

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

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	4,377,752,166	4,074,505,621
Intangible asset	6	18,771	28,152
Long term deposits	7	4,721,236	4,748,286
		<u>4,382,492,173</u>	<u>4,079,282,059</u>
CURRENT ASSETS			
Stores	8	7,194,688	9,918,755
Stock in trade	9	13,428,820,426	13,907,358,174
Trade debts	10	-	-
Loans and advances	11	16,676,422	20,413,163
Short term prepayments	12	4,497,433	67,230,325
Interest accrued		7,968,287	17,445,789
Other receivables	13	27,821,074,622	30,818,091,628
Taxation - net	14	2,775,002,832	1,576,480,355
Cash and bank balances	15	4,681,459,973	4,819,689,083
		<u>48,742,694,683</u>	<u>51,236,627,272</u>
		<u>53,125,186,856</u>	<u>55,315,909,331</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	737,731,420	737,731,420
Accumulated profit		893,918,911	4,056,032,434
		<u>1,631,650,331</u>	<u>4,793,763,854</u>
Advance against issue of shares	17	481,999,000	481,999,000
SURPLUS ON REVALUATION OF FIXED ASSETS			
	18	3,899,818,999	3,671,932,158
NON-CURRENT LIABILITIES			
Government grant related to assets	19	178,902,574	212,592,142
Government grant related to income	20	-	100,000,000
Long term loan	21	500,000,000	500,000,000
Deferred liabilities	22	1,469,058,348	683,361,499
		<u>2,147,960,922</u>	<u>1,495,953,641</u>
CURRENT LIABILITIES			
Trade and other payables	23	44,963,340,147	44,869,886,213
Temporary bank overdraft	24	417,457	2,374,465
		<u>44,963,757,604</u>	<u>44,872,260,678</u>
CONTINGENCIES AND COMMITMENTS			
	25	-	-
TOTAL EQUITY AND LIABILITIES		<u>53,125,186,856</u>	<u>55,315,909,331</u>

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
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales-net	26	48,593,949,445	56,137,243,566
Subsidy by Government of Pakistan	27	1,779,470,636	2,873,866,803
		<u>50,373,420,081</u>	<u>59,011,110,369</u>
Cost of sales	28	(46,478,518,002)	(54,838,868,167)
Gross profit		<u>3,894,902,079</u>	<u>4,172,242,202</u>
Selling and distribution expenses	29	(6,438,672,479)	(5,764,663,093)
Administrative expenses	30	(407,022,607)	(261,380,909)
		<u>(6,845,695,086)</u>	<u>(6,026,044,002)</u>
Finance cost	31	(44,661,523)	(45,967,529)
Other income	32	391,833,560	319,800,604
Loss before taxation		<u>(2,603,620,970)</u>	<u>(1,579,968,725)</u>
Taxation	33	(470,340,380)	(622,900,822)
Loss after taxation		<u>(3,073,961,350)</u>	<u>(2,202,869,547)</u>
Loss per share - basic	34	<u>(41.67)</u>	<u>(29.86)</u>
Loss per share - diluted	34	<u>(25.20)</u>	<u>(18.06)</u>

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, 2016

	Note	2016 Rupees	2015 Rupees
Loss for the year		(3,073,961,350)	(2,202,869,547)
Remeasurement of defined benefit asset / (liability)	13.6.7	(103,625,661)	114,587,837
Total comprehensive loss for the year		<u>(3,177,587,011)</u>	<u>(2,088,281,710)</u>

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

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
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(2,603,620,970)	(1,579,968,725)
Adjustment for non-cash charges and other items:			
Depreciation		67,107,469	62,999,288
Amortization		9,383	14,074
Recovery of doubtful advances, insurance, store in-charges and other receivables		(10,825,833)	(4,936,618)
Provision for advances and trade debts		216	81,404,471
Provision for insurance, store in-charges and other receivables		59,738,931	102,949,294
Provision for leave encashment		287,461,105	81,237,233
Provision for gratuity		413,728,192	21,989,719
Gain on disposal of property, plant and equipment		(66,190)	(42,000)
Amortization of government grant		(33,689,568)	(40,585,956)
Interest income		(186,989,183)	(227,381,661)
Finance cost		44,661,523	45,967,529
		641,136,045	123,615,373
Profit before working capital changes		(1,962,484,925)	(1,456,353,352)
Changes in working capital:			
Decrease / (increase) in current assets			
Stores and spares		2,724,067	1,236,574
Stock in trade		478,537,748	1,682,522,821
Loans and advances		4,441,948	3,783,045
Short term prepayments		62,732,892	(66,021,715)
Other receivables		2,840,350,174	458,692,219
Trade debts		-	81,124,041
Increase in current liabilities			
Trade and other payables		93,453,934	(227,606,018)
		3,482,240,763	1,933,730,967
Cash (used in) / generated from operations		1,519,755,838	477,377,615
Finance cost paid		(44,661,523)	(45,967,529)
Gratuity paid		-	(36,286,469)
Leave encashment paid		(10,986,279)	(11,723,993)
Income tax paid		(1,676,144,498)	(43,861,693)
		(1,731,792,300)	(137,839,684)
Net cash generated / (used in) from operating activities		(212,036,462)	339,537,931
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(20,817,203)	(8,824,331)
Proceeds from disposal of property, plant and equipment		87,828	53,610
Long term deposits		27,050	(300,000)
Interest received		196,466,685	231,296,825
Net cash generated from investing activities		175,764,360	222,226,104
CASH FLOWS FROM FINANCING ACTIVITIES			
Government grant and subsidy adjusted		(100,000,000)	-
Net increase / (decrease) in cash and cash equivalents		(136,272,102)	561,764,035
Cash and cash equivalents at the beginning of the year		4,817,314,618	4,255,550,583
Cash and cash equivalents at the end of the year	35	4,681,042,516	4,817,314,618

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, 2016

	Issued, subscribed and paid-up capital	Accumulated profit	Total
	----- Rupees -----		
	737,731,420	6,135,877,257	6,873,608,677
Total comprehensive income for the year			
Loss for the year	-	(2,202,869,547)	(2,202,869,547)
Remeasurement of defined benefit asset / (liability)	-	114,587,837	114,587,837
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	-	(2,088,281,710)	(2,088,281,710)
19	-	8,436,887	8,436,887
Balance as at June 30, 2015	737,731,420	4,056,032,434	4,793,763,854
Total comprehensive income for the year			
Loss for the year	-	(3,073,961,350)	(3,073,961,350)
Remeasurement of defined benefit asset / (liability)	-	(103,625,661)	(103,625,661)
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	-	(3,177,587,011)	(3,177,587,011)
18	-	15,473,488	15,473,488
Balance as at June 30, 2016	737,731,420	893,918,911	1,631,650,331

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
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

1 STATUS AND NATURE OF BUSINESS

Utility Stores Corporation of Pakistan (Private) Limited ("the Company") was incorporated on September 03, 1971 as a private limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company has its registered office at plot 2039, F-7/G-7 Blue Area Islamabad and is principally engaged in providing items of daily consumption at comparatively cheaper prices through its chain store operations.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

3.1 Standards or interpretations that are effective in current year but not relevant to the Company unless otherwise stated

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates. The Company has adopted these accounting standards and interpretations which do not have significant impact on the Company's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 27	Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures	January 1, 2015

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

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint	July 01, 2014
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014

		Effective date (annual periods beginning on or after)
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and	July 01, 2014

3.3 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2016 are as follows:

Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5	Non-current Assets Held for Sale and Discontinued
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

3.4 Standards or interpretations not yet effective

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:

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

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 above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements 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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss if any except lease hold/freehold land, buildings on leasehold and buildings on free hold which are stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses, if any. 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.

Depreciation is charged to profit and loss applying the reducing balance method at the rate given in note 5. The company is depreciating an item of property, land and equipment when it is available for use and continue depreciating until it is derecognized, even if during that period the item is idle.

Subsequent cost is included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when its probable that future economic benefit associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial period in which they are incurred.

Depreciation on depreciable assets is commenced from the month the asset is available for use upto the month preceding the month of disposal. Incremental depreciation arising out of surplus on revaluation of assets is transferred to accumulated income through statement of changes in equity.

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other operating income" in profit and loss account.

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 whichever 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 balance sheet 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.

Am

4.7 Impairment

The Company assesses at each balance sheet 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 their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their 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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

Impairment

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract 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 balance sheet. 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, 2015, the related details of which are given in note 13.6 of the financial statements.

The amount recognized in the balance sheet 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, 2015 using the projected unit credit method (refer note 13.6). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises 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 upto 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, 2015, 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 extent 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 balance sheet date. Deferred tax is charged or credited in the income statement, 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing on the balance sheet 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 balance sheet 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.

Am

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 balance sheet 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 balance sheet 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.



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	Computer and office machines	Motor vehicles and bicycles	Sign boards	Total
Rupees											
Net carrying value basis year ended June 30, 2016											
Operating net book value (NBV)	276,604,620	3,258,288,700	27,554,749	269,452,773	17,227	9,270,881	203,583,153	10,258,423	18,409,085	1,066,010	4,074,505,621
Revaluation during the year			135,134,254	214,424,195							349,558,449
Additions (at cost)	-	-	6,347,609	-	-	1,243,000	5,848,299	6,493,505	865,000	19,790	20,817,203
Disposals (NBV)	-	-	-	-	-	-	-	-	(21,638)	-	(21,638)
Depreciation charge	-	-	(5,718,144)	(19,971,670)	(4,307)	(1,962,864)	(30,716,315)	(4,671,347)	(3,705,398)	(357,424)	(67,107,469)
Closing net book value	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
Gross carrying value basis year ended June 30, 2016											
Cost / revalue	276,604,620	3,258,288,700	168,509,609	478,723,500	8,759,706	43,455,792	551,070,214	112,528,112	106,121,926	12,590,681	5,016,652,860
Accumulated depreciation	-	-	(5,191,141)	(14,818,202)	(8,746,786)	(34,904,775)	(372,355,077)	(100,447,531)	(90,574,877)	(11,862,305)	(638,900,694)
Net book value	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
Net carrying value basis year ended June 30, 2015											
Opening net book value (NBV)	191,768,644	6,712,140,006	29,004,999	283,634,498	22,969	10,573,375	234,375,724	11,767,427	22,882,460	1,539,416	7,497,707,518
Revaluation during the year	84,835,976	(3,453,851,306)	-	-	-	-	-	-	-	-	(3,369,015,330)
Additions (at cost)	-	-	-	-	-	901,114	4,881,280	2,859,337	130,000	52,600	8,824,331
Disposals (NBV)	-	-	(1,450,250)	(14,181,725)	(5,742)	(2,203,608)	(35,671,851)	(4,368,341)	(4,591,765)	(526,006)	(62,999,288)
Depreciation charge	-	-	27,554,749	269,452,773	17,227	9,270,881	203,583,153	10,258,423	18,409,085	1,066,010	4,074,505,621
Closing net book value	276,604,620	3,258,288,700	27,554,749	269,452,773	17,227	9,270,881	203,583,153	10,258,423	18,409,085	1,066,010	4,074,505,621
Gross carrying value basis year ended June 30, 2015											
Cost / revalue	276,604,620	3,258,288,700	50,175,100	348,179,575	8,759,706	42,212,792	545,221,915	106,034,607	105,362,816	12,570,891	4,753,410,722
Accumulated depreciation	-	-	(22,620,351)	(78,726,802)	(8,742,479)	(32,941,911)	(341,638,762)	(95,776,184)	(86,953,731)	(11,504,881)	(678,905,101)
Net book value	276,604,620	3,258,288,700	27,554,749	269,452,773	17,227	9,270,881	203,583,153	10,258,423	18,409,085	1,066,010	4,074,505,621
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:											
			2016	2015							
		Note	Rupees	Rupees							
Cost of sales		28	1,741,045	1,581,348							
Selling and distribution expenses		29	59,084,327	55,893,132							
Administrative expense		30	6,282,097	5,524,808							
			67,107,469	62,999,288							

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.

			2016 Rupees	2015 Rupees
6	INTANGIBLE ASSET			
	Computer software	6.1	18,771	28,152
6.1	Net carrying value basis			
	Opening net book value		28,154	42,226
	Less: Amortization charged for the year		9,383	14,074
	Closing net book value		18,771	28,154
	Gross carrying value basis			
	Cost		95,000	95,000
	Accumulated amortization		76,231	66,848
	Closing net book value		18,771	28,154
	Amortization rate % per annum		33.33	33.33
7	LONG TERM DEPOSITS			
	Deposits		4,721,236	4,751,236
	Provision for doubtful deposits	7.1	-	(2,950)
			4,721,236	4,748,286
7.1	Movement of provision for deposits is as follows:			
	Opening balance		2,950	2,950
	Adjustment during the year		(2,950)	-
	Closing balance		-	2,950
8	STORES			
	Stores-stationery		7,194,688	9,918,755
9	STOCK IN TRADE			
	Stock in hand		13,581,296,464	14,063,141,648
	Provision for slow moving items	9.1	(152,476,038)	(155,783,476)
			13,428,820,426	13,907,358,174
9.1	Movement of provision for slow moving and obsolete items is as follows:			
			2016 Rupees	2015 Rupees
	Opening balance		155,783,476	147,740,086
	Provision for the year		1,667,901	8,043,390
	Recovery during the year		(4,975,339)	-
	Closing balance		152,476,038	155,783,476

		2016 Rupees	2015 Rupees
10	TRADE DEBTS		
	Unsecured		
	Considered good	-	-
	Considered doubtful	193,711,224	293,711,224
		<u>193,711,224</u>	<u>293,711,224</u>
	Provision for doubtful debts	10.1 (193,711,224)	(293,711,224)
		<u>-</u>	<u>-</u>
10.1	Movement of provision for doubtful debts is as follows		
	Opening balance	293,711,224	212,587,182
	Charged during the year	-	81,124,042
	Adjusted during the year	20.1 (100,000,000)	-
	Closing balance	<u>193,711,224</u>	<u>293,711,224</u>
10.2	Trade debts represent balance receivables from different Government Departments. The aging of trade debts at the balance sheet date is as follows:		
		2016 Rupees	2015 Rupees
	Not past due	-	-
	Past due by 1 to 30 days	-	-
	Past due by 31 to 60 days	-	-
	Past due by over 60 days	193,711,224	293,711,224
		<u>193,711,224</u>	<u>293,711,224</u>
11	LOANS AND ADVANCES		
	Unsecured-considered good		
	Advances to employees	14,300,691	17,789,188
	Advances to suppliers	2,375,731	2,623,975
		<u>16,676,422</u>	<u>20,413,163</u>
	Considered doubtful		
	Advances to employees	910,938	1,271,336
	Advances to suppliers	47,313,023	47,657,833
		<u>48,223,961</u>	<u>48,929,169</u>
		64,900,383	69,342,332
	Provision for doubtful advances	11.1 (48,223,961)	(48,929,169)
		<u>16,676,422</u>	<u>20,413,163</u>
11.1	Movement of provision for doubtful advances is as follows:		
	Opening balance	48,929,169	48,671,140
	Recovery of doubtful loans and advances	(705,424)	(22,400)
	Provision for the year	216	280,429
	Closing balance	<u>48,223,961</u>	<u>48,929,169</u>

11.2 Advances to suppliers includes an amount of Rs. 44.982 million (2015 : 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 previous year.

11.3 Advances to suppliers includes an amount of Rs. 1.804 million (2015: 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 previous year.

	Note	2016 Rupees	2015 Rupees
12 SHORT TERM PREPAYMENTS			
Short term prepayments	12.1	4,497,433	67,230,325

12.1 This includes premium amounting to Rs. nil (2015: 64.212 million) paid in advance for fire and burglary insurance of stock in trade at warehouses and stores.

	Note	2016 Rupees	2015 Rupees
13 OTHER RECEIVABLES			
Considered good			
Insurance claims	13.1	128,387,196	97,155,712
Recoverable from store in charges	13.2	727,429,500	680,533,445
Receivable from Ministry of Finance	13.3	25,689,804,968	28,610,334,333
Miscellaneous receivables	13.4	381,038,487	909,450,793
Sales tax refund receivable	13.5	894,414,471	413,569,035
Staff retirement benefits - gratuity	13.6	-	107,048,310
		27,821,074,622	30,818,091,628

13.1 This comprises of:			
Insurance claims		338,117,086	299,566,049
Provision for doubtful claims	13.1.1	(209,729,890)	(202,410,337)
		128,387,196	97,155,712

13.1.1 Movement of provision for doubtful insurance claims is as follows:

Opening balance	202,410,337	168,711,877
Recovery/adjustment during the year	(9,276,565)	-
Provision for the year	16,596,118	33,698,460
Closing balance	209,729,890	202,410,337

13.2 This comprises of:			
Recoverable from store in-charges	13.2.1 & 13.2.2	1,419,788,630	1,340,858,974
Provision for doubtful receivables	13.2.3	(692,359,130)	(660,325,529)
		727,429,500	680,533,445

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. 312.830 million (2015: Rs. 312.830 million) relating to embezzlement of cash funds through undue/excessive sales deliberately/intentionally credited in selective store ledgers by the regional staff, as being identified in findings of the Inquiry Committee of USC head office vide letter dated June 12, 2015. The amounts have been shown as recoverable from store-in-charges, however, fully provided for in these financial statements. Subsequently the matter has been referred for further inquiry to Federal Investigation Agency.

	2016 Rupees	2015 Rupees
13.2.3 Movement of provision for doubtful debts is as follows:		
Opening balance	660,325,529	595,723,589
Recovery/adjustment of doubtful receivables	(10,123,358)	(4,417,783)
Provision for the year	42,156,959	69,019,723
Closing balance	<u>692,359,130</u>	<u>660,325,529</u>

13.3 This represents the receivables from Ministry of Finance in lieu of subsidy claims against sugar subsidy, ramzan relief package and non paper subsidy amounting to Rs. 26,089 million (2015: 28,089 million), Rs. (633.048) million (2015: Rs. 521 million) and Rs. 234.05 million (2015: nil) respectively.

	Note	2016 Rupees	2015 Rupees
13.4 This comprises of:			
Miscellaneous receivables		467,178,851	994,602,354
Provision for doubtful miscellaneous receivables	13.4.1	<u>(86,140,364)</u>	<u>(85,151,561)</u>
		<u>381,038,487</u>	<u>909,450,793</u>

13.4.1 Movement of provision for Miscellaneous receivables is as follows:

Opening balance	85,151,561	85,416,885
Adjustment/(recovery) of doubtful miscellaneous receivables	2,949	(496,435)
Provision for the year	985,854	231,111
Closing balance	<u>86,140,364</u>	<u>85,151,561</u>

13.5 Deputy Commissioner Inland Revenue (DCIR) has passed order-in-original no. 02/50 dated September 25, 2013 and created sales tax and FED demand of Rs. 8,068 million for the period July 2008 to June 2011 and recovered Rs. 413.569 million from Company's bank account on October 29, 2013. Company has filed complaint to Federal Tax Obudsman (FTO) and FTO in its recommendations dated January 24, 2014 directed FBR to vacate the order and refund the amount. FBR filed representation before Honorable President of Pakistan and the President vide order dated December 30, 2014 rejected the representation of FBR and confirmed the decision of the FTO. Accordingly, Commissioner Audit vacated the order-in-original No. 02/50 dated September 23, 2013 and DCIR(Refund) has issued sales tax refund sanction order No. 133/2015 dated February 11, 2015 for Rs. 413.569 million and refund is made by FBR Treasury Department vide Order no.65638/2015 dated November 29, 2015. DCIR has opened the case again and passed order-in-original No. 16/53 dated July 14, 2015 and created sales tax demand of Rs. 2,147 million as final demand. Company has filed appeal before DCIR (Appeals) and he passed order-in-appeal No. ST/FED-48 of 2016 dated March 10, 2016 and remanded back the case of tax department to re-examine the case in the light of FTO order. Based on the tax counsel advise, the Company is confident of a favourable outcome of the above case therefore, the management believes no provision is required there against.

- 13.6 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, 2016 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.

	2016 Rupees	2015 Rupees
13.6.1 Amount recognized in balance sheet is as follow:		
Fair value of plan assets	728,546,807	680,259,591
Present value of defined benefits obligations	(1,138,852,351)	(573,211,282)
	<u>(410,305,544)</u>	<u>107,048,309</u>

- 13.6.2 The movement in the present value of defined benefits obligation is as follows:

At beginning of the year	573,211,282	586,058,256
Service cost (Current service cost + past service cost + gains / losses on settlements)	422,934,807	21,546,554
Interest cost	54,455,072	69,453,898
Benefits paid	(20,273,146)	(14,551,541)
Actuarial gain	108,524,336	(89,295,885)
At end of the year	<u>1,138,852,351</u>	<u>573,211,282</u>

13.6.2.1 Comparison for five years

2016 Rupees	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees
Present value of defined benefit obligation				
1,138,852,351	573,211,281	586,058,256	624,129,279	542,893,226

	2016 Rupees	2015 Rupees
13.6.3 The movement in the present value of plan assets is as follows:		
At beginning of the year	680,259,591	564,221,978
Interest income for the year	63,661,687	69,010,733
Contribution during the year	-	36,286,469
Benefits paid during the year	(20,273,146)	(14,551,541)
Return on plan assets excluding interest income	4,898,675	25,291,952
At end of the year	728,546,807	680,259,591

At beginning of the year	107,048,309	(21,836,278)
Expense chargeable to P & L during the year	(413,728,192)	(21,989,719)
Amount chargeable to OCI during the year	(103,625,661)	114,587,837
Contribution paid during the year	-	36,286,469
At end of the year	(410,305,544)	107,048,309

Current service cost	25,315,137	21,546,554
Past service cost	397,619,670	-
Net interest on net defined benefit liability	(9,206,615)	443,165
	<u>413,728,192</u>	<u>21,989,719</u>

2016	2015	2014	2013	2012
Rupees	Rupees	Rupees	Rupees	Rupees
		Charge for the year		
413,728,192	21,989,719	36,286,469	46,278,947	36,226,136

13.6.6 Plan assets comprises of the following:

Actuarial (gain) / loss due to experience adjustment	108,524,336	89,295,885
Return on plan assets	(4,898,675)	25,291,952
	<u>103,625,661</u>	<u>114,587,837</u>

	2016	2015
13.6.8 The principal actuarial assumptions used were as follows:		
Discount rate	9.0%	9.5%
Expected rate of return on plan assets	9.0%	9.5%
Expected increase in salary	9.0%	9.5%
Mortality rate	SLIC (2001-05)	
Average expected working lives of employees in years	10.99	6.8

13.6.9 Sensitivity analysis

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

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	1,024,378,786	1,274,698,004
Salary increase	1,273,352,215	1,023,405,227

13.6.10 The charge in respect of defined benefit plan for the year ending June 30, 2017 is estimated to be Rs.121,838,829.

	Note	2016 Rupees	2015 Rupees
14 TAXATION - NET			
Balance at beginning of the year		1,576,480,355	2,159,674,966
Provision for the year - current	33.1	(477,622,021)	(555,449,237)
		1,098,858,334	1,604,225,729
Payment		1,676,144,498	43,861,693
Adjustment	33.2	-	(71,607,067)
		<u>2,775,002,832</u>	<u>1,576,480,355</u>

15 CASH AND BANK BALANCES

Cash in hand		21,135,614	17,967,915
Cash in transit	15.1	623,088,696	487,336,447
		<u>644,224,310</u>	<u>505,304,362</u>
Bank balances:			
Current accounts		-	103,542
Saving accounts	15.2	4,037,235,663	4,314,281,179
		<u>4,681,459,973</u>	<u>4,819,689,083</u>

15.1 This represents cash in hand or cash deposited by the store incharges with banks, however, not credited by the offline banks on the balance sheet date and were subsequently credited in July 2016.

15.2 Bank balances in saving accounts include Rs. 544.365 million (2015: Rs. 620.097 million) in respect of security deposits received. Effective mark up rates in respect of saving accounts ranges from 4.5 % to 6.2 % (2015: 5 % to 6.5 %) per annum.

			2016 Rupees	2015 Rupees	
16	SHARE CAPITAL				
16.1	Issued, subscribed and paid up capital:				
	Number of ordinary shares of Rs. 10/- each				
	2016	2015			
	2,000,018	2,000,018	Fully paid in cash	20,000,180	20,000,180
			Issued to GoP in settlement of		
	71,773,124	71,773,124	loan	717,731,240	717,731,240
	73,773,142	73,773,142		737,731,420	737,731,420
16.2	Authorized share capital:				
	Number of ordinary shares of Rs. 10/- each				
	2016	2015			
	75,000,000	75,000,000		750,000,000	750,000,000
17	ADVANCE AGAINST ISSUE OF SHARES				
	Government of Pakistan	17.1	481,999,000	481,999,000	
17.1	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.				
18	SURPLUS ON REVALUATION OF FIXED ASSETS			2016 Rupees	2015 Rupees
	Balance brought forward		3,748,493,762	7,130,101,461	
	Revaluation adjustment on land during the year		349,558,449	(3,369,015,330)	
	Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)		15,473,488	8,436,887	
	Related deferred tax liability during the year transferred to profit and loss account		7,281,641	4,155,482	
			22,755,129	12,592,369	
			4,075,297,082	3,748,493,762	

Ar

Less: Related deferred tax effect:

Balance as at July 01,
Deferred tax on revaluation during the year
Effect of change in rate
Incremental depreciation charged during
the year transferred to profit and loss
account

2016 Rupees	2015 Rupees
76,561,604	83,109,636
108,363,119	-
(2,164,999)	(2,392,550)
(7,281,641)	(4,155,482)
175,478,083	76,561,604
3,899,818,999	3,671,932,158

- 18.1 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 in the value of land which has been adjusted in the accounts for the year ended June 30, 2015. Further the report suggested increase in the value of buildings, which is adjusted during the year.
- 18.2 Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.
- 18.3 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	2016 Rupees	2015 Rupees
Leasehold land	24,362,856	24,362,856
Freehold land	1,291,715	1,291,715
Buildings on freehold land	313,370	329,863
Buildings on leasehold land	54,522,989	57,392,620

19 GOVERNMENT GRANT RELATED TO ASSETS

Estimated value of fixed assets received under assistance from International Labour Organization, United Nations Development Programme through the Government of Pakistan (GoP)

Capital investment by the GoP for construction of building projects

Supplementary grant provided by Ministry of Industries, Production and Special Initiatives for expansion of stores and warehouses

2,120,405	2,120,405
9,069,000	9,069,000
1,242,047,478	1,242,047,478
1,253,236,883	1,253,236,883

Less: Amortization:

Balance at beginning of the year
Amortization for the year

1,040,644,741	1,000,058,785
33,689,568	40,585,956
1,074,334,309	1,040,644,741
178,902,574	212,592,142

	Note	2016 Rupees	2015 Rupees
20 GOVERNMENT GRANT RELATED TO INCOME			
Subsidy in advance	20.1	-	100,000,000
		-	100,000,000

- 20.1 Ministry of Industries, Production and Special Initiatives has provided a grant of Rs. 1,242,047,478 since 2006-07 to 2008-09 on recommendation of Planning and Development Division for expansion of network of Utility Stores Corporation of Pakistan (Private) Limited. This grant has been bifurcated into grant related to assets for Rs. 571,840,469 and grant related to income for Rs. 670,867,009. As per Management decision, during the year the Corporation has adjusted subsidy received in advance against receivable from Emergency Relief Cell (ERC).

	Note	2016 Rupees	2015 Rupees
21 LONG TERM LOAN			
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. However, in the opinion of the management loan is not payable before June 30, 2017.

	Note	2016 Rupees	2015 Rupees
22 DEFERRED LIABILITIES			
Staff retirement benefits - leave encashment	22.1	883,274,721	606,799,895
Staff retirement benefits - gratuity	13.6	410,305,544	-
Deferred taxation	22.2	175,478,083	76,561,604
		1,469,058,348	683,361,499

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, 2016 using Projected Unit Credit Method.

	Note	2016 Rupees	2015 Rupees
22.1.1	Amount recognized in balance sheet is as follow:		
	22.1.2	883,274,721	606,799,895
		-	-
		<u>883,274,721</u>	<u>606,799,895</u>
22.1.2	The movement in the present value of defined benefits obligation is as follows:		
		606,799,895	537,286,655
		45,104,624	43,283,721
		-	(12,148,843)
		64,640,476	49,331,202
		(10,986,279)	(11,723,993)
		177,716,005	771,153
		<u>883,274,721</u>	<u>606,799,895</u>
22.1.3	Movement in the net liability recognized is as follows:		
		606,799,895	537,286,655
	22.1.4	287,461,105	81,237,233
		(10,986,279)	(11,723,993)
		<u>883,274,721</u>	<u>606,799,895</u>
22.1.4	Charge for the year		
		45,104,624	43,283,721
		-	(12,148,843)
		64,640,476	49,331,202
		177,716,005	771,153
		<u>287,461,105</u>	<u>81,237,233</u>
22.1.5	The principal actuarial assumptions used were as follows:		
		10.75%	9.5%
		10.75%	9.5%
		SLIC (2001-05)	SLIC (2001-05)
		8	8
22.1.6	Sensitivity analysis		
	The impact of 1% change in following variables on defined benefit obligation is as follows:		

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	762,509,623	1,031,373,079
Salary increase	1,034,392,879	758,190,233

22.1.7 The charge in respect of defined benefit plan for the year ending June 30, 2017 is estimated to be Rs.121,838,829.

22.1.8 Actuarial valuation has not been carried out for the previous year as the impact was considered to be immaterial. Hence no comparative actuarial figures and estimates are presented.

22.2 Deferred taxation

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

	2016 Rupees	2015 Rupees
Surplus on revaluation of fixed assets	175,478,083	76,561,604
Tax rate used	31%	32%

22.2.1 Deferred tax asset of Rs. 19,110 million (2015: Rs. 20,177 million) due to turnover tax and brought forward losses has not been recognised in the current financial statements due to uncertainty regarding realisability of the amount.

	Note	2016 Rupees	2015 Rupees
23 TRADE AND OTHER PAYABLES			
Creditors			
Associated undertakings		32,605,057,320	34,449,815,774
Others vendors		11,071,285,488	9,357,097,733
Salaries and allowances		40,701,135	48,467,267
Bonus payable		88,172,131	88,172,131
Security deposits		540,527,725	553,363,393
Contributory provident fund		12,041,509	7,898,777
Workers' benevolent fund		7,247,446	3,005,038
Fidelity guarantee		93,759,717	79,109,041
Donation		88,486,756	63,140,952
Sales tax		36,050,414	45,906,422
Withholding tax		23,541,770	30,654,711
Other liabilities	23.1	356,468,736	143,254,974
		<u>44,963,340,147</u>	<u>44,869,886,213</u>

23.1 This includes bank adjustment of Rs. 14.295 million (2015: Rs. 6.738 million) which arises due to extra credits by the bank and not reversed till year end. An amount of Rs. 4.892 million adjusted subsequently in month of July and August.

		2016 Rupees	2015 Rupees
24	TEMPORARY BANK OVERDRAFT		
	Bank over draft	417,457	2,374,465
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.		
		2016 Rupees	2015 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	441,134,017	441,134,017
25.1.2	Re-assessment of the tax year 2010 was done at a tax demand of Rs. 48.6 million which has been recovered by the tax department. The Company filed an appeal before the Commissioner Appeals against the re-assessment order and Commissioner Appeals has once again set-aside the order with the direction to examine the tax exemption certificates. No order has yet been passed. The Company is hopeful for favourable outcome, therefore the above amount recovered is appearing under the head of advance tax.		
25.1.3	The Company is facing sales tax demand for the period July 1998 to March 2000 by the Collector of Customs, Sales Tax and Central Excise, Rawalpindi. The Company has filed an appeal against such demand before Collector of Customs, Sales Tax and Central Excise. In the event of adverse decision the Company would be required to pay an amount of Rs. 59.030 million (2015: 59.030 million) against the sales tax demand.		
25.1.4	The income tax return for tax year 2010 was selected for total audit through computerized balloting by FBR; the additional commissioner Inland Revenue (ACIR) has amended the assessment and created a demand of Rs. 136.645 million, by imposing minimum tax on alleged turnover, against the Company vide order No.13/123 dated Feb 29, 2016 which was later on revised to Rs.133.105 million by the ACIR. The Company filed appeal alongwith application for stay of recovery proceedings before Commissioner (Appeals-I), Islamabad which was decided against the Company. Feeling aggrieved, the Company filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order, the ATIR passed an order No.537/IB/2016 dated August 23, 2016 and granted stay for 60 days or till the decision of the main appeal. The appeal has been heard by the ATIR on February 02, 2017 and no order has been yet issued. The demand is currently under stay granted by the Honorable IHC vide W.P.Nos 4685 and 4686 dated December 20, 2016 which is valid till the decision of appeal by ATIR.		
25.1.5	The income tax return for tax year 2011 was selected for total audit through computerized balloting by FBR; the additional commissioner Inland Revenue (ACIR) has amended the assessment and created a demand of Rs. 149.878 million, by imposing minimum tax on alleged turnover, against the Company vide order No.14/123 dated Feb 29, 2016 which was later on revised to Rs. 139.011 million by the ACIR. The Company filed appeal alongwith application for stay of recovery proceedings before Commissioner (Appeals-I), Islamabad which was decided against the Company. Feeling aggrieved, the Company filed appeal before Appellate Tribunal Inland Revenue (ATIR), the ATIR		

passed an order No.538/IB/2016 dated August 23, 2016 and granted stay for 60 days or till the decision of the main appeal. The appeal has been heard by the ATIR on February 02, 2017 and no order has been yet issued. The demand is currently under stay granted by the Honorable IHC vide W.P.Nos 4685 and 4686 dated December 20, 2016 which is valid till the decision of appeal by ATIR.

25.1.6 The income tax return for tax year 2012 was selected for total audit through computerized balloting by FBR; the additional commissioner Inland Revenue has amended the assessment and created a demand of Rs. 181.214 million, by imposing minimum tax on alleged turnover, against the Company. The Company has filed appeal before Commissioner Appeals, Islamabad, 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 Appellate Tribunal Inland Revenue (ATIR) against the order of Commissioner Inland Revenue (CIR). 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, the additional commissioner Inland Revenue has amended the assessment and created a demand of Rs. 164.667 million, by imposing minimum tax on alleged turnover, against the Company. The Company has filed an appeal before Commissioner Appeals, Islamabad, who has decided the matter in favor of the Company vide his appellate order No.88/2015 dated June 01, 2015 subsequent to the balance sheet date. However, Inland Revenue Department (the department) has filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of Commissioner Inland Revenue (CIR). 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 additional commissioner Inland Revenue (ACIR) has amended the assessment and created a demand of Rs. 671.016 million, by imposing minimum tax on alleged turnover, against the Company vide order No.18/124 dated April 29, 2016. The Company filed appeal alongwith application for stay of recovery proceedings before Commissioner Inland Revenue (Appeals-I), Islamabad upon which the Company was granted a stay of 20 days upon the condition of submission of 35 % of the tax demand. Feeling aggrieved, the Company filed writ petition before Islamabad High Court upon which the honourable Court granted stay from recovery proceedings. Despite the stay granted by IHC, ACIR(Enforcement-I) has recovered forcibly the demanded funds on June 30, 2016. The Company has filled contempt application vide Criminal Original No.252/2016 in WP No. 2309/2016 dated 12-07-2016 in Islamabad High Court. Commissioner Inland Revenue (Appeals-I) passed order no. 785/2016 dated 14-07-2016 and maintained that amount of subsidy is the part of turnover for the purpose of charging of minimum tax @1% u/s 133 of the Ordinance and also remand back the case to ACIR to ascertain the exact amount of turnover relating to AJK and pass the order afresh on the issue. Company has filed appeal before the Appellate Tribunal Inland Revenue Islamabad vide letter no. IT/0140/2016 dated 28-07-2016 and prayed that order of the CIR (A) may kindly be vacated. Appeal is still pending at Tribunal. DCIR (Zone-I), Audit-I, LTU Islamabad has passed order u/s 122(4) read with section 122(5) dated 02-08-2016 creating nil demand.

25.1.9 Order in original No.02/101 of 2015 dated December 31, 2015 was issued by Deputy Commissioner Inland Revenue (DCIR) and by means of it created a demand of federal excise duty amounting to Rs. 6,305.888 million by treating the Company as a manufacturer of sugar. The Company has filed an

to Commissioner Inland Revenue (Appeals-I) upon which he 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. Subsequent to that the Company filed appeal before the Appellate Tribunal which is pending to be heard. Based on the tax counsel advise, the Company is confident of a favourable outcome of the above case therefore, the management believes no provision is required there against.

- 25.1.10 The Deputy Commissioner Inland Revenue (DCIR) passed an order No. 03/101 dated January 29, 2016 and determined federal excise duty demand of Rs. 8.566 million on non withholding of federal excise duty on advertisement. Subsequent to that the Company filed appeal before the Appellate Tribunal which is pending to be heard.
- 25.1.11 The Deputy Commissioner Inland Revenue (DCIR) passed an order No. 03/101 dated January 29, 2016 and determined sales tax demand of Rs. 303.464 million on non payment of sales tax on grants. Company filed appeal against the order which was rejected by Commissioner Inland Revenue (Appeals-I) 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 bank accounts of the Company. USC has taken the matter with Chief Commissioner Inland Revenue vide letter No. Fin-II(1)/I.Tax/2015-16 dated 31-05-2016 and filled appeal before the Appellate Tribunal Islamabad on 20-07-2016 vide letter no. IT/0057/2016 dated 16-07-2016 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. The liability is not accurately quantifiable.
- 25.1.13 The Assistant Commissioner Inland Revenue (ACIR) passed an order No. 01/2016 dated October 08, 2016 and determined sales tax demand of Rs. 179.933 million and 9.682 million in respect of non payment of sales tax on subsidy and Federal Excise Duty on franchise fee respectively. The company filed an appeal with Commissioner Inland Revenue (CIR-A) vide letter no. IT/1010/2016 and IT/1009/2016 dated November 15, 2016. which is pending to be heard.

25.2 COMMITMENTS

There were no commitment for capital expenditures as at the balance sheet date (2014: nil).

	Note	2016 Rupees	2015 Rupees
26	SALES		
	Sales of commodities	53,510,703,409	61,398,793,852
	Less: Sales tax	(4,916,753,964)	(5,261,550,286)
		<u>48,593,949,445</u>	<u>56,137,243,566</u>
27	SUBSIDY BY GOVERNMENT OF PAKISTAN		
	From Ministry of Finance (GoP)	27.1 <u>1,779,470,636</u>	<u>2,873,866,803</u>
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 Ramdan Relief Package, on sugar and other utilities to sell the items included in these package at subsidized rates.		

	Note	2016 Rupees	2015 Rupees
28 COST OF SALES			
Opening stock in trade		14,063,141,648	15,737,621,081
Purchases		45,488,570,615	52,187,128,970
Direct expenses			
Freight and octroi inward		201,696,752	427,587,664
Handling charges		35,496,916	45,673,894
Packing material and others		269,167,490	502,416,858
Depreciation	5.1	1,741,045	1,581,348
		508,102,203	977,259,764
		60,059,814,466	68,902,009,815
Closing stock in trade		(13,581,296,464)	(14,063,141,648)
		46,478,518,002	54,838,868,167

29 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	29.1	4,712,983,922	3,963,288,411
Freight octroi, loading and unloading outward		154,285,428	189,585,593
Rent, rate and taxes		607,749,715	589,141,643
Travelling and conveyance		100,175,638	106,551,045
Utilities		81,374,059	88,990,482
Vehicle running		219,947,301	301,383,625
Insurance		237,218,282	96,625,102
Legal and professional		7,657,202	11,097,949
Postage, telegram and telephones		16,019,497	15,754,355
Printing and stationery		46,760,839	52,636,847
Advertisement and sale promotion		22,521,184	17,215,324
Repairs and maintenance		19,465,385	16,787,998
Depreciation	5.1	59,084,327	55,893,132
Provision for slow moving items		1,667,901	8,043,388
Provision for other receivables		59,738,931	183,591,900
Provision for doubtful advances		216	280,429
General expense		22,064,645	18,934,944
Security expense		69,958,007	48,860,926
		6,438,672,479	5,764,663,093

29.1 Employee benefits

Following amounts are being included in respect of other benefits:

Contributory provident fund	51,640,371	52,648,644
Leave encashment	268,714,987	78,148,680
EOBI	72,858,091	53,459,553
Gratuity	342,866,212	18,664,561
Benevolent fund expenses	20,292,288	17,505,562
Social security	67,215,215	61,737,967
	823,587,164	282,164,967

30	ADMINISTRATIVE EXPENSES	Note	2016 Rupees	2015 Rupees
	Salaries and other benefits	30.1	347,230,081	216,114,172
	Rent, rates and taxes		4,767,754	4,951,839
	Travelling and conveyance		5,448,104	2,699,581
	Utilities		1,496,507	1,620,488
	Vehicle running		7,316,400	6,966,367
	Insurance		1,069,847	1,559,846
	Legal and professional		10,521,575	3,857,862
	Postage, telegram and telephones		4,569,593	4,801,804
	Printing and stationery		3,128,189	3,874,923
	Repairs and maintenance		1,465,024	1,222,245
	Depreciation	5.1	6,282,098	5,524,808
	Amortization	6.1	9,383	14,074
	Auditors' remuneration	30.2	1,103,500	935,000
	Security / Safety Expense		2,834,596	1,088,861
	Fee and Subscription		383,050	165,000
	Directors remuneration		8,630,000	5,175,000
	Miscellaneous		766,906	809,039
			<u>407,022,607</u>	<u>261,380,909</u>

30.1 Employee benefits

Following amounts are being included in respect of other benefits:

Contributory provident fund	4,173,454	3,978,447
Leave encashment	21,179,134	2,820,601
EOBI	2,143,180	1,818,640
Gratuity	70,454,081	2,739,163
Benevolent fund expenses	713,587	624,559
Social security	3,213,240	2,047,200
	<u>101,876,676</u>	<u>14,028,610</u>

30.2 Auditors' remuneration

Audit fee	801,000	660,000
Out of pocket expenses	302,500	275,000
	<u>1,103,500</u>	<u>935,000</u>

31 FINANCE COST

Bank charges	<u>44,661,523</u>	<u>45,967,529</u>
--------------	-------------------	-------------------

M

	Note	2016 Rupees	2015 Rupees
32 OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposits		186,989,183	227,381,661
Doubtful balances recovered during the year		120,105,347	4,936,618
Income from non-financial assets			
Rental income		6,825,685	7,171,381
Amortization of government grant	32.1	33,689,568	40,585,956
Gain on disposal of property, plant and equipment		66,190	42,000
Miscellaneous	32.2	44,157,587	39,682,988
		<u>391,833,560</u>	<u>319,800,604</u>

32.1 This represents amortization of government grant related to assets of Rs. 33.690 million (2015: Rs. 40.586 million).

32.2 This includes tender income and non-refundable registration fee of vendors. It also includes the reversal of provision for doubtful debts amounting to Rs. 100,000,000 which is reversed for the adjustment of receivables from Emergency Relief Cell (ERC) against subsidy received in advance

	Note	2016 Rupees	2015 Rupees
33 TAXATION			
Provision for taxation			
Current	33.1	477,622,021	555,449,237
Prior year	33.2	-	71,607,067
		<u>477,622,021</u>	<u>627,056,304</u>
Deferred		(7,281,641)	(4,155,482)
		<u>470,340,380</u>	<u>622,900,822</u>

33.1 In the previous year provision for current taxation was made to the extent of income covered under Final Tax Regime. Minimum tax provision was not made in those financial statements due to gross loss before subsidy, as subsidy from government is currently exempt from income tax (including minimum tax) under clause 102A of Part 1 of Second Schedule of the Income Tax Ordinance 2001. In the opinion of management subsidy being exempt from normal and minimum tax should be technically excluded from the turnover of the Company for the purpose of determining gross loss. However tax charge in current year has been computed on the basis of turnover as the company reported gross profit before subsidy.

33.2 This represents adjustment of tax refunds for the tax year 2007 and 2008 by the tax department against the previous tax demands.

	Note	2016 Rupees	2015 Rupees
34 (LOSS) /EARNINGS PER SHARE - BASIC AND DILUTED			
Basic			
(Loss) after taxation		<u>(3,073,961,350)</u>	<u>(2,202,869,547)</u>
		Number of shares	
Weighted average number of ordinary shares at the end of the year		<u>73,773,142</u>	<u>73,773,142</u>
		Rupees	
(Loss) per share		<u>(41.67)</u>	<u>(29.86)</u>
Diluted			
		Number of shares	
Weighted average number of ordinary shares at the end of the year		<u>121,973,042</u>	<u>121,973,042</u>
		Rupees	
(Loss) per share		<u>(25.20)</u>	<u>(18.06)</u>

35 CASH AND CASH EQUIVALENTS

Cash and bank balances	15	4,681,459,973	4,819,689,083
Temporary bank overdraft	24	<u>(417,457)</u>	<u>(2,374,465)</u>
		<u>4,681,042,516</u>	<u>4,817,314,618</u>

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	2016 Rupees	2015 Rupees
Trading Corporation of Pakistan (Private) Limited	Purchase of stock in trade	151,581,920	5,863,445,716
	Payments made	2,000,000,000	6,402,016,297
Contributory Provident Fund	Contribution	55,813,825	56,627,091
Employees' Gratuity Fund	Contribution	413,728,192	21,989,719
Workers' Benevolent Fund	Contribution	21,005,875	18,130,121

The status of outstanding balances of related parties as at June 30, 2016 and 2015 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.

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:

	2016			2015				
	Managing Director	Directors	Executives	Total	Managing Director	Directors	Executives	Total
----- Rupees -----								
Salaries, wages and benefits	2,772,757	-	56,991,004	59,763,761	1,282,652	-	39,714,494	40,997,146
Management fee	750,000	7,880,000	-	8,630,000	850,000	4,325,000	-	5,175,000
	3,522,757	7,880,000	56,991,004	68,393,761	2,132,652	4,325,000	39,714,494	46,172,146
Number of persons	1	14	30	45	1	5	30	36

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

Handwritten signature

38 FINANCIAL ASSETS AND LIABILITIES

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

2016

Total	Interest/mark up bearing			Not interest /mark up bearing
	Maturity up to one year	Maturity after one year	Sub-total	
----- Rupees -----				

Financial assets

Assets carried at amortized cost

Trade debts	-	-	-	-
Long term deposit	4,721,236	-	-	4,721,236
Loans and advances	14,300,691	-	-	14,300,691
Interest accrued	7,968,287	-	-	7,968,287
Other receivables	26,926,660,151	-	-	26,926,660,151
Cash and bank balances	4,681,459,973	4,037,235,663	-	4,037,235,663
	31,635,110,338	4,037,235,663	-	4,037,235,663
				27,597,874,675

Financial liabilities

Liabilities carried at amortized cost

Long term loan	500,000,000	-	-	-	500,000,000
Deferred liabilities	1,293,580,265	-	-	-	1,293,580,265
Trade and other payables	44,903,747,963	-	-	-	44,903,747,963
Temporary bank overdraft	417,457	-	-	-	417,457
	46,697,745,685	-	-	-	46,697,745,685

On balance sheet gap

(15,062,635,347)	4,037,235,663	-	4,037,235,663	(19,099,871,010)
------------------	---------------	---	---------------	------------------

Off Balance sheet Items

Financial commitments:

-	-	-	-	-
---	---	---	---	---

Total Gap

(15,062,635,347)	4,037,235,663	-	4,037,235,663	(19,099,871,010)
------------------	---------------	---	---------------	------------------

2015

Total	Interest/mark up bearing			Not interest /mark up bearing
	Maturity up to one year	Maturity after one year	Sub-total	
----- Rupees -----				

Financial assets

Assets carried at amortized cost

Trade debts	-	-	-	-
Long term deposit	4,748,286	-	-	4,748,286
Loans and advances	17,789,188	-	-	17,789,188
Interest accrued	17,445,789	-	-	17,445,789
Other receivables	30,297,474,283	-	-	30,297,474,283
Cash and bank balances	4,819,689,083	4,314,281,179	-	4,314,281,179
	35,157,146,629	4,314,281,179	-	4,314,281,179
				30,842,865,450

Financial liabilities

Liabilities carried at amortized cost

Long term loan	500,000,000	-	-	-	500,000,000
Deferred liabilities	606,799,895	-	-	-	606,799,895
Trade and other payables	44,793,325,080	-	-	-	44,793,325,080
Temporary bank overdraft	2,374,465	-	-	-	2,374,465
	45,902,499,440	-	-	-	45,902,499,440

On balance sheet gap

(10,745,352,811)	4,314,281,179	-	4,314,281,179	(15,059,633,990)
------------------	---------------	---	---------------	------------------

Off Balance sheet Items

Financial commitments:

-	-	-	-	-
---	---	---	---	---

Total Gap

(10,745,352,811)	4,314,281,179	-	4,314,281,179	(15,059,633,990)
------------------	---------------	---	---------------	------------------

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

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:

	2016 Rupees	2015 Rupees
Long term deposits	4,721,236	4,748,286
Trade debts	-	-
Loans and advances to employees	14,300,691	17,789,188
Interest accrued	7,968,287	17,445,789
Other receivables	26,926,660,151	30,297,474,283
Bank balances	4,037,235,663	4,314,384,721
	<u>30,990,886,028</u>	<u>34,651,842,267</u>

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.

Impairment losses

The aging of trade debts at the reporting date was:

	2016		2015	
	Gross debts	Impaired	Gross debts	Impaired
	----- Rupees -----			
No past due	-	-	-	-
Past due 1 year	-	-	-	-
Past due 1-3 year	-	-	-	-
Over 3 years	193,711,224	193,711,224	293,711,224	293,711,224

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:

	2016 Rupees	2015 Rupees
Balance at beginning of the year	293,711,224	212,587,182
(Adjustment) / provision made during the year	(100,000,000)	81,124,042
Balance at end of the year	<u>193,711,224</u>	<u>293,711,224</u>

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:

	2016 Rupees	2015 Rupees
Balance at beginning of the year	996,816,596	898,523,491
Provision made during the year	59,739,147	103,229,723
Recovered during the year	(10,825,833)	(4,936,618)
Balance at end of the year	<u>1,045,729,910</u>	<u>996,816,596</u>

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 -----				

2016

Long term loan	500,000	500,000	-	-	500,000
Trade and other payables	44,963,340	44,963,340	-	44,963,340	-
Temporary bank overdraft	417	417	417	-	-
Deferred liabilities	1,293,580	1,293,580	-	-	1,293,580
	<u>46,757,337</u>	<u>46,757,337</u>	<u>417</u>	<u>44,963,340</u>	<u>1,793,580</u>

2015

Long term loan	500,000	500,000	-	-	500,000
Trade and other payables	44,869,886	44,869,886	-	44,869,886	-
Temporary bank overdraft	2,374	2,374	2,374	-	-
Deferred liabilities	606,800	606,800	-	-	606,800
	<u>45,979,060</u>	<u>45,979,060</u>	<u>2,374</u>	<u>44,869,886</u>	<u>1,106,800</u>

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, 2016 can be evaluated from the schedule given in note 34 to these financial statements.

At the reporting date the Company's markup bearing financial instruments is only the bank balances amounting to Rs. 4,108.598 million (2015: Rs. 4,314.281 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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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.

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, 2016 was Rs. 1,111.849 million.

As intimated by the Trustees, the cost of the investment made at the year end was Rs. 870.757 million which is equal of 72% of the total fund size. The fair value of the investment was Rs. 870.757 million at that date. The category wise break up of investment as per section 227 of the Companies Ordinance, 1984 is given below:

	Amount Rupees in million	Percentage %
Government securities	870.757	78%
Cash at bank	0.988	0%
Loans to employees	84.165	8%
Accrued income	142.192	13%
Receivable from the Company	13.747	1%
	<u>1,111.849</u>	<u>100%</u>

According to the Trustees, investment out of provident fund have been made in accordance with the provisions of section 227 of Companies Ordinance, 1984 and the rules made thereunder except amount of Rs. 13.747 million which is receivable from the Company.

43 NUMBER OF EMPLOYEES

The number of employees as at year end was 13,884 (2015: 13,559) and average number of employees during the year was 13,622 (2015: 13,863).

44 CORRESPONDING FIGURES

- 45.1 Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 24 APR 2017.

46 GENERAL

Figures have been rounded off to the nearest rupee.

Am

USE

MANAGING DIRECTOR

[Signature]
DIRECTOR