# Annual Report

**Punjab Oil Mills Limited**

# 2014

## Punjab Oil Mills Limited

An ISO 9001 : 2008 & HACCP CERTIFIED COMPANY

www.punjaboilmills.com

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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 personnel beliefs but specifically disassociates itself from any activity that challenges our commitment to cultural diversity and equal opportunity.

## Mission Statemnent

To achieve excellence in the development, production, and marketing of edible oils & fats and soap 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.

# COMPANY INFORMATION

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | Mr. Tahir Jahangir | Chairman/Director |
| | Mr. Izaz Ilahi Malik | Managing Director/<br>Chief Executive Officer |
| | Sh. Anwar A. Batla | Director |
| | Mr. Usman Ilahi Malik | Director |
| | Mr. Jillani Jahangir | Certified Director |
| | Syed Zubair Ahmed Shah | Director (NIT Nominee) |
| | Syed Tahir Hussain Shah | Independent Director |
| **AUDIT COMMITTEE** | Syed Tahir Hussain Shah | Chairman |
| | Sh. Anwar Ahmad Batla | Member |
| | Syed Zubair Ahmad Shah | Member |
| | Mr. Usman Ilahi Malik | Member |
| **HUMAN RESOURCE & REMUNERATION COMMITTEE** | Sh. Anwar Ahmad Batla | Chairman |
| | Mr. Jillani Jahangir | Member |
| | Syed Tahir Hussain Shah | Member |
| | Mr. Izaz Ilahi Malik | Member |
| **CHIEF FINANCIAL OFFICER** | Mr. Muhammad Saeed Malik | |
| **COMPANY SECRETARY** | Mr. Umer Sharif | |
| **HEAD OF INTERNAL AUDIT** | Mr. Usman Saleem | |
| **AUDITORS** | M/s Maqbool Haroon Shahid Safdar & Co.<br>Chartered Accountants | |
| **LEGAL ADVISORS** | A.G.H.S Law Associates | |
| **BANKERS** | MCB Bank Limited<br>Habib Metropolitan Bank Limited<br>Faysal Bank Limited<br>JS Bank Limited | |
| **REGISTERED OFFICE** | Plot No. 26-28, Industrial Triangle, Kahuta Road, Islamabad<br>Tel: 051-4490017-20, Fax: 051 -4490016 & 4492803<br>Email. corporate@punjaboilmills.com<br>Website: www.punjaboilmills.com | |
| **SHARE REGISTRAR OFFICE** | M/s Corplink (Private) Limited<br>Wings Arcade, 1 -K, Commercial Model Town, Lahore<br>Tel: 042-35916714, 35916719 Fax: 042-35869037<br>Email. corplink786@yahoo.com | |

# Information for Shareholders

### Company's Registered Office/Works

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

### Share Registrar

M/s Corplink (Private) Limited
Wings Arcade, 1-K, Commercial Model Town, Lahore
Tel: 042-35916714, 042-35916719
Fax: 042-35869037

### Listing on Stock Exchanges

Punjab Oil Mills Limited is listed on:
Karachi Stock Exchange Limited
Lahore Stock Exchange Limited
Islamabad Stock Exchange Limited

### Stock Symbol

The stock symbol for dealing in equity shares of Punjab Oil Mills Limited is 'POML'

### Listing Fees

The Annual listing fee for the Financial Year 2014-2015 has been paid within the prescribed time limit.

### Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing requirements.

### Share Transfer System

Share transfers received by the Company's Share Registrar are registered within the prescribed period.

### Notification of SECP for the purpose of CNIC of Shareholders

The shareholders are informed that SECP through SRO 779(1)2011 dated August 18, 2011 has made it mandatory that dividend warrants issued by the issuer should bear Computerized National Identity Card (CNIC) numbers of the registered shareholders, except in the case of minor(s) and corporate shareholders. The shareholders are, therefore, requested to provide by mail or fax, photocopy of their CNIC and in case of foreigner copy of passport, unless it has already been provided.

### Dividend Mandate (Optional)

Transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed". The revised form of transfer deed will enable the transferees to received cash dividend directly in their bank accounts, if such transferee provides particulars of his/her/its bank account which he/she/it desires to be used for credit of cash dividend. The existing shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" if they so desire. Shareholders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant/CDC Investor Account Service.

### Annual General Meetings

Pursuant to Section 158 of the Companies Ordinance, 1984, The Company holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore & Islamabad.

### Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his/her proxy to attend and vote on his/her behalf. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy who ought to be a member of the Company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the registered office of the Company not less then forty eight hours before the meeting.

### Financial Information

The Company has uploaded the Annual and Quarterly Accounts on the Company's website.

### Company's Website

Updated information regarding the Company can be accessed at www.punjaboilmills.com. The website contains the latest financial results of the Company together with Company's profile and product range.

### Share Price and Volume

The following table shows the monthly high, low and closing share prices of the Company and the volume of shares traded on the Karachi Stock Exchange during the Financial Year Ended June 30, 2014.

| Months | | Highest Rate (Rs.) | Lowest Rate (Rs.) | Closing Rate (Rs.) | No. of Shares Traded |
|---|---|---|---|---|---|
| July | 2013 | 63.50 | 63.50 | 63.50 | - |
| August | 2013 | 63.50 | 63.50 | 63.50 | - |
| September | 2013 | 63.50 | 63.50 | 63.50 | - |
| October | 2013 | 61.00 | 61.00 | 61.00 | 500 |
| November | 2013 | 65.10 | 60.00 | 64.58 | 5000 |
| December | 2013 | 89.05 | 67.35 | 82.20 | 31,500 |
| January | 2014 | 142.99 | 92.60 | 133.00 | 38,000 |
| February | 2014 | 126.35 | 90.25 | 90.25 | 10,000 |
| March | 2014 | 115.16 | 94.76 | 96.00 | 14,000 |
| April | 2014 | 119.22 | 95.76 | 119.22 | 19,000 |
| May | 2014 | 116.24 | 94.78 | 94.78 | 1,500 |
| June | 2014 | 104.79 | 80.00 | 104.79 | 82,000 |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of the shareholders of **PUNJAB OIL MILLS LIMITED** will be held on Thursday, October 30 , 2014 at 11.00 A.M. at Plot No. 26, 27, 28 Industrial Triangle, Kahuta Road, Islamabad to transact the following business:

**ORDINARY BUSINESS**

1. To confirm the minutes of the 32nd Annual General Meeting of the company held on October 31, 2013.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
3. To approve Final Cash Dividend @ 10% i.e. Rs.1.00 per Share. This is in addition to interim dividend already paid @ 25% [i.e. Rs. 2.50 per share] announced by the Board of Directors of the Company for the financial year 2013-2014.
4. To appoint External Auditors of the Company for the year ending June 30, 2015 as recommended by the Board of Directors and to fix their remuneration.

**SPECIAL BUSINESS**

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

By order of the Board

Lahore:
October 05, 2014

**(Umer Sharif)**
Company Secretary

**Notes:**

1. The Share Transfer Books of the Company will remain closed from October 23, 2014 to October 30, 2014 (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.

**Disclosure to the Shareholders under Section 218 of the Companies Ordinance 1984 is being sent to the members alongwith Annual Report 2014.**

# Directors' Report

The Director of the company take pleasure in presenting the 33rd Annual Report together with the Company's Audited Annual Financial Statements for the year ended June 30, 2014. The Director's Report under Section 236 of the Companies Ordinance, 1984 and revised CCG 2012 will be put forward to the members at the Thirty third Annual General Meeting of the Company to be held on October 30, 2014.

**Operating Results**

Sales revenue for the year under review increased by 5.5% compared to the same period last year. While on the whole this was a combination of better average prices and better volumes, the most appreciable contributor was our cooking oils line of products that increased in revenue and volumes by 15.4% and 11.90% respectively. This was a result of increased marketing efforts on branding activities as well better leveraging of our sales network to build new customers and expand coverage.

Gross margins improved to 10.5% from 9.0% compared to same period last year. This also represented an improvement in quarter on quarter margins as estimated in our 9 monthly review, enabling us improve our profitability for the full year during the last quarter. This significant improvement was a result of increase share of higher margin cooking oil products as well as better margins in banaspati products due to branding activities and favorable raw material prices. As a result, gross profit increase by 24% for the year under review.

The improved profitability at the gross level enabled us to maintain our operating margins despite higher selling and distribution expenses, that increased by almost 37% for the year. This increase can primarily be attributed to higher advertisement expense on CanOlive as well as more marketing support given to our banaspati brand to bolster its premium positioning in the market. Administration costs also showed an upwards trend due to general inflation and higher wages. Largest contributors were Directors' remuneration and provision for doubtful debts/written off. However, despite increased operating expenses, the operating profit increased by 8.5% for the year due to improved gross margins.

Lower financial charges, higher contribution to WWF and WPPF, and higher other income combined with better operating profits to increase profit before tax by 10.5% for the twelve months under review compared to the same period last year. As previous year a provision of PKR 19.6 million had been made in taxation on account of Notice U/S 162/205 given by Inland Revenue officer LTU as additional tax charge of 2% on imported oil in view of increase in income tax at import stage of oil to 5% from 3%, the current period's total tax actually declined. As a result the company posted a profit after tax of PKR 83.5 million for the year, a 32.5% growth from after-tax profit of PKR 63.0 million recorded last year.

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

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

## Financial Results

### Financial and Operating Results

| | 2014 RUPEES | 2013 RUPEES |
|---|---|---|
| Operating Profit | 190,084,326 | 175,188,618 |
| Finance cost & other charges | (17,494,637) | (17,269,571) |
| Other operating income | 7,725,773 | 5,296,673 |
| Profit before taxation | 180,315,462 | 163,215,720 |
| Taxation | (96,781,597) | (100,177,604) |
| Profit after tax | 83,533,865 | 63,038,116 |
| Un-appropriated profit brought forward | 195,404,219 | 129,840,087 |
| Available for appropriation | 278,938,084 | 192,878,203 |

| Appropriations:- | 2014 RUPEES | 2013 RUPEES |
|---|---|---|
| 15% Interim dividend paid during the Year 2013 | - | (8,085,978) |
| 10% Final dividend for the Year 2013 | (5,390,652) | - |
| 25% Interim dividend during the Year 2014 | (13,476,630) | - |
| **Effect of changes** | | |
| In accounting policy in respect of staff Retirment benefit obligation net of tax | (11,130,268) | (241,877) |
| on revaluation of property, plant and equipment | 10,079,884 | 10,853,871 |
| Balance as at June 30, 214/2013 | 259,020,418 | 195,404,219 |

### Diselosure of Dividend & Bonus Shares

During the year under review the Board of Directors approved 25% Interim Cash Dividend and paid to the Shareholders within stipulated time period in accordance with the applicable law. The Board has also proposed final cash dividend at the rate of 10% for the year ended 30 June 2014 to all the shareholders of the company.

### Contribution to the National Exchequer

During the year the company contributed Rs. 395.830 Million to the national exchequer in the forms of various duties and taxes.

### Corporate Affairs

The shareholders elected seven Directors of the Board for the tenure of three years in their Extraordinary General Meeting held on December 29, 2013. The Board is going to retire in December 2016.

### Board Meetings

During the year under review, six meetings of the Board of Directors were held from July 2013 to June 2014. All written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

Attendance by each Director was as under:

| Sr. No. | Name of Director | Meetings Attended |
|---|---|---|
| 1. | Mr. Tahir Jahangir | 6 |
| 2. | Mr. Izaz Ilahi Malik | 6 |
| 3. | Sh. Anwar A.Batla | 6 |
| 4. | Mr. Usman Ilahi Malik | 5 |
| 5. | Syed Zubair Ahmad Shah | 5 |
| 6. | Mr. Jillani Jahangir | 5 |
| 7. | Mr.Furqan Anwar Batla | 3 |
| 8. | Syed Tahir Hussain Shah | 3 |

Leave of absence was granted to the members not attending the Board Meeting. The Minutes of the meetings were appropriately recorded and circulated within the stipulated time.

In accordance with CCG the Chief Financial Officer and Company Secretary were attended all meetings during the year June 30, 2014.

### Audit Committee

The Board of Directors of the Company has set up an Audit Committee comprising of three members in accordance with the Code of Corporate Governance; two of whom are Non-Executive Directors including the Chairman of the Committee. During the year June 30, 2014, four (4) meetings of the committee were held. Attendance by each member was as under:

| Sr. No. | Name of Members | Meetings Attended |
|---|---|---|
| 1. | Syed Tahir Hussain Shah (Chairman) | 2 |
| 2. | Sh. Anwar A.Batla ( Member) | 4 |
| 3. | Syed Zubair Ahmad Shah (Member) | 4 |
| 4. | Mr. Usman Ilahi Malik (Member) | 4 |

In compliance with the Code of Corporate Governance, Audit Committee also met with the External Auditors without the Chief Financial

Officer and Head of Internal Audit once in a year.

**Terms of reference of Audit Committee**

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

(i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.

(ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.

(iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.

(v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.

(vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors or the CEO from time to time.

**Human Resource and Remuneration Committee**

The Board has established a Human Resource and Remuneration Committee comprising of four members mentioned below. During the year under review one meeting was held attended as follows:

| Sr. No. | Name of Members | Meeting Attended |
|---|---|---|
| 1. | Sh. Anwar Ahmed Batla (Chairman) | 1 |
| 2. | Mr. Izaz Ilahi Malik (Member) | 1 |
| 3. | Mr. Usman Ilahi Malik (Member) | 1 |
| 4. | Mr. Furqan Anwar Batla (Member) | 1 |
| 5. | Mr. Jillani Jahangir (Member) | 0 |

**Terms of Reference**

The Committee shall be responsible for:

i) recommending human resource management policies to the board;

ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;

iii) recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and

iv) Considering and approving recommendations to CEO on key management positions who report directly to CEO or COO.

**Internal Audit and Control**

The Board has set up an independent audit function headed by a qualified and a full time employee of the Company reporting to the Chairman Audit Committee and administratively to the Chief Executive Officer. The scope of internal audit within the Company is clearly defined which broadly involves review and evaluation of its' internal control system in accordance with business risk assessments. This includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and compliance with laws and regulations. The Internal Audit also undertakes special studies, value for money studies and such other special projects as and when required by the Board Audit Committee and the CEO.

**Corporate Governance**

The Board gives prime importance to conducting the company’s business in accordance with the best international and local corporate governance practices and is committed to inculcating healthy corporate culture, ethical business practices, reliable and transparent financial reporting, open communication channels with the stakeholders, and compliance with applicable laws and regulations. As a result, good corporate governance principles have been deeply ingrained in Company's decision making and operating set-up as well as monitoring processes.

The Company recognizes and respects the rights of each and every stakeholder including shareholders, employees, financiers, creditors, business partners, local communities and others. The Company encourages active participation of shareholders in all general meetings of the Company and values their views towards better governance and operational management. The Company is also cognizant of its legal and ethical obligations towards its business partners, local communities and other stakeholders; and takes appropriate actions to timely respond to their expectations after taking into account a pragmatic view of their interests associated with the Company.

The status of each Director on Company's Board whether non-executive, executive or independent has been disclosed in this report in accordance with the revised Code of Corporate Governance, 2012 (CCG) issued by the Securities and Exchange Commission of Pakistan.

The Code of Conduct for directors and employees of the Company has been approved by the Board and changes were made in line with the new requirements stated in the revised CCG. The said Code of Conduct strengthens the standard for professional business-like behavior expected of directors and employees and binds them to demonstrate ethical, honest and responsible attitude. The Code has been disseminated across the Company to all directors and employees for their information compliance.

Before each meeting of the board of directors a closed period is declared by the Company during which directors, CEO, executives of the Company and their spouses are not allowed to trade in shares of the Company in any manner, whether directly or indirectly. The Board has reviewed the status of ‹executives› in terms of clause (xvi) of CCG and has set a threshold defining categories of management employees as ‹executives› consequent to which they are subject to additional regulatory requirements for trading and disclosing their transactions in Company shares.

The Directors of the Company are fully aware of their duties and responsibilities and strive to discharge their fiduciary responsibilities in the best possible manner in compliance with all applicable corporate laws and regulations.

During the year, the Board was actively involved in performing their duties including those required to be performed under various laws and the Memorandum and Articles of Association of the Company with the ultimate objective of safeguarding the interests of the shareholders, enhancing the profitability of the Company, increasing shareholders' wealth and promoting market confidence.

**Corporate and Financial Reporting Framework**

(i) The financial statements, prepared by the Management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

(ii) Proper books of account of the Company have been maintained.

(iii) Appropriate accounting policies have been applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

(iv) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

(v) The system of internal control is sound in design and has been effectively implemented and monitored.

(vi) There are no significant doubts upon the Company's ability to continue as a going concern.

(vii) Key operating and financial data of last six years has been given in the Annual Report.

(viii) Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts.

(ix) Significant plans and decisions regarding corporate restructuring, business expansion and discontinuance of operations along with future prospects, risks and uncertainties have been disclosed in relevant sections of Directors Report.

(x) The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2014 are as follows:

**Gratuity Fund Rs. 50.820 Million**

(xi) Details of number of Board and Committees' meetings held during the year and attendance by each Director have been disclosed in the Annual Report. Leave of absence was granted to Directors who could not attend some of the board and committee meetings.

(xii) A statement of the pattern of shareholding in the Company as at 30 June, 2014 of certain classes of shareholders whose disclosure is required under the revised CCG and the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown in the Annual Report.

**Code of Conduct**

The Company has prepared a **"Code of Conduct Directors and Employee"** and approved by the Board.

**Priority Standards of Conduct**

**i) Safety:** There can be no production without safety.
**ii) Quality:** To achieve total customer satisfaction by manufacturing and marketing products that achieve the highest quality levels for any given price and provide the customer with the best value for their money. We stand to maximize customer utility for all users of our products by strictly conforming to all relevant food laws and standards, adapting, enhancing and innovating product attributes to better serve customer needs, continually improving our quality management systems, and controlling our costs and prices.
**iii) Productivity:** With safety and quality each of us will strive to excel the performance in all fields of our activities i.e. Production, Sales & Marketing, Planning & Development, Finance, Import, Supply Chain Management, Human Resources & Administration etc.

**Safety, Health and Environment**

Punjab Oil Mills Limited conducts its business responsibly and in a way to make sure health, safety and protection from environmental aspects of its associates and the society. We implement and maintain the programs that provide reasonable assurance that the business will do the following:

1) To comply with all applicable government and internal health, safety and environmental requirements.
2) Design facilities and conduct operations in a way that avoids risk to human health, safety and the environment.

**Compliance with the Code of Corporate Governance**

The Statement of Compliance with the Code of Corporate Governance is annexed with the Annual Report.

**Corporate Social Responsibility**

Punjab Oil Mills is cognizant of its legal and ethical responsibilities towards the local communities where it operates. As such the board has authorized the management to exercise its corporate social responsibilities by serving the local communities in the areas of health and education. The management is currently working on setting up a free water filtration plant outside the boundary wall of the Factory to facilitate the neighboring community and is also collaborating with the Pakistan National Heart Association in providing free medicines and medical camps and raising awareness of Heart Diseases in the public.

**ISO 9001: 2008 and Dutch HACCP Certifications**

The company has fully documented and independently certified quality management and food safety management systems as per the rules of ISO 9001:2008 and Dutch HACCP. This ensures that the products made by us conform to the highest quality standards and are free from all types of food safety hazards to safe guard the health of our consumers. We are the only Pakistani company that regularly tests its premium cooking oils for pesticides and other harmful chemicals as per international standards from an accredited laboratory in Germany.

**Director Training Program**

In compliance with the Code of Corporate Governance 2012, during the year under review one Director attended the Corporate Governance Leadership Skills (CGLS) Program of the Pakistan Institute of Corporate Governance (PICG) and obtained the required Certificate. Two Directors meet the criteria of exemption under the clause (xi) of the Code and are accordingly exempted from the Directors' Training Program. Arrangements are being made for the remaining Directors to acquire the required certification under the Directors' Training Program.

**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.

**Transaction with Related Parties**

The Board of Directors has approved the policy for transaction / contract between the 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

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

The statement of pattern of shareholding along with categories of shareholders of the company as at June 30, 2014, as required under Section 236 of the Companies Ordinance,1984 and Code of Corporate Governance is annexed with this report.

**Statutory Auditors of the Company**

The present Auditor of the Company, M/s Maqbool Haroon Shahid Safdar and Company, Chartered Accountants, Lahore, shall retire and being eligible, offer themselves for re-appointment for the year 2014-2015. The Audit Committee of the Board has recommended their re-appointment as Auditors of the Company for the year ending June 30,2015 on the same remuneration.

**Outlook for the Year 2015**

Although the year under review was a challenging one with continued stiff competition from other players, general economic weakness of the country and ever increasing input costs, the management's focus on maintaining margins by investing in brands enabled it to both improve volumes and margins. Even though this strategy entailed continual increases in selling and distribution costs, it is beginning to payoff in the form of improved profitability.

The management strongly feels that the improved financial performance of the company is an ideal opportunity to explore and execute growth strategies in terms of revenue and profits. While our current strategy of growing our higher margins products via increased marketing is yielding dividends and should be continued, there is also a need to revisit the plan of upgrading our banaspati production facilities to the modern,. physical refining system, replacing the more costly (running cost) and out dated chemical refining system. The cost is estimated at 50.00 million.

It should be noted that to continue our strategy of investing in brands and technology to drive sales, profitability and profits, we need to retain our earnings to finance the same or look for alternate, and possibly more expensive, sources of funding.

Although our profitability in the first quarter is expected to be on target, more than anticipated gas shortages and decreased oil prices are beginning to cut into our margins, and may have an impact in the 2nd quarter. This is particularly accentuated by the fact that most of our competitors have shifted production to Karachi, where, due to better availability of gas, they are able to achieve much lower processing cost by using gas for both steam and electricity generation. However, the management is focused on controlling costs and maintaining prices to be on course for full year profit targets.

**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 during the period. We expect continued efforts from our 'employees to achieve even better results in the next year.

And last, but not the least, the management is thankful to the board for its usual support and guidance in executing the vision and objectives set for the company.

For and on behalf of the Board

Izaz Ilahi Malik
Chief Executive Officer

# Statement of Compliance
## with the best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Listing Regulations of Karachi, Lahore and 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present, the board includes:

| Category | Names |
|---|---|
| Non-Executive Directors | i) Sh. Anwar Ahmed Batla<br>ii) Syed Zubair Ahmed Shah<br>iii) Mr. Jillani Jahangir |
| Executive Directors | i) Mr. Tahir Jahangir<br>ii) Mr. Izaz Ilahi Malik<br>iii) Mr. Usman Ilahi Malik |
| Independent Director | i) Syed Tahir Hussain Shah |

The independent directors meet the criteria of independent under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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 NBFI. None of the directors is a member of any of the Stock Exchanges.

4. No. casual vacancy occurred on the Board during the year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings.

The minutes of the meetings were appropriately recorded and circulated.

9. In compliance with the Code of Corporate Governance 2012, during the year under review one Director attended the Corporate Governance Leadership Skills (CGLS) Program of the Pakistan Institute of Corporate Governance (PICG) and obtained the required Certificate. Two Directors meet the criteria of exemption under the clause (xi) of the Code and are accordingly exempted from the Directors' Training Program. Arrangements are being made for the remaining Directors to acquire the required certification under the Directors Training Program.

10. The Board has approved appointments of the Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment in compliance of the Code of Corporate Governance, 2012.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and 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. During the year Directors purchased shares from the Market and properly disclosed to SECP and Joint Registrar of the Company.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors including Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of four (4) members, of whom two (2) are non-executive directors including Chairman of the Committee.

18. The Board has set up an effective Internal Audit-function headed by an internal auditor who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and Stock Exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Izaz Ilahi Malik
Chief Executive Officer

## KEY FINANCIAL DATA LAST SIX YEARS

| PARTICULARS | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|
| Issued, Subscribed and paid up capital | 30,628,700 | 38,285,875 | 53,906,520 | 53,906,520 | 53,906,520 | 53,906,520 |
| Capital Reserves | 1,880,875 | 1,880,875 | 23,137,159 | 23,137,159 | 23,137,159 | 23,137,159 |
| General Reserves | 8,600,000 | 8,600,000 | 8,600,000 | 8,600,000 | 8,600,000 | 8,600,000 |
| Deferred Liabilities | 22,093,067 | 25,916,180 | 33,489,785 | 56,722,063 | 54,013,247 | 61,370,223 |
| Current Liabilities | 403,849,997 | 394,031,587 | 490,643,083 | 595,454,035 | 622,938,678 | 698,221,198 |
| Operating Fixed Assets | 185,055,146 | 191,596,543 | 195,668,025 | 386,991,777 | 393,416,290 | 380,269,303 |
| Current Assets | 454,214,298 | 482,108,544 | 630,261,741 | 720,718,980 | 814,982,248 | 969,707,270 |
| Sales | 2,809,909,510 | 3,018,441,736 | 3,710,266,602 | 4,168,048,880 | 4,525,960,699 | 4,772,826,452 |
| Gross Profit | 184,599,614 | 181,294,285 | 236,431,839 | 243,071,754 | 405,375,055 | 502,724,939 |
| Operating Profit | 99,660,849 | 78,200,534 | 108,474,330 | 92,261,564 | 175,188,618 | 190,084,326 |
| Profit before taxation | 103,477,686 | 77,119,391 | 102,501,197 | 83,338,733 | 163,215,720 | 180,315,462 |
| Profit after taxation | 40,271,487 | 50,319,792 | 37,063,933 | 9,142,831 | 63,038,116 | 83,533,865 |

# 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 2014 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's 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 cnable 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 require 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 compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2014.

Maqbool Haroon Shahid Safdar Co

Lahore
Date: 30 September 2014.

Maqbool Haroon Shahid Safdar and Company
Chartered Accountants
Shahid Mehmood

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Punjab Oil Mills Limited ('the company') as at 30 June 2014 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 knowlege 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 out audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts 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 2014 and of the profit, total comprehensive income, its cash flow and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat & Ushr Ordinance, 1980, was dedicated by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Maqbool Haroon Shahid Safdar

Lahore
Date: 30 September 2014.

Maqbool Haroon Shahid Safdar and Company
Chartered Accountants
Shahid Mehmood

# BALANCE SHEET
## AS AT 30 JUNE 2014

| EQUITY AND LIABILITIES | NOTE | 2014 RUPEES | (Restated) 2013 RUPEES | (Restated) 01 July 2012 RUPEES |
|---|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | | |
| Authorized share capital | | | | |
| 10,000,000 (2013: 10,000,000) ordinary shares of Rs. 10/- each | | 100,000,000 | 100,000,000 | 100,000,000 |
| Issued, subscribed and paid-up capital | 7 | 53,906,520 | 53,906,520 | 53,906,520 |
| Capital reserves | 8 | 23,137,159 | 23,137,159 | 23,137,159 |
| Revenue reserves | 9 | 267,620,418 | 204,004,219 | 138,440,087 |
| | | 344,664,097 | 281,047,898 | 215,483,766 |
| Surplus on revaluation of property, plant and equipment- net of tax | 10 | 254,783,555 | 261,492,051 | 271,076,508 |
| **NON CURRENT LIABILITIES** | | | | |
| Deferred liabilities | 11 | 61,370,223 | 54,013,247 | 56,722,063 |
| **CURRENT LIABILITIES** | | | | |
| Trade & other payables | 12 | 530,227,540 | 485,981,730 | 446,205,845 |
| Short term borrowings | 13 | - | 452,790 | 42,270,954 |
| Accrued mark up | 14 | - | 106,709 | 40,066 |
| Unclaimed dividend | | 1,889,595 | 1,358,641 | 1,038,344 |
| Provision for taxation | 15 | 166,104,063 | 135,038,808 | 105,898,826 |
| | | 698,221,198 | 622,938,678 | 595,454,035 |
| Contingencies & Commitments | 16 | - | - | - |
| | | **1,359,039,073** | **1,219,491,874** | **1,138,736,372** |
| **ASSETS** | | | | |
| **NON CURRENT ASSETS** | | | | |
| **Tangible fixed assets** | | | | |
| Property, plant and equipment | 17 | 376,504,811 | 390,192,404 | 386,399,878 |
| Capital work in progress | 18 | 3,764,492 | 3,223,886 | 591,899 |
| | | 380,269,303 | 393,416,290 | 386,991,777 |
| Intangible assets | 19 | - | 6,145,836 | 13,520,833 |
| Investment in associates | 20 | - | - | - |
| Long term deposits | 21 | 9,062,500 | 4,947,500 | 17,504,782 |
| **CURRENT ASSETS** | | | | |
| Stores, spare parts and loose tools | 22 | 46,530,340 | 51,368,863 | 50,962,838 |
| Stock in trade | 23 | 127,316,215 | 165,914,877 | 230,480,406 |
| Trade debts | 24 | 588,806,686 | 427,435,619 | 288,180,298 |
| Loans and advances | 25 | 22,316,605 | 16,894,607 | 9,562,815 |
| Trade deposits and short term prepayments | 26 | 16,208,408 | 14,434,542 | 21,558,500 |
| Other receivables | 27 | 1,301,487 | 843,054 | 5,221,326 |
| Advance income tax | 28 | 130,441,757 | 96,798,490 | 93,018,975 |
| Cash and bank balances | 29 | 36,785,772 | 41,292,196 | 21,733,822 |
| | | 969,707,270 | 814,982,248 | 720,718,980 |
| | | **1,359,039,073** | **1,219,491,874** | **1,138,736,372** |

The annexed notes from 01 to 49 form an integral part of these financial statements.

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE OFFICER

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 30 JUNE 2014

| | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Sales - net | 30 | 4,772,826,452 | 4,525,960,699 |
| Cost of sales | 31 | 4,270,101,513 | 4,120,585,644 |
| Gross profit | | 502,724,939 | 405,375,055 |
| Operating expenses: | | | |
| Selling and distribution cost | 32 | 208,613,698 | 152,426,296 |
| Administrative expenses | 33 | 104,026,915 | 77,760,141 |
| | | 312,640,613 | 230,186,437 |
| Operating profit | | 190,084,326 | 175,188,618 |
| Finance cost | 34 | 3,153,339 | 4,321,063 |
| Other operating charges | 35 | 14,341,298 | 12,948,508 |
| | | 17,494,637 | 17,269,571 |
| | | 172,589,689 | 157,919,047 |
| Other income | 36 | 7,725,773 | 5,296,673 |
| Profit before taxation | | 180,315,462 | 163,215,720 |
| Taxation | 37 | 96,781,597 | 100,177,604 |
| Profit after taxation | | 83,533,865 | 63,038,116 |
| Earnings per share - Basic and diluted | 39 | 15.50 | 11.69 |

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

The annexed notes from 01 to 49 form an integral part of these financial statements.

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE OFFICER

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 RUPEES | 2013 RUPEES Restated |
|---|---|---|
| **Profit for the year** | 83,533,865 | 63,038,116 |
| **Other comprehensive income:** | | |
| Items that will not be reclassified to profit and loss account: | | |
| Change in accounting policy for recognition of actuarial gains and losses | (12,871,826) | (289,500) |
| Deferred tax thereon | 1,741,558 | 47,623 |
| | (11,130,268) | (241,877) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **72,403,597** | **62,796,239** |

The annexed notes from 01 to 49 form an integral part of these financial statements.

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE OFFICER

## CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2014

| CASH FLOW FROM OPERATING ACTIVITIES | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Profit for the year before taxation | | 180,315,462 | 163,215,720 |
| Adjustments for following items: | | | |
| Workers' profit participation fund | | 9,708,263 | 8,783,323 |
| Workers' welfare fund | | 3,878,035 | 3,510,185 |
| Gain on disposal of property, plant and equipment | | (1,502,576) | (1,664,258) |
| Provision for staff retirement benefits | | 5,876,704 | 6,465,484 |
| Provision for doubtful debts | | 6,440,152 | - |
| Depreciation | | 26,212,601 | 25,734,990 |
| Amortization | | 6,145,836 | 7,374,997 |
| Finance cost | | 3,153,339 | 4,321,063 |
| | | 59,912,354 | 54,525,784 |
| **Operating Profit before Working Capital Changes** | | 240,227,816 | 217,741,504 |
| **(Increase)/Decrease in Current Assets:** | | | |
| Stores, spare parts and loose tools | | 4,838,523 | (406,025) |
| Stock in trade | | 38,598,662 | 64,565,529 |
| Trade debts | | (167,811,219) | (139,255,321) |
| Loan and advances | | (5,421,998) | (7,331,792) |
| Trade deposits and short term prepayments | | (1,773,866) | 7,123,958 |
| Other receivables | | (458,433) | 4,378,272 |
| | | (132,028,331) | (70,925,379) |
| **Increase / (Decrease) in Current Liabilities:** | | | |
| Trade & other payables | | 43,406,529 | 32,463,272 |
| Cash generated from operations | | 151,606,014 | 179,279,397 |
| Workers' profit participation fund paid | | (9,500,331) | (3,345,654) |
| Workers' welfare fund paid | | (3,510,185) | (1,792,468) |
| Staff retirement benefits paid | | (3,455,380) | (3,416,400) |
| Finance cost paid | | (2,996,548) | (4,097,193) |
| Income tax paid | | (102,182,837) | (79,547,501) |
| Dividend paid | | (18,336,328) | (7,765,681) |
| | | (139,981,609) | (99,964,897) |
| **Net cash generated from operating activities** | | **11,624,405** | **79,314,500** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | (8,907,136) | (25,040,473) |
| Proceeds from disposal of property, plant and equipment | | 2,103,000 | 2,124,000 |
| Capital work in progress | | (4,758,903) | (7,578,771) |
| Long term deposits | | (4,115,000) | 12,557,282 |
| **Net cash flow used in investing activities** | | **(15,678,039)** | **(17,937,962)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Short term borrowings | | (452,790) | (41,818,164) |
| **Net cash used in financing activities** | | **(452,790)** | **(41,818,164)** |
| Net increase in Cash and Cash Equivalents | | (4,506,424) | 19,558,374 |
| Cash and Cash Equivalents at the beginning of the year | | 41,292,196 | 21,733,822 |
| Cash and Cash Equivalents at the end of the year | 29 | **36,785,772** | **41,292,196** |

**CHAIRMAN / DIRECTOR** **CHIEF EXECUTIVE OFFICER**

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2014

(RUPEES)

| | SHARE CAPITAL | CAPITAL RESERVES | REVENUE RESERVES | | TOTAL |
|---|---|---|---|---|---|
| | | | GENERAL RESERVES | UN-APPROPRIATED PROFIT | |
| **Balance as at 01 July 2012** | **53,906,520** | **23,137,159** | **8,600,000** | **131,099,891** | **216,743,570** |
| Effect of change in accounting policy in respect of remeasurement of staff retirement benefit obligation (Note 11.03) | - | - | - | (1,259,804) | (1,259,804) |
| **Balance as at 01 July 2012 - Restated** | **53,906,520** | **23,137,159** | **8,600,000** | **129,840,087** | **215,483,766** |
| Profit for the year ended 30 June 2013 | - | - | - | 63,038,116 | 63,038,116 |
| Transfer from surplus on revaluation of property, plant and equipment on account of - Incremental depreciation - net of deferred tax | - | - | - | 10,853,871 | 10,853,871 |
| Effect of change in accounting policy in respect of remeasurement of staff retirement benefit obligation - net of deferred tax | - | - | - | (241,877) | (241,877) |
| | - | - | - | 73,650,110 | 73,650,110 |
| ***Transaction with owners recorded directly in Equity - Distributions*** | | | | | |
| 15 % interim dividend for the year 2013 | - | - | - | (8,085,978) | (8,085,978) |
| **Balance as at 01 July 2013 - Restated** | **53,906,520** | **23,137,159** | **8,600,000** | **195,404,219** | **281,047,898** |
| **Total Comprehensive Income for the year** | | | | | |
| Profit for the year ended 30 June 2014 | - | - | - | 83,533,865 | 83,533,865 |
| Transfer from surplus on revaluation of property, plant and equipment on account of - Incremental depreciation - net of deferred tax | - | - | - | 10,079,884 | 10,079,884 |
| Effect of change in accounting policy in respect of remeasurement of staff retirement benefit obligation - net of deferred tax | - | - | - | (11,130,268) | (11,130,268) |
| | - | - | - | 82,483,481 | 82,483,481 |
| ***Transactions with owners recorded directly in Equity - Distributions*** | | | | | |
| 10 % final dividend for the year 2013 | - | - | - | (5,390,652) | (5,390,652) |
| 25 % interim dividend for the year 2014 | - | - | - | (13,476,630) | (13,476,630) |
| | | | | (18,867,282) | (18,867,282) |
| **Balance as at 30 June 2014** | **53,906,520** | **23,137,159** | **8,600,000** | **259,020,418** | **344,664,097** |

The annexed notes from 01 to 49 form an integral part of these financial statements.

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE OFFICER

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2014

### 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 July 2013:

**New/Revised Standards, Interpretations and Amendments**

- IFRS 7 (Amendments), 'Offsetting Financial Assets and Financial Liabilities', is effective for annual periods beginning on or after 01 January 2013. This contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments are expected to have no impact on the financial statements of the company.

- IAS 19 (Amendment), 'Employee benefits', is effective for the accounting periods on or after 01 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined liability/assets. The financial statement for the year has incorporated the unrecognized actuarial gains and losses in other comprehensive income. The change is recognised in accordance with IAS 8 - "Accounting policies, changes in accounting estimates and errors" as change in accounting policy. Effects of retrospective application of this change in accounting policy has been disclosed in note 11.01.

**Improvement to Accounting Standards Issued by the IASB**

- IAS 1 (Amendments), 'Presentation of Financial Statements', is effective for annual periods beginning on or after 01 January 2013. It clarifies that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reporting segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for the reporting segment.

- IAS 16 (Amendments), 'Property Plant and Equipment', is effective for the accounting periods on or after 01 January 2013. It clarifies the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment is not likely to have material impact on the financial statements of the company.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- **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 July 01, 2013 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 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.

| | |
|---|---|
| IFRS 10 - Consolidated Financial Statements | 01 January 2015 |
| IFRS 11 - Join Arrangements | 01 January 2015 |
| IFRS 12 - Disclosure of Interests in Other Entities | 01 January 2015 |
| IFRS 13 - Fair Value Measurement | 01 January 2015 |
| IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortization | 01 January 2016 |
| IAS 19 - Employee Contributions | 01 July 2014 |
| IAS 32 - Offsetting Financial Assets and Financial - (Amendment) | 01 January 2014 |
| IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment) | 01 January 2014 |
| IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment) | 01 January 2014 |

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| **Standard or Interpretation** | | **Effective Date (Annual periods beginning on or after)** |
|---|---|---|
| IFRS 09 - | Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 - | Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 - | Revenue from Contracts with Customers | January 01, 2017 |

## 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 JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards which requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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, intangible assets, provisions for staff retirement benefits, doubtful receivables, slow moving inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

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

### 4.01 Depreciation/Amortization 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/intangible assets annually by considering expected pattern of economic benefits that the Company expects to derive from those items.

### 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 market and 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.

### 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 11.01 respectively.

## 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, plant, machinery and equipment, laboratory equipments and, scales and weigh bridge) are stated at cost less accumulated depreciation and any accumulated impairment losses. Leasehold land are stated at revalued amounts and building on leasehold land, plant, machinery and equipment, laboratory equipments and, scales and weigh bridge 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) Depreciation**

Depreciation on property, plant and equipment (except leasehold land) is charged to profit and loss account by applying the reducing balance method so as to write off the cost/depreciable amount of the assets over their estimated useful lives at the rates specified in note 17 to the financial statements. 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.

**c) 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/unappropriate profits.

**d) 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/other comprehensive income.

### 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 (Employee Benefits).

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 for the year 2014, the following significant assumptions were used:

| | 2014 | 2013 |
|---|---|---|
| Discount factor used | 13.25% | 10.50% |
| Expected rate of eligible salary increase in future years | 12.25% | 9.50% |
| 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.

**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:**

Deferred tax is accounted for suing the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit shall be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been exacted or substantively enacted by the reporting date. Deferred tax is charges or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

**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 Intangible assets**

Intangible assets represent motion picture film acquired for use in advertisement and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged as specified in note 19.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

**6.08 Investment in related parties**

Investment is 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 companies 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.

**6.09 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.

**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 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.

**6.12 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 measured 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.

**6.13 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.

**6.14 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.

**6.15 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.

**6.16 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.

**6.17 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 losses 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).

**6.18 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.

**6.19 Contingencies and commitments**

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

**6.20 Provisions**

A provisions 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.

**6.21 Related parties**

a) Hala Enterprises Limited, an associated company

b) Premier Garments Limited, an associated company

c) Teejay Corporation (Private) Limited, an associated company

d) Directors and key management personnel

**6.22 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.

**6.23 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.

**6.24 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.

| | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| **7 ISSUED, SUBSCRIBED AND PAID UP CAPITAL** | | | |
| 2,854,543 (2013: 2,854,543) ordinary shares of Rs. 10/- each fully paid in cash | | 28,545,430 | 28,545,430 |
| 2,536,109 (2013: 2,536,109) ordinary shares of Rs. 10/- each issued as fully paid bonus shares | | 25,361,090 | 25,361,090 |
| | | **53,906,520** | **53,906,520** |

- 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 (2013: 415,793).

- There are no rights, preferences and restrictions attached to any class of shares including restrictions on the distribution of the dividends and the repayment of capital.

- There are no shares reserved for issue under options and contracts for the sale of shares.

**8 CAPITAL RESERVES**

| | 2014 | 2013 |
|---|---|---|
| Share premium | 23,137,159 | 23,137,159 |
| | **23,137,159** | **23,137,159** |

This reserve can be utilized by the company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

**9 REVENUE RESERVES**

| | 2014 | 2013 |
|---|---|---|
| General reserves | 8,600,000 | 8,600,000 |
| Accumulated profit | 259,020,418 | 195,404,219 |
| | **267,620,418** | **204,004,219** |

The general reserves are used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

| | NOTE | 2014 RUPEES | 2013 RUPEES Restated |
|---|---|---|---|
| **10 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- NET OF TAX** | | | |
| Land-Lease hold | | 165,026,476 | 165,026,476 |
| Building-on Lease hold land | | 68,774,220 | 76,415,800 |
| Plant, machinery & equipments | | 45,418,055 | 50,464,506 |
| Laboratory equipment | | 660,870 | 881,160 |
| Scales & weigh bridge | | 605,353 | 687,901 |
| | | 280,484,974 | 293,475,843 |
| Related deferred taxation | | (15,621,535) | (21,129,921) |
| | | 264,863,439 | 272,345,922 |
| Incremental depreciation on revalued assets | | (11,657,088) | (12,990,869) |
| Related deferred taxation | | 1,577,204 | 2,136,998 |
| Transferred to statement of changes in equity | | (10,079,884) | (10,853,871) |
| | | **254,783,555** | **261,492,051** |

**10.01** The revaluation of land, building, plant and machinery, laboratory equipment, and scales & weigh bridge was carried out by an independent valuer "M/s Anjum Adil & Associates" as at 28 June 2012 on the basis of market and depreciated replacement values and was duly certified by the statutory auditors. Previously, revaluation of land, building, plant and machinery was carried out as on 30 June 2007.

## 11 DEFERRED LIABILITIES

| | NOTE | 2014 | 2013 |
|---|---|---|---|
| Staff retirement benefits | **11.01** | 50,820,354 | 35,527,204 |
| Deferred taxation | **11.04** | 10,549,869 | 18,486,043 |
| | | **61,370,223** | **54,013,247** |

### 11.01 Staff retirement benefits

***Balance sheet liability***

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 35,527,204 | 32,188,620 |
| Amount recognized during the year | 5,876,704 | 6,465,484 |
| | 41,403,908 | 38,654,104 |
| Remeasurement chargeable in other comprehensive income | 12,871,826 | 289,500 |
| Benefits paid during the year | (3,455,380) | (3,416,400) |
| Closing balance | **50,820,354** | **35,527,204** |

***The amounts recognized in the balance sheet are as follows***

| | 2014 | 2013 |
|---|---|---|
| Present value of defined benefit obligation | 50,320,354 | 35,027,204 |
| Benefits due but not paid | 500,000 | 500,000 |
| | 50,820,354 | 35,527,204 |

***Charge for the defined benefit plan***

| | 2014 | 2013 |
|---|---|---|
| Service cost | 2,380,255 | 2,029,077 |
| Interest cost | 3,496,449 | 4,436,407 |
| Charged to profit and loss account | 5,876,704 | 6,465,484 |

### 11.02 Sensitivity analysis for acturial assumptions

The calculation of defined benefit obligation is sensitive to assumptions set-out in note 6.02. The following table summarizes how the net defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of change in respective assumptions.

| | Change in assumptions | Increase Rupees | Decrease Rupees |
|---|---|---|---|
| Discount rate | 1% | 48,878,086 | 51,955,007 |
| Increase in future salaries | 1% | 51,991,833 | 48,820,179 |

The history of experience adjustments is as follows:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | RUPEES | | | | |
| Present value of defined benefit obligation | 50,320,354 | 35,027,204 | 31,688,620 | 30,647,661 | 25,995,239 |
| Experience adjustment arising on plan liabilities | 12,871,826 | 289,500 | - | 954,481 | (579,059) |

**11.03 Effects of change in accounting policy - staff retirement benefits**

The change in accounting policy as disclosed in note 2.02 has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in adjustment of prior year financial statements.

Effects of retrospective application of change in accounting policy are as follows:

| | As at 30 June 2013 | | |
|---|---|---|---|
| | As previously reported | Effect of restatement | As Restated |
| **Effect on Balance Sheet** | | | |
| Increase in defined benefit obligation | 33,704,164 | 1,823,040 | 35,527,204 |
| Increase in deferred tax asset | 5,544,335 | 321,353 | 5,865,688 |
| Net decrease in unappropriated profit | 196,905,900 | (1,823,040) | 195,082,860 |
| | For the year ended 30 June 2014 | For the year ended 30 June 2013 | Prior to 01 July 2012 |
| **Effect on other comprehensive income** | | | |
| Actuarial gain classified in other comprehensive income | 11,130,268 | 241,877 | 1,259,804 |
| **Effect on Profit and Loss account** | | | |
| Net decrease in tax expense | - | - | - |

| **11.04 Deferred taxation** | NOTE | 2014 RUPEES | 2013 RUPEES Restated |
|---|---|---|---|
| Deferred taxation comprises of the following: | | | |
| Deferred tax liability on taxable temporary differences in respect of the following: | | | |
| - Accelerated tax depreciation allowance | | 4,620,901 | 5,806,254 |
| - Surplus on revaluation of assets | | 14,044,331 | 18,992,923 |
| | | 18,665,232 | 24,799,177 |
| Deferred tax asset on deductible temporary differences in respect of the following: | | | |
| - Staff retirement benefits | | (6,875,994) | (5,865,694) |
| - Investment accounted for under IAS- 28 | | (368,016) | (447,440) |
| - Provision for doubtful debts | | (871,353) | - |
| | | (8,115,363) | (6,313,134) |
| | | **10,549,869** | **18,486,043** |

| 12 TRADE & OTHER PAYABLES | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Creditors | | 89,031,081 | 91,333,550 |
| Accrued expenses | | 78,568,465 | 37,745,662 |
| Workers' profit participation fund | **12.01** | 10,836,130 | 10,364,698 |
| Security deposits | | 380,000 | 365,000 |
| Workers' welfare fund | | 3,878,035 | 3,510,185 |
| Tax deducted at source | | 364,536 | 306,577 |
| Advances from customers | | 345,251,820 | 340,873,777 |
| Sales tax payable | | 1,804,380 | 1,251,399 |
| Related parties | **12.02** | 113,093 | 230,882 |
| | | **530,227,540** | **485,981,730** |

**12.01 WORKERS' PROFIT PARTICIPATION FUND (W.P.P.F.)**

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 10,364,698 | 4,769,802 |
| Provision for the year | 9,708,263 | 8,783,323 |
| Mark up on W.P.P.F. | 263,500 | 157,227 |
| | 20,336,461 | 13,710,352 |
| Payment during the year | (9,500,331) | (3,345,654) |
| | 10,836,130 | 10,364,698 |

**12.02 Related parties - unsecured**

Hala Enterprises Limited

Nature of transaction:

| | 2014 | 2013 |
|---|---|---|
| Sharing of office expenses | 113,093 | 230,882 |
| | **113,093** | **230,882** |

Balances payable to related party (associated undertaking) are subject to mark up @ 12 % (2013: 12 %) p. a.

**13 SHORT TERM BORROWINGS**

| | Limit Sanctioned Rupees in million | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|---|
| **From Banking Companies -Secured:** | | | | |
| Habib Metropolitan Bank Limited | | | | |
| - Running finance | 10.00 | **13.01** | - | 452,790 |
| - Finance against trust receipt | (50.00) | **13.02** | - | - |
| - Letter of guarantee | 15.00 | **13.03** | - | - |
| - Letter of credit (sight) | 200.00 | **13.04** | - | - |
| Faysal Bank Limited | | | | |
| - Letter of credit (sight) | 45.00 | **13.05** | - | - |
| JS Bank Limited | | | | |
| - Running finance | 25.00 | **13.06** | - | - |
| - Finance against trust receipt | (70.00) | **13.07** | - | - |
| - Letter of guarantee | 10.00 | **13.08** | - | - |
| - Letter of credit (sight) | 250.00 | **13.09** | - | - |
| | | | **-** | **452,790** |

**13.01** This facility was obtained to meet working capital requirements carrying mark up @ 3 months KIBOR + 2.5 % to be paid on quarterly basis. It was secured against parri passu charge for Rs. 80 million over current assets of the company with 25 % margin, duly registered with SECP.

**13.02** This facility was obtained for retirement of LC documents carrying mark up @ 3 months KIBOR + 2.5 % to be paid on quarterly basis.

**13.03** This facility was obtained for guarantee to Sui Northern Gas Pipe Lines Limited & the Director Excise and Taxation, Karachi. It carried commission as per schedule of charges of the bank.

**13.04** This facility was obtained to import edible oil, tin plates and chemicals. It carried commission @ 0.2 % per quarter. It was secured against lien over import documents.

The above mentioned facilities from note 13.01 to 13.04 were swapped by JS Bank Limited during the year under report. Before swapping these facilities were collaterally secured by the following:

- 1st 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.

**13.05** This facility has been obtained to import edible oil and chemicals. It carries commission as per schedule of charges of the bank. It is secured against lien on L/C documents, 1st parri passu charge for Rs. 75 million over current assets of the company, ranking charge over all present and future fixed assets of the company for PKR 75 million. Out of total limit, an amount of Rs. 45 million (2013: Rs. 45 million) remained un-utilized as at year end. This facility will expire on 31 January 2015.

**13.06** This facility has been obtained to meet working capital requirements. It carries mark up @ 3 months KIBOR + 2.25 % to be paid on quarterly basis. It is secured against parri passu charge for Rs. 140 million over current assets of the company with 25 % margin, duly registered with SECP. Total limit remained un-utilized as at year end. This facility will expire on 30 April 2015.

**13.07** This facility has been obtained for retirement of LC documents. It carries mark up @ 3 months KIBOR + 2.25 % to be paid on quarterly basis. Total limit remained un-utilized as at year end. This facility will expire on 30 April 2015.

**13.08** This facility has been obtained for guarantee to Sui Northern Gas Pipe Lines Limited & the Director Excise and Taxation. It carries commission as per schedule of charges of the bank. Out of total limit, an amount of Rs. 7.5 million remained un-utilized as at year end. This facility will expire on 30 April 2015.

**13.09** This facility has been obtained to import edible oil, tin plates and chemicals. It carries commission @ 0.2 % per quarter. It is secured against lien over import documents. Out of total limit, an amount of Rs. 141.63 million remained un-utilized as at year end. This facility will expire on 30 April 2015.

The above mentioned facilities from 13.06 to 13.09 are collaterally secured against the following:

1st Parri Passu Charge for Rs. 380 million over fixed assets situated at 26, 27, 28 industrial triangle, Kahuta road, Islamabad owned by the company having market value of Rs. 500 million.

| | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| **14 ACCRUED MARKUP** | | | |
| Accrued mark up on short term borrowings | | - | 106,709 |
| | | **-** | **106,709** |
| **15 PROVISION FOR TAX** | | | |
| Opening balance | | 135,038,808 | 105,898,826 |
| Add: Taxation - current | | 103,115,010 | 87,084,182 |
| | | 238,153,818 | 192,983,008 |
| Less: Tax payments /adjustments during the year | | 72,049,755 | 57,944,200 |
| | | **166,104,063** | **135,038,808** |

**16 CONTINGENCIES AND COMMITMENTS**

**16.01 CONTINGENCIES**

**a)** - The company challenged "Infrastructure Development Cess" levied under Sindh Finance Act, 1994 (as amended by Sindh (Amendment) Ordinance, 2001) in the Sindh High Court vide Suit No. 463/2003. Initially, Hon'ble Sindh High Court 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 paid 50% of the total amount and for the remaining 50%, the company has provided bank guarantees amounting to Rs. 27.27 million (2013: 15.78 million) in favour of Excise and Taxation Authorities. The company may be contingently liable for payment of the said amount equal to 50 % 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 for an amount of Rs. 7.89 million.

- The company has provided bank guarantee amounting to Rs. 2.562 (2013: Rs. 4.447) million in favour of Sui Northern Gas Pipelines Limited for industrial use of gas.

b) The Taxation Officer of Inland Revenue had issued assessment orders for the tax years 2006 and 2007 incorporating aggregate liability of Income Tax and WWF amounting to Rs. 13,560,823/-. 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 filled an appeal in ITAT against the decision of the CIT(A). The matter was again decided in favour of the company. For tax years 2006 and 2007, department of inland revenue issued notices U/S 122(5A) of the Income Tax Ordinance, 2001. The company filed writ petition to High Court, Islamabad against the proceedings initiated by the department of Inland Revenue. The Honourable Court gave stay order against the proceedings initiated by the department of Inland Revenue. The company as a matter of prudence has not reversed the provision for tax years 2006 and 2007 for an amount of Rs. 13,560,823/- as aggregate liability which was created during the prior years.

c) The Taxation Officer of Inland Revenue had issued assessment order for the tax year 2009 incorporating the liability of Income Tax and WWF and raising demand for payment of Income Tax and WWF amounting to Rs. 448.223/- and Rs. 58.664/- 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). However, the management is confident that the ultimate decision shall be in favor of the Company. Therefore, no provision has been made in these financial statements.

d) The taxation officer of Inland Revenue issued notice u/s 162/205 of the Income Tax Ordinance, 2001 creating demand of Rs. 19.62 million. The company has replied to the said notice and is hopeful that the said demand shall be waived off. However, as a matter of prudence, the company has provided for the said amount in these financial statements.

**16.02 COMMITMENTS**

- Letters of credit for capital expenditure as at the balance sheet date amounted to Rs. Nil (2013: Nil).

- Letters of credit other than for capital expenditure as at the balance sheet date amounted to Rs. 162.73 million (2013: Rs. 84.82 million).

17 **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 | Scales & weigh bridge | Guest house furniture & machinery | Office machinery & equipment | Furniture & fixture | Owned Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RUPEES | | | | | | | | | |
| **At 30 June 2012** | | | | | | | | | | |
| Cost/Revalued amount | 165,450,000 | 94,025,738 | 106,511,733 | 899,966 | 739,070 | 318,812 | 6,830,960 | 1,262,789 | 35,358,535 | 411,397,603 |
| Accumulated depreciation | - | (758,364) | (731,483) | (18,750) | (7,500) | (295,489) | (2,878,121) | (670,289) | (19,637,729) | (24,997,725) |
| Net book value | 165,450,000 | 93,267,374 | 105,780,250 | 881,216 | 731,570 | 23,323 | 3,952,839 | 592,500 | 15,720,806 | 386,399,878 |
| **Year ended 30 June 2013** | | | | | | | | | | |
| Additions | - | - | 10,959,502 | - | - | - | 1,040,221 | 116,750 | 12,924,000 | 25,040,473 |
| Transfers from capital work in progress during the year (Note 18.01) | - | 4,680,529 | 266,255 | - | - | - | - | - | - | 4,946,784 |
| **Disposals (note 17.03)** | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | (2,593,000) | (2,593,000) |
| Depreciation | - | - | - | - | - | - | - | - | 2,133,259 | 2,133,259 |
| Net book value | - | - | - | - | - | - | - | - | (459,741) | (459,741) |
| Depreciation charge for the year (note 17.01) | - | (9,443,750) | (11,751,694) | (220,304) | (87,788) | (2,332) | (443,483) | (69,824) | (3,715,815) | (25,734,990) |
| **Net book value as at 30 June 2013** | **165,450,000** | **88,504,153** | **105,254,313** | **660,912** | **643,782** | **20,991** | **4,549,577** | **639,426** | **24,469,250** | **390,192,404** |
| **Year ended 30 June 2014** | | | | | | | | | | |
| Additions | - | - | 2,359,740 | - | - | - | 739,836 | 240,900 | 5,566,660 | 8,907,136 |
| Transfers from capital work in progress during the year (Note 18.01) | - | 3,915,649 | 302,648 | - | - | - | - | - | - | 4,218,297 |
| **Disposals (note 17.03)** | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | (3,209,000) | (3,209,000) |
| Depreciation | - | - | - | - | - | - | - | - | 2,608,575 | 2,608,575 |
| Net book value | - | - | - | - | - | - | - | - | (600,425) | (600,425) |
| Depreciation charge for the year (note17.01) | - | (8,883,045) | (10,950,102) | (165,228) | (77,254) | (2,099) | (481,369) | (77,595) | (5,575,909) | (26,212,601) |
| **Net book value as at 30 June 2014** | **165,450,000** | **83,536,757** | **96,966,599** | **495,684** | **566,528** | **18,892** | **4,808,044** | **802,731** | **23,859,576** | **376,504,811** |

| | Land-lease hold | Building on lease hold land | Plant, machinery & equipment | Laboratory equipment | Scales & weigh bridge | Guest house furniture & machinery | Office machinery & equipment | Furniture & fixture | Owned Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 30 June 2013** | | | | | | | | | | |
| Cost/Revalued amount | 165,450,000 | 98,706,267 | 117,737,490 | 899,966 | 739,070 | 318,812 | 7,871,181 | 1,379,539 | 45,689,535 | 438,791,860 |
| Accumulated depreciation | - | (10,202,114) | (12,483,177) | (239,054) | (95,288) | (297,821) | (3,321,604) | (740,113) | (21,220,285) | (48,599,456) |
| Net book value in Rupees | 165,450,000 | 88,504,153 | 105,254,313 | 660,912 | 643,782 | 20,991 | 4,549,577 | 639,426 | 24,469,250 | 390,192,404 |
| Annual rates (%) of depreciation 2013 | - | 10 | 10-15 | 25 | 12 | 10 | 10 | 10 | 20 | |
| **At 30 June 2014** | | | | | | | | | | |
| Cost/Revalued amount | 165,450,000 | 102,621,916 | 120,399,878 | 899,966 | 739,070 | 318,812 | 8,611,017 | 1,620,439 | 48,047,195 | 448,708,293 |
| Accumulated depreciation | - | (19,085,159) | (23,433,279) | (404,282) | (172,542) | (299,920) | (3,802,973) | (817,708) | (24,187,619) | (72,203,482) |
| Net book value in Rupees | 165,450,000 | 83,536,757 | 96,966,599 | 495,684 | 566,528 | 18,892 | 4,808,044 | 802,731 | 23,859,576 | 376,504,811 |
| Annual rates (%) of depreciation 2014 | - | 10 | 10-15 | 25 | 12 | 10 | 10 | 10 | 20 | |

**17.01 Depreciation charge for the year has been allocated as follows:**

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| Cost of Sale | 23,591,341 | 23,161,491 |
| Administrative Expenses | 2,621,260 | 2,573,499 |
| | **26,212,601** | **25,734,990** |

**17.02** The revaluation of land, building, plant machinery & equipment, laboratory equipment, and scales & weigh bridge was carried out by an 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 2014 | | |
|---|---|---|---|
| | Cost | Accumulated Depreciation | Written Down Value |
| Land lease-hold | 423,524 | - | 423,524 |
| Building | 44,792,949 | 22,657,105 | 22,135,844 |
| Plant, machinery & equipment | 121,281,331 | 63,965,732 | 57,315,599 |
| Laboratory equipment | 181,335 | 181,304 | 31 |
| Scales & weigh bridge | 1,127,655 | 1,093,795 | 33,860 |
| **Rupees 2014** | **167,806,794** | **87,897,936** | **79,908,858** |
| Rupees 2013 | 161,228,757 | 79,704,865 | 81,523,892 |

**17.03 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 | MODE OF DISPOSAL | BUYER'S NAME |
|---|---|---|---|---|---|---|---|
| Suzuki Liana LK - 473 | 800,000 | 607,528 | 192,472 | 603,000 | 410,528 | Negotiation | M. Saleem, Islamabad |
| Honda Accord JK - 792 | 2,409,000 | 2,001,047 | 407,953 | 1,500,000 | 1,092,047 | Negotiation | Saeed Ahmad Shah, Islamabad |
| **Rupees 2014** | **3,209,000** | **2,608,575** | **600,425** | **2,103,000** | **1,502,575** | | |
| Rupees 2013 | 2,593,000 | 2,133,258 | 459,742 | 2,124,000 | 1,664,258 | | |

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

**17.05** Included in fixed assets are assets which are secured with a bank against 1st parri passu charge for Rs. 455 million (2013: Rs. 245 million) over fixed assets (including land and, plant and machinery) of the company.

| 18 CAPITAL WORK IN PROGRESS | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Opening balance | | 3,223,886 | 591,899 |
| Additions during the year | | 4,758,903 | 7,578,771 |
| | | 7,982,789 | 8,170,670 |
| Less: Transferred to property, plant and equipment | 18.01 | 4,218,297 | 4,946,784 |
| | | **3,764,492** | **3,223,886** |

**18.01 Transfers to property, plant and equipment are represented by:-**

| | 2014 RUPEES | 2013 RUPEES |
|---|---|---|
| Building | 3,915,649 | 4,680,529 |
| Plant and machinery | 302,648 | 266,255 |
| | **4,218,297** | **4,946,784** |

## 19 INTANGIBLE ASSETS

| | 2014 RUPEES | 2013 RUPEES |
|---|---|---|
| **Net carrying value** | | |
| Motion picture film-Opening net book value | 6,145,836 | 13,520,833 |
| Motion picture film- Addition | - | - |
| Less: Amortization charge | 6,145,836 | 7,374,997 |
| Net book value (NBV) as at 30 June | **-** | **6,145,836** |
| **Gross carrying value** | | |
| Cost | 14,750,000 | 14,750,000 |
| Less: Accumulated amortization | 14,750,000 | 8,604,164 |
| Net book value | **-** | **6,145,836** |
| Amortization rate per annum | 50% | 50% |

## 20 INVESTMENT IN ASSOCIATES

| At Cost: | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Premier Garments Limited - unlisted | 20.01 | - | - |

**20.01** 27,200 (2013: 27,200) ordinary shares of Rs. 100/- each, represent 38.86% (2013: 38.86%) equity in Premier Garments Limited. The breakup value of shares of the investee company is Nil. The investment has been accounted for under IAS-28 (Investment in associates and joint ventures).

**20.02** The summarized financial information of the associates over which the Company exercises significant influence, based on the latest audited financial statements for the year ended 30 June 2013, is as follows:

| **Premier Garments Limited** | 2013 RUPEES | 2012 RUPEES |
|---|---|---|
| Total assets | 13,912,663 | 13,621,609 |
| Total liabilities | 27,235,762 | 29,560,934 |
| Net Assets | **(13,323,099)** | **(15,939,325)** |
| Company's share of net assets of associate | **(5,177,356)** | **(6,194,022)** |
| Total revenue | 4,800,000 | 4,800,000 |
| Total profit for the year | 2,616,226 | 1,863,923 |
| Company's share of profit for the current year | 1,016,665 | 724,320 |
| Share of unrecognised accumulated losses | 8,107,713 | 9,368,070 |

| 21 LONG TERM DEPOSITS | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Deposits against bank guarantees | | 9,062,500 | 4,947,500 |
| | | **9,062,500** | **4,947,500** |

## 22 STORES, SPARE PARTS AND LOOSE TOOLS

| | 2014 RUPEES | 2013 RUPEES |
|---|---|---|
| Stores | 43,998,508 | 49,150,133 |
| Spare parts | 2,025,466 | 1,774,984 |
| Loose tools | 506,366 | 443,746 |
| | **46,530,340** | **51,368,863** |

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

| 23 STOCK IN TRADE | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Raw materials | | | |
| - In hand | | 14,452,412 | 25,855,156 |
| - In transit | | 30,120,870 | 36,742,040 |
| Work in process | | 18,663,365 | 50,591,382 |
| Finished goods | | 64,079,568 | 52,726,299 |
| | | **127,316,215** | **165,914,877** |

**23.01** No stock in trade has been pledged with any institution / party.

**24 TRADE DEBTS**

| | | | |
|---|---|---|---|
| Trade debts- unsecured but considered good | | 588,806,686 | 427,435,619 |
| Considered doubtful- unsecured | | 7,510,594 | - |
| | | 596,317,280 | 427,435,619 |
| Less : Provision for doubtful debts | | 6,440,152 | - |
| Less : Trade debts written off | | 1,070,442 | - |
| | | 7,510,594 | - |
| | | **588,806,686** | **427,435,619** |

**25 LOANS AND ADVANCES**

| | | | |
|---|---|---|---|
| **Considered good:** | | | |
| Suppliers | | 19,688,621 | 14,558,724 |
| Employees | | | |
| - Executives | | 1,871,832 | 1,691,280 |
| - Other employees | | 756,152 | 644,603 |
| | | **22,316,605** | **16,894,607** |

**26 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

| | | | |
|---|---|---|---|
| Security deposits | | 3,252,580 | 3,458,553 |
| Letter of credit - margin | | 10,661,138 | 8,460,000 |
| Prepayments | | 2,294,690 | 2,515,989 |
| | | **16,208,408** | **14,434,542** |

**27 OTHER RECEIVABLES**

| | | | |
|---|---|---|---|
| Zakat on dividend, receivable from government | | 76,962 | 76,962 |
| Sales tax receivable | | 607,451 | 402,225 |
| Other receivables | | | |
| - from fair price shop | | 617,074 | 363,867 |
| | | **1,301,487** | **843,054** |

**28 ADVANCE INCOME TAX**

| | | | |
|---|---|---|---|
| Advance income tax | | **130,441,757** | **96,798,490** |

**29 CASH AND BANK BALANCES**

| | | | |
|---|---|---|---|
| Cash in hand | | 2,813,718 | 913,338 |
| Cash with banks | | | |
| - In current accounts | | 32,070,278 | 11,394,629 |
| - In deposit accounts | **29.01** | 1,868,578 | 28,951,031 |
| - Foreign currency accounts | | 33,198 | 33,198 |
| | | **36,785,772** | **41,292,196** |

**29.01** These carry profit @ 5 % (2013: 5 %) per annum approximately.

| 30 SALES | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Ghee | | 2,281,183,093 | 2,289,538,645 |
| Cooking oil | | 2,509,430,497 | 2,161,563,859 |
| Speciality fats | | 18,827,244 | 73,154,102 |
| | | 4,809,440,834 | 4,524,256,606 |
| Soap | | 53,114,522 | 58,460,562 |
| Gases | | 284,278 | 179,760 |
| | | 53,398,800 | 58,640,322 |
| Less: Sales tax | | 8,130,273 | 8,149,426 |
| | | 45,268,527 | 50,490,896 |
| | | 4,854,709,361 | 4,574,747,502 |
| Less: Trade discount | | 76,873,919 | 45,889,175 |
| Commission | | 5,008,990 | 2,897,628 |
| | | 81,882,909 | 48,786,803 |
| | | **4,772,826,452** | **4,525,960,699** |

## 31 COST OF SALE

| | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Raw material consumed | **31.01** | 3,665,710,893 | 3,642,232,639 |
| Stores and spare parts consumed | | 7,712,137 | 6,540,920 |
| Chemicals consumed | | 45,791,247 | 40,298,495 |
| Packing materials consumed | | 300,521,974 | 261,939,876 |
| Salaries, wages and benefits | **31.02** | 33,350,647 | 27,614,957 |
| Power, fuel and lubricants | | 144,119,463 | 101,841,432 |
| Repair and maintenance | | 6,231,944 | 4,237,151 |
| Filling and Loading | | 19,288,963 | 8,999,857 |
| Insurance | | 3,208,156 | 2,633,981 |
| Depreciation | **17.01** | 23,591,341 | 23,161,491 |
| | | 4,249,526,765 | 4,119,500,799 |
| Work in process: | | | |
| Opening | | 50,591,382 | 27,429,536 |
| Closing | | (18,663,365) | (50,591,382) |
| | | 31,928,017 | (23,161,846) |
| Cost of goods manufactured | | 4,281,454,782 | 4,096,338,953 |
| Finished goods: | | | |
| Opening | | 52,726,299 | 76,972,990 |
| Closing | | (64,079,568) | (52,726,299) |
| | | (11,353,269) | 24,246,691 |
| | | **4,270,101,513** | **4,120,585,644** |
| **31.01 Raw material consumed** | | | |
| Opening | | 25,855,156 | 39,143,488 |
| Purchases | | 3,654,308,149 | 3,628,944,307 |
| | | 3,680,163,305 | 3,668,087,795 |
| Closing | | (14,452,412) | (25,855,156) |
| | | **3,665,710,893** | **3,642,232,639** |

**31.02** Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 3,232 thousand (2013: Rs. 3,556 thousand).

## 32 SELLING AND DISTRIBUTION COST

| | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Salaries, wages and benefits | **32.01** | 36,836,119 | 32,455,177 |
| Travelling and conveyance | | 2,943,876 | 2,091,464 |
| Advertisement | | 128,019,239 | 84,948,001 |
| Amortization | | 6,145,836 | 7,374,997 |
| Carriage outward | | 34,668,628 | 25,556,657 |
| | | **208,613,698** | **152,426,296** |

**32.01** Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 588 thousand (2013: Rs. 646 thousand).

| 33 ADMINISTRATIVE EXPENSES | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Directors' meeting fee | | 480,000 | 180,000 |
| Directors' remuneration | | 18,567,525 | 9,915,473 |
| Salaries, wages and benefits | 33.01 | 31,656,154 | 27,417,297 |
| Travelling and conveyance | | 5,233,557 | 3,718,157 |
| Entertainment | | 807,090 | 796,686 |
| Printing and stationary | | 1,333,061 | 1,262,383 |
| Postage, telephone and telex | | 2,362,648 | 2,543,027 |
| Rent, rates and taxes | | 7,712,023 | 7,624,063 |
| Fees and subscription | | 1,923,348 | 1,106,911 |
| Legal and professional charges | | 1,895,563 | 2,478,790 |
| Vehicle running and maintenance | | 9,891,124 | 8,893,829 |
| Repair and maintenance | | 2,077,315 | 1,412,383 |
| Power, fuel and lubricant | | 2,194,713 | 1,550,885 |
| Advertisement | | 5,334,135 | 3,539,500 |
| Provision for doubtful debts | | 6,440,152 | - |
| Bad debts written off | | 1,070,442 | - |
| Depreciation | 17.01 | 2,621,260 | 2,573,499 |
| Office expenses | | 2,426,805 | 2,747,258 |
| | | 104,026,915 | 77,760,141 |

**33.01** Salaries wages and other benefits include provision for staff retirement benefits for the year Rs. 2,057 thousand (2013: Rs. 2,263 thousand).

| 34 FINANCE COST | | 2014 | 2013 |
|---|---|---|---|
| Mark up on short term borrowings | | 1,787,910 | 3,498,604 |
| Mark up charged by related parties | | 24,736 | 34,833 |
| Mark up charged on W.P.P.F. | | 263,500 | 157,227 |
| Bank charges | | 1,077,193 | 630,399 |
| | | 3,153,339 | 4,321,063 |

| 35 OTHER OPERATING CHARGES | | 2014 | 2013 |
|---|---|---|---|
| Auditors' remuneration | 35.01 | 755,000 | 655,000 |
| Workers' profit participation fund | | 9,708,263 | 8,783,323 |
| Workers' welfare fund | | 3,878,035 | 3,510,185 |
| | | 14,341,298 | 12,948,508 |

| 35.01 AUDITORS' REMUNERATION | | 2014 | 2013 |
|---|---|---|---|
| Audit fee | | 600,000 | 500,000 |
| Half yearly review | | 75,000 | 75,000 |
| Other attestation services | | 50,000 | 50,000 |
| Out of pocket expenses | | 30,000 | 30,000 |
| | | 755,000 | 655,000 |

| 36 OTHER INCOME | | 2014 | 2013 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Profit on bank deposits | | 4,694,867 | 2,348,925 |
| **Income from non financial assets** | | | |
| Scrap sale | | 132,000 | 180,000 |
| Mushroom sale | | 1,396,330 | 1,102,650 |
| Gain on disposal of property, plant and equipment | | 1,502,576 | 1,664,258 |
| Exchange gain | | - | 840 |
| | | 7,725,773 | 5,296,673 |

| 37 TAXATION | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Taxation | | | |
| -Current year | 37.01 | 103,115,010 | 87,084,182 |
| -Prior years | | (3,510,185) | 17,823,786 |
| | | 99,604,825 | 104,907,968 |
| Deferred | 37.02 | (2,823,228) | (4,730,364) |
| | | **96,781,597** | **100,177,604** |

**37.01** - Income tax return has been filed to the income tax authorities up to and including tax year 2013 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 using tax rate of taxation applicable to tax year 2015 under the provisions of Income Tax Ordinance, 2001 to the extent of income of the company chargeable under normal tax regime.

## 38 TRANSACTIONS WITH RELATED PARTY

Disclosure of transactions between the company and its 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:

| Nature of transaction | Relationship with the company | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| **Reimbursement of expenses** | | | |
| Sharing of office expenses | | | |
| Hala Enterprises Limited | Associated company | 2,171,254 | 2,676,563 |
| | | **2,171,254** | **2,676,563** |

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

**Basic Earnings per share:**

| | | | |
|---|---|---|---|
| Profit after taxation | Rupees | 83,533,865 | 63,038,116 |
| Weighted average number of ordinary shares | Number | 5,390,652 | 5,390,652 |
| Earnings per share - basic and diluted | Rupees | **15.50** | **11.69** |

**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 | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| **Financial assets as per balance sheet** | | | |
| Long term deposits | | 9,062,500 | 4,947,500 |
| Trade debts | | 595,246,838 | 427,435,619 |
| Loans and advances | | 2,627,984 | 2,335,883 |
| Trade deposits | | 3,252,580 | 3,458,553 |
| Other receivables | | 617,074 | 363,867 |
| Bank balances | | 33,972,054 | 40,378,858 |
| | | **644,779,030** | **478,920,280** |

| Financial liabilities as per balance sheet | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Trade and other payables | | 168,092,639 | 129,675,094 |
| Short term borrowings | | - | 452,790 |
| Accrued mark-up | | - | 106,709 |
| Unclaimed dividend | | 1,889,595 | 1,358,641 |
| | | **169,982,234** | **131,593,234** |

**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 arm's length transaction.

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

## 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 2013, if the Pakistani Rupee had weakened by 5% against the US Dollar with all other variables held constant, post-tax profit for the year would have been lower by Rs. 1,660 mainly as a result of foreign exchange losses on translation of US Dollar-denominated trade payables. During the current year under report there is no effect to currency risk.

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

| | 2014 | 2013 |
|---|---|---|
| Cash at bank -USD | 336 | 336 |
| Net exposure-USD | 336 | 336 |

The following significant exchange rates were applied during the year:

| **Rupees per US Dollar** | | |
|---|---|---|
| Reporting date rate | 98.75 | 98.80 |

**(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. The company's interest rate risk arises from short term borrowings and interest bearing assets. 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 | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| **Financial liabilities** | | | |
| Short term borrowings | | - | 452,790 |
| **Financial assets** | | | |
| Bank balances- saving accounts | | 1,868,578 | 28,951,031 |

**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. 186,858 higher/lower (2013: 284,982 higher/lower), mainly as a result of higher/lower interest 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.

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

**(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. 644,779,030 (2013: Rs. 478,920,280), the maximum exposure to credit risk amounts to Rs. 644,779,030 (2013: Rs. 478,920,280).

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:

| | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Government institution and utility store | | 63,351,427 | 46,892,734 |
| Private sector's companies | | 45,304,159 | 31,072,779 |
| Distributors | | 347,413,936 | 256,461,371 |
| Others | | 141,805,300 | 95,344,618 |
| | | **597,874,822** | **429,771,502** |
| The aging of loans and receivables at the reporting date was: | | **591,434,670** | |
| Past due 0-6 months | | 493,952,704 | 354,434,384 |
| Past due 6-12 months | | 94,056,977 | 68,258,414 |
| More than one year | | 9,865,141 | 7,078,704 |
| | | **597,874,822** | **429,771,502** |

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 | 9,062,500 | 4,947,500 |
| Trade debts | 595,246,838 | 427,435,619 |
| Loans and advances | 2,627,984 | 2,335,883 |
| Trade deposits | 3,252,580 | 3,458,553 |
| Other receivables | 617,074 | 363,867 |
| Bank balances | 33,972,054 | 40,378,858 |
| | **644,779,030** | **478,920,280** |

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 | Rating 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 | PACRA | A-1+ | AA |
| MCB Bank Limited | PACRA | A1+ | AAA |
| The Bank of Punjab | PACRA | A1+ | AA- |
| JS Bank Limited | PACRA | A1 | A+ |

**(c) Liquidity risk**

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

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

| 30 June 2014 | 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** | | | | | | | |
| Trade and other payables | 168,092,639 | 168,092,639 | 168,092,639 | - | - | - | - |
| Short term borrowings | - | - | - | - | - | - | - |
| Accrued interest/mark-up | - | - | - | - | - | - | - |
| Unclaimed dividends | 1,889,595 | 1,889,595 | 1,889,595 | | | | |
| | 169,982,234 | 169,982,234 | 169,982,234 | - | - | - | - |

| 30 June 2013 | 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** | | | | | | | |
| Trade and other payables | 129,675,094 | 129,675,094 | 129,675,094 | - | - | - | - |
| Short term borrowings | 452,790 | 505,223 | 479,007 | 26,217 | - | - | - |
| Accrued interest/mark-up | 106,709 | 106,709 | 106,709 | - | - | - | - |
| Unclaimed dividends | 1,358,641 | 1,358,641 | 1,358,641 | - | - | - | - |
| | 131,593,234 | 131,645,667 | 131,619,451 | 26,217 | - | - | - |

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 2014/2013. The rates of interest/mark-up have been disclosed in note 13 to these financial statements.

**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, benefits 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. Net debt is calculated as total borrowings as referred to in note 13 of the notes to the financial statements less cash and bank balances. Total capital employed includes 'total equity' as shown in the balance sheet and 'net debt'. The gearing ratio as at 30 June 2014 and as at 30 June 2013 is as follows:

| | NOTE | 2014 RUPEES | 2013 RUPEES |
|---|---|---|---|
| Debt | | - | 452,790 |
| Cash and bank balances | | 36,785,772 | 41,292,196 |
| Net debt | | (36,785,772) | (40,839,406) |
| Total equity | | 344,664,097 | 281,047,898 |
| Total capital employed | | 307,878,325 | 240,208,492 |
| Gearing ratio (%) | | Nil | Nil |

As at 30 June 2014, the company had a net positive cash balance.

## 43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | CHIEF EXECUTIVE | | DIRECTORS | | EXECUTIVES | |
|---|---|---|---|---|---|---|
| | 2014 RUPEES | 2013 RUPEES | 2014 RUPEES | 2013 RUPEES | 2014 RUPEES | 2013 RUPEES |
| Managerial remuneration | 3,328,320 | 1,248,000 | 6,240,360 | 3,374,712 | 10,070,872 | 6,580,351 |
| House rent and utilities | 1,471,680 | 552,000 | 2,759,640 | 1,509,024 | 4,420,380 | 2,080,713 |
| Bonus | 832,080 | 312,000 | 728,010 | 531,678 | 2,517,718 | 1,645,086 |
| Medical expenses | 97,247 | 102,622 | 622,535 | 189,599 | 363,936 | 705,916 |
| Travelling expenses | 165,044 | 110,621 | 2,322,609 | 1,985,217 | 648,912 | 659,584 |
| | **5,894,371** | **2,325,243** | **12,673,154** | **7,590,230** | **18,021,818** | **11,671,650** |
| Number of persons | 1 | 1 | 2 | 2 | 7 | 4 |

**43.01** The Chief Executive is provided with free use of company maintained car and reimbursement of residential telephone expenses. Certain directors and executives are also provided with free use of company maintained cars.

**43.02** Aggregate amount charged in the financial statements for the year for meeting fee to 4 directors was Rs. 480,000 (2013: Rs. 180,000)

## 44 CAPACITY AND PRODUCTION

| | | 2014 | 2013 |
|---|---|---|---|
| **Rated Capicty/Production** | | | |
| Ghee / speciality fats | M.TON | 18,000 | 18,000 |
| Cooking oil | M.TON | 10,000 | 10,000 |
| | | **28,000** | **28,000** |
| **Actual Production** | | | |
| Ghee / speciality fats | M.TON | 14,420 | 14,842 |
| Cooking oil | M.TON | 13,252 | 11,872 |
| | | **27,672** | **26,714** |

**44.01 RATED CAPACITY**

On the basis of blending hard oil with soft oil, rated capacity comes to 28,000 M.Ton annually.

**44.02 REASONS FOR SHORTFALL**

**Ghee/Speciality fats**

- Sui gas shut down.
- Electricity shut down.
- 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, speciality fats, soap and gases represents 99.84 % (2013: 99.88 %) of the total income of the company.

**45.02** 100 % (2013: 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 2014 are located in Pakistan.

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

**46 EMPLOYEES**

| | 2014 Number | 2013 Number |
|---|---|---|
| Average number of employees during the year. | **223** | **215** |
| Number of employees at the end of the year. | **218** | **217** |

**47 NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on 30 September 2014 proposed final cash dividend at the rate of Rs.1.00 per share (2013: Rs. 1.00 per share) for the year ended 30 June 2014 subject to the approval of the members at the forthcoming Annual General Meeting to be held on 30 October 2014.

**48 AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements have been approved and authorized for issue by the Board of Directors of the Company on 30 September 2014.

**49 GENERAL**

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

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE OFFICER

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

| No. of Shareholders | Shareholding From | To | Total Shares Held |
|---|---|---|---|
| 475 | 1 | 100 | 14,199 |
| 456 | 101 | 500 | 115,774 |
| 64 | 501 | 1,000 | 47,259 |
| 62 | 1,001 | 5,000 | 119,806 |
| 10 | 5,001 | 10,000 | 75,637 |
| 4 | 10,001 | 15,000 | 45,906 |
| 2 | 15,001 | 20,000 | 35,061 |
| 2 | 20,001 | 25,000 | 47,438 |
| 3 | 25,001 | 30,000 | 78,234 |
| 3 | 30,001 | 35,000 | 94,313 |
| 2 | 35,001 | 40,000 | 75,474 |
| 1 | 40,001 | 45,000 | 44,000 |
| 1 | 50,001 | 55,000 | 51,971 |
| 1 | 60,001 | 65,000 | 64,708 |
| 1 | 70,001 | 75,000 | 72,570 |
| 1 | 95,001 | 100,000 | 99,000 |
| 1 | 105,001 | 110,000 | 109,789 |
| 1 | 220,001 | 225,000 | 224,732 |
| 2 | 225,000 | 230,000 | 456,602 |
| 2 | 260,001 | 265,000 | 528,152 |
| 1 | 265,001 | 270,000 | 265,306 |
| 1 | 290,001 | 295,000 | 291,306 |
| 1 | 340,001 | 345,000 | 340,893 |
| 1 | 360,001 | 365,000 | 363,822 |
| 1 | 365,001 | 370,000 | 365,226 |
| 1 | 375,001 | 380,000 | 380,000 |
| 1 | 455,001 | 460,000 | 456,323 |
| 1 | 525,001 | 630,000 | 527,151 |
| **1,102** | | | **5,390,652** |

| Categories of Shareholders | Shares held | Percentage |
|---|---|---|
| Directors, CEO and their spouses | 1,102,157 | 20.45 |
| Associated Companies/Undertaking and Related Parties | 415,793 | 7.71 |
| NIT and ICP | 48,396 | 0.90 |
| Banks Development Financial Institutions and Non-Banking Financial Institutions | - | - |
| Insurance Companies | - | - |
| Modarabas and Mutual Funds | 1,006,157 | 18.66 |
| General Public | 2,784,542 | 51.66 |
| Joint Stock Companies | 33,613 | 0.62 |
| | **5,390,652** | **100.00** |

## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2014

### NAME & CATEGORY WISE DETAILS IN ACCORDANCE WITH CCG 2012

| Sr. No. | Name & Category of Shareholders | No. of Shares Held | Percentage |
|---|---|---|---|
| **Associated Companies, Undertakings and Related Parties:** | | | |
| 1 | M/s Teejay Corporation (Private) Limited | 363,822 | 6.75 |
| 2 | M/s Hala Enterprises Limited | 51,971 | 0.96 |
| **Mutual Funds** | | | |
| 1 | MCBFSL - Trustee Namco Balanced Fund Limited CDC | 380,000 | 7.05 |
| 2 | Golden Arrow Selected Stocks Fund Limited CDC | 99,000 | 1.84 |
| 3 | CDC-Trustee National Inrestrnat (Unit) Trust (CDC) | 527,151 | 9.78 |
| **Directors and their Spouse:** | | | |
| 1 | Mr. Tahir Jahangir | 39,836 | 0.74 |
| 2 | Mr. Izaz Ilahi Malik | 72,570 | 1.35 |
| 3 | Sh. Anwar Ahmad Batla | 109,789 | 2.04 |
| 4 | Mr. Usman Ilahi Malik | 456,323 | 8.47 |
| 5 | Mr. Jillani Jahangir | 340,893 | 6.32 |
| 6 | Syed Tahir Hussain Shah | 3,108 | 0.06 |
| 7 | Syed Zubair Ahmad Shah (NIT Nominee) | - | - |
| 8 | Mrs. Nageen Malik W/O Mr. Izaz Ilahi Malik | 44,000 | 0.82 |
| 9 | Mrs. Jui Anwar W/o Sh. Anwar Ahmad Batla | 35,638 | 0.66 |
| **Executives:** | | - | - |
| **Public Sector Companies & Corporations:** | | - | - |
| **Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:** | | - | - |

**Shareholders holding five percent or more voting intrest in the listed company**

| S. No. | Name of Shareholder | Holding | Percentage |
|---|---|---|---|
| 1 | Mr. Mansoor Ilahi Malik | 365,226 | 6.78 |
| 2 | Mr. Usman Ilahi Malik | 456,323 | 8.47 |
| 3 | Mr. Jillani Jahangir | 340,893 | 6.32 |
| 4 | Mr. Furqan Anwar Batla | 291,306 | 5.40 |
| 5 | M/s Teejay Corporation (Private) Limited | 363,822 | 6.75 |
| 6 | CDC-Trustee National Inrestrnat (Unit) Trust (CDC) | 527,151 | 9.78 |
| 7 | MCBFSL - Trustee Namco Balanced Fund Limited CDC | 380,000 | 7.05 |

| S. No. | Name | Sale | Purchase |
|---|---|---|---|
| 1. | Mr. Izaz Illahi Malik | - | 44,700 |
| 2. | Mr. Usman Illahi Malik | - | 98,905 |

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:**

During the Year Under Review Directors Purchased Shares and properly disclosed to SECP in accordance with the provision of Companies Ordinance 1984

**ANNEXURE "A"**

October 05, 2014

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. 350,000/- | Rs. 35,000/- | Rs. 385,000/- | Rs 4,620,000/- |

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**

**(Umer Sharif)**
Company Secretary

# FORM OF PROXY

I/We ______________________________________________

of______________________ being a Member of **Punjab Oil Mills Limited** and holder(s) of

__________________ Ordinary Shares as per Share Register Folio No. ________________________

**For beneficial owners as per CDC List**

CDC Participant I.D. No. Sub Account No. __________________

CNIC No. Passport No. _____________________

hereby appoint Mr./Mrs./Miss.____________________________________of______________ an other member of the Company or failing him /her Miss/Mrs/Mr. ________________________________________________ of _________________another member of the Company as my / our proxy to attend and vote for me / us and my /our behalf at Annual General Meeting of the Company to be held on Thursday, October 30, 2014, at 11:00 A.M. and at every adjournment thereof, if any.

Please affix
Rupees Five
Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

Signed this _________ day of October 2014

Signature of Shareholder _____________________

Signature of Proxy _____________________

| 1. WITNESS | 2. WITNESS |
|---|---|
| Signature: ____________________ | Signature: ____________________ |
| Name: ____________________ | Name: ____________________ |
| Address: ____________________ | Address: ____________________ |
| ____________________ | ____________________ |
| CNIC No. | CNIC No. |
| or Passport No.____________________ | or Passport No.____________________ |

**Important:**

1. This Proxy Form. duly completed and signed, must be received at above mentioned address the Registered Office of the Company, not less than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. For CDC Account Holders / Corporate Entities In addition to the above the following requirements have to be met

i. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy forms.

ii. The proxy shall produce his original CNIC or original passport at the time of the meeting.

iii. In case of a corporate entity, the Board of Directors resolution /power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

AFFIX
CORRECT
POSTAGE

**To:**

**The Company Secretary**
**Punjab Oil Mills Limited**
**Plot No. 26-28, Industrial Triangle,**
**Kahuta Road,**
**Islamabad**


Ella
100% Pure Sunflower Oil
Ella


Premium Cooking Oil
Oliva
Olive Pomace Oil
Imported from Spain


Premium Quality
ZAIQA®
COOKING OIL
ENRICHED WITH VITAMIN A & D
CHOLESTEROL FREE
Manufactured by
Punjab Oil Mills Ltd. Islamabad.
Tel: 4490017-20
Transfat Limiting
TFL
FORMULA
Transfat Free
ZAIQA®
Banaspati
No Artificial Flavours
CONTAINS VITAMIN A & D

CANOLIVE
Premium Canola Oil and Sunflower Oil with Olive Extract
SPAIN PAKISTAN
In Collaboration with GENOSA OF SPAIN
GUARANTEED FREE CASH PRIZE INSIDE
UPTO RS. 1000/-
5x1 LITRE POUCH
GUARANTEED FREE CASH PRIZE INSIDE UPTO RS. 1000/-

Annual Report

Punjab Oil Mills Limited

2014


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If undelivered, please return to
Plot No. 26, 27,28 Industrial Triangle Kahuta Road, Islamabad.

Punjab Oil Mills Limited

An ISO 9001 : 2008 & HACCP CERTIFIED COMPANY