3720
MOIL

PIDC

ANNUAL REPORT 2009

MORAFCO

MORAFCO
INDUSTRIES LIMITED

بسم الله الرحمن الرحيم

CONTENTS

Company Information	2
Notice of Annual General Meeting	3
Director's Report	4-6
Key Operating & Financial Date of Last 6 Years	7
Pattern of Shareholding	8
Auditor's Report	9
Review Report to the Members on Statement of Compliance with best Practices of Code of Corporate Governance	10
Balance Sheet	11
Profit & Loss Account	12
Cash Flow Statement	13
Statement of Changes in Equity	14
Notes to the Accounts	15-24
Proxy	

COMPANY INFORMATION

Chairman & Managing Director	Mr. Abdul Bari Khan
Directors	Mr. Sarosh Yousufi Mr. S. Rehan ul Hasnat Mr. Javed Iqbal Mr. Zahid ur Rehman Mughal Mr. M. Adil Mannoo Mst. Humaira Manoo
Chief Accountant & Company Secretary	Muhammad Nadeem Athar
Auditors :	M/s. Kamran & Co. Chartered Accountants, Angola Apartments, Jail Road, Lahore.
Bankers :	MCB Bank Limited. Faisalabad Soneri Bank Limited. Lahore
Registered. Office :	C/o Republic Motors (Pvt) Ltd, 87-Shahrah-e-Quaid-e-Azam, Lahore.
Factory :	At Rakh Canal East Road, Behind Government College of Commerce, Faisalabad.
Tel : (Office)	042 - 36285695, 36285696
Tel : (Factory)	041-8540179
Fax :	042-36363805

NOTICE OF 44TH ANNUAL GENERAL MEETING OF SHAREHOLDERS OF MORAFCO INDUSTRIES LIMITED

Notice is hereby given that 44th Annual General Meeting of shareholders of Morafco Industries Limited, Faisalabad will be held on 30-10-2009 at 11 AM at Republic Motors (Pvt) Ltd, 87-Shahrah-e- Quaid Azam Lahore to transact the following: -

1. To confirm the minutes of last Annual General Meeting held on 30-09-2008.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2009 together with directors and auditors report thereon.
3. To appoint auditor for the year 2009-10 and fix their remuneration.
4. To elect the directors of the company for the next term. The Board of Directors of the company has fixed the number of Directors as 07 (Seven) under section 178 of the Companies Ordinance 1984, the retiring directors of the company are eligible for reappointment. For this purpose notice of intention for contesting election must reach the office of the undersigned before 21-10-2009 enabling us to take further necessary action in this regard.
5. To transact any other business with the permission of the Chairman.

By the Order of Board of Directors

Muhammad Nadeem Athar
Company Secretary
Phone: 042-36285695

Dated : October-10-2009

Notes:

1. The share transfer books of the company will remain closed from 21st October 2009 to 30th October 2009 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote for him / her. Proxies, in order to be effective, must be received by the company not less than 48 hours before the meeting.
3. Only those members shall be entitled to vote in the meeting whose names will be registered on the record of the company as on 30-10-2009.
4. All the shareholders are requested to bring their National Identity Cards for identification

DIRECTORS REPORT TO THE SHAREHOLDER

The directors take the opportunity of placing before the shareholders 44th Annual Report of the company together with the audited accounts of the company and auditors report thereon for the year ended as on June 30, 2009.

As the members are already well aware that the operations of the unit were closed w.e.f. May 16, 1997 under government instructions and all the employees were relieved under Golden Hand Shake (GHS / Voluntary Separation Scheme (VSS).

Pursuant to the decision of the Federal Government as conveyed vide MOI&P letter No.16 (2) / 2006-I&P / GCP (Pt-I) dated 11.09.2008, all the shares held by the Ghee Corporation of Pakistan were transferred to PIDC w.e.f. 15.11.2008. Earlier the GCP and now the Pakistan Industrial Development Corporation (PIDC) did not charged any markup on outstanding balance from the Morafco and being the major shareholder continuously provided financial assistance for meeting the necessary unavoidable expenditure for security up-keeping of the factory's properties, insurance and taxes etc.

A brief of financial results are given below :

1. FINANCIAL RESULTS:

	2009	2008
	Rupees "000"	
Fixed Revenue expenditure	336	356
Administrative & General expenses	1,013	964
Financial charges	-	2
	1,349	1,322
Less: Miscellaneous income	5	6
Net loss for the year	1,344	1,316
Earning per share (Rs.)	(2.36)	(2.32)

2. SUMMARY OF KEY INFORMATION AND FINANCIAL DATA OF LAST SIX YEARS:

A summary of key operating and financial results for the last six years is included in the annual report under review

3. DIVIDEND:

Since the company's operations are closed since May 1997, the financial position does not allow declaring any dividend for the year under review.

4. OUTSTANDING STATUTORY PAYMENTS:

There is no outstanding statutory payment on account of taxes, duties, levies and charges

5. MEETINGS OF BOARD OF DIRECTORS:

During the year under review, three meetings of Board of Directors were held. The attendance of directors was as under: -

Sr. No.	Names of Directors	Designation	Total No. of BODs held*	No. of BODs attended
1.	Maj. General ® Zafar Abbas **	Ex. Chairman	2	1
2.	Mr. Muhammad Aslam **	Ex. Managing Director	2	2
3.	Mr. T. I. Chaughtai **	Ex. Director	2	2
4.	Mr. Asim Rizvi **	Ex. Director	2	2
5.	Mr. Mumtaz Hussain Balouch **	Ex. Director	2	1
6.	Mr. Abdul Bari Khan	Chairman / Managing Director	2	2
7.	Mr. Sarosh Yousufi	Director	2	1
8.	Mr. S. Rehan ul Hasnat	Director	2	1
9.	Mr. Javed Iqbal	Director	2	2
10.	Mr. Zahid ur Rehman Mugha	Director	2	2
11.	Mian Adil Mannoo	Director	3	-
12.	Mst. Humaira Mannoo	Director	3	-

Held during the period cocerned Director was on the Board.
****Resigned on 23-10-2008.***

6. CHANGE IN COMPOSITION OF BOARD OF DIRECTORS:

After the administrative merger of GCP with Pakistan Industrial Development Corporation (PIDC) pursuant to the decision of the Federal Government as conveyed vide Ministry of Industries & Production's Letter No.16 (2) / 2006-I&P / GCP (Pt-I) dated 11.09.2008, all the shares held by the Ghee Corporation of Pakistan were transferred to PIDC w.e.f. 15.11.2008. The composition of Board was also changed by the Board of Directors in the meeting held on 23.10.2008 and Mr. Abdul Bari Khan took over the charge of Chairman & Managing Director of the company, Mr. Sarosh Yousufi, Mr. S. Rehan ul Hasnat, Mr. Javed Iqbal and Mr. Zahid ur Rehman Mughal were copted as the new directors in place of Maj. Gen. (R) Zafar Abbas, Mr. Mumtaz Hussain Balouch, Mr. T.I. Chaughtai, Mr. Asim Rizvi & Mr. Muhammad Aslam, respectively who resigned from the Board. The Board placed on record its appreciation for the services rendered by the outgoing directors.

7. STATEMENT IN COMPLIANCE OF CODE OF CORPORATE GOVERNANCE:

The Board of directors of Morafco Industries Limited is pleased to state that the management has adopted the code of corporate governance and all necessary actions have been taken for all applicable and relevant clauses and board agrees to take care of the remaining clauses as and when applicable.
As required by the code, it is stated that : -

7.1 The financial statements of the company represent a true and fair view of the company's operations, cash flow and changes in equity.

7.2 Proper books of accounts of the company have been maintained.

7.3 Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

7.4 International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements and non applicability, if any has been adequately disclosed.

7.5 The Company sustained a net loss of Rs 1.344 million during the period under review as compared to a net loss of Rs 1.316 million during the same period of the preceding year and accumulated loss is to the tune of Rs. 841.760 million (2008: Rs. 840.416 million). The loss was mainly on account of unavoidable fixed expenditure of Security and up keeping of the company's properties, Property Tax, Insurance, Utility bills, Depreciation etc. The company's current liabilities exceed its current assets by Rs. 832.125 million (2008: Rs. 830.966 million). These events demonstrate that the company is no more a going concern. The major shareholder (earlier GCP now M/s. PIDC) holding 43% shares in the company is presently financing the company to meet its current requirements from last several years.

7.6 There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

7.7 Going Concern / True & Fair View
The company has prepared statements on going concern basis; whereas, the company has closed its operations since 1997.

8. AUDITORS:

The present auditors M/s. Kamran & Co., Chartered Accountants are due to retire and now the Board recommends the name of M/s. Hameed Khan & Co Chartered Accountants, Lahore for appointment as Auditors for the year ending on June 30, 2010.

9. AUDIT COMMITTEE

As there are no operational activities of the company, the Board of Directors has not recommended the establishment of Audit Committee.

10. PATTERN OF SHAREHOLDING:

The statement of pattern of shareholdings of the company as at June 30, 2009 is given with the annexed annual report in accordance with the code of corporate governance.

11. FUTURE OUTLOOK:

Status of Privatization
As you are already aware, the operations of your company were closed in May 1997 for privatization through Privatization Commission and all the employees were relieved under VSS / GHS. The company is under privatization with the Privatization Commission since 1990 but could not be privatized due to various reasons. The PC made 6 attempts from 1991 to 1998, also GCP & MOI&P made attempts to dispose of plant & machinery and building but could not succeed due to low offers as compared to the reserve price fixed by the Privatization Commission and also due to some issues related to the transfer of the title of land to the company from the Government of Punjab. MOI&P has now again requested the PC for early privatization of Morafco.

For and on Behalf of Board of Directors

Abdul Bari Khan
Chief Executive

Lahore:
Dated October 10,2009

SIX YEARS AT A GLANCE 2003-04 TO 2008-09

Rupees In "000"

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sales	-	-	-		-	-
Cost of Sales	-	-	-	-	-	-
Gross Loss	-	-	-	-	-	-
Administrative and General Expenses	1,516	1,125	1,249	1,397	1,322	1,349
Financial Expenses	-	-	-	-	-	-
Operating Profit / (Loss)	(1,516)	(1,125)	(1,249)	(1,397)	(1,322)	(1,349)
Other Income / (Exp)	-	-	403	230	6	5
Taxation	(155)	-	-	-	-	-
Prior Years Adjustments	-	-	-	-	-	-
Net Loss	(1,671)	(1,125)	(846)	(1,167)	(1,316)	(1,344)
Paid up Capital	5,683	5,683	5,683	5,683	5,683	5,683
Fixed Assets (WDV)	2,867	2,578	2,320	2,089	1,879	1,694
Current Assets	1,635	1,635	1,959	743	824	768
Current Liabilities	829,135	829,972	830,883	830,603	831,790	832,893

STATEMENT IN COMPLIANCE OF CODE OF CORPORATE GOVERNANCE

The Karachi & Lahore Stock Exchanges by incorporating in its Listing Regulations circulating the Code of Corporate Governance for implementation by listed companies.

The unit has been closed since May 1997 under the directions of Ministry of Industries and Production all the employees were relieved under VSS / GHS. The Board of Directors of Morafco Industries Limited is pleased to state that we have adopted the code of Corporate Governance set out by the Securities & Exchange Commission of Pakistan and all necessary actions have been taken for all applicable and relevant clauses and Board agrees to take care of remaining clauses as and when applicable.

PATTERN OF SHAREHOLDING AS ON 30-06-2009

No. of Share Holders	Share Holding From	To	Face Value PerShare	Shares Held
256	1	100	10	4,253
524	101	500	10	68,507
8	501	1000	10	4,915
9	1001	5000	10	28,393
1	5001	10000	10	8,500
1	10001	15000	10	13,435
1	20001	25000	10	22,415
1	25001	30000	10	25,325
1	30001	35000	10	31066
1	110001	115000	10	116,546
1	240001	245000	10	244,957
804		Total		568,312

CATEGORIES OF SHAREHOLDERS

Particulars	No. of Share Holders	Face Value Per Share	No. of Shares Held	%
Directors :				
• Mian M. Adil Mannoo	1	10	8500	1.50
• Mst. Humaira Mannoo	1	10	2500	0.44
Joint Stock Companies :				
• Pakistan Industrial Development Corporation (Pvt) Ltd.	1	10	244,957	43.10
Investment Companies :				
• Investment Corporation of Pakistan	1	10	31,066	5.47
Insurance Companies :				
• State Life Insurance Corporation	1	10	25,325	4.46
Financial Institution :				
• NBP Trustee Department	1	10	116,546	20.51
• N.I.C.F Corporation	1	10	22,415	3.94
Others :				
• Irafan Corporation (Pvt) Ltd.	1	10	570	0.10
• Corporate Law Authority of Pakistan	1	10	1	-
• The Administrator Abandoned Properties of Pakistan	1	10	152	0.03
• Individuals	794	10	116,280	20.45
Total	804		568,312	100

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MORAFCO INDUSTRIES LIMITED** ("the Company") as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. The financial statements of the Company as of 30 June 2008 were audited by Shafiq & Co., Chartered Accountants, Lahore, whose report dated 16 August 2008, expressed modified opinion on those statements. This report carries the same modification as referred to in para (a) below.

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

(a) The Company is no more a going concern (see note 3.3 to the financial statements). The revival of its status is not possible due to Government of Pakistan's policy of privatization of state owned units. Consequently, it may not be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not disclose this fact as the assets and liabilities are stated at historical cost instead of net realizable / settlement value;

(b) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(c) in our opinion-

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied, with the exception of change referred to in note 4.1 to the financial statements, with which we concur;

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

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

(d) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required, except for the effect of the adjustments, as regard to matters described in paragraphs (a) above.

(e) Because of the significance of the matter described in para (a) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with the approved accounting standards as applicable in Pakistan, and respectively do not give a true and fair view of the Company's affairs as at 30 June 2009, and of the loss, its cash flows and changes in equity for the year then ended; and

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

KAMRAN & CO.
CHARTERED ACCOUNTANTS

LAHORE

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **MORAFCO INDUSTRIES LIMITED** ("the Company") to comply with the listing regulation of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

In the Compliance Statement, the Board of Directors has asserted the compliance of following:

i) Financial Statements presents fairly the state of affairs of the Company;

ii) Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment; and

iii) International Accounting Standards have been followed in the preparation of financial statements

Based on our review and to the best of our information and according to the explanations given to us we state that in the matters mentioned above the Company's claim for compliance with the best practices contained in the Code of Corporate Governance effective as at 30 June 2009 is not consistent with the factual position because the Company has closed its operations since 1997 and is no more a going concern, as explained by the Board of Directors as well, accordingly, the Company would not be able to recover its assets or settle its liabilities, in the normal course of business, at its recorded amounts. The financial statements have been prepared on going concern basis, which in no way, represents the true state of affairs of the Company, and do not comply with appropriate accounting policies, and are not based on prudence; and International Accounting Standards have not been appropriately followed.

Except for the matters discussed above, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at 30 June 2009.

KAMRAN & CO.
CHARTERED ACCOUNTANTS

LAHORE

BALANCE SHEET AS AT 30 JUNE 2009

EQUITY AND LIABILITIES	NOTE	2009	2008
		Rupees In "000"	
SHARE CAPITAL AND RESERVES Authorized			
1,000,000 [2008: 1,000,000] ordinary shares of Rs. 10 each		10,000	10,000
Issued, subscribed and paid-up			
568,312 [2008: 568,312] ordinary shares of Rs. 10 each	5	5,683	5,683
Reserves	6	5,646	5,646
Accumulated (loss)		(841,760)	(840,416)
		(830,431)	(829,087)
CURRENT LIABILITIES			
Trade and others payables	7	832,893	831,790
CONTINGENCIES AND COMMITMENTS	8	-	-
		2,462	2,703
NON CURRENT ASSETS			
Properly, plant and equipment	9	1,694	1,879
CURRENT ASSETS			
Stores, spares and loose tools	10	573	573
Advances	11	-	15
Trade deposits and short term prepayments	12	60	57
Balance due from tax department	13	59	48
Cash and bank balances	14	76	131
		768	824
		2,462	2,703

Chief Executive **Director**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009	2008
		Rupees In "000"	
Sales Net		-	-
Cost of Sales		-	-
Gross Profit		-	-
Fixed Revenue Expenses	15	336	356
Administrative, Selling and General Expenses	16	1,013	964
Finance Cost		-	2
Loss from Operations		(1,349)	(1,322)
Other Income	17	5	6
Loss before Taxation		(1,344)	(1,316)
Taxation	18	-	-
Loss after Taxation		(1,344)	(1,316)
Loss per share (basic and dilutive)	19	(2.36)	(2.32)

The annexed notes from 1 to 27 from an integral part of these financial statements.

Chief Executive **Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	Rupees In "000"	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,344)	(1,316)
Adjustments for :		
Return on deposits with banks	(5)	(6)
Depreciation on property, plant and equipment	189	210
	184	204
Operating loss before working capital changes	(1,160)	(1,112)
Working capital changes:		
(Increase) / Decrease in current assets		
- Advances	15	35
- Trade deposits and short term prepayments	(3)	(2)
(Decrease)/increase in current liabilities		
- Trade and others payables	1,103	1,187
	1,115	1,220
Net cash generated / (used in) from operations	(45)	108
Income taxes paid	(11)	(8)
Return on deposits with banks	5	6
NET CASH IN / (OUT) FLOW FROM OPERATIONS	(51)	106
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(4)	-
NET CASH USED IN INVESTING ACTIVITIES	(4)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(55)	106
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	131	25
CASH AND CASH EQUIVALENT AT END OF THE YEAR	76	131

The annexed notes from 1 to 27 form an integral part of these financial statements.

Chief Executive **Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Share Capital	Reserves				Accumulated Profit / (Loss)	Net Equity
		General Reserve	Dividend Equalization	Capital Reserve	Total Reserves		
	..............................Rupees In "000"..............................						
Balance as at 01 July 2007	5,683	3,479	1,863	304	5,646	(839,100)	(827,771)
Net Loss for the Year	-	-	-	-	-	(1,316)	(1,316)
Balance as at 30 June 2008	5,683	3,479	1,863	304	5,646	(840,416)	(829,087)
Net Loss for the Year	-	-	-	-	-	(1,344)	(1,344)
Balance as at 30 June 2009	**5,683**	**3,479**	**1,863**	**304**	**5,646**	**(841,760)**	**(830,431)**

The annexed notes from 1 to 27 from an integral part of these financial statements.

Chief Executive **Director**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

1. COMPANY AND ITS OPERATIONS

1.1 Morafco Industries Limited (the "Company") was incorporated as private limited company in December 1960 and was converted into public limited company in July 1965. The registered office of the Company is situated at C/o Republic Motors (Private) Limited, 87 Shahrah-e-Quaid-e-Azam, Lahore. Its shares are listed on Karachi and Lahore Stock Exchanges and the principal activity of the Company is to manufacture and sale of banaspati ghee, cooking oil and its by-product. At the time of nationalization of the industrial units in 1973 the Company was given under the administrative control of Ghee Corporation of Pakistan ("GCP"). Ministry of Industries and Production, Government of Pakistan vide notification no. 16(2)/2008-I&P/GCP(PT-1) dated 11 September 2008 has decided to merge GCP administratively with Pakistan Industrial Development Corporation ("PIDC") on the following lines.

a) GCP to be converted into a wholly owned subsidiary of PIDC.
b) The entire government shareholding in GCP to be transferred to PIDC and PIDC will issue its own shares of the equivalent value in the name of the Federal Government.
c) The existing board of directors of GCP will continue, except its chairman. The chief executive officer, PIDC will be the chairman of GCP.
d) After settlement of the pending issues, such as assumption of legal cases of GCP by PIDC, disposal of assets of GCP, settlement of employees issues etc., GCP to be eventually liquidated in due course of time.

The Company closed its operations in 1997 for privatization purposes. All the permanent employees have been relieved including last employee who was also relieved on 06 February 2004. However, few employees have been re-engaged on temporary basis for security upkeeps at the factory and to assist in the compilation of books of accounts and other corporate record.

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

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 ("the Ordinance"), directives issued by the Securities and Exchange Commission of Pakistan ("SECP") and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or said directives take precedence.

2.2 **International Financial Reporting Standards (IFRSs), interpretations and amendments to approved accounting standards**

- ***International Financial Reporting Standards (IFRSs), interpretations and amendments to published approved accounting standards that are effective in the current year***

IAS 1 (Amendment) - "Presentation of financial statements - capital disclosures" is mandatory) for the

Company's accounting period beginning on or after 1 Januray 2007. It introduces capital disclosures requirements regarding how the entity manages its capital. Adoption of this amendment only impacts the format and extent of disclosures as presented in note to the financial statements.-***International Financial Reporting Standards (IFRSs), interpretations and amendments that are effective in 2007 but not relevant***

Other new standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 1 July 2007 are considered not to be relevant or have any significant effect to the Company's operations and on the Company's financial statements other than increased disclosures in certain cases.

- ***International Financial Reporting Standards (IFRSs), interpretations and accounting standards not yet effective***

Following International Financial Reporting Standards (IFRSs), interpretations and amendments to existing accounting standards have been published that are mandatory and relevant for the accounting periods beginning on the dates mentioned below:

Title		Effective for annual accounting periods beginning on or after:
IAS 1	Presentation of financial statements (as revised)	1 January 2009
IAS 23	Borrowing cost (as revised)	1 January 2009
IAS 32	Financial instruments: Presentation and consequential amendment to IAS 1 - Presentation of financial statements (as amended)	1 January 2009
IFRS 2	Share based payment (as amended)	1 January 2009
IFRS 3	Business combination (as amended) and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investments in associates and IAS 31 - Interest in joint ventures (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

The Company expect that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in presentation and disclosures.

3. BASIS OF PERPARATION

3.1 Measurement

These financial statements have been prepared under historical cost convention.

3.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under circumstances, results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in the ensuing paragraphs.

3.3 **Going concern**
The company has incurred a net loss of Rs. 1,344 in thousands during the year (2008: Rs. 1,316 in thousands) and accumulated loss is to the tune of Rs 841,760 in thousands (2008:Rs. 840,416 in thousands). The company's current liabilities exceed its current assets by Rs. 832,125 in thousands (2008:Rs 830,966 in thousands) and the Company has ceased its operation since 1997. These events clearly demonstrate that the Company is no more a going concern. Privatization Commission ("PC") offered the Company's assets for sale but the reserved price set by PC was not received. The major share holding company (earlier GCP and now PIDC 43%) is presently financing the Company to meet its current expenses.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

4.1 **Changes in accounting policy**
The Company has changed its accounting policy for trade and other receivables, whereby these are now recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any. Previously these were carried at cost less provision for doubtful receivables. Additionally, the Company has also changed its accounting policy for trade and other payables, whereby these are now recognized initially at fair value and subsequently measured at amortized cost. Previously these were carried at cost.
There is no impact of the above changes in the current and prior periods presented in these financial statements.

4.2 **Property, plant and equipment**
Property, plant and equipment are stated at cost less accumulated depreciation.
Depreciation on property, plant and equipment is charged to profit and loss account on reducing balance method so as to write off the carrying amount of an asset over its estimated remaining useful life at the rates given in note 9 attached to these financial statements.
Depreciation is applied on cost of additions from the month of acquisition, while no depreciation from the month in which the assets disposed off.
Major repairs, renewals, maintenance and improvements are capitalized. Other repairs and maintenance are charged to income as and when incurred.
Gains and losses on deletions of assets are taken to profit and loss account.

4.3 **STORE SPARES AND STOCK IN TRADE**
Basis of valuations are as follows:

Particulars	**Mode of Valuation**
Store, spares and loose tools	at lower of cost or net realizable value
Packing material	at lower of cost or net realizable value
Work-in-process	at estimated cost including appropriate overheads
Finished goods	at lower of cost or net realizable value

Cost in relation to above is calculated using first-in-first-out (FIFO) method.
Net realizable value signifies the selling price in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.
These are valued at net realizable value.

4.4 **Trade debts**
Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

4.5 **Financial instruments**
Financial instruments carried on the balance sheet include trade debts, advances, deposits and prepayments, cash and bank balances, long term loans, liabilities against assets subject to finance lease, other liabilities, short term bank borrowings, creditors, advances, accrued and other liabilities. Financial assets and liabilities are recognized at cost, which is the fair value of the consideration given or received at the time company becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are de-recognized on the cessation of effective control. Any gain or loss on subsequent de-recognition is charged to profit and loss account.

4.6 **Cash and cash equivalents**
Cash and cash equivalents comprise cash in hand, cheques in hand and balance at banks.

4.7 **Provisions**
Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made..

5. SHARE CAPITAL

		2009	2008
		Rupees In "000"	
Authorized			
1,000,000 [2008: 1,000,000] ordinary shares of Rs. 10/-each		**10,000**	10,000
Issued, Subscribed and paid Up			
449,258 [2008: 449,258] ordinary shares of Rs. 10/- each fully paid in cash		**4,493**	4,493
119,054 [2008: 119,054] ordinary shares of Rs. 10/- each fully paid as bonus shares		**1,190**	1,190
		5,683	5,683

6. RESERVES

General reserve	**6.1**	**3,479**	3,479
Dividend equalization	**6.2**	**1,863**	1,863
Capital under section 15 BB of Income Tax Act, 1922	**6.3**	**304**	304
		5,646	5,646

6.1 There has been no movement in this account since 1984.
6.2 This Amount has been static since 1987.
6.3 There has been no movement in this account since 1982.

7. TRADE AND OTHER PAYABLES

Due to GCP / Federal Government / PIDC	**7.1**	**705,350**	705,350
Due to GCP / PIDC	**7.2**	**126,046**	124,918
Accrued expenses		**33**	17
Unclaimed dividend		**1,218**	1,218
Withholding taxes payable		**155**	155
Other payables		**91**	132
		832,893	831,790

7.1 **DUE TO GCP / FEDERAL GOVERNMENT / PIDC**
The amount of Rs. 705.350 million was transferred in the year 1999 from GCP's account to Federal Government account being the share of liability of Rs. 6,555.531 million taken over by the Federal Government through issuance of bonds.
No interest has been provided for the above said amount.

7.2 **DUE TO GCP / PIDC**
The amount represents the current account balance of GCP / PIDC which was a major shareholder of the Company. GCP was providing financial assistance to the Company by way of supply of oil and chemicals for the smooth running of the unit upto 1997. Later on GCP / PIDC was providing financial assistance for meeting necessary administrative expenses.
During the year no mark up has been charged by GCP / PIDC.

8. CONTINGENCIES AND COMMITMENTS

8.1 The cost of land has not been provided for in the accounts, as its assessed value has not been determined to date by the revenue authorities.

8.2 Claim of third parties not accepted as liabilities amounted to Rs. 4.626 million detail is given hereunder :-

	2009	2008
	In Rupees	
Market Committee Fee, Faisalabad	**500,000**	500,000
War Risk Insurance	**216,094**	216,094
Rana Bashir	**10,000**	10,000
Fazal Oil Industries, Islamabad	**1,019,123**	1,019,123
WAPDA Aquifer Charges Workers Participation	**387,750**	387,750
Bonus 1995-96 NIRC	**2,400,000**	2,400,000
WASA water charges	**92,767**	92,767
	4,625,734	4,625,734

9. PROPERTY, PLANTS AND EQUIPMENTS

Rupees In "000"

PARTICULARS	COST As at 01July 08	Additions/ (Deletions)	As at 30June 09	DEPRECIATION Rate %	As at 01July 08	For The Year	As at 30June 09	W.D.V As at 30June 09
	...............Rupees In "000"...............				...............Rupees In "000"...............			
Owned assets								
Building	3,672	-	3,672	10	3,504	17	3,521	**151**
Plant and Machinery	16,913	-	16,913	10	15,299	161	15,460	**1,453**
Factory Equipments	621	-	621	10	593	3	596	**25**
Laboratory Equipments	97	-	97	10	91	1	92	**5**
Electric Equipments	102	-	102	10	87	2	89	**13**
Office Equipments	365	-	365	10	333	2	335	**30**
Furniture and Fixture	160	-	160	10	144	2	146	**14**
Bicycle	-	4	4	20	-	1	1	**3**
Tarpaulins	42	-	42	25	42	-	42	**-**
2009 Rupees :	**21,972**	**4**	**21,976**		**20,093**	**189**	**20,282**	**1,694**
2008 Rupees :	21,972	-	21,972		19,883	210	20,093	**1,879**

9.1 Depreciation is allocated as under:

	2009	2008
	Rupees In "000"	
Fixed expenses	**183**	202
Administrative and general expenses	**6**	8
	189	210

		2009	2008
		Rupees In "000"	

10. STORE, SPARES AND LOOSE TOOLS

		2009	2008
General		198	198
Packing material		-	-
Spares		361	361
Loose tools		14	14
		573	573

10.1 As per the policy mentioned in note 4.3, these are stated at net realizable value.

11. ADVANCES

		2009	2008
Advances to employees		-	15
		-	15

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

		2009	2008
Security deposits		128	128
Less: Deposits written off		(128)	(128)
		-	-
Prepayments	12.1	60	57
		60	57

12.1 This represents insurance paid in advance for the next six months.

13. BALANCE DUE FROM TAX DEPARTMENT

		2009	2008
Advance income tax		59	48
		59	48

14. CASH AND BANK BALANCES

		2009	2008
With banks			
-on saving accounts (Sonari Bank Ltd. Lahore)		63	117
-on current accounts (MCB Bank Ltd. Faisalabad)		13	14
		76	131

15. FIXED REVENUE EXPENSES

		2009	2008
Property tax		36	39
Insurance		117	115
Depreciation on property, plant and equipment	15.1	183	202
		336	356

15.1 The Company has charged depreciation on property, plant and equipment although there were no operations.

16. ADMINISTRATIVE SELLING AND GENERAL EXPENSES

	Note	2009	2008
		Rupees In "000"	
Directors' and Chief Executive remuneration	16.1	-	5
Salaries, wages and other benefits		63	33
Security services		635	629
Utilities		144	107
Traveling and conveyance		5	51
Printing and stationery		37	28
Telephone, postage and telegrams		25	23
Repair and maintenance - general		23	17
Legal and professional charges		29	25
Auditors' remuneration	16.2	13	13
Fee and subscription		-	1
Entertainment		18	9
Newspapers and periodicals		4	3
Depreciation		6	8
Miscellaneous		11	12
		1,013	964

16.1 During the year no remuneration was paid to Chief Executive or any Director of the Company.

16.2 **AUDITORS' REMUNERATION**

	2009	2008
Audit fee	**10**	10
Out of pocket expenses	**3**	3
	13	13

17. MISCELLANEOUS INCOME

	2009	2008
Return on deposits with banks	**5**	6
	5	6

18. TAXATION

	2009	2008
Current year	-	-
Prior year	-	-
	-	-

18.1 Income tax assessments have been completed upto assessment year 2002-03

19. LOSS PER SHARE (BASIC AND DILUTIVE)

The calculation of basic loss per share is based on the following data:

Loss

	2009	2008
Loss after taxation attributable to ordinary shareholders (Rs. In Thousand)	**(1,344)**	(1,316)
Weighted average number of ordinary shares outstanding during the year	**568,312**	568,312
Loss per share - basic	**(0.236)**	(0.232)

19.1 Basic loss per share has been computed by dividing loss as stated above with weighted average number of ordinary shares.

19.2 No figure for diluted loss per share has been presented as the Company has not issued any instruments which would have an impact on loss per share when exercised.

20. FINANCIAL INSTRUMENT & RELATED DISCLOSURES

20.1 **Fair value of financial instruments**

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

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

20.2 The analysis of yield / mark-up rate risk is as under :

	30 June 2009			30 June 2008		
	Interest / Mar-up Bearing	Non Interest / Mar-up Bearing	Total	Interest / Mar-up Bearing	Non Interest / Mar-up Bearing	Total
	..........................Rupees In "000"..........................					
Financial assets						
Maturity up to one year						
Advances	-	-	-	-	15	15
Trade deposits and short term prepayments	-	60	60	-	57	57
Balance due from tax department	-	59	59	-	48	48
Cash and bank balances	-	76	76	-	131	131
Maturity after one year	-	-	-	-	-	-
Total Financial Assets	-	195	195	-	251	251
Financial liabilities						
Maturity up to one year						
Trade and Others Payables	-	832,893	832,893	-	831,790	831,790
Maturity after one year	-	-	-	-	-	-
Total Financial Liabilities	-	832,893	832,893	-	831,790	831,790
On balance sheet gap	-	(832,698)	(832,698)	-	(831,539)	(831,539)
Off balance sheet gap	-	4,626	4,626	-	4,626	4,626

20.3 **Mark-up rate risk management**

Mark-up rate risk arises from the possibility that changes in mark-up rates will affect the value of financial instruments. Changes in mark-up rates can adversely affect the rates charged on mark-up bearing liabilities. This can result in an increase in mark-up expense relative to financial borrowings or vice versa. The Company manages its risk by mark-up rate swapping maintaining a fair balance between mark-up rates, financial assets and financial liabilities. The effective mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

20.4 **Credit risk and concentration credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. The Company manages credit risk in trade receivables by limiting significant exposure to any individual customer.

20.5 **Liquidity risk**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer. Further, any temporary shortfall in liquidity is met through interest free loans from associates of the Company including Directors.

20.6 **Foreign exchange risk management**

Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. The Company incurs foreign currency risk on transactions that are entered in a currency other than Pak Rupees.

21. CAPITAL MANAGEMENT

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return to shareholder or issue new shares. Further, the Company has continued financial support of its associates to meet any temporary shortfall in liquidity. No changes were made in the objectives, policies or process during the year ended 30 June 2009 and 30 June 2008. As of the balance sheet date, the management considers that the capital of the Company is sufficient to meet the requirement of the business. There are no externally imposed capital requirements.

22. PLANT CAPACITY AND ACTUAL PRODUCTION

		2009	2008
		Metric Tons	Metric Tons
Capacity		**20,000**	20,000
Actual Production	**22.1**	**-**	-

22.1 'The operation of the plant was discontinued in 1997.

23. NUMBER OF EMPLOYEES

All the employees have been relieved under the Government policy of VSS/GHS. Presently few Adhoc and temporary employees have been engaged to look after the security, general upkeeps of the factory premises and compilation of accounts, corporate and tax matters.

	2009	2008
24. MAJOR NON CASH ITEMS	Rupees in "000"	
Depreciation on property, plant and equipment	**189**	232

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS/RELATED PARTY

The related parties comprise, holding company, subsidiaries and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The company in normal course of business carries out various related parties at arm's length. Transactions with related parties are priced in accordance with "comparable uncontrolled price method."

Nature and description of related party transactions during the year along with monetary value are as follows:

Name of related party	Nature		
Ghee Corporation of Pakistan (Private) Limited / PIDC	Operating Exp/ (repayment)	**1,055**	(278)

26. RE-CLASSIFICATIONS AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-*classification and re-arrangements are as follows:*

From	To	Reason	Amount
Creditors, accrued and other liabilites	Trade and other payables	Better presentation	109,000

27. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 10,2009 .

Chief Executive **Director**

MORAFCO INDUSTRIES LIMITED

FORM OF PROXY

Please Quote	
Folio No.	No. of Share Held

I / we ____

of ____

being a member of MORFCO INDUSTRIES LIMITED hereby appoint

Mr. ____

____

or failing him Mr. ____

of ____

who is also a member of Morafco Industries Limited as my / our absence to attend and vote for me / us and on my / our behalf the 44th Annual General Meeting of the Company to be held on October 30,2009 at **Morafco Industries Limited**,C/o Republic Motors (Pvt) Ltd, 87-Shahrah-e-Quaid-e-Azam, Lahore. and every adjournment thereof.

Signed this ______________ day of ______________

Revenue Stamp

(Signature must tally with the specimen signature registered with the company)

signature

NOTE :

The Instrument of Proxy should be deposited at the Registered Office of the Company at least 48 hours before the time for holding the meeting.