net book value	-	-	-	-	-	-	-	-	289,229	(289,229)	-
Depreciation charge for the year (note 18.01)	-	(2,832,029)	(4,238,188)	(25)	(2,879)	(6,775)	(372,246)	(56,601)	(3,802,475)	(182,266)	(11,493,484)
Net book value as at 30 June 2011	100,000,000	27,419,608	38,602,487	75	25,914	49,686	3,535,497	520,102	19,162,729	488,279	189,804,377



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	Land-lease hold	Building on lease hold land	Plant, machinery & equipment	Laboratory equipment	Guest house furniture & machinery	Scales & weigh bridge	Office machinery & equipment	Furniture & fixture	Owned Vehicles	Leased Vehicles	Total
At 30 June 2010											
Cost	100,000,000	72,346,387	102,926,788	181,335	318,812	1,127,655	5,579,207	1,028,889	26,528,680	1,623,855	311,661,608
Accumulated depreciation	-	(44,412,372)	(62,573,981)	(181,235)	(290,019)	(1,071,194)	(2,132,409)	(558,311)	(11,260,259)	(664,081)	(123,143,861)
Net book value in Ruppees	100,000,000	27,934,015	40,352,807	100	28,793	56,461	3,446,798	470,578	15,268,421	959,774	188,517,747
Annual rates of depreciation (%) 2010	-	10	10-15	25	10	12	10	10	20	20	20
At 30 June 2011											
Cost	100,000,000	74,664,009	105,414,656	181,335	318,812	1,127,655	6,040,152	1,135,014	34,497,055	861,480	324,240,168
Accumulated depreciation	-	(47,244,401)	(66,812,169)	(181,260)	(292,898)	(1,077,669)	(2,504,655)	(614,912)	(15,334,326)	(373,201)	(134,435,791)
Net book value in Ruppees	100,000,000	27,419,608	38,602,487	75	25,914	49,686	3,535,497	520,102	19,162,729	488,279	189,804,377
Annual rates of depreciation (%) 2011	-	10	10-15	25	10	12	10	10	20	20	20

18.01 Depreciation charge for the year has been allocated as follows:

Cost of Sale	2011	2010
	Ruppees	Ruppees
Administrative Expenses	10,344,136	9,650,349
	1,149,348	1,072,261
	11,493,484	10,722,610

18.02 The revaluation of land, building and, 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 30 JUNE 2011	
	Cost	Written Down Value
Land lease-hold	423,524	423,524
Building	28,026,269	17,556,862
Plant, Machinery & Equipment	78,302,981	46,545,225
Ruppees 2011	106,752,774	64,102,087

18.03 DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

The following operating fixed assets with a net book value exceeding Rs. 50,000 were disposed off during the year:

PARTICULARS	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	PROFIT / (LOSS)	MODE OF DISPOSAL	BUYERS NAME
Changan Pick up (DS-6056)	327,500	201,534	125,946	504,000	378,054	Negotiation	Mr. Javed Iqbal (Rawalpindi)
Ruppees 2011	327,500	201,534	125,946	504,000	378,054		
Ruppees 2010	4,108,800	2,079,956	2,028,844	3,339,000	1,310,156		

18.04 No impairment relating to operating fixed assets has been recognised in the current year.

18.05 Included in fixed assets are assets which are secured with a bank against 1st part passu charge for Rs. 170.00 million over fixed assets (including land, plant and machinery) of the company.

18.06 The Company's obligation under finance lease are secured by lessors' title to the leased assets, which have a carrying amount of Rs. 488,279 (2010: Rs. 959,774).

PUNJAB OIL MILLS LIMITED





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19 CAPITAL WORK IN PROGRESS	NOTE	2011 RUPEES	2010 RUPEES
Opening Balance		3,078,796	3,639,482
Additions during the year		6,138,983	4,956,242
		<u>9,217,779</u>	<u>8,595,724</u>
Less: Transferred to property, plant and equipment	19.01	3,354,131	5,516,928
		<u>5,863,648</u>	<u>3,078,796</u>
19.01 Transferred to property, plant and equipment is represented by:-			
Building		2,317,622	243,328
Plant and machinery		1,036,509	5,273,600
		<u>3,354,131</u>	<u>5,516,928</u>
20 INVESTMENT IN ASSOCIATES			
At Cost:			
Premier Garments Limited - unlisted	20.01	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>
20.01 27,200 ordinary shares of Rs. 100/- each, represent 38.86% (2010; 38.86%) equity in Premier Garments Limited. 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.			
20.02 The summarized financial information of the associates over which the Company exercises significant influence, based on the audited financial statements for the year ended 30 June 2010, is as follows:			
Premier Garments Limited			
		2010 RUPEES	2009 RUPEES
Total assets		<u>15,792,121</u>	<u>17,718,719</u>
Total liabilities		<u>46,799,435</u>	<u>39,203,390</u>
Revenues		<u>-</u>	<u>-</u>
Profit after tax		<u>1,623,953</u>	<u>1,607,700</u>
21 LONG TERM DEPOSITS			
	NOTE	2011 RUPEES	2010 RUPEES
Lease key money		1,315,722	2,399,773
Additions net of transfers		(154,482)	(1,084,051)
		<u>1,161,240</u>	<u>1,315,722</u>
Deposits against bank guarantees		22,447,500	17,060,000
		<u>23,608,740</u>	<u>18,375,722</u>
22 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		42,878,673	26,826,120
Spare parts		1,282,785	1,741,324
Loose tools		320,696	435,331
		<u>44,482,154</u>	<u>29,002,775</u>
22.01 No identifiable stores and spares are held for specific capitalization.			



PUNJAB OIL MILLS LIMITED

	NOTE	2011 RUPEES	2010 RUPEES
23 STOCK IN TRADE			
Raw materials			
- In hand		48,336,028	35,459,542
- In transit		39,703,411	31,919,612
Work in process		35,719,286	32,893,295
Finished goods		80,497,624	92,310,656
		204,256,349	192,583,105
23.01 No stock in trade has been pledged with any institution / party.			
24 TRADE DEBTS			
Trade debts - unsecured but considered good		252,237,417	145,882,171
25 LOANS AND ADVANCES			
Considered good:			
Suppliers		3,459,212	2,437,249
Employees		1,409,381	1,586,583
		4,868,593	4,023,832
26 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		2,158,353	1,693,053
Letter of credit - margin		18,302,000	12,119,224
Prepayments		1,992,970	1,679,548
		22,453,323	15,491,825
27 OTHERS RECEIVABLES			
Zakat on dividend, receivable from government		76,962	76,962
Sales tax receivable		402,844	91,158
Other receivables			
- from fair price shop		374,677	132,441
		854,483	300,561
28 ADVANCE INCOME TAX			
Advance income tax		90,098,191	64,060,349
29 CASH AND BANK BALANCES			
Cash in hand		805,616	760,682
Cash with banks			
- In current accounts		3,305,992	27,357,899
- In deposit accounts	29.01	6,899,623	2,645,345
		11,011,231	30,763,926
29.01 These carry profit @ 7.50 % (2010: 6.50 %) per annum approximately			



PUNJAB OIL MILLS LIMITED

30 SALES	NOTE	2011 RUPEES	2010 RUPEES
Ghee		2,151,847,937	1,909,392,909
Cooking Oil		1,471,875,123	1,034,000,194
Speciality Fats		70,173,245	38,571,625
		<u>3,693,896,305</u>	<u>2,981,964,728</u>
Soap		60,851,101	56,697,876
Gases		4,839,841	2,720,895
		65,690,942	59,418,771
Less: Sales Tax		10,238,531	8,195,712
		<u>55,452,411</u>	<u>51,223,059</u>
		3,749,348,716	3,033,187,787
Less: Trade discount		30,306,583	10,545,409
Commission		8,775,531	4,200,642
		<u>39,082,114</u>	<u>14,746,051</u>
		<u>3,710,266,602</u>	<u>3,018,441,736</u>
31 COST OF SALE			
Raw material consumed	31.01	3,090,461,402	2,530,711,037
Stores and spare parts consumed		4,056,579	3,346,911
Chemicals consumed		32,676,677	31,251,899
Packing Materials consumed		217,384,152	201,181,610
Salaries, wages and benefits	31.02	19,573,643	18,448,336
Power, fuel and lubricants		79,220,767	74,633,665
Repair and maintenance		4,263,043	3,210,436
Filling and Loading		5,120,713	5,186,105
Insurance		1,746,610	1,604,437
Depreciation	18.01	10,344,136	9,650,349
		<u>3,464,847,722</u>	<u>2,879,224,785</u>
Work in process:			
Opening		32,893,295	20,196,335
Closing		(35,719,286)	(32,893,295)
		<u>(2,825,991)</u>	<u>(12,696,960)</u>
Cost of goods manufactured		3,462,021,731	2,866,527,825
Finished goods:			
Opening		92,310,656	62,930,282
Closing		(80,497,624)	(92,310,656)
		<u>11,813,032</u>	<u>(29,380,374)</u>
		<u>3,473,834,763</u>	<u>2,837,147,451</u>
31.01 RAW MATERIAL CONSUMED			
Opening		35,459,542	75,115,482
Purchases		3,103,337,888	2,491,055,097
		<u>3,138,797,430</u>	<u>2,566,170,579</u>
Closing		(48,336,028)	(35,459,542)
		<u>3,090,461,402</u>	<u>2,530,711,037</u>
31.02 Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 3,223 thousand (2010: Rs. 2,391 thousand).			



PUNJAB OIL MILLS LIMITED

	NOTE	2011 RUPEES	2010 RUPEES
32 SELLING AND DISTRIBUTION COST			
Salaries, wages and benefits	32.01	31,844,062	20,243,476
Travelling and Conveyance		2,014,256	1,310,127
Advertisement		20,932,470	23,199,665
Outward Carriage		11,545,398	10,366,809
		66,336,186	55,120,077
32.01 Salaries wages and other benefits include provision for staff retirement benefits for the year Rs.586 thousand (2010: Rs. 435 thousand).			
33 ADMINISTRATIVE EXPENSES			
Directors' meeting fee		128,000	17,000
Directors' remuneration		9,809,176	8,356,054
Salaries, wages and benefits	33.01	23,049,175	15,409,778
Travelling and conveyance		3,580,900	2,329,116
Entertainment		837,395	603,552
Printing and stationary		1,246,638	964,210
Postage, telephone and telex		2,182,290	1,843,896
Rent, rates and taxes		5,912,479	4,845,373
fees and subscription		1,075,915	2,338,390
Legal and professional charges		931,035	616,500
Vehicle running and maintenance		5,788,885	4,117,638
Repair and maintenance		1,421,014	1,070,145
Power, fuel and lubricant		1,206,408	1,136,553
Office expenses		2,430,479	2,286,555
Advertisement		872,186	966,653
Depreciation	18.01	1,149,348	1,072,261
		61,621,323	47,973,674
33.01 Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 2,051 thousand (2010: Rs. 1,522 thousand).			
34 FINANCE COST			
Financial charges on finance lease		40,190	95,283
Mark up on short term borrowings		849,621	-
Mark up charged by related parties		50,961	-
Mark up charged on W.P.P.F.		167,702	296,897
Bank charges		783,566	327,308
		1,892,040	719,488
35 OTHER OPERATING CHARGES			
Auditors' remuneration	35.01	655,000	655,000
Workers' profit participation fund		5,519,653	4,192,553
Workers' welfare fund		2,204,507	1,587,223
		8,379,160	6,434,776



PUNJAB OIL MILLS LIMITED

	NOTE	2011 RUPEES	2010 RUPEES
35.01 AUDITORS' REMUNERATION			
Audit fee		500,000	500,000
Half yearly review		75,000	75,000
Other attestation services		50,000	50,000
Out of pocket expenses		30,000	30,000
		<u>655,000</u>	<u>655,000</u>
36 OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposits		3,729,931	4,297,541
Mark up on loan to related parties		-	268,636
Income from non-financial assets			
Scrap Sale		150,000	204,000
Mushroom sale		38,540	-
Profit/(loss) on disposal of property, plant and equipment		378,054	1,310,156
Exchange gain/(loss)		1,542	(7,212)
		<u>4,298,067</u>	<u>6,073,121</u>
37 TAXATION			
Taxation			
-Current Year	37.01	67,908,705	44,171,212
-Prior Years		(1,587,223)	(17,371,613)
		<u>66,321,482</u>	<u>26,799,599</u>
Deferred	37.02	(884,218)	-
		<u>65,437,264</u>	<u>26,799,599</u>

37.01 - Income tax return has been filed to the income tax authorities up to and including tax year 2010 under the provisions of the Income Tax Ordinance, 2001.

- Provision for current year income tax represents final tax on locally produced oil and minimum tax on imported oil under clause 13 (C), Part II, Second Schedule and section 148 (8) of the Income Tax Ordinance, 2001 respectively. The numeric tax reconciliation has not been presented being impracticable.

37.02 Deferred taxation has been provided to the extent of income of the company chargeable under normal tax regime.

38 TRANSACTION WITH RELATED PARTY

Disclosure of transaction between the company and related parties

Related parties comprise associated companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Details of the transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:



PUNJAB OIL MILLS LIMITED

Nature of transaction	Relationship with the Company	NOTE	2011 RUPEES	2010 RUPEES
<u>Reimbursement of expenses</u>				
Sharing of office expenses				
Hala Enterprises Limited	Associated Company		1,798,553	-
			<u>1,798,553</u>	<u>-</u>

There were no transactions with directors and key management personnel other than those undertaken as per terms of their employment that have been disclosed in note 43 of the notes to the financial statements.

39 EARNINGS PER SHARE	NOTE	2011 RUPEES	2010 RUPEES
Basic Earnings per share:			
Profit after Taxation		<u>37,063,933</u>	<u>50,319,792</u>
Weighted average No. of ordinary shares	Number	<u>4,938,431</u>	<u>4,615,416</u>
			(Restated)
Earnings per share - basic	Rupees	<u>7.51</u>	<u>10.90</u>

Diluted Earnings per share:

There is no dilutive effect on the basic earnings per share of the company because the company has no such commitments.

40 FINANCIAL INSTRUMENTS BY CATEGORY	NOTE	2011 RUPEES	2010 RUPEES
Financial assets as per balance sheet			
Long term deposits		23,608,740	18,375,722
Trade debts		252,237,417	145,882,171
Loans and advances		1,409,381	1,586,583
Trade deposits and short term prepayments		20,460,353	13,812,277
Other receivables		374,677	132,441
Bank balances		10,205,615	30,003,244
		<u>308,296,183</u>	<u>209,792,438</u>
Financial liabilities as per balance sheet			
Liability against assets subject to finance lease		145,552	455,047
Trade and other payables		53,107,529	29,534,568
Short term borrowings		26,545,692	
Accrued mark-up		241,685	-
Unclaimed dividend		1,382,287	1,036,241
		<u>81,422,745</u>	<u>31,025,856</u>

40.01 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.



PUNJAB OIL MILLS LIMITED

41 FINANCIAL INSTRUMENTS

41.01 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 30 June 2011, if the Pakistani 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 lower /higher by Rs. 15,952 (2010: Rs. Nil), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade payables.

The company's exposure to currency risk is as follows:

	NOTE	2011	2010
Cash at bank -USD		3,709	-
Net exposure-USD		3,709	-

The following significant exchange rates were applied during the year:

Rupees per US Dollar			
Average rate		85.95	84.27
Reporting date rate		86.02	85.06

(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 interest rate risk arises from liabilities against assets subject to finance lease and short term borrowings. Borrowings obtained at variable rates exposes the company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

Floating rate instrument

Financial liabilities

Short term borrowings	26,545,692	-
Liabilities against assets subject to finance lease	48,589	317,894

Financial assets

Bank balances- saving accounts	6,899,623	2,645,345
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PUNJAB OIL MILLS LIMITED

Cash flow sensitivity analysis for floating rate

If interest rate at the year end date, fluctuates by 1% higher/lower with all other variables held constant, profit after taxation for the year would have been Rs. 265,942 (2010: 3,178) lower/higher, mainly as a result of higher/lower interest expense/income on floating rate borrowings and bank balances. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(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.. Out of the total financial assets of Rs. 309,101,899 (2010: Rs. 210,533,120), the maximum exposure to credit risk amounts to Rs. 308,296,183 (2010: Rs. 209,792,438).

Geographically, there 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:

Government institution and utility store	45,214,563	59,765,604
Private sector's companies	55,245,326	17,564,574
Distributors	145,258,852	65,551,993
Others	7,928,069	4,586,583
	<u>253,646,810</u>	<u>147,468,754</u>

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

Past due 0-6 months	252,591,056	146,854,946
Past due 6-12 months	158,849	92,354
More than one year	896,905	521,454
	<u>253,646,810</u>	<u>147,468,754</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 have not impaired are as under:

Long term deposits	23,608,740	18,375,722
Trade debts	252,237,417	145,882,171
Loans and advances	1,409,381	1,586,583
Short term trade deposits	20,460,353	13,812,277
Other receivables	374,677	132,441
Bank balances	10,205,615	30,003,244
	<u>308,296,183</u>	<u>209,792,438</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	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	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	A-1+	AA
MCB Bank Limited	PACRA	A-1+	AA+
Bank Of Punjab	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.

30 June 2011	Carrying Amount	Contractual cash flows	6 months or less	6 - 12 month	1 - 2 years	2 - 5 years	More than 5 years
RUPEES							
Non-derivative Financial Liabilities							
Lease Liability	48,589	145,552	109,164	36,388	-	-	-
Trade and other payables	53,107,529	53,107,529	53,107,529	-	-	-	-
Short term borrowings	26,545,692	30,800,966	28,673,329	2,127,637	-	-	-
Accrued interest/mark-up	241,685	241,685	241,685	-	-	-	-
Unclaimed dividends	1,382,287	1,382,287	1,382,287	-	-	-	-
	<u>81,325,782</u>	<u>85,678,019</u>	<u>83,513,994</u>	<u>2,164,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
RUPEES							
30 June 2010	Carrying Amount	Contractual cash flows	6 months or less	6 - 12 month	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative Financial Liabilities							
Lease Liability	317,894	455,047	191,574	117,921	145,552	-	-
Trade and other payables	29,534,568	29,534,568	29,534,568	-	-	-	-
Short term borrowings	-	-	-	-	-	-	-
Accrued interest/mark-up	-	-	-	-	-	-	-
Unclaimed dividends	787,317	787,317	787,317	-	-	-	-
	<u>30,639,779</u>	<u>30,776,932</u>	<u>30,513,459</u>	<u>117,921</u>	<u>145,552</u>	<u>-</u>	<u>-</u>

The contractual cash flows relating to above financial liabilities have been determined on the basis of interest rates/mark-up rates effective as at 30 June. The rates of interest/mark-up have been disclosed in note 11 and note 14 to these financial statements.



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42 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, 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.

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. The borrowings represents liabilities against assets subject to finance lease and short term loan obtained by the company as referred to in note 11 and 14 of the notes to the financial statements respectively. Total capital employed includes 'total equity' as shown in the balance sheet and 'borrowings'. The gearing ratio as at 30 June 2011 and as at 30 June 2010 is as follows:

	NOTE	2011 RUPEES	2010 RUPEES
Borrowings		26,545,692	-
Total equity		204,784,361	144,224,347
Total capital employed		231,330,053	144,224,347
Gearing ratio (%)		11.48%	0%

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2011 RUPEES	2010 RUPEES	2011 RUPEES	2010 RUPEES	2011 RUPEES	2010 RUPEES
Managerial remuneration	828,000	828,000	2,710,842	2,632,272	4,192,683	1,026,518
Bonus	241,500	207,000	450,937	502,068	1,627,164	398,382
House rent and utilities	372,000	372,000	1,215,084	1,203,826	1,857,858	441,600
Medical Expenses	171,402	107,097	191,452	686,689	807,569	86,322
Travelling Expenses	328,524	360,640	3,299,435	1,456,462	362,383	3,600
	1,941,426	1,874,737	7,867,750	6,481,317	8,847,657	1,956,422
Number of persons	1	1	2	3	4	2

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

44 CAPACITY AND PRODUCTION

		2011	2010
Ghee / specialty fats	M.TON	20,000	20,000
Cooking Oil	M.TON	5,000	5,000
		25,000	25,000
Actual Production			
Ghee / specialty fats	M.TON	14,934	17,701
Cooking Oil	M.TON	9,190	8,738
		24,124	26,439



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44.01 RATED CAPACITY

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

44.02 REASON FOR SHORTFALL

Ghee/Speciality fats

- Sui gas shut down
- Electricity shut down
- Fluctuation in oil prices in foreign market
- Change of trend of people from ghee to cooking oil

45 OPERATING SEGMENT

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

45.01 Revenue from sale of ghee, cooking oil, specialty fats, soap and gases represents 99.88% (2010: 99.80%) of the total income of the company.

45.02 100% (2010: 100%) of the gross sales of the Company are made to customers located in Pakistan.

45.03 All non current assets of the Company as at 30 June 2011 are located in Pakistan.

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

46 EMPLOYEES

Average number of employees during the year.

**2011
Number**

**2010
Number**

218

190

47 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors' of the Company on 26 September 2011.

48 GENERAL

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been rearranged / reclassified, wherever necessary, to facilitate comparison.


CHIEF EXECUTIVE


DIRECTOR



PUNJAB OIL MILLS LIMITED

ANNEXURE "A"

October 07, 2011

Dear Shareholder(s),

INFORMATION UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984.

In pursuance of Section 218 of the Companies Ordinance, 1984, you are hereby informed that the Board of Directors of **Punjab Oil Mills Limited** has recommended for the approval of the shareholders, an increase of the following:-

Name & Designation	Last Drawing	Increase	After Increase	Yearly
Mr. Usman Ilahi Malik Director	Rs. 200,000/-	Rs. 20,000/-	Rs. 220,000/-	Rs 2,640,000/-

The above remuneration shall be subject to such adjustments, bonuses and other entitlements as may be granted at any time and from time to time by the Board of Directors of the Company and/or in accordance with the policies and the service rules of the Company for the time being in force.

Yours sincerely,

For **PUNJAB OIL MILLS LIMITED**

(Rana Shakeel Shaukat)
Company Secretary



PUNJAB OIL MILLS LIMITED

FORM OF PROXY

LEDGER FOLIO

SHARES HELD

I/WE _____

of _____

appoint Mr. _____

of _____

(or failing him Mr. _____

of _____

(being a member of the Company) as my / our proxy to attend and vote for me / us and my /our behalf at the Annual General Meeting of the Company to be held on Saturday, October 29, 2011, at 10:30 A.M. at its Registered Office in the Mills Premises, Plot No. 26-27-28, Industrial Triangle, Kahuta Road, Islamabad and at every adjournment thereof, if any.

Signature by the said

**5 RUPEES
REVENUE
STAMP**

Witnesses:

1) Name _____

(2) Name _____

NIC No. _____

NIC No _____

Address _____

Address _____

NOTE:

A member entitled to attend and vote at this meeting may appoint another member as proxy. Proxies in order to be effective, must be received at Plot No. 26-27-28, Industrial Triangle, Kahuta Road, Islamabad, the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.



If undelivered, Please return to

Punjab Oil Mills Limited

Plot No. 26,27,28 Industrial Triangle Kahuta Road, Islamabad.