



# Johnson & Phillips (Pakistan) Ltd.

Annual Report  
**2019**



# Our V i s i o n

To achieve  
market leadership  
in  
our core business  
build on innovative technology,  
deliver quality products  
at  
competitive prices  
and  
maintain our history of pioneering

# Our M i s s i o n

- Continuous improvement in our operating standards, anticipating and meeting our customers' expectation.  

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- Eager to learn, strive to succeed and keen to please  

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- Aim high, stay focused and leave nothing to chance.  

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- To provide, career growing opportunities to the talented professionals.  

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# Company Information

## Board of Directors

Mr. Salman Ganny	Chairman
Ms. Mariam Shafi	Director
Mr. Arif Ahmed Siddiqui	Director
Mr. Mohammad Azhar ul Islam	Director
Mr. Abid Saeed Khan	Director
Mr. Syed Jamshed Zaidi	Director
Mr. Shehryar Saeed	Director/CEO

## Board of Audit Committee

Mr. Abid Saeed Khan	Chairman
Mr. Arif Ahmed Siddiqui	Member
Ms. Mariam Shafi	Member

## Board of HR Committee

Mr. Syed Jamshed Zaidi	Chairman
Mr. Salman Ganny	Member
Ms. Mariam Shafi	Member
Mr. Shehryar Saeed	Member

## Company Secretary & Chief Financial Officer(CFO)

Mr. Tariq Ahmed

## Internal Auditor

Mr. Tariq Ilyas

## Legal Advisor

LMA EBRAHIM HOSAIN  
Barristers, Advocates, & Corporate Legal Consultants,  
156 - 1, Scotch Corner, Upper Mall, Lahore

## Auditors

M/s. Nazir Chaudhri & Co.  
Chartered Accountants  
4-Karachi Chambers, Hasrat Mohani Road,  
P.O.Box.No.5061, Karachi - 74000

## Share Registrar

C & K Management Associates (Pvt) Ltd.  
404, Trade Tower, Abdullah Haroon Road,  
Near Metropole Hotel, Karachi - 75530

## Bankers

Silk Bank Ltd.  
Soneri Bank Ltd.  
Habib Bank Ltd.

## Registered Office

C-10, South Avenue, SITE, Karachi - 75700  
Tel: 092-21-32560030-7, Fax: 092-21-32564603  
Website: [www.johnsonphillips.pk](http://www.johnsonphillips.pk)  
E-mail: [Johnsonphillips@cyber.net.pk](mailto:Johnsonphillips@cyber.net.pk)



## CODE OF CONDUCT

### OBJECTIVE

The objective of Johnson & Phillips (Pakistan) Limited is to engage efficiently, responsibly and profitably in the manufacturing, installation and sale of electrical equipments.

### RESPONSIBILITIES TOWARDS STAKEHOLDERS

To achieve the objective, the Company recognizes its responsibilities towards its shareholders, customers, employees and to those with whom it does business, and the society at large.

### EMPLOYEE

The Company expects all its employees to demonstrate honesty, integrity and fairness in all aspects of its business.

- To obey Company policies and values.
- The Company provides all employees with equal opportunities.
- The Company is doing its best to provide job satisfaction.
- Good working environment to motivate the employees.
- The Company ensures that employees avoid conflict of interest between their private financial activities and their professional role in conducting Company business.

### BUSINESS RESOURCES

The Company safeguard its resources and does not allow the use of confidential information ( manual or electronic ) for personal gain.

Does not allow use of any inside information ( directly or indirectly ) about the organization for personal profit.

Does not make any misleading entries into the company books of accounts.

### SOCIAL RESPONSIBILITIES

The Company acts in a responsible manner within the law of Pakistan, in pursuit of its legitimate commercial objectives

To fulfill all legal requirements of the Government and its regulatory bodies, follow relevant and applicable laws of the country.

The Company does not support any political party or contributes funds to group whose activities promote party interests.

The Company recognizes its social responsibility and contributes to community activities.

### WHISTLE BLOWING POLICY

J&P is committed to the highest possible standards of openness, probity and accountability. In line with this commitment, J&P expects employees and others that it deals with, who have serious concerns about any aspects of work, to come forward and voice those concerns in respect of any act of fraud, bribery, corruption and unethical behavior.

### FINANCIAL REPORTING & INTERNAL CONTROL

To implement an effective and transparent system of financial reporting and internal controls to safeguard the interest of our share holders and fulfill the regulatory requirements.

### CONFLICT OF INTEREST

All the decision of the management are in the interest of the Company and the activities and involvement of the directors and employees in no way conflict with the interest of the Company.

### ENVIRONMENT PROTECTION

To protect environment and ensure health and safety of the work force and well being of the people living in the adjoining areas of our plant.

### QUALITY ASSURANCE

The Company is ISO 9000:2001 certified company and committed to provide products which consistently offer value in terms of price, quality, customer satisfaction and are at the same time safe for their intended use, to satisfy customer needs and expectations.

The Board of Directors ensures that the above principles are complied with through its audit committee constituted for this purpose.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 58th Annual General Meeting of Johnson & Phillips (Pakistan) Limited will be held on Saturday, October 26, 2019 at the registered office of the company at C-10, south avenue SITE, Karachi at 11:45 AM to transact the following businesses:-

### ORDINARY BUSINESS:

- 1- To confirm the minutes of the Extra Ordinary General Meeting held on June 03, 2019.
- 2- To receive, consider and adopt Annual Audited Financial Statements of the Company together with the Directors' and Auditors' reports thereon for the year ended June 30, 2019 together with the Audited Consolidated Financial Statements of the Company and the Directors' and Auditors' Report thereon for the year ended June 30, 2019.
- 3- To appoint Auditors' of the Company for the financial year ending June 30, 2020 and to fix their remuneration. The Board of Directors, on the recommendation of the Audit Committee of the Company, has proposed the name of retiring auditors M/s Nazir Chaudhri & Company, Chartered Accountants, for their appointment as external auditors for the year ending June 30, 2020.

### ANY OTHER BUSINESS:

- 4- To transact any other business with the permission of the chair.

Date: October 05, 2019

Place: Karachi

By Order of the Board

Tariq Ahmed

Company Secretary

### Notes:

1. The Share Transfer Books of the Company will remain closed from October 18, 2019 to October 26, 2019 (both days inclusive). Transfer received at the registered office of the company / by our Share Registrar, C & K Management Associates (Pvt) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi -75530 by the close of business on October 17, 2019 will be treated in time for this purpose.

### 2. Appointment of Proxies and Attending AGM:

- i) A member eligible to attend and vote at the Meeting may appoint another member as his/her proxy to attend, and vote instead of him/her.
- ii) A blank instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy may be obtained from the registered office of the Company during normal office hours.
- iii) A duly completed instrument of proxy and the power of attorney or other authority (if any), under which it is signed or a notarized certified copy of such power or authority must, to be valid, be deposited at the registered office not less than 48 hours before the time of the meeting. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.
- iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted with proxy form.
- v) The owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport (in case of foreign nationals) for identification purpose at the time of attending the meeting.

3. Members are requested to notify any changes in their addresses immediately to the Share Registrar M/s C & K Management Associates (Pvt) Limited.

4. Members, who have not yet submitted attested photocopy of their valid CNIC along with folio number are requested to send the same, at the earliest, directly to the Company's Share Registrar.

5. The Annual Report of the Company for the year ended June 30, 2019 has been placed on the Company's website at the link: [http://www.johnsonphillips.pk/Annual\\_Financial\\_Reports.html](http://www.johnsonphillips.pk/Annual_Financial_Reports.html)

6. The Annual Report of the Company for the year ended June 30, 2019 is being dispatched to the shareholders through CD. However, if any shareholder, in addition, desires to get the hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven working days of receipt of such request. Standard request FORM is available for the purpose on Company's website.

7. Video Conference Facility will be provided to members who hold at least 10% or more shareholding, enabling them to participate in the AGM. They will be entertained subject to availability of such facility in that city and receipt of the Consent Form 7 days before holding of General Meeting. Consent FORM is available for the purpose on Company's website.



# جانسن اور فلیپس (پاکستان) لمیٹڈ

## عام جنرل میٹنگ کا نوٹس

اس کے ذریعہ نوٹس دیا گیا ہے کہ جانسن اینڈ فلیپس (پاکستان) لمیٹڈ کی 58 ویں سالانہ جنرل میٹنگ ہفتہ 26 اکتوبر 2019 صبح 11:45 میں کمپنی کے رجسٹرڈ آفس سی-10 سائڈ تھ ایونیو سائٹ، کراچی میں ہوگی۔  
مندرجہ ذیل کاروبار کو لین دین کرنے کے لئے:-

ابتدائی کاروبار:

1-03 جون 2019 کو ہونے والی اضافی عام جنرل میٹنگ کے لحاظ سے تصدیق کے لئے۔

2- کمپنی کے سالانہ آڈٹ شدہ مالی بیانات وصول کرنے، اس پر غور اور اپنانے کے لئے 30 جون، 2019 کو ختم ہونے والے سال کے لئے کمپنی کے ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ مل کر کمپنی اور ڈائریکٹرز اور آڈیٹرز کے آڈیٹ اکٹھا مالی معاملات اس پر 30 جون، 2019 کو ختم ہونے والے سال کی رپورٹ کریں۔

3- کمپنی کے آڈیٹرز کو 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے مقرر کرنا اور ان کا معاوضہ نمونہ کرنا۔ بورڈ آف ڈائریکٹرز نے کمپنی کی آڈٹ کمیٹی کی سفارش پر، ریٹائر ہونے والے آڈیٹرز میسرز نذیر چودھری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کے نام تجویز کیا ہے کہ وہ 30 جون 2020 کو ختم ہونے والے سال کے لئے بیرونی آڈیٹرز کے طور پر ان کی تقرری کریں۔

کوئی اور کاروبار:

4- کمرسی کی اجازت سے کسی دوسرے کاروبار کا لین دین کرنا۔

تاریخ: 05 اکتوبر 2019

بورڈ کے آرڈر کے ذریعہ۔

طارق احمد۔

جگہ: کراچی۔

کمپنی سکریٹری

نوٹ:-

1. کمپنی کی شیئر ٹرانسفر کی کتابیں 18 اکتوبر 2019 سے 26 اکتوبر 2019 تک (دونوں دن شامل) بند رہیں گی۔ کمپنی کے رجسٹرڈ آفس/ ہمارے شیئر رجسٹرار سی اینڈ کے منجھٹ ایوی سی ایش (پرائیویٹ) لمیٹڈ، 404، ٹریڈ ٹاور، عبداللہ ہارون روڈ، میٹروپول ہٹل کے قریب، کراچی-75530 کے ذریعہ کاروبار کے اختتام پر منتقلی موصول ہوئی۔ اس مقصد کے لئے 2019 کے ساتھ بروقت سلوک کیا جائے گا۔

2. پراکسیوں کی تقرری اور اے جی ایم میں شرکت:

(i) ممبر میں شرکت اور ووٹ ڈالنے کا اہل ممبر کسی دوسرے ممبر کو شرکت کے لئے اس کی پراکسی کے طور پر مقرر کر سکتا ہے، اور اس کی بجائے ووٹ دے سکتا ہے۔

(ii) اجلاس کے لئے قابل اطلاق پراکسی کا ایک خالی آلہ ممبر کو بھیجے گئے نوٹس کے ساتھ فراہم کیا جا رہا ہے۔ پراکسی آلے کی مزید کاپیاں عام دفتری اوقات میں کمپنی کے رجسٹرڈ آفس سے حاصل کی جاسکتی ہیں۔

(iii) پراکسی کا مناسب طریقے سے مکمل شدہ آلہ اور پاور آف اٹارنی یا دیگر اتھارٹی (اگر کوئی ہے)، جس کے تحت اس پر دستخط ہوں یا اس طرح کی طاقت یا اتھارٹی کی ایک نوٹریائزڈ مصدقہ کاپی لازمی ہو، رجسٹرڈ آفس میں جمع کروائی جائے۔ جلسہ کے وقت سے 48 گھنٹے پہلے درست CNIC کی تصدیق شدہ کاپیاں یا ممبر اور پراکسی کے پاسپورٹ کو پراکسی فارم کے ساتھ پیش کیا جائے گا۔

(iv) کارپوریٹ ہستی کی صورت میں، بورڈ آف ڈائریکٹرز کی ریولوشن/ پاور آف اٹارنی کے نمونہ کے دستخط والے پراکسی فارم کے ساتھ جمع کروائے جائیں گے۔

(v) سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (سی ڈی سی) کے نام پر رجسٹرڈ جسامتی حصص اور حصص کے مالکان اور/یا ان کی پراکسیوں کو اپنا اصلی کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ تیار کرنے کی ضرورت ہے (ایسی صورت میں غیر ملکی شہریوں کو) اجلاس میں شرکت کے وقت شناختی مقصد کے لئے۔

3. ممبران سے گزارش ہے کہ وہ اپنے بچوں میں کسی قسم کی تبدیلی شیئر رجسٹرار میسرز اینڈ کے منجھٹ ایوی سی ایش (پرائیویٹ) لمیٹڈ کو فوری طور پر مطلع کریں۔

4. ممبران، جنہوں نے ابھی تک اپنی درست CNIC کی تصدیق شدہ فوٹو کاپی کے ساتھ فوٹو نمبر بھی جمع نہیں کرایا ہے، جلد از جلد کمپنی کے شیئر رجسٹرار کو بھیجنے کی درخواست کی جاتی ہے۔

5. 30 جون، 2019 کو ختم ہونے والے سال کی کمپنی کی سالانہ رپورٹ کمپنی کی ویب سائٹ پر لنک پر دی گئی ہے:

<http://reports-annual/index.php.johnsonphillips.pk>

6. 30 جون، 2019 کو ختم ہونے والے سال کی کمپنی کی سالانہ رپورٹ شیئر ہولڈرز کو سی ڈی کے ذریعہ روانہ کی جارہی ہے۔ تاہم، اگر اس کے علاوہ، کوئی بھی حصہ دار سالانہ آڈٹ شدہ مالیاتی بیانات کی بارڈ کاپی حاصل کرنا چاہتا ہے تو، اس طرح کی درخواست کی وصولی کے ساتھ کام کے دنوں میں اسے مفت فراہم کیا جائے گا۔ معیاری درخواست فارم کمپنی کی ویب سائٹ پر اس مقصد کے لئے دستیاب ہے۔

7. اراکین کو ویڈیو کانفرنس کی سہولت فراہم کی جائے گی جو کم از کم 10 یا اس سے زیادہ شیئر ہولڈنگ رکھتے ہیں، تاکہ انہیں AGM میں حصہ لینے کے قابل بنائیں۔ انہیں اس شہر میں ایسی سہولت کی دستیابی اور عام اجلاس کے انعقاد سے 7 دن پہلے رضامندی کے فارم کی وصولی سے مشروط کیا جائے گا۔ کمپنی کی ویب سائٹ پر اس مقصد کے لئے رضامندی کا فارم دستیاب ہے۔



# JOHNSON & PHILLIPS PAKISTAN LIMITED

## SIX YEARS FINANCIAL REVIEW

Rupees in '000'

		<u>2019</u>	<u>2018</u>	<u>2017</u> (Restate)	<u>2016</u> (Restate)	<u>2015</u>	<u>2014</u>
Sales		4,078	6,312	22,924	35,448	39,230	103,813
Gross Profit / (Loss)		(6,426)	(18,333)	(36,545)	(10,896)	(21,116)	10,738
Profit / Loss before Taxation		(36,287)	(49,804)	(71,365)	(53,680)	(58,231)	(32,060)
Profit / Loss After Taxation		(35,452)	(49,166)	(70,503)	(52,857)	(56,814)	(31,739)
Fixed Assets (Net)		467,743	14,194	175,318	184,009	192,820	201,630
Total Assets		494,137	517,079	216,143	260,433	275,799	344,887
Total Liabilities		341,969	517,079	216,143	260,433	222,241	233,538
Current Assets		26,394	30,168	39,885	75,484	82,039	142,317
Current Liabilities		329,459	189,631	177,809	163,781	129,727	144,602
<b>Liquidity</b>							
Current Ratio		0.08	0.16	0.22	0.46	0.63	0.98
Quick Ratio		0.07	0.15	0.15	0.20	0.28	0.53
<b>Profitability</b>							
Gross Profit Ratio	%	-157.58%	-290.45%	-159.42%	-30.74%	-53.83%	10.34%
Net Profit Ratio	%	-869.35%	-778.93%	-307.55%	-149.11%	-144.82%	-30.57%
<b>Assets Utilization</b>							
Inventory Turnover Ratio		5.41	0.80	0.81	0.81	0.71	1.21
Total Assets Turnover Ratio		0.002	0.01	0.11	0.14	0.14	0.30
Debtor Turnover Ratio		49.43	5.86	5.38	4.61	1.33	2.26
Creditor Turnover Ratio		0.01	0.03	0.11	0.22	0.19	0.24
<b>Investment</b>							
Earning Per Share		(6.50)	(9.02)	(12.94)	(9.70)	(10.61)	(5.82)
Market Value Per Share		46.70	63.25	29.99	20.39	20.60	25.18
P.E.Ratio		(7.18)	(7.01)	(2.32)	(2.10)	(1.94)	(4.33)
Market Capitalization (Mn)		254,468	344,649	163,416	111,105	112,249	137,206
<b>Employee As Remuneration</b>		11,727	13,561	19,551	17,318	17,357	15,799
<b>Production</b>							
Transformers (Nos)		3	4	11	13	12	30
Switch Gear Panels (Nos)		1	1	5	17	97	30

## Chairman's Review

I present to you the 58th Annual Report of the performance of the company for the year ended June 30, 2019.

This year our sales have further declined, impacting our bottom line.

Mr. Muhammad Anis Mianoor through its manager to the offer has submitted Public Announcement of Offer to acquire 20.14% shares and through share purchase agreement 49.90% shares and control of the Company. They already hold 9.80% shares of the Company. All procedures relating to public offer by the acquirer including payment of consideration to shareholders who have accepted the public offer is in the process of finalization.

The management is aware of the challenges and continues its efforts to secure proper finance that will be required for this. The Government if it commits to its plan to bring the Country out of the economic crisis then this will give rise to provide ample opportunity for sales growth of the electrical equipments.

The year 2018 - 2019 depicted a positive trend for Pakistan with improvement in the security environment and expected investment from China in the Country - (CPEC). The inflation is continuing on its upward trajectory. During the year State Bank of Pakistan has increased the interest rate. However, fundamental reforms will be needed to fully overcome Pakistan's chronic economic crisis, the Government still faces challenges in narrowing the fiscal deficit and building sustainable foreign currency inflows.

I would like to thank company's valued customers, suppliers and shareholders for their continued trust and appreciate the efforts of all employees for working in difficult conditions.

For and on behalf of the Board of Directors

Salman Ganny  
Chairman

Karachi: September 30, 2019



## DIRECTORS' REPORT

The Directors' of your Company are pleased to present the 58th Annual Report together with the Audited Financial statements for the year ended June 30, 2019 and Auditors' Report thereon.

### Financial Highlights

The comparative financial highlights of your Company for the year ended June 30, 2019 and June 30, 2018 are as follows:

	2019	2018
	.....Rupees in '000.....	.....Rupees in '000.....
(Loss) for the year before taxation	(36,287)	(49,804)
Out of which the Directors have accounted		
For taxation - current	835	638
Disposable (loss) for appropriation	(35,452)	(49,166)
Accumulated (Losses) brought forward	(384,883)	(341,866)
Adjustment for: Incremental depreciation on revalued assets	5,711	5,941
Other Comprehensive Profit/(Loss)	534	208
Accumulated losses carried over to Balance Sheet	(413,028)	(384,883)

In view of the losses and need of the liquid funds for working capital, the Directors have not recommended any dividend to the Share holders for the year ended June 30, 2019.

### Earnings per Share

Earnings per share for the year ended June 30, 2019 is Rs. (6.50) [June 30, 2018 Rs. (9.02)].

### Material Changes

There has been no material change since June 30, 2019 and the Company has not entered into any commitments which would affect its financial position on that date.

### Performance Review

The Sales -net for the year was Rs.4.0M as compared to Rs.6.3M for the corresponding period of last year. The cost of sales for the year was 10.5M as compared to Rs.24.6M.

The Gross loss of the Company was Rs. (6.4M) against a loss of Rs. (18.3M) in the corresponding period of last year. This is mainly due to lower sales. The Company's Distribution cost, Administrative expenses and finance cost during the year ended June 30, 2019 was Rs.30.2M as against Rs.34.5M in the corresponding period of previous year. The Company is in the process of reorganizing its activities.

A loss after tax of Rs.35.4M was reported for the year ended June 30, 2019 compared to a loss after tax of Rs.49.1M in the corresponding period. Management of your Company is making concerted efforts and continues to endeavor to achieve improved performance in the future.

### Human Resource developments

We invest in cultivating and motivating our employees and train them to face market challenges effectively. We provide necessary on job training to employees so that they acquire knowledge and skills needed to accomplish their tasks efficiently. Department Heads impart training to employees / officers.

### Corporate Social Responsibility

J&P is fully committed to play its role as a responsible corporate citizen and fulfills its responsibility through energy conservation, environment protection and occupational safety and health through restricting unnecessary usage of artificial lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work environment. The company is running/ maintaining a Masjid for the convenience of the people living & working near our office premises.

The Company contributed Rs.1.6 Million to the National Exchequer during the year in the form of direct and indirect taxes and other mandatory contributions.

### External Audit

The auditors M/s. Nazir Chaudhri & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment.

The Auditors gave disclaimer of opinion on the going concern issue and Unclaimed Dividend amount not deposited in a separate Bank Account designated for this purpose in their Auditor's Report.

### Internal Audit

The Company's Board closely follows the activities of the Internal Audit Department as a service to all levels of Management. The main objective of the independent Internal Audit Department is to provide reasonable assurance to the Board and Management that the existing systems of internal control are adequate and operating satisfactorily. As an Internal Audit Department adds value to the Company's operations, makes suggestions and recommendations for improved operational performance.

### Statement of Corporate and Financial Reporting Framework

The corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges for all listed companies, and is pleased to certify that:



1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required under the Companies Act, 2017.
3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
4. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve objectives, and by its nature can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process used by the Board to review the effectiveness of the system of internal control includes, inter-alia, the following:

"A Board Audit Committee (BAC) is in place. It reviews the approach adopted by the Company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the BAC discusses the actions to be taken in areas of concern with the relevant executives. The BAC consists of three members. The Chairman of the BAC is an independent director and all the other members of the BAC are independent directors. During the year 2019, five meetings of BAC were held with one in each quarter and attendance was as follows:

Name of member attended	No. of meetings
Mr. Abid Saeed Khan (Chairman)	5
Mr. Muhammad Tariq Anjum	3
Ms. Mariam Shafi	3
Mr. Arif Ahmed Siddiqui	0

Leave of absence was granted to the members unable to attend the meeting.

"An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.

"There is an annual budgeting and strategic planning process. Financial forecasts are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.

6. There is no doubt upon the Company's ability to continue as a going concern.
7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.
8. The Company has followed the best practices of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and there is no material departure there from.
9. Key operating and financial data for last six years is annexed with the report.
10. The value of investments including accrued income of provident fund on the basis of audited financial statements as at December 31, 2018 is Rs.5.37M (December 31, 2017: audited amount Rs. 4.76M).
11. The related parties' transactions are approved or ratified by the Board Audit Committee and the Board of Directors.
12. All major decisions relating to the investments / disinvestments, changes in the policies are taken by the Board of directors.
13. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.
14. Outstanding taxes and duties are given in the financial statements.

#### **Board of Directors**

##### **Role of Chairman**

The Chairman leads the Board of Directors, represents the Group and acts as an overall custodian of the Group on behalf of the Board and the stakeholders. Responsible for ensuring the Board's effectiveness, he empowers the Board as a whole to play a full and constructive role in the development and determination of the Company's strategy and overall objectives.

##### **Role of Chief Executive Officer (CEO / MD)**

CEO / MD is responsible for execution of the Company's long term strategy with a view to creating shareholders value. The CEO / MD takes all day to day decisions to accomplish Company's short and long term objectives / plan. He acts as a direct liaison between the Board and the Company management. He also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public. CEO / MD acts as a director, decision maker and leader. The communicator role involves interaction with the outside world, as well as the Organization's management and employees; the decision making role involves high level decisions about Policy and Strategy. As leader of the Company, he motivates employees and inculcates requisite enthusiasm and spirit in them.

CEO / MD's performance is monitored and evaluated by the Board against the job description set by the Board.

##### **Composition of the Board**

Total number of Directors:

Male: 6 and Female: 1

The Board of Directors comprises of seven members, two Non-Executive Directors, four independent Directors and one Executive Director (MD & Chief Executive Officer).

During the year under review seven meetings were held and attended as follows:

##### **Name**

	No. of meetings eligible to attend during the tenure	No. of meetings attended
Mr. Salman Ganny (Chairman)	7	7
Mr. Shehryar Saeed (MD & Chief Executive Officer)	7	7
Ms. Mariam Shafi	7	4
Mr. Muhammad Tariq Anjum	6	3
Mr. Muhammad Azharul Islam	7	4
Mr. Abid Saeed Khan	7	6
Mr. Syed Jamshed Zaidi	7	6
Mr. Arif Ahmed Siddiqui	1	1

During the year no casual vacancy occurred.

Extra Ordinary General Meeting was held on June 3, 2019 to elect 7 (seven) directors of the Company in accordance with the provisions of Section 159(1) of the Companies Act, 2017 for a term of next three years commencing from June 6, 2019 in place of the retiring directors.

The Board re-appointed Mr. Salman Ganny as Chairman of the Board and Mr. Shehryar Saeed as MD & Chief Executive Officer of the Company with effect from June 6, 2019.

Leave of absence was granted to the directors unable to attend the meeting.

#### **Board of Directors' Remuneration**

All Directors of the Company are independent and Non-Executive Directors except the CEO / MD. The Directors are paid remuneration for attending the Board / Committee meetings, as per approved policy.

#### **Performance Evaluation of the Board**

Pursuant to Listed Companies (Code of Corporate Governance) Regulations, 2017, The Board of Directors approved a Comprehensive mechanism to evaluate its own performance by adopting self- evaluation methodology through an agreed questionnaire. The mechanism devised is based on the emerging and leading trends on the functioning of the Board and improving its effectiveness. The evaluation exercise is carried out every year. The Human Resource and Remuneration Committee will undertake a formal process for evaluation of performance of the Board as a whole and its Committees.

#### **Human Resource and Remuneration Committee**

During the year 2019, one meeting of Human Resource and Remuneration Committee was held and attendance was as follows:

##### **Attendance**

Mr. Syed Jamshed Zaidi (Chairman)	1
Mr. Salman Ganny	1
Ms. Mariam Shafi	1
Mr. Shehryar Saeed	1

##### **Pattern of Shareholding**

A statement showing the pattern of shareholding as required under Section 227 of the Companies Act, 2017, for the year ended June 30, 2019 is attached with this report.

##### **Trading of Company's Share**

No trading in the shares of the Company was carried out by the Directors, CEO and Executives (employees with basic salary of Rs.0.5M or above) or their spouses or minor children, if any.

#### **Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017**

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 set out by the Securities & Exchange Commission of Pakistan, relevant for the year ended June 30, 2019, have been duly complied with. A statement to this effect is annexed with this report.

##### **Code of Conduct**

The Board has adopted a statement of Code of Conduct for directors and employees. Acknowledgment for compliance are obtained and held by the Company.

##### **Directors training program**

One director, Mr. Shehryar Saeed is exempted from the requirement of directors training program.

The Remaining directors will comply with the requirement of directors training program within the given deadline.

The company arranged for the Directors Orientation Course for their directors to acquaint them with Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the listed companies for and on behalf of shareholders.

##### **Employee Relations**

The Management appreciates the co-operation of the employees during the year.

##### **Future Plan /growth**

Mr. Muhammad Anis Mianoor through its manager to the offer -Next Capital Limited on July 31, 2019 has submitted Public Announcement of Offer to acquire 20.14% shares and through share purchase agreement 49.90% shares and control of Johnson & Phillips (Pakistan) Limited. They already hold 9.80% shares of the Company. All procedures relating to public offer by the acquirer including payment of consideration to shareholders who have accepted the public offer is in the process of finalization.

##### **Acknowledgement**

The Board of Directors would like to express its sincere appreciation to the Company's valued clients, business partners and other stakeholders. The Board would also like to thank the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange and the Central Depository Company for their continued guidance and support.

Shehryar Saeed  
MD & Chief Executive Officer

Salman Ganny  
Chairman

Karachi: September 30, 2019



## ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹر خوش ہیں کہ 30 جون 2019 کو ختم ہونے والے سال کے آڈٹ مالیاتی بیانات اور اس پر آڈیٹرز کی رپورٹ کے ساتھ 58 ویں سالانہ رپورٹ پیش کریں۔ مالی جھلکیاں۔

30 جون 2019 اور 30 جون 2018 کو ختم ہونے والے سال کیلئے آپ کی کمپنی کی تقابلی مالی جھلکیاں درج ذیل ہیں۔

2019 2018

000 ..... روپے میں.....

ٹیکس لگانے سے پہلے سال کے لئے (نقصان)

جس میں سے ڈائریکٹرز کا حساب کتاب ہے۔ (36,287) (49,804)

ٹیکس لگانے کے لئے۔ موجودہ۔ 638 835

تفصیص کے لئے ڈیپوز ایبل (نقصان) (35,452) (49,166)

جمع (نقصانات) آگے لایا گیا (384,883) (341,866)

ایڈجسٹمنٹ کے لئے: منقولہ اثاثوں پر میں اضافی گراؤٹ۔ 5,941 5,711

دیگر جامع منافع/ (نقصان) 208 534

بیلنس شیٹ کو جمع شدہ نقصانات (413,028) (384,883)

ورکنگ سرمایہ کے فنڈز کے نقصانات اور ضرورت کے پیش نظر، ڈائریکٹر نے 30 جون، 2019 کو ختم ہونے والے سال کے لئے

شیرس ہولڈرز کو کسی بھی منافع کی سفارش نہیں کی ہے۔ 30 جون، 2019 کو ختم ہونے والے سال کے لئے ہر حصص کی آمدنی (6.50) 30 جون، 2018 (9.02)

مادی تہذیبیاں

30 جون، 2019 کے بعد سے کوئی مادی تبدیلی نہیں کی گئی ہے اور کمپنی نے کسی بھی وعدے میں داخل نہیں کیا ہے جس کی وجہ سے اس تاریخ سے اس کی مالی حیثیت متاثر ہوگی۔

کارکردگی کا جائزہ۔

پچھلے سال کے اسی عرصے کے لئے سلیز نیٹ 6.3 ملین روپے تھا جبکہ اس کے مقابلے میں 4.0 ملین روپے تھے۔ سال کے لئے فروخت کی لاگت 24.6 ملین روپے کے مقابلے میں 10.5 ملین روپے تھی۔

کمپنی کا مجموعی خسارہ (6.4 ملین) روپے کے نقصان کے مقابلے میں (18.3 ملین) گزشتہ سال کی اسی مدت میں اس کی بنیادی وجہ کم فروخت کی ہے۔ کمپنی کی تقسیم لاگت، انتظامی اخراجات اور 30 جون، 2019 کو ختم ہونے والے سال کے دوران فنانس کی لاگت جس میں گزشتہ سال کی اسی مدت کے لئے 30.20 ملین روپے تھے جبکہ اس سے گزشتہ سال کے اسی عرصے میں 34.5 ملین روپے خرچ ہوئے تھے۔ کمپنی اپنی سرگرمیوں کو از سر نو تشکیل دینے کے مراحل میں ہے۔

اسی عرصے میں 49.1 ملین روپے ٹیکس لگنے کے بعد ہونے والے نقصان کے مقابلے میں 35.40 ملین روپے کے ٹیکس کے بعد نقصان ہوا۔ آپ کی کمپنی کا انتظام مستحکم کوششیں کر رہا ہے اور مستقبل میں بہتر کارکردگی کے حصول کے لئے کوشاں ہے۔

اس مالی سال میں بورڈ کے فیصلے کے مطابق اراضی، عمارت اور پلانٹ اور مشینری سمیت تمام فیکسڈ اثاثوں کا جائزہ لیا گیا ہے۔ تجزیہ شدہ رقم مالیاتی ایم/ ایس سیر اینڈ کمپنی (پرائیویٹ) لمیٹڈ کی جانب سے 31 جنوری 2019 کی اپنی رپورٹ میں جاری کردہ مالی اعداد و شمار میں طے شدہ اثاثوں کی تجزیہ پر اضافی رقم کوشاں کر کے اور اس کے مطابق پہلے کے سالوں کی تعداد کو دوبارہ شامل کرنے سے لی گئی ہے۔

انسانی وسائل کی پیشرفت۔

ہم اپنے ملازمین کی کاشت اور حوصلہ افزائی میں سرمایہ کاری کرتے ہیں اور انہیں مارکیٹ کی چیلنجوں کا موثر انداز میں مقابلہ کرنے کی تربیت دیتے ہیں۔ ہم ملازمین کو ملازمت کی تربیت فراہم کرتے ہیں تاکہ وہ اپنے کاموں کو موثر طریقے سے انجام دینے کے لئے درکار علم اور مہارت حاصل کریں۔ محکمہ کے سربراہان ملازمین/ افسران کو تربیت دیتے ہیں۔

کارپوریٹ سماجی ذمہ داری

جے اینڈ پی ایک ذمہ دار کارپوریٹ سٹیزین کی حیثیت سے اپنا کردار ادا کرنے کے لئے پوری طرح پرعزم ہے اور غیر ضروری استعمال پر پابندی کے ذریعہ توانائی کے تحفظ، ماحولیاتی تحفظ اور پیشہ ورانہ حفاظت اور صحت کے ذریعے اپنی ذمہ داری پوری کرتی ہے۔

مصنوعی لائٹنگ، تباہ کن کنٹرول کے قانون اور "تمباکو نوشی زون" پر عمل درآمد، اور ایک محفوظ اور مستند کام کا ماحول مہیا کرنا۔ کمپنی ہمارے دفتر کے احاطے کے قریب رہائش پذیر اور کام کرنے والے لوگوں کی سہولت کے لئے ایک مسجد چلا رہی ہے۔

کمپنی نے روپے کی رقم دی۔ براہ راست اور بالواسطہ ٹیکس اور دیگر لازمی شراکت کی شکل میں سال کے دوران قومی اخراجات کو 19.2 ملین۔

بیرونی آڈٹ۔

آڈیٹر زیمس، نذیر چودھری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ سالانہ جنرل مینٹنگ کے اختتام پر ریٹائر ہو گئے۔ اہل ہونے کے ناطے، انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے ان کی دوبارہ تقرری کی تجویز پیش کی ہے۔





## چیف ایگزیکٹو آفیسر (سی ای او/ایم ڈی) کا کردار

سی ای او/ایم ڈی حصص یافتگان کی قیمت پیدا کرنے کے نظریہ کے ساتھ کمپنی کی طویل مدتی حکمت عملی پر عمل درآمد کے ذمہ دار ہیں۔ سی ای او/ایم ڈی کمپنی کے مختصر اور طویل مدتی مقاصد/منصوبے کو پورا کرنے کے لئے دن بھر کے فیصلے لیتا ہے۔ وہ بورڈ اور کمپنی مینجمنٹ کے مابین براہ راست رابطہ کا کام کرتا ہے۔ وہ کمپنی کی طرف سے حصص داروں، ملازمین، سرکاری حکام، دیگر اسٹیک ہولڈرز اور عوام سے بھی بات کرتا ہے۔ سی ای او/ایم ڈی ایک ڈائریکٹر، فیصلہ سازی اور رہنمائی حیثیت سے کام کرتا ہے۔ بات چیت کرنے والے کردار میں بیرونی دنیا کے ساتھ تنظیم کے انتظامیہ اور ملازمین کے ساتھ تعامل بھی شامل ہوتا ہے۔ فیصلہ سازی کے کردار میں پالیسی اور حکمت عملی کے بارے میں اعلیٰ سطح کے فیصلے شامل ہوتے ہیں۔ کمپنی کے رجحان کی حیثیت سے، وہ ملازمین کی حوصلہ افزائی کرتا ہے اور ان میں مطلوبہ جوش اور جذبہ پیدا کرتا ہے۔

بورڈ کے ذریعہ مقرر کردہ ملازمت کی وضاحت کے خلاف بورڈ کے ذریعہ سی ای او/ایم ڈی کی کارکردگی کی نگرانی اور جانچ کی جاتی ہے۔

بورڈ کی تشکیل۔

ڈائریکٹر کی کل تعداد:

مرد: 6 اور خواتین: 1۔

بورڈ آف ڈائریکٹرز میں سات ممبران، دو غیر ایگزیکٹو ڈائریکٹرز، چار آڈٹرز، ایک ایگزیکٹو ڈائریکٹر (ایم ڈی) اور چیف ایگزیکٹو آفیسر (شامل ہیں۔

زیر غور سال کے دوران سات اجلاس ہوئے اور مندرجہ ذیل طور پر اس میں شریک ہوئے۔

نام۔	مدت کے دوران شرکت اجلاسوں کی تعداد	اجلاسوں کی تعداد۔
مسٹر سلمان غنی (چیئر مین)	7	7
جناب شہر یار سعید (ایم ڈی اور چیف ایگزیکٹو آفیسر)	7	7
محترمہ مریم شفیع	7	4
جناب محمد طارق انجم	6	3
جناب محمد مظہر الاسلام	7	4
جناب عابد سعید خان	7	6
جناب سید جمشید زیدی	7	6
جناب عارف احمد صدیقی	1	1

سال کے دوران کوئی عارضی غائبی واقع نہیں ہوئی۔

کمپنی کے 7 (سات) ڈائریکٹرز کو 6 جون 2019 سے شروع ہونے والے اگلے تین سال کی مدت کے لئے کمپنی ایکٹ، 2017 کی دفعہ 159 (1) کی دفعات کے مطابق منتخب کرنے کے لئے 3 جون، 2019 کو اضافی عام اجلاس منعقد ہوا۔ ریٹائر ہونے والے ڈائریکٹر کی جگہ

بورڈ نے مسٹر سلمان غنی کو بورڈ کا چیئر مین اور مسٹر شہر یار سعید کو 6 جون، 2019 سے کمپنی کا ایم ڈی اور چیف ایگزیکٹو آفیسر مقرر کیا۔

بورڈ آف ڈائریکٹرز کا معروضہ۔

کمپنی کے تمام ڈائریکٹرز آزاد اور غیر ایگزیکٹو ڈائریکٹرز ہیں سوائے سی ای او/ایم ڈی کے۔ بورڈ/کمپنی کے اجلاسوں میں شرکت کے لئے منظور شدہ پالیسی کے مطابق، ڈائریکٹرز کو معاذ و صدقہ دیا جاتا ہے۔

بورڈ کی کارکردگی کا اندازہ۔

فہرست کمپنیوں (کارپوریٹ گورننس کا ضابطہ)، ضابطہ 2017 کے مطابق، بورڈ آف ڈائریکٹرز نے متفقہ سوائے کے ذریعے خود تنقید کے طریقہ کار کو اپناتے ہوئے اپنی کارکردگی کا اندازہ کرنے کے لئے ایک جامع طریقہ کار کی منظوری دی۔ وضع کردہ طریقہ کار بورڈ کے کام اور اس کی تاثیر کو بہتر بنانے کے ابھرتے اور معروف رجحانات پر مبنی ہے۔ ہر سال تشیعی مشق کی جاتی ہے۔ ہیومن ریسورس اینڈ ریسرچ کمیٹی مجموعی طور پر بورڈ اور اس کی کمیٹیوں کی کارکردگی کے جائزہ کے لئے باضابطہ عمل شروع کرے گی۔

انسانی وسائل اور معاذ و صدقہ کمیٹی۔

سال 2019 کے دوران، انسانی وسائل اور معاذ و صدقہ کمیٹی کا ایک اجلاس ہوا اور اس میں حاضری مندرجہ ذیل تھی۔

حاضری۔	
1-	جناب سید جمشید زیدی (چیئر مین)
1-	مسٹر سلمان غنی
1-	محترمہ مریم شفیع
1-	جناب شہر یار سعید



شیر ہولڈنگ کا نمونہ۔

30 جون، 2019 کو ختم ہونے والے سال کے لئے کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت مطلوبہ حصص یا فکلی کے انداز کو ظاہر کرتا ہے۔

کمپنی کے حصص کی تجارت

کمپنی کے حصص میں کوئی فریڈنگ ڈائریکٹر، سی ای او اور ایگزیکٹوز (جو ملازمین کی بنیادی تنخواہیں یا اس سے زیادہ ہے) یا ان کے شریک حیات یا نابالغ بچوں کے ذریعہ نہیں ہوئی۔

درج کمپنیوں (کارپوریٹ گورننس کا کوڈ) ضابطہ، 2017 کی تعمیل۔

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ذریعہ درج فہرست کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 کے تقاضوں، جو 30 جون، 2019 کو ختم ہونے والے سال کے لئے موزوں ہیں، کی تعمیل کی گئی ہے۔

اس رپورٹ کے ساتھ اس سلسلے میں ایک بیان منسلک ہے۔

ضابطہ اخلاق

بورڈ نے ڈائریکٹرز اور ملازمین کے لئے ضابطہ اخلاق کا بیان اپنایا ہے۔ تعمیل کے لئے اعتراف کمپنی کے ذریعہ حاصل اور حاصل کیا جاتا ہے۔

ڈائریکٹرز ٹریننگ پروگرام۔

ایک ڈائریکٹر، جناب شہر یار سعید کو ڈائریکٹر کے تربیتی پروگرام کی ضرورت سے آشنائی حاصل ہے۔

بقیہ ڈائریکٹرز دینے گئے آخری تاریخ میں ڈائریکٹرز کے تربیتی پروگرام کی ضرورت کی تعمیل کریں گے۔

کمپنی نے اپنے ڈائریکٹرز کے لئے ڈائریکٹرز اور ٹرینیشن کورس کا بندوبست کیا تاکہ وہ کوڈ آف کارپوریٹ گورننس، قابل اطلاق قوانین، ان کے فرائض اور ذمہ داریوں سے واقف ہوں تاکہ ان کو حصص یافتگان کی جانب سے اور درج کمپنیوں کے معاملات کو مؤثر طریقے سے سنبھال سکیں۔

ملازم تعلقات

انتظامیہ سال کے دوران ملازمین کے تعاون کو سراہتی ہے۔

مستقبل کا منصوبہ / نمونہ۔

مسٹر محمد امین مینور نے اپنے منبر کے ذریعہ 31 جولائی، 2019 کو ٹیکسٹ کمیونٹی لیمینڈ کو پیشکش کے لئے پیش کیا۔ 20.14٪ حصص کے حصول کے لئے آفر کا عوامی اعلان پیش کیا گیا ہے اور حصص کی خریداری کے معاہدے کے

ذریعے جانسن اینڈ فلیس (پاکستان) لیمینڈ کا کنٹرول 49.90 فیصد ہے۔ ان کے پاس پہلے ہی کمپنی کے 9.80 فیصد حصص ہیں۔

حصول کاروں کے ذریعہ عوامی پیشکش سے متعلق تمام طریقہ کار جن میں حصص یافتگان کو عوامی پیشکش قبول کی گئی ہے ان پر غور کی ادائیگی بھی حتمی شکل دینے کے عمل میں ہے۔

اعتراف

بورڈ آف ڈائریکٹر کمپنی کے قابل قدر مؤکلوں، کاروباری شراکت داروں اور دیگر اسٹیک ہولڈرز کے ساتھ اپنی مخلصانہ تعریف کا اظہار کرنا چاہے گا۔ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج اور سنٹرل

ڈپازٹری کمپنی کو ان کی مسلسل رہنمائی اور مدد کرنے پر بھی شکریہ ادا کرنا چاہتا ہے۔

سلمان غنی

چیئر مین۔

شہر یار سعید

ایم ڈی اور چیف ایگزیکٹو آفیسر

کراچی: 30 ستمبر، 2019۔



## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of company : Johnson & Phillips (Pakistan) Limited  
Year ending : June 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:

- a. Male : 6
- b. Female : 1

2. The composition of board is as follows:

a) Independent Directors

- 1) Mr. Arif Ahmed Siddiqui.
- 2) Mr. Muhammad Azharul Islam.
- 3) Mr. Abid Saeed Khan.
- 4) Mr. Syed Jamshed Zaidi.

b) Other Non-executive Director

- 1) Mr. Salman Ganny.
- 2) Ms. Marium Shafi.

c) Executive Director

- 1) Mr. Shehryar Saeed

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. No Director obtained the training during the year. All the Directors were elected with effect from June 06, 2019. Accordingly compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 will be made as per requirements in due course. However, One of the Director meets the criteria of exemption under Code of Corporate Governance Regulations, 2017 and is accordingly exempted from the directors training program. However, the company had made arrangements to carry out orientation course for the directors to acquaint them with CCG, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the company for and on behalf of the shareholders.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee (Name of members and Chairman)

1) Mr. Abid Saeed Khan	:	Chairman
2) Mr. Arif Ahmed Siddiqui	:	Member
3) Ms. Mariam Shafi	:	Member

b) HR and Remuneration Committee (Name of members and Chairman)

1) Mr. Syed Jamshed Zaidi	:	Chairman
2) Mr. Salman Ganny	:	Member
3) Mr. Shehryar Saeed	:	Member
4) Mr. Mariam Shafi	:	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

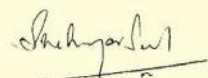
a) Audit Committee	:	5
b) HR and Remuneration Committee	:	1

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.



**Shehryar Saeed**  
Chief Executive

Karachi:

September 30, 2019

**(Salman Ganny)**  
Chairman



## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the Members of Johnson & Phillips (Pakistan) Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017.

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Johnson & Phillips (Pakistan) Limited** (the Company) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, 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 requirements contained in the Regulations as applicable to the Company for the year ended **30 June 2019**.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Reference	Description
Point 15	Head of Internal Audit of the Company does not possess the required qualification and experience as required under section 24 of the Regulations.
Point 9	The board has not arranged Directors' Training Program for 50% of its Directors as required by regulation 20 of sub clause 1 of clause (a) of the Regulations.

**NAZIR CHAUDHRI & CO.**

Chartered Accountants

Engagement Partner: Nisar Ahmed, FCA

30 September 2019

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**





## INDEPENDENT AUDITOR'S REPORT

To the members of Johnson & Phillips (Pakistan) Limited  
Report on the Audit of the Financial Statements

### Disclaimer of Opinion

We have audited the annexed financial statements of Johnson & Phillips (Pakistan) Limited (the Company), which comprise the statement of financial position as at June 30, 2019 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for Disclaimer of Opinion

(a) as discussed in Note 2 to the financial statements, the Company has incurred a loss of Rs. 35,452 million for the year ended 30 June 2019, and as of that date the Company was in net current liability position Rs. 303.065 million and accumulated losses of the Company stand at Rs. 413.028 million. These conditions along with other matters as set forth in note 2 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Further, owing to the substantial acquisition of the shares of the Company by a prospective investor as disclosed in note 1.2 to the financial statements, the existing sponsors of the Company have withdrawn their commitment to support the Company and accordingly their liabilities amounting to Rs. 280 million have become due in the next twelve months. We have been informed that the Company's future course of action will be decided by the new management.

In view of the material uncertainty in respect of the Company's ability to as going concern and the lack of sufficient appropriate audit evidence in confirming whether the prospective investor will provide additional funding for the Company's working capital and to discharge the Company's liabilities, we were unable to conclude whether the use of the going concern assumptions in the preparation of these financial statements is appropriate.

The financial statements have been prepared on the assumption that the Company will continue as going concern. If the Company is unable to continue in operational existence for the foreseeable future, and the Company may be unable to discharge its liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

(b) the Company has not deposited unclaimed dividend amounting to Rs. 4,268 million in a separate bank account designated for this purpose.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).

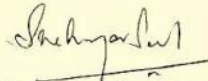
The engagement partner on the audit resulting in this independence auditor's report is Nisar Ahmed, FCA.

Nazir Chaudhri & Co.  
Chartered Accountants  
Karachi

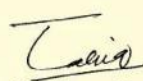
**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT JUNE 30, 2019

		2019	2018
		.....(Rupees in thousand).....	
<u>ASSETS</u>	Note	Restated	Restated
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	467,184	14,194
Intangible asset	7	-	-
Long term investments	8	-	-
Long term deposits	9	559	559
		<u>467,743</u>	<u>14,753</u>
<b>CURRENT ASSETS</b>			
Stock-in-trade	10	1,956	1,926
Trade debts	11	165	-
Loans and advances	12	35	62
Deposits and prepayments	13	-	40
Tax refunds due from government	14	24,021	23,584
Cash and bank balances	15	219	4,556
		<u>26,396</u>	<u>30,168</u>
Non-current assets classified as held for sale	5	-	472,158
<b>TOTAL ASSETS</b>		<u><u>494,139</u></u>	<u><u>517,079</u></u>
<u><b>EQUITY AND LIABILITIES</b></u>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Authorized capital</b>			
8,000,000 (2018: 8,000,000) ordinary shares of Rs. 10 each		80,000	80,000
Issued, subscribed and paid-up capital	16	54,500	54,500
Share premium reserve		29,727	29,727
General reserve		23,073	23,073
Surplus on revaluation of property, plant and equipment - net of tax	17	457,896	474,380
Accumulated loss		(413,026)	(384,883)
		<u>152,170</u>	<u>196,797</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	18	-	116,743
Deferred liabilities	19	12,510	13,908
		<u>12,510</u>	<u>130,651</u>
		<u>164,680</u>	<u>327,448</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	183,377	175,214
Short term borrowing	21	141,814	10,149
Mark up accrued	22	-	-
Unpaid dividend		4,268	4,268
		<u>329,459</u>	<u>189,631</u>
<b>Contingencies and commitments</b>	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>494,139</u></u>	<u><u>517,079</u></u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director

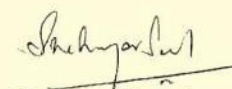
  
**Tariq Ahmed**  
Chief Financial Officer




**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
For the year ended June 30, 2019

		2019	2018
	Note	.....(Rupees in thousand).....	
Sales - net	24	4,078	6,312
Cost of sales	25	(10,504)	(24,645)
<b>Gross loss</b>		<b>(6,426)</b>	<b>(18,333)</b>
Distribution cost	26	(853)	(812)
Administrative expenses	27	(21,035)	(28,572)
		<b>(21,888)</b>	<b>(29,384)</b>
		<b>(28,314)</b>	<b>(47,717)</b>
Finance cost	28	(8,315)	(5,144)
Other income	29	344	3,057
<b>Loss before taxation</b>		<b>(36,287)</b>	<b>(49,804)</b>
Taxation	30	835	638
<b>Loss for the year</b>		<b>(35,450)</b>	<b>(49,166)</b>
		----Rupees---	
<b>Loss per share - basic and diluted</b>	31	<b>(6.50)</b>	<b>(9.02)</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director

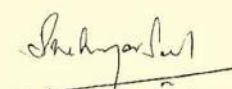
  
**Tariq Ahmed**  
Chief Financial Officer

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
For the year ended June 30, 2019

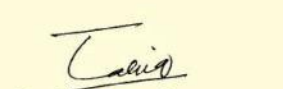
**2019**                      **2018**  
**(Rupees in thousand)**

Loss for the year	(35,452)	(49,166)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Gain on remeasurment of post employment benefit obligation	534	208
Gain on revaluation of land, buildings and plant & machinery	-	318,232
Deferred tax on gain on revaluation of land, buildings and plant & machinery	-	(5,428)
	-	312,804
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>	-	-
<b>Total comprehensive income / (loss)</b>	<b>(34,918)</b>	<b>263,846</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director

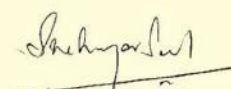
  
**Tariq Ahmed**  
Chief Financial Officer



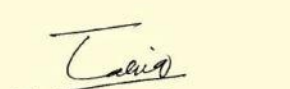
**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2019

		2019	2018
	Note	(Rupees in thousand)	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	32	(11,717)	(20,263)
Taxes paid		(333)	(494)
Gratuity paid	19.1.2	-	(21)
Finance cost paid		(41)	(21)
<b>Net cash used in operating activities</b>		<b>(12,091)</b>	<b>(20,799)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred	6	(55)	(115)
Sale proceed from disposal of property, plant and equipment		1,129	2,239
<b>Net cash generated from investing activities</b>		<b>1,074</b>	<b>2,124</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term borrowing received		6,080	18,797
Short term borrowings received		600	-
<b>Net cash generated from financing activities</b>		<b>6,680</b>	<b>18,797</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(4,337)</b>	<b>122</b>
Cash and cash equivalents at beginning of the year		4,556	4,434
Cash and cash equivalents at end of the year		<b>219</b>	<b>4,556</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

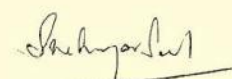
  
**Marium Shafi**  
Director

  
**Tariq Ahmed**  
Chief Financial Officer


**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended June 30, 2019

	Capital reserve			Revenue reserve		
	Issued, subscribed and paid- up capital	Share premium reserve	Surplus on revaluation of property, plant and equipment	General reserve	Accumulated loss	Total
	( Rupees in thousand )					
Balance as at June 30, 2017	54,500	29,727	167,128	23,073	(341,866)	(67,438)
Net loss for the year	-	-	-	-	(49,166)	(49,166)
<b>Other comprehensive income</b>						
Gain on revaluation of land, building and plant & machinery	-	-	318,232	-	-	318,232
Deferred tax on gain on revaluation of buildings and plant & machinery	-	-	(5,428)	-	-	(5,428)
	-	-	312,804	-	-	312,804
Gain on remeasurment of post employment benefit obligation	-	-	-	-	208	208
Transfer from surplus on revaluation of property, plant and equipment - note 18	-	-	(5,941)	-	5,941	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate - note 18	-	-	389	-	-	389
<b>Balance as at June 30, 2018</b>	<b>54,500</b>	<b>29,727</b>	<b>474,380</b>	<b>23,073</b>	<b>(384,883)</b>	<b>196,797</b>
Net loss for the year					(35,450)	(35,450)
<b>Other comprehensive income</b>						
Gain on remeasurment of post employment benefit obligation					534	534
Adjustment on disposal of revalued asset			(1,062)		1,062	-
Deferred tax on diposal adjustment during the period			308			308
			(754)		1,062	308
Reclassification adjustment of assets held for sale - note 5			(10,133)			(10,133)
Deferred tax on reclassification adjustment - note 5			638			638
			(9,495)			(9,495)
Transfer from surplus on revaluation of property, plant and equipment - note 18			(5,711)		5,711	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate - note 18			(524)			(524)
<b>Balance as at June 30, 2019</b>	<b>54,500</b>	<b>29,727</b>	<b>457,896</b>	<b>23,073</b>	<b>(413,026)</b>	<b>152,170</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director

  
**Tariq Ahmed**  
Chief Financial Officer



**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**1 STATUS AND NATURE OF BUSINESS**

- 1.1** Johnson and Phillips (Pakistan) Limited (the Company) was incorporated in Pakistan as a public limited company on April 15, 1961 and its shares are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in manufacturing, installing and selling of electrical equipments. Etheridge Company Limited, held 2,719,536 (2017: 2,719,536) ordinary share of Rs. 10 each of the Company as at year end, which constitute 49.90% of total share issued.
- 1.2** On 29 November 2018 an existing shareholder Mr. Muhammad Anis Mianoor ("Acquirer") holding 535,000 shares of the Company filed an intention to acquire 2,719,536 fully paid ordinary shares of Johnson & Phillips (Pakistan) Limited and control of the Company at an agreed price of Rs. 65 per share as per agreement dated 14 February 2019 between Mr. Muhammad Anis Mianoor ("Acquirer") and Etheridge Company Limited. Further, subsequent to the year end the Acquirer has made a public announcement of offer to acquire 1,097,718 fully paid ordinary shares of the Company dated 31 July 2019 at a price of Rs. 66.30 per share which was to be accepted till 23 September 2019. Once the contemplated transaction is concluded, the incoming major shareholder and the new management shall decide the future course of action accordingly.

Geographical location of business unit

The registered office of the Company and its manufacturing facilities are situated at C-10, South Avenue, SITE, Karachi

**2 Going concern**

The Company has incurred loss after tax of Rs. 36.670 million (2018: Rs. 49.166 million) during the year, which has increased accumulated losses amounting to Rs. 413.028 million (2018 Rs. 384.883 million) as at June 30, 2019. The Company has negative net current assets of Rs. 303.065 million (2018: Rs. 159.463 million). These conditions indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The sales of the Company is continuously decreasing because of low demand from the private sector.

The management of the Company is confident that the the Company will continue as going concern in foreseeable future; hence, these financial statements have been prepared on going concern assumption.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

- 3.1.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the revisions of and directives issued under the Companies Act, 2017 have been followed.

**3.2 Accounting convention**

These financial statements have been prepared under the historical cost convention, except for:

- Recognition of staff retirement benefits which are stated at present value as referred to in note 19.1.
- Certain items of property, plant and equipment which are stated at revalued amounts as referred to in note 17.

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.



## Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is also the Company's functional currency.

### 3.4 Significant 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 judgment in the process of applying the company's accounting policies. The areas where various assumptions and estimates are significant to the financial statements are as follows:

	Note
Employees' retirement benefits	4.2
Provision for taxation	4.5
Provision for deferred taxation	4.5
Residual values and useful lives of depreciable assets	4.9
Provision for obsolete and slow moving stock	4.12
Write down of stock in trade to their net realisable value	4.12
Provision for doubtful debts	4.13
Provision for doubtful advance and deposits	4.13

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

### New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 4.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

### Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Its application is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019) for a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.



- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.

The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

#### **Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:**

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.



## Changes in significant accounting policies

The note explains the impact of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 "Financial Instruments" on the Company's financial statements that have been applied w.e.f July 1, 2018 are as follows:

### 4.1.1 IFRS 15 'Revenue from Contracts with Customers'

Effective July 1, 2018, the Company has applied IFRS 15 "Revenue from Contracts with Customers" for determining its revenue recognition policy. IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Company with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. However, The application of IFRS 15 has no material impact on the financial statements of the Company.

### 4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. "Financial instruments: Recognition and measurement"

IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) Impairment of financial assets and iii) hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

#### Classification and measurement of financial assets and financial liabilities

This new standard requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial asset.

IFRS 9 no longer has an "Available for Sale" classification for financial assets. IFRS 9 has different requirements for debt and equity financial assets.

#### Debt instrument should be classified and measured at either:

- amortised cost, where the effective interest rate method will apply;
- fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).



Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

- fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).

Application of IFRS 9 had no impact on financial liabilities of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

Measurment Category			Carrying Amount		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
----- Rupees in thousands -----					
<b>Current Financial Assets</b>					
Trade debts	Loans and advances	Amortized cost	-	-	-
Loans and advances	Loans and advances	Amortized cost	62	62	-
Deposits and prepayments	Loans and advances	Amortized cost	40	40	-
Cash and bank balances	Loans and advances	Amortized cost	4,525	4,525	-
<b>Non-Current Financial Assets</b>					
Long term deposits	Held to maturity	Amortized cost	559	559	-
<b>Current financial liabilities</b>					
Trade and other payables	Amortized cost	Amortized cost	146,795	146,795	-
Accrued markup	Loans and payables	Amortized cost	-	-	-
Short term borrowing	Loans and payables	Amortized cost	10,149	10,149	-
Unpaid dividend	Loans and payables	Amortized cost	4,268	4,268	-
<b>Non Current financial liabilities</b>					
Long term financing	Held to maturity	Amortized cost	116,743	116,743	-

#### Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

## 4.2 Employee benefits

### 4.2.1 Defined benefit plan

The Company operates unfunded gratuity scheme for all its permanent employees according to terms of employment, subject to minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligation under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as June 30, 2019. Projected unit credit method is used for valuation of the scheme.

All actuarial gains and losses are recognized in 'Other Comprehensive Income' as they occur.

#### 4.2.2 Defined contribution plan

- The Company operates provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of the basic salary.
- Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these rules.

#### 4.2.3 Provident fund related disclosures

The following information is based on latest financial statements of the Fund:

	Unaudited June 30, 2019	Unaudited June 30, 2018
	----Rupees in thousands----	
Size of the fund - Total assets	<u>6,031</u>	<u>4,761</u>
Cost of the Investment made	<u>4,000</u>	<u>4,000</u>
Percentage of investments made	<u>66%</u>	<u>84%</u>
Fair value of the investments	<u>6,031</u>	<u>4,761</u>

Break-up of the fair value of investments is:

	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
	----Rupees in thousands----			
Certificate of Investment	4,000	4,000	66%	84%

The investments out of the above have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated for this purpose.

#### 4.3 Compensated absences

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

#### 4.4 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 included in profit and loss account.

#### 4.5 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 realization.

## **4.6 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.

## **4.7 Provisions**

Provisions are recognized when the Company has a 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 can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the best estimate.

## **4.8 Investments**

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

## **4.9 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 7. 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 is included in income currently.

### **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 7.

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.

## **4.10 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 exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

## **4.11 Consumable stores**

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



#### **4.12 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.

#### **4.13 Trade debts, loans, advances, deposits, prepayments and other receivables**

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

#### **4.14 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.

#### **4.15 Foreseeable losses on orders in hand**

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

#### **4.16 Impairment non-financial assets**

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **4.17 Revenue recognition**

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Revenue is recognised as follows:

- i) Sale of goods is recognised on dispatch of goods to customers i.e. when the significant risks and reward of ownership have been transferred to the customer.
- ii) Income from installation and repair projects are recognized as the work is completed and accepted by the customers.
- iii) Income on bank deposits and short term investments are recognised using the effective yield method.

#### **4.18 Borrowings and finance cost**

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset. Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying asset is capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to statement of profit or loss.



#### 4.19 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprises of cash in hand, with Banks in current, PLS and deposit accounts net of short term borrowings under mark-up arrangements, if any.

#### 4.20 Financial Instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

##### (i) Financial assets

###### - Classification

Effective July 1, 2018, the Company classifies its financial assets in the following measurement categories:

- a) Amortized cost where the effective interest rate method will apply;
- b) fair value through profit or loss;
- c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

###### - Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

###### - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

###### - Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

###### a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.



## **b) Fair value through other comprehensive income (FVTOCI)**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income/charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/charges and impairment expenses are presented as a separate line item in the statement of profit or loss.

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

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

### **- De-recognition of financial assets**

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### **- Impairment of financial assets**

Effective July 1, 2018, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Loans, advances, deposits, prepayments and other receivables
- Short term investments
- Cash and bank balances

Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**- Recognition of loss allowance**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

**- Write-off**

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cashflows to repay the amount.

**(ii) Financial liabilities**

**- Classification, initial recognition and subsequent measurement**

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

**(a) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

**(b) Amortised cost**

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

**- De-recognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

**(iii) Off-setting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.



#### 4.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### 4.22 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

#### 4.23 Dividends and appropriations

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

#### 4.24 Non-current assets (or disposal group) classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets (or disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.



## 5 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Company has reclassified its Non Current Assets to property, plant and equipment, which were previously classified as held for sale in the latest audited financial statements, owing to the fact that an existing shareholder, Mr. Anis Mianoor (Acquirer) has filed an intention to acquire additional 49.9% shares and control of the Company. Accordingly, the Company believes that its decision to classify the non current assets ( Land and Building) as held for sale, in accordance with IFRS - 5 is no longer relevant.

	2019	2018
	------(Rupees in thousand)-----	
Carrying amount		
Leasehold land	448,558	448,558
Building on leasehold land	23,600	23,600
Reclassification adjustment charged to revaluation surplus:		
Leasehold land	(7,933)	-
Building on leasehold land	(2,200)	-
Written down value reclassified to property, plant & equipment:		
Leasehold land	440,625	-
Building on leasehold land	21,400	-
	<u>462,025</u>	<u>-</u>

## 6 PROPERTY, PLANT AND EQUIPMENT

	Lease hold Land	Building on lease hold land	Plant and machinery	Gas and electric installations	Factory tools	Vehicles	Furniture and fixtures	Office and other equipments	Total
Rupees in thousands									
As at 01 July 2017									
Cost	170,000	25,600	14,610	1,178	3,933	11,640	4,320	12,026	243,307
Accumulated depreciation	(16,143)	(10,453)	(8,522)	(1,178)	(3,851)	(11,559)	(4,320)	(11,963)	(67,989)
Net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Year Ended 30 June 2018									
Opening net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Additions during the year	-	-	-	-	-	-	-	115	115
Surplus on revaluation	298,143	10,133	9,956	-	-	-	-	-	318,232
Disposal									
Cost	-	-	-	-	-	(8,148)	-	-	(8,148)
Accumulated depreciation	-	-	-	-	-	8,080	-	-	8,080
	-	-	-	-	-	(68)	-	-	(68)
Classified as held for sale	(448,558)	(23,600)	-	-	-	-	-	-	(472,158)
Depreciation for the year	(3,442)	(1,680)	(2,115)	-	(8)	-	-	-	(7,245)
Closing net book value	-	-	13,929	-	74	13	-	178	14,194
Useful Life (Years)	99	10	7	10	5	4	5	5	
As at 01 July 2018									
Cost	-	-	24,566	1,178	3,933	3,492	4,320	12,141	49,630
Accumulated depreciation	-	-	(10,637)	(1,178)	(3,859)	(3,479)	(4,320)	(11,963)	(35,436)
Net book value	-	-	13,929	-	74	13	-	178	14,194
Year Ended 30 June 2019									
Opening net book value	-	-	13,929	-	74	13	-	178	14,194
Additions during the year	-	-	-	-	-	55	-	-	55
Disposal									
Cost	-	-	(2,994)	-	-	-	-	-	(2,994)
Accumulated depreciation	-	-	1,865	-	-	-	-	-	1,865
	-	-	(1,129)	-	-	-	-	-	(1,129)
Reclassification of assets held for sale - Note 5	440,625	21,400	-	-	-	-	-	-	462,025
Depreciation for the year	(3,606)	(1,000)	(3,224)	-	(18)	(27)	-	(86)	(7,961)
Closing net book value	437,019	20,400	9,576	-	56	41	-	92	467,184
As at 30 June 2019									
Cost	440,625	21,400	21,572	1,178	3,933	3,547	4,320	12,141	508,716
Accumulated depreciation	(3,606)	(1,000)	(11,996)	(1,178)	(3,877)	(3,506)	(4,320)	(12,049)	(41,532)
Net book value	437,019	20,400	9,576	-	56	41	-	92	467,184
Useful Life (Years)	99	10	7	10	5	4	5	5	



- 6.1** Included herein assets costing Rs.24.95 million (2018: Rs. 24.66 million), which are fully depreciated.
- 6.2** The previous revaluations were carried out on March 31, 1995, June 30, 2004, June 17, 2008 and June 12, 2013 which resulted in a surplus of Rs 42.642 million, surplus of Rs 73.464 million and surplus of Rs. 104.097 million and impairment of Rs. 0.855 million respectively.
- Further, latest revaluation of leasehold land, building on leasehold land and plant & machinery were revalued on January 13, 2018 resulted in a surplus of Rs. 317.919 million. The revaluation was incorporated in books following the elimination method. The revaluation exercise was conducted by M/s Joseph Lobo (Private) Limited, a valuer on approved list of Pakistan Bankers Association, on following basis:
- |                     |  |
|---------------------|--|
| Land                | Present market values for similar sized plots in the vicinity  |
| Building            | Replacement values of similar types of buildings based on present cost of constructions and applying residual factors based on estimated remaining useful life |
| Plant and machinery | Replacement values of similar types of buildings based on current rates and applying residual factors based on estimated remaining useful life.                |
- 6.3** The carrying amount of leasehold land, building on leasehold land and Plant & Machinery as at 30 June 2019, if the said had been carried at historical cost would have been Rs.0.031 million (2018: Rs. .032 million), Rs 1.170 million (2018: Rs.1.222) and Rs.0.063 million (2018: Rs.0.832) respectively.
- 6.4** The forced sale value of leasehold land, building on leasehold land and Plant & Machinery is Rs.340.491 million, Rs.18.160 million and Rs.11.350 million respectively.
- 6.5** Factory of the Company is on 3 acres of land situated at C-10, South Avenue, SITE, Karachi
- 6.6** The depreciation charge for the year has been allocated as follows:

	Note	2019 (Rupees in thousand)	2018
Cost of sales and services			
Administrative expenses	25	6,369	5,796
	27	1,592	1,449
		<u>7,961</u>	<u>7,245</u>

## 7 INTANGIBLE ASSET

COST			AMORTIZATION			Written down Values as at June 30, 2019	Useful life (years)
As at July 01, 2018	Additions / disposal	As at June 30, 2019	As at July 01, 2018	For the year	As at June 30, 2019		
----- Rupees in thousands -----							
129	-	129	129	-	129	-	5
129	-	129	129	-	129	-	

	Note	2019 (Rupees in thousand)	2018
<b>8 LONG TERM INVESTMENTS</b>			
<b>In shares of unquoted subsidiary companies:(at cost)</b>			
<b>Johnson and Phillips Industries (Pakistan) Limited</b>		<b>30,000</b>	30,000
3,000,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2019 was Nil (June 2018:Nil)]. The Company held 100% of the investee's total equity. Chief Executive Mr. Shehryar Anwar Saeed			
<b>Johnson &amp; Phillips Transformers (Private) Limited</b>		<b>21,000</b>	21,000
2,100,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2019 was Nil (June 2018:Nil)]. The Company held 70% of the investee's total equity. Chief Executive Mr. Nabeel Sadiq			
<b>J &amp; P EMO Pakistan (Pvt) Ltd</b>		<b>510</b>	510
51,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2019 was Nil (June 2018:Nil)]. The Company held 51% of the investee's total equity. Chief Executive Mr. Shehryar Anwar Saeed			
<b>Share Application money</b>			
Johnson and Phillips Industries (Pakistan) Limited		<b>20,000</b>	20,000
		<b>71,510</b>	71,510
<b>Provision for diminution in value of investments</b>		<b>(71,510)</b>	(71,510)
		<b>-</b>	-
<b>8.1</b> 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 was as follows:			
Johnson and Phillips Industries (Pakistan) Limited		<b>(26,984)</b>	(26,984)
Johnson & Phillips Transformers (Private) Limited		<b>(17,977)</b>	(17,977)
J & P EMO Pakistan (Pvt) Ltd		<b>(2,040)</b>	(2,040)
<b>9 LONG TERM DEPOSITS</b>			
Deposits		<b>559</b>	940
Written off during the year		<b>-</b>	(381)
		<b>559</b>	559



	Note	2019 (Rupees in thousand)	2018
<b>10 STOCK-IN-TRADE</b>			
Raw material and components in hand - Gross		34,158	35,380
Work-in-process		4,386	4,386
		38,544	39,766
Less: provision for obsolete/ slow moving stock-in-trade	10.1	(36,588)	(37,840)
		<u>1,956</u>	<u>1,926</u>
<b>10.1 Movement in obsolete /slow moving items</b>			
Opening provision		(37,840)	(28,585)
Provision made during the year		-	(9,255)
Reversals during the year		1,252	-
		<u>(36,588)</u>	<u>(37,840)</u>
<b>11 TRADE DEBTS</b>			
Trade debts , <i>unsecured</i>		187	11,669
Doubtful debts written off		-	(11,669)
Less: Provision for doubtful trade debts	11.1	(22)	-
		<u>165</u>	<u>-</u>
<b>11.1 Movement in provision for doubtful trade debts</b>			
Opening provision		-	(9,695)
Provision (made) / balances written off during the year		(22)	9,695
		<u>(22)</u>	<u>-</u>
<b>12 LOANS AND ADVANCES</b>			
<b>Loans to subsidiary companies - unsecured</b>			
<b>Considered doubtful</b>			
Johnson and Phillips Industries (Pakistan) Limited (JPI)	12.1	24,835	24,835
Johnson & Phillips Transformers (Private) Limited (JPT)	12.2	20,864	20,864
J & P EMO Pakistan (Pvt.) Ltd. (EMO)	12.3	3,012	3,012
		48,711	48,711
Less: Provision against doubtful loans		(48,711)	(48,711)
		-	-
<b>Advances - Unsecured</b>			
To suppliers		794	774
To employees		307	341
Against purchase of land		2,717	2,717
Others		71	71
		3,889	3,903
Less: Provision for doubtful advances	12.4	(3,854)	(3,841)
		<u>35</u>	<u>62</u>

**2019**      **2018**  
**(Rupees in thousand)**

**12.1 Reconciliation of loan amount due from JPI**

Opening balance	<b>24,835</b>	24,756
Disbursed during the year	-	
Closing balance	<b>24,835</b>	24,835
Less: provision	<b>(24,835)</b>	(24,835)
	<b>12.5</b>	<b>-</b>

**12.2 Reconciliation of loan amount due from JPT**

Opening balance	<b>20,864</b>	20,785
Disbursed during the year	-	48
Closing balance	<b>20,864</b>	20,864
Less: provision	<b>(20,864)</b>	(20,864)
	<b>12.6</b>	<b>-</b>

**12.3 Reconciliation of loan amount due from EMO**

Opening balance	<b>3,012</b>	2,964
Disbursed during the year	-	
Closing	<b>3,012</b>	3,012
Less: provision	<b>(3,012)</b>	(3,012)
	<b>12.7</b>	<b>-</b>

**12.4 Movement in provision for doubtful advances**

	Opening provision	(Provision) / reversal made during the year	Closing provision
<b>Provision for doubtful advances against:</b>			
Suppliers	(765)	(29)	(794)
Purchase of land	(2,717)	-	(2,717)
Employees	(288)	16	(272)
Others	(71)	-	
	<b>(3,841)</b>	<b>(13)</b>	<b>(3,854)</b>

**12.5** The maximum amount of loan due from JPI at the end of any month during the year was Rs. 24.835 million (2018: Rs. 24.835 million).

**12.6** The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs. 20.864 million (2018: Rs. 20.864 million).

**12.7** The maximum amount of loan due from Johnson & Phillips EMO Pakistan (Private) Limited at the end of any month during the year was Rs. 3.012 million (2018: Rs. 3.012 million).

**16.1**



13 DEPOSITS AND PREPAYMENTS	Note	2019 (Rupees in thousand)	2018
<b>Deposits</b>			
Margin against bank guarantee		-	281
Other receivable		-	40
Tender deposits		-	228
		-	549
Less: Doubtful deposits written off during the year		-	(509)
		-	40
<b>14 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Export refinance was available under the export finance scheme part-I of the State Bank of Pakistan for			
<b>Income tax</b>			
Advance income tax		333	446
Income tax refundable		2,844	2,422
		3,177	2,868
<b>Sales tax</b>			
Sales tax refundable	23.3.5	20,844	20,716
		24,021	23,584
<b>15 CASH AND BANK BALANCES</b>			
Cash in hand		29	31
At bank - in current accounts		118	4,500
- in saving accounts	15.1	70	25
		217	4,556

**15.1** This carry profit at the rate ranging from 5.75 % to 10.25 % (2018: 3.75% to 4.0%) per annum.

#### 16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(Number of shares)				
2019	2018			
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

		2019 (Rupees in thousand)	2018
<b>17</b>	<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
	<b>Leasehold land</b>		
	Revaluation surplus over written down value at beginning	448,669	153,969
	Surplus on revaluation during the year	-	298,143
	Reclassification adjustment - note 5	(7,933)	
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(3,607)	(3,443)
		437,129	448,669
	<b>Factory building</b>		
	Revaluation surplus over written down value at beginning	22,378	13,790
	Surplus on revaluation during the year	-	10,133
	Reclassification adjustment - net of deferred tax - note 5	(1,562)	-
	Related deferred tax liability of reclassification adjustment	(638)	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(673)	(1,097)
	Related deferred tax liability of incremental depreciation charged during the year	(275)	(448)
		19,230	22,378
	Related deferred tax liability at beginning	(6,490)	(4,137)
	Deferred tax on revaluation during the year	-	(2,939)
	Effect of change in tax rate	-	138
	Related to reclassification adjustment - note 5	638	
	Related to incremental depreciation	275	448
		(5,577)	(6,490)
	<b>Plant and machinery</b>		
	Revaluation surplus over written down value at beginning	13,097	5,009
	Surplus on revaluation during the year	-	9,956
	Adjustment on disposal of revalued asset	(754)	-
	Deferred tax on disposal during the period	(308)	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,431)	(1,401)
	Related deferred tax liability of incremental depreciation charged during the year	(584)	(467)
		10,020	13,097
	Related deferred tax liability at beginning of the year	(3,274)	(1,503)
	Deferred tax on revaluation during the year	-	(2,489)
	Deferred tax on disposal during the period	308	
	Effect of change in tax rate	(524)	251
	Related to incremental depreciation	584	467
		(2,906)	(3,274)
		457,896	474,380



- 17.1** The revaluation surplus on land, building and plant and machinery is a capital reserve and is not available for distribution to the shareholders of the Company in accordance with section 251 of the Companies Act, 2017.
- 17.2** This represent the effect on deferred tax liability due to change in tax rates for future years.

<b>18 LONG TERM BORROWINGS</b>	<b>Note</b>	<b>2019 (Rupees in thousand)</b>	<b>2018</b>
<b>Loan-1 (From related party)</b>			
Principal	18.1	8,408	8,408
Accumulated mark-up there on		11,981	10,913
		<b>20,389</b>	19,321
<b>Loan-2 (From related party)</b>			
Principal	18.2	20,377	20,377
Accumulated mark-up there on		10,388	7,867
		<b>30,765</b>	28,244
<b>Loan-3 (From related party)</b>			
Principal	18.3	52,010	45,930
Accumulated mark-up there on		27,901	23,248
		<b>79,911</b>	69,178
Less: Transferred to short term borrowings		<b>(131,065)</b>	-
		<b>-</b>	<b>116,743</b>

- 18.1** This represents unsecured loan obtained from a director of Elmetec (Pvt) Ltd (a related party) @ 12 Months KIBOR plus 2% per annum (2018: 12 Months KIBOR plus 2% per annum). During the year an agreement has been signed to reschedule the loan and according to the fresh agreement dated June 30, 2019 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2019) will be repaid before December 31, 2019. Therefore, the Company has classified the whole amount as current liability in these financial statements.
- 18.2** This represents unsecured loan of Rs.9.58 million (2018: Rs.9.58 million), 3.00 million (2018: Rs.3.00 million) and 7.80 million (2018: Rs.7.80 million) obtained from a related party in past under various agreements. During the year the agreements have been signed to reschedule the loan. According to the fresh agreements dated June 30, 2019 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2019) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2020. The mark-up on loan of Rs. 9.58 will be charged at the rate of 12 Month KIBOR plus 2% per annum (2018: 12 Month KIBOR plus 2% per annum) while the the mark-up on loan of Rs. 3.00 million and Rs. 7.80 million shall be charged at the rate of 1 Month KIBOR+2% per annum (2017: 1 Month KIBOR+2% per annum).
- 18.3** Represents an un-secured loan from Elmetec (Pvt) Ltd - a related party @ rate of 12 Month KIBOR plus 2% per annum (2018: 12 Month KIBOR plus 2% per annum). During the year an agreement has been signed to reschedule the loan and according to the agreement dated June 30, 2019 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2019) will be repaid before December 31, 2019. Therefore, the Company has classified the whole amount as current liability in these financial statements.

	Note	2019 (Rupees in thousand)	2018		
<b>19 DEFERRED LIABILITIES</b>					
Staff retirement benefits - Gratuity	19.1	4,027	4,144		
Deferred taxation	19.2	8,483	9,764		
		<u>12,510</u>	<u>13,908</u>		
<b>19.1 Staff retirement benefits - Gratuity</b>					
Staff retirement benefits - Gratuity		4,921	5,038		
Unclaimed gratuity shown under current liabilities - trade and other payables)		(894)	(894)		
		<u>4,027</u>	<u>4,144</u>		
<b>19.1.1 Principal assumptions</b>					
Valuation discount rate		14.25%	9.00%		
Valuation discount rate for P & L		9.00%	7.75%		
Expected rate of eligible salary increase in future years		9.25%	9.00%		
<b>19.1.2 Liability for gratuity arose in the following manner:</b>					
Opening net liability		5,038	4,905		
Expense for the year		417	362		
Other Comprehensive Income		(534)	(208)		
Benefits paid		-	(21)		
Closing net liability		<u>4,921</u>	<u>5,038</u>		
<b>19.1.3 Charge to profit and loss account</b>					
Current service cost		44	52		
Interest cost		373	310		
Total amount chargeable to profit and loss account		<u>417</u>	<u>362</u>		
<b>19.1.4 Comparison for five years</b>					
	2019	2018	2017	2016	2015
	-----Rupees in thousand-----				
Present value of defined benefit obligation	4,921	5,038	4,905	6,662	4,701
<b>19.1.5</b>	Expected charge for the year ending 30 June 2020 is Rs. 0.310 million.				



## 19.2 DEFERRED TAXATION

	Note	2019 (Rupees in thousand)	2018
<b>Taxable temporary differences</b>			
Surplus on revaluation of fixed assets		8,483	9,764
<b>Deductible temporary differences</b>			
Accelerated tax depreciation		(2,509)	(2,322)
Carried forward tax losses and unabsorbed depreciation		(99,678)	(102,256)
		(102,187)	(104,578)
		(93,704)	(94,814)
Deferred tax asset not recognised		102,187	104,578
		8,483	9,764

Deferred tax asset on tax losses available for carry forward is not recognised as management is of the view that sufficient taxable profits will not be available in future that there benefit is realised.

## 20 TRADE AND OTHER PAYABLES

Creditors			
- Related parties	20.1	119,690	119,397
- Others		5,185	5,255
		124,875	124,652
Advances from customers			
- Related parties	20.1	22,575	22,892
- Others		4,743	5,527
		27,318	28,419
Accrued liabilities		27,128	19,067
Payable to ex-employees		802	802
Provident fund		535	187
Unclaimed gratuity payable		894	894
Tax deducted at source		20	11
Sales tax payable		471	-
Others	20.2	1,334	1,182
		31,184	22,143
		183,377	175,214

20.1 These represent balances from Elmetec (Private) Limited - a related party.

20.2 This includes Rs. 1.085 nillion (2018: Rs. 0.933 million) payable to a director.

## 21 SHORT TERM BORROWING

from director	21.1	2,851	2,851
from related parties	21.2	3,898	3,298
from others	21.3	4,000	4,000
Transferred from long term borrowings	18	131,065	-
		141,814	10,149

21.1 This represents unsecured and interest free loan received from a director, Mr. Salman Ganny. The loan is repayable on demand.

21.2 This represents unsecured and interest free loan received from a related party, Mr. Bilal Ahmed Qureshi. The loan is repayable on demand.

21.3 Represents unsecured loan taken by the Company at an interest rate of 12% per annum which was repayable in installments of Rs. 500,000 per month starting from October 2006. As the loan remained unpaid till the year ended June 30, 2007, a fresh agreement was made by the parties on June 30, 2007. However, as the amount is long outstanding therefore the Company has classified it as repayable on demand.

	Note	2019 (Rupees in thousand)	2018
<b>22 MARK UP ACCRUED</b>			
Opening balance		-	-
Accrued during the year		8,242	5,123
		<u>8,242</u>	<u>5,123</u>
Transferred during the year	22.1	(8,242)	(5,123)
<b>Closing balance</b>		<u>-</u>	<u>-</u>

22.1 These have been paid or rescheduled as disclosed in note 19 to these financial statements.

## 23 CONTINGENCIES AND COMMITMENTS

### Contingencies

#### 23.1 Guarantees

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

Guarantees against performance bond	<u>1,657</u>	<u>1,794</u>
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#### 23.2 Labour

Some legal cases are pending against the Company filed by ex-workers to re-instate them on their jobs. No definite outcome of the cases can be anticipated, however, in the opinion of legal advisors, the Company has good case in its favour.

#### 23.3 Income tax and sales tax

23.3.1 Audit u/s 177 (1) read with section 214-D of the Income Tax Ordinance 2001 for tax year 2015 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.

23.3.2 Notice u/s 176 read with section 124 (3) of the Income Tax Ordinance 2001 for tax year 2016 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.

23.3.3 Notice u/s 44 (4) of the Income Tax Ordinance 2001 for tax year 2017 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.

23.3.4 Monitoring of withholding taxes under audit u/s 161 (1A) of the Income Tax Ordinance, 2001 for tax year 2018 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.

23.3.5 An order was passed by additional commissioner IR raising demand of Rs.5.988 million for default in deduction / payment of withholding sales tax and recovered Rs.4.268 million from the Company's bank accounts. The Company has filed appeal u/s 45 (B) of the Sales Tax Act, 1990 against the said order which is pending before Honourable Commissioner (Appeals-IV) Inland Revenue. The recovered amount is shown under sales tax refundable. The Company's tax advisor expects a favourable outcome of the case.

#### 23.4 Others

23.4.1 "Pursuant to a recovery suit filed by the National Bank of Pakistan against Johnson & Phillips Transformers (Pvt.) Limited (Defendant No.1) and Johnson & Phillips (Pakistan) Limited (Defendant No.2), the Banking Court No. III, Lahore passed a compromise decree.

The Bank agreed that prior to executing the Decree against the Defendant No.2 as guarantor, the Bank will execute against all assets of the Defendant No. 1. The entire amount of loan has been settled by the subsidiary company, however, the bank has not yet issued No Obligation Certificate (NOC) to the subsidiary company. Further, after the year end the court has confirmed the sale of property in favour of Mr. Sarwer Sukhera and further proceedings in this connection are pending with the executing court."

23.4.2 The Company had filed a suit for the recovery of insurance claim of Rs 3.735 million (2018: Rs 3.735 million) in Honorable High Court of Sindh at Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited. However, the Honorable High Court of Sindh dismissed the suit for want of jurisdiction. The Company has filed appeal against the impugned judgment which is currently at the stage of regular hearing.



	Note	2019 (Rupees in thousand)	2018
<b>24 SALES - NET</b>			
Gross sales		4,728	5,643
Sales tax		(687)	(820)
		4,041	4,823
Commission and discount on sales		(66)	(37)
		3,975	4,786
Services income		103	1,526
		4,078	6,312
<b>25 COST OF SALES</b>			
<b>Raw materials and components consumed</b>			
Opening stock		35,380	37,987
Purchases and sub contract cost		933	3,531
		36,313	41,518
<b>Closing stock</b>		(34,158)	(35,380)
		2,155	6,138
Salaries, wages and benefits	25.1	2,580	2,677
Fuel and power		437	378
Repair and maintenance		42	191
Printing and stationery		-	6
Traveling and conveyance		17	41
Depreciation	6.6	6,369	5,796
Provision for Obsolete/ slow moving stocks		(1,252)	9,255
Other manufacturing expenses		156	163
		8,349	18,507
		10,504	24,645
<b>Work in process</b>			
Opening stock		4,386	4,386
Closing stock		(4,386)	(4,386)
		-	-
		10,504	24,645

	Note	2019 (Rupees in thousand)	2018
<b>25.1 Salaries, wages and benefits</b>			
Salaries and wages		2,473	2,591
Gratuity		93	72
P.F Contribution (Worker & Staff)		14	14
		<u>2,580</u>	<u>2,677</u>
<b>26 DISTRIBUTION EXPENSES</b>			
Salaries, wages and benefits	26.1	503	568
Advertising and sales promotion		76	33
Travelling and conveyance		3	5
Subscriptions and periodicals		-	5
Repair and maintenance		8	42
Entertainment		11	27
Others		252	132
		<u>853</u>	<u>812</u>
<b>26.1 Salaries, wages and benefits</b>			
Salaries & wages		470	538
Gratuity		18	15
P.F Contribution-Staff		15	15
		<u>503</u>	<u>568</u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	27.1	8,644	10,316
Travelling and conveyance		509	526
Legal and professional charges		4,536	7,556
Rent, rates and taxes		185	883
Repair and maintenance		396	419
Printing and stationery, postage etc.		933	937
Light and power		811	773
Entertainment		321	509
Advertisement, subscriptions and periodicals		1,033	822
Auditors' remuneration	27.2	945	529
Insurance		147	-
Provisions for doubtful debts		22	206
Doubtful deposits written off	13 & 9	-	890
Provision for doubtful advances - net	12.4	13	-
Doubtful trade debts written off		-	1,974
Depreciation	6.6	1,592	1,449
Others		948	783
		<u>21,035</u>	<u>28,572</u>



	Note	2019 (Rupees in thousand)	2018
<b>27.1 Salaries, wages and benefits</b>			
Salaries and wages		8,190	9,895
Gratuity		306	275
P.F Contribution - Staff		148	146
		<u>8,644</u>	<u>10,316</u>
<b>27.2 Auditors' remuneration</b>			
Annual audit fee		324	324
Review of half yearly financial statements		65	65
Review of consolidated financial statements		65	65
Certification and others		54	16
Special audit fee		324	-
Out of pocket expenses		113	59
		<u>945</u>	<u>529</u>
<b>28 FINANCE COST</b>			
Mark-up on unsecured long term loans		8,242	5,123
Bank charges and commission		41	21
Dormant bank account written off		32	-
		<u>8,315</u>	<u>5,144</u>
<b>29 OTHER INCOME</b>			
Interest income		3	1
Written off deposits recovered		339	-
Bad debts recovered		-	885
Gain on sale of fixed assets		-	2,171
		<u>342</u>	<u>3,057</u>
<b>30 TAXATION</b>			
Current year	30.1	-	-
Prior year		24	277
Deferred tax		(859)	(915)
		<u>(835)</u>	<u>(638)</u>

**30.1** Income tax assessments of the Company upto tax year 2018 is deemed to have been completed. There is no tax applicable on taxable profits of the Company under the provision of Income Tax Ordinance, 2001 due to available assessed tax losses. Accordingly, no reconciliation of tax expense with accounting profit has been presented.

**30.2** In view of the management, sufficient tax provision has been made in the Company's financial statements. Comparisons of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2018	2017	2016
	-----Rs in thousand-----		
Tax assessed as per most recent tax assessment	79	277	353
Provision in accounts for income tax	-	-	-

	Note	2019 (Rupees in thousand)	2018
<b>31 LOSS PER SHARE - basic and diluted</b>			
There is no dilutive effect on the basic earnings per share of the company, which is based on:			
Loss after taxation - (Rupees in thousand)		<u>(35,452)</u>	<u>(49,166)</u>
Weighted average number of ordinary shares		<u>5,449,972</u>	<u>5,449,972</u>
<b>Loss per share - basic and diluted - (Rupees)</b>		<u>(6.50)</u>	<u>(9.02)</u>
<b>32 CASH USED IN OPERATIONS</b>			
Loss before taxation		(36,287)	(49,804)
<b>Adjustments for:</b>			
Depreciation	6.6	7,961	7,245
Provisions for doubtful debts		22	206
Doubtful deposits written off		-	890
Doubtful trade debts written off		-	1,974
Provision for staff gratuity		417	362
Provision for staff gratuity			
Provision for Obsolete/ slow moving stocks		(1,252)	9,255
Finance cost	28	8,283	5,144
Gain on sale of fixed assets		-	(2,171)
		<u>(20,856)</u>	<u>(26,899)</u>
<b>Effect on cash flow due to working capital changes</b>			
<i>Decrease / (increase) in current assets</i>			
Stock-in-trade		1,222	2,607
Trade debts		(187)	182
Loans and advances		27	(171)
Tax refunds due from government		(128)	(4,339)
Deposits and prepayments		40	(167)
		974	(1,888)
<i>Increase / (decrease) in current liabilities</i>			
Trade and other payables		8,163	8,524
<b>Cash used in operations</b>		<u>(11,719)</u>	<u>(20,263)</u>



## 33 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 its 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.

### 33.1 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. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, 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 when changes in economic or industry factors similarly affect the 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 debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date is as follows:

	2019 (Rupees in thousand)	2018
Long term deposits	559	559
Trade debts	165	-
Loans and advances	35	62
Trade deposits and other receivables	-	40
Bank balances	188	4,525
	<b>947</b>	<b>5,186</b>

#### Impairment losses

The aging of trade debtors at the balance sheet date was:

	2019 (Rupees in thousand)		2018 (Rupees in thousand)	
	Gross	impairment	Gross	impairment
Past due 1 - 60 days	165	-	-	-
Past due 61 - 365 days	22	(22)	-	-
More than one year	-	-	11,669	(11,669)
<b>Total</b>	<b>187</b>	<b>(22)</b>	<b>11,669</b>	<b>(11,669)</b>

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

### 33.2 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 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	-	-	-	-	-
Short term borrowing	141,814	141,814	(141,814)	-	-
Trade and other payables	183,377	183,377	(1,696)	(181,681)	-
Unpaid dividend	4,268	4,268	(4,268)	-	-
<b>June 30, 2019</b>	<b>329,459</b>	<b>329,459</b>	<b>(147,778)</b>	<b>(181,681)</b>	<b>-</b>
Long term financing	116,743	116,743	-	-	(116,743)
Short term borrowing	10,149	10,149	(10,149)	-	-
Trade and other payables	175,214	175,214	(1,696)	(173,518)	-
Unpaid dividend	4,268	4,268	(4,268)	-	-
<b>June 30, 2018</b>	<b>306,374</b>	<b>306,374</b>	<b>(16,113)</b>	<b>(173,518)</b>	<b>(116,743)</b>

The Contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30. The rate of mark-up have been disclosed in note 18 to these financial statements.



### 33.3 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 is 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/ mark-up 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 re-price 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 instruments was as follows:

2019	2018	2019	2018
Effective interest rate (%)		Carrying amount(Rs.'000')	

#### Financial liabilities

Long term financing	<b>12 Month KIBOR plus KIBOR +2%</b>	12 Month KIBOR plus KIBOR +2%	0	116,743
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#### Sensitivity analysis

As at balance sheet date, the Company does not account for any fixed rate financial assets or liabilities carried at fair value through profit or loss. Therefore, change in interest rates at reporting date would not affect profit and loss account.

### 33.4 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 arm's 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.

### 33.5 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	2019			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
Long term borrowings	-	-	-	0
	2018			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
Long term borrowings	-	116,743	-	116,743

There have been no transfers during the year (2017: no transfers in either direction).

- 33.5.1** Certain categories of operating fixed assets are carried at revalued amounts (level 2 measurement) determined by a professional valuer based on their assessment of the market values as disclosed in note 7.1 to these financial statements.

### 34 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 lights of changes in economic conditions. As at June 30, 2019 the negative shareholders' equity amounts to Rs. (151.579) million (2018: Rs. 196.797 million).

### 35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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:

	Executives		Chief Executive		Directors		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
----- Rupees in thousands -----								
Managerial Remuneration	1,200	1,200	2,400	2,400	-	-	3,600	3,600
Retirement benefits and provident fund contribution	-	-	-	-	-	-	-	-
Rent, utilities, leave encashment etc.	-	-	1,719	1,176	59	-	1,778	1,176
Directors' fees	-	-	-	-	-	185	-	185
	<b>1,200</b>	<b>1,200</b>	<b>4,119</b>	<b>3,576</b>	<b>59</b>	<b>185</b>	<b>5,378</b>	<b>4,961</b>
No. of persons	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

### 36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiaries, associates, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019	2018
	(Rupees in thousand)	
<b>Subsidiaries</b>		
Loan provided to subsidiary companies	-	206
Payments made on behalf of subsidiary companies	-	206
Amount adjusted between two subsidiaries	-	-
<b>Provident Fund</b>		
Contribution paid to Provident Fund	177	175



	2019	2018
	(Rupees in thousand)	
<b>Directors</b>		
Directors' fee paid	-	185
Markup on long term borrowings	-	1,750
<b>Other related parties due to close family relationship with director</b>		
Long term Loan received	6,080	16,164
Short term borrowing	131,665	1,316
Purchases	891	4,833
Funds received - net	137,745	17,480
Markup on long term borrowings	8,242	3,373

**36.1** Transactions with key management personnel are carried out under the terms of their employment. They are also provided with the use of Company maintained automobiles and certain

**36.2** The transactions with related parties are made under mutually agreed terms and conditions

**36.3** Following are the related parties with whom the Company had entered into transactions during the year:

S.No.	Name	Relationship	Direct shareholding %
1	Johnson and Phillips Industries	Subsidiary	100%
2	Johnson & Phillips Transformers	Subsidiary	70%
3	J & P EMO Pakistan (Pvt) Ltd	Subsidiary	51%
4	Elmetec (Pvt) Limited	Associated Company	-
5	Mr. Shehryar Saeed	Chief Executive	-
6	Mr. Salman Ganny	Director	-
7	Provident Fund	Retirement benefit Fund	-
8	Mr. Tariq Ahmed	Key management personnel	-

### 37 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 products manufactured according to required specifications.

**38 NUMBER OF EMPLOYEES****2019****2018****Numbers**

- Total employees as at the year end	<u>8</u>	<u>8</u>
- Average employees during the year	<u>8</u>	<u>12</u>

**39 GENERAL**

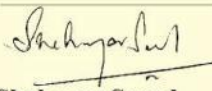
**39.1** Figures have been rounded off to the nearest thousand rupee.

**39.2** Corresponding figures have been re-arranged & re-classified, whenever, necessary for the purpose of comparison and better presentation. Following major reclassifications have been made during the year:

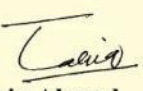
<b>Description</b>	<b>Reclassification from</b>	<b>Reclassification to</b>	<b>(Rupees in thousand)</b>
Loan from related parties	Long term borrowings	Short term borrowing	<u>3,298</u>
Loan from others	Current and overdue portion of long term borrowings	Short term borrowing	<u>4,000</u>

**40 DATE OF AUTHORIZATION**

These financial statements were authorized for issue On September 30, 2019 by the Board of Directors of the Company.

  
**Shehryar Saeed**  
 Chief Executive

  
**Marium Shafi**  
 Director

  
**Tariq Ahmed**  
 Chief Financial Officer



**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

## DIRECTORS' REPORT

The Directors of your Company are pleased to present the consolidated Audited Financial statements for the year ended June 30, 2019 and Auditors' Report thereon.

### Financial Highlights

The comparative financial highlights of your Company for the year ended June 30, 2019 and June 30, 2018 are as follows:

	2019	2018
	.....Rupees in '000.....	
(Loss) for the year before taxation	(36,333)	(49,298)
Out of which the Directors have accounted		
For taxation - current	835	638
Disposable (loss) for appropriation	(35,498)	(48,660)
Accumulated (Losses) brought forward	(391,839)	(349,328)
Adjustment for: Incremental depreciation on revalued assets	5,711	5,941
Other Comprehensive Profit/(Loss)	534	208
<b>Accumulated losses carried over to Balance Sheet</b>	<b>(420,030)</b>	<b>(391,839)</b>

The following subsidiaries have been consolidated in the financial statements of the holding company:

Johnson and Phillips Industries (Pakistan) Limited  
Johnson & Phillips Transformers (Private) Limited  
J&P EMO Pakistan (Private) Limited

The subsidiaries of the group have ceased production/ operation.

### Loss per Share

Earnings per share for the year ended June 30, 2019 is Rs.(6.51) [June 30, 2018 Rs.(8.93)].

### Material Changes

There has been no material changes since June 30, 2019 and the Company has not entered into any commitments which would affect its financial position on that date.

### Performance Review

The Sales -net for the year was Rs.4.0M as compared to Rs.6.3M for the corresponding period of last year. The cost of sales for the year was 10.5M as compared to Rs.24.6M.

The Gross loss of the Company was Rs.(6.4) against a loss of Rs. (18.3M) in the corresponding period of last year. The Company's Distribution cost, Administrative expenses and finance cost during the year ended June 30, 2019 was Rs.30.2M as against Rs.34.5M in the corresponding period of previous year.

A loss after tax of Rs.35.4M was reported for the year ended June 30, 2019 compared to a loss after tax of Rs.48.6M in the corresponding period. Management of your Company is making concerted efforts and continues to endeavor to achieve improved performance in the future.

### External Audit

The auditors M/s. Nazir Chaudhri & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment.

**The Auditors give disclaimer of opinion on the going concern issue in their Auditor's Report.**

### Internal Audit

The Company's Board closely follows the activities of the Internal Audit Department as a service to all levels of Management. The main objective of the independent Internal Audit Department is to provide reasonable assurance to the Board and Management that the existing systems of internal control are adequate and operating satisfactorily. As an Internal Audit Department adds value to the Company's operations, makes suggestions and recommendations for improved operational performance.

### Statement of Corporate and Financial Reporting Framework

The corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and adopted by the Pakistan Stock Exchange for all listed companies, and is pleased to certify that:

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required under the Companies Act, 2017.
3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
4. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve objectives, and by its nature can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process used by the Board to review the effectiveness of the system of internal control includes, inter-alia, the following:



- A Board Audit Committee (BAC) is in place. It reviews the approach adopted by the Company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the BAC discusses the actions to be taken in areas of concern with the relevant executives. The BAC consists of three members. The Chairman of the BAC is an independent director and all the other members of the BAC are independent directors.

- An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.

- There is an annual budgeting and strategic planning process. Financial forecasts are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.

6. There is no doubt upon the Company's ability to continue as a going concern.

7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.

8. The Company has followed the best practices of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and there is no material departure there from.

9. The related parties' transactions are approved or ratified by the Board Audit Committee and the Board of Directors.

10. All major decisions relating to the investments / disinvestments, changes in the policies are taken by the Investment Committee / Board of directors.

11. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.

12. Outstanding taxes and duties are given in the financial statements.

#### **Board of Directors**

##### **Composition of the Board**

The Board of Directors comprises of seven members, two Non-Executive Directors, four independent Directors and one Executive Director (MD & Chief Executive Officer).

##### **Name**

Mr. Salman Ganny (Chairman)  
Mr. Shehryar Saeed (MD & Chief Executive Officer)  
Ms. Mariam Shafi  
Mr. Arif Ahmed Siddiqui  
Mr. Muhammad Azharul Islam  
Mr. Abid Saeed Khan  
Mr. Syed Jamshed Zaidi

##### **Pattern of Shareholding**

A statement showing the pattern of shareholding is attached with this report.

##### **Future Plan /growth**

Mr. Muhammad Anis Mianoor through its manager to the offer has submitted Public Announcement of Offer to acquire 20.14% shares and through share purchase agreement 49.90% shares and control of Johnson & Phillips (Pakistan) Limited. They already hold 9.80% shares of the Company.

All procedures relating to public offer by the acquirer including payment of consideration to shareholders who have accepted the public offer is in the process of finalization.

##### **Acknowledgement**

The Board of Directors would like to express its sincere appreciation to the Company's valued clients, business partners and other stakeholders. The Board would also like to thank the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange and the Central Depository Company for their continued guidance and support.

**Shehryar Saeed**  
MD & Chief Executive Officer  
Karachi: September 30, 2019

**Salman Ganny**  
Chairman

## ڈائریکٹر رپورٹ

آپ کی کمپنی کی ہدایت نامہ 30 جون 2019 کو مستفاد آڈٹ مالیاتی بیانات اور اس پر آڈیٹرز کی رپورٹ پیش کرنے پر خوشی ہے۔  
مالی جھلکیاں۔

30 جون 2019 اور 30 جون 2018 کو ختم ہونے والے سالانہ آپ کی کمپنی کی تقابلی مالی جھلکیاں درج ذیل ہیں۔

2018	2019	
000	000	..... روپے میں
(49,298)	(36,333)	ٹیکس لگانے سے پہلے سال کے لئے (نقصان)
		جس میں سے ڈائریکٹرز کا حساب کتاب ہے۔
638	835	ٹیکس لگانے کے لئے۔ موجودہ
(48,660)	(35,498)	تخصیص کے لئے ڈیپوزائٹل (نقصان)
(349,328)	(391,839)	جمع (نقصانات) آگے لایا
5,941	5711	ایڈجسٹمنٹ کے لئے منظور اثاثوں پر اضافی گراؤ
208	534	دیگر جامع منافع/ (نقصان)
(391,839)	(420,030)	نیلنس شیٹ کو جمع شدہ نقصانات

بولنگ کمپنی کے مالی بیانات میں مندرجہ ذیل ذیلی کمپنیوں کو منظم کیا گیا ہے:

جانسن اینڈ فلیس انڈسٹریز (پاکستان) لمیٹڈ

جانسن اینڈ فلیس ٹرانسفارمرز (جی) لمیٹڈ

جے اینڈ پی ای ایم او پاکستان (جی) لمیٹڈ

گروپ کی ذیلی کمپنیوں نے پیداوار/ کام بند کر دیا ہے۔

نقصان فی شیئر

30 جون 2019 کو ختم ہونے والے سال کے لئے فی حصص آمدنی (6.51) ملین روپے 30 جون 2018 (8.93) ملین روپے ہے۔

مادی تبدیلیاں

30 جون 2019 سے اب تک مادی تبدیلیاں نہیں کی گئیں اور کمپنی نے کسی بھی وعدے میں داخل نہیں کیا ہے جس کی وجہ سے اس تاریخ سے اس کی مالی حیثیت متاثر ہوگی۔

کارکردگی کا جائزہ۔

پچھلے سال کے اسی عرصے کے لئے اس سال کے لئے سیلز نیٹ 4.0 ملین روپے تھا جبکہ اس کے مقابلے میں 6.3 لاکھ روپے تھے۔ سال کے لئے فروخت کی لاگت 10.5 ملین روپے کے مقابلے میں 24.6 ملین تھی۔

کمپنی کا مجموعی خسارہ (6.4 ملین) تھا، جبکہ اس کے خسارے میں روپے کا نقصان ہوا۔ (18.3 ملین) گزشتہ سال کی اسی مدت میں کمپنی کی تقسیم لاگت، انتظامی اخراجات اور فنانس کی لاگت 30 جون 2019 کو ختم ہو گئی جو گزشتہ سال کے اسی عرصے میں

30.2 ملین روپے تھی

اسی عرصے میں ٹیکس کے بعد ہونے والے نقصان کے مقابلے میں 34.5 ملین روپے ختم ہونے والے سال کے دوران ٹیکس کے بعد ہونے والا نقصان 48.6 ملین روپے بتایا گیا ہے۔ آپ کی کمپنی کا انتظام منظم کوششیں کر رہا ہے اور مستقبل میں بہتر

کارکردگی کے حصول کے لئے کوشاں ہے۔

اس مالیاتی سال میں بولنگ کمپنی بورڈ کے فیصلے کے مطابق اراضی، عمارت اور پلانٹ اور مشینری سمیت تمام فیکٹری اثاثوں کا جائزہ لیا گیا ہے۔ تجزیہ شدہ رقم مالیاتی ایم/ ایس سہرا اینڈ کمپنی (پرائیویٹ) لمیٹڈ کی جانب سے 31 جنوری 2019 کی اپنی رپورٹ

میں جاری کردہ مالی اعداد و شمار میں طے شدہ اثاثوں کی تجزیہ پر اضافی رقم کو شامل کر کے اور اس کے مطابق پہلے کے سالوں کی بحالی سے لی گئی ہے۔

بیرونی آڈٹ۔

آڈیٹرز میس، مندرجہ ذیل اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ سالانہ جرنل میٹنگ کے اختتام پر ریٹائر ہو گئے۔ اہل ہونے کے ناطے، انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمپنی کی سفارش پر بورڈ نے ان کی دوبارہ تقرری کی تجویز پیش کی ہے۔

اندرونی آڈٹ

کمپنی کا بورڈ مینجمنٹ کے ہر سطح کی خدمت کے طور پر فیکٹری اڈٹ کی سرگرمیوں کو قریب سے پیروی کرتا ہے۔ آزاد داخلی آڈٹ فیکٹری کا بنیادی مقصد بورڈ اور انتظامیہ کو یہ معقول یقین دہانی فراہم کرنا ہے کہ داخلی کنٹرول کے موجودہ نظام مناسب اور قابل

اطمینان بخش کام کر رہے ہیں۔ چونکہ داخلی آڈٹ ڈیپارٹمنٹ کمپنی کے کاموں میں قدر کا اضافہ کرتا ہے، بہتر آپریشنل کارکردگی کے لئے تجاویز اور سفارشات دیتا ہے۔

کارپوریٹ اور مالی رپورٹنگ فریم ورک کا بیان۔

اس کے تحت بنائے گئے کارپوریٹ قوانین، قواعد و ضوابط کمپنی کے بورڈ آف ڈائریکٹرز کے مجموعی کاموں کی اہمیت پر ہیں۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ذریعہ تجویز کردہ اور کارپوریٹ گورننس کے ضابطہ اخلاق کے تحت کارپوریٹ ذمہ داریوں

سے بورڈ کو پوری طرح آگاہی ہے، اور تمام اسٹاک کیپٹلوں کے لئے پاکستان اسٹاک ایکسچینج نے اپنایا ہے، اور اس بات کی تصدیق کرتے ہوئے خوشی سے

1. کمپنی کے ذریعہ تیار کردہ مالی بیانات اس کی امور کی معافانہ حیثیت اس کے آپریشنل نقد بہاؤ اور ایکویٹی میں بدلاؤ کا نتیجہ پیش کرتے ہیں۔

2. کمپنی۔ کیپٹنیز ایکٹ، 2017 کے تحت ضرورت کے مطابق اکاؤنٹس کی مناسب کتابیں برقرار رکھی ہیں۔



3. کمپنی نے مالی بیانات کی تیاری میں مستقل اکاؤنٹنگ کی مناسب پالیسیوں کی پیروی کی ہے۔ تبدیلیاں جہاں کہیں بھی ہوں، مناسب طور پر ظاہر کی گئیں اور حساب کتاب کا تخمینہ جتنا اور معقول فیصلے کی بنیاد پر ہے۔

4. بین الاقوامی اکاؤنٹنگ معیار اور انٹرنیشنل فنانس رپورٹنگ اسٹینڈرڈ (IFRS) کی مالی اعانت کی تیاری کے تحت عمل کیا گیا ہے اور اس میں سے کسی بھی طرح کی روایتی، اگر کوئی ہے تو، ان کا مناسب طور پر انکشاف کیا گیا ہے۔

5. اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسے موثر انداز میں نافذ اور نگرانی کی جارہی ہے۔ اس طرح کا نظام اہداف کے حصول میں ناکامی کے خطرے کو ختم کرنے کے بجائے اس کا انتظام کرنے کے لئے بنایا گیا ہے، اور اس کی فطرت سے مادی بدانتظامی یا نقصان کے خلاف صرف معقول، اور عقلی نہیں، یقین دہانی فراہم کی جاسکتی ہے۔ داخلی کنٹرول کے نظام کی تائید کا جائزہ لینے کے لئے بورڈ کے ذریعہ جو عمل استعمال کیا گیا ہے اس میں مندرجہ ذیل شامل ہیں:

بورڈ آف ڈائریکٹرز (بی اے سی) موجود ہے۔ یہ کمپنی کے داخلی آڈٹ ڈیپارٹمنٹ کے ذریعہ اختیار کردہ نقطہ نظر اور بیرونی آڈیٹرز کے دائرہ کار اور اس کے ساتھ تعلقات کا جائزہ لیتا ہے۔ یہ داخلی کنٹرول کے نظام اور داخلی کنٹرول کے نظام اور بیرونی آڈیٹرز کی طرف سے بھی اطلاعات موصول کرتا ہے جس کی نشاندہی کی گئی ہے۔ مزید یہ کہ، بی اے سی متعلقہ ایگزیکٹوز کے ساتھ تشویش کے علاقوں میں کی جانے والی کارروائیوں پر تبادلہ خیال کرتی ہے۔ بی اے سی تین ممبروں پر مشتمل ہے۔ بی اے سی کا چیئرمین آزاد ڈائریکٹر ہے اور بی اے سی کے دیگر تمام ممبر آزاد ڈائریکٹر ہیں۔

• ایک تنظیم ڈھانچہ قائم کیا گیا ہے، جو مواصلات کی واضح لائنوں اور ذمہ داری اور جوابدہی کے وفد کے ساتھ اختیارات کی باضابطہ سطح کی حمایت کرتا ہے۔

• بحران سازی اور حکمت عملی کی منصوبہ بندی کا ایک سالانہ عمل ہے۔ مالی پیش گوئی تیاری جاتی ہے اور کاروباری ماحول میں نمایاں تبدیلیوں کی عکاسی کے لئے ان حکمت عملیوں کا سال کے دوران جائزہ لیا جاتا ہے۔

6. کمپنی کی تشویش کی حیثیت سے جاری رکھنے کی صلاحیت پر کوئی شک نہیں ہے۔

7. آپ کی کمپنی کے ڈائریکٹرز یہ محسوس کرتے ہیں کہ مستقبل کی نمو کے لئے سرمائے کا تحفظ بہت ضروری ہے، لہذا موجودہ سال کے لئے کوئی منافع کا اعلان نہیں کیا گیا ہے۔

8. کمپنی نے درج کمپنیوں (کوڈ کارپورٹ گورننس) ریگولیشنز 2017 کے بہترین طریقوں پر عمل کیا ہے اور ہاں سے کوئی مادی اخراج نہیں ہوا ہے۔

9. متعلقہ فریقوں کے لین دین بورڈ آف ڈائریکٹرز کے ذریعہ منظور یا توثیق ہوتے ہیں۔

10. سرمایہ کاری/عدم سرمایہ کاری، پالیسیوں میں تبدیلی سے متعلق آل مجاہد فیصلے انویسٹمنٹ کمیٹی/بورڈ آف ڈائریکٹرز کے ذریعہ لیتے ہیں۔

11. سی ای او، سی ایف او اینڈ مینیجنگ ڈائریکٹر اور ہیڈ آف انٹرئل آڈٹ کی تقرری، اور معاوضے کو ٹھیک کرنے یا تبدیل کرنے سے متعلق فیصلے بورڈ کے ذریعہ لئے اور منظور کیے گئے ہیں۔

مالی اعداد و شمار میں ہٹاؤں کیس اور ڈیوٹی دی جاتی ہے

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز میں سات ممبران، دو غیر ایگزیکٹو ڈائریکٹرز، چار آزاد ڈائریکٹر اور ایک ایگزیکٹو ڈائریکٹر (ایم ڈی اور چیف ایگزیکٹو آفیسر) شامل ہیں۔

نام۔

مسٹر سلمان فنی (چیئرمین)

جناب شہر یار سعید (ایم ڈی اور چیف ایگزیکٹو آفیسر)

محترمہ مریم شفیق

جناب عارف احمد صدیقی

جناب محمد اظہار الاسلام

جناب عابد سعید خان

جناب سید جمشید ریڈی

شیئر ہولڈنگ کا نمونہ۔

اس رپورٹ کے ساتھ شیئر ہولڈنگ کا انداز ظاہر کرنے والا ایک بیان منسلک ہے۔

مستقبل کا منصوبہ/نمو۔

مسٹر محمد انیس میاں نے اپنے فیچر کے ذریعے ان پش پیش کش 20.14% حصص کے حصول اور شیئر خریداری کے معاہدے کے ذریعے 49.90% حصص اور جانسن اینڈ فلیس (پاکستان) لمیٹڈ کا کنٹرول حاصل کرنے کے لئے آفر کا دعویٰ اعلان پیش کیا ہے۔ ان کے پاس پہلے ہی کمپنی کے 9.80% فیصد حصص ہیں۔

حصول کاروں کے ذریعے دعویٰ پیش کش سے متعلق تمام طریقہ کار جن میں حصص یافتگان کو دعویٰ پیش کش قبول کی گئی ہے ان پر غور کی ادائیگی بھی شکل دینے کے عمل میں ہے۔

اعتراف

بورڈ آف ڈائریکٹرز کمپنی کے قابل قدر نمونوں، کاروباری شراکت داروں اور دیگر اسٹیک ہولڈرز کے ساتھ اپنی مخصوص تعریف کا اظہار کرنا چاہے گا۔ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج اور سنٹرل ڈپازٹری کمپنی کو ان کی مسلسل رہنمائی اور مدد کے لئے بھی شکریہ ادا کرنا چاہتا ہے۔

سلمان فنی

چیئرمین۔

شہر یار سعید

ایم ڈی اور چیف ایگزیکٹو آفیسر

کراچی 30 ستمبر 2019



## **INDEPENDENT AUDITOR'S REPORT**

### **To the members of Johnson & Phillips (Pakistan) Limited**

#### **Qualified Opinion**

#### **Disclaimer of Opinion**

We have audited the annexed consolidated financial statements of Johnson & Phillips (Pakistan) limited (the Holding Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the annexed consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

- (a) as discussed in Note 2 to the financial statements, the Group has incurred a loss of Rs. 35.450 million for the year ended 30 June 2019, and as of that date the Group was in net current liability position Rs. 303.063 million and accumulated losses of the Group stand at Rs. 413.026 million. These conditions along with other matters as set forth in note 2 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. Further, owing to the substantial acquisition of the shares of the Holding Company by a prospective investor as disclosed in note 1.2 to the financial statements, the existing sponsors of the Holding Company have withdrawn their commitment to support the Group and accordingly their liabilities amounting to Rs. 280 million have become due in the next twelve months. We have been informed that the Group's future course of action will be decided by the new management.

In view of the material uncertainty in respect of the Holding Company's ability to as going concern and the lack of sufficient appropriate audit evidence in confirming whether the prospective investor will provide additional funding for the Holding Company's working capital and to discharge the Holding Company's liabilities, we were unable to conclude whether the use of the going concern assumptions in the preparation of these financial statements is appropriate.

The consolidated financial statements have been prepared on the assumption that the Company will continue as going concern. If the Holding Company is unable to continue in operational existence for the foreseeable future, and the Holding Company may be unable to discharge its liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Holding Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

- (b) The Holding Company has not deposited unclaimed dividend amounting to Rs. 4.268 million in a separate bank account designated for this purpose.
- (c) The financial statements of the subsidiary companies, Johnson and Phillips Industries (Pakistan) limited, Johnson & Phillips Transformers (Private) Limited and J & P EMO Pakistan (Private) Limited for the year ended June 30, 2019 were audited by us. Due to the significance of the matters mentioned below, the scope of our work was not sufficient to enable us to express, and we did not express our opinion in our reports dated October 04, 2019 on the financial statements referred to above:
- i) The subsidiaries have not maintained certain customary accounting records and supporting documents relating to transactions with its customers and suppliers, particularly with respect to receivables, payables, bank balances, fixed assets and inventories. Further, in the absence of information regarding realizable value of several balances under advances, deposits and other receivables aggregating to Rs. 2.655 million (2018: Rs. 2.655 million). We were not able to confirm whether the amount would be realized at carrying values. Moreover, due to lack of customary accounting records and supporting documents, we were unable to verify the subsidiary companies' liabilities aggregating to Rs. 57.773 million (2018: Rs. 57.725 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these conditions.
- ii) During the year ended 30 June 2018, the management of subsidiary companies have written off assets amounting to Rs.10.872 million which include long term deposits of Rs.0.711 million, advance of Rs.0.167 million cash at bank of Rs.9.376 million and other receivable of Rs.0.618 million and wrote back liabilities amounting to Rs.11.377 million which include Creditors of Rs.8.139 million and other liabilities of Rs.3.238 million resulting in recognition of expense in statement of profit or loss of Rs.10.872 million and income of Rs.11.377 million.



We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the subsidiary companies' financial statements for the year ended 30 June 2018 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.

- iii) During the year ended 30 June 2017, the management of the subsidiaries of the group, Johnson and Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited recorded disposal and reversal of certain assets and liabilities in the financial statements of these subsidiaries including assets held for sale amounting to Rs. 23.870 million, stores, spare parts and loose tools amounting to Rs. 2.396 million, stock in trade amounting to Rs. 12.705 million, advances amounting to Rs. 9.005 million, short term loan from commercial bank amounting to Rs. 37.242 million and recognised a loss on sale of assets held for sale amounting to Rs. 1.504 million in profit and loss account resulting in increase in bank balance amounting to Rs. 9.213 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the subsidiary companies' financial statements for the year ended 30 June 2016 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
- iv) In the absence of information regarding the latest positions of income tax assessments of the subsidiary companies, we are unable to ascertain the possible effects of the contingencies or other financial effects, if any, on these financial statements that may arise due to the decision against appeals filed by the subsidiaries with income tax authorities.
- v) As explained in note 2.1 to the consolidated financial statements, the subsidiaries of the group, Johnson and Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited ceased production in July 1997 and February 1998 respectively. Further, the accumulated losses of all the subsidiary companies as at June 30, 2019 stand at Rs.136.714 million (2018: Rs. 136.66 million). These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the subsidiary companies' ability to continue as a going concern.
- vi) We have requested the confirmation of balances and other information as at June 30, 2019 from the banks of subsidiaries and to date we have not received any satisfactory response. In the absence of replies, it cannot be assessed with any degree of accuracy that the bank balances and other information stated in the companies records are in agreement with the bank concerned
- vii) In the absence of information regarding current status of taxation, the amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets is recognized in the balance sheets of the subsidiary companies, we are unable to ascertain the possible effect of deferred tax on the subsidiaries' financial statements.

#### **Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2018 and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Nisar Ahmed, FCA.

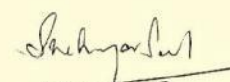
Nazir Chaudhri & Co.  
Chartered Accountants  
Karachi



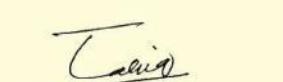
**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at June 30, 2019

		2019	2018
	Note	(Rupees in thousand)	Restated
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	467,184	14,194
Intangible Asset	6	-	-
Long term deposits		559	559
		467,743	14,753
<b>CURRENT ASSETS</b>			
Stock-in-trade	7	1,956	1,926
Trade debts	8	165	-
Loans and advances	9	35	62
Deposits, prepayments and other receivables	10	-	40
Tax refunds due from government	11	26,676	26,239
Cash and bank balances	12	219	4,556
		29,051	32,823
Non-current assets classified as held for sale	4	-	472,158
<b>TOTAL ASSETS</b>		<b>496,794</b>	<b>519,734</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
Authorized capital		80,000	80,000
8,000,000 (2018: 8,000,000) ordinary shares of Rs. 10			
Issued, subscribed and paid-up capital	13	54,500	54,500
Share premium reserve		29,727	29,727
General reserve		23,073	23,073
Surplus on revaluation of property, plant and equipment - net of tax	15	457,896	474,380
Accumulated loss		(420,030)	(391,839)
		145,166	189,841
Non-controlling interest	14	-	-
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	16	-	116,743
Deferred liabilities	17	13,106	14,504
		13,106	131,247
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	188,195	179,984
Short term borrowings	19	145,499	13,834
Mark up accrued	20	-	-
Unpaid dividend		4,268	4,268
Taxation		560	560
		338,522	198,646
Contingencies and commitments	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>496,794</b>	<b>519,734</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

  
**Mariam Shafi**  
Director

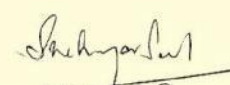
  
**Tariq Ahmed**  
Chief Financial Officer




**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
Revenue from sales and services - net	22	4,078	6,312
Cost of sales and services	23	(10,504)	(24,645)
<b>Gross loss</b>		<b>(6,426)</b>	<b>(18,333)</b>
Distribution cost	24	(853)	(812)
Administrative expenses	25	(21,083)	(28,571)
		(21,936)	(29,383)
		<b>(28,362)</b>	<b>(47,716)</b>
Finance cost	26	(8,315)	(5,144)
Other income	27	344	3,057
Assets written off		-	(10,872)
Liabilities written back		-	11,377
		(7,971)	(1,582)
<b>Loss before taxation</b>		<b>(36,333)</b>	<b>(49,298)</b>
Taxation	28	835	638
<b>Loss after taxation</b>		<b>(35,498)</b>	<b>(48,660)</b>
<b>Loss after taxation for the year attributable to:</b>			
- Owners of the Holding Company		(35,511)	(50,233)
- Non-controlling interests		13	1,573
		<b>(35,498)</b>	<b>(48,660)</b>
-----Rupees-----			
<b>Loss per share - basic and diluted</b>	29	<b>(6.51)</b>	<b>(8.93)</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director

  
**Tariq Ahmed**  
Chief Financial Officer

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended June 30, 2019

**2019**                      **2018**  
**(Rupees in thousand)**

Loss for the year (35,498)                      (48,660)

**Other comprehensive income**

*Items that will not be reclassified to profit or loss:*

Gain on remeasurement of post employment benefit obligation	534	208
Gain on revaluation of land, buildings and plant & machinery	-	318,232
Deferred tax on gain on revaluation of land, buildings and plant & machinery	-	(5,428)
	-	312,804

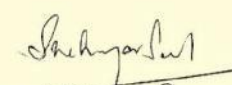
*Items that may be reclassified to profit or loss in subsequent periods:* -                      -

**Total comprehensive income / (loss)** (34,964)                      264,352

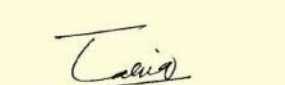
**Total comprehensive loss for the year attributable to:**

- Owners of the Holding Company	(34,977)	262,779
- Non-controlling interests	13	1,573
	<u>(34,964)</u>	<u>264,352</u>

*The annexed notes from 1 to 39 form an integral part of these financial statements.*

  
**Shehryar Saeed**  
**Chief Executive**

  
**Marium Shafi**  
**Director**

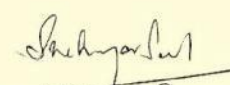
  
**Tariq Ahmed**  
**Chief Financial Officer**



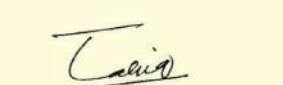
**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	31	(11,717)	(20,263)
Taxes paid		(333)	(494)
Gratuity paid	17.1.2	-	(21)
Finance cost paid		(41)	(21)
Net cash used in operating activities		(12,091)	(20,799)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(55)	(115)
Proceeds from disposal of property, plant and equipment		1,129	2,239
Net cash generated from investing activities		1,074	2,124
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term borrowing		6,080	18,797
Repayment of short term borrowing		600	-
Net cash generated from financing activities		6,680	18,797
Net (decrease) / increase in cash and cash equivalents		(4,337)	122
Cash and cash equivalents at beginning of the year		4,556	4,434
Cash and cash equivalents at end of the year	30	219	4,556

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

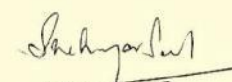
  
**Marium Shafi**  
Director

  
**Tariq Ahmed**  
Chief Financial Officer

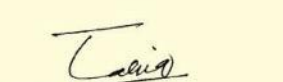
**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended June 30, 2019

	Capital reserve			Revenue reserve		
	Issued, subscribed and paid- up capital	Share premium reserve	Surplus on revaluation of fixed assets	General reserve	(Accumulated loss)	Total
	( Rupees in thousand )					
Balance as at June 30, 2017	54,500	29,727	167,128	23,073	(349,328)	(74,900)
Net loss for the year	-	-	-	-	(48,660)	(48,660)
Other comprehensive income						
Gain on remeasurement of post employment benefit obligation	-	-	-	-	208	208
Gain on revaluation of land, building and plant & machinery	-	-	318,232	-	-	318,232
Deferred tax on gain on revaluation of building and plant & machinery	-	-	(5,428)	-	-	(5,428)
	-	-	312,804	-	-	312,804
Transfer from surplus on revaluation of property, plant and equipment - note 16	-	-	(5,941)	-	5,941	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate - note 16	-	-	389	-	-	389
<b>Balance as at June 30, 2018</b>	<b>54,500</b>	<b>29,727</b>	<b>474,380</b>	<b>23,073</b>	<b>(391,839)</b>	<b>189,841</b>
Net loss for the year	-	-	-	-	(35,498)	(35,498)
<b>Other comprehensive income</b>						
Gain on remeasurment of post employment benefit obligation	-	-	-	-	534	534
Adjustment on disposal of revalued asset	-	-	(1,062)	-	1,062	-
Deferred tax on diposal adjustment during the period	-	-	308	-	-	308
	-	-	(754)	-	1,062	308
Reclassification adjustment of assets held for sale - note 5	-	-	(10,133)	-	-	(10,133)
Deferred tax on reclassification adjustment - note 5	-	-	638	-	-	638
	-	-	(9,495)	-	-	(9,495)
Transfer from surplus on revaluation of property, plant and equipment - note 18	-	-	(5,711)	-	5,711	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate - note 18	-	-	(524)	-	-	(524)
<b>Balance as at June 30, 2019</b>	<b>54,500</b>	<b>29,727</b>	<b>457,896</b>	<b>23,073</b>	<b>(420,030)</b>	<b>145,166</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director

  
**Tariq Ahmed**  
Chief Financial Officer



**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended June 30, 2019

## **1 STATUS AND NATURE OF BUSINESS**

- 1.1** Johnson & Phillips (Pakistan) Limited (the Holding Company) was incorporated in Pakistan as a public limited company on April 15, 1961 and its shares are quoted on Pakistan Stock Exchange Limited. The registered office of the holding company is situated at C-10, South Avenue, SITE, Karachi. The Holding Company is principally engaged in manufacturing, installing and selling of electrical equipments.

Subsidiaries of Johnson & Phillips (Pakistan) Limited are public and private limited companies and those were engaged in the business of manufacturing and sale of electrical and mechanical equipments/appliances and participation in turnkey engineering industrial projects.

The following subsidiaries have been consolidated in the financial statements of the Holding Company.

<b>Subsidiaries</b>	<b>Company status</b>	<b>Group Holding</b>
Johnson and Phillips Industries (Pakistan) Limited	Public Limited	100%
Johnson & Phillips Transformers (Private) Limited	Private Limited	70%
J & P EMO Pakistan (Private) Limited	Private Limited	51%

## **1.2 Geographical location of business units**

### **Head Offices**

The registered offices of the Holding Company and all of its subsidiaries are situated at C-10, South Avenue, SITE, Karachi

### **Plants**

The manufacturing facilities of the Holding Company and all of its subsidiaries are situated at C-10, South Avenue, SITE, Karachi

- 1.3** Mr. Muhammad Anis Mianoor ("Acquirer") has entered into a share purchase agreement with Etheridge Company Limited for the purchase of 2,719,536 fully paid ordinary shares of holding Company Johnson & Phillips (Pakistan) Limited. The Acquirer is to proceed with the transaction to make a Public Announcement of Offer as per the take-over laws. Once the contemplated transaction is concluded, the incoming major shareholder and the new management shall decide the future course of action accordingly.

## **1.4 Going Concern**

The accumulated losses of the Group as at June 30, 2018 stand at Rs. 420.030 million (2018: Rs. 391.839 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 309.471 million (2017: Rs. 165.823 million).

These conditions indicate the existence of material uncertainty which may cast significant doubts on the group's ability to continue as going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The sales of the holding Company is continuously decreasing because of low demand from the private sector.

The management of the holding Company is confident that the Company will continue as going concern in foreseeable future; hence, these consolidated financial statements have been prepared on going concern assumption.



## **2 BASIS OF PREPARATION**

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.

### **2.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### **2.2 Accounting convention**

These consolidated financial statements have been prepared under the historical cost convention, except for:

- Recognition of staff retirement benefits which are stated at present value as referred to in note 17.1.
- Certain items of property, plant and equipment which are stated at revalued amounts as referred to in note 5.

In these consolidated financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

### **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupee which is also the Group's functional currency.

### **2.4 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 3.1, are considered not to be relevant or do not have any significant effect on the Company's consolidated financial statements and are therefore not stated in these consolidated financial statements.

### **2.5 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's consolidated financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Its application is not likely to have an impact on Company's consolidated financial statements.



- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019) for a debt instrument to be eligible for measurement at amortized cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's consolidated financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on consolidated Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past consolidated financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose consolidated financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.

The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.



## 2.6 Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies consistently applied in the preparation of these consolidated financial statements are the same as those applied in earlier periods presented.

### 3.1 Changes in significant accounting policies

The note explains the impact of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 "Financial Instruments" on the Company's consolidated financial statements that have been applied w.e.f July 1, 2018 are as follows:

#### 4.1.1 IFRS 15 'Revenue from Contracts with Customers'

Effective July 1, 2018, the Company has applied IFRS 15 "Revenue from Contracts with Customers" for determining its revenue recognition policy. IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Company with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. However, The application of IFRS 15 has no material impact on the consolidated financial statements of the Company.

#### 4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. "Financial instruments: Recognition and measurement"

IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) Impairment of financial assets and iii) hedge accounting.



IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

#### **Classification and measurement of financial assets and financial liabilities**

This new standard requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial asset.

IFRS 9 no longer has an "Available for Sale" classification for financial assets. IFRS 9 has different requirements for debt and equity financial assets.

#### **Debt instrument should be classified and measured at either:**

- amortised cost, where the effective interest rate method will apply;
- fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

- fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).

Application of IFRS 9 had no impact on financial liabilities of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

		<b>Measurement Category</b>		<b>Carrying Amount</b>		
		<b>Original (IAS 39)</b>	<b>New (IFRS 9)</b>	<b>Original</b>	<b>New</b>	<b>Difference</b>
				-----	<b>Rupees in thousands</b>	-----
<b>Current Financial Assets</b>						
Trade debts	Loans and advances	Amortized cost		-	-	-
Deposits, prepayments and other receivables	Loans and advances	Amortized cost		40	40	-
Cash and bank balances	Loans and advances	Amortized cost		4,525	4,525	-
<b>Non-Current Financial Assets</b>						
Long term deposits	Held to maturity	Amortized cost		559	559	-
<b>Current financial liabilities</b>						
Trade and other payables	Amortized cost	Amortized cost		151,010	151,010	-
Short term borrowings	Loans and payables	Amortized cost		13,834	13,834	-
<b>Non Current financial liabilities</b>						
Long term borrowings	Held to maturity	Amortized cost		116,743	116,743	-

## Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

## 3.2 Employee benefits

### 3.2.1 Defined benefit plan

The Holding Company operates unfunded gratuity scheme for all its permanent employees according to terms of employment, subject to minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligation under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as June 30, 2018. Projected unit credit method is used for valuation of the scheme.

All actuarial gains and losses are recognized in 'Other Comprehensive Income' as they occur.

### 3.2.2 Defined contribution plan

The Holding Company operates provident fund for all its permanent employees. Equal monthly contributions are made both by the Holding Company and the employees at the rate of 8.33% of the basic salary.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these rules.

### 3.2.3 Provident fund related disclosures

The following information is based on latest financial statements of the Fund:

	Unaudited June 30, 2019	Unaudited June 30, 2018
	---Rupees in thousands---	
Size of the fund - Total assets	<u>6,031</u>	<u>4,761</u>
Cost of the Investment made	<u>4,000</u>	<u>4,000</u>
Percentage of investments made	<u>66%</u>	<u>84%</u>
Fair value of the investments	<u>6,031</u>	<u>4,761</u>

#### Break-up of the fair value of investments is:

	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
	---Rupees in thousands---			
Certificate of Investment	4,000	4,000	66%	84%

The investments out of the provident fund have been made in accordance with the provisions of section 218 of the Act and rules formulated for this purpose.



### 3.3 Compensated absences

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

### 3.4 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 included in profit and loss account.

### 3.5 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 Holding 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 recognized only if there is reasonable certainty for realization.

### 3.6 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.

### 3.7 Provisions

Provisions are recognized when the Holding 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.

### 3.8 Investments

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

### 3.9 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 6. 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 is included in income currently.

#### 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 6.



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.

### **3.10 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 exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

### **3.11 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.

### **3.12 Trade debts, loans, advances, deposits, prepayments and other receivables**

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

### **3.13 Warranties**

The management estimates at each balance sheet date a liability that could arise as a result of the Holding 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 recognized if the chances of warranty claims are remote.

### **3.14 Foreseeable losses on orders in hand**

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

### **3.15 Transaction with related parties**

The Holding Company enters into transactions with related parties on an arm's lengths basis except in circumstances where, subject to approval of the Board of Directors, it is in the interest of the Holding Company to do so.

### **3.16 Impairment non-financial assets**

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



### 3.17 Revenue recognition

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Revenue is recognised as follows:

- i) Sale of goods is recognised on dispatch of goods to customers i.e. when the significant risks and reward of ownership have been transferred to the customer.
- ii) Income from installation and repair projects are recognized as the work is completed and accepted by the customers.
- iii) Income on bank deposits and short term investments are recognised using the effective yield method.

### 3.18 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.

### 3.19 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprises of cash in hand, with Banks in current, PLS and deposit accounts net of short term borrowings under mark-up arrangements, if any.

### 3.20 Financial Instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

#### (i) Financial assets

##### - Classification

Effective July 1, 2018, the Company classifies its financial assets in the following measurement categories:

- a) Amortized cost where the effective interest rate method will apply;
- b) fair value through profit or loss;
- c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

##### - Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.



- **Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- **Debt instruments**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

**a) Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**b) Fair value through other comprehensive income (FVTOCI)**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income/charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/charges and impairment expenses are presented as separate line item in the statement of profit or loss.

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

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

- **De-recognition of financial assets**

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.



In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**- Impairment of financial assets**

Effective July 1, 2018, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Loans, advances, deposits, prepayments and other receivables
- Short term investments
- Cash and bank balances

Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**- Recognition of loss allowance**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

**- Write-**

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cashflows to repay the amount.

**(ii) Financial liabilities**

**- Classification, initial recognition and subsequent measurement**

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:



#### **a) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

#### **b) Amortised cost**

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortised cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

#### **- De-recognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### **(iii) Off-setting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

### **3.21 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

### 3.22 Dividend

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

### 3.23 Non-current assets (or disposal group) classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets (or disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

## 4 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Parent company has reclassified its Non Current Assets to property, plant and equipment, which were previously classified as held for sale in the latest audited consolidated financial statements, owing to the fact that an existing shareholder, Mr. Anis Mianoor (Acquirer) has filed an intention to acquire additional 49.9% shares and control of the Company. Accordingly, the Company believes that its decision to classify the non current assets ( Land and Building) as held for sale, in accordance with IFRS - 5 is no longer relevant.

	2019	2018
	----- (Rupees in thousand) -----	
<i>Carrying amount</i>		
Leasehold land	448,558	448,558
Building on leasehold land	23,600	23,600
<i>Reclassification adjustment charged to revaluation surplus:</i>		
Leasehold land	(7,933)	-
Building on leasehold land	(2,200)	-
<i>Written down value reclassified to property, plant &amp; equipment:</i>		
Leasehold land	(440,625)	-
Building on leasehold land	(21,400)	-
	<u>-</u>	<u>472,158</u>

## 5 PROPERTY, PLANT AND EQUIPMENT

	Lease hold Land	Building on lease hold land	Plant and machinery	Gas and electric installations	Factory tools	Vehicles	Furniture and fixtures	Office and other equipments	Total
----- Rupees in thousands -----									
As at 30 June 2017									
Cost	170,000	25,600	14,610	1,178	3,933	11,640	4,320	12,026	243,307
Accumulated depreciation	(16,143)	(10,453)	(8,522)	(1,178)	(3,851)	(11,559)	(4,320)	(11,963)	(67,989)
Net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Year Ended 30 June 2018									
Opening net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Additions during the year	-	-	-	-	-	-	-	115	115
Surplus on revaluation	298,143	10,133	9,956	-	-	-	-	-	318,232
Disposal									
Cost	-	-	-	-	-	(8,148)	-	-	(8,148)
Accumulated depreciation	-	-	-	-	-	8,080	-	-	8,080
	-	-	-	-	-	(68)	-	-	(68)
Classified as held for sale	(448,558)	(23,600)	-	-	-	-	-	-	(472,158)
Depreciation for the year	(3,442)	(1,680)	(2,115)	-	(8)	-	-	-	(7,245)
Closing net book value	-	-	13,929	-	74	13	-	178	14,194
Useful Life (Years)	99	10	7	10	5	4	5	5	
As at 01 July 2018									
Cost	-	-	24,566	1,178	3,933	3,492	4,320	12,141	49,630
Accumulated depreciation	-	-	(10,637)	(1,178)	(3,859)	(3,479)	(4,320)	(11,963)	(35,436)
Net book value	-	-	13,929	-	74	13	-	178	14,194
Year Ended 30 June 2019									
Opening net book value	-	-	13,929	-	74	13	-	178	14,194
Additions during the year	-	-	-	-	-	55	-	-	55
Disposal									
Cost	-	-	(2,994)	-	-	-	-	-	(2,994)
Accumulated depreciation	-	-	1,865	-	-	-	-	-	1,865
	-	-	(1,129)	-	-	-	-	-	(1,129)
Reclassification of assets held for sale - Note 5	440,625	21,400	-	-	-	-	-	-	462,025
Depreciation for the year	(3,606)	(1,000)	(3,224)	-	(18)	(27)	-	(86)	(7,961)
Closing net book value	437,019	20,400	9,576	-	56	41	-	92	467,184
As at 30 June 2019									
Cost	440,625	21,400	21,572	1,178	3,933	3,547	4,320	12,141	508,716
Accumulated depreciation	(3,606)	(1,000)	(11,996)	(1,178)	(3,877)	(3,506)	(4,320)	(12,049)	(41,532)
Net book value	437,019	20,400	9,576	-	56	41	-	92	467,184
Useful Life (Years)	99	10	7	10	5	4	5	5	

5.1 Included herein assets costing Rs.24.95 million (2018: Rs. 24.66 million), which are fully depreciated.

5.2 The previous revaluations were carried out on March 31, 1995, June 30, 2004, June 17, 2008 and June 12, 2013 which resulted in a surplus of Rs 42.642 million, surplus of Rs 73.464 million and surplus of Rs. 104.097 million and impairment of Rs. 0.855 million respectively.

Further, latest revaluation of leasehold land, building on leasehold land and plant & machinery were revalued on January 13, 2018 resulted in a surplus of Rs. 317.919 million. The revaluation was incorporated in books following the elimination method. The revaluation exercise was conducted by M/s Joseph Lobo (Private) Limited, a valuer on approved list of Pakistan Bankers Association, on following basis:

Land	Present market values for similar sized plots in the vicinity
Building	Replacement values of similar types of buildings based on present cost of constructions and applying residual factors based on estimated remaining useful life
Plant and machinery	Replacement values of similar types of buildings based on current rates and applying residual



5.3 The carrying amount of leasehold land, building on leasehold land and Plant & Machinery as at 30 June 2019, if the said had been carried at historical cost would have been Rs.0.031 million (2018: Rs. .032 million), Rs 1.170 million (2018: Rs.1.222) and Rs.0.063 million (2018: Rs.0.832) respectively.

5.4 The forced sale value of leasehold land, building on leasehold land and Plant & Machinery is Rs.340.491 million, Rs.18.160 million and Rs.11.350 million respectively.

5.5 Factory of the Company is situated at 3 acres of land at C-10, South Avenue, SITE, Karachi

5.6 The depreciation charge for the year has been allocated as follows:

	Note	2019 (Rupees in thousand)	2018
Cost of sales and services	23	6,369	5,796
Administrative expenses	25	1,592	1,449
		<u>7,961</u>	<u>7,245</u>

## 6 INTANGIBLE ASSET

COST			AMORTIZATION			Written down Values as at June 30, 2019	Useful life (years)
As at July 01, 2018	Additions / disposal	As at June 30, 2019	As at July 01, 2018	For the year	As at June 30, 2019		
----- Rupees in thousands -----							
129	-	129	129	-	129	-	5
129	-	129	129	-	129	-	

	Note	2019 (Rupees in thousand)	2018
<b>7 STOCK-IN-TRADE</b>			
Raw material and components in hand - Gross		<u>34,158</u>	35,380
Work-in-process		<u>4,386</u>	4,386
		<u>38,544</u>	39,766
Less: provision for obsolete/ slow moving stock-in-trade	7.1	<u>(36,588)</u>	(37,840)
		<u>1,956</u>	<u>1,926</u>
<b>7.1 Movement in obsolete /slow moving items</b>			
Opening provision		(37,840)	(28,585)
Provision made during the year		-	(9,255)
Reversals during the year		1,252	-
		<u>(36,588)</u>	<u>(37,840)</u>

## 8 TRADE DEBTS

Trade debts , unsecured		187	11,669
Doubtful debts written off		-	(11,669)
Less: Provision for doubtful trade debts	8.1	(22)	-
		<u>165</u>	<u>-</u>

### 8.1 Movement in provision for doubtful trade debts

Opening provision	-	(9,695)
Provision made during the year	(22)	(2,156)
	<u>(22)</u>	<u>(11,851)</u>

	Note	2019 (Rupees in thousand)	2018
<b>9 LOANS AND ADVANCES</b>			
<i>Advances - Unsecured</i>			
To suppliers		794	774
To employees		307	341
Against purchase of land		2,717	2,717
Others		71	71
		<b>3,889</b>	<b>3,903</b>
Less: Provision for doubtful advances	9.1	<b>(3,854)</b>	<b>(3,841)</b>
		<b>35</b>	<b>62</b>

#### 9.1 Movement in provision for doubtful advances

##### Provision for doubtful advances against:

	Opening	(Provision) / reversal made during the year	Closing provision
	-----Rupees-----		
Suppliers	(765)	(29)	(794)
Employees	(2,717)	-	(2,717)
Purchase of land	(288)	16	(272)
Others	(71)	-	(71)
	<b>(3,841)</b>	<b>(13)</b>	<b>(3,854)</b>

#### 10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

##### Deposits

Margin against bank guarantee	-	281
Other receivable	-	40
Tender deposits - net of provision	-	228
	-	549
Less: Provision for doubtful deposits	10.1	(509)
doubtful deposits written off		
	-	40

#### 10.1 Movement in provision for doubtful deposits

Opening provision	-	-
Provisions made during the year	-	-
Deposits written off during the year	-	(509)
	-	(509)



			2019	2018
	Note		---(Rupees in thousand)---	
<b>11 TAX REFUNDS DUE FROM GOVERNMENT</b>				
<b>Income tax</b>				
Advance income tax			333	446
Income tax refundable			5,499	5,077
			<u>5,832</u>	<u>5,523</u>
<b>Sales tax</b>				
Sales tax refundable			20,844	20,716
			<u>26,676</u>	<u>26,239</u>
<b>12 CASH AND BANK BALANCES</b>				
Cash in hand			29	31
At bank				
- in current accounts			118	4,500
- in saving accounts			72	25
			<u>219</u>	<u>4,556</u>
<b>13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
(Number of shares)				
2019	2018			
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
<u>5,449,972</u>	<u>5,449,972</u>		<u>54,500</u>	<u>54,500</u>
<b>14 NON-CONTROLLING INTEREST</b>				
Share in issued, subscribed and paid up capital				
Share of accumulated loss				
- brought forward			(20,013)	(21,586)
- for the year			13	1,573
			(20,000)	(20,013)
			(10,510)	(10,523)
Minority share in excess of their share in capital transferred to profit and loss account of the group			10,510	10,523
			<u>-</u>	<u>-</u>

**15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**

**Leasehold land**

Revaluation surplus over written down value at beginning	448,669	153,969
Surplus on revaluation during the year	-	298,143
Reclassification adjustment - note 5	(7,933)	
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(3,607)	(3,443)
	<b>437,129</b>	<b>448,669</b>

**Factory building**

Revaluation surplus over written down value at beginning	22,378	13,790
Surplus on revaluation during the year	-	10,133
Reclassification adjustment - net of deferred tax - note 5	(1,562)	-
Related deferred tax liability of reclassification adjustment	(638)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(673)	(1,097)
Related deferred tax liability of incremental depreciation charged during the year	(275)	(448)
	<b>19,230</b>	<b>22,378</b>
Related deferred tax liability at beginning	(6,490)	(4,137)
Deferred tax on revaluation during the year	-	(2,939)
Effect of change in tax rate	-	138
Related to reclassification adjustment - note 5	638	
Related to incremental depreciation	275	448
	<b>(5,577)</b>	<b>(6,490)</b>

**Plant and machinery**

Revaluation surplus over written down value at beginning	13,097	5,009
Surplus on revaluation during the year	-	9,956
Adjustment on disposal of revalued asset	(754)	-
Deferred tax on disposal during the period	(308)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,431)	(1,401)
Related deferred tax liability of incremental depreciation charged during the year	(584)	(467)
	<b>10,020</b>	<b>13,097</b>
Related deferred tax liability at beginning of the year	(3,274)	(1,503)
Deferred tax on revaluation during the year	-	(2,489)
Deferred tax on disposal during the period	308	
Effect of change in tax rate	(524)	251
Related to incremental depreciation	584	467
	<b>(2,906)</b>	<b>(3,274)</b>
	<b>457,896</b>	<b>474,380</b>

**15.1** The revaluation surplus on land, building and plant and machinery is a capital reserve and is not available for distribution to the shareholders of the Holding Company in accordance with section 251 of the Companies Act, 2017.

**15.2** This represent the effect on deferred tax liability due to change in tax rates for future years.



	Note	2019 (Rupees in thousand)	2018
<b>LONG TERM BORROWINGS</b>			
<i>Relating to subsidiary companies</i>			
Local currency - general term finance	16.1	-	-
<i>Relating to Holding Company</i>			
<b>Loan-1 (From related party)</b>			
Principal	16.2	8,408	8,408
Accumulated mark-up there on		11,981	10,913
		<b>20,389</b>	19,321
<b>Loan -2 ( From majority shareholder)</b>			
Principal	16.3	20,377	20,377
Accumulated mark-up there on		10,388	7,867
		<b>30,765</b>	28,244
<b>Loan-3 (From related party)</b>			
Principal	16.4	52,010	45,930
Accumulated mark-up there on		27,901	23,248
		<b>79,911</b>	69,178
		<b>131,065</b>	<b>116,743</b>
Less: Transferred to short term borrowings		<b>(131,065)</b>	-
		<b>-</b>	<b>116,743</b>

**16.1** This includes loan of two subsidiary companies as mentioned in note 16.1.1 and 16.1.2

**16.1.1** This includes a loan of Rs. 36.755 million as at June 30, 2002 of Johnson & Phillips Industries (Pakistan) Limited and is secured against first mortgage charge on the entire immovable property, first floating charge on all business undertakings and other assets and properties and hypothecation of all movable and immovable properties including book debts and other receivables of the above mentioned subsidiary. During the year ended June 30, 2003 the subsidiary has settled its disputes with National Bank of Pakistan (Formerly National Development Finance Corporation) and agreed to pay Rs. 55.115 million as full and final settlement of their outstanding dues as per compromise agreements dated May 18, 2002. The loan is repayable as follows:

-Rs. 5.00 million on the date of the decree.

-Rs. 11.380 million within 30 days from the date of decree

-Balance amount of Rs. 36.775 million in six equal half yearly instalment commencing after the expiry of the eight months from the date of the decree.

**16.1.2** This includes as a loan of Rs. 27.345 million as at June 30, 2002 of Johnson & Phillips Transformers (Private) Limited and was secured against hypothecation of stocks and lien on book debts and repayment guarantee of the holding company. During the year 2003, the subsidiary has settled its disputes with National Bank of Pakistan (Formerly National Development Finance Corporation) and agreed to pay Rs. 27.345 million as full and final settlement of their outstanding dues as per compromise agreement dated April 30, 2002. This amount was repayable in six equal half yearly instalments commencing after the expiry of eight months from the date of decree.

In the event of default in payment of any single instalment the entire outstanding amount shall become due and payable forthwith in lump sum. NBP has a right to recover the outstanding amount by sale of charged assets and properties of the subsidiary companies. Upto June 30, 2003 out of balance settled amount of Rs. 64.120 million the subsidiary companies have paid only Rs. 1.605 million. Due to default in payment, balance amount was transferred to short term loan.

**16.2** This represents unsecured loan obtained from a director of Elmetec (Pvt) Ltd (a related party) @ 12 Months KIBOR plus 2% per annum (2018: 12 Months KIBOR plus 2% per annum). During the year an agreement has been signed to reschedule the loan and according to the fresh agreement dated June 30, 2019 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2019) will be repaid before December 31, 2019. Therefore, the Company has classified the whole amount as current liability in these financial statements.

16.3 This represents unsecured loan of obtained from a related party @ 12 Month KIBOR plus 2% per annum (2018: 12 Month KIBOR plus 2% per annum) and 1 Month KIBOR+2% per annum (2018: 1 Month KIBOR+2% per annum). During the year the agreements have been signed to reschedule the loan. According to the fresh agreements dated June 30, 2019, the parties agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2019) will be repaid before December 31, 2019. Therefore, the Company has classified the whole amount as current liability in these financial statements.

**16.4** Represents an un-secured loan from Elmetec (Pvt) Ltd - a related party @ rate of 12 Month KIBOR plus 2% per annum (2018: 12 Month KIBOR plus 2% per annum). During the year an agreement has been signed to reschedule the loan and according to the agreement dated June 30, 2019 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2019) will be repaid before December 31, 2019. Therefore, the Company has classified the whole amount as current liability in these financial statements.

	Note	2019 (Rupees in thousand)	2018
<b>17 DEFERRED LIABILITIES</b>			
Staff retirement benefits - Gratuity	17.1	4,027	4,144
Deferred taxation	17.2	9,079	10,360
		<u>13,106</u>	<u>14,504</u>

	Note	2019 (Rupees in thousand)	2018
<b>17.1 Staff retirement benefits - Gratuity</b>			
Staff retirement benefits - Gratuity		4,921	5,038
Unclaimed gratuity shown under current liabilities (Trade and other payables)		(894)	(894)
		<u>4,027</u>	<u>4,144</u>

**17.1.1 Principal assumptions**

Valuation discount rate	14.25%	9.00%
Valuation discount rate for P & L	9.00%	7.75%
Expected rate of eligible salary increase in future years	9.25%	9.00%

**17.1.2 Liability for gratuity arose in the following manner:**

Opening net liability	5,038	4,905
Expense for the year	417	362
Other Comprehensive Income	(534)	(208)
Benefits paid	-	(21)
Closing net liability	<u>4,921</u>	<u>5,038</u>

**17.1.3 Charge to profit and loss account**

Current service cost	52	234
Interest cost	310	435
Total amount chargeable to profit and loss account	<u>362</u>	<u>669</u>

**17.1.4 Comparison for five years**

	2019	2018	2017	2016	2015
	-----Rupees in thousand-----				
Present value of defined benefit obligation	4,921	5,038	4,905	6,662	4,701

**17.1.5** Expected charge for the year ending 30 June 2020 is Rs. 0.310 million.

**17.2 DEFERRED TAXATION**

**Taxable temporary differences**

Surplus on revaluation of fixed assets	8,483	9,764
--	-------	-------

**Deductible temporary differences**

Accelerated tax depreciation	(2,509)	(2,322)
Carried forward tax losses and unabsorbed depreciation	(99,678)	(102,256)
	<u>(102,187)</u>	<u>(104,578)</u>
	(93,704)	(94,814)

Deferred tax asset not recognised	102,187	104,578
	8,483	9,764

Deferred tax liability related to subsidiary	596	596
	<u>9,079</u>	<u>10,360</u>

Deferred tax asset on tax losses available for carry forward is not recognised as management is of the view that sufficient taxable profits will not be available in future that there benefit is realized.



<b>18 TRADE AND OTHER PAYABLES</b>	<b>Note</b>	<b>2019 (Rupees in thousand)</b>	<b>2018</b>
Creditors	18.1	124,875	124,652
Accrued liabilities		27,272	19,163
Advances from customers		4,743	5,527
Advance from customer- related party		22,575	22,892
Workers' profit participation fund		3,498	3,498
Payable to ex-employees		802	802
Provident fund		535	187
Unclaimed gratuity payable		894	894
Sales tax payable		510	39
Due to others		-	-
Withholding tax payable		525	516
Others	18.2	1,966	1,814
		<b>188,195</b>	<b>179,984</b>

**18.1** These include Rs. 119.690 million (2018: 119.397 million) payable to Elmetec (Private) Limited - a related party.

**18.2** This includes Rs. 1.085 million (2018: Rs. 0.933 million) payable to a director.

## **19 SHORT TERM BORROWINGS**

### **Relating to subsidiary company**

#### *From financial institutions*

Short term loan

Temporary overdraft

#### *From director*

### **Relating to holding company**

#### *From director*

from related parties

from others

Transferred from long term borrowings

**16.1**

**19.1**

**19.1**

**19.1**

**19.2**

**19.3**

**16**

3,685

3,685

2,851

3,898

4,000

131,065

141,814

145,499

3,685

3,685

2,851

3,298

4,000

-

10,149

13,834

**19.1** This represents unsecured and interest free loan received from directors of the holding company. These loans are repayable on demand.

**19.2** This represents unsecured and interest free loan received from a related party, Mr. Bilal Ahmed Qureshi. The loan is repayable on demand.

**19.3** Represents unsecured loan taken by the holding Company at an interest rate of 12% per annum which was repayable in installments of Rs. 500,000 per month starting from October 2006. As the loan remained unpaid till the year ended June 30, 2007, a fresh agreement was made by the parties on June 30, 2007. However, as the amount is long outstanding therefore the Company has classified it as repayable on demand.

## **20 MARK UP ACCRUED**

Opening balance

Accrued during the year

Transferred during the year

**Closing balance**

20.1

-

8,242

8,242

(8,242)

-

-

5,123

5,123

(5,123)

-

**20.1** These have been paid or rescheduled as disclosed in note 17 to these consolidated financial statements.

## 21 CONTINGENCIES AND COMMITMENTS

### Contingencies

#### 21.1 Guarantees

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

Guarantees against performance bond	<u>1,657</u>	<u>1,794</u>
-------------------------------------	--------------	--------------

#### 21.2 Labour

Some legal cases are pending against the Holding Company filed by ex-workers to re-instate them on their jobs. No definite outcome of the cases can be anticipated, however, in the opinion of legal advisors, the Holding Company has good case in its favour.

#### 21.3 Income tax and sales tax

- 21.3.1** Audit u/s 177 (1) read with section 214-D of the Income Tax Ordinance 2001 for tax year 2015 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.
- 21.3.2** Notice u/s 176 read with section 124 (3) of the Income Tax Ordinance 2001 for tax year 2016 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.
- 21.3.3** Notice u/s 44 (4) of the Income Tax Ordinance 2001 for tax year 2017 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.
- 21.3.4** Monitoring of withholding taxes under audit u/s 161 (1A) of the Income Tax Ordinance, 2001 for tax year 2018 is pending before assistant / deputy commissioner Inland Revenue, Zone-I, Unit-II, Large Tax Payer Unit-II, Karachi. The Company's tax advisor expects a favourable outcome of the case.
- 21.3.5** An order was passed by additional commissioner IR raising demand of Rs.5.988 million for default in deduction / payment of withholding sales tax and recovered Rs.4.268 million from the Company's bank accounts. The Company has filed appeal u/s 45 (B) of the Sales Tax Act, 1990 against the said order which is pending before Honourable Commissioner (Appeals-IV) Inland Revenue. The recovered amount is shown under sales tax refundable. The Company's tax advisor expects a favourable outcome of the case.

#### 21.4 Others

- 21.4.1** Pursuant to a recovery suit filed by the National Bank of Pakistan against Johnson & Phillips Transformers (Pvt.) Limited (Defendant No.1) and Johnson & Phillips (Pakistan) Limited (Defendant No.2), the Banking Court No. III, Lahore passed a compromise decree. The Bank agreed that prior to executing the Decree against the Defendant No.2 as guarantor, the Bank will execute against all assets of the Defendant No. 1. Some payments has been made to the Bank while the remaining amount of Rs. 25,894 thousand is still payable. The execution proceedings in this case are now pending before the Banking Court No. III. The entire amount of loan has been settled by the subsidiary company, however, the bank has not yet issued No Obligation Certificate (NOC) to the subsidiary company. Further, the proceedings in this connection are pending with the executing court.
- 21.4.2** The Holding Company has filed a suit for the recovery of insurance claim of Rs 3.734 million (2017: Rs 3.734 million) in Honorable High Court of Sindh Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited.



### 21.5 Professional fee payable

The subsidiary Companies are contingently liable in respect of professional fee payable to M/s. Ebrahim & Company, Chartered Accountants amounting to Rs. 0.205 million (2018: 0.205 million)

### 21.6 Unsecured loan

The liability of Johnson & Phillips Transformers (Private) Limited for the amount due to Atta Cables (Pvt) Limited including unsecured loan relating to ex-management has been recorded in the books at an amount of Rs. 8.984 million as against the amount of Rs. 18.998 million (2018: Rs. 18.998 million) claimed by M/s Atta Cables (Pvt) Limited. The subsidiary Company does not acknowledge the excess amount of claim.

### 21.7 Tax assessments of subsidiary companies

The income tax assessment of Johnson & Phillips Industries (Pakistan) Limited for the assessment years upto 2000-2001 have been completed and the total liability demanded for the assessment years 1996-1997 to 1998-99 amounts to Rs. 0.122 million which the Subsidiary Company is disputing in appeal before tax authorities. In the event of adverse decision in the pending appeals the company would not be required to make further payment as advance tax paid would cover the demand. The company may however, face a charge amounting to Rs. 0.350 million.

The income tax assessments of Johnson & Phillips Transformers (Private) Limited for the assessment years up to 2000-2001 have been completed and the total liability demanded for the assessment years 1994-95 to 1998-99 amounts to Rs. 4.835 million. The Subsidiary Company has filed an appeal before Commissioner of Income Tax Appeals (CIT) against the above demand. The commissioner has set aside the order of Deputy Commissioner of Income Tax and directed reassessment of demand. In the event of adverse decision the Company would be faced with additional liability of Rs. 4.451 million (2015: Rs. 4.451 million).

The income tax assessments of Johnson & Phillips EMO Pakistan (Private) Limited for the assessment year upto 2000-2001 have been completed and the total liability demanded for the assessment years 1996-97 to 1999-2000 amounts to Rs. 0.226 million which the Subsidiary Company is disputing in appeals before tax authorities. In the event of adverse decision in the appeals the company would be faced with additional liability of Rs. 0.053 million (2018: Rs. 0.053 million).

The amount of all these contingencies is not ascertainable. Hence, no provision in this respect have been made in these consolidated financial statements.

### Commitments

There is no commitment as on June 30, 2019 (2018 : Nil )

22 REVENUE FROM SALES AND SERVICES - NET	Note	2019	2018
		(Rupees in thousand)	
Gross sales		4,728	5,643
Sales tax		(687)	(820)
		4,041	4,823
Commission and discount on sales		(66)	(37)
		3,975	4,786
Services income		103	1,526
		4,078	6,312

		2019	2018
		(Rupees in thousand)	
<b>23</b>	<b>COST OF SALES AND SERVICES</b>		
	Raw materials and components consumed	23.1	2,155
	Salaries, wages and benefits	23.2	2,580
	Fuel and power		437
	Repair and maintenance		42
	Printing and stationery		-
	Traveling and conveyance		17
	Depreciation	5.6	6,369
	Provision for Obsolete/ slow moving stocks		(1,252)
	Other manufacturing expenses		156
			<u>10,504</u>
			24,645
	<b>Work in process</b>		
	Opening stock		4,386
	Closing stock		(4,386)
	<i>Cost of goods manufactured</i>		<u>10,504</u>
			24,645
<b>23.1</b>	<b>Raw materials and components consumed</b>		
	Opening stock		35,380
	Purchases and sub contract cost		933
			<u>36,313</u>
			41,518
	<b>Closing stock</b>		<u>(34,158)</u>
			6,138
<b>23.2</b>	<b>Salaries and wages</b>		2,473
	Gratuity		93
	P.F Contribution (Worker & Staff)		14
			<u>2,580</u>
			2,591
			72
			14
			<u>2,677</u>
<b>24</b>	<b>DISTRIBUTION EXPENSES</b>		
	Salaries, wages and benefits	24.1	503
	Advertising and sales promotion		76
	Travelling and conveyance		3
	Subscriptions and periodicals		-
	Repair and maintenance		8
	Entertainment		11
	Others		252
			<u>853</u>
			568
			33
			5
			5
			42
			27
			132
			812



Annual Report 2019 96 Johnson & Phillips (Pakistan) Limited- Consolidated

**28.1** Income tax assessments of the Holding Company upto tax year 2018 is deemed to have been completed. There is no tax applicable on taxable profits of the Company under the provision of Income Tax Ordinance, 2001 due to available assessed tax losses. Accordingly, no reconciliation of tax expense with accounting profit has been presented.

**28.2** In view of the management, sufficient tax provision has been made in the Holding Company's financial statements. Comparisons of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2018	2017	2016
	-----Rs in thousand-----		
Tax assessed as per most recent tax assessment	79	277	353
Provision in accounts for income tax	-	-	-

## 29 LOSS PER SHARE

There is no dilutive effect on the basic earnings per share of the company, which is based on:

Loss after taxation	(35,498)	(48,660)
Weighted average number of ordinary shares	5,449,972	5,449,972
<b>Loss per share - basic and diluted (Rupees)</b>	<b>(6.51)</b>	<b>(8.93)</b>

## 30 CASH AND CASH EQUIVALENTS

Cash and bank balances	Note 12	219	4,556
------------------------	---------	-----	-------

## 31 CASH USED IN OPERATIONS

Loss before taxation		(36,333)	(49,298)
<b>Adjustments for:</b>			
Depreciation	5.6	7,961	7,245
Provisions for doubtful debts, loans and advances	8.1 & 9.1	22	-
Doubtful deposits written off	10.1	-	890
Doubtful trade debts written off	7.1	-	1,974
Provisions for obsolete / slow moving stock	5.6	(1,252)	9,255
Provision for staff gratuity - net	17.1.3	417	362
Finance cost	26	8,283	5,144
Assets written off		-	10,872
Liabilities written back		-	(11,377)
Gain on disposal of property, plant and equipment		-	(2,171)
		(20,902)	(27,104)

### Effect on cash flow due to working capital changes

*Decrease / (Increase) in current assets*

Stock-in-trade	1,222	2,607
Trade debts	(187)	182
Loans and advances	27	34
Tax refunds due from government	(128)	(4,339)
Deposits, prepayments and other receivables	40	(167)
	974	(1,683)

*Decrease in current liabilities*

Trade and other payables excluding unclaimed gratuity	8,211	8,524
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### Cash used in from operations

(11,717)	(20,263)
----------	----------

## 32 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 frame work. 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 oversee how management monitors compliance with the Holding Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Holding Company. The Company Audit Committee is assisted in its 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.

### 32.1 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. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

#### Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects the Group's of counter parties whose aggregate credit exposure is significant in relation the Group's total credit exposure. Credit risk of the Group arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date is as follows:

	2019	2018
	(Rupees in thousand)	
Long term deposits	559	559
Trade debts	165	0
Trade deposits and other receivables	-	40
Bank balances	190	4,525
	<u>914</u>	<u>5,124</u>

#### Impairment losses

The aging of trade debtors at the balance sheet date was:

	2019		2018	
	Gross	impairment	Gross	impairment
	----- (Rupees in thousand) -----			
Past due 1 - 60 days	165	-	-	-
Past due 61 - 365 days	22	(22)	-	-
More than one year	-	-	11,669	(11,669)
<b>Total</b>	<b>187</b>	<b>(22)</b>	<b>11,669</b>	<b>(11,669)</b>

Based on assessment conducted of individual 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.

### 32.2 Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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 Group'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 Group ensures that it has sufficient cash on demand to meet expected 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	-	-	-	-	-
Trade and other payables	159,842	159,842	(1,696)	(158,146)	-
Unpaid dividend	4,268	4,268	(4,268)	-	-
Short term borrowings	145,499	145,499	(14,434)	(131,065)	-
<b>June 30, 2019</b>	<b>309,609</b>	<b>309,609</b>	<b>(20,398)</b>	<b>(289,211)</b>	<b>-</b>
Long term financing	124,041	124,041	-	(4,000)	120,041
Trade and other payables	179,984	179,984	(1,696)	(178,288)	-
Unpaid dividend	4,268	4,268	(4,268)	-	-
Short term borrowings	13,834	13,834	-	(13,834)	-
June 30, 2018	322,127	322,127	(5,964)	(196,122)	120,041

### 32.3 Market risk

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

#### Interest rate risk

Interest/ mark-up 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 re-price in a given period. The Group 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 Group's significant interest bearing financial instruments was as follows:

2019	2018	2019	2018
Effective interest rate (%)		Carrying amount (Rs.'000')	

#### Financial liabilities

Long term financing	<b>KIBOR and KIBOR +2%</b>	12%, KIBOR and KIBOR +2%	-	124,041
Share premium reserve	<b>12 Month KIBOR plus KIBOR +2%</b>	12 Month KIBOR plus KIBOR +2%	131,065	-

#### Sensitivity analysis

As at balance sheet date, the Group do not account for any fixed rate financial assets or liabilities carried at fair value through profit or loss. Therefore, change in interest rates at reporting date would not affect profit and loss account.

### 32.4 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 arm's 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 Group 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.



### 32.5 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	Level 1	Level 2	Level 3	Total
<b>2019</b>	<b>----- (Rupees in thousand) -----</b>			
Long term borrowings	-	-	-	-
<b>2018</b>				
Long term borrowings	-	116,743	-	116,743

There have been no transfers during the year (2018: no transfers in either direction).

## 33 CAPITAL MANAGEMENT

The objective of the Group 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 Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the lights of changes in economic conditions. As at June 30, 2019 the shareholders' equity amounts to Rs. 145.166 million (2018: Rs. 189.841 million).

## 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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:

	Executives		Chief Executive		Directors		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	<b>----- Rupees in thousands -----</b>							
Managerial Remuneration	1,200	1,200	2,400	2,400	-	-	3,600	3,600
Retirement benefits and provident fund contribution	-	-	-	-	-	-	-	-
Rent, utilities, leave encashment etc.	-	-	1,719	1,176	59	-	1,778	1,176
Directors' fees	-	-	-	-	-	185	-	185
	<b>1,200</b>	<b>1,200</b>	<b>4,119</b>	<b>3,576</b>	<b>59</b>	<b>185</b>	<b>5,378</b>	<b>4,961</b>
No. of persons	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

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

## 35 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Transactions with related parties are as follows:

All transactions with related parties have been carried out by the Company at arm's length prices using the comparable uncontrolled price method.

**2019**      **2018**  
**(Rupees in thousand)**

**Provident Fund**

Contribution paid to Provident Fund	<u>177</u>	<u>175</u>
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**Directors**

Directors' fee paid	<u>-</u>	<u>185</u>
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Markup on long term borrowings	<u>-</u>	<u>1,750</u>
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**Other related parties due to close family relationship with director**

Long term Loan received - net	<u>6,080</u>	<u>17,480</u>
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Short term borrowing received	<u>600</u>	<u>-</u>
-------------------------------	------------	----------

Purchases	<u>891</u>	<u>4,833</u>
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Funds received - net	<u>6,680</u>	<u>17,480</u>
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Markup on long term borrowings	<u>8,242</u>	<u>3,373</u>
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Following are the related parties with whom the Company had entered into transactions during the year:

	Name	Relationship	Direct shareholding %
1	Elmetec (Pvt) Limited	Associated Company	-
2	Mr. Shehryar Saeed	Chief Executive	-
3	Mr. Salman Ganny	Director	-
4	Provident Fund	Retirement benefit Fund	-

**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 products manufactured according to required specifications.

**NUMBER OF EMPLOYEES**

**2019**      **2018**

**Numbers**

- Total employees of the Group at the year end	<u>8</u>	<u>8</u>
- Average employees of the Group during the year	<u>8</u>	<u>37</u>

**GENERAL**

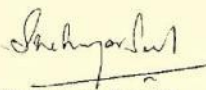
Figures have been rounded off to the nearest thousand rupee.

Corresponding figures have been re-arranged & re-classified, whenever, necessary for the purpose of comparison and better presentation. Following major reclassifications have been made during the year:

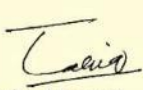
Description	Reclassification from	Reclassification to	(Rupees in thousand)
Loan from related parties	Long term borrowings	Short term borrowing	3,298
Loan from others	Current and overdue portion of long term borrowings	Short term borrowing	4,000

**DATE OF AUTHORIZATION**

These consolidated financial statements were authorized for issue on September 30, 2019 by the Board of Directors of the Holding Company.

  
**Shehryar Saeed**  
Chief Executive

  
**Mariam Shafi**  
Director

  
**Tariq Ahmed**  
Chief Financial Officer



## PATTERN OF SHARE HOLDINGS

### JOHNSON & PHILLIPS (PAKISTAN) LIMITED

AS AT JUNE 30, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
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#### Associated Companies, undertaking and related parties

Etheridge Company Limited	1	2,719,536	49.90
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#### Directors, CEO and their Spouse & Minor Children

Mr.Salman Ganny	1	1,000	0.02%
Mr.Abid Saeed Khan	1	500	0.01%
Mr.Mohammad Azhar-ul-Islam	1	500	0.01%
Mr.Syed Jamshed Zaidi	1	500	0.01%
Mrs.Marium Shafi	1	110,273	2.02%

#### Financial institutions

National Bank of Pakistan	2	42,823	0.79%
National Investment Trust (NIT)	2	493,824	9.06%
Trustee National Bank of Pakistan Employees	2	54,349	1.00%
Habib Bank Limited	1	245	0.00%

#### Insurance Companies

EFU General Insurance	1	76	0.00%
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#### Joint Stock Companies (Local)

NH Securities (Pvt) Ltd	1	376	0.01%
Fikree's (SMC-PVT) Ltd.	1	8,675	0.16%
Khadija & Kassam Ali Investments (Pvt) Ltd.	1	1,500	0.03%
Javed Omer Vohra & Company Limited	1	11	0.00%

#### Investment Companies

H.M. Investment Ltd.	2	125	0.00%
Pyramid Investment (Private) Limited	2	1,380	0.03%
Investment Corporation of Pakistan	1	3,016	0.06%

#### General Public

<b>Individual</b>	<b>1161</b>	<b>2,010,518</b>	<b>36.89%</b>
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#### Others

Pakistan Share Holder Association	1	1	0.00%
Administrator Abandoned Property	1	701	0.01%

<b>Totals</b>	<b>1184</b>	<b>5,449,972</b>	<b>100.00</b>
---------------	-------------	------------------	---------------

Share holders holding 5% or more	Shares Held	Percentage
Etheridge Company Limited	2,719,536	49.90%
National Investment Trust (NIT)	493,824	9.06%
Mr.Muhammad Anis Mianoor	535,000	9.82%

**PATTERN OF SHARE HOLDING  
AS AT JUNE 30, 2019**

No of Share Holders	Shareholding		Total Shares Held
	From	To	
607	1	100	17,941
317	101	500	94,424
113	501	1000	93,440
92	1,001	5000	232,028
29	5,001	10000	121,872
4	10,001	15000	50,500
7	15,001	20000	175,788
5	20,001	35000	135,500
1	35,001	40000	37,048
1	40,001	45000	42,500
5	45,001	120000	568,780
-	120,001	125000	-
-	125,001	220000	-
-	220,001	225000	-
2	225,001	1975000	1,160,615
-	1,975,001	1980000	-
-	1,980,001	2715000	-
1	2,715,001	2720000	2,719,536
<b>1,184</b>			<b>5,449,972</b>



**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**INDEPENDENT AUDITOR'S REPORT**  
**To the members of Johnson and Phillips Industries (Pakistan) Limited**  
**Report on the Audit of the Financial Statements**

**Disclaimer of Opinion**

We have audited the annexed financial statements of Johnson and Phillips Industries (Pakistan) Limited (the Company), which comprise the statement of financial position as at June 30, 2019 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

- (a) the Company has not maintained certain customary accounting records as required by Companies Ordinance, 1984, and supporting documents relating to transactions with its customer and suppliers, particularly with respect to receivable, payables, bank balances, property, plant and equipment and inventories. Further, in the absence of information regarding realizable value of several balances under inventories, deposits, other receivable, advance income tax and bank balances aggregating to Rs.0.615 million (2018: Rs. 0.615 million) we were not able to verify whether the amount would be realized at carrying values. Moreover, due to lack of customary accounting records and supporting documents we were unable to verify the Company's liabilities aggregating to Rs. 27.615 (2018: Rs. 27.599 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by the conditions.
  - (b) During the year ended 30 June 2017, the management written off assets amounting to Rs.9.826 million which include long term deposits of Rs.0.461 million, cash at bank of Rs.9.315 million and other receivable of Rs.0.050 million and wrote back liabilities amounting to Rs.5.296 million which include Creditors of Rs.3.939 million and other liabilities of Rs.1.357 million resulting in recognition of expense in statement of profit or loss of Rs.9.826 million and income of Rs.5.296 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the Company's financial statements for the year ended 30 June 2017 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
  - (c) During the year ended 30 June 2017, the management recorded disposal and reversal of certain assets and liabilities in the financial statements including assets held for sale amounting to Rs. 8.743 million, stores, spare parts and loose tools amounting to Rs. 2.396 million, stock-in-trade amounting to Rs. 5.795 million, advances amounting to Rs. 7.505 million, short term borrowings of Rs. 11.348 million, and recognised a loss on disposal of assets held for sale amounting to Rs. 3.861 million in profit and loss account resulting in increase in bank balance amounting to Rs. 9.213 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the Company's financial statements for the year ended 30 June 2016 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we were not able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
  - (d) as discussed in Note 2 to the financial statements the accumulated losses of the Company as at June 30, 2019 stand at Rs. 77.000 million (2018: Rs. 76.984 million) resulting in a negative equity of Rs. 27.000 million (2018: Rs. 26.984 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 27.000 million (2018: Rs. 26.984 million). Further as fully explained in note 8.1 to these financial statements, the Company defaulted in payment of its liability to the National Bank of Pakistan, has been fully settled, however, same has not been acknowledged by the bank. These conditions indicated the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as going concern.
  - (e) in the absences of information regarding the latest position of income tax assessment of the Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these financial statements that may arise.
  - (f) In the absences of information regarding current status of taxation, the amount of deductible temporary difference, unused tax losses and unused tax credits for which no deferred tax assets is recognized in the balance sheet, we are unable to ascertain the possible effect of deferred tax on these financial statements.
- Karachi



### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).  
The engagement partner on the audit resulting in this independence auditor's report is Nisar Ahmed.

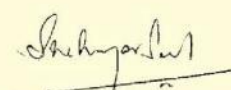
**Karachi**  
**September 30, 2019**

**NAZIR CHAUDHRI & CO.**  
Chartered Accountants  
Engagement Partner: Nisar Ahmed, FCA

**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT JUNE 30, 2019

		2019	2018
	Note	----- (Rupees in thousand) -----	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Advance income tax		615	615
<b>TOTAL ASSETS</b>		<u>615</u>	<u>615</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL</b>			
Authorised capital			
3,000,000 (2018 : 3,000,000) Ordinary Shares of Rs. 10 each		<u>30,000</u>	<u>30,000</u>
Issued, subscribed and paid-up capital	5	30,000	30,000
Advance against share capital		20,000	20,000
Accumulated losses		<u>(77,000)</u>	<u>(76,984)</u>
		(27,000)	(26,984)
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	2,661	2,645
Short term borrowing	7	24,835	24,835
Provision for taxation		119	119
		27,615	27,599
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>615</u>	<u>615</u>

*The annexed notes from 1 to 20 form an integral part of these financial statements*

  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director



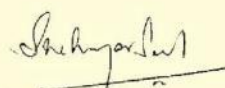
# JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
	Note	----- (Rupees in thousand) -----	
Audit fee		(16)	(16)
Rent, Rate and Taxes		-	(62)
		<u>(16)</u>	<u>(78)</u>
Assets written off		-	(9,826)
Liabilities written back		-	5,296
		<u>(16)</u>	<u>(4,608)</u>
<b>Loss for the year due to ceased operations</b>		<b><u>(16)</u></b>	<b><u>(4,608)</u></b>
<b>Loss per share - basic and diluted - Rupees</b>	9	<b><u>(0.01)</u></b>	<b><u>(1.54)</u></b>

*The annexed notes from 1 to 20 form an integral part of these financial statements*



**Shehryar Saeed**  
Chief Executive

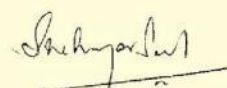


**Marium Shafi**  
Director

**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	----- (Rupees in thousand) -----	
Loss for the year	(16)	(4,608)
Other comprehensive income	-	-
Total comprehensive income	(16)	(4,608)

*The annexed notes from 1 to 20 form an integral part of these financial statements*



**Shehryar Saeed**  
**Chief Executive**



**Mariam Shafi**  
**Director**

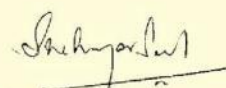


# JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	----- (Rupees in thousand) -----	
<b>CASH FLOWS FROM CEASED OPERATIONS</b>		
Loss for the year	(16)	(4,608)
<i>Adjustment for non-cash items:</i>		
Assets written off	-	9,826
Liabilities written back	-	(5,296)
Loss before working capital charges	(16)	(78)
<b>Working capital changes</b>		
(Increase) / decrease in current assets	-	-
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	16	-
Net cash outflow in ceased operations	-	(78)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowing received to holding company	-	78
Net cash generated from financing activities	-	78
Net (decrease) / increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

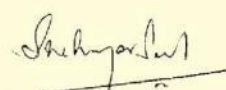
*The annexed notes from 1 to 20 form an integral part of these financial statements*

  
Shehryar Saeed  
Chief Executive

  
Mariam Shafi  
Director

**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up capital	(Accumulated losses )	Total
	(Rupees in thousand)		
Balance as July 01, 2017	30,000	(72,376)	(42,376)
Loss for the year	-	(4,608)	(4,608)
Balance as at June 30, 2018	30,000	(76,984)	(46,984)
Loss for the year		(16)	(16)
<b>Balance as at June 30, 2019</b>	<b>30,000</b>	<b>(77,000)</b>	<b>(47,000)</b>



**Shehryar Saeed**  
**Chief Executive**



**Marium Shafi**  
**Director**



**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2019

**1 NATURE AND STATUS OF BUSINESS**

- 1.1** Johnson & Phillips Industries (Pakistan) Limited (the Company) was incorporated on October 05, 1992 in Pakistan under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017) as a public limited company. The principal activity of the Company is to manufacture and sell of all types of electrical and mechanical equipments and appliances.

**Registered Office and plant**

The registered office and plant of the Company is situated at C-10 South Avenue, SITE, Karachi.

**2 Going concern**

The Company ceased production in July, 1997 and at present, the Company is dormant.

The accumulated losses of the Company as at June 30, 2019 stand at Rs.77.000 million (2018: Rs. 76.952 million) resulting in a negative equity of Rs 27.000 million (2018: Rs. 26.984 million) and, as at that date, its current liabilities exceeds its current assets by Rs.27.000 million (2018: Rs: 26.984 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as a going concern. In the meantime the financial statements have been prepared on the going concern basis.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the revisions of and directives issued under the Companies Act, 2017 have been followed.

**3.2 Accounting convention**

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

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

**3.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupee which is also the Company's functional currency.

**3.4 Significant 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 judgment in the process of applying the company's accounting policies. The areas where various assumptions and estimates are significant to the financial statements are as follows:

	Note
Provision for taxation	4.2
Provision for deferred taxation	4.2

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

**3.5 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 4.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.



### 3.6 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Its application is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019) for a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.

The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

**Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:**



IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

##### **4.1 Changes in significant accounting policies**

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

##### **4.1.1 IFRS 15 'Revenue from Contracts with Customers'**

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

Effective July 1, 2018, the Company has applied IFRS 15 "Revenue from Contracts with Customers" for determining its revenue recognition policy. IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Company with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. However, The application of IFRS 15 has no material impact on the financial statements of the Company.

##### **4.1.2 IFRS 9 'Financial Instruments'**

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. "Financial instruments: Recognition and measurement"



IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) Impairment of financial assets and iii) hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

#### **Classification and measurement of financial assets and financial liabilities**

This new standard requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial asset.

IFRS 9 no longer has an "Available for Sale" classification for financial assets. IFRS 9 has different requirements for debt and equity financial assets.

#### **Debt instrument should be classified and measured at either:**

-amortised cost, where the effective interest rate method will apply;

-fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or

-fair value through profit or loss (FVTPL).

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

-fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or

-fair value through profit or loss (FVTPL).

Application of IFRS 9 had no impact on financial liabilities of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

Measurment Category		Carrying Amount		
Original (IAS 39)	New (IFRS 9)	Original	New	Difference
----- Rupees in thousands -----				
<b>Current financial liabilities</b>				
Trade and other payables	Amortized cost	32	32	-
Short term borrowing	Loans and payables	24,835	24,835	-

#### **Impairment of financial assets**

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.



#### **4.1 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 included in profit and loss account.

#### **4.2 Taxation**

##### **i) 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.

##### **ii) 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 recognized only if there is reasonable certainty for realization.

#### **4.3 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.

#### **4.4 Provisions**

Provisions are recognized 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.

#### **4.5 Trade debts, loans, advances, deposits, prepayments and other receivables**

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

#### **4.6 Impairment non-financial assets**

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **4.7 Revenue recognition**

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. However, revenue from sale of goods is recognised on dispatch of goods to customers i.e. when the significant risks and reward of ownership have been transferred to the customer.

#### **4.8 Borrowings and finance cost**

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset. Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying asset is capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to statement of profit or loss.



#### 4.9 Cash and cash equivalents

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

#### 4.10 Financial Instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

##### (i) Financial assets

###### - Classification

Effective July 1, 2018, the Company classifies its financial assets in the following measurement categories:

- a) Amortized cost where the effective interest rate method will apply;
- b) fair value through profit or loss;
- c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

###### - Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

###### - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

###### - Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

##### a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

##### b) Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income/charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/charges and impairment expenses are presented as separate line item in the statement of profit or loss.



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

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

**- De-recognition of financial assets**

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**- Impairment of financial assets**

Effective July 1, 2018, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
  - Loans, advances, deposits, prepayments and other receivables
  - Short term investments
  - Cash and bank balances
- Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**- Recognition of loss allowance**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

**- Write-off**

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cashflows to repay the amount.



and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash

**(ii) Financial liabilities**

**- Classification, initial recognition and subsequent measurement**

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

**a) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

**b) Amortised cost**

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortised cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

**- De-recognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

**(iii) Off-setting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

**4.11 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:



Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### 4.12 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

#### 4.13 Dividends and appropriations

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

Note	2019	2018
	Rupees in thousand	

### 5 ISSUED , SUBSCRIBED AND PAID-UP-CAPITAL

3,000,000 (2018 : 3,000,000) Ordinary shares of Rs.10 each

fully paid in cash	<u>30,000</u>	<u>30,000</u>
--------------------	---------------	---------------

3,000,000 (2018: 3,000,000) ordinary shares of the Company representing 100% (2018:100%) of the issued, subscribed and paid up capital are held by the Holding Company, Johnson and Phillips (Pakistan) Limited.

Note	2019	2018
	Rupees in thousand	

### 6 TRADE AND OTHER PAYABLES

Accrued expenses	<u>48</u>	32
Sales tax payable	<u>39</u>	39
	<u>87</u>	<u>71</u>
Income tax deducted	<u>505</u>	505
Workers' profit participation fund	<u>2,069</u>	2,069
	<u>2,574</u>	2,574
	<u>2,661</u>	2,645

## 7 SHORT TERM BORROWING

Holding Company	<u>24,835</u>	<u>24,835</u>
-----------------	---------------	---------------

7.1 The loan is un-secured interest free and payable on demand.

## 8 CONTINGENCIES AND COMMITMENTS

### Contingencies

The income tax assessments for the assessment years up to 2000-2001 have been completed and the total liability demanded for the assessment years 1996-97 to 1998-99 amounts to Rs.0.122 million which the Company has disputed in appeal before tax authorities. In the event of adverse decision in the pending appeals the Company would not be required to make further payment as advance tax paid would cover the demand. The Company would however, face a charge against profit amounting to Rs.0.350 million.

### Commitments

There were no capital commitments as at the balance sheet date.( 2018: Nil)

## 9 LOSS PER SHARE-BASIC AND DILUTED

	2019	2018
Net loss for the year - <b>Rupees</b>	<u>(16)</u>	<u>(4,608)</u>
Weighted average number of ordinary shares - <b>Shares</b>	<u>3,000,000</u>	<u>3,000,000</u>
Loss per share - basic and diluted - <b>Rupees</b>	<u>(0.01)</u>	<u>(1.54)</u>

## 10 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

None of the Directors, Chief Executives are paid remuneration and any other allowances.

## 11 STAFF RETIREMENT BENEFITS

None of the staff retirement benefits is maintained by the Company.

## 12 TRANSACTIONS RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at arm's length. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties during the year, other than salaries to key management and contributions to employment benefit plans, if any, disclosed elsewhere in these financial statements, are as follows:



Name	Relationship	Transactions during the year and year end balances	2019 (Rupees in thousand)	2018
Johnson & Phillips (Pakistan) Limited	Holding Company	Payment made on behalf of Company	-	78
		Year end balance	24,835	24,835

### 13 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 frame work. The Company has exposure to the following risks from its use of finances instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 13.1 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. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, 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 when changes in economic or industry factors similarly affects Company's counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The Company is not exposure to any credit risks at the reporting date.

#### Impairment losses

As at balance date there was no impairment loss in respect of financial assets (2018 Nil).

#### 13.2 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 working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

Carrying amount		Contractual cash flows			
	Total	On demand	Upto one year	More than one year	
------(Rupees in thousand)-----					
Trade and other payables	48	48	-	(48)	-
Short term borrowings	24,835	24,835	(24,835)	-	-
June 30, 2019	24,883	24,883	(24,835)	(48)	-
Trade and other payables	32	32	-	(32)	-
Short term borrowings	24,835	24,835	(24,835)	-	-
June 30, 2018	24,867	24,867	(24,835)	(32)	-

### 13.3 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 is 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/ mark-up 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 re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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 instruments was as follows:

		2019	2018
		Effective interest rate (%)	Carrying amount(Rs.'000')
Financial liabilities			
	Trade and other payables	Non-interest bearing	48 32
	Short term loans	Non-interest bearing	24,835 24,835

#### Sensitivity analysis

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

### 13.4 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 arm's 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.

### 13.5 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 lights of changes in economic conditions. As at June 30, 2019, the shareholders' negative equity amounts to Rupees 27.000 million (2018: Rupees 26.984 million).

### 14 NUMBER OF EMPLOYEES

-Total employees of the Company at the year end  
-Average employees of the Company during the year

2019	2018
Numbers	
-	-
-	-

### 15 PRODUCTION CAPACITY

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

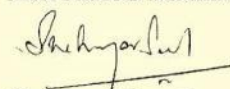
### 16 GENERAL

16.1 Figures have been rounded off to the nearest thousand rupee.


16.2 Corresponding figures have been re-arranged & re-classified, whenever, necessary for the purpose of comparison and better presentation. However there is no corresponding figures have been re-arranged & re-classified during the year.

### 17 DATE OF AUTHORISATION

These financial statements were authorised for issue on September 30, 2019 by the Board of Directors of the Company.



**Shehryar Saeed**  
Chief Executive



**Marium Shafi**  
Director



**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF JOHNSON AND PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Disclaimer of Opinion**

We have audited the annexed financial statements of Johnson and Phillips Transformers (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2019 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express and opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

- (a) the Company has not maintained certain customary accounting records as required by Companies Ordinance, 1984, and supporting documents relating to transactions with its customer and suppliers, particularly with respect to receivable, payables, bank balances, inventories and property, plant and equipment. Further, in the absence of information regarding realizable value of several balances under deposits, advances, other receivables, stock in trade, property, plant and equipment and bank balances aggregating to Rs. 1.982 million (2018: Rs. 1.982 million) we have not been able to verify whether the amount would be realized at carrying values. Moreover, due to lack of customary accounting records and supporting documents we were unable to verify the Company's liability aggregating to Rs. 27.084 (2018: Rs. 27.068 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by the conditions.
- (b) the management has written off assets amounting to Rs.0.961 million which include long term deposits of Rs.0.165 million, advance of Rs.0.167 million cash at bank of Rs.0.061 million and other receivable of Rs.0.568 million and wrote back liabilities amounting to Rs.5.551 million which include Creditors of Rs.4.068 million and other liabilities of Rs.1.483 million resulting in recognition of expense in statement of profit or loss of Rs.0.961 million and income of Rs.5.551 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the Company's financial statements for the year ended 30 June 2017 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
- (c) During the year ended 30 June 2017, the management recorded disposal and reversal of certain assets and liabilities in the financial statements of the Company including assets held for sale amounting to Rs. 15.127 million, stock in trade amounting to Rs. 6.910 million, advances amounting to Rs. 1.500 million, short term loan from commercial bank amounting to Rs. 25.894 million and recognised a gain on sale of assets held for sale amounting to Rs. 2.357 million in profit and loss account. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the Company's financial statements for the year ended 30 June 2016 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we were not able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
- (d) as discussed in Note 2 to the financial statements the accumulated losses of the Company as at June 30, 2019 stand at Rs.55.698 million (2018: Rs. 55.682 million) resulting in a negative equity of Rs.25.698 million (2018: Rs.28.682 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 25.102 million (2018: Rs. 25.086 million). Further as fully explained in note 8.1 to these financial statements, the Company defaulted in payment of its liability to the National Bank of Pakistan, has been fully settled, however, same has not been acknowledged by the bank. These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as going concern.
- (e) in the absences of information regarding the latest position of income tax assessment of the Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these financial statements that may arise due to decision against appeals filed by the Company with income tax authorities. We are unable to report matters of contingencies as disclosed in Note 10.1 to the financial statements



- (f) in the absences of information regarding current status of taxation, the amount of deductible temporary difference, unused tax losses and unused tax credits for which no deferred tax assets is recognized in the balance sheet, we are unable to ascertain the possible effect of deferred tax on these financial statements.
- (g) we have requested the confirmation of balances and other information as at June 30, 2019 from National Bank of Pakistan Main branch Shahrah-e-Quaid-e-Azam, Lahore and to date satisfactory response was not received. In the absence of satisfactory response it cannot be assessed with any degree of accuracy that the balance and other information stated in the Company's records are in agreement with the bank.

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).  
The engagement partner on the audit resulting in this independence auditor's report is Nisar Ahmed, FCA.

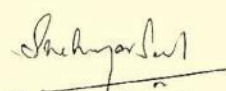
**Karachi**  
**30 September 2019**

**NAZIR CHAUDHRI & CO.**  
Chartered Accountants  
Engagement Partner: Nisar Ahmed, FCA.


**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
AS AT JUNE 30, 2019

<i>ASSETS</i>	<i>Note</i>	<b>2019</b> <b>(Rupees in thousand)</b>	2018
<b>Current Assets</b>			
Advance income tax		1,982	1,982
		<u>1,982</u>	<u>1,982</u>
<b>EQUITY AND LIABILITIES</b>			
<i>Share Capital &amp; Reserves</i>			
<b>Authorised share capital</b>			
3,000,000 (2018: 3,000,000) ordinary shares of Rs. 10 each		<u>30,000</u>	<u>30,000</u>
Issued, subscribed and paid-up	5	<u>30,000</u>	<u>30,000</u>
Accumulated losses		<u>(55,698)</u>	<u>(55,682)</u>
		(25,698)	(25,682)
<b>Non-Current Liabilities</b>			
Long term loan	6	-	-
Deferred Liabilities	7	<u>596</u>	<u>596</u>
		596	596
<b>Current Liabilities</b>			
Trade and other payables	8	<u>2,109</u>	<u>2,093</u>
Short term loan	9	<u>24,548</u>	<u>24,548</u>
Provision for taxation		<u>427</u>	<u>427</u>
		27,084	27,068
<b>Contingencies and Commitments</b>	10		
		<u>1,982</u>	<u>1,982</u>

*The annexed notes from 1 to 20 form an integral part of these financial statements.*



**Shehryar Saeed**  
**Chief Executive**



**Marium Shafi**  
**Director**

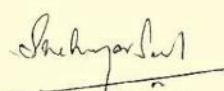


# JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2019

	<i>Note</i>	2019 (Rupees in thousand)	2018
<b>Administrative expenses</b>			
Audit fee		(16)	(16)
Rent, Rate and Taxes		-	(62)
		<u>(16)</u>	<u>(78)</u>
Assests written off		-	(961)
Liabilites written back		-	5,551
<b>(Loss) / profit for the year due to ceased operations</b>		<u>(16)</u>	<u>4,512</u>
<b>(Loss) / profit for the year</b>		<u>(16)</u>	<u>4,512</u>
<b>(Loss) / profit per share- basic and diluted</b>	<b>11</b>	<u>(5.33)</u>	<u>1,504</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.



**Shehryar Saeed**  
Chief Executive

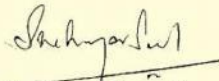


**Marium Shafi**  
Director

**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<i>Note</i>	<b>2019</b> <b>(Rupees in thousand)</b>	2018
(Loss) / profit for the year		(16)	4,512
Other comprehensive income		-	-
<b>Total comprehensive (Loss) / profit</b>		<u><b>(16)</b></u>	<u><b>4,512</b></u>

*The annexed notes from 1 to 20 form an integral part of these financial statements.*

  
**Shehryar Saeed**  
**Chief Executive**

  
**Marium Shafi**  
**Director**

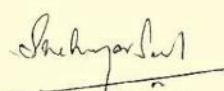


# JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>CASH FLOWS FROM CEASED OPERATIONS</b>			
(Loss) / profit for the year		(16)	4,512
Adjustment for non-cash charges and other items:			
Assests written off		-	961
Liabilites written back		-	(5,551)
<b>Profit / (Loss) before working capital charges</b>		<b>(16)</b>	<b>(78)</b>
<b>Working capital changes</b>			
(Increase) / decrease in current assets		-	-
Increase / (decrease) in current liabilities		-	-
Trade and other payables		16	-
		<u>16</u>	<u>-</u>
<b>Net cash from ceased operations</b>		<b>-</b>	<b>(78)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term loan received		-	78
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		<u>-</u>	<u>-</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.



**Shehryar Saeed**  
Chief Executive

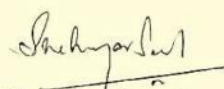


**Marium Shafi**  
Director

**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Issued, subscribed and paid-up capital	Accumulated loss	Total
	----- Rupees in thousand -----		
Balance as at June 30, 2017	30,000	(60,194)	(30,194)
Profit for the year	-	4,512	4,512
Balance as at June 30, 2018	30,000	(55,682)	(25,682)
Loss for the year	-	(16)	(16)
<b>Balance as at June 30, 2019</b>	<b>30,000</b>	<b>(55,698)</b>	<b>(25,698)</b>

*The annexed notes from 1 to 20 form an integral part of these financial statements.*



**Shehryar Saeed**  
**Chief Executive**



**Marium Shafi**  
**Director**



**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1 NATURE AND STATUS OF BUSINESS**

- 1.1** Johnson & Phillips Transformers (Private) Limited (the Company) was incorporated on October 05, 1992 in Pakistan under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017) as a private limited company. The principal activity of the Company is to manufacture and sell all types of electrical and mechanical equipment and appliances.

**Registered Office and plant**

The registered office and plant of the Company is situated at C-10 South Avenue, SITE, Karachi.

The Company ceased its production in February, 1998 and at present the Company is dormant. As more fully explained in Note. 10.1. The Company has settled their disputes with National Bank of Pakistan and agreed to pay Rs. 27.345 million as full and final settlement of their outstanding dues in instalments. In the event the terms of settlement are not implemented the NBP has a right to recover forthwith the whole outstanding amount by sale of assets of the Company. The Company has made default in making payment as per terms of agreement.

**2 Going concern**

The accumulated losses of the Company as at June 30, 2019 stand at Rs. 55.698 million (2018: Rs. 55.682 million) resulting in a negative equity of Rs. 25.698 million (2018: Rs. 25.682 million) and as at that date, the current liabilities of the Company exceeds the current assets by Rs.25.102 million (2018: Rs. 25.086 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as a going concern.

However, the management has decided to dispose of the assets of the Company. In the meantime the accounts have been prepared on the going concern basis.

Therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the revisions of and directives issued under the Companies Act, 2017 have been followed.

**3.2 Accounting convention**

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

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

**3.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupee which is also the Company's functional currency.

**3.4 Significant 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 judgment in the process of applying the company's accounting policies. The areas where various assumptions and estimates are significant to the financial statements are as follows:

	Note
Provision for taxation	4.2
Provision for deferred taxation	4.2

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.



### 3.5 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 4.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

### 3.6 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Its application is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019) for a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.

The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may



take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

### **3.7 Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:**

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

### **4.1 Changes in significant accounting policies**

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

#### **4.1.1 IFRS 15 'Revenue from Contracts with Customers'**

Effective July 1, 2018, the Company has applied IFRS 15 "Revenue from Contracts with Customers" for determining its revenue recognition policy. IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Company with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. However, The application of IFRS 15 has no material impact on the financial statements of the Company.

#### **4.1.2 IFRS 9 'Financial Instruments'**

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39, "Financial instruments: Recognition and measurement"

IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) Impairment of financial assets and iii) hedge accounting.



IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

#### **Classification and measurement of financial assets and financial liabilities**

This new standard requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial asset.

IFRS 9 no longer has an "Available for Sale" classification for financial assets. IFRS 9 has different requirements for debt and equity financial assets.

#### **Debt instrument should be classified and measured at either:**

-amortised cost, where the effective interest rate method will apply;

-fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or

-fair value through profit or loss (FVTPL).

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

-fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or

-fair value through profit or loss (FVTPL).

Application of IFRS 9 had no impact on financial liabilities of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

		Measurement Category		Carrying Amount		
		Original (IAS 39)	New (IFRS 9)	Original	New	Difference
----- Rupees in thousands -----						
<b>Current financial liabilities</b>						
Trade and other payables	Amortized cost	Amortized cost		664	664	-
	Loans and payables					
Short term loan		Amortized cost		24,548	24,548	-

#### **Impairment of financial assets**

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

#### **4.1 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 included in profit and loss account.



## **4.2 Taxation**

### **i) 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.

### **ii) 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 recognized only if there is reasonable certainty for realization.

## **4.3 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.

## **4.4 Provisions**

Provisions are recognized 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.

## **4.5 Trade debts, loans, advances, deposits, prepayments and other receivables**

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

## **4.6 Impairment non-financial assets**

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **4.7 Revenue recognition**

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. However, revenue from sale of goods is recognised on dispatch of goods to customers i.e. when the significant risks and reward of ownership have been transferred to the customer.

## **4.8 Borrowings and finance cost**

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset. Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying asset is capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to statement of profit or loss.

## **4.10 Cash and cash equivalents**

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

## **4.11 Financial Instruments**

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the



contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

(i) **Financial assets**

- **Classification**

Effective July 1, 2018, the Company classifies its financial assets in the following measurement categories:

- a) Amortized cost where the effective interest rate method will apply;
- b) fair value through profit or loss;
- c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes

- **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

- **Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- **Debt instruments**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

a) **Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

b) **Fair value through other comprehensive income (FVTOCI)**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income/charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/charges and impairment expenses are presented as separate line item in the statement of profit or loss.

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

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented net within other operating gains/(losses) in the period in which it arises.



- **De-recognition of financial assets**

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

- **Impairment of financial assets**

Effective July 1, 2018, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Loans, advances, deposits, prepayments and other receivables
- Short term investments
- Cash and bank balances

Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

- **Recognition of loss allowance**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

- **Write-off**

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cashflows to repay the amount.

and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash

(ii) **Financial liabilities**

Classification, initial recognition and subsequent measurement.



The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

**a) Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

**b) Amortised cost**

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

**- De-recognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

**(iii) Off-setting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

**4.12 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### 4.13 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

#### 4.14 Dividend

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

Note                      2019      2018  
(Rupees in thousand)

### 5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

3,000 (2018: 3,000) ordinary shares of Rs.  
10/- each fully paid in cash

30,000                      30,000

2,100 (2018: 2,100) ordinary shares of the Company representing 70% (2018: 70%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.

### 6 LONG TERM LOAN

#### Secured

National Bank of Pakistan (formerly NDFC) (Note: 13.1 c)

Less: transferred to short term loan

-                                      -  
-                                      -

#### 6.1 The borrowing is secured against hypothecation of stocks and lien on book debts and repayment guarantee of holding company.

The Company has settled its disputes with NBP and agreed to pay Rs. 27.345 million as full and final settlement of its outstanding dues as per compromise agreement dated April 30, 2002. This amount is repayable in six equal half yearly instalments commencing after the expiry of eight months from the date of decree.

In the event of default in payment of any single instalment the entire outstanding amount shall become due and payable forthwith in lump sum. NBP has a right to recover the outstanding amount by sale of charged assets and properties of the company.

The entire amount has been paid, however, the bank has not yet issued NOC

### 7 DEFERRED LIABILITIES

Deferred taxation

596                                      596

**2019**                      **2018**  
**(Rupees in thousand)**

**8 TRADE AND OTHER PAYABLES**

Workers' profit participation fund		<b>1,429</b>	1,429
Others		<b>680</b>	664
		<b>2,109</b>	2,093

**9 SHORT TERM LOAN**

From commercial bank -secured	6	-	-
From holding company	9.1	<b>20,863</b>	20,863
From others -unsecured	9.2	<b>3,685</b>	3,685
		<b>24,548</b>	24,548

**9.1** Loans obtained from holding company and associated company are interest free and payable on demand.

**9.2** Represents loan obtained from Mr. Bilal Ahmed Qureshi, a related party, (major shareholder of the holding company). The loan is interest free and payable on demand.

**10 CONTINGENCIES AND COMMITMENTS**

**10.1 Contingencies**

- a) The income tax assessments for the assessment years up to 2000-2001 have been completed and the total liability demanded for the assessment years 1994-95 to 1998-99 amounts to Rs.4.835 million. The company has filed an appeal before Commissioner of Income Tax Appeals (CIT) against the above demand. The Commissioner has set aside the order of Deputy Commissioner of Income Tax and directed reassessment of demand. In the event of adverse decision the company would be faced with additional liability of Rs.4.451 million and corresponding charge against profit amounting to Rs.4.409 million.
- b) The liability for the amount due to Atta Cables (Pvt) Limited including unsecured loan relating to Ex-Management, has been recorded in the books at an amount of Rs.8.984 million as against the amount of Rs.18.998 million (2016: Rs.18.998 million) claimed by M/s Atta Cables (Pvt) Limited. The company does not acknowledge the excess amount of claim.
- c) Pursuant to a recovery suit filed by the National Bank of Pakistan against Johnson & Phillips Transformers (Pvt.) Limited (Defendant No.1) and Johnson & Phillips (Pakistan) Limited (Defendant No.2), the Banking Court No. III, Lahore passed a compromise decree.

The Bank agreed that prior to executing the Decree against the Defendant No.2 as guarantor, the Bank will execute against all assets of the Defendant No. 1. Some payments has been made to the Bank while the remaining amount of Rs. 25.894 million is still payable. The execution proceedings in this case are now pending before the Banking Court No. III.

**10.2 Commitments**

There were no capital commitments as at the balance sheet date.(2018: Nil)

**11 LOSS PER SHARE-BASIC AND DILUTED**

(Loss) profit for the year after taxation - Rupees	(16)	4,512
Weighted average number of ordinary shares - Number	3,000	3,000
(Loss) / profit per share - basic and diluted - Rupees	(5.33)	1,504

**12 PRODUCTION CAPACITY**

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

**13 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

None of the Directors, Chief Executives are paid remuneration and any other allowances.

**14 STAFF RETIREMENT BENEFITS**

None of the staff retirement benefits is maintained by the Company.



## 15 TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at arm's length. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties during the year, other than salaries to key management and contributions to employment benefit plans, if any, disclosed elsewhere in these financial statements, are as follows:

Name of related party	Relationship	Transactions during the year and year end balance	2019	2018
			(Rupees in Thousand)	
Johnson & Phillips (Pakistan) Limited	Holding Company	Payment made on behalf of Company	-	78
		Year end balance	<b>20,863</b>	20,863
Mr. Bilal Ahmed Qureshi	Related Party	Year end	<b>3,685</b>	3,685

## 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 frame work. The Company has exposure to the following risks from its use of finances instruments:

- Credit risk
- Liquidity risk
- Market risk

### 16.1 Credit Risk

Credit risk arises when changes in economic or industry factors similarly affects Company's of counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date is as follows:

#### Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects Company's counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The Company is not exposure to any credit risks at the reporting date.

### 16.2 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 working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

Carrying amount	Contractual cash flows		
	On demand	Upto one year	More than one year
(Rupees in thousand)			
Trade and other payables	680	-	(680)
Short term borrowings	24,548	(24,548)	-
<b>June 30, 2019</b>	<b>25,228</b>	<b>(24,548)</b>	<b>(680)</b>
Trade and other payables	664	-	(664)
Short term borrowings	24,548	(24,548)	-
<b>June 30, 2018</b>	<b>25,212</b>	<b>(24,548)</b>	<b>(664)</b>

### 16.3 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 is 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/ mark-up 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 re-price in a given period. As at balance sheet date, the Company does not hold any interest based financial assets or liabilities.

#### Sensitivity analysis

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

### 16.4 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 arm's 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.

## 17 CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e. its shareholders' equity 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 lights of changes in economic conditions. As at June 30, 2018, the shareholders' negative equity amounts to Rupees 25.689 million (2018: Rs. 25.682 million)

## 18 NUMBER OF EMPLOYEES

-Total employees of the Company at the year end  
-Average employees of the Company during the year

2019 Numbers	2018
-	-
-	-

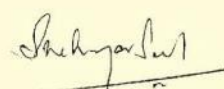
## 19 GENERAL

### 19.1 Figures have been rounded off to the nearest thousand rupee.

### 19.2 Corresponding figures have been re-arranged & re-classified, whenever, necessary for the purpose of comparison and better presentation. However there is no corresponding figures have been re-arranged & re-classified during the year.

## 20 DATE OF AUTHORIZATION

These financial statements were authorised for issue on September 30, 2019 by the Board of Directors of the Company.



**Shehryar Saeed**  
Chief Executive



**Marium Shafi**  
Director



**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**INDEPENDENT AUDITOR'S REPORT**  
**To the members of Johnson and Phillips EMO Pakistan Limited**  
**Report on the Audit of the Financial Statements**

**Disclaimer of Opinion**

We have audited the annexed financial statements of Johnson & Phillips EMO Pakistan (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2019 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

- (a) the Company has not maintained certain customary accounting records as required by Companies Act, 2017, and supporting documents relating to transactions with its customer and suppliers, particularly with respect to receivable, payables, bank balances. Further, in the absence of information regarding realizable value of several balances under advances and deposits aggregating to Rs. 0.058 million (2018: Rs. 0.058 million) we have not been able to verify whether the amount would be realized at carrying values. Moreover, due to lack of customary accounting records and supporting documents we were unable to verify the Company's liability aggregating to Rs. 3,074 (2018: Rs. 3,058 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by the conditions.
- (b) The management has written off assets amounting to Rs.0.085 million which represent deposits and wrote back liabilities amounting to Rs.0.530 million which include Creditors of Rs.0.132 million, temporary overdraft of Rs.0.391 and other liabilities of Rs.0.070 million resulting in recognition of expense in statement of profit or loss of Rs.0.085 million and income of Rs.0.562 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the Company's financial statements for the year ended 30 June 2017 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
- (c) as discussed in Note 2 to the financial statements the accumulated losses of the Company as at June 30, 2019 stand at Rs. 4.016 million (2018: Rs.4.000 million) resulting in a negative equity of Rs.3.016 million (2018: Rs. 3.000 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 3.016 million (2018: Rs.3.000 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as going concern.
- (d) in the absences of information regarding the latest position of income tax assessment of the Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these financial statements that may arise due to decision against appeals filed by the Company with income tax authorities. We are unable to report matters of contingencies as disclosed in Note 8.1 to the financial statements.
- (e) In the absences of information regarding current status of taxation, the amount of deductible temporary difference, unused tax losses and unused tax credits for which no deferred tax assets is recognized in the balance sheet, we are unable to ascertain the possible effect of deferred tax on these financial statements. Responsibilities of Management and Board of Directors for the Financial Statements  
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.  
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).  
The engagement partner on the audit resulting in this independent auditor's report is Nisar Ahmed, FCA.

**Karachi**  
**September 30, 2019**

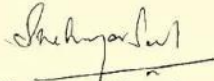
**NAZIR CHAUDHRI & CO.**  
Chartered Accountants  
Engagement Partner: Nisar Ahmed, FCA



**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	Note	2019 (Rupees in Thousand)	2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	-	-
<b>CURRENT ASSETS</b>			
Advance income tax		58	58
		<u>58</u>	<u>58</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised capital</b>			
1,000,000 (2018: 1,000,000) ordinary shares of Rs. 10 each		10,000	10,000
Issued, subscribed and paid-up capital	6	1,000	1,000
Accumulated losses		(4,016)	(4,000)
		<u>(3,016)</u>	<u>(3,000)</u>
<b>Contingencies and commitments</b>			
Audit fees payable		48	32
Short term advances	7	3,012	3,012
Provision for taxation		14	14
		<u>3,074</u>	<u>3,058</u>
	8	<u>58</u>	<u>58</u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

  
**Shehryar Saeed**  
**Chief Executive**

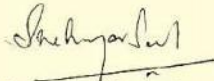
  
**Marium Shafi**  
**Director**

# JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in Thousand)	2018
<b>Administrative expenses</b>			
Rent, Rate and Taxes		-	(32)
Auditors' remuneration		<u>(16)</u>	<u>(16)</u>
		<b>(16)</b>	<b>(48)</b>
Assets written off		-	(85)
Liabilities written back		-	530
		-	445
<b>(Loss) / profit for the year due to ceased operations</b>		<b>(16)</b>	<b>397</b>
<b>(Loss) / profit for the year</b>		<b><u>(16)</u></b>	<b><u>397</u></b>
<b>(Loss) / profit per share- basic and diluted</b>	9	<b><u>(0.16)</u></b>	<b><u>3.97</u></b>

The annexed notes from 1 to 19 form an integral part of these financial statements.

  
Shehryar Saeed  
Chief Executive

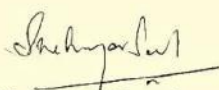
  
Marium Shafi  
Director



**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in Thousand)	2018
(Loss) / profit for the year		(16)	397
Other comprehensive income		-	-
Total comprehensive (loss) / profit		<u>(16)</u>	<u>397</u>

*The annexed notes from 1 to 19 form an integral part of these financial statements.*

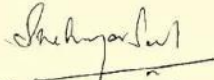
  
**Shehryar Saeed**  
**Chief Executive**

  
**Marium Shafi**  
**Director**

**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Note	2019	2018
	(Rupees in Thousand)	
<b>CASH FLOWS FROM CEASED OPERATIONS</b>		
<b>Profit / (Loss) for the year</b>	<b>(16)</b>	<b>397</b>
Adjustment for non-cash charges and other items:		
Assets written off	-	85
Liabilities written back	-	(530)
Loss before working capital changes	<u>(16)</u>	<u>(48)</u>
<b>Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>	-	-
<b>Increase / (decrease) in current liabilities</b>		
Audit fees payable	<u>16</u>	-
<b>Net cash (used) from ceased operations</b>	<u>-</u>	<u>(48)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term advances	-	48
Net (decrease) / increase in cash and cash equivalents	<u>-</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>

*The annexed notes from 1 to 19 form an integral part of these financial statements.*

  
**Shehryar Saeed**  
**Chief Executive**

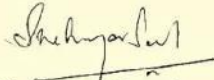
  
**Marium Shafi**  
**Director**



**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Issued, subscribed and paid-up capital	Accumulated losses	Total
	-----Rupees in thousand-----		
Balance as at June 30, 2017	1,000	(4,397)	(3,397)
Profit for the year	-	397	397
Balance as at June 30, 2018	1,000	(4,000)	(3,000)
Loss for the year	-	(16)	(16)
<b>Balance as at June 30, 2019</b>	<b>1,000</b>	<b>(4,016)</b>	<b>(3,016)</b>

*The annexed notes from 1 to 19 form an integral part of these financial statements.*

  
**Shehryar Saeed**  
**Chief Executive**

  
**Marium Shafi**  
**Director**

**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1 NATURE AND STATUS OF BUSINESS**

- 1.1** Johnson & Phillips EMO Pakistan (Private) Limited (the Company) was incorporated on March 22, 1993 in Pakistan under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017) as a private limited company. The principal activity of the Company is to participate in turnkey engineering industrial projects. At present, the Company is dormant.

**Registered Office and plant**

The registered office and plant of the Company is situated at C-10 South Avenue, SITE, Karachi.

**2 Going concern**

The accumulated losses of the Company as at June 30, 2019 stand at Rs.4.016 million (2018: Rs.4.000 million) resulting in a negative equity of Rs.3.016 million (2018: Rs.3.000 million) and as at that date, the current liabilities of the Company exceeds the current assets by Rs.3.016 million (2018: Rs.3.000 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the ability of the management to negotiate profitable contracts.

The management is making efforts but anticipate that they may not succeed in procuring contracts at desired level of profitability in the foreseeable future because of adverse economic conditions of the industry in general and utility companies in particulars. During the current year, the management of the Company was unable to procure any contract, therefore, contract income and related cost are appearing as nil.

However, these accounts are prepared on going concern basis.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the revisions of and directives issued under the Companies Act, 2017 have been followed.

**3.2 Accounting convention**

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

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

**3.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupee which is also the Company's functional currency.



### 3.4 Significant 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 judgment in the process of applying the company's accounting policies. The areas where various assumptions and estimates are significant to the financial statements are as follows:

	Note
Provision for taxation	4.2
Provision for deferred taxation	4.2

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

### 3.5 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 4.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

### 3.6 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Its application is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019) for a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest



for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.

The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

### **3.7 Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:**

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

### **4.1 Changes in significant accounting policies**

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:



#### 4.1.1 IFRS 15 'Revenue from Contracts with Customers'

Effective July 1, 2018, the Company has applied IFRS 15 "Revenue from Contracts with Customers" for determining its revenue recognition policy. IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 is applicable on the Company with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. However, The application of IFRS 15 has no material impact on the financial statements of the Company.

#### 4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. "Financial instruments: Recognition and measurement"

IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities ii) Impairment of financial assets and iii) hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2018 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

##### **Classification and measurement of financial assets and financial liabilities**

This new standard requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial asset.

IFRS 9 no longer has an "Available for Sale" classification for financial assets. IFRS 9 has different requirements for debt and equity financial assets.

##### **Debt instrument should be classified and measured at either:**

- amortised cost, where the effective interest rate method will apply;
- fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

- fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- fair value through profit or loss (FVTPL).

Application of IFRS 9 had no impact on financial liabilities of the Company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2018 is as follows:

	Measurement Category		Carrying Amount		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
----- Rupees in thousands -----					
<b>Current financial liabilities</b>					
Audit fees payable	Amortized cost	Amortized cost	32	32	-
Short term advances	Loans and payables	Amortized cost	3,012	3,012	-

#### Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

#### 4.1 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 included in profit and loss account.

#### 4.2 Taxation

##### i) 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.

##### ii) 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 recognized only if there is reasonable certainty for realization.

#### 4.3 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.



#### **4.4 Provisions**

Provisions are recognized 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.

#### **4.5 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 is included in income currently.

##### **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.

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.

#### **4.6 Trade debts, loans, advances, deposits, prepayments and other receivables**

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

#### **4.7 Impairment non-financial assets**

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **4.8 Revenue recognition**

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. However, revenue from



sale of goods is recognised on dispatch of goods to customers i.e. when the significant risks and reward of ownership have been transferred to the customer.

#### **4.9 Borrowings and finance cost**

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset. Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying asset is capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to statement of profit or loss.

#### **4.10 Cash and cash equivalents**

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

#### **4.11 Financial Instruments**

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

##### **(i) Financial assets**

##### **- Classification**

Effective July 1, 2018, the Company classifies its financial assets in the following measurement categories:

- a) Amortized cost where the effective interest rate method will apply;
- b) fair value through profit or loss;
- c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes

##### **- Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### **- Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



## Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

### a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

### b) Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income/charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/charges and impairment expenses are presented as separate line item in the statement of profit or loss.

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

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

### - De-recognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### - Impairment of financial assets

Effective July 1, 2018, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.



Following are financial instruments that are subject to the ECL model:

- Trade debts
- Loans, advances, deposits, prepayments and other receivables
- Short term investments
- Cash and bank balances

Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### - **Recognition of loss allowance**

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

#### - **Write-off**

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cashflows to repay the amount.

### (ii) **Financial liabilities**

- Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

#### a) **Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

#### b) **Amortised cost**

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.



#### - **De-recognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### (iii) **Off-setting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

#### **4.12 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis

#### **4.13 Earnings per share**

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

#### **4.14 Dividend**

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

## 5 PROPERTY, PLANT AND EQUIPMENT

Description	COST			DEPRECIATION			Written down Values as at June 30, 2018	Rate
	As at July 01, 2017	Additions / (disposal)	As at June 30, 2018	As at July 01, 2017	For the year	As at June 30, 2018		
----- Rupees in thousand-----								
2019	-	-	-	-	-	-	-	(%)
2018	186	(186)	-	186	(186)	-	-	

### 5.1 DETAIL OF DISPOSAL OF ASSETS

Description	Cost	Accumulated Depreciation	Written down value	Sale Proceeds	Gain	Mode of Disposal	Particulars of Purchaser
----- Rupees in thousand-----							
Office equipments - Scrap	110	110	-	1	1	Bid	Mr. Maqsood
Furniture and fixture - Scrap	73	73	-	-	-	Bid	Mr. Maqsood
Vehicles - Cycle Scrap	3	3	-	-	-	Bid	Mr. Maqsood
	<b>186</b>	<b>186</b>	<b>-</b>	<b>1</b>	<b>1</b>		

**2019                  2018**  
**(Rupees in Thousand)**

## 6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

100,000 (2018: 100,000) Ordinary shares of Rs. 10/- each  
fully paid in cash

**1,000**                  **1,000**

51,000 (2018: 51,000) ordinary shares of the company representing 51% (2018: 51%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.



## 7 SHORT TERM ADVANCES

Unsecured

Holding Company

3,012

3,012

The above advance is unsecured and interest free. The maximum amount outstanding at the end of any month during the year was Rs. 3.012 million. (2018: Rs. 3.012 million).

## 8 CONTINGENCIES AND COMMITMENTS

### Contingencies

### 8.1 Taxation

The income tax assessments for the assessment year up to 2000-2001 have been completed and the total liability demanded for the assessment years 1996-97 to 1999-2000 amounts to Rs. 0.226 million which the Company is disputing in appeal before tax authorities. In the event of adverse decision in the appeals the Company would be faced with additional liability of Rs. 0.053 million and corresponding charge against profit amounting to Rs. 0.133 million.

### Commitments

There was no capital commitments as at the balance sheet date.

## 9 LOSS PER SHARE - BASIC AND DILUTED

(Loss) profit for the year after taxation - Rupees

(16)

397

Weighted average number of ordinary shares - Number

100,000

100,000

(Loss) / profit per share - basic and diluted - Rupees

(0.16)

3.97

## 10 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

None of the Directors, Chief Executive and Executive are paid remuneration and any other allowances.

## 11 STAFF RETIREMENT BENEFITS

None of the staff retirement benefits is maintained by the Company.

## 12 TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at arm's length. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties during the year, other than salaries to key management and contributions to employment benefit plans, if any, disclosed elsewhere in these financial statements, are as follows:

Name of related party	Relationship	Transactions during the year and year end balances	2019 (Rupees in Thousand)	2018
Johnson & Phillips (Pakistan) Limited	Holding Company	Payment made on behalf of Company	-	48
Year end balance			3,012	3,012

## 13 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 frame work. The Company has exposure to the following risks from its use of finances instruments:

- Credit risk
- Liquidity risk
- Market risk

### 13.1 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. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, 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 when changes in economic or industry factors similarly affects Company's counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The Company is not exposure to any credit risks at the reporting date.

#### Impairment losses

As at balance date there was no impairment loss in respect of financial assets (2018 Nil).

### 13.2 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 working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

13.2

	Carrying amount	Total	Contractual cash flows		
			On demand	Up to one year	More than one year
Audit fees payable	48	48	-	(48)	-
Short term advances	3,012	3,012	-	(3,012)	-
<b>June 30, 2019</b>	<b>3,060</b>	<b>3,060</b>	<b>-</b>	<b>(3,060)</b>	<b>-</b>
Audit fees payable	32	32	-	(32)	-
Short term advances	3,012	3,012	-	(3,012)	-
<b>June 30, 2018</b>	<b>(3,044)</b>	<b>(3,044)</b>	<b>-</b>	<b>(3,044)</b>	<b>-</b>

### 13.3 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 is 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/ mark-up 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 re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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 instruments was as follows:

	2019	2018		2019	2018
	Effective interest rate (%)			Carrying amount(Rs.'000')	
Financial liabilities					
Audit fees payable			Non-interest bearing	48	32
Short term advances			Non-interest bearing	3,012	3,012

## Sensitivity analysis

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

## 14 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 arm's 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.

## 15 CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e. its shareholders' equity, 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 lights of changes in economic conditions. As at June 30, 2019, the shareholders' negative equity amounts to Rupees 3.016 million (2018: Rupees 3.000 million)

16 NUMBER OF EMPLOYEES	2019	2018
	Numbers	
-Total employees of the Company at the year end	-	-
-Average employees of the Company during the year	-	-

## 17 PRODUCTION CAPACITY

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

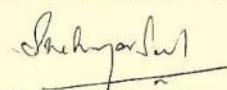
## 18 GENERAL

### 18.1 Figures have been rounded off to the nearest thousand rupee.

### 18.2 Corresponding figures have been re-arranged & re-classified, whenever, necessary for the purpose of comparison and better presentation. However there is no corresponding figures have been re-arranged & re-classified during the year.

## 19 DATE OF AUTHORIZATION

These financial statements were authorised for issue on September 30, 2019 by the Board of Directors of the Company.

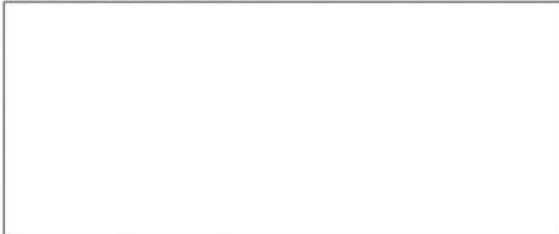
  
**Shehryar Saeed**  
Chief Executive

  
**Marium Shafi**  
Director



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