

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees Restated | July 01, 2018 Rupees Restated |
|---|------|-----------------------|----------------------------|-------------------------------------|
| ASSETS | | | | |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | 6 | 8,061,272,848 | 4,997,691,536 | 4,277,453,285 |
| Intangible asset | 7 | 1,451,105 | 561,274 | 8,344 |
| Long term deposits | | 4,042,021 | 4,737,276 | 4,754,584 |
| | | 8,066,765,974 | 5,002,990,086 | 4,282,216,213 |
| CURRENT ASSETS | | | | |
| Stores | | 4,645,319 | 7,621,460 | 7,473,002 |
| Stock in trade | 8 | 10,752,491,862 | 2,278,462,907 | 5,309,686,082 |
| Trade debts | 9 | - | - | 37,103,665 |
| Loans and advances | 10 | 5,640,272 | 35,380,968 | 8,873,166 |
| Short term prepayments | | 110,572 | 33,735,177 | 33,886,978 |
| Other receivables | 11 | 20,787,151,965 | 19,586,496,582 | 24,823,727,130 |
| Tax refund due from government | 12 | 2,753,454,886 | 2,753,454,886 | 2,753,454,886 |
| Taxation | 13 | - | 12,494,735 | 9,500,857 |
| Cash and bank balances | 14 | 17,474,032,782 | 2,611,108,728 | 1,607,543,631 |
| | | 51,777,527,658 | 27,318,755,443 | 34,591,249,397 |
| TOTAL ASSETS | | 59,844,293,632 | 32,321,745,529 | 38,873,465,610 |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Share capital | 15 | 737,731,420 | 737,731,420 | 737,731,420 |
| Advance against issue of shares | 16 | 481,999,000 | 481,999,000 | 481,999,000 |
| Government funding for procurement of stock | | 10,000,000,000 | - | - |
| Surplus on revaluation of property, plant and equipment | 17 | 4,582,227,050 | 4,599,456,061 | 3,871,954,778 |
| Accumulated losses | | (15,513,125,795) | (14,691,060,110) | (7,634,666,667) |
| | | 288,831,675 | (8,871,873,629) | (2,542,981,469) |
| NON-CURRENT LIABILITIES | | | | |
| Deferred capital grant | 18 | 2,423,147,810 | 107,679,495 | 127,355,997 |
| Lease liability | 19 | 2,793,669,679 | - | - |
| Deferred liabilities | 20 | 2,389,252,726 | 2,717,320,926 | 1,737,784,348 |
| | | 7,606,070,215 | 2,825,000,421 | 1,865,140,345 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 21 | 37,146,357,997 | 36,768,397,030 | 39,050,439,214 |
| Taxation | 13 | 46,874,500 | - | - |
| Lease liability | 19 | 648,221,726 | - | - |
| Government subsidy | 22 | 13,607,937,519 | 1,100,221,707 | - |
| Government loan | 23 | 500,000,000 | 500,000,000 | 500,000,000 |
| Short term bank borrowings | 24 | - | - | 867,520 |
| | | 51,949,391,742 | 38,368,618,737 | 39,551,306,734 |
| TOTAL EQUITY AND LIABILITIES | | 59,844,293,632 | 32,321,745,529 | 38,873,465,610 |
| CONTINGENCIES AND COMMITMENTS | | | | |
| | 25 | | | |

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

MANAGING DIRECTOR

DIRECTOR

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

| | | 2020 Rupees | 2019 Rupees Restated |
|-----------------------------------|----|-------------------------|----------------------------|
| Sales-net | 26 | 47,160,361,037 | 9,310,061,524 |
| Cost of sales | 27 | <u>(46,982,214,819)</u> | <u>(9,122,070,468)</u> |
| Gross profit | | 178,146,218 | 187,991,056 |
| Selling and distribution expenses | 28 | <u>(7,194,180,806)</u> | <u>(7,293,263,695)</u> |
| Administrative expenses | 29 | <u>(474,961,707)</u> | <u>(437,443,429)</u> |
| Operating loss | | (7,490,996,295) | (7,542,716,068) |
| Finance cost | | (637,063,837) | (13,983,785) |
| Subsidy income | 22 | 6,160,284,188 | 374,557,778 |
| Other income | 30 | <u>1,251,416,940</u> | <u>733,629,884</u> |
| Loss before taxation | | (716,359,004) | (6,448,512,191) |
| Taxation | 31 | <u>(701,987,113)</u> | <u>75,875,381</u> |
| Loss after taxation | | <u>(1,418,346,117)</u> | <u>(6,372,636,810)</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, 2020

| | Note | 2020 Rupees | 2019 Rupees Restated |
|--|--------|----------------------|----------------------------|
| Loss for the year | | (1,418,346,117) | (6,372,636,810) |
| Items that will not be classified to profit or loss | | | |
| Remeasurement of defined benefit plans | 20.2.7 | 579,051,421 | (701,892,434) |
| Total comprehensive income for the year - (loss) | | <u>(839,294,696)</u> | <u>(7,074,529,244)</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 CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

| | Note | Share capital | Reserves | | | Total | |
|--|--------|---------------|--|---------------------------------|---|------------------|--|
| | | | Capital | | Revenue | | |
| | | | Issued, subscribed and paid-up capital | Advance against issue of shares | Government funding for procurement of stock | | Surplus on revaluation of property, plant and equipment - net of tax |
| ----- Rupees ----- | | | | | | | |
| Balance as at July 01, 2018 | | 737,731,420 | 481,999,000 | - | 3,871,954,778 | (7,634,666,667) | (2,542,981,469) |
| Total comprehensive income for the year | | | | | | | |
| Loss for the year - restated | | - | - | - | - | (6,372,636,810) | (6,372,636,810) |
| Effect of revaluation carried out during the year (net) - restated | 17 | - | - | - | 745,637,084 | - | 745,637,084 |
| Remeasurement of defined benefit plans | 20.2.7 | - | - | - | - | (701,892,434) | (701,892,434) |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation-net of tax | 17 | - | - | - | (18,135,801) | 18,135,801 | - |
| | | - | - | - | 727,501,283 | (7,056,393,443) | (6,328,892,160) |
| Balance as at June 30, 2019 - restated | | 737,731,420 | 481,999,000 | - | 4,599,456,061 | (14,691,060,110) | (8,871,873,629) |
| Balance as at July 01, 2019 | | 737,731,420 | 481,999,000 | - | 4,599,456,061 | (14,691,060,110) | (8,871,873,629) |
| Total comprehensive income for the year | | | | | | | |
| Loss for the year | | - | - | - | - | (1,418,346,117) | (1,418,346,117) |
| Remeasurement of defined benefit plans | 20.2.7 | - | - | - | - | 579,051,421 | 579,051,421 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation-net of tax | 17 | - | - | - | (17,229,011) | 17,229,011 | - |
| | | - | - | - | (17,229,011) | (822,065,685) | (839,294,696) |
| Transaction with owners of the Company | | | | | | | |
| Contributions | | | | | | | |
| Government funding for procurement of stock | | - | - | 10,000,000,000 | - | - | 10,000,000,000 |
| Total contributions | | - | - | 10,000,000,000 | - | - | 10,000,000,000 |
| Balance as at June 30, 2020 | | 737,731,420 | 481,999,000 | 10,000,000,000 | 4,582,227,050 | (15,513,125,795) | 288,831,675 |

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

MANAGING DIRECTOR

DIRECTOR

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees Restated |
|---|------|-----------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash used in operations | 32 | (14,633,248,420) | (260,477,449) |
| Finance cost paid | | (142,838,136) | (13,983,785) |
| Receipt of Government subsidy | | 18,668,000,000 | 1,475,000,000 |
| Leave encashment paid | | (25,017,708) | (70,313,348) |
| Income tax paid | | (643,268,434) | (120,741,198) |
| | | <u>17,856,875,722</u> | <u>1,269,961,669</u> |
| Net cash generated from operating activities | | 3,223,627,302 | 1,009,484,220 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (13,769,373) | (4,440,911) |
| Paid for intangible asset | | (1,313,695) | (680,000) |
| Proceeds from disposal of property, plant and equipment | | 32,808 | 52,000 |
| Long term deposits | | 695,255 | 17,308 |
| Net cash used in investing activities | | (14,355,005) | (5,051,603) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipt of Government funding for procurement of stock | | 10,000,000,000 | - |
| Receipt of deferred capital grant | | 2,332,000,000 | - |
| Payments against lease liability | | (678,348,243) | - |
| Net cash generated from financing activities | | 11,653,651,757 | - |
| Net increase in cash and cash equivalents | | 14,862,924,054 | 1,004,432,617 |
| Cash and cash equivalents at the beginning of the year | | 2,611,108,728 | 1,606,676,111 |
| Cash and cash equivalents at the end of the year | 33 | 17,474,032,782 | 2,611,108,728 |

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

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

The Company is principally engaged in providing items of daily consumption at comparatively cheaper prices through its chain store operations.

The business units of the company include the following;

| Business Unit | Geographical Location |
|----------------------|---|
| Registered Office | Plot 2039, F-7/G-7 Blue Area Islamabad. |
| Zonal Offices | |
| Abbottabad | PMA Road, Shahzaman Colony, Abbottabad |
| Faisalabad | Daewoo Road, Near Punab Samal Industrial Estate, Faisalabad. |
| Islamabad | Plot No. 155, St# 09, Sector I-10/3, Industrial Area, Islamabad. |
| Karachi | St-13, Sector 36/A, Old Roti Plant, K-Area Korangi, Karachi. |
| Lahore | RCP Building Scheme More, Saidpur Chowk, Multan Road, Lahore. |
| Multan | 1-C Sher Shah Road Opp. Al-Hayat Flour Mill, Industrial Estate, Multan. |
| Peshawar | 126-C, Near Jamrud Road, Peshawar. |
| Quetta | Plot No. 5-3/96, Roati Plant Building T.T.C, Sirki Roa, Quetta. |
| Sukkur | A-24, Golimar, Industrial Area Sukkur. |

The Company has regional offices, regional warehouses and retail stores located across Pakistan, the zone-wise details of which are listed below;

| Zones | No of regions | No of stores |
|--------------|----------------------|---------------------|
| Abbottabad | 6 | 420 |
| Faisalabad | 7 | 560 |
| Islamabad | 7 | 564 |
| Karachi | 7 | 298 |
| Lahore | 7 | 433 |
| Multan | 8 | 556 |
| Peshawar | 9 | 642 |
| Quetta | 7 | 221 |
| Sukkur | 6 | 295 |
| | 64 | 3989 |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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 the liabilities related to defined benefit, gratuity and compensated leave absences which are stated at present value of the defined benefit liability, determined through actuarial valuation.

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 2.4.

2.3 Functional and presentation currency

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

2.4 Key judgments and estimates

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

- Useful lives, reassessed values, residual values and depreciation method of property, plant and equipment; – Note 5.1;
- Provision for stock in trade – Note 5.4;
- Allowance for trade debtors under expected credit loss – Note 5.7.1;
- Allowance for other receivables under expected credit loss – Note 5.7.1;
- Estimation of provisions - Note 5.18; and
- Provision for taxation - Note 5.14.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020


2 BASIS OF PREPARATION (continued)

2.4 Key judgments and estimates (continued)

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs. 

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3 Standards, interpretations and amendments to the approved accounting standards that are not yet effective (continued)

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS - 16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - there is no substantive change to the other terms and conditions of the lease.



UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3 Standards, interpretations and amendments to the approved accounting standards that are not yet effective (continued)

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amir

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3 Standards, interpretations and amendments to the approved accounting standards that are not yet effective (continued)

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2020;

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above standards and amendments are not likely to have an impact on Company's financial statements.

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Changes in significant accounting policies during the year are indicated below:

4.1 IFRS 16 Leases

IFRS 16 'Leases', became effective from January 01, 2019, and has replaced the existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 has introduced a single, on statement of financial position lease accounting model for lessees. A lessee recognizes a ROU asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the previous standard i.e. lessors continue to classify leases as finance or operating leases.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continue to be reported under IAS - 17.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after July 01, 2019.



UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 IFRS 16 Leases (continued)

As a lessee

As a lessee, the Company mainly leases office and warehouse facilities. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases – excluding short-term lease (those with a lease term no longer than 12 months) and leases whose underlying assets are of low-value. The payments associated with such leases are recognized when incurred. The Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

At the transition, the Company has recognised lease liabilities related to operating leases in which it is a lessee at the present value of the future lease payments determined at the incremental borrowing rate as at July 01, 2019. The associated ROU asset is recognised by adjusting the lease liability for any prepayment or accrual related to the lease. ROU assets are measured at either:

- (i) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The Company applied approach (ii) to all its existing leases at the date of transition.



UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 IFRS 16 Leases (continued)

Financial impact of initial application of IFRS 16

On transition to IFRS 16, the Company recognized ROU assets, namely leased retail stores. ROU assets have been measured at an amount equal to the lease liability, adjusted by the amount of accrued liability relating to the lease recognized in the statement of financial position as at June 30, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on July 01, 2019 is 13.63%. The impact on transition is summarized below.

| | Amounts recognized under | | Increase |
|---------------------------------------|--------------------------|--------|---------------|
| | IFRS 16 | IAS 17 | |
| | Rupees | | |
| Lease liability at 01 July 2019 | 3,626,013,947 | - | 3,626,013,947 |
| Right of use of asset at 01 July 2019 | 3,626,013,947 | - | 3,626,013,947 |

As a result of initially applying IFRS 16, the Company has recognised ROU assets of Rs. 3,626.013 million and lease liability of Rs. 3,626.013 million. The approach used by the Company has not resulted in any adjustment to opening accumulated profit. The Company presents ROU asset in the note 6 to the financial statements.

After the initial recognition of ROU asset and lease liabilities as at July 01, 2019, the Company as a lessee is required to recognize interest expense on the outstanding balance of the lease liability, and the depreciation of the ROU asset, instead of the previous policy of recognizing rental expenses incurred under operating leases on a straight-line basis over the lease term. This resulted in the following impact as compared to the results as if IAS 17 had been applied during the year.

| | Amounts recognized under | | Increase / (Decrease) |
|------------------------------------|--------------------------|-------------|--------------------------|
| | IFRS 16 | IAS 17 | |
| | Rupees | | |
| Depreciation of right of use asset | 518,001,992 | - | 518,001,992 |
| Interest on lease liability | 494,225,701 | - | 494,225,701 |
| Rent expense | - | 678,348,243 | (678,348,243) |
| Loss after taxation | 1,012,227,693 | 678,348,243 | 333,879,450 |

In the statement of cash flows, the Company as a lessee is required to split rentals paid under capitalized leases into their capital element and interest element, rather than as previously classified as operating cash outflows, although total cash flows are unaffected.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 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, except for adoption of IFRS 16 as mentioned in note 4.1.

5.1 Property, plant and equipment

Owned

Recognition and measurement

Items included in property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, except freehold land, leasehold land, buildings on freehold land and buildings on leasehold land. Freehold land and leasehold land are stated at revalued amount. Buildings on freehold land and buildings on leasehold land are stated at revalued amount less accumulated depreciation. Capital work in progress is stated at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are recognised in the statement of profit or loss during the financial period in which they are incurred.

Freehold land, leasehold land, buildings on freehold land and buildings on leasehold land are recognized at revalued amounts based on valuation by external independent valuer. Revaluation surplus on property, plant and equipment is credited to capital reserve in shareholders' equity and presented as a separate line item in statement of financial position.

Increases in the carrying amounts arising on revaluation of property, plant and equipment is recognised in statement of comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment are recognised in the statement of profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.



UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Property, plant and equipment (continued)

Depreciation

Freehold land and leasehold land are not depreciated. Depreciation on other assets is calculated using the reducing balance method to allocate their cost / revalued amount less residual value over their estimated useful lives at the annual rates disclosed in note 6.

Depreciation on additions to property, plant and equipment is charged from the date at which property, plant and equipment is acquired or capitalized to the date at which property, plant and equipment is disposed off / derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.2 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 7 to the financial statements. Amortization on addition to intangible assets is charged from the date of addition while no amortization is charged for the date of disposal or deletion of assets.

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

5.3 Stores

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

5.4 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 and other charges incurred thereon.

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

The Company reviews the carrying amount of stock in trade on a regular basis. Provision is made for obsolescence if there is any change in usage pattern or physical form of related stock in trade.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.5 Trade debts, other receivables and other financial assets

Trade debts, other receivables and other financial assets are initially stated at fair value of consideration to be received. Subsequent to initial recognition, these are carried at their amortized cost as reduced by appropriate charge for expected credit losses, if any. The Company holds the trade debts, other receivables and other financial assets with the objective of collecting the contractual cash flows and therefore measures these subsequently at amortized cost using the effective interest method. Impairment of trade debts and other receivables is described in note 5.7.1.

5.6 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short term bank borrowings under mark-up arrangements, used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried in the statement of financial position at amortized cost.

5.7 Impairment

5.7.1 Financial assets

The Company recognises loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For recognition of impairment on financial assets due from the Government of Pakistan entities, the Company assesses, at each reporting date, whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. *KAMMA*

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 Impairment (continued)

5.7.2 Non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if impairment losses had not been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss.

5.8 Other receivables

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

5.9 Financial instruments

(i) Recognition and initial measurement

The Company initially recognises financial assets on the date when they are originated. Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade debt without a significant financing component) or financial liability is initially measured at fair value, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at:

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

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Financial instruments (continued)

ii) Classification (continued)

(a) Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

(iii) Subsequent measurement

(a) Financial assets at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

(b) Financial assets at FVTPL

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

(c) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Financial instruments (continued)

(iii) Subsequent measurement (continued)

(d) Equity investments at FVOCI

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

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) De-recognition

Financial asset

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognised a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.



UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Financial instruments (continued)

(iii) Subsequent measurement (continued)

(v) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

5.10 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.11 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 or 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.

5.12 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, 2020, the related details of which are given in note 20.2 of the financial statements.

The amount recognized in the statement of financial position represents the present value of defined benefits obligations as adjusted for un-recognized actuarial gains and losses. The most recent actuarial valuation is carried out at June 30, 2020 using the projected unit credit method (refer note 20.2). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

Encashment of unavailed leaves

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

The latest actuarial valuation was carried as of June 30, 2020, the related details of which are given in note 20.1 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 or 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.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.13 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.

5.14 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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria is met.

Deferred

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts of assets and liabilities used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.
- taxable temporary difference are adjusted by the portion of income expected to fall under presumptive tax regime in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. The effect of the adjustment is charged or credited to income currently.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Taxation (continued)

Deferred (continued)

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

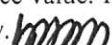
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

5.15 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.

5.16 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. 

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.17 Borrowings

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.

5.18 Provisions

Provisions are recognized when the Company has present obligation, legal or constrictive obligation as a result of past events, its probable that an outflow of the resources embodying economic benefit will be required to settle the obligation, and the reliable estimate of amount can be made.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimates.

5.19 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.

5.20 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.

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.21 Leases

Policy applicable after July 01, 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Lease Liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below Rs. 0.1 million). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policy applicable before July 01, 2019

The lease payments as an expense in the statement of profit or loss over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the user's benefit.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6 PROPERTY, PLANT AND EQUIPMENT

| Description | Freehold land | Leasehold land | Buildings on freehold land | Buildings on leasehold land | Temporary buildings | Plant and equipment | Furniture, fixture and office equipment | Computer and office machines | Motor vehicles and bicycles | Sign boards | Right of use asset | Total |
|--|----------------------|--------------------|----------------------------|-----------------------------|---------------------|---------------------|---|------------------------------|-----------------------------|----------------|----------------------|----------------------|
| Rupees | | | | | | | | | | | | |
| Net carrying value basis | | | | | | | | | | | | |
| year ended June 30, 2020 | | | | | | | | | | | | |
| Opening net book value (NBV) | 3,796,638,000 | 415,777,000 | 437,123,000 | 198,390,000 | 5,451 | 4,984,046 | 126,174,648 | 9,897,376 | 8,390,490 | 311,525 | - | 4,997,691,536 |
| Impact of adoption of IFRS - 16 | | | | | | | | | | | 3,626,013,947 | 3,626,013,947 |
| Additions (at cost) | - | - | 749,278 | - | - | 404,190 | 3,704,326 | 8,895,429 | - | 16,150 | - | 13,769,373 |
| Disposals (NBV) | - | - | - | - | - | - | (4,003) | - | - | - | - | (4,003) |
| Depreciation charge | - | - | (21,937,157) | (9,946,677) | (1,363) | (1,023,188) | (19,113,217) | (4,391,934) | (1,678,098) | (104,379) | (518,001,992) | (576,198,005) |
| Closing net book value | 3,796,638,000 | 415,777,000 | 415,935,121 | 188,443,323 | 4,088 | 4,365,048 | 110,761,754 | 14,400,871 | 6,712,392 | 223,296 | 3,108,011,955 | 8,061,272,848 |
| Gross carrying value basis | | | | | | | | | | | | |
| year ended June 30, 2020 | | | | | | | | | | | | |
| Cost / revalue | 3,796,638,000 | 415,777,000 | 517,910,998 | 228,057,724 | 8,759,706 | 44,756,990 | 577,016,285 | 131,857,337 | 106,801,536 | 12,783,566 | 3,626,013,947 | 9,466,373,089 |
| Accumulated depreciation | - | - | (101,975,877) | (39,614,401) | (8,755,618) | (40,391,942) | (466,254,531) | (117,456,466) | (100,089,144) | (12,560,270) | (518,001,992) | (1,405,100,241) |
| Net book value | 3,796,638,000 | 415,777,000 | 415,935,121 | 188,443,323 | 4,088 | 4,365,048 | 110,761,754 | 14,400,871 | 6,712,392 | 223,296 | 3,108,011,955 | 8,061,272,848 |
| Net carrying value basis | | | | | | | | | | | | |
| year ended June 30, 2019 | | | | | | | | | | | | |
| Opening net book value (NBV) | 276,604,620 | 3,258,288,700 | 149,300,006 | 418,674,531 | 7,268 | 5,990,372 | 147,823,452 | 9,837,602 | 10,492,097 | 434,637 | - | 4,277,453,285 |
| Revaluation during the year - restated | 509,610,180 | 167,911,500 | 48,873,364 | 47,063,825 | - | - | - | - | - | - | - | 773,458,869 |
| Additions (at cost) | - | - | - | - | - | 223,900 | 573,505 | 3,612,156 | - | 31,350 | - | 4,440,911 |
| Disposals (NBV) | - | - | - | - | - | - | - | - | (3,985) | - | - | (3,985) |
| Depreciation charge | - | - | (7,465,000) | (20,933,726) | (1,817) | (1,230,226) | (22,222,309) | (3,552,382) | (2,097,622) | (154,462) | - | (57,657,544) |
| Inter category adjustment - restated | 3,010,423,200 | (3,010,423,200) | 246,414,630 | (246,414,630) | - | - | - | - | - | - | - | - |
| Closing net book value | 3,796,638,000 | 415,777,000 | 437,123,000 | 198,390,000 | 5,451 | 4,984,046 | 126,174,648 | 9,897,376 | 8,390,490 | 311,525 | - | 4,997,691,536 |
| Gross carrying value basis | | | | | | | | | | | | |
| year ended June 30, 2019 | | | | | | | | | | | | |
| Cost / revalue - restated | 3,796,638,000 | 415,777,000 | 517,161,720 | 228,057,725 | 8,759,706 | 44,352,801 | 573,335,913 | 122,961,908 | 106,801,536 | 12,767,416 | - | 5,826,613,725 |
| Accumulated depreciation - restated | - | - | (80,038,720) | (29,667,725) | (8,754,255) | (39,368,755) | (447,161,265) | (113,064,532) | (98,411,046) | (12,455,891) | - | (828,922,189) |
| Net book value | 3,796,638,000 | 415,777,000 | 437,123,000 | 198,390,000 | 5,451 | 4,984,046 | 126,174,648 | 9,897,376 | 8,390,490 | 311,525 | - | 4,997,691,536 |
| Depreciation rate % per annum | - | - | 5% | 5% | 25% | 20% | 15% | 33.33% | 20% | 33.33% | 14.29% | |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

6 PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Depreciation for the year has been allocated as follows.

| | Note | 2020 Rupees | 2019 Rupees |
|-----------------------------------|------|--------------------|-------------------|
| Cost of sales | 27 | 1,980,461 | 1,591,484 |
| Selling and distribution expenses | 28 | 568,100,965 | 50,940,199 |
| Administrative expense | 29 | 6,116,579 | 5,125,861 |
| | | <u>576,198,005</u> | <u>57,657,544</u> |

6.2 The title of leasehold land and building at Roti Plant, Karachi acquired by the Company in 1999 from Privatization Commission of Pakistan ("PCP"), Government of Pakistan has not been transferred in the name of the Company due to delays on part of PCP. The leasehold land and building has a revalued carrying amount of Rs. 71.698 million (2019: Rs. 71.698 million).

6.3 Freehold land includes plots and agricultural land in Multan amounting to Rs. 21.892 million (2019: Rs. 21.892 million). These were decreed and transferred against recoverable from a store in charge for which case is pending in the court.

6.4 Forced sale values as per revaluation performed on 30 June 2019 were as follows, however, the forced sale values do not include the impact of subsequent additions.

| | Rupees |
|-----------------------------|---------------|
| Freehold land | 3,037,310,400 |
| Leasehold land | 332,621,600 |
| Buildings on freehold land | 413,729,376 |
| Buildings on leasehold land | 182,446,180 |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | | | 2020 Rupees | 2019 Rupees |
|-----|--|-----|-----------------------|----------------------------|
| 7 | INTANGIBLE ASSET | | | |
| | Computer software | 7.1 | <u>1,451,105</u> | <u>561,274</u> |
| 7.1 | Net carrying value basis | | | |
| | Opening net book value | | 561,274 | 8,344 |
| | Additions | | 1,313,695 | 680,000 |
| | Amortization charged for the year | | <u>(423,864)</u> | <u>(127,070)</u> |
| | Closing net book value | | <u>1,451,105</u> | <u>561,274</u> |
| | Gross carrying value basis | | | |
| | Cost | | 775,000 | 95,000 |
| | Addition | | 1,313,695 | 680,000 |
| | Accumulated amortization | | <u>(637,590)</u> | <u>(213,726)</u> |
| | Closing net book value | | <u>1,451,105</u> | <u>561,274</u> |
| | Amortization rate % per annum | | <u>33.33</u> | <u>33.33</u> |
| 8 | STOCK IN TRADE | | | |
| | Stock in hand | | 11,206,135,848 | 2,718,298,484 |
| | Provision for slow moving items | 8.1 | <u>(453,643,986)</u> | <u>(439,835,577)</u> |
| | | | <u>10,752,491,862</u> | <u>2,278,462,907</u> |
| 8.1 | Movement of provision for slow moving and obsolete items is as follows: | | | |
| | Opening balance | | 439,835,577 | 333,161,854 |
| | Provision for the year | 8.2 | <u>13,808,409</u> | <u>106,673,723</u> |
| | Closing balance | | <u>453,643,986</u> | <u>439,835,577</u> |
| 8.2 | This represents provision during the year based on actual status of damaged, expired and obsolete stock received from regions during the year and additional 1% provision of gross closing stock for unforeseen damaged, expired and obsolete stock. | | | |
| | | | | |
| | | | 2020 Rupees | 2019 Rupees Restated |
| 9 | TRADE DEBTS | | | |
| | Unsecured and considered doubtful | | 258,052,138 | 258,052,138 |
| | Allowance for expected credit losses | 9.1 | <u>(258,052,138)</u> | <u>(258,052,138)</u> |
| | | | <u>-</u> | <u>-</u> |

(17/11/20)

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | | 2020 Rupees | 2019 Rupees Restated |
|------|--|--------------------|----------------------------|
| 9 | TRADE DEBTS (continued) | | |
| 9.1 | Movement of allowance for expected credit losses is as follows: | | |
| | Opening balance | 258,052,138 | 220,948,473 |
| | Allowance for the year | - | 37,103,665 |
| | Closing balance | <u>258,052,138</u> | <u>258,052,138</u> |
| 9.2 | Trade debts represent balance receivables from different Government departments mainly from Pakistan Bait-ul-Mal, Emergency Relief Cell, National Tuberculosis Control Program and Ministry of Interior. The maximum aggregate amount outstanding during the year was Rs. 258.052 million (2019: Rs. 258.052 million). The aging of trade debts at the statement of financial position date is as follows: | | |
| | | 2020 Rupees | 2019 Rupees |
| | Note | | |
| | Not past due | - | - |
| | Past due by 1 to 2 years | - | - |
| | Past due by over 3 years | 258,052,138 | 258,052,138 |
| | | <u>258,052,138</u> | <u>258,052,138</u> |
| 10 | LOANS AND ADVANCES | | |
| | Unsecured-considered good | | |
| | Advances to employees | 5,484,590 | 8,069,332 |
| | Advances to suppliers | 155,732 | 27,311,636 |
| | | <u>5,640,322</u> | <u>35,380,968</u> |
| | Considered doubtful | | |
| | Advances to employees | 1,961,937 | 1,973,608 |
| | Advances to suppliers | 49,417,139 | 49,417,139 |
| | 10.2 & 10.3 | <u>51,379,076</u> | <u>51,390,747</u> |
| | | 57,019,398 | 86,771,715 |
| | Provision for doubtful advances | (51,379,126) | (51,390,747) |
| | 10.1 | <u>5,640,272</u> | <u>35,380,968</u> |
| 10.1 | Movement of provision for doubtful advances is as follows: | | |
| | Opening balance | 51,390,747 | 50,734,123 |
| | Adjustment of doubtful loans and advances | (48,158) | (116,749) |
| | Provision for the year | 36,487 | 773,373 |
| | Provision transfer from other receivable | 50 | - |
| | Closing balance | <u>51,379,126</u> | <u>51,390,747</u> |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

10 LOANS AND ADVANCES (continued)

- 10.2 Advances to suppliers includes an amount of Rs. 44.982 million (2019 : Rs. 44.982 million) in respect of receivables from M/s Qureshi Flour Mills against the supplies of 11,094.5 metric tons of wheat grains for grinding purposes which is disputed with the supplier. The defendant is under the police custody for more than three years. However, the said amount has been provided for in the prior years.
- 10.3 Advances to suppliers includes an amount of Rs. 1.804 million (2019: Rs. 1.804 million) in respect of receivables from M/s Yousufzai Flour Mills which is also disputed with the supplier. The Company has filed a suit against the supplier and the defendant is wanted by the Court of law. However, the said amount has been provided for in the prior years.

| | Note | 2020 Rupees | 2019 Rupees Restated |
|---|--------|-----------------------|----------------------------|
| 11 OTHER RECEIVABLES | | | |
| Insurance claims | 11.1 | - | 15,196,560 |
| Recoverable from store in charges | 11.2 | 86,979,149 | 132,941,589 |
| Receivable from Ministry of Finance | 11.3 | 18,122,467,416 | 18,122,467,416 |
| Sales tax refund receivable | 11.4 | 2,577,705,400 | 1,315,891,017 |
| | | <u>20,787,151,965</u> | <u>19,586,496,582</u> |
| 11.1 Insurance claims | | | |
| Insurance claims | | 280,375,759 | 295,279,702 |
| Allowance for expected credit losses | 11.1.1 | (280,375,759) | (280,083,142) |
| | | <u>-</u> | <u>15,196,560</u> |
| 11.1.1 Movement of allowance for expected credit losses is as follows: | | | |
| Opening balance | | 280,083,142 | 212,614,508 |
| Adjustment during the year | | (10,464,012) | (9,191,627) |
| Allowance for the year | | 13,384,893 | 76,889,789 |
| Allowance transferred to recoverable from store in charges | | (2,628,264) | (229,528) |
| Closing balance | | <u>280,375,759</u> | <u>280,083,142</u> |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

11 OTHER RECEIVABLES (continued)

11.1 Insurance claims (continued)

- 11.1.2 Insurance claims balance represents receivables from National Insurance Company Limited ("NICL"). The maximum aggregate amount outstanding during the year was Rs. 294.764 million (2019: Rs. 295.280). The aging of insurance claims at the statement of financial position date is as follows:

| | Note | 2020 Rupees | 2019 Rupees |
|--------------------------|------|--------------------|--------------------|
| Not past due | | - | - |
| Past due by 1 to 2 years | | - | - |
| Past due by over 3 years | | 280,375,759 | 295,279,702 |
| | | <u>280,375,759</u> | <u>295,279,702</u> |

| | Note | 2020 Rupees | 2019 Rupees Restated |
|--|-----------------|-------------------|----------------------------|
| 11.2 Recoverable from store in charges | | | |
| Recoverable from store in-charges | 11.2.2 & 11.2.3 | 1,569,232,666 | 1,485,225,135 |
| Allowance for expected credit losses | 11.2.2 & 11.2.3 | (1,482,253,517) | (1,352,283,546) |
| | | <u>86,979,149</u> | <u>132,941,589</u> |

- 11.2.1 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.

- 11.2.2 It includes Rs. 382.305 million (2019: Rs. 382.425 million) relating to embezzlement of cash funds through undue / excessive sales deliberately / intentionally credited in selective store ledgers by the staff of Quetta region, as being identified in findings of the Inquiry Committee of USC head office. Out of the above mentioned amount, Rs. 0.119 million (2019: Rs. 0.540 million) has been charged off during the year. The amounts have been shown as recoverable from store-in-charges, however, fully provided for on receipt of final Inquiry Report of Federal Investigation Agency in prior year.

| | 2020 Rupees | 2019 Rupees Restated |
|--|----------------------|----------------------------|
| 11.2.3 Movement of allowance for expected credit losses is as follows: | | |
| Opening balance | 1,352,283,546 | 880,506,026 |
| Recovery / adjustment of doubtful receivables | (2,180,520) | (10,164,487) |
| Allowance for the year | 129,522,227 | 480,736,719 |
| Allowance transfer from insurance claim | 2,628,264 | 1,205,288 |
| Closing balance | <u>1,482,253,517</u> | <u>1,352,283,546</u> |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 Rupees | 2019 Rupees |
|---|-----------------------|-----------------------|
| 11 OTHER RECEIVABLES (continued) | | |
| 11.3 Receivable from Ministry of Finance | | |
| Sugar subsidy | 18,088,925,419 | 18,088,925,419 |
| Non-paper subsidy | 33,541,997 | 33,541,997 |
| | <u>18,122,467,416</u> | <u>18,122,467,416</u> |

11.3.1 The maximum aggregate amount outstanding during the year was Rs. 18,122.467 million (2019: Rs. 18,122.467 million). The aging of receivable from Ministry of Finance at the statement of financial position date is as follows:

| | 2020 Rupees | 2019 Rupees |
|--------------------------|-----------------------|-----------------------|
| Not past due | - | - |
| Past due by 1 to 2 years | - | - |
| Past due by over 3 years | 18,122,467,416 | 18,122,467,416 |
| | <u>18,122,467,416</u> | <u>18,122,467,416</u> |

11.4 This includes amount recoverable from Federal Board of Revenue against various demands of Sales Tax and Federal Excise Duty relating to period from July 2011 to June 2016 amounting to Rs. 1,315.891 million. In prior year, Deputy Commissioner Inland Revenue (DCIR) passed order-in-original no. 02/50 dated September 25, 2013 and created sales tax and Federal Excise Duty (FED) demand of Rs. 8,068 million for the period July 2008 to June 2011 and recovered Rs. 413.569 million from the Company's bank account on October 29, 2013. The DCIR refunded the aforementioned amount of Rs. 413.569 million on February 08, 2017.

In prior year, Federal Board of Revenue recovered Rs. Rs. 480.845 million against sales tax for the period July 2011 to June 2013 from the Company's bank account. The Company is in appeal against these taxes as explained in note 25.1.24 to these financial statements.

Further, against various demands of sales tax and FED, various amounts comprising of Rs. 368.657 million sales tax and Rs. 0.176 million FED for the period July 2010 to June 2011, Rs. 179.813 million sales tax and Rs. 1.452 million FED for the period July 2013 to June 2014 and Rs. 130.003 million sales tax and Rs. 0.865 million FED for the period July 2014 to June 2015 and Rs. 154.068 million sales tax for the period July 2015 to June 2016 has been paid. The Company is in appeal against these taxes as explained in notes 25.1.14 and 25.1.21 to these financial statements respectively and the recoverability of the amount is subject to pending court decision. *AMMD*

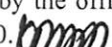
UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees |
|----|--------------------------------|----------------|----------------|
| 12 | TAX REFUND DUE FROM GOVERNMENT | | |
| | Tax refund due from government | 12.1 | 2,753,454,886 |

12.1 This includes Rs. 48.622 million, Rs. 47.973 million, Rs. 68.193 million and Rs. 671.016 million paid under protest by the Company against tax demands raised by the Federal Board of Revenue relating to tax years 2010, 2012, 2013 and 2014 respectively. In the financial statements of 2009 to 2014 minimum tax provision was not recognized due to gross loss before subsidy as explained in notes 25.1.2 to 25.1.6 as subsidy from government was exempt from income tax including minimum tax under clause 102A of part 1 of Second Schedule of the Income Tax Ordinance, 2001. The amount deposited during the above mentioned years as minimum tax is recognized in tax refund due from government comprising of Rs. 232.017 million for 2009, Rs. 127.493 million for 2010, Rs. 531.468 million for 2011, Rs. 492.639 million for 2012, Rs. 301.026 million for 2013 and Rs. 199.304 million for 2014. The Company is contesting before different appellate forums and the recoverability of this amount is subject to pending decisions of the appellate forums.

| | Note | 2020 Rupees | 2019 Rupees |
|----|----------------------------------|----------------|----------------|
| 13 | TAXATION | | |
| | Balance at beginning of the year | 12,494,735 | 9,500,857 |
| | Adjustment | (650,556) | - |
| | Payments made during the year | 643,268,434 | 120,741,198 |
| | | 655,112,613 | 130,242,055 |
| | Provision for the year | 31.1 | (117,747,320) |
| | | (46,874,500) | 12,494,735 |

| | Note | 2020 Rupees | 2019 Rupees Restated |
|----|-----------------------------------|----------------|----------------------------|
| 14 | CASH AND BANK BALANCES | | |
| | Cash in hand | 9,411,991 | 12,154,290 |
| | Cash in transit | 14.1 | |
| | | 226,993,684 | 99,562,248 |
| | | 236,405,675 | 111,716,538 |
| | Bank balances - Local currency: | | |
| | Current accounts | - | - |
| | Saving accounts | 14.2 | |
| | | 17,055,764,013 | 2,487,899,781 |
| | Accrued interest on bank balances | 181,863,094 | 11,492,409 |
| | | 17,474,032,782 | 2,611,108,728 |

14.1 This represents cash deposited by the store in charges with banks, however, not credited by the offline banks on the statement of financial position date and were subsequently credited in July 2020. 

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

14 CASH AND BANK BALANCES (continued)

- 14.2 Bank balances in saving accounts include Rs. 757.206 million (2019: Rs. 446.781 million) in respect of security deposits received. Effective mark up rates in respect of saving accounts ranges from 6.5 % to 12.75 % (2019: 3 % to 11 %) per annum.

| | Note | 2020 Rupees | 2019 Rupees |
|------|--|----------------------|----------------------|
| 15 | SHARE CAPITAL | | |
| 15.1 | Authorized share capital: | | |
| | Number of ordinary shares of Rs. 10/- each | <u>1,250,000,000</u> | <u>1,250,000,000</u> |
| 15.2 | Issued, subscribed and paid up capital: | | |
| | Number of ordinary shares of Rs. 10/- each | <u>73,773,142</u> | <u>73,773,142</u> |
| | Fully paid in cash | 20,000,180 | 20,000,180 |
| | Issued to GoP in settlement of loan | <u>717,731,240</u> | <u>717,731,240</u> |
| | | <u>737,731,420</u> | <u>737,731,420</u> |

- 15.3 All ordinary share holders have same rights regarding voting, board election, right of first refusal and block voting.

| | Note | 2020 Rupees | 2019 Rupees |
|----|---------------------------------|--------------------|--------------------|
| 16 | ADVANCE AGAINST ISSUE OF SHARES | | |
| | Government of Pakistan | <u>481,999,000</u> | <u>481,999,000</u> |

- 16.1 This represents Government equity investment in the capital of the Company, which has been received as working capital equity amounting to Rs. 450 million (2019: 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 (2019: Rs. 150 million) each. This also includes Rs. 31.999 million (2019: Rs. 31.999 million) finance cost paid by the GoP on behalf of the Company with respect to long term loan of Habib Bank Limited. This has been disclosed in equity as per TR-32 issued by Institute of Chartered Accountants of Pakistan (ICAP).

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 Rupees | 2019 Rupees Restated |
|--|----------------------|----------------------------|
| 17 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | |
| Balance as at July 01 | 4,768,021,882 | 4,020,106,395 |
| Revaluation surplus on land during the year - restated | - | 677,521,680 |
| Revaluation surplus on building during the year - restated | - | 95,937,189 |
| Less: Transferred to equity in respect of incremental depreciation charged during the year | 17,229,011 | 18,135,801 |
| Related deferred tax liability during the year transferred to profit or loss account | 7,037,202 | 7,407,581 |
| | <u>24,266,213</u> | <u>25,543,382</u> |
| | 4,743,755,669 | 4,768,021,882 |
| Less: Related deferred tax effect: | | |
| Balance as at July 01 | 168,565,821 | 148,151,617 |
| Revaluation during the year - restated | - | 27,821,785 |
| Transferred to profit or loss account | (7,037,202) | (7,407,581) |
| | <u>161,528,619</u> | <u>168,565,821</u> |
| Balance as at June 30 | <u>4,582,227,050</u> | <u>4,599,456,061</u> |

17.1 The Company has revalued its leasehold / freehold land and buildings in June 2019. The revaluation was carried out by independent valuer M/s K.G Traders (Pvt.) Ltd, using fair market value. The report indicated impairment and appreciation in the value of land and building which has been adjusted in the accounts for the year ended June 30, 2019.

17.2 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:

| | 2020 Rupees | 2019 Rupees |
|-----------------------------|----------------|----------------|
| Leasehold land | 24,362,856 | 24,362,856 |
| Freehold land | 1,291,715 | 1,291,715 |
| Buildings on freehold land | 987,342 | 268,676 |
| Buildings on leasehold land | 44,409,316 | 46,746,648 |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees |
|--|---|------------------------|------------------------|
| 18 | DEFERRED CAPITAL GRANT | | |
| Estimated value of fixed assets received under assistance from International Labor Organization, United Nations Development Programme through the Government of Pakistan (GoP) | | 2,120,405 | 2,120,405 |
| Capital investment by the GoP for construction of building projects | | 9,069,000 | 9,069,000 |
| Supplementary grant provided by Ministry of Industries, Production and Special Initiatives for expansion of stores and warehouses | | 1,242,047,478 | 1,242,047,478 |
| Government fund for IT automation | 18.1 | 2,332,000,000 | - |
| | | <u>3,585,236,883</u> | <u>1,253,236,883</u> |
| Less: Amortization: | | | |
| Balance at beginning of the year | | 1,145,557,388 | 1,125,880,886 |
| Amortization for the year | | 16,531,685 | 19,676,502 |
| | | <u>1,162,089,073</u> | <u>1,145,557,388</u> |
| | | <u>2,423,147,810</u> | <u>107,679,495</u> |
| 18.1 | During the year, the Company received these funds from the Government of Pakistan on account of implementation of enterprise resource planning (ERP) along with procurement of related hardware. | | |
| | | 2020 Rupees | 2019 Rupees |
| 19 | LEASE LIABILITY | | |
| Balance as at 01 July | | 3,626,013,947 | - |
| Interest on leases | | 494,225,701 | - |
| Payments made during the year | | (678,348,243) | - |
| | | <u>3,441,891,405</u> | <u>-</u> |
| Less: current portion | | (648,221,726) | - |
| Non-current portion | | <u>2,793,669,679</u> | <u>-</u> |
| 19.1 | This represents present value of lease rentals payable to the landlords on account of retail stores. The rentals are discounted at the rate of one year KIBOR i.e. 13.63% at the date of initial application. | | |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

19 LEASE LIABILITY (continued)

19.2 Maturity analysis of undiscounted lease payments that will be paid after the reporting date is as follows:

| | Note | 2020 Rupees | 2019 Rupees |
|---|------|----------------------|----------------|
| Less than one year | | 736,574,347 | - |
| One to five years | | 3,584,611,683 | - |
| More than five years | | 1,082,268,425 | - |
| | | <u>5,403,454,455</u> | <u>-</u> |
| Amounts recognized in the profit or loss | | | |
| Interest on lease liabilities | | 494,225,701 | - |
| Depreciation | 6 | 518,001,992 | - |
| | | <u>1,012,227,693</u> | <u>-</u> |

| | Note | 2020 Rupees | 2019 Rupees Restated |
|---|------|----------------------|----------------------------|
| 20 DEFERRED LIABILITIES | | | |
| Defined benefit plan - leave encashment | 20.1 | 1,371,624,829 | 1,451,143,324 |
| Defined benefit plan - gratuity | 20.2 | 1,017,627,897 | 1,266,177,602 |
| Deferred taxation | 20.3 | - | - |
| | | <u>2,389,252,726</u> | <u>2,717,320,926</u> |

20.1 Defined benefit plan - leave encashment

The employees 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, 2020 using Projected Unit Credit Method.

| | Note | 2020 Rupees | 2019 Rupees |
|---|--------|----------------------|----------------------|
| 20.1.1 Amount recognized in statement of financial position is as follow: | | | |
| Present value of defined benefits obligations | 20.1.2 | 1,371,624,829 | 1,451,143,324 |
| Fair value of plan assets | | - | - |
| | | <u>1,371,624,829</u> | <u>1,451,143,324</u> |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees |
|--------|---|----------------------|----------------------|
| 20 | DEFERRED LIABILITIES (continued) | | |
| 20.1 | Defined benefit plan | | |
| | - leave encashment (continued) | | |
| 20.1.2 | The movement in the present value of defined benefits obligation is as follows: | | |
| | At beginning of the year | 1,451,143,324 | 1,186,851,825 |
| | Current service cost | (54,500,787) | 334,604,847 |
| | Benefits paid | (25,017,708) | (70,313,348) |
| | At end of the year | <u>1,371,624,829</u> | <u>1,451,143,324</u> |
| | | 2020 | 2019 |
| 20.1.3 | The principal actuarial assumptions used were as follows: | | |
| | Discount rate | 9.25% | 14.50% |
| | Expected increase in salary | 9.25% | 14.50% |
| | Mortality rate | SLIC (2001-05) | SLIC (2001-05) |
| | Average expected working lives of employees in years | 10.30 | 10.30 <i>KMM</i> |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | | 2020 Rupees | 2019 Rupees |
|--------|---|------------------------|------------------------|
| 20 | DEFERRED LIABILITIES (continued) | | |
| 20.1 | Defined benefit plan - leave encashment (continued) | | |
| 20.1.4 | Sensitivity analysis | | |
| | The impact of 1% change in following variables on defined benefit obligation is as follows: | | |
| | | Increase in Assumption | Increase in Assumption |
| | Discount rate | 1,224,320,555 | 1,297,777,093 |
| | Salary increase rate | 1,546,693,501 | 1,632,845,584 |
| | | Decrease in Assumption | Decrease in Assumption |
| | Discount rate | 1,546,895,734 | 1,632,815,789 |
| | Salary increase rate | 1,221,725,738 | 1,294,990,932 |

20.2 Defined benefit plan - gratuity

The gratuity is payable to all regular employees who have served the minimum qualifying period as specified in the scheme upon their retirement at the age of 60 years or on earlier cessation of service, at the rate of one month gross pay drawn for each completed year of service or any part thereof in excess of six months. Annual charge is based on actuarial valuation carried out as at June 30, 2020 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.

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | | 2020 Rupees | 2019 Rupees |
|--------|---|----------------------|----------------------|
| 20 | DEFERRED LIABILITIES (continued) | | |
| 20.2 | Defined benefit plan - gratuity (continued) | | |
| 20.2.1 | Amount recognized in statement of financial position is as follows: | | |
| | Present value of defined benefits obligations 20.2.2 | 2,473,760,288 | 2,601,768,905 |
| | Fair value of plan assets 20.2.3 | (1,456,132,391) | (1,335,591,303) |
| | | <u>1,017,627,897</u> | <u>1,266,177,602</u> |

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

| | | |
|--------------------------|----------------------|----------------------|
| At beginning of the year | 2,601,768,905 | 1,769,084,904 |
| Current service cost | 150,071,408 | 144,491,718 |
| Interest cost | 368,559,848 | 157,152,406 |
| Benefits paid | (30,768,017) | (45,894,079) |
| Actuarial (gain) / loss | (615,871,856) | 576,933,956 |
| At end of the year | <u>2,473,760,288</u> | <u>2,601,768,905</u> |

20.2.2.1 Comparison for five years

| 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------------------|----------------------|----------------------|--------------------|
| Rupees | Rupees | Rupees | Rupees | Rupees |
| Present value of defined benefit obligation | | | | |
| <u>2,473,760,288</u> | <u>2,601,768,905</u> | <u>1,516,779,656</u> | <u>1,138,852,351</u> | <u>573,211,281</u> |

| | 2020 Rupees | 2019 Rupees |
|---|----------------------|----------------------|
| 20.2.3 The movement in the fair value of plan assets is as follows: | | |
| Balance at beginning of the year | 1,335,591,303 | 1,383,953,297 |
| Interest income for the year | 188,129,539 | 122,490,563 |
| Benefits paid during the year | (30,768,017) | (45,894,079) |
| Return on plan assets excluding interest income | (36,820,434) | (124,958,478) |
| Balance at end of the year | <u>1,456,132,391</u> | <u>1,335,591,303</u> |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 Rupees | 2019 Rupees | | | |
|----------|---|----------------|----------------|----------------|----------------|
| 20 | DEFERRED LIABILITIES (continued) | | | | |
| 20.2 | Defined benefit plan - gratuity (continued) | | | | |
| 20.2.4 | Movement in the net asset / (liability) recognized is as follows: | | | | |
| | Balance at beginning of the year | 1,266,177,602 | 385,131,606 | | |
| | Expense chargeable to profit or loss | 330,501,716 | 179,153,563 | | |
| | Amount chargeable to OCI during the year | (579,051,421) | 701,892,433 | | |
| | Balance at end of the year | 1,017,627,897 | 1,266,177,602 | | |
| 20.2.5 | Charge for the year | | | | |
| | Current service cost | 150,071,408 | 144,491,718 | | |
| | Net interest on net defined benefit liability | 180,430,308 | 34,661,845 | | |
| | | 330,501,716 | 179,153,563 | | |
| 20.2.5.1 | Comparison for five years | | | | |
| | 2020 Rupees | 2019 Rupees | 2018 Rupees | 2017 Rupees | 2016 Rupees |
| | Charge for the year | | | | |
| | 330,501,716 | 179,153,563 | 144,276,599 | 102,906,603 | 413,728,192 |
| 20.2.6 | Plan assets comprises of the following: | | | | |
| | Special saving certificates (SSC's) | 95,459,178 | 184,648,000 | | |
| | National Bank of Pakistan - TDRs | 1,240,025,128 | 1,050,000,000 | | |
| | Investment (United Bank Limited) | 84,473,861 | 85,026,605 | | |
| | Gratuity advance | 230,178 | 230,178 | | |
| | Bank balances | 35,944,046 | 15,686,520 | | |
| | | 1,456,132,391 | 1,335,591,303 | | |
| 20.2.7 | Remeasurement chargeable to other comprehensive income | | | | |
| | Actuarial (gain) / loss due to experience adjustment | (615,871,856) | 576,933,956 | | |
| | Return on plan assets | 36,820,435 | 124,958,477 | | |
| | | (579,051,421) | 701,892,433 | | |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 | 2019 |
|--|------------------------|------------------------|
| 20 DEFERRED LIABILITIES (continued) | | |
| 20.2 Defined benefit plan - gratuity (continued) | | |
| 20.2.8 The principal actuarial assumptions used were as follows: | | |
| Discount rate | 10.25% | 14.25% |
| Expected rate of return on plan assets | 10.25% | 14.25% |
| Expected increase in salary | 10.25% | 14.25% |
| Mortality rate | SLIC (2001-05) | SLIC (2001-05) |
| Average expected working lives of employees in years | 7.86 | 7.86 |
| | 2020 | 2019 |
| | Rupees | Rupees |
| 20.2.9 Sensitivity analysis | | |
| The impact of 1% change in following variables on defined benefit obligation is as follows: | | |
| | Increase in Assumption | Increase in Assumption |
| Discount rate | 2,246,426,385 | 2,416,909,668 |
| Salary increase | 2,748,042,122 | 2,825,621,512 |
| | Decrease in Assumption | Decrease in Assumption |
| Discount rate | 2,748,530,853 | 2,825,795,878 |
| Salary increase rate | 2,241,830,664 | 2,412,931,427 |
| 20.2.10 The charge in respect of defined benefit plan for the year ending June 30, 2021 is estimated to be Rs.262.641 million. | | |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

21 TRADE AND OTHER PAYABLES (continued)

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

| | 2020 Rupees | 2019 Rupees |
|-----------------------------|-----------------------|----------------------|
| 22 GOVERNMENT SUBSIDY | | |
| Opening balance | 1,100,221,707 | - |
| Receipts during the year | 18,668,000,000 | 1,475,000,000 |
| Subsidy income for the year | (6,160,284,188) | (374,778,293) |
| Closing balance | <u>13,607,937,519</u> | <u>1,100,221,707</u> |

- 22.1 This represents subsidy granted by GoP to stabilize prices of essential commodities in the market and to provide relief to end consumers. The Company has been provided subsidy by GoP on launching Ramadan Relief Package, on sugar and other products.

23 GOVERNMENT LOAN

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 Company had received an amount of Rs. 500 million during the year 2009 as a CDL. The loan is unsecured, non - interest bearing and payable on demand.

24 SHORT TERM BANK BORROWINGS

This represents facilities available under mark-up arrangements with banks amount to Rs. 5,000 million (2019: Rs. 5,000 million) which were unavailed at the reporting date (2019: Rs. Nil). These facilities are secured against guarantee of Government of Pakistan. The mark-up ranges between 13.47% to 14.35% (2019: 13.35%) per annum and is payable quarterly. The facilities are renewable on annual basis on the guarantee of the Government of Pakistan.


| | 2020 Rupees | 2019 Rupees |
|--|--------------------|--------------------|
| 25 CONTINGENCIES AND COMMITMENTS | | |
| 25.1 CONTINGENCIES | | |
| 25.1.1 Claims against the Company and/or potential exposure not acknowledged as debts: | | |
| Suppliers and other claims against the Company | <u>209,728,748</u> | <u>424,062,142</u> |

19/02/20

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

25 CONTINGENCIES AND COMMITMENTS (continued)

25.1 CONTINGENCIES (continued)

- 25.1.2** The income tax return for the Tax Year 2010 was selected for total audit through computerized balloting by FBR; the Additional Commissioner Inland Revenue (ACIR) has created a tax liability of Rs. 264.134 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 127.489 million during the year which is appearing as tax refund due from government in the Company's books of accounts after adjusting the deposited tax, ACIR has amended the assessment and created a tax demand of Rs. 136.645 million vide order No.13/123 dated Feb 29, 2016. ACIR has further amended the assessment u/s 124/122(5A) dated June 28, 2016 and created the revised tax demand of Rs. 133.105 million. The Company filed appeal along with stay application before CIRA, which was decided against the Company. Feeling aggrieved, the Company filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order and filed writ petition for grant of stay before Islamabad High Court (IHC) and the honourable IHC vide W.P. No. 4685 dated December 20, 2016 granted stay, which is valid till the decision of appeal by the ATIR. The ATIR called for hearing on July 05, 2017 and August 05, 2017 and learned bench of the ATIR has reserved the decision which will be issued after adjudicating on the departmental appeals filed for tax years 2012 and 2013 against the order of the CIRA.
- 25.1.3** The income tax return for the Tax Year 2011 was selected for total audit through computerized balloting by FBR; the ACIR has created a tax liability of Rs. 681.245 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 531.367 million during the year which is appearing as tax refund due from government in the Company's books of accounts and after adjusting the deposited tax, the ACIR has amended the assessment and created a tax demand of Rs. 149.878 million vide order No.14/123 dated Feb 29, 2016. The ACIR has further amended the assessment u/s 124/122(5A) dated June 28, 2016 and created the revised tax demand of Rs. 139.011 million. The Company filed appeal along with stay application before the CIR (Appeals), which was decided against the Company. Feeling aggrieved, the Company filed appeal before the ATIR against the order and filed writ petition for grant of stay before the IHC and the honourable IHC vide W.P. No. 4686 dated December 20, 2016 granted stay, which is valid till the decision of appeal by the ATIR. The ATIR called for hearing on July 05, 2017 and August 05, 2017 and learned bench of the ATIR has reserved the decision which will be issued after adjudicating on the departmental appeals filed for tax years 2012 and 2013 against the order of the CIRA.
- 25.1.4** The income tax return for Tax Year 2013 was selected for total audit through computerized balloting by FBR; the ACIR has created a tax liability of Rs. 465.693 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 301.025 million during the year which is appearing as tax refund due from government in the Company's books of accounts and after adjusting the deposited tax, the ACIR has amended the assessment and created the revised tax demand of Rs. 164.668 million. The Company has filed an appeal before the CIRA, who has decided the matter in favour of the Company vide his appellate order No.881/2015 dated June 01, 2015. The Department has filed appeal before the ATIR against the order of the CIRA. The appeal is still pending, and the management is confident of a favorable outcome and therefore no provision has been provided in these financial statements. 


UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

- 25.1.5** The income tax return for Tax Year 2014 was selected for total audit through computerized balloting by FBR; the ACIR has created a tax liability of Rs. 871.123 million by imposing minimum tax on alleged turnover. The Company has deposited Rs. 200.107 million during the year which is appearing as tax refund due from government in the Company's books of accounts and after adjusting the deposited tax, the ACIR has amended the assessment and created the revised tax demand of Rs. 671.016 million vide order No.18/124 dated April 29, 2016. The Company filed appeal along with application for stay of recovery proceedings before the CIRA, upon which the Company was granted a stay of 20 days subject to deposit of 35% tax demand. Feeling aggrieved, the Company filed writ petition before the IHC upon which the honourable IHC granted stay from recovery proceedings. Despite the stay granted by the IHC, the ACIR (Enforcement-I) has recovered forcibly the demanded funds from the Company's bank accounts on June 30, 2016 which is appearing as tax refund due from government in the Company's books of accounts. The Company has filed contempt application vide Criminal Original No.252/2016 in WP No. 2309/2016 dated July 12, 2016 in the IHC. The CIRA passed order no. 785/2016 dated July 14, 2016 and maintained that amount of subsidy is the part of turnover for charging of minimum tax @1% u/s 133 of the Ordinance and remand back the case to the ACIR to ascertain the exact amount of turnover relating to AJK and pass the order afresh on the issue. The Company has filed appeal to the ATIR vide letter no. IT/0140/2016 dated July 28, 2016 that order of the CIRA may kindly be vacated. Appeal is still pending at the ATIR. The DCIR (Zone-I), Audit-I, LTU Islamabad has passed order u/s 122(4) read with section 122(5) dated August 2, 2016 creating nil demand. After remand back the case, the DCIR amended the assessment US/122(5A), vide DCR no.01/030 dated 27 October 2016 and finalized the proceedings after adjustment of AJK sales of Rs.868.898 million and created the revised tax demand of Rs. 662.327 million. Currently appeal is pending at the ATIR.
- 25.1.6** The ACIR passed order No. 06/61 dated April 24, 2017 and created the demand of Rs. 13.469 million u/s 161/205 of the Income Tax Ordinance, 2001 due to wrong selection of relevant applicable sections in withholding statement u/s 165 for the Tax Year 2015. The Company has filed an appeal before the CIRA against the impugned order. The CIRA passed appellate order No. 190/2017 dated November 07, 2017 and endorsed the order of the ACIR. The Company has filed an appeal before the ATIR against the order and ATIR remanded back the case to DCIR.
- 25.1.7** The ACIR has issued order No. 09/51 dated May 27, 2017 and created the tax demand of Rs. 12.417 million u/s 182 of the Income Tax Ordinance, 2001 due to late filing of Income Tax Return for the Tax Year 2016. The delay of 26 days in the filing of annual income tax return has occurred due to back log of audited accounts of the Company. The Company has filed an appeal before the CIRA against the impugned order. The CIRA issued appellate order No. 189/2017 dated November 07, 2017 and endorsed the order of the ACIR. The Company has filed appeal before the ATIR against this order and ATIR has maintained the stance of CIRA vide order # ITA No.1579/IB/2018 dated February 08, 2021. Further, the Company has filed an appeal before Honourable Islamabad High Court against the impugned order issued by the ATIR and the same is pending for hearing.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

25 CONTINGENCIES AND COMMITMENTS (continued)


25.1 CONTINGENCIES (continued)

- 25.1.8** The Deputy Commissioner Inland Revenue, Unit-10 (Zone-II) LTU Islamabad has issued order No. 03/51 dated February 20, 2018 and created the tax demand of Rs. 22.350 million u/s 182 of the Income Tax Ordinance, 2001 due to late filing of Income Tax Return for the Tax Year 2015. The delay of 41 days in the filing of income tax return has occurred due to back log of audited accounts of the Company. The Company filed an appeal before the CIRA against the impugned order. CIRA issued appellate order No. 409 dated March 27, 2018 and upheld the impugned order of the DCIR. The Company filed an appeal before the ATIR and ATIR has maintained the stance of CIRA vide order # ITA No.1807/IB/2017 dated February 08, 2021. Further, the Company has filed an appeal before Honourable Islamabad High Court against the impugned order issued by the ATIR and the same is pending for hearing.
- 25.1.9** The DCIR passed order u/s 205 vide No. 01/72 dated April 30, 2018 for the Tax Year 2015 and created tax demand of Rs. 10.285 million. The Company filed appeal before CIRA along with stay application on May 23, 2018. The CIRA has passed an order-in-appeal No. 04/2018 dated July 19, 2018 and upheld the impugned order of the DCIR. The Company filed appeal before the ATIR and ATIR has maintained the stance of CIRA vide order # ITA No.716/IB/2018 dated February 08, 2021. Further, the Company has filed an appeal before Honourable Islamabad High Court against the impugned order issued by the ATIR and the same is pending for hearing.
- 25.1.10** The ACIR passed order-in-original No. 01/61 of 2018 dated January 31, 2018 order for the Tax Year 2014 and created the tax demand of Rs. 780.028 million u/s 161/205 of the Income Tax Ordinance, 2001 for the alleged non-deduction/short deduction of withholding tax. The Company filed appeal along with stay application before CIRA against the impugned order. The CIRA upheld the order of DCIR vide order-in-appeal No. 500/2018 dated May 29, 2018. DCIR amended the order vide DCR No.01/22 dated March 27, 2019 and determined the tax liability to the extent of Rs.471.353 million. The Company filed an appeal before ATIR against the order of CIRA along with stay application. ATIR granted stay till the decision of appeal vide order No. M.A (Stay) Interim No. 610/IB/2018, ITA (Interim) No. 446/IB/2018 TY-2014 dated March 14, 2018.
- 25.1.11** Order in original No.02/101 of 2015 dated December 31, 2015 was issued by the DCIR and created the tax demand of FED amounting to Rs. 4,196.31 million against non-payment of FED on sale of sugar by the Company. The Company has filed an appeal and stay application before the CIRA. The CIRA passed an order no. FED-119/2016 dated May 20, 2016 and remanded back the case to the tax department to re-examine the case. The Company filed appeal before the ATIR which is pending to be heard. Based on the tax consultant advice, the Company is confident of a favorable outcome of the above case and therefore no provision has been provided in these financial statements. 

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

25 CONTINGENCIES AND COMMITMENTS (continued)


25.1 CONTINGENCIES (continued)

- 25.1.12** The DCIR passed an Order in Original No. 03/101 dated January 29, 2016 and determined sales tax demand of Rs. 303.464 million for the period from July 2011 to June 2013 on non-payment of sales tax on subsidy. The Company filed appeal against the order which was rejected by the CIRA and confirmed the demand. The DCIR upon the receipt of orders recovered Rs. 480.845 million (sales tax: Rs. 303.464 million, default surcharge: Rs. 162.208 million and penalty: Rs. 15.173 million) from the Company's bank accounts which is appearing as tax refund due from government in the Company's books of accounts. The Company has taken the matter with Chief Commissioner Inland Revenue vide letter No. Fin-II(1)/I. Tax/2015-16 dated May 31, 2016 and filed appeal before the ATIR on July 20, 2016 vide letter no. IT/0057/2016 dated July 16, 2016 which is pending to be heard.
- 25.1.13** The DCIR passed an Order in Remand No. 04/2016 dated November 28, 2016 and determined the sales tax demand of Rs. 368.657 million and Rs. 0.176 million in respect of non-payment of sales tax on subsidy and non-withholding of FED on advertisement services respectively for the period from July 2010 to June 2011. The Company has paid Rs. 368.657 million and Rs. 0.176 million on December 15, 2016 which is appearing as tax refund due from government in the Company's books of accounts. The Company filed appeal before the CIRA vide letter no. IT/1499/2016 dated December 28, 2016 on the plea that the subsidy does not fall within the ambit of supply of goods or taxable activity. The CIRA has passed the order in-appeal No. 491/2016 dated June 30, 2017 and rejected the plea of the Company and confirmed the order of the DCIR. The Company has filed appeal before the ATIR vide letter no. IT/0236/2017 dated August 7, 2017 which is pending to be heard.
- 25.1.14** The DCIR has passed order-in-original No. 06/41 of 2018 dated June 30, 2018 and created the sales tax amounting to Rs. 513.527 million on subsidy received from Government of Pakistan during Tax Year 2016-17. The Company filled appeal along with stay application before CIRA. The CIRA passed order-in-appeal No. 25/2018 dated October 17, 2018 and confirmed the order of DCIR. The Company filed appeal along with stay application before ATIR. As per Finance Act, 2018 amendment, ATIR is now empowered to grant stay up to 180 days only, which was granted up to April 28, 2019. The Company filed writ petition before IHC vide WP No. 1677/2019 dated May 02, 2019. IHC has granted stay against the order of the CIRA.
- 25.1.15** The DCIR passed order-in-original No. 07/50 dated December 31, 2018 and created the sales tax demand of Rs. 61.850 million regarding adjustment of Input Tax for the period from July 2014 to June 2016. The Company filed appeal along with stay application before CIRA. The CIRA rejected the stay. The Company filed stay application before ATIR. The ATIR also rejected the stay. The Company filed writ petition WP No. 524/2019 dated February 11, 2019 before IHC for grant of stay, which IHC has granted against the order of DCIR vide W.P No.524/2019 dated February 11, 2019. The CIRA passed order-in-appeal No. 68/2019 dated February 19, 2019 and remand back the case to DCIR. The case is still under remand back proceedings in the office of DCIR which is pending to be heard. 

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

25 CONTINGENCIES AND COMMITMENTS (continued)

25.1 CONTINGENCIES (continued)


- 25.1.16** The ACIR passed an order-in-original No. 01/2016 dated October 08, 2016 and determined sales tax demand of Rs. 179.813 million in respect of non-payment of sales tax on subsidy for the period from July 2013 to June 2014. The Company has paid Rs. 179.813 million on October 31, 2016 which is appearing as tax refund due from government in the Company's books of accounts. The Company has filed appeal before the CIRA vide letter No. IT/1009/2016 dated November 15, 2016. The CIRA passed order-in-appeal No. 477/2017 dated September 08, 2017 and confirmed the impugned order of the ACIR for sales tax amounting to Rs. 179.813 million. The Company filed appeal before the ATIR and currently appeal is pending to be heard.
- 25.1.17** The ACIR passed an order-in-original No. 01/2016 dated October 08, 2016 and determined tax demand of Rs. 9.682 million in respect of non-payment of FED on franchise fee for the period from July 2013 to June 2014. The Company has paid Rs. 1.452 million (15% of FED) on October 31, 2016 which is appearing as tax refund due from government in the Company's books of accounts. The Company has filed appeal before the CIRA vide letter No. IT/1010/2016 dated November 15, 2016. The CIRA passed order-in-appeal No. 478/2016 dated September 08, 2017 and confirmed the impugned order of the ACIR for FED amounting to Rs. 9.682 million. The Company filed appeal before the ATIR who decided the matter on the point of jurisdiction. The FBR filed a Reference against the order of ATIR in Islamabad High Court, who remanded the case back to ATIR for afresh adjudication and directed to decide the case on merits, which is pending.
- 25.1.18** The DCIR passed an order-in-original No. 08 of 2019-2020 dated January 29, 2020 and determined sales tax demand of Rs. 144.61 million in respect of non-payment of sales tax on subsidy for the period from July 2017 to June 2018. The Company has filed appeal along with stay application before CIRA. The CIRA passed an order-in-appeal No.70/2020 dated September 30, 2020 and confirmed the demand of DCIR to the extent of Rs. 64.040 million. The Company filed appeal before the ATIR which is pending to be heard.
- 25.1.19** The DCIR passed an order-in-original No. 01 of 2020-2021 dated July 29, 2020 and determined sales tax demand of Rs. 2,140.82 million in respect of non-payment of sales tax on taxable supplies for the period from July 2016 to June 2017. The Company has filed appeal along with stay application before CIRA. The appeal is pending to be heard. The Company filed stay application before the ATIR which is granted till the decision of appeal by CIRA.
- 25.1.20** The DCIR passed an Order-in-Original No. 01/2017 dated 24 April 2017 and determined sales tax demand 135.77 million in respect of non-payment of sales tax on subsidy and non payment of FED on franchise services for the period July 2014 to June 2015. The Company preferred an appeal before ATIR, who decided the matter on the point of jurisdiction. The Company has deposited principal amount of Sales Tax on subsidy. The FBR filed a Reference against the order of ATIR in Islamabad High Court, who remanded the case back to ATIR for afresh adjudication and directed to decide the case on merits, which is pending. 

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

25 CONTINGENCIES AND COMMITMENTS (continued)

25.1 CONTINGENCIES (continued)

- 25.1.21** The DCIR passed an Order-in-Original No. 03/50/2018 dated 31 August 2018 and determined tax demand of Rs. 453.43 million in respect of non-withholding of sales tax / FED for the period November 2012 to June 2016. The Company preferred an appeal before ATIR, who decided the matter on the point of jurisdiction. The FBR filed a Reference against the order of ATIR in Islamabad High Court, who remanded the case back to ATIR for afresh adjudication and directed to decide the case on merits, which is pending.
- 25.1.22** The DCIR passed an Order-in-Original No. 02/41 of 2018 dated 29 January 2018 and determined tax demand of Rs. 209.42 million in respect of non-payment of sales tax on subsidy for the period July 2015 to June 2016. The Company preferred an appeal before ATIR, who decided the matter on the point of jurisdiction. The FBR filed a Reference against the order of ATIR in Islamabad High Court, who remanded the case back to ATIR for afresh adjudication and directed to decide the case on merits, which is pending.
- 25.1.23** The DCIR passed an Order-in-Remand No. 08/51 of 2019 dated 28 February 2019 and determined tax demand of Rs. 23,903.93 million in respect of inadmissible adjustment of input tax for the period July 2012 to June 2016. The Company preferred an appeal before ATIR, who decided the matter on the point of jurisdiction. The FBR filed a Reference against the order of ATIR in Islamabad High Court, who remanded the case back to ATIR for afresh adjudication and directed to decide the case on merits, which is pending.

The Company is confident that the above mentioned cases will be decided in its favour and therefore, no provision for any liability has been made in these financial statements. 

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
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FOR THE YEAR ENDED JUNE 30, 2020

25 CONTINGENCIES AND COMMITMENTS (continued)

25.2 COMMITMENTS

There were no commitment for capital expenditures as at the reporting date (2019: Nil).

| | Note | 2020 Rupees | 2019 Rupees |
|---------------------------------|------|-----------------------|----------------------|
| 26 SALES | | | |
| Sales of commodities | | 54,386,432,424 | 10,536,378,598 |
| Sales tax | | (7,226,071,387) | (1,226,317,074) |
| | | <u>47,160,361,037</u> | <u>9,310,061,524</u> |
| 27 COST OF SALES | | | |
| Opening stock in trade | | 2,718,298,484 | 5,642,847,936 |
| Purchases | | 54,986,468,005 | 6,020,677,287 |
| Direct expenses | | | |
| Freight and octroi inward | | 283,618,003 | 21,155,304 |
| Handling charges | | 13,706,208 | 1,909,751 |
| Packing material and others | | 170,471,097 | 45,513,467 |
| Depreciation | 6.1 | 1,980,461 | 1,591,484 |
| | | <u>469,775,769</u> | <u>70,170,006</u> |
| | | 58,174,542,258 | 11,733,695,229 |
| Closing stock in trade | | (11,206,135,848) | (2,718,298,484) |
| | | <u>46,968,406,410</u> | <u>9,015,396,745</u> |
| Provision for slow moving items | | 13,808,409 | 106,673,723 |
| | | <u>46,982,214,819</u> | <u>9,122,070,468</u> |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
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FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees Restated |
|---|------|----------------------|----------------------------|
| 28 SELLING AND DISTRIBUTION EXPENSES | | | |
| Salaries and other benefits | 28.1 | 5,538,256,954 | 5,479,794,228 |
| Freight, loading and unloading outward | | 260,354,771 | 46,013,931 |
| Rent, rate and taxes | | - | 668,245,852 |
| Travelling and conveyance | | 74,610,787 | 75,589,631 |
| Utilities | | 75,377,663 | 74,214,980 |
| Vehicle running | | 237,700,020 | 92,082,401 |
| Insurance | | 74,201,435 | 37,451,807 |
| Legal and professional | | 6,648,124 | 4,768,626 |
| Postage, telegram and telephones | | 11,761,792 | 12,540,645 |
| Printing and stationery | | 40,623,542 | 27,819,653 |
| Advertisement and sale promotion | | 18,739,662 | 6,035,047 |
| Repairs and maintenance | | 21,957,010 | 11,121,105 |
| Depreciation | 6.1 | 568,100,965 | 50,940,199 |
| Allowance for ECL for trade debts | 9.1 | - | 37,103,665 |
| Allowance for ECL for other receivables | 11 | 149,795,184 | 558,594,321 |
| Provision for doubtful advances | 10.1 | 36,487 | 773,373 |
| General expense | | 30,131,849 | 13,350,351 |
| Security expense | | 85,884,561 | 96,823,880 |
| | | <u>7,194,180,806</u> | <u>7,293,263,695</u> |

28.1 Employee benefits

Following amounts are being included in respect of other benefits:

| | | |
|-----------------------------|--------------------|--------------------|
| Contributory provident fund | 101,619,405 | 92,109,129 |
| Leave encashment | - | 259,561,590 |
| Employees' old age benefits | 97,514,015 | 84,105,398 |
| Gratuity | 305,112,853 | 156,998,830 |
| Benevolent fund expenses | 31,623,899 | 31,723,627 |
| Social security | 101,505,186 | 89,801,321 |
| | <u>637,375,358</u> | <u>714,299,895</u> |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees |
|-----------------------------------|------|--------------------|--------------------|
| 29 ADMINISTRATIVE EXPENSES | | | |
| Salaries and other benefits | 29.1 | 408,651,238 | 389,862,202 |
| Directors remuneration | | 1,530,000 | 2,960,000 |
| Rent, rates and taxes | | - | 4,104,081 |
| Travelling and conveyance | | 3,011,762 | 2,666,672 |
| Utilities | | 5,706,765 | 3,953,649 |
| Vehicle running | | 8,627,523 | 5,677,743 |
| Insurance | | 820,879 | 569,811 |
| Legal and professional | | 5,334,451 | 9,294,274 |
| Postage, telegram and telephones | | 6,303,705 | 4,924,416 |
| Printing and stationery | | 2,386,210 | 1,734,020 |
| Repairs and maintenance | | 2,658,257 | 1,771,281 |
| Depreciation | 6.1 | 6,116,579 | 5,125,861 |
| Amortization | 7.1 | 423,864 | 127,070 |
| Auditors' remuneration | 29.2 | 19,656,776 | 1,206,350 |
| Security / safety expense | | 2,460,390 | 2,875,722 |
| Fee and subscription | | 41,575 | 95,200 |
| Miscellaneous | | 1,231,733 | 495,077 |
| | | <u>474,961,707</u> | <u>437,443,429</u> |

29.1 Employee benefits

Following amounts are being included in respect of other benefits:

| | | |
|-----------------------------|-------------------|-------------------|
| Contributory provident fund | 9,020,349 | 8,671,125 |
| Leave encashment | - | 27,048,689 |
| Employees' old age benefits | 4,085,269 | 4,469,660 |
| Gratuity | 25,388,863 | 22,154,732 |
| Benevolent fund expenses | 1,298,436 | 1,290,638 |
| Social security | 4,014,750 | 3,500,100 |
| | <u>43,807,667</u> | <u>67,134,944</u> |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | | 2020 Rupees | 2019 Rupees |
|-------------|---|----------------------|----------------------------|
| 29 | ADMINISTRATIVE EXPENSES (continued) | | |
| 29.2 | Auditors' remuneration | | |
| | Fee for statutory audit | 10,648,800 | 1,131,350 |
| | Fee for subsidy audit - Baker Tilly | 8,694,776 | - |
| | Compliance professional fee | 313,200 | 75,000 |
| | | <u>19,656,776</u> | <u>1,206,350</u> |
| | | 2020 Rupees | 2019 Rupees Restated |
| 30 | OTHER INCOME | | |
| | Profit on bank deposits | 660,670,038 | 77,283,229 |
| | Income from store incharges | 375,090,321 | 279,261,924 |
| | Other receivables adjusted during the year | 12,876,782 | 19,553,025 |
| | Doubtful advances recovered during the year | 48,158 | 116,749 |
| | Liabilities written back 30.1 | 127,038,514 | 296,814,206 |
| | Rental income | 1,411,734 | 3,522,565 |
| | Amortization of deferred capital grant | 16,531,685 | 19,676,502 |
| | Gain on disposal of property, plant and equipment | 28,805 | 48,015 |
| | Registration fee income | 12,281,794 | 4,381,200 |
| | Miscellaneous 30.2 | 45,439,109 | 32,972,469 |
| | | <u>1,251,416,940</u> | <u>733,629,884</u> |

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

30.2 This includes tender income and non-refundable registration fees received from vendors.

| | Note | 2020 Rupees | 2019 Rupees Restated |
|--------------|-----------------|--------------------|----------------------------|
| 31 | TAXATION | | |
| Current tax | | | |
| Current year | 31.1 | 701,426,368 | 117,747,320 |
| Prior year | | 560,745 | - |
| | | <u>701,987,113</u> | <u>117,747,320</u> |
| Deferred | | - | (193,622,701) |
| | | <u>701,987,113</u> | <u>(75,875,381)</u> |

31.1 The provision of income tax is based on section 113 of the Income Tax Ordinance, 2001 which specifies minimum tax charge at the rate of 1.5% of the Company's revenues excluding revenues of Azad Jammu Kashmir region and subsidy, as the company has available tax losses. Tax expense reconciliation is not presented as income for the year is only subject to minimum tax on turnover.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 Rupees | 2019 Rupees Restated |
|--|-------------------------|----------------------------|
| 32 CASH FLOW FROM OPERATIONS | | |
| Loss before taxation | (716,359,004) | (6,448,512,191) |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 576,198,005 | 57,657,544 |
| Amortization | 423,864 | 127,070 |
| Adjustment against advances to employees | (48,158) | (116,749) |
| Adjustment against insurance claims | (10,464,012) | (9,191,627) |
| Adjustment against doubtful store - incharges | (2,180,520) | (10,164,487) |
| Provision for slow moving items | 13,808,409 | 106,673,723 |
| Allowance for ECL for trade debts | - | 37,103,665 |
| Provision for advances | 36,487 | 773,373 |
| Allowance for ECL for insurance, store in - charges and other receivables | 149,795,184 | 558,594,321 |
| (Income) / provision for leave encashment | (54,500,787) | 334,604,847 |
| Provision for gratuity | 330,501,716 | 179,153,563 |
| Gain on disposal of property, plant and equipment | (28,805) | (48,015) |
| Amortization of Government grant | (16,531,685) | (19,676,502) |
| Amortization of Government subsidy | (6,160,284,188) | (374,778,293) |
| Interest on leases | 494,225,701 | - |
| Finance cost | 142,838,136 | 13,983,785 |
| | (4,536,210,653) | 874,696,218 |
| | (5,252,569,657) | (5,573,815,973) |
| Changes in: | | |
| Stores | 2,976,141 | (148,458) |
| Stock in trade | (8,487,837,364) | 2,924,549,452 |
| Loans and advances | 29,752,367 | (27,164,426) |
| Short term prepayments | 33,624,605 | 151,801 |
| Other receivables | (1,337,155,479) | 4,698,189,250 |
| Trade and other payables | 377,960,967 | (2,282,239,095) |
| | (9,380,678,763) | 5,313,338,524 |
| Cash used in operations | (14,633,248,420) | (260,477,449) |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 Rupees | 2019 Rupees Restated |
|----|----------------------------------|-----------------------|----------------------------|
| 33 | CASH AND CASH EQUIVALENTS | | |
| | Cash and bank balances | 14 | |
| | | <u>17,474,032,782</u> | <u>2,611,108,728</u> |

34 **TRANSACTIONS WITH RELATED PARTIES**

The Company is wholly owned by Government of Pakistan. Therefore, all the entities owned and controlled by the Federal Government are related parties of the Company. Other related parties comprise of directors, key management personnel, entities with common directorships, entities over which the directors are able to exercise influence and the retirement benefit funds of the Company. The Company in normal course of business pays for utilities i.e. electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements. Balances with related parties are disclosed in the note 9, 11, 12, 13, 14, 15, 16, 18, 20, 21, 22 and 23 to the financial statements. Transactions of the Company with related parties are as follows:

| Transaction with the Companies | Nature of Transaction | 2020 Rupees | 2019 Rupees |
|--|-----------------------------------|----------------|----------------|
| Government of Pakistan (Parent of the Company) | Funding for procurement of stock | 10,000,000,000 | - |
| | Receipt of deferred capital grant | 2,332,000,000 | - |
| | Receipt of subsidy | 18,668,000,000 | 1,475,000,000 |
| Trading Corporation of Pakistan (Private) Limited (Associated Undertaking) | Purchase of stock in trade | 3,709,239 | 341,602 |
| | Payments made | 2,550,060,816 | 450,060,600 |

The remuneration of the Managing Director and directors is disclosed in the Note 35 to these financial statements.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020

35 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 Managing Director, Directors and Executives of the Company are given below:

| | 2020 | | | | 2019 | | | |
|--------------------------------|--------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | Managing Director | Directors | Executives | Total | Managing Director | Directors | Executives | Total |
| | ----- Rupees ----- | | | | | | | |
| Salaries, wages and benefits | 8,211,636 | - | 46,252,020 | 54,463,656 | 1,155,200 | - | 39,644,328 | 40,799,528 |
| Management fee | 255,000 | 1,275,000 | - | 1,530,000 | 345,000 | 2,615,000 | - | 2,960,000 |
| Contribution to provident fund | - | - | 1,212,096 | 1,212,096 | - | - | 1,482,912 | 1,482,912 |
| | <u>8,466,636</u> | <u>1,275,000</u> | <u>47,464,116</u> | <u>57,205,752</u> | <u>1,500,200</u> | <u>2,615,000</u> | <u>41,127,240</u> | <u>45,242,440</u> |
| Number of persons | <u>1</u> | <u>8</u> | <u>18</u> | <u>27</u> | <u>1</u> | <u>5</u> | <u>17</u> | <u>23</u> |

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

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

36 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

36.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

| | Carrying amount | | | | Fair value | | | |
|--|-----------------|-----------------------------------|---|----------------|------------|---------|---------|-------|
| | Amortized cost | Fair value through profit or loss | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| Rupees | | | | | | | | |
| June 30, 2020 | | | | | | | | |
| Financial assets not measured at fair value | | | | | | | | |
| Long term deposit | 4,042,021 | - | - | 4,042,021 | - | - | - | - |
| Trade debts | - | - | - | - | - | - | - | - |
| Other receivables | 18,209,446,565 | - | - | 18,209,446,565 | - | - | - | - |
| Cash and bank balances | 17,474,032,782 | - | - | 17,474,032,782 | - | - | - | - |
| | 35,687,521,368 | - | - | 35,687,521,368 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Government loan | - | - | 500,000,000 | 500,000,000 | - | - | - | - |
| Trade and other payables | - | - | 37,098,789,890 | 37,098,789,890 | - | - | - | - |
| | - | - | 37,598,789,890 | 37,598,789,890 | - | - | - | - |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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| | Carrying amount | | | | Fair value | | | |
|---|-----------------|-----------------------------------|---|----------------|------------|---------|---------|-------|
| | Amortized cost | Fair value through profit or loss | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| Rupees | | | | | | | | |
| June 30, 2019 | | | | | | | | |
| Financial assets not measured at fair value | | | | | | | | |
| Long term deposit | 4,737,276 | - | - | 4,737,276 | - | - | - | - |
| Trade debts - restated | - | - | - | - | - | - | - | - |
| Other receivables - restated | 18,270,605,565 | - | - | 18,270,605,565 | - | - | - | - |
| Cash and bank balances - restated | 2,611,108,728 | - | - | 2,611,108,728 | - | - | - | - |
| | 20,886,451,569 | - | - | 20,886,451,569 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Government loan | - | - | 500,000,000 | 500,000,000 | - | - | - | - |
| Trade and other payables - restated | - | - | 36,691,817,375 | 36,691,817,375 | - | - | - | - |
| | - | - | 37,191,817,375 | 37,191,817,375 | - | - | - | - |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

37 RESTATEMENT OF COMPARATIVE FIGURES

37.1 During the year, the Company discovered certain errors whose effects had not been incorporated in the financial statements for the year ended June 30, 2019. The errors discovered and corrected are as follows:

- Previously, effect of valuation of property, plant and equipment conducted as on June 30, 2019 along with the deferred tax implications was not incorporated which has now been corrected and has resulted in an increase of Rs. 773,458,870, Rs. 745,637,084 and Rs. 27,821,786 in property, plant and equipment, surplus on revaluation of property, plant and equipment and deferred tax liability respectively as at 30 June 2019;
- Previously, provision for trade debts, insurance claims and recoverable from store in charges under expected credit losses in accordance with IFRS - 9 "Financial Instruments" was not correctly recorded. Management has recorded allowance for expected credit losses in accordance with IFRS - 9 "Financial Instruments" amounting to Rs. 37,103,665, Rs. 67,578,201 and Rs. 464,456,120 for trade debts, insurance claims and recoverable from store in charges respectively which resulted in an increase in loss for the prior year by Rs. 569,137,995 with a corresponding decrease in respective carrying values of trade debts, insurance claims and recoverable from store in charges and an increase in accumulated losses;
- Previously, deferred tax liability was overstated by Rs. 158,141,592 as at 30 June 2019 which has now been corrected resulting in a decrease in loss for the prior year by the aforementioned amount;
- Previously, interest income amounting to Rs. 6,496,758 was not recorded which has now been corrected resulting in a decrease in loss for the prior year by the aforementioned amount;
- Previously, the Company had a practice to classify provision for slow moving and obsolete items as selling and distribution expenses which has now been restated as cost of sales. Provision for slow moving and obsolete items for 2019 amounted to Rs. 106,673,723;
- Previously, Government loan from Ministry of Industries and Production amounting to Rs. 500,000,000 was classified as long term which has now been restated as short term; and
- Previously, selling and distribution expenses were overstated by Rs. 33,671,959 which has now been corrected resulting in a decrease in loss for the prior year by the aforementioned amount.

37.2 Further, to the effects restatements disclosed above, following reclassifications have also been made as at July 01, 2018 and June 30, 2019:

- Previously, the Company followed a practice of recording incidental charges recoverable from suppliers as other receivables. The amount has now been reclassified and netted off against trade payables amounting to Rs. 333,365,311 for 2019 (2018: Rs. 363,247,535);
- Previously, interest accrued was disclosed separately on the face of the statement of financial position. The Company now has re-classified interest accrued as part of cash and bank balances amounting to Rs. 4,995,651 for 2019 (2018: Rs. 7,354,102);
- Previously, Government subsidy was disclosed as part of trade and other payables which has now has been re-classified separately on the face of the statement of financial position amounting to Rs. 1,100,221,707 for 2019 (2018: Rs. Nil); and
- Previously, the Company recognized amount recoverable from store in charges as revenue. During the current year, the Company re-classified the amount as other income which amounted to Rs. 279,261,924.

37.3 Furthermore, subsidy income was previously disclosed on the face of statement of profit or loss as part of gross profit which has now been re-classified as other income amounting to Rs. 374,557,778.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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37 RESTATEMENT OF COMPARATIVE FIGURES (continued)

The following table summarizes the impact of these restatements on the Company's financial statements.

Statement of Financial Position

June 30, 2019

| Particulars | As previously reported | Adjustments | Restated balance |
|---|------------------------|----------------------|------------------------|
| | | Rupees | |
| Operating fixed assets | 4,224,232,666 | 773,458,870 | 4,997,691,536 |
| Trade debts | 37,103,665 | (37,103,665) | - |
| Interest accrued | 4,995,651 | (4,995,651) | - |
| Other receivables | 20,452,682,054 | (866,185,472) | 19,586,496,582 |
| Cash and bank balances | 2,599,616,319 | 11,492,409 | 2,611,108,728 |
| Other assets | 5,126,448,683 | - | 5,126,448,683 |
| Total assets | 32,445,079,038 | (123,333,509) | 32,321,745,529 |
| Deferred liabilities | 2,875,462,518 | (158,141,592) | 2,717,320,926 |
| Trade and other payables | 38,235,656,006 | (1,467,258,976) | 36,768,397,030 |
| Government subsidy | - | 1,100,221,707 | 1,100,221,707 |
| Other liabilities | 607,679,495 | - | 607,679,495 |
| Total Liabilities | 41,718,798,019 | (525,178,861) | 41,193,619,158 |
| Share capital | 737,731,420 | - | 737,731,420 |
| Advance against issue of shares | 481,999,000 | - | 481,999,000 |
| Surplus on revaluation of property, plant and equipment | 3,853,818,977 | 745,637,084 | 4,599,456,061 |
| Accumulated profit / (loss) | (14,347,268,378) | (343,791,732) | (14,691,060,110) |
| Total Equity | (9,273,718,981) | 401,845,352 | (8,871,873,629) |

Statement of Profit or Loss

For the year ended June 30, 2019

| Particulars | As previously reported | Adjustments | Restated balance |
|-----------------------------------|------------------------|----------------------|------------------------|
| | | Rupees | |
| Sales-net | 9,589,323,448 | (279,261,924) | 9,310,061,524 |
| Subsidy by Government of Pakistan | 374,557,778 | - | 374,557,778 |
| Cost of sales | (9,015,396,745) | (106,673,723) | (9,122,070,468) |
| Selling and distribution expenses | (6,863,685,551) | (429,578,144) | (7,293,263,695) |
| Administrative expenses | (437,443,429) | - | (437,443,429) |
| Finance cost | (13,983,785) | - | (13,983,785) |
| Other operating income | 447,871,202 | 285,758,682 | 733,629,884 |
| Loss before tax | (5,918,757,082) | (529,755,109) | (6,448,512,191) |
| Income tax expense | (110,087,996) | 185,963,377 | 75,875,381 |
| Loss after tax | (6,028,845,078) | (343,791,732) | (6,372,636,810) |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

38 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| | Liabilities | | | | |
|--|-----------------------|---|------------------------|----------------------|-----------------------|
| | Government subsidy | Government funding for procurement of stock | Deferred capital grant | Lease liability | Total |
| | Rupees | | | | |
| Balance at July 01, 2019 | 1,100,221,707 | - | 107,679,495 | - | 1,207,901,202 |
| Impact of adoption of IFRS - 16 | | | | 3,626,013,947 | 3,626,013,947 |
| Changes from financing cash flows | | | | | |
| Receipt during the year | 18,668,000,000 | 10,000,000,000 | 2,332,000,000 | | 31,000,000,000 |
| Payments made during the year | | | | (678,348,243) | (678,348,243) |
| Others | | | | | |
| Amortization for the year | (6,160,284,188) | - | (16,531,685) | | (6,176,815,873) |
| Interest for the year | | | | 494,225,701 | 494,225,701 |
| Balance at June 30, 2020 | 13,607,937,519 | 10,000,000,000 | 2,423,147,810 | 3,441,891,405 | 29,472,976,734 |
| | | | | | |
| | Liabilities | | | | |
| | Government subsidy | Government funding for procurement of stock | Deferred capital grant | Lease liability | Total |
| | Rupees | | | | |
| Balance at July 01, 2018 | - | - | 127,355,997 | - | - |
| Changes from financing cash flows | | | | | |
| Receipt during the year | 1,475,000,000 | - | - | - | 1,475,000,000 |
| Others | | | | | |
| Amortization for the year | (374,778,293) | - | (19,676,502) | - | (374,778,293) |
| Balance at June 30, 2019 | 1,100,221,707 | - | 107,679,495 | - | 1,100,221,707 |

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UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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:

| | 2020 Rupees | 2019 Rupees |
|-----------------------------------|-----------------------|-----------------------|
| Long term deposits | 4,042,021 | 4,737,276 |
| Trade debts - restated | - | - |
| Other receivables - restated | 18,209,446,565 | 18,270,605,565 |
| Cash and bank balances - restated | 17,474,032,782 | 2,611,108,728 |
| | <u>35,687,521,368</u> | <u>20,886,451,569</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.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

39.2 Credit risk (continued)

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:

| | 2020 | | 2019 | |
|-------------------|--------------------|-------------|-------------|-------------|
| | Gross debts | Impaired | Gross debts | Impaired |
| | | | Restated | |
| | ----- Rupees ----- | | | |
| Not past due | - | - | - | - |
| Past due 1 year | - | - | - | - |
| Past due 1-3 year | - | - | - | - |
| Over 3 years | 258,052,138 | 258,052,138 | 258,052,138 | 258,052,138 |

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:

| | 2020 Rupees | 2019 Rupees Restated |
|----------------------------------|--------------------|----------------------------|
| Balance at beginning of the year | 258,052,138 | 220,948,473 |
| Allowance for the year | - | 37,103,665 |
| Balance at end of the year | <u>258,052,138</u> | <u>258,052,138</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.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

39.2 Credit risk (continued)

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

| | 2020 Rupees | 2019 Rupees Restated |
|----------------------------------|----------------------|----------------------------|
| Balance at beginning of the year | 1,683,757,435 | 1,143,854,657 |
| Provision made during the year | 142,943,607 | 558,399,881 |
| Adjusted during the year | (12,692,640) | (18,497,103) |
| Balance at end of the year | <u>1,814,008,402</u> | <u>1,683,757,435</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 | Maturity up to one year | Maturity after one year and up to five years | Maturity after five years |
|-------------------------------------|---------------------------------|---------------------------|----------------------------|---|---------------------------------|
| | ----- Rupees in thousands ----- | | | | |
| 2020 | | | | | |
| Government loan | 500,000 | 500,000 | 500,000 | - | - |
| Trade and other payables | 37,098,790 | 37,098,790 | 37,098,790 | - | - |
| Government subsidy | 13,607,938 | 13,607,938 | - | 13,607,938 | - |
| | <u>51,206,728</u> | <u>51,206,728</u> | <u>37,598,790</u> | <u>13,607,938</u> | <u>-</u> |
| 2019 | | | | | |
| Government loan | 500,000 | 500,000 | 500,000 | - | - |
| Trade and other payables - restated | 36,691,817 | 36,691,817 | 36,691,817 | - | - |
| Government subsidy | 1,100,222 | 1,100,222 | - | 1,100,222 | - |
| | <u>38,292,039</u> | <u>38,292,039</u> | <u>37,191,817</u> | <u>1,100,222</u> | <u>-</u> |

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 than 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, 2020 can be evaluated from the schedule given in note 36 to these financial statements.

At the reporting date the Company's markup bearing financial instruments is only the bank balances amounting to Rs. 17,474.033 million (2019: Rs. 2,611.087 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.

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

41 CAPITAL MANAGEMENT

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

UTILITY STORES CORPORATION OF PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

42 DEFINED CONTRIBUTION PLAN

According to the Trustees, investment out of provident fund have been made in accordance with the conditions specified in section 218 of the Companies Act , 2017 and the rules made there under except amount of Rs. 67,720 million which is receivable from the Company.

43 NUMBER OF EMPLOYEES

The number of employees as at year end was 12,554 (2019: 12,843) and average number of employees during the year was 12,699 (2019: 12,843).

44 IMPACT OF COVID-19


On January 30, 2020, the World Health Organization (WHO) declared the outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, have taken stringent steps to help contain further spread of the virus. While these events and conditions have resulted in general economic uncertainty, management has evaluated the impact of COVID-19 and concluded that there are no material implications of COVID-19 on the operations of the Company that require specific disclosure in the financial statements. Neither were the Company operations significantly effected due to COVID-19 during the year, nor are they expected to be adversely affected in the near future. Further, there has been no significant impact of COVID-19 on the financial position and profitability of the Company.

45 GENERAL

45.1 Figures have been rounded off to the nearest rupee.

45.2 Corresponding figures have been re-arranged, where necessary, for the purpose of better presentation and comparison.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 27-SEP-2021 



MANAGING DIRECTOR



DIRECTOR