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**AUDITORS' REPORT ON FINANCIAL STATEMENTS OF**

**TRADING CORPORATION OF PAKISTAN  
(PRIVATE) LIMITED**

**FOR THE YEAR ENDED 30 JUNE 2017**

EY Fore Pricers  
Chartered Accountants  
Progressive Plaza, Beaufort Road  
P.O. Box 15541, Karachi 75251  
Pakistan

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## Auditors' report to the members

We have audited the annexed balance sheet of **Trading Corporation of Pakistan (Private) Limited** (the Company) as at **30 June 2017** and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended. Except for the matters referred to in paragraphs (a) to (g) below, we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984.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

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

- a) the Company has not classified properties given on rent as 'investment properties', as required under International Accounting Standard 40, 'Investment Property' (IAS 40), since the break-up of cost and written down value of leasehold land and godowns on leasehold land are not available with them due to the reasons stated in note 4.1.3 to the financial statements. In addition, though the godowns are given on rent to various parties for past many years under the contractual terms and the Company is earning rental income from said rented godowns, the management believes that they are held specifically for the use of storage of different commodities procured by the Company on behalf of Government of Pakistan (GoP) and not earning rental income. Therefore, these have not been classified as investment properties. Accordingly, we are unable to satisfy ourselves as to whether these properties should be classified as investment properties under IAS 40.
- b) as disclosed in note 9.1 to the financial statements, stock-in-trade includes 28,166 metric tonnes of sugar of Rs.3,661.27 million (including mark-up and other charges accrued of Rs.2,217.93 million till 30 June 2017) that has not been supplied by certain sugar mills under the contractual terms and accordingly, the Company had initiated legal action. In the absence of management evaluation regarding the quantity of stock expected to receive from sugar mills along with accrued mark-up and other charges, we were unable to satisfy ourselves as to the accuracy and recoverability of stock-in-trade and / or equivalent amount in cash of Rs.3,661.27 million (including accrued mark-up and other charges thereon) and classification of accrued mark-up and other charges under the head stock-in-trade instead of receivables.
- c) as disclosed in note 11.2 to the financial statements, trade debts includes receivables of Rs.10,791.86 million from various government institutions, however in the absence of sufficient and appropriate underlying evidences, responses to the confirmation requests sent by us and no movement / recoveries during the past six years to date, we were unable to satisfy ourselves as to the existence of Rs.99.41 million trade debts, and completeness, aging and recoverability of Rs.10,791.86 million receivables.

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- d) as disclosed in note 13.1 to the financial statements, other receivables includes Rs.3,542.70 million (including mark-up and other charges accrued of Rs.2,606.49 million till 30 June 2017) from sugar mills on account of sugar not supplied by them under the contractual terms and accordingly, the Company has filed suits in High Court of Sindh for recovery of these receivables and later referred the matter to National Accountability Bureau (NAB). In the absence of replies to the confirmation requests sent to the legal advisors of the Company, we are unable to determine the probable outcome of legal proceedings and satisfy ourselves as to the accuracy and recoverability of these receivables of Rs.3,542.70 million.
- e) we were unable to satisfy ourselves as to existence, obligation, accuracy, classification, completeness and disclosures of trade and other payables to the extent of Rs.1,144.66 million (net of Rs.26.86 million), as no underlying data / information and evidences were made available to us.
- f) we have been provided with year-wise details of tax summary from tax years 2003 to 2017 prepared by the management of the Company during the year, however, the income tax liability appearing in the balance sheet remained unreconciled with the said tax summary and underlying records available with the Company to the extent of Rs.188.55 million. Accordingly, we are unable to determine as to whether any adjustment was necessary.
- g) in the absence of replies to our confirmation requests and opinion of the legal and tax counsel of the Company and on the merit of several matters, pending litigations and open tax assessments against the Company aggregating to Rs.9,248.61 million, as more fully disclosed in notes 23.1.1, 23.1.3 to 23.1.13 to the financial statements, we were unable to determine whether any provision / liability, that may result, has been made in the financial statements considering the uncertainty involved in the ultimate outcome of these matters.
- h) in our opinion, except for the effects of the matters stated in the paragraphs (a) to (g) above, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- i) in our opinion:
- i) except for the effects of the matters stated in the paragraphs (a) to (g) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in notes 2.5 and 3.10 to the accompanying financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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- j) in our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters stated in paragraphs (a) to (g) above, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof are in conformity with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed 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 2017** and of the profit and its cash flows and changes in equity for the year then ended.
- k) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2016 were audited by another firm of chartered accountants who expressed the qualified opinion and added emphasis of matter paragraphs on various matters as stated in paragraphs (a to d, f, g) above, non-filing of sales tax return and valuation of compensated absences on those financial statements in their audit report dated 08 December 2016. During the year, the Company has carried out an exercise and filed all pending sales tax returns and recorded liability for compensated absences based on actuarial valuation.



Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

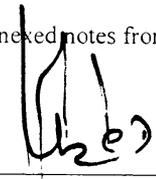
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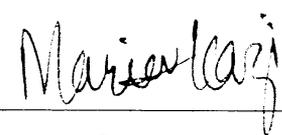
Karachi

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED  
BALANCE SHEET  
AS AT JUNE 30, 2017

		June 30, 2017	June 30, 2016 (Restated)	July 1, 2015 (Restated)
	Note	----- (Rupees in '000) -----		
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property and equipment	4	526,495	509,905	502,404
Intangible asset	5	5,945	-	-
Long-term investments	6	125,980	126,795	114,092
Long-term loans	7	155,278	157,504	130,785
Long-term deposits		12,286	12,286	12,286
		<b>825,984</b>	<b>806,490</b>	<b>759,567</b>
<b>CURRENT ASSETS</b>				
Stores	8	-	-	-
Stock-in-trade held on behalf of Government of Pakistan	9	3,661,276	3,189,811	6,439,547
Due from Government of Pakistan	10	34,406,659	27,415,879	23,132,739
Trade debts	11	55,466,553	61,373,180	58,683,822
Loans and advances	12	33,336	39,700	31,568
Accrued interest		19,441	15,378	32,919
Prepayments and other receivables	13	7,962,795	6,388,739	6,129,209
Current maturity of long-term investments	6	15,037	-	-
Sales tax refundable	14	6,607,339	5,006,333	4,813,606
Short-term investments	15	16,065,000	16,060,730	18,451,568
Bank balances	16	1,912,336	2,368,092	1,082,260
		<b>126,149,772</b>	<b>121,857,842</b>	<b>118,797,238</b>
<b>TOTAL ASSETS</b>		<b>126,975,756</b>	<b>122,664,332</b>	<b>119,556,805</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Issued, subscribed and paid up capital	17	1,000,000	1,000,000	1,000,000
Reserves		10,878,618	10,575,347	12,381,737
		<b>11,878,618</b>	<b>11,575,347</b>	<b>13,381,737</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term loan	18	16,649	16,649	16,649
Deferred liabilities - staff compensated absences	19	87,565	98,339	107,474
		<b>104,214</b>	<b>114,988</b>	<b>124,123</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	20	1,556,329	2,085,515	3,139,208
Commodity finance under markup arrangements	21	95,204,726	90,920,786	98,392,985
Short-term loans under commodity finance	22	15,000,000	14,000,000	-
Interest accrued		1,864,196	1,918,629	2,335,287
Taxation - net		1,367,673	2,049,067	2,183,465
		<b>114,992,924</b>	<b>110,973,997</b>	<b>106,050,945</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>126,975,756</b>	<b>122,664,332</b>	<b>119,556,805</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
	23			

The annexed notes from 1 to 41 form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

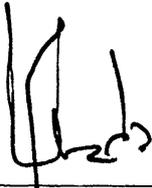
  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016 (Restated)
	Note	------(Rupees in '000)-----	
Commission income	24	33,869	202,782
Administrative expenses	27	(1,080,597)	(846,866)
		<u>(1,046,728)</u>	<u>(644,084)</u>
Other income	28	1,534,289	1,788,830
<b>Profit before taxation</b>		<u>487,561</u>	<u>1,144,746</u>
Taxation	29	(93,076)	(351,517)
<b>Profit after taxation</b>		<u>394,485</u>	<u>793,229</u>
<b>Other comprehensive income for the year</b>			
<b>Other comprehensive income not to be reclassified to profit and loss in subsequent periods</b>			
Remeasurement loss on staff compensated absences		8,786	381
<b>Total comprehensive income for the year</b>		<u><u>403,271</u></u>	<u><u>793,610</u></u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE OFFICER

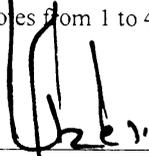
  
 DIRECTOR

  
 CHIEF FINANCIAL OFFICER

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 ------(Rupees in '000)-----	2016 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		487,561	1,144,746
<b>Adjustments of non cash and other items</b>			
Depreciation on property and equipment	4	20,234	25,479
Amortisation on intangible asset	5	661	-
Interest on investments		(1,148,986)	(1,379,593)
Subsidy to be reimbursed - net		(8,612,542)	(9,287,864)
Provision for staff retirement gratuity and compensated absences		152,573	113,635
Reversal of provision against doubtful receivables		-	(22,562)
(Gain) / loss on disposal of property and equipment		(3)	276
		<u>(9,588,063)</u>	<u>(10,550,629)</u>
		<b>(9,100,502)</b>	<b>(9,405,883)</b>
<b>Decrease / (increase) in current assets</b>			
Stock-in-trade held on behalf of Government of Pakistan		(471,465)	3,249,736
Trade debts		5,906,627	(2,689,358)
Loans and advances		6,364	(8,132)
Prepayments and other receivables		(1,574,056)	(213,353)
Sales tax refundable		(1,601,006)	(192,727)
<b>(Decrease) / increase in current liabilities</b>			
Trade and other payables		(530,231)	(1,121,012)
Interest accrued		(54,433)	(416,658)
		<u>1,681,800</u>	<u>(1,391,504)</u>
		<b>(7,418,702)</b>	<b>(10,797,387)</b>
<b>Cash used in operations</b>			
Income tax paid		(774,470)	(485,915)
Staff retirement gratuity paid		(91,022)	(24,978)
Compensated absences paid		(62,494)	(58,431)
		<u>(927,986)</u>	<u>(569,324)</u>
		<b>(8,346,688)</b>	<b>(11,366,711)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment		(43,100)	(29,695)
Sale proceeds from disposal of property and equipment		747	1,163
Addition to intangible asset		(1,073)	-
Encashment of / (investment in) term deposit receipts - net		(4,270)	2,390,838
Interest received on investments		1,130,699	1,384,431
Long-term loans recovered - net		2,226	(26,719)
		<u>1,085,229</u>	<u>3,720,018</u>
		<b>1,085,229</b>	<b>3,720,018</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short-term loan under commodity finance - net		1,000,000	14,000,000
Subsidy received during the year		1,621,763	5,004,724
Dividend paid		(100,000)	(2,600,000)
		<u>2,521,763</u>	<u>16,404,724</u>
		<b>(4,739,696)</b>	<b>8,758,031</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		(88,552,694)	(97,310,725)
		<u>(88,552,694)</u>	<u>(97,310,725)</u>
		<b>(93,292,390)</b>	<b>(88,552,694)</b>

The annexed notes from 1 to 41 form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

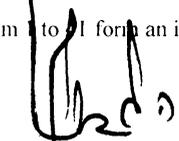
  
CHIEF FINANCIAL OFFICER

**TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2017**

----- Reserves -----

	Issued, subscribed and paid-up capital	General reserve	Building reserve	Reserve for contingencies	Revenue reserves	Unappropriated profit	Total Reserves	Total Equity
	----- (Rupees in '000) -----							
<b>Balance at July 01, 2015 - as previously reported</b>	1,000,000	9,771,500	1,680,000	100,000	239,000	631,834	12,422,334	13,422,334
Effect of change in accounting policy - notes 3.10 & 37	-	-	-	-	-	(43,234)	(43,234)	(43,234)
Effect of prior period adjustments - note 37	-	-	-	-	-	2,637	2,637	2,637
<b>Balance at July 01, 2015 - as restated</b>	1,000,000	9,771,500	1,680,000	100,000	239,000	591,237	12,381,737	13,381,737
Transfer to general reserve	-	(2,271,500)	-	-	-	2,271,500	-	-
Profit for the year	-	-	-	-	-	793,229	793,229	793,229
Other comprehensive income for the year	-	-	-	-	-	381	381	381
Total comprehensive income for the year	-	-	-	-	-	793,610	793,610	793,610
<b>Transaction with the owners</b>								
Final dividend for the year ended June 30, 2015 @ Re. 1 per share	-	-	-	-	-	(100,000)	(100,000)	(100,000)
Interim dividend for the year ended June 30, 2016 @ Rs. 25 per share	-	-	-	-	-	(2,500,000)	(2,500,000)	(2,500,000)
<b>Balance at June 30, 2016 - as restated</b>	1,000,000	7,500,000	1,680,000	100,000	239,000	1,056,347	10,575,347	11,575,347
Transfer from general reserve	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	394,485	394,485	394,485
Other comprehensive income for the year	-	-	-	-	-	8,786	8,786	8,786
Total comprehensive income for the year	-	-	-	-	-	403,271	403,271	403,271
<b>Transaction with the owners</b>								
Interim dividend for the year ended June 30, 2017 @ Re. 1 per share	-	-	-	-	-	(100,000)	(100,000)	(100,000)
<b>Balance at June 30, 2017</b>	1,000,000	7,500,000	1,680,000	100,000	239,000	1,359,618	10,878,618	11,878,618

The annexed notes from 1 to 11 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR

  
 CHIEF FINANCIAL OFFICER

**TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

1.1 Trading Corporation of Pakistan (Private) Limited (the Company) was incorporated in Pakistan on July 28, 1967 as a private limited company under the repealed Companies Act, 1913 (now Companies Act, 2017). It is wholly owned by the Federal Government and operates under the administrative control of the Ministry of Commerce (MoC), Government of Pakistan (GoP). The registered office of the Company is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The principal activity of the Company is to facilitate imports and trading of different commodities on behalf of GoP. The Company acts as an agent in those transactions and is entitled to commission on services rendered and does not carry any risks and rewards related to those transactions as such and therefore, the sales and cost of sales relating to those transactions are not presented in the profit and loss account of the Company.

1.2 Cotton Exchange Corporation of Pakistan (Private) Limited (CEC) and Rice Export Corporation of Pakistan (Private) Limited (RECP) were merged with and into the Company in 2001 under an order of Sindh High Court dated January 19, 2001. Further, Cotton Trading Corporation of Pakistan (Private) Limited (CTC) was merged with and into the Company in 2008 by another order of the Sindh High Court. As a result of these orders, the assets and liabilities of these defunct companies were transferred to the Company without any subsidiary records.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 17 of 2017 dated July 20, 2017 communicated its decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company's financial statements for the year ended June 30, 2017 have been prepared considering the requirements of the repealed Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent year are as follows:

- Residual values and useful lives of property and equipment (note 3.1).
- Valuation of stores and stock in trade (notes 3.3 and 3.4).
- Provision for impairment of trade debts and other receivables (note 3.5).
- Provision for impairment of financial and non-financial assets (note 3.8).
- Provision for taxation (note 3.12).

## 2.5 Standards, amendments to approved accounting standards and Interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for change in accounting policy for compensated absences, as disclosed in note 3.10 to these financial statements and adoption of the following new and amended standards and improvements:

### New and Amended Standards

The Company has adopted the following new standards to IFRSs which became effective for the current year:

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IFRS 12 - Disclosure of Interests in Other Entities

IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture, Bearer Plants (Amendment)

IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

The adoption of the above standards did not have any material effect on these financial statements.

### Annual improvements

IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS - 7 Financial Instruments: Disclosures - Servicing Contracts

IFRS - 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Employee Benefits - Discount rate, regional market issue

IAS 34 - Interim Financial Reporting - Disclosure of information elsewhere in the interim financial report

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material effect on these financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land and capital work-in-progress, which are stated at cost less impairment losses, if any. Capital work-in-progress in respect of assets consists of expenditure incurred in the course of their construction and installation. These assets are transferred to relevant category of operating fixed assets when they are available for use.

Depreciation is charged to the profit and loss account and claimed under trading and other expenses to be reimbursed by GoP, as the case may be, using reducing balance method at the rates given in note 4.1 to these financial statements. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal. Asset's residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each balance sheet date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Major renewals and improvements for assets are capitalised and the assets so replaced, if any, are retired.

Maintenance and normal repairs are charged to the profit and loss account as and when incurred. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense in the profit and loss account.

### 3.2 Intangible asset

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the profit and loss account applying the straight line method, whereby, the cost of intangible asset is written off over its useful economic life. The amortisation rate of the intangible assets are stated in note 5 to these financial statements. Full month's amortisation is charged in the month of addition when the asset is available for use, whereas, amortisation on disposals is charged upto the month in which the disposal takes place.

### 3.3 Stores

These are valued at weighted average cost less impairment losses, if any, except for stores in transit which are valued at cost (invoice value) plus other charges accumulated up to the reporting date. Cost comprises of invoice value and other direct costs but excludes borrowing costs. Provision is made for slow moving/obsolete items, where necessary and is recognised in the profit and loss account. Provision for slow moving/obsolete stores relating to transactions carried out on behalf of the GoP is claimed under trading and other related expenses to be reimbursed by GoP.

### 3.4 Stock-in-trade held on behalf of Government of Pakistan (GoP)

Stock-in-trade except for stock of urea is valued at the lower of weighted average cost and net realizable value. Urea is valued at weighted average cost less impairment, if any, as it is sold at subsidized rates under the directives of the GoP. Cost comprises of invoice value, charges like excise, custom duties and other similar levies and other direct costs.

Provision is made for obsolete / slow moving stocks, where necessary, is included in the trading and other expenses to be reimbursed by the GoP.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred in order to make a sale.

### 3.5 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost. A provision for doubtful debts and other receivable is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and other receivable are written off, when considered irrecoverable. In case of default by the counter parties in transactions executed on behalf of the GoP, the same is recoverable/claimed from GoP under trading and other expenses to be reimbursed by the GoP.

### 3.6 Financial instruments

#### Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial instruments are classified as held-for-trading if they are acquired for the purpose of selling and repurchasing in near term. Held-for-trading assets are acquired principally for the purpose of generating profit from short-term fluctuations in price. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes sales and purchase decision based on their fair value in accordance with the Company's investment strategy.

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. All transaction costs are recognised directly in profit and loss account. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognised directly in the profit and loss account.

**b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise due from Government of Pakistan, trade debtors, loans, deposits, other receivable, interest / mark up accrued and bank balances in the balance sheet.

**c) Held-to-maturity**

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held-to-maturity. These are initially measured at fair value plus transaction costs and are subsequently stated at amortised cost using the effective interest method less impairment, if any. These are classified as current and non-current assets in accordance with the criteria set out by IFRSs. Gains and losses are recognised in profit and loss account, when the investments are derecognised or impaired, as well as through the amortisation process.

**d) Available-for-sale**

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes in market conditions are classified as available-for-sale. At initial recognition, available-for-sale investments are measured at fair value plus directly attributable transaction costs.

After initial recognition, investments which are classified as available-for-sale are measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until, the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss is reclassified to the profit and loss account and removed from the available-for-sale reserve.

The fair value of those investments representing listed equity and other securities i.e. debt instruments are determined on the basis of year-end bid prices obtained from stock exchange quotations and quotes from brokers.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

**Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

**3.7 Cash and cash equivalents**

Cash and cash equivalents are stated at cost. For the purpose of cash flow statement, cash and cash equivalents include bank balances and commodity finance under markup arrangements.

**3.8 Impairment**

**Financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortised cost are recognised in profit and loss account.

## **Non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset.

In determining fair value less costs to sell, the recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

### **3.9 Trade and other payables**

Trade and other payables are recognised initially at fair value plus directly attributable cost to be paid in future for goods and services received, whether or not billed to the Company.

#### **Provisions**

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate. The amount recognised as provision is the best estimate of consideration required to settle the present obligation at the end of reporting period, taking into account the risk and uncertainties surrounding the obligation.

### **3.10 Employees' retirement benefits**

#### **Employees' gratuity fund - defined contribution plan**

The Company operates a gratuity fund for all of its permanent employees who have completed minimum qualified period of service. Contributions in respect thereof are made in accordance with the terms of the scheme. The amount of the gratuity paid to the employees is determined by the amount of contributions made by the Company to the gratuity fund together with the investment returns arising from the fund.

#### **Employees' provident fund - defined contribution plan**

The Company operates a recognised provident fund for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

## Compensated absences

As disclosed in note 2.5 to the financial statements, during the year the Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service cost and expected return on plan assets, whereby with effect from current year, the Company has recognised the liability for compensated absences based on actuarial valuations. The latest actuarial valuations were conducted as on June 30, 2017. Accordingly the Company has recognised:

- actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognised over the expected average remaining working lives of the employees;
- all past service costs at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations benefits, instead of past policy, where the past service costs were recognised as an expense on a straight line basis over the average period until the benefits became vested, and if the benefits were already vested, following the introduction of or changes to a scheme, past service costs were recognised immediately in profit and loss account; and
- interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.

The above change has been accounted for in accordance with the requirements of IAS 19 - Employee Benefits (Revised), as required under IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, such a change to be applied retrospectively. Due to the above change in accounting policy, the Company has presented balance sheet as at the beginning of the earliest comparative period i.e., July 01, 2015, and related notes in accordance with requirement of IAS 1 - Presentation of Financial Statements.

**Rupees in '000**

### As of July 01, 2015

Staff compensated absences liability would have been lower by:	67,553
Retained earnings would have been higher by:	<u>43,234</u>

### As of and for the year ended June 30, 2016

Compensated absences liability would have been lower by:	63,724
Retained earnings would have been lower by:	<u>41,464</u>

Administration expenses would be higher by:	3,829
Tax charge for the year would be lower by:	<u>1,207</u>

Profit after taxation would have been lower by:	<u>2,622</u>
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Other comprehensive income would be lower by:	<u>381</u>
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**As of and for the year ended June 30, 2017**

Compensated absences liability would have been lower by:	50,298
Retained earnings would have been lower by:	<u>47,048</u>
Administrative expenses would be higher by	13,420
Tax charge for the year would be lower by	<u>1,438</u>
Profit after taxation would have been lower by:	<u>11,988</u>
Other comprehensive income would be lower by	<u>8,786</u>

**3.11 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of borrowings using the effective interest rate method. Finance cost on borrowings made for executing transactions on behalf of government are included in the cost to be reimbursed by the government.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date. Exchange gains and losses arising in respect of borrowings in foreign currency, if any, are added in the carrying amount of the borrowing.

**3.12 Taxation****Current**

Provision for current taxation is based on the taxable income for the year determined in accordance with the requirements of Income Tax Ordinance, 2001, after taking into account tax credits and rebates available, if any. The charge for current tax is calculated using enacted tax rates and includes adjustments for prior years or otherwise considered necessary for such years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. Tax paid on transactions carried out on behalf of GoP is included in cost related to such transactions.

**Deferred**

Deferred tax is recognised using the balance sheet method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forwards of unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax relating to items recognised directly in the other comprehensive income or equity is recognised in the other comprehensive income or equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

The Company has not recognised deferred tax in these financial statements, as the major income is covered under final tax regime.

### **3.13 Foreign currency translation**

Transactions in foreign currencies are translated into Pakistani Rupee at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupees at the rates of exchange ruling at the balance sheet date. Exchange gains and losses from the settlement of foreign currency transactions and translation of monetary assets and liabilities at the balance sheet date rates are included in profit and loss account. Exchange gains / losses on transactions carried out on behalf of GoP are included in the cost related to such transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### **3.14 Offsetting 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 recognised amounts and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

### **3.15 Revenue**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable and is recognised in the profit and loss account.

As the Company acts as an agent on behalf of the GoP, it earns commission income on the sale value of commodities except for Urea on which commission is recorded on its import value (C&F value), Rice on which commission is recorded on its purchase cost (C&F). The rate of commission depends upon the directive of GoP for each transaction. Commission income is recorded on accrual basis when the transaction has been executed.

- Profits on bank and term deposits is accounted for on time proportion basis using effective interest method.
- Rental income is recorded on accrual basis.
- Income in respect of services provided are recognized when services have been rendered.
- Sales made on behalf of the GoP are credited to "due from GoP" through trading surplus / deficit to be reimbursed by GoP.

### **3.16 Subsidies from the GoP**

Subsidies from the government are calculated separately for each consignment, which represent the difference between the selling price and the cost incurred on transactions executed on behalf of GoP. All direct and indirect income and expenses related to these transactions are borne by GoP and claimed (on net basis) under trading and other expenses to be reimbursed by GoP.

### **3.17 Expenses**

Expenses incurred in relation to import and trading on behalf of GoP is charged to trading and other expenses to be reimbursed by GoP whereas, payroll and other costs are charged in administrative expenses in profit and loss account.

### **3.18 Dividend and other appropriations**

Dividend is recognised as a liability in the period in which it is declared. Appropriations of profit including transfer to reserves are reflected in the statement of changes in equity in the period in which such appropriations are approved by the shareholders of the Company.

### 3.19 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		<b>Effective date (annual periods) beginning on or after)</b>
IFRS 2	Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 01, 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendment)	Not yet finalised
IAS 7	Statement of Cash Flows: Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12	Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2017

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendment, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

#### Standards

IFRS 9	Financial Instruments: Classification and Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts

	Note	2017 ------(Rupees in '000)-----	2016
<b>4. PROPERTY AND EQUIPMENT</b>			
Operating fixed assets	4.1	351,811	348,997
Capital work in progress			
- various construction and other work at Pipri godowns		174,684	155,375
- Implementation of ERP (SAP)	5	-	5,533
Advances against purchase of land	4.2	81,428	81,428
Provision against advances		(81,428)	(81,428)
		-	-
		526,495	509,905



Particulars	2016								
	Cost			Accumulated depreciation				Carrying value as at June 30, 2016	Depreciation rate per annum
	As at July 01, 2015	Additions / (disposals)	As at June 30, 2016	As at July 01, 2015	Depreciation for the year / (disposals) (note 4.1.1)	As at June 30, 2016			
	------(Rupees in '000)-----							%	
Leasehold land	25,824	-	25,824	-	-	-	25,824	-	
Buildings on leasehold land	165,190	-	165,190	139,008	1,308	140,316	24,874	5	
Godowns on leasehold land	627,701	-	627,701	351,771	13,795	365,566	262,135	5	
Structural improvements	53,538	-	53,538	50,114	172	50,286	3,252	5-25	
Godown equipment	53,709	1,675	55,384	52,061	279	52,340	3,044	10-25	
Office equipment	42,855	262	43,117	37,417	879	38,296	4,821	10-20	
Furniture, fixtures and fittings	16,256	232	16,488	10,796	556	11,352	5,136	10	
Computer equipment	11,646	6,942	18,588	8,408	989	9,397	9,191	20	
Laboratory handling equipment	3,151	-	3,151	3,122	4	3,126	25	15	
Electric sub stations	11,559	-	11,559	11,559	-	11,559	-	33	
Workshop complex	5,353	-	5,353	5,353	-	5,353	-	5	
Vehicles	61,759	-	58,013	46,852	2,773	47,318	10,695	20	
		(3,746)			(2,307)				
	1,078,541	9,111	1,083,906	716,461	20,755	734,909	348,997		
		(3,746)			(2,307)				

*EPM*

	2017	2016 (Restated)
Note	------(Rupees in '000)-----	

**4.1.1 Depreciation for the year has been allocated as follows:**

Trading and related expenses to be reimbursed by GoP	25.2.1	9,917	9,355
Administrative expenses	27	<u>10,317</u>	<u>11,400</u>
		<u><u>20,234</u></u>	<u><u>20,755</u></u>

4.1.2 Included in operating fixed assets are fully depreciated assets having cost of Rs. 78.58 million (2016: Rs. 77.8 million).

4.1.3 Included in the property and equipment are certain godowns (land and buildings) which have been given on rent, however, details of cost of these land and construction of godowns thereon are not available separately, as these godowns were taken over by the Company, as a result of mergers as disclosed in note 1.2 to these financial statements. The management has decided not to declare godowns as 'investment properties' in these financial statements, as per requirements of International Accounting Standard 40 'Investment Properties', due to the reason that these godowns are primarily maintained for storage of commodities procured on behalf of GoP as and when required by GoP.

4.2 In 1991, Rice Export Corporation of Pakistan (Private) Limited (RECP) (defunct) paid advance of Rs. 80.73 million to Port Qasim Authority (PQA) for purchase of two plots of land. Due to some dispute regarding transfer fee, PQA unilaterally cancelled the allotment of these plots of land. RECP had also given advance of Rs. 0.69 million to Karachi Development Authority for purchase of 100 acres of land. Due to dispute regarding title of land, the land was not allotted to the Company. In view of these facts, the management has recorded full provision against these advances. However, the Company has filed a legal suit against PQA for re-allotment of the land, which is pending adjudication.

**5. INTANGIBLE ASSET**

Cost			Accumulated Amortization			Written Down Value	
As at July 01, 2016	Additions	As at June 30, 2017	As at July 01, 2016	Charge for the year Note 5.1	As at June 30, 2017	As at June 30, 2017	Amortization Rate %
------(Rupees in '000)-----							
<b><u>Owned</u></b>							
Computer software	-	6,606	6,606	-	661	661	10%
						<u>5,945</u>	

5.1 Amortization charge for the year has been allocated to administrative expenses.

5.2 As at June 30, 2016, capital work-in-progress included Rs. 5.5 million being partial cost of purchase of computer software. During the year, the ERP software has been implemented and the total cost of ERP software has been transferred to intangible assets and amortized at the rate of 10% per annum.

	2017	2016
Note	------(Rupees in '000)-----	

**6. LONG-TERM INVESTMENTS**

**Held to maturity**

Defense Saving Certificates (DSCs)	6.1	133,517	119,295
Current maturity		<u>(15,037)</u>	<u>-</u>
		<u>118,480</u>	<u>119,295</u>

**Available for sale investments - unquoted stated at cost**

FTC Management Company (Private) Limited	6.2	1,000	1,000
Lahore Development Authority (LDA)	6.3	<u>6,500</u>	<u>6,500</u>
		<u>125,980</u>	<u>126,795</u>

6.1 The effective interest rates on these certificates range from 10.15% to 12.15% (2016: 10.15% to 12.15%) per annum. These certificates will mature on various dates till October 20, 2018 and are held in the name of CTC (defunct) which was merged into the Company as stated in note 1.2 to these financial statements.

- 6.2 Represents investment in 100,000 shares of FTC Management Company (Private) Limited (FMCL), a company formed to oversee the operations, maintenance and up-keep of the Finance and Trade Centre, Karachi. Out of total 100,000 shares, 49,999 shares are held in the name of CEC (Defunct) and 02 shares are held in the name of ex-employees of CEC (Defunct). The break-up value is Rs. 755.01 per share based on the audited financial statements of FMCL for the year ended June 30, 2017 (2016: Rs. 734.62 per share).
- 6.3 Represents investment of Rs. 6.5 million towards equity participation (10.65%) to Lahore Development Authority (LDA) and other sponsors for constructing a multi-story commercial building named LDA Plaza at Edgerton Road, Lahore. The Company is entitled to receive 10.65% of the annual profit earned by the LDA Plaza. Based on the latest valuation carried out by an independent valuer, "Industrial Consultant and Machinery Linkers", the fair value worked out to be Rs. 309.07 million for the Company's share of 10.65%.

	Note	2017 ------(Rupees in '000)-----	2016 ------(Rupees in '000)-----
<b>7. LONG-TERM LOANS</b>			
<b>Loans - secured and considered good</b>			
Employees	7.1	<b>184,981</b>	182,052
Current portion shown under current assets	12	<b>(29,703)</b>	(24,548)
		<b>155,278</b>	157,504

- 7.1 Loan to employees are given for the purchase of motor cars, purchase/construction of residential houses and for meeting various personal needs of employees in accordance with the policy of the Company. Loans given for purchase/construction/renovation of residential houses to the staff of the Company other than officers are interest free while other loans carry interest ranging from 2% to 8% and are re-payable in 3 to 15 years. These loans are secured against provident fund / gratuity entitlement of employees and mortgage of properties. These loans have been carried at cost as the effect of carrying these loans at amortised cost would not be material in the overall content of these financial statements. The age analysis of loans is as under:

	Note	2017 ------(Rupees in '000)-----	2016 ------(Rupees in '000)-----
Less than 1 year		<b>29,703</b>	24,548
1-3 year		<b>22,947</b>	22,947
More than 3 years		<b>132,331</b>	134,557
		<b>184,981</b>	182,052

**8. STORES**

Gunny bags		<b>49,019</b>	49,019
Jute / polypropylene bags		<b>1,993</b>	1,993
		<b>51,012</b>	51,012
Less: Provision for obsolete stores		<b>(51,012)</b>	(51,012)
		<b>-</b>	-

**9. STOCK-IN-TRADE HELD ON BEHALF OF GOVERNMENT OF PAKISTAN**

Urea		<b>5,266</b>	5,266
Sugar	9.1	<b>3,696,658</b>	2,498,589
Rice		<b>2,925,801</b>	2,925,801
Wheat		<b>296,588</b>	296,588
Cotton		<b>-</b>	723,929
Black matpe		<b>1,066</b>	1,066
	25.2	<b>6,925,379</b>	6,451,239
Provision for impairment	9.2	<b>(3,264,103)</b>	(3,261,428)
		<b>3,661,276</b>	<b>3,189,811</b>

9.1 This includes cost of Rs. 1,443.34 million (2016: Rs. 1,408.94 million) and markup / other charges of Rs. 2,217.93 million (2016: Rs. 1,054.27 million) for 28,166 metric tonnes of sugar which has not been supplied by certain sugar mills against which the Company has initiated legal action. The Company had received sugar from these sugar mills, however, they were kept in their premises with the understanding that the Company will uplift it, when required, and in case, if the shelf life expires the sugar mills will reprocess the sugar under the agreed terms and conditions. However, the sugar mills defaulted in delivery of reprocessed / fresh sugar stocks. The matter was later on referred to National Accountability Bureau (NAB).

In addition, during the year the management has also recorded the accrued mark-up aggregating to Rs.460.97 million pertaining to years 2015 to 2017 and 100 percent penalty on defaulted value of Rs.1,443.34 million with their corresponding impact aggregating to Rs. 1,904.31 million under the head 'due from GoP'. Accordingly, as of 30 June 2017, the stock-in-trade of Rs.3,661.27 million represents stock value, accrued mark-up and penalty amounted to Rs.1,443.34 million, Rs.774.59 million and Rs.1,443.34 million, respectively.

	Note	2017 ------(Rupees in '000)-----	2016
9.2	Movement of provision of expired / obsolete stock is as follows:		
	Balance at beginning of the year	3,261,428	3,261,428
	Charged during the year	25.2.1 2,675	-
	Balance at end of the year	<u>3,264,103</u>	<u>3,261,428</u>

## 10. DUE FROM GOVERNMENT OF PAKISTAN Secured - considered good

Subsidy receivable		<u>34,406,659</u>	<u>27,415,879</u>
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### Movement of subsidy receivable during the year is as follows:

Balance at beginning of the year		27,415,879	23,132,739
Subsidy to be reimbursed	25	8,612,542	9,262,864
Amount not claimed / remain unadjusted in prior year		-	25,000
Subsidy adjusted during the year		<u>(1,621,763)</u>	<u>(5,004,724)</u>
Balance at end of the year	10.1	<u>34,406,659</u>	<u>27,415,879</u>

10.1 This balance is net of Rs. 22,163.90 million payable to GoP in respect of proceeds (net of incidental expenses) from sale of Urea imported from Saudi Arabia Basic Industries Corporation (SABIC).

10.2 No amount was received by the Company during the year and to the date of authorisation of these financial statements in respect of subsidies. Since, the subsidies received during previous years could not be related to specific year-wise claims therefore, year-wise break-up of outstanding amounts in respect of subsidies cannot be ascertained.

	Note	2017 ------(Rupees in '000)-----	2016
11. TRADE DEBTS			
- Unsecured			
Considered good		55,466,553	61,373,180
Considered doubtful		25,252	25,252
		<u>55,491,805</u>	<u>61,398,432</u>
Less: Provision for doubtful debts	11.1	<u>(25,252)</u>	<u>(25,252)</u>
		<u>55,466,553</u>	<u>61,373,180</u>

11.1 Movement of provision for doubtful debts is as follows:

Balance at beginning of the year		25,252	25,252
Charged during the year		-	-
Balance at end of the year		<u>25,252</u>	<u>25,252</u>

- 11.2 As at June 30, 2017 receivables from different government institutions aggregating Rs. 55,553.69 million (2016: Rs. 53,082.95 million) were past due but not considered impaired by the management of the Company. The ageing of trade debts is as follows:

	Note	2017 ------(Rupees in '000)-----	2016
Less than 1 year		-	8,315,481
1-3 year		44,798,830	42,390,501
More than 3 years		10,692,975	10,692,450
	11.4	<u>55,491,805</u>	<u>61,398,432</u>

- 11.3 The management is actively pursuing for the recovery of these outstanding amounts and is confident that significant amount out of these overdue receivables will be recovered and remaining amount, if any, will be reimbursed by the GoP.

- 11.4 Ageing analysis of the gross amount due from related parties is as follows:

	1-3 year (note 11.5)	More than 3 years	2017	2016
	------(Rupees in '000)-----			
Utility Stores Corporation of Pakistan	32,175,119	251,438	32,426,557	35,098,461
National Fertilizer Marketing Limited	12,623,647	-	12,623,647	15,858,370
Sindh Food Department	-	2,920,293	2,920,293	2,920,293
Punjab Food Department	-	1,617,362	1,617,362	1,617,362
Baluchistan Food Department	-	1,814,715	1,814,715	1,814,715
Khyber Pakhtoon Khwa Food Department	-	2,438,895	2,438,895	2,438,895
AJK Food Department	-	130,346	130,346	130,346
Government of Gilgit Baltistan	-	1,252,029	1,252,029	1,252,029
Directorate General Procurement Army	-	185,404	185,404	185,404
Pakistan Navy	-	79,075	79,075	79,075
TCP employees	64	-	64	64
Others	-	3,418	3,418	3,418
	<u>44,798,830</u>	<u>10,692,975</u>	<u>55,491,805</u>	<u>61,398,432</u>

- 11.5 Subsequent to the year end, Rs 3,000 million and Rs. 2,106.28 million have been received from Utility Stores Corporation of Pakistan and National Fertilizer Marketing Limited respectively.

- 11.6 During the year, the Company has started a comprehensive reconciliation process with provinces against their outstanding balances of Rs. 10,692.45 million.

12. LOANS AND ADVANCES	Note	2017 ------(Rupees in '000)-----	2016
<b>Short-term loan - secured</b>			
Due from employees	12.1	1,783	13,295
<b>Current portion of long term loans</b>	7	29,703	24,548
<b>Advances - unsecured</b>			
<b>Considered good</b>			
Employees		1,682	1,784
Sundry advances		168	73
		1,850	1,857
<b>Considered doubtful</b>			
Suppliers		9,640	9,640
Contractors		560	560
Employees		364	364
Export agents		41	41
Others		1,373	1,373
		11,978	11,978
		45,314	51,678
Less: Provision against doubtful advances		(11,978)	(11,978)
		<u>33,336</u>	<u>39,700</u>

- 12.1 Represents interest free loans given to the employees in accordance with the terms of their employment and are secured against gratuity and provident fund balances of respective employees.

		2017	2016
		Restated	
	Note	----- (Rupees in '000) -----	
<b>13. PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Prepaid expenses</b>		299	305
<b>Other receivables</b>			
<b>Considered good</b>			
Income tax	23.1.10	1,776,856	1,776,856
Sales tax receivable	23.1.2	2,462,211	2,462,211
Receivable from sugar mills	13.1	3,542,701	2,051,587
Rent receivable		123,863	40,915
Receivable from a bank	13.2	22,562	22,562
Others	13.4	34,303	34,303
		<b>7,962,496</b>	<b>6,388,434</b>
<b>Considered doubtful</b>			
Receivable from export agents		437,700	437,700
Income tax		379	379
Insurance claim receivable		120,245	120,245
Due from privatization commission		110,386	110,386
Refundable from import authorities	23.1.9	9,364	9,364
T.C.P sports club		199	199
Refundable against various receivables		22,804	22,804
Due from custodian and others		14,272	14,272
Receivable from handling agents		8,435	8,435
Demurrage charges		3,331	3,331
Receivable on account of rice procured		2,899	2,899
Export Processing Zone and others		17	17
Others		1,929	1,929
		<b>731,960</b>	<b>731,960</b>
		<b>8,694,755</b>	<b>7,120,699</b>
Less: Provision against doubtful receivables	13.3	<b>(731,960)</b>	<b>(731,960)</b>
		<b>7,962,795</b>	<b>6,388,739</b>

13.1 Represents outstanding receivables from sugar mills of Rs. 936.21 million (2016: Rs. 936.21 million) and accrued mark-up and other charges of Rs. 2,606.49 million (2016: Rs. 1,115.38 million) on account of purchase of sugar in 2008 and 2009. The outstanding balance of Rs. 936.21 million represent portion of amount paid. However, the sugar mills defaulted in delivery of the contracted quantity of sugar. Consequently, the Company filed suits in High Court of Sindh for the recovery of the said amounts and is actively pursuing the case. The management is confident that outstanding amount will be fully recovered and hence, no provision is required to be made in these financial statements. Subsequent to the balance sheet date, the management has carried out an exercise and found that the value of markup and other charges worked out to be Rs. 2,606.49 million, for which an adjustment of Rs. 1,491.11 million was made in current year with their corresponding impact under the head 'due from GoP'.

13.2 The management had identified the embezzlement of Rs. 22.56 million in prior years against which the Company had recognized receivable from the bank in the year 2015. Accordingly, the bank has accepted its liability and ensured to make good the loss incurred due to the embezzlement. However, no recovery has been made from the bank during the year.

		2017	2016
		----- (Rupees in '000) -----	
13.3 Movement in provision against doubtful receivables is as follows:			
Balance at beginning of the year		731,960	754,522
Charged during the year		-	-
Reversal during the year		-	(22,562)
Balance at end of the year		<b>731,960</b>	<b>731,960</b>

*EYB*

13.4 Included herein Rs. 25.36 million receivable from LDA being profit receivable on the Company's investment in LDA Plaza. The total profit earned by the Company for the period from 1988 to 2015-16 was Rs. 60.968 million out of which Rs. 35.61 million was received by the Company in previous years. However, during the year, the Company has accounted profit of Rs. 27.11 million that remains unrecorded till last year by taking the corresponding impact in opening retained earnings as of July 01, 2015 (also see notes 20.4 & 37).

#### 14. SALES TAX REFUNDABLE

Represents sales tax paid / adjusted on import / purchase and sale of urea and sugar. These commodities are procured at the instructions of the GoP.

	Note	2017 ------(Rupees in '000)-----	2016 ------(Rupees in '000)-----
<b>15. SHORT-TERM INVESTMENTS</b>			
<b>Held to maturity</b>			
Term deposit receipts (TDRs)			
- In local currency	15.1 & 15.2	16,152,500	14,687,500
- In foreign currency		-	1,460,730
		<u>16,152,500</u>	<u>16,148,230</u>
Provision against term deposit receipts	15.2	<u>(87,500)</u>	<u>(87,500)</u>
		<u><u>16,065,000</u></u>	<u><u>16,060,730</u></u>

15.1 Except as disclosed in note 15.2 to these financial statements, these TDRs carry markup at the rate ranging from 6.20% to 7.17% (2016 : 6.75% to 7.7%) per annum having maturity latest by September 28, 2017.

15.2 It includes term deposit receipts of Trust Investment Bank Limited (TIBL) amounting to Rs. 87.50 million invested in 2008. Due to default by TIBL on repayment of principal amount, full provision has been made against this amount on prudence basis and no accrual of markup is made. The Company has filed suit in the Sindh High Court for recovery of principal and mark-up which is pending adjudication.

	Note	2017 ------(Rupees in '000)-----	2016 ------(Rupees in '000)-----
<b>16. BANK BALANCES</b>			
<b>Local currency</b>			
In current accounts		16,987	9,843
In saving accounts	16.1 & 16.2	1,597,918	1,804,408
		<u>1,614,905</u>	<u>1,814,251</u>
<b>Foreign currency</b>			
In current accounts		78	1,752
In saving accounts	16.3 & 16.4	297,353	552,089
		<u>297,431</u>	<u>553,841</u>
		<u><u>1,912,336</u></u>	<u><u>2,368,092</u></u>

16.1 These carry mark-up at rates ranging from 3.5% to 6.25% (2016: 3.75% to 6.5%) per annum.

16.2 Included herein bank account having Rs. 0.14 million (2016: Rs. 0.14 million) which is held in the name of CTC (defunct).

16.3 These carry mark-up rate of 0.1% to 2.5% (2016: 0.1% to 2.5%) per annum.

16.4 This includes balance of US\$ 0.99 million (2016: US\$ 0.99 million) equivalent to Rs. 103.75 million (2016: Rs. 103.85 million) with Sindh Bank Limited, marked as lien against bank guarantee given to the High Court of Sindh in connection with a pending litigation as stated in note 23.1.4 to these financial statements.

## 17. SHARE CAPITAL

### 17.1 Authorized

2017	2016		2017	2016
Number of shares			------(Rupees in '000)-----	
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000</u>	<u>1,000,000</u>

### 17.2 Issued, subscribed and paid-up

This comprise of fully paid-up ordinary shares of Rs. 10 each as follows:

2017	2016		2017	2016
Number of shares			------(Rupees in '000)-----	
59,330,500	59,330,500	Issued for cash	593,305	593,305
<u>40,669,500</u>	<u>40,669,500</u>	Issued as bonus shares	<u>406,695</u>	<u>406,695</u>
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>	<u>1,000,000</u>

17.2.1 The Company has one class of ordinary shares which carries no right to fixed income. The Company has no reserved shares for issuance under option and sales contracts. The shareholder is entitled to receive dividend as declared from time to time at the meetings of the Company and are entitled to one vote per share.

17.2.2 As at June 30, 2017, the Ministry of Commerce held 99,999,998 (2016: 99,999,998) shares of the Company. The remaining two shares are in the name of Chairman and Finance Director of the Company in the capacity of ex officio.

## 18. LONG-TERM LOAN

A Cotton Development Project, aimed to improve the quality of cotton in Pakistan and to get better price in the international market was started in collaboration with the Asian Development Bank (ADB) and for this purpose a loan agreement dated February 27, 1987 was signed. An amount of Rs. 16.65 million was drawn under the loan agreement for the said purpose by defunct CEC.

The principal amount is repayable to the GoP in Pakistan Rupees along with interest at the rate of 1% per annum. However, as of balance sheet date, the Company has not recorded any interest in this regard.

## 19. DEFERRED LIABILITIES - STAFF COMPENSATED ABSENCES

19.1 The Company provides encashment of leaves to its employees, as mentioned in note . The latest actuarial valuation of liability for staff compensated absences cost was carried out as at June 30, 2017, results of which are as follows:

Note	2017	2016
	------(Rupees in '000)-----	
19.1.3	<u>87,565</u>	<u>98,339</u>

### 19.1.1 Movement in liability recognised in balance sheet

Balance as on July 01		98,339	107,474
Charge for the year	19.1.2	60,506	49,677
Payments made during the year		(62,494)	(58,431)
Remeasurement losses		(8,786)	(381)
Balance as on 30 June		<u>87,565</u>	<u>98,339</u>



20.1 On October 03, 2012, a Memorandum Of Understanding (MoU) has been signed between the Company, Ministry of Finance (MoF), Ministry of Industries (Mol) and Japan International Cooperating System (JICS) according to which JICS will provide urea to the Company under Japan's Non-Project Grant Aid Program (the Program). The MOU states that the Company is required to deposit proceeds from sale of urea into GoP bank account maintained with National Bank of Pakistan after deducting incidental charges i.e. duties, port clearing charges, survey charges, stevedoring etc. The movement of amount payable to GoP on account of sale proceeds of urea received from JICS is as follows:

	Note	2017 ------(Rupees in '000)-----	2016
Payable to GoP at beginning of the year		472,159	311,481
Cash received from JICS from sale of urea		-	160,678
Less: Payments made to GoP during the year		(84,651)	-
Payable to GoP at end of the year	20.1.1	<u>387,508</u>	<u>472,159</u>

20.1.1 Represent residual fund of USD 1.52 million as per the MoU between MoF, Mol and JICS. Since, the Company is carrying out the imports on behalf of GoP, these funds were transferred to the Company. On August 09, 2016 the residual amount of USD 1.52 million was transferred to GoP as per instructions of MoF.

20.2 In order to establish the diplomatic relationship between Pakistan and other countries, the Prime Minister of GoP has directed to present a gift of rice to Niger, Cuba, China and Srilanka. To comply with said directive, the Company was instructed to procure and transport the said gift for which an advance was paid to Company, as follows:

Movement in advance from GoP related to gift of rice to various countries is as follows:

	2017				
	Niger	Cuba	China	Srilanka	Total
	------(Rupees in '000)-----				
Opening balance	1,952	-	-	-	1,952
Advance fund received during the year	-	962,000	615,000	475,000	2,052,000
Fund utilized during the year	-	(909,980)	(496,350)	(404,301)	(1,810,631)
Fund payable to GoP	<u>1,952</u>	<u>52,020</u>	<u>118,650</u>	<u>70,699</u>	<u>243,321</u>
Fund refunded to GoP	-	-	-	-	-
Balance repayable	<u>1,952</u>	<u>52,020</u>	<u>118,650</u>	<u>70,699</u>	<u>243,321</u>
2016	<u>1,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,952</u>

20.3 Movement in payable to staff retirement gratuity fund is as follows:

	2017 ------(Rupees in '000)-----	2016
Balance at beginning of the year	48,340	8,979
Charge during the year	92,067	64,339
Payments made to the fund and employees	<u>(91,022)</u>	<u>(24,978)</u>
Balance at end of the year	<u>49,385</u>	<u>48,340</u>

The Company has made a provision in respect of staff retirement gratuity in accordance with the requirements of Employees Gratuity Fund Rules. The entire liability as determined above is payable to the Fund at year end.

20.4 Included herein Rs. 12.24 million rent payable to LDA Plaza for the period from 1988 to 2013 against the space occupied by the Company, which was recorded by the Company during the year taking corresponding impact in opening retained earnings as of July 01, 2015.

2017                      2016  
------(Rupees in '000)-----

**21. COMMODITY FINANCE UNDER MARKUP ARRANGEMENTS**

**Secured**

National Bank of Pakistan	-	10,487,083
Allied Bank Limited	(87)	9,157,346
Habib Bank Limited	2,380	10,853,480
MCB Bank Limited	(425)	8,591,020
United Bank Limited	(20)	10,294,948
Standard Chartered Bank (Pakistan) Limited	(14)	914,083
JS Bank Limited	1,505,089	4,999,999
Askari Bank Limited	30,000,000	6,800,000
Soneri Bank Limited	19,670,889	14,411,413
NIB Bank Limited	-	4,803,805
Bank Al Habib Limited	19,999,457	9,607,609
Meezan Bank Limited	24,028,413	-
Faysal Bank Limited	(1)	-
Dubai Islamic Bank Limited	(955)	-
	<u>95,204,726</u>	<u>90,920,786</u>

21.1 The Company has commodity finance facilities aggregating to Rs. 161,320 million (2016: Rs. 177,500 million) for its commodity operations under the GoP directives. The said arrangements are for a period of three months and are renewable and carries mark-up at the rate of 3 months KIBOR minus 0.08% to KIBOR plus 0.15% (2016: KIBOR plus 0.5% to 2.75%) per annum. These arrangements are secured against hypothecation of stock-in-trade and by continuing guarantee from the GoP.

2017                      2016  
------(Rupees in '000)-----

**22. SHORT-TERM LOANS UNDER COMMODITY FINANCE**

**Secured**

	Note	2017	2016
Bank Islami Pakistan Limited	22.1	15,000,000	10,000,000
Dubai Islamic Bank Pakistan Limited	22.1	-	4,000,000
		<u>15,000,000</u>	<u>14,000,000</u>

22.1 During the year, the Company has obtained short-term loan facility of Rs. 15,000 million for its commodity operations under the GoP directives. The said arrangements are for a period of 1 year and carries mark-up at the rate of 3 months KIBOR minus 0.8% per annum (2016: KIBOR plus 0.3% per annum). These arrangements are secured against hypothecation over stock-in-trade and receivables and guarantee by the GoP.

**23. CONTINGENCIES AND COMMITMENTS**

**23.1 Contingencies**

The following contingencies / contingent liabilities exist as at June 30, 2017.

**The following cases arose out of operations carried out on behalf of Government of Pakistan (GoP), and if these contingent liabilities will become actual / specific liabilities, the same will be recoverable from the GoP**

23.1.1 The income tax department finalised assessments for the assessment years 1991 to 2003 by treating subsidies received from the Federal Government as taxable income and has levied taxes amounting to Rs. 2,353.03 million. The Company filed appeals at Appellate Tribunal Inland Revenue (ATIR) for the assessment years 1991 to 2003 except for the assessment year 1994-95, for which a writ has been filed before the High Court of Sindh (SHC) against the order of the taxation authorities.

The Federal Cabinet in its meeting held on April 04, 1998, directed that all unresolved disputes with the Federal Board of Revenue (FBR) against which cases have been filed by the government controlled organization in the appellate forum should be resolved and settled through inter-ministerial consultation and therefore all cases against FBR should be withdrawn and forwarded to the Ministry of Law, Justice and Human Right (the Ministry). In pursuance of the said cabinet directive, the Company withdrew all the appeals filed against FBR and the matter was referred to the Ministry for final decision. The Ministry vide its letter dated May 21, 1998 decided that subsidy income received from the Government of Pakistan (GoP) is exempt from tax. The Ministry further directed FBR to issue necessary orders / SRO regarding non-taxing of subsidy and advised the FBR to waive all tax liabilities of the Company arising out of the inclusion of the said amount. The FBR, in spite of order of the Ministry, has referred the case to Attorney General of Pakistan which is pending.

In 2006, subsidy received from the GoP became exempt from tax. FBR claimed that subsidies received by the Company from GoP before tax year 2006 continue to be taxable i.e. tax on subsidy claimed by FBR from assessment years 1991-92, 1994-95, 1996-97, 1997-98, 1998-99, 1999-2000, 2001-02 & 2002-03 and tax years 2003, 2004, 2005 and 2006 should remain claimable. However, the Company obtained a stay order from SHC through its order dated July 3, 2009 against the above alleged disputed Income Tax demands for the said assessment and tax years.

Further, the Income Tax Appellate Tribunal vide its order dated November 19, 2009 passed a judgment in favor of the Company for the tax years 2004, 2005 and 2006 that the subsidy received by the Company from the Federal Government is not taxable.

During the year, Additional Commissioner Inland Revenue (ACIR) has issued an Order dated April 29, 2017, in favour of the Company for the tax year 2003 that the subsidy received by the Company from Federal Government is not taxable. Accordingly, the Company has recorded a refund of Rs. 610.04 million during the year by adjusting its tax liability.

- 23.1.2 In April 2015, an Assessment Order was issued by the Deputy Commissioner Inland Revenue (DCIR) in which a demand of Rs 1,945.43 million along with penalty of Rs 97.27 million have been raised on account of excess input tax alleged to be claimed by the Company in its sales tax returns for the period from April 2012 to December 2012. Further a demand of Rs 399.54 million along with the penalty of Rs. 19.98 million have also been raised in the same Order on account of non-payment of output tax on sale / supply of sugar to Utility Stores Corporation of Pakistan from January 2013 to June 2013. The Company has paid the said demand under protest and filed an appeal before the Commissioner Inland Revenue which is pending adjudication. Based on the opinion of tax advisor of the Company, the management is confident that these matters would ultimately be decided in Company's favour and therefore, no provision is required to be made in these financial statements.

During the year, the Company has filed pending sale tax returns from June 2013 onwards wherein system has generated a refund of Rs. 6,432.78 million as on June 30, 2017. Later, the Company was issued show cause notice for verification of Rs. 1,246.995 million claimed by the Company and proceedings were initiated by FBR authorities. These proceedings have been concluded after year end wherein the claim of the Company was verified with the exception of Rs. 40.601 million, for which the Company filed an appeal before CIR(A). Thereafter, CIR(A) vide an Order dated February 12, 2018 has allowed Rs 27.01 million and remanded back the case to the Deputy Commissioner Inland Revenue (DCIR) for further verification of Rs 13.59 million.

- 23.1.3 As at June 30, 2017, several cases/litigations aggregating to Rs. 3,398.25 million (2016: Rs. 3,338.56 million) were outstanding against the Company. The Company has filed appeals/counter claims against these cases which are pending for adjudication. Based on the advice of the Company's in house legal counsel, the management is confident that these cases will ultimately be decided in Company's favor and hence no provision is required to be made in these financial statement.

- 23.1.4 The Divisional Bench of SHC passed an order, in a case relating to claim of damages by one of the supplier on account of forfeiture of performance guarantee by the Company, in which SHC directed the Company to pay the performance guarantee forfeited amounting to AED 1.24 million (2016: AED 1.24 million) equivalent to Rs 35.44 million (2016: Rs 35.32 million) to the supplier within 30 days of the decision while the claim for damages by the supplier amounting US\$ 3.46 million (2016: US\$ 3.46 million) equivalent to Rs 363.23 million (2016: Rs 362.79 million) was set aside by the SHC. In response to this order, both the parties being aggrieved of the decision, filed appeals in Supreme Court of Pakistan which is pending for adjudication.

- 23.1.5 A decision was given by Single Bench of SHC during the year 2014 in favour of supplier claiming damages and refund of bid bond aggregating to US\$ 2.06 million (2016: US\$ 2.06 million) equivalent to Rs. 216.26 million (June 30, 2016: Rs. 216 million). Being aggrieved of the decision, Company filed appeal with Divisional Bench of the SHC which is pending for adjudication. Based on the advice of the Company's in house legal counsel, the management is confident that this case will ultimately be decided in Company's favor and hence no provision is required to be made in these financial statements.

- 23.1.6 A foreign award amounting to US\$ 3.88 million (2015: US\$ 3.88 million) equivalent to Rs. 407.32 million (June 30, 2016: Rs. 405.85 million) has been given by Liverpool Cotton Association (LCA) against Cotton Export Corporation of Pakistan (Private) Limited (CEC now merged with and into the Company) along with interest from the date of award till payment. As at June 30, 2016 the interest payable is US\$ 7.21 million (2016: US\$ 7.21 million) equivalent to Rs. 756.90 million (June 30, 2016: Rs. 754.87 million). For making the award a rule of the Court, the buyer filed a suit against CEC in 1999 and succeeded in getting a decision in 2004 from Single Bench of High Court of Sindh. Being aggrieved by the decision, Company filed appeal with Divisional Bench of the SHC which is pending for adjudication. Based on the advice of the Company's in house legal counsel, the management is confident that this case will ultimately be decided in Company's favor and hence no provision is required to be made in these financial statements.
- 23.1.7 An award amounting to US\$ 1.26 million (2016: US\$ 1.26 million) equivalent to Rs. 132.27 million (June 30, 2016: Rs. 131.91 million) has been given by the arbitrators unanimously against Rice Export Corporation of Pakistan (Private) Limited (RECP now merged with and into the Company). For making the award a rule of the Court, the buyer filed a suit in the SHC against RECP in 1999 and a decision in 2003 was made in favor of buyer by Single Bench of SHC. The matter is at present subjudice and pending with Divisional Bench in the SHC. Based on the advice of the Company's in house legal counsel, the management is confident that this case will ultimately be decided in Company's favor and hence no provision is required to be made in these financial statements.
- 23.1.8 The recovery of export duty on export of Basmati rice had been held in abeyance effective July 01, 1981 and these financial statements have been drawn up on the assumption that the liability has not been accrued on exports made thereafter. The Company has also given letters of undertaking aggregating to Rs. 1,328.20 million (2016: Rs. 1,328.20 million) to the Collector of Customs against the said export duty on basmati rice.
- 23.1.9 Guarantees issued by commercial banks against 100% cash margin on behalf of the Company amounted to Rs. 9.36 million to Chief Controller of Imports and Exports (now the matter is being dealt by the Export Promotion Bureau) in lieu of payment of import license fee for the temporary importation of empty jute bags.

**Cases if decided against the Company, the ultimate liability would fall on the Company**

- 23.1.10 The returns for the tax years from 2008 to 2013 were amended by the taxation authorities through ex-parte orders under Section 122 (5A) of the Income Tax Ordinance, 2001 by disallowing expenses apportioned/allocated against profit on investments and setting-off of prior year refunds against tax liabilities. The tax demand of Rs. 1,955.50 million was raised. The Company has paid the said demand under protest and filed appeals against the said orders before Commissioner Inland Revenue (Appeals) which has decided these appeals against the Company who in turn filed an appeal in the Appellant Tribunal Inland Revenue which is pending adjudication. As a matter of prudence, the Company recorded tax provision of Rs. 378.74 million in the year ended June 30, 2014. The management is confident that it has good grounds to defend these matters under appeal and the outcome is expected to be decided in favor of the Company and therefore, no further provision is required to be made in these financial statements.
- 23.1.11 In year 2016, the return for the tax year 2014 were also amended by taxation authorities through ex-parte order under Section 122 (5A) of the Income tax Ordinance, 2001 by disallowing expenses apportioned/allocated against profit on investments. The tax demand of Rs. 405.54 million was raised and, accordingly, the Company has paid Rs. 200 million and obtained stay order for Rs. 205.54 million. The said payment was made under protest and the Company filed appeals against the said order before Commissioner Inland Revenue (Appeals), which has decided these appeals against the Company, which in turn filed an appeal in the Appellant Tribunal Inland Revenue, which are pending for adjudication. The management is confident that it has good grounds to defend these matters under appeal and the outcome is expected to be decided in favour of the Company. Hence, no provision is made in respect of these demands in these financial statements.
- 23.1.12 During the year, Additional Commissioner (ACIR) raised net demand of Rs. 40.20 million under section 137(2) of the Income Tax Ordinance, 2001 by disallowing tax credits against withholding tax claimed by the Company in the tax years from 2008 to 2013. For tax years 2011 to 2013, no prejudicial order has been passed, while for tax years 2008 to 2010 liability has been created against which the Company has filed Constitutional Petition before High Court of Sindh (SHC) on the ground that the matter is time barred, which is pending for adjudication. The management is confident that it has good grounds to defend these matters under appeal and the outcome is expected to be decided in favor of the Company and therefore no provision is required to be made in these financial statements.

23.1.13 During the year, for the tax year 2015, the income tax affairs of the Company were selected for audit by the Federal Board of Revenue (FBR), and thereby the concerned Commissioner has sought information / explanation pertaining to the taxation of other income / allocation of expenses, and difference in interest income and tax credit. In this regard, the Company has furnished the requisite information / documents with the concerned Commissioner. Subsequent to the balance sheet date, the ACIR has passed an order under Section 122(1) / 122(5) of the Ordinance, wherein the demand of Rs. 163.90 million was determined as payable, against which the Company has filed an appeal before the CIR-Appeals which is pending for decision where matter of allocation of expenses between commission income and other income is the main appeal issue. The management is confident that it has good grounds to defend these matters under appeal and the outcome is expected to be decided in favor of the Company and therefore no provision is required to be made in these financial statements.

23.1.14 The Company has received disputed bills amounting to Rs. 32.81 million against capital work-in-progress. However, the management has not accepted the said bills as the management has issued termination letters to the contractors subsequent to the year end.

	2017	2016
	------(Rupees in '000)-----	
<b>23.2 Trade-related contingent liabilities</b>		
23.2.1 Guarantee issued by a bank on behalf of the Company	<u>135,531</u>	<u>135,212</u>

### 23.3 Commitments

23.3.1 The Company has capital commitments of Rs. Nil (2016: Rs. 246.84 million) in respect of various construction and other work at Pipri godowns.

23.3.2 The Company has commitment to invest in LDA Plaza of Rs. 58.327 million. Subsequent to the year end, the Board of Directors of the Company have decided to increase the amount of investment by Rs. 58.23 million representing the equity participation towards rehabilitation works for LDA Plaza.

	2017	2016
	------(Rupees in '000)-----	
<b>24. COMMISSION INCOME</b>		
Import of urea	-	158,042
Local sale of cotton	16,072	34,103
Local sale of sugar	-	2,731
Gift of rice to Cuba	9,000	-
Gift of rice to China	4,784	-
Gift of rice to Srilanka	4,013	-
Gift of rice to Niger	-	7,906
	<u>33,869</u>	<u>202,782</u>

### 25. TRADING DEFICIT TO BE REIMBURSED BY THE GOVERNMENT

Local sales on behalf of GoP	25.1	813,769	8,540,095
Cost and expenses incurred on behalf of GoP	25.2	<u>(9,426,311)</u>	<u>(17,802,959)</u>
Subsidy for the year to be reimbursed by the GoP	10	<u>(8,612,542)</u>	<u>(9,262,864)</u>

#### 25.1 Local sales on behalf of government

Urea			
- Tender		10,190	6,690,010
- Saudi Arabia Basic Industries Corporation (SABIC)		-	8,383
		10,190	6,698,393
Sugar		-	136,523
Cotton		803,579	1,705,179
Total sales on behalf of the GoP		<u>813,769</u>	<u>8,540,095</u>

	Note	2017 ------(Rupees in '000)-----	2016
<b>25.2 Cost and expenses incurred on behalf of GoP</b>			
Opening stock		6,451,239	8,076,428
Add : Purchases on behalf of GoP			
- Urea		-	7,902,079
- Cotton		-	-
- Sugar		-	-
		-	7,902,079
Less: Recovery of claims against late shipments and polypropylene bags		(3,636)	(64,880)
Trading and related expenses to be reimbursed by GoP	25.2.1	9,904,087	8,340,571
		<u>16,351,690</u>	<u>24,254,198</u>
Less: Closing stock	9	(6,925,379)	(6,451,239)
Total cost of sales		<u>9,426,311</u>	<u>17,802,959</u>

### 25.2.1 Trading and related expenses to be reimbursed by GoP

Mark up / interest on commodity finance	25.2.1.1	6,557,694	7,655,447
Commission	22 & 22.1	16,072	194,876
Income tax collected / deducted on sale of commodities to customers	25.2.1.2	56,143	169,444
Stevedoring and handling charges		22,429	180,894
Insurance		-	13,971
Custom duties, wharfage and other port charges		-	74,573
Exchange loss / (gain)		-	5,846
Letters of credit charges		-	3,406
Depreciation on operating fixed assets	4.1.1	9,917	14,079
Lab testing and inspection charges		(38)	362
Godown expenses		34	27,640
Provisions for stock in trade - Urea	9.2	2,675	-
Commission to Cotton sales agent		4,421	-
Cost of sales - Urea	25.2.1.3	3,234,723	-
Transportation		17	33
		<u>9,904,087</u>	<u>8,340,571</u>

**25.2.1.1** Markup on financing facilities obtained from banks for procurement of commodities on behalf of GoP has been included in trading and related expenses to be reimbursed by the GoP.

**25.2.1.2** Tax paid on import and local purchase of commodities under the provisions of the Income Tax Ordinance 2001 has been included in cost of sales due to the fact that it has been paid on behalf of the GoP.

**25.2.1.3** Represents the effect of reduction in sales price of Urea supplied to National Fertilizers Marketing Limited in prior years. The sales price was revised based on the decision of the letter received from the Economic Coordination Committee (ECC).

	Note	2017 ------(Rupees in '000)-----	2016
<b>26. COST INCURRED ON BEHALF OF GoP</b>			
Cost of gift of rice to various countries		1,810,631	(814,964)
Amount reimbursed by GoP	20.2	(1,810,631)	814,964
		<u>-</u>	<u>-</u>

	2017	2016
	------(Rupees in '000)-----	
<b>26.1. Related cost of gift to various</b>		
Purchase of rice	1,683,886	689,513
Freight charges	103,824	100,569
Packaging cost	-	12,753
Crew handling charges	173	-
Commission of the Company	17,797	7,906
Inspection and lab charges	2,168	1,882
Insurance	1,560	1,538
Bank charges	1,223	803
	<u>1,810,631</u>	<u>814,964</u>

	2017	2016
	------(Rupees in '000)-----	
		(Restated)
Note	------(Rupees in '000)-----	
<b>27. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances and other benefits	27.1 870,369	766,677
Repairs and maintenance	24,065	28,204
Vehicles running	11,648	11,630
Travelling and conveyance	4,886	9,530
Legal and professional	11,091	9,154
Utilities	(4,428)	9,849
Security service charges	33,567	-
Advertising and publicity	4,496	7,392
Fees and subscriptions	264	2,819
Entertainment	1,767	1,507
Depreciation on operating fixed assets	4.1.1 & 27.5 10,317	11,400
Amortisation	5 661	-
Rent, rates & taxes	44,839	6,459
Auditors' remuneration	27.2 2,079	2,090
Indirect expenses - godowns	10,933	13,096
Communication	6,377	574
Printing and stationery	777	1,784
Insurance	893	3,550
Reversal of provision against doubtful receivables	13.3 -	(22,562)
Provision wrongly charged in trade and related expenses in prior year	-	(25,000)
Donations	27.3 4,010	4,000
Bank charges	1,233	146
Cost of butter ghee	27.4 35,968	-
Others	4,785	4,567
	<u>1,080,597</u>	<u>846,866</u>

**27.1** Includes Rs. 92.07 million (2016: Rs. 64.34 million) in respect of staff retirement gratuity expense and Rs. 13.38 million (2016: Rs. 10.41 million) in respect of provident fund.

	2017	2016
	------(Rupees in '000)-----	
<b>27.2 Auditors' remuneration</b>		
Annual audit	1,080	1,400
Others	810	500
Out of pocket expenses	189	190
	<u>2,079</u>	<u>2,090</u>

**27.3** The Directors and their spouse do not have any interest in any donee to which donations were made.

27.4 During the year, Supreme Court of Pakistan (SCP) in its order dated January 08, 2017 decided a case against the Company relating to the non-delivery of butter oil to a customer, who then being aggrieved file a legal suit against the Company in 1976. SCP vide their order directed the Company to make delivery of butter oil to the customer at the cost of the Company. Accordingly, the Company has incurred a cost of Rs. 35.96 million for the import and supply of butter ghee to the customer.

#### 27.5 Depreciation expenses of godowns

Previously, the depreciation on godowns was fully claimed under as 'cost to be reimbursed by GoP under the head 'due from GoP'. However, subsequent to year end the Company has carried out an exercise for the period from 01 July 2011 to 30 June 2017 to work out the total area of the godowns given on rent and remaining areas is considered to be used either for GoP operations / idle. As a result of this exercise, the Company has correctly accounted for the depreciation charge for the current year. Accordingly, the financial statements for the year 2015 and 2016 have been restated to adjust the amount of depreciation claimed from GoP under the head 'due from GoP' (note 37).

	2017	2016 (Restated)
	------(Rupees in '000)-----	
<b>28. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Return on:		
- Term deposit receipts and saving accounts	1,134,765	1,366,890
- Defense saving certificates	14,221	12,703
<b>Income from non financial assets</b>		
Rental income from godowns given on rent	365,311	340,827
Rice inspection fee	10,814	15,994
Gain / (loss) on disposal of operating fixed assets	3	(276)
Sales of tender and purchase order forms	123	765
Registration fee	-	14
Forfeiture of security deposit	5,550	-
Exchange (loss) / gain - net	(2,696)	50,387
Others	6,198	1,526
	<u>1,534,289</u>	<u>1,788,830</u>

#### 29. TAXATION

Current - for the year	108,986	360,990
- for prior years	(15,910)	(9,473)
	<u>93,076</u>	<u>351,517</u>

#### 29.1 Relationship between tax expense and accounting profit

Accounting profit before taxation	487,561	1,144,746
Tax at the applicable tax rate of 30% (2016: 31%)	151,144	366,319
- Effect of income subject to lower rates	(6,435)	(40,556)
- Effect of non-deductible tax expenses	9,971	24,144
- Effect of tax allowable expenses	(18,749)	(16,194)
- Effect of deduction allowed for rentals	(26,945)	(21,813)
- Super tax	-	69,214
- Impact of exempt income	-	(16,124)
- Effect of tax credit	-	(4,000)
- Adjustment relating to prior years	(15,910)	(9,473)
	<u>93,076</u>	<u>351,517</u>

29.2 As more fully explained in note 23.1 to these financial statements, income tax assessment of the Company are opened on various matters

30. CASH AND CASH EQUIVALENTS	Note	2017	2016
		------(Rupees in '000)-----	
Bank balances	16	1,912,336	2,368,092
Commodity finance under markup arrangements	21	<u>(95,204,726)</u>	<u>(90,920,786)</u>
		<u>(93,292,390)</u>	<u>(88,552,694)</u>

### 31. RELATED PARTY TRANSACTIONS

Related parties comprise of state controlled entities, retirement benefit funds, companies with common directorship, GoP and key management personnel.

The GoP owns 99.99% shares and is entitled to appoint board of directors for the management of affairs of the Company. The Company, therefore, considers that the GoP is in a position to exercise control over it and therefore regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties.

The Company has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with GoP related entities except for transactions stated below which the Company considers are significant:

Name of related parties	Nature of transaction	2017	2016
		------(Rupees in '000)-----	
<b>State controlled entities</b>			
Government of Pakistan	Subsidy received	1,621,763	5,000,000
	Commission	33,869	202,782
	Dividend paid	<u>100,000</u>	<u>2,600,000</u>
Utility Stores Corporation of Pakistan	Cash received	<u>-</u>	<u>136,523</u>
National Fertilizer Marketing Limited	Cash received	<u>-</u>	<u>6,698,393</u>
Central Directorate of National Savings	Interest earned on DSC's	<u>14,221</u>	<u>12,703</u>
Pakistan National Shipping Corporation	Shipping charges	<u>10,907</u>	<u>100,569</u>

The transactions described below are collectively but not individually significant to these financial statements and therefore have been described below:

- (i) The Company collects income tax, sales tax and federal excise duty in capacity of withholding agent on behalf of GoP. The Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue, Sindh Board of Revenue and Customs authorities.
- (ii) The Company incurs inspection charges for testing and quality evaluation of imported urea which are paid to Pakistan Standards & Quality Control Authority and Pakistan Council of Scientific and Industrial Research.
- (iii) The Company has investment of Rs. 6.5 million towards equity participation (10.65%) to Lahore Development Authority (LDA) and other sponsors for constructing a multi-story commercial building named LDA Plaza at Edgerton Road, Lahore. The Company is entitled to receive 10.65% of the annual profit earned by the LDA Plaza.
- (iv) The Company incurs handling charges in respect of urea import at Kemari and other ports which are paid to Karachi Port Trust, Port Qasim Authority and Gwadar International Terminals Limited.
- (v) The Company has obtained insurance cover for its inventory and motor vehicles from National Insurance Company of Pakistan Limited and staff insurance from State Life Insurance Corporation Limited.

- (vi) The Company obtains utility services from K-Electric, Lahore Electric Supply Company Limited and Islamabad Electric Supply Company Limited.

		2017	2016
		------(Rupees in '000)-----	
<b>Key management personnel</b>	Remuneration	<u>22,626</u>	<u>18,212</u>
<b>Retirement benefit funds</b>			
Gratuity fund	Contribution	<u>80,000</u>	<u>85,430</u>
Provident fund	Contribution	<u>5,828</u>	<u>10,284</u>

The status of outstanding receivables and payables from / to related parties as at June 30, 2017 are included in respective notes to these financial statements.

Contributions to staff retirement benefit funds are in accordance with the terms of the service rules. Other transactions with the related parties are carried out as per agreed terms.

### 32. FINANCIAL INSTRUMENTS BY CATEGORY

#### Financial assets - gross of provisions

##### Held to maturity

Long-term investments	118,480	119,295
Short-term investments	16,152,500	16,148,230
	<u>16,270,980</u>	<u>16,267,525</u>

##### Available-for-sale investments

Long-term investments	7,500	7,500
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##### Loans and receivables

Long-term loans	155,278	157,504
Long-term deposits	12,286	12,286
Due from Government of Pakistan	34,406,659	27,431,347
Trade debts	55,491,805	61,398,432
Loans and advances	45,314	51,678
Accrued interest	19,441	15,378
Other receivables	8,694,456	7,094,653
Bank balances	1,912,336	2,368,092
	<u>100,737,575</u>	<u>98,529,370</u>
	<u>117,016,055</u>	<u>114,804,395</u>

#### Financial liabilities

##### Financial liabilities measured at amortised cost

Long-term loan	16,649	16,649
Trade and other payables	1,398,057	1,096,340
Commodity finance under markup arrangements	95,204,726	90,920,786
Short-term loans under commodity finance	15,000,000	14,000,000
Interest accrued	1,864,196	1,918,629
	<u>113,483,628</u>	<u>107,952,404</u>

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### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 33.1 Financial risk factors

The activities of the Company 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 an acceptable level. The Board of Directors supervises the overall risk management approach within the Company under the policies issued by GoP. However, the following risks do not arise when the Company carries out transactions on behalf of the GoP in which case credit and other risks are borne by the Government of Pakistan.

##### (a) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk, interest rate risk and other price 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 commodity products and carries trade payable denominated in foreign currencies. However, the Company is not exposed to currency risk in this respect because these payables relate to commodity import on behalf of GoP who bears the risks related to these transactions.

The Company has foreign currency deposits amounting to US\$ 2.83 million (2016: US\$ 19.13 million) equivalent to Rs. 297.43 million (2016: Rs. 2,014.56 million) with various banks. At June 30, 2017, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit for the year would have been lower/higher by Rs. 14.87 million (2016: Rs. 100.28 million).

##### (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 has no interest rate exposure as the Company saving has accounts and investment in TDRs are on fixed rate and commodity financing facilities and short term loans are obtained under the GoP directives, for which the Company does not have any interest rate risk exposure being reimbursable by the GoP.

##### (iii) Price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency 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 has no such investments as of the balance sheet date and therefore is not subject to any significant price risk.

##### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from loans, deposits, interest accrued with/from banks and financial institutions, advances and other receivables. The Company does not have credit risk on receivables relating to transactions executed on behalf of GoP. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating i.e A1+ to A-2 in short term and AAA to A- for long term. The maximum exposure to credit risk before any credit enhancement is equal to the carrying amount of financial assets as disclosed in note 30 to these financial statements. Out of the total financial assets of Rs. 120,148.21 millions (2016: Rs. 114,797.35 million), the financial assets exposed to credit risk amount to Rs. 25,243.83 million (2016: Rs. 25,960.07 million).

(c) **Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business the Company maintains flexibility in funding by maintaining committed credit lines available.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date and represents the undiscounted cash flows.

	2017			
	On Demand	Less than 3		
		months	3 to 12 months	1 to 5 years
------(Rupees in '000)-----				
Long term loan	-	-	-	16,649
Trade and other payables	-	1,398,057	-	-
Commodity finance under markup arrangements	-	95,204,726	-	-
Short term loan	-	-	15,000,000	-
Interest / mark-up accrued	-	1,864,196	-	-
<b>2017</b>	-	<b>98,466,979</b>	<b>15,000,000</b>	<b>16,649</b>
-----				
	2016			
	On demand	Less than 3		
		months	3 to 12 months	1 to 5 years
------(Rupees in '000)-----				

The commodity finance is backed by the guarantee of Government of Pakistan (GoP) and therefore the risk lies on the GoP. Trade and other payables mainly include payable on account of transactions incurred by the Company on behalf of GoP and therefore the Company is not exposed to liquidity risks for such transactions. Besides these, the Company has adequate resources in the form of bank balances and short term investments to repay its operational liabilities and therefore, is not subject to significant liquidity risk as at June 30, 2017.

### 33.2 Fair values of financial assets and financial liabilities

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investment in shares of FTC Management Company Limited and investment in LDA Plaza, which are carried at cost.

(b) **Fair value estimation**

The Company classifies the financial assets measured in the balance sheet at fair value in accordance with the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Company has no items to report in this level.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2017, the Company does not have any financial instrument which has been carried at fair market value.

### 34. 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 carry out functions entrusted to it by GoP. The Company is 100% owned by the Government of Pakistan and is not subject to any externally imposed capital requirements. As of balance sheet date, the Company has gearing effect to the extent of commodity finance and short-term loans facilities, which are obtained for GoP directed operations and guaranteed by GoP.

### 35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the fund:

	2017	2016
Size of the fund - total assets	<u>213,651</u>	<u>213,651</u>
Cost of investments made	<u>176,791</u>	<u>194,376</u>
Percentage of investments made	<u>83%</u>	<u>91%</u>
Fair value of investments	<u>176,791</u>	<u>194,526</u>

**Amount in Rs. '000**

35.1 The breakup of fair value of investments is:

	2017		2016	
	Amount	%	Amount	%
Bank balances	6,791	4%	4,376	2%
Short-term investments in TDRs	<u>170,000</u>	<u>96%</u>	<u>190,150</u>	<u>98%</u>
	<u>176,791</u>	<u>100%</u>	<u>194,526</u>	<u>100%</u>

35.2 The investments out of provident fund have been made in accordance with the provisions of Section of 227 of the repealed Companies Ordinance and the rules formulated for this purpose.

### 36. REMUNERATION OF CHAIRMAN AND DIRECTORS

The aggregate amount for the year in respect of remuneration and benefits to the Chairman and directors are as follows:

	2017		2016	
	Chairman	Directors	Chairman	Directors
	------(Rupees in '000)-----		------(Rupees in '000)-----	
Managerial remuneration	1,358	3,065	1,051	2,761
Housing and utilities	1,492	3,149	1,126	2,811
Other allowances and benefits	1,910	3,814	1,100	2,859
Disparity allowance	1,206	2,260	1,200	2,838
Retirement benefits	383	869	263	666
Leave encashment	1,470	1,650	622	915
	<b>7,819</b>	<b>14,807</b>	<b>5,362</b>	<b>12,850</b>
Number of persons	<b>1</b>	<b>5</b>	<b>1</b>	<b>4</b>

### 37. CORRESPONDING FIGURES

Corresponding figures have been adjusted, wherever necessary, for the purpose of better presentation as below.

The effect of the restatements on these financial statements are summarised below:

		2015			
	Note	As reported in financial statements for the year ended June 30, 2015	Effect of prior period adjustments	Effect of change in accounting policy - note 3.10	Restated amount as of July 01, 2015
		------(Rupees in '000)-----			
<b><u>Balance sheet</u></b>					
Due from GoP	10	23,143,483	(10,744)	-	23,132,739
Prepayments and other receivables	13	6,102,100	27,109	-	6,129,209
Deferred liabilities - staff compensated absences	19	39,921	-	67,553	107,474
Trade and other payables	20	3,126,963	12,245	-	3,139,208
Taxation - net		2,206,301	1,483	(24,319)	2,183,465
Retained earnings		12,422,334	2,637	(43,234)	12,381,737
		------(Rupees in '000)-----			
		2016			
	Note	As reported in financial statements for the year ended June 30, 2016	Effect of prior period adjustments	Effect of change in accounting policy - note 3.10	Restated amount as of June 30, 2016
		------(Rupees in '000)-----			
<b><u>Balance sheet</u></b>					
Due from GoP	10	27,431,347	(15,468)	-	27,415,879
Prepayments and other receivables	13	6,363,377	25,362	-	6,388,739
Deferred liabilities - staff compensated absences	19	34,615	-	63,724	98,339
Trade and other payables	20	2,073,270	12,245	-	2,085,515
Taxation - net		2,070,845	1,333	(23,112)	2,049,066
Retained earnings		10,619,644	(6,098)	(38,198)	10,575,348
		------(Rupees in '000)-----			
<b><u>Profit and loss account</u></b>					
Administrative expenses	27	845,590	4,724	(3,448)	846,866
Other income - others	28	1,790,577	(1,747)	-	1,788,830

38. NUMBER OF EMPLOYEES

The average and total number of employees during the year and as at June 30, 2017 and 2016 respectively are as follows:

	2017	2016
	No. of employees	
Average number of employees during the year	491	514
Number of employee as at June 30	479	503

39. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

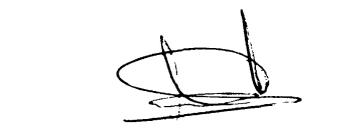
The Board of Directors of the Company in their meeting held on 27/2/2018 have recommended cash dividend @ \_\_\_ percent amounting to Rs. NIL million on the existing paid-up value of the ordinary share capital for approval of the shareholders in the annual general meeting to be held on 27/2/2018.

40. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 27/2/2018 by the Board of Directors of the Company.

41. GENERAL

The figures in the financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER  
\_\_\_\_\_  
DIRECTOR  
\_\_\_\_\_  
CHIEF FINANCIAL OFFICER