

BOARD OF DIRECTORS

Chairman/Chief Executive Officer

MR. ABDUL MALIK

Directors

1. MR. MANZOOR ALI BHATTI
2. S. SIBTE MOMIN
3. Dr. YOUSAF JUNAID
4. MR. AZHER ALI CHOUDHRY

Secretary

MR. SHAHID NAJIB HASSAN

ANNUAL REPORT OF TRADING CORPORATION OF PAKISTAN (PVT) LTD
FOR THE YEAR 2007-2008

The Board of Directors has pleasure in presenting the TCP's Annual Report and the Audited Statement of Accounts for the financial year 2007-2008 ended on 30th June 2008.

CHANGES IN DIRECTORS

- | | |
|-----------------------------|---|
| 1. Mr. Mushtaque Ahmad Kazi | Relinquished the charge of the office of Director Commercial-II on 30 th May 2008 on expiry of re-employment contract. |
| 2. Mr. Azher Ali Choudhry | Assumed the charge of Ex-officio Director on 17 th September 2007. |

2. GENERAL

2.1 The Government of Pakistan set up the Trading Corporation of Pakistan Limited (TCP) as a private limited company in July, 1967 registered under Companies Act 1913. The shares of corporation are owned by the Ministry of Commerce. It was the first move by the Government to introduce state trading in the country. The creation of TCP was meant to achieve the following objectives:-

- i) Act as a counterpart of state trading organizations in the socialist countries for import items assigned to TCP in Import Policy.
- ii) Achieve economies of scale by handling bulk transactions; secure advantages of price, freight and port-handling expenses, and prevent leakage of foreign exchange through such malpractices as over/under invoicing, etc.
- iii) Stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and, ipso facto, act as a check on disparity between import prices and scarcity prices.

2.2 In January, 1995 the Federal Cabinet assigned the following new role to TCP:-

A. Imports

- i) Import of essential commodities in emergent conditions as in the past;
- ii) Import of Soybean Oil in future PL-480 Programme and CC Credit;
- iii) Import of Palm Oil from Malaysia under Malaysian credit;
- iv) Import of Industrial raw materials and other selected bulk items;
- v) Utilization of Credit Facilities.

B. Exports

- i) Export of selected items of public sector corporations, agencies, etc;
- ii) Channelizing exports through TCP to various markets under credit line given by the Government to expand business in areas such as Commonwealth of Independent States (CIS)/Central Asian Republics (CAR)/Malaysia, African countries, etc;
- iii) Export of Pakistani products to new/non-traditional markets by way of giving concessions/incentives by Government to prospective buyers for capturing new markets;
- iv) To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis;
- v) To undertake and develop export of fresh fruits/vegetables and minerals in collaboration with and on partnership basis with the private sector.

C. Counter trade

To undertake Counter trade to find out new markets and to promote exports, particularly to the countries facing cash constraints.

2.3 Procurement of Lint Cotton

In order to ensure a fair price to the cotton growers, the Government decided in 1999-2000 crop season to intervene in the market and directed TCP to purchase lint cotton from ginning factories for stabilizing cotton and phutti prices.

2.4 Inspection of Brown Rice Exported to European Countries

The Government has assigned inspection of Brown Rice (being exported to European countries) to TCP since August, 2002 which was earlier done by the RECP. TCP is discharging this responsibility to the satisfaction of the exporters and customs authorities in the European Union.

In addition to the above, due to a suit filed in the Sindh High Court by some exporters of rice and under the directive of Ministry of Commerce, TCP also inspects White Rice of those parties who are petitioners and issue them inspection certificates.

3. TCP'S CAPITAL

The initial paid up capital of the Corporation subscribed by the Government in 1967 was Rs.2.5 million, which was subsequently raised to Rs.5 million in 1969-70 and to Rs.7.5 million in 1970-71 out of Corporation's own resources. In 1977-78, TCP increased its paid up capital from Rs.10.00 million to Rs.50.00 million and further increased it to Rs.100.00 million in 1978-79 through its own resources by issuing bonus shares. In 2005-2006, the authorized capital enhanced to Rs.1000 million, whereas the subscribed and paid up capital increased from 100.00 million to 685.805 million due to an increase in the volume of trade under Government's directive.

4. MANAGEMENT

The Management of the Corporation is vested in a Board of Directors appointed by the Federal Government. The Board comprises of a Chairman who is the Chief Executive of the Corporation and four Directors who look after the financial, imports, exports and other affairs of the Corporation. Besides one Joint Secretary of the Ministry of Commerce, Government of Pakistan, Islamabad is also on the Board of TCP as ex-officio Director.

5 ACTIVITIES OF THE CORPORATION

5.1 IMPORTS

5.1.1 Urea Fertilizer

Under the Saudi Export Credit Financing Facility of US\$ 133 Million, TCP concluded 3 (three) contracts for import of 230,000 MT Urea out of which a quantity of 188,304 MT valuing US\$ 79.728 Million (equivalent to Rs.5022.864) has arrived and delivered to the MINFAL nominees viz. FFC, Engro, NFML and Dawood Chemical.

5.1.2 Wheat

In pursuance of Government directives, TCP concluded import contracts of 1,920,000 MT Wheat valuing US\$ 900.560 Million, out of which 1,706,852 MT valuing US\$ 813.470 Million (equivalent to RS.50.754 Billion) Wheat was arrived/delivered to all four provinces, AJK, Northern Areas, USC and Pakistan Navy.

5.1.3 (Detail of above commodities is given at **Annexure-I**)

5.2 EXPORTS

5.2.1 Cotton

TCP has sold 726 cotton bales valuing US\$ 71,571.24 Million (equivalent to Rs.4.334 Million) in the international market from its carryover stocks of 2004 - 2005.

5.2.2 Rice

TCP handled two (2) consignments of Irri-6 Rice of 1000MT each valuing Rs.41.695 Million donated to Mauritania and Niger on behalf of Government of Pakistan.

5.2.3 (Detail of above commodities is given at **Annexure-II**)

5.3 DOMESTIC OPERATIONS

5.3.1 Procurement of Cotton

In order to ensure a fair price of seed cotton (phutti) to cotton growers, Government has from time to time intervened in the market as a third buyer since 1999-2000 and directed TCP to purchase lint cotton from ginners for stabilizing cotton and phutti prices. However, during the entire cotton season of 2007-2008 the price of seed cotton (phutti) remained firm, as such TCP's intervention was not warranted.

5.3.2 Clean Cotton

In terms of ECC decision the growers who supplied clean phutti were paid premium of Rs.50/- per maund. The Ministry of Textile has fixed target for production of 114,000 bales of clean cotton. 38 ginning factories (Punjab 24 and Sindh 14) were

enlisted to meet the target . Total 1,431,891 maund of phutti were certified and an amount of Rs.42.763 Million was paid to the growers as premium.

5.3.4 **Sugar Purchase**

A quantity of 444,711 MT sugar valuing Rs.9.875 Billion has been purchased by TCP from the local sugar mills to keep strategic stocks.

5.3.5 **Sugar Sale**

TCP has sold 417,799 MT sugar valuing Rs.7.950 Billion to Utility Stores Corporation, Canteen Store Department, Army/Navy and through open tenders in the local market.

6. **INSPECTION OF BROWN & WHITE RICE**

TCP inspected 109,656 MT of Brown Rice exported to European Union countries and 43,786 MT of White Rice and earned an amount of Rs.3.017 Million as inspection fee.

7. **RENTING OF GODOWNS OF DEFUNCT RECP**

TCP received rent amounting to Rs.72.096 Million through renting of its godowns to public and private sector at Pipri, Landhi and Korangi.

8. **RECOVERY OF SGS AND MODERNIZATION LOANS**

TCP has recovered Rs.4.349 Million from defaulted parties towards loans given by the defunct CEC to them for Supervised Ginning Scheme and Management.

9. **TCP OFFICIALS/DELEGATIONS VISITED ABROAD**

9.1 Mr. Abdul Malik, ex-Chairman TCP preceded on official assignment to United Arab Emirates on 16th January 2008 for two days official visit.

9.2 Mr. Abdul Malik, ex-Chairman TCP also visited Dubai to participate in the 4th Dubai Sugar Conference from 3rd – 5th February 2008.

9.3 Mr. Mushtaq Ahmed Kazi, ex-Director (Commercial-II), TCP attended 66th Plenary meeting of the International Cotton Advisory Committee held from 22nd – 26th October, 2007 at Izmir, Turkey.

9.4 Dr. Yousaf Junaid, Director (Commercial-III), TCP visited Sri Lanka from 6th to 10th August 2007 for exploring possibility of exporting Basmati rice to Sri Lanka under the TRO arrangements.

9.5 Dr. Yousaf Junaid, Director (Commercial-III), TCP also visited Canada and participated in 41st International Grain Industry Programme organized by the Canadian International Grain Institute (CIGI) from 26th May to 7th June 2008.

10. Comparative Statements of Financial Results, Highlights of Financial Results and stocks position is given at Annexure III, IV and V.

11. **PROFIT/(LOSS) AFTER TAXATION:**

(RUPEES IN MILLION)		
D E T A I L	2007-2008	2006-2007
Operating Profit/(Loss)	985.583	48.565
Other Income	349.305	429.559
Prior Period Adjustment	<u>(161.408)</u>	<u>(1.229)</u>
Profit/(Loss) before Taxation	1173.480	476.895
Taxation-current Year	<u>(249.839)</u>	<u>(166.853)</u>
Profit/(Loss) after Taxation	923.641	310.042

12. **MANAGEMENT - STAFF RELATIONS:**

The relationship between the Management, TCP Officers Association and TCP Employees Union continued to remain harmonious during the year. The Management is happy to record its appreciation for the hard work put in by the officers and employees of the Corporation at all levels.

13. **AUDITORS**

M/s. Bilwani & Co., Chartered Accountants were appointed as Auditors to conduct the audit of accounts of TCP for the year 2007-2008.

Annexure-I

**STATEMENT SHOWING ACTUAL QUANTITY AND C&F VALUE OF
IMPORTS/ GOODS RECEIVED UNDER VARIOUS AID PROGRAMMES/
IMPORTED BY TCP
DURING THE YEAR 2007-2008**

(US\$ IN MILLION)

S. NO.	COMMODITY	2007-2008		2006-2007	
		Quantity (M. Ton)	C&F Value	Quantity (M. Ton)	C&F Value
1.	Urea Fertilizer	188,304	79.728	55,000	14.850
2.	Wheat	1,706,852	813.470	-	-

Annexure-II

STATEMENT SHOWING TCP'S EXPORT DURING THE YEAR
2007-2008

(RUPEES IN MILLION)

S. NO.	COUNTRY	COMMODITY	QUANTITY	VALUE
1.	To various countries	Cotton	726	4.334
2.	Mauritania & Niger*	Rice Irri-6	2000	41.695
Total				46.029

*Handled two (2) consignments of Rice Irri-6 of 1000 MT each donated to Mauritania and Niger on the behalf of the Government of Pakistan.

Annexure-III**COMPARATIVE STATEMENT OF FINANCIAL RESULTS DURING LAST DECADE**
1998-1999 TO 2007-2008

(Rupees in Million)

S. N O	PARTICULARS	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1.	<u>Paid-up capital</u>	100.000	100.000	100.000	100.000	100.000	100.000	100.000	685.805	685.805	685.805
2.	Total C&F value of imports	--	2.529	229.751	--	--	--	22,792.445	26,755.430	19,184.327	55777.358
3.	Total value of Exports	--	1251.58 3	2551.582	68.883	1410.947	7232.695	288.387	2,477.980	371.447	4.334
4.	Profit/(Loss) before taxation	(39.089)	119.134	456.557	74.578	196.508	175.281	569.522	804.968	476.895	1173.480
5.	Profit/(Loss) after taxation	(39.528)	98.324	401.695	10.567	(534.030)	112.992	363.968	634.180	310.042	923.641

Annexure-IV**HIGHLIGHTS OF FINANCIAL RESULTS**

(RUPEES IN MILLION)

S. NO	PARTICULAR	2007-2008	2006-2007
1.	PAID UP CAPITAL	685.805	685.805
2.	TURNOVER AND RELATED INCOME		
	a) Imports (Sugar, wheat Urea & Black Mapte)	27,761.671	11,354.650
	b) Exports	4.334	371.447
	c) Local sale (Cotton)	2.797	1,505.237
	d) Commission on Imports/Exports	<u>1275.823</u>	<u>330.140</u>
		<u>29,044.625</u>	<u>13,561.474</u>
3.	TOTAL C&F VALUE OF IMPORTS	27,768.802	19,184.327
4.	PROFIT/(LOSS) BEFORE TAXATION	1,173.480	476.895
5.	PROFIT/(LOSS) AFTER TAXATION	923.641	310.042
6.	STOCKS	14,237.355	17,151.295
7.	DEBTORS	19,092.118	3,753.282
8.	RATIO:		
	a) Stocks/Turnover	49.02%	126.47%
	b) Debtors/Turnover	65.73%	27.67%

Annexure-V**STATEMENT SHOWING OPENING AND CLOSING STOCK POSITION IN
TCP'S GODOWN /SUGAR MILLS**

S. NO	ITEM	OPENING BALANCE 1-7-2007	FRESH ARRIVAL	CLOSING BALANCE AS ON 30-6-2008
1.	Cotton Lint	510 Bales	-	-
2.	Handling Equipments	Rs.0.996 (M)	-	-
3.	Sugar	409,249 MT	444,711 MT	436.161