TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

bakertilly

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi - Pakistan

T: +92 (021) 35644872-7
F: +92 (021) 35644873

info@bakertilly.pk
www.bakertilly.pk

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of **Trading Corporation of Pakistan (Private) Limited** (the Company) for the year ended June 30, 2019.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2019.

Baker Tilly Mehmood Idrees Qamar

Engagement Partner: Mehmood A. Razzak

Karachi
Date: 07 FEB 2020

bakertilly

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the annexed financial statements of **TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at **June 30, 2019,** and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in paragraph (a) to (d) below, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

a) as disclosed in note 10.1 to the financial statements, stock-in-trade includes 28,166 metric tonnes of sugar of Rs. 4074.74 million (including accrued mark-up and other charges of Rs. 2,631.40 million till June 30, 2019) that has not been supplied by certain sugar mills under the contractual terms. The Company had referred this matter to National Accountability Bureau (NAB).In the absence of management objective evaluation of probable outcome of the said legal action, we are unable to satisfy ourselves as to the accuracy and recoverability of stock in trade / equivalent amount in cash and classification of accrued markup and other changes under the head stock in trade instead of receivables.

b) as disclosed in note 12.2 to the financial statements, trade debts includes receivables of Rs. 10,791.86 million from various government institutions. In the absence of sufficient and appropriate underlying evidences, responses to the confirmation requests sent by us and no movement / recoveries for more than six years, we were unable to satisfy ourselves as to its completeness, aging and recoverability out of which we were unable to satisfy ourselves as to the existence of other receivable amounting to Rs. 99.41 million.

c) as disclosed in note 14.1 to the financial statements, other receivables include Rs. 4,688.22 million (including accrued mark-up and other charges of Rs. 3,752.01 million till June 30, 2019) from sugar mills on account of sugar not supplied by them under the contractual terms. The Company had initiated legal action and also referred the matter to National Accountability Bureau (NAB). In the absence of replies to the confirmation requests sent by us 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.

d) as stated in note 23.1.1, 23.1.4 to 23.1.14, the Company has pending litigations and open tax assessments against the company aggregating to Rs. 10,309.44 million. The ultimate outcome of these litigations cannot presently be determined, and no provision that may result, has been made in the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude 'that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as applicable in Pakistan, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are in adequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion:

a) except for the possible effects of the matters referred in paragraph (a) to (d), in the Basis of Qualified Opinion section, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) except for the possible effects of the matters referred in paragraph (a) to (d), in the basis of qualified opinion section, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is ***Mehmood A. Razzak.***

BAKER TILLY MEHMOOD IDREES QAMAR
Chartered Accountants

Karachi
Date: 07 FEB 2020

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		Rupees in 000	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	482,174	509,590
Intangible asset	6	5,073	5,351
Long-term investments	7	9,643,072	65,827
Long-term loans	8	103,368	127,469
Long-term deposits		13,341	13,341
		10,247,028	721,578
CURRENT ASSETS			
Stores	9	-	-
Stock-in-trade held on behalf of Government of Pakistan	10	4,074,739	3,803,620
Due from Government of Pakistan	11	50,523,021	41,575,575
Trade debts	12	46,462,710	47,117,911
Loans and advances	13	43,196	39,132
Accrued interest		14,848	9,595
Prepayments and other receivables	14	9,135,725	8,668,429
Current maturity of long-term investments	7	-	132,875
Sales tax refundable	15	6,774,134	6,610,644
Short-term investments	16	8,000,000	16,500,000
Cash and bank balances	17	6,132,148	1,108,348
		131,160,521	125,566,129
TOTAL ASSETS		141,407,549	126,287,707
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Share Capital	18	1,000,000	1,000,000
Issued, subscribed and paid-up capital	18	1,000,000	1,000,000
Reserves		11,973,255	11,054,124
		12,973,255	12,054,124
NON-CURRENT LIABILITIES			
Long-term loan	19	16,649	16,649
Deferred liabilities - staff compensated absences	20	98,704	112,126
		115,353	128,775
CURRENT LIABILITIES			
Trade and other payables	21	1,287,304	1,601,232
Commodity finance under markup arrangements	22	121,810,854	109,788,026
Interest accrued		4,082,612	1,829,829
Taxation - net		1,138,171	885,721
		128,318,941	114,104,808
TOTAL EQUITY AND LIABILITIES		141,407,549	126,287,707
CONTINGENCIES	23		

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

Chief Financial Officer	Chief Executive Officer	Director

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---------------- Rupees in 000 ----------------	
Commission income	*24*	101,234	-
Administrative expenses	*27*	(886,062)	(1,015,666)
		(784,828)	(1,015,666)
Other income	*28*	2,246,100	1,536,169
Profit before taxation		**1,461,272**	**520,503**
Taxation	*29*	(375,515)	(140,264)
Profit after taxation		**1,085,757**	**380,239**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement profit / (loss) on staff compensated absences		33,374	(4,733)
Total comprehensive income for the year		**1,119,131**	**375,506**

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

Chief Financial Officer

Chief Executive Officer

Tasneem

Director

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up capital	Reserves					Total Reserves	Total Equity
		General reserve	Building reserve	Reserve for contingencies	Revenue reserves	Unappropriated profit		
	Rupees in 000							
Balance as at July 01, 2017	1,000,000	7,500,000	1,680,000	100,000	239,000	1,359,618	10,878,618	11,878,618
Profit for the year	-	-	-	-	-	380,239	380,239	380,239
Other comprehensive (loss) for the year	-	-	-	-	-	(4,733)	(4,733)	(4,733)
Total comprehensive income for the year	-	-	-	-	-	375,506	375,506	375,506
Transaction with the owners:								
Interim dividend for the year ended June 30, 2018 @ Rs. 2 per share	-	-	-	-	-	(200,000)	(200,000)	(200,000)
Balance as at June 30, 2018	1,000,000	7,500,000	1,680,000	100,000	239,000	1,535,124	11,054,124	12,054,124
Profit for the year	-	-	-	-	-	1,085,757	1,085,757	1,085,757
Other comprehensive income for the year	-	-	-	-	-	33,374	33,374	33,374
Total comprehensive income for the year	-	-	-	-	-	1,119,131	1,119,131	1,119,130
Transaction with the owners:								
Interim dividend for the year ended June 30, 2019 @ Rs. 2 per share	-	-	-	-	-	(200,000)	(200,000)	(200,000)
Balance as at June 30, 2019	1,000,000	7,500,000	1,680,000	100,000	239,000	2,454,255	11,973,255	12,973,254

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

Chief Financial Officer

Chief Executive Officer

Taseen

Director

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---------------- Rupees in 000 ----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,461,272	520,503
Adjustments of non cash and other items			
Depreciation on property and equipment	*5.1*	26,554	23,255
Amortisation on intangible asset	*6*	703	594
Interest on investments		(1,289,775)	(1,107,079)
Subsidy to be reimbursed - net		(14,360,672)	(7,584,959)
Provision for staff retirement gratuity and compensated absences		121,480	166,264
(Gain) on disposal of property and equipment		(1,489)	(3,059)
		(15,503,199)	(8,504,984)
Decrease / (increase) in current assets			
Stock-in-trade held on behalf of Government of Pakistan		(271,119)	(142,344)
Trade debts		655,201	8,348,642
Loans and advances		(4,636)	(5,985)
Prepayments and other receivables		(467,296)	(705,634)
Sales tax refundable		(163,490)	(3,305)
		(251,340)	7,491,374
(Decrease) / increase in current liabilities			
Trade and other payables		(247,537)	(45,030)
Interest accrued		2,252,783	(34,367)
		2,005,246	(79,397)
Cash used in operations		(12,288,021)	(572,504)
Income tax paid		(123,065)	(622,216)
Staff retirement gratuity paid to the fund		(110,000)	(1,000)
Compensated absences paid		(57,919)	(55,503)
		(290,985)	(678,719)
Net cash (used in) operating activities		(12,579,005)	(1,251,223)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(1,139)	(6,671)
Sale proceeds from disposal of property and equipment		2,823	3,380
Additions in intangible assets		(425)	-
Investment in Pakistan Investment Bonds		(9,577,245)	-
Investment in term deposit receipts - net		8,500,000	(435,000)
Maturity of defence saving certificates		134,874	16,384
Investment in LDA		-	(58,327)
Interest received on investments		1,282,523	1,101,182
Long term deposits		-	(1,055)
Long-term loans (disbursed) / recovered - net		25,340	27,999
Net cash generated from investing activities		366,751	647,892
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term loan under commodity finance - net		-	(15,000,000)
Subsidy received / adjusted during the year		5,413,226	416,043
Dividend paid		(200,000)	(200,000)
Net cash (used in) / generated from financing activities		5,213,226	(14,783,957)
Net (decrease) in cash and cash equivalents		(6,999,029)	(15,387,288)
Cash and cash equivalents at beginning of the year		(108,679,678)	(93,292,390)
Cash and cash equivalents at end of the year	*30*	(115,678,706)	(108,679,678)

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

Chief Financial Officer   Chief Executive Officer   Director

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- The Company has diversified it's investment portfoio during the year and made Investment in Pakistan Investment Bonds (PIBs) amounting to Rs. 9.577 billion (includes accrued interest on PIBs of Rs. 0.577 billion).

- During the year, the Company has imported 105,060 Metric Tons of Urea, immediately to meet the requirement of Rabi Crop, on behalf of Government Of Pakistan which results in commission income of Rs 101.23 million.

- The amount Due from GoP includes subsidy to be reimbursed during the year amounting to Rs. 14.377 billion. The significant portion of this amount comprises markup on commodity finance from commercial banks amounting to Rs. 12.813 billion.

- The collections from trade debtors amounting to Rs. 4,131.87 million reflects the recovery efforts of the management during the year.

- During the year subsidy received amounting to Rs. 5,000 million from Government of Pakistan.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 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 4.1).
- Valuation of stores and stock in trade (notes 4.3 and 4.4).
- Provision for impairment of trade debts and other receivables (note 4.5).
- Provision for taxation (note 4.13).

3.5 Standards, interpretations and amendments applicable to financial statements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

a) **Standards, interpretations and amendments to approved accounting standards which became effective during the year**

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which become effective for the current year:

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i. **IFRS - 15 "Revenue from Contracts with Customers"**
On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

There is no material impact on the financial statements including accounting policies of the Company of adopting IFRS 15 - Revenue from Contracts with Customers.

ii. **IFRS - 9 "Financial Instruments"**
IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Gap analysis has been conducted to consider the effect on the financial statements. However, there is no material impact on the financial statements of the Company of adopting IFRS 9 - Financial Instruments.

b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:**

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 reporting periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2020
IAS 12	Income Taxes (Amendments)	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs (Amendments)	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 3	Business combinations (Amendments)	January 1, 2019
IFRS 9	Financial instruments (Amendments)	January 1, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by IFRS 16 and its effect on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

4. 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.

4.1 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 5.1 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. Assets' residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each balance sheet date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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.

4.2 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 6 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.

4.3 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.

4.4 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 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.

4.5 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.

4.6 Financial Assets

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments.

Initial Measurement
The company classifies its financial assets in to following three categories:

- measured at amortized cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

i. **Equity Instruments as FVOCI**
These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

ii. **Financial assets at FVTPL**
These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

iii. **Financial assets measured at amortized cost**
These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

De-recognition
Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

Impariment of Financial Assets
The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Off-setting of financial assets and financial liabilities
A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.7 Financial Liabilities

Financial liabilities are classified as measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

4.8 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.

4.9 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.

4.10 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.

4.11 Employees' retirement benefits

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

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

Compensated absences
The Company accounts for all accumulated compensated absences when the employees render service that increase their entitlement to future compensated absences on the basis of acturial valuation that is carried out annually.

4.12 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.

4.13 Taxation

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

Deferred

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

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

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

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

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

4.14 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.

4.15 Revenue

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.

4.16 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.

4.17 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.

4.18 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.

5. PROPERTY AND EQUIPMENT

	Note	2019	2018
		-------- Rupees in 000 -------	
Operating fixed assets	*5.1*	482,174	509,590
Advances against purchase of land	*5.2*	81,428	81,428
Provision against advances		(81,428)	(81,428)
		-	-
		482,174	509,590

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5.1 OPERATING FIXED ASSETS

	Leasehold Land*	Building on leasehold land*	Godowns on leasehold land*	Structural Improvements	Godown Equipments	Office Equipments	Furniture, Fixtures And Fittings	Computer Equipment	Laboratory Handling Equipments	Electric Sub Stations	Workshop Complex	Vehicles	Total
	Rupees 000												
Net carrying value basis													
Year ended June 30, 2018													
Opening net book value	47,526	23,629	249,027	3,090	2,738	5,039	4,838	7,958	21	-	-	7,945	351,811
Addition (at cost)	-	-	-	-	-	243	203	543	-	-	-	5,682	6,671
Transfer from CWIP	-	-	174,684	-	-	-	-	-	-	-	-	-	174,684
Disposal													
Cost	-	-	-	-	-	-	-	-	-	-	-	(5,536)	(5,536)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	5,215	5,215
	-	-	-	-	-	-	-	-	-	-	-	(321)	(321)
Depreciation charged	-	(1,181)	(16,090)	(155)	(275)	(811)	(492)	(1,643)	(3)	-	-	(2,605)	(23,255)
Closing net book value	47,526	22,448	407,621	2,935	2,463	4,471	4,549	6,858	18	-	-	10,701	509,590
Gross carrying value basis													
As at June 30, 2018													
Cost	47,526	165,190	802,385	53,538	55,384	44,422	16,919	19,725	3,151	11,559	5,353	55,971	1,281,123
Accumulated depreciation	-	(142,742)	(394,764)	(50,603)	(52,921)	(39,951)	(12,370)	(12,867)	(3,133)	(11,559)	(5,353)	(45,270)	(771,533)
Net book value	47,526	22,448	407,621	2,935	2,463	4,471	4,549	6,858	18	-	-	10,701	509,590
Net carrying value basis													
Year ended June 30, 2019													
Opening net book value	47,526	22,448	407,621	2,935	2,463	4,471	4,549	6,858	18	-	-	10,701	509,590
Addition (at cost)	-	-	-	-	-	350	26	763	-	-	-	-	1,139
Disposal													
Cost	-	-	-	-	-	-	-	-	-	-	-	(11,621)	(11,621)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	9,620	9,620
	-	-	-	-	-	-	-	-	-	-	-	(2,001)	(2,001)
Depreciation charged	-	(1,122)	(20,381)	(147)	(248)	(735)	(456)	(1,441)	(3)	-	-	(2,021)	(26,554)
Closing net book value	47,526	21,326	387,240	2,788	2,215	4,086	4,118	6,180	15	-	-	6,679	482,174
Gross carrying value basis													
As at June 30, 2019													
Cost	47,526	165,190	802,385	53,538	55,384	44,772	16,945	20,488	3,151	11,559	5,353	44,350	1,270,641
Accumulated depreciation	-	(143,864)	(415,145)	(50,750)	(53,169)	(40,686)	(12,826)	(14,308)	(3,136)	(11,559)	(5,353)	(37,671)	(788,467)
Net book value	47,526	21,326	387,240	2,788	2,215	4,086	4,119	6,180	15	-	-	6,679	482,174
Depreciation (% per annum)	-	5	5	5 - 25	10 - 25	10 - 20	10	20	15	33	5	20	

	Note	2019	2018
		---------- Rupees in 000---------	
5.1.1 Depreciation for the year has been allocated as follows:			
Trading and related expenses to be reimbursed by GoP	***5.1.2 & 25.2.1***	-	11,755
Administrative expenses	***27***	26,554	11,500
		26,554	23,255

5.1.2 From this year the management of the Company has decided as per instructions of the Government of Pakistan to charge whole depreciation expense to the Company.

5.1.3 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.

5.1.4 The management has decided not to declare godowns as 'investment properties' in these financial statements due to the reason that these godowns, as against under normal circumstances of intending to earn rent and / or to hold the same for value appreciation, being primary criteria for qualifying immovable assets as investment properties are actually held and maintained for storage of strategic stock procured on behalf of Government of Pakistan as an when required.

5.2 Advances against purchase of land

5.2.1 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. The management has recorded full provision against this advance. However, the Company has filed a legal suit against PQA for re-allotment of the land, which is pending adjudication.

5.2.2 RECP (defunct) had also given advance of Rs. 0.69 million to Karachi Development Authority (KDA) for purchase of 100 acres of land. Due to dispute regarding title of land, the land was not allotted to the Company. The management has recorded full provision against this advance.

6. INTANGIBLE ASSET

	Note	Computer Software	Total
		---------- Rupees in 000---------	
Net carrying value basis			
Year ended June 30, 2019			
Opening net book value		5,351	**5,351**
Addition (at cost)		425	**425**
Amortization charged	***6.1***	(703)	**(703)**
Closing net book value		5,073	5,073
Gross carrying value basis			
As at June 30, 2019			
Cost		7,031	**7,031**
Accumulated amortization		(1,958)	**(1,958)**
Net book value		5,073	5,073

	Computer Software	Total
	---------- Rupees in 000---------	
Net carrying value basis		
Year ended June 30, 2018		
Opening net book value	5,945	5,945
Amortization charged	(594)	(594)
Closing net book value	5,351	5,351
Gross carrying value basis		
As at June 30, 2018		
Cost	6,606	6,606
Accumulated amortization	(1,255)	(1,255)
Net book value	5,351	5,351
Amortisation rate (% per annum)	10%	

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

7. LONG-TERM INVESTMENTS	Note	2019	2018
		---------- Rupees in 000---------	
Financial assets measured at amortised cost			
Defense Saving Certificates (DSCs)	*7.1*	-	132,875
Pakistan Investment Bonds (PIBs)	*7.2*	9,577,245	-
Current maturity		-	(132,875)
		9,577,245	-
Financial assets measured at cost - unquoted			
FTC Management Company (Private) Limited	*7.3*	1,000	1,000
Lahore Development Authority (LDA)	*7.4*	64,827	64,827
		9,643,072	65,827

7.1 The effective interest rates on these certificates range from 10.15% to 12.15% (2018: 10.15% to 12.15%) per annum. All these certificates were matured during the year.

7.2 The investment in PIBs consists of two transactions;

7.2.1 The first investment of Rs. 5.39 billion (including accrued interest of Rs. 307.14 million) was made on December 28, 2018 at effective interest rate of 13.0% per annum and maturity date of July 12, 2028.

7.2.2 The second investment of Rs. 4.19 billion (including accrued interest of Rs. 270.10 million) was made on March 28, 2019 at effective interest rate of 13.1% per annum and maturity date of July 12, 2028.

7.3 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. 740.85 per share based on the audited financial statements of FMCL for the year ended June 30, 2019 (2018: Rs. 761.64 per share).

7.4 Represents investment towards equity participation of 10.65% (2018: 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%.

8. LONG-TERM LOANS

	2019	2018
	---------- Rupees in 000---------	
Loans - secured and considered good		
Employees	137,670	163,010
Less: Current portion	(34,302)	(35,541)
	103,368	127,469

8.1 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 6% (2018: 2% to 6%) and are re-payable in 3 to 15 years (2018: 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 maturity profile of loans is as under:

	Note	2019	2018
		---------- Rupees in 000---------	
Less than 1 year		34,302	35,541
1-3 year		50,598	49,115
More than 3 years		52,770	78,354
		137,670	163,010

9. STORES

	2019	2018
Gunny bags	21,836	21,836
Jute / polypropylene bags	1,321	1,993
	23,157	23,829
Less: Provision for obsolete stores	(23,157)	(23,829)
	-	-

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

	Note	2019	2018
Urea		-	5,266
Sugar	*10.1*	4,110,121	3,839,003
Rice		2,925,801	2,925,801
Wheat		296,588	296,588
Black matpe		1,066	1,066
	25.2	7,333,576	7,067,724
Provision for impairment	*10.2*	(3,258,837)	(3,264,104)
		4,074,739	3,803,620

10.1 This includes cost of Rs. 1,443.34 million (2018: Rs. 1,443.34 million) and markup / other charges of Rs. 2,631.40 million (2018: Rs. 2,360.28 million) for 28,166 metric tonnes of sugar which has not been supplied by M/s. Abdullah Shah Ghazi Sugar Mill, M/s. Haq Bahu Sugar Mill and M/s. Macca Sugar Mill. 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).

	Note	2019	2018
		---------- Rupees in 000---------	
10.2 Movement of provision of expired / obsolete stock is as follows:			
Balance at beginning of the year		3,264,103	3,264,103
Charged during the year	*25.2.1*	(5,267)	-
Balance at end of the year		**3,258,836**	**3,264,103**

11. DUE FROM GOVERNMENT OF PAKISTAN

	Note	2019	2018
Secured - considered good			
Subsidy receivable	*11.1 to 11.3*	50,523,021	41,575,575
Movement of subsidy receivable during the year is as follows:			
Balance at beginning of the year		41,575,575	34,406,659
Subsidy to be reimbursed	*25 & 11.3*	14,360,672	7,584,959
Subsidy received / adjusted during the year	*11.2 & 11.3*	(5,413,226)	(416,043)
Balance at end of the year		50,523,021	41,575,575

11.1 This balance is net of Rs. Rs. 22,163.90 million (2018: 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).

11.2 Amount of Rs 5,000 million was received by the Company during the year. Since, the subsidies received could not be related to specific year-wise claims therefore, year-wise break-up of outstanding amounts in respect of subsidies cannot be ascertained.

11.3 This includes adjustment of markup charges being claimed from 9 sugar mills as disclosed in note 10.1 and note 14.1.

12. TRADE DEBTS

	Note	2019	2018
		---------- Rupees in 000---------	
Unsecured			
Considered good		46,462,710	47,117,911
Considered doubtful		25,252	25,252
		46,487,962	47,143,163
Less: Provision for doubtful debts	*12.1*	(25,252)	(25,252)
		46,462,710	47,117,911

			2019	2018
12.1	**Movement of provision for doubtful debts is as follows:**	**Note**	**---------- Rupees in 000---------**	
	Balance at beginning of the year		25,252	25,252
	Charged during the year		-	-
	Balance at end of the year		**25,252**	**25,252**

12.2 As at June 30, 2019 receivables from different government institutions aggregating Rs. 46,487.96 million (2018: Rs. 47,143.16 million) were past due but not considered impaired by the management of the Company. The ageing of trade debts is as follows:

	2019	2018
	---------- Rupees in 000---------	
Within 1 Year	381,318	-
1-3 year	1,667,101	15,256,262
More than 3 years	44,439,543	31,886,901
	46,487,962	47,143,163

12.3 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.

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

	Within 1 Year	1-3 year	More than 3 years	2019	2018
	---------------------------- Rupees in 000 ----------------------------				
Utility Stores Corporation of Pakistan	-	-	26,976,555	26,976,555	27,426,555
National Fertilizer Marketing Limited	381,318	1,667,101	7,021,387	9,069,806	9,275,007
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
	381,318	1,667,101	44,439,543	46,487,962	47,143,163

12.5 The Company has been doing comprehensive reconciliation process with provinces against their outstanding balances of Rs. 46,487.96 million.

13. LOANS AND ADVANCES

	Note	2019	2018
		---------- Rupees in 000--------	
Short-term loan - secured			
Due from employees	*13.1*	6,644	1,319
Current portion of long term loans	*8*	34,302	35,541
Advances - unsecured			
Considered good			
Employees		1,629	1,596
Sundry advances		621	676
		2,250	2,272
Considered doubtful			
Suppliers		9,625	9,640
Contractors		560	560
Employees		364	364
Export agents		41	41
Others		1,373	1,373
		11,963	11,978
		55,159	51,110
Less: Provision against doubtful advances		(11,963)	(11,978)
		43,196	39,132

13.1 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.

14. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2019	2018
		---------- Rupees in 000---------	
Prepaid expenses		1,102	398
Other receivables			
Considered good			
Income tax	*23.1.11*	1,776,856	1,776,856
Sales tax receivable	*23.1.2*	2,462,211	2,462,211
Receivable from sugar mills	*14.1*	4,688,227	4,151,935
Rent receivable	*14.5*	163,107	232,807
Receivable from a bank	*14.2*	22,562	22,562
Others	*14.4*	21,660	21,660
		9,134,623	8,668,031
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	*23.1.10*	9,364	9,364
T.C.P sports club		199	199
Refundable against various receivables		21,706	22,804
Due from custodian and others		11,070	14,272
Receivable from handling agents		8,435	8,435
Demurrage charges		2,110	3,331
Receivable on account of rice procured		2,899	2,899
Export Processing Zone and others		17	17
Others		1,929	1,929
		726,439	731,960
Less: Provision against doubtful receivables	*14.3*	(726,439)	(731,960)
		9,135,725	8,668,429

14.1 Represents outstanding receivables from sugar mills of Rs. 936.21 million (2018: Rs. 936.21 million) and accrued mark-up and other charges of Rs. 3,752.01 million (2018: Rs. 3,215.72 million) by the Company to M/s. Abdullah Sugar Mill, M/s. Abdullah Sugar Mill (Ex-Yousuf), M/s. Haseeb Waqas Sugar Mill, M/s. Seri Sugar Mill, M/s. Tandliawala Sugar Mill and M/s. TMK Sugar Mill 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 initiated legal action 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. The matter was later on referred to National Accountability Bureau (NAB).

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

14.3 Movement in provision against doubtful receivables is as follows:	2019	2018
	---------- Rupees in 000----------	
Balance at beginning of the year	731,960	731,960
Charged during the year	-	-
Reversal during the year	(5,521)	-
Balance at end of the year	726,439	731,960

14.4 Included herein Rs. 12.72 million (2018: Rs. 12.72 million) receivable from LDA being profit receivable on the Company's investment in LDA Plaza.

14.5 This represents rent receivable from different tenants to whom godowns have been given on rent and includes Rs. 57.03 million receivable from Sindh Food Department.

15. 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.

16. SHORT-TERM INVESTMENTS

	Note	2019	2018
		---------- Rupees in 000----------	
Financial assets measured at amortised cost			
Term deposit receipts (TDRs)			
- In local currency	*16.1 & 16.2*	8,087,500	16,587,500
Provision against term deposit receipts	*16.2*	(87,500)	(87,500)
		8,000,000	16,500,000

16.1 Except as disclosed in note 16.2 to these financial statements, these TDRs carry markup at the rate ranging from 6.89% to 13.35% (2018 : 6.20% to 6.70%) per annum having maturity latest by September 28, 2019.

16.2 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.

17. CASH AND BANK BALANCES

	Note	2019	2018
		--------- Rupees in 000--------	
Cash at bank			
Local currency			
In current accounts		22,950	22,994
In saving accounts	*17.1*	5,608,903	734,188
		5,631,853	757,182
Foreign currency			
In current accounts		77	77
In saving accounts	*17.2 & 17.3*	500,218	351,089
		500,295	351,166
		6,132,148	1,108,348

17.1 These carry mark-up at rates ranging from 4.5% to 11.5% (2018: 3.5% to 6.25%) per annum. The Cash and Bank balances include subsidy received from GoP on June 28, 2019 amounting to Rs. 5.0 billion which was subsequently transferred by bank to settle commodity finance on July 2, 2019. The markup accrued between these two dates was recovered from the bank.

17.2 These carry mark-up rate of 0.1% to 2.5% (2018: 0.1% to 2.5%) per annum.

17.3 This includes balance of US$ 1.26 million (2018: US$ 1.26 million) equivalent to Rs. 205.68 million (2018: Rs. 153.03 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 23.1.8 to these financial statements.

18. SHARE CAPITAL

Authorised Share Capital

Number of shares 2019	Number of shares 2018		Note	2019 Rupees in 000	2018 Rupees in 000
100,000,000	100,000,000	Ordinary shares of Rs. 10 each		1,000,000	1,000,000

Issued, Subscribed And Paid-Up Capital

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

Number of shares 2019	Number of shares 2018		Note	2019 Rupees in 000	2018 Rupees in 000
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		*18.1 & 18.2*	1,000,000	1,000,000

18.1 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.

18.2 As at June 30, 2019, the Ministry of Commerce held 99,999,998 (2018: 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.

19. 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 Pakistani 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.

20. DEFERRED LIABILITIES - STAFF COMPENSATED ABSENCES

The Company provides encashment of leaves to its employees, as mentioned in note 4.10. The latest actuarial valuation of liability for staff compensated absences cost was carried out as at June 30, 2019, results of which are as follows:

	Note	2019	2018
		--------- Rupees in 000--------	
Present value of defined benefit obligations	*20.1*	98,704	112,126
20.1 Movement in liability recognised in balance sheet			
Balance as on July 01,		112,126	87,565
Charge for the year	*20.2*	77,871	75,331
Payments made during the year	*20.3*	(57,919)	(55,503)
Remeasurement (loss) / gain	*20.3*	(33,374)	4,733
Balance as on June 30,		98,704	112,126
20.2 Amounts recognised in the profit and loss account			
Current service cost		69,554	66,808
Interest cost		8,317	8,523
		77,871	75,331
20.3 Changes in present value of defined benefit obligation			
Opening balance		112,126	87,565
Current service cost		69,554	66,808
Interest cost		8,317	8,523
Benefits paid		(57,919)	(55,503)
Remeasurement (loss) / gain		(33,374)	4,733
Closing balance		98,704	112,126

21. TRADE AND OTHER PAYABLES	Note	2019	2018
		---------- Rupees in 000---------	
Trade creditors and bills payable - local		62,547	91,493
Payable to Ministry of Finance under JICS	*21.1*	387,508	387,508
Payable to GoP related to gift of rice	*21.2*	1,952	243,044
Deposits			
Security deposit		487,319	473,079
Retention money		54,529	54,529
		541,848	527,608
Accrued liabilities			
Payable to staff retirement gratuity fund	*21.3*	72,927	139,318
Accrued expenses		55,837	55,280
		128,764	194,598
Taxes			
Excise duty		5,450	5,450
Withholding tax		46,130	38,122
		51,580	43,572
Advances			
Advances		55,980	55,980
Rent received in advance		2,143	2,401
Advance from GoP for payment to growers		17,533	17,533
		75,656	75,914
Other payables			
Karachi Dock Labor Board (KDLB) cess payable		258	258
Others	*21.4*	37,191	37,237
		37,449	37,495
		1,287,304	**1,601,232**

21.1 On October 03, 2012, a Memorandum Of Understanding (MoU) was 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:

	2019	2018
	---------- Rupees in 000---------	
Payable to GoP at beginning of the year	387,508	387,508
Less: Payments made to GoP during the year	-	-
Payable to GoP at end of the year	**387,508**	**387,508**

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

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

	2019				
	Niger	Cuba	China	Srilanka	Total
	Rupees in 000				
Opening balance	1,952	52,020	118,650	70,422	243,044
Advance fund received during the year	-	-	-	-	-
Fund utilized during the year	-	-	-	-	-
Fund payable to GoP	1,952	52,020	118,650	70,422	243,044
Fund refunded to GoP	-	(52,020)	(118,650)	(70,422)	(241,092)
Balance repayable	**1,952**	**-**	**-**	**-**	**1,952**
2018	1,952	52,020	118,650	70,422	243,044

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

	2019	2018
	Rupees in 000	
Balance at beginning of the year	139,318	49,385
Charge during the year	43,609	90,933
Payments made to the fund	(110,000)	(1,000)
Balance at end of the year	**72,927**	**139,318**

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.

21.4 Included herein Rs. 12.24 million (2018: Rs. 12.24 million) is rent payable to LDA Plaza .

22. COMMODITY FINANCE UNDER MARKUP ARRANGEMENTS

	Note	2019	2018
		Rupees in 000	
Secured			
National Bank of Pakistan		7,829,093	9,223,165
Allied Bank Limited		7,720,273	9,229,885
Habib Bank Limited		7,566,235	9,232,404
MCB Bank Limited		7,941,409	9,229,550
United Bank Limited		7,764,142	9,229,953
Standard Chartered Bank (Pakistan) Limited		(14)	(14)
JS Bank Limited		(276)	(276)
Askari Bank Limited		12,000,000	6,000,000
Soneri Bank Limited		15,000,000	9,369,953
Bank Al Habib Limited		15,000,000	9,000,000
Meezan Bank Limited		14,990,005	9,274,362
Faysal Bank Limited		19,999,999	14,999,999
Dubai Islamic Bank Limited		(12)	(955)
Bank Al Falah Limited		4,000,000	15,000,000
MCB Islamic Bank Limited		2,000,000	-
	22.1	121,810,854	109,788,026

22.1 The Company has commodity finance facilities aggregating to Rs. 133,781 million (2018: Rs. 125,700 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 plus 2% to 3 months KIBOR plus 2.75% (2018: KIBOR plus 0.12% to 3 months KIBOR plus 0.43%) per annum. These arrangements are secured against hypothecation of stock-in-trade and by continuing guarantee from the GoP.

23. CONTINGENCIES

23.1 Contingencies

The following contingencies / contingent liabilities exist as at June 30, 2019.

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.

In the year 2017, 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 recorded a refund of Rs. 610.04 million 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 positive confirmation from the advisor, the management is confident that these matters would ultimately be decided in Company's favour.

23.1.3 The Deputy Commissioner Inland Revenue (DCIR) passed an order vide Assessment order No. 01/2017 dated December 28, 2017 creating tax demand of Rs. 40,601,053 along with penalty and default surcharge. The Company, being aggrieved of afore-mentioned order filed appeal before the Commissioner Inland Revenue (Appeals-II), (hereinafter called 'the CIRA').

After careful examination of the matter, the learned CIRA has deleted tax demand of Rs. 27,009,788 out of total tax demand vide Order No. 23 dated February 12, 2018. The residual tax demand of Rs. 13,591,265, has also been remanded back to the department by the learned CIRA with the specific direction for re-examination however, re-examination proceedings are still pending on the department end.

The DCIR , also passed two different orders vide No. 05 & 06 dated June 30, 2018 on a similar issue of claiming excess input tax by the Company. The DCIR vide afore-mentioned orders, created tax demand of Rs. 1,013,902,072 and 387,819,929 respectively, alongwith total penalty of Rs. 49,808,058, recovery notices was also issued by the DCIR. The former demand relates to claim of presumed sales tax withholding by the Company's purchasers which withholding has not been made because of non or late payments by the purchasers. The other demand relates to inadvertently claiming income tax input of one import GD which had earlier been claimed manually in the sales tax return filed for the tax period August 2012.

The Company accordingly filed appeals against such tax demand before the learned CIRA taking grounds that, though the presumed sales tax withholding and input tax respectively of Rs. 1,013,902,072 and 387,819,929 were claimed based on bona-fide error or on a valid presumption however there was no revenue loss to the Government owing to the fact that the Company had all along refundable position and even the aforesaid credit of sales tax was excluded from the return, no payment would become due by the Company and hence, no revenue loss to the Government is involved in this specific case.

The learned CIRA, after considering the afore-mentioned grounds, ordered to delete tax demands under reference vide Order No. 48 & 49 dated August 28, 2018 with the specific directions that such excess claimed input tax be reduced from the carryforward balances or refund claim available to the Company. Accordingly, the Commissioner wide letter No. C.No. COIR/ZONE-V/LTU/2019/538 dated January30, 2019 has allowed the company to adjust such amount from its excess carry forward balance. Now, the matter has been concluded as above.

However, the department has filed a Miscellaneous Application for rectification / reconsideration of the decisions given in the garb of section 57 of the Sales Tax Act, 1990 (the 'Act'). This is done by taking a plea that the Company has not applied for any refund nor has the Company determined refunds available for such adjustment and that the claim of huge carried forward input has not yet been verified.

The aforementioned application has been heard by the learned CIRA, wherein it was apprised that, the Company has claimed huge refund amounting to Rs.5,290,487,959 with the sales tax return for the tax period of June 2019. Furthermore, it was also contended that the plea taken about the verifiability of input tax is also based on facts as the LTU authorities through an Order 01/2017 dated December 28, 2017 has already verified input tax of Rs. 1,233,404,696 out of total confronted amount of Rs. 1,246,995,961. Therefore, the department has clearly erred in not considering the fact that the Company has filed refund claimed with the sales tax return for the tax period of June 2019 as well as not considering such verified input tax refund and hence the CIRA earlier direction are well within the frame of law.

23.1.4 As at June 30, 2019, several cases/litigations aggregating to Rs. 3,398.25 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.

23.1.5 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 (2018: AED 1.24 million) equivalent to Rs 55.12 million (2018: Rs 39.60 million) to the supplier within 30 days of the decision while the claim for damages by the supplier amounting US$ 3.46 million (2018: US$ 3.46 million) equivalent to Rs. 564.82 million (2018: Rs 420.22 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.

23.1.6 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 (2018: US$ 2.06 million) equivalent to Rs. 336.28 million (2018: Rs. 250.19 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.

23.1.7 A foreign award amounting to US$ 3.88 million (2018: US$ 3.88 million) equivalent to Rs. 633.38 million (2018: Rs. 471.23 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, 2019 the interest payable is US$ 7.21 million (2018: US$ 7.21 million) equivalent to Rs. 1176.97 million (2018: Rs. 876.65 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.

23.1.8 An award amounting to US$ 1.26 million (2018: US$ 1.26 million) equivalent to Rs. 205.68 million (2018: Rs. 153.03 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.

23.1.9 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 (2018: Rs. 1,328.20 million) to the Collector of Customs against the said export duty on basmati rice.

23.1.10 Guarantees issued by commercial banks against 100% cash margin on behalf of the Company amounted to Rs. 9.36 million (2018: 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

23.1.11 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.

23.1.12 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 (ATIR). During the year the Company has paid the remaining amount of Rs. 205.54 million. Further, the ATIR has issued an Order dated Feb 28, 2019, concluded to remand back the underlying case(s), 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.

23.1.13 In the year 2017, 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.

23.1.14 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 furnished the requisite information / documents with the concerned Commissioner. Subsequently, the ACIR passed an order under Section 122(1) / 122(5) of the Ordinance, wherein the demand of Rs. 163.90 million was determined as payable. In this regard, the Company filed an appeal before CIRA in January 2017, which was decided in April 2018 through an order in which the Commissioner had maintained the action of the assessing officer to disallow common expenses against profit on debt / other income dislodging the contention that the same to be treated as business income. Subsequently, against the aforementioned order, the Company filed further appeal before ATIR in July 2018, which is still pending adjucation. However, the Company has opted to pay off the demand of Rs. 163.90 million.

23.1.15 The Company 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 during the year June 30, 2018.

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24. COMMISSION INCOME

	Note	2019	2018
		---------- Rupees in 000---------	
Local sale of urea		101,234	-
		101,234	-

25. TRADING DEFICIT TO BE REIMBURSED BY THE GOVERNMENT

	Note	2019	2018
Local sales on behalf of GoP	*25.1*	3,503,636	29,957
Cost and expenses incurred on behalf of GoP	*25.2*	(17,864,307)	(7,614,916)
Subsidy for the year to be reimbursed by the GoP	*11*	(14,360,672)	(7,584,959)

25.1 Local sales on behalf of GoP

	2019	2018
Urea		
Tender	3,503,188	2,774
Saudi Arabia Basic Industries Corporation (SABIC)	-	-
	3,503,188	2,774
Sugar		
Cotton	-	-
Jute bags	448	27,183
	448	27,183
Total sales on behalf of the GoP	3,503,636	29,957

25.2 Cost and expenses incurred on behalf of GoP

	Note	2019	2018
Opening stock		7,067,724	6,925,379
Less: Recovery of claims against late shipments		(32,848)	-
Trading and related expenses to be reimbursed by GoP	*25.2.1*	18,163,008	7,757,261
		25,197,883	14,682,640
Less: Closing stock		(7,333,576)	(7,067,724)
Total cost of sales		17,864,307	7,614,916

25.2.1 Trading and related expenses to be reimbursed by GoP

	Note	2019	2018
Mark up / interest on commodity finance	*25.2.1.1*	12,813,763	6,805,538
Commission		101,234	-
Stevedoring and handling charges	*25.2.1.4*	59,597	2,745
Insurance		9,778	-
Custom duties, wharfage and other port charges	*25.2.1.2*	119,916	-
Letters of credit charges		2,286	6
Depreciation on operating fixed assets	*5.1.1*	-	11,755
Reversal in provisions for stock in trade - Urea	*10.2*	(5,267)	-
Cost of sales - Urea	*25.2.1.3*	5,061,701	936,000
Transportation		-	1,106
Surveyor charges		-	111
		18,163,008	7,757,261

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 This includes taxes paid on import and local purchase of commodities under the provisions of the Income Tax Ordinance, 2001 due to the fact that it has been paid on behalf of the GoP.

25.2.1.3 Represents the cost of Urea imported during the year amounting to Rs. 5.061 billion and supplied to National Fertilizers Marketing Limited (NFML). (2018: Rs 0.936 billion represents the effect of reduction in sales price of Urea supplied to NFML earlier than 2018, on the basis of decision of Economic Coordination Committee).

25.2.1.4 This represents payment made during the year to Ocean Maritime (Pvt) Ltd who were handling agent of urea imported during the year amounting to Rs. 75.008 million, as reduced by collection of dispatch money received from supplier on early discharge of vessels due to efficient port handling operations by TCP.

	Note	2019	2018
26. COST INCURRED ON BEHALF OF GoP		---------- Rupees in 000---------	
Cost of gift of rice to various countries	*26.1*	-	277
Amount reimbursed by GoP	*21.2*	-	(277)
		-	-

		2019	2018
26.1 Cost of gift of rice to various countries			
Purchase of rice		-	(46)
Bank charges		-	323
		-	277

	Note	2019	2018
27. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	*27.1*	755,716	900,179
Repairs and maintenance		23,807	23,137
Computer and software maintenance		1,244	942
Vehicles running		8,157	9,696
Travelling and conveyance		9,836	4,661
Legal and professional		9,530	9,599
Utilities		2,422	3,942
Security service charges		15,905	17,548
Advertising and publicity		4,639	4,021
Fees and subscriptions		1,470	127
Entertainment		379	357
Depreciation on operating fixed assets	*5.1.1*	26,554	11,500
Amortisation	*6*	703	594
Rent, rates and taxes		12,235	13,399
Auditors' remuneration	*27.2*	2,063	1,623
Indirect expenses - godowns		893	1,863
Communication		4,570	4,858
Printing and stationery		1,071	1,028
Insurance		1,509	1,502
Bank charges		547	1,471
Cost of butter ghee		-	399
Others		2,812	3,220
		886,062	1,015,666

27.1 Includes Rs. 43.61 million (2018: Rs. 90.93 million) in respect of staff retirement gratuity expense and Rs. 15.58 million (2018: Rs. 16.80 million) in respect of provident fund.

	2019	2018
27.2 Auditors' remuneration	--------- Rupees in 000	---------
Annual audit	1,475	1,400
Others	400	75
Out of pocket expenses	188	148
	2,063	1,623

28. OTHER INCOME

Income from financial assets		
Return on:		
Term deposit receipts and saving accounts	1,287,776	1,091,336
Defense saving certificates	1,999	15,743
Pakistan investment bonds	476,504	-
Income from non financial assets		
Rental income from godowns given on rent	305,605	331,736
Rice inspection fee	41,357	23,203
Gain on disposal of operating fixed assets	1,489	3,059
Sales of tender and purchase order forms	196	195
Exchange (loss) / gain - net	125,145	47,415
Others	6,028	23,482
	2,246,100	1,536,169

29. TAXATION

Current year	369,534	140,264
Prior year	5,981	-
	375,515	140,264

29.1 Relationship between tax expense and accounting profit

Accounting profit before taxation	1,461,272	520,503
Tax at the applicable tax rate of 29% (2018: 30%)	423,769	156,150
Effect of income subject to lower rates	(17,210)	-
Effect of non-deductible tax expenses	58,543	54,068
Effect of tax allowable expenses	(101,585)	(49,491)
Effect of deduction allowed for rentals	(17,984)	(20,463)
Super tax	24,002	-
Adjustment relating to prior years	5,981	-
	375,515	140,264

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	2019	2018
		---------- Rupees in 000---------	
Cash and bank balances	17	6,132,148	1,108,348
Commodity finance under markup arrangements	22	(121,810,854)	(109,788,026)
		(115,678,706)	(108,679,678)

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	2019	2018
		---------- Rupees in 000---------	
State controlled entities			
Government of Pakistan	Subsidy received / adjusted	5,413,226	416,043
	Commission	101,234	-
	Dividend paid	200,000	200,000
Utility Stores Corporation of Pakistan	Cash received	450,000	5,000,002
National Fertilizer Marketing Limited	Cash received / Price adjustment	3,805,005	3,348,640
Central Directorate of National Savings	Interest earned on DSC's	1,999	15,743
Key management personnel	Remuneration	18,465	20,795
Retirement benefit funds			
Gratuity fund	Contribution	43,609	90,933
Provident fund	Contribution	15,579	16,800

The status of outstanding receivables and payables from / to related parties as at June 30, 2019 are included in respective notes to these financial statements.

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

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 has investment of Rs. 64.83 million (2018: Rs. 64.83 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.

(iii) The Company has obtained insurance cover for its godowns and motor vehicles from National Insurance Company Limited (NICL) and staff insurance from State Life Insurance Corporation Limited.

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
	---------- Rupees in 000---------	
Financial assets - gross of provisions		
Financial assets measured at amortised cost		
Long-term investments	9,577,245	-
Short-term investments	8,087,500	16,587,500
Long-term loans	103,368	127,469
Long-term deposits	13,341	13,341
Due from Government of Pakistan	50,523,021	41,575,575
Trade debts	46,487,962	47,143,163
Loans and advances	55,159	51,110
Accrued interest	14,848	9,595
Other receivables	9,861,062	9,399,991
Cash and bank balances	6,132,148	1,108,348
Financial assets measured at cost		
Long-term investments	65,827	65,827
	130,921,481	116,081,919
Financial liabilities		
Financial liabilities measured at amortised cost		
Long-term loan	16,649	16,649
Trade and other payables	634,876	620,125
Commodity finance under markup arrangements	121,810,854	109,788,026
Interest accrued	4,082,612	1,829,829
	126,544,991	112,254,629

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 follow 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$ 2.89 million (2018: US$ 2.89 million) equivalent to Rs. 499.52 million (2018: Rs. 350.99 million) with various banks. At June 30, 2019, if the Pakistani 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 higher / lower by Rs. 24.98 million (2018: Rs. 17.55 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 has saving accounts and investment in TDRs / PIBs 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.

(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:

	2019			
	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	-	634,876	-	-
Commodity finance under markup arrangements	-	121,810,854	-	-
Interest accrued	-	-	4,082,612	-
	-	122,445,730	4,082,612	16,649

	2018			
	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	-	620,125	-	-
Commodity finance under markup arrangements	-	109,788,026	-	-
Interest accrued	-	-	1,829,829	-
	-	110,408,151	1,829,829	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, 2019.

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

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

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

(b) **Fair value estimation**

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Company has no items to report in this level.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2019, the Company does not have any financial instrument which has been carried at fair market value.

34. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to carry out functions entrusted to it by GoP. The Company is 100% owned by the Government of Pakistan and is not subject to any externally imposed capital requirements. As of balance sheet date, the Company has gearing effect to the extent of commodity finance and short-term loans facilities, which are obtained for GoP directed operations and guaranteed by GoP.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Note	2019		
		Chief Executive	Directors	Executives
		Rupees in 000		
Managerial remuneration		1,759	3,678	3,176
Housing and utilities		1,239	2,871	2,507
Other allowances and benefits		1,476	4,790	2,540
Disparity allowance		852	1,800	-
Retirement benefits		227	409	730
	35.1	5,553	13,548	8,953
Number of persons		1	2	2

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	2018		
	Chief Executive	Directors	Executives
	------------------ Rupees in 000 ------------------		
Managerial remuneration	2,856	5,790	8,782
Housing and utilities	1,793	2,802	4,870
Other allowances and benefits	1,386	3,278	3,542
Disparity allowance	1,200	1,690	-
Retirement benefits	459	816	6,786
	7,694	14,376	23,980
Number of persons	1	3	4

35.1 In addition to above, the Chief Executive, Director and Executives are also entitled for leave encashment as per Company policy.

36. NUMBER OF EMPLOYEES

The average and total number of employees during the year and as at June 30, 2019 and 2018 respectively are as follows:

	2019	2018
Average number of employees during the year	446	452
Number of employees as at year end	433	453

37. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

No dividend has been proposed by the Board of Directors in its meeting held on 07 FEB 2020 for the year ended June 30, 2019.

38. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 07 FEB 2020 by the Board of Directors of the Company.

39. GENERAL

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

39.2 Corresponding figures have been reclassified, wherever necessary, for the purpose of better presentation.

Chief Financial Officer	Chief Executive Officer	Director