UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment				
Operating fixed assets	5	4,277,453,285	4,324,895,927	4,377,752,166
Intangible asset	6	8,344	12,515	18,771
Long term deposits	7	4,754,584	4,721,236	4,721,236
		4,282,216,213	4,329,629,678	4,382,492,173
CURRENT ASSETS				
Stores	8	7,473,002	10,637,220	7,194,688
Stock in trade	9	5,309,686,082	11,558,160,149	13,428,820,426
Trade debts	10	37,103,665	-	-
Loans and advances	11	8,873,166	13,316,449	16,676,422
Short term prepayments	12	33,886,978	89,519,430	4,497,433
Interest accrued		7,354,102	10,482,884	7,968,287
Other receivables	13	25,186,974,665	28,488,822,250	27,821,074,622
Tax refund due from government	14	2,753,454,886	2,753,454,886	2,753,454,886
Taxation - net	15	9,500,857	17,110,038	21,547,946
Cash and bank balances	16	1,600,189,529	6,901,677,357	4,681,459,973
		34,954,496,932	49,843,180,663	48,742,694,683
TOTAL ASSETS		39,236,713,145	54,172,810,341	53,125,186,856
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	17	737,731,420	737,731,420	737,731,420
Advance against issue of shares	18	481,999,000	481,999,000	481,999,000
Surplus on revaluation of property, plant and equipment	19	3,871,954,778	3,885,667,541	3,899,818,999
Accumulated (loss) / profit		(7,634,666,667)	(2,681,147,550)	893,918,911
		(2,542,981,469)	2,424,250,411	6,013,468,330
NON-CURRENT LIABILITIES				
Government grant related to assets	20	127,355,997	150,827,841	178,902,574
Long term loan	21	500,000,000	500,000,000	500,000,000
Deferred liabilities	22	1,737,784,348	1,641,309,242	1,469,058,348
		2,365,140,345	2,292,137,083	2,147,960,922
CURRENT LIABILITIES				
Trade and other payables	23	39,413,686,749	49,453,013,036	44,963,340,147
Temporary bank overdraft	24	867,520	3,409,811	417,457
		39,414,554,269	49,456,422,847	44,963,757,604
CONTINGENCIES AND COMMITMENTS	25	-	-	-
TOTAL EQUITY AND LIABILITIES		39,236,713,145	54,172,810,341	53,125,186,856

The annexed notes from 1 to 46 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales-net	26	26,416,498,804	53,619,494,507
Subsidy by Government of Pakistan	27	850,673,783	4,250,602,992
		27,267,172,587	57,870,097,499
Cost of sales	28	(24,902,393,389)	(53,231,897,160)
Gross profit		2,364,779,198	4,638,200,339
Selling and distribution expenses	29	(6,902,318,154)	(7,322,384,338)
Administrative expenses	30	(428,149,024)	(412,679,675)
		(7,330,467,178)	(7,735,064,013)
Finance cost	31	(32,814,761)	(46,745,688)
Other income	32	288,095,051	306,134,920
Loss before taxation		(4,710,407,690)	(2,837,474,442)
Taxation	33	(313,355,082)	(536,550,248)
Loss after taxation		(5,023,762,772)	(3,374,024,690)
Loss per share - basic	34	(68.10)	(45.74)
Loss per share - diluted	34	(41.19)	(27.66)

The annexed notes from 1 to 46 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Loss for the year		(5,023,762,772)	(3,374,024,690)
Effect of change in rate on deferred tax liability related to surplus on revaluation of property, plant and equipment		5,377,554	5,660,583
Remeasurement of defined benefit asset / (liability)	22.2.7	51,153,338	(220,853,812)
Total comprehensive loss for the year		(4,967,231,880)	(3,589,217,919)

The annexed notes from 1 to 46 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Note	Share capital	Reserves			
			Capital		Revenue	
		Issued, subscribed and paid-up capital	Advance against issue of shares	Surplus on revaluation of property, plant and equipment	Unappropriated profit / (accumulated loss)	Total
		Rupees				
Balance as at July 01, 2016 - as previously reported		737,731,420	481,999,000	-	893,918,911	2,113,649,331
Impact of changes in accounting policies (net of tax)		-	-	3,899,818,999	-	3,899,818,999
Balance as at July 01, 2016 (restated)		737,731,420	481,999,000	3,899,818,999	893,918,911	6,013,468,330
Total comprehensive income for the year						
Loss for the year		-	-	-	(3,374,024,690)	(3,374,024,690)
Effect of change in rate on deferred tax liability related to surplus on revaluation of property, plant and equipment		-	-	5,660,583	-	5,660,583
Remeasurement of defined benefit asset / (liability)	22.2.7	-	-	-	(220,853,812)	(220,853,812)
		-	-	5,660,583	(3,594,878,502)	(3,589,217,919)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation-net of deferred tax	19	-	-	(19,812,041)	19,812,041	-
Balance as at June 30, 2017 (restated)		737,731,420	481,999,000	3,885,667,541	(2,681,147,550)	2,424,250,411
Total comprehensive income for the year						
Loss for the year		-	-	-	(5,023,762,772)	(5,023,762,772)
Effect of change in rate on deferred tax liability related to surplus on revaluation of property, plant and equipment		-	-	5,377,554	-	5,377,554
Remeasurement of defined benefit asset / (liability)	22.2.7	-	-	-	51,153,338	51,153,338
		-	-	5,377,554	(4,972,609,434)	(4,967,231,880)
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	19	-	-	(19,090,317)	19,090,317	-
Remeasurement of defined benefit asset / (liability)		-	-	-	-	-
Balance as at June 30, 2018		737,731,420	481,999,000	3,871,954,778	(7,634,666,667)	(2,542,981,469)

The annexed notes from 1 to 46 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(4,710,407,690)	(2,837,474,442)
Adjustment for non-cash charges and other items:			
Depreciation		64,180,295	68,278,567
Amortization		4,171	6,256
Recovery of doubtful advances, insurance, store in-charges and other receivables		(37,700,486)	(122,399,886)
Provision for slow moving items		13,808,512	166,877,304
Provision for advances and trade debts		27,282,250	3,345,478
Provision for insurance, store in-charges and other receivables		64,832,178	287,545,857
Provision for leave encashment		63,380,206	273,083,203
Provision for gratuity		144,276,599	102,906,603
Gain on disposal of property, plant and equipment		(38,007)	-
Amortization of government grant		(23,471,844)	(28,074,732)
Interest income		(75,730,615)	(123,844,910)
Finance cost		32,814,761	46,745,688
		273,638,020	674,469,428
Loss before working capital changes		(4,436,769,670)	(2,163,005,014)
Changes in working capital:			
Decrease / (increase) in current assets			
Stores and spares		3,164,218	(3,442,532)
Stock in trade		6,234,665,555	1,703,782,973
Loans and advances		4,985,990	307,102
Short term prepayments		55,632,452	(85,021,997)
Other receivables		3,274,128,186	(833,186,207)
Trade debts		(64,340,915)	-
Increase in current liabilities			
Trade and other payables		(10,039,326,287)	4,489,672,889
		(531,090,801)	5,272,112,228
Cash generated from operations		(4,967,860,471)	3,109,107,214
Finance cost paid		(32,814,761)	(46,745,688)
Gratuity paid		(31,752,070)	(410,305,543)
Leave encashment paid		(13,985,419)	(18,900,886)
Income tax paid		(314,659,219)	(521,838,052)
		(393,211,469)	(997,790,169)
Net cash (used in) / generated from operating activities		(5,361,071,940)	2,111,317,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16,744,646)	(15,422,328)
Proceeds from disposal of property, plant and equipment		45,000	-
Long term deposits		(33,348)	-
Interest received		78,859,397	121,330,313
Net cash generated from investing activities		62,126,403	105,907,985
Net (decrease) / increase in cash and cash equivalents		(5,298,945,537)	2,217,225,030
Cash and cash equivalents at the beginning of the year		6,898,267,546	4,681,042,516
Cash and cash equivalents at the end of the year	35	1,599,322,009	6,898,267,546

The annexed notes from 1 to 46 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Utility Stores Corporation of Pakistan (Private) Limited ("the Company") was incorporated on September 03, 1971 as a private limited company under the repealed Companies Act, 1913 (now the Companies Act, 2017).

Principally engaged in providing items of daily consumption at comparatively cheaper prices through its chain store operations.

The Company has its registered office at plot 2039, F-7/G-7 Blue Area Islamabad .

The Company is operating in 65 regions all over in Pakistan which include following number of units in total.

Particulars	Number of units
Super stores	62
Mini stores	600
Convenience stores	3,733
Franchises	756

1.2 The Company has net loss of Rs. 5,023.763 million during the year ended June 30, 2018 and accumulated losses aggregating to Rs. 7,634.667 million which resulted in negative equity of Rs. 2,542.981 million at the year end. Current liabilities of the Company exceed its current assets by the amount of Rs. 4,460.057 million. The Company has negative cash flows from operations amounting to Rs. 5,361.071 million. Sales of the Company have reduced by approximately 53% during the year. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

The financial statements have been prepared on going concern basis without any adjustments to assets and liabilities, as management is confident that the company will continue as a going concern, in view that the Company is wholly owned by the Government of Pakistan which will support the Company in case of any adversity.

1.3 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was not affected by any significant events and transactions during the reporting period:

- The accounting policy for surplus on revaluation of property, plant and equipment was changed during the year. Consequently, some of the amounts reported in the prior years have been restated. (For detailed information about these adjustments please refer to note 4.26).

- Company's key performance indicator i-e sales decreased by approximately 53 percent due to non availability of stock during the year, which adversely affected the Company's operations and also raised cash flows issues.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

Where 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.

The third and fifth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount and employee benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.25.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Key judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of operating assets – Note 4.1.and Note 5

- Provision for stock in trade - Note 4.4 and Note 9;
- Provision for trade debtors – Note 4.5 and Note 10;
- Provision for trade advances – Note 4.5 and Note 11;
- Provision for other receivables - Note 4.6 and Note 13;
- Estimation of provisions - Note 4.19; and
- Provision for taxation - Note 4.14 and Note 33

The revisions to accounting estimates (if any) are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

Amendments to IAS 7 'Statement of Cash Flow' became effective for the annual periods beginning of or after January 01, 2017 which is relevant to the Company. Amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12 'Income Taxes' became effective for the annual periods beginning on or after January 01, 2017. The amendment clarifying the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

3.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments - Amendment to clarify the classification and measurement of share-based payment transactions The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled.	January 01, 2018
IFRS 3	Business Combinations - Amendment requiring an entity to remeasure its previously held interest at fair value when it obtains control of a business that is a joint operation.	January 01, 2019
IFRS 4	Insurance Contract - Amendments regarding applying IFRS 9- Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4 that are overlay approach and deferral approach. Overlay approach: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Deferral approach: an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.	January 01, 2018
IFRS 9	Financial Instrument'- Prepayment Features with Negative Compensation and modifications of financial liabilities. The amendment allow debt instruments with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income. The amendment also clarified that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss.	January 01, 2019

		Effective date (annual periods beginning on or after)
IFRS 11	Joint Arrangement - The proposed amendments is to eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation in transactions in which an entity obtains control, or joint control, of a joint operation that meets the definition of a business.	January 01, 2019
IAS 12	Income tax - Recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised. The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.	January 01, 2019
IAS 19	Employee Benefits - The amendments require an entity: To use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after plant amendment, curtailment and settlement when entity measure its net defined benefit liability, and; To recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of impact of the asset ceiling.	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures - Clarification that an entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture measuring an associate or joint venture at fair value. The amendment clarifies that an entity applies IFRS 9 'Financial Instruments' long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IAS 40	Investment Property - Amendment to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.	January 01, 2018

3.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

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

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company financial statement in the period of initial application.

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, plant and equipment

Owned

Initial recognition

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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Depreciation

Depreciation is charged on the basis of written down value method as disclosed in note 5 whereby cost of an asset is written off over its useful life without taking into account any residual value. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal.

Recognition and derecognition

Major renewals and repairs are capitalized and the assets so replaced are retired. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred. Gains or losses on disposal of property, plant and equipment are accounted for as profit or loss for the year.

Disposal

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the statement of profit and loss.

Revaluation

Any revaluation increase arising on the revaluation of such assets is credited in surplus on revaluation of property, plant and equipment. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment and to the extent of incremental depreciation charged on the related asset is transferred to unappropriated profit.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Major computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the specific software.

Expenditure which enhances the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Amortization is provided on a reducing balance method at the rates disclosed in Note 6 to the financial statements. Amortization on addition to intangible assets is charged from the month of addition while no amortization is charged for the month of disposal or deletion of assets.

Costs associated with maintaining computer softwares are recognized as an expense as and when incurred.

4.3 Stores and spare parts

These are valued at weighted average cost or net realizable value which ever, is lower or, less allowance for obsolete and slow moving items. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

4.4 Stock-in-trade

Branded items are valued at lower of cost and net realizable value. Cost is calculated on weighted average method. While commodity items are valued at lower of cost, based on first in first out method, and net realizable value. Stock in transit are stated at invoice value.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.5 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less and estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified against provision.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, in transit, balances with bank, highly liquid short-term investments.

4.7 Impairment

The Company assesses at each statement of financial position date whether there is any indication that assets except deferred tax asset, stock in trade and stores, may be impaired. If such an indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of there recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to there respective amounts and resulting impairment loss is recognized in profit and loss account. The recoverable amount is higher of the asset's fair value less cost to sell and its value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and carrying amount of an asset is recognized as an income or expense.

4.8 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

4.9 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the financial instruments and are measured initially at fair value adjusted by transaction cost. Subsequent measurement of financial assets and financial liabilities are described below:

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expired, or when the financial assets in all substantial risk and rewards are transferred. The financial liability is derecognized when it is discharged, cancelled or expired.

4.10 Off-settings

A financial asset and a financial liability and taxation asset and a taxation liability are offset and the net amount is reported in the statement of financial position. If the Company has the legal enforceable right to set-off the recognized amount and intends to settle on net basis or to realize the asset and settle the liability, simultaneously.

4.11 Government grants

Government grants related to the assets

Government grants related to the assets are originally recognized on the basis of fair value of the assets acquired and the amount received from the GoP and is subsequently amortized in proportion to the depreciation charged on asset so acquired and/or received, by a credit to the profit and loss account for the year.

Government grants related to the income

Government grants related to income are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate on systematic basis.

4.12 Employee benefits

Define benefit plan

The Company Operates approved funded gratuity scheme covering all its regular employees who have served the minimum qualifying period as specified in the scheme.

The latest actuarial valuation was carried as of June 30, 2018, the related details of which are given in Note 22.2 of the financial statements.

The amount recognized in the statement of financial position represents the present value of defined benefits obligations as adjusted for un-recognized actuarial gains and losses. The most recent actuarial valuation is carried out at June 30, 2018 using the projected unit credit method (refer Note 22.2). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

Encashment of unavailed leaves

In case of resignation / termination of services except on misconduct, the earned leave to the credit of an employee up to BPS-15 shall be encashed on the basis of the last pay drawn by an employee. In case of officers of BPS-16 and above, such encashment shall be allowed by the competent authority in case the leave applied for had been refused provided that the total leave encashment shall not exceed 365 days in either case.

The latest actuarial valuation was carried as of June 30, 2018, the related details of which are given in Note 22.1 of the financial statements.

Defined contribution plan

The Company has an approved contributory provident fund for its regular employees, contribution in respect of which is charged to profit and loss for the year. Contribution is made by employees at the rate of 8.33% of basic pay at the commencement of financial year. The same amount is contributed by the Company.

4.13 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

4.14 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

The charge for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credit, rebates, losses and exemption available if any, or one percent of turnover, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the liability method in respected of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extend that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity.

4.15 Revenue recognition

Revenue is recognized on the basis of sales recorded at the retail outlets and the subsidy claimed from GoP on subsidized items, whereas, other sales are accounted for on delivery of goods to customers.

Interest income is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

4.16 Foreign currencies

Transaction in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transaction. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing on the statement of financial position date. Gains and losses arising on re-translation or included in net profit or loss for the year.

4.17 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

4.18 Borrowing

Loans and borrowings are recorded at the proceeds received. Mark up, interest and other borrowing costs are charged to income in the period in which they are incurred.

Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets (plant and machinery) are capitalized up to the date of commencement of commercial production on the respective assets. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

4.19 Provisions

Provisions are recognized when the Company has present obligation, legal or constrictive obligation as a result of past events, its probable that an outflow of the resources embodying economic benefit will be required to settle the obligation, and the reliable estimate of amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimates.

4.20 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4.21 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.22 Dividend and apportioning to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.23 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.24 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

4.25 Significant accounting estimates

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) require management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revision to accounting estimates are recognized in the period in which the estimates are revised, if the revision effects only that period, or in the period of the revision and future periods, if the revision effect current period and future periods.

Judgments made by the management in application of IASs that have significant effect on the financial statements and estimates with the significant risk of material adjustment in the next year or discussed in the ensuing paragraphs.

a) Provision for doubtful debts, loans, advances and other receivables

The Company estimates the recoverability of the trade debts, loans, advances and other receivables and provides for doubtful debts, loans, advances and other receivables based on its prior experience, age and recovery analysis.

b) Employee benefits

The company operates funded gratuity scheme covering all its regular employees who have completed the minimum qualifying period of service as defined under the scheme. The calculation of the benefits requires assumptions to be made of future outcomes, the principle ones being in respect of increases remuneration and the discount rate used to convert future cash flows to current values.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market-related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the obligation in respect of employee service in previous year, net of the expected return on plan assets. Calculations are sensitive to changing in the underlying assumptions.

c) Property, plant and equipment.

The company reviews the useful lives of Property, plant and equipment on regular basis. Any changes in the estimates in future years might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding effects on the depreciation.

d) Contingencies

The company has disclosed significant contingent liabilities for the pending litigations and claims against the company based on its judgment and the advice of the legal advisor for the estimated financial outcome. The actual outcome of these litigations and claims can have an effects on the carrying amounts of the liabilities recognized at the statement of financial position date. However, based on the best judgment of the company and its legal advisor, the likely outcomes of these litigations and claims is remote and their is no need to recognize any liability at the statement of financial position date.

e) Taxation

The company takes into account the current income tax law and decision taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage where the company consider that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.26 Change in accounting policy

The Companies Act, 2017 has introduced changes to the accounting and reporting standards applicable to the large-sized companies, which have been applied for the first time in these financial statements. The changes in the accounting and reporting standards have impacted the Company's accounting policies relating to the borrowings costs and revaluation surplus on property, plant and equipment. Accordingly, the accounting policies of the borrowings costs and revaluation surplus on property, plant and equipment have been changed and applied retrospectively in these financial statements to comply with the accounting and reporting standards applicable to the Company. The resulted impact of change in accounting policy is as follows:

Change in accounting policy of revaluation surplus on property, plant and equipment

The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 are being followed by the Company. The new accounting policy is explained under note 5.1, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

Below.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 110,644,660 for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment previously presented below equity in the statement of financial position. Further, there is an increase in the other comprehensive income of Rs. 41,619,070 for the year ended June 30, 2018 as a result of revaluation surplus during the year accounted for in accordance with new policy.

Statement of financial position
Retrospective Impact of change in accounting policy

Description	As at July 01, 2016			As at June 30, 2017		
	As previously reported on June 30, 2016	Adjustments Increase / (Decrease)	As restated on July 01, 2016	As previously reported on June 30, 2017	Adjustments Increase / (Decrease)	As restated on June, 2017 (Restated)
	Rupees			Rupees		
Surplus on revaluation of property plant and equipment(within the equity)	-	3,899,818,999	3,899,818,999	-	3,885,667,541	3,885,667,541
Net impact on equity	-	3,899,818,999	3,899,818,999	-	3,885,667,541	3,885,667,541
Surplus on revaluation of property plant and equipment (below equity)	3,899,818,999	(3,899,818,999)	-	3,885,667,541	(3,885,667,541)	-
	3,899,818,999	(3,899,818,999)	-	3,885,667,541	(3,885,667,541)	-

Impact of change in accounting policy - June 30, 2018

	Rupees
Surplus on revaluation of property plant and equipment (within equity)	3,871,954,778
Surplus on revaluation of property plant and equipment (below equity)	-
	3,871,954,778

Statement of comprehensive income
For the year ended June 30, 2018

	As previously reported	Adjustments Increase / (Decrease) in profit	2017 (Restated)
Other comprehensive income	(220,853,812)	5,660,583	(215,193,229)

Statement of comprehensive income
For the year ended June 30, 2018

Increase in other comprehensive income - net of tax	**5,377,554**

5 PROPERTY, PLANT AND EQUIPMENT

The following is the statement of operating fixed assets:

Description	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Temporary buildings	Plant and equipment	Furniture, fixture and office equipment	Computer and office machines	Motor vehicles and bicycles	Sign boards	Total
	Rupees										
Net carrying value basis year ended June 30, 2018											
Opening net book value (NBV)	276,604,620	3,258,288,700	157,157,901	440,710,033	9,690	7,185,229	159,350,383	11,947,009	13,122,114	520,248	4,324,895,927
Additions (at cost)	-	-	-	-	-	286,394	14,042,314	2,308,888	-	107,050	16,744,646
Disposals (NBV)	-	-	-	-	-	-	-	-	(6,993)	-	(6,993)
Depreciation charge	-	-	(7,857,895)	(22,035,502)	(2,422)	(1,481,251)	(25,569,245)	(4,418,295)	(2,623,024)	(192,661)	(64,180,295)
Closing net book value	276,604,620	3,258,288,700	149,300,006	418,674,531	7,268	5,990,372	147,823,452	9,837,602	10,492,097	434,637	4,277,453,285
Gross carrying value basis year ended June 30, 2018											
Cost / revalue	276,604,620	3,258,288,700	170,558,755	478,723,500	8,759,706	44,128,901	572,762,408	119,349,752	106,855,536	12,736,066	5,048,767,944
Accumulated depreciation	-	-	(21,258,749)	(60,048,969)	(8,752,438)	(38,138,529)	(424,938,956)	(109,512,150)	(96,363,439)	(12,301,429)	(771,314,659)
Net book value	276,604,620	3,258,288,700	149,300,006	418,674,531	7,268	5,990,372	147,823,452	9,837,602	10,492,097	434,637	4,277,453,285
Net carrying value basis year ended June 30, 2017											
Opening net book value (NBV)	276,604,620	3,258,288,700	163,318,468	463,905,298	12,920	8,551,017	178,715,137	12,080,581	15,547,049	728,376	4,377,752,166
Additions (at cost)	-	-	2,049,146	-	-	386,715	7,649,880	4,512,752	785,500	38,335	15,422,328
Depreciation charge	-	-	(8,209,713)	(23,195,265)	(3,230)	(1,752,503)	(27,014,634)	(4,646,324)	(3,210,435)	(246,463)	(68,278,567)
Closing net book value	276,604,620	3,258,288,700	157,157,901	440,710,033	9,690	7,185,229	159,350,383	11,947,009	13,122,114	520,248	4,324,895,927
Gross carrying value basis year ended June 30, 2017											
Cost / revalue	276,604,620	3,258,288,700	170,558,755	478,723,500	8,759,706	43,842,507	558,720,094	117,040,864	106,907,426	12,629,016	5,032,075,188
Accumulated depreciation	-	-	(13,400,854)	(38,013,467)	(8,750,016)	(36,657,278)	(399,369,711)	(105,093,855)	(93,785,312)	(12,108,768)	(707,179,261)
Net book value	276,604,620	3,258,288,700	157,157,901	440,710,033	9,690	7,185,229	159,350,383	11,947,009	13,122,114	520,248	4,324,895,927
Depreciation rate % per annum	-	-	5%	5%	25%	20%	15%	33.33%	20%	33.33%	

5.1 Depreciation for the year has been allocated as follows.

	Note	2018 Rupees	2017 Rupees
Cost of sales	28	1,697,045	1,814,344
Selling and distribution expenses	29	56,669,291	59,945,543
Administrative expense	30	5,813,959	6,518,680
		64,180,295	68,278,567

5.2 The title of leasehold land and building at Roti Plant, Karachi acquired by the Company in 1999 from Privatization Commission, Government of Pakistan at a revalued amount of Rs. 571.846 million has not been transferred in the name of the Company.

5.3 Freehold land includes plots and agricultural land in Multan amounting to Rs. 21.892 million. These were decreed and transferred against recoverable from a store in charge for which case is pending in the court.

		Note	2018 Rupees	2017 Rupees
6	**INTANGIBLE ASSET**			
	Computer software	6.1	8,344	12,515
6.1	**Net carrying value basis**			
	Opening net book value		12,515	18,771
	Less: Amortization charged for the year		4,171	6,256
	Closing net book value		8,344	12,515
	Gross carrying value basis			
	Cost		95,000	95,000
	Accumulated amortization		86,656	82,485
	Closing net book value		8,344	12,515
	Amortization rate % per annum		33.33	33.33
7	**LONG TERM DEPOSITS**			
	Deposits		4,754,584	4,721,236
8	**STORES**			
	Stores-stationery		7,473,002	10,637,220
9	**STOCK IN TRADE**			
	Stock in hand		5,642,847,936	11,877,513,491
	Provision for slow moving items	9.1	(333,161,854)	(319,353,342)
			5,309,686,082	11,558,160,149
9.1	Movement of provision for slow moving and obsolete items is as follows:			
	Opening balance		319,353,342	152,476,038
	Provision for the year	9.2	13,808,512	166,877,304
	Closing balance		333,161,854	319,353,342

9.2 This represents provision during the year based on actual status of damaged, expired and obsolete stock received from regions during the year and additional 1% provision of gross closing stock for unforeseen damaged, expired and obsolete stock.

		Note	2018 Rupees	2017 Rupees
10	**TRADE DEBTS**			
	Unsecured			
	Considered good		37,103,665	-
	Considered doubtful		220,948,473	193,711,223
			258,052,138	193,711,223
	Provision for doubtful debts	10.1	(220,948,473)	(193,711,223)
			37,103,665	-
10.1	Movement of provision for doubtful debts is as follows			
	Opening balance		193,711,223	193,711,223
	Transferred from miscellaneous receivable		27,237,250	-
	Closing balance		220,948,473	193,711,223

10.2 Trade debts represent balance receivables from different Government Departments. The aging of trade debts at the statement of financial position date is as follows:

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	Note	2018 Rupees	2017 Rupees
Not past due		37,103,665	-
Past due by 1 to 2 years		-	-
Past due by over 3 years		220,948,473	193,711,223
		258,052,138	193,711,223

11 LOANS AND ADVANCES

	Note	2018 Rupees	2017 Rupees
Unsecured-considered good			
Advances to employees		8,626,465	13,108,385
Advances to suppliers		246,701	208,064
		8,873,166	13,316,449
Considered doubtful			
Advances to employees		1,304,235	1,816,947
Advances to suppliers	11.2 & 11.3	49,429,888	49,459,884
		50,734,123	51,276,831
		59,607,289	64,593,280
Provision for doubtful advances	11.1	(50,734,123)	(51,276,831)
		8,873,166	13,316,449

11.1 Movement of provision for doubtful advances is as follows:

	2018 Rupees	2017 Rupees
Opening balance	51,276,831	48,223,961
Recovery / adjustment of doubtful loans and advances	(587,708)	(292,608)
Provision for the year	45,000	3,345,478
Closing balance	50,734,123	51,276,831

11.2 Advances to suppliers includes an amount of Rs. 44.982 million (2017 : Rs. 44.982 million) in respect of receivables from M/s Qureshi Flour Mills against the supplies of 11,094.5 metric tons of wheat grains for grinding purposes which is disputed with the supplier. The defendant is under the police custody for more than three years. However, the said amount has been provided for in the prior years.

11.3 Advances to suppliers includes an amount of Rs. 1.804 million (2017: Rs. 1.804 million) in respect of receivables from M/s Yousfzai Flour Mills which is also disputed with the supplier. The Company has filed a suit against the supplier and the defendant is wanted by the Court of law. However, the said amount has been provided for in the prior years.

12 SHORT TERM PREPAYMENTS

	Note	2018 Rupees	2017 Rupees
Short term prepayments	12.1	33,886,978	89,519,430

12.1 This includes insurance premium amounting to Rs. 33.886 million (2017: Rs. 89.327 million) paid in advance for stock in trade, cash and vehicles against fire and burglary.

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		Note	2018 Rupees	2017 Rupees
13	**OTHER RECEIVABLES**			
	Considered good			
	Insurance claims	13.1	93,023,727	96,790,533
	Recoverable from store in charges	13.2	637,124,455	590,535,555
	Receivable from Ministry of Finance	13.3	22,777,687,931	26,240,407,960
	Miscellaneous receivables	13.4	363,247,535	399,265,448
	Sales tax refund receivable	13.5	1,315,891,017	1,161,822,754
			25,186,974,665	28,488,822,250
13.1	**Insurance claims**			
	Insurance claims		305,638,235	304,964,561
	Provision for doubtful claims	13.1.1	(212,614,508)	(208,174,028)
			93,023,727	96,790,533
13.1.1	Movement of provision for doubtful insurance claims is as follows:			
	Opening balance		208,174,028	209,729,890
	Recovery / adjustment during the year		(7,898,220)	(36,847,735)
	Provision for the year		12,740,510	35,291,873
	Provision transferred to recoverable from store in charges		(401,810)	-
	Closing balance		212,614,508	208,174,028
13.2	**Recoverable from store in charges**			
	Recoverable from store in-charges	13.2.1 & 13.2.2	1,517,630,481	1,447,206,259
	Provision for doubtful receivables	13.2.2 & 13.2.3	(880,506,026)	(856,670,704)
			637,124,455	590,535,555

13.2.1 The shortage in stocks at various stores have been discovered by the Company and receivables have been recognized from store in-charges in respect of these shortages.

13.2.2 It includes Rs. 382.966 million (2017: Rs. 383.606 million) relating to embezzlement of cash funds through undue / excessive sales deliberately / intentionally credited in selective store ledgers by the staff of Quetta region, as being identified in findings of the Inquiry Committee of USC head office. Out of the above mentioned amount, Rs. nil (2017: Rs. 70.776 million) has been charged off during the year. The amounts have been shown as recoverable from store-in-charges, however, fully provided for on receipt of final Inquiry Report of Federal Investigation Agency in prior year.

		2018 Rupees	2017 Rupees
13.2.3	Movement of provision for doubtful recoverable from store incharges is as follows:		
	Opening balance	856,670,704	692,359,130
	Recovery / adjustment of doubtful receivables	(28,820,573)	(85,156,076)
	Write off / adjustment of doubtful receivables	(344,420)	-
	Provision for the year	51,560,359	249,467,650
	Provision transfer from insurance claim/other receivable	1,439,956	-
	Closing balance	880,506,026	856,670,704

		Note	2018 Rupees	2017 Rupees
13.3	**Receivables from Ministry of Finance**			
	Sugar subsidy		21,088,925,419	23,088,925,000
	Ramzan relief package		62,854,651	513,643,960
	Non-paper subsidy		1,625,907,861	2,637,839,000
			22,777,687,931	26,240,407,960
13.4	**Miscellaneous receivables**			
	Miscellaneous receivables		423,932,693	488,088,679
	Provision for doubtful miscellaneous receivables	13.4.1	(60,685,158)	(88,823,231)
			363,247,535	399,265,448
13.4.1	Movement of provision for Miscellaneous receivables is as follows:			
	Opening balance		88,823,231	86,140,364
	Recovery / adjustment of doubtful miscellaneous receivables		(393,985)	(103,467)
	Provision for the year		531,309	2,786,334
	Provision transfer to shortage/consider doubtful		(28,275,397)	-
	Closing balance		60,685,158	88,823,231

13.5 In prior year, Deputy Commissioner Inland Revenue (DCIR) passed order-in-original no. 02/50 dated September 25, 2013 and created sales tax and Federal Excise Duty (FED) demand of Rs. 8,068 million for the period July 2008 to June 2011 and recovered Rs. 413.569 million from the Company's bank account on October 29, 2013. The DCIR refunded the aforementioned amount of Rs. 413.569 million during the year on February 08, 2017.

In prior year, Federal Board of Revenue recovered Rs. Rs. 480.845 million against sales tax for the period July 2011 to June 2013 from the Company's bank account. The Company is in appeal against these taxes as explained in Note 25.1.11 to these financial statements.

Further, against various demands of sales tax and FED, various amounts comprising of Rs. 368.657 million sales tax and Rs. 0.176 million FED for the period July 2010 to June 2011, Rs. 179.813 million sales tax and Rs. 1.452 million FED for the period July 2013 to June 2014, Rs. 130.003 million sales tax and Rs. 0.865 million FED for the period July 2014 to June 2015 and Rs. 154.068 million sales tax for the period July 2015 to June 2016 has been paid. The Company is in appeal against these taxes as explained in Notes 25.1.16, 25.1.13, 25.1.14 and 25.1.26 to these financial statements respectively.

		Note	2018 Rupees	2017 Rupees
14	**TAX REFUND DUE FROM GOVERNMENT**			
	Tax refund due from government	14.1	2,753,454,886	2,753,454,886

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14.1 This includes Rs. 48.622 million, Rs. 47.973 million, Rs. 68.193 million and Rs. 671.016 million paid under protest by the Company against tax demands raised by the Federal Board of Revenue relating to tax years 2010, 2012, 2013 and 2014 respectively. In the financial statements of 2009 to 2014 minimum tax provision was not recognized due to gross loss before subsidy as explained in Notes 25.1.2 and 25.1.4 to 25.1.8, as subsidy from government was exempt from income tax including minimum tax under clause 102A of part 1 of Second Schedule of the Income Tax Ordinance, 2001. The amount deposited during the above mentioned years as minimum tax is recognized in tax refund due from government comprising of Rs. 232.017 million for 2009, Rs. 127.493 million for 2010, Rs.531.468 million for 2011, Rs. 492.639 million for 2012, Rs. 301.026 million for 2013 and Rs. 199.304 million for 2014.

15 TAXATION - NET

	Note	2018 Rupees	2017 Rupees
Balance at beginning of the year		17,110,038	21,547,946
Adjustment		108,987	41,806
Payment made during the year		314,659,219	521,838,052
		331,878,244	543,427,804
Provision for the current year	33.1	(322,377,387)	(526,317,766)
		9,500,857	17,110,038

15.1 Comparison of tax provision against tax assessments

Year	Tax provision	Tax assessment / tax return
	------------ (Rupees)	------------
2016-17	526,317,766	526,208,779
2015-16	477,622,021	477,580,215
2014-15	555,449,237	545,112,012

16 CASH AND BANK BALANCES

	Note	2018 Rupees	2017 Rupees
Cash in hand		13,655,870	19,611,582
Cash in transit	16.1	209,338,831	692,655,777
		222,994,701	712,267,359
Bank balances:			
Current accounts		-	327
Saving accounts	16.2	1,377,194,828	6,189,409,671
		1,600,189,529	6,901,677,357

16.1 This represents cash in hand or cash deposited by the store in charges with banks, however, not credited by the offline banks on the statement of financial position date and were subsequently credited in July 2018.

16.2 Bank balances in saving accounts include Rs. 467.016 million (2017: Rs. 708.011 million) in respect of security deposits received. Effective mark up rates in respect of saving accounts ranges from 4.5 % to 6.1 % (2017: 4.5 % to 6.2 %) per annum.

		Note	2018 Rupees	2017 Rupees

17 SHARE CAPITAL

17.1 Issued, subscribed and paid up capital:

Number of ordinary shares of Rs. 10/- each				
2018	2017			
2,000,018	2,000,018	Fully paid in cash	20,000,180	20,000,180
71,773,124	71,773,124	Issued to GoP in settlement of loan	717,731,240	717,731,240
73,773,142	73,773,142		737,731,420	737,731,420

17.2 Authorized share capital:

Number of ordinary shares of Rs. 10/- each			
2018	2017		
125,000,000	125,000,000	1,250,000,000	1,250,000,000

18 ADVANCE AGAINST ISSUE OF SHARES

	Note	2018 Rupees	2017 Rupees
Government of Pakistan	18.1	481,999,000	481,999,000

18.1 This represents Government equity investment in the capital of the Company, which has been received as working capital equity amounting to Rs. 450 million from Government of Pakistan (GoP) through Finance Division Corporate Finance Wing vide their letters dated November 14, 2001, August 04, 2003 and November 06, 2003 of Rs. 150 million each. This also includes 31.999 million finance cost paid by the GoP on behalf of the Company with respect to long term loan of Habib Bank Limited. This has been disclosed in equity as per TR-32 issued by Institute of Chartered Accountants of Pakistan (ICAP).

19 SURPLUS ON REVALUATION OF PROPERTY,PLANT AND EQUIPMENT

	2018 Rupees	2017 Rupees
Balance brought forward	4,046,994,166	4,075,297,082
Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)	19,090,317	19,812,041
Related deferred tax liability during the year transferred to profit and loss account	7,797,454	8,490,875
	26,887,771	28,302,916
	4,020,106,395	4,046,994,166
Less: Related deferred tax effect:		
Balance as at July 01,	161,326,625	175,478,083
Revaluation during the year	-	-
Effect of change in rate	(5,377,554)	(5,660,583)
Related deferred tax liability during the year transferred to profit and loss account	(7,797,454)	(8,490,875)
	148,151,617	161,326,625
	3,871,954,778	3,885,667,541

19.1 The Company has revalued its leasehold / freehold land and buildings in February 2016. The revaluation was carried out by independent valuer M/s M.J. Surveyors (Pvt.) Ltd, using fair market value. The report indicated impairment and appreciation in the value of land and building which has been adjusted in the accounts for the year ended June 30, 2015 and year ended June 30, 2016, respectively.

19.2 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	Note	2018 Rupees	2017 Rupees
Leasehold land		24,362,856	24,362,856
Freehold land		1,291,715	1,291,715
Buildings on freehold land		282,817	297,702
Buildings on leasehold land		49,206,998	51,796,840

20 GOVERNMENT GRANT RELATED TO ASSETS

Estimated value of fixed assets received under assistance from International Labor Organization, United Nations Development Programme through the Government of Pakistan (GoP)		2,120,405	2,120,405
Capital investment by the GoP for construction of building projects		9,069,000	9,069,000
Supplementary grant provided by Ministry of Industries, Production and Special Initiatives for expansion of stores and warehouses		1,242,047,478	1,242,047,478
		1,253,236,883	1,253,236,883
Less: Amortization:			
Balance at beginning of the year		1,102,409,042	1,074,334,309
Amortization for the year		23,471,844	28,074,733
		1,125,880,886	1,102,409,042
		127,355,997	150,827,841

21 LONG TERM LOAN

	Note	2018 Rupees	2017 Rupees
Unsecured			
Cash Development Loan (CDL)	21.1	500,000,000	500,000,000

21.1 The Executive Committee of the National Economic Council (ECNEC) approved the project of expansion of Utility Stores Corporation (USC) network (establishment of 22 warehouses and 5,000 stores at Union Council level) in financial year 2007-08 at a total cost of Rs. 1,778.44 million. The project was approved at a condition that the total approved cost of Rs. 1,778.44 million shall include the working capital of Rs. 500 million, which would be provided through Cash Development Loan (CDL). Out of the total cost the Corporation has received an amount of Rs. 500 million during the year 2009 as a CDL. The terms and conditions of such loan have not yet been finalized.

Added.

	Note	2018 Rupees	2017 Rupees
22 DEFERRED LIABILITIES			
Staff retirement benefits - leave encashment	22.1	1,186,851,825	1,137,457,038
Staff retirement benefits - gratuity	22.2	385,131,607	323,760,416
Deferred taxation	22.3	165,800,916	180,091,788
		1,737,784,348	1,641,309,242

22.1 Staff retirement benefits - leave encashment

Employees of Utility Stores Corporation of Pakistan (Private) Limited are entitled to receive 45 days leave per annum. The un-utilized leaves are accumulated. The un-utilized accumulated leaves are en-cashed at the time of leaving service subject to a maximum of 365 days. The leave encashment benefit is calculated as per Company policy. Annual charge is based on actuarial valuation carried out as at June 30, 2017 using Projected Unit Credit Method.

	Note	2018 Rupees	2017 Rupees
22.1.1 Amount recognized in statement of financial position is as follow:			
Present value of defined benefits obligations	22.1.2	1,186,851,825	1,137,457,038
Fair value of plan assets		-	-
		1,186,851,825	1,137,457,038
22.1.2 The movement in the present value of defined benefits obligation is as follows:			
At beginning of the year		1,137,457,038	883,274,721
Service cost (Current service cost + past service cost + gains / losses on settlements)		63,380,206	98,140,513
Interest cost		-	80,828,746
Benefits paid		(13,985,419)	(18,900,886)
Actuarial loss		-	94,113,944
At end of the year		1,186,851,825	1,137,457,038
22.1.3 Movement in the net liability recognized is as follows:			
At beginning of the year		1,137,457,038	883,274,721
Expense chargeable to P & L during the year	22.1.4	63,380,206	273,083,203
Benefits paid during the year		(13,985,419)	(18,900,886)
At end of the year		1,186,851,825	1,137,457,038
22.1.4 Charge for the year			
Current service cost		63,380,206	98,140,513
Net interest on net defined benefit liability		-	80,828,746
Remeasurement of net defined benefit liability		-	94,113,944
		63,380,206	273,083,203

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		2018	2017
22.1.5	**The principal actuarial assumptions used were as follows:**		
	Discount rate	10.00%	9.25%
	Expected increase in salary	10.00%	9.25%
	Mortality rate	SLIC (2001-05)	SLIC (2001-05)
	Average expected working lives of employees in years	10.30	13.10

22.2 Staff retirement benefits - gratuity

The gratuity is payable to all regular employees who have served the minimum qualifying period as specified in the scheme upon their retirement at the age of 60 years or on earlier cessation of service, at the rate of one month gross pay drawn for each completed year of service or any part thereof in excess of six months. Annual charge is based on actuarial valuation carried out as at June 30, 2018 using Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

Asset volatility - Most assets are invested in risk free investments i.e. National Saving Schemes.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

		2018 Rupees	2017 Rupees
22.2.1	Amount recognized in statement of financial position is as follow:		
	Fair value of plan assets	1,383,953,297	1,193,019,241
	Present value of defined benefits obligations	(1,769,084,904)	(1,516,779,657)
		(385,131,607)	(323,760,416)
22.2.2	The movement in the present value of defined benefits obligation is as follows:		
	At beginning of the year	1,516,779,657	1,138,852,351
	Service cost (Current service cost + past service cost + gains / losses on settlements)	115,797,294	82,993,628
	Interest cost	139,809,195	102,496,712
	Benefits paid	(10,657,794)	(32,204,992)
	Actuarial gain	7,356,552	224,641,958
	At end of the year	1,769,084,904	1,516,779,657

		2018 Rupees	2017 Rupees
22.2.3	The movement in the present value of plan assets is as follows:		
	At beginning of the year	1,193,019,241	728,546,807
	Interest income for the year	111,329,890	82,583,737
	Contribution during the year	31,752,070	410,305,543
	Benefits paid during the year	(10,657,794)	(32,204,992)
	Return on plan assets excluding interest income	58,509,890	3,788,146
	At end of the year	1,383,953,297	1,193,019,241
22.2.4	Movement in the net asset / (liability) recognized is as follows:		
	At beginning of the year	(323,760,416)	(410,305,544)
	Expense chargeable to P & L during the year	(144,276,599)	(102,906,603)
	Amount chargeable to OCI during the year	51,153,338	(220,853,812)
	Contribution paid during the year	31,752,070	410,305,543
	At end of the year	(385,131,607)	(323,760,416)
22.2.5	**Charge for the year**		
	Current service cost	115,797,294	82,993,628
	Past service cost	-	-
	Net interest on net defined benefit liability	28,479,305	19,912,975
		144,276,599	102,906,603
22.2.6	**Plan assets comprises of the following:**		
	Defense saving certificates (DSC's)	70,000	10,816,500
	Special saving certificates (SSC's)	185,536,000	600,536,000
	National Bank of Pakistan TDR	930,000,000	-
	Accrued income	165,270,359	183,946,659
	Gratuity Advance	230,178	230,178
	Bank account	102,846,760	397,489,904
		1,383,953,297	1,193,019,241
22.2.7	**Remeasurement chargeable to other comprehensive income**		
	Actuarial (gain) / loss due to experience adjustment	7,356,552	224,641,958
	Return on plan assets	(58,509,890)	(3,788,146)
		(51,153,338)	220,853,812
22.2.8	**The principal actuarial assumptions used were as follows:**		
	Discount rate	9.00%	9.25%
	Expected rate of return on plan assets	9.00%	9.25%
	Expected increase in salary	9.00%	9.25%
	Mortality rate	SLIC (2001-05)	
	Average expected working lives of employees in years	8.53	11.58

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22.2.9 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in Assumption	Decrease in Assumption
	Rupees	Rupees
Discount rate	1,624,193,979	1,943,227,916
Salary increase	1,943,858,762	1,620,321,499

22.2.10 The charge in respect of defined benefit plan for the year ending June 30, 2019 is estimated to be Rs.124,646,851.

22.3 Deferred taxation

Deferred tax liability arising due to taxable temporary timing differences are as follows:

	2018	2017
	Rupees	Rupees
Accelerated tax depreciation	17,649,299	18,765,163
Surplus on revaluation of fixed assets	148,151,617	161,326,625
	165,800,916	180,091,788
Tax rate used	29%	30%

22.3.1 Deferred tax asset of Rs. 13.662 million (2017: Rs. 15,515.032 million) due to turnover tax, provisions, and brought forward losses has not been recognized in the current financial statements due to uncertainty regarding realisibility of the amount.

23 TRADE AND OTHER PAYABLES

	Note	2018 Rupees	2017 Rupees
Creditors			
Associated undertakings		26,995,214,282	31,992,977,020
Others vendors		10,283,987,906	15,809,691,338
Salaries and allowances		712,405,575	12,689,261
Bonus payable		289,725	321,965
Security deposits	23.1	831,034,996	1,030,932,756
Contributory provident fund		19,646,972	13,147,528
Workers' benevolent fund		8,277,464	1,369,939
Fidelity guarantee		115,399,360	105,051,239
Employee donation fund	23.2	133,128,161	112,865,851
Sales tax		8,860,246	24,627,409
Withholding tax		28,685,003	37,365,303
Other liabilities		276,757,059	311,973,427
		39,413,686,749	49,453,013,036

23.1 This represents security deposits from suppliers and franchisees amounting to Rs. 407.415 million (2017: Rs. 594.894 million) and Rs. 21.660 million (2017: Rs. 21.322 million) respectively. This also include amounts retained from suppliers against performance guarantees amounting to Rs. 401.959 million (2017: Rs. 414.627 million).

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23.2 This represents deduction of one day basic salary from every employee and to be paid to the extent of Rs.1 million to any employee's next of kin, in case of their death during service period.

		2018 Rupees	2017 Rupees
24	**TEMPORARY BANK OVERDRAFT**		
	Bank over draft	867,520	3,409,811

24.1 This represents temporary credit balances, which occurred due to outstanding cheques at the year end, issued in anticipation of deposits. Subsequent to year end, this amount has been fully adjusted.

		2018 Rupees	2017 Rupees
25	**CONTINGENCIES AND COMMITMENTS**		
25.1	**CONTINGENCIES**		
25.1.1	Claims against the Company and/or potential exposure not acknowledge as debts:		
	Suppliers and other claims against the Company	424,062,142	424,062,142

25.1.2 The Deputy Commissioner Inland Revenue (DCIR), Enforcement-I vide re-assessment order for the Tax Year 2010 bearing no. 03/60 dated June 19, 2013 passed u/s 124/161/205 and created the alleged tax demand of Rs. 48.622 million (default u/s 161 amounting to Rs. 30.946 million and default surcharge u/s 205 amounting to Rs. 17.676 million) due to non-deduction of withholding tax on different payments made to suppliers. Tax department has recovered Rs. 48.622 million in July 2013 from the Company's bank account which is appearing as tax refund due from government in the books of accounts. The Company filed an appeal before the Commissioner Inland Revenue Appeals (CIRA) against the re-assessment order and CIRA has set-aside the order with the direction to examine the tax exemption certificates. No order has yet been passed. The Company is hopeful for favorable outcome.

25.1.3 Collector of Customs, Sales Tax and Central Excise (Adjudication) has issued order-in-original no. 21/2002 dated March 26, 2002 and created the sales tax demand of Rs. 59.030 million for the period from July 1998 to March 2000. Out of Rs. 59.030 million an amount of Rs. 1.800 million paid by the Company on June 24, 2002 as principal amount for grant of stay order against order in original and Rs. 17.200 million are recovered by tax department from the Company's bank account on June 25, 2010 and balance amount of Rs. 40.030 million is payable to sales tax department. The Company has filed an appeal against such demand. In the event of adverse decision, the Company would be required to pay an amount of Rs. 40.030 million (2017: Rs. 40.030 million) against the sales tax demand.

25.1.4 The income tax return for the Tax Year 2010 was selected for total audit through computerized balloting by FBR; the Additional Commissioner Inland Revenue (ACIR) has created a tax liability of Rs. 264.134 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 127.489 million during the year which is appearing as tax refund due from government in the Company's books of accounts after adjusting the deposited tax, ACIR has amended the assessment and created a tax demand of Rs. 136.645 million vide order No.13/123 dated Feb 29, 2016. ACIR has further amended the assessment u/s 124/122(5A) dated June 28, 2016 and created the revised tax demand of Rs. 133.105 million. The Company filed appeal along with stay application before CIRA, which was decided against the Company. Feeling aggrieved, the Company filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order and filed writ petition for grant of stay before Islamabad High Court (IHC) and the honorable IHC vide W.P. No. 4685 dated December 20, 2016 granted stay, which is valid till the decision of appeal by the ATIR. The ATIR called for hearing on July 5th, 2017 and August 5th, 2017 and learned bench of the ATIR has reserved the decision which will be issued after adjudicating on the departmental appeals filed for tax years 2012 and 2013 against the order of the CIRA.

25.1.5 The income tax return for the Tax Year 2011 was selected for total audit through computerized balloting by FBR; the ACIR has created a tax liability of Rs. 681.245 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 531.367 million during the year which is appearing as tax refund due from government in the Company's books of accounts and after adjusting the deposited tax, the ACIR has amended the assessment and created a tax demand of Rs. 149.878 million vide order No.14/123 dated Feb 29, 2016. The ACIR has further amended the assessment u/s 124/122(5A) dated June 28, 2016 and created the revised tax demand of Rs. 139.011 million. The Company filed appeal along with stay application before the CIR (Appeals), which was decided against the Company. Feeling aggrieved, the Company filed appeal before the ATIR against the order and filed writ petition for grant of stay before the IHC and the honorable IHC vide W.P. No. 4686 dated December 20, 2016 granted stay, which is valid till the decision of appeal by the ATIR. The ATIR called for hearing on July 5th, 2017 and August 5th, 2017 and learned bench of the ATIR has reserved the decision which will be issued after adjudicating on the departmental appeals filed for tax years 2012 and 2013 against the order of the CIRA.

25.1.6 The income tax return for Tax Year 2012 was selected for total audit through computerized balloting by FBR; the ACIR has created a tax liability of Rs. 673.852 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 492.638 million during the year which is appearing as tax refund due from government in the Company's books of accounts and after adjusting the deposited tax, the ACIR has amended the assessment and created the revised tax demand of Rs. 181.214 million. The Company has deposited the tax of Rs. 47.973 million on June 20, 2013 and the DCIR has issued the revised tax demand vide Notice No. 55 dated August 26, 2013 for Rs.133.241 million. The Company has filed appeal before the CIRA, who has decided the matter in favor of the Company vide his appellate order No.10/2013 dated October 14, 2013. Inland Revenue Department (the Department) has filed appeal before the ATIR against the order of the CIRA. The appeal is still pending, and the management is confident of a favorable outcome and therefore no provision has been provided in these financial statements.

25.1.7 The income tax return for Tax Year 2013 was selected for total audit through computerized balloting by FBR; the ACIR has created a tax liability of Rs. 465.693 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 301.025 million during the year which is appearing as tax refund due from government in the Company's books of accounts and after adjusting the deposited tax, the ACIR has amended the assessment and created the revised tax demand of Rs. 164.668 million. The Company has filed an appeal before the CIRA, who has decided the matter in favor of the Company vide his appellate order No.881/2015 dated June 01, 2015. The Department has filed appeal before the ATIR against the order of the CIRA. The appeal is still pending, and the management is confident of a favorable outcome and therefore no provision has been provided in these financial statements.

25.1.8 The income tax return for Tax Year 2014 was selected for total audit through computerized balloting by FBR; the ACIR has created a tax liability of Rs. 871.123 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 200.107 million during the year which is appearing as tax refund due from government in the Company's books of accounts and after adjusting the deposited tax, the ACIR has amended the assessment and created the revised tax demand of Rs. 671.016 million vide order No.18/124 dated April 29, 2016. The Company filed appeal along with application for stay of recovery proceedings before the CIRA, upon which the Company was granted a stay of 20 days subject to deposit of 35% tax demand. Feeling aggrieved, the Company filed writ petition before the IHC upon which the honorable IHC granted stay from recovery proceedings. Despite the stay granted by the IHC, the ACIR (Enforcement-I) has recovered forcibly the demanded funds from the Company's bank accounts on June 30, 2016 which is appearing as tax refund due from government in the Company's books of accounts. The Company has filed contempt application vide Criminal Original No.252/2016 in WP No. 2309/2016 dated July 12, 2016 in the IHC. The CIRA passed order no. 785/2016 dated July 14, 2016 and maintained that amount of subsidy is the part of turnover for charging of minimum tax @ 1% u/s 133 of the Ordinance and remand back the case to the ACIR to ascertain the exact amount of turnover relating to AJK and pass the order afresh on the issue. The Company has filed appeal to the ATIR vide letter no. IT/0140/2016 dated July 28, 2016 that order of the CIRA may kindly be vacated. Appeal is still pending at the ATIR. The DCIR (Zone-I), Audit-I, LTU Islamabad has passed order u/s 122(4) read with section 122(5) dated August 2, 2016 creating nil demand. After remand back the case, the DCIR amended the assessment US/122(5A), vide DCR no.01/030 dated 27 October 2016 and finalized the proceedings after adjustment of AJK sales of Rs. 868.898 million and created the revised tax demand of Rs. 662.327 million. Currently appeal is pending at the ATIR.

25.1.9 Order in original No.02/101 of 2015 dated December 31, 2015 was issued by the DCIR and created the tax demand of FED amounting to Rs. 6,305.888 million by treating the Company as a manufacturer of sugar. The Company has filed an appeal and stay application before the CIRA. The CIRA passed an order no. FED-119/2016 dated May 20, 2016 and remanded back the case to the tax department to re-examine the case. The Company filed appeal before the ATIR which is pending to be heard. Based on the tax consultant advice, the Company is confident of a favorable outcome of the above case and therefore no provision has been provided in these financial statements.

25.1.10 The DCIR passed an order No. 03/101 dated January 29, 2016 and determined FED demand of Rs. 8.566 million, due to non-withholding of FED on advertisement. After that the Company filed appeal before the ATIR which is pending to be heard.

25.1.11 The DCIR passed an order No. 03/101 dated January 29, 2016 and determined sales tax demand of Rs. 303.464 million for the period from July 2011 to June 2013 on non-payment of sales tax on subsidy. The Company filed appeal against the order which was rejected by the CIRA and confirmed the demand. The DCIR upon the receipt of orders recovered Rs. 480.845 million (sales tax: Rs. 303.464 million, default surcharge: Rs. 162.208 million and penalty: Rs. 15.173 million) from the Company's bank accounts which is appearing as tax refund due from government in the Company's books of accounts. The Company has taken the matter with Chief Commissioner Inland Revenue vide letter No. Fin-II(1)/I. Tax/2015-16 dated May 31, 2016 and filed appeal before the ATIR on July 20, 2016 vide letter no. IT/0057/2016 dated July 16, 2016 which is pending to be heard.

25.1.12 The Company is facing claims launched in various courts, pertaining to shortage receivables, suppliers, termination of employees and fraud cases in the Federal Investigation Agency (FIA). The matters are still pending before the Courts and FIA.

25.1.13 The ACIR passed an order-in-original No. 01/2016 dated October 08, 2016 and determined sales tax demand of Rs. 179.813 million and Rs. 9.682 million in respect of non-payment of sales tax on subsidy and FED on franchise fee respectively for the period from July 2013 to June 2014. The Company has paid Rs. 179.813 million and Rs. 1.452 million (15% of FED) on October 31, 2016 which is appearing as tax refund due from government in the Company's books of accounts. The Company has filed appeal before the CIRA vide letter No. IT/1010/2016 and IT/1009/2016 dated November 15, 2016. The CIRA passed order-in-appeal No. 478/2016 dated September 08, 2017 and confirmed the impugned order of the ACIR for FED amounting to Rs. 9.682 million. The Company filed appeal and stay application before the ATIR and currently appeal is pending to be heard and demand is under stay vide stay order # MA (Stay) FEA Ext. No 723/IB/2019 dated June 14, 2019 by the ATIR up to July 23, 2019.

25.1.14 The ACIR passed an order No. 01/2017 dated April 24, 2017 and determined sales tax demand of Rs. 130.003 million and Rs. 5.772 million in respect of non-payment of sales tax on subsidy and FED on franchise fee respectively for the period from July 2014 to June 2015. The Company has paid Rs. 130.003 million and Rs. 0.866 million (15% of FED) on May 19, 2017 which is appearing as tax refund due from government in the Company's books of accounts. The Company has filed appeal before the CIRA vide letter no. IT/2696/2017 and IT/2697/2017 dated May 21, 2017. The CIRA passed order-in-appeal No. 551/2017 dated November 16, 2017 and confirmed the impugned order of the ACIR for FED amounting to Rs. 5.772 million. The Company filed appeal and stay application before the ATIR on December 19, 2017 and currently demand is under stay granted vide stay order # MA (Stay) FEA/ Ext No 724/IB/2019 dated June 14, 2019 by the ATIR up to July 23, 2019.

25.1.15 The ACIR passed order No. 06/61 dated April 24, 2017 and created the demand of Rs. 13.469 million u/s 161/205 of the Income Tax Ordinance, 2001 due to wrong selection of relevant applicable sections in withholding statement u/s 165 for the Tax Year 2015. The Company has filed an appeal before the CIRA against the impugned order. The CIRA passed appellate order No. 190/2017 dated November 07, 2017 and endorsed the order of the ACIR. The Company has filed an appeal and stay application before the ATIR against the order and currently demand is under stay granted by the ATIR vide order # MA(Stay) Ext No. 1320/IB/2019 dated June 14, 2019 up to July 23, 2019.

25.1.16 The DCIR passed an order No. 04/2016 dated November 28, 2016 and determined the sales tax demand of Rs. 368.657 million and Rs. 0.176 million in respect of nonpayment of sales tax on subsidy and FED on franchise fee respectively for the period from July 2010 to June 2011. The Company has paid Rs. 368.657 million and Rs. 0.176 million on December 15, 2016 which is appearing as tax refund due from government in the Company's books of accounts. The Company filed appeal before the CIRA vide letter no. IT/1499/2016 dated December 28, 2016 on the plea that the subsidy does not fall within the ambit of supply of goods or taxable activity. The CIRA has passed the order in-appeal No. 491/2016 dated June 30, 2017 and rejected the plea of the Company and confirmed the order of the DCIR. The Company has filed appeal before the ATIR vide letter no. IT/0236/2017 dated August 7, 2017 which is pending to be heard.

25.1.17 The CIR (Zone-II) LTU Islamabad has selected the Company for audit u/s 177 of the Income Tax Ordinance, 2001 for the Tax Year 2015. DCIR has passed order No. 01/05 dated August 31, 2017 and created the tax demand of Rs. 553.012 million. The Company filed an appeal along with stay application before the CIRA. The CIRA passed an order No. 97/2017 dated October 13, 2017 and remand back the case with the directions to provide adequate opportunity of being heard to the appellant before charging penalty, default surcharge and disallowing credit of tax already paid. The DCIR has passed order No. 05/20 dated April 27, 2018 and provided the tax credit of Rs. 542.891 million which company has already deposited and created the revised tax demand of Rs. 2.644 million. The Company has filed rectification application vide letter No. IT.(1).17-18/1616 dated May 31, 2018. The DCIR has passed order u/s 221(1) vide order No. 02/11 dated May 09, 2019 and created the revised tax demand of Rs. 560,745/- The Company has also filed appeal before the ATIR on October 31, 2017 which is pending to be heard.

25.1.18 The ACIR has issued order No. 09/51 dated May 27, 2017 and created the tax demand of Rs. 12.417 million u/s 182 of the Income Tax Ordinance, 2001 due to late filing of Income Tax Return for the Tax Year 2016. The delay of 26 days in the filing of annual income tax return has occurred due to back log of audited accounts of the Company. The Company has filed an appeal before the CIRA against the impugned order. The CIRA issued appellate order No. 189/2017 dated November 07, 2017 and endorsed the order of the ACIR. The Company has filed appeal and stay application before the ATIR against this order and currently demand is under stay granted by the ATIR vide order # MA (Stay) Ext. No. 1321/IB/2019 dated April 14, 2019 up to July 23, 2019.

25.1.19 Deputy Commissioner Inland Revenue, Unit-10 (Zone-II) LTU Islamabad has issued order No. 03/51 dated February 20, 2018 and created the tax demand of Rs. 22.350 million u/s 182 of the Income Tax Ordinance, 2001 due to late filing of Income Tax Return for the Tax Year 2015. The delay of 41 days in the filing of income tax return has occurred due to back log of audited accounts of the Company. The Company filed an appeal before the CIRA against the impugned order. CIRA issued appellate order No. 409 dated March 27, 2018 and upheld the impugned order of the DCIR. The Company filed an appeal before the ATIR along with the stay application. The ATIR granted stay vide order No. MA (Stay) No. 1319/IB/2019 dated June 14, 2019 up to July 13, 2019.

25.1.20 DCIR passed order u/s 205 vide No. 01/72 dated April 30, 2018 for the Tax Year 2015 and created tax demand of Rs. 10.285 million. The Company filed appeal before CIRA along with stay application on May 23, 2018. The CIRA has passed an order-in-appeal No. 04/2018 dated July 19, 2018 and upheld the impugned order of the DCIR. The Company filed appeal before the ATIR along with stay application vide letter No. IT/0581/2018 dated September 10, 2018 and IT/0582/208 dated September 10, 2018. ATIR granted stay up to July 13, 2019 vide order No. M.A (Stay) Ext. No. 1318/IB/2019 dated June 14, 2019.

25.1.21 ACIR passed order-in-original No. 01/61 of 2018 dated January 31, 2018 order for the Tax Year 2014 and created the tax demand of Rs. 780.028 million u/s 161/205 of the Income Tax Ordinance, 2001 for the alleged non-deduction/short deduction of withholding tax. The Company filed appeal along with stay application before

CIRA against the impugned order. The CIRA upheld the order of DCIR vide order-in-appeal No. 500/2018 dated May 29, 2018. DCIR amended the order vide DCR No.01/22 dated March 27, 2019 and determined the tax liability to the extent of Rs.471.353 million. The Company filed an appeal before ATIR against the order of CIRA along with stay application. ATIR granted stay till the decision of appeal vide order No. M.A (Stay) Interim No. 610/IB/2018, ITA (Interim) No. 446/IB/2018 TY-2014 dated March 14, 2018.

25.1.22 ACIR passed order-in-original No. 01/41 of 2017 dated September 15, 2017 and created the sales tax demand of Rs. 23.904 billion for the period 2012 to 2016. The Company filed an appeal u/s 45B of the Sales Tax Act, 1990 with the CIRA on significant legal and factual grounds. The CIRA remand back the case vide order-in-appeal No. 22/2017 dated November 30, 2017 with the direction to re-examine the issue in the light of relevant documents. The DCIR issued the order-in-remand No. 08/51 of 2019 dated February 28, 2019 and raised sales tax demand of Rs. 23.904 billion. The Company filed appeal and stay application with CIRA on March 26, 2019. CIRA issued order-in-stay No.71/2019 dated March 27, 2019 and granted stay under section 45B(1A) of the Sales Tax Act, 1990 till April 25, 2019 or decision of the main appeal whichever is earlier. The Company has filed an appeal along with stay application before ATIR. In response, ATIR rejected the stay. The Company filed writ petition No. W.P. No. 1676/2019 dated April 29, 2019 in the IHC. The IHC granted stay against the order of DCIR.

25.1.23 DCIR has passed order-in-original No. 03/50 dated August 31, 2018 and created the sales tax demand of Rs. 453.435 million alleging short payment of withholding sales tax for the period November 2012 to June 2016. The Company has filed appeal along with and stay application before CIRA. The CIRA has passed order-in-appeal No. 22/2018 dated November 27, 2018 and confirmed the impugned order of DCIR. The Company filed appeal along with stay application before ATIR. Currently, demand is under stay granted by ATIR up to August 15, 2019 vide order No. MA (Stay) Ext. No. 866/IB/2019 dated June 26, 2019.

25.1.24 The DCIR has passed order-in-original No. 06/41 of 2018 dated June 30, 2018 and created the sales tax amounting to Rs. 513.527 million on subsidy received from Government of Pakistan during Tax Year 2016-17. The Company filled appeal along with stay application before CIRA. The CIRA passed order-in-appeal No. 25/2018 dated October 17, 2018 and confirmed the order of DCIR. The Company filed appeal along with stay application before ATIR. As per Finance Act, 2018 amendment, ATIR is now empowered to grant stay up to 180 days only, which was granted up to April 28, 2019. The Company filed writ petition before IHC vide WP No. 1677/2019 dated May 02, 2019. IHC has granted stay against the order of the CIRA.

25.1.25 The DCIR passed order-in-original No. 07/50 dated December 31, 2018 and created the sales tax demand of Rs. 61.860 million regarding adjustment of Input Tax for the period from July 2014 to June 2016. The Company filed appeal along with stay application before CIRA. The CIRA rejected the stay. The Company filed stay application before ATIR. The ATIR also rejected the stay. The Company filed writ petition WP No. 524/2019 dated February 11, 2019 before IHC for grant of stay, which IHC has granted against the order of DCIR.

25.1.26 The DCIR passed the order-in-original No. 02/41 of 2018 dated January 29, 2018 and created the sales tax demand of Rs. 209.428 million alleging that the Company has defaulted in making payment of sales tax on subsidy received from GOP during Tax Year 2015-16. The Company deposited principal amount of Rs.154.068 million and filed appeal along with stay application before CIRA. The CIRA passed order-in-appeal No. 104 of 2018 dated April 25, 2018 and confirmed the order of DCIR. The Company filed appeal along with stay application before ATIR. The ATIR granted stay vide order No. M.A (Stay) Interim No. 796/IB/2019 dated June 17, 2019 which is valid up to July 16, 2019.

25.2 COMMITMENTS

There were no commitment for capital expenditures as at the statement of financial position date (2017: nil).

		Note	2018 Rupees	2017 Rupees
26	**SALES**			
	Sales of commodities		30,036,386,661	59,189,311,706
	Less: Sales tax		(3,619,887,857)	(5,569,817,199)
			26,416,498,804	53,619,494,507
27	**SUBSIDY BY GOVERNMENT OF PAKISTAN**			
	From Ministry of Finance (GoP)	27.1	850,673,783	4,250,602,992

27.1 This represents subsidy granted by GoP to stabilize prices of essential commodities in the market and to provide relief to end consumers. The Company has been provided subsidy by GoP on launching Ramadan Relief Package, on sugar and other utilities to sell the items included in these packages at subsidized rates.

		Note	2018 Rupees	2017 Rupees
28	**COST OF SALES**			
	Opening stock in trade		11,877,513,491	13,581,296,464
	Purchases		18,437,435,220	50,940,185,288
	Subsidy by Government Of Pakistan			
	Direct expenses			
	Freight and octroi inward		64,700,225	286,286,401
	Handling charges		10,666,954	41,929,941
	Packing material and others		153,228,390	257,898,213
	Depreciation	5.1	1,697,045	1,814,344
			230,292,614	587,928,899
			30,545,241,325	65,109,410,651
	Closing stock in trade		(5,642,847,936)	(11,877,513,491)
			24,902,393,389	53,231,897,160
29	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries and other benefits	29.1	5,235,152,186	5,106,211,450
	Freight, octroi, loading and unloading outward		135,042,749	193,963,368
	Rent, rate and taxes		705,295,575	664,117,351
	Travelling and conveyance		103,710,224	117,508,174
	Utilities		84,042,509	87,796,368
	Vehicle running		174,026,579	254,220,808
	Insurance		125,565,755	170,773,144
	Legal and professional		7,842,450	8,976,979
	Postage, telegram and telephones		14,415,995	15,006,464
	Printing and stationery		41,232,066	51,998,277
	Advertisement and sale promotion		10,637,180	10,870,943
	Repairs and maintenance		20,785,345	26,497,043
	Depreciation	5.1	56,669,291	59,945,543
	Provision for slow moving items	9.1	13,808,512	166,877,304
	Provision for other receivables	13	64,832,178	287,545,856
	Provision for doubtful advances	11.1	45,000	3,345,478
	General expense		17,592,783	29,457,870
	Security expense		91,621,777	67,271,918
			6,902,318,154	7,322,384,338

	Note	2018 Rupees	2017 Rupees

29.1 Employee benefits

Following amounts are being included in respect of other benefits:

		2018 Rupees	2017 Rupees
Contributory provident fund		83,539,154	62,963,473
Leave encashment		56,898,741	250,079,055
EOBI		86,154,417	98,605,848
Gratuity		135,488,639	89,280,542
Benevolent fund expenses		28,485,458	19,964,400
Social security		84,716,288	75,807,857
		475,282,697	596,701,175

30 ADMINISTRATIVE EXPENSES

	Note	2018 Rupees	2017 Rupees
Salaries and other benefits	30.1	377,391,245	348,333,684
Directors remuneration		3,910,000	7,450,000
Rent, rates and taxes		5,877,855	5,161,289
Travelling and conveyance		2,723,228	3,920,265
Utilities		3,460,792	2,677,658
Vehicle running		7,413,522	8,821,767
Insurance		650,926	841,263
Legal and professional		6,368,691	11,378,213
Postage, telegram and telephones		4,350,846	4,578,944
Printing and stationery		2,763,902	3,457,033
Repairs and maintenance		1,100,368	1,616,694
Depreciation	5.1	5,813,959	6,518,680
Amortization	6.1	4,171	6,256
Auditors' remuneration	30.2	1,426,350	1,830,350
Security / Safety Expense		3,615,534	3,501,018
Fee and Subscription		241,700	454,625
Miscellaneous		1,035,935	2,131,936
		428,149,024	412,679,675

30.1 Employee benefits

Following amounts are being included in respect of other benefits:

		2018 Rupees	2017 Rupees
Contributory provident fund		7,927,266	5,901,717
Leave encashment		6,481,465	23,004,154
EOBI		2,957,240	5,480,220
Gratuity		8,787,961	13,626,050
Benevolent fund expenses		1,216,399	846,429
Social security		3,401,940	2,822,400
		30,772,271	51,680,970

		Note	2018 Rupees	2017 Rupees
30.2	**Auditors' remuneration**			
	Audit fee		798,600	798,600
	Subsidy		200,000	580,000
	Compliance professional fee		75,000	75,000
	Out of pocket expenses		352,750	376,750
			1,426,350	1,830,350

31	**FINANCE COST**			
	Bank charges		32,814,761	46,745,688

32	**OTHER OPERATING INCOME**			
	Profit on bank deposits		75,730,615	123,844,910
	Easy paisa (Telenor)		123,291	6,168
	Doubtful other receivables recovered / adjusted during the year		37,112,779	87,546,732
	Doubtful advances recovered during the year		587,708	292,608
	Liabilities written back	32.1	65,782,340	-
	Rental income		5,560,932	7,830,193
	Amortization of government grant		23,471,844	28,074,732
	Gain on disposal of property, plant and equipment		38,007	-
	Registration Fee Income		6,134,461	9,539,360
	Miscellaneous	32.2	73,553,074	49,000,217
			288,095,051	306,134,920

32.1 This represents trade creditors written back during the year against various vendors.

32.2 This includes tender income and non-refundable registration fees received from vendors, etc.

		Note	2018 Rupees	2017 Rupees
33	**TAXATION**			
	Provision for taxation			
	Current	33.1	322,377,387	526,317,766
	Prior year		(108,987)	(41,806)
			322,268,400	526,275,960
	Deferred		(8,913,318)	10,274,288
			313,355,082	536,550,248

33.1 The provision of income tax is based on section 113 of the Income Tax Ordinance, 2001 which specifies minimum tax charge at the rate of 1.25% of the Company's revenues excluding revenues of Azad Jammu Kashmir region, subsidy and Final Tax Regime (FTR), as the company has available tax losses. Tax expense reconciliation is not presented as income for the year is only subject to minimum tax on turnover.

		2018 Rupees	2017 Rupees

34 (LOSS) /EARNINGS PER SHARE - BASIC AND DILUTED

Basic

		2018	2017
(Loss) after taxation		(5,023,762,772)	(3,374,024,690)
		Number of shares	
Weighted average number of ordinary shares at the end of the year		73,773,142	73,773,142
		Rupees	
(Loss) per share		(68.10)	(45.74)

Diluted

	Note	2018	2017
		Number of shares	
Weighted average number of ordinary shares at the end of the year		121,973,042	121,973,042
		Rupees	
(Loss) per share .		(41.19)	(27.66)

35 CASH AND CASH EQUIVALENTS

	Note	2018	2017
Cash and bank balances	16	1,600,189,529	6,901,677,357
Temporary bank overdraft	24	(867,520)	(3,409,811)
		1,599,322,009	6,898,267,546

36 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve purchase of material and stocks. These transactions including remuneration to key management personnel under the terms of their employment are as follows:

Transaction with the Companies	Nature of Transaction	2018 Rupees	2017 Rupees
Trading Corporation of Pakistan (Private) Limited	Purchase of stock in trade	2,412,860	1,388,560
	Payments made	5,000,175,599	613,468,860

The status of outstanding balances of related parties as at June 30, 2018 and 2017 are included in "Trade and other payables (Note 23). The remuneration of the Managing Director is disclosed in the Note 37 to these financial statements.

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37 REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration including benefits applicable to the Chief Executive, Directors and Executives of the Company are given below:

	2018				2017			
	Managing Director	Directors	Executives	Total	Managing Director	Directors	Executives	Total
	Rupees							
Salaries, wages and benefits	4,426,436	-	45,941,268	50,367,704	4,754,607	-	63,287,106	68,041,713
Management fee	500,000	3,410,000	-	3,910,000	650,000	6,800,000	-	7,450,000
Contribution to provident fund	340,483	-	3,533,813	3,874,296	365,725	-	4,868,059	5,233,784
	5,266,919	3,410,000	49,475,081	58,152,000	5,770,332	6,800,000	68,155,165	80,725,497
Number of persons	1	12	24	37	1	12	26	39

The Managing Director and executives are also provided with the Company maintained vehicles.

38 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:-

2018

	Total	Interest/mark up bearing: Maturity up to one year	Interest/mark up bearing: Maturity after one year	Interest/mark up bearing: Sub-total	Not interest / mark up bearing
	----------	----------	Rupees	----------	----------
Financial assets					
Assets carried at amortized cost					
Long term deposit	4,754,584	-	-	-	4,754,584
Trade debts	37,103,665	-	-	-	37,103,665
Loans and advances	8,626,465	-	-	-	8,626,465
Interest accrued	7,354,102	-	-	-	7,354,102
Other receivables	23,871,083,648	-	-	-	23,871,083,648
Cash and bank balances	1,600,189,529	1,377,194,828	-	1,377,194,828	222,994,701
	25,529,111,993	1,377,194,828	-	1,377,194,828	24,151,917,165
Financial liabilities					
Liabilities carried at amortized cost					
Long term loan	500,000,000	-	-	-	500,000,000
Deferred liabilities	1,571,983,432	-	-	-	1,571,983,432
Trade and other payables	39,376,141,500	-	-	-	39,376,141,500
Temporary bank overdraft	867,520	-	-	-	867,520
	41,448,992,452	-	-	-	41,448,992,452
On statement of financial position gap	(15,919,880,459)	1,377,194,828	-	1,377,194,828	(17,297,075,287)
Off statement of financial position Items					
Financial commitments:	-	-	-	-	-
Total Gap	(15,919,880,459)	1,377,194,828	-	1,377,194,828	(17,297,075,287)

2017

	Total	Interest/mark up bearing: Maturity up to one year	Interest/mark up bearing: Maturity after one year	Interest/mark up bearing: Sub-total	Not interest / mark up bearing
	----------	----------	Rupees	----------	----------
Financial assets					
Assets carried at amortized cost					
Long term deposit	4,721,236	-	-	-	4,721,236
Loans and advances	13,108,385	-	-	-	13,108,385
Interest accrued	10,482,884	-	-	-	10,482,884
Other receivables	27,326,999,496	-	-	-	27,326,999,496
Cash and bank balances	6,901,677,357	6,189,409,671	-	6,189,409,671	712,267,686
	34,256,989,358	6,189,409,671	-	6,189,409,671	28,067,579,687
Financial liabilities					
Liabilities carried at amortized cost					
Long term loan	500,000,000	-	-	-	500,000,000
Deferred liabilities	1,461,217,454	-	-	-	1,461,217,454
Trade and other payables	49,391,020,324	-	-	-	49,391,020,324
Temporary bank overdraft	3,409,811	-	-	-	3,409,811
	51,355,647,589	-	-	-	51,355,647,589
On statement of financial position gap	(17,098,658,231)	6,189,409,671	-	6,189,409,671	(23,288,067,902)
Off statement of financial position Items					
Financial commitments:	-	-	-	-	-
Total Gap	(17,098,658,231)	6,189,409,671	-	6,189,409,671	(23,288,067,902)

Effective interest rates are mentioned in the respective notes to the financial statements.

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39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 The Company's objective in managing risks is the creation and protection of shareholders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

39.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. All the financial assets are subject to credit risk. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2018 Rupees	2017 Rupees
Long term	4,754,584	4,721,236
Trade debts	37,103,665	-
Loans and advances to employees	8,626,465	13,108,385
Interest accrued	7,354,102	10,482,884
Other receivables	23,871,083,648	27,326,999,496
Bank balances	1,377,194,828	6,189,409,998
	25,306,117,292	33,544,721,999

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

Concentration of credit risk

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 abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

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Impairment losses

The aging of trade debts at the reporting date was:

	2018		2017	
	Gross debts	Impaired	Gross debts	Impaired
	------------------- Rupees -------------------			
Not past due	37,103,665	27,237,250	-	-
Past due 1 year	-	-	-	-
Past due 1-3 year	-	-	-	-
Over 3 years	220,948,473	220,948,473	193,711,223	193,711,223

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from the various ministries and departments of the Government of Pakistan. The Company is actively pursuing for recovery of debts and the Company does not expect GoP to fail to meet its obligations. Currently the Company is making sales on cash basis only.

The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	2018 Rupees	2017 Rupees
Balance at beginning of the year	193,711,223	193,711,223
(Adjustment) / provision made during the year	27,237,250	-
Balance at end of the	220,948,473	193,711,223

The allowance account in respect of trade debts is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible at that point the amount considered irrecoverable is written off against the financial assets directly.

The movement in the allowance for impairment in respect of loans and advances and other receivables during the year was as follows:

	2018 Rupees	2017 Rupees
Balance at beginning of the year	1,204,944,794	1,036,453,345
Provision made during the year	64,877,178	290,891,335
Recovered / adjusted during the year	(37,700,486)	(122,399,886)
Write offs	(344,420)	-
Balance at end of the year	1,231,777,066	1,204,944,794

The allowance account in respect of other receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial assets directly.

39.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	-------------------- Rupee in thousands --------------------				
2018					
Long term loan	500,000	500,000	-	-	500,000
Trade and other payables	39,413,687	39,413,687	-	39,413,687	-
Temporary bank overdraft	868	868	868	-	-
Deferred liabilities	1,571,983	1,571,983	-	-	1,571,983
	41,486,538	41,486,538	868	39,413,687	2,071,983
2017					
Long term loan	500,000	500,000	-	-	500,000
Trade and other payables	49,453,013	49,453,013	-	49,453,013	-
Temporary bank overdraft	3,410	3,410	3,410	-	-
Deferred liabilities	1,461,217	1,461,217	-	-	1,461,217
	51,417,640	51,417,640	3,410	49,453,013	1,961,217

39.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(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. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other then the functional currency in which they are measured.

Presently the Company is not exposed to foreign currency risk.

(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. Majority of the interest rate exposure arises from long term loans and short borrowings.

Interest rate of the Company's financial assets and financial liabilities as at June 30, 2018 can be evaluated from the schedule given in Note 38 to these financial statements.

At the reporting date the Company's markup bearing financial instruments is only the bank balances amounting to Rs. 1,377.195 million (2017: Rs. 6,189.410 million). The effective interest rates for the monetary assets and liabilities are mentioned in respective notes to the financial statements.

The Company is not exposed to interest rate risk except mentioned above which is fixed as per terms of agreement, therefore, no sensitivity analysis has been presented.

(iii) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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.

At the year end the Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

41 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

42 DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "USC Employees Contributory Provident Fund" since July 1973. The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income are made by the Trustees independent of the Company.

The Trustees have intimated that the size of the Fund at year end June 30, 2018 was Rs. 1,403.494 million.

As intimated by the Trustees, the cost of the investment made at the year end was Rs. 1,025.449 million which is equal of 73% of the total fund size. The fair value of the investment was Rs. 1,025.449 million at that date. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	Amount Rupees in million	Percentage %
Government securities	1,025.449	73%
Cash at bank	144.403	10%
Loans to employees	101.422	8%
Accrued income	113.604	8%
Receivable from the Company	18.616	1%
	1,403.494	100%

According to the Trustees, investment out of provident fund have been made in accordance with the conditions specified in section 218 of the Companies Act , 2017 and the rules made there under except amount of Rs. 18,616 million which is receivable from the Company.

43 NUMBER OF EMPLOYEES

The number of employees as at year end was 13,074 (2017: 13,603) and average number of employees during the year was 13,263 (2017: 13,603).

44 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Reclassified from	Reclassified to	Amount
Advance against issue of shares (Below equity)	Advance against issue of shares (within equity)	481,999,000

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on ______________________.

46 GENERAL

Figures have been rounded off to the nearest rupee.

MANAGING DIRECTOR **DIRECTOR**