Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Johnson & Phillips (Pakistan) Limited ('the Company') as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, 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 the 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.

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 above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that :

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) 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 account and are further in accordance with accounting policies consistently applied ;

(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;

(c) 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, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Naveed Zafar Ashfaq Jaffery & Co
Naveed Zafar Ashfaq Jaffery & Co
Chartered Accountants

Karachi :

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Engagement Partner: Ahsan Elahi Vohra

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JOHNSON & PHILLIPS (PAKISTAN) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	184,117	191,255
Long term investments	5	-	-
Long term deposits		940	935
		185,057	**192,190**
CURRENT ASSETS			
Stock-in-trade	6	120,715	122,261
Trade debts	7	34,714	42,633
Loans and advances	8	19,819	27,679
Deposits and prepayments	9	15,194	24,452
Advance tax-net of provision		1,710	533
Cash and bank balances	10	2,232	2,958
		199,384	**220,516**
TOTAL ASSETS		**384,441**	**412,705**
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorised capital			
8,000,000 (2011: 8,000,000) ordinary shares of Rs. 10 each		**80,000**	**80,000**
Issued, subscribed and paid-up capital	11	54,500	54,500
Share premium reserve		29,727	29,727
General reserve		23,073	23,073
Unappropriated loss		(107,165)	(104,689)
		135	**2,611**
Surplus on revaluation of property, plant and equipment	12	**122,947**	**129,201**
NON-CURRENT LIABILITIES			
Long term borrowings	13	**71,969**	**75,102**
Deferred liabilities - staff gratuity	14	**6,765**	**6,646**
CURRENT LIABILITIES			
Trade and other payables	15	168,442	189,686
Short term borrowings	16	914	1,191
Current and overdue portion of long term borrowings	17	4,000	4,000
Mark up accrued	18	-	-
Unclaimed dividend		4,268	4,268
		177,625	**199,145**
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		**384,441**	**412,706**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Revenue from sales and services net	21	158,181	243,343
Cost of sales and services	22	(138,227)	(207,885)
Gross profit		**19,954**	**35,458**
Distribution cost	23	(4,993)	(5,474)
Administrative expenses	24	(20,747)	(25,070)
Other operating income	25	9,396	4,591
		3,610	**9,505**
Finance cost	26	(5,638)	(7,213)
Loss before taxation		**(2,028)**	2,292
Taxation	27	(2,379)	(3,142)
Loss after taxation		**(4,407)**	(850)
Earnings per share - basic and diluted	28	(0.81)	(0.16)

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Loss after taxation		(4,407)	(850)
Other comprehensive income		-	-
Total comprehensive loss		(4,407)	(850)

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Capital reserve Share premium	General reserve	Revenue reserve Unappropriated profit (Accumulated loss)	Total
	(Rupees in thousand)				
Balance as at June 30, 2010	54,500	20,727	23,073	(105,770)	2,530
Net loss for the year	-	-	-	(850)	(850)
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	1,931	1,931
Balance as at June 30, 2011	54,500	20,727	23,073	(104,689)	3,611
Net loss for the year	-	-	-	(4,407)	(4,407)
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	1,931	1,931
Balance as at June 30, 2012	54,500	20,727	23,073	(107,165)	135

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
A. CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	10,357	3,231
Taxes paid		(2,879)	(1,544)
Gratuity paid		(554)	(194)
Finance cost paid		(2,198)	(3,667)
Net cash from operating activities		**4,726**	**(2,174)**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(170)	(194)
Long term deposits		(5)	-
Net cash (used)/generated from investing activities		**(175)**	**(194)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of short term borrowings		(277)	(86)
Net cash used in financing activities		(277)	(86)
Net increase/(decrease) in cash and cash equivalents		**4,274**	**(2,454)**
Cash and cash equivalents at beginning of the year		2,958	5,411
Cash and cash equivalents at end of the year	11	7,232	2,958

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. STATUS AND NATURE OF BUSINESS

Johnson and Phillips (Pakistan) Limited (the Company) was incorporated in Pakistan as a public limited company on April 19, 1961 and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at C-10, South Avenue, SITE, Karachi. The Company is principally engaged in manufacturing, installing and sale of electrical equipments. Elbridge Company Limited, Hong Kong, holds 2,918,536 (2011: 2,519,536) ordinary shares of Rs. 10 each of the Company as at year end, which constitute 49.94% of total share issued.

2. GOING CONCERN

The Company has been sustaining losses over the years and the accumulated losses of the Company as at June 30, 2012 stand at Rs.107,165 million (2011: Rs.104.689 million).

The management has taken various steps to keep the company financially sound and operationally viable which includes the following :

(i) The company has already got its obligations in respect of loans and financing arrangements with various lenders rescheduled.

(ii) The management is also making continuous efforts to increase total sales of the company and expect favourable improvements during the financial year ending June 30, 2013 and thereafter.

The Management is of the view that the company will be able to continue as a going concern; hence, these financial statements have been prepared on the basis of going concern assumption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

a) **Statement of compliance**

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

b) **Accounting convention**

These financial statements have been prepared under the historical cost convention except as follows:

- certain staff retirement benefits are carried at present value
- lease hold land, building and plant and machinery are stated at revalued amount

c) **Accounting Standards, amendments or interpretations that are became effective in the current period**

During the year certain amendments to Standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Company.

NSA)

d) **Standards, Interpretations and amendments to published approved accounting standards that are not yet effective**

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

	Standard or Interpretation	Effective dates (annual periods beginning on or after)
i)	IAS-1, 'Presentation of Financial Statements' - Presentation of Item of Comprehensive Income.	July 01, 2012.
ii)	IAS-12 Income Taxes (Amendments) - Recovery of Underlying Assets	January 01, 2012.
iii)	IAS-19 "Employee Benefit" (Amended).	January 01, 2013.
iv)	IAS-32 Offsetting Financial assets and financial liabilities - (Amendments)	January 01, 2014.
v)	IFRS-7 Financial Instruments: Disclosure - (Amendments) Amendments enhancing disclosure about offsetting of financial assets and financial liabilities.	January 01, 2013.
vi)	IFRIC-20 Stripping Costs in the Production phase of a surface mine	January 01, 2013.

In Addition to the above, the following new standards have been issued by IASB which are yet to notified by SECP for the purpose of applicability in Pakistan.

	Standard	IASB effective dates (annual periods beginning on or after)
i)	IFRS-9 Financial Instruments: Classification and measurement	January 01, 2015.
ii)	IFRS-10 Consolidated Financial statements	January 01, 2013.
iii)	IFRS-11 Joint arrangements	January 01, 2013.
iv)	IFRS-12 Disclosure of Interests in Other entities	January 01, 2013.
v)	IFRS-13 Fair value measurement	January 01, 2013.

e) **Critical Accounting estimates and judgments**

The preparation of the financial statement in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the company's financial statements are as follows.

i) **Employee benefits**

The Company operates an approved non contributory gratuity scheme for all its employees. The scheme entitles the members to a gratuity payable on retirement, death in his service of the employee, voluntary retirement and termination of employee by the employer other than for misconduct and negligence

ii) **Property, plant and equipment**

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. Company follow evaluation policy after every five years.

iii) **Taxation**

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note 3.7 to these financial statements.

3.5 **Compensated absences**

Liability in respect of accumulated compensated absences of employees is accounted for in the period in which these absences occur.

3.6 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the balance sheet date. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are reflected in profit and loss account.

3.7 Taxation

a) **Current**

Provision of current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax also includes adjustments, where considered necessary, for provision for tax made in previous years, arising from assessment framed during the year, for such years.

b) **Deferred**

The Company accounts for deferred taxation for all material timing differences. The amount is computed using the balance sheet liability method. Debit balances on account of deferred taxation are recognised only if there is reasonable certainty for realisation.

3.8 Trade and other payables

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

3.9 Provisions

Provisions are recognised when the Company has the present 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 obligation can be made. However, provisions are reviewed and adjusted to reflect current best estimate.

3.10 Investments

These are stated at cost less provision for diminution on carrying value as determined by the management.

3.11 Property, plant and equipment and depreciation

a) **Owned**

These are stated at cost less accumulated depreciation except for leasehold land, building on leasehold land and plant & machinery which are stated at revalued amount, less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life as stated in Note 4. Depreciation on additions and disposals of assets during the year is charged from the month of acquisition to the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred.

Major renewals are capitalized and the assets so replaced, if any, are retired.

Profit and loss on disposal of assets, which do not materially [illegible]

b) **Leased**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amounts of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated by applying straight line method over the estimated useful lives of the assets as stated in note 9.

Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation of leased assets is charged to current year's income as part of depreciation.

3.12 Intangible assets

Expenditure incurred to acquire software license is capitalized as intangible assets and stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized applying the straight line method. Where the carrying amount of an asset exceed its estimated recoverable amount it is written down immediately to its recoverable amount.

3.13 Consumable stores

These are valued at average cost and net realizable value less provision for slow moving stores.

3.14 Stock in trade

These are stated at the lower of average cost and net realizable value. Average cost in relation to finished goods and work-in-process represents prime cost and includes appropriate portion of manufacturing expenses

Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs of completion and cost necessary to be incurred in order to make the sale.

3.15 Trade debts, loans, advances, deposits, prepayments and other receivables

Trade debts, loans, advances, deposits, prepayments and other receivables are stated at cost. Provision is made against those considered doubtful by the management, whereas, those considered irrecoverable are written off.

3.16 Warranties

The management estimates at each balance sheet date a liability that could arise as a result of the Company's obligation to repair and replace products under warranty. The provision for warranty is accounted for in the periods in which sales are made and no provision is recognised if the chances of warranty claims are remote.

3.17 Foreseeable losses on orders in hand

Provision is made for all known or expected losses at completion on orders in hand.

3.18 Transaction with related parties

The Company enters into transactions with related parties for purchase of goods and services. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

3.19 Impairment losses

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

3.20 Revenue recognition

Sales are recorded on delivery of goods to the customers and in case of exports when shipped. Income from installation and repair projects are recognized as the work is completed and accepted by the customers.

3.21 Borrowing cost

Borrowing cost and other related cost directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that takes a necessarily substantial periods of time to get ready for their intended use, are added to the cost of those assets, until such times as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.22 Cash and cash equivalents

For the purpose of cash flow statement cash and cash equivalents consists of cash in hand and balances with banks.

3.23 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the income currently.

3.24 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set-off the recognized amounts and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.25 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accrued for on accrual basis and are disclosed as accrued interest/mark up to the extent of the amount remaining unpaid.

3.26 Dividend

Dividend is recognized in the financial statements in the period in which these are approved.

4 PROPERTY, PLANT AND EQUIPMENT

4.1 Tangible

2012

	Cost/Revaluation					Accumulated Depreciation				Written Down	
	As at July 01, 2011	Additions	Disposals	Transfers	As at June 30, 2012	As at July 01, 2011	Adjustments/ Transfers	On this year	As at June 30, 2012	As at June 30, 2012	Useful Life
	Rupees in thousands										
Owned											
Land freehold	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Buildings on land freehold	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Plant and machinery	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Electrical installations	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Furniture and fixtures	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Furniture and fixtures	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Other ancillary equipments	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	

		Note	2012	2011
			(Rupees in thousand)	
4.2	**The depreciation charge for the year has been allocated as follows:**			
	Cost of sales and services	22	5,846	6,731
	Administrative expenses	26	1,462	1,683
			7,308	8,414
4.3	**Cost of fully depreciated assets**			
	Plant and machinery		1,157	975
	Gas and electric installation		934	1,011
	Factory tools		1,905	2,696
	Vehicles		12,986	12,931
	Furniture and fixtures		4,246	4,142
	Office and other equipments		10,635	10,228
			33,763	31,083
5	**LONG TERM INVESTMENTS**			
	In shares of unquoted subsidiaries companies: (at cost)			
	Johnson & Phillips Industries (Pakistan) Limited		30,000	30,000
	3,000,000 fully paid ordinary shares of Rs.10 each			
	[Break-up value as at June 30, 2012 was Nil (2011:Nil)]			
	The Company held 100% of the investee's total equity)			
	Chief Executive Mr. Shehryar Anwar Sayed			
	Johnson & Phillips Transformers (Private) Limited		21,000	21,000
	2,100,000 fully paid ordinary shares of Rs.10 each			
	[Break-up value as at June 30, 2012 was Nil (2011:Nil)]			
	The Company held 70% of the investee's total equity.			
	Chief Executive Mr. Nazishad Qassim Ali			
	Johnson & Phillips EMO Pakistan (Private) Limited		510	510
	51,000 fully paid ordinary shares of Rs.10 each			
	[Break-up value as at June 30, 2012 was Nil (2011:Nil)]			
	The Company held 51% of the investee's total equity.			
	Chief Executive Mr. Shehryar Anwar Sayed			
	Share Application money			
	Johnson & Phillips Industries (Pakistan) Limited		20,000	20,000
			71,510	71,510
	Provision for diminution in value of investments		(71,510)	(71,510)
			-	-

5.1 Value of the above investments, based on the net assets of the investee companies as per latest available audited financial statements of the investee companies as at June 30, 2012 was as follows:

Johnson & Phillips Industries (Pakistan) Limited	(38,241)	(38,145)
Johnson & Phillips Transformers (Private) Limited	(33,139)	(32,026)
Johnson & Phillips EMO Pakistan (Private) Limited	(3,251)	(3,204)

		Note	2012	2011
			(Rupees in thousand)	
6	**STOCK-IN-TRADE**			
	Raw material and components in hand - Gross		48,825	46,539
	Less: provision for obsolete/slow moving items		(14,316)	(13,731)
			34,510	32,808
	Work-in-process		81,807	72,236
	Finished goods		4,398	13,285
	Stock in transit		-	3,932
			120,715	**122,261**
7	**TRADE DEBTS**			
	Unsecured			
	Considered good		34,714	42,633
	Considered bad		272	578
			34,986	43,211
	Trade debts considered bad written off		(272)	(578)
			34,714	**42,633**
8	**LOANS AND ADVANCES**			
	Loans to subsidiary companies - unsecured			
	Considered doubtful			
	Johnson & Phillips Transformers (Private) Limited (JPT)	8.1	12,885	12,773
	Johnson & Phillips EMO Pakistan (Private) Limited (EMO)	8.2	2,832	2,802
			15,717	15,574
	Less Provision against doubtful loans		(15,717)	(15,574)
			-	-
	Advances - Unsecured			
	To suppliers			
	Considered good		1,807	2,134
	Considered bad		371	-
			2,178	2,134
	Less: Advances written off		(371)	-
			1,807	**2,134**
	Other advances-considered good			
	To employees		655	623
	To executive		-	421
	Against purchase of land		2,717	2,717
			3,372	**3,760**
	Others		71	113
			3,443	**3,853**
	Sales tax refundable		14,569	21,691
			19,819	**27,679**

		2012	2011
		(Rupees in thousand)	
8.1	**Reconciliation of loan amount due from JPT**		
	Opening	12,773	12,667
	Disbursed	110	106
	Closing	12,883	12,773
	Less: provision	(12,883)	(12,773)
		-	-
8.2	**Reconciliation of loan amount due from EMO**		
	Opening	2,802	2,777
	Disbursed	32	25
	Closing	2,834	2,802
	Less: provision	(2,834)	(2,802)
		-	-

8.3 The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs.12.883 million (2011: 12.773 million).

8.4 The maximum amount of loan due from Johnson & Phillips EMO Pakistan (Private) Limited, at the end of any month during the year was Rs. 2.834 million (2011: 2.802 million).

9 DEPOSITS AND PREPAYMENTS

Prepayments	153	149
Deposits - considered good		
Margin against bank guarantee	12,389	22,093
Deposit with court	723	723
Tender deposits	1,929	1,484
	15,041	24,300
	15,194	24,452

10 CASH AND BANK BALANCES

Cash in hand	23	14
Cash at bank - in current accounts	7,070	2,938
- in saving accounts	89	5
	7,282	2,958

11 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(Number of shares) 2012	2011			
4,638,268	4,638,268	Ordinary shares of Rs. 10 each fully paid in cash	46,383	46,383
93,000	93,000	Ordinary shares of Rs. 10 each issued for consideration other than cash.	930	930
718,704	718,704	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,187	7,187
5,449,972	5,449,972		54,500	54,500

	Note	2012	2011
		(Rupees in thousand)	

12 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance		129,201	130,455
Transferred to accumulated loss in respect of incremental depreciation on revalued assets for the year		(1,931)	(1,931)
Deferred tax expense related to incremental depreciation during the year		677	677
		127,947	129,201

13 LONG TERM BORROWINGS

Loans from others-unsecured			
Loan from others	13.1	4,000	4,000
Loan-1			
Principal	13.2	8,408	8,408
Accumulated mark-up there on		5,604	5,600
		13,012	14,008
Loan-2 (from Director)			
Principal	13.3	17,377	17,377
Accumulated mark-up there on		3,988	3,836
		21,365	21,213
Loan-3			
Principal	13.4	18,650	18,650
Accumulated mark-up there on		16,942	21,231
		35,592	39,881
		75,969	79,102
Less current and overdue portion	17	(4,000)	(4,000)
		71,969	75,102

13.1 Represents unsecured loan taken by the company at an interest rate of 12% per annum which was repayable in instalments of Rs. 500,000 per month starting from October 2005. As the loan remained unpaid till the year ended June 30, 2007, a fresh agreement was made by the parties on June 30, 2007. According to the fresh agreement dated June 30, 2007 the effective date of repayment, which was October, 2006, was extended to July, 2008.

13.2 Represents an unsecured loan from an individual. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2012 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2012) will be repaid in Twenty Four equal quarterly instalments commencing from July 01, 2013. The mark-up will be charged at the rate of 12% per annum on the outstanding balance of principal. An other unsecured loan amounting to Rs. 3.00 million taken in past and according to a fresh agreement dated June 30, 2012 The loan carries mark-up @Twelve months KIBOR per annum and The loan will be repaid in Twenty four equal quarterly instalments commencing from July 01, 2013. Total markup charged on loan during the year Rs. 1,004 thousand (2011: Rs. 1,096 thousand)

13.3 Represents an unsecured loan from a Director. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2012 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2012) will be repaid in Twenty Four equal quarterly instalments commencing from July 01, 2013. The mark-up will be charged at the rate of 12% per annum on the outstanding balance of principal. An other unsecured loan amounting to Rs. 7.797 million taken in past and according to the fresh agreement dated June 30, 2012, the loan carries mark-up @ KIBOR+3.5% per annum and the principal will be repaid in twenty four equal quarterly installments commencing from July 01, 2013 and markup payable on this loan will be paid on monthly basis. Total markup charged on the loan during the year Rs. 2,330 thousands (2011: Rs. 2,494 thousands)

13.4 Represents an unsecured loan from a private company. During the year an agreement has been signed to reschedule the loan. According to the agreement dated June 30, 2012 the parties have agreed that the aggregate amount of loan(Principal and mark-up accumulated thereon up to June 30, 2013) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2013. The mark-up will be charged at the rate of 12% per annum on the outstanding balance of principal and the 12% rate will applicable from the date of 1st July 2006 as per new agreement of June 30 2012. Total markup charged on the loan during the year Rs. 2,238 thousand (2011: Rs. 3,543 thousand)

	Note	2012	2011
		(Rupees in thousand)	

14 DEFERRED LIABILITIES - STAFF GRATUITY

14.1 **The amounts recognised in the balance sheet are as follows:**

Movement in net liability/(assets) recognised

Opening net liability	7,357	6,553
Charge for the year	1,154	1,018
Benefits paid during the year	(606)	(194)
Closing net liability	7,905	7,357

Charge for /(income from) the Defined Benefit Plan

Current service cost	233	203
Interest cost	954	826
Actuarial (Gains) / losses recognised	(33)	(10)
Expense recognised in the financial statements	1,154	1,018

	Note	2012	2011
		(Rupees in thousand)	
Reconciliation of payable to/(receivable from) Defined Benefit Plan			
Present value of Defined Benefit Obligation		5,357	5,644
Unrecognised actuarial gain / (loss)		1,408	1,002
		6,765	6,646
Unclaimed gratuity	15	1,140	711
Liability recognised in the accounts		7,905	7,357
Actuarial assumptions:			
- Valuation discount rate		12.5%	14%
- Salary increase rate		12.5%	14%

	2012	2011	2010	2009	2008
	(Rupees in thousands)				
Present value of the defined benefit obligation	5,357	5,644	5284	5002	4871
Unclaimed gratuity	1,140	711	711	763	1,531
Total Liability	6,497	6,355	5,995	5,765	6,402
Fair value of plan assets	-	-	-	-	-
Deficit in the plan	6,497	6,355	5,995	5,765	6,402

	Note	2012	2011
		(Rupees in thousand)	
15 TRADE AND OTHER PAYABLES			
Creditors		154,003	165,175
Accrued liabilities		843	4,363
Advances from customers		7,471	13,963
Payable to ex-employees		676	589
Provident fund		-	74
Unclaimed gratuity payable	14.1	1,140	711
Tax deducted at source		4,149	4,330
Others		161	180
		168,443	189,685

	Note	2012	2011
16 SHORT TERM BORROWINGS			
Unsecured			
From related party			
Loan from a subsidiary company			
Johnson and Phillips Industries (Pakistan) Limited	16.1	914	1,191
Reconciliation of outstanding amount			
Opening balance		1,191	1,277
Received during the year		-	-
Adjusted /paid during the year		(277)	(86)
		914	1,191
Closing balance		914	1,191

16.1 This loan is unsecured, interest free and is payable on demand.

17 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS			
Loan from others	17.1	4,000	4,000
18 MARK UP ACCRUED			
Mark-up on unsecured loan			
Opening balance		-	-
Accrued during the year		5,592	7,133
		5,592	7,133
Paid / transferred during the year	18.1	(5,592)	(7,133)
Closing balance		-	-

18.1 These have been rescheduled as disclosed in note 13 to these financial statements.

19 PROVISION FOR TAXATION		
Reconciliation		
Provision for the year	1,596	2,433
Prior year	106	32
Paid/ adjusted during the year	(1,702)	(2,465)
Closing balance	-	-

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

a) Guarantees

The banks have issued guarantees, on behalf of the Company as detailed

Guarantees against performance bond	12,389	21,703

b) Labour

Some legal cases are pending against the Company filed by ex-workers in respect of their claims. The aggregate amounts involved in these cases are Rs. 0.987 million (2011 : 0.987 million)

c) Others

1. Pursuant to a recovery suit filed by the National Bank of Pakistan against Johnson & Phillips Transformers (Pvt.) Limited and Johnson & Phillips (Pakistan) Limited, the Banking Court No. III, Lahore passed a compromise decree for recovery of Rs 27,345,000 from Johnson and Phillips Transformers (Pvt.) Limited by way of six half yearly installments to be paid in three (03) years and in case of its failure from Johnson and Phillips (Pakistan) Limited (the guarantor). The execution proceedings in this case are now pending before the Banking Court No. III.

In the case mentioned above, an order was passed on 21-07-2001 by the Banking Court No. III, Lahore for the sale of mortgaged property for the payment of decrial amount to the National Bank. The National Bank however, got the proceedings stayed from the High Court in EFA 412. The next date in this case will be fixed by the Court.

In the case mentioned above National Bank filed an application in the Lahore High Court, Lahore for the transfer of execution proceedings from Banking Court to Lahore High Court which was dismissed.

2. The Company has filed a suit for the recovery of Insurance claim of Rs. 7.734 million in Honorable High court Court of Sindh Karachi against the M/s EFU General Insurance Limited and M/s Hinday & Co. (Pvt) Ltd.

20.3 Commitments

There is no commitment as on June 30, 2012 (2011 : Nil)

	Note	2012	2011
		(Rupees in thousand)	
21 SALES AND SERVICES (NET)			
Gross sales		184,850	253,396
Sales tax and special excise duty		(25,221)	(9,690)
Commission and discount on sales		(1,448)	(364)
		(26,669)	(10,053)
		158,181	243,343

	Note	2012	2011
		(Rupees in thousand)	
22 COST OF SALES AND SERVICES			
Raw materials and components consumed			
Opening stock		46,539	43,789
Purchases and sub contract cost		112,108	239,713
		158,647	283,482
Closing stock		(48,826)	(46,539)
		109,821	236,943
Salaries, wages and benefits	22.1	15,084	18,082
Insurance		231	209
Fuel and power		2,257	2,082
Repair and maintenance		97	217
Inspection and testing		3	-
Printing and stationery		72	88
Travelling and conveyance		840	859
Depreciation	4.2	5,846	6,731
Provision for Obsolete/ Slow moving Stocks		585	1,518
Other manufacturing expenses		145	205
		25,158	29,992
		134,979	266,935
Work in process			
Opening stock		76,168	21,758
Closing stock		(81,807)	(76,168)
		(5,639)	(54,410)
Cost of goods manufactured		129,340	212,525
Finished goods			
Opening stock		13,285	8,645
Closing stock		(4,398)	(13,285)
		8,887	(4,640)
		138,227	207,885
22.1 Salaries, wages and benefits			
Salaries and wages		14,528	17,455
Gratuity		441	481
PF Contribution (Worker & Staff)		115	145
		15,084	18,082

	Note	2012	2011
		(Rupees in thousand)	
23 DISTRIBUTION EXPENSES			
Salaries, wages and benefits	23.1	1,020	1,057
Late delivery charges and penalties		3,194	2,869
Advertising and sales promotion		112	351
Travelling and conveyance		63	67
Subscriptions and periodicals		178	145
Repair and maintenance		67	57
Insurance		-	1
Entertainment		256	933
Printing and stationery		5	-
Others		112	-
		4,992	5,474
23.1 Salaries, wages and benefits			
Salaries & wages		972	1,080
Gratuity		19	(42)
P.F Contribution-Staff		29	19
		1,020	1,057
24 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	24.1	6,999	5,377
Travelling and conveyance		2,167	2,561
Legal and professional charges		615	782
Rent rates and taxes		1,830	1,952
Repair and maintenance		831	1,789
Printing and stationery		257	345
Postage, telegram, telephone and telex		1,051	1,032
Light and power		1,510	1,761
Entertainment		550	600
Subscriptions and periodicals		600	593
Advertisement		78	13
Auditors' remuneration	24.2	410	410
Annual General Meeting		21	52
Insurance		652	610
Provision for doubtful loans and advances		143	131
Depreciation	4.2	1,962	1,683
Written off other advances		640	6,633
Others		808	745
		20,747	25,070
24.1 Salaries, wages and benefits			
Salaries and wages		6,189	4,658
Gratuity		642	579
P.F Contribution-Staff		58	140
		6,999	5,377

		Note	2012	2011
			(Rupees in thousand)	
24.2	**Auditors' remuneration**			
	Annual audit fee		250	250
	Review of half yearly financial statements		60	60
	Review of consolidated financial statements		60	60
	Certification and others		15	15
	Out of pocket expenses		25	25
			410	410

25 OTHER OPERATING INCOME

Liabilities no more payable written back		9,062	4,184
Mark-up on saving accounts		7	60
Others		330	347
		9,395	4,591

26 FINANCE COST

Mark-up on unsecured long term loans		5,592	7,133
Bank charges and commission		46	80
		5,638	7,213

27 TAXATION

Current year	27.1	(1,596)	(2,415)
Prior year		(106)	(22)
Deferred tax	27.2	(677)	(677)
		(2,379)	(3,142)

Relationship between tax expense and accounting profit

27.1 There is no tax applicable on taxable profits of the Company under the provision of Income Tax Ordinance 2001 as amended by Finance Act, 2011 due to available assessed tax losses. Accordingly, no reconciliation of tax expense with accounting profit has been presented.

27.2 In view of net deductible temporary differences amounting to Rs.97.808 million and expected future turnover, it is probable that the company will not have sufficient taxable income in near future and hence will not be able to utilize the deductible temporary differences. Therefore, as a matter of prudence, the company has not recognised net deferred tax asset in these accounts. The net deductible temporary differences include available tax losses of Rs.132.437 million, unabsorbed depreciation of Rs. 22.865 million, and deductible temporary differences of Rs. 64.630 million.

		2012	2011
		(Rupees in thousand)	
28	**EARNING PER SHARE**		
	There is no dilutive effect on the basic earnings per share of the company, which is based on:		
	Loss after taxation	(4,407)	(850)
	Weighted average number of ordinary shares	5,449,972	5,449,972
	Earnings per share - basic	(0.81)	(0.16)
29	**CASH GENERATED FROM OPERATIONS**		
	Loss before taxation	(2,028)	2,292
	Adjustments for:		
	Depreciation	7,308	8,414
	Provision for staff gratuity - net	1,054	1,018
	Long term liabilities no more payable written back	(6,527)	-
	Finance cost	5,638	7,213
		5,445	18,937
	EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
	(Increase) / decrease in current assets		
	Stock - in trade	1,546	(60,302)
	Trade debts	7,919	(17,653)
	Loans and advances	7,860	(789)
	Deposits and prepayments	9,258	(13,793)
		26,583	(92,543)
	Increase / (decrease) in current liabilities		
	Trade and other payables excluding unclaimed gratuity	(21,671)	76,838
	Cash generated from operations	10,357	3,231

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the 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.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in this oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported to the Audit Committee.

34.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentrations of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk arises other than as a result of economic or industry factors, similar to those of Company's of counter parties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Credit risk of the Company arises principally from the long term deposits, trade receivables, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2012	2011
	(Rupees in thousand)	
Long term deposits	540	535
Trade debts	34,714	42,633
Loans and advances	2,443	3,852
Trade deposits and other receivables	15,394	24,305
Bank balances	2,691	2,944
	55,783	74,670

Impairment losses

The aging of trade debtors and receivable from KBSC at the balance sheet date was:

	2012		2011	
	Gross	Impairment	Gross	Impairment
	(Rupees in thousand)			
Not past due	-	-	-	-
Past due 1 - 90 days	8,776	-	3,913	-
Past due 91 - 365 days	18,366	-	38,447	-
More than one year	8,572	-	273	-
Total	34,714	-	42,633	-

Based on assessment of contracted of trade and customers, the management believes that receivable falling within the age bracket of up to one year, does not require any impairment provision other than to the extent determined above.

Bank balances are held only with reputable banks with high quality credit ratings.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities 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 stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational expenditure and working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Carrying amount	Total	Contractual cash flows		
			On demand	Upto one year	More than one year
Long term financing	79,969	79,969	(75,969)	(4,000)	-
Trade and other payables	168,443	168,443	-	(168,443)	-
Short term borrowings	914	914	-	(914)	-
Unclaimed dividend	4,268	4,268	-	(4,268)	-
June 30,2012	**253,594**	**253,594**	**(75,969)**	**(177,625)**	**-**
Long term financing	75,102	79,102	(79,102)	-	-
Trade and other payables	189,586	189,586	-	(189,586)	-
Short term borrowings	1,191	1,191	-	(1,191)	-
Unclaimed dividend	4,268	4,268	-	(4,268)	-
June 30,2011	**270,147**	**274,247**	**(79,102)**	**(195,145)**	**-**

The Contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective at June 30. The rate of mark-up have been disclosed in note 13 to these financial statements.

30.3 Market risk

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

Interest rate risk

Interest rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instrument is as follows:

2012	2011		2012	2011
Effective interest rate (%)			Carrying amount (Rs.'000')	
Financial liabilities				
Long term financing	12% & KIBOR + 3.5%	12% to 19%	79,969	79,102
Short term borrowings	Non-interest bearing		914	1,191

Sensitivity analysis

As at balance sheet date, the Company does not hold any fixed rate interest bearing financial assets or liabilities carried at fair value.

30.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction. Consequently, differences may arise between the carrying values and the 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 carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

31 CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e. its shareholders' equity and surplus on revaluation on property, plant and equipment, is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. As at June 30, 2012, the shareholders' equity amounts to Rupees 0.335 million (2011 Rupees 2.511 million).

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

a) The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and executives of the Company are as follows:

	Chief Executive		Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)							
Managerial remuneration	900	842	312	312	600	600	1,812	1,754
Retirement benefits and Provident Fund contribution	80	72	26	26	-		106	98
Rent, Utilities, Bonus reimbursement, etc	1,500	968	338	218	350	350	1,988	1,536
	2,480	1,882	676	556	950	950	3,906	3,388
No. of Persons	1	1	5	5	1	1	7	7

32.1 The chief executive and one directors are also provided with free use of company maintained cars.

33 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution of staff benefits funds, return on loans, amounts due from executives and remuneration of directors and executives are disclosed in relevant notes. Other transactions with related parties are given below:

	2012	2011
	(Rupees in thousand)	
Payments made on behalf of subsidiaries companies	42	150
Adjustment of loan to subsidiary company	272	86
Contribution paid to Provident Fund Trust	698	832

All transactions with related parties have been carried out by the company at arms length prices using the comparable uncontrolled price method.

34 PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends on the relative proportions of the various types and sizes of goods to be manufactured according to required specifications.

35 DATE OF AUTHORISATION

These financial statements were authorised for issue on 28-09-2012 by the Board of Directors of the company.

36 GENERAL

Figures have been rounded off to the nearest thousand rupee.

Chief Executive

Director