

50TH ANNUAL REPORT 2016-2017

BOARD OF DIRECTORS

Chairman/CEO

Mr. Mushtaq Ahmed Shaikh

Directors

- | | | |
|----|-------------------------|---------------|
| 1. | MR. IRFAN QAISER SHEIKH | Independent |
| 2. | MR. ZAHOOR AHMED | Non-Executive |
| 3. | MRS. MARIA KAZI | Non-Executive |
| 4. | MR. IMTIAZ ALI GOPANG | Non-Executive |

BOARD AUDIT & RISK MANAGEMENT COMMITTEE

- | | | |
|----|-----------------------|----------|
| 1. | MR. ZAHOOR AHMED | Chairman |
| 2. | MRS. MARIA KAZI | Member |
| 3. | MR. IMTIAZ ALI GOPANG | Member |

Company Secretary

MR. MUHAMMAD NADEEM AQEEL

Registered Office

4th & 5th Floor, Finance & Trade
Centre, Sharea Faisal,
Karachi-75530
Phones: 021-99202947-49
Fax: 021-99202722, 99202731

ANNUAL REPORT OF TRADING CORPORATION OF PAKISTAN (PVT) LTD
FOR THE YEAR 2016-2017

The Board of Directors has pleasure in presenting the TCP's Annual Report and the Audited Statement of Accounts for the financial year 2016 - 2017 ended on 30th June 2017.

CHANGES IN BOARD OF DIRECTORS

Following changes in the Board of Directors took place during the financial year 2016-17 (from 01-07-2016 to 30-06-2017):-

- | | |
|------------------------------|---|
| (1) Mr. Shakeel Ahmed Khan | Relinquished the charge of the office as Director, TCP on 22.07.2016. |
| (2) Mr. Imtiaz Ali Gopang | Assumed the charge of the office as Director, TCP on 22.07.2016. |
| (3) Mr. Rizwan Ahmed | Relinquished the charge of the office as Chairman, TCP on 26.04.2017. |
| (4) Mr. Mushtaq Ahmed Shaikh | Assumed the charge of the office as Chairman, TCP on 26.04.2017. |
| (5) Mr. Muhammad Ashraf | Relinquished the Charge of the office as Director, TCP on 16.05.2017. |
| (6) Mr. Bilal Khan Pasha | Assumed the charge of the office as Director, TCP on 16.05.2017. |

***CHANGES IN BOARD OF DIRECTORS AFTER 30TH JUNE 2017.**

- | | |
|--------------------------|---|
| (1) Mr. Bilal Khan Pasha | Relinquished the charge of the office as Director, TCP on 10.01.2018. |
| (2) Mrs. Maria Kazi | Assumed the charge of the office as Director, TCP on 10.01.2018. |

2. MANAGEMENT:

The Management of the Corporation is vested in a Board of Directors appointed by the Federal Government. The Board comprises a Chairman who is the Chief Executive of the Corporation and Directors who look after the finance, import, export and other affairs of the Corporation. Besides, one Joint Secretary of the Ministry of Commerce, one Joint Secretary of Ministry of Finance and one Food Commissioner representing the Ministry of Food & Agriculture, Government of Pakistan, Islamabad are also included in the Board of Directors of TCP as ex-officio Directors.

2.1 Executive Directors:

- i. Mr. Siraj Mustafa Jokhio Director-II
- ii. Sheikh Zahid Masood Director (Finance)

2.2 Divisional Heads/Incharges of Regional Offices/Sub Regional Offices/ Godowns.

i.	Mr. Muhammad Yousuf	General Manager	GA & HR Division
ii.	Mr. Naimatullah Shaikh	General Manager	Imports Division
iii.	Mr. Muhammad Munir	General Manager	Legal Division
iv.	Mr. Farman Ali Chohan	General Manager	Dispatch Operation Division with additional charge of EM&C Division
v.	Mr. Abdul Ghafoor	General Manager	Account Division
vi.	Mrs. Nabiya Sohail	General Manager	Internal Audit Division
vii.	Mr. Barkat Ali Jokhio	General Manager	Cotton & Rice Division
viii.	Mr. Sohail Abbas Rajani	General Manager / CFO (Contract)	Finance Division
ix.	Mr. Muzaffar Hussain	Deputy General Manager Incharge	Godowns Division
x.	Mr. Khizar Hayat	Deputy General Manager Incharge	Port Operation Division
xi.	Mr. Zafarullah Zangejo	Deputy General Manager Incharge	Real Estate Management Division (Security & PR Cell)
xii.	Mr. Muhammad Nadeem Aqeel	Company Secretary (Contract)	Corporate Affairs/Secretary Division
xiii.	Mr. Manzoor Ali Sahto	General Manager	Pipri Godown
xiv.	Mir Muhammad Raza	Manager Incharge	Korangi Godown
xv.	Mr. Muhammad Tariq Khan	Manager	Landhi Godown
xvi.	Mr. Muhammad Bilal	Manager	Incharge R.O. Islamabad
xvii.	Mr. Fahad Raza	Manager	Incharge R.O. Lahore
xviii.	Mr. Israr Hussain	Deputy Manager	Incharge R.O. Gwadar
xix.	Mr. Muhammad Hasnain Naveed	Deputy Manager	Incharge S.R.O. Multan

3. GENERAL

3.1 The Trading Corporation of Pakistan Limited (TCP) was set up as a private limited company in July, 1967, registered under Companies Act 1913 (now Companies Act 2017). The shares of corporation are owned by the Ministry of Commerce, Government of Pakistan. It was the first move by the Government to introduce state trading in the country, to achieve the following objectives:-

- i) Achieve economy of scale by handling bulk transactions; secure advantages of price, freight and port-handling expenses, and prevent leakage of foreign exchange through such malpractices as over/under invoicing, etc.
- ii) Stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and, ipso facto, act as a check on disparity between import prices and scarcity prices.
- iii) TCP act to intervene in the market to forestall shortages of essential commodities and provide the same to the common man at affordable prices. Its price support initiatives are meant to ensure that growers receive fair price for their agricultural products.

3.2 In January, 1995, the Federal Cabinet assigned the following new role to TCP.

A. Imports

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

B. Exports

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

3.3 TCP acts only on the directions of the Federal Government to implement policy decisions in the larger public interest.

4. TCP'S CAPITAL

The initial paid up capital of the Corporation subscribed by the Government in 1967 was Rs. 2.5 Million, which was subsequently raised to Rs. 5 Million in 1969-70 and to Rs.7.5 Million in 1970-71 out of Corporation's own resources. In 1977-78, TCP increased its paid up capital from Rs.10.00 Million to Rs.50.00 Million and further increased to Rs. 100.00 Million in 1978-79 out of its own resources by issuing bonus shares. In 2005-2006, the authorized capital enhanced to Rs.1000 Million, whereas the subscribed and paid up capital increased from Rs.100.00 Million to Rs.685.805 Million and then, in 2009-10, paid up capital increased to Rs. 1,000 Million due to rise in the volume of trade under Government's directive.

5. ACTIVITIES OF THE CORPORATION

5.1 EXPORT OF 15,000 MT RICE TO CUBA AS GIFT:

On the directives of the Federal Government, TCP procured 15,000 MT of Rice (10,000 MT Long Grain White Rice IRRI-6 and 5,000 Super Basmati Rice) and sent as gift to Government of Cuba in recognition of their services to Pakistan in 2005, as well as to open up market for the Pakistani Rice in the Latin American region.

A vessel MV "CMB Adrien" carrying 15,000 MT bagged Rice, sailed from Port Bin Qasim on 21-08-2016 and reached at Havana Cuba on 08-10-2016. The discharging of the vessel commenced on 09-10-2016 and the operation was successfully completed on 19-10-2016.

5.2 EXPORT OF 10,000 MT RICE TO CHINA AS DONATION:

On the directive of the Prime Minister of Pakistan, TCP exported 10,000 MTs of Long Grain White Rice as a gesture of goodwill to the flood affected people in China.

A quantity of 22 MT Rice was dispatched through a designated Pakistan Air Forces plane IL-78, whereas the remaining 9978 MTs Rice were shipped through Containers. The entire operation was completed from August to October, 2016.

5.3 EXPORT OF 10,025 MT RICE TO SRI LANKA AS DONATION:

On the directives of the Prime Minister of Pakistan, TCP procured 10,025 MTs of Long Grain (IRRI-6) rice and then sent as an aid to the drought affected people of Sri Lanka.

A quantity of 25 MT Rice was dispatched through a designated Pakistan Air Forces' Plane IL-78, whereas the 10,000 MT Rice consignment were shipped through Containers.

The Entire Containerized shipment process was started on 06-03-2017 and the last consignment reached at discharge port Colombo on 12-04-2017.

5.4 DELIVERIES OF COTTON

During the Financial year 2016-17, TCP issued 47 (forty seven) delivery orders for a quantity of 64,874 Cotton Bales for Rs.1,749,516,791/- issued to various parties for sale of cotton bales.

5.5 DELIEVERIES OF UREA

During the financial year 2016-17, TCP issued revised delivery orders of urea against the ECC decisions which are as under:-

- i) As per the ECC decision dated 26.09.2016, for a quantity of 276,290 MT urea to NFML @ Rs.1,200/- per 50 kg bag.
- ii) As per the ECC decision dated 28.04.2017, for a quantity of 234,000 MT urea to NFML @ Rs.1,000/- per 50 kg bag.

5.6 OUTSTANDING AMOUNT OF SUGAR

During the year 2016-17, TCP received an amount of Rs.600.000 million from M/s. Utility Stores Corporation towards sale proceeds of sugar.

6. ISSUANCE OF AUTHENTICITY CERTIFICATE FOR EXPORT OF BROWN, SELLA AND WHITE RICE TO EUROPEAN UNION MEMBER COUNTRIES.

During the financial year 2016-17, TCP issued 517 (Five Hundred Seventeen only) Authenticity Certificates for export of 127,000 MT Brown Rice, Sella and White Basmati Rice valuing US\$.89.159 million exported to European Union Member Countries and earned an amount Rs. 10.216 million in terms of inspection fee.

6.1 ISSUANCE OF INSPECTION CERTIFICATE OF LONG GRAIN WHITE BASMATI RICE UNDER PAK-SRI-LANKA FREE TRADE AGREEMENT (FTA).

During the financial year 2016-17, TCP issued 09 (Nine) Inspection Certificate for export of 3,850.00 MT Long Grain White Rice valuing US\$: 2.525 million under Pak-Sri Lanka free Trade Agreement (FTA) and earned Rs. 308,000/= towards inspection fee.

7. RENTING OF GODOWN / PROPERTY

TCP earned an amount of Rs. 365.311 Million through renting its Godowns situated at Pipri, Landhi and Korangi to public and private sector.

8. STEPS TAKEN FOR RESOLUTION OF TCP'S REAL ESTATE PROBLEMS:

8.1 Restoration of Allotment of Land Plot 26-30 Admeasuring 29.5 Acres Situated At Multan Industrial Estate

The allotment of said land was cancelled by Board of Management in 2004. However, TCP being aggrieved by the arbitrary decision made by Board of Management, Multan Industrial Estate, resorted to legal course of action in 2004. The Honorable Lahore High Court, Multan Bench has restored the allotment of said land and ordered Secretary Industries, Government of Punjab to determine the dues liable to be paid by the TCP during the litigation period. The Secretary Industries, Government of Punjab has determined the dues irrationally which has been challenged in Court of Law by TCP. Moreover, TCP has filed an application thereby showing her conditional willingness to pay all the dues subject to transfer of lease hold rights to TCP until final decision is made by the Honorable Court.

Besides above, TCP has carried out feasibility study for construction of shades/ Godown on the said land for rental purpose, which would boost the earning of Corporation to great extent.

8.2 Efforts Taken For Change of Title of Defunct Rice Export Corporation of Pakistan (RECP) and Cotton Export Corporation (CEC) Properties In The Name Of TCP.

Owing to persistent efforts taken by the TCP management, the title of ownership of the following properties have been transferred in the name of TCP.

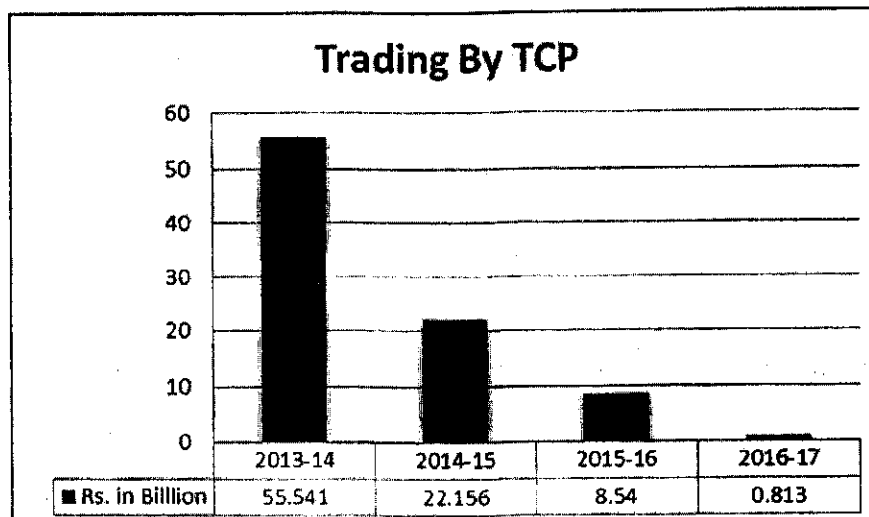
- i) Cotton Godowns of defunct Cotton Export Corporation of Multan measuring 10 Acres.
- ii) Plot of Industrial Estate Multan measuring 15 Acres belonging originally to Cotton Export Corporation.
- iii) Two (02) shops measuring 216.93 sq.ft. at Al-Syed Centre, Quaidabad, Landhi, Karachi belonging to defunct RECP.

8.3 Rehabilitation of TCP's Land Plots at Multan.

TCP has decided to rehabilitate its land plots at Multan to make the most of said plots in terms of extra rental income.

9. FUTURE ENDEAVORS:

Trading Corporation of Pakistan (TCP) is the principal trading arm of the Government of Pakistan and execute operations on the directives of the Federal Government. TCP undertakes import of essential commodities to help ensure their availability to the common man at affordable prices. It intervenes in the market in the larger public interest to ensure fair price to growers, as well as to preempt hoarding and profiteering



TCP discontinued procurement of sugar from local market since 2014. Similarly business relating to import of urea through international tender and SABIC was considerably reduced as local production improved due to supply of gas to local manufacturers during 2015-16. However, during 2016-17 huge decline occurred in trading due to less procurement of commodities were made.

10. DIVIDEND

A final cash dividend of Rs.100 million has been recommended by the Board.

Balance of General Reserve as on 30 th June 2016	Rs. <u>7500</u> million
Transfer from General Reserves to un-appropriated profit	Rs. <u>Nil</u> million
Position of General Reserves as on 30 th June 2017	Rs. <u>7500</u> million

11. AUDITORS

Since the aggregate remuneration quoted by M/s. EY Ford Rhodes, retiring external auditors of the Corporation for the ensuing year 2017-2018, is 217% higher than their previous aggregate remuneration for the year 2016-2017, therefore does not seem maintainable, hence the BA&RMC did not recommended appointment of statutory auditors and recommended to appoint the auditors through tender process as per PPRA rules.

The Board approved the above recommendation of Board Audit & Risk Management Committee and recommended the same to the annual General meeting of the Corporation.

12. Management responses on the audit observations are attached as Annex "VI".

13. CORPORATE SOCIAL RESPONSIBILITY

TCP has supported social development activities by associating with reputable charitable organizations engage in the fields of healthcare.

During the year, TCP has disbursed Rs.4.00 million under CSR to the following Hospitals.

M/s. Indus Hospital	Rs.1.5 million
M/s. SIUT, Karachi	Rs.1.5 million
M/s. District Red Crescent BM Hyderabad	Rs.0.5 million
M/s. LRBT, Karachi	Rs.0.5 million

14. CORPORATE GOVERNANCE

1. The Board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non-compliance.
2. The financial statements, prepared by the management of the Public Sector Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
3. Proper books of account has been maintained by the corporation.
4. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. The Board recognize their responsibility to establish and maintain sound system of internal control.
6. A statement as to the value of investments of provident, gratuity and pension funds, based on their respective un-audited accounts, is attached (Annexure – V)
7. Four Board Meetings have been held during the year and meeting attended by each director is given below;

NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED
Mr. Rizwan Ahmed Chairman	4
Mr. Khaliq-ur-Rahman, Chartered Accountant	4
Mr. Muhammad Ashraf, Joint Secretary (Imp/Exp), Ministry of Commerce.	4
Mr. Imtiaz Ali Gopang, Food Commissioner, Ministry of National Food Security & Research	3
Mr. Zahoor Ahmed, Joint Secretary (CF-I), Ministry of Finance	3

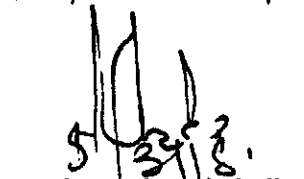
8. The pattern of shareholders is attached as Annex "I".
9. The appointment of Chairman and other member of board and the terms of their appointment alongwith the remuneration policy adopted are in the best interest of their corporation, as well as in terms with the best practice.
10. Key operating and financing data for last six years is attached as Annex "II".

15. MANAGEMENT – STAFF RELATIONSHIP:

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

16. Comparative statements of financial results for last six years and stocks positions is given at Annexure III, and IV respectively.


Maria Kazi
Director


Mushtaq Ahmed Shaikh
Chief Executive, TCP

MARIA KAZI
Joint Secretary
Ministry of Commerce & Textile
Commerce Division
Government of Punjab
Islamabad

PATTERN OF SHAREHOLDING AS AT 30.06.2017

No. of Shareholders	Shareholdings	Total Shares
2	1 to 5	2
1	99999995 to 100000000	99,999,998
3	TOTAL	100,000,000

Categories of Shareholders

Directors	Shareholding	Percentage
Chairman, TCP	1	0.000001
Director Finance	1	0.000001
	2	0.000002

Associated Undertakings and Related Parties	-	-
NIT AND ICP	-	-
Banks, Development Financial Institutions	-	-
NBFI	-	-
Insurance Companies	-	-
Modaraba and Mutual Funds	-	-

Shareholders Holding 10%	Shareholdings	Percentage
Federal Government of Pakistan	99,999,998	99.99

General Public

a. Local	-	-	-
b. Foreign	-	-	-

ANNEX-II**KEY OPERATING AND FINANCIAL DATA**

"Rs. In (000)"

Operating Data	2016-17 Un-Audited	2015-16	2014-15	2013-14	2012-13	2011-12
Commission Income	33,869	202,782	529,645	1,349,089	1,395,894	1,489,365
Administrative Expenses	1,055,181	845,590	900,433	941,387	905,817	930,566
Other Income	1,529,529	1,790,577	2,037,026	1,583,556	1,531,266	1,672,830
Profit Before Tax	508,217	1,147,769	1,666,238	1,991,258	2,021,343	2,231,629
Profit After Tax	524,127	797,310	1,130,349	948,624	1,533,813	1,656,755
Financial Data						
Paidup Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Fixed Assets	803,142	806,490	759,567	750,629	1,190,667	1,009,325
Long term Investment	141,017	126,795	114,092	102,746	560,344	494,033
Current Assets	126,722,680	121,847,948	118,780,873	136,896,404	139,931,995	115,699,369
Current Liabilities	115,428,134	110,983,530	106,061,536	125,206,602	129,637,496	106,773,552
Key Ratios						
Net Profit	15.48	3.93	2.13	0.70	1.10	1.11
Current ratio	1.10	1.10	1.12	1.09	1.08	1.08
Net Working Capital	11,294,546	10,864,418	12,719,337	11,689,802	10,294,499	8,925,817

ANNEX-III**COMPARATIVE STATEMENT OF FINANCIAL RESULTS
DURING LAST DECADE****2011-12 TO 2016-17****(Rupees in Million)**

S. No.	PARTICULAR	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Paid-up capital	1000.000	1000.000	1000.000	1000.000	1000.000	1000.000
2.	Total C&F value of Imports	59,571.634	25,647.088	30,595.000	12,028.790	7,902.079	NIL
3.	Total value of Exports	NIL	NIL	NIL	NIL	814.964	1810.631
4.	Profit/(Loss) before taxation	2,231.629	2,021.341	1,991.258	1,666.238	1147.769	508.217
5.	Profit/(Loss) after taxation	1,656.755	1,533.988	948.624	1,130.349	797.310	524.127

ANNEX-IV**STATEMENT SHOWING OPENING AND CLOSING STOCK POSITION IN TCP'S
GODOWNS /MILLS****i) Stock Position at Pipri Godown:**

S No	COMMODITY	OPENING BALANCE AS ON 1 st July 2016	CLOSING BALANCE AS ON 30 th June 2017	REMARKS
1.	Sweeping Sugar (Imported in 2009)	207	207	As per book record, physically 15-20 MT (approx) lying
2.	Sweeping Sugar (Imported in 2010)	1,610 MT	1,610 MT	Sweeping
3.	Wheat	41.00 MT	41.00 MT	Sweeping
4.	Jutes bales	505	505	Bales
5.	New Plastic rolls	434	434	Rolls
6.	New PP bags for urea	19,000	19,000	Bags 2009
7.	New PP bags for sugar	50	50	Bales 2007-08
8.	New Jute bales for wheat	143	143	Bales 2007-08
9.	PP bales for wheat	250	250	Bales 2007-08
10.	PP bales for sugar	25	25	Bales 2007-08

ii) Stock Position at Landhi Godown:

S No	COMMODITY	OPENING BALANCE AS ON 1 st July 2016	CLOSING BALANCE AS ON 30 th June 2017	REMARKS
1.	Urea (Gwadar)	1,135.250 MT	535 MT	Sweeping
2.	Dunnage Gunny bags	3.5 MT	3.5 MT	As per book record

iii) Stock Position at Korangi Godown:

S No	COMMODITY	OPENING BALANCE AS ON 1 st July 2016	CLOSING BALANCE AS ON 30 th June 2017	REMARKS
1.	Wheat	600 Bags	600 Bags	Bags (Bhoosa)

ANNEX-V

PROVIDENT FUND RELATED DISCLOSURES FOR THE YEAR 2016-17:

		(Rupees in Million)
Size of the fund- total assets		<u>213,651</u>
Cost of investments made	Un-Audited	<u>176,791</u>
Percentage of investment made		<u>83%</u>
Fair value of investment		<u>176,791</u>

Annexure VI

MANAGEMENT RESPONSES ON AUDIT OBSERVATIONS

a) The matter of declaring godowns as investment property was presented before Board of Directors in its 302nd Meeting held on 29-2-2016, the Board decided as under;

“Not to declare Godowns as investment property due to sudden/emergent procurement requirements of the Federal Government”

- i) As regards the non-availability of breakup of cost and written down value of Godowns, these godowns were inherited by TCP from RECP and CEC thus the Godown wise cost of Land and building is not available. However, after consultation with the new auditors, alternative methodology shall be adopted to account for Written down Value so that qualification may be removed in future.
- ii) Management believes, Godowns are primarily meant for the storage of strategic stocks.

b) The key observation of the auditors relates to recoverability of total amount of Rs. 3,661.27 million from 3 sugar mills. Recoverability of this amount including markup and other charges thereon depends on the ultimate outcome of Legal proceedings. The markup and other charges along with cost of sugar are classified in Stock-in-trade similar to previous years in order to maintain strong legal position against the sugar mills. The amount including markup and other charges relating to 3 sugar mills is as follows:

S. no	Name of Sugar Mill	Rs. millions
1	Abdullah Shah Ghazi Sugar Mill	1,457.535
2	Haq Bahu Sugar Mill	1,560.400
3	Macca Sugar Mill	643.343
	TOTAL	3,661.278

During the year, a detailed exercise was carried out by management to include markup and other charges for the period from 2015 to 2017 in the audited Financial Statements as at June 30, 2017.

c) The amount of Rs. 10,791.76 Million is primarily related to the wheat operations for the period from 2004-5 to 2008-9. Observation (a) and (b) of the auditors are correct with respect to confirmations and non-recoverability. However, management has already started the process of reconciliation of Trade Debts balances with provincial government institutions. The process involves three major steps:

- (i) Retrieval of all records (Delivery orders, allocations letters, bills and correspondences)
- (ii) Getting the acknowledgement of the quantity delivered, outstanding receivable and pending claims from parties.
- (iii) Updating TCP books accordingly, if required.

Management has substantially completed the step (i) of the process and started the step (ii). The numbers are already reconciled with Sindh Food Department as part of step (ii). Currently, the management is in the process of reconciliation with Balochistan and other provinces. If required, books will be updated in the third phase. Once this reconciliation is completed, and books are updated, the observations c to f will be resolved.

d) The main observation of the auditors relates to recoverability of total amount of Rs. 3,542.70 Million from 6 sugar mills which includes markup and other charges. The recoverability of the amount depends on the ultimate outcome of Legal proceedings. The names of 6 sugar mills are as follows:

S. no	Name of Sugar Mill	Rs. millions
1	Abdullah Sugar Mill, Depalpur	68.965
2	Abdullah Sugar Mill, Ex-yousuf	801.475
3	Haseeb Waqas Sugar Mill	153.252
4	Seri Sugar Mill	289.579
5	T.M.K. Sugar Mill	1,230.986
6	Tandlianwala Sugar Mill	998.445
	TOTAL	3,542.702

During the year, a detailed exercise was carried out by management and records were updated in the books of accounts to include the amounts of markup and other charges till June 30, 2017

e) Major issues in the observation are as under:

Ministry of Finance has already directed to get third party validation of the subsidy. Based on the results of subsidy audit, the amount Rs.387.51 million shall be settled with Government of Pakistan.

Company has security deposits worth Rs.448 Million appearing in the books of accounts. A portion of these deposits is inherited as accounting entry from the RECP and CEC. However, Company will execute an exercise to segregate security deposits of prior period besides preparing a list of parties whose security deposits are lying with the organization.

f) In order to resolve auditors' qualification as at June 30, 2016, during the year management has prepared a tax position summary from the tax year 2003 to tax year 2017 in coordination with tax consultants. This resulted in removal of qualification of Rs. 2,070.86 million from audit report. The books were adjusted accordingly with the exception of Rs. 188.55 million which was to be adjusted in consultation with auditors. Though this amount is also reconcilable but owing to non-availability of independent validation of Tax Position summary, it could be adjusted in books of accounts. However, management has forwarded the summary to Tax Consultant for review, updating and validation. Once, it is validated by the consultant the qualification is expected to be removed.

g)

- I. Subsidy received by TCP from federal government was taxed by FBR authorities. Subsequently, these matters were resolved for the years from 2004-2007. However, three appeals against 2003 were pending with ATIR which have finally been decided in favour of the company. As a result refund amount to Rs. 610 Million has been generated vide order of Additional Commissioner Inland Revenue. The company has already submitted application for refund of Rs.610 Million, once the amount is en-cashed or adjusted against liability, this qualification shall be removed.
- II. FBR authorities have taxed other income of the organization without allowing expenses thereof. Matters are pending with Appellate Tribunal Inland Revenue.
- III. Matter is pending with Appellate tribunal and being pursued by Nishtar and Zafar.
- IV. FBR authorities asked for verification of adjustments for the period from 2008-2010. However, company has filed appeal on the grounds that Tax Authorities cannot open the matters beyond five years.

FBR authorities do not allow expenses against the other income of the company. Matter is pending with Appellate Tribunal.