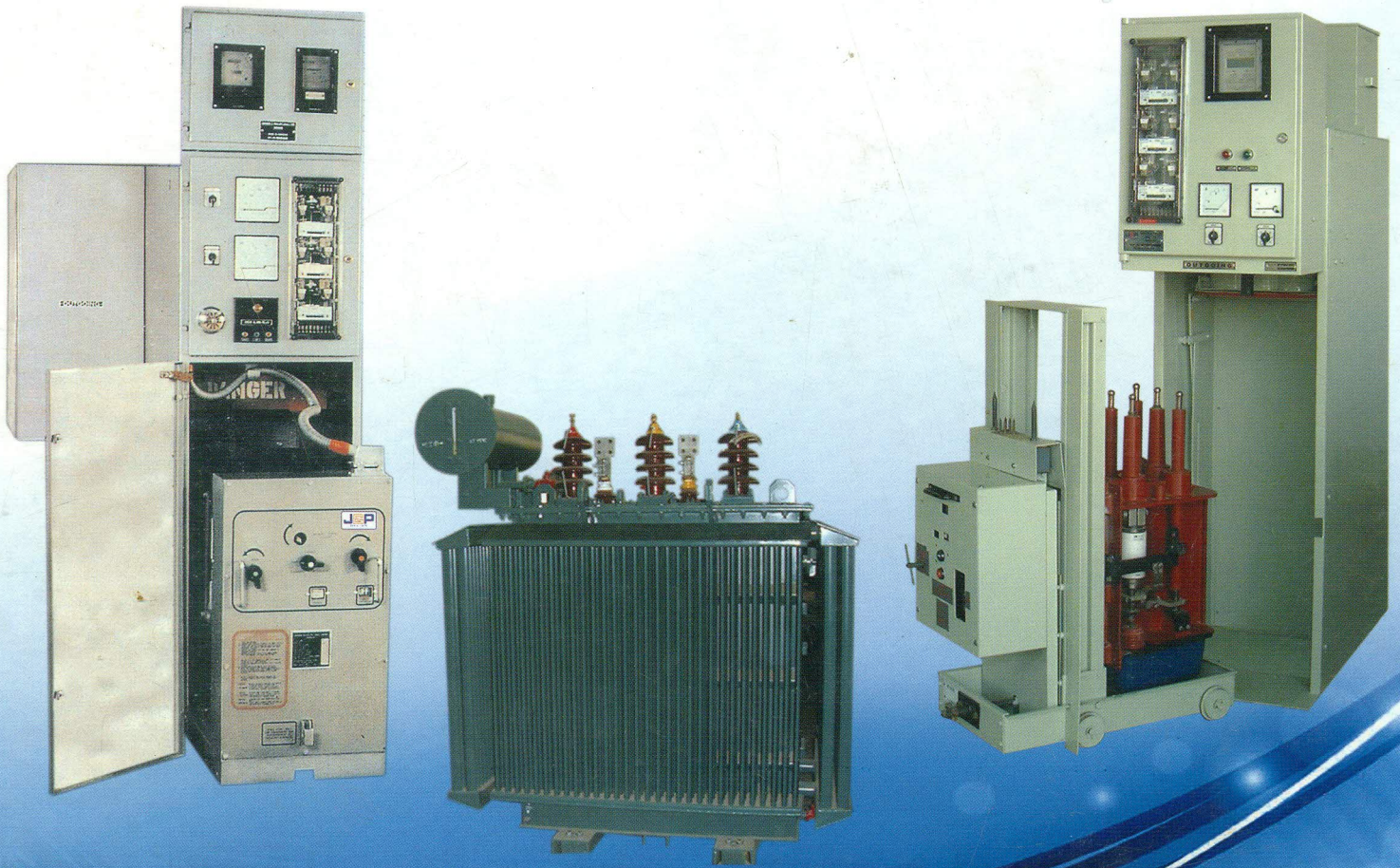
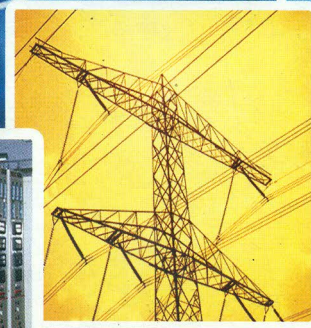




# Johnson & Phillips (Pakistan) Ltd.



## Annual Report 2015



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## COMPANY INFORMATION

### Board of Directors

|                               |              |
|-------------------------------|--------------|
| Mr. Bilal Ahmed Qureshi       | Chairman     |
| Mr. Shehryar Saeed            | Director/CEO |
| Ms. Mariam Shafi              | Director     |
| Mr. Muhammad Tariq Anjum      | Director     |
| Mr. Farooq A. Khan            | Director     |
| Mr. Nabeel Sadiq              | Director     |
| Mr. Imran Rafiq (NIT Nominee) | Director     |

### Board of Audit Committee

|                    |          |
|--------------------|----------|
| Mr. Nabeel Sadiq   | Chairman |
| Mr. Farooq A. Khan | Member   |
| Ms. Mariam Shafi   | Member   |

### Board of HR Committee

|                    |          |
|--------------------|----------|
| Ms. Mariam Shafi   | Chairman |
| Mr. Farooq A. Khan | Member   |
| Mr. Nabeel Sadiq   | Member   |
| Mr. Shehryar Saeed | Member   |

### Company Secretary

&

### Chief Financial Officer

Mr. Kashif Amin

### Legal Advisor

EBRAHIM HOSAIN & CO.  
Advocate & Corporate Counsel  
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)

# STATEMENT OF ETHICS AND BUSINESS PRACTICES GUIDELINES

## 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.

## FINANCIAL REPORTING & INTERNAL CONTROL

To implement an effective and transparent system of financial reporting and internal controls to safeguard the interest of our shareholders 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 compiled with through its audit committee constituted for this purpose.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 54<sup>nd</sup> Annual General Meeting of JOHNSON & PHILLIPS (PAKISTAN) LTD will be held on Saturday 31st, October 2015, at the registered office of the company at C-10, South Avenue S.I.T.E. Karachi at 11:30 am to transact the following business:

### ORDINARY BUSINESS

- 1 To confirm the minutes of the 53rd, Annual General Meeting held on 31st, October, 2014.
- 2 To receive consider and approve the audited accounts for the year ended on 30<sup>th</sup> June 2015 and the reports of the Directors and Auditors thereon for the year ended 30th June, 2015.
- 3 To appoint auditors for the year 2015-2016 and to fix their remuneration.
- 4 To transact any other business which may be placed before the meeting with permission of the Chair.

**By Order of the board**

**Karachi**

10<sup>th</sup> October 2015

Company Secretary

### Notes:

- 1 The shares transfer books of the Company will remain closed from 24th, October 2015 to 31st, October 2015 (both days inclusive ). Transfers received at the registered office of the company before the close of the business on 23rd, October 2015, will be treated in time for the purpose of Annual General Meeting.
- 2 Shareholders are requested to immediately notify the Company of any changes in their addresses.
- 3 A member entitled to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxy forms in order to be valid must be received at the registered office of the Company not less than 48 hours before the announced time of meeting. A member shall not be entitled to appoint more than one proxy. The proxy must be a member. Form of proxy is attached to this Annual Report.
- 4 A member entitled to attend and vote at the AGM will have to provide their original CNIC to be allowed to attend.
- 5 CDC Account holder will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

## CHAIRMAN'S REVIEW

I present to you the 54th, Annual Report of the performance of the company for the year ended 30th June, 2015.

The Global economic slowdown persisting is the result of a lingering ill-effect of the global financial crisis worldwide, with Pakistan economy to some extent resisting. Over all the FDI (Foreign Direct Investment) declined when compared to last Financial year.

The sign of economic recovery in the country is slow. Energy crisis still persists with electricity tariff's increasing making cost of doing business going up. Low domestic resource mobilization, circular debt, rampant corruption and measures being adopted to halt this through accountability courts etc is keeping investors not forth coming. Increasing tax burden on existing filers to make up for short fall in revenue collection and trying to bring non filers in the tax net is actually affecting new investors from shying away from investment opportunities.

Exports are stagnant. Infrastructure development, mega projects will take time for investments and realization. There seems to be no sign of an early improvement in the short term.

The Company on the other hand have a long term plan laid out to restructure the Company, its policies and products/product line to offset our declining sales. We plan to take this up during our Financial Year 2015-2016 so that at the end of this period we can again show a turnaround .....Insha Allah.

The Directors would like to thanks its 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 Board of Directors**

---

**Bilal Ahmed Qureshi**  
Chairman

## DIRECTOR'S REPORT

The Directors of your Board present to you the 54th, Annual Report together with the Audited Financial Statements of the Company for the year ended 30<sup>th</sup> June 2015.

(Rupees in thousand)

|  |                  |
|--|------------------|
| Profit / (Loss) for the year before taxation                                   | (59,215)         |
| Out of which the Directors have accounted<br>For taxation, as under: - Current | 1,417            |
| Disposable profit/ (Loss) for appropriation                                    | (57,798)         |
| Accumulated losses brought forward   | (180,585)        |
| Adjustment for: - Incremental depreciation for the year on revalued assets.    | 8,002            |
| Other Comprehensive loss for the year ended June 30th, 2015                    | 0                |
| <b>Accumulated losses carried over to Balance Sheet</b>                        | <b>(230,381)</b> |

In view of the need of liquid funds for working capital, the Directors have not recommended any dividend to the Share holders for the year ended 30<sup>th</sup> June, 2015.

### Earnings Per Share :

Earnings per share for the year ended 30<sup>th</sup> June 2015 is reduce from Rs.(10.61) to (5.82 Year:2014)

### Material Changes

There has been no material changes since 30<sup>th</sup> June 2015 and the Company has not entered into any commitments which would affect its financial position on that date.

### Board Meetings

The Board of Directors, which consist of seven members, have the responsibility to independently and transparently monitor the performance of the Company and take strategic decisions to achieve sustainable growth in the Company value. All members of the Board are elected in the general meeting after every three years.

A written notice of the Board meeting was sent to the members seven days before meetings. A total of Three meetings of the Board of Directors were held during the year ended June 30, 2015. The attendance of the board members was as follows:-

| Sr. # | NAME OF DIRECTOR              | MEETINGS ATTENDED |
|-------|-------------------------------|-------------------|
| 1     | Mr. Bilal Ahmed Qureshi       | 2                 |
| 2     | Mr. Shehryar Saeed            | 3                 |
| 3     | Ms. Marium Shafi              | 1                 |
| 4     | Ms. Muhammaad Tariq Anjum     | 3                 |
| 5     | Mr. Farooq A. Khan            | 1                 |
| 6     | Mr. Nabeel Sadiq              | 3                 |
| 7     | Mr. Imran Rafiq (NIT Nominee) | 3                 |

### Audit Committee.

The board, in compliance to Code of Corporate Governance, has formed an audit committee. Three meetings of the committee were held during the year. All the meetings were attended by the committee members. The terms of reference of audit committee are based on the scope as defined in CCG 2012 and guidelines given by the board from time to time to improve the system and procedurs.

### **Corporate and Financial Reporting Framework**

The Board of Directors have taken adequate measures for the implementation of the Regulations of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied to the Financial Statements in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, and requirements of Companies Ordinance, 1984 have been followed in preparation of financial statements.
- e) There are no significant doubts upon the Company's ability to continue as a going concern.
- f) Information about outstanding taxes and levies is given in the Notes to the Accounts.
- g) In the 3rd, Quarter / Nine months un-audited management accounts(Dec.2014) a discrepancy was detected, which is being disclosed by the management. The Cost of Sales and administrative costs were erroneously shown as lower than the cost determined from the half yearly / 2nd quarter review by the Company's auditor, resulting in understatement of nine month Loss. This was because 3rd Quarter / nine months un-audited accounts were disclosed/submitted before the 2nd quarter/half yearly un-audited accounts review by auditors, as a dispute with previous auditors delayed submission of half yearly accounts. However, this discrepancy has been rectified in the final audit accounts 30th, June 2015 and full disclosure is made for public interest.

### **Employee Relations:**

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

### **Future Outlook :**

The Country's future economic turn around will take sometime to happen. Domestic and Foreign Direct Investment are still not forthcoming as was expected with the changing economic environment. We have to play our part, to get ourselves out of this stagnant position, by concentrating on product line diversification, increasing private sector sales and service and, take the restructuring plan forward this financial year.

### **Auditors**

The present auditors, M/s. Nazir Chaudhri & Co. Chartered Accountants, stand retired upon completion of their 1 year term, being eligible have offered themselves for reappointment.

### **Acknowledgement**

We are grateful to all our customers and suppliers who have shown their continuous support.

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

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation in No.35 of the Karachi Stock Exchange for the purpose of establishing framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes :

| Category                | Names  |
|-------------------------|--|
| Independent Directors   | Mr. Tariq Anjum<br>Mr. Farooq Ahmed Khan   |
| Executive Directors     | Mr. Shehryar Saeed   |
| Non Executive Directors | Mr. Bilal Ahmed Qureshi<br>Ms. Mariam Shafi<br>Mr. Nabeel Sadiq<br>Mr. Imran Rafiq |

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company.

3. All the Resident Directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking Company, a DFI and NBFIs or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board of Directors during the year ended June 30th, 2015.

5. The Company has prepared a 'Statement of Ethics and business practices', and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. 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 have been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive and Non Executive Directors, have been taken by the board/shareholders.

8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Two of the director meets the criteria of exemption under clause (xi) of the CCG and is accordingly exempted from the directors training program. The condition of training certification for other directors will be complied in due course.

10. The Board has approved the appointment, remuneration and terms and conditions of employment of the CFO, who is also the Company Secretary.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to committee for compliance.
17. The board has formed an HR and Remuneration Committee, It comprises three members, of whom two are non-executive directors including the Chairman of the committee.
18. The board has set up an internal audit function which is conversant with the policies and procedures of the Company. Experience and qualification of the Head of Internal Auditor is not as per requirements, this condition will be complied in due course.
19. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review programme of the Institute of 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 Institute of Chartered Accountants of Pakistan(ICAP).
20. The statutory auditors or the persons associated with them have not been appointed to provide others services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed Period", prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company securities, was determined and intimated to directors, employees and stock exchange.
22. The Company has complied with all the major corporate and financial reporting requirements to the code. All related party transaction have been reviewed and approved by the board.
23. The Board has ensured that a mechanism is put in place for an annual evaluation of the board's own performance as required by the code.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

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**Shehryar Saeed**  
**Chief executive**

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

We have reviewed the Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance ('the Code') for the year ended 30 June 2015 prepared by the Board of Directors of **Johnson & Phillips (Pakistan) Limited** ('the Company') to comply with the Listing Regulation of the Karachi Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Further, Sub-Regulation ( xiii a ) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee ) Limited vide circular KSE/N-269 dated 19 January 2009 require the Company to place before the board of directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are not required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code effective for the year ended 30 June 2015.

Karachi:  
October 10<sup>th</sup>, 2015

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**Nazir Chaudhri & Co.**  
Chartered Accountants  
Engagement Partner : Abdul Rafay, ACA

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Johnson & Phillips (Pakistan) Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- I. The Company has not deposited unclaimed dividend amounting to Rs. 4.268 million in a separate bank account designated for this purpose nor does the Company have sufficient fund available in their bank accounts to pay the unclaimed dividend in the event same is demanded by the shareholder.
- II. The provision for gratuity has not been made on the basis of actuarial valuation as required by International Accounting Standards 19 "Employee Benefits" as explained more fully in note 15.1 to the financial statements.
- III. We have not received direct confirmation from legal advisors of the Company regarding cases mentioned in note 19.1 (b) and (c) to the financial statements. In the absence of information regarding the latest position of litigation and claims against the Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these financial statement that may arise

Except for the adjustment in respect of matter stated above;

- a. in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
  
- b. in our opinion:

- i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 , and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c. Except for the adjustment in respect of matter stated (I) to (III) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014; and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and:
- d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that the Company has incurred net loss of Rs.57.798 million for the year and as at 30 June 2015, the Company has accumulated losses of Rs.230.381 million and the equity of the Company is negative by Rs. 123.081 million. These conditions along with other matters as set forth in note 1.2 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.

The financial statements of the Company for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose report dated October 01<sup>st</sup>, 2014 expressed a qualified opinion with an emphasize of matter paragraph thereon.

Karachi  
10<sup>th</sup>, October 2015

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**NAZIR CHAUDHRI & CO.**  
**Chartered Accountants**

Engagement Partner: (Abdul Rafay), ACA

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|   | 2015                   | 2014                   |
|---|------------------------|------------------------|
| Note  | (Rupees in thousand)   | Restated               |
| <b>Loss after taxation for the year</b>   | <b>(57,798)</b>        | (31,739)               |
| <b>Items that will not be reclassified to profit and loss account in subsequent periods</b>                               |                        |                        |
| Recognition of actuarial (losses) on retirement benefit obligation due to implementation of IAS 19 (Revised) - net of tax | -                      | 981                    |
| <b>Total comprehensive loss</b>   | <b><u>(57,798)</u></b> | <b><u>(30,758)</u></b> |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|   |      | 2015                 | 2014           |
|---|------|----------------------|----------------|
|   | Note | (Rupees in thousand) |                |
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>          |      |                      |                |
| Cash generated from operations                          | 28   | 3,596                | (4,032)        |
| Taxes paid  | 10   | (438)                | (1,023)        |
| Gratuity paid   |      | (577)                | (509)          |
| Finance cost paid                                       |      | (5,787)              | (2,643)        |
| <b>Net cash from operating activities</b>               |      | <b>(3,206)</b>       | <b>(8,207)</b> |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>          |      |                      |                |
| Additions to property, plant and equipment              | 3    | (25)                 | (369)          |
| Proceeds from disposal of property, plant and equipment |      | -                    | 20             |
| <b>Net cash (used in) investing activities</b>          |      | <b>(25)</b>          | <b>(349)</b>   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>          |      |                      |                |
| Proceeds from long term borrowing                       |      | 3,896                | -              |
| <b>Net cash generated from financing activities</b>     |      | <b>3,896</b>         | <b>-</b>       |
| <b>Net increase in cash and cash equivalents</b>        |      | <b>665</b>           | <b>(8,556)</b> |
| Cash and cash equivalents at beginning of the year      |      | 1,066                | 9,622          |
| Cash and cash equivalents at end of the year            |      | <u>1,731</u>         | <u>1,066</u>   |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Capital reserve<br>Share premium<br>reserve | General<br>reserve | Revenue<br>reserve<br>(Accumulated<br>loss) | Total           |
|---|---|---|--------------------|---|-----------------|
|   | ----- ( Rupees in thousand ) -----              |   |                    |   |                 |
| Balance as at June 30, 2013   | 54,500  | 29,727                                      | 23,073             | (157,829)                                   | <b>(50,529)</b> |
| <b>Total comprehensive loss for the year ended<br/>June 30, 2014</b>                |   |   |                    |   | -               |
| Net loss for the year ended June 30, 2014 -<br>restated                             |   |   |                    | (31,739)                                    | <b>(31,739)</b> |
| Other comprehensive revenue for the year<br>ended June 30, 2014                     | -   | -   | -                  | 981   | <b>981</b>      |
|   |   |   |                    | -   | <b>(30,758)</b> |
| Transfer from surplus on revaluation of<br>property, plant and equipment - restated | -   | -   | -                  | 8,002                                       | <b>8,002</b>    |
| Balance as at June 30, 2014 - restated  | 54,500  | 29,727                                      | 23,073             | (149,827)                                   | <b>(42,527)</b> |
| <b>Total comprehensive loss for the year ended<br/>June 30, 2015</b>                |   |   |                    |   |                 |
| Net loss for the year ended June 30, 2015   |   |   |                    | (57,798)                                    | <b>(57,798)</b> |
| Other comprehensive income for the year<br>ended June 30, 2015                      | -   | -   | -                  | -   | -               |
|   |   |   |                    | (57,798)                                    | <b>(57,798)</b> |
| Transfer from surplus on revaluation of<br>property, plant and equipment            | -   | -   | -                  | 8,002                                       | <b>8,002</b>    |
| <b>Balance as at June 30, 2015</b>  | <b>54,500</b>                                   | <b>29,727</b>                               | <b>23,073</b>      | <b>(199,623)</b>                            | <b>(92,323)</b> |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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 Karachi Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at C-10, South Avenue, SITE, Karachi. The Company is principally engaged in manufacturing, installing and selling of electrical equipments. Etheridge Company Limited, held 2,719,536 (2014: 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** The Company has incurred loss after tax of Rs. 57.798 million (2014: Rs. 31.739 million) during the year, which has increased accumulated losses amounting to Rs. 230.381 million (2014 Rs. 180.585 million) and has resulted in negative equity of Rs. 123.081 million (2014: Rs. 73.285 million) as at June 30, 2015. The Company has negative net current assets of Rs. 47.688 million (2013: Rs. 2.285 million).

In spite of the above stated circumstances the management of the Company still considers that the going concern assumption used for the preparation of these financial statements is appropriate in view of the following major facts:

- i) The Company already has its obligations rescheduled in respect of long term loans and financial arrangements, including repayment of principal and accumulated markup thereon with various lenders at terms referred to in note 14.2, 14.3 and 14.4 of these financial statements.
- ii) Efforts are underway to obtain orders so that sales volume as well as profitability can be maintained and the management expects favorable improvements during the year ending June 30, 2016. The Strategic Business Revival Plan put forward by Management is approved by Board of Directors and will be presented before General Meeting for shareholders approval. According to which Company relocate its assets /operations /manufacturing to Lahore and maintain only Marketing/Sales and Service facility to facilitate its established customers.
- iii) The Board has provided in past continued support to the Company and has indicated commitment in order to maintain the going concern status of the Company. This support is evident from the fact that a Director had in the past continued to provide loan and financial support to the Company.

The management of the Company is confident that the above factors shall enable the Company to continue as going concern for foreseeable future; hence, these financial statements have been prepared on going concern assumption.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

**2.1.1 Statement of compliance**

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

**2.1.2 Accounting convention**

These financial statements have been prepared under the historical cost convention except lease hold land, building and plant and machinery which are stated at revalued amount.

### 2.1.3 Standards, Amendments Or Interpretations Which Became Effective During The Year

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material affect on these financial statements of the Company.

**The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2015:**

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach in determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plants a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

**Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:**

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## **2.2 Critical Accounting estimates and judgments**

The preparation of the financial statement in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. 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. The areas where various assumptions and estimates are significant to the company's financial statements are as follows.

### **i) Employee benefits**

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

### **ii) Property, plant and equipment**

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

### **iii) Taxation**

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note 2.5 to these financial statements.

### **2.3 Compensated absences**

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

### **2.4 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.

### **2.5 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 realisation.

### **2.6 Trade and other payables**

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

### **2.7 Provisions**

Provisions are recognised when the Company has the present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed and adjusted to reflect current best estimate.

### **2.8 Investments**

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

### **2.9 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 3. 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 3.

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.

#### **2.10 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.

#### **2.11 Consumable stores**

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

#### **2.12 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.

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

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

#### **2.14 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.

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

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

#### **2.16 Transaction with related parties**

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

#### **2.17 Impairment losses**

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

#### **2.18 Revenue recognition**

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

#### **2.19 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.

## 2.20 Cash and cash equivalents

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

## 2.21 Financial Instruments

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

## 2.22 Offsetting

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

## 2.23 Borrowings

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

## 2.24 Dividend

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

## 2.25 Prior period error

### Recording of deferred taxation on surplus on revaluation of fixed assets

As discussed in note 3.1 to the financial statements the Company carried out revaluation of its certain fixed assets in June 2013. The increase in carrying amount of these fixed assets was credited to surplus on revaluation of fixed assets. However, deferred tax relating to surplus on revaluation was not recorded in the financial statements of the previous year as per the requirements of International Accounting Standard 12 "Income Taxes". This error has been corrected retrospectively and the comparative figures have been restated in accordance with IAS - 8 "Accounting policies, changes in accounting estimates and errors". Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 "Presentation of Financial Statements". However, this correction of error does effect any component of equity as at 30 June 2013 as reported in the financial statements for the year ended 30 June 2014, therefore, these balances have been stated as reported. Details of correction of error are as follows:

|  | As per audited<br>financial statements | Effect of prior<br>period error | Restated amount |
|--|--|---------------------------------|-----------------|
| -----Rupees in thousands-----  |  |                                 |                 |
| <b>Effects of prior period error on financial statements for the year ended 30 June 2013</b> |  |                                 |                 |
| <b>Balance sheet</b>   |  |                                 |                 |
| Surplus on revaluation of property, plant and equipment                                      | 204,884                                | (12,289)                        | 192,595         |
| Deferred taxation  | -                                      | 12,289                          | (12,289)        |
| <b>Effects of prior period error on financial statements for the year ended 30 June 2014</b> |  |                                 |                 |
| <b>Balance sheet</b>   |  |                                 |                 |
| Surplus on revaluation of property, plant and equipment                                      | 197,449                                | (12,815)                        | 184,634         |
| Deferred taxation  | -                                      | 10,791                          | 10,791          |
| Accumulated loss   | (182,609)                              | 32,782                          | (149,827)       |
| <b>Profit &amp; Loss account</b>   |  |                                 |                 |
| Taxation   | (1,096)                                | 1,417                           | 321             |
| Loss per share - basic and diluted   | (6.08)                                 | 0.26                            | (5.82)          |

### 3 PROPERTY, PLANT AND EQUIPMENT

|                                 | Lease<br>hold Land | Building<br>on lease<br>hold land | Plant and<br>machinery | Gas and<br>electric<br>installations | Factory<br>tools | Vehicles | Furniture<br>and<br>fixtures | Office and<br>other<br>equipments | Total    |
|---------------------------------|--------------------|-----------------------------------|------------------------|--------------------------------------|------------------|----------|------------------------------|-----------------------------------|----------|
| ----- Rupees in thousands ----- |                    |                                   |                        |                                      |                  |          |                              |                                   |          |
| <b>As at 01 July 2013</b>       |                    |                                   |                        |                                      |                  |          |                              |                                   |          |
| Cost                            | 170,000            | 25,600                            | 14,610                 | 1,178                                | 3,843            | 11,314   | 4,320                        | 11,955                            | 242,820  |
| Accumulated depreciation        | (143)              | (213)                             | (174)                  | (1,148)                              | (3,843)          | (11,314) | (4,319)                      | (11,618)                          | (32,772) |
| Net book value                  | 169,857            | 25,387                            | 14,436                 | 30                                   | -                | -        | 1                            | 337                               | 210,048  |
| <b>Year Ended 30 June 2014</b>  |                    |                                   |                        |                                      |                  |          |                              |                                   |          |
| Opening net book value          | 169,857            | 25,387                            | 14,436                 | 30                                   | -                | -        | 1                            | 337                               | 210,048  |
| Additions during the year       | -                  | -                                 | -                      | -                                    | -                | 355      | -                            | 14                                | 369      |
| Disposals                       |                    |                                   |                        |                                      |                  |          |                              |                                   |          |
| Cost                            | -                  | -                                 | -                      | -                                    | -                | (29)     | -                            | -                                 | (29)     |
| Accumulated depreciation        | -                  | -                                 | -                      | -                                    | -                | 29       | -                            | -                                 | 29       |
| Depreciation for the year       | (4,000)            | (2,560)                           | (2,087)                | (14)                                 | -                | (15)     | -                            | (111)                             | (8,787)  |
| Closing net book value          | 165,857            | 22,827                            | 12,349                 | 16                                   | -                | 340      | 1                            | 240                               | 201,630  |
| <b>Useful Life (Years)</b>      | <b>99</b>          | <b>10</b>                         | <b>7</b>               | <b>10</b>                            | <b>5</b>         | <b>4</b> | <b>5</b>                     | <b>5</b>                          |          |
| <b>As at 01 July 2014</b>       |                    |                                   |                        |                                      |                  |          |                              |                                   |          |
| Cost                            | 170,000            | 25,600                            | 14,610                 | 1,178                                | 3,843            | 11,640   | 4,320                        | 11,969                            | 243,160  |
| Accumulated depreciation        | (4,143)            | (2,773)                           | (2,261)                | (1,162)                              | (3,843)          | (11,300) | (4,319)                      | (11,729)                          | (41,530) |
| Net book value                  | 165,857            | 22,827                            | 12,349                 | 16                                   | -                | 340      | 1                            | 240                               | 201,630  |
| <b>Year Ended 30 June 2015</b>  |                    |                                   |                        |                                      |                  |          |                              |                                   |          |
| Opening net book value          | 165,857            | 22,827                            | 12,349                 | 16                                   | -                | 340      | 1                            | 240                               | 201,630  |
| Additions during the year       | -                  | -                                 | -                      | -                                    | -                | -        | -                            | 25                                | 25       |
| Depreciation for the year       | (4,000)            | (2,560)                           | (2,087)                | (4)                                  | -                | (85)     | -                            | (99)                              | (8,835)  |
| Closing net book value          | 161,857            | 20,267                            | 10,262                 | 12                                   | -                | 255      | 1                            | 166                               | 192,820  |
| <b>As at 30 June 2015</b>       |                    |                                   |                        |                                      |                  |          |                              |                                   |          |
| Cost                            | 170,000            | 25,600                            | 14,610                 | 1,178                                | 3,843            | 11,640   | 4,320                        | 11,994                            | 243,185  |
| Accumulated depreciation        | (8,143)            | (5,333)                           | (4,348)                | (1,166)                              | (3,843)          | (11,385) | (4,319)                      | (11,828)                          | (50,365) |
| Net book value                  | 161,857            | 20,267                            | 10,262                 | 12                                   | -                | 255      | 1                            | 166                               | 192,820  |
| <b>Useful Life (Years)</b>      | <b>99</b>          | <b>10</b>                         | <b>7</b>               | <b>10</b>                            | <b>5</b>         | <b>4</b> | <b>5</b>                     | <b>5</b>                          |          |

3.1 The previous revaluations were carried out on March 31, 1995, June 30, 2004 and June 17, 2008 which resulted in a surplus of Rs 42.642 million, surplus of Rs 73.464 million and 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 June 12, 2013. The revaluation was incorporated in books on June 30, 2013, following the elimination method. The revaluation exercise was conducted by M/s Asif Associates (Private) Limited, a valuer on approved list of Pakistan Bankers Association, on market value basis.

The last revaluation of leasehold land, Building and Plant & Machinery resulted in a surplus of Rs. 31.776 million. The carrying amount of the above mentioned assets as at 30 June 2015, if the said had been carried at historical cost would have been as follows:

| Asset category                  | Cost   | Accumulated<br>Depreciation | Written<br>down<br>Value |
|---------------------------------|--------|-----------------------------|--------------------------|
| ----- Rupees in thousands ----- |        |                             |                          |
| Lease hold Land                 | 61     | 27                          | 34                       |
| Building on lease hold land     | 13,081 | 11,272                      | 1,809                    |
| Plant and machinery             | 30,018 | 28,224                      | 1,794                    |

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

|                            | Note | 2015                 |              |
|----------------------------|------|----------------------|--------------|
|                            |      | (Rupees in thousand) |              |
| Cost of sales and services | 21   | 7,068                | 7,030        |
| Administrative expenses    | 23   | 1,767                | 1,757        |
|                            |      | <b>8,835</b>         | <b>8,787</b> |

2015      2014  
Note      (Rupees in thousand)

### 3.2 Cost of fully depreciated assets

|                               |        |        |
|-------------------------------|--------|--------|
| Gas and electric installation | 1,037  | 1,037  |
| Factory tools                 | 3,843  | 3,843  |
| Vehicles                      | 11,640 | 11,640 |
| Furniture and fixtures        | 4,320  | 4,320  |
| Office and other equipments   | 11,361 | 11,361 |
|                               | 32,201 | 32,201 |

### 4 Intangible Asset

|                                 | COST                   |                         |                        | AMORTIZATION           |                 |                        | Written down<br>Values as at<br>June 30, 2015 | Useful<br>life<br>(years) |
|---------------------------------|------------------------|-------------------------|------------------------|------------------------|-----------------|------------------------|---|---------------------------|
|                                 | As at July<br>01, 2014 | Additions /<br>disposal | As at June 30,<br>2015 | As at July<br>01, 2014 | For the<br>year | As at June<br>30, 2015 |   |                           |
| ----- Rupees in thousands ----- |                        |                         |                        |                        |                 |                        |   |                           |
| <b>Computer Software</b>        | 129                    | -                       | 129                    | 129                    | -               | 129                    | -   | 5                         |
|                                 | 129                    | -                       | 129                    | 129                    | -               | 129                    | -   |                           |

### 5 LONG TERM INVESTMENTS

#### In shares of unquoted subsidiaries companies:(at cost)

|  |                 |          |
|--|-----------------|----------|
| <b>Johnson &amp; Phillips Industries (Pakistan) Limited</b>  | <b>30,000</b>   | 30,000   |
| 3,000,000 fully paid ordinary shares of Rs.10 each<br>[Break-up value as at June 30, 2015 was Nil (June 2014:Nil)]<br>The Company held 100% of the investee's total equity.)<br>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<br>[Break-up value as at June 30, 2015 was Nil (June 2014:Nil)]<br>The Company held 70% of the investee's total equity.<br>Chief Executive Mr. Nabeel Sadiq           |                 |          |
| <b>Johnson &amp; Phillips EMO Pakistan (Private) Limited</b>   | <b>510</b>      | 510      |
| 51,000 fully paid ordinary shares of Rs.10 each<br>[Break-up value as at June 30, 2015 was Nil (June 2014:Nil)]<br>The Company held 51% of the investee's total equity.<br>Chief Executive Mr. Shehryar Anwar Saeed      |                 |          |
| <b>Share Application money</b>   |                 |          |
| Johnson & Phillips Industries (Pakistan) Limited   | 20,000          | 20,000   |
|  | 71,510          | 71,510   |
| <b>Provision for diminution in value of investments</b>  | <b>(71,510)</b> | (71,510) |
|  | -               | -        |

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

|   |                 |          |
|---|-----------------|----------|
| Johnson & Phillips Industries (Pakistan) Limited  | <b>(38,478)</b> | (38,427) |
| Johnson & Phillips Transformers (Private) Limited | <b>(32,416)</b> | (32,362) |
| Johnson & Phillips EMO Pakistan (Private) Limited | <b>(3,357)</b>  | (3,314)  |
|   | (74,251)        | (74,103) |

|  | 2015                 | 2014          |
|--|----------------------|---------------|
| 6 STOCK-IN-TRADE   | (Rupees in thousand) |               |
| Note   |                      |               |
| Raw material and components<br>in hand - Gross                           | 38,201               | 42,442        |
| Less: provision for obsolete/ slow moving items                          | (10,644)             | (12,132)      |
|  | 27,557               | 30,310        |
| Work-in-process  | 17,446               | 32,611        |
| Finished goods   | 321                  | 2,170         |
|  | <u>45,324</u>        | <u>65,091</u> |
| <b>7 TRADE DEBTS</b>   |                      |               |
| Trade debts - <i>unsecured, considered good</i>                          | 9,009                | 49,806        |
|  | <u>9,009</u>         | <u>49,806</u> |
| <b>8 LOANS AND ADVANCES</b>  |                      |               |
| <b>Loans to subsidiary companies - unsecured<br/>Considered doubtful</b> |                      |               |
| Johnson & Phillips Industries (Pakistan) Limited (JPI)                   | 8.1 24,738           | 14,685        |
| Johnson & Phillips Transformers (Private) Limited (JPT)                  | 8.2 13,160           | 13,107        |
| Johnson & Phillips EMO Pakistan (Pvt.) Limited (EMO)                     | 8.3 2,939            | 2,896         |
|  | 40,837               | 30,688        |
| Less Provision against doubtful loans                                    | (40,837)             | (30,688)      |
|  | -                    | -             |
| <b>Advances - Unsecured - Considered good</b>                            |                      |               |
| To suppliers   | 1,100                | 3,318         |
| To employees   | 352                  | 418           |
| Against purchase of land   | 2,717                | 2,717         |
| Others   | 71                   | 71            |
|  | 4,240                | 6,524         |
| <b>Sales tax refundable</b>  | 15,305               | 14,485        |
| Less: Provision for doubtful advances                                    | -                    | (2,433)       |
| Less: Provision for advance against land                                 | (2,717)              | (2,717)       |
|  | <u>16,828</u>        | <u>15,859</u> |
| <b>8.1 Reconciliation of loan amount due from JPI</b>                    |                      |               |
| Opening  | 14,685               | 4,593         |
| Disbursed  | 10,053               | 10,092        |
| Closing  | 24,738               | 14,685        |
| Less: provision  | (24,738)             | (14,685)      |
|  | -                    | -             |
| <b>8.2 Reconciliation of loan amount due from JPT</b>                    |                      |               |
| Opening  | 13,107               | 12,994        |
| Disbursed  | 53                   | 113           |
| Closing  | 13,160               | 13,107        |
| Less: provision  | (13,160)             | (13,107)      |
|  | -                    | -             |
| <b>8.3 Reconciliation of loan amount due from EMO</b>                    |                      |               |
| Opening  | 2,896                | 2,864         |
| Disbursed  | 43                   | 32            |
| Closing  | 2,939                | 2,896         |
| Less: provision  | (2,939)              | (2,896)       |

- 8.4** The maximum amount of loan due from JPI at the end of any month during the year was Rs. 24.738 million (2014: Rs. 14.685 million).
- 8.5** The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs. 13.160 million (2014: Rs. 13.107 million).
- 8.6** The maximum amount of loan due from Johnson & Phillips EMO Pakistan (Private) Limited at the end of any month during the year was Rs. 2.939 million (2014: Rs. 2.896 million).

**2015**                      2014  
**Note**                      **(Rupees in thousand)**

**9 DEPOSITS AND PREPAYMENTS - Considered good**

**Prepayments** - 126

**Deposits**

|                                    |              |       |  |
|------------------------------------|--------------|-------|--|
| Margin against bank guarantee      | <b>5,843</b> | 7,402 |  |
| Deposit with court                 | <b>723</b>   | 723   |  |
| Other receivable                   | <b>50</b>    | 50    |  |
| Tender deposits - net of provision | <b>228</b>   | 329   |  |
|                                    | <b>6,844</b> | 8,504 |  |
|                                    | <b>6,844</b> | 8,630 |  |

**10 ADVANCE TAX - NET OF PROVISION**

|                                   |              |       |  |
|-----------------------------------|--------------|-------|--|
| Balance receivable as at 1st July | <b>1,865</b> | 1,938 |  |
| Paid / adjusted during the year   | <b>438</b>   | 1,023 |  |
|                                   | <b>2,303</b> | 2,961 |  |

Less: Provision for the year

|           |   |       |  |
|-----------|---|-------|--|
| - current | - | 1,038 |  |
| - prior   | - | 58    |  |
|           | - | 1,096 |  |

Closing balance **2,303** 1,865

**11 CASH AND BANK BALANCES**

|                               |              |       |  |
|-------------------------------|--------------|-------|--|
| Cash in hand                  | <b>43</b>    | 106   |  |
| At bank - in current accounts | <b>1,665</b> | 938   |  |
| - in saving accounts          | <b>23</b>    | 22    |  |
|                               | <b>1,731</b> | 1,066 |  |

**12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

| <b>(Number of shares)</b> |           |  |               |        |
|---------------------------|-----------|--|---------------|--------|
| <b>2015</b>               | 2014      |  |               |        |
| <b>4,638,268</b>          | 4,638,268 | Ordinary shares of Rs. 10 each fully paid in cash                        | <b>46,383</b> | 46,383 |
| <b>93,000</b>             | 93,000    | Ordinary shares of Rs. 10 each issued for consideration other than cash. | <b>930</b>    | 930    |
| <b>718,704</b>            | 718,704   | Ordinary shares of Rs. 10 each issued as fully paid bonus shares         | <b>7,187</b>  | 7,187  |
| <b>5,449,972</b>          | 5,449,972 |  | <b>54,500</b> | 54,500 |

| <b>13 SURPLUS ON REVALUATION OF PROPERTY,<br/>PLANT AND EQUIPMENT</b>   | <b>Note</b> | <b>2015</b><br><b>(Rupees in thousand)</b> | 2014<br>Restated |
|---|-------------|--|------------------|
| <b>Leasehold land</b>   |             |  |                  |
| Revaluation surplus over written down value at beginning  |             | <b>166,012</b>                             | 169,965          |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax |             | <b>(3,953)</b>                             | (3,953)          |
|   |             | <b>162,059</b>                             | 166,012          |
| <b>Factory building</b>   |             |  |                  |
| Revaluation surplus over written down value at beginning  |             | <b>19,899</b>                              | 23,046           |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax |             | <b>(2,331)</b>                             | (2,331)          |
| Related deferred tax liability of incremental depreciation charged during the year  |             | <b>(816)</b>                               | (816)            |
|   |             | <b>16,752</b>                              | 19,899           |
| Related deferred tax liability at beginning   |             | <b>(7,250)</b>                             | (8,066)          |
| Less: related to incremental depreciation   |             | <b>816</b>                                 | 816              |
|   |             | <b>(6,434)</b>                             | (7,250)          |
| <b>Plant and machinery</b>  |             |  |                  |
| Revaluation surplus over written down value at beginning  |             | <b>9,514</b>                               | 11,833           |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax |             | <b>(1,718)</b>                             | (1,718)          |
| Related deferred tax liability of incremental depreciation charged during the year  |             | <b>(601)</b>                               | (601)            |
|   |             | <b>7,195</b>                               | 9,514            |
| Related deferred tax liability at beginning of the year   |             | <b>(3,541)</b>                             | (4,142)          |
| Less: related to incremental depreciation   |             | <b>601</b>                                 | 601              |
|   |             | <b>(2,940)</b>                             | (3,541)          |
|   |             | <b>176,632</b>                             | 184,634          |

| 14 LONG TERM BORROWINGS  | Note | 2015<br>(Rupees in thousand) | 2014          |
|--|------|------------------------------|---------------|
| <b>Loans from others-unsecured</b>   |      |                              |               |
| Loan from others   | 14.1 | 4,000                        | 4,000         |
| <b>Loan-1</b>  |      |                              |               |
| Principal  | 14.2 | 8,408                        | 8,408         |
| Accumulated mark-up there on   |      | 9,219                        | 8,313         |
|  |      | <b>17,627</b>                | 16,721        |
| <b>Loan -2 ( from Director )</b>   |      |                              |               |
| Principal  | 14.3 | 21,182                       | 20,377        |
| Accumulated mark-up there on   |      | 3,454                        | 3,507         |
|  |      | <b>24,636</b>                | 23,884        |
| <b>Loan-3</b>  |      |                              |               |
| Principal  | 14.4 | 18,650                       | 18,650        |
| Accumulated mark-up there on   |      | 16,418                       | 14,180        |
|  |      | <b>35,068</b>                | 32,830        |
|  |      | <b>81,331</b>                | 77,435        |
| Less: current and overdue portion  | 17   | (4,000)                      | (4,000)       |
| Markup accrued   | 18   | -                            | -             |
| Less: current and overdue portion  |      | <b>(4,000)</b>               | (4,000)       |
|  |      | <b>77,331</b>                | <b>73,435</b> |
| <b>14.1</b>  |      |                              |               |
| 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. According to the fresh agreement dated June 30, 2007 the effective date of repayment, which was October, 2006, was extended to July, 2008.   |      |                              |               |
| <b>14.2</b>  |      |                              |               |
| Represents an unsecured loan from an individual. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2016. The mark-up will be charged at the rate of Twelve months KIBOR plus 2% per annum (2014: 12% per annum) . An other unsecured loan amounting to Rs. 5.00 million taken in past and according to the agreement dated June 30, 2015, the loan carries mark-up @Twelve months KIBOR per annum and will be repaid in Twenty four equal quarterly installments commencing from July 01, 2016. Total markup charged on loans during the year was Rs. 0.906 million (2014: Rs. 0.855 million).   |      |                              |               |
| <b>14.3</b>  |      |                              |               |
| Represents an unsecured loan from a Director. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2016. The mark-up will be charged at the rate of KIBOR plus 2% per annum (2014: 12% per annum) . An other unsecured loans amounting to Rs. 7.797 million taken in past and Rs. 3.0 million taken during the year. According to the fresh agreements dated June 30, 2015, the loans carry mark-up @ KIBOR+2% per annum, which will be repaid in twenty four quarterly installments commencing from July 01, 2016 and markup on these loans will be paid on monthly basis. Total markup charged on loans during the year was Rs.2.695 million (2014: Rs. 2.439 million). |      |                              |               |
| <b>14.4</b>  |      |                              |               |
| Represents an un-secured loan from a private company. During the year an agreement has been signed to reschedule the loan. According to the agreement dated July 01, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in twenty four equal quarterly installments commencing from July 01, 2016. The mark-up rate on this loan is KIBOR plus 2% per annum (2014: 12% per annum). The total mark-up charged on the loan during the year was Rs. 2.238 million (2014: 2.238 million).   |      |                              |               |
| <b>15 DEFERRED LIABILITIES</b>   |      |                              |               |
| Staff gratuity   | 15.1 | 5,816                        | 4,710         |
| Deferred taxation  | 15.2 | 9,374                        | 10,791        |
|  |      | <b>15,190</b>                | <b>15,501</b> |

Restated

- 15.1** Provision for gratuity has not been made on the basis of actuarial valuation as the management is of the view that the values determined by actuarial valuation method would not be materially differ from the amounts provided in the books of accounts.

| <b>15.2 DEFERRED TAXATION</b>                          | <b>Note</b> | <b>2015<br/>(Rupees in thousand)</b> | <b>2014</b> |
|--|-------------|--------------------------------------|-------------|
| <b>Taxable temporary differences</b>                   |             |                                      |             |
| Surplus on revaluation of fixed assets                 |             | <b>9,374</b>                         | 10,791      |
| <b>Deductible temporary differences</b>                |             |                                      |             |
| Accelerated tax depreciation                           |             | <b>(2,969)</b>                       | (2,568)     |
| Carried forward tax losses and unabsorbed depreciation |             | <b>(86,423)</b>                      | (68,436)    |
|  |             | <b>(89,392)</b>                      | (71,004)    |
|  |             | <b>(80,018)</b>                      | (60,213)    |
| Deferred tax asset not recognised                      |             | <b>89,392</b>                        | 71,004      |
|  |             | <b>9,374</b>                         | 10,791      |

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.

**16 TRADE AND OTHER PAYABLES**

|                            |  |                |         |
|----------------------------|--|----------------|---------|
| Creditors                  |  | <b>106,849</b> | 127,046 |
| Accrued liabilities        |  | <b>3,509</b>   | 2,927   |
| Advances from customers    |  | <b>9,099</b>   | 4,278   |
| Payable to ex-employees    |  | <b>802</b>     | 892     |
| Provident fund             |  | <b>40</b>      | 52      |
| Unclaimed gratuity payable |  | <b>894</b>     | 894     |
| Tax deducted at source     |  | <b>46</b>      | 86      |
| Others                     |  | <b>220</b>     | 159     |
|                            |  | <b>121,459</b> | 136,334 |

**17 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS**

|                              |      |              |       |
|------------------------------|------|--------------|-------|
| Loan from others - unsecured | 14.1 | <b>4,000</b> | 4,000 |
|                              |      | <b>4,000</b> | 4,000 |

**18 MARK UP ACCRUED**

|                                    |      |                |          |
|------------------------------------|------|----------------|----------|
| Opening balance                    |      | -              | -        |
| Accrued during the year            |      | <b>5,787</b>   | 3,293    |
|                                    |      | <b>5,787</b>   | 3,293    |
| Paid / transferred during the year | 18.1 | <b>(5,787)</b> | (3,293)  |
| <b>Closing balance</b>             |      | <b>-</b>       | <b>-</b> |

- 18.1** These have been paid or rescheduled as disclosed in note 14 to these financial statements.

**19 CONTINGENCIES AND COMMITMENTS**

**19.1 Contingencies**

**a) Guarantees**

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

|                                     |  |              |       |
|-------------------------------------|--|--------------|-------|
| Guarantees against performance bond |  | <b>5,520</b> | 7,402 |
|-------------------------------------|--|--------------|-------|

**b) Labour**

Some legal cases are pending against the Company filed by ex-workers in respect of their claims. The aggregate amounts involved in these cases are Rs. 0.987 million. (2014: 0.987 million).

**c) Others**

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.

2. The Company has filed a suit for the recovery of insurance claim of Rs 3.734 million (2014: Rs 3,734 million) in Honorable High Court of Sindh Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited.

| <b>19.2 Commitments</b>                                  | <b>Note</b> | <b>2015</b>     | <b>2014</b> |
|--|-------------|-----------------|-------------|
| <b>(Rupees in thousand)</b>                              |             |                 |             |
| There is no commitment as on June 30, 2015 (2014 : Nil ) |             |                 |             |
| <b>20 SALES AND SERVICES (NET)</b>                       |             |                 |             |
| Gross sales  |             | <b>39,893</b>   | 105,506     |
| Sales tax and special excise duty                        |             | <b>(663)</b>    | (1,626)     |
| Commission and discount on sales                         |             | <b>-</b>        | (67)        |
|  |             | <b>(663)</b>    | (1,693)     |
|  |             | <b>39,230</b>   | 103,813     |
| <b>21 COST OF SALES AND SERVICES</b>                     |             |                 |             |
| <b>Raw materials and components consumed</b>             |             |                 |             |
| Opening stock  |             | <b>42,442</b>   | 45,865      |
| Purchases and sub contract cost                          |             | <b>21,917</b>   | 32,851      |
|  |             | <b>64,359</b>   | 78,716      |
| <b>Closing stock</b>                                     |             | <b>(38,201)</b> | (42,442)    |
|  |             | <b>26,158</b>   | 36,274      |
| Salaries, wages and benefits                             | 21.1        | <b>9,250</b>    | 9,818       |
| Insurance  |             | <b>505</b>      | 81          |
| Fuel and power   |             | <b>1,281</b>    | 1,211       |
| Repair and maintenance                                   |             | <b>293</b>      | 55          |
| Inspection and testing                                   |             | <b>48</b>       | 1           |
| Printing and stationery                                  |             | <b>24</b>       | 43          |
| Traveling and conveyance                                 |             | <b>209</b>      | 338         |
| Depreciation   | 3.1.1       | <b>7,068</b>    | 7,030       |
| Provision for Obsolete/ Slow moving Stocks               |             | <b>(1,488)</b>  | (1,620)     |
| Other manufacturing expenses                             |             | <b>126</b>      | 283         |
|  |             | <b>17,316</b>   | 17,240      |
|  |             | <b>43,474</b>   | 53,514      |
| <b>Work in process</b>                                   |             |                 |             |
| Opening stock  |             | <b>32,611</b>   | 67,225      |
| Closing stock  |             | <b>(17,446)</b> | (32,611)    |
|  |             | <b>15,165</b>   | 34,614      |
| <b>Cost of goods manufactured</b>                        |             | <b>58,639</b>   | 88,128      |
| <b>Finished goods</b>                                    |             |                 |             |
| Opening stock  |             | <b>2,170</b>    | 7,117       |
| Closing stock  |             | <b>(321)</b>    | (2,170)     |
|  |             | <b>1,849</b>    | 4,947       |
|  |             | <b>60,488</b>   | 93,075      |

|   |             | 2015<br>(Rupees in thousand) | 2014          |
|---|-------------|------------------------------|---------------|
| <b>21.1 Salaries, wages and benefits</b>  | <b>Note</b> |                              |               |
| Salaries and wages                        |             | 9,093                        | 9,837         |
| Gratuity                                  |             | 64                           | (138)         |
| P.F Contribution (Worker & Staff)         |             | 93                           | 119           |
|   |             | <u>9,250</u>                 | <u>9,818</u>  |
| <b>22 DISTRIBUTION EXPENSES</b>           |             |                              |               |
| Salaries, wages and benefits              | 22.1        | 758                          | 950           |
| Late delivery charges and penalties       |             | 789                          | 224           |
| Advertising and sales promotion           |             | 83                           | 67            |
| Travelling and conveyance                 |             | 134                          | 84            |
| Subscriptions and periodicals             |             | 48                           | 116           |
| Repair and maintenance                    |             | 61                           | 122           |
| Entertainment                             |             | 42                           | 91            |
| Printing and stationery                   |             | 23                           | 10            |
| Others                                    |             | 196                          | 71            |
|   |             | <u>2,134</u>                 | <u>1,735</u>  |
| <b>22.1 Salaries, wages and benefits</b>  |             |                              |               |
| Salaries & wages                          |             | 734                          | 945           |
| Gratuity                                  |             | 12                           | (7)           |
| P.F Contribution-Staff                    |             | 12                           | 12            |
|   |             | <u>758</u>                   | <u>950</u>    |
| <b>23 ADMINISTRATIVE EXPENSES</b>         |             |                              |               |
| Salaries, wages and benefits              | 23.1        | 7,349                        | 5,031         |
| Travelling and conveyance                 |             | 1,279                        | 2,344         |
| Legal and professional charges            |             | 433                          | 933           |
| Rent, rates and taxes                     |             | 1,365                        | 1,170         |
| Repair and maintenance                    |             | 809                          | 786           |
| Printing and stationery                   |             | 390                          | 268           |
| Postage, telegram, telephone and telex    |             | 799                          | 952           |
| Light and power                           |             | 1,501                        | 1,505         |
| Entertainment                             |             | 931                          | 1,428         |
| Subscriptions and periodicals             |             | 621                          | 674           |
| Advertisement                             |             | 76                           | 130           |
| Auditors' remuneration                    | 23.2        | 413                          | 410           |
| Annual general meeting                    |             | 46                           | 22            |
| Insurance                                 |             | 183                          | 637           |
| Provision for doubtful loans and advances |             | 10,149                       | 19,980        |
| Depreciation                              | 3.1.1       | 1,767                        | 1,757         |
| Provision for doubtful tender deposits    |             | -                            | 353           |
| Others                                    |             | 2,378                        | 2,241         |
|   |             | <u>30,489</u>                | <u>40,621</u> |
| <b>23.1 Salaries, wages and benefits</b>  |             |                              |               |
| Salaries and wages                        |             | 5,591                        | 5,246         |
| Gratuity                                  |             | 1,607                        | (335)         |
| P.F Contribution-Staff                    |             | 151                          | 120           |
|   |             | <u>7,349</u>                 | <u>5,031</u>  |

|  |  | 2015                        | 2014             |
|--|--|-----------------------------|------------------|
| <b>23.2 Auditors' remuneration</b>   | <b>Note</b>  | <b>(Rupees in thousand)</b> |                  |
| Annual audit fee   |  | 250                         | 250              |
| Review of half yearly financial statements   |  | 60                          | 60               |
| Review of consolidated financial statements  |  | 60                          | 60               |
| Certification and others   |  | 15                          | 15               |
| Out of pocket expenses   |  | 28                          | 25               |
|  |  | <u>413</u>                  | <u>410</u>       |
| <b>24 OTHER INCOME</b>   |  |                             |                  |
| Liabilities no more payable written back   |  | -                           | 2,575            |
| Gain on disposal of property, plant and equipments   |  | -                           | 20               |
| Mark-up on saving accounts   |  | 19                          | 1                |
| Others   |  | 466                         | 307              |
|  |  | <u>485</u>                  | <u>2,903</u>     |
| <b>25 FINANCE COST</b>   |  |                             |                  |
| Mark-up on unsecured long term loans   |  | 5,787                       | 3,293            |
| Bank charges and commission  |  | 32                          | 53               |
|  |  | <u>5,819</u>                | <u>3,346</u>     |
| <b>26 TAXATION</b>   |  |                             | Restated         |
| Current year   | 26.1   | -                           | 1,038            |
| Prior year   |  | -                           | 58               |
| Deferred tax   |  | (1,417)                     | (1,417)          |
|  |  | <u>(1,417)</u>              | <u>(321)</u>     |
| <b>26.1</b>  | Income tax assessments of the Company upto tax year 2014 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. |                             |                  |
| <b>27 LOSS PER SHARE</b>   |  |                             |                  |
| There is no dilutive effect on the basic earnings per share of the company, which is based on: |  |                             |                  |
| Loss after taxation  |  | <u>(57,798)</u>             | <u>(31,739)</u>  |
| Weighted average number of ordinary shares   |  | <u>5,449,972</u>            | <u>5,449,972</u> |
| <b>Loss per share - basic and diluted</b>  |  | <u>(10.61)</u>              | <u>(5.82)</u>    |

|   | Note  | 2015<br>(Rupees in thousand) | 2014           |
|---|-------|------------------------------|----------------|
| <b>28 CASH GENERATED FROM OPERATIONS</b>                  |       |                              |                |
| Loss before taxation                                      |       | (59,215)                     | (32,060)       |
| <b>Adjustments for:</b>                                   |       |                              |                |
| Depreciation  | 3.1.1 | 8,835                        | 8,787          |
| Gain on disposal of Property, plant and equipments        | 24    | -                            | (20)           |
| Provision for doubtful loans and advances                 |       | 10,149                       | 19,980         |
| Provision for staff gratuity - net                        |       | 1,683                        | (479)          |
| Liabilities no more payable written back                  | 24    | -                            | (2,575)        |
| Finance cost  | 25    | 5,787                        | 3,346          |
|   |       | <b>(32,761)</b>              | <b>(3,021)</b> |
| <b>Effect on cash flow due to working capital changes</b> |       |                              |                |
| Decrease /(Increase) in current assets                    |       |                              |                |
| Stock-in-trade  |       | 19,767                       | 41,364         |
| Trade debts   |       | 40,797                       | (7,597)        |
| Loans and advances  |       | (11,118)                     | (12,419)       |
| Deposits and prepayments - considered good                |       | 1,786                        | 860            |
|   |       | <b>51,232</b>                | <b>22,208</b>  |
| Decrease in current liabilities                           |       |                              |                |
| Trade and other payables excluding unclaimed gratuity     |       | (14,875)                     | (23,218)       |
| <b>Cash generated from operations</b>                     |       | <b>3,596</b>                 | <b>(4,032)</b> |

## 29 PROVIDENT FUND RELATED DISCLOSURES

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

|                                 | Unaudited<br>June 30, 2015  | Unaudited<br>Dec 31, 2014 |
|---------------------------------|-----------------------------|---------------------------|
|                                 | ----Rupees in thousands---- |                           |
| Size of the fund - Total assets | 6,948                       | 7,680                     |
| Cost of the Investment made     | 6,000                       | 6,000                     |
| Percentage of investments made  | 86%                         | 78%                       |
| Fair value of the investments   | 6,000                       | 6,000                     |

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

|                           | June 30, 2015<br>Unaudited  | Dec 31, 2014<br>Unaudited | June 30, 2015<br>Unaudited | Dec 31, 2014<br>Unaudited |
|---------------------------|-----------------------------|---------------------------|----------------------------|---------------------------|
|                           | ----Rupees in thousands---- |                           |                            |                           |
| Certificate of Investment | 6,000                       | 6,000                     | 86%                        | 78%                       |

**29.1.1** The investments out of the Company have been made in accordance with the provisions of sections 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

## 30 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 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.

### 30.1 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 the 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:

|                                      | 2015                 | 2014          |
|--------------------------------------|----------------------|---------------|
|                                      | (Rupees in thousand) |               |
| Long term deposits                   | 940                  | 940           |
| Trade debts                          | 9,009                | 49,806        |
| Loans and advances                   | 16,828               | 489           |
| Trade deposits and other receivables | 6,844                | 8,856         |
| Bank balances                        | 1,688                | 960           |
|                                      | <u>35,309</u>        | <u>61,051</u> |

## Impairment losses

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

|                        | 2015                 |            | 2014                 |            |
|------------------------|----------------------|------------|----------------------|------------|
|                        | Gross                | impairment | Gross                | impairment |
|                        | (Rupees in thousand) |            | (Rupees in thousand) |            |
| Not past due           | -                    | -          | -                    | -          |
| Past due 1 - 60 days   | 541                  | -          | 2,743                | -          |
| Past due 61 - 365 days | 6,012                | -          | 33,123               | -          |
| More than one year     | 2,456                | -          | 13,940               | -          |
| <b>Total</b>           | <b>9,009</b>         | <b>-</b>   | <b>49,806</b>        | <b>-</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. 0

## 30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected 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      | 81,331          | 81,331         | -                      | (4,000)          | (77,129)           |
| Trade and other payables | 121,459         | 121,459        | (1,911)                | (119,548)        | -                  |
| Unclaimed dividend       | 4,268           | 4,268          | (4,268)                | -                | -                  |
| <b>June 30, 2015</b>     | <b>207,058</b>  | <b>207,058</b> | <b>(6,179)</b>         | <b>(123,548)</b> | <b>(77,129)</b>    |
| Long term financing      | 77,435          | 77,435         | -                      | (4,000)          | (73,435)           |
| Trade and other payables | 136,334         | 136,334        | (1,786)                | (134,548)        | -                  |
| Unclaimed dividend       | 4,268           | 4,268          | (4,268)                | -                | -                  |
| <b>June 30, 2014</b>     | <b>218,037</b>  | <b>218,037</b> | <b>(6,054)</b>         | <b>(138,548)</b> | <b>(73,435)</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 14 to these financial statements.

## 30.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objectives of market risk management 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:

| 2015                        | 2014 | 2015                      | 2014 |
|-----------------------------|------|---------------------------|------|
| Effective interest rate (%) |      | Carrying amount(Rs.'000') |      |

### Financial liabilities

|                     |                             |                             |        |        |
|---------------------|-----------------------------|-----------------------------|--------|--------|
| Long term financing | 12%, KIBOR and KIBOR<br>+2% | 12%, KIBOR and KIBOR<br>+2% | 81,331 | 77,435 |
|---------------------|-----------------------------|-----------------------------|--------|--------|

### 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.

## 30.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an 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.

## 31 CAPITAL MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the lights of changes in economic conditions. As at June 30, 2015 the negative shareholders' equity amounts to Rs. 123.081 million (2014: Rs. 73.285 million).

## 32 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:

|   | Chief Executive                 |              | Directors    |            | Total        |              |
|---|---------------------------------|--------------|--------------|------------|--------------|--------------|
|   | 2015                            | 2014         | 2015         | 2014       | 2015         | 2014         |
|   | ----- Rupees in thousands ----- |              |              |            |              |              |
| Managerial Remuneration                             | 1,680                           | 960          | 120          | 120        | 1,800        | 1,080        |
| Retirement benefits and provident fund contribution | 140                             | 80           | -            | -          | 140          | 80           |
| Rent, utilities, leave encashment etc.              | 2,249                           | 1,262        | 3,368        | 742        | 5,617        | 2,004        |
|   | <b>4,069</b>                    | <b>2,302</b> | <b>3,488</b> | <b>862</b> | <b>7,557</b> | <b>3,164</b> |
| No. of persons                                      | <b>1</b>                        | <b>1</b>     | <b>6</b>     | <b>6</b>   | <b>7</b>     | <b>7</b>     |

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

### **33 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are as follows:

|   | <b>2015</b>                 | 2014   |
|---|-----------------------------|--------|
|   | <b>(Rupees in thousand)</b> |        |
| Loan advanced to wholly owned subsidiary company  | <b>24,738</b>               | 14,685 |
| Payments made on behalf of subsidiaries companies | <b>96</b>                   | 145    |
| Contribution paid to Provident Fund Trust         | <b>256</b>                  | 502    |

All transactions with related parties have been carried out by the Company at arm's length prices using the comparable uncontrolled price method.

### **34 PRODUCTION CAPACITY**

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

### **35 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on Dated. 10th, October 2015 by the Board of Directors of the Company.

### **36 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

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

**Nabeel Sadiq**  
**Director**

## **AUDITORS' REPORT TO MEMBERS**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Johnson & Phillips (Pakistan) limited (“the Holding Company”) and its subsidiary companies as at June 30, 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the holding companies and its subsidiary companies.

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

These consolidated financial statements are the responsibility of the Holding Company’s management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit and we report that:

- a) The Holding Company has not deposited unclaimed dividend amounting to Rs. 4.268 million in a separate bank account designated for this purpose nor the Holding Company has sufficient fund available in their bank accounts to pay the unclaimed dividend in the event same is demanded by the shareholder.
- b) The provision for gratuity has not been made on the basis of actuarial valuation as required by International Accounting Standards 19 “Employee Benefits” as explained more fully in note 15.1 to the consolidated financial statements.
- c) We have not received direct confirmation from legal advisors of the Holding Company regarding cases mentioned in note 22.1 (b) and (c) to the consolidated financial statements. In the absence of information regarding the latest position of litigation and claims against the Holding Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these consolidated financial statements that may arise.
- d) The financial statements of the subsidiary companies, Johnson & Phillips Industries (Pakistan) limited , Johnson & Phillips Transformers (Private) Limited and Johnson & Phillips EMO Pakistan (Private) Limited for the year ended June 30, 2015 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 10 October 2015 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. 42.932 millions (2014: Rs. 42.932 millions), 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 Companies' liabilities aggregating to Rs. 16.103 millions (2014: Rs. 16.103 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) 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.
  - iii) As explained in note 2 to the consolidated financial statements, the subsidiaries of the group, Johnson & 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, 2015 stand at Rs. 135.251 million (2014: Rs. 135.102 million) resulting in negative shareholders' equity of Rs.74.251 million (2014: Rs.74.102 million). Further, two subsidiary companies of the group have also defaulted in payment of their aggregate liability amounting to Rs. 37.255 million (2014: Rs. 47.255 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.
  - iv) We have requested the confirmation of balances and other information as at June 30, 2015 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.
  - v) As discussed in Note 6 to these consolidated financial statements, the property, plant and equipment of Rs. 23.870 million (2014: Rs. 23.870 million) are classified as held for sale and are being shown separately under the current assets as per IFRS 5 "Non-current Assets Held for Sales and Discontinued operation" and are measured at the lower of carrying amount and fair values less costs to sell. Since we have not been provided with sufficient information in this regard, we were unable to satisfy ourselves about the fulfillment of measurement, presentation and disclosures requirement of the above IFRS.
  - vi) 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.
- e) In our opinion, except for the possible effects of the matters referred to in paragraph(a) to (d) above, the consolidated financial statements give a true and fair view of the financial position of the group as at June 30, 2015, and of its financial performance and its cash flows for the year then ended.

Without further qualifying our opinion, we draw attention to 1.2 to the consolidated financial statements which indicate the existence of material uncertainty which may cause significant doubt on the Holding Company's ability to continue as a going concern.

The consolidated financial statements of the Group for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose report dated October 01, 2014 expressed a qualified opinion with an emphasize of matter paragraph thereon.

Karachi  
10<sup>th</sup>, October 2015

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**NAZIR CHAUDHRI & CO.**  
**Chartered Accountants**  
Engagement Partner: (Abdul Rafay), ACA

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
AS AT JUNE 30, 2015

|  | 2015                            | 2014             | 2013      |           |
|--|---------------------------------|------------------|-----------|-----------|
|  |                                 | Restated         | Restated  |           |
| Note   | ------(Rupees in thousand)----- |                  |           |           |
| <b>ASSETS</b>  |                                 |                  |           |           |
| <b>NON-CURRENT ASSETS</b>                                  |                                 |                  |           |           |
| Property, plant and equipment                              | 4                               | 192,820          | 201,630   | 210,048   |
| Intangible Assets  | 5                               | -                | -         | -         |
| Long term deposits   |                                 | 1,566            | 1,566     | 1,566     |
|  |                                 | <b>194,386</b>   | 203,196   | 211,614   |
| <b>CURRENT ASSETS</b>                                      |                                 |                  |           |           |
| Assets held for sale                                       | 6                               | 23,870           | 23,870    | 23,870    |
| Store, spares & loose tools                                | 7                               | 2,396            | 2,396     | 2,396     |
| Stock-in-trade   | 8                               | 58,029           | 77,796    | 119,160   |
| Trade debts  | 9                               | 9,009            | 49,806    | 42,209    |
| Loans and advances   | 10                              | 18,495           | 17,526    | 20,493    |
| Deposits, prepayments & other receivables                  | 11                              | 7,547            | 9,333     | 10,193    |
| Advance tax-net of provision                               |                                 | 4,958            | 4,520     | 4,593     |
| Cash and bank balances                                     | 12                              | 1,894            | 1,229     | 9,785     |
|  |                                 | <b>126,198</b>   | 186,476   | 232,699   |
| <b>TOTAL ASSETS</b>  |                                 | <b>320,584</b>   | 389,672   | 444,313   |
| <b>EQUITY AND LIABILITIES</b>                              |                                 |                  |           |           |
| <b>SHARE CAPITAL AND RESERVE</b>                           |                                 |                  |           |           |
| <b>Authorized capital</b>                                  |                                 |                  |           |           |
| 8,000,000 (2014: 8,000,000) ordinary shares of Rs. 10 each |                                 | <b>80,000</b>    | 80,000    | 80,000    |
| Issued, subscribed and paid-up capital                     | 13                              | 54,500           | 54,500    | 54,500    |
| Share premium reserve                                      |                                 | 29,727           | 29,727    | 29,727    |
| General reserve  |                                 | 23,073           | 23,073    | 23,073    |
| Accumulated loss   |                                 | (243,795)        | (204,000) | (195,834) |
|  |                                 | <b>(136,495)</b> | (96,700)  | (88,534)  |
| Non-controlling interest                                   | 14                              | -                | -         | -         |
| Surplus on revaluation of property, plant and equipment    | 15                              | 176,632          | 184,634   | 192,595   |
| <b>NON-CURRENT LIABILITIES</b>                             |                                 |                  |           |           |
| Long term borrowings                                       | 16                              | 77,331           | 73,435    | 72,732    |
| Deferred liabilities                                       | 17                              | 15,786           | 16,097    | 19,424    |
| <b>CURRENT LIABILITIES</b>                                 |                                 |                  |           |           |
| Trade and other payables                                   | 18                              | 137,171          | 152,047   | 177,937   |
| Short term borrowings                                      | 19                              | 41,331           | 51,331    | 61,331    |
| Current and overdue portion of long term borrowings        | 20                              | 4,000            | 4,000     | 4,000     |
| Mark up accrued  | 21                              | -                | -         | -         |
| Unclaimed dividend   |                                 | 4,268            | 4,268     | 4,268     |
| Taxation   |                                 | 560              | 560       | 560       |
|  |                                 | <b>187,330</b>   | 212,206   | 248,096   |
| <b>Contingencies and commitments</b>                       | 22                              |                  |           |           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |                                 | <b>320,584</b>   | 389,672   | 444,313   |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|  | Note      | 2015<br>(Rupees in thousand) | 2014<br>Restated       |
|--|-----------|------------------------------|------------------------|
| Revenue from sales and services-net                      | 23        | 39,230                       | 103,813                |
| Cost of sales and services                               | 24        | <u>(60,488)</u>              | <u>(93,074)</u>        |
| <b>Gross profit</b>                                      |           | <b>(21,258)</b>              | <b>10,739</b>          |
| Distribution cost  | 25        | <u>(2,134)</u>               | <u>(1,735)</u>         |
| Administrative expenses                                  | 26        | <u>(20,488)</u>              | <u>(26,031)</u>        |
| Other income   | 27        | <u>485</u>                   | <u>2,903</u>           |
|  |           | <u>(22,137)</u>              | <u>(24,863)</u>        |
|  |           | <b>(43,395)</b>              | <b>(14,124)</b>        |
| Finance cost   | 28        | <u>(5,819)</u>               | <u>(3,346)</u>         |
| <b>Loss before taxation</b>                              |           | <b>(49,214)</b>              | <b>(17,470)</b>        |
| Taxation   | 29        | <u>1,417</u>                 | <u>321</u>             |
| <b>Loss After taxation</b>                               |           | <b><u>(47,797)</u></b>       | <b><u>(17,149)</u></b> |
| <b>Loss after taxation for the year attributable to:</b> |           |                              |                        |
| - Owners of the Holding Company                          |           | <u>(47,760)</u>              | <u>(17,099)</u>        |
| - Non-controlling interests                              |           | <u>(37)</u>                  | <u>(50)</u>            |
|  |           | <b><u>(47,797)</u></b>       | <b><u>(17,149)</u></b> |
| ----- <b>(Rupees)</b> -----                              |           |                              |                        |
| <b>Loss per share - basic and diluted</b>                | <b>30</b> | <b><u>(8.77)</u></b>         | <b><u>(3.15)</u></b>   |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|      | 2015                 | 2014     |
|------|----------------------|----------|
| Note | (Rupees in thousand) | Restated |

|   |                 |          |
|---|-----------------|----------|
| <b>Loss after taxation for the year</b> | <b>(47,797)</b> | (17,149) |
|---|-----------------|----------|

Other comprehensive income

**Items that will not be reclassified to profit and loss account in subsequent periods**

|   |   |     |
|---|---|-----|
| Recognition of actuarial (losses) on retirement benefit obligation due to implementation of IAS 19 (Revised) - net of tax | - | 981 |
|---|---|-----|

|                                 |                 |          |
|---------------------------------|-----------------|----------|
| <b>Total comprehensive loss</b> | <b>(47,797)</b> | (16,168) |
|---------------------------------|-----------------|----------|

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

|                                 |                 |                 |
|---------------------------------|-----------------|-----------------|
| - Owners of the Holding Company | (47,760)        | (16,118)        |
| - Non-controlling interests     | (37)            | (50)            |
|                                 | <b>(47,797)</b> | <b>(16,168)</b> |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|   | Note | 2015<br>(Rupees in thousand) | 2014     |
|---|------|------------------------------|----------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                 |      |                              |          |
| Net loss before taxation                                      |      | (49,214)                     | (17,470) |
| <b>Adjustment for items not involving movement of funds</b>   |      |                              |          |
| Depreciation  | 5.1  | 8,835                        | 8,787    |
| Gain on disposal of property, plant and equipments            |      | -                            | (20)     |
| Provision for staff gratuity - net                            |      | 1,683                        | (480)    |
| Finance cost  |      | 5,787                        | 3,346    |
|   |      | (32,909)                     | (5,837)  |
| <b>Decrease/(Increase) in current assets</b>                  |      |                              |          |
| Stock-in-trade  |      | 19,767                       | 41,364   |
| Trade debts   |      | 40,797                       | (7,597)  |
| Loans and advances  |      | (969)                        | (7,266)  |
| Deposits, prepayments and other receivables                   |      | 1,786                        | 860      |
|   |      | 61,381                       | 27,361   |
| <b>Decrease in current liabilities</b>                        |      |                              |          |
| Trade and other payables                                      |      | (14,876)                     | (25,793) |
| <b>Cash generated from operating activities</b>               |      | 13,596                       | (4,269)  |
| <b>Taxes paid</b>   |      |                              |          |
|   |      | (438)                        | (1,023)  |
| <b>Gratuity paid</b>  |      |                              |          |
|   |      | (577)                        | (509)    |
| <b>Finance cost paid</b>                                      |      |                              |          |
|   |      | (5,787)                      | (2,643)  |
|   |      | (6,802)                      | (4,175)  |
| <b>Net cash inflow from operating activities</b>              |      | 6,794                        | (8,444)  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                 |      |                              |          |
| Addition to property, plant and equipment                     |      | (25)                         | (369)    |
| Proceeds from disposal of property, plant and equipment       |      | -                            | 20       |
| <b>Net cash generated from (used in) investing activities</b> |      | (25)                         | (349)    |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                 |      |                              |          |
| Proceeds from long term loans                                 |      | 3,896                        | 10,093   |
| Repayment of short term loans                                 |      | (10,000)                     | (9,856)  |
| <b>Net cash (outflow) from financing activities</b>           |      | (6,104)                      | 237      |
| Net increase in cash and cash equivalents                     |      | 665                          | (8,556)  |
| Cash and cash equivalents at beginning of the year            |      | 838                          | 9,394    |
| <b>Cash and cash equivalents at end of the year</b>           | 31   | 1,503                        | 838      |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Capital reserve<br>Share premium<br>reserve | General<br>reserve | Revenue<br>reserve<br>(Accumulated<br>loss) | Total            |
|---|---|---|--------------------|---|------------------|
| ------( Rupees in thousand )-----   |   |   |                    |   |                  |
| <b>Balance as at June 30, 2013</b>  | <b>54,500</b>                                   | <b>29,727</b>                               | <b>23,073</b>      | <b>(195,834)</b>                            | <b>(88,534)</b>  |
| <b>Total comprehensive loss for the year ended<br/>June 30, 2014</b>                | -   | -   | -                  | -   | -                |
| Net loss for the year ended June 30, 2014 - Restated                                | -   | -   | -                  | (17,149)                                    | (17,149)         |
| Other comprehensive income for the year ended<br>June 30, 2014                      | -   | -   | -                  | 981   | 981              |
|   |   |   |                    | (16,168)                                    | (16,168)         |
| Transfer from surplus on revaluation on property,<br>plant and equipment - Restated | -   | -   | -                  | 8,002                                       | 8,002            |
| <b>Balance as at June 30, 2014 - Restated</b>                                       | <b>54,500</b>                                   | <b>29,727</b>                               | <b>23,073</b>      | <b>(204,000)</b>                            | <b>(96,700)</b>  |
| <b>Total comprehensive loss for the year ended<br/>June 30, 2015</b>                |   |   |                    |   | -                |
| Net loss for the year ended June 30, 2015   | -   | -   | -                  | (47,797)                                    | (47,797)         |
| Other comprehensive loss for the year ended June<br>30, 2015                        | -   | -   | -                  | -   | -                |
|   |   |   |                    | (47,797)                                    | (47,797)         |
| Transfer from surplus on revaluation on property,<br>plant and equipment            | -   | -   | -                  | 8,002                                       | 8,002            |
| <b>Balance as at June 30, 2015</b>  | <b>54,500</b>                                   | <b>29,727</b>                               | <b>23,073</b>      | <b>(243,795)</b>                            | <b>(136,495)</b> |

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

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

**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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 Karachi 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 accounts of the holding company.

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

**1.2** The accumulated losses of the Group as at June 30, 2015 stand at Rs. 243.795 million (2014: Rs. 204 million) resulting in negative equity of Rs. 136.495 million (2014: Rs. 96.7 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 61.132 million (2014: 25.730 million).

In spite of the above stated circumstances the management of the Holding Company still considers that the going concern assumption used for the preparation of these consolidated financial statements is appropriate in view of the following major facts:

- i)** The Holding Company has already got its obligations rescheduled in respect of long term loans and financial arrangements, including repayment of principal and accumulated markup thereon with various lenders at terms referred to in note 16.3, 16.4 and 16.5 of these consolidated financial statements.
- ii)** Efforts are underway to obtain orders so that sales volume as well as profitability can be maintained and the management expects favorable improvements during the year ending June 30, 2016. The Strategic Business Revival Plan put forward by Management is approved by Board of Directors and will be presented before General Meeting for shareholders approval. According to which Holding company relocate its assets/operations/manufacturing to Lahore and maintain only a Marketing/Sales and Service facility to facilitate its established customers.
- iii)** The Board of Holding company has provided in past continued support and expresses its commitment in order to maintain the going concern status of the Holding Company. This support is evident from the fact that a Director had in the past provided loan and financial support to the Holding Company.

The management of the Holding Company is confident that the above factors shall enable the Holding Company to continue as going concern for foreseeable future; hence, these consolidated financial statements have been prepared on going concern assumption.

**2 SIGNIFICANT EVENTS**

**2.1** The Subsidiaries of the group, Johnson & Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited ceased production in July 1997 and February 1998 respectively. During the year ended June 30, 2004 the subsidiaries have settled their disputes with National Bank of Pakistan and agreed to pay Rs. 82.460 million as full and final settlement of their outstanding dues in installment

**2.2** On August 31, 1997 there was a change of management of a the Subsidiary Company. The ex-management was requested to furnish documents, information and explanations in relation to various matters pertaining to the books of the accounts of the subsidiary companies. As the ex-management have not responded to all the requirements of the management and their auditors. Amounts under stock in trade, trade debts, advances and trade creditors have been taken as per books of the accounts and available supporting records. As explained in Note 11.1, the unexplained amounts disbursed are shown as Receivables from "Ex-Management" .The Management is making every effort to confirm the accuracy of the amounts stated.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1 Basis of preparation**

These consolidated financial statements have been prepared from the information available in audited separate financial statements of the Holding Company for the year ended June 30th, 2015 and the audited financial statements of the Subsidiary Companies for the year ended June 30th, 2015.

##### **3.1.1 Statement of compliance**

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

##### **3.1.2 Accounting convention**

These financial statements have been prepared under the historical cost convention except lease hold land, building and plant and machinery are stated at revalued amount.

##### **3.1.3 Standards, Amendments Or Interpretations Which Became Effective During The Year**

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material affect on these consolidated financial statements of the Company.

**The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2015:**

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach in determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

**Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:**

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

### **3.2 Critical Accounting estimates and judgments**

The preparation of the financial statement in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. 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. The areas where various assumptions and estimates are significant to the company's financial statements are as follows.

#### **i) Employee benefits**

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

#### **ii) Property, plant and equipment**

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

#### **iii) Taxation**

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note 3.5 to these financial statements.

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

#### **3.6 Trade and other payables**

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

#### **3.7 Provisions**

Provisions are recognised when the Company has the present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed and adjusted to reflect current best estimate.

#### **3.8 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 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 as stated in note 4.

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 Assets held for sales**

A non-current assets (or disposal group) is classified as held for sale if its carrying amount is recovered principally through a sale transaction rather than through continuing use, the assets readily available for sales and the sale is highly probable.

#### **3.11 Intangible assets**

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

#### **3.12 Consumable stores**

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

### **3.13 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.

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

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

### **3.15 Warranties**

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

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

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

### **3.17 Transaction with related parties**

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

### **3.18 Impairment losses**

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

### **3.19 Revenue recognition**

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

### **3.20 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.

### **3.21 Cash and cash equivalents**

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

### **3.22 Financial Instruments**

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

### **3.23 Offsetting**

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

### **3.24 Borrowings**

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

### 3.25 Dividend

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

### 3.26 Prior period error

#### Recording of deferred taxation on surplus on revaluation of fixed assets

As discussed in note 3.1 to the financial statements the Company carried out revaluation of its certain fixed assets in June 2013. The increase in carrying amount of these fixed assets was credited to surplus on revaluation of fixed assets. However, deferred tax relating to surplus on revaluation was not recorded in the financial statements of the previous year as per the requirements of International Accounting Standard 12 "Income Taxes". This error has been corrected retrospectively and the comparative figures have been restated in accordance with IAS - 8 "Accounting policies, changes in accounting estimates and errors". Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 "Presentation of Financial Statements". However, this correction of error does effect any component of equity as at 30 June 2013 as reported in the financial statements for the year ended 30 June 2014, therefore, these balances have been stated as reported. Details of correction of error are as follows:

|  | As per<br>audited<br>financial | Effect of prior<br>period error | Restated amount |
|--|--------------------------------|---------------------------------|-----------------|
| -----Rupees in thousands-----  |                                |                                 |                 |
| <b>Effects of prior period error on financial statements for the year ended 30 June 2013</b> |                                |                                 |                 |
| <b>Balance sheet</b>   |                                |                                 |                 |
| Surplus on revaluation of property, plant and equipment                                      | 204,884                        | (12,289)                        | 192,595         |
| Deferred taxation  | -                              | 12,289                          | (12,289)        |
| <b>Effects of prior period error on financial statements for the year ended 30 June 2014</b> |                                |                                 |                 |
| <b>Balance sheet</b>   |                                |                                 |                 |
| Surplus on revaluation of property, plant and equipment                                      | 197,449                        | (20,817)                        | 176,632         |
| Deferred taxation  | -                              | 11,387                          | 11,387          |
| Accumulated loss   | (206,024)                      | 2,024                           | (204,000)       |
| <b>Profit &amp; Loss account</b>   |                                |                                 |                 |
| Taxation   | (1,096)                        | 1,417                           | 321             |
| Loss per share - basic and diluted   | (3.41)                         | 0.26                            | (3.15)          |

#### 4 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 ----- |                 |                             |                     |                                |               |          |                        |                             |          |
| <b>As at 01 July 2013</b>       |                 |                             |                     |                                |               |          |                        |                             |          |
| Cost                            | 170,000         | 25,600                      | 14,610              | 1,178                          | 3,843         | 11,314   | 4,320                  | 11,955                      | 242,820  |
| Accumulated depreciation        | (143)           | (213)                       | (174)               | (1,148)                        | (3,843)       | (11,314) | (4,319)                | (11,618)                    | (32,772) |
| Net book value                  | 169,857         | 25,387                      | 14,436              | 30                             | -             | -        | 1                      | 337                         | 210,048  |
| <b>Year Ended 30 June 2014</b>  |                 |                             |                     |                                |               |          |                        |                             |          |
| Opening net book value          | 169,857         | 25,387                      | 14,436              | 30                             | -             | -        | 1                      | 337                         | 210,048  |
| Additions during the year       | -               | -                           | -                   | -                              | -             | 355      | -                      | 14                          | 369      |
| Disposals                       |                 |                             |                     |                                |               |          |                        |                             |          |
| Cost                            | -               | -                           | -                   | -                              | -             | (29)     | -                      | -                           | (29)     |
| Accumulated depreciation        | -               | -                           | -                   | -                              | -             | 29       | -                      | -                           | 29       |
| Depreciation for the year       | (4,000)         | (2,560)                     | (2,087)             | (14)                           | -             | (15)     | -                      | (111)                       | (8,787)  |
| Closing net book value          | 165,857         | 22,827                      | 12,349              | 16                             | -             | 340      | 1                      | 240                         | 201,630  |
| <b>Useful Life (Years)</b>      | <b>99</b>       | <b>10</b>                   | <b>7</b>            | <b>10</b>                      | <b>5</b>      | <b>4</b> | <b>5</b>               | <b>5</b>                    |          |
| <b>As at 01 July 2014</b>       |                 |                             |                     |                                |               |          |                        |                             |          |
| Cost                            | 170,000         | 25,600                      | 14,610              | 1,178                          | 3,843         | 11,640   | 4,320                  | 11,969                      | 243,160  |
| Accumulated depreciation        | (4,143)         | (2,773)                     | (2,261)             | (1,162)                        | (3,843)       | (11,300) | (4,319)                | (11,729)                    | (41,530) |
| Net book value                  | 165,857         | 22,827                      | 12,349              | 16                             | -             | 340      | 1                      | 240                         | 201,630  |
| <b>Year Ended 30 June 2015</b>  |                 |                             |                     |                                |               |          |                        |                             |          |
| Opening net book value          | 165,857         | 22,827                      | 12,349              | 16                             | -             | 340      | 1                      | 240                         | 201,630  |
| Additions during the year       | -               | -                           | -                   | -                              | -             | -        | -                      | 25                          | 25       |
| Depreciation for the year       | (4,000)         | (2,560)                     | (2,087)             | (4)                            | -             | (85)     | -                      | (99)                        | (8,835)  |
| Closing net book value          | 161,857         | 20,267                      | 10,262              | 12                             | -             | 255      | 1                      | 166                         | 192,820  |
| <b>As at 30 June 2015</b>       |                 |                             |                     |                                |               |          |                        |                             |          |
| Cost                            | 170,000         | 25,600                      | 14,610              | 1,178                          | 3,843         | 11,640   | 4,320                  | 11,994                      | 243,185  |
| Accumulated depreciation        | (8,143)         | (5,333)                     | (4,348)             | (1,166)                        | (3,843)       | (11,385) | (4,319)                | (11,828)                    | (50,365) |
| Net book value                  | 161,857         | 20,267                      | 10,262              | 12                             | -             | 255      | 1                      | 166                         | 192,820  |
| <b>Useful Life (Years)</b>      | <b>99</b>       | <b>10</b>                   | <b>7</b>            | <b>10</b>                      | <b>5</b>      | <b>4</b> | <b>5</b>               | <b>5</b>                    |          |

4.1 The previous revaluations were carried out on March 31, 1995, June 30, 2004 and June 17, 2008 which resulted in a surplus of Rs 42.642 million, surplus of Rs 73.464 million and 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 June 12, 2013. The revaluation was incorporated in books on June 30, 2013, following the elimination method. The revaluation exercise was conducted by M/s Asif Associates (Private) Limited, a valuer on approved list of Pakistan Bankers Association, on market value basis.

The last revaluation of leasehold land, Building and Plant & Machinery resulted in a surplus of Rs. 31.776 million. The carrying amount of the above mentioned assets as at 30 June 2015, if the said had been carried at historical cost would have been as follows:

| Asset category                  | Cost   | Accumulated Depreciation | Written down Value |
|---------------------------------|--------|--------------------------|--------------------|
| ----- Rupees in thousands ----- |        |                          |                    |
| Lease hold Land                 | 61     | 27                       | 34                 |
| Building on lease hold land     | 13,081 | 11,272                   | 1,809              |
| Plant and machinery             | 30,018 | 28,224                   | 1,794              |

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

|                            | Note | 2015<br>(Rupees in thousand) | 2014         |
|----------------------------|------|------------------------------|--------------|
| Cost of sales and services | 24   | 7,068                        | 7,030        |
| Administrative expenses    | 26   | 1,767                        | 1,757        |
|                            |      | <u>8,835</u>                 | <u>8,787</u> |

|   | 2015                 | 2014          |
|---|----------------------|---------------|
|   | (Rupees in thousand) |               |
| <b>4.3 Cost of fully depreciated assets</b> |                      |               |
| Gas and electric installation               | 1,037                | 1,037         |
| Factory tools                               | 3,843                | 3,843         |
| Vehicles                                    | 11,640               | 11,640        |
| Furniture and fixtures                      | 4,320                | 4,320         |
| Office and other equipments                 | 11,361               | 11,361        |
|   | <b>32,201</b>        | <b>32,201</b> |

## 5 INTANGIBLE ASSET

|                                 | COST                |                      |                     | AMORTIZATION        |              |                     | Written down Values as at June 30, 2015 | Useful life (years) |
|---------------------------------|---------------------|----------------------|---------------------|---------------------|--------------|---------------------|---|---------------------|
|                                 | As at July 01, 2014 | Additions / disposal | As at June 30, 2015 | As at July 01, 2014 | For the year | As at June 30, 2015 |   |                     |
| ----- Rupees in thousands ----- |                     |                      |                     |                     |              |                     |   |                     |
| Computer Software               | 129                 | -                    | 129                 | 129                 | -            | 129                 | -                                       | 5                   |
|                                 | <b>129</b>          | <b>-</b>             | <b>129</b>          | <b>129</b>          | <b>-</b>     | <b>129</b>          | <b>-</b>                                |                     |

## 6 ASSETS HELD FOR SALE

| Description                     | COST                |                      |                     | DEPRECIATION        |              |                     | Written down Values as at June 30, 2015 |
|---------------------------------|---------------------|----------------------|---------------------|---------------------|--------------|---------------------|---|
|                                 | As at July 01, 2014 | Additions / disposal | As at June 30, 2015 | As at July 01, 2014 | For the year | As at June 30, 2015 |   |
| ----- Rupees in thousand -----  |                     |                      |                     |                     |              |                     |   |
| Free hold land                  | 3,709               | -                    | 3,709               | -                   | -            | -                   | 3,709                                   |
| Building                        | 12,327              | -                    | 12,327              | 6,859               | -            | 6,859               | 5,468                                   |
| Plant and machinery             | 23,741              | -                    | 23,741              | 11,438              | -            | 11,438              | 12,303                                  |
| Factory Tools and equipments    | 1,857               | -                    | 1,857               | 1,103               | -            | 1,103               | 754                                     |
| Office & other equipments       | 1,130               | -                    | 1,130               | 943                 | -            | 943                 | 187                                     |
| Furniture and fixture           | 231                 | -                    | 231                 | 185                 | -            | 185                 | 46                                      |
| Laboratory equipments           | 185                 | -                    | 185                 | 79                  | -            | 79                  | 106                                     |
| Vehicles                        | 3                   | -                    | 3                   | 3                   | -            | 3                   | -                                       |
|                                 | 43,183              | -                    | 43,183              | 20,610              | -            | 20,610              | 22,573                                  |
| <b>Capital work in progress</b> |                     |                      |                     |                     |              |                     |   |
| Plant & machinery               | 1,297               | -                    | 1,297               | -                   | -            | -                   | 1,297                                   |
| <b>2015</b>                     | <b>44,480</b>       | <b>-</b>             | <b>44,480</b>       | <b>20,610</b>       | <b>-</b>     | <b>20,610</b>       | <b>23,870</b>                           |
| <b>2014</b>                     | <b>44,480</b>       | <b>-</b>             | <b>44,480</b>       | <b>20,610</b>       | <b>-</b>     | <b>20,610</b>       | <b>23,870</b>                           |

**6.1** As described in note 2 to the financial statements the management has closed its operations of subsidiary companies, therefore, have decided to dispose of its property, plant and equipment of such companies. The written down value of property, plant and equipment of Rs. 23.870 million (2013: Rs. 23.870 million) is being shown separately under current assets as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and is measured at the lower of carrying amount and fair value less costs to sell. According to management, the estimated selling price is not likely to be less than carrying amount (WDV) since company has offers for the sale of machineries and stock of raw materials and work in process which is far in excess of the book value of these assets. Hence no depreciation / impairment on property, plant and equipment of the Company has been charged.

|  | 2015<br>(Rupees in thousand) | 2014          |
|--|------------------------------|---------------|
| <b>7 STORE, SPARES &amp; LOOSE TOOLS</b>   | <b>Note</b>                  |               |
| Stores   | 182                          | 182           |
| Loose tools  | 2,214                        | 2,214         |
|  | <u>2,396</u>                 | <u>2,396</u>  |
| <b>8 STOCK-IN-TRADE</b>  |                              |               |
| Raw material and components<br>in hand - Gross   | 50,007                       | 54,248        |
| Less: provision for obsolete/ slow moving items  | (10,644)                     | (12,132)      |
|  | 39,363                       | 42,116        |
| Work-in-process  | 17,446                       | 32,611        |
| Finished goods   | 1,220                        | 3,069         |
|  | <u>58,029</u>                | <u>77,796</u> |
| <b>9 TRADE DEBTS</b>   |                              |               |
| Trade debts - <i>unsecured, considered good</i>  | 9,009                        | 49,806        |
| <b>10 LOANS AND ADVANCES</b>   |                              |               |
| <b>Advances - Unsecured, Considered good</b>   |                              |               |
| To suppliers   | 1,100                        | 3,318         |
| To employees   | 352                          | 418           |
| Against purchase of land   | 4,217                        | 4,217         |
| Others   | 71                           | 71            |
|  | 5,740                        | 8,024         |
| <b>Sales tax refundable</b>  | 15,472                       | 14,652        |
| Less: Provision for doubtful advances  | -                            | (2,433)       |
| Less: Provision for advance against land   | (2,717)                      | (2,717)       |
|  | <u>18,495</u>                | <u>17,526</u> |
| <b>11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>  |                              |               |
| <b>Deposits</b>  |                              |               |
| Deposit  | 85                           | 85            |
| Margin against bank guarantee<br>other receivable  | 5,843                        | 7,402         |
|  | 50                           | 50            |
| Deposit with court   | 723                          | 723           |
| Tender deposits  | 228                          | 329           |
|  | 6,929                        | 8,589         |
| <b>Prepayments</b>   | -                            | 126           |
| <b>Other receivables</b>   |                              |               |
| Receivables from ex-management against sale of fixed assets  | 618                          | 618           |
|  | <u>7,547</u>                 | <u>9,333</u>  |
| <b>11.1</b> The amount under "Receivable from Ex-Management" represents payments by the ex-management which were not properly documented. Satisfactory explanation and information pertaining to these payments have not been made available to date. The present managements does not accept these items and is of the opinion that the ex-management should refund the amounts. Accordingly, these items have been shown as "Receivable form Ex-Management." |                              |               |
| <b>12 CASH AND BANK BALANCES</b>   |                              |               |
| Cash in hand   | 43                           | 106           |
| At bank - in current accounts  | 1,828                        | 1,101         |
| - in saving accounts   | 23                           | 22            |
|  | <u>1,894</u>                 | <u>1,229</u>  |

**13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

| <u>2015</u>             | <u>2014</u>             |  | Note | <u>2015</u>          | <u>2014</u>          |
|-------------------------|-------------------------|--|------|----------------------|----------------------|
| (Number of shares)      |                         |  |      | (Rupees in thousand) |                      |
| <b>4,638,268</b>        | 4,638,268               | Ordinary shares of Rs. 10 each fully paid in cash                        |      | <b>46,383</b>        | 46,383               |
| <b>93,000</b>           | 93,000                  | Ordinary shares of Rs. 10 each issued for consideration other than cash. |      | <b>930</b>           | 930                  |
| <b>718,704</b>          | 718,704                 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares         |      | <b>7,187</b>         | 7,187                |
| <b><u>5,449,972</u></b> | <b><u>5,449,972</u></b> |  |      | <b><u>54,500</u></b> | <b><u>54,500</u></b> |

**14 NON CONTROLLING INTEREST**

|  |                 |          |
|--|-----------------|----------|
| Share in issued, subscribed and paid up capital  | <b>9,490</b>    | 9,490    |
| Share of accumulated loss  |                 |          |
| - brought forward  | <b>(20,849)</b> | (20,799) |
| - for the year   | <b>(37)</b>     | (50)     |
|  | <b>(20,886)</b> | (20,849) |
|  | <b>(11,396)</b> | (11,359) |
| Minority share in excess of their share in capital transferred to profit and loss account of the group | <b>11,396</b>   | 11,359   |
|  | <b>-</b>        | -        |

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

|   |                |         |
|---|----------------|---------|
| Revaluation surplus over written down value at beginning  | <b>166,012</b> | 169,965 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | <b>(3,953)</b> | (3,953) |
|   | <b>162,059</b> | 166,012 |

**Factory building**

|   |                |         |
|---|----------------|---------|
| Revaluation surplus over written down value at beginning  | <b>19,899</b>  | 23,046  |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | <b>(2,331)</b> | (2,331) |
| Related deferred tax liability of incremental depreciation charged during the year  | <b>(816)</b>   | (816)   |
|   | <b>16,752</b>  | 19,899  |
| Related deferred tax liability at beginning   | <b>(7,250)</b> | (8,066) |
| Less: related to incremental depreciation   | <b>816</b>     | 816     |
|   | <b>(6,434)</b> | (7,250) |

**Plant and machinery**

|   |                |         |
|---|----------------|---------|
| Revaluation surplus over written down value at beginning  | <b>9,514</b>   | 11,833  |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | <b>(1,718)</b> | (1,718) |
| Related deferred tax liability of incremental depreciation charged during the year  | <b>(601)</b>   | (601)   |
|   | <b>7,195</b>   | 9,514   |
| Related deferred tax liability at beginning of the year   | <b>(3,541)</b> | (4,142) |
| Less: related to incremental depreciation   | <b>601</b>     | 601     |
|   | <b>(2,940)</b> | (3,541) |
|   | <b>176,632</b> | 184,634 |

Restated

|   | Note | 2015<br>(Rupees in thousand) | 2014          |
|---|------|------------------------------|---------------|
| <b>16 LONG TERM BORROWINGS</b>          |      |                              |               |
| <b>Relating to subsidiary companies</b> |      |                              |               |
| Local currency - general term finance   | 16.1 | -                            | -             |
| <b>Loans from others-unsecured</b>      |      |                              |               |
| Loan from others                        | 16.2 | 4,000                        | 4,000         |
| <b>Loan-1</b>                           |      |                              |               |
| Principal                               | 16.3 | 8,408                        | 8,408         |
| Accumulated mark-up there on            |      | 9,219                        | 8,313         |
|   |      | 17,627                       | 16,721        |
| <b>Loan -2 ( from Director )</b>        |      |                              |               |
| Principal                               | 16.4 | 21,182                       | 20,377        |
| Accumulated mark-up there on            |      | 3,454                        | 3,507         |
|   |      | 24,636                       | 23,884        |
| <b>Loan-3</b>                           |      |                              |               |
| Principal                               | 16.5 | 18,650                       | 18,650        |
| Accumulated mark-up there on            |      | 16,418                       | 14,180        |
|   |      | 35,068                       | 32,830        |
|   |      | 81,331                       | 77,435        |
| Less: current and overdue portion       | 20   | (4,000)                      | (4,000)       |
|   |      | <u>77,331</u>                | <u>73,435</u> |

**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 installment 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 installments commencing after the expiry of eight months from the date of decree.

In the event of default in payment of any single installment 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** 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. According to the fresh agreement dated June 30, 2007 the effective date of repayment, which was October, 2006, was extended to July, 2008.
- 16.3** Represents an unsecured loan from an individual. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2016. The mark-up will be charged at the rate of Twelve months KIBOR plus 2% per annum (2014: 12% per annum) . An other unsecured loan amounting to Rs. 5.00 million taken in past and according to the agreement dated June 30, 2015, the loan carries mark-up @Twelve months KIBOR per annum and will be repaid in Twenty four equal quarterly installments commencing from July 01, 2016. Total markup charged on loans during the year was Rs. 0.906 million (2014: Rs. 0.855 million).
- 16.4** Represents an unsecured loan from a Director. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2016. The mark-up will be charged at the rate of KIBOR plus 2% per annum (2014: 12% per annum) . An other unsecured loans amounting to Rs. 7.797 million taken in past and Rs. 3.0 million taken during the year. According to the fresh agreements dated June 30, 2015, the loans carry mark-up @ KIBOR+2% per annum, which will be repaid in twenty four quarterly installments commencing from July 01, 2016 and markup on these loans will be paid on monthly basis. Total markup charged on loans during the year was Rs.2.695 million (2014: Rs. 2.439 million).
- 16.5** Represents an un-secured loan from a private company. During the year an agreement has been signed to reschedule the loan. According to the agreement dated July 01, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in twenty four equal quarterly installments commencing from July 01, 2016. The mark-up rate on this loan is KIBOR plus 2% per annum (2014: 12% per annum). The total mark-up charged on the loan during the year was Rs. 2.238 million (2014: 2.238 million).

|   | Note        | 2015                        | 2014          |
|---|-------------|-----------------------------|---------------|
| <b>17 DEFERRED LIABILITIES - STAFF GRATUITY</b>   |             | <b>(Rupees in thousand)</b> |               |
| Staff gratuity  | <b>17.1</b> | <b>5,816</b>                | 4,710         |
| Deferred taxation   | <b>17.2</b> | <b>9,970</b>                | 11,387        |
|   |             | <b>15,786</b>               | <b>16,097</b> |
| <b>17.1</b> Provision for gratuity has not been made on the basis of actuarial valuation as the management is of the view that the values determined by actuarial valuation method would not be materially differ from the amounts provided in the books of accounts. |             |                             |               |
| <b>17.2 DEFERRED TAXATION</b>   |             |                             |               |
| <b>Taxable temporary differences</b>  |             |                             |               |
| Surplus on revaluation of fixed assets  |             | <b>9,374</b>                | 10,791        |
| <b>Deductible temporary differences</b>   |             |                             |               |
| Accelerated tax depreciation  |             | <b>(2,969)</b>              | (2,568)       |
| Carried forward tax losses and unabsorbed depreciation  |             | <b>(86,423)</b>             | (68,436)      |
|   |             | <b>(89,392)</b>             | (71,004)      |
|   |             | <b>(80,018)</b>             | (60,213)      |
| Deferred tax asset not recognised   |             | <b>89,392</b>               | 71,004        |
|   |             | <b>9,374</b>                | 10,791        |
| Deferred tax liability related to subsidiary  |             | <b>596</b>                  | 596           |
|   |             | <b>9,970</b>                | 11,387        |

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.

|   | Note | 2015<br>(Rupees in thousand) | 2014           |
|---|------|------------------------------|----------------|
| <b>18 TRADE AND OTHER PAYABLES</b>                            |      |                              |                |
| Creditors   |      | 114,986                      | 135,185        |
| Accrued liabilities   |      | 3,539                        | 2,971          |
| Advances from customers                                       |      | 9,099                        | 4,278          |
| Workers' profit participation fund                            |      | 3,498                        | 3,497          |
| Payable to ex-employees                                       |      | 802                          | 892            |
| Provident fund  |      | 40                           | 52             |
| Unclaimed gratuity payable                                    |      | 894                          | 894            |
| Sales tax payable   |      | 39                           | 39             |
| Due to others   |      | 1,351                        | 1,351          |
| Tax deducted at source  |      | 46                           | 86             |
| Withholding Tax Payable                                       |      | 505                          | 505            |
| Others  |      | 2,372                        | 2,297          |
|   |      | <u>137,171</u>               | <u>152,047</u> |
| <b>19 SHORT TERM BORROWINGS</b>                               |      |                              |                |
| <b>Secured - utilised under mark-up arrangements</b>          |      |                              |                |
| <b>Relating to subsidiary company</b>                         |      |                              |                |
| Short term loan   | 16.1 | 40,940                       | 50,940         |
| <b>From non-banking financial institutions</b>                |      |                              |                |
| Temporary overdraft   |      | 391                          | 391            |
|   |      | <u>41,331</u>                | <u>51,331</u>  |
| <b>20 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS</b> |      |                              |                |
| Loan from others - unsecured                                  | 16.2 | <u>4,000</u>                 | <u>4,000</u>   |
| <b>21 MARK UP ACCRUED</b>                                     |      |                              |                |
| Opening balance   |      | -                            | -              |
| Accrued during the year                                       |      | 5,787                        | 3,293          |
|   |      | <u>5,787</u>                 | <u>3,293</u>   |
| Paid / transferred during the year                            | 21.1 | (5,787)                      | (3,293)        |
| <b>Closing balance</b>  |      | <u>-</u>                     | <u>-</u>       |

**21.1** These have been paid or rescheduled as disclosed in note 16 to these financial statements.

## **22 CONTINGENCIES AND COMMITMENTS**

### **22.1 Contingencies**

#### **a) Guarantees**

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

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| Guarantees against performance bond | <u>5,520</u> | <u>7,402</u> |
|-------------------------------------|--------------|--------------|

#### **b) Labour**

Some legal cases are pending against the Company filed by ex-workers in respect of their claims. The aggregate amounts involved in these cases are Rs. 0.987 million. (2014: 0.987 million).

### c) Others

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.

2. The Company has filed a suit for the recovery of insurance claim of Rs 3.734 million (2014: Rs 3,734 million) in Honorable High Court of Sindh Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited.

### d) 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 (2014: 0.205 million)

### e) 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 (2014: Rs.18.998 million) claimed by M/s Atta Cables (Pvt) Limited. The subsidiary Company does not acknowledge the excess amount of claim.

### f) 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 tax paid would cover the demand. The company may however, face a charge amounting to Rs.0.350 million (2014: 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 (2014: Rs.4.451 million).

The income tax assessments of Johnson & Phillips EMO Pakistan (Private) Limited for the assessment years 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 Subsidiary Company 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 (2014: Rs.0.053 million).

## 22.2 Commitments

There is no commitment as on June 30, 2015 (2014 : Nil )

|                                    | Note | 2015<br>(Rupees in thousand) | 2014    |
|------------------------------------|------|------------------------------|---------|
| <b>23 SALES AND SERVICES (NET)</b> |      |                              |         |
| Gross sales                        |      | <b>39,893</b>                | 105,506 |
| Sales tax and special excise duty  |      | <b>(663)</b>                 | (1,626) |
| Commission and discount on sales   |      | <b>-</b>                     | (67)    |
|                                    |      | <b>(663)</b>                 | (1,693) |
|                                    |      | <b>39,230</b>                | 103,813 |

## 24 COST OF SALES AND SERVICES

### Raw materials and components consumed

|                                 |                 |                 |
|---------------------------------|-----------------|-----------------|
| Opening stock                   | 42,442          | 45,865          |
| Purchases and sub contract cost | 21,917          | 32,851          |
|                                 | <u>64,359</u>   | <u>78,716</u>   |
| <b>Closing stock</b>            | <b>(38,201)</b> | <b>(42,442)</b> |
|                                 | <u>26,158</u>   | <u>36,274</u>   |

|  |      |               |               |
|--|------|---------------|---------------|
| Salaries, wages and benefits               | 24.1 | 9,250         | 9,818         |
| Insurance                                  |      | 505           | 81            |
| Fuel and power                             |      | 1,281         | 1,211         |
| Repair and maintenance                     |      | 293           | 55            |
| Inspection and testing                     |      | 48            | 1             |
| Printing and stationery                    |      | 24            | 43            |
| Traveling and conveyance                   |      | 209           | 338           |
| Depreciation                               | 4.2  | 7,068         | 7,029         |
| Provision for Obsolete/ Slow moving Stocks |      | (1,488)       | (1,620)       |
| Other manufacturing expenses               |      | 126           | 283           |
|  |      | <u>17,316</u> | <u>17,239</u> |
|  |      | <u>43,474</u> | <u>53,513</u> |

### Work in process

|                                   |               |               |
|-----------------------------------|---------------|---------------|
| Opening stock                     | 32,611        | 67,225        |
| Closing stock                     | (17,446)      | (32,611)      |
|                                   | <u>15,165</u> | <u>34,614</u> |
| <b>Cost of goods manufactured</b> | <b>58,639</b> | <b>88,127</b> |

### Finished goods

|               |               |               |
|---------------|---------------|---------------|
| Opening stock | 2,170         | 7,117         |
| Closing stock | (321)         | (2,170)       |
|               | <u>1,849</u>  | <u>4,947</u>  |
|               | <u>60,488</u> | <u>93,074</u> |
|               | <u>2015</u>   | <u>2014</u>   |

### 24.1 Salaries, wages and benefits

|                                   |                      |              |
|-----------------------------------|----------------------|--------------|
| Note                              | (Rupees in thousand) |              |
| Salaries and wages                | 9,093                | 9,837        |
| Gratuity                          | 64                   | (138)        |
| P.F Contribution (Worker & Staff) | 93                   | 119          |
|                                   | <u>9,250</u>         | <u>9,818</u> |

## 25 DISTRIBUTION EXPENSES

|                                     |      |              |              |
|-------------------------------------|------|--------------|--------------|
| Salaries, wages and benefits        | 25.1 | 758          | 950          |
| Late delivery charges and penalties |      | 789          | 224          |
| Advertising and sales promotion     |      | 83           | 67           |
| Travelling and conveyance           |      | 134          | 84           |
| Subscriptions and periodicals       |      | 48           | 116          |
| Repair and maintenance              |      | 61           | 122          |
| Entertainment                       |      | 42           | 91           |
| Printing and stationery             |      | 23           | 10           |
| Others                              |      | 196          | 71           |
|                                     |      | <u>2,134</u> | <u>1,735</u> |

**25.1 Salaries, wages and benefits**

|                        |            |            |
|------------------------|------------|------------|
| Salaries & wages       | 734        | 945        |
| Gratuity               | 12         | (7)        |
| P.F Contribution-Staff | 12         | 12         |
|                        | <u>758</u> | <u>950</u> |

**26 ADMINISTRATIVE EXPENSES**

|   |      |               |               |
|---|------|---------------|---------------|
| Salaries, wages and benefits              | 26.1 | 7,349         | 5,031         |
| Travelling and conveyance                 |      | 1,279         | 2,344         |
| Legal and professional charges            |      | 433           | 933           |
| Rent, rates and taxes                     |      | 1,416         | 1,222         |
| Repair and maintenance                    |      | 809           | 786           |
| Printing and stationery                   |      | 390           | 268           |
| Postage, telegram, telephone and telex    |      | 799           | 952           |
| Light and power                           |      | 1,501         | 1,505         |
| Entertainment                             |      | 931           | 1,428         |
| Subscriptions and periodicals             |      | 673           | 692           |
| Advertisement                             |      | 76            | 130           |
| Auditors' remuneration                    | 26.2 | 458           | 455           |
| Annual general meeting                    |      | 46            | 22            |
| Insurance                                 |      | 183           | 759           |
| Provision for doubtful loans and advances |      | -             | 5,150         |
| Depreciation                              | 4.2  | 1,767         | 1,757         |
| Provision for doubtful tender deposits    |      | -             | 353           |
| Others                                    |      | 2,378         | 2,244         |
|   |      | <u>20,488</u> | <u>26,031</u> |

**26.1 Salaries, wages and benefits**

|                        |              |              |
|------------------------|--------------|--------------|
| Salaries and wages     | 5,591        | 5,246        |
| Gratuity               | 1,607        | (335)        |
| P.F Contribution-Staff | 151          | 120          |
|                        | <u>7,349</u> | <u>5,031</u> |

**26.2 Auditors' remuneration**

|   | Note | 2015<br>(Rupees in thousand) | 2014       |
|---|------|------------------------------|------------|
| Annual audit fee                            |      | 295                          | 295        |
| Review of half yearly financial statements  |      | 60                           | 60         |
| Review of consolidated financial statements |      | 60                           | 60         |
| Certification and others                    |      | 15                           | 15         |
| Out of pocket expenses                      |      | 28                           | 25         |
|   |      | <u>458</u>                   | <u>455</u> |

**27 OTHER INCOME**

|  |            |              |
|--|------------|--------------|
| Liabilities no more payable written back           | -          | 2,575        |
| Gain on disposal of property, plant and equipments | -          | 20           |
| Mark-up on saving accounts                         | 19         | 1            |
| Others   | 466        | 307          |
|  | <u>485</u> | <u>2,903</u> |

## 28 FINANCE COST

|                                      |  |              |              |
|--------------------------------------|--|--------------|--------------|
| Mark-up on unsecured long term loans |  | 5,787        | 3,293        |
| Bank charges and commission          |  | 32           | 53           |
|                                      |  | <u>5,819</u> | <u>3,346</u> |

## 29 TAXATION

|              |      |                |                |
|--------------|------|----------------|----------------|
|              |      |                | Restated       |
| Current year | 29.1 | -              | 1,038          |
| Prior year   |      | -              | 58             |
| Deferred tax |      | <u>(1,417)</u> | <u>(1,417)</u> |
|              |      | <u>(1,417)</u> | <u>(321)</u>   |

29.1 Income tax assessments of the Company upto tax year 2014 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 LOSS PER SHARE

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

|  |  |                  |                  |
|--|--|------------------|------------------|
| Loss after taxation                        |  | <u>(47,797)</u>  | <u>(17,149)</u>  |
| Weighted average number of ordinary shares |  | <u>5,449,972</u> | <u>5,449,972</u> |
| <b>Loss per share - basic</b>              |  | <u>(8.77)</u>    | <u>(3.15)</u>    |

## 31 CASH AND CASH EQUIVALENTS

|                        |    |              |              |
|------------------------|----|--------------|--------------|
| Cash and bank balances | 12 | 1,894        | 1,229        |
| Temporary overdraft    | 19 | <u>(391)</u> | <u>(391)</u> |
|                        |    | <u>1,503</u> | <u>838</u>   |

## 32 PROVIDENT FUND RELATED DISCLOSURES

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

|                                 |                      |              |
|---------------------------------|----------------------|--------------|
|                                 | <b>(Unaudited)</b>   | (Unaudited)  |
|                                 | <b>June 30, 2015</b> | Dec 31, 2014 |
| Size of the fund - Total assets | <u>6,948</u>         | <u>7,680</u> |
| Cost of the Investment made     | <u>6,000</u>         | <u>6,000</u> |
| Percentage of investments made  | <u>86%</u>           | <u>78%</u>   |
| Fair value of the investments   | <u>6,000</u>         | <u>6,000</u> |

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

|                           |                             |              |                             |              |
|---------------------------|-----------------------------|--------------|-----------------------------|--------------|
|                           | <b>June 30, 2015</b>        | Dec 31, 2014 | <b>June 30, 2015</b>        | Dec 31, 2014 |
|                           | <b>Unaudited</b>            | Audited      | <b>Unaudited</b>            | Unaudited    |
|                           | ----Rupees in thousands---- |              | ----Rupees in thousands---- |              |
| Certificate of Investment | <b>6,000</b>                | 6,000        | <b>86%</b>                  | <b>78%</b>   |

32.1.1 The investments out of the Company have been made in accordance with the provisions of sections 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

## 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 frame work. The Company has exposure to the following risks from its use of finances 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 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 Group's performance to developments affecting a particular industry.

#### Exposure to credit risk

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:

|                                      | 2015<br>(Rupees in thousand) | 2014          |
|--------------------------------------|------------------------------|---------------|
| Long term deposits                   | 1,566                        | 1,566         |
| Trade debts                          | 9,009                        | 49,806        |
| Loans and advances                   | 18,495                       | 1,989         |
| Trade deposits and other receivables | 9,009                        | 9,207         |
| Bank balances                        | 1,851                        | 1,123         |
|                                      | <b>39,930</b>                | <b>69,726</b> |

#### Impairment losses

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

|                        | 2015                            |            | 2014          |            |
|------------------------|---------------------------------|------------|---------------|------------|
|                        | Gross                           | impairment | Gross         | impairment |
|                        | ------(Rupees in thousand)----- |            |               |            |
| Not past due           | -                               | -          | -             | -          |
| Past due 1 - 60 days   | 541                             | -          | 2,743         | -          |
| Past due 61 - 365 days | 6,012                           | -          | 33,123        | -          |
| More than one year     | 2,456                           | -          | 13,940        | -          |
| <b>Total</b>           | <b>9,009</b>                    | <b>-</b>   | <b>49,806</b> | <b>-</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.

### 33.2 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 Group'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              | Up to one year   | More than one   |
| Long term financing      | 81,331          | 81,331         | -                      | (4,000)          | (77,331)        |
| Trade and other payables | 137,171         | 137,171        | (1,911)                | (135,260)        | -               |
| Unclaimed dividend       | 4,268           | 4,268          | (4,268)                | -                | -               |
| Short term borrowings    | 41,331          | 41,331         | -                      | (41,331)         | -               |
| <b>June 30, 2015</b>     | <b>264,101</b>  | <b>264,101</b> | <b>(6,179)</b>         | <b>(180,591)</b> | <b>(77,331)</b> |
| Long term financing      | 77,435          | 77,435         | -                      | (4,000)          | (77,435)        |
| Trade and other payables | 152,047         | 152,047        | -                      | (152,047)        | -               |
| Unclaimed dividend       | 4,268           | 4,268          | (4,268)                | -                | -               |
| Short term borrowings    | 51,331          | 51,331         | -                      | (51,331)         | -               |
| <b>June 30, 2014</b>     | <b>285,081</b>  | <b>285,081</b> | <b>(4,268)</b>         | <b>(207,378)</b> | <b>(73,435)</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 16 to these financial

### 33.3 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 manage 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:

|                              | 2015                        | 2014                     | 2015                      | 2014   |
|------------------------------|-----------------------------|--------------------------|---------------------------|--------|
|                              | Effective interest rate (%) |                          | Carrying amount(Rs.'000') |        |
| <b>Financial liabilities</b> |                             |                          |                           |        |
| Long term financing          | 12%, KIBOR and KIBOR +2%    | 12%, KIBOR and KIBOR +2% | 81,331                    | 77,435 |

#### Sensitivity analysis

As at balance sheet date, the Group 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 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.

### 34 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 manage 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, 2015 the negative shareholders' equity amounts to Rs. 136.495 million (2014: Rs. 96.7 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 Group are as follows:

|   | Chief Executive                 |              | Directors    |            | Total        |              |
|---|---------------------------------|--------------|--------------|------------|--------------|--------------|
|   | 2015                            | 2014         | 2015         | 2014       | 2015         | 2014         |
|   | ----- Rupees in thousands ----- |              |              |            |              |              |
| Managerial Remuneration                             | 1,680                           | 960          | 120          | 120        | 1,800        | 1,080        |
| Retirement benefits and provident fund contribution | 140                             | 80           | -            | -          | 140          | 80           |
| Rent, utilities, leave encashment etc.              | 2,249                           | 1,262        | 3,368        | 742        | 5,617        | 2,004        |
|   | <b>4,069</b>                    | <b>2,302</b> | <b>3,488</b> | <b>862</b> | <b>7,557</b> | <b>3,164</b> |
| No. of persons                                      | <b>1</b>                        | <b>1</b>     | <b>6</b>     | <b>6</b>   | <b>7</b>     | <b>7</b>     |

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

### 36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are as follows:

|   | 2015                 | 2014   |
|---|----------------------|--------|
|   | (Rupees in thousand) |        |
| Loan advanced to wholly owned subsidiary company  | 24,738               | 14,685 |
| Payments made on behalf of subsidiaries companies | 96                   | 145    |
| Contribution paid to Provident Fund Trust         | 256                  | 502    |

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

### 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 DATE OF AUTHORIZATION

These financial statements were authorized for issue on Dated. 10th, October 2015 by the Board of Directors of the Company.

### 39 GENERAL

Figures have been rounded off to the nearest thousand rupee.

**Shehryar Saeed**  
Chief Executive

**Nabeel Sadiq**  
Director

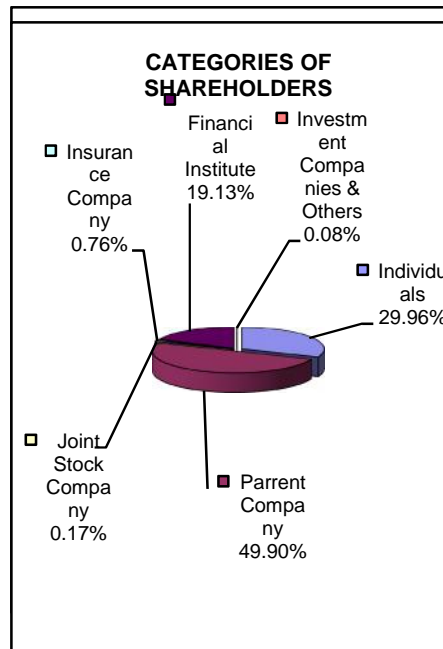
**PATTERN OF SHARE HOLDINGS**  
**AS AT JUNE 30, 2015**

| SHAREHOLDERS   | SHARES<br>HELD   | %           |
|--|------------------|-------------|
| <u>Associated Companies, undertaking and related parties</u> |                  |             |
| Etheridge Company Limited                                    | 2,719,536        | 49.900%     |
| <u>Directors, CEO and their Spouse &amp; Minor Children</u>  |                  |             |
| Ms. Marium Shafi   | 110,273          | 2.023%      |
| Ms. Zainub Bilal Qureshi                                     | 198,468          | 3.642%      |
| Mr. Bilal Ahmed Qureshi                                      | 52,105           | 0.956%      |
| <u>Financial institutions</u>                                |                  |             |
| National Bank of Pakistan                                    | 335,498          | 6.156%      |
| National Investment Trust (NIT)                              | 589,114          | 10.81%      |
| Trustee National Bank of Pakistan Employees                  | 54,349           | 1.00%       |
| Soneri Bank Limited  | 78,000           | 1.431%      |
| Habib Bank Limited   | 245              | 0.004%      |
| <u>Insurance Companies</u>                                   |                  |             |
| EFU General Insurance  | 76               | 0.001%      |
| State Life Insurance Corporation                             | 41,460           | 0.761%      |
| <u>Joint Stock Companies (Local)</u>                         |                  |             |
| NH Securities (Pvt) Ltd.                                     | 376              | 0.007%      |
| Fikree's (SMC-PVT) Ltd.                                      | 8,675            | 0.159%      |
| Javed Omer Vohra & Company Ltd.                              | 11               | 0.000%      |
| <u>Investment Companies</u>                                  |                  |             |
| HMV Investment Limited                                       | 125              | 0.002%      |
| H.M. Investment Ltd.   | 43               | 0.001%      |
| Pyramid Investment (Private) Limited                         | 1,380            | 0.025%      |
| Investment Corporation of Pakistan                           | 3,016            | 0.055%      |
| Individual   | 1,256,519        | 23.06%      |
| Others   |                  |             |
| Corporate Law Authority of Pakistan                          | 1                | 0.000%      |
| Pakistan Share Holder Association                            | 1                | 0.000%      |
| Administrator Abandoned Property                             | 701              | 0.013%      |
| <b>Total</b>   | <b>5,449,972</b> | <b>100%</b> |



## CATEGORY OF SHAREHOLDERS

| Categories of Share Holders   | Numbers      | Share Held       | Percentage %   |
|-------------------------------|--------------|------------------|----------------|
| Individuals                   | 1,092        | 1,617,365        | 29.677%        |
| Parent Company                | 1            | 2,719,536        | 49.900%        |
| Insurance Company             | 2            | 41,536           | 0.762%         |
| Joint Stock Company           | 3            | 9,062            | 0.166%         |
| Financial Institutions        | 5            | 1,057,206        | 19.398%        |
| Investment Companies & Others | 4            | 5,267            | 0.097%         |
|                               | <b>1,107</b> | <b>5,449,972</b> | <b>100.00%</b> |



## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Johnson & Phillips (Industries) Pakistan Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit except as discussed in para (a) to (f) below.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984

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

- (a) the Company has not maintained certain customary accounting records as required by the Companies Ordinance, 1984 and supporting documents relating to transactions with its customer and suppliers, particularly with respect to receivable, payables, bank balances, and property, plant and equipment and inventories. Further, in the absence of information regarding realizable value of several balances under inventories, deposits, other receivable and bank balances aggregating to Rs. 16.309 million (2014: Rs. 16.309 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 liability aggregating to Rs. 7.927 million (2014: Rs. 7.927 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statement may have been affected by the conditions.
- (b) as discussed in Note 1.3 to the financial statements the accumulated losses of the company as at June 30, 2015 stand at Rs. 68.478 million (2014: Rs. 68.425 million) resulting in a negative equity of Rs.38.478 million (2014: Rs. 38.425 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 18.939 million (2014: Rs.18.886 million). Further as fully explained in note 10.1 to these financial statements the company has also defaulted in payment of its liability amounting to Rs. 16.361 million (2014: Rs.21.361 million). These conditions indicated the existence of a material uncertainty, which may cast a significant doubt on company's ability to continue as going concern.

- (c) as discussed in Note 4.1 to the financial statements, property, plant and equipment of Rs. 8.743 million (2014: Rs. 8.743 million) are classified as held for sale and are being shown separately under current assets as per IFRS 5 ‘‘Non-current Assets Held for Sales and Discontinued operation’’ and are measured at the lower of carrying amount and fair values less costs to sell. Since we have not been provided with sufficient information in this regard, we could not satisfy ourselves about the fulfillment of measurement, presentation and disclosures requirement of the above IFRS.
- (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 statement that may arise.
- (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.
- (f) we have requested the confirmation of balances and other information as at June 30, 2015 from National Bank of Pakistan Main branch Shahare 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.
- (g) due to the significance of the matters discussed above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement referred to above.
- (h) in our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose report dated October 01, 2014 expressed a disclaimer of opinion thereon.

Karachi

Dated : 10<sup>th</sup>, October 2015

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**NAZIR CHAUDHRI & CO.**

**Chartered Accountants**

Engagement Partner: (Abdul Rafay), ACA

# JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## BALANCE SHEET

AS AT JUNE 30, 2015

|  | Note | 2015<br>(Rupees in thousand) | 2014          |
|--|------|------------------------------|---------------|
| <b><u>ASSETS</u></b>   |      |                              |               |
| <b>NON-CURRENT ASSETS</b>                                      |      |                              |               |
| Security deposits  | 3    | 461                          | 461           |
| <b>CURRENT ASSETS</b>  |      |                              |               |
| Assets held for sale   | 4    | 8,743                        | 8,743         |
| Stores, spares and loose tools                                 | 5    | 2,396                        | 2,396         |
| Stock -in-trade  | 6    | 5,795                        | 5,795         |
| Advances and other receivables                                 | 7    | 7,555                        | 7,555         |
| Advance income tax   |      | 615                          | 615           |
| Bank balances  | 8    | 102                          | 102           |
|  |      | <b>25,206</b>                | 25,206        |
| <b>TOTAL ASSETS</b>  |      | <b>25,667</b>                | <b>25,667</b> |
| <b><u>EQUITY AND LIABILITIES</u></b>                           |      |                              |               |
| <b>SHARE CAPITAL</b>   |      |                              |               |
| Authorised capital<br>3,000,000 Ordinary Shares of Rs. 10 each |      | <b>30,000</b>                | 30,000        |
| Issued, subscribed and paid-up                                 | 9    | <b>30,000</b>                | 30,000        |
| Accumulated losses   |      | <b>(68,478)</b>              | (68,425)      |
|  |      | <b>(38,478)</b>              | (38,425)      |
| Advance against share capital                                  |      | <b>20,000</b>                | 20,000        |
| <b>NON-CURRENT LIABILITIES</b>                                 |      |                              |               |
| Long term loan   | 10   | -                            | -             |
| <b>CURRENT LIABILITIES</b>                                     |      |                              |               |
| Trade and other payables                                       | 11   | 7,927                        | 7,927         |
| Short term borrowing   | 12   | 36,099                       | 36,046        |
| Provision for taxation   |      | 119                          | 119           |
|  |      | <b>44,145</b>                | 44,092        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           | 13   |                              |               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            |      | <b>25,667</b>                | <b>25,667</b> |

The annexed notes 1 to 24 form an integral part of these financial statements.

\_\_\_\_\_  
**Shehryar Saeed**  
Chief Executive

\_\_\_\_\_  
**Nabeel Sadiq**  
Director

**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|  | Note | 2015<br>.....Rupees in thousand..... | 2014          |
|--|------|--------------------------------------|---------------|
| Administrative expenses                    | 14   | <b>53</b>                            | 93            |
| Loss for the year due to ceased operations |      | <u>(53)</u>                          | <u>(93)</u>   |
| Earnings per share - basic and diluted     | 15   | <u><b>(0.03)</b></u>                 | <u>(0.03)</u> |

The annexed notes 1 to 24 form an integral part of these financial statements.

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

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**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                            | Note | 2015<br>.....Rupees in thousand..... | 2014        |
|----------------------------|------|--------------------------------------|-------------|
| Loss for the year          |      | (53)                                 | (93)        |
| Other comprehensive income |      | -                                    | -           |
| Total comprehensive income | 14   | <u>(53)</u>                          | <u>(93)</u> |

The annexed notes 1 to 24 form an integral part of these financial statements.

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|  | 2015                         | 2014     |
|--|------------------------------|----------|
| Note   | .....Rupees in thousand..... |          |
| <b>CASH FLOWS FROM CEASED OPERATIONS</b>               |                              |          |
| Loss for the year                                      | (53)                         | (93)     |
| Adjustment for non-cash charges and other items:       | -                            | -        |
|  | (53)                         | (93)     |
| Loss before working capital charges                    |                              |          |
| <b>Working capital changes</b>                         | -                            | -        |
|  | (53)                         | (93)     |
| <b>Net cash from ceased operations</b>                 |                              |          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                              |          |
| Short term borrowing repaid to Bank                    | (10,000)                     | (10,000) |
| Short term borrowing received from holding Company     | 10,053                       | 10,093   |
|  | 53                           | 93       |
| Net (decrease) / increase in cash and cash equivalents | -                            | -        |
| Cash and cash equivalents at the beginning of the year | 102                          | 102      |
| Cash and cash equivalents at the end of the year       | 102                          | 102      |

The annexed notes 1 to 24 form an integral part of these financial statements.

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                                     | Issued,<br>subscribed<br>and paid-up<br>capital | Revenue reserve<br>(Accumulated<br>loss) | Total           |
|-------------------------------------|---|--|-----------------|
| .....Rupees in thousand.....        |   |  |                 |
| Balance as July 01, 2014            | 30,000  | (68,332)                                 | (38,332)        |
| Loss for the year                   | -   | (93)                                     | (93)            |
| Balance as at June 30 , 2014        | 30,000  | (68,425)                                 | (38,425)        |
| Loss for the year                   | -   | (53)                                     | (53)            |
| <b>Balance as at June 30 , 2015</b> | <b>30,000</b>                                   | <b>(68,478)</b>                          | <b>(38,478)</b> |

The annexed notes 1 to 24 form an integral part of these financial statements.

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

# JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2015

### 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 as a public limited company. The registered office of the Company is situated at C-10 South Avenue, SITE, Karachi. The principal activity of the Company is to manufacture and sell of all types of electrical and mechanical equipments and appliances.
- 1.2** the Company ceased production in July, 1997 and at present, the Company is dormant. Further, as more fully explained in Note: 11.1 to these financial statements, the Company has settled its disputes with National Bank of Pakistan and agreed to pay Rs. 55.115 million as full and final settlement of its outstanding dues in installments. During the year ended June 30, 2002, the Company has disposed of the project's land and building at a total price of Rs. 16.380 million to implement the terms of settlement.
- 1.3** The accumulated losses of the Company as at June 30, 2015 stand at Rs. 68.478 million (2014: Rs. 68.425 million) resulting in a negative equity of Rs.38.478 million (2014: Rs.38.425 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 18.939 million (2014: Rs: 18.886 million). Moreover, the management has decided to dispose off the assets of the Company. 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 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.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

##### 2.1.1 Statement of compliance

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

##### 2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

#### 2.2 Standards, Amendments Or Interpretations Which Became Effective During The Year

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material affect on these unconsolidated financial statements of the Company.

**The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2015:**

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach in determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist under uncertain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

**Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:**

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way asset would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## **2.2 Critical Accounting estimates and judgments**

The preparation of the financial statement in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. 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. The areas where various assumptions and estimates are significant to the Company's financial statements are as follows.

### **i) Employee benefits**

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

### **ii) Property, plant and equipment**

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

### **iii) Taxation**

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note 2.7 to these financial statements.

## **2.3 Compensated absences**

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

## **2.4 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.

## **2.5 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.

**2.6 Trade and other payables**

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

**2.7 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.

**2.8 Investments**

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

**2.9 Property, plant and equipment and depreciation**

**i) 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.

**ii) 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 4.

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.

**2.10 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 exceed its estimated recoverable amount it is written down immediately to its recoverable amount.

**2.11 Consumable stores**

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

## **2.12 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 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.

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

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

## **2.14 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 recognized if the chances of warranty claims are remote.

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

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

## **2.16 Transaction with related parties**

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

## **2.17 Impairment losses**

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

## **2.18 Revenue recognition**

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

## **2.20 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.

## **2.2 Cash and cash equivalents**

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

## **2.21 Financial Instruments**

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

## **2.22 Offsetting**

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

## **2.23 Borrowings**

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

## **2.24 Dividend**

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

**Rupees in thousand**

**3 LONG-TERM DEPOSITS**

Represent payments made to Court in respect of security deposits. 461      461

**4 ASSETS HELD FOR SALE**

| Description                     | COST                |                      |                     | DEPRECIATION        |              |                     | Written down Values as at June 30, 2015 |
|---------------------------------|---------------------|----------------------|---------------------|---------------------|--------------|---------------------|---|
|                                 | As at July 01, 2014 | Additions / disposal | As at June 30, 2015 | As at July 01, 2014 | For the year | As at June 30, 2015 |   |
| ----- Rupees in thousand -----  |                     |                      |                     |                     |              |                     |   |
| Plant and machinery             | 13,326              | -                    | 13,326              | 5,906               | -            | 5,906               | 7,420                                   |
| Factory tools                   | 292                 | -                    | 292                 | 283                 | -            | 283                 | 9                                       |
| Office and other equipments     | 489                 | -                    | 489                 | 472                 | -            | 472                 | 17                                      |
| <b>Capital work in progress</b> |                     |                      |                     |                     |              |                     |   |
| Plant and machinery             | 1,297               | -                    | 1,297               | -                   | -            | -                   | 1,297                                   |
| <b>2015</b>                     | <b>15,404</b>       | <b>-</b>             | <b>15,404</b>       | <b>6,661</b>        | <b>-</b>     | <b>6,661</b>        | <b>8,743</b>                            |
| <b>2014</b>                     | <b>15,404</b>       | <b>-</b>             | <b>15,404</b>       | <b>6,661</b>        | <b>-</b>     | <b>6,661</b>        | <b>8,743</b>                            |

**4.1** As fully described in note 1 to the financial statements the management has closed its operations and decided to dispose of its fixed assets. The written down value of fixed assets of Rs 8.743 million (2014: Rs. 8.743 million) is being shown separately under current assets as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and is measured at the lower of carrying amount and fair value less costs to sell . The estimated selling price is not likely to be less than carrying amount (WDV) since company has offers for the sale of machineries and stock of raw materials and work in process which is far in excess of the book value of these assets. Hence no depreciation / impairment on fixed assets of the Company has been charged.

**5 STORES, SPARES AND LOOSE TOOLS**

|                   |              |              |
|-------------------|--------------|--------------|
| Consumable stores | <b>182</b>   | 182          |
| Tools and dies    | <b>2,214</b> | 2,214        |
|                   | <b>2,396</b> | <b>2,396</b> |

**6 STOCK -IN-TRADE**

|                   |              |              |
|-------------------|--------------|--------------|
| Held for disposal |              |              |
| Raw material      | <b>4,896</b> | 4,896        |
| Finished goods    | <b>899</b>   | 899          |
|                   | <b>5,795</b> | <b>5,795</b> |

**7 ADVANCES AND OTHER RECEIVABLES**

**Unsecured**

|   |     |              |              |
|---|-----|--------------|--------------|
| To suppliers  | 7.1 | <b>7,505</b> | 7,505        |
| Receivables from Ex-Management against sale of fixed assets | 7.2 | <b>50</b>    | 50           |
|   |     | <b>7,555</b> | <b>7,555</b> |

**7.1** These include balances due from associated companies amounting to Rs. 7.505 million (2014:Rs. 7.505 million), The maximum amount outstanding at the end of any month during the year was Rs. 7.505 million (2014: Rs. 7.505 million)

7.2 The amount under "Receivable from Ex-Management" represents payments by the Ex-Management which were not properly documented. Satisfactory explanation and information pertaining to these payments have not been made available to date. The present management does not accept these items and is of the opinion that the Ex-Management should refund the amounts. Accordingly, these items have been shown as "Receivable from Ex-Management".

## 8 BANK BALANCES

|                                   |            |            |
|-----------------------------------|------------|------------|
| Cash at bank (in current account) | <u>102</u> | <u>102</u> |
|-----------------------------------|------------|------------|

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

|   |               |               |
|---|---------------|---------------|
| 3,000,000 ordinary shares of Rs.10 each<br>fully paid in cash | <u>30,000</u> | <u>30,000</u> |
|---|---------------|---------------|

3,000,000 (2014: 3,000,000) ordinary shares of the Company representing 100% (2014:100%) of the issued, subscribed and paid up capital are held by the Holding Company, Johnson and Phillips (Pakistan) Limited.

## 10 LONG TERM LOAN

### Un-secured

|   |                 |                 |
|---|-----------------|-----------------|
| National Bank of Pakistan (formerly National Development Finance Corporation) local currency general term finance | <b>16,361</b>   | 21,361          |
| Less: Transferred to current liabilities  | <u>(16,361)</u> | <u>(21,361)</u> |
|   | <u>-</u>        | <u>-</u>        |

10.1 This loan is secured against first mortgage charge on the entire immovable property of the Company, first floating charge on all business undertakings and other assets and properties of the Company and hypothecation of all movable and immovable properties including book debts and other receivables of the Company.

The Company had settled its disputes with National Bank of Pakistan (NBP) and agreed to pay Rs. 55.115 million as full and final settlement of its outstanding dues as per compromise agreement dated May 18, 2002. This amount was repayable as follows :

- Rs.5 million on the date of decree
- Rs.11.380 million within 30 days from the date of the decree
- Balance amount of Rs.36.775 million 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. Up to June 30 2003, out of balance settled amount of Rs.36.775 million the company has paid only Rs.0.154 million instead of Rs 3.065 million as required by the terms of agreement. Due to default in payment balance amount has been transferred to short term loan.

## 11 TRADE AND OTHER PAYABLES

|                   |              |       |
|-------------------|--------------|-------|
| Creditors         | <b>3,937</b> | 3,937 |
| Accrued expenses  | <b>26</b>    | 26    |
| Due to others     | <b>1,351</b> | 1,351 |
| Sales tax payable | <b>39</b>    | 39    |

### Other payables

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Income tax deducted                | <b>505</b>   | 505          |
| Workers' profit participation fund | <b>2,069</b> | 2,069        |
|                                    | <u>2,574</u> | <u>2,574</u> |
|                                    | <u>7,927</u> | <u>7,927</u> |

## 12 SHORT TERM BORROWING

|   |          |               |        |
|---|----------|---------------|--------|
| Holding Company   | 12.1 & 7 | <b>24,738</b> | 14,685 |
| National Bank of Pakistan (formerly National Development Finance Corporation) local currency general term finance | 10.1     | <b>11,361</b> | 21,361 |
|   |          | <b>36,099</b> | 36,046 |

12.1 The loan is un-secured interest free and payable on demand.

## 13 CONTINGENCIES AND COMMITMENTS

### Contingencies

13.1 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 (2014: Rs.0.350 million).

13.2 The company is contingently liable in respect of professional fee payable to M/s Ebrahim & company, Chartered Accountants amounting Rs.144,675. (2014:144,675)

### Commitments

There were no capital commitments as at the balance sheet date.( 2014: Nil)

|  | Note | 2015              | 2014      |
|--|------|-------------------|-----------|
| <b>14 ADMINISTRATIVE EXPENSES</b>              |      |                   |           |
| Audit fee                                      |      | <b>15</b>         | 15        |
| Insurance expenses                             |      | -                 | 51        |
| Rent, rate and taxes                           |      | <b>21</b>         | 21        |
| Fee and subscription                           |      | <b>17</b>         | 6         |
|  |      | <b>53</b>         | 93        |
| <b>15 EARNINGS PER SHARE-BASIC AND DILUTED</b> |      |                   |           |
| Net loss for the year                          |      | <b>(53)</b>       | (93)      |
| Weighted average number of ordinary shares     |      | <b>30,000,000</b> | 3,000,000 |
| Earnings per share - basic and diluted         |      | <b>(0.028)</b>    | (0.031)   |

## 16 CAPACITY AND PRODUCTION

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.

## 17 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

None of the Directors, Chief Executives are paid remuneration and any other allowances.

## 18 STAFF RETIREMENT BENEFITS

None of the staff retirement benefits is maintained by the Company.

## 19 TRANSACTIONS WITH HOLDING COMPANY AND ASSOCIATED COMPANIES

|  |  |               |        |
|--|--|---------------|--------|
| Payment on behalf of the company made by holding company |  | <b>10,053</b> | 10,093 |
|--|--|---------------|--------|

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

## 20 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.

### 20.1 Credit Risk

The 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.

### Exposure to 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:

|                             | 2015                 | 2014         |
|-----------------------------|----------------------|--------------|
|                             | (Rupees in thousand) |              |
| Long term security deposits | 461                  | 461          |
| Advances                    | 7,505                | 7,505        |
| Other receivables           | 50                   | 50           |
| Bank balance                | 102                  | 102          |
|                             | <b>8,118</b>         | <b>8,118</b> |

### Impairment losses

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

|                    | 2015                             |              | 2014         |              |
|--------------------|----------------------------------|--------------|--------------|--------------|
|                    | Gross                            | Impairment   | Gross        | impairment   |
|                    | ----- (Rupees in thousand) ----- |              |              |              |
| More than one year | 1,269                            | 1,269        | 1,269        | 1,269        |
| <b>Total</b>       | <b>1,269</b>                     | <b>1,269</b> | <b>1,269</b> | <b>1,269</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.

## 20.2 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.

|                          | (Rupees in thousand) |               |                        |                |                    |
|--------------------------|----------------------|---------------|------------------------|----------------|--------------------|
|                          | Carrying amount      | Total         | Contractual cash flows |                |                    |
|                          |                      |               | On demand              | Upto one year  | More than one year |
| Trade and other payables | 7,929                | 7,929         | -                      | (7,929)        | -                  |
| Short term borrowings    | 36,083               | 36,083        | (36,083)               | -              | -                  |
| <b>June 30,2015</b>      | <b>44,013</b>        | <b>44,013</b> | <b>(36,083)</b>        | <b>(7,929)</b> | <b>-</b>           |
| Trade and other payables | 7,927                | 7,927         | -                      | (7,927)        | -                  |
| Short term borrowings    | 36,046               | 36,046        | (36,046)               | -              | -                  |
| <b>June 30,2014</b>      | <b>43,973</b>        | <b>43,973</b> | <b>(36,046)</b>        | <b>(7,927)</b> | <b>-</b>           |

## 20.3 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:

| 2015                        | 2014 | 2015                      | 2014 |
|-----------------------------|------|---------------------------|------|
| Effective interest rate (%) |      | Carrying amount(Rs.'000') |      |

### Financial liabilities

|                  |                      |        |        |
|------------------|----------------------|--------|--------|
| Short term loans | Non-interest bearing | 36,083 | 36,046 |
|------------------|----------------------|--------|--------|

### 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.

#### **20.4 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.

#### **21 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, 2015, the shareholders' negative equity amounts to Rupees 76.889 million (2014: Rupees 38.425 million)

#### **22 NUMBER OF EMPLOYEES**

The total number of employees as at the balance sheet date were NIL ( 2014: NIL).

#### **23 DATE OF AUTHORISATION**

These financial statements were authorised for issue on Dated. 10th, October 2015 by the Board of Directors of the Company.

#### **24 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

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

**Nabeel Sadiq**  
**Director**

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Johnson & Phillips Transformers (Private) Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit except as discussed in para (a) to (f) below.

It is the responsibility of the Company's management to establish and maintain a system of internal control, Prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984.

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

- (a) the Company has not maintained certain customary accounting records as per required by the 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 and other receivables, stock in trade, property, plant and equipment and bank balances aggregating to Rs. 26.480 million (2014: Rs. 26.480 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. 7.629 million (2014: Rs. 7.629 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statement may have been affected by the conditions.
- (b) as discussed in Note 1.3 to the financial statements the accumulated losses of the company as at June 30, 2015 stand at Rs. 62.416 million (2014: Rs. 62.363 million) resulting in a negative equity of Rs.32.416 million (2014: Rs. 32.363 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 31.939 million (2014: Rs.31.932 million). Further as fully explained in note 9.1 to these financial statements the company has also defaulted in payment of its liability amounting to Rs. 25.894 million (2014: Rs. 25.894 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on company' ability to continue as going concern.

- (c) as discussed in Note 3.1 to the financial statements, property plant and equipment of Rs. 15.127 million (2014: Rs. 15.127 million) are classified as held for sale and are being shown separately under current assets as per IFRS 5 ‘Non-current Assets Held for Sales and Discontinued operation’ and are measured at the lower of carrying amount and fair values less costs to sell. Since we have not been provided with sufficient information in this regard, we could not satisfy ourselves about the fulfillment of measurement, presentation and disclosures requirement of the above IFRS.
- (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 statement 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 13 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.
- (f) we have requested the confirmation of balances and other information as at June 30, 2015 from National Bank of Pakistan Main branch Shahare 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.
- (g) due to the significance of the matters discussed above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement referred to above.
- (h) in our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose report dated October 01, 2014 expressed a disclaimer of opinion thereon.

Karachi

Dated : 10<sup>th</sup>, October 2015

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**NAZIR CHAUDHRI & CO.**

**Chartered Accountants**

Engagement Partner: (Abdul Rafay), ACA

**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

|  | <i>Note</i> | 2015<br>(Rupees in thousand) | 2014     |
|--|-------------|------------------------------|----------|
| <b>ASSETS</b>  |             |                              |          |
| <b>NON-CURRENT ASSETS</b>                                  |             |                              |          |
| Long term deposits   |             | 165                          | 165      |
| <b>CURRENT ASSETS</b>                                      |             |                              |          |
| Assets held for sale                                       | 3           | 15,127                       | 15,127   |
| Stock-in trade   | 4           | 6,910                        | 6,910    |
| Advances   | 5           | 1,667                        | 1,667    |
| Other receivables  | 6           | 568                          | 568      |
| Advance income tax   |             | 1,982                        | 1,982    |
| Cash and bank balances                                     | 7           | 61                           | 61       |
|  |             | 26,315                       | 26,315   |
|  |             | 26,480                       | 26,480   |
| <b>EQUITY AND LIABILITIES</b>                              |             |                              |          |
| <b>SHARE CAPITAL</b>                                       |             |                              |          |
| <b>Authorised</b>  |             |                              |          |
| 3,000,000 (2014: 3,000,000) ordinary shares of Rs. 10 each |             | 30,000                       | 30,000   |
| Issued, subscribed and paid-up                             | 8           | 30,000                       | 30,000   |
| Accumulated losses   |             | (62,416)                     | (62,363) |
|  |             | (32,416)                     | (32,363) |
| <b>NON-CURRENT LIABILITIES</b>                             |             |                              |          |
| Long term loan   | 9           | -                            | -        |
| Deferred Liabilities                                       | 10          | 596                          | 596      |
|  |             | 596                          | 596      |
| <b>CURRENT LIABILITIES</b>                                 |             |                              |          |
| Trade and other payables                                   | 11          | 7,629                        | 7,629    |
| Short term loan  | 12          | 50,244                       | 50,191   |
| Provision for taxation                                     |             | 427                          | 427      |
|  |             | 58,300                       | 58,247   |
| <b>Contingencies and Commitments</b>                       | 13          |                              |          |
|  |             | 26,480                       | 26,480   |

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

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|   | <i>Note</i> | <b>2015</b>                 | 2014          |
|---|-------------|-----------------------------|---------------|
|   |             | <b>(Rupees in thousand)</b> |               |
| Administrative expenses                           | 14          | <b>53</b>                   | 113           |
| <b>Loss for the year due to ceased operations</b> |             | <u><b>(53)</b></u>          | <u>(113)</u>  |
| <b>Loss per share - basic and diluted</b>         | 15          | <u><b>(0.02)</b></u>        | <u>(0.04)</u> |

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

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

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**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                                 | Note | 2015<br>(Rupees in thousand) | 2014         |
|---------------------------------|------|------------------------------|--------------|
| Loss for the year               |      | (53)                         | (113)        |
| Other comprehensive income      |      | -                            | -            |
| <b>Total comprehensive loss</b> |      | <u>(53)</u>                  | <u>(113)</u> |

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

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

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**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|  | 2015                         | 2014  |
|--|------------------------------|-------|
| Note   | .....Rupees in thousand..... |       |
| <b>CASH FLOWS FROM CEASED OPERATIONS</b>               |                              |       |
| Loss for the year                                      | (53)                         | (113) |
| Adjustment for non-cash charges and other items:       | -                            | -     |
|  | (53)                         | (113) |
| Loss before working capital charges                    |                              |       |
| <b>Working capital changes</b>                         |                              |       |
| <b>(Increase) / decrease in current assets</b>         | -                            | -     |
| <b>Net cash from ceased operations</b>                 | (53)                         | (113) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                              |       |
| Short term loan  | 53                           | 113   |
|  | 53                           | 113   |
| Net (decrease) / increase in cash and cash equivalents | -                            | -     |
| Cash and cash equivalents at the beginning of the year | 61                           | 61    |
| Cash and cash equivalents at the end of the year       | 61                           | 61    |

The annexed notes 1 to 24 form an integral part of these financial statements.

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30 , 2015**

|                                    | <b>Issued,<br/>subscribed<br/>and paid-up<br/>capital</b> | <b>Accumulated<br/>loss</b> | <b>Total</b>    |
|------------------------------------|---|-----------------------------|-----------------|
| ----- Rupees in thousand-----      |   |                             |                 |
| Balance as at July 01, 2013        | 30,000  | (62,250)                    | (32,250)        |
| Loss for the year                  | -   | (113)                       | (113)           |
| Balance as at June 30, 2014        | 30,000  | (62,363)                    | (32,363)        |
| Loss for the year                  | -   | (53)                        | (53)            |
| <b>Balance as at June 30, 2015</b> | <b>30,000</b>   | <b>(62,416)</b>             | <b>(32,416)</b> |

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

# **JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED**

## **NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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

- 1.1** Johnson & Phillips Transformers (Private) Limited (the Company) was incorporated on October 05, 1992 in Pakistan under the Companies Ordinance, 1984 as a private limited company. The registered office of the Company is situated at C-10 South Avenue, SITE, Karachi. The principal activity of the Company is to manufacture and sell all types of electrical and mechanical equipment and appliances.
- 1.2** The Company ceased its production in February, 1998 and at present the Company is dormant. As more fully explained in Note.9.1. 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 installments. 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.
- 1.3** The accumulated losses of the company as at June 30 2015 stand at Rs. 62.416 million (2014: Rs. 62.363 million) resulting in a negative equity of Rs. 32.416 million (2014: Rs. 32.363 million) . Moreover, the current liabilities of the Company exceeds the current assets by Rs. 31.985 million (2014 : Rs. 31.932 million) These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on 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.

- 1.4** On August 31, 1997 there was a change in management of the Company. The Ex-Management was requested to furnish documents, information and explanations in relation to various matters pertaining to the books of accounts of the Company. As the Ex-Management have not responded to all the requirements of the management and the auditors, amounts under stock-in-trade, trade debts, advances and trade creditors were taken as per books of accounts and available supporting records.

### **2 SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Statement of compliance**

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

#### **2.1 Accounting conventions**

These accounts have been prepared under the historical cost convention.

#### **2.2 Standards, Amendments Or Interpretations Which Became Effective During The Year**

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material affect on these unconsolidated financial statements of the Company.

**The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2015:**

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach in determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist under certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after

1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

**Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:**

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## **2.4 Critical Accounting estimates and judgments**

The preparation of the financial statement in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. 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. The areas where various assumptions and estimates are significant to the company's financial statements are as follows.

### **i) Property, plant and equipment**

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

### **ii) Taxation**

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note 2.8 to these financial statements.

## **2.5 Staff retirement benefits**

The Company operates unfunded gratuity scheme for its employees. Provision is made annually to cover obligations under the scheme.

Gratuity is payable to staff subject to completion of prescribed qualifying period of service under the scheme.

## **2.6 Compensated absences**

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

## **2.7 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.

## **2.8 Taxation**

### **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.

### **Deferred**

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

## **2.9 Trade and accrued liabilities**

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

## **2.10 Provisions**

Provisions are recognized when the company resources 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 of the obligation can be made.

## **2.11 Tangible Fixed assets**

These are stated at cost less accumulated depreciation except land and capital work in progress which are stated at cost.

Depreciation on all assets is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions and disposal of assets during the period 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 disposals of assets is included in income currently.

As fully explained in note 1 and 3 to this financial statements, management has decided to dispose of the assets of the company, therefore, effective from financial year ended June 30 2002, fixed assets and stock in trade of the company have been classified as "Assets held for disposal" . Hence no depreciation is provided in these accounts.

#### **2.12 Consumable stores**

These are valued at average cost.

#### **2.13 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 necessarily to be incurred in order to

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

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

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

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

#### **2.16 Transaction with related parties**

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

#### **2.17 Impairment losses**

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

#### **2.18 Revenue Recognition**

Sales are recorded on delivery of goods to the customers.

#### **2.19 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.

## **2.20 Cash and cash equivalents**

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

## **2.21 Financial Instruments**

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

## **2.22 Offsetting**

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

## **2.23 Borrowings**

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

### 3 ASSETS HELD FOR SALE

| Description                       | COST                |                      |                     | DEPRECIATION        |              |                     | Written down Values as at June 30, 2015 | Rate |
|-----------------------------------|---------------------|----------------------|---------------------|---------------------|--------------|---------------------|---|------|
|                                   | As at July 01, 2014 | Additions / disposal | As at June 30, 2015 | As at July 01, 2014 | For the year | As at June 30, 2015 |   |      |
| ----- Rupees in thousand----- (%) |                     |                      |                     |                     |              |                     |   |      |
| Free hold land                    | 3,709               | -                    | 3,709               | -                   | -            | -                   | 3,709                                   | -    |
| Building                          | 12,326              | -                    | 12,326              | 6,859               | -            | 6,859               | 5,467                                   | 10   |
| Plant and machinery               | 10,415              | -                    | 10,415              | 5,532               | -            | 5,532               | 4,883                                   | 10   |
| Tools and equipments              | 1,565               | -                    | 1,565               | 820                 | -            | 820                 | 745                                     | 10   |
| Office equipments                 | 531                 | -                    | 531                 | 361                 | -            | 361                 | 170                                     | 10   |
| Furniture and fixture             | 158                 | -                    | 158                 | 112                 | -            | 112                 | 46                                      | 20   |
| Laboratory equipments             | 185                 | -                    | 185                 | 79                  | -            | 79                  | 106                                     | 10   |
| <b>2015</b>                       | <b>28,890</b>       | <b>-</b>             | <b>28,890</b>       | <b>13,763</b>       | <b>-</b>     | <b>13,763</b>       | <b>15,127</b>                           |      |
| <b>2014</b>                       | <b>28,890</b>       | <b>-</b>             | <b>28,890</b>       | <b>13,763</b>       | <b>-</b>     | <b>13,763</b>       | <b>15,127</b>                           |      |

- 3.1 As fully described in note 1 to the financial statements the management has closed its operations and decided to dispose of its fixed assets. The written down value of fixed assets of Rs 15.127 million (2014: Rs.15.127 million) is being shown separately under current assets as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and is measured at the lower of carrying amount and fair value less costs to sell. The estimated selling price is not likely to be less than carrying amount (WDV) since the Company has offered for the sale of machineries and stock of raw materials and work in process which is far in excess of the book value of these assets. Hence, no depreciation / impairment on fixed assets of the Company has been charged.

|  | 2015                        | 2014  |
|--|-----------------------------|-------|
| <b>4 STOCK-IN-TRADE-held for disposal</b>            | <b>(Rupees in thousand)</b> |       |
| Raw material and components - in hand                | <b>6,910</b>                | 6,910 |
| <b>5 ADVANCES</b>                                    |                             |       |
| <b>Unsecured-Considered good</b>                     |                             |       |
| Advance against land                                 | <b>1,500</b>                | 1,500 |
| Sales tax refundable                                 | <b>167</b>                  | 167   |
|  | <b>1,667</b>                | 1,667 |
| <b>6 OTHER RECEIVABLES</b>                           |                             |       |
| Receivable from Ex-Management against sale of assets | <b>568</b>                  | 568   |

The amount under "Receivable from Ex-Management" represents payments by the Ex-Management which were not properly documented. Satisfactory explanation and information pertaining to these payments have not been made available to date. The present management does not accept these items and is of the opinion that the Ex-Management should refund the amounts. Accordingly, these items have been shown as "Receivable from Ex-Management".

*Note*      **2015**      2014  
**(Rupees in thousand)**

**7 CASH AND BANK BALANCES**

|                                    |                  |           |
|------------------------------------|------------------|-----------|
| Cash at bank (in current accounts) | <u><b>61</b></u> | <u>61</u> |
|------------------------------------|------------------|-----------|

**8 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

|  |                      |               |
|--|----------------------|---------------|
| 3,000 (2014: 3,000) ordinary shares of Rs.<br>10/- each fully paid in cash | <u><b>30,000</b></u> | <u>30,000</u> |
|--|----------------------|---------------|

2,100 (2014: 2,100) ordinary shares of the Company representing 70% (2014: 70%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan)

**9 LONG TERM LOAN**

**Secured**

|   |                        |                 |
|---|------------------------|-----------------|
| National Bank of Pakistan (formerly NDFC) (Note: 13.1 c ) | <b>25,894</b>          | 25,894          |
| Less: transferred to short term loan                      | <u><b>(25,894)</b></u> | <u>(25,894)</u> |
|   | <u>-</u>               | <u>-</u>        |

**9.1** 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 installments commencing after the expiry of eight months from the

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.

Out of balance settled amount of Rs. 27.345 million the company has paid only Rs.1.451million instead of Rs. 2.279 million as required by the terms of agreement. Due to default in payment balance amount has been transferred to short term loan.

**10 DEFERRED LIABILITIES**

|                   |                   |            |
|-------------------|-------------------|------------|
| Deferred taxation | <u><b>596</b></u> | <u>596</u> |
|-------------------|-------------------|------------|

**11 TRADE AND OTHER PAYABLES**

|                                    |                     |              |
|------------------------------------|---------------------|--------------|
| Trade creditors                    | <b>4,068</b>        | 4,068        |
| Workers' profit participation fund | <b>1,429</b>        | 1,429        |
| Others                             | <b>2,132</b>        | 2,132        |
|                                    | <u><b>7,629</b></u> | <u>7,629</u> |

**12 SHORT TERM LOAN**

|                               |      |                      |               |
|-------------------------------|------|----------------------|---------------|
| From commercial bank -secured | 9    | <b>25,894</b>        | 25,894        |
| From holding company          | 13.1 | <b>13,160</b>        | 13,107        |
| From associated company       | 13.1 | <b>7,505</b>         | 7,505         |
| From others -unsecured        | 13.2 | <b>3,685</b>         | 3,685         |
|                               |      | <u><b>50,244</b></u> | <u>50,191</u> |

**12.1** Loans obtained from holding company and associated company are interest free and payable on demand.

**12.2** Represents loan obtained from Mr. Bilal A.Qureshi, advisor to the Board of directors of the holding company .The loan is interest free and payable on demand.

## 13 CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies and commitments

- 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 (2014 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 (2014: 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 thousand is still payable. The execution proceedings in this case are now pending before the Banking Court No. III.

### 13.2 Commitments

There were no capital commitments as at the balance sheet date.(2014: Nil)

|  | <i>Note</i> | <b>2015</b>                 | 2014   |
|--|-------------|-----------------------------|--------|
|  |             | <b>(Rupees in thousand)</b> |        |
| <b>14 ADMINISTRATIVE EXPENSES</b>  |             |                             |        |
| Audit fee  |             | <b>15</b>                   | 15     |
| Fee & subscription   |             | <b>18</b>                   | 6      |
| Rent, rate and taxes   |             | <b>21</b>                   | 21     |
| Insurance expenses   |             | -                           | 71     |
|  |             | <b>53</b>                   | 113    |
| <b>15 LOSS PER SHARE-BASIC AND DILUTED</b>   |             |                             |        |
| Net loss for the year after taxation   |             | <b>(53)</b>                 | (113)  |
| Weighted average number of ordinary shares   |             | <b>3,000</b>                | 3,000  |
| Loss per share - basic and diluted   |             | <b>(0.02)</b>               | (0.04) |
| <b>16 PRODUCTION CAPACITY</b>  |             |                             |        |
| 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. |             |                             |        |
| <b>17 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES</b>  |             |                             |        |
| None of the Directors, Chief Executives are paid remuneration and any other allowances.  |             |                             |        |
| <b>20 STAFF RETIREMENT BENEFITS</b>  |             |                             |        |
| None of the staff retirement benefits is maintained by the Company.  |             |                             |        |
| <b>20 TRANSACTIONS WITH HOLDING COMPANY AND ASSOCIATED COMPANIES</b>   |             |                             |        |
| Payment on behalf of the company made by holding company   |             | <b>53</b>                   | 113    |

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

## 21 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

### 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.

#### 21.1 Credit Risk

The 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.

#### Exposure to 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:

|                    | 2015                 | 2014         |
|--------------------|----------------------|--------------|
|                    | (Rupees in thousand) |              |
| Long term deposits | 165                  | 165          |
| Advances           | 1,500                | 1,500        |
| Other receivables  | 568                  | 568          |
| Bank balance       | 61                   | 61           |
|                    | <u>2,294</u>         | <u>2,294</u> |

## Impairment losses

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

|                    | 2015                 |            | 2014       | impairment |
|--------------------|----------------------|------------|------------|------------|
|                    | Gross                | Impairment | Gross      |            |
|                    | (Rupees in thousand) |            |            |            |
| More than one year | 589                  | 589        | 589        | 589        |
| <b>Total</b>       | <b>589</b>           | <b>589</b> | <b>589</b> | <b>589</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.

## 21.2 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 |          |
|                          | (Rupees in thousand) |                        |                 |                    |          |
| Trade and other payables | 7,629                | 7,629                  | -               | (7,629)            | -        |
| Short term borrowings    | 50,244               | 50,244                 | (24,350)        | (25,894)           | -        |
| <b>June 30,2015</b>      | <b>57,873</b>        | <b>57,873</b>          | <b>(24,350)</b> | <b>(33,523)</b>    | <b>-</b> |
| Trade and other payables | 7,629                | 7,629                  | -               | (7,629)            | -        |
| Short term borrowings    | 50,191               | 50,191                 | (24,297)        | (25,894)           | -        |
| June 30,2014             | 57,820               | 57,820                 | (24,297)        | (33,523)           | -        |

## 21.3 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.

## **21.4 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.

## **22 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, 2015, the shareholders' negative equity amounts to Rupees 32.416 million (2014 Rupees 32.363 million)

## **23 NUMBER OF EMPLOYEES**

The total number of employees as at the balance sheet date were NIL ( 2014: NIL).

## **24 DATE OF AUTHORIZATION**

These financial statements were authorised for issue on Dated.10th, October 2015 by the Board of Directors of the Company.

## **25 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

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**Shehryar Saeed**  
Chief Executive

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**Nabeel Sadiq**  
Director

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Johnson & Phillips EMO Pakistan (Private) Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit except as discussed in para (a) to (d) below.

It is the responsibility of the Company's management to establish and maintain a system of internal control, prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984.

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

- (a) the Company has not maintained certain customary accounting records as required by the Companies Ordinance, 1984 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. 0.143 million (2014: Rs. 0.143 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. 0.547 million (2014: Rs. 0.547 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statement may have been affected by the conditions.
- (b) as discussed in Note 1.2 to the financial statements the accumulated losses of the Company as at June 30, 2015 stand at Rs. 4.357 million (2014: Rs. 4.314 million) resulting in a negative equity of Rs.3.357 million (2014: Rs. 3.314 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 3.357 million (2014: Rs.3.314 million). These conditions indicated the existence of a material uncertainty, which may cast a significant doubt on company's ability to continue as going concern.

- (c) 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 statement 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 7 to the financial statements.
- (d) 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.
- (e) due to the significance of the matters discussed above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement referred to above.
- (f) in our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose report dated October 01, 2014 expressed a disclaimer of opinion thereon.

Karachi

Dated : 10<sup>th</sup>, October 2015

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**NAZIR CHAUDHRI & CO.**

**Chartered Accountants**

Engagement Partner: (Abdul Rafay), ACA

**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

|  | <i>Note</i> | 2015<br>(Rupees in Thousand) | 2014    |
|--|-------------|------------------------------|---------|
| <b>ASSETS</b>  |             |                              |         |
| <b>NON-CURRENT ASSETS</b>                                  |             |                              |         |
| Property, plant & equipment                                | 3           | -                            | -       |
| <b>CURRENT ASSETS</b>                                      |             |                              |         |
| Advance income tax   |             | 58                           | 58      |
| Deposits - <i>unsecured, considered good</i>               |             | 85                           | 85      |
|  |             | <b>143</b>                   | 143     |
|  |             | <b>143</b>                   | 143     |
| <b>EQUITY AND LIABILITIES</b>                              |             |                              |         |
| <b>SHARE CAPITAL</b>                                       |             |                              |         |
| <b>Authorised capital</b>                                  |             |                              |         |
| 1,000,000 (2014: 1,000,000) ordinary shares of Rs. 10 each |             | 10,000                       | 10,000  |
| Issued, subscribed and paid-up capital                     | 4           | 1,000                        | 1,000   |
| Accumulated loss   |             | (4,357)                      | (4,314) |
|  |             | <b>(3,357)</b>               | (3,314) |
| Trade and others payables                                  | 5           | 156                          | 156     |
| Temporary overdraft  |             | 391                          | 391     |
| Short term advances  | 6           | 2,939                        | 2,896   |
| Provision for taxation                                     |             | 14                           | 14      |
|  |             | <b>3,500</b>                 | 3,457   |
| <b>Contingencies and commitments</b>                       | 7           |                              |         |
|  |             | <b>143</b>                   | 143     |

*The annexed notes 1 to 17 form an integral part of these financial statements.*

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                                   | <i>Note</i> | <b>2015</b>                 | 2014          |
|-----------------------------------|-------------|-----------------------------|---------------|
|                                   |             | <b>(Rupees in Thousand)</b> |               |
| Administrative expenses           | <b>8</b>    | <u><b>43</b></u>            | <u>32</u>     |
| Operating loss                    |             | <b>(43)</b>                 | (32)          |
| <b>Loss for the year</b>          |             | <u><b>(43)</b></u>          | <u>(32)</u>   |
| Loss per share- basic and diluted | <b>9</b>    | <u><b>(0.27)</b></u>        | <u>(0.32)</u> |

*The annexed notes 1 to 17 form an integral part of these financial statements.*

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

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**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                            | 2015                 | 2014        |
|----------------------------|----------------------|-------------|
|                            | (Rupees in thousand) |             |
| Loss for the year          | (43)                 | (32)        |
| Other comprehensive income | -                    | -           |
| Total comprehensive loss   | <u>(43)</u>          | <u>(32)</u> |

*The annexed notes 1 to 17 form an integral part of these financial statements.*

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

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**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|  | 2015                         | 2014                     |
|--|------------------------------|--------------------------|
| Note   | .....Rupees in thousand..... |                          |
| <b>CASH FLOWS FROM CEASED OPERATIONS</b>               |                              |                          |
| <b>Loss for the year</b>                               | <b>(43)</b>                  | <b>(32)</b>              |
| Adjustment for non-cash charges and other items:       | -                            | -                        |
|  | <hr/>                        | <hr/>                    |
| Loss before working capital changes                    | <b>(43)</b>                  | <b>(32)</b>              |
| <b>Working capital changes</b>                         |                              |                          |
| <b>(Increase) / decrease in current assets</b>         | -                            | -                        |
| <b>Net cash (used) from ceased operations</b>          | <hr/> <b>(43)</b>            | <hr/> <b>(32)</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                              |                          |
| Short term advances                                    | <hr/> <b>43</b>              | <hr/> <b>32</b>          |
| Net (decrease) / increase in cash and cash equivalents | -                            | -                        |
| Cash and cash equivalents at the beginning of the year | <hr/> <b>(391)</b>           | <hr/> <b>(391)</b>       |
| Cash and cash equivalents at the end of the year       | <hr/> <b>(391)</b> <hr/>     | <hr/> <b>(391)</b> <hr/> |

The annexed notes 1 to 17 form an integral part of these financial statements.

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**Sheryar Saeed**  
**Chief Executive**

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**Nabeel Sadiq**  
**Director**

**JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                                    | Issued,<br>subscribed and<br>paid-up capital | Accumulated loss | Total          |
|------------------------------------|--|------------------|----------------|
| -----Rupees in thousand-----       |  |                  |                |
| Balance as at June 30, 2013        | 1,000  | (4,282)          | (3,282)        |
| Loss for the year                  | -  | (32)             | (32)           |
| Balance as at June 30, 2014        | 1,000  | (4,314)          | (3,314)        |
| Loss for the year                  | -  | (43)             | (43)           |
| <b>Balance as at June 30, 2015</b> | <b>1,000</b>                                 | <b>(4,357)</b>   | <b>(3,357)</b> |

The annexed notes 1 to 17 form an integral part of these financial statements.

\_\_\_\_\_  
**Shehrrar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

# JOHNSON & PHILLIPS EMO PAKISTAN (PRIVATE) LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2015

### 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 as a private limited company. The registered office of the Company is situated at C-10 South Avenue, SITE, Karachi. The principal activity of the Company is to participate in turnkey engineering industrial projects. At present, the Company is dormant.
- 1.2** The accumulated losses of the Company as at June 30 2015 stand at Rs. 4.357 million ( 2014: Rs. 4.314 million) resulting in a negative equity of Rs. 3.357 million ( 2014: Rs. 3.314 million) and as at that date, the current liabilities of the Company exceeds the current assets by Rs. 3.357 million (2014: Rs. 3.314 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on 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 and, therefore, do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

##### 2.1.1 Statement of compliance

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

##### 2.1.2 Accounting convention

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

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

### 2.1.3 Accounting Standards, amendments or interpretations that are became effective in the current period

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material affect on these unconsolidated financial statements of the Company.

**The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2015:**

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company’s financial statements.

- IFRS 10 ‘Consolidated Financial Statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements’. IFRS 10 introduces a new approach in determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company’s financial statements.

- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company’s financial statements.

- IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company’s financial statements.

- IFRS 13 ‘Fair Value Measurement’ (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company’s financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

**Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:**

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## **2.2 Critical Accounting estimates and judgments**

The preparation of the financial statement in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. 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. The areas where various assumptions and estimates are significant to the Company's financial statements are as follows.

i) **Employee benefits**

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

ii) **Property, plant and equipment**

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

iii) **Taxation**

the Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note 2.7 to these financial statements.

### **2.3 Compensated absences**

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

### **2.4 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.

### **2.5 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 realisation.

### **2.6 Trade and other payables**

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

### **2.7 Provisions**

Provisions are recognised when the Company has the present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed and adjusted to reflect current best estimate.

### **2.8 Investments**

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

## **2.9 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 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 as stated in note 4.

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.

## **2.10 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.

## **2.11 Consumable stores**

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

## **2.12 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

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.

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

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

## **2.14 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.

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

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

#### **2.16 Transaction with related parties**

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

#### **2.17 Impairment losses**

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

#### **2.18 Revenue recognition**

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

#### **2.19 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.

#### **2.20 Cash and cash equivalents**

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

#### **2.21 Financial Instruments**

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

#### **2.22 Offsetting**

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

#### **2.23 Borrowings**

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

#### **2.24 Dividend**

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

### 3 PROPERTY, PLANT AND EQUIPMENT

| Description                       | COST                |                      |                     | DEPRECIATION        |              |                     | Written down Values as at June 30, 2015 | Rate |
|-----------------------------------|---------------------|----------------------|---------------------|---------------------|--------------|---------------------|---|------|
|                                   | As at July 01, 2014 | Additions / disposal | As at June 30, 2015 | As at July 01, 2014 | For the year | As at June 30, 2015 |   |      |
| ----- Rupees in thousand----- (%) |                     |                      |                     |                     |              |                     |   |      |
| Office equipments                 | 110                 | -                    | 110                 | 110                 | -            | 110                 | -                                       | 20   |
| Furniture and fixture             | 73                  | -                    | 73                  | 73                  | -            | 73                  | -                                       | 10   |
| Vehicles                          | 3                   | -                    | 3                   | 3                   | -            | 3                   | -                                       | 20   |
| <b>2015</b>                       | <b>186</b>          | <b>-</b>             | <b>186</b>          | <b>186</b>          | <b>-</b>     | <b>186</b>          | <b>-</b>                                |      |
| <b>2014</b>                       | <b>186</b>          | <b>-</b>             | <b>186</b>          | <b>186</b>          | <b>-</b>     | <b>186</b>          | <b>-</b>                                |      |

**2015**      2014  
(Rupees in Thousand)

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

100,000 (2014: 100,000) Ordinary shares of Rs. 10/- each fully paid in cash

**1,000**      1,000

51,000 (2014: 51,000) ordinary shares of the company representing 51% (2014: 51%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.

### 5 TRADE AND OTHER PAYABLES

|                        |                   |            |
|------------------------|-------------------|------------|
| Creditors for services | <b>132</b>        | 132        |
| Accrued expenses       | <b>4</b>          | 4          |
| Other                  | <b>5</b>          | 5          |
| Audit fee payable      | <b>15</b>         | 15         |
|                        | <u><b>156</b></u> | <u>156</u> |

### 6 SHORT TERM ADVANCES

Unsecured

Holding Company      **2,939**      2,896

The above advance is unsecured and interest free. The maximum amount outstanding at the end of any month during the year was Rs. 2.923 million. (2014: Rs. 2.897 million).

### 7 CONTINGENCIES AND COMMITMENTS

#### Contingencies

#### 7.1 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 (2014: Rs. 0.133 million).

7.2 The company is contingently liable in respect of professional fee payable to M/s Ebrahim & Company, Chartered Accountants amounting to Rs.59,550 (2014: Rs.59,550)

#### Commitments

There was no capital commitments as at the balance sheet date.

**2015**                      2014  
**(Rupees in Thousand)**

**8 ADMINISTRATIVE EXPENSES**

|                        |    |    |
|------------------------|----|----|
| Rent, rate and taxes   | 11 | 11 |
| Fee subscription       | 17 | 6  |
| Auditors' remuneration | 15 | 15 |
|                        | 43 | 32 |

**9 LOSS PER SHARE - BASIC AND DILUTED**

|  |               |               |
|--|---------------|---------------|
| Loss for the year after taxation           | (43)          | (32)          |
| Weighted average number of ordinary shares | 100,000       | 100,000       |
| <b>Loss per share</b> - basic and diluted  | <b>(0.27)</b> | <b>(0.32)</b> |

**10 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

None of the Directors, Chief Executive and Executive are paid remuneration and any other allowances

**11 TRANSACTIONS WITH RELATED PARTIES**

|  |    |    |
|--|----|----|
| Payment on behalf of the company made by holding company | 27 | 32 |
|--|----|----|

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

**12 STAFF RETIREMENT BENEFITS**

None of the staff retirement benefits is maintained by the Company.

**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

**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.

**13.1 Credit Risk**

The 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.

## Exposure to 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:

|                                 |                             |           |
|---------------------------------|-----------------------------|-----------|
|                                 | <b>2015</b>                 | 2014      |
|                                 | <b>(Rupees in thousand)</b> |           |
| <b>13.2 Short term deposits</b> | <b>85</b>                   | <b>85</b> |

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              | Up to one year | More than one year |
| Trade and other payables | 156             | 156          | -                      | (156)          | -                  |
| Temporary overdraft      | 391             | 391          | -                      | (391)          | -                  |
| Short term advances      | 2,939           | 2,939        | -                      | (2,939)        | -                  |
| <b>June 30, 2015</b>     | <b>3,486</b>    | <b>3,486</b> |                        | <b>(3,486)</b> | -                  |
| Trade and other payables | 156             | 156          | -                      | (156)          | -                  |
| Temporary overdraft      | 391             | 391          | -                      | (391)          | -                  |
| Short term advances      | 2,896           | 2,896        | -                      | (2,896)        | -                  |
| <b>June 30, 2014</b>     | <b>3,443</b>    | <b>3,443</b> |                        | <b>(3,443)</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. 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:

| 2015                        | 2014 |
|-----------------------------|------|
| Effective interest rate (%) |      |

| 2015                       | 2014 |
|----------------------------|------|
| Carrying amount (Rs.'000') |      |

#### Financial liabilities

|                     |                      |       |       |
|---------------------|----------------------|-------|-------|
| Temporary overdraft | Non-interest bearing | 391   | 391   |
| Short term advances | Non-interest bearing | 2,939 | 2,896 |

#### 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.

### 14 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, 2015, the shareholders' negative equity amounts to Rupees 3.357 million (2014 Rupees 3.314 million)

### 15 NUMBER OF EMPLOYEES

The total number of employees as at the balance sheet date were NIL ( 2014: NIL).

### 16 DATE OF AUTHORIZATION

These financial statements were authorised for issue on Dated. 10th, October 2015 by the Board of Directors of the Company.

### 17 GENERAL

Figures have been rounded off to the nearest thousand rupee.

\_\_\_\_\_  
**Shehryar Saeed**  
**Chief Executive**

\_\_\_\_\_  
**Nabeel Sadiq**  
**Director**

# FORM OF PROXY

I/WE \_\_\_\_\_  
of \_\_\_\_\_  
a member of JOHNSON & PHILLIPS (PAKISTAN) LTD  
hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_

Who is/are also member/s of Johnson & Phillips (Pakistan) Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held on October 31st, 2015 and at any adjourned thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

| Folio No | CDC Participant ID No. | CDC Account / Sub Account No | No of Shares Held |
|----------|------------------------|------------------------------|-------------------|
|          |                        |                              |                   |

**Witness 1**

**Witness 2**

**Signature** \_\_\_\_\_  
**Name** \_\_\_\_\_  
**NIC No** \_\_\_\_\_  
**Address** \_\_\_\_\_

**Signature** \_\_\_\_\_  
**Name** \_\_\_\_\_  
**NIC No** \_\_\_\_\_  
**Address** \_\_\_\_\_

- 
- Notes :**
1. The proxy must be a member of the company.
  2. The signature must tally with the specimen signature/s registered with the Company
  3. If a proxy is granted by a member who has deposited his/her share in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub account number along with photocopies of National identity Card or Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
  4. The instrument of proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.



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