BOARD OF DIRECTORS

Chairman/CEO

Mr. Mushtaq Ahmed Shaikh

Directors

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE

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

Company Secretary

MR. MUHAMMAD NADEEM AQEEL

Registered Office

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

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

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

CHANGES IN BOARD OF DIRECTORS

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

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

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

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

2. MANAGEMENT:

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

2.1 Executive Directors:

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

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

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

3. GENERAL

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

i) Achieve economy of scale by handling bulk transactions; secure advantages of price, freight and port-handling expenses, and prevent leakage of foreign exchange through such malpractices as over/under invoicing, etc.

ii) Stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and, ipso facto, act as a check on disparity between import prices and scarcity prices.

iii) TCP act to intervene in the market to forestall shortages of essential commodities and provide the same to the common man at affordable prices. Its price support initiatives are meant to ensure that growers receive fair price for their agricultural products.

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

A. Imports

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

B. Exports

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

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

4. TCP'S CAPITAL

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

5. ACTIVITIES OF THE CORPORATION

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

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

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

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

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

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

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

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

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

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

5.4 DELIVERIES OF COTTON

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

5.5 DELIEVERIES OF UREA

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

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

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

5.6 OUTSTANDING AMOUNT OF SUGAR

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

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

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

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

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

7. RENTING OF GODOWN / PROPERTY

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

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

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

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

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

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

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

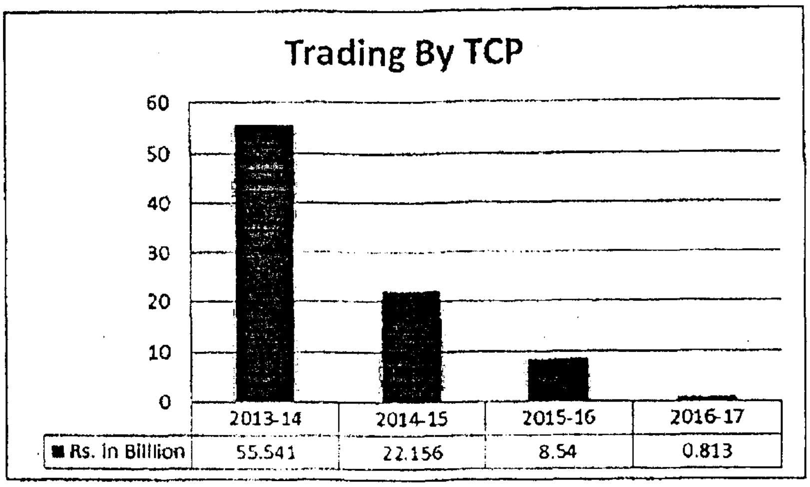
- i) Cotton Godowns of defunct Cotton Export Corporation of Multan measuring 10 Acres.
- ii) Plot of Industrial Estate Multan measuring 15 Acres belonging originally to Cotton Export Corporation.
- iii) Two (02) shops measuring 216.93 sq.ft. at Al-Syed Centre, Qualdabad, Landhi, Karachi belonging to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

8.3 Rehabilitation of TCP's Land Plots at Multan.

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

9. FUTURE ENDEAVORS:

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



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

10. DIVIDEND

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

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

11. AUDITORS

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

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

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

13. CORPORATE SOCIAL RESPONSIBILITY

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

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

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

14. CORPORATE GOVERNANCE

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

[illegible]	[illegible]
Mr. Rizwan Ahmed Chairman	4
Mr. Khaliq-ur-Rahman, Chartered Accountant	4
Mr. Muhammad Ashraf, Joint Secretary (Imp/Exp), Ministry of Commerce.	4
Mr. Imtiaz Ali Gopang, Food Commissioner, Ministry of National Food Security & Research	3
Mr. Zahoor Ahmed, Joint Secretary (CF-I), Ministry of Finance	3

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

15. MANAGEMENT – STAFF RELATIONSHIP:

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

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

Maria Kazi 6/3/2018
Maria Kazi
Director

Mushtaq Ahmed Shaikh
Chief Executive, TCP

KAZI
Ministry of Commerce & Textile

ANNEX-I

PATTERN OF SHAREHODLING AS AT 30.06.2017

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

Categories of Shareholders

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

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

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

General Public

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

ANNEX-II

KEY OPERATING AND FINANCIAL DATA

"Rs. In (000)"

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

<u>ANNEX-III</u>

COMPARATIVE STATEMENT OF FINANCIAL RESULTS DURING LAST DECADE

<u>2011-12 TO 2016-17</u>

(Rupees In Million)

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

ANNEX-IV

STATEMENT SHOWING OPENING AND CLOSING STOCK POSITION IN TCP'S GODOWNS /MILLS

i) Stock Position at Pipri Godown:

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

ii) Stock Position at Landhi Godown:

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

iii) Stock Position at Korangi Godown:

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

ANNEX-V

PROVIDENT FUND RELATED DISCLOSURES FOR THE YEAR 2016-17:

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

Annexure VI

MANAGEMENT RESPONSES ON AUDIT OBSERVATIONS

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

> *"Not to declare Godowns as Investment property due to sudden/emergent procurement requirements of the Federal Government"*

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

ii) Management believes, Godowns are primarily meant for the storage of strategic stocks.

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

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

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

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

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

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

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

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

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

e) Major issues in the observation are as under:

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

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

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

g)

I. Subsidy received by TCP from federal government was taxed by FBR authorities. Subsequently, these matters were resolved for the years from 2004-2007. However, three appeals against 2003 were pending with ATIR which have finally been decided in favour of the company. As a result refund amount to Rs. 610 Million has been generated vide order of Additional Commissioner Inland Revenue. The company has already submitted application for refund of Rs.610 Million, once the amount is en-cashed or adjusted against liability, this qualification shall be removed.

II. FBR authorities have taxed other income of the organization without allowing expenses thereof. Matters are pending with Appellate Tribunal Inland Revenue.

III. Matter is pending with Appellate tribunal and being pursued by Nishtar and Zafar.

IV. FBR authorities asked for verification of adjustments for the period from 2008-2010. However, company has filed appeal on the grounds that Tax Authorities cannot open the matters beyond five years.

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

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Auditors' report to the members

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

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

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

a) the Company has not classified properties given on rent as 'investment properties', as required under International Accounting Standard 40, 'Investment Property' (IAS 40), since the break-up of cost and written down value of leasehold land and godowns on leasehold land are not available with them due to the reasons stated in note 4.1.3 to the financial statements. In addition, though the godowns are given on rent to various parties for past many years under the contractual terms and the Company is earning rental income from said rented godowns, the management believes that they are held specifically for the use of storage of different commodities procured by the Company on behalf of Government of Pakistan (GoP) and not earning rental income. Therefore, these have not been classified as investment properties. Accordingly, we are unable to satisfy ourselves as to whether these properties should be classified as investment properties under IAS 40.

b) as disclosed in note 9.1 to the financial statements, stock-in-trade includes 28,166 metric tonnes of sugar of Rs.3,661.27 million (including mark-up and other charges accrued of Rs.2,217.93 million till 30 June 2017) that has not been supplied by certain sugar mills under the contractual terms and accordingly, the Company had initiated legal action. In the absence of management evaluation regarding the quantity of stock expected to receive from sugar mills along with accrued mark-up and other charges, we were unable to satisfy ourselves as to the accuracy and recoverability of stock-in-trade and / or equivalent amount in cash of Rs.3,661.27 million (including accrued mark-up and other charges thereon) and classification of accrued mark-up and other charges under the head stock-in-trade instead of receivables.

c) as disclosed in note 11.2 to the financial statements, trade debts includes receivables of Rs.10,791.86 million from various government institutions , however in the absence of sufficient and appropriate underlying evidences, responses to the confirmation requests sent by us and no movement / recoveries during the past six years to date, we were unable to satisfy ourselves as to the existence of Rs.99.41 million trade debts, and completeness, aging and recoverability of Rs.10,791.86 million receivables.

d) as disclosed in note 13.1 to the financial statements, other receivables includes Rs.3,542.70 million (including mark-up and other charges accrued of Rs.2,606.49 million till 30 June 2017) from sugar mills on account of sugar not supplied by them under the contractual terms and accordingly, the Company has filed suits in High Court of Sindh for recovery of these receivables and later referred the matter to National Accountability Bureau (NAB). In the absence of replies to the confirmation requests sent to the legal advisors of the Company, we are unable to determine the probable outcome of legal proceedings and satisfy ourselves as to the accuracy and recoverability of these receivables of Rs.3,542.70 million.

e) we were unable to satisfy ourselves as to existence, obligation, accuracy, classification, completeness and disclosures of trade and other payables to the extent of Rs.1,144.66 million (net of Rs.26.86 million), as no underlying data / information and evidences were made available to us.

f) we have been provided with year-wise details of tax summary from tax years 2003 to 2017 prepared by the management of the Company during the year, however, the income tax liability appearing in the balance sheet remained unreconciled with the said tax summary and underlying records available with the Company to the extent of Rs.188.55 million. Accordingly, we are unable to determine as to whether any adjustment was necessary.

g) in the absence of replies to our confirmation requests and opinion of the legal and tax counsel of the Company and on the merit of several matters, pending litigations and open tax assessments against the Company aggregating to Rs.9,248.61 million, as more fully disclosed in notes 23.1.1, 23.1.3 to 23.1.13 to the financial statements, we were unable to determine whether any provision / liability, that may result, has been made in the financial statements considering the uncertainty involved in the ultimate outcome of these matters.

h) in our opinion, except for the effects of the matters stated in the paragraphs (a) to (g) above, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;

i) in our opinion:

   i) except for the effects of the matters stated in the paragraphs (a) to (g) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in notes 2.5 and 3.10 to the accompanying financial statements, with which we concur;

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

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

EY

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j) in our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters stated in paragraphs (a) to (g) above, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof are in conformity with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit and its cash flows and changes in equity for the year then ended.

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

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

EY Ford Rhodes

Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 16 April 2018
Karachi

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AUDITORS' REPORT ON FINANCIAL STATEMENTS OF

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED

FOR THE YEAR ENDED 30 JUNE 2017

EY Ford Rhodes
Chartered Accountants
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TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

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

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

Mariam Haz

CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

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

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

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

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

	Note	2017	2016 (Restated)
		----------(Rupees in '000)----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		487,561	1,144,746
Adjustments of non cash and other items			
Depreciation on property and equipment	4	20,234	25,479
Amortisation on intangible asset	5	661	-
Interest on investments		(1,148,986)	(1,379,593)
Subsidy to be reimbursed - net		(8,612,542)	(9,287,864)
Provision for staff retirement gratuity and compensated absences		152,573	113,635
Reversal of provision against doubtful receivables		-	(22,562)
(Gain) / loss on disposal of property and equipment		(3)	276
		(9,588,063)	(10,550,629)
		(9,100,502)	(9,405,883)
Decrease / (increase) in current assets			
Stock-in-trade held on behalf of Government of Pakistan		(471,465)	3,249,736
Trade debts		5,906,627	(2,689,358)
Loans and advances		6,364	(8,132)
Prepayments and other receivables		(1,574,056)	(213,353)
Sales tax refundable		(1,601,006)	(192,727)
(Decrease) / increase in current liabilities			
Trade and other payables		(530,231)	(1,121,012)
Interest accrued		(54,433)	(416,658)
		1,681,800	(1,391,504)
Cash used in operations		(7,418,702)	(10,797,387)
Income tax paid		(774,470)	(485,915)
Staff retirement gratuity paid		(91,022)	(24,978)
Compensated absences paid		(62,494)	(58,431)
		(927,986)	(569,324)
Net cash used in operating activities		(8,346,688)	(11,366,711)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(43,100)	(29,695)
Sale proceeds from disposal of property and equipment		747	1,163
Addition to intangible asset		(1,073)	-
Encashment of / (investment in) term deposit receipts - net		(4,270)	2,390,838
Interest received on investments		1,130,699	1,384,431
Long-term loans recovered - net		2,226	(26,719)
Net cash generated from investing activities		1,085,229	3,720,018
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term loan under commodity finance - net		1,000,000	14,000,000
Subsidy received during the year		1,621,763	5,004,724
Dividend paid		(100,000)	(2,600,000)
Net cash generated from financing activities		2,521,763	16,404,724
Net (decrease) / increase in cash and cash equivalents		(4,739,696)	8,758,031
Cash and cash equivalents at beginning of the year		(88,552,694)	(97,310,725)
Cash and cash equivalents at end of the year	30	(93,292,390)	(88,552,694)

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

Maria Kazi

CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

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

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

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

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

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

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

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

New and Amended Standards

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

IFRS 10 - Consolidated Financial Statements

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

IFRS 12 - Disclosure of Interests in Other Entities

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

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

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

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

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

Annual improvements

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

IFRS - 7 Financial Instruments: Disclosures - Servicing Contracts

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

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

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

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

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

3.2 Intangible asset

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

3.3 Stores

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

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

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

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

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

3.5 Trade debts and other receivables

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

3.6 Financial instruments

Financial assets

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

a) Financial assets at fair value through profit and loss

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

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

b) **Loans and receivables**

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

c) **Held-to-maturity**

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

d) **Available-for-sale**

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

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

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

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

Financial liabilities

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

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

3.7 Cash and cash equivalents

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

3.8 Impairment

Financial assets

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

Non-financial assets

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

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

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

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

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

3.9 Trade and other payables

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

Provisions

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

3.10 Employees' retirement benefits

Employees' gratuity fund - defined contribution plan

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

Employees' provident fund - defined contribution plan

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

Compensated absences

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

- actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognised over the expected average remaining working lives of the employees;

- all past service costs at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations benefits, instead of past policy, where the past service costs were recognised as an expense on a straight line basis over the average period until the benefits became vested, and if the benefits were already vested, following the introduction of or changes to a scheme, past service costs were recognised immediately in profit and loss account; and

- interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.

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

	Rupees in '000
As of July 01, 2015	
Staff compensated absences liability would have been lower by:	67,553
Retained earnings would have been higher by:	43,234
As of and for the year ended June 30, 2016	
Compensated absences liability would have been lower by:	63,724
Retained earnings would have been lower by:	41,464
Administration expenses would be higher by	3,829
Tax charge for the year would be lower by	1,207
Profit after taxation would have been lower by:	2,622
Other comprehensive income would be lower by	381

Rupees in '000

As of and for the year ended June 30, 2017

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

3.11 Borrowings

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

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

3.12 Taxation

Current

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

Deferred

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

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

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

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

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

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

3.13 Foreign currency translation

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

3.14 Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off the recognised amounts and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

3.15 Revenue

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

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

- Profits on bank and term deposits is accounted for on time proportion basis using effective interest method.

- Rental income is recorded on accrual basis.

- Income in respect of services provided are recognized when services have been rendered.

- Sales made on behalf of the GoP are credited to "due from GoP" through trading surplus / deficit to be reimbursed by GoP.

3.16 Subsidies from the GoP

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

3.17 Expenses

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

3.18 Dividend and other appropriations

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

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

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

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

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

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

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

Standards

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

4. PROPERTY AND EQUIPMENT

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

4.1 OPERATING FIXED ASSETS

Particulars	As at July 01, 2016	Additions / (disposals)	As at June 30, 2017	As at July 01, 2016	Depreciation for the year / (disposals) (note 4.1.1)	As at June 30, 2017	Carrying value as at June 30, 2017	Depreciation rate per annum
	<------ 2017						------>	
	<--- Cost		--->	<--- Accumulated depreciation		--->		
	---(Rupees in '000)---							%
Leasehold land (note 4.1.3) *	25,824	21,702	47,526	-	-	-	47,526	-
Buildings on leasehold land *	165,190	-	165,190	140,316	1,245	141,561	23,629	5
Godowns on lease hold land (note 4.1.3) *	627,701	-	627,701	365,566	13,108	378,674	249,027	5
Structural improvements	53,538	-	53,538	50,286	162	50,448	3,090	5-25
Godown equipment	55,384	-	55,384	52,340	306	52,646	2,738	10-25
Office equipment	43,117	1,062	44,179	38,296	844	39,140	5,039	10-20
Furniture, fixtures and fittings	16,488	228	16,716	11,352	526	11,878	4,838	10
Computer equipment	18,588	806 (212)	19,182	9,397	1,924 (97)	11,224	7,958	20
Laboratory handling equipment	3,151	-	3,151	3,126	4	3,130	21	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	58,013	- (2,188)	55,825	47,318	2,115 (1,553)	47,880 -	7,945	20
	1,083,906	23,798 (2,400)	1,105,304	734,909	20,234 (1,650)	753,493	351,811	

* 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 to these financial statements, number of properties (leasehold land, buildings on leasehold land and godowns on leasehold land) having cost of Rs. 818.71 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.

Particulars	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
	<------------ 2016						------------>	
	<------ Cost		------>	< ------ Accumulated depreciation		------ >		
	------------(Rupees in '000)------------							%
Leasehold land	25,824	-	25,824	-	-	-	25,824	-
Buildings on leasehold land	165,190	-	165,190	139,008	1,308	140,316	24,874	5
Godowns on leasehold land	627,701	-	627,701	351,771	13,795	365,566	262,135	5
Structural improvements	53,538	-	53,538	50,114	172	50,286	3,252	5-25
Godown equipment	53,709	1,675	55,384	52,061	279	52,340	3,044	10-25
Office equipment	42,855	262	43,117	37,417	879	38,296	4,821	10-20
Furniture, fixtures and fittings	16,256	232	16,488	10,796	556	11,352	5,136	10
Computer equipment	11,646	6,942	18,588	8,408	989	9,397	9,191	20
Laboratory handling equipment	3,151	-	3,151	3,122	4	3,126	25	15
Electric sub stations	11,559	-	11,559	11,559	-	11,559	-	33
Workshop complex	5,353	-	5,353	5,353	-	5,353	-	5
Vehicles	61,759	- (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	

ESHA

	Note	2017	2016 (Restated)
		----------(Rupees in '000)----------	
4.1.1 Depreciation for the year has been allocated as follows:			
Trading and related expenses to be reimbursed by GoP	25.2.1	9,917	9,355
Administrative expenses	27	10,317	11,400
		20,234	20,755

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

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

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

5. INTANGIBLE ASSET

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

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

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

6. LONG-TERM INVESTMENTS	Note	2017	2016
		----------(Rupees in '000)----------	
Held to maturity			
Defense Saving Certificates (DSCs)	6.1	133,517	119,295
Current maturity		(15,037)	-
		118,480	119,295
Available for sale investments - unquoted stated at cost			
FTC Management Company (Private) Limited	6.2	1,000	1,000
Lahore Development Authority (LDA)	6.3	6,500	6,500
		125,980	126,795

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

6.2 Represents investment in 100,000 shares of FTC Management Company (Private) Limited (FMCL), a company formed to oversee the operations, maintenance and up-keep of the Finance and Trade Centre, Karachi. Out of total 100,000 shares, 49,999 shares are held in the name of CEC (Defunct) and 02 shares are held in the name of ex-employees of CEC (Defunct). The break-up value is Rs. 755.01 per share based on the audited financial statements of FMCL for the year ended June 30, 2017 (2016: Rs. 734.62 per share).

6.3 Represents investment of Rs. 6.5 million towards equity participation (10.65%) to Lahore Development Authority (LDA) and other sponsors for constructing a multi-story commercial building named LDA Plaza at Edgerton Road, Lahore. The Company is entitled to receive 10.65% of the annual profit earned by the LDA Plaza. Based on the latest valuation carried out by an independent valuer, "Industrial Consultant and Machinery Linkers", the fair value worked out to be Rs. 309.07 million for the Company's share of 10.65%.

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

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

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

8. STORES

		2017	2016
Gunny bags		49,019	49,019
Jute / polypropylene bags		1,993	1,993
		51,012	51,012
Less: Provision for obsolete stores		(51,012)	(51,012)
		-	-

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

	Note	2017	2016
Urea		5,266	5,266
Sugar	9.1	3,696,658	2,498,589
Rice		2,925,801	2,925,801
Wheat		296,588	296,588
Cotton		-	723,929
Black matpe		1,066	1,066
	25.2	6,925,379	6,451,239
Provision for impairment	9.2	(3,264,103)	(3,261,428)
		3,661,276	3,189,811

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

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

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

10. DUE FROM GOVERNMENT OF PAKISTAN

Secured - considered good

	Note	2017	2016
Subsidy receivable		**34,406,659**	27,415,879
Movement of subsidy receivable during the year is as follows:			
Balance at beginning of the year		**27,415,879**	23,132,739
Subsidy to be reimbursed	25	**8,612,542**	9,262,864
Amount not claimed / remain unadjusted in prior year		**-**	25,000
Subsidy adjusted during the year		**(1,621,763)**	(5,004,724)
Balance at end of the year	10.1	**34,406,659**	27,415,879

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

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

11. TRADE DEBTS

- Unsecured

	Note	2017	2016
		----------(Rupees in '000)----------	
Considered good		**55,466,553**	61,373,180
Considered doubtful		**25,252**	25,252
		55,491,805	61,398,432
Less: Provision for doubtful debts	11.1	**(25,252)**	(25,252)
		55,466,553	61,373,180

		2017	2016
11.1 Movement of provision for doubtful debts is as follows:			
Balance at beginning of the year		**25,252**	25,252
Charged during the year		**-**	-
Balance at end of the year		**25,252**	25,252

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

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

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

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

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

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

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

12. LOANS AND ADVANCES

	Note	2017	2016
		----------(Rupees in '000)----------	
Short-term loan - secured			
Due from employees	12.1	1,783	13,295
Current portion of long term loans	7	29,703	24,548
Advances - unsecured			
Considered good			
Employees		1,682	1,784
Sundry advances		168	73
		1,850	1,857
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
		45,314	51,678
Less: Provision against doubtful advances		(11,978)	(11,978)
		33,336	39,700

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

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

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

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

13.3 Movement in provision against doubtful receivables is as follows:

	2017	2016
	---------(Rupees in '000)---------	
Balance at beginning of the year	731,960	754,522
Charged during the year	-	-
Reversal during the year	-	(22,562)
Balance at end of the year	731,960	731,960

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

14. SALES TAX REFUNDABLE

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

15. SHORT-TERM INVESTMENTS

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

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

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

16. BANK BALANCES

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

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

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

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

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

17. SHARE CAPITAL

17.1 Authorized

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

17.2 Issued, subscribed and paid-up

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

2017	2016			
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

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

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

18. LONG-TERM LOAN

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

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

19. DEFERRED LIABILITIES - STAFF COMPENSATED ABSENCES

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

	Note	2017	2016
		---------(Rupees in '000)---------	
Present value of defined benefit obligations	19.1.3	**87,565**	98,339

19.1.1 Movement in liability recognised in balance sheet

	Note	2017	2016
Balance as on July 01		**98,339**	107,474
Charge for the year	19.1.2	**60,506**	49,677
Payments made during the year		**(62,494)**	(58,431)
Remeasurement losses		**(8,786)**	(381)
Balance as on 30 June		**87,565**	98,339

20.1 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 GoP bank account maintained with National Bank of Pakistan after deducting incidental charges i.e. duties, port clearing charges, survey charges, stevedoring etc. The movement of amount payable to GoP on account of sale proceeds of urea received from JICS is as follows:

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

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

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

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

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

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

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

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

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

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

21. COMMODITY FINANCE UNDER MARKUP ARRANGEMENTS

	2017	2016
Secured		
National Bank of Pakistan	-	10,487,083
Allied Bank Limited	(87)	9,157,346
Habib Bank Limited	2,380	10,853,480
MCB Bank Limited	(425)	8,591,020
United Bank Limited	(20)	10,294,948
Standard Chartered Bank (Pakistan) Limited	(14)	914,083
JS Bank Limited	1,505,089	4,999,999
Askari Bank Limited	30,000,000	6,800,000
Soneri Bank Limited	19,670,889	14,411,413
NIB Bank Limited	-	4,803,805
Bank Al Habib Limited	19,999,457	9,607,609
Meezan Bank Limited	24,028,413	-
Faysal Bank Limited	(1)	-
Dubai Islamic Bank Limited	(955)	-
	95,204,726	90,920,786

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

22. SHORT-TERM LOANS UNDER COMMODITY FINANCE

	Note	2017	2016
		----------(Rupees in '000)----------	
Secured			
Bank Islami Pakistan Limited	22.1	15,000,000	10,000,000
Dubai Islamic Bank Pakistan Limited	22.1	-	4,000,000
		15,000,000	14,000,000

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

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

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

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

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

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

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

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

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

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

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

23.1.3 As at June 30, 2017, several cases/litigations aggregating to Rs. 5,244.90 million (2016: Rs. 5,244.90 million) were outstanding against the Company. The Company has filed appeals/counter claims against these cases which are pending for adjudication. Based on the advice of the Company's in house legal counsel, the management is confident that these cases will ultimately be decided in Company's favor and hence no provision is required to be made in these financial statement.

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

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

23.1.6 A foreign award amounting to US$ 3.88 million (2015: US$ 3.88 million) equivalent to Rs. 407.32 million (June 30, 2016: Rs. 405.85 million) has been given by Liverpool Cotton Association (LCA) against Cotton Export Corporation of Pakistan (Private) Limited (CEC now merged with and into the Company) along with interest from the date of award till payment. As at June 30, 2016 the interest payable is US$ 7.21 million (2016: US$ 7.21 million) equivalent to Rs. 756.90 million (June 30, 2016: Rs. 754.87 million). For making the award a rule of the Court, the buyer filed a suit against CEC in 1999 and succeeded in getting a decision in 2004 from Single Bench of High Court of Sindh. Being aggrieved by the decision, Company filed appeal with Divisional Bench of the SHC which is pending for adjudication. Based on the advice of the Company's in house legal counsel, the management is confident that this case will ultimately be decided in Company's favor and hence no provision is required to be made in these financial statements.

23.1.7 An award amounting to US$ 1.26 million (2016: US$ 1.26 million) equivalent to Rs. 132.27 million (June 30, 2016: Rs. 131.91 million) has been given by the arbitrators unanimously against Rice Export Corporation of Pakistan (Private) Limited (RECP now merged with and into the Company). For making the award a rule of the Court, the buyer filed a suit in the SHC against RECP in 1999 and a decision in 2003 was made in favor of buyer by Single Bench of SHC. The matter is at present subjudice and pending with Divisional Bench in the SHC. Based on the advice of the Company's in house legal counsel, the management is confident that this case will ultimately be decided in Company's favor and hence no provision is required to be made in these financial statements.

23.1.8 The recovery of export duty on export of Basmati rice had been held in abeyance effective July 01, 1981 and these financial statements have been drawn up on the assumption that the liability has not been accrued on exports made thereafter. The Company has also given letters of undertaking aggregating to Rs. 1,328.20 million (2016: Rs. 1,328.20 million) to the Collector of Customs against the said export duty on basmati rice.

23.1.9 Guarantees issued by commercial banks against 100% cash margin on behalf of the Company amounted to Rs. 9.36 million to Chief Controller of Imports and Exports (now the matter is being dealt by the Export Promotion Bureau) in lieu of payment of import license fee for the temporary importation of empty jute bags.

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

23.1.10 The returns for the tax years from 2008 to 2013 were amended by the taxation authorities through ex-parte orders under Section 122 (5A) of the Income Tax Ordinance, 2001 by disallowing expenses apportioned/allocated against profit on investments and setting-off of prior year refunds against tax liabilities. The tax demand of Rs. 1,955.50 million was raised. The Company has paid the said demand under protest and filed appeals against the said orders before Commissioner Inland Revenue (Appeals) which has decided these appeals against the Company who in turn filed an appeal in the Appellant Tribunal Inland Revenue which is pending adjudication. As a matter of prudence, the Company recorded tax provision of Rs. 378.74 million in the year ended June 30, 2014. The management is confident that it has good grounds to defend these matters under appeal and the outcome is expected to be decided in favor of the Company and therefore, no further provision is required to be made in these financial statements.

23.1.11 In year 2016, the return for the tax year 2014 were also amended by taxation authorities through ex-parte order under Section 122 (5A) of the Income tax Ordinance, 2001 by disallowing expenses apportioned/allocated against profit on investments. The tax demand of Rs. 405.54 million was raised and, accordingly, the Company has paid Rs. 200 million and obtained stay order for Rs. 205.54 million. The said payment was made under protest and the Company filed appeals against the said order before Commissioner Inland Revenue (Appeals), which has decided these appeals against the Company, which in turn filed an appeal in the Appellant Tribunal Inland Revenue, which are pending for adjudication. The management is confident that it has good grounds to defend these matters under appeal and the outcome is expected to be decided in favour of the Company. Hence, no provision is made in respect of these demands in these financial statements.

23.1.12 During the year, Additional Commissioner (ACIR) raised net demand of Rs. 40.20 million under section 137(2) of the Income Tax Ordinance, 2001 by disallowing tax credits against withholding tax claimed by the Company in the tax years from 2008 to 2013. For tax years 2011 to 2013, no prejudicial order has been passed, while for tax years 2008 to 2010 liability has been created against which the Company has filed Constitutional Petition before High Court of Sindh (SHC) on the ground that the matter is time barred, which is pending for adjudication. The management is confident that it has good grounds to defend these matters under appeal and the outcome is expected to be decided in favor of the Company and therefore no provision is required to be made in these financial statements.

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

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

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

23.3 Commitments

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

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

	Note	2017	2016
		----------(Rupees in '000)----------	
24. COMMISSION INCOME			
Import of urea		-	158,042
Local sale of cotton		**16,072**	34,103
Local sale of sugar		-	2,731
Gift of rice to Cuba		**9,000**	-
Gift of rice to China		**4,784**	-
Gift of rice to Srilanka		**4,013**	-
Gift of rice to Niger		-	7,906
		33,869	202,782
25. TRADING DEFICIT TO BE REIMBURSED BY THE GOVERNMENT			
Local sales on behalf of GoP	25.1	**813,769**	8,540,095
Cost and expenses incurred on behalf of GoP	25.2	**(9,426,311)**	(17,802,959)
Subsidy for the year to be reimbursed by the GoP	10	**(8,612,542)**	(9,262,864)

25.1 Local sales on behalf of government

	2017	2016
Urea		
- Tender	**10,190**	6,690,010
- Saudi Arabia Basic Industries Corporation (SABIC)	-	8,383
	10,190	6,698,393
Sugar	-	136,523
Cotton	**803,579**	1,705,179
Total sales on behalf of the GoP	**813,769**	8,540,095

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

25.2 Cost and expenses incurred on behalf of GoP

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

25.2.1 Trading and related expenses to be reimbursed by GoP

	Note	2017	2016
Mark up / interest on commodity finance	25.2.1.1	6,557,694	7,655,447
Commission	22 & 22.1	16,072	194,876
Income tax collected / deducted on sale of commodities to customers	25.2.1.2	56,143	169,444
Stevedoring and handling charges		22,429	180,894
Insurance		-	13,971
Custom duties, wharfage and other port charges		-	74,573
Exchange loss / (gain)		-	5,846
Letters of credit charges		-	3,406
Depreciation on operating fixed assets	4.1.1	9,917	14,079
Lab testing and inspection charges		(38)	362
Godown expenses		34	27,640
Provisions for stock in trade - Urea	9.2	2,675	-
Commission to Cotton sales agent		4,421	-
Cost of sales - Urea	25.2.1.3	3,234,723	-
Transportation		17	33
		9,904,087	8,340,571

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

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

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

26. COST INCURRED ON BEHALF OF GoP

	Note	2017	2016
		----------(Rupees in '000)----------	
Cost of gift of rice to various countries		1,810,631	(814,964)
Amount reimbursed by GoP	20.2	(1,810,631)	814,964
		-	-

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

26.1. Related cost of gift to various

	2017	2016
Purchase of rice	1,683,886	689,513
Freight charges	103,824	100,569
Packaging cost	-	12,753
Crew handling charges	173	-
Commission of the Company	17,797	7,906
Inspection and lab charges	2,168	1,882
Insurance	1,560	1,538
Bank charges	1,223	803
	1,810,631	814,964

27. ADMINISTRATIVE EXPENSES

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

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

27.2 Auditors' remuneration

	2017	2016
	----------(Rupees in '000)----------	
Annual audit	1,080	1,400
Others	810	500
Out of pocket expenses	189	190
	2,079	2,090

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

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

27.5 **Depreciation expenses of godowns**

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

	2017	2016 (Restated)
	----------(Rupees in '000)----------	
28. OTHER INCOME		
Income from financial assets		
Return on:		
- Term deposit receipts and saving accounts	1,134,765	1,366,890
- Defense saving certificates	14,221	12,703
Income from non financial assets		
Rental income from godowns given on rent	365,311	340,827
Rice inspection fee	10,814	15,994
Gain / (loss) on disposal of operating fixed assets	3	(276)
Sales of tender and purchase order forms	123	765
Registration fee	-	14
Forfeiture of security deposit	5,550	-
Exchange (loss) / gain - net	(2,696)	50,387
Others	6,198	1,526
	1,534,289	1,788,830
29. TAXATION		
Current - for the year	108,986	360,990
- for prior years	(15,910)	(9,473)
	93,076	351,517
29.1 Relationship between tax expense and accounting profit		
Accounting profit before taxation	487,561	1,144,746
Tax at the applicable tax rate of 30% (2016: 31%)	151,144	366,319
- Effect of income subject to lower rates	(6,435)	(40,556)
- Effect of non-deductible tax expenses	9,971	24,144
- Effect of tax allowable expenses	(18,749)	(16,194)
- Effect of deduction allowed for rentals	(26,945)	(21,813)
- Super tax	-	69,214
- Impact of exempt income	-	(16,124)
- Effect of tax credit	-	(4,000)
- Adjustment relating to prior years	(15,910)	(9,473)
	93,076	351,517

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

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

31. RELATED PARTY TRANSACTIONS

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

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

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

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

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

(i) The Company collects income tax, sales tax and federal excise duty in capacity of withholding agent on behalf of GoP. The Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue, Sindh Board of Revenue and Customs authorities.

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

(iii) The Company has investment of Rs. 6.5 million towards equity participation (10.65%) to Lahore Development Authority (LDA) and other sponsors for constructing a multi-story commercial building named LDA Plaza at Edgerton Road, Lahore. The Company is entitled to receive 10.65% of the annual profit earned by the LDA Plaza.

(iv) The Company incurs handling charges in respect of urea import at Kemari and other ports which are paid to Karachi Port Trust, Port Qasim Authority and Gwadar International Terminals Limited.

(v) The Company has obtained insurance cover for its inventory and motor vehicles from National Insurance Company of Pakistan Limited and staff insurance from State Life Insurance Corporation Limited.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Financial risk factors

The activities of the Company expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to an acceptable level. The Board of Directors supervises the overall risk management approach within the Company under the policies issued by GoP. However, the following risks do not arise when the Company carries out transactions on behalf of the GoP in which case credit and other risks are borne by the Government of Pakistan.

(a) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk, interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports commodity products and carries trade payable denominated in foreign currencies. However, the Company is not exposed to currency risk in this respect because these payables relate to commodity import on behalf of GoP who bears the risks related to these transactions.

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

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest rate exposure as the Company saving has accounts and investment in TDRs are on fixed rate and commodity financing facilities and short term loans are obtained under the GoP directives, for which the Company does not have any interest rate risk exposure being reimbursable by the GoP.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company has no such investments as of the balance sheet date and therefore is not subject to any significant price risk.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

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

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

	2016			
	On demand	Less than 3 months	3 to 12 months	1 to 5 years
	--(Rupees in '000)--			
Long term loan	-	-	-	16,649
Trade and other payables	-	1,096,340	-	-
Commodity finance under markup arrangements	-	85,920,787	5,000,000	-
Short term loan	-	-	14,000,000	-
Interest / mark-up accrued	-	1,095,257	823,372	-
2016	-	88,112,384	19,823,372	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 GoP and therefore the Company is not exposed to liquidity risks for such transactions. Besides these, the Company has adequate resources in the form of bank balances and short term investments to repay its operational liabilities and therefore, is not subject to significant liquidity risk as at June 30, 2017.

38. NUMBER OF EMPLOYEES

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

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

39. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

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

40. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

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

41. GENERAL

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

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER