BOARD OF DIRECTORS

Chairman/CEO

Mr. Rizwan Ahmed.

Directors

1.	MR. KHALIQ-UR-RAHMAN	Independent
2.	MR. IRFAN QAISER SHEIKH	Independent
3.	MR. ZAHOOR AHMED	Non-Executive
4.	MR. MUHAMMAD ASHRAF	Non-Executive
5.	DR. SHAKIL AHMED KHAN	Non-Executive

BOARD AUDIT & RISK MANAGEMENT COMMITTEE

1.	MR. KHALIQ-UR-RAHMAN	Chairman
2.	MR. ZAHOOR AHMED	
3.	MUHAMMAD ASHRAF	

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 2015-2016

The Board of Directors has pleasure in presenting the TCP's Annual Report and the Audited Statement of Accounts for the financial year 2015 - 2016 ended on 30th June 2016.

CHANGES IN BOARD OF DIRECTORS

Following changes in the Board of Directors took place during the financial year 2015-16 (from 01-07-2015 to 30-06-2016):-

(1)	Mr. Adnan Afridi	Relinquished the Charge of the office as Director, TCP on December 21, 2015.

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. Khaqan Murtaza	Director
ii.	Mr. Shakeel Ahmed Mangnejo	Director (Finance)

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

i.	Saiyyed Hassan Imam Jafferi	General Manager	GA & HR Division
ii.	Mr. Muhammad Munir	General Manager	Imports Division
iii.	Mr. Farman Ali Chohan	General Manager	Dispatch Operation Division/additional charge of EM&C Division
iv.	Mr. Abdul Ghafoor	General Manager	Cotton & Rice Division
v.	Mr. Naimatullah Shaikh	General Manager	Security Division/Public Relation Cell
vi.	Mrs. Nabiya Sohail	General Manager	Account Division
vii.	Mr. Muhammad Nadeem Aqeel	Company Secretary	Corporate Affairs/Secretary Division
viii.	Mr. Muhammad Yousuf	Dy General Manager	Incharge Internal Audit Division
ix.	Mr. Muzaffar Hussain	Dy General Manager	Incharge Godown Division
x.	Mr. Muhammad Ramzan	Dy General Manager	Incharge Finance Division
xi.	Mr. Khizar Hayat	Dy General Manager	Incharge Port Operation Division
xii.	Mr. Zafarullah Zangejo	Dy General Manager	Incharge Real Estate Management Division
xiii.	Mr. Amir Afzal	Dy General Manager	Incharge Legal Division
xiv.	Mr. Manzoor Ali Sahto	Dy General Manager	Incharge Pipri Godown
xv.	Mr. Barkat Ali Jokhio	Dy General Manager	Incharge Korangi Godown
xvi.	Mr. Ibrar Ahmed Siddiqui	Manager	Incharge Landhi Godown
xvii.	Mr. Muhammad Bilal	Manager	R.O. Islamabad
xviii	Mr. Fahad Raza	Manager	R.O. Lahore
xix.	Mr. Israr Hussain	Deputy Manager	R.O. Gwadar
xx.	Mr. Muhammad Hasnain Naveed	Deputy Manager	S.R.O. Multan/Multan Godown

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 Ordinance 1984). 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 it 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 IMPORT OF UREA

As per directives of Federal Government/Economic Coordination Committee (ECC), during the financial year 2015-16, TCP imported a quantity of 252,657 MT Urea through International tenders.

5.2 EXPORT OF 15,000 MT RICE TO NIGER AS A DONATION

During the year 2015-16, TCP donated 15,000 MT Rice (10,000 MT IRRI-6 & 5,000 MT Super Basmati) to the victim of drought in Niger on most urgent basis considering the humanitarian emergency. The Rice was dispatched through vessels MV. MOLESON and arrived the port of Cotonou Benin on 11-02-2016. The discharging of the cargo was completed on 28-02-2016.

5.3 DELIVERIES OF UREA

During the Financial year 2015-16, TCP issued 09 (nine) delivery orders for a quantity of 253,392.291 MT for Rs. 8,173,934,447/= issued to NFML for sale of urea.

5.4 SALE OF LINT COTTON

During the year 2015-16, TCP sold 95,299 Cotton Bales, out of which 10,800 bales were sold out through tender and 84,499 bales through Commission Agents.

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

During the financial year 2015-16 TCP issued 687 (Six Eighty Seven only) Authenticity Certificates for export of 165,762.340 MT Brown Rice, Sella and White Basmati Rice valuing US$.96.017 million exported to European Union Member Countries and earned an amount Rs. 13.732 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).

TCP issued Inspection Certificate for export of 4,658 MT Long Grain White Rice valuing US$: 3.13 million under Pak-Sri Lanka free Trade Agreement (FTA) and earned Rs. 374,000/= towards inspection fee.

7. RENTING OF GODOWNS

TCP earned an amount of Rs. 291.339 Million through renting its Godowns situated at Pipri, Landhi and Korangi to public and private sector.

7.1 RECOVERY OF RENT FROM OCCUPANTS:

Recovery of Rs. 7,95,600/= on account of rent from occupant of the Residential Colonies of Landhi & Pipri Godowns and long outstanding rent from Pakistan Cotton Standard Institute (PCSI) Multan, has been made.

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.

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

8.2 Efforts Taken For Change of Title of Defunct RECP and CEC Properties In The Name Of TCP

Owing to persistent efforts taken by the TCP arrangement, 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 has.

iii) Two (02) shops measuring 216.93 sq.ft. at Al-Syed Centre, Quaidabad, Landhi, Karachi belonging to defunct RECP.

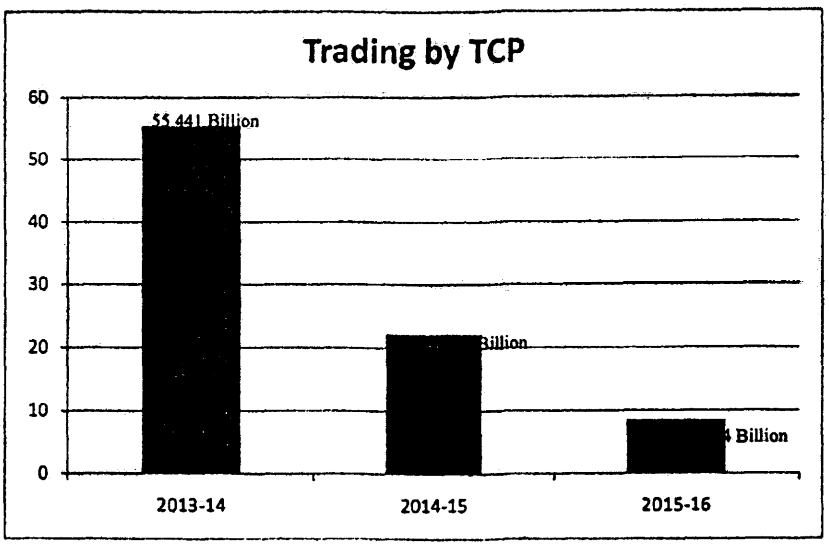
Besides above, meeting with senior member Board of Revenue, Government of Sindh was held on 06-04-2016 wherein the issue relating to change of title of TCP's properties was discussed. The TCP was assured that the Government of Sindh would extend its cooperation to solve the said issue of TCP. Moreover, TCP is vigorously pursuing the matter relating to change of title of properties.

8.3 Return of TCP Investment in LDA Plaza As Per Valuation Carried Out By TCP's Appointed Valuer

In pursuance of its board decision, the TCP has carried out valuation of LDA Plaza through M/s. Engineering International Pakistan on 29-09-2015 whereby the Plaza was valuated 250% more than the valuation carried out by the LDA approved valuers. TCP's board in its meeting dated 03-02-2016 directed again for fresh valuation of the Plaza which has been undertaken by M/s. ICML whereby LDA Plaza is valuated at Rs.2902.056 Million which is more than 700% of the valuation carried out by LDA approved valuers.

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, TCP's in the fiscal year 2016-17 has signed a MoU with PT Kopelindo Niaga International of Indonesian for general commodities of trade. On similar terms TCP has sought approval of Ministry of Commerce for signing a MoU with National Food Authority, Philippines. Beside, TCP is exploring opportunities for import of desi chick peas.

10. DIVIDEND

A final cash dividend of Rs.NIL per share in addition to the earlier interim cash dividend of Rs.250 per share. The total dividends for the year stood at Rs. 250 per share, translating into a total payment of Rs.2500 Million.

Balance of General Reserve as on 30th June 2015	Rs.9,771.500 million
Transfer from General Reserves to un-appropriated profit	Rs.2,271.500 million
Position of General Reserves as on 30th June 2016	Rs.7,500.000 million

11. AUDITORS

On the recommendations of Board Audit Committee, a resolution relating to the appointment of M/s. E Y Ford Rhodes, Chartered Accountants, Karachi, as Statutory Auditors, for the financial year ending 30th June 2017, will be proposed in the Annual General Meeting of the Corporation.

12. CORPORATE SOCIAL RESPONSIBILITY

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

13. 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 –III)
7. Five Board Meetings have been held during the year and meeting attended by each director is given below;

NAME OF BOARD MEMBER	NO. OF MEETINGS ATTENDED
Mr. Rizwan Ahmed Chairman	5
Mr. Khaliq-ur-Rahman, Chartered Accountant	5
Mr. Muhammad Ashraf, Joint Secretary (Imp/Exp), Ministry of Commerce.	5
Dr. Shakeel Ahmed Khan, Food Commissioner, Ministry of National Food Security & Research	5
Mr. Zahoor Ahmed, Joint Secretary (CF-I), Ministry of Finance	4

14. THE PATTERN OF SHAREHOLDINGS

Federal Government of Pakistan	99,999,998
Chairman, TCP	01
Director Finance, TCP	01
TOTAL	100,000,000

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 and stocks positions is given at Annexure I, and II respectively.

Khaliq-ur-Rahman	**Rizwan Ahmed**
Director	**Chief Executive, TCP**

ANNEXURE-I

COMPARATIVE STATEMENT OF FINANCIAL RESULTS DURING LAST DECADE

2010-11 TO 2015-16

(Rupees in Million)

S. No.	PARTICULAR	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Paid-up capital	1000.000	1000.000	1000.000	1000.000	1000.000	1000.000
2.	Total C&F value of imports	62,634.912	59,571.634	25,647.088	30,595.000	12,028.790	7,902.079
3.	Total value of Exports	Nil	Nil	Nil	Nil	Nil	814.964
4.	Profit/(Loss) before taxation	1,879.783	2,231.629	2,021.341	1,991.258	1,666.238	1147.769
5.	Profit/(Loss) after taxation	1,356.617	1,656.755	1,533.988	948.624	1,130.349	797.310

ANNEXURE-II

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 1st July 2015	CLOSING BALANCE AS ON 30th June 2016	REMARKS
1.	Wheat	41.00 MT	41.00 MT	Husk & Dusk
2.	Sugar (Imported in 2009-2010)	1,817.00 MT	1,817.00 MT	207 MT(2009) & 1,610 MT(2010) Sweeping
3.	Jutes bales	505	505	Bales
4.	Plastic role	434	434	Rolls
5.	Cotton	--	29,700	Bales

ii) Stock Position at Landhi Godown:

S. No	COMMODITY	OPENING BALANCE AS ON 1st July 2015	CLOSING BALANCE AS ON 30th June 2016	REMARKS
1.	Urea (Landhi)	141.200 MT	290.360 MT	Sweeping
2.	Urea (Gwadar)	1,100.250 MT	1,135.250 MT	Sweeping
3.	Urea (Port Qasim)	132.960 MT	NIL	Sweeping shifted to Landhi Godown

iii) Stock Position at Korangi Godown:

S. No	COMMODITY	OPENING BALANCE AS ON 1st July, 2015	CLOSING BALANCE AS ON 30th June 2016	REMARKS
1.	Wheat	600 Bags	600 Bags	Bhoosa

iv) Stock Position at Various Sugar Mills:

S. No	COMMODITY	OPENING BALANCE AS ON 1st July, 2015	CLOSING BALANCE AS ON 30th June 2016	REMARKS
1.	Sugar	2,359.00 MT	NIL	NIL

ANNEXURE-III

PROVIDENT FUND RELATED DISCLOSURES FOR THE YEAR 2015-16:

	(Rupees in Million)
Size of the fund- total assets	**213,651**
Cost of investments made	**194,376**
Percentage of investment made	**91%**
Fair value of investment	**194,526**

Trading Corporation of Pakistan (Private) Limited

Financial Statements
For the year ended June 30, 2016

Deloitte

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
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 June 30, 2016 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 and we state that except for the matters referred to in paragraphs (a) to (i) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements.

Except for matters disclosed in paragraphs (a) to (i) below, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion and after due verification, we report that:

a) As disclosed in note 8.1 to the financial statements, stock in trade includes 28,166 metric tonnes of sugar amounting to Rs. 2,463.21 million which includes mark-up and other charges of Rs. 1,054.27 million which has not been supplied by certain sugar mills under contractual terms and the Company has initiated legal proceedings there-against. In the absence of an evaluation by the Company regarding the quantity of stocks expected to be received from the sugar mills, we were unable to determine whether any adjustments to the amount of stock-in-trade was necessary;

b) As stated in note 10 to the financial statements, Rs. 61,398.43 million were receivable from various government institutions as at June 30, 2016 out of which Rs. 10,692.45 million have been outstanding for more than three years against which no recoveries have been made. In the absence of replies to our confirmation requests relating to these debtors and sufficient appropriate audit evidence was not available to assess the recoverability and accuracy of these long outstanding balances. Hence, we were unable to determine whether any adjustment to the amount of these receivables was necessary;

c) As stated in note 12.1 to the financial statements, amounts aggregating to Rs. 2,051.59 million were receivable from six sugar mills as at June 30, 2016 which have been outstanding for more than three years. The Company has filed legal cases for recovery of the outstanding amounts in the High Court of Sindh. We were unable to obtain sufficient appropriate evidence as to recoverability of these receivables and hence were unable to determine whether any adjustment to the amount of receivables was necessary;

d) As at June 30, 2016, sales tax refundable balance as per books of account of the Company was Rs. 5,006.33 million, whereas according to the sales tax records of the Company i.e. invoices, goods declarations (GDs) etc. provided to us by the management, this amount worked out to be Rs. 4,723.93 million. The management of the Company is in the process of reconciling the difference of Rs. 282.40 million between the books of account and sales tax records which is still pending. Further, as stated in note 21.1.2 read with note 12 to the enclosed financial statements, the Company received an Assessment Order from the Deputy Commissioner Inland Revenue (DCIR) in April 2015 in which a demand of Rs 1,945.43 million along-with penalty of Rs 97.27 million has been raised on account of excess input tax 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 has also been raised in the same assessment 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 amount involved in the said demands under protest. As the management is unable to reconcile the difference as stated above after lapse of more than 3 years and uncertainty of the outcome of the appeal, we were unable to determine whether any adjustment to the amount of sales tax receivable / adjustable was necessary;

e) As at June 30, 2016, the books of account of the Company show a net income tax liability of Rs. 2,070.85 million for which a year-wise break up is not available with the management. Management is in the process of reviewing written down values of fixed assets stated in tax depreciation schedule (tax base) which exceed the accounting carrying value of fixed assets (accounting base) by Rs. 146.71 million as at June 30, 2016 despite the fact that depreciation rates allowed under tax laws are higher than the accounting depreciation rates. As such we were unable to determine whether any adjustment to the amount of income tax payable as disclosed in the financial statements was necessary and whether any deferred tax asset or liability is required to be recorded on timing difference between accounting base and tax base of operating fixed assets;

f) As disclosed in note 21.1.6 to the financial statements, income tax returns of the Company for tax years from 2008 to 2013 were amended by the Additional Commissioner Inland Revenue under section 122 (5A) of the Income Tax Ordinance, 2001 by disallowing expenses apportioned/allocated by the Company against 'other income' and disallowing set-off of prior year tax refunds against tax liabilities, and raised demands aggregating to Rs. 1,955.50 million. The Company made payment against said demands and filed appeals against said orders before Commissioner Inland Revenue (Appeals) who decided these appeals against the Company who in turn filed an appeal in the Appellant Tribunal Inland Revenue which is pending adjudication. The Company has recorded provision of Rs. 378.74 million in the year ended June 30, 2014 against the said amount. In the absence of replies to our confirmation request sent to the tax advisor of the Company and on the merit of these cases, we were unable to determine whether the provision already booked was sufficient or whether any adjustment in the tax charge of the Company was necessary;

g) The Company has not segregated its godowns into owner occupied property and investment property as per the requirements of International Accounting Standard (IAS-40) Investment Property since separate details of cost of land and construction of godowns are not available due to reasons fully explained in note 4.1.3 to the financial statements. Further the depreciation on all godowns is being charged to Cost to be reimbursed by the Government which is not in accordance with the matching principle as the rent on godowns being used as investment property is being recognized in the profit and loss account of the Company. In the absence of this information, we were unable to determine the value of godowns that should be reclassified as Investment Property as per the requirements of IAS-40, the fair market values to be disclosed and the depreciation that should be recognized in the profit and loss account in the financial statements;

h) As disclosed in note 21.1.3.1, 21.1.3.2, 21.1.3.3 and 21.1.3.4 to the financial statements, the Company is defendant in litigations having aggregate financial impact of US $ 18.21 million (equivalent to Rs. 1,906.34 million). The decision of these cases have been decided against the Company by Single Bench of High Court of Sindh and are currently subjudice and pending with the Divisional Bench in the High Court of Sindh. In the absence of replies to our confirmation requests sent to the legal advisors of the Company and on the merit of these cases, we were unable to determine whether any provision/ liability should be recorded by the Company in respect of these cases;

i) As at June 30, 2016, provision of Rs. 34.62 million related to staff compensated absences has been made based on estimated cumulative annual leaves for services rendered by employees up to the reporting date capped at 90 days. The leave encashment policy of the Company states that employee is entitled to encash maximum 90 days leaves each year during his services, whereas the remaining accumulated balance of maximum 365 days will be encashed in case of death or retirement under the policy. In absence of actuarial valuation of employees compensated absences as of June 30, 2016, we were unable to determine whether any adjustment in the liability for compensated absences was necessary;

j) in our opinion, except for the effects of the matters described in the paragraphs (a) to (i) above, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

k) in our opinion:

   (i) except for the effects of the matters described in the paragraphs (a) to (i) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

l) 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 described in paragraphs (a) to (i) above, the balance sheet, profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its cash flows, and changes in equity for the year then ended; and

m) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following matters:

- As stated in notes 21.1.3 to the financial statements, other than those on which we have qualified our opinion amounting to Rs. 1,906.34 million, several matters/ litigations against the Company aggregating to Rs. 3,338.56 million are pending adjudication. The ultimate outcome of these matters/litigations cannot presently be determined, and no provision for any liability, that may result, has been made in these financial statements; and

- As stated in note 21.1.7 and 21.1.8 to the financial statements, various demands were raised by the taxation authorities aggregating to Rs. 445.74 million pertaining to year 2008 to 2013 which are pending adjudication. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability, that may result, has been made in these financial statements.

Our opinion is not qualified in respect of this matter.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Dated: December 08, 2016
Karachi

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	June 30, 2016	June 30, 2015
		(Rupees in '000)	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	**509,905**	502,404
Long term investments	5	**126,795**	114,092
Long term loans	6	**157,504**	130,785
Long term deposits		**12,286**	12,286
		806,490	759,567
CURRENT ASSETS			
Stores	7	-	-
Stock-in-trade held on behalf of Government of Pakistan	8	**3,189,811**	6,439,547
Due from Government of Pakistan	9	**27,431,347**	23,143,483
Trade debtors	10	**61,373,180**	58,683,822
Loans and advances	11	**39,700**	31,568
Interest / mark-up accrued		**15,378**	32,919
Prepayments and other receivables	12	**6,363,377**	6,102,100
Sales tax refundable	13	**5,006,333**	4,813,606
Short term investments	14	**16,060,730**	18,451,568
Bank balances	15	**2,368,092**	1,082,260
		121,847,948	118,780,873
TOTAL ASSETS		**122,654,438**	119,540,440
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up capital	16	**1,000,000**	1,000,000
Reserves		**10,619,644**	12,422,334
		11,619,644	13,422,334
NON-CURRENT LIABILITIES			
Long term loan	17	**16,649**	16,649
Deferred liabilities - staff compensated absences		**34,615**	39,921
		51,264	56,570
CURRENT LIABILITIES			
Trade and other payables	18	**2,073,270**	3,126,963
Commodity finance under markup arrangements	19	**90,920,786**	98,392,985
Short term loan for Commodity Finance	20	**14,000,000**	-
Interest / mark-up accrued		**1,918,629**	2,335,287
Taxation - net		**2,070,845**	2,206,301
		110,983,530	106,061,536
TOTAL EQUITY AND LIABILITIES		**122,654,438**	119,540,440
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rizwan Ahmed
CHIEF EXECUTIVE OFFICER

DIRECTOR

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----------(Rupees in '000)----------	
Commission income	22	**202,782**	529,645
Administrative expenses	23	**(845,590)**	(900,433)
		(642,808)	(370,788)
Other income	24	**1,790,577**	2,037,026
Profit before taxation		**1,147,769**	1,666,238
Taxation	25	**(350,459)**	(535,889)
Profit after taxation		**797,310**	1,130,349
Other comprehensive income		-	-
Total comprehensive income for the year		**797,310**	1,130,349

The annexed notes from 1 to 39 form an integral part of these financial statements.

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Rizwan Ahmed
CHIEF EXECUTIVE OFFICER

DIRECTOR

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	----------(Rupees in '000)----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,147,769**	1,666,238
Adjustments of non cash and other items		
Depreciation on fixed assets	**20,755**	22,146
Profit on investments	**(1,379,593)**	(1,851,067)
Subsidy to be reimbursed - net	**(9,287,864)**	(7,044,242)
Provision for staff retirement gratuity and compensated absences	**117,464**	133,355
Stock of cotton written off	**-**	7,085
(Reversal) / provision against doubtful receivables	**(22,562)**	22,562
Loss / (gain) on disposal of fixed assets	**276**	(76)
	(10,551,524)	(8,710,237)
	(9,403,755)	(7,043,999)
Decrease / (increase) in current assets		
Stock-in-trade held on behalf of GoP	**3,249,736**	(167,532)
Trade debtors	**(2,689,358)**	4,776,390
Loans and advances	**(8,132)**	(6,156)
Prepayments and other receivables	**(238,715)**	(2,487,722)
Sales tax refundable	**(192,727)**	(431,461)
(Decrease) / increase in current liabilities		
Trade and other payables	**(1,093,054)**	1,255,058
Interest / mark-up accrued	**(416,658)**	(1,130,282)
	(1,388,908)	1,808,295
Cash used in operations	**(10,792,663)**	(5,235,704)
Income tax paid	**(485,915)**	(419,305)
Staff retirement gratuity paid	**(24,978)**	(90,687)
Compensated absences paid	**(58,431)**	(36,127)
	(569,324)	(546,119)
Net cash used in operating activities	**(11,361,987)**	(5,781,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(29,695)**	(2,746)
Sale proceeds from disposal of fixed assets	**1,163**	585
Encashment of (investment in) term deposit receipts - net	**2,390,838**	(1,347,994)
Interest / mark-up received on investments	**1,384,431**	1,904,495
Long term loans disbursed - net	**(26,719)**	(17,501)
Net cash generated from investing activities	**3,720,018**	536,839

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	Note	2016	2015
		----------(Rupees in '000)----------	
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term loan for Commodity Finance		**14,000,000**	-
Subsidy received during the year		**5,000,000**	23,700,000
Dividend paid		**(2,600,000)**	(100,000)
Net cash generated from financing activities		**16,400,000**	23,600,000
Net increase in cash and cash equivalents		**8,758,031**	18,355,016
Cash and cash equivalents at beginning of the year		**(97,310,725)**	(115,665,741)
Cash and cash equivalents at end of the year	28	**(88,552,694)**	(97,310,725)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rizwan Ahmed

CHIEF EXECUTIVE OFFICER

DIRECTOR

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up capital	General reserve	Building reserve	Reserve for contingencies	Revenue reserves	Unappropriated profit	Total
	(Rupees in '000)						
Balance at July 01, 2014	1,000,000	8,271,500	1,680,000	100,000	239,000	1,101,485	12,391,985
Transfer to general reserve	-	1,500,000	-	-	-	(1,500,000)	-
Total comprehensive income							
Profit for the year	-	-	-	-	-	1,130,349	1,130,349
Other comprehensive income for the year	-	-	-	-	-	-	-
Transaction with the owners							
Final dividend for the year ended June 30, 2014 @ Re. 1 per share	-	-	-	-	-	(100,000)	(100,000)
Balance at June 30, 2015	**1,000,000**	**9,771,500**	**1,680,000**	**100,000**	**239,000**	**631,834**	**13,422,334**
Transfer from general reserve - net	-	**(2,271,500)**	-	-	-	**2,271,500**	-
Total comprehensive income							
Profit for the year	-	-	-	-	-	**797,310**	**797,310**
Other comprehensive income for the year	-	-	-	-	-	-	-
Transaction with the owners							
Final dividend for the year ended June 30, 2015 @ Re. 1 per share	-	-	-	-	-	**(100,000)**	**(100,000)**
Interim dividend for the year ended June 30, 2016 @ Rs. 25 per share	-	-	-	-	-	**(2,500,000)**	**(2,500,000)**
Balance at June 30, 2016	**1,000,000**	**7,500,000**	**1,680,000**	**100,000**	**239,000**	**1,100,644**	**11,619,644**

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rizwan Ahmed

CHIEF EXECUTIVE OFFICER **DIRECTOR**

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 priva limited company under the repealed Companies Act, 1913 (now Companies Ordinance, 1984). It is wholly owned by th Federal Government and operates under the administrative control of the Ministry of Commerce, Government of Pakistar The registered office of the Company is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The princip activity of the Company is to facilitate imports and trading of different commodities on behalf of the Government of Pakist (GoP). The Company acts as an agent in those transactions and is entitled to commission on services rendered and does nc carry risks and rewards related to those transactions as such and therefore, the sales and cost of sales relating to thos 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) Limite (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 anothe order of the Sindh High Court. As a result of these orders, the assets and liabilities of these defunct companies wer transferred to the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provision or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional and presentation 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 (note 3.2 and 3.3);
- Provision for impairment of trade debtors and other receivables (note 3.4);
- Provision for impairment of financial and non-financial assets (note 3.7); and
- Provision for taxation (note 3.12).

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2.5 New standards, amendments to approved accounting standards and new interpretations

2.5.1 Amendments to approved accounting standards and an interpretation which became effective during the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards or Interpretations	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates	January 01, 2015

2.5.2 New standards and amendments to approved accounting standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely. Earlier adoption is permitted.
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016

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Standards or Interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

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 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.

Depreciation is charged to the profit and loss account using reducing balance method at the rates given in note 4.1. 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. Assets' 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.

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.

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3.2 Stores

These are valued at weighted average cost less impairment loss except for stores in transit which are valued at cost (invoice value) plus other charges accumulated up to the reporting date. Cost comprises 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 government is included in the related cost and expenses to be reimbursable by the government.

3.3 Stock in trade held on behalf on government of Pakistan

Stock in trade except 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 government. Cost comprises 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 and recognised in the cost to be reimbursed by Govenment. Provision for slow moving stock relating to transactions carried out on behalf of the Government is included in the related cost and expenses to be reimbursable by the Government.

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.

3.4 Trade debtors and other receivables

Trade debtors 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 debtors and other receivable are written off when considered irrecoverable. In case of default by the counter parties in transactions executed on behalf of the Government, the same is recoverable/claimed from the GoP.

3.5 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. 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 are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

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

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity.

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d) **Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in an of the other categories. They are included in non-current assets unless management intends to dispose of th investments within twelve months from the balance sheet date.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised on trade-date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss which are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of securities classified as available-for-sale and at fair value through profit or loss are recognised in other comprehensive income and profit and loss account respectively.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit and loss account as a reclassification adjustment.

The fair values of quoted equity investments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

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 or 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.

3.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include bank balances and commodity finance under mark-up arrangements.

3.7 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised. For financial assets carried at cost, the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods. For financial assets - carried at amortised cost, the amount of impairment loss recognised is the difference between carrying amount and present value of estimated cash flows, discounted at effective interest rate.

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If there is objective evidence that a financial asset classified as available-for-sale is impaired, the cumulative loss that ha been recognised in other comprehensive income shall be reclassified from equity to profit and loss account as reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account. Impairment testing of trade and other receivables is described in note 3.4.

Non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use Impairment losses are charged to profit and loss account. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognized as income.

3.8 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

3.9 Provisions

Provisions are recognised when the Company has a 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

The Company accounts for these benefits in the period in which the absences are earned. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

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 prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Tax paid on transactions carried out on behalf of the government is included in cost related to such transactions.

Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax asset is generally recognised for all deductible differences to the extent that it is probable that taxable profits and taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit and loss account except to the extent it relates to items recognised directly in equity / other comprehensive income in which case it is also recognised in equity / other comprehensive income.

3.13 Foreign currency transactions and translation

Transactions in foreign currencies are accounted for in Pakistan Rupees at daily average rates. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing 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 government are included in the cost related to such transactions.

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 intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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 government, it earns commission income at 2% of sale value of commodities except urea on which commission is recorded at 2% of its import value (C&F value) and rice on which commission is recorded at 1% of purchase cost (C&F). Commission income is recorded on accrual basis when the transaction has been executed, i.e. on the upliftment of sugar and cotton on delivery of urea and when the rice is delivered to destination port.
- 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.

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3.16 Subsidies from the government

Subsidy is recognized when the trading activities are completed as defined in note 3.15 and calculated separately for eacl consignment which represent the difference between the selling price and the cost incurred on transactions executed on behal of the government.

3.17 Expenses

Expenses are recorded on accrual basis in relation to import and trading on behalf of the government is charged to cost an(expenses incurred on behalf of government whereas payroll and other costs are charged in administrative expenses.

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 reserve: are reflected in the statement of changes in equity in the period in which such appropriations are approved by the shareholder: of the Company.

4. PROPERTY AND EQUIPMENT

	Note	2016	2015
		(Rupees in '000)	
Fixed assets	4.1	**348,997**	362,080
Capital work in progress			
- various construction and other work at Pipri godowns		**155,375**	140,324
- implementation of ERP (SAP)		**5,533**	-
Advances against purchase of land	4.2	**81,428**	81,428
Provision against advances		**(81,428)**	(81,428)
		-	-
		509,905	502,404

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4.1 FIXED ASSETS

Particulars	<---- Cost ----		>	<---- Accumulated depreciation ----		>		
	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	Carrying value as at June 30, 2016	Depreciation rate per annum
	(Rupees in '000)							%
Leasehold land (note 4.1.3) *	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 lease hold * land (note 4.1.3)	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	- (3,746)	58,013	46,852	2,773 (2,307)	47,318	10,695	20
	1,078,541	9,111 (3,746)	1,083,906	716,461	20,755 (2,307)	734,909	348,997	

* As a result of merger of Rice Export Corporation of Pakistan (Private) Limited (Defunct) and Cotton Export Corporation of Pakistan (Private) Limited (Defunct) as stated in note 1.2, number of properties (leasehold land and godowns) having cost of Rs. 653.53 million had been taken over by the Company but the title of these assets have not yet been transferred in the name of the Company.

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For comparative period

Particulars	Cost: As at July 01, 2014	Cost: Additions / (disposals)	Cost: As at June 30, 2015	Accumulated depreciation: As at July 01, 2014	Accumulated depreciation: Depreciation for the year / (disposals) (note 4.1.1)	Accumulated depreciation: As at June 30, 2015	Carrying value as at June 30, 2015	Depreciation rate per annum
	(Rupees in '000)							%
Leasehold land *	25,824	-	25,824	-	-	-	25,824	-
Buildings on leasehold land	165,190	-	165,190	138,049	959	139,008	26,182	5
Godowns on leasehold land *	627,701	-	627,701	337,248	14,523	351,771	275,930	5
Structural improvements	53,538	-	53,538	49,933	181	50,114	3,424	5-25
Godown equipment	53,709	-	53,709	51,864	197	52,061	1,648	10-25
Office equipment	42,009	846	42,855	36,468	949	37,417	5,438	10-20
Furniture, fixtures and fittings	16,074	182	16,256	10,200	596	10,796	5,460	10
Computer equipment	10,623	1,023	11,646	7,721	687	8,408	3,238	20
Laboratory handling equipment	3,151	-	3,151	3,117	5	3,122	29	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	63,487	14 (1,742)	61,759	44,036	4,049 (1,233)	46,852	14,907	20
	1,078,218	2,065 (1,742)	1,078,541	695,548	22,146 (1,233)	716,461	362,080	

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		Note	2016	2015
			(Rupees in '000)	
4.1.1	**Depreciation for the year has been allocated as follows**			
	Trading and related expenses to be reimbursed by the government	26.2.1	**14,079**	14,523
	Administrative expenses	23	**6,676**	7,623
			20,755	22,146

4.1.2 Included in operating fixed assets are fully depreciated assets received from Rice Export Corporation of Pakistan (Defunct) as a result of merger as disclosed in note 1.2 having cost of Rs. 77.8 million (2015: 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 is not available separately as these godowns were taken over by the Company as a result of merger as disclosed in note 1.2. Therefore, such godowns have not been classified as investment properties in the financial statements as required in International Accounting Standard - 40 (IAS -40) - Investment Property. Further, depreciation on all godowns (including land and godowns given on rent) is charged to the cost to be reimbursed by the Government.

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.

		Note	2016	2015
			(Rupees in '000)	
5.	**LONG TERM INVESTMENTS**			
	Held to maturity			
	Defense Saving Certificates (DSCs)	5.1	**119,295**	106,592
	Available for sale investments - unquoted stated at cost			
	FTC Management Company (Private) Limited	5.2	**1,000**	1,000
	Lahore Development Authority (LDA)	5.3	**6,500**	6,500
			126,795	114,092

5.1 The effective interest rates on these certificates range from 10.15% to 12.15% (2015: 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 Cotton Trading Corporation of Pakistan (Private) Limited (defunct) which was merged into the Company as stated in note 1.2.

5.2 This 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 where office the of the Company is located. The break-up value is Rs. 734.62 per share based on the audited financial statements of FMCL for the year ended June 30, 2016 (2015: Rs. 712.46 per share). Out of 100,000 shares, 49,999 shares of FMCL are held in the name of CEC (defunct).

5.3 This 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.

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	Note	2016	2015
		----------(Rupees in '000)--------	

6. LONG TERM LOANS

	Note	2016	2015
Loans - secured and considered good			
Employees	6.1	**182,052**	151,374
Current portion shown under current assets	11	**(24,548)**	(20,58[illegible]
		157,504	130,78[illegible]

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

	Note	2016	2015
		----------(Rupees in '000)--------	
One year or below		**24,548**	20,58[illegible]
2 - 3 years		**22,947**	35,744
Exceeding 3 years		**134,557**	95,041
		182,052	151,374

7. STORES

		2016	2015
Gunny bags		**49,019**	49,01[illegible]
Jute / polypropylene bags		**1,993**	1,993
		51,012	51,012
Less: Provision for obsolete stores		**(51,012)**	(51,01[illegible]
		-	-

8. STOCK-IN-TRADE HELD ON BEHALF OF GOVERNMENT OF PAKISTAN

	Note	2016	2015
- In transit - urea		**-**	1,631,632
- In hand			
Urea		**5,266**	5,266
Sugar	8.1	**2,498,589**	2,698,031
Rice		**2,925,801**	2,925,801
Wheat		**296,588**	296,587
Cotton		**723,929**	2,149,677
Black matpe		**1,066**	1,066
	26.2	**6,451,239**	8,076,428
		6,451,239	9,708,060
Less: Stock of cotton written off	26.2.1	**-**	(7,08[illegible]
Provision for impairment	8.2	**(3,261,428)**	(3,261,42[illegible]
		3,189,811	6,439,547

8.1

This includes 28,166 metric tones of sugar amounting to Rs. 2,463.21 million which includes markup and other charges of R: 1,054.27 million which has not been supplied by certain sugar mills against which the Company has initiated legal action.

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		Note	2016	2015
			----------(Rupees in '000)----------	
8.2	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		-	-
	Balance at end of the year		3,261,428	3,261,428

9. DUE FROM GOVERNMENT OF PAKISTAN

Secured - considered good

	Note	2016	2015
Subsidy receivable		27,431,347	23,143,483
Movement of subsidy receivable during the year is as follows:			
Balance at beginning of the year		23,143,483	39,799,241
Subsidy to be reimbursed	26 & 9.1	9,262,864	7,059,524
Amount not claimed / remain unadjusted in prior year	9.2	25,000	-
Amount wrongly claimed in prior years	9.3	-	(15,282)
Subsidy received/adjusted during the year		(5,000,000)	(23,700,000)
Balance at end of the year		27,431,347	23,143,483

9.1 This amount is net of Rs 8.38 million (2015: Rs. 6,337.87 million) payable to GoP in respect of proceeds net of incidental expenses from sale of urea imported from Saudi Arabia Basic Industries Corporation (SABIC).

9.2 This amount represent the reversal of provision against cash margin receivable from commercial bank which was received in the financial year 2014-15 and was wrongly adjusted in trading and other related cost in the said year, therefore, during the year, Company has corrected / adjusted the subsidy accordingly.

9.3 The Company ascertained that an amount of Rs. 15.28 million claimed as subsidy in financial year 2011-12 actually represented the amount allegedly defalcated by one of the employees of the Company through bank transfers on fake authority letters and forged signatures for payment against various fake expenses. It was established that employee managed to execute these transaction due to negligence of the bank and subsequent to year end June 30, 2016, bank admitted to make the loss good in respect of these transactions.

		Note	2016	2015
			----------(Rupees in '000)----------	
10.	**TRADE DEBTORS**			
	- Unsecured			
	Considered good		61,373,180	58,683,822
	Considered doubtful		25,252	25,252
			61,398,432	58,709,074
	Less: Provision for doubtful debts	10.1	(25,252)	(25,252)
			61,373,180	58,683,822
10.1	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		25,252	25,252

10.2 As at June 30, 2016 receivables from different government institutions aggregating Rs. 53,082.95 millions (2015: Rs. 41,121.07 millions) were past due but not considered impaired by the management. The ageing of trade debts is as follows:

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	Note	2016	2015
		----------(Rupees in '000)--------	
Less than 1 year		**8,315,481**	17,587,9.
1-3 year		**42,390,501**	30,428,68
More than 3 years		**10,692,450**	10,692,39
	10.4	**61,398,432**	58,709,07

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

10.4 Ageing analysis of the gross amount due from related parties is as follows;

	within 1 years	1-3 year (note 10.5)	More than 3 years	2016	2015
	------------	------------ (Rupees in '000)	------------	------------	------------
Utility Stores Corporation of Pakistan	141,547	34,705,476	251,438	35,098,461	36,876,935
National Fertilizer Marketing Limited	8,173,934	7,684,436	-	15,858,370	11,390,538
Sindh Food Department	-	-	2,920,293	2,920,293	2,920,293
Punjab Food Department	-	-	1,617,362	1,617,362	1,617,362
Balochistan 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	-	-	185,404	185,404	185,404
Pakistan Navy	-	-	79,075	79,075	79,075
TCP employees	-	64	-	64	64
Others	-	525	2,893	3,418	3,418
	8,315,481	**42,390,501**	**10,692,450**	**61,398,432**	58,709,074

10.5 Subsequent to the year end, Rs. 384 million have been received from Utility Stores Corporation Limited against supply o sugar in 2013-14. (2015: Rs. 2,357.14 million have been received from National Fertilizer Marketing Limited against suppl of urea in 2014-15).

11. LOANS AND ADVANCES

	Note	2016	2015
		----------(Rupees in '000)---------	
Short-term loan - secured - interest free			
Due from employees	11.1	**13,295**	8,964
Current portion of long term loans	6	**24,548**	20,589
Advances - unsecured			
Considered good			
Employees		**1,784**	1,942
Sundry advances		**73**	73
		1,857	2,015
Considered doubtful			
Suppliers		**9,640**	9,640
Contractors		**560**	560
Employees		**364**	364
Export agents		**41**	41
Others		**1,373**	1,373
		11,978	11,978
		51,678	43,546
Less: Provision against doubtful advances		**(11,978)**	(11,978)
		39,700	31,568

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11.1 These loans have been given to the employees in accordance with the terms of their employment and are secured against gratuity and provident fund balances of respective employees.

	Note	2016	2015
		(Rupees in '000)	
12. PREPAYMENTS AND OTHER RECEIVABLES			
Prepaid expenses		**305**	2,990
Other receivables			
Considered good			
Income tax	21.1.6 & 21.1.7	**1,776,856**	1,576,856
Sales tax receivable	21.1.2	**2,462,211**	2,462,211
Receivable from sugar mills	12.1	**2,051,587**	2,051,587
Rent receivable		**40,915**	1,867
Receivable from a bank	12.2	**22,562**	-
Others		**8,941**	6,589
		6,363,072	6,099,110
Considered doubtful			
Receivable from export agents		**437,700**	437,700
Income tax	21.1.6	**379**	379
Insurance claim receivable		**120,245**	120,245
Due from privatization commission		**110,386**	110,386
Receivable from a bank	12.2	**-**	22,562
Refundable from import authorities	21.1.5	**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
		731,960	754,522
		7,095,337	6,856,622
Less: Provision against doubtful other receivables	12.3	**(731,960)**	(754,522)
		6,363,377	6,102,100

12.1 It represents advances given by the Company to various sugar mills for purchase of sugar in 2008 and 2009. However, the sugar mills defaulted in delivery of the contracted quantity of sugar. Consequently, the Company filed suits in High Court of Sindh for 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 the books of accounts of the Company.

12.2 Management had identified the embezzlement of Rs. 22.56 million in the year 2014-15 against which the Company had recognized receivable from bank in the financial year 2014-15 and as a matter of prudence the Company had made full provision there against. It was established that employee managed to execute these transaction due to negligence of the bank and subsequent to year end June 30, 2016, bank admitted to make the loss good in respect of these transactions, therefore, the related provision has been reversed.

	Note	2016	2015
		(Rupees in '000)	
12.3 Movement in provision against doubtful receivables is as follows:			
Balance at beginning of the year		**754,143**	756,581
Charged during the year		**-**	22,562
Reversal during the year	12.2	**(22,562)**	(25,000)
Balance at end of the year		**731,581**	**754,143**

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13. SALES TAX REFUNDABLE

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

14. SHORT TERM INVESTMENTS

	Note	2016	2015
		(Rupees in '000)	
Held to maturity			
Term deposit receipts (TDRs)			
- In local currency	14.1 & 14.2	**14,687,500**	17,158,500
- In foreign currency	14.3	**1,460,730**	1,380,568
		16,148,230	18,539,068
Provision against term deposit receipts	14.2	**(87,500)**	(87,500)
		16,060,730	18,451,568

14.1 Except as mentioned in note 14.2, these TDRs carry markup at the rate ranging from 6.75% to 7.7% (2015: 7% to 7.7%) per annum.

14.2 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.

14.3 These carry markup at the rates ranging from 2.5% to 3.1% (2015: 3.1%) per annum.

15. BANK BALANCES

	Note	2016	2015
		(Rupees in '000)	
Local currency			
In current accounts		**9,843**	49,229
In saving accounts	15.1 & 15.2	**1,804,408**	719,347
		1,814,251	768,576
Foreign currency			
In current accounts		**1,752**	28,502
In saving accounts	15.3 & 15.4	**552,089**	285,182
		553,841	313,684
		2,368,092	1,082,260

15.1 These carry mark-up at rates ranging from 3.75% to 6.5% (2015: 5% to 10%) per annum.

15.2 These include bank account having balance of Rs. 0.14 million as of June 30, 2016 (2015: Rs. 0.07 million) which is held in the name of Cotton Trading Corporation of Pakistan (Private) Limited (defunct).

15.3 These carry mark-up rate of 0.1% to 2.5% (2015: 0.1% to 3.5%) per annum.

15.4 This includes balance of US$ 0.99 million (2015: US$ 0.99 million) equivalent to Rs. 103.85 million (2015: Rs. 100.80 million) with National Bank of Pakistan, marked as lien against bank guarantee given to the High Court of Sindh in connection with a pending litigation as stated in note 21.1.3.4 to the financial statements.

16. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

16.1 Authorized

2016	2015		2016	2015
Number of shares			(Rupees in '000)	
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	**1,000,000**	1,000,000

16.2 Issued, subscribed and paid-up

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

2016	2015			
Number of shares				
59,330,500	59,330,500	Issued for cash	**593,305**	593,305
40,669,500	40,669,500	Issued as bonus shares	**406,695**	406,695
100,000,000	100,000,000		**1,000,000**	1,000,000

16.2.1 There was no movement in share capital during the current year. 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.

16.2.2 As at June 30, 2016, the Ministry of Commerce held 99,999,998 (2015: 99,999,998) shares of the Company. The remaining two shares are in the name of Chairman and Finance Director of the Company.

17. 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 Cotton Export Corporation of Pakistan (Private) Limited.

The principal amount is repayable to the Government of Pakistan in Pakistan Rupees along with interest at the rate of 1% per annum.

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		Note	2016	2015
			(Rupees in '000)	
18.	**TRADE AND OTHER PAYABLES**			
	Bills payable		**23,803**	1,659,075
	Trade creditors - local		**4,484**	450,901
	Payable to ministry of finance under JICS	18.1	**472,159**	311,481
	Payable to GoP related to gift of rice to Niger	18.2	**1,952**	-
	Deposits			
	Security deposit		**489,595**	481,397
	Retention money		**46,156**	46,156
			535,751	527,553
	Accrued liabilities			
	Payable to staff retirement gratuity fund	18.3	**48,340**	8,979
	Accrued expenses		**35,684**	53,786
			84,024	62,765
	Taxes			
	Excise duty		**7,201**	7,201
	Withholding tax		**57,916**	13,422
			65,117	20,623
	Advances			
	Advances against sales		**841,220**	55,769
	Rent received in advance		**4,462**	-
	Advance from Government for payment to growers		**17,533**	17,533
			863,215	73,302
	Other payables			
	Karachi Dock Labor Board (KDLB) cess payable		**258**	258
	Others		**22,507**	21,005
			22,765	21,263
			2,073,270	3,126,963

18.1 On October 03, 2012, a Memorandum Of Understanding (MOU) has been signed between the Company, Ministry of Finance (MOF), Ministry of Industries (MOI) 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 bank account of Government of Pakistan (GoP) 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	2016	2015
		(Rupees in '000)	
Payable to GoP at beginning of the year		**311,481**	532,311
Sale proceeds from sale of urea	26.1	-	56
Cash received from JICS	18.1.1	**160,678**	
Less: incidental expenses incurred	26.2	-	-
Net proceeds from sale of urea		**160,678**	56
Less: payments made to the GoP during the year		-	(220,886)
Payable to GoP at end of the year		**472,159**	311,481

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18.1.1 This amount represent the residual fund of USD 1.52 million as per the MOU between Ministry of Finance, Ministry c industries and Japan international Cooperating system (JICS). Since the Company is carrying out the imports on behalf c Government of Pakistan (GoP) these funds were transferred to the Company. Subsequent to year end on August 09, 2016 th residual amount of USD 1.52 million was transferred to Government of Pakistan (GoP) as per instructions of Ministry o Finance.

18.2 In order to establish the diplomatic relationship between Pakistan and Niger, the Prime Minister has directed to present a gil of rice to Niger during the year. To comply with said directive the Company was instructed to procure and transport the sai gift for which an advance was paid to Company as follows:

	Note	2016	2015
		(Rupees in '000)	
Movement in advance from GoP related to gift of rice to Niger is as follows:			
Advance fund received during the year		1,610,000	-
Fund utilized during the year	27	(814,964)	-
Fund payable to GoP		795,036	-
Fund refunded to GoP		(793,084)	-
Balance repayable		1,952	-

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

	2016	2015
Balance at beginning of the year	8,979	10,562
Charged during the year	64,339	89,104
Payments made to the fund and employees	(24,978)	(90,687)
Balance at end of the year	48,340	8,979

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.

19. COMMODITY FINANCE UNDER MARK-UP ARRANGEMENTS

	2016	2015
	(Rupees in '000)	
Secured		
National Bank of Pakistan	10,487,083	23,526,849
Allied Bank Limited	9,157,346	16,705,948
Habib Bank Limited	10,853,480	16,968,475
MCB Bank Limited	8,591,020	14,762,382
United Bank Limited	10,294,948	13,649,524
Standard Chartered Bank (Pakistan) Limited	914,083	1,057,387
JS Bank Limited	5,000,000	5,000,000
Askari Bank Limited	6,800,000	6,722,420
Soneri Bank Limited	14,411,412	-
NIB Bank Limited	4,803,805	-
Bank Al Habib Limited	9,607,609	-
	90,920,786	98,392,985

19.1 The Company has commodity finance facilities aggregating to Rs. 177,500 million (2015: Rs. 161,800 million) for its commodity operations under the Government directives. The said arrangements are for a period of three months and are renewable. The rate of mark-up on these arrangements is 3 months KIBOR plus 0.5% to 2.75% (2015: 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 Government of Pakistan.

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	2016	2015
	-----------(Rupees in '000)----------	

20. SHORT TERM LOAN FOR COMMODITY FINANCE

	2016	2015
Secured		
Bank Islami Pakistan Limited	10,000,000	-
Dubai Islamic Bank Pakistan Limited	4,000,000	-
	14,000,000	-

The Company has obtained short term loan facilities during the year aggregating to Rs. 14,000 million for its commodity operations under the Government directives. The said arrangements are for a period of 1 year having maturity upto March 2017. The rate of mark-up on these arrangements is 3 months KIBOR plus 0.3% per annum. These arrangements are secured against hypothecation over stock-in-trade and receivables and by continuing guarantee from the Government of Pakistan.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

The following contingencies / contingent liabilities exist as at June 30, 2016.

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 Government of Pakistan (GoP).

21.1.1 The income tax department finalized 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.

21.1.2 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. 19.97 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

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pending adjudication. Based on the opinion of tax advisor of the Company, the management is confident that these matter would ultimately be decided in Company's favor and therefore, no provision is required to be made in these financia statements.

21.1.3 As at June 30, 2016, several cases/litigations aggregating to Rs. 5,244.90 million (June 30, 2015: Rs. 5,603.85 million) wer outstanding against the Company including major cases amounting to Rs. 1,906.34 as specified from note 21.1.3.1 to not 21.1.3.4. The Company has filed appeals/counter claims against these cases which are pending for adjudication. Based o merit of the cases, the management is confident that these cases will ultimately be decided in Company's favor and hence n provision is required to be made in these financial statements.

21.1.3.1 The Divisional Bench of SHC passed an order, in a case relating to claim of damages by one of the supplier on account o forfeiture of performance guarantee by the Company, in which SHC directed the Company to pay the performance guarante forfeited amounting to AED 1.24 million equivalent to Rs. 35.32 million (2015: Rs. 34.36 million) to the supplier within 3 days of the decision while the claim for damages filed by the supplier amounting to US$ 3.46 million (2015: US$ 3.4 million) equivalent to Rs. 362.79 million (2015: Rs. 352.15 million) was set aside by the SHC. In response to this order, bot the parties being aggrieved by the decision of SHC, filed appeals in Supreme Court of Pakistan which is pending fo adjudication.

21.1.3.2 A decision was given by Single Bench of SHC during the year 2014 in favour of supplier claiming damages and refund of bi bond aggregating to US$ 2.06 million equivalent to Rs. 216 million (June 30, 2015: Rs. 209.66 million). Being aggrieved o the decision, Company filed an appeal with Divisional Bench of the SHC which is pending for adjudication.

21.1.3.3 A foreign award amounting to US$ 3.88 million equivalent to Rs. 405.85 million (June 30, 2015: Rs. 394.90 million) has bee given by Liverpool Cotton Association (LCA) against Cotton Export Corporation of Pakistan (Private) Limited (CEC no merged with and into the Company) along with interest from the date of award till payment. As at June 30, 2016 the interes payable is US$ 7.21 million (2015: US$ 6.87 million) equivalent to Rs. 754.87 million (June 30, 2015: Rs. 699.72 million) For making the award a rule of the Court, the foreign buyers filed a suit against CEC in 1999 and succeeded in getting decision in 2004 from Single Bench of High Court of Sindh. Being aggrieved by the decision, Company filed appeal wit Divisional Bench of the SHC which is pending for adjudication.

21.1.3.4 An award amounting to US$ 1.26 million equivalent to Rs. 131.91 million (June 30, 2015: Rs. 128.24 million) has been give by the arbitrators unanimously against Rice Export Corporation of Pakistan (Private) Limited (RECP now merged with an 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.

21.1.4 The recovery of export duty on export of Basmati rice had been held in abeyance since 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 (June 30, 2015: Rs. 1,328.20 million) to the Collector of Customs against the said export duty on basmati rice.

21.1.5 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 o 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

21.1.6 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. 1,955.60 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. However, based on the advice of the tax advisor of the Company, 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 this regard in these financial statements.

21.1.7 Further, during the period, the return for the tax year 2014 were also amended by taxation authorities through ex-parte orde under section 122 (5A) of the Income tax Ordinance, 2001 by disallowing expenses apportioned/allocated against profit or investments. The tax demand of Rs. 405.54 million was raised and, accordingly, the Company has paid Rs. 200 million ar obtained stay order for Rs. 205.54 million. Such payment was made under protest and Company filed appeals against the said orders 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. Based on the advice of tax advisor of the Company, 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.

21.1.8 Subsequent to the year end, 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. Based on the advise of the tax advisor of the Company, 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 this regard in these financial statements.

		2016	2015
		(Rupees in '000)	
21.2	**Trade-related contingent liabilities**		
	Letter of credit on behalf of the government	-	1,449,721
	Guarantee issued by a bank on behalf of the Company	**135,212**	3,500

21.3 Commitments

21.3.1 The Company has capital commitments of Rs. 246.84 million (2015: Rs. 261.89 million) in respect of various construction and other work at Pipri godowns.

21.3.2 The Company has capital commitments of Rs. 1.32 million (2015: nil) in respect of implementation on ERP.

21.3.3 The Company has commitment of Rs. 1,853.49 million (2015: Rs. 1,983.17 million) in respect of various unlifted sugar stock against already issued delivery orders.

		Note	2016	2015
			(Rupees in '000)	
22.	**COMMISSION INCOME**			
	Import of urea		**158,042**	414,878
	Local sale of sugar		**2,731**	114,767
	Local sale of cotton		**34,103**	-
	Purchase of rice for Niger	27.1	**7,906**	-
			202,782	529,645

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	Note	2016	2015
		---------(Rupees in '000)---------	

23. ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries, allowances and other benefits	23.1	770,125	754,988
Repairs and maintenance		28,204	23,860
Vehicles running		11,630	15,424
Travelling and conveyance		9,530	11,116
Legal and professional		9,154	7,996
Utilities		9,849	10,727
Advertising and publicity		7,392	7,019
Fees and subscriptions		2,819	3,745
Entertainment		1,507	2,616
Depreciation on fixed assets	4.1.1	6,676	7,623
Office rent		6,459	5,724
Auditors' remuneration	23.2	2,090	1,833
Indirect expenses - godowns		13,096	12,430
Communication		574	494
Printing and stationery		1,784	1,657
Insurance		3,550	1,340
(Reversal) / provision against doubtful receivables	12.3	(22,562)	22,562
Provision wrongly charged in trade and related expenses in prior year	9.2	(25,000)	-
Donations	23.3	4,000	4,204
Bank charges		146	18
Others		4,567	5,057
		845,590	900,433

23.1 This includes Rs. 64.34 million (2015: Rs. 89.10 million) in respect of staff retirement gratuity expense and Rs. 10.41 millioı (2015: Rs. 12.25 million) in respect of provident fund.

23.2 Auditors' remuneration

	2016	2015
Annual audit	1,400	1,250
Half yearly review	400	325
Review of Compliance with Public Sector Companies (Corporate Governance) Rules, 2013	100	100
Out of pocket expenses	190	158
	2,090	1,833

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

24. OTHER INCOME

	2016	2015
Income from financial assets		
Return on:		
- Term deposit receipts and saving accounts	1,366,890	1,839,721
- Defense saving certificates	12,703	11,346
Exchange gain	50,387	43,633
Income from assets other than financial assets		
Rental income on investment properties	340,827	129,426
Rice inspection fee	15,994	9,866
(Loss) / gain on disposal of fixed assets	(276)	76
Sales of tender and purchase order forms	765	365
Registration fee	14	-
Miscellaneous income	3,273	2,593
	1,790,577	2,037,026

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		Note	2016	2015
			(Rupees in '000)	
25.	**TAXATION**			
	Current - for the year		**359,932**	535,88
	- for prior years		**(9,473)**	-
			350,459	535,88

Relationship between tax expense and accounting profit

Accounting profit before taxation	**1,147,769**	1,666,23
Tax at the applicable tax rate of 32% (2015: 33%)	**367,286**	549,85
- Effect of income subject to lower rates	**(56,680)**	(136,217
- Effect of tax due to final tax regime	**34,366**	66,368
- Effect of tax allowable expenses	**(21,516)**	(10,402
- Effect of deduction allowed for rentals	**(21,813)**	(9,409
- Super tax	**58,289**	75,690
- Adjustment relating to prior years	**(9,473)**	-
	350,459	535,889

26. TRADING DEFICIT TO BE REIMBURSED BY THE GOVERNMENT

	Note	2016	2015
Local sales on behalf of Government	26.1	**8,540,095**	22,156,730
Cost and expenses incurred on behalf of Government	26.2	**(17,802,959)**	(29,216,198
		(9,262,864)	(7,059,468
Net proceeds from sale of urea received from JICS	18.1	**-**	(56
Subsidy for the year to be reimbursed by the Government	9	**9,262,864**	7,059,524
		-	-

26.1 Local sales on behalf of Government

	Note	2016	2015
Urea			
- Tender		**6,690,010**	9,752,656
- Saudi Arabia Basic Industries Corporation (SABIC)		**8,383**	6,664,685
- Japan International Cooperation System (JICS)	18.1	**-**	56
		6,698,393	16,417,397
Sugar		**136,523**	5,739,333
Cotton		**1,705,179**	-
Total sales on behalf of the Government		**8,540,095**	22,156,730

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		Note	2016	2015
			----------(Rupees in '000)---------	
26.2	**Cost and expenses incurred on behalf of the Government**			
	Opening stock		**8,076,428**	9,540,528
	Add : Purchases on behalf of Government			
	-Urea		**7,902,079**	12,129,584
	-Cotton		**-**	2,972,663
	- Sugar		**-**	30,515
			7,902,079	15,132,762
	Less: Recovery of claims against late shipments and polypropylene bags		**(64,880)**	(66,844)
	Trading and related expenses to be reimbursed by the Government	26.2.1	**8,340,571**	12,359,365
			24,254,198	36,965,811
	Less: closing stock	8	**(6,451,239)**	(8,076,428)
			17,802,959	28,889,383
	Incidental expenses incurred on import of urea from			
	- SABIC		**-**	326,815
	- JICS	18.1	**-**	-
			-	326,815
	Total cost of sales		**17,802,959**	29,216,198
26.2.1	**Trading and related expenses to be reimbursed by the Government**			
	Mark up / interest on commodity finance	26.2.1.1	**7,655,447**	11,451,155
	Commission	22	**194,876**	529,645
	Income tax collected / deducted on commodities	26.2.1.2	**169,444**	146,433
	Stevedoring and handling charges		**180,894**	266,295
	Insurance		**13,971**	42,087
	Custom duties, wharfage and other port charges		**74,573**	80,913
	Exchange loss / (gain)		**5,846**	(102,607)
	Encashment of bank guarantee		**-**	(88,446)
	Reversal of provision on bank margin	9.2	**-**	(25,000)
	Letters of credit charges		**3,406**	8,754
	Depreciation on fixed assets	4.1.1	**14,079**	14,523
	Lab testing and inspection charges		**362**	2,276
	Godown expenses		**27,640**	26,252
	Reversal of provisions for stock in trade	8.2	**-**	-
	Cotton written off	26.2.1.3	**-**	7,085
	Transportation		**33**	-
			8,340,571	12,359,365

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

26.2.1.2 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 Government.

26.2.1.3 During the year ended June 30, 2015, there were two fire incidents at Pipri godowns that destroyed 226 bales of cotton having cost of Rs. 7.09 million for which the Company has made an insurance claim. However, claim will be recognised when the amount is determined and acknowledged by the insurance company.

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	Note	2016	2015
		----------(Rupees in '000)--------	

27. COST INCURRED ON BEHALF OF GOVERNMENT

	Note	2016	2015
Cost of gift of rice to Niger	27.1	(814,964)	-
Advance adjusted from fund	18.2	814,964	-
		-	-

27.1 Related cost of gift to Niger

	Note	2016	2015
Purchase of Rice		689,513	-
Freight charges		100,569	-
Packaging cost		12,753	-
Commission of the company	22	7,906	-
Inspection and lab charges		1,882	-
Insurance		1,538	-
Bank charges		803	-
		814,964	-

28. CASH AND CASH EQUIVALENTS

	Note	2016	2015
Bank balances	15	2,368,092	1,082,260
Commodity finance under markup arrangements	19	(90,920,786)	(98,392,985)
		(88,552,694)	(97,310,725)

29. RELATED PARTY TRANSACTIONS

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

The Government of Pakistan owns 99.99% shares and is entitled to appoint board of directors to manage the 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 an availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with government related entities except for transactions stated below which the Company considers are significant:

Name of related parties	Nature of transaction	2016	2015
		-----------(Rupees in '000)-----------	
State controlled entities			
Government of Pakistan	Subsidy received	5,000,000	23,700,000
	Commission earned	202,782	529,645
	Dividend paid	2,600,000	100,000
Utility Stores Corporation of Pakistan	Sale of sugar on behalf of Government	136,523	5,739,333
National Fertilizer Marketing Limited	Sale of urea on behalf of Government	6,698,393	16,417,397
Central Directorate of National Savings	Income on Defense Saving Certificates	12,703	11,346
Pakistan National Shipping Corporation	Freight Charges	100,569	-

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The transactions described below are collectively but not individually significant to these financial statements and therefo 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. Th Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue , Sinc Board of Revenue and Customs authorities.

(ii) The Company incurs inspection charges for testing and quality evaluation of imported urea which are paid to Pakista Standards & Quality Control Authority and Pakistan Council of Scientific and Industrial Research.

(iii) The Company has investment of Rs. 6.50 million towards equity participation (10.65%) to Lahore Development Authorit (LDA) as stated in note 5.3 to these financial statements

(iv) The Company incurs handling charges in respect of urea import at Kemari and other ports which are paid to Karachi Poı 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 o 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.

		2016	2015
		(Rupees in '000)	
Key management personnel	Remuneration	**18,212**	13,769
Retirement benefit funds			
Gratuity fund	Contribution	-	85,430
Provident fund	Contribution	**10,284**	11,119

The status of outstanding receivables and payables from / to related parties as at June 30, 2016 are included in respective notes to the 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.

30. FINANCIAL INSTRUMENTS BY CATEGORY

	2016	2015
	(Rupees in '000)	
Financial assets - gross of provisions		
Held to maturity		
Long term investments	**119,295**	106,592
Short term investments	**16,060,730**	18,451,568
	16,180,025	18,558,160
Available for sale investments		
Long term investments	**7,500**	7,500

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	2016	2015
	(Rupees in '000)	
Loans and receivables		
Long term loans	157,504	130,785
Long term deposits	12,286	12,286
Due from Government of Pakistan	27,431,347	23,143,483
Trade debtors	61,398,432	58,709,074
Loans and advances	39,627	31,495
Interest / mark-up accrued	15,378	32,919
Other receivables	6,363,072	6,099,110
Bank balances	2,368,092	1,082,260
	97,785,738	89,241,412
	113,973,263	107,807,072
Financial liabilities		
Financial liabilities measured at amortised cost		
Long term loan	16,649	16,649
Trade and other payables	1,096,340	3,023,801
Commodity finance under markup arrangements	90,920,786	98,392,985
Short term loan for Commodity Finance	14,000,000	-
Interest / mark-up accrued	1,918,629	2,335,287
	107,952,404	103,768,722

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 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 Government of Pakistan. However, the following risks do not arise when the Company carries out transactions on behalf of the Government 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$ 19.13 million (2015: US$ 16.62 million) equivalent to Rs. 2,014.57 million (2015: Rs. 1,691.55 million) with various banks. At June 30, 2016, 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. 100.28 million (2015: Rs. 84.58 million), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated bank deposits. The average rates applied during the year is Rs. 104.37 /US$ (2015: Rs. 101.46 / US$) and the spot rate as at June 30, 2016 was Rs. 104.83 /US$ (2015: Rs. 101.78 / US$).

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(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 (changes in market interest rates. The Company has commodity financing facilities and short term loans under tł government directives. The Company does not have any interest rate risk on these borrowings as markup on the: borrowings is reimbursable by the Government.

Variable rate instruments	2016	2015
	----------(Rupees in '000)--------	
Financial assets at variable interest rates		
Profit and loss sharing accounts	**2,356,497**	1,004,529

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased or decreased the post-tax profit fc the year and shareholder's equity by Rs. 18.06 million (2015: Rs. 10.59 million). This analysis assumes that all othe variables remain constant. The analysis has been performed on the same basis as for 2015.

Fixed rate instruments	2016	2015
	----------(Rupees in '000)--------	
Term deposit receipts	**16,148,230**	18,539,068
Long tem investments - Defense Saving Certificates	**119,295**	106,592
	16,267,525	18,645,660

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss account Therefore, a change in interest rates at the reporting date would not affect profit and loss account of the Company.

(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. Out of the total financial assets of Rs. 114,797.35 millions (2015: Rs. 108,499.67 million), the financial assets exposed to credit risk amount to Rs. 25,960.07 million (2015: Rs. 26,800.71 million).

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(c) Liquidity risk

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

The Company's liquidity management involves projecting cash flows and considering the level of liquid asset: 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.

	2016			
	----------(Rupees in '000)----------			
	On Demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**
Long term loan	-	-	-	16,649
Trade and other payables	-	1,096,340	-	-
Commodity finance under markup arrangements	-	85,920,786	5,000,000	-
Short term loan	-	-	14,000,000	-
Interest / mark-up accrued	-	1,095,257	823,372	-
June 30, 2016	-	**88,112,383**	**19,823,372**	**16,649**

	2015			
	----------(Rupees in '000)----------			
	On demand	Less than 3 months	3 to 12 months	1 to 5 years
Long term loan	-	-	-	16,649
Trade and other payables	-	3,023,801	-	-
Commodity finance under markup arrangements	-	93,392,985	5,000,000	-
Interest / mark-up accrued	-	2,335,287	-	-
June 30, 2015	-	98,752,073	5,000,000	16,649

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 the 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, 2016.

31.2 Fair values of financial assets and financial liabilities

(a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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(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, 2016, the Company does not have any financial instrument which has been carried at fair market value.

32. 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 Government of Pakistan. The Company is 100% owned by the Government of Pakistan and is not subject to any externally imposed capital requirements. As at June 30, 2016 and 2015, the Company has surplus reserves to meet its requirements / obligations.

33. PROVIDENT FUND RELATED DISCLOSURES

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

	2016	2015
Size of the fund - total assets	**213,651**	205,391
Cost of investments made	**194,376**	195,446
Percentage of investments made	**91%**	95%
Fair value of investments	**194,526**	195,637

Amount in Rs. '000

33.1 The breakup of fair value of investments is:

	2016		2015	
	Amount	**%**	Amount	%
Bank balances	**4,376**	**2%**	10,446	5%
Short-term investments	**190,150**	**98%**	185,191	95%
	194,526	**100%**	195,637	100%

33.2 The investments out of provident fund have been made in accordance with the provisions of Section of 227 of Income Tax Ordinance, 2001 and the rules formulated for this purpose.

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34. **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:

	2016		2015	
	Chairman	**Directors**	Chairman	Directors
	(Rupees in '000)		(Rupees in '000)	
Managerial remuneration	**1,051**	**2,761**	871	1,628
Housing and utilities	**1,126**	**2,811**	988	1,736
Other allowances and benefits	**1,100**	**2,859**	1,101	2,075
Disparity allowance	**1,200**	**2,838**	1,200	2,025
Retirement benefits	**263**	**666**	241	459
Leave encashment	**622**	**915**	514	931
	5,362	**12,850**	4,915	8,854
Number of persons	**1**	**4**	1	3

35. **COMPARATIVE FIGURES**

Comparative figures have been rearranged, wherever necessary, for the purpose of better presentation.

36. **NUMBER OF EMPLOYEES**

The average and total number of employees during the year and as at June 30, 2016 and 2015 respectively are as follows:

	2016	2015
	No. of employees	
Average number of employees during the year	**514**	536
Number of employee as at June 30	**503**	525

37. **EVENTS OCCURING AFTER THE BALANCE SHEET DATE**

No dividend has been proposed by the Board of Directors in its meeting held on December 08, 2016 for the year ended June 30, 2016 (2015: Re. 1 per share were proposed amounting to Rs 100 million).

38. **DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue on ____________ by the Board of Directors of the Company.

39. **GENERAL**

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

D/A

Rizwan Ahmed

CHIEF EXECUTIVE OFFICER **DIRECTOR**