

**MORAFCO INDUSTRIES LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT 30 JUNE 2017**

	Note	June 30, 2017	June 30, 2017	June 30, 2016
		Rupees in thousands		
		Estimated Settlement Value/ESV	Book Value	ESV/Book Value
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorized share capital 1,000,000 (30 June 2016: 1,000,000) ordinary shares of Rs. 10 each		10,000	10,000	10,000
Issued, subscribed and paid-up share capital	6	5,683	5,683	5,683
Reserves	7	5,646	5,646	5,646
Accumulated loss		(862,196)	(862,196)	(859,364)
		(850,867)	(850,867)	(848,035)
<b>Current liabilities</b>				
Trade and other payables	8	851,859	851,859	849,077
Provision for taxation		155	155	155
		852,014	852,014	849,232
<b>CONTINGENCIES AND COMMITMENTS</b>				
		-	-	-
		1,147	1,147	1,197
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9	516	516	573
<b>Current assets</b>				
Stores, spare parts and loose tools	10	286	286	286
Balances due from government	11	133	133	125
Cash and bank balances	12	212	212	213
		631	631	624
		1,147	1,147	1,197

The annexed notes 1 to 25 form an integral part of these Financial statements.

Chief Executive Officer

Director

**MORAFCO INDUSTRIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		<u>June 30, 2017</u>	<u>June 30, 2016</u>
	<b>Note</b>		
Sales		-	-
Cost of sales	13	-	-
Gross loss		-	-
Operating expenses:			
Fixed revenue expenses	14	185	252
Administrative and general expenses	15	2,654	3,042
		2,839	3,294
Operating loss		2,839	3,294
		2,839	3,294
Other income	16	7	7
Loss before taxation		2,832	3,287
Taxation	17	-	-
Loss after taxation		2,832	3,287
<b>Total comprehensive loss</b>		<b>2,832</b>	<b>3,287</b>
<b>Loss per share - basic and diluted</b>	<b>18</b>	<b>4.98</b>	<b>5.78</b>

The annexed notes 1 to 25 form an integral part of these Financial statements.

Chief Executive Officer

Director

**MORAFCO INDUSTRIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Share capital	Reserves	Accumulated loss	Total Equity
	----- Rupees in thousands-----			
Balance as at 30 June 2015	5,683	5,646	(855,835)	(844,506)
<i>Total comprehensive income for the year 2016</i>				
Loss for the year	-	-	(3,287)	(3,287)
assets			(242)	
Balance as at 30 June 2016	5,683	5,646	(859,364)	(848,035)
<i>Total comprehensive income for the year ended 30 June 2017</i>				
Loss for the period	-	-	(2,832)	(2,832)
Balance as at 30 June 2017	<u>5,683</u>	<u>5,646</u>	<u>(862,196)</u>	<u>(850,867)</u>

The annexed notes 1 to 25 form an integral part of these Financial statements.

Chief Executive Officer

Director

**MORAFCO INDUSTRIES LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	June 30, 2017 Rupees	June 30, 2016 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	(2,832)	(3,287)
Adjustments for non-cash charges / items:		
Depreciation of property, plant and equipment	57	85
Provision for employee retirement benefits	-	-
Profit on deposits	(7)	(7)
	50	78
Loss before working capital changes	(2,782)	(3,209)
Working capital changes		
(Increase) / Decrease in current assets		
Stores, spare parts and loose tools	-	286
Trade deposits and short-term prepayments	(8)	(8)
(Decrease) in trade and other payables	2,782	2,930
	2,774	3,208
Cash (used in) / generated from operations	(8)	(1)
Income taxes paid	-	-
Employee retirement benefits paid	-	-
Profit on deposits	7	7
<b>Net cash (used in) / generated from operating activities</b>	<b>(1)</b>	<b>6</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	-	-
(Increase) in long-term deposits	-	-
<b>Net cash out flow in investing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds (net) of long-term finances	-	-
(Repayment) / Proceeds (net) of short-term borrowings	-	-
<b>Net cash in / (out) flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1)</b>	<b>6</b>
Cash and cash equivalents at beginning of year	213	207
Cash and cash equivalents at end of year	212	213

The annexed notes 1 to 25 form an integral part of these Financial statements.

Chief Executive Officer

Director

---

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

---

#### 1 STATUS AND ACTIVITIES

1.1 The company was incorporated as Private Limited company in December 1960 and was converted into a Public Limited Company in July 1965. Its shares are listed in Pakistan Stock Exchanges. The principal activity of the company is to manufacture Ghee Cooking Oil and its By-products. On nationalization of the ghee industry, the management of company was taken over by the Ghee Corporation of Pakistan (Pvt) Limited (GCP), under Government instructions the company closed its operation in 1997 for privatization purposes and all the employees were relieved under VSS / GHS. Under the instructions from the Federal Government the management and ownership of the company has been transferred from GCP to M/s. Pakistan Industrial Development Corporation (Pvt) Limited. Presently few employees have been engaged on temporary basis to ensure the security and maintenance of properties and assets of the company.

#### 2 GOING CONCERN

Due to the Privatization policy of Government of Pakistan resulted in a closure of Company's operations since 1997. The company incurred a net loss of Rs. 2.832 million during the year (2016 Rs. 3.287 million) and the accumulated losses are to the tune of Rs. 862.196 million ( 2016 Rs. 859.364 million). The current liabilities exceed the current assets by Rs. 851.383 million (June 2016 Rs. 848.608 million).

Keeping in view the above factors management of the company decided to prepare these financial statements on the basis of estimated realizable/settlement value of the assets and liabilities respectively in addition to Historical cost invention. All asstes and liabilities in these financial statements have been presented in order of liquidity.

#### 3 STATEMENT OF COMPLIANCE

##### 3.1 Measurements

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

##### 3.2 Basis of Preparation

Keeping in view the fact that the Company may not be able to continue as going concern, these financial statements are prepared on the basis of realizable / settlement values of assets and liabilities respectively . In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.Realizable / settlement values of assets and liabilities respectively as disclosed in the balance sheet are based on the management's best estimate.

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

In addition to accounting convention of realizable / settlement values of assets and liabilities, these financial statements have also been prepared under the historical cost convention except for certain operating fixed assets and stores & spares which are at revalued amounts. Accounting policies of this accounting convention are disclosed.

#### 3.3 Critical Accounting Estimates and Judgment

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgment in process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where various assumptions and estimates are significant to the Company's financial statements are as follows:

1. Realizable / settlement values of assets and liabilities respectively
2. Useful lives, patterns of economic benefits and impairments
3. Taxation
4. Provision
5. Inventories

#### 4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Adoption of new and revised International Financial Reporting Standards ('IFRSs'), International Accounting Standards ('IASs') and interpretations

##### 4.1 International Financial Reporting Standards (IFRSs), interpretations and amendments to published approved accounting standards that are not yet effective in the current year and have not been early adopted by the Company

Title	Standard / Interpretation	Effective date (annual reporting periods beginning on or after)
IFRS 2	Classification and Measurement of Share Based Payment Transactions (Amendment)	January 1, 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Yet not finalised
IAS 7	Statemente	January 1, 2017
IAS 12	Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 1, 2017
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IFRIC 22	Foreign	January 1, 2018
IFRIC 23	Uncertai	January 1, 2019

---

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

---

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact (or are not applicable) on the Company's financial statements other than in presentations / disclosures.

- 4.2 **International Financial Reporting Standards (IFRSs), interpretations and amendments which have been issued by International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan.**

Standard		IASB effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

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.

## 5 SIGNIFICANT ACCOUNTING POLICIES

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

### 5.1 Property, plant and equipment

Property, plant and equipment are stated at estimated realizable value / 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.

### 5.2 Assets held under finance lease

Assets held under finance lease are stated at cost less accumulated depreciated and accumulated impairment losses, if any and are depreciated over their expected useful lives on the same basis as owned assets.

### 5.3 Taxation

#### - Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum taxation at the rate of one percent of the gross turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

---

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

---

#### - Deferred

No provision for deferred tax is provided in the financial statements of the Company as the management of the Company is of the view that there is no taxable temporary difference which arise the charge of deferred tax.

#### 5.4 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on translation are included in profit and loss account, except as stated in respective note to the financial statements.

#### 5.5 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

#### 5.6 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

Financial instruments are initially recorded at fair value on the date a derivative contract is entered into, and are re-measured to fair value on subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

#### 5.7 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 5.8 Stock and stores, spare parts and loose tools

These are normally held for internal use and valued at moving average cost less allowances for obsolete and slow moving items except stores in transit which are valued at invoice values plus other charges incurred thereon up to the balance sheet date.



---

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

---

#### 5.10 Trade debts and other receivables

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

#### 5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks and short-term deposits which are held to maturity.

#### 5.12 Trade and other payables

Liabilities for trade and other payables are carried at their 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.

#### 5.13 Provisions

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, 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 of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### 5.14 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost are accounted for on an accrual basis and are included in interest accrued on loans to the extent of amount remaining unpaid, if any.

#### 5.15 Revenue recognition

Where the outcome of construction contract can be estimated reliably, revenue and cost are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract work performed to date bears to the estimated total contract work. Variations in contract work, claims and incentive payments are included to the extent they have been agreed with the customer.

Where the outcome of the construction contract cannot be estimated reliably, contract revenue is recognized to the extent of the contract cost incurred that probably will be recovered. Contract cost are recognized as expense in the period in which they are incurred.

Revenue from rental income is recognized on "accrual basis"

Interest income is also recognized on "accrual basis"

---

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

---

#### 5.16 Impairment

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

Reversal of impairment loss is recognized as income. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

#### 5.17 Earnings per share

The Company calculates both basic and diluted earnings per share in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of shares outstanding during the year plus dilutive effect of stock options outstanding during the year.

#### 5.18 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on commercial terms and conditions.

#### 5.19 Functional and Presentation Currency

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

#### 5.20 Corresponding figures

Figures have been rearranged/reclassified wherever necessary for the purpose of comparison. However, no major reclassification/rearrangement was made in these financial statements.

**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		June 30, 2017	June 30, 2016
		(Rupees in thousands)	
<b>6</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>		
	449,258 (June 30, 2016: 449,258) ordinary shares of Rs 10/- each fully paid in cash	4,493	4,493
	119,054 (June 30, 2016: 119,054) ordinary shares of Rs 10/- each issued as fully paid bonus shares	1,190	1,190
		<u>5,683</u>	<u>5,683</u>
<b>7</b>	<b>RESERVES</b>		
	General	6.1 3,479	3,479
	Dividend equalization	6.2 1,863	1,863
	Capital	6.3 304	304
		<u>5,646</u>	<u>5,646</u>
	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		
<b>8</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Due to Federal Government / PIDC	7.1 705,350	705,350
	Due to PIDC	7.2 145,144	142,402
	Creditor accruals & other liabilities	147	107
	Unclaimed dividend	1,218	1,218
		<u>851,859</u>	<u>849,077</u>
	8.1 The amount of Rs. 705.350 million was transferred in the year 1999 from GCP's represents the current account of GCP now PIDC included in the share of liability of Rs. 6,555 million picked up by the Federal Government through issuance of Bonds. No interest has been provided for the above said amount.		
	8.2 The amount represents the current account balance of PIDC (Head Office) which is a major shareholder of the company. Earlier the GCP was providing financial assistance to the company by way of supply of oil and chemicals for the smooth running of the unit upto the year 1997, later on to enable the company to cater for its unavoidable expenses for security and upkeeping the assets of the company and other necessary administrative expenses. Presently, PIDC is providing financial assistance. During the year no markup has been charged by PIDC.		
<b>9</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>	June 30, 2017	June 30, 2016
		(Rupees in thousands)	
	Opening written down value	573	900
	Disposal during the year	-	242
	Depreciation for the year	57	85
		<u>57</u>	<u>327</u>
	Closing book value	<u>516</u>	<u>573</u>

**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		June 30, 2017	June 30, 2016
		(Rupees in thousands)	
<b>10</b>	<b>Stores, spare parts and loose tools</b>		
	General	99	99
	Spares	180	180
	Loose Tools	7	7
		<u>286</u>	<u>286</u>
<b>11</b>	<b>Balances due from government</b>		
	Advance Income Tax	11.1 133	125
		<u>133</u>	<u>125</u>
	<b>11.1 Advance Income tax</b>		
	Balance at beginning of the year	125	
	Add: paid during the year	8	
	Less: charge for taxation	-	
	Balance at end of the year	<u>133</u>	
	<b>11.2</b> This represents withholding tax deducted by banks on markup payments and on electricity bills refundable from the income Tax Department.		
<b>12</b>	<b>Cash and bank balances</b>		
	Soneri Bank Limited, Lahore.	176	177
	MCB Bank Limited, Faisalabad.	36	36
		<u>212</u>	<u>213</u>
<b>13</b>	<b>COST OF SALES</b>		
	Since there is no sales during this period, therefore depreciation and factory expenses has been classified into administrative and general expenses.		
<b>14</b>	<b>Fixed revenue expenses</b>		
	Property Tax	100	139
	Insurance	28	26
	Depreciation	57	87
		<u>185</u>	<u>252</u>

**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

		June 30, 2017	June 30, 2016
		(Rupees in thousands)	
<b>15</b>	<b>Administrative and general expenses</b>		
	Directors & Chief Executive remuneration / Mee	15.1	-
	Salaries, Wages & Other benefits.	54	54
	Security Services	1,461	1,342
	Utilities	143	131
	Travelling & Conveyance	232	399
	Printing & Stationery	74	86
	Telephone, Postage & Telegrams	24	37
	Repair and Maintenance (General)	13	14
	Legal & Professional charges	30	30
	Auditors Remunerations	15.2	40
	Staff welfare & Entertainment Exp.	55	55
	Advertisement & Publicity	36	48
	Bank Charges	7	1
	Newspapers	1	5
	Listing Fee Stock Exchanges	15.3	64
	Delisting Expenses	202	-
	BOD Expenses	195	415
	Impairment of Loss on Stores, Spares & Loose tools	-	286
	SECP Fee	9	10
	Miscellaneous Expenses	14	9
		<u>2,654</u>	<u>3,042</u>
<b>15.1</b>	During the year no remuneration was paid by the company to the Chief Executive or any director of the company.		
<b>15.2</b>	<b>Auditors Remuneration</b>		
	Audit Fee	35	33
	Out of Pocket Expenses	5	7
		<u>40</u>	<u>40</u>
<b>15.3</b>	<b>Listing Fee Stock Exchanges</b>		
	The amount represents the payment made to Pakistan Stock Exchange and Supervisory fee of SECP through PSX.		
<b>16</b>	<b>Other income</b>		
	Return on deposits with banks	7	7
		<u>7</u>	<u>7</u>

---

**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

---

**17 Taxation**

17.1 Turnover tax is not provided as operations of the plant were closed (since 1997).

		<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>18 Loss per share - basic and diluted</b>			
Net loss for the year	<i>(Rupees in thousands)</i>	2,832	3,287
Weighted average number of shares	<i>(Numbers)</i>	<u>568,312</u>	<u>568,312</u>
Loss per share	<i>(Rupees)</i>	<u><u>4.98</u></u>	<u><u>5.78</u></u>

**18.1** There has been no diluted effect during the year (2016: Nil)

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

**18.3** No figure of diluted loss per share has been presented as the company has not issued any instrument which would have an impact on loss per share when exercised.

---

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

---

#### 19 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk;
- b) Liquidity risk; and
- c) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

#### 19.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering application for credit approvals, granting, renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, financial viability of all counterparties is regularly monitored/assessed.

Concentration of credit risk arise when a number of counterparties are engaged in a similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Credit risk primarily arises from long-term advances, trade debts, loans and advances and balances with banks. To manage exposures to credit risk in respect of trade debts, management performs credit reviews taking into account the customers' financial position, past experience and other relevant factors. Where considered necessary advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce credit risk. Credit risk on bank balances is limited as the counterparties are banks with reasonably high credit ratings.

---

**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

---

***Exposure to credit risk***

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 / June / 2017	30 / June / 2016
	(Rupees in thousands)	
Loans and advances	133	125
Bank balances	212	213
	<b>345</b>	<b>338</b>

Geographically, there is no concentration of credit risk. All trade debts at balance sheet date represents domestic parties.

There is no single significant customer in the trade debts of the Company.

***Impairment losses***

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

**19.2 Liquidity risk management**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

***Liquidity and interest risk table***

The following table detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. Carrying amount and contractual cashflows of trade and other financial liabilities are approximately same.



**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<i>30 / June / 2017</i>			
	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Not later than 1 year</i>	<i>Later than 1 year</i>
	----- <i>Rupees in thousands</i> -----			
Due to Federal Government / PIDC	705,350	705,350	-	705,350
Due to PIDC	145,144	145,144		145,144
Creditor accruals & other liabilities	147	147	147	-
Unclaimed dividend	1,218	1,218		1,218
	<u>851,859</u>	<u>851,859</u>	<u>147</u>	<u>851,712</u>
	<i>30 / June / 2016</i>			
	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Not later than 1 year</i>	<i>Later than 1 year</i>
	----- <i>Rupees in thousands</i> -----			
Due to Federal Government / PIDC	705,350	705,350	-	705,350
Due to PIDC	142,402	142,402		142,402
Creditor accruals & other liabilities	107	107	107	
Unclaimed dividend	1,218	1,218		1,218
	<u>849,077</u>	<u>849,077</u>	<u>107</u>	<u>848,970</u>

**19.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

***a) Foreign currency risk management***

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials and plant and machinery, if any. The Company is not exposed to any foreign currency risk as there are very minimal such transactions.

***Fair value sensitivity analysis for floating rate instruments***

The Company does not account for any fixed / floating rate financial assets and liabilities at fair value through profit and loss therefore, a change in interest rate would not affect profit or loss.

***c) Price risk management***

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuates as a result 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 traded in the market. The Company is not exposed to any significant price risk.

---

# MORAFCO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

---

#### 19.4 Determination of fair values 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 other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### 20 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for maintenance of debt to equity ratio under the financing agreements.

#### 21 PLAN CAPACITY AND ACTUAL PRODUCTION

	30 / June / 2017	30 / June / 2016
	(Rupees in thousands)	
Capacity (M tons)	20,000	20,000
Actual Production (M Tons)	-	-

21.1 The operations of the plant were discontinued in 1997.

#### 22 DELISTING OF THE COMPANY

The Company Secretary has informed The Karachi Stock Exchange (Guarantee) Ltd as per their letter No.Morafco (KSE) 2014 /7623 dated January 27, 2014 that they are now taking into consideration for delisting of the company from stock exchanges and compulsory/mandatory buy back of shares as per procedure laid down in listing regulations of the Stock Exchanges as well as under the Companies Ordinance, 1984. The company has received NOC for de-listing of the company from Privatization Commission (Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization) vide letter No. F.NO. 14(15) PC/94 dated 27-04-2016. It has also received the clearance from Ministry of Industries & Production vide their letter dated 22-08-2016 for the de- listing of the company. The company will take necessary steps for de-listing of the company in due course of time.

#### 23 NUMBER OF EMPLOYEES

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

---

**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

---

**24 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of holding company, subsidiaries and associated undertakings, other related group companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amount due from related parties is shown under note 8 to the financial statements.

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

Name of related party	Nature of transactions	30 / June / 2017	30 / June / 2016
		(Rupees in thousands)	
Development Corporation (Pvt.) Ltd. / (PIDC)	Operating expenses /(repayment)	2,742	2,920

**25 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been approved by the board of directors of the Company and authorized for issue on 07 October 2017.

Chief Executive Officer

Director

Lahore.

**MORAFCO INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

ANNEX A

9.1

PARTICULARS	COST / REVALUATION		DEPRECIATION			BOOK VALUE		Annual rate of depreciation
	As at 01 July 2016	As at 30 June 2017	As at 01 July 2016	Charge for the year	Adjustments	As at 30 June 2017	As at 30 June 2017	
----- Rupees in Thousand -----								%
Building	3,672	3,672	3,600	7	-	3,607	65	10
Plant and machinery	16,913	16,913	16,412	50	-	16,462	451	10
<b>Total 2017</b>	<b>20,585</b>	<b>20,585</b>	<b>20,012</b>	<b>57</b>	<b>-</b>	<b>20,069</b>	<b>516</b>	

9.2

PARTICULARS	COST / REVALUATION		DEPRECIATION			BOOK VALUE		Annual rate of depreciation
	As at 01 July 2015	As at 30 June 2016	As at 01 July 2015	Charge for the year	Adjustments	As at 30 June 2016	As at 30 June 2016	
----- Rupees in Thousand -----								%
Building	3,672	3,672	3,592	8	-	3,600	72	10
Plant and machinery	16,913	16,913	16,142	77	193	16,412	501	10
<b>Total 2016</b>	<b>20,585</b>	<b>20,585</b>	<b>19,734</b>	<b>85</b>	<b>193</b>	<b>20,012</b>	<b>573</b>	

9.3 Depreciation for the year is allocated to Fixed revenue expenses.