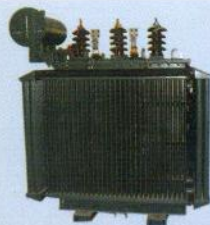
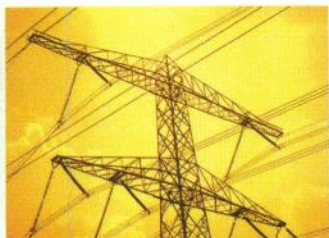
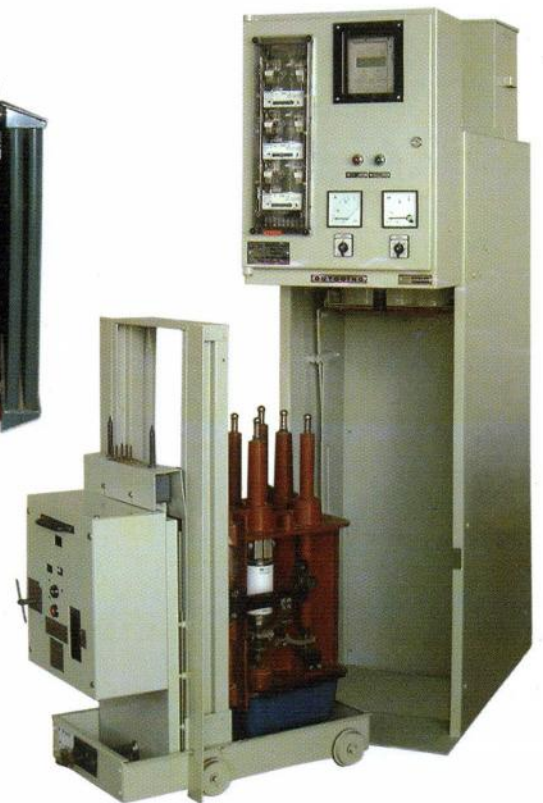
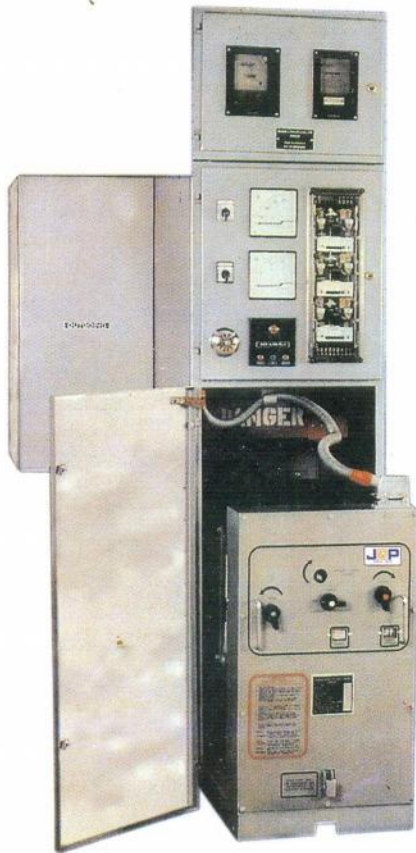




# Johnson & Phillips (Pakistan) Ltd.

## Annual Report **2017**



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## COMPANY INFORMATION

### Board of Directors

Mr. Salman Ganny	Chairman
Mr. Shehryar Saeed	Director/CEO
Ms. Mariam Shafi	Director
Mr. Muhammad Tariq Anjum	Director
Mr. Mohammad Azhar ul Islam	Director
Mr. Abid Saeed Khan	Director
Mr. Syed Jamshed Zaidi	Director

### Board of Audit Committee

Mr. Abid Saeed Khan	Chairman
Mr. Mohammad Azhar ul Islam	Member
Ms. Mariam Shafi	Member

### Board of HR Committee

Ms. Mariam Shafi	Chairman
Mr. Muhammad Tariq Anjum	Member
Mr. Syed Jamshed Zaidi	Member
Mr. Shehryar Saeed	Member

### Company Secretary & Chief Financial Officer(CFO)

Mr. Tariq Ahmed

### Internal Auditor

Mr. Tariq Ilyas

### Legal Advisor

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

### Auditors

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

### Share Registrar

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

### Bankers

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

### Registered Office

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

# CODE OF CONDUCT

## OBJECTIVE

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

## RESPONSIBILITIES TOWARDS STAKEHOLDERS

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

## EMPLOYEE

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

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

## BUSINESS RESOURCES

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

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

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

## SOCIAL RESPONSIBILITIES

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

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

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

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

## 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 complied with through its audit committee constituted for this purpose.

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 56th Annual General Meeting of Johnson & Phillips (Pakistan) Limited will be held on Tuesday, October 31, 2017 at the registered office of the company at C-10, South Avenue, SITE, Karachi at 10.00 am to transact the following businesses:-

### **ORDINARY BUSINESS:**

- 1- To confirm the minutes of the 55th Annual General Meeting held on October 29, 2016.
- 2- To receive, consider and adopt Annual Audited Financial Statements of the Company together with the Directors' and Auditors' reports thereon for the year ended June 30, 2017 together with the Audited Consolidated Financial Statements of the Company and the Auditors' Report thereon for the year ended June 30, 2017.
- 3- To appoint Auditors' of the Company for the financial year ending June 30, 2018 and to fix their remuneration. The Board of Directors, on the recommendation of the Audit Committee of the Company, has proposed the name of retiring auditors M/s Nazir Chaudhri & Company, Chartered Accountants, for their appointment as external auditors for the year ending June 30, 2018.

### **SPECIAL BUSINESS:**

- 4- . To consider and, if deem fit, to pass with or without any amendment/ modification following resolution as ordinary resolution:

RESOLVED THAT dissemination of Annual Audited Accounts to the shareholders in soft form i.e. through CD/DVD/USB as notified by Securities Exchange Commission of Pakistan vide its SRO No. 470(I)/2016 dated May 31, 2016, be and is hereby approved.

5. To consider, and if thought fit, to pass the following Resolution as Special Resolution to amend the Articles of Association of the Company by inserting a new clause numbering 45A to introduce E-Voting as prescribed by Securities & Exchange Commission of Pakistan:

"RESOLVED THAT the Articles of Association of Johnson & Phillips (Pakistan) Limited be and is hereby amended as under:-

To insert the following new clause No. 45A:

45A) Any member desiring to appoint an intermediary, as defined in "Companies (E-Voting) Regulations, 2016," as may be amended from time to time, shall inform Company Secretary at least 10 days before the holding of Annual General Meeting or Extraordinary General Meeting of Shareholders of the Company intimating about his decision to appoint an intermediary to vote at a poll."

### **ANY OTHER BUSINESS:**

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

Statements under Section 134(3) of the Companies Act 2017 in respect of the special business of the Agenda at item numbers 4 & 5 to be considered at the meeting is being sent to the Members alongwith a copy of this notice.

Date: October 06, 2017  
Place: Karachi

By Order of the Board

Tariq Ahmed  
Company Secretary

**Notes:**

1. The Share Transfer Books of the Company will remain closed from October 24, 2017 to October 31, 2017 (both days inclusive). Transfer received at the registered office of the company / by our Share Registrar, C & K Management Associates (Pvt) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi -75530 by the close of business on October 23, 2017 will be treated in time for this purpose.

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

i) A member eligible to attend and vote at the Meeting may appoint another member as his/her proxy to attend, and vote instead of him/her.

ii) A blank instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy may be obtained from the registered office of the Company during normal office hours.

iii) A duly completed instrument of proxy and the power of attorney or other authority (if any), under which it is signed or a notarized certified copy of such power or authority must, to be valid, be deposited at the registered office not less than 48 hours before the time of the meeting. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.

iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted with proxy form.

v) The owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport (in case of foreign nationals) for identification purpose at the time of attending the meeting.

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

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

5. The Annual Report of the Company for the year ended June 30, 2017 has been placed on the Company's website at the link: [http://www.johnsonphillips.pk/Annual\\_Financial\\_Reports.html](http://www.johnsonphillips.pk/Annual_Financial_Reports.html)

6. who desire to receive annual financial statements and notice of meeting for the financial year ending June 30, 2017 or onward through e-mail, instead of registered post/courier, are requested to submit their consent on the FORM available for the purpose on Company's website.

**STATEMENT OF MATERIAL FACTS U/S 134(3) OF THE COMPANIES ACT, 2017**

This statement sets out the material facts concerning the special Business, given in Agenda Item No.4 and 5 of the Notice, to be transacted at the Fifty Sixth (56<sup>th</sup>) Annual General Meeting of the Johnson & Phillips (Pakistan) Limited to be held on October 31, 2017.

**Agenda Item 4:**

**Dissemination of Annual Audited Accounts through CD/DVD/USB**

The Securities and Exchange Commission of Pakistan (SECP) has issued SRO No. 470(I)/2016 dated May 31, 2016 which has allowed companies to circulate its Annual Audited Accounts (i.e. the annual balance sheet and profit and loss account, auditor's report and director's report) to its members through CD/DVD/USB at their registered addresses instead of transmitting them in hard copies, subject to approval obtained from shareholders in General Meeting. Accordingly, approval is hereby sought from shareholders to comply with the requirements of said SRO vide an ordinary resolution. Subject to the approval of resolution in the AGM, the company will circulate its annual accounts in future through CD/DVD/USB. However, the shareholders will have the right to request hard copies free of cost at their registered addresses after submitting the Standard Request Form which shall be made available on Company website. While shareholders who wish to receive hard copies for all future annual audited accounts shall also require to give their preference in writing. Furthermore, in terms of SRO 787(I)/2014 dated September 08, 2014, the company will continue to provide Annual Audited Accounts through email to those shareholders who shall opt this mode. Any changes to such arrangements should be communicated to the company on standard request form.

The directors have no direct or indirect interest in this agenda.

**Agenda Item 5:**

**E-voting:**

To give effect to the Companies (E-Voting) Regulation 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting. The directors have no direct or indirect interest in this agenda.

## عام جنرل کی میٹنگ کا نوٹس

نوٹس یہ ہے کہ جانسن اور فلیس (پاکستان) لمیٹڈ کی 56<sup>th</sup> ویں سالانہ جنرل میٹنگ کو 10.00 بجے سے سی 10، جنوبی ایونیو، سائٹ، کراچی میں کمپنی کے رجسٹرڈ دفتر میں منگل، 31 اکتوبر، 2017 کو منعقد کیا جائے گا۔ مندرجہ ذیل کاروباری اداروں کو منتقل کرنا: -

بنیادی کاروبار:

1- 29 اکتوبر، 2016 کو منعقد کی 55<sup>th</sup> ویں سالانہ جنرل اجلاس ک منٹ کی تصدیق کرنے کے لئے۔  
2- کمپنی کے سالانہ آڈٹ کردہ مالی بیانات کو ملنے، غور اور غور کرنے کے لئے 30 2017 کو کمپنی کے آڈٹ شدہ مجموعی مالی بیانات اور اسٹریٹرز کی رپورٹ کے ساتھ مل کر سال کے لئے ڈائریکٹرز اور اڈوں کی رپورٹوں کے ساتھ مل کر 30 2017 تک ختم ہوا۔  
3- مالی سال کے لئے کمپنی کے آڈیٹروں کو مقرر کرنے کے لئے جون 30 2018 کو ختم کرنے اور ان کے معاوضہ کو ٹھیک کرنے کے لئے۔ کمپنی کے آڈٹ کمیشن کی سفارش پر، بورڈ آف ڈائریکٹرز نے 30 2018 تک ختم ہونے والی سال کے لئے بیرونی آڈیٹروں کے طور پر ان کی تقرری کے لئے ریٹائرڈ آڈیٹر ایم نذیر چوہدری اور کمپنی چارٹرڈ اکاؤنٹنٹس کا نام پیش کیا ہے۔  
خصوصی کاروبار:

4- غور کرنے کے لئے اور، اگر معابد کے مطابق یا کسی بھی ترمیم / تبدیلی کے بغیر منتقل کرنے کے لئے، عام حل کے طور پر مندرجہ ذیل ف :

سیکورٹی فورسز کے ایکسچینج کمیشن کی طرف سے مطلع شدہ ایس ڈی / ڈی وی ڈی / یو ایس بی کے ذریعہ نرم فارم میں حصول داروں کو سالانہ آڈٹ کردہ اکاؤنٹس کی تقسیم کا یہ نتیجہ دیا گیا ہے کہ اس کے SRO 470 (I) / 2016 2016 کے مطابق 2016 کے مطابق، اور اس طرح منظر

5. غور کرنے کے لئے، اور اگر مناسب ہو تو، مندرجہ ذیل قرارداد کو خصوصی سیکشن کے طور پر منتقل کرنے کے لئے کمپنی کے سیکشن آرٹیکلز میں ترمیم کرنے کے لئے A45 کرنے کے لئے پاکستان کے سیکورٹیز اینڈ ایکسچینج کمیشن کی طرف سے مقرر کردہ ای ووٹنگ متعارف کرانے کے لئے:

"اس بات کا یقین کیا کہ جانسن اور فلیس (پاکستان) لمیٹڈ کے ایسوسی ایشن کے مضامین بنائے جاتے ہیں اور اس کے تحت اس طرح ترمیم کی جاتی ہے: -

مندرجہ ذیل نئے شق نمبر A45 داخل کرنے کے لئے:

A45) کسی بھی رکن کو "بیچنے والے (ای ووٹنگ) یگولیشنز، 2016" کے طور پر متعارف کرایا جاسکتا ہے کہ کسی انٹرمیڈیٹری کو مقرر کرنا چاہتے ہیں، جیسا کہ وقت سے وقت میں ترمیم کی جا سکتی ہے، اس وقت کمپنی کے سیکریٹری کو سالانہ جنرل اجلاس کے منعقد ہونے سے کم از کم 10 دن یا ایک سروے میں ووٹ ڈالنے کے لئے ایک انٹرمیڈیٹری مقرر کرنے کے اپنے فیصلے کے بارے میں انٹرویو کمپنی کے حصول داروں کی غیر معمولی جنرل اجلاس۔"

کسی اور کاروبار:

6- چیئرمین کی اجازت کے ساتھ کسی اور کاروبار کو منتقل کرنے کے لئے۔

میٹنگ نمبر 4 5 کے بارے میں اجنبی کے خصوصی کاروبار کے حوالے سے کمپنیاں ایکٹ 2017 کے سیکشن 134 (3) کے تحت بیانات اس نوٹس کے ایک نقل کے ساتھ ساتھ ارکان کو بھیجا جا رہا ہے۔

بورڈ کے حکم سے

تاریخ: اکتوبر 06 2017  
کراچی :

کمپنی کا منشی



## سالانہ جنرل میٹنگ

میں قرارداد کی منظوری کے تابع، کمپنی مستقبل میں اپنی سالانہ اکاؤنٹس کو سی ڈی / ڈی وی ڈی / USB کے ذریعہ گردش کرے گی۔ تاہم، اسٹاک ہولڈرز کو معیاری درخواست فارم جمع کرنے کے بعد اپنے رجسٹرڈ پتے پر مصروف بارڈ کاپیاں کی درخواست کا حق ہوگا جس کو کمپنی کی ویب سائٹ پر دستیاب کیا جائے گا۔ اگرچہ سبھی مستقبل کے سالانہ آڈٹ اکاؤنٹس کے لئے مشکل کاپیاں وصول کرنے والے حصص داروں کو بھی اپنی ترجیح دینے میں لکھنا ضروری ہے۔ اس کے علاوہ، ستمبر 08 2014 کی طرف سے 787SRO (I) / 2014 کی شرائط میں، کمپنی ان حصص داروں کو ای میل کے ذریعہ سالانہ آڈٹ کردہ اکاؤنٹس فراہم کرے گی جو اس موڈ کو اختیار کرے گی۔ اس طرح کے انتظامات میں کسی بھی تبدیلی کو معیاری درخواست کے فارم پر کمپنی سے آگاہ کیا جانا چاہئے۔

ڈائریکٹر اس ایجنڈا میں براہ راست یا بالواسطہ دلچسپی نہیں رکھتے ہیں۔

ایجنڈا آئٹم 5:

ای

کمپنیاں (ای ووٹنگ) ریگولیشن 2016 تک اثر انداز کرنے کے لئے، حصول داروں کو منظوری دینے کے لئے کمپنی کے ایسوسی ایشن آرٹیکل میں ترمیم کرنے کے لئے حصول داروں کی منظوری کی جا رہی ہے۔ ڈائریکٹر اس ایجنڈا میں براہ راست یا بالواسطہ دلچسپی نہیں رکھتے ہیں۔

# JOHNSON & PHILLIPS PAKISTAN LIMITED

## SIX YEARS FINANCIAL REVIEW

Rupees in '000'

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
			(Restate)	(Restate)	(Restate)	(Restate)
Sales	22,324	35,345	39,230	103,813	103,179	158,181
Gross Profit / (Loss)	(37,145)	(10,999)	(21,116)	10,738	12,047	19,955
Profit / Loss before Taxation	(71,365)	(53,680)	(58,231)	(32,060)	(6,970)	(2,028)
Profit / Loss After Taxation	(70,730)	(52,857)	(56,814)	(31,739)	(39,216)	(4,407)
Fixed Assets (Net)	175,318	184,009	192,820	201,630	210,048	184,117
Total Assets	215,916	260,433	275,799	344,887	404,121	384,454
Total Liabilities	283,581	258,225	222,241	233,538	262,055	256,359
Current Assets	39,658	75,484	82,039	142,317	193,133	199,384
Current Liabilities	177,809	163,781	129,727	144,602	170,495	177,626
<b>Liquidity</b>						
Current Ratio	0.22	0.46	0.63	0.98	1.13	1.12
Quick Ratio	0.15	0.20	0.28	0.53	0.51	0.44
<b>Profitability</b>						
Gross Profit Ratio	%	-166.39%	-31.12%	-53.83%	10.34%	11.68%
Net Profit Ratio	%	-316.83%	-149.55%	-144.82%	-30.57%	-2.79%
<b>Assets Utilization</b>						
Inventory Turnover Ratio	0.79	0.80	0.71	1.21	0.91	1.30
Total Assets Turnover Ratio	0.10	0.14	0.14	0.30	0.26	0.41
Debtor Turnover Ratio	5.24	4.60	1.33	2.26	2.68	4.09
Creditor Turnover Ratio	0.11	0.22	0.19	0.24	0.35	0.70
<b>Investment</b>						
Earning Per Share	(12.98)	(9.70)	(10.61)	(5.82)	(7.20)	(0.81)
Market Value Per Share	29.99	20.39	20.60	25.18	10.31	9.40
P.E.Ratio	(2.31)	(2.10)	(1.94)	(4.33)	(1.43)	(11.60)
Market Capitalization (Mn)	163,416	111,105	112,249	137,206	56,179	51,221
<b>Employee As Remuneration</b>	19,551	17,318	17,357	15,799	22,556	23,103
<b>Production</b>						
Transformers (Nos)	11	13	12	30	32	63
Switch Gear Panels (Nos)	5	17	97	30	31	32

## CHAIRMAN'S REVIEW

I present to you the 56<sup>th</sup> Annual Report of the performance of the company for the year ended June 30, 2017.

This year our sales have declined, impacting our bottom line adversely. The management is aware of the challenges and continues its efforts to secure proper finance that will be required for this. The Government if it commits to its plan to bring the Country out of the energy crisis then this will give rise to exports and provide ample opportunity for sales growth of the electrical equipments.

The year 2016 - 2017 depicted a positive trend for Pakistan with improvement in the security environment, low inflation and expected investment from China in the Country. S&P and Moody also upgraded Pakistan's credit rating from stable to positive, mainly due to reduction in oil prices and also in food prices, the inflation is continuing on its downward trajectory. State Bank of Pakistan has reduced the interest rate which will give a boost to the investment climate. However, fundamental reforms will be needed to fully overcome Pakistan's chronic energy crisis. While the IMF program and the easing of inflation has provided some relief, the Government still faces challenges in narrowing the fiscal deficit and building sustainable foreign currency inflows.

The SECP is continuously implementing regulatory changes to further regulate the industry.

The management has also started to focus on restructuring plan and changed its strategy, which when implemented will give positive results.

I am confident that foreign investment projects like CPEC would create exceptional demands of our products and the company is gearing itself to take maximum advantage of foreseeable business.

Cognizant of the challenges in the near and distant future, proactive measures are underway to ensure a long term sustainable growth.

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

For and on behalf of the Board of Directors

**Salman Ganny**  
Chairman

Karachi: October 06, 2017

## DIRECTORS' REPORT

The Directors' of your Company are pleased to present the 56<sup>th</sup> Annual Report together with the Audited Financial statements for the year ended June 30, 2017.

### Financial Highlights

The comparative financial highlights of your Company for the year ended June 30, 2017 and June 30, 2016 are as follows:

	2017	2016
	.....Rupees in '000.....	
(Loss) for the year before taxation	(71,365)	(53,680)
Out of which the Directors have accounted		
For taxation - current	862	823
Disposable (loss) for appropriation	(70,503)	(52,857)
Accumulated (Losses) brought forward	(279,054)	(233,193)
Adjustment for: Incremental depreciation on revalued assets	6,834	6,834
Other Comprehensive Profit/(Loss)	857	162
<b>Accumulated losses carried over to Balance Sheet</b>	<b>(341,866)</b>	<b>(279,054)</b>

In view of the losses and need of the liquid funds for working capital, the Directors have not recommended any dividend to the Share holders for the year ended June 30, 2017.

### Earnings per Share

Earnings per share for the year ended June 30, 2017 is Rs.(12.94) [June 30, 2016 Rs.(9.70)].

### Material Changes

There has been no material changes since June 30, 2017 and the Company has not entered into any commitments which would affect its financial position on that date.

### Performance Review

The Sales -net for the year was Rs.22.3M as compared to Rs.35.4M for the corresponding period of last year. The cost of sales for the year was 59.4M as compared to Rs.46.3M. This was mainly due to provision for obsolete/ slow moving items of stocksRs.20.2M during the year.

The Gross loss of the Company was Rs.(36.5M) against a loss of Rs. (10.9M) in the corresponding period of last year. This is mainly due to provision for obsolete/ slow moving items of stocks&lowersales.The Company'sDistribution cost, Administrative expenses and finance costduring the year ended June 30, 2017was Rs.34.8M as against Rs.42.8M in the corresponding period of previous year. The Company is in the process of reorganizing its activities.

A loss after tax of Rs.70.5M was reported for the year ended June 30,2017 compared to a loss after tax of Rs.52.8M in the corresponding period. Management of your Company is making concerted efforts and continues to endeavor to achieve improved performance in the future.

### Human Resource developments

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

### Corporate Social Responsibility

J&P is fully committed to play its role as a responsiblecorporatecitizen and fulfills its responsibility through energy conservation, environment protection and occupational safety and health through restricting unnecessary usage of artificial lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work

environment. During the year the company supported community by distributing the poor people sadaqa. The company is running/ maintaining a Masjid for the convenience of the people living & working near our office premises.

The Company contributed Rs. 8.7 Million to the National Exchequer during the year in the form of direct and indirect taxes and other mandatory contributions.

### **External Audit**

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

The Auditors emphasized on the going concern issue in their Auditor's Report. **Referred in note 1.2.**

### **Internal Audit**

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

### **Statement of Corporate and Financial Reporting Framework**

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

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

) A Board Audit Committee (BAC) is in place. It reviews the approach adopted by the Company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the BAC discusses the actions to be taken in areas of concern with the relevant executives. The BAC consists of three members. The Chairman of the BAC is an independent director and all the other members of the BAC are independent directors. During the year 2017, four meetings of BAC were held with one in each quarter and attendance was as follows:

<b>Name of member</b>	<b>No. of meetings attended</b>
Mr. AbidSaeed Khan (Chairman)	4
Mr. Muhammad Azharul Islam	4
Ms. MariumShafi	2

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

- ) An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
- ) There is an annual budgeting and strategic planning process. Financial forecasts are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.
6. There is no doubt upon the Company's ability to continue as a going concern.
  7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.
  8. The Company has followed the best practices of the Code of Corporate Governance and there is no material departure there from.
  9. Key operating and financial data for last six years is annexed with the report.
  10. The value of investments including accrued income of provident fund on the basis of audited financial statements as at December 31, 2016 is Rs.5.8M(December 31, 2015: audited amount Rs. 7.4M).
  11. The related parties' transactions are approved or ratified by the Board Audit Committee and the Board of Directors.
  12. All major decisions relating to the investments / disinvestments, changes in the policies are taken by the Investment Committee / Board of directors.
  13. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.
  14. Outstanding taxes and duties are given in the financial statements.

#### **Board of Directors**

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

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

<b>Name</b>	<b>No. of meetings eligible to attend during the tenure</b>	<b>No. of meetings attended</b>
Mr. Salman Ganny(Chairman)	1	1
Mr. Bilal Ahmed Qureshi	6	6
Mr. Shehryar Saeed (MD & Chief Executive Officer)	7	7
Ms. Marium Shafi	7	7
Mr. Muhammad Tariq Anjum	7	7
Mr. Muhammad Azharul Islam	7	6
Mr. Abid Saeed Khan	7	6
Mr. Syed Jamshed Zaidi	7	6

The Board accepted the resignation of director, Mr. Bilal Ahmed Qureshi with effect from May 23, 2017 and to fill the casual vacancy thus caused appointed new director, Mr. Salman Ganny with effect from June 15, 2017, within the given 90 days' time limit.

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

The Board has developed a mechanism to evaluate its own performance by adopting self-evaluation methodology through an agreed questionnaire. The mechanism devised is based on the emerging and leading trends on the functioning of the Board and improving its effectiveness. The evaluation exercise is carried out every year.

Managing Director's performance is monitored and evaluated by the Board against the job description set by the Board.

### **Board Committee Meetings**

Board has constituted various committees at Board level for effective control and operation.

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

During the year 2017, one meeting of Human Resource and Remuneration Committee was held and attendance was as follows:

#### **Attendance**

Ms. MariumShafi (Chairperson)	1
Mr. Muhammad Tariq Anjum	0
Mr. Syed JamshedZaidi	0
Mr. ShehryarSaeed	1

### **Investment Committee**

During the year 2017, onemeeting was held and attendance was as follows:

#### **Attendance**

Mr. Muhammad Tariq Anjum (Chairman)	1
Mr. ShehryarSaeed	1
Mr. Tariq Ahmed	1

### **Business Strategy Committee**

During the year 2017, one meeting was held and attendance was as follows:

#### **Attendance**

Mr. Bilal Ahmed Qureshi (Chairman)	0
Mr. ShehryarSaeed	1
Mr. Tariq Ahmed	1

### **Pattern of Shareholding**

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

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

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

### **Compliance with the Code of Corporate Governance**

The requirements of the Code set out by Pakistan stock exchange in its listing regulations, relevant for the year ended June 30, 2017, have been duly complied with. A statement to this effect is annexed with this report.

### **Code of Conduct**

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

### **Directors training program**

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

During the year ended June 30, 2017 the company arranged for the Directors Orientation Course for their directors to acquaint them with Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the listed companies for and on behalf of shareholders.

### **Employee Relations**

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

### **Future Plan /growth**

The Company is concentrating on product line diversification, increasing private sector sales and service and to take the restructuring plan forward, facilitate growth of the business, which will reduce the loss of business, improve operational viability, profitability of the company and ensure return to the shareholders on their investment.

Our ability to win new business, and achieving growth,gives us confidence that the areas of activity in which we have chosen to operate are the right ones for the Company. The prevailing business conditions and the,highly competitive markets will continue to pose challenges. We have, however adopted a strategy that will support in profitable business growth.

### **Acknowledgement**

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

**ShehryarSaeed**

MD & Chief Executive Officer

Karachi: October 06, 2017

## ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹر 30 جون، 2017 کے اختتامی سال کے لئے آڈٹ کردہ مالیاتی بیانات کے ساتھ مل کر 56ht چھپن ویس سالانہ رپورٹ پیش کرتے ہیں۔

مالی اہمیت

30 جون، 2017 اور جون 30، 2016 کو ختم ہونے والی سال کے لئے آپ کی کمپنی کے موازنہ مالیاتی نمائش مندرجہ ذیل ہیں:

2017	2016	
.....Rupees in '000.....		
(71,365)	(53,680)	ٹیکس دینے سے قبل سال کے لئے (نقصان)
862	823	جن میں سے ڈائریکٹروں نے حساب کیا ہے
(70,503)	(52,857)	ٹیکس کے لئے - موجودہ اختصاص کے لئے ڈسپوز ایبل (نقصان)
(279,054)	(233,193)	جمع (نقصان) لایا
6,834	6,834	کے لئے ایڈجسٹمنٹ: دوبارہ اثاثہ جات پر اضافی قیمتوں میں اضافہ
857	162	دیگر جامع منافع / (نقصان)
(341,866)	(279,054)	بیلنس شیٹ پر جمع کردہ نقصانات

کام کرنے والے کے لئے مائع فنڈز کے نقصانات اور مائع فنڈز کی ضرورت کے مطابق، 30 جون، 2017 کو ختم ہونے والی سال کے لئے ڈائریکٹرز نے کسی بھی منافع کی سفارش نہیں کی ہے۔

فی حصہ آمدنی

30 جون، 2017 کو ختم ہونے والی سال کے لئے آمدنی فی حصہ (12.94) ہے۔ [جون 30، 2016 رو. (9.70)].

مواد تبدیل

جون 30، 2017 کے بعد سے کوئی مالی تبدیلی نہیں آئی ہے اور کمپنی اس وعدے میں داخل نہیں ہوئی ہے جو اس تاریخ پر اپنی مالی حیثیت کو متاثر کرے گی۔

کارکردگی کا جائزہ

گزشتہ سال کی اسی مدت کے لئے 3.3.4 روپے کی قیمت کے مقابلے میں سال کے لئے سیلز- این. سال کے لئے فروخت کی لاگت 59.4 ایم تھی جبکہ اس کے مقابلے میں 36.3 کروڑ رو. یہ بنیادی طور پر اسٹاک کی غیر متوقع / سست رفتار اشیاء کے لئے فراہمی کی وجہ سے تھا۔

کمپنی کے مجموعی نقصان کا نقصان (M36.5) تھا۔ (10.9 ایم) گزشتہ سال کی اسی مدت میں۔ یہ بنیادی طور پر 30 جون، 2017 کے اختتامی سال کے اخراجات، انتظامی اخراجات اور مالیات گزشتہ سال کی اسی مدت میں 38.88 روپے کے مقابلے میں غیر معمولی / سست رفتار کی اشیاء اور lowersales. کمپنی کی تقسیم کی لاگت، انتظامی اخراجات اور فنانس کے لئے تیار کرنے کی وجہ سے ہے۔ کمپنی اپنی سرگرمیاں کاروبار منظم کرنے کے عمل میں ہے۔

30 جون کو ختم ہونے والے سال کے لئے 75.5 رو. کے ٹیکس کے بعد نقصان ہوا، اسی مقابلے میں 5.5.8 ایم روپے کے ٹیکس کے بعد نقصان ہوا۔ آپ کی کمپنی کا انتظام کنسرٹ کی کوششیں کر رہا ہے اور مستقبل میں بہتر کارکردگی کو حاصل کرنے کے لئے کوشش کرنا جاری ہے۔

#### انسانی وسائل کی ترقی

ہم اپنے ملازمین کو فروغ دینے اور حوصلہ افزائی میں سرمایہ کاری کرتے ہیں اور انہیں مؤثر طریقے سے مارکیٹ کے چیلنجوں کا مقابلہ کرنے کے لئے تربیت دیتے ہیں۔ ہم ملازمتوں کو نوکری کی تربیت پر لازمی طور پر فراہم کرتے ہیں تاکہ وہ اپنے کاموں کو مؤثر طور پر پورا کرنے کے لئے علم اور مہارت حاصل کریں۔ محکمہ سربراہ ملازمین / افسران کو تربیت فراہم کرتے ہیں۔

#### کارپوریٹ سماجی ذمہ داری

جے پی پی ایک ذمہ دار کارپوریٹ شہریت کے طور پر اپنی کردار ادا کرنے کے لئے مکمل طور پر پرعزم ہے اور مصنوعی روشنی کے غیر ضروری استعمال کو روکنے، تمباکو کے کنٹرول کے قانون کو نافذ کرنے اور "کوئی تمباکو نوشی زون" کو روکنے کے ذریعے توانائی کے تحفظ، ماحولیاتی تحفظ اور پیشہ ورانہ حفاظت اور صحت کے ذریعے اپنی ذمہ داری پوری کرتا ہے، صحت مند کام ماحول۔ سال کے دوران کمپنی نے غریب لوگوں sadaqa تقسیم کی طرف سے کمیونٹی کی حمایت کی۔ کمپنی مسجد میں چل رہا ہے / بحال کرنے والے لوگوں کی سہولت کے لئے اور ہمارے دفتر کے احاطے کے قریب کام کر رہا ہے۔

کمپنی نے رقم ادا کی سال کے دوران براہ راست اور غیر مستقیم ٹیکس اور دیگر لازمی شراکت کے طور پر نیشنل افتتاحی 8.7 ملین۔

#### بیرونی آڈٹ

آڈیٹر ایم / ایس۔ نذر چوہدری اور کمپنی چارٹرڈ اکاؤنٹنٹس سالانہ جنرل اجلاس کے اختتام پر ریٹائرڈ ہیں۔ اہل ہونے کے باوجود، انہوں نے دوبارہ دوبارہ ملاقات کی پیشکش کی ہے۔ آڈٹ کمیشن کی سفارش پر بورڈ نے ان کی دوبارہ اپیل کی تجویز کی ہے۔

آڈیٹر نے ان آڈیٹر کی رپورٹ میں جانے والی تشویش پر زور دیا۔ حوالہ کردہ نوٹ 1.2 میں۔

#### اندرونی آڈٹ

مینجمنٹ کے تمام سطحوں کے لئے سروس کے طور پر کمپنی کے بورڈ کو داخلی آڈیٹ ڈیپارٹمنٹ کی سرگرمیوں سے قریبی عمل کرتا ہے۔ آزاد داخلی آڈٹ ڈیپارٹمنٹ کا بنیادی مقصد بورڈ اور مینجمنٹ کو مناسب یقین دہانی کرانا ہے کہ داخلی کنٹرول کے موجودہ نظام کافی اور مناسب طریقے سے اطمینان بخش طریقے سے کام کر رہے ہیں۔ جیسا کہ اندرونی آڈٹ ڈیپارٹمنٹ کمپنی کے آپریشنوں میں اضافہ کرتی ہے، بہتر آپریشنل کارکردگی کے لئے تجاویز اور سفارشات بناتا ہے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

کارپوریٹ قوانین، قواعد و ضوابط نے اس کمپنی کے ڈائریکٹر بورڈ کے مجموعی افعال سے منسلک کیا ہے۔ بورڈ اپنی کارپوریٹ ذمہ داریوں سے مکمل طور پر واقف ہے جو کارپوریٹ گورننس کے تحت پیش کردہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے مقرر کیا گیا ہے اور تمام درجے کی کمپنیوں کے لئے اسٹاک ایکسچینجز کو منظور کیا جاتا ہے، اور یہ تصدیق کرنے پر رضامند ہے کہ:

1. کمپنی کی طرف سے تیار کردہ مالی بیانات، اس کے معاملات میں نمایاں طور پر اس کی حالت، اس کے آپریشن کا نتیجہ، نقد بہاؤ اور مساوات میں تبدیلی.

2. کمپنیوں نے کمپنیوں کے ایکٹ، 2017 کے تحت مطلوبہ اکاؤنٹس کی مناسب کتابیں برقرار رکھی ہیں.

3. مالیاتی بیانات کی تیاری میں کمپنی نے مسلسل اکاؤنٹنگ کی پالیسیوں کی پیروی کی ہے۔ جہاں کہیں بھی بنا دیا گیا ہے، مناسب طور پر انکشاف کیا گیا ہے اور اکاؤنٹنگ تخمینوں پر مبنی اور مناسب فیصلے کی بنیاد پر ہیں

4. پاکستان میں قابل اطلاق شدہ منظور شدہ معیارات کے مطابق مالی بیانات کی تیاری اور اس کے بعد کسی بھی روانگی میں، بعد میں مناسب طور پر افشا کیا گیا ہے.

5. اندرونی کنٹرول کا نظام ڈیزائن میں آواز ہے اور مؤثر طور پر لاگو اور نگرانی کی گئی ہے۔ اس طرح کے نظام کو ختم کرنے کے بجائے انتظام کرنے کے لئے ڈیزائن کیا گیا ہے، مقاصد کو حاصل کرنے میں ناکام ہونے کا خطرہ، اور اس کی نوعیت سے صرف مناسب، اور مواد غلطی یا نقصان کے خلاف مطمئن نہیں، یقین دہانی کر سکتی ہے۔ داخلی کنٹرول کے نظام کی مؤثریت کا جائزہ لینے کے لئے بورڈ کی طرف سے استعمال ہونے والی عمل میں شامل ہے، اس کے ساتھ ساتھ، مندرجہ ذیل:

• بورڈ کے آڈٹ کمیشن (بی اے سی) جگہ ہے۔ یہ کمپنی کے اندرونی آڈٹ ڈیپارٹمنٹ اور خارجہ آڈیٹر کے ساتھ تعلقات اور رشتہ کے ذریعہ اپنایا گیا نقطہ نظر کا جائزہ لےتا ہے۔ یہ اندرونی آڈٹ ڈیپارٹمنٹ اور بیرونی آڈیٹروں کی داخلی کنٹرول کے نظام اور کسی بھی مواد کی کمزوریوں کی نشاندہی کی گئی ہے جس کی نشاندہی کی گئی ہے۔ مزید برآں، بی اے سی متعلقہ ایگزیکٹوز کے ساتھ تشویش کے علاقوں میں لے جانے والے اقدامات پر بحث کرتی ہے۔ بی اے سی تین ارکان پر مشتمل ہے۔ بی اے سی کے چیئرمین ایک آزاد ڈائریکٹر ہے اور بی سی اے کے تمام دیگر ارکان مستقل ڈائریکٹر ہیں۔ سال 2017 کے دوران، ہر سہ ماہی میں بی سی اے کے چار اجلاس منعقد ہوئے اور حاضری مندرجہ ذیل تھی

اجلاسوں کی تعداد شرکت کی

رکن کا نام

4

مسٹر عابد سعید خان (چیئرمین)

4

مسٹر محمد اظہرول اسلام

2

محترمہ مریم شفیع

اجلاس میں شرکت کرنے میں ناکام افراد کو غیر موجودگی کی اجازت دی گئی تھی۔

• ایک تنظیمی ڈھانچہ قائم کی گئی ہے، جس کی ذمہ داری اور احتساب کی وفد کے ساتھ مواصلات اور سطح کے درجے کی سطحوں کی واضح لائنوں کی حمایت ہوتی ہے۔

• سالانہ بجٹ اور اسٹریٹجک منصوبہ بندی کا عمل ہے۔ مالی پیش رفت تیار کی جاتی ہیں اور کاروباری ماحول میں اہم تبدیلیوں کی عکاسی کرنے کے لئے سال کے دوران ان کی حکمت عملی کا جائزہ لیا جاتا ہے۔

6. کمپنی کی صلاحیت پر جانے والی تشویش پر کوئی شک نہیں ہے۔

7. آپ کی کمپنی کے ڈائریکٹر محسوس کرتے ہیں کہ مستقبل کی ترقی کے لئے دارالحکومت کے تحفظ بہت اہم ہے، لہذا موجودہ سال کے لئے کوئی لین دین نہیں کیا جائے گا۔

8. کمپنی نے کارپوریٹ گورننس کی بہترین طرز عمل کی پیروی کی ہے اور وہاں سے وہاں کوئی مواد نہیں نکلتی ہے۔

9. گزشتہ چھ سالوں کے لئے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار کی رپورٹ کے مطابق شامل ہے۔

10. 31 دسمبر، 2016 کو متوقع مالیاتی بیانات کے مطابق ثابت ہونے والی آمدنی سمیت سرمایہ کاری کی قیمت 5.8 ملین روپے (31 دسمبر 2015: آڈٹ شدہ روپے 7.4 ملین) ہے۔

11. بورڈ کی آڈٹ کمیشن اور بورڈ آف ڈائریکٹرز کی طرف سے متعلقہ پارلیمنٹ کے معاملات کو منظور یا منظور کیا جاتا ہے۔

12. سرمایہ کاری / معاوضہ سے متعلق اہم فیصلے، پالیسیوں میں تبدیلی سرمایہ کاری کمیٹی / ڈائریکٹر بورڈ کے ذریعہ لے جایا جاتا ہے۔

13. سی ای او، کمپنی کے سیکرٹری اور داخلی آڈٹ کے سربراہ، اور ریفریجریشن کے طے کرنے یا تبدیل کرنے کے بارے میں فیصلہ بورڈ کے ذریعہ لے لیا اور منظور کیا جاتا ہے۔

14. مالیاتی بیانات میں بقایا ٹیکس اور فرائض دیا جاتا ہے۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز پر مشتمل ہے سات ارکان، ایک غیر ایگزیکٹو ڈائریکٹر، پانچ آزاد ڈائریکٹرز اور ایک مستقل ڈائریکٹر (ایم ڈی اور چیف ایگزیکٹو آفیسر)۔ جائزہ لینے کے تحت سال کے دوران سات اجلاس منعقد ہوئے اور مندرجہ ذیل میں شرکت کی:

نام	دورے کے دوران حاضر ہونے کے قابل ہونے والے اجلاسوں کی تعداد	اجلاسوں کی تعداد میں حصہ لیا
مسٹر سلمان غنی (چیئرمین)	1	1
مسٹر بلال احمد قریشی	6	6
مسٹر شہر یار سعید (MD-CEO)	7	7
محترمہ ماریم شفیق	7	7
مسٹر محمد طارق انجم	7	7
مسٹر محمد اظہرول اسلام	7	6
مسٹر عابد سعید خان	7	6
مسٹر سید جمشید زیدی	7	6

بورڈ نے مئی 23، 2017 سے منسلک ڈائریکٹر، بلال احمد قریشی کے استعفیٰ کو قبول کیا اور اس طرح آرام دہ اور پرسکون چھٹیوں کو بھرنے کے لئے اس وجہ سے 15 جون، 2017 تک نئے ڈائریکٹر، سلمان غنی کے ساتھ، 90 دن کے وقت کی حد کے اندر ہی مقرر کیا۔

اجلاس میں شرکت کرنے میں ناکام رہنماؤں کو غیر موجودگی کی اجازت دی گئی۔

بورڈ نے ایک منسلک سوالنامہ کے ذریعہ خود تشخیص کے طریقہ کار کو اپنانے کی طرف سے اپنی کارکردگی کا اندازہ کرنے کے لئے ایک میکانزم تیار کیا ہے۔ تیار میکانزم جو بورڈ کے کام پر مبنی اور معروف رجحانات پر مبنی ہے اور اس کی تاثیر کو بہتر بناتا ہے۔ تشخیصی ورزش ہر سال کی جاتی ہے۔

بورڈ کی طرف سے مقرر کردہ کام کی تفصیلات کے خلاف بورڈ کے ذریعہ منیجنگ ڈائریکٹر کی کارکردگی کی نگرانی اور ان کا جائزہ لیا گیا ہے۔

بورڈ کمیٹی اجلاس

بورڈ نے مؤثر کنٹرول اور آپریشن کے لئے بورڈ کی سطح پر مختلف کمیٹی قائم کی ہے۔

انسانی وسائل اور ریموٹرن کمیٹی

سال 2017 کے دوران انسانی وسائل اور ریمانگریشن کمیٹی کا ایک اجلاس منعقد کیا گیا تھا اور حاضری مندرجہ ذیل تھی:

حاضری

محترمہ میریم شافقی (چیئرمین) 1

مسٹر محمد طارق انجم 0

مسٹر سید جمشید زیدی 0

مسٹر شہر یار سعید 1

سرمایہ کاری کمیٹی

سال 2017 کے دوران، پریشان کن منعقد کیا گیا تھا اور حاضری مندرجہ ذیل تھی:

حاضری

مسٹر محمد طارق انجم (چیئرمین) 1

مسٹر شہر یار سعید 1

مسٹر طارق احمد 1

کاروباری حکمت عملی کمیٹی

سال 2017 کے دوران، ایک اجلاس منعقد کی گئی تھی اور حاضری مندرجہ ذیل تھی:

حاضری

مسٹر بلال احمد قریشی (چیئرمین) 0

مسٹر شہر یار سعید 1

مسٹر طارق احمد 1

شیئر ہولڈنگ کا پیٹرن

اس بیان سے شیئر ہولڈنگ کے پیٹرن کو دکھایا گیا ایک بیان ہے۔

کمپنی کے حصص کی ٹریڈنگ

کمپنی کے حصص میں کوئی ٹریڈنگ نہیں، ڈائریکٹر، سی ای او اور ایگزیکٹوز (ملازمین) سے 2.5.5 میٹر یا اس سے اوپر کی بنیادی تنخواہ کے ساتھ ملازمین) یا ان کے شوہروں یا چھوٹے بچے، اگر کوئی۔

کارپوریٹ گورننس کے کوڈ سے مطابقت

30 جون، 2017 کو ختم ہونے والی سال کے مطابق متعلقہ کوڈ لسٹنگ کے قوانین میں پاکستان اسٹاک ایکسچینج کی طرف سے مقرر کردہ کوڈ کی ضروریات، ان کی ہدایت کی گئی ہے۔ اس اثر کا ایک بیان اس رپورٹ میں شامل ہے۔

ضابطہ اخلاق

بورڈ نے ڈائریکٹرز اور ملازمتوں کے لئے ضابطہ اخلاق کا ایک بیان اپنایا ہے۔ تعمیل کے لئے تسلیم شدہ کمپنی کمپنی کی طرف سے حاصل کی جاتی ہے۔

ڈائریکٹری ٹریننگ پروگرام

ایک ڈائریکٹر، شہر یار سعید کو ڈائریکٹر ٹریننگ پروگرام کی ضرورت سے مستثنیٰ ہے۔

30 جون، 2017 تک ختم ہونے والے سال کے دوران کمپنی نے ان ڈائریکٹروں کو ڈائریکٹر گورننس، قابل اطلاق قوانین، ان کے فرائض اور ذمے داروں کے ساتھ واقف کرنے کے لئے منظم کیا تاکہ ان کو مؤثر طریقے سے درج کردہ کمپنیوں کے معاملات کو منظم کرنے اور انہیں فعال کرنے کے قابل ہو۔ شیئر ہولڈرز کی جانب سے۔

ملازم تعلقات

میںجمنٹ سال کے دوران ملازمین کے تعاون کی تعریف کرتا ہے۔

مستقبل کی منصوبہ بندی / ترقی

کمپنی پروڈکٹ لائن کے متنوع پر توجہ مرکوز کرتی ہے، نجی شعبے کی فروخت اور خدمات میں اضافہ اور کاروباری ترقی کی سہولیات کو فروغ دینا، کاروباری نقصان کو کم کرنے، آپریشنل قابل عمل کو بہتر بنانے، کمپنی کی منافع بخش اور اس کی واپسی کو یقینی بنانا ہے۔ ان کی سرمایہ کاری پر حصول دار۔

نئے کاروبار جیتنے اور ترقی کو حاصل کرنے کی ہماری صلاحیت، ہمیں یقین دیتی ہے کہ سرگرمیوں کے علاقوں میں جس نے ہم نے کام کرنے کا انتخاب کیا ہے وہ کمپنی کے حق میں ہیں۔ موجودہ کاروباری حالات اور انتہائی مسابقتی مارکیٹوں کو چیلنجوں کا مقابلہ جاری رکھا جائے گا۔ ہم نے ایک حکمت عملی اپنایا ہے جو منافع بخش کاروباری ترقی میں مدد کرے گی۔

## اعتراف

بورڈ آف ڈائریکٹرز اس کمپنی کے قیمتی گاہکوں ، کاروباری شراکت داروں اور دیگر حصول داروں کو اپنی مخلص تعریف کا اظہار کرنا چاہیں گے۔ بورڈ کو پاکستان کے سیکوروریز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹاک ایکسچینج اور سینٹرل ڈپازٹری کمپنی کا شکریہ ادا کرنا چاہے گا۔

شہر یار سعید  
ایم ڈی اور چیف ایگزیکٹو آفیسر

کراچی: اکتوبر 06، 2017

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19 of listing regulations of Pakistan 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 CCG 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. Muhammad Tariq Anjum Mr. Mohammad Azhar ul Islam Mr. Abid Saeed Khan Mr. Syed Jamshed Zaidi
Executive Director	Mr. Shehryar Saeed
Non Executive Director	Mr. Salman Ganny Ms. Mariam Shafi

The independent directors meets the criteria of independence under Clause 5.19.1 of the Code of Corporate Governance.

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 Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurred on the board on May 23, 2017 was filled up by the directors within 24 days.

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

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 has 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. One of the director meets the criteria of exemption under clause 5.19.7 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. However, the company had made arrangements to carry out orientation course for the directors to acquaint them with CCG, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the company for and on behalf of the shareholders.

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by 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 CCG.
15. The board has formed an Audit Committee. It comprises three members, of whom two are independent directors and one is non-executive director 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 the committee for compliance.
17. The board has formed an HR and Remuneration Committee, It comprises four members, of whom two are independent directors, one is non-executive director, and one is executive director and the chairman of the committee is a non-executive director
18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company. 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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. 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.
25. 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 CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance ('the Code') for the year ended **June 30, 2017** prepared by the Board of Directors of **Johnson & Phillips (Pakistan) Limited** ('the Company') to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24 (b) of the Code of Corporate Governance, 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 and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the 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.

The Code requires the Company to place before Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors' for their review and approval its 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 and recording proper justification for using such a alternate pricing mechanism. We are not required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions are undertaken on 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, as applicable to the Company for the year ended **June 30, 2017**.

Further, we highlight below instances of non-compliance with the requirements of the Code:

- (a) As disclosed in point 9 of the Statement, none of the directors have obtained certification under directors training program as required under clause 5.19.7 of the Code; and
- (b) As disclosed in point 18 of the Statement, Head of Internal Audit of the Company does not possess the required qualification and experience as required under clause 5.19.9 of the Code.

Karachi  
October 06, 2017

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**NAZIR CHAUDHRI & CO.**  
Chartered Accountants  
Engagement Partner : Abdul Rafay

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

We have audited the annexed balance sheet of **Johnson & Phillips (Pakistan) Limited** ("the Company") as at **June 30, 2017** 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 paragraph (b) 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. Our responsibility is to express an opinion on these statements based on our audit.

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

- a. The Company has not deposited unclaimed dividend amounting to Rs. 4.268 million in a separate bank account designated for this purpose.
- b. We have not received direct confirmation from legal advisors of the Company regarding cases mentioned in note 20.1.2 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 statements that may arise.

Except for the adjustments in respect of matters stated above;

- c. in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- d. 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;
- e. Except for the adjustment in respect of matter stated (a) and (b) 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, cash flow statement and statement of changes in equity and 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, 2017** and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- f. in our opinion, no Zakat was deductible at source under 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.70.503 million for the year and as at 30 June 2017, the Company has accumulated losses of Rs.341.866 million and the equity of the Company is negative by Rs. 234.566 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.

Karachi  
October 06, 2017

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**NAZIR CHAUDHRI & CO.**  
**Chartered Accountants**  
Engagement Partner: Abdul Rafay

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## BALANCE SHEET

As at June 30, 2017

		2017	2016
	<i>Note</i>	----- <i>(Rupees in thousand)</i> -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	175,318	184,009
Intangible asset	5	-	-
Long term investments	6	-	-
Long term deposits		940	940
		<b>176,258</b>	184,949
<b>CURRENT ASSETS</b>			
Stock-in-trade	7	13,788	42,650
Trade debts	8	2,156	6,372
Loans and advances	9	16,474	16,289
Deposits and prepayments	10	382	6,776
Advance tax-net of provision	11	2,651	2,315
Cash and bank balances	12	4,434	1,082
		<b>39,885</b>	75,484
<b>TOTAL ASSETS</b>		<b>216,143</b>	260,433
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Authorized capital</b>			
8,000,000 (2016: 8,000,000) ordinary shares of Rs. 10 each		80,000	80,000
Issued, subscribed and paid-up capital	13	54,500	54,500
Share premium reserve		29,727	29,727
General reserve		23,073	23,073
Accumulated loss		(341,866)	(279,054)
		<b>(234,566)</b>	(171,754)
Surplus on revaluation of property, plant and equipment	14	167,128	173,962
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	15	96,121	81,582
Deferred liabilities	16	9,651	12,862
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	166,690	155,513
Current and overdue portion of long term borrowings	15.1	4,000	4,000
Short term borrowing	18	2,851	-
Mark up accrued	19	-	-
Unclaimed dividend		4,268	4,268
		<b>177,809</b>	163,781
<b>Contingencies and commitments</b>	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>216,143</b>	260,433

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Director

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2017

		2017	2016
	<i>Note</i>	(Rupees in thousand)	
Sales - net	21	22,924	35,448
Cost of sales	22	(59,469)	(46,344)
<b>Gross loss</b>		<b>(36,545)</b>	<b>(10,896)</b>
Distribution cost	23	(1,484)	(3,538)
Administrative expenses	24	(28,453)	(34,093)
		(29,937)	(37,631)
		<b>(66,482)</b>	<b>(48,527)</b>
Finance cost	25	(4,883)	(5,153)
<b>Loss before taxation</b>		<b>(71,365)</b>	<b>(53,680)</b>
Taxation	26	862	823
<b>Loss for the year</b>		<b>(70,503)</b>	<b>(52,857)</b>
		-----Rupees---	
<b>Loss per share - basic and diluted</b>	27	<b>(12.94)</b>	<b>(9.70)</b>

The annexed notes from 1 to 35 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2017

	2017	2016
	<b>(Rupees in thousand)</b>	
Loss for the year	<b>(70,503)</b>	(52,857)
<i>Items that will be reclassified to profit or loss:</i>	-	-
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on remeasurment of post employment benefit obligation	<b>857</b>	162
<b>Total comprehensive loss</b>	<b><u>(69,646)</u></b>	<b><u>(52,695)</u></b>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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**Chief Executive**

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**Director**

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## CASH FLOW STATEMENT

For the year ended June 30, 2017

	<i>Note</i>	2017 (Rupees in thousand)	2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	28	(7,009)	277
Taxes paid	11	(689)	(404)
Gratuity paid	16.1.2	(1,808)	(300)
Finance cost paid		(6)	(1,063)
<b>Net cash from operating activities</b>		<b>(9,512)</b>	<b>(1,490)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred	4	(122)	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term borrowing		10,135	841
Short term borrowings received		2,851	-
		12,986	841
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>3,352</b>	<b>(649)</b>
Cash and cash equivalents at beginning of the year		1,082	1,731
Cash and cash equivalents at end of the year		4,434	1,082

The annexed notes from 1 to 35 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2017

	Issued, subscribed and paid- up capital	Capital reserve Share premium reserve	General reserve	Revenue reserve (Accumulated loss)	Total
----- ( Rupees in thousand ) -----					
Balance as at June 30, 2015 - Restated	54,500	29,727	23,073	(233,193)	<b>(125,893)</b>
Net loss for the year	-	-	-	(52,857)	<b>(52,857)</b>
<b>Other comprehensive income</b>					
Gain on remeasurment of post employment benefit obligation	-	-	-	162	<b>162</b>
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	6,834	<b>6,834</b>
Balance as at June 30, 2016	<u>54,500</u>	<u>29,727</u>	<u>23,073</u>	<u>(279,054)</u>	<u><b>(171,754)</b></u>
Net loss for the year	-	-	-	(70,503)	<b>(70,503)</b>
<b>Other comprehensive income</b>					
Gain on remeasurment of post employment benefit obligation	-	-	-	857	<b>857</b>
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	6,834	<b>6,834</b>
<b>Balance as at June 30, 2016</b>	<u><b>54,500</b></u>	<u><b>29,727</b></u>	<u><b>23,073</b></u>	<u><b>(341,866)</b></u>	<u><b>(234,566)</b></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# **JOHNSON & PHILLIPS (PAKISTAN) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2017

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

- 1.1** Johnson and Phillips (Pakistan) Limited (the Company) was incorporated in Pakistan as a public limited company on April 15, 1961 and its shares are quoted on Pakistan Stock Exchange Limited. The 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 (2016: 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. 70.503 million (2016: Rs. 52.857 million) during the year, which has increased accumulated losses amounting to Rs. 341.866 million (2016 Rs. 279.054 million) and has resulted in negative equity of Rs. 234.566 million (2016: Rs. 171.754 million) as at June 30, 2017. The Company has negative net current assets of Rs. 137.924 million (2016: Rs. 88.297 million).

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

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 15.2, 15.3 and 15.4 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, 2018. The Strategic Business Revival Plan put forward by Management is approved by Board of Directors.
- iii) The Board and the related parties of the Company 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 and the related parties 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 BASIS OF PREPARATION**

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

- 2.1.1** These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Ordinance or the requirements of the said directives prevail.

**2.1.2** During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated commission's decision that the companies whose financial year close on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

## **2.2 Accounting convention**

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

- Recognition of staff retirement benefits which are stated at present value as referred to in note 16.1.
- Certain items of property, plant and equipment which are stated at revalued amounts as referred to in note 14.

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

## **2.3 Functional and presentation currency**

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

## **2.4 Significant accounting estimates and judgments**

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

	<b>Note</b>
Provision for taxation	3.4
Provision for deferred taxation	3.4
Residual values and useful lives of depreciable assets	3.8
Provision for obsolete and slow moving stock	3.11
Write down of stock in trade to their net realisable value	3.11
Provision for doubtful debts	3.12
Provision for doubtful advance and deposits	3.12
Employees' retirement benefits	3.1

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.

## **2.5 Standards, interpretations and amendments applicable to financial statements**

The accounting policies adopted in the preparation of these financial statement are consistent with those of the previous financial year except as describe below:

### **2.5.1 New standards, interpretations and amendments**

The Company has adopted the following accounting standards and amendments which became effective for the current year:

IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 -	Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1 -	Presentation of Financial Statements: Disclosure Initiative (Amendment)
IAS 16 -	Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16 -	Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27 -	Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)

The adoption of the above accounting standards did not have any effect on these financial statements.

### 2.5.2 Annual Improvements

IFRS 5 -	Non-current Assets Held for sale and Discontinued Operations - Changes in methods of disposal
IFRS 7 -	Financial Instruments: Disclosures - Servicing contracts
IFRS 7 -	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 -	Employee Benefits - Discount rate: regional market issue
IAS 34 -	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material effect on these financial statements.

### 2.5.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

<b>Standard or Interpretation</b>		<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 -	Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 -	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 7 -	Financial Instruments: Disclosures - Disclosure Initiative (Amendment)	January 1, 2017
IAS 12 -	Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	January 1, 2017
IFRS 4 -	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018

IAS 40 -	Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IFRIC 22 -	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 -	Uncertainty Over Income Tax Treatments	January 1, 2019

The Company expects that the adoption of the above amendments and interpretation of the standards will not effect the Company's financial statements in the period of initial application.

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

<b>Standard or interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 16 - Leases	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

### 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 Employee benefits

##### 3.1.1 Defined benefit plan

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

The latest actuarial valuation for gratuity scheme was carried out as June 30, 2017. Projected unit credit method is used for valuation of the scheme.

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

##### 3.1.2 Defined contribution plan

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

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

##### 3.1.3 Provident fund related disclosures

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

	<b>Unaudited June 30, 2017</b>	Unaudited June 30, 2016
	----Rupees in thousands----	
Size of the fund - Total assets	<u>5,397</u>	<u>8,009</u>
Cost of the Investment made	<u>4,000</u>	<u>6,000</u>
Percentage of investments made	<u>74%</u>	<u>75%</u>
Fair value of the investments	<u>5,397</u>	<u>6,000</u>

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

	<b>June 30, 2017</b>	June 30, 2016	<b>June 30, 2017</b>	June 30, 2016
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	----Rupees in thousands----			
Certificate of Investment	4,000	6,000	<b>74%</b>	<b>75%</b>

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.

**3.2 Compensated absences**

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

**3.3 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.

**3.4 Taxation****a) Current**

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

**b) Deferred**

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

**3.5 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.

**3.6 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.

**3.7 Investments**

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

**3.8 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.

### **3.9 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.

### **3.10 Consumable stores**

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

### **3.11 Stock in trade**

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

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

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

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.

### **3.13 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.

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

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

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

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

### **3.16 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.

### **3.17 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.

### **3.18 Borrowing cost**

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

### **3.19 Cash and cash equivalents**

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

### **3.20 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.

### **3.21 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.

### **3.22 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.

### **3.23 Dividend**

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

#### 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 -----									
As at 01 July 2015									
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
Year Ended 30 June 2016									
Opening net book value	161,857	20,267	10,262	12	-	255	1	166	192,820
Additions during the year	-	-	-	-	-	-	-	-	-
Depreciation for the year	(4,000)	(2,560)	(2,087)	(4)	-	(85)	-	(75)	(8,811)
Closing net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
Useful Life (Years)	99	10	7	10	5	4	5	5	
<b>As at 01 July 2016</b>									
Cost	170,000	25,600	14,610	1,178	3,843	11,640	4,320	11,994	243,185
Accumulated depreciation	(12,143)	(7,893)	(6,435)	(1,170)	(3,843)	(11,470)	(4,319)	(11,903)	(59,176)
Net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
<b>Year Ended 30 June 2017</b>									
Opening net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
Additions during the year	-	-	-	-	90	-	-	32	122
Depreciation for the year	(4,000)	(2,560)	(2,087)	(8)	(8)	(89)	(1)	(60)	(8,813)
Closing net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
<b>As at 30 June 2016</b>									
Cost	170,000	25,600	14,610	1,178	3,933	11,640	4,320	12,026	243,307
Accumulated depreciation	(16,143)	(10,453)	(8,522)	(1,178)	(3,851)	(11,559)	(4,320)	(11,963)	(67,989)
Net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Useful Life (Years)	99	10	7	10	5	4	5	5	

- 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 2017, 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	28	33
Building on lease hold land	13,081	11,724	1,357
Plant and machinery	30,018	28,942	1,076

- 4.1.1 Details of the Company's leasehold land, building and plant and machinery and information about fair value hierarchy, explained in note 31.5, as at June 30, 2017 are as follows.

	Level 1	Level 2	Level 3	Total
(Rupees in thousand)				
Leasehold land	-	157,857	-	157,857
Building	-	17,707	-	17,707
Plant & Machinery	-	8,175	-	8,175

There were no transfers between levels of fair value hierarchy during the year.

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

	Note	2017 (Rupees in thousand)	2016
Cost of sales and services	22	7,050	7,049
Administrative expenses	24	1,763	1,762
		<b>8,813</b>	<b>8,811</b>

2017                      2016  
(Rupees in thousand)

#### 4.2 Cost of fully depreciated assets

Gas and electric installation	1,178	1,037
Factory tools	3,843	3,843
Vehicles	11,590	11,590
Furniture and fixtures	4,320	4,320
Office and other equipments	11,812	11,361
	32,743	32,151

#### 5 INTANGIBLE ASSET

	COST			AMORTIZATION			Written down Values as at June 30, 2017	Useful life (years)
	As at July 01, 2016	Additions / disposal	As at June 30, 2017	As at July 01, 2016	For the year	As at June 30, 2017		
----- Rupees in thousands -----								
<b>Computer Software</b>	129	-	129	129	-	129	-	5
	129	-	129	129	-	129	-	

#### 6 LONG TERM INVESTMENTS

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

**Johnson and Phillips Industries (Pakistan) Limited** 30,000                      30,000

3,000,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2017 was Nil (June 2016:Nil)]. The Company held 100% of the investee's total equity. Chief Executive Mr. Shehryar Anwar Saeed

**Johnson & Phillips Transformers (Private) Limited** 21,000                      21,000

2,100,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2017 was Nil (June 2016:Nil)]. The Company held 70% of the investee's total equity. Chief Executive Mr. Nabeel Sadiq

**J & P EMO Pakistan (Pvt) Ltd** 510                                      510

51,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2017 was Nil (June 2016:Nil)]. The Company held 51% of the investee's total equity. Chief Executive Mr. Shehryar Anwar Saeed

##### Share Application money

Johnson and Phillips Industries (Pakistan) Limited 20,000                      20,000

71,510                      71,510

**Provision for diminution in value of investments** (71,510)                      (71,510)

-                                      -

#### 6.1 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 and Phillips Industries (Pakistan) Limited	(42,375)	(38,498)
Johnson & Phillips Transformers (Private) Limited	(21,091)	(22,726)
J & P EMO Pakistan (Pvt) Ltd	(1,732)	(1,724)
	(65,198)	(62,948)

		2017	2016
	Note	(Rupees in thousand)	
<b>7 STOCK-IN-TRADE</b>			
Raw material and components in hand - Gross		37,987	40,269
Less: provision for obsolete/ slow moving items	7.1	(28,585)	(8,360)
		9,402	31,909
Work-in-process		4,386	3,273
Finished goods		-	7,468
		<u>13,788</u>	<u>42,650</u>
<b>7.1 Movement in obsolete /slow moving items</b>			
Opening provision		(8,360)	(10,644)
(Provision) / reversal made during the year		(20,225)	2,284
		<u>(28,585)</u>	<u>(8,360)</u>
<b>8 TRADE DEBTS</b>			
Trade debts , unsecured		11,851	11,377
Less: Provision for doubtful trade debts	8.1	(9,695)	(5,005)
		<u>2,156</u>	<u>6,372</u>
<b>8.1 Movement in provision for doubtful trade debts</b>			
Opeing provision		(5,005)	-
Provision made during the year		(4,690)	(5,005)
		<u>(9,695)</u>	<u>(5,005)</u>
<b>9 LOANS AND ADVANCES</b>			
<b>Loans to subsidiary companies - unsecured</b>			
<b>Considered doubtful</b>			
Johnson and Phillips Industries (Pakistan) Limited (JPI)	9.1	24,756	32,244
Johnson & Phillips Transformers (Private) Limited (JPT)	9.2	20,785	13,194
J & P EMO Pakistan (Pvt.) Ltd. (EMO)	9.3	2,964	2,948
		48,505	48,386
Less: Provision against doubtful loans		(48,505)	(48,386)
		-	-
<b>Advances - Unsecured</b>			
To suppliers		794	829
To employees		356	460
Against purchase of land		2,717	2,717
Others		71	71
		3,938	4,077
<b>Sales tax refundable</b>		16,377	15,754
Less: Provision for doubtful advances	9.4	(3,841)	(3,542)
		<u>16,474</u>	<u>16,289</u>

	2017 (Rupees in thousand)	2016
<b>9.1 Reconciliation of loan amount due from JPI</b>	<b>Note</b>	
Opening balance	32,244	24,738
Disbursed during the year	(7,488)	7,506
Closing balance	24,756	32,244
Less: provision	(24,756)	(32,244)
	9.5	-

<b>9.2 Reconciliation of loan amount due from JPT</b>		
Opening balance	13,194	13,160
Disbursed during the year	7,591	34
Closing balance	20,785	13,194
Less: provision	(20,785)	(13,194)
	9.6	-

<b>9.3 Reconciliation of loan amount due from EMO</b>		
Opening balance	2,948	2,939
Disbursed during the year	16	9
Closing	2,964	2,948
Less: provision	(2,964)	(2,948)
	9.7	-

**9.4 Movement in provision for doubtful advances**

	Opening	(Provision) / reversal made during the year	Closing provision
<b>Provision for doubtful advances against:</b>			
Suppliers	(765)	-	(765)
Employees	(2,717)	-	(2,717)
Purchase of land	-	(288)	(288)
Others	(60)	(11)	(71)
	<b>(3,542)</b>	<b>(299)</b>	<b>(3,841)</b>

**9.5** The maximum amount of loan due from JPI at the end of any month during the year was Rs. 32.261 million (2016: Rs. 32.244 million).

**9.6** The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs. 13.280 million (2016: Rs. 13.194 million).

**9.7** The maximum amount of loan due from Johnson & Phillips EMO Pakistan (Private) Limited at the end of any month during the year was Rs. 2.964 million (2016: Rs. 2.948 million).

**10 DEPOSITS AND PREPAYMENTS**

**Prepayments** 86 70

**Deposits**

Margin against bank guarantee	3,126	6,478
Deposit with court	723	723
Other receivable	50	50
Tender deposits	228	228
	4,127	7,479
Less: Provision for doubtful deposits	10.1	(773)
Less: Doubtful deposits written off during the year	(3,831)	-
	<b>382</b>	<b>6,776</b>

**10.1 Movement in provision for doubtful deposits**

Opening provision	(773)	-
Provisions made during the year	(3,058)	(773)
Deposits written off during the year	3,831	-
	<u>-</u>	<u>(773)</u>

**11 ADVANCE TAX - NET OF PROVISION**

opening balance	2,315	2,303
Paid / adjusted during the year	689	404
	<u>3,004</u>	<u>2,707</u>
Less: Provision for the year		
- current	-	-
- prior	353	392
	<u>353</u>	<u>392</u>
Closing balance	<u>2,651</u>	<u>2,315</u>

**12 CASH AND BANK BALANCES**

Cash in hand	26	39
At bank - in current accounts	4,383	1,019
- in saving accounts	12.1 25	24
	<u>4,434</u>	<u>1,082</u>

**12.1** This carry profit at the rate ranging from 3.75% to 4.75% (2016: 3.75% to 4.5%) per annum.

2017                  2016  
(Rupees in thousand)

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

(Number of shares)				
2017	2016			
<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>	<u>5,449,972</u>		<b><u>54,500</u></b>	<u>54,500</u>

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

**Leasehold land**

Revaluation surplus over written down value at beginning	<b>157,968</b>	161,967
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(3,999)</b>	(3,999)
	<b>153,969</b>	157,968

**Factory building**

Revaluation surplus over written down value at beginning	<b>16,121</b>	18,452
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(1,632)</b>	(1,632)
Related deferred tax liability of incremental depreciation charged during the year	<b>(699)</b>	(699)
	<b>13,790</b>	16,121
Related deferred tax liability at beginning	<b>(4,836)</b>	(6,458)
Effect of change in tax rate	<b>-</b>	923
Less: related to incremental depreciation	<b>699</b>	699
	<b>(4,137)</b>	(4,836)

**Plant and machinery**

Revaluation surplus over written down value at beginning	<b>6,728</b>	8,447
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(1,203)</b>	(1,203)
Related deferred tax liability of incremental depreciation charged during the year	<b>(516)</b>	(516)
	<b>5,009</b>	6,728
Related deferred tax liability at beginning of the year	<b>(2,019)</b>	(2,957)
Effect of change in tax rate	<b>-</b>	422
Less: related to incremental depreciation	<b>516</b>	516
	<b>(1,503)</b>	(2,019)
	<b><u>167,128</u></b>	<u>173,962</u>

<b>15 LONG TERM BORROWINGS</b>	<b>Note</b>	<b>2017 (Rupees in thousand)</b>	<b>2016</b>
<b>Loans from others-unsecured</b>			
Loan from others	15.1	<b>4,000</b>	4,000
<b>Loan-1 (From related party)</b>			
Principal	15.2	<b>8,408</b>	8,408
Accumulated mark-up there on		<b>10,614</b>	9,908
		<b>19,022</b>	18,316
<b>Loan -2 ( From director )</b>			
Principal	15.3	<b>22,358</b>	22,023
Accumulated mark-up there on		<b>6,117</b>	4,426
		<b>28,475</b>	26,449
<b>Loan-3 (From related party)</b>			
Principal	15.4	<b>28,450</b>	18,650
Accumulated mark-up there on		<b>20,174</b>	18,167
		<b>48,624</b>	36,817
		<b>100,121</b>	85,582
Less: current and overdue portion	15.1	<b>(4,000)</b>	(4,000)
		<b>96,121</b>	81,582

**15.1** 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.

**15.2** Represents an unsecured loan from a director of Elmetec (Pvt) Ltd - a related party. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2017 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2017) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2018. The mark-up will be charged at the rate of Twelve months KIBOR plus 2% per annum (2016: Twelve months KIBOR plus 2% per annum) . An other unsecured loan amounting to Rs. 5.00 million taken in past and according to the agreement dated June 30, 2016, the loan carries mark-up @ Twelve months KIBOR per annum (2016: Twelve months KIBOR per annum) and will be repaid in Twenty four equal quarterly installments commencing from July 01, 2018.

**15.3** Represents an unsecured loan from a Director. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2017 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2017) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2018. The mark-up will be charged at the rate of KIBOR plus 2% per annum (2016: KIBOR plus 2% per annum). Other unsecured loans amounting to Rs. 7.797 million and Rs.3.0 million taken in past, according to the fresh agreements dated June 30, 2017, the loans carry mark-up @ KIBOR+2% per annum (2016: KIBOR+2% per annum), which will be repaid in twenty four quarterly installments commencing from July 01, 2018 and markup on these loans will be paid on monthly basis.

**15.4** Represents an un-secured loan from Elmetec (Pvt) Ltd - a related party. During the year an agreement has been signed to reschedule the loan. According to the agreement dated June 30, 2017 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2017) will be repaid in twenty four equal quarterly installments commencing from July 01, 2018. The mark-up rate on this loan is KIBOR plus 2% per annum (2016: KIBOR plus 2% per annum).

	Note	2017 (Rupees in thousand)	2016
<b>16 DEFERRED LIABILITIES</b>			
Staff retirement benefits - Gratuity	16.1	4,011	6,007
Deferred taxation	16.2	5,640	6,855
		<u>9,651</u>	<u>12,862</u>
<b>16.1 Staff retirement benefits - Gratuity</b>			
Staff retirement benefits - Gratuity		4,905	6,901
Unclaimed gratuity shown under current liabilities (trade and other payables)		(894)	(894)
		<u>4,011</u>	<u>6,007</u>
<b>16.1.1 Principal assumptions</b>			
Discount rate		7.75%	7.25%
Expected rate of eligible salary increase in future years		7.75%	7.25%
<b>16.1.2 Liability for gratuity arose in the following manner:</b>			
Opening net liability		6,901	6,662
Expense for the year		669	701
Other Comprehensive Income		(857)	(162)
Benefits paid		(1,808)	(300)
Closing net liability		<u>4,905</u>	<u>6,901</u>
<b>16.1.3 Charge to profit and loss account</b>			
Current service cost		234	66
Interest cost		435	635
Total amount chargeable to profit and loss account		<u>669</u>	<u>701</u>

**16.1.4 Comparison for five years**

	2017	2016	2015	2014	2013
	-----Rupees in thousand -----				
Present value of defined benefit obligation	4,905	6,901	6,662	4,701	6,579

**16.1.5** Expected charge for the year ending 30 June 2018 is Rs. 0.231 million.

**16.2 DEFERRED TAXATION**

	2017	2016
Note	(Rupees in thousand)	
<b>Taxable temporary differences</b>		
Surplus on revaluation of fixed assets	5,640	6,855
<b>Deductible temporary differences</b>		
Accelerated tax depreciation	(4,003)	(3,949)
Carried forward tax losses and unabsorbed depreciation	(108,698)	(103,013)
	<u>(112,701)</u>	<u>(106,962)</u>
	<u>(107,061)</u>	<u>(100,107)</u>
Deferred tax asset not recognised	112,701	106,962
	<u>5,640</u>	<u>6,855</u>

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

**17 TRADE AND OTHER PAYABLES**

Creditors	17.1	123,662	120,066
Accrued liabilities		11,018	5,796
Advances from customers		5,389	9,134
Advance from related party		23,016	18,459
Payable to ex-employees		802	802
Provident fund		281	13
Unclaimed gratuity payable		894	894
Tax deducted at source		9	116
Others	17.2	1,619	233
		<u>166,690</u>	<u>155,513</u>

**17.1** These include Rs. 117.270 million (2016: 113.054 million) payable to Elmetec (Private) Limited - a related party.

**17.2** This includes Rs. 1.371 million payable to a director.

**18 SHORT TERM BORROWING***Unsecured*

from director		<u>2,851</u>	<u>-</u>
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**18.1** This represents unsecured and interest free loan received from a director, Mr. Salman Ganny. The loan is repayable on demand.

**19 MARK UP ACCRUED**

Opening balance		-	-
Accrued during the year		4,410	4,473
		<u>4,410</u>	<u>4,473</u>
Paid / transferred during the year	19.1	(4,410)	(4,473)
<b>Closing balance</b>		<u>-</u>	<u>-</u>

**19.1** These have been paid or rescheduled as disclosed in note 15 to these financial statements.

	Note	2017	2016
		(Rupees in thousand)	
<b>20 CONTINGENCIES AND COMMITMENTS</b>			
<b>20.1 Contingencies</b>			
<b>20.1.1 Guarantees</b>			
The banks have issued guarantees, on behalf of the Company as detailed below:			
Guarantees against performance bond		<u>2,679</u>	<u>6,100</u>
<b>Labour</b>			
<b>20.1.2</b>	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. (2016: 0.987 million).		
<b>Others</b>			
<b>20.1.3</b>	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.		
<b>20.1.4</b>	The Company had filed a suit for the recovery of insurance claim of Rs 3.735 million (2016: Rs 3.735 million) in Honorable High Court of Sindh at Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited. However, the Honorable High Court of Sindh has disposed off the suit vide order dated 18 October, 2016.		
<b>20.2 Commitments</b>			
There is no commitment as on June 30, 2017 (2016 : Nil )			
<b>21 SALES - NET</b>			
Gross sales		26,156	41,469
Sales tax		(3,681)	(6,015)
		<u>22,475</u>	<u>35,454</u>
Commission and discount on sales		(32)	(89)
		<u>22,443</u>	<u>35,365</u>
Services income		600	103
Sales tax on service income		(119)	(20)
		<u>481</u>	<u>83</u>
		<u>22,924</u>	<u>35,448</u>
		2017	2016
		(Rupees in thousand)	
<b>22 COST OF SALES</b>			
<b>Raw materials and components consumed</b>			
Opening stock		40,269	38,201
Purchases and sub contract cost		<u>13,940</u>	<u>24,712</u>
		<u>54,209</u>	<u>62,913</u>
<b>Closing stock</b>		<u>(37,987)</u>	<u>(40,269)</u>
		<u>16,222</u>	<u>22,644</u>
Salaries, wages and benefits	22.1	7,911	9,305
Fuel and power		998	1,252
Repair and maintenance		270	522
Inspection and testing		8	5
Printing and stationery		35	39
Traveling and conveyance		190	209
Depreciation	4.1.2	7,050	7,049
Provision for Obsolete/ slow moving stocks		20,225	(2,284)
Other manufacturing expenses		205	577
		<u>36,892</u>	<u>16,674</u>
		<u>53,114</u>	<u>39,318</u>
<b>Work in process</b>			
Opening stock		3,273	17,446
Closing stock		(4,386)	(3,273)
		<u>(1,113)</u>	<u>14,173</u>
<b>Cost of goods manufactured</b>		<u>52,001</u>	<u>53,491</u>
<b>Finished goods</b>			
Opening stock		7,468	321
Closing stock		-	(7,468)
		<u>7,468</u>	<u>(7,147)</u>

	<u><b>59,469</b></u>	<u>46,344</u>
<b>22.1 Salaries, wages and benefits</b>		
Salaries and wages	<b>7,778</b>	9,219
Gratuity	<b>95</b>	36
P.F Contribution (Worker & Staff)	<b>38</b>	50
	<u><b>7,911</b></u>	<u>9,305</u>

**23 DISTRIBUTION EXPENSES**

Salaries, wages and benefits	23.1	<b>926</b>	1,309
Late delivery charges and penalties		<b>314</b>	1,830
Advertising and sales promotion		<b>28</b>	98
Travelling and conveyance		<b>27</b>	44
Subscriptions and periodicals		<b>52</b>	81
Repair and maintenance		<b>65</b>	37
Entertainment		<b>28</b>	55
Printing and stationery		<b>1</b>	21
Others		<b>43</b>	63
		<b>1,484</b>	3,538

**23.1 Salaries, wages and benefits**

Salaries & wages		<b>900</b>	1,289
Gratuity		<b>11</b>	5
P.F Contribution-Staff		<b>15</b>	15
		<b>926</b>	1,309

**24 ADMINISTRATIVE EXPENSES**

Salaries, wages and benefits	24.1	<b>10,714</b>	6,704
Directors' remuneration		<b>366</b>	350
Travelling and conveyance		<b>691</b>	1,133
Legal and professional charges		<b>212</b>	375
Rent, rates and taxes		<b>1,004</b>	1,362
Repair and maintenance		<b>316</b>	451
Printing and stationery, postage etc.		<b>909</b>	830
Light and power		<b>721</b>	1,747
Entertainment		<b>337</b>	623
Advertisement, subscriptions and periodicals		<b>943</b>	1,859
Auditors' remuneration	24.2	<b>485</b>	447
Insurance		<b>347</b>	80
Provisions for doubtful debts, loans and advances		<b>4,335</b>	14,152
Doubtful deposits written off	10.1	<b>3,831</b>	-
Depreciation	4.1.2	<b>1,763</b>	1,762
Others		<b>1,479</b>	2,218
		<b>28,453</b>	34,093

2017

2016

Note (Rupees in thousand)

**24.1 Salaries, wages and benefits**

Salaries and wages		<b>10,440</b>	6,534
Gratuity		<b>128</b>	25
P.F Contribution-Staff		<b>146</b>	145
		<b>10,714</b>	6,704

**24.2 Auditors' remuneration**

Annual audit fee		<b>270</b>	250
Review of half yearly financial statements		<b>65</b>	60
Review of consolidated financial statements		<b>65</b>	60
Certification and others		<b>16</b>	15
Out of pocket expenses		<b>69</b>	62
		<b>485</b>	447

**25 FINANCE COST**

Mark-up on unsecured long term loans	4,410	4,473
Bank charges and commission	38	45
Interest on defined benefit plan liability	435	635
	<u>4,883</u>	<u>5,153</u>

**26 TAXATION**

Current year	26.1	-
Prior year	353	392
Deferred tax	(1,215)	(1,215)
	<u>(862)</u>	<u>(823)</u>

**26.1** Income tax assessments of the Company upto tax year 2016 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.

**27 LOSS PER SHARE - basic and diluted**

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

Loss after taxation - (Rupees in thousand)	<u>(70,503)</u>	<u>(52,857)</u>
Weighted average number of ordinary shares	<u>5,449,972</u>	<u>5,449,972</u>
<b>Loss per share - basic and diluted - (Rupees)</b>	<u>(12.94)</u>	<u>(9.70)</u>
	2017	2016

**28 CASH GENERATED FROM OPERATIONS**

Loss before taxation		(71,365)	(53,680)
<b>Adjustments for:</b>			
Depreciation	4.1.2	8,813	8,811
Provisions for doubtful debts, loans and advances		4,335	14,152
Doubtful deposits written off		3,831	-
Provision for staff gratuity - net		234	66
Provision for Obsolete/ slow moving stocks		20,225	2,284
Finance cost	25	4,845	5,108
		<u>(29,082)</u>	<u>(23,259)</u>

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

*Decrease /(Increase)decrease in current assets*

Stock-in-trade	8,637	390
Trade debts	(474)	(2,368)
Loans and advances	(603)	(7,835)
Deposits and prepayments	3,336	(705)
	<u>10,896</u>	<u>(10,518)</u>

*increase in current liabilities*

Trade and other payables	11,177	34,054
<b>Cash generated from operations</b>	<u>(7,009)</u>	<u>277</u>

## 29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### **Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

### **Risk management framework**

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

## 29.1 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 long term deposits, trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date is as follows:

	2017 (Rupees in thousand)	2016
Long term deposits	940	940
Trade debts	2,156	6,372
Loans and advances	97	535
Trade deposits and other receivables	296	6,776
Bank balances	4,408	1,043
	<u>7,897</u>	<u>15,666</u>

### Impairment losses

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

	2017		2016	
	Gross (Rupees in thousand)	impairment	Gross (Rupees in thousand)	impairment
Past due 1 - 60 days	544	-	673	-
Past due 61 - 365 days	1,612	-	5,700	-
More than one year	9,695	(9,695)	5,005	(5,005)
<b>Total</b>	<u>11,851</u>	<u>(9,695)</u>	<u>11,378</u>	<u>(5,005)</u>

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.

## 29.2 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	100,121	100,121	-	(4,000)	(96,121)
Trade and other payables	166,690	166,690	(1,696)	(164,994)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
<b>June 30, 2017</b>	<b>271,079</b>	<b>271,079</b>	<b>(5,964)</b>	<b>(168,994)</b>	<b>(96,121)</b>
Long term financing	85,582	85,582	-	(4,000)	(81,582)
Trade and other payables	155,513	155,513	(1,696)	(153,817)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
June 30, 2016	<b>245,363</b>	<b>245,363</b>	<b>(5,964)</b>	<b>(157,817)</b>	<b>(81,582)</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.

### 29.3 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:

2017	2016	2017	2016
Effective interest rate (%)		Carrying amount(Rs.'000')	

#### Financial liabilities

Long term financing	<b>KIBOR and KIBOR +2%</b>	KIBOR and KIBOR +2%	<b>100,121</b>	85,582
---------------------	--------------------------------	------------------------	----------------	--------

#### 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.

## 29.4 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.

## 29.5 Fair value hierarchy

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

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

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

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

	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Long term borrowings	-	96,121	-	<b>96,121</b>

	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Long term borrowings	-	81,582	-	81,582

There have been no transfers during the year (2016: no transfers in either direction).

## 30 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, 2017 the negative shareholders' equity amounts to Rs. 234.566 million (2016: Rs. 171.754 million).

### 31 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:

	<u>Executives</u>		<u>Chief Executive</u>		<u>Directors</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	----- Rupees in thousands -----							
Managerial Remuneration	1,380	1,848	2,400	2,400	-	-	3,780	4,248
Retirement benefits and provident fund contribution	-	154	200	200	-	-	200	200
Rent, utilities, leave encashment etc.	-	-	1,722	1,989			1,722	1,989
Directors' fees	-	-	-	-	370	2,096	370	2,096
	<u>1,380</u>	<u>2,002</u>	<u>4,322</u>	<u>4,589</u>	<u>370</u>	<u>2,096</u>	<u>6,072</u>	<u>8,533</u>
No. of persons	<u>3</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>

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

### 32 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. All transactions with related parties have been carried out by the Company at arm's length prices using the comparable uncontrolled price method. Transactions with related parties are as follows:

	2017	2016
	(Rupees in thousand)	
<b>Subsidiaries</b>		
Loan provided to subsidiary companies	<u>70</u>	<u>7,500</u>
Payments made on behalf of subsidiary companies	<u>49</u>	<u>49</u>
Amount adjusted between two subsidiaries	<u>7,505</u>	<u>-</u>
<b>Provident Fund</b>		
Contribution paid to Provident Fund	<u>199</u>	<u>210</u>
<b>Directors</b>		
Directors' fee paid	<u>370</u>	<u>2,096</u>
Markup on long term borrowings	<u>1,697</u>	<u>2,035</u>
Loan received	<u>335</u>	<u>841</u>
Funds received during the year	<u>1,962</u>	<u>1,286</u>
Funds repaid during the year	<u>1,180</u>	<u>624</u>
<b>Other related parties due to close family relationship with director</b>		
Long term Loan received	<u>9,800</u>	<u>-</u>
Purchases	<u>10,521</u>	<u>12,599</u>
Funds received - net	<u>4,557</u>	<u>23,490</u>
Markup on long term borrowings	<u>2,713</u>	<u>2,438</u>

### **33 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.

### **34 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on October 06th, 2017 by the Board of Directors of the Company.

### **35 GENERAL**

- 35.1** Figures have been rounded off to the nearest thousand rupee.
- 35.2** The number of employees as at June 30, 2017 was 18 (2016: 56) and average number of employees during the year was 37 (2016: 58)
- 35.3** Corresponding figures have been re-arranged & re-classified, whenever, necessary for the purpose of comparison and better presentation.

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**Chief Executive**

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**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, 2017** 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 Company and its subsidiary companies.

Except for the matters discussed in paragraph (b) & (c) below, 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 a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis 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.
- b) We have not received direct confirmation from legal advisors of the Holding Company regarding cases mentioned in note 21.1.2 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.
- c) The financial statements of the subsidiary companies, Johnson and Phillips Industries (Pakistan) limited, Johnson & Phillips Transformers (Private) Limited and J & P EMO Pakistan (Private) Limited for the year ended June 30, 2017 were audited by us. Due to the significance of the matters mentioned below, the scope of our work was not sufficient to enable us to express, and we did not express our opinion in our reports dated October 06, 2017 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. 12.912 million

(2016: Rs. 42.932 million). We were not able to confirm whether the amount would be realized at carrying values. Moreover, due to lack of customary accounting records and supporting documents, we were unable to verify the Companies' liabilities aggregating to Rs. 41.610 million (2016: 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) During the year ended 30 June 2017, the management of the subsidiaries of the group, Johnson and Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited have recorded disposal and reversal of certain assets and liabilities in the financial statements of these subsidiaries including assets held for sale amounting to Rs. 23.870 million, stores, spare parts and loose tools amounting to Rs. 2.396 million, stock in trade amounting to Rs. 12.705 million, advances amounting to Rs. 9.005 million, short term loan from commercial bank amounting to Rs. 37.242 million and recognised a loss on sale of assets held for sale amounting to Rs. 1.504 million in profit and loss account resulting in increase in bank balance amounting to Rs. 9.213 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the subsidiary companies' financial statements for the year ended 30 June 2016 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
- iii) 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.
- iv) As explained in note 2 to the consolidated financial statements, the subsidiaries of the group, Johnson and Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited ceased production in July 1997 and February 1998 respectively. Further, the accumulated losses of all the subsidiary companies as at June 30, 2017 stand at Rs. 136.967 million (2016: Rs. 135.344 million) resulting in negative shareholders' equity of Rs. 75.967 million (2016: Rs.74.344 million). Further, two subsidiary companies of the group have also defaulted in payment of their aggregate liability amounting to Rs. 29.755 million (2016: Rs. 29.755 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.
- v) We have requested the confirmation of balances and other information as at June 30, 2017 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

- 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.
  
- d) In our opinion, except for the possible effects of the matters referred to in para (a) to (c) above, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at **June 30, 2017**, and the results of their operations 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 cast significant doubt on the Holding Company's ability to continue as a going concern.

Karachi  
**October 06, 2017**

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**NAZIR CHAUDHRI & CO.**  
**Chartered Accountants**  
Engagement Partner: Abdul Rafay

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED BALANCE SHEET**

As at June 30, 2017

	<i>Note</i>	2017	2016
<b>(Rupees in thousand)</b>			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	175,318	184,009
Intangible Asset	5	-	-
Long term deposits		1,566	1,566
		<b>176,884</b>	185,575
<b>CURRENT ASSETS</b>			
Assets held for sale	6	-	23,870
Store, spares and loose tools	7	-	2,396
Stock-in-trade	8	13,788	55,355
Trade debts	9	2,156	6,372
Loans and advances	10	16,641	17,956
Deposits and prepayments and other receivables	11	1,085	7,479
Advance tax-net of provision		5,306	4,970
Cash and bank balances	12	13,810	1,245
		<b>52,786</b>	119,643
<b>TOTAL ASSETS</b>		<b>229,670</b>	<b>305,218</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Authorized capital</b>			
8,000,000 (2016: 8,000,000) ordinary shares of Rs. 10 each		<b>80,000</b>	80,000
Issued, subscribed and paid-up capital	13	54,500	54,500
Share premium reserve		29,727	29,727
General reserve		23,073	23,073
Accumulated loss		(349,328)	(285,012)
		<b>(242,028)</b>	(177,712)
Non-controlling interest	14	-	-
Surplus on revaluation of property, plant and equipment	15	167,128	173,962
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	16	96,121	81,582
Deferred liabilities	17	10,247	13,458
		<b>106,368</b>	95,040
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	182,447	171,269
Short term borrowings	19	6,927	33,831
Current and overdue portion of long term borrowings	16.2	4,000	4,000
Mark up accrued	20	-	-
Unclaimed dividend		4,268	4,268
Taxation		560	560
		<b>198,202</b>	213,928
<b>Contingencies and commitments</b>	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>229,670</b>	<b>305,218</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended June 30, 2017

	<i>Note</i>	<b>2017</b> <b>(Rupees in thousand)</b>	2016
Sales-net	22	<b>22,924</b>	35,448
Cost of sales	23	<b>(59,469)</b>	(46,344)
<b>Gross loss</b>		<b>(36,545)</b>	(10,896)
Distribution cost	24	<b>(1,484)</b>	(3,538)
Administrative expenses	25	<b>(28,453)</b>	(26,637)
		<b>(29,937)</b>	(30,175)
		<b>(66,482)</b>	(41,071)
Finance cost	26	<b>(4,883)</b>	(5,153)
loss on disposal of assets classified as held for sale		<b>(1,504)</b>	-
<b>Loss before taxation</b>		<b>(72,869)</b>	(46,224)
Taxation	27	<b>862</b>	823
<b>Loss after taxation from continued operations</b>		<b>(72,007)</b>	(45,401)
<b>Loss after taxation for the year attributable to:</b>			
- Owners of the Holding Company		<b>(71,334)</b>	(45,374)
- Non-controlling interests		<b>(673)</b>	(27)
		<b>(72,007)</b>	(45,401)
		-----Rupees-----	
<b>Loss per share - basic and diluted</b>	28	<b>(13.21)</b>	(8.33)

The annexed notes from 1 to 37 form an integral part of these financial statements.

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**



**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended June 30, 2017

	<i>Note</i>	<b>2017</b> <b>(Rupees in thousand)</b>	2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	9,593	7,777
Taxes paid	10	(689)	(404)
Gratuity paid	17.1.2	(1,808)	(300)
Finance cost paid		(6)	(1,063)
<b>Net cash from operating activities</b>		<b>7,090</b>	<b>6,010</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(122)	-
Proceeds from disposal of assets classified as held for sale		22,366	-
		<b>22,244</b>	<b>-</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term borrowing		10,135	841
Repayment of short term borrowing		(26,904)	(7,500)
		<b>(16,769)</b>	<b>(6,659)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>12,565</b>	<b>(649)</b>
Cash and cash equivalents at beginning of the year		854	1,503
Cash and cash equivalents at end of the year	29	<b>13,419</b>	<b>854</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended June 30, 2017

	Issued, subscribed and paid- up capital	Capital reserve Share premium reserve	General reserve	Revenue reserve (Accumulated loss)	Total
----- ( Rupees in thousand ) -----					
Balance as at June 30, 2015	54,500	29,727	23,073	(246,607)	(139,307)
<b>Total comprehensive loss for the year</b>					
Net loss for the year	-	-	-	(45,401)	(45,401)
Other comprehensive income				162	162
				(45,239)	(45,239)
Transfer from surplus on revaluation of property, plant and equipment				6,834	6,834
Balance as at June 30, 2016	54,500	29,727	23,073	(285,012)	(177,712)
<b>Total comprehensive loss for the year ended June 30, 2017</b>					
Net loss for the year				(72,007)	(72,007)
Other comprehensive income	-	-	-	857	857
				(71,150)	(71,150)
Transfer from surplus on revaluation of property, plant and equipment				6,834	6,834
<b>Balance as at June 30, 2017</b>	<b>54,500</b>	<b>29,727</b>	<b>23,073</b>	<b>(349,328)</b>	<b>(242,028)</b>

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2017

### 1 STATUS AND NATURE OF BUSINESS

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

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

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

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

- 1.2 The accumulated losses of the Group as at June 30, 2017 stand at Rs. 349.555 million (2016: Rs. 285.012 million) resulting in negative equity of Rs. 242.255 million (2016: Rs. 177.712 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 145.643 million (2016: 94.285 million).

These conditions indicate the existence of material uncertainty which may cast significant doubts on the group's ability to continue as going concern.

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 16.2, 16.3 and 16.4 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, 2017. The Strategic Business Revival Plan put forward by Management is approved by Board of Directors.
- iii) The Board and other related parties of the 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 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, 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**

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

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Ordinance or the requirements of the said directives prevail.

**3.1.2** During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated commission's decision that the companies whose financial year close on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

#### **3.2 Accounting convention**

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

- Recognition of staff retirement benefits which are stated at present value as referred to in note 16.1.
- Certain items of property, plant and equipment which are stated at revalued amounts as referred to in note 4.

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

#### **3.3 Standards, interpretations and amendments applicable to financial statements**

The accounting policies adopted in the preparation of these financial statement are consistent with those of the previous financial year except as describe below:

##### **3.3.1 New standards, interpretations and amendments**

The Company has adopted the following accounting standards and amendments which became effective for the current year:

IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)

The adoption of the above accounting standards did not have any effect on these financial statements.

### 3.3.2 Annual Improvements

IFRS 5 - Non-current Assets Held for sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 - Financial Instruments: Disclosures - Servicing contracts

IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Employee Benefits - Discount rate: regional market issue

IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material effect on these financial statements.

### 3.3.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

<b>Standard or Interpretation</b>		<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 -	Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 -	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 7 -	Financial Instruments: Disclosures - Disclosure Initiative (Amendment)	January 1, 2017
IAS 12 -	Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	January 1, 2017
IFRS 4 -	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IAS 40 -	Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IFRIC 22 -	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 -	Uncertainty Over Income Tax Treatments	January 1, 2019

The Company expects that the adoption of the above amendments and interpretation of the standards will not effect the Company's financial statements in the period of initial application.

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

**Effective date**

<b>Standard or interpretation</b>	<b>(annual periods Beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 16 - Leases	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

### 3.3 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 these consolidated financial statements are as follows:

	<b>Note</b>
Provision for taxation	3.7
Provision for deferred taxation	3.7
Residual values and useful lives of depreciable assets	3.11
Provision for obsolete and slow moving stock	3.14
Write down of stock in trade to their net realisable value	3.14
Provision for doubtful debts	3.15
Provision for doubtful advance and deposits	3.15
Employees' retirement benefits	3.4

### 3.4 Employee benefits

#### 3.4.1 Defined benefit plan

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

The latest actuarial valuation for gratuity scheme was carried out as June 30, 2017. Projected unit credit method is used for valuation of the scheme.

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

#### 3.4.2 Defined contribution plan

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

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

#### 3.4.3 Provident fund related disclosures

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

	<b>Unaudited June 30, 2017</b>	Unaudited June 30, 2016
	----Rupees in thousands----	
Size of the fund - Total assets	<u>5,397</u>	<u>8,009</u>
Cost of the Investment made	<u>4,000</u>	<u>6,000</u>
Percentage of investments made	<u>74%</u>	<u>75%</u>

Fair value of the investments		<u>5,397</u>	<u>6,000</u>
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**Break-up of the fair value of investments is:**

	<b>June 30, 2017</b>	June 30, 2016	<b>June 30, 2017</b>	June 30, 2016
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
----Rupees in thousands----				
Certificate of Investment	4,000	6,000	<b>74%</b>	<b>75%</b>

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

### 3.5 Compensated absences

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

### 3.6 Foreign currency translation

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

### 3.7 Taxation

#### a) Current

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

#### b) Deferred

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

### 3.8 Trade and other payables

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

### 3.9 Provisions

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

### 3.10 Investments

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

### 3.11 Property, plant and equipment and depreciation

#### a) Owned

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

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

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

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

Profit and loss on disposal of assets 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.

### **3.12 Intangible assets**

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

### **3.13 Consumable stores**

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

### **3.14 Stock in trade**

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

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

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

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

### **3.16 Warranties**

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

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

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

### **3.18 Transaction with related parties**

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

### **3.19 Impairment losses**

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

### **3.20 Revenue recognition**

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

### **3.21 Borrowing cost**

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

### **3.22 Cash and cash equivalents**

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

### **3.23 Financial Instruments**

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

### **3.24 Offsetting**

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

### **3.25 Borrowings**

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

### **3.26 Dividend**

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

#### 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 -----									
As at 01 July 2015									
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
Year Ended 30 June 2016									
Opening net book value	161,857	20,267	10,262	12	-	255	1	166	192,820
Additions during the year	-	-	-	-	-	-	-	-	-
Depreciation for the year	(4,000)	(2,560)	(2,087)	(4)	-	(85)	-	(75)	(8,811)
Closing net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
Useful Life (Years)	99	10	7	10	5	4	5	5	
<b>As at 01 July 2016</b>									
Cost	170,000	25,600	14,610	1,178	3,843	11,640	4,320	11,994	243,185
Accumulated depreciation	(12,143)	(7,893)	(6,435)	(1,170)	(3,843)	(11,470)	(4,319)	(11,903)	(59,176)
Net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
<b>Year Ended 30 June 2017</b>									
Opening net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
Additions during the year	-	-	-	-	90	-	-	32	122
Depreciation for the year	(4,000)	(2,560)	(2,087)	(8)	(8)	(89)	(1)	(60)	(8,813)
Closing net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
<b>As at 30 June 2017</b>									
Cost	170,000	25,600	14,610	1,178	3,933	11,640	4,320	12,026	243,307
Accumulated depreciation	(16,143)	(10,453)	(8,522)	(1,178)	(3,851)	(11,559)	(4,320)	(11,963)	(67,989)
Net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Useful Life (Years)	99	10	7	10	5	4	5	5	

- 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 2016, 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	28	33
Building on lease hold land	13,081	11,724	1,357
Plant and machinery	30,018	28,942	1,076

- 4.1.1 Details of the Company's leasehold land, building and plant and machinery and information about fair value hierarchy, explained in note 33.4.1, as at June 30, 2017 are as follows.

	Level 1	Level 2	Level 3	Total
(Rupees in thousand)				
Leasehold land	-	154,002	-	154,002
Building	-	15,147	-	15,147
Plant & Machinery	-	6,085	-	6,085

There were no transfers between levels of fair value hierarchy during the year.

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

	Note	2017 (Rupees in thousand)	2016
Cost of sales and services	23	7,050	7,049
Administrative expenses	25	1,763	1,762
		<b>8,813</b>	<b>8,811</b>

2017  
2016  
Note (Rupees in thousand)

#### 4.2 Cost of fully depreciated assets

Gas and electric installation	1,178	1,037
Factory tools	3,843	3,843
Vehicles	11,590	11,590
Furniture and fixtures	4,320	4,320
Office and other equipments	11,812	11,361
	32,743	32,201

#### 5 INTANGIBLE ASSET

	COST			AMORTIZATION			Written down Values as at June 30, 2017	Useful life (years)
	As at July 01, 2016	Additions / disposal	As at June 30, 2017	As at July 01, 2016	For the year	As at June 30, 2017		
----- Rupees in thousands -----								
<b>Computer Software</b>	129	-	129	129	-	129	-	5
	129	-	129	129	-	129	-	

#### 6 ASSETS HELD FOR SALE

Description	COST			DEPRECIATION			Written down Values as at June 30, 2016
	As at July 01, 2015	Additions / disposal	As at June 30, 2016	As at July 01, 2015	For the year	As at June 30, 2016	
----- Rupees in thousand -----							
Free hold land	3,709	(3,709)	-	-	-	-	-
Building	12,327	(12,327)	-	6,859	(6,859)	-	-
Plant and machinery	23,741	(23,741)	-	11,438	(11,438)	-	-
Factory Tools and equipments	1,857	(1,857)	-	1,103	(1,103)	-	-
Office & other equipments	1,130	(1,130)	-	943	(943)	-	-
Furniture and fixture	231	(231)	-	185	(185)	-	-
Laboratory equipments	185	(185)	-	79	(79)	-	-
Vehicles	3	(3)	-	3	(3)	-	-
	43,183	(43,183)	-	20,610	(20,610)	-	-
<b>Capital work in progress</b>							
Plant & machinery	1,297	(1,297)	-	-	-	-	-
<b>2017</b>	44,480	(44,480)	-	20,610	(20,610)	-	-
<b>2016</b>	44,480	-	44,480	20,610	-	20,610	23,870

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 is being shown separately under current assets as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and measured at the lower of carrying amount and fair value less costs to sell. During the year assets held for sale have been disposed off.

	Note	2017 (Rupees in thousand)	2016
<b>7 STORE, SPARES &amp; LOOSE TOOLS</b>			
Stores		-	182
Loose tools		-	2,214
		<u>-</u>	<u>2,396</u>
<b>8 STOCK-IN-TRADE</b>			
Raw material and components in hand - Gross		<b>37,987</b>	52,075
Less: provision for obsolete/ slow moving items	8.1	<b>(28,585)</b>	(8,360)
		<b>9,402</b>	43,715
Work-in-process		<b>4,386</b>	4,172
Finished goods		-	7,468
		<u><b>13,788</b></u>	<u>55,355</u>
<b>8.1 Movement in obsolete /slow moving items</b>			
Opening provision		<b>(8,360)</b>	(10,644)
(Provision) / reversal made during the year		<b>(20,225)</b>	2,284
		<u><b>(28,585)</b></u>	<u>(8,360)</u>
<b>9 TRADE DEBTS</b>			
Trade debts - <i>unsecured</i> ,		<b>11,851</b>	11,377
Less: Provision for doubtful trade debts	9.1	<b>(9,695)</b>	(5,005)
		<u><b>2,156</b></u>	<u>6,372</u>
<b>9.1 Movement in provision for doubtful trade debts</b>			
Opeing provision		<b>(5,005)</b>	-
Provsion made during the year		<b>(4,690)</b>	(5,005)
		<u><b>(9,695)</b></u>	<u>(5,005)</u>
<b>10 LOANS AND ADVANCES</b>			
<b>Advances - Unsecured - Considered good</b>			
To suppliers		<b>794</b>	829
To employees		<b>356</b>	460
Against purchase of land		<b>2,717</b>	4,217
Others		<b>71</b>	71
		<b>3,938</b>	5,577
<b>Sales tax refundable</b>		<b>16,544</b>	15,921
Less: Provision for doubtful advances	10.1	<b>(3,841)</b>	(3,542)
		<u><b>16,641</b></u>	<u>17,956</u>

**10.1 Movement in provision for doubtful advances****Provision for doubtful advances against:**

Suppliers

Employees

Purchase of land

Others

Opening	(Provision) / reversal made during the year	Closing provision
(765)	-	(765)
(2,717)	-	(2,717)
-	(288)	(288)
(60)	(11)	(71)
<b>(3,542)</b>	<b>(299)</b>	<b>(3,841)</b>

**11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES****Prepayments**

86

70

**Deposits**

Deposit

Margin against bank guarantee

Deposit with court

Other receivable

Tender deposits - net of provision

85	85
3,126	6,478
723	723
50	50
228	228
<b>4,212</b>	<b>7,564</b>

Less: Provision for doubtful deposits  
doubtful deposits written off

11.1

**(3,831)**

(773)

**Other receivables**

Receivables from ex-management against sale of fixed assets

11.2

**618**

618

**1,085****7,479****11.1 Movement in provision for doubtful deposits**

Opening provision

Provisions made during the year

Deposits written off during the year

(773)	-
(3,058)	(773)
3,831	-
-	(773)

**11.2** 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 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>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>(Rupees in thousand)</b>	
Cash in hand		<b>26</b>	39
At bank			
- in current accounts		<b>13,759</b>	1,182
- in saving accounts		<b>25</b>	24
		<b>13,810</b>	1,245
<b>13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
<b>(Number of shares)</b>			
<b>2017</b>	<b>2016</b>		
<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

2017      2016  
**Note (Rupees in thousand)**

**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>(20,913)</b>	(20,886)
- for the year	<b>(673)</b>	(27)
	<b>(21,586)</b>	(20,913)
	<b>(12,096)</b>	(11,423)
Minority share in excess of their share in capital transferred to profit and loss account of the group	<b>12,096</b>	11,423
	<b>-</b>	-

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

**Leasehold land**

Revaluation surplus over written down value at beginning	<b>157,968</b>	161,967
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(3,999)</b>	(3,999)
	<b>153,969</b>	157,968

**Factory building**

Revaluation surplus over written down value at beginning	<b>16,121</b>	18,452
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(1,632)</b>	(1,632)
Related deferred tax liability of incremental depreciation charged during the year	<b>(699)</b>	(699)
	<b>13,790</b>	16,121
Related deferred tax liability at beginning	<b>(4,836)</b>	(6,458)
Effect of change in tax rate	<b>-</b>	923
Less: related to incremental depreciation	<b>699</b>	699
	<b>(4,137)</b>	(4,836)

**Plant and machinery**

Revaluation surplus over written down value at beginning	<b>6,728</b>	8,447
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(1,203)</b>	(1,203)
Related deferred tax liability of incremental depreciation charged during the year	<b>(516)</b>	(516)
	<b>5,009</b>	6,728
Related deferred tax liability at beginning of the year	<b>(2,019)</b>	(2,957)
Effect of change in tax rate	<b>-</b>	422
Less: related to incremental depreciation	<b>516</b>	516
	<b>(1,503)</b>	(2,019)
	<b>167,128</b>	173,962

	Note	2017 (Rupees in thousand)	2016
<b>16 LONG TERM BORROWINGS</b>			
<i>Relating to subsidiary companies</i>			
Local currency - general term finance	16.1	-	-
<i>Relating to Holding Company</i>			
<b>Loans from others-unsecured</b>			
Loan from others	16.2	4,000	4,000
<b>Loan-1 (From related party)</b>			
Principal	16.3	8,408	8,408
Accumulated mark-up there on		10,614	9,908
		19,022	18,316
<b>Loan -2 ( From director )</b>			
Principal	16.4	22,358	22,023
Accumulated mark-up there on		6,117	4,426
		28,475	26,449
<b>Loan-3 (From related party)</b>			
Principal	16.5	28,450	18,650
Accumulated mark-up there on		20,174	18,167
		48,624	36,817
		100,121	85,582
Less: current and overdue portion		(4,000)	(4,000)
		96,121	81,582

**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 Holding Company at an interest rate of 12% per annum which was repayable in installments of Rs. 500,000 per month starting from October 2006. As the loan remained unpaid till the year ended June 30, 2007, a fresh agreement was made by the parties on June 30, 2007. 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 a director of Elmetec (Pvt) Ltd - a related party of the Holding Company. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2016 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2016) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2017. The mark-up will be charged at the rate of Twelve months KIBOR plus 2% per annum (2015: Twelve months KIBOR plus 2% per annum) . An other unsecured loan amounting to Rs. 5.00 million taken in past and according to the agreement dated June 30, 2016, the loan carries mark-up @ Twelve months KIBOR per annum (2015: Twelve months KIBOR per annum) and will be repaid in Twenty four equal quarterly installments commencing from July 01, 2017.
- 16.4** Represents an unsecured loan from a Director of the Holding Company. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2016 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2016) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2017. The mark-up will be charged at the rate of KIBOR plus 2% per annum (2015: KIBOR plus 2% per annum). Other unsecured loans amounting to Rs. 7.797 million and Rs.3.0 million taken in past, according to the fresh agreements dated June 30, 2016, the loans carry mark-up @ KIBOR+2% per annum (2015: KIBOR+2% per annum), which will be repaid in twenty four quarterly installments commencing from July 01, 2017 and markup on these loans will be paid on monthly basis.
- 16.5** Represents an un-secured loan from Elmetec (Pvt) Ltd - a related party of the Holding Company. During the year an agreement has been signed to reschedule the loan. According to the agreement dated June 30, 2016 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2016) will be repaid in twenty four equal quarterly installments commencing from July 01, 2017. The mark-up rate on this loan is KIBOR plus 2% per annum (2015: KIBOR plus 2% per annum).

		2017	2016
	Note	(Rupees in thousand)	
<b>17 DEFERRED LIABILITIES</b>			
Staff retirement benefits - Gratuity	17.1	4,011	6,007
Deferred taxation	17.2	6,236	7,451
		<u>10,247</u>	<u>13,458</u>

17.1 Staff retirement benefits - Gratuity	Note	2017 (Rupees in thousand)	2016 Restated
Staff retirement benefits - Gratuity		4,905	6,901
Unclaimed gratuity shown under current liabilities (Trade and other payables)		(894)	(894)
		<u>4,011</u>	<u>6,007</u>

#### 17.1.1 Principal assumptions

Discount rate	7.75%	7.25%
Expected rate of eligible salary increase in future years	7.75%	7.25%

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

Opening net liability	6,901	6,662
Expense for the year	669	701
Other Comprehensive Income	(857)	(162)
Benefits paid	(1,808)	(300)
Closing net liability	<u>4,905</u>	<u>6,901</u>

#### 17.1.3 Charge to profit and loss account

Current service cost	234	66
Interest cost	435	635
Total amount chargeable to profit and loss account	<u>669</u>	<u>701</u>

#### 17.1.4 Comparison for five years

	2017	2016	2015	2014	2013
	-----Rupees in thousand -----				
Present value of defined benefit obligation	4,905	4,905	6,901	4,701	6,579

15.1.5 Expected charge for the year ending 30 June 2018 is Rs. 0.231 million.

#### 17.2 DEFERRED TAXATION

##### Taxable temporary differences

Surplus on revaluation of fixed assets	5,640	6,855
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##### Deductible temporary differences

Accelerated tax depreciation	(5,591)	(3,949)
Carried forward tax losses and unabsorbed depreciation	(109,728)	(100,403)
	<u>(115,319)</u>	<u>(104,352)</u>
	<u>(109,679)</u>	<u>(97,497)</u>

Deferred tax asset not recognised	115,319	104,352
	<u>5,640</u>	<u>6,855</u>

Deferred tax liability related to subsidiary	596	596
	<u>6,236</u>	<u>7,451</u>

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

<b>18 TRADE AND OTHER PAYABLES</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>(Rupees in thousand)</b>	
Creditors	18.1	<b>131,801</b>	128,039
Accrued liabilities		<b>11,093</b>	5,856
Advances from customers	16.1	<b>5,389</b>	9,134
Advance from related party		<b>23,016</b>	18,459
Workers' profit participation fund		<b>3,498</b>	3,498
Payable to ex-employees		<b>802</b>	802
Provident fund		<b>281</b>	13
Unclaimed gratuity payable		<b>894</b>	894
Sales tax payable		<b>39</b>	39
Due to others		<b>1,349</b>	1,351
Withholding tax payable		<b>514</b>	621
Others		<b>3,771</b>	2,563
		<b>182,447</b>	171,269

**18.1** These include Rs. 117.270 million (2016: 113.054 million) payable to Elmetec (Private) Limited - a related party.

**18.2** This includes Rs. 1.371 million payable to a director.

## **19 SHORT TERM BORROWINGS**

### **Relating to subsidiary company**

#### *From financial institutions*

Short term loan	<b>16.1</b>	-	29,755
Temporary overdraft		<b>391</b>	391
<i>From director</i>	<b>19.1</b>	<b>3,685</b>	3,685
		<b>4,076</b>	33,831

### **Relating to holding company**

<i>From director</i>	<b>19.1</b>	<b>2,851</b>	-
		<b>6,927</b>	33,831

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

## **20 MARK UP ACCRUED**

Opening balance		-	-
Accrued during the year		<b>4,410</b>	4,473
		<b>4,410</b>	4,473
Paid / transferred during the year	20.1	<b>(4,410)</b>	(4,473)
<b>Closing balance</b>		<b>-</b>	-

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

**21 CONTINGENCIES AND COMMITMENTS**

**21.1 Contingencies**

**21.1.1 a) Guarantees**

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

Guarantees against performance bond	2,679	6,100
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**b) Labour**

**21.1.2** 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. (2015: 0.987 million).

**c) Others**

**21.1.3** 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.

**21.1.4** The Company has filed a suit for the recovery of insurance claim of Rs 3.734 million (2015: 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 (2015: 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 (2015: 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 decision in the pending appeals the company would not be required to make further payment as advance tax paid would cover the demand. The company may however, face a charge amounting to Rs. 0.350 million.

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

The income tax assessments of Johnson & Phillips EMO Pakistan (Private) Limited for the assessment year upto 2000-2001 have been completed and the total liability demanded for the assessment years 1996-97 to 1999-2000 amounts to Rs. 0.226 million which the Subsidiary Company is disputing in appeals before tax authorities. In the event of adverse decision in the appeals the company would be faced with additional liability of Rs. 0.053 million (2015: Rs. 0.053 million).

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

## 21.2 Commitments

There is no commitment as on June 30, 2017 (2016 : Nil )

	2017	2016
<b>22 SALES - NET</b>	<b>(Rupees in thousand)</b>	
Gross sales	26,156	41,469
Sales tax	(3,681)	(6,015)
	22,475	35,454
Commission and discount on sales	(32)	(89)
	22,443	35,365
Services income	600	103
Sales tax on service income	(119)	(20)
	481	83
	22,924	35,448
<b>23 COST OF SALES</b>		
<b>Raw materials and components consumed</b>		
Opening stock	40,269	38,201
Purchases and sub contract cost	13,940	24,712
	54,209	62,913
<b>Closing stock</b>	(37,987)	(40,269)
	16,222	22,644
Salaries, wages and benefits	7,911	9,305
Fuel and power	998	1,252
Repair and maintenance	270	522
Inspection and testing	8	5
Printing and stationery	35	39
Traveling and conveyance	190	209
Depreciation	7,050	7,049
Provision for Obsolete/ slow moving stocks	20,225	(2,284)
Other manufacturing expenses	205	577
	36,892	16,674
	53,114	39,318
<b>Work in process</b>		
Opening stock	3,273	17,446
Closing stock	(4,386)	(3,273)
	(1,113)	14,173
<b>Cost of goods manufactured</b>	52,001	53,491
<b>Finished goods</b>		
Opening stock	7,468	321
Closing stock	-	(7,468)
	7,468	(7,147)
	59,469	46,344

	Note	2017 (Rupees in thousand)	2016
<b>23.1 Salaries and wages</b>		<b>7,778</b>	9,219
Gratuity		<b>95</b>	36
P.F Contribution (Worker & Staff)		<b>38</b>	50
		<b>7,911</b>	9,305
<b>24 DISTRIBUTION EXPENSES</b>			
Salaries, wages and benefits	24.1	<b>926</b>	1,309
Late delivery charges and penalties		<b>314</b>	1,830
Advertising and sales promotion		<b>28</b>	98
Travelling and conveyance		<b>27</b>	44
Subscriptions and periodicals		<b>52</b>	81
Repair and maintenance		<b>65</b>	37
Entertainment		<b>28</b>	55
Printing and stationery		<b>1</b>	21
Others		<b>43</b>	63
		<b>1,484</b>	3,538
<b>24.1 Salaries, wages and benefits</b>			
Salaries & wages		<b>900</b>	1,289
Gratuity		<b>11</b>	5
P.F Contribution-Staff		<b>15</b>	15
		<b>926</b>	1,309
<b>25 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	25.1	<b>10,714</b>	7,054
Directors' remuneration		<b>366</b>	-
Travelling and conveyance		<b>691</b>	1,133
Legal and professional charges		<b>213</b>	375
Rent, rates and taxes		<b>1,004</b>	1,362
Repair and maintenance		<b>316</b>	451
Printing and stationery, postage etc.		<b>909</b>	830
Light and power		<b>721</b>	1,747
Entertainment		<b>337</b>	623
Advertisement, subscriptions and periodicals		<b>943</b>	1,907
Auditors' remuneration	25.2	<b>533</b>	492
Insurance		<b>417</b>	80
Others		<b>1,479</b>	2,218
Provisions for doubtful debts, loans and advances	9.1 & 10.1	<b>4,216</b>	6,603
Doubtful deposits written off	11.1	<b>3,831</b>	-
Depreciation	4.1.2	<b>1,763</b>	1,762
		<b>28,453</b>	26,637
<b>25.1 Salaries, wages and benefits</b>			
Salaries and wages		<b>10,440</b>	6,884
Gratuity		<b>128</b>	25
P.F Contribution-Staff		<b>146</b>	145
		<b>10,714</b>	7,054

		2017	2016
	Note	(Rupees in thousand)	
<b>25.2 Auditors' remuneration</b>			
Annual audit fee		318	295
Review of half yearly financial statements		65	60
Review of consolidated financial statements		65	60
Certification and others		16	15
Out of pocket expenses		69	62
		<u>533</u>	<u>492</u>
<b>26 FINANCE COST</b>			
Mark-up on unsecured long term loans		4,410	4,473
Interest on defined benefit plan liability		435	635
Bank charges and commission		38	45
		<u>4,883</u>	<u>5,153</u>
<b>27 TAXATION</b>			
Current year	27.1	-	-
Prior year		353	392
Deferred tax		(1,215)	(1,215)
		<u>(862)</u>	<u>(823)</u>
<b>27.1</b>	Income tax assessments of the Company upto tax year 2016 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>28 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>(72,007)</u>	<u>(45,401)</u>
Weighted average number of ordinary shares		<u>5,449,972</u>	<u>5,449,972</u>
<b>Loss per share - basic and diluted (Rupees)</b>		<u>(13.21)</u>	<u>(8.33)</u>
<b>29 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	12	13,810	1,245
Temporary overdraft	19	(391)	(391)
		<u>13,419</u>	<u>854</u>
		2016	2015
	Note	(Rupees in thousand)	
<b>30 CASH GENERATED FROM OPERATIONS</b>			
Loss before taxation		(72,869)	(46,224)
<b>Adjustments for:</b>			
Depreciation	4.1.2	8,813	8,811
Provisions for doubtful debts, loans and advances	9.1 & 10.1	4,216	6,603
Doubtful deposits written off	11.1	3,831	-
Provisions for obsolete / slow moving stock	4.1.2	20,225	2,284
Provision for staff gratuity - net	17.1.3	234	66
Finance cost	26	4,845	5,108
Loss on disposal of assets classified as held for sale		1,504	-
		<u>(29,201)</u>	<u>(23,352)</u>
<b>Effect on cash flow due to working capital changes</b>			
Decrease /(Increase) in current assets			
Stock-in-trade		21,342	390
Trade debts		(474)	(2,368)
Store, spares and loose tools		2,396	-
Loans and advances		1,016	(286)

Deposits and prepayments and other receivables	3,336	(705)
	27,616	(2,969)
Decrease in current liabilities		
Trade and other payables excluding unclaimed gratuity	11,178	34,098
<b>Cash generated from operations</b>	<b>9,593</b>	<b>7,777</b>

## 31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### **Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

### **Risk management framework**

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

### 31.1 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:

	2017	2016
	(Rupees in thousand)	
Long term deposits	1,566	1,566
Trade debts	2,156	6,372
Loans and advances	97	2,035
Trade deposits and other receivables	381	6,791
Bank balances	13,784	1,206
	<u>17,984</u>	<u>17,970</u>

#### Impairment losses

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

	2017		2016	
	Gross	impairment	Gross	impairment
	------(Rupees in thousand)-----			
Past due 1 - 60 days	544	-	673	-
Past due 61 - 365 days	1,612	-	5,700	-
More than one year	9,695	(9,695)	5,005	(5,005)
<b>Total</b>	<u>11,851</u>	<u>(9,695)</u>	<u>11,378</u>	<u>(5,005)</u>

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.

### 31.2 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	100,121	100,121	-	(4,000)	96,121
Trade and other payables	182,447	182,447	(1,911)	(180,536)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
Short term borrowings	6,927	6,927	-	(6,927)	-
<b>June 30, 2017</b>	<b>293,763</b>	<b>293,763</b>	<b>(6,179)</b>	<b>(191,463)</b>	<b>96,121</b>
Long term financing	85,582	85,582	-	(4,000)	81,582
Trade and other payables	171,269	171,269	(1,911)	(169,358)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
Short term borrowings	33,831	33,831	-	(33,831)	-
June 30, 2016	294,950	294,950	(6,179)	(207,189)	81,582

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 statements.

### 31.3 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:

2016	2016	2017	2016
Effective interest rate (%)		Carrying amount (Rs.'000')	

#### Financial liabilities

Long term financing	<b>KIBOR and KIBOR +2%</b>	12%, KIBOR and KIBOR +2%	<b>100,121</b>	85,582
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#### Sensitivity analysis

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

### 31.4 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.

#### 31.4.1 Fair value hierarchy

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

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

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

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

	2017			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
Long term borrowings	-	96,121	-	96,121
	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Long term borrowings	-	81,582	-	81,582

There have been no transfers during the year (2016: no transfers in either direction).

## 32 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, 2016 the negative shareholders' equity amounts to Rs. 242.028 million (2015: Rs. 177.712 million).

## 33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	Executives		Chief Executive		Directors		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	----- Rupees in thousands -----							
Managerial Remuneration	1,380	1,848	2,400	2,400	-	-	3,780	4,248
Retirement benefits and provident fund contribution	-	154	200	200	-	-	200	200
Rent, utilities, leave encashment etc.	-	-	1,722	1,989	-	-	1,722	1,989
Directors' fees	-	-	-	-	370	2,096	370	2,096
	<b>1,380</b>	<b>2,002</b>	<b>4,322</b>	<b>4,589</b>	<b>370</b>	<b>2,096</b>	<b>6,072</b>	<b>8,533</b>
No. of persons	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>5</b>

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

### 34 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:

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

	2017	2016
	(Rupees in thousand)	
<b>Provident Fund</b>		
Contribution paid to Provident Fund	<u>199</u>	<u>210</u>
<b>Directors</b>		
Directors' fee paid	<u>370</u>	<u>2,096</u>
Markup on long term borrowings	<u>1,697</u>	<u>2,035</u>
Loan received	<u>335</u>	<u>841</u>
Funds received during the year	<u>1,962</u>	<u>1,286</u>
Funds repaid during the year	<u>1,180</u>	<u>624</u>
<b>Other related parties due to close family relationship with director</b>		
Long term Loan received	<u>9,800</u>	<u>-</u>
Purchases	<u>10,521</u>	<u>12,599</u>
Funds received - net	<u>4,557</u>	<u>23,490</u>
Markup on long term borrowings	<u>2,713</u>	<u>2,438</u>

### 35 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.

### 36 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 06th, 2017 by the Board of Directors of the Company.

### 37 GENERAL

Figures have been rounded off to the nearest thousand rupee.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**PATTERN OF SHARE HOLDINGS**  
**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**AS AT JUNE 30, 2017**

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Associated Companies, undertaking and related parties</b>			
Etheridge Company Limited	1	2,719,536	49.90%
<b>Directors, CEO and their Spouse &amp; Minor Children</b>			
Mr.Salman Ganny	1	1,000	0.02%
Mr.Abid Saeed Khan	1	500	0.01%
Mr.Mohammad Azhar-ul-Islam	1	500	0.01%
Mr.Mohammad Tariq Anjum	1	500	0.01%
Mr.Syed Jamshed Zaidi	1	500	0.01%
Mrs.Marium Shafi	1	110,273	2.02%
<b>Financial institutions</b>			
National Bank of Pakistan	2	42,823	0.79%
National Investment Trust (NIT)	2	496,840	9.12%
Trustee National Bank of Pakistan Employees	2	54,349	1.00%
Habib Bank Limited	1	245	0.00%
<b>Insurance Companies</b>			
EFU General Insurance	1	76	0.00%
<b>Joint Stock Companies (Local)</b>			
NH Securities (Pvt) Ltd	1	376	0.01%
Fikree's (SMC-PVT) Ltd.	1	8,675	0.16%
Sakarwala Capital Securities (Pvt) Ltd.	1	1,500	0.03%
Khadija & Kassam Ali Investments (Pvt) Ltd.	1	1,500	0.03%
Javed Omer Vohra & Company Limited	1	11	0.00%
<b>Investment Companies</b>			
HMV Investment Ltd.	1	125	0.00%
H.M. Investment Ltd.	1	43	0.00%
Pyramid Investment (Private) Limited	2	1,380	0.03%
Investment Corporation of Pakistan	1	3,016	0.06%
<b>General Public</b>			
<b>Individual</b>	<b>1142</b>	<b>2,005,502</b>	<b>36.80%</b>
<b>Others</b>			
Pakistan Share Holder Association	1	1	0.00%
Administrator Abandoned Property	1	701	0.01%
<b>Totals</b>	<b>1169</b>	<b>5,449,972</b>	<b>100%</b>

Share holders holding 5% or more	Shares Held	Percentage
Etheridge Company Limited	2,719,536	49.90%
National Investment Trust (NIT)	496,840	9.12%
Munaf Ibrahim	475,000	8.72%

**PATTERN OF SHARE HOLDING  
AS AT JUNE 30, 2017**

No of Share Holders	Shareholding		Total Shares Held
	From	To	
631	1	100	18,537
210	101	500	111,418
145	501	1000	123,454
127	1,001	5000	316,439
29	5,001	10000	228,374
4	10,001	15000	50,500
7	15,001	20000	130,771
5	20,001	35000	135,500
1	35,001	40000	37,048
1	40,001	45000	42,500
5	45,001	120000	375,280
-	120,001	125000	-
-	125,001	220000	-
-	220,001	225000	-
3	225,001	1975000	1,160,615
-	1,975,001	1980000	-
-	1,980,001	2715000	-
1	2,715,001	2720000	2,719,536
<b>1,169</b>			<b>5,449,972</b>

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

We have audited the annexed balance sheet of **Johnson and Phillips Industries (Pakistan) Limited** ("the Company") as at **June 30, 2017** 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 paragraph (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 Companies Ordinance, 1984, and supporting documents relating to transactions with its customer and suppliers, particularly with respect to receivable, payables, bank balances, property, plant and equipment and inventories. Further, in the absence of information regarding realizable value of several balances under inventories, deposits, other receivable and bank balances aggregating to Rs. 9.826 million (2016: 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 liabilities aggregating to Rs. 7.927 million (2016: Rs. 7.927 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by the conditions.
- (b) During the year, the management has recorded disposal and reversal of certain assets and liabilities in the financial statements including assets held for sale amounting to Rs. 8.743 million, stores, spare parts and loose tools amounting to Rs. 2.396 million, stock-in-trade amounting to Rs. 5.795 million, advances amounting to Rs. 7.505 million, short term borrowings of Rs. 11.348 million, and recognised a loss on disposal of assets held for sale amounting to Rs. 3.861 million in profit and loss account resulting in increase in bank balance amounting to Rs. 9.213 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the Company's financial statements for the year ended 30 June 2016 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these

transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.

- (c) as discussed in Note 1.3 to the financial statements the accumulated losses of the Company as at June 30, 2017 stand at Rs. 72.376 million (2016: Rs. 68.498 million) resulting in a negative equity of Rs.42.376 million (2016: Rs. 38.498 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 22.837 million (2016: Rs.18.959 million). Further as fully explained in note 11.1 to these financial statements the Company has also defaulted in payment of its liability amounting to Rs. 3.861 million (2016: Rs. 3.861 million). These conditions indicated the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as going concern.
- (d) in the absences of information regarding the latest position of income tax assessment of the Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these financial statements that may arise.
- (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, 2017 from National Bank of Pakistan Main branch Shahrah e Quaid-e-Azam, Lahore and to date satisfactory response was not received. In the absence of satisfactory response it cannot be assessed with any degree of accuracy that the balance and other information stated in the Company's records are in agreement with the bank.
- (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 statements referred to above.
- (h) in our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980.

Karachi  
October 06, 2017

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**NAZIR CHAUDHRI & CO.**  
**Chartered Accountants**  
Engagement Partner: Abdul Rafay

# JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## BALANCE SHEET

AS AT JUNE 30, 2017

	Note	2017 (Rupees in thousand)	2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Long term deposits	4	461	461
<b>CURRENT ASSETS</b>			
Assets held for sale	5	-	8,743
Stores, spares and loose tools	6	-	2,396
Stock -in-trade	7	-	5,795
Advances and other receivables	8	50	7,555
Advance income tax		615	615
Bank balances	9	9,315	102
		<b>9,980</b>	25,206
<b>TOTAL ASSETS</b>		<b>10,441</b>	<b>25,667</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL</b>			
Authorised capital 3,000,000 (2016: 3,000,000) Ordinary Shares of Rs. 10 each		<b>30,000</b>	30,000
Issued, subscribed and paid-up	10	<b>30,000</b>	30,000
Accumulated losses		<b>(72,376)</b>	(68,498)
		<b>(42,376)</b>	(38,498)
Advance against share capital		<b>20,000</b>	20,000
<b>NON-CURRENT LIABILITIES</b>			
Long term loan	11	-	-
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	<b>7,942</b>	7,942
Short term borrowing	13	<b>24,756</b>	36,104
Provision for taxation		<b>119</b>	119
		<b>32,817</b>	44,165
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,441</b>	<b>25,667</b>

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

Chief Executive

Direcotr

# JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in thousand)	2016
Administrative expenses	15	(17)	(20)
Loss on disposal of held for sale assets		(3,861)	-
<b>Loss for the year due to ceased operations</b>		<u>(3,878)</u>	<u>(20)</u>
<b>Loss per share - basic and diluted - Rupees</b>	16	<u>(1.293)</u>	<u>(0.007)</u>

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

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Chief Executive

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Director

# JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in thousand)	2016
Loss for the year		(3,878)	(20)
Other comprehensive income		-	-
Total comprehensive income		<u>(3,878)</u>	<u>(20)</u>

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

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**Chief Executive**

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**Director**

# JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in thousand)	
<b>CASH FLOWS FROM CEASED OPERATIONS</b>		
Loss for the year	(3,878)	(20)
<i>Adjustment for non-cash charges and other items:</i>		
Loss on disposal of held for sale assets	3,861	-
	<hr/>	<hr/>
Loss before working capital charges	(17)	(20)
<b>Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Advances and other receivables	7,505	-
Stores, spares and loose tools	2,396	
Stock -in-trade	5,795	
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	-	15
	<hr/>	<hr/>
Net cash from ceased operations	15,696	15
	<hr/>	<hr/>
	15,679	(5)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale proceed from disposal of held for sale assets	4,882	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowing repaid to bank	(3,861)	(7,500)
Short term borrowing repaid to holding company	(7,487)	7,505
	<hr/>	<hr/>
	(11,348)	5
	<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents	9,213	-
Cash and cash equivalents at the beginning of the year	102	102
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	9,315	102
	<hr/>	<hr/>

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

Chief Executive

Director

# JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

	Issued, subscribed and paid-up capital	(Accumulated losses )	Total
	<b>(Rupees in thousand)</b>		
Balance as July 01, 2015	30,000	(68,478)	(38,478)
Loss for the year	-	(20)	(20)
Balance as at June 30, 2016	30,000	(68,498)	(38,498)
Loss for the year	-	(3,878)	(3,878)
<b>Balance as at June 30, 2017</b>	<b>30,000</b>	<b>(72,376)</b>	<b>(42,376)</b>

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# **JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED**

## **NOTES TO THE ACCOUNTS**

*FOR THE YEAR ENDED JUNE 30, 2017*

### **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: 10.1 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, 2017 stand at Rs. 72.376 million (2016: Rs. 68.498 million) resulting in a negative equity of Rs 42.376 (2016: Rs. 38.498 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 22.837 million (2016: Rs: 18.959 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 BASIS OF PREPARATION**

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

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the

During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated commission's decision that the companies whose financial year close on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

#### **2.2 Accounting convention**

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

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

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

#### **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. Company follow revaluation policy after every five years.

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 2.7 to these financial statements.

## **2.5 Standards, interpretations and amendments applicable to financial statements**

The accounting policies adopted in the preparation of these financial statement are consistent with those of the previous financial year except as describe below:

### **2.5.1 New standards, interpretations and amendments**

The Company has adopted the following accounting standards and amendments which became effective for the current year:

- IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 - Separate Financial Statements: Equity Method in Separate 'Financial Statements (Amendment)

The adoption of the above accounting standards did not have any effect on the financial statements.

### **2.5.2 Annual Improvements**

- IFRS 5 - Non-current Assets Held for sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 - Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 - Employee Benefits - Discount rate: regional market issue
- IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material effect on these financial statements.

### **2.2.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

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

**Effective date  
(annual periods  
beginning on or  
after)**

**Standard or Interpretation**

IFRS 2 -	Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 -	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 7 -	Financial Instruments: Disclosures - Disclosure Initiative (Amendment)	January 1, 2017
IAS 12 -	Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	January 1, 2017
IFRS 4 -	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IAS 40 -	Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IFRIC 22 -	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 -	Uncertainty Over Income Tax Treatments	January 1, 2019

The Company expects that the adoption of the above amendments and interpretation of the standards will not effect the Company's financial statements in the period of initial application.

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

**Effective date  
(annual periods  
Beginning on or  
after)**

**Standard or interpretation**

IFRS 9 -	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 -	Regulatory Deferral Accounts	January 1, 2016
IFRS 15 -	Revenue from Contracts with Customers	January 1, 2018
IFRS 16 -	Leases	January 1, 2019
IFRS 17 -	Insurance Contracts	January 1, 2021

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Foreign currency translation**

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

#### **3.2 Taxation**

##### **i) Current**

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

##### **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.

#### **3.3 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.

#### **3.4 Provisions**

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

#### **3.5 Investments**

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

#### **3.6 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

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

##### **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 5.

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.

### **3.7 Intangible assets**

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

### **3.8 Consumable stores**

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

### **3.9 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.

### **3.10 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.

### **3.11 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.

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

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

### **3.13 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.

### **3.14 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.

### **3.15 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.

### **3.16 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.

### **3.17 Cash and cash equivalents**

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

### **3.18 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.

### **3.19 Offsetting**

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

### **3.20 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.

### **3.21 Dividend**

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

**4 LONG-TERM DEPOSITS**

Security deposit	<b>461</b>	461
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Represent payments made to Court in respect of security deposits.

**5 ASSETS HELD FOR SALE**

Description	COST			DEPRECIATION			Written down Values as at June 30, 2017
	As at July 01, 2016	Additions / disposal	As at June 30, 2017	As at July 01, 2016	For the year	As at June 30, 2017	
----- Rupees in thousand -----							
Plant and machinery	13,326	-	-	5,906	-	-	-
Factory tools	292	-	-	283	-	-	-
Office and other equipments	489	-	-	472	-	-	-
<b>Capital work in progress</b>							
Plant and machinery	1,297	-	-	-	-	-	-
<b>2017</b>	<b>15,404</b>	<b>-</b>	<b>-</b>	<b>6,661</b>	<b>-</b>	<b>-</b>	<b>-</b>
2016	15,404	-	15,404	6,661	-	6,661	8,743

**5.1** 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 was being shown separately under current assets as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and measured at the lower of carrying amount and fair value less costs to sell. During the year, assets held for sale has been disposed off.

**6 STORES, SPARES AND LOOSE TOOLS**

Consumable stores	-	182
Tools and dies	-	2,214
	-	2,396

**7 STOCK -IN-TRADE**

Held for disposal		
Raw material	-	4,896
Finished goods	-	899
	-	5,795

**8 ADVANCES AND OTHER RECEIVABLES**

**Unsecured**

Johnson & Philips Transformers (Private) Limited	8.1	-	7,505
Receivables from Ex-Management against			
Sale of fixed assets	8.2	<b>50</b>	50
		<b>50</b>	7,555

**8.1** This represent balance due from associated company amounting to Rs. Nil (2016: Rs.7.505 million), The maximum amount outstanding at the end of any month during the year was Rs. 7.505 million (2016: Rs. 7.505 million)

**8.2** 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".

	Note	2017	2016
<b>Rupees in thousand</b>			
<b>9 BANK BALANCES</b>			
Cash at bank (in current account)		<u>9,315</u>	<u>102</u>
<b>10 ISSUED , SUBSCRIBED AND PAID-UP-CAPITAL</b>			
3,000,000 (2016: 3,000,000) Ordinary shares of Rs.10 each fully paid in cash		<u>30,000</u>	<u>30,000</u>
3,000,000 (2016: 3,000,000) ordinary shares of the Company representing 100% (2015:100%) of the issued, subscribed and paid up capital are held by the Holding Company, Johnson and Phillips (Pakistan) Limited.			
<b>11 LONG TERM LOAN</b>			
<b>Un-secured</b>			
National Bank of Pakistan (formerly National Development Finance Corporation) local currency general term finance	11.1	-	3,861
Less: Transferred to current liabilities		-	<u>(3,861)</u>
		<u>-</u>	<u>-</u>
<b>11.1</b> 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.

	Note	2017	2016
Rupees in thousand			
<b>12 TRADE AND OTHER PAYABLES</b>			
Creditors		3,939	3,937
Accrued expenses		41	41
Due to others		1,349	1,351
Sales tax payable		39	39
		<u>5,368</u>	<u>5,368</u>
<b>Other payables</b>			
Income tax deducted		505	505
Workers' profit participation fund		2,069	2,069
		<u>2,574</u>	<u>2,574</u>
		<u>7,942</u>	<u>7,942</u>
<b>13 SHORT TERM BORROWING</b>			
Holding Company	13.1 & 8	24,756	32,243
National Bank of Pakistan (formerly National Development Finance Corporation) local currency general term finance	11.1	-	3,861
		<u>24,756</u>	<u>36,105</u>
<b>13.1</b>	The loan is un-secured interest free and payable on demand.		
<b>14 CONTINGENCIES AND COMMITMENTS</b>			
<b>Contingencies</b>			
<b>14.1</b>	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.		
<b>14.2</b>	The company is contingently liable in respect of professional fee payable to M/s Ebrahim & Company, Chartered Accountants amounting Rs.144,675. (2016:144,675)		
<b>Commitments</b>			
There were no capital commitments as at the balance sheet date.( 2016: Nil)			
<b>15 ADMINISTRATIVE EXPENSES</b>			
Audit fee		16	15
Fee and subscription		1	5
		<u>17</u>	<u>20</u>
<b>16 LOSS PER SHARE-BASIC AND DILUTED</b>			
Net loss for the year		(3,878)	(20)
Weighted average number of ordinary shares		3,000,000	3,000,000
Loss per share - basic and diluted - Rupees		<u>(1.29)</u>	<u>(0.01)</u>

## 17 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.

## 18 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

## 19 STAFF RETIREMENT BENEFITS

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

**2017**                      2016  
**(Rupees in thousand)**

## 20 TRANSACTIONS WITH HOLDING COMPANY AND ASSOCIATED COMPANIES

Payment on behalf of the company made by holding company	<u>17</u>	<u>12,505</u>
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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

### 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

## 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:

	2017	2016
	(Rupees in thousand)	
Long term security deposits	461	461
Advances	7,505	7,505
Other receivables	50	50
Bank balance	9,315	102
	<u>17,331</u>	<u>8,118</u>

## Impairment losses

As at balance date there was no impairment loss in respect of financial assets (2016 nil).

## 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.

	(Rupees in thousand)				
	Carrying amount	Total	Contractual cash flows		
			On demand	Upto one year	More than one year
Trade and other payables	7,942	7,942	-	(7,942)	-
Short term borrowings	24,756	24,756	(24,756)	-	-
<b>June 30, 2017</b>	<b>32,698</b>	<b>32,698</b>	<b>(24,756)</b>	<b>(7,942)</b>	<b>-</b>
Trade and other payables	7,942	7,942	-	(7,942)	-
Short term borrowings	36,104	36,104	(36,104)	-	-
June 30, 2016	44,046	44,046	(36,104)	(7,942)	-

### 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. 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:

2017	2016	2017	2016
Effective interest rate (%)		Carrying amount(Rs.'000')	

#### Financial liabilities

Short term loans	Non-interest bearing	24,756	36,104
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#### 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, 2017, the shareholders' negative equity amounts to Rupees 42.376 million (2016: Rupees 38.498 million).

**23 NUMBER OF EMPLOYEES**

The total number of employees as at the balance sheet date were NIL ( 2016: NIL).

**24 DATE OF AUTHORISATION**

These financial statements were authorised for issue on October 06th, 2017 by the Board of Directors of the Company.

**25 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

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**Chief Executive**

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**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, 2017** 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 paragraph (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 required by Companies Ordinance, 1984, and supporting documents relating to transactions with its customer and suppliers, particularly with respect to receivable, payables, bank balances, inventories and property, plant and equipment. Further, in the absence of information regarding realizable value of several balances under deposits, advances, other receivables, stock in trade, property, plant and equipment and bank balances aggregating to Rs. 2.943 million (2016: 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. 33.137 million (2016: Rs. 58.945 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by the conditions.
- (b) During the year, the management has recorded disposal and reversal of certain assets and liabilities in the financial statements of the Company including assets held for sale amounting to Rs. 15.127 million, stock in trade amounting to Rs. 6.910 million, advances amounting to Rs. 1.500 million, short term loan from commercial bank amounting to Rs. 25.894 million and recognised a gain on sale of assets held for sale amounting to Rs. 2.357 million in profit and loss account. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the Company's financial statements for the year ended 30 June 2016 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the

financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.

- (c) as discussed in Note 1.3 to the financial statements the accumulated losses of the Company as at June 30, 2017 stand at Rs. 60.194 million (2016: Rs.62.465 million) resulting in a negative equity of Rs.30.194 million (2016: Rs. 32.465 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 29.763 million (2016: Rs.32.034 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. 25.894 million (2016: Rs. 25.894 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company' ability to continue as going concern.
- (d) in the absences of information regarding the latest position of income tax assessment of the Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these financial statements that may arise due to decision against appeals filed by the Company with income tax authorities. We are unable to report matters of contingencies as disclosed in Note 14 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, 2017 from National Bank of Pakistan Main branch Shahrah-e-Quaid-e-Azam, Lahore and to date satisfactory response was not received. In the absence of satisfactory response it cannot be assessed with any degree of accuracy that the balance and other information stated in the Company's records are in agreement with the bank.
- (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 statements referred to above.
- (h) in our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980.

Karachi  
October 06, 2017

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

# JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

## BALANCE SHEET

AS AT JUNE 30, 2017

<i>ASSETS</i>	<i>Note</i>	2017 (Rupees in thousand)	2016
<b>Non-Current Assets</b>			
Long term deposits		165	165
<b>Current Assets</b>			
Assets held for sale	4	-	15,127
Stock-in trade	5	-	6,910
Advances	6	167	1,667
Other receivables	7	568	568
Advance income tax		1,982	1,982
Cash and bank balances	8	61	61
		2,778	26,315
		<u>2,943</u>	<u>26,480</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital &amp; Reserves</b>			
<b>Authorised share capital</b>			
3,000,000 (2016: 3,000,000) ordinary shares of Rs. 10 each		30,000	30,000
Issued, subscribed and paid-up	9	30,000	30,000
Accumulated losses		(60,194)	(62,465)
		(30,194)	(32,465)
<b>Non-Current Liabilities</b>			
Long term loan	10	-	-
Deferred Liabilities	11	596	596
		<u>596</u>	<u>596</u>
<b>Current Liabilities</b>			
Trade and other payables	12	7,644	7,644
Short term loan	13	24,470	50,278
Provision for taxation		427	427
		32,541	58,349
<b>Contingencies and Commitments</b>			
	14		
		<u>2,943</u>	<u>26,480</u>

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

Chief Executive

Director

# JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

	<i>Note</i>	<b>2017</b> <b>(Rupees in thousand)</b>	2016
Administrative expenses	15	<b>(86)</b>	49
Gain on sale of assets held for sale		<b>2,357</b>	
<b>Gain / (loss) for the year</b>		<b><u>2,271</u></b>	<b><u>(49)</u></b>
<b>Loss per share - basic and diluted</b>	16	<b><u>757</u></b>	<b><u>(16.33)</u></b>

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

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**Chief Executive**

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**Director**

# JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in thousand)	2016
Loss / (Gain) for the year		2,271	(49)
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<u>2,271</u>	<u>(49)</u>

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

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Chief Executive

Director

# JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	...Rupees in thousand...	
<b>CASH FLOWS FROM CEASED OPERATIONS</b>		
Loss for the year	2,271	(49)
Adjustment for non-cash charges and other items:	-	-
Gain on sale of held for sale assets	(2,357)	-
	<u>(86)</u>	<u>(49)</u>
<b>Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stock in trade	6,910	-
Advances	1,500	-
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	-	15
	<u>8,410</u>	<u>15</u>
<b>Net cash from ceased operations</b>	<u>8,324</u>	<u>(34)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of assets held for sale	17,484	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term loan repaid	(25,808)	34
	<u>-</u>	<u>-</u>
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	<u>61</u>	<u>61</u>

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

	Issued, subscribed and paid-up capital	Accumulated loss	Total
	----- Rupees in thousand-----		
Balance as at June 30, 2015	30,000	(62,416)	(32,416)
Loss for the year	-	(49)	(49)
Balance as at June 30, 2016	<u>30,000</u>	<u>(62,465)</u>	<u>(32,465)</u>
Loss for the year	-	2,271	2,271
<b>Balance as at June 30, 2017</b>	<b><u>30,000</u></b>	<b><u>(60,194)</u></b>	<b><u>(30,194)</u></b>

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

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

## **NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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

- 1.1** Johnson & Phillips Transformers (Private) Limited (the Company) was incorporated on October 05, 1992 in Pakistan under the Companies Ordinance, 1984 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. 10.1. The Company has settled their disputes with National Bank of Pakistan and agreed to pay Rs. 27.345 million as full and final settlement of their outstanding dues in instalments. In the event the terms of settlement are not implemented the NBP has a right to recover forthwith the whole outstanding amount by sale of assets of the Company. The Company has made default in making payment as per terms of agreement.
- 1.3** The accumulated losses of the Company as at June 30, 2017 stand at Rs. 60.194 million (2016: Rs. 62.465 million) resulting in a negative equity of Rs. 30.194 million (2016: Rs. 32.465 million). Moreover, the current liabilities of the Company exceeds the current assets by Rs. 29.763 million (2016 : Rs. 32.034 million) These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on Company's ability to

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

### **2 BASIS OF PREPARATION**

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

- 2.1.1** These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Ordinance
- 2.1.2** During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated commission's decision that the companies whose financial year close on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

#### **2.2 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.

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

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

## 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 Standards, interpretations and amendments applicable to financial statements

The accounting policies adopted in the preparation of these financial statement are consistent with those of the previous financial year except as describe below:

### 2.5.1 New standards, interpretations and amendments

The Company has adopted the following accounting standards and amendments which became effective for the current year:

IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)

The adoption of the above accounting standards did not have any effect on the financial statements.

### 2.5.2 Annual Improvements

IFRS 5 - Non-current Assets Held for sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 - Financial Instruments: Disclosures - Servicing contracts

IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Employee Benefits - Discount rate: regional market issue

IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material effect on these financial statements.

### 2.2.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 - Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 7 - Financial Instruments: Disclosures - Disclosure Initiative (Amendment)	January 1, 2017
IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	January 1, 2017
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 - Uncertainty Over Income Tax Treatments	January 1, 2019

The Company expects that the adoption of the above amendments and interpretation of the standards will not effect the Company's financial statements in the period of initial application.

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

<b>Standard or interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 16 - Leases	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

### 3 SIGNIFICANT ACCOUNTING POLICIES

### **3.1 Foreign currency translation**

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

### **3.2 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 liability method. Debit balances on account of deferred taxation are recognized only if there is reasonable certainty

### **3.3 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.

### **3.4 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.

### **3.5 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 4 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.

### **3.6 Consumable stores**

These are valued at average cost.

### **3.7 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 make the sale.

### **3.8 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.

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

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

### **3.10 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.

### **3.11 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.

### **3.12 Revenue recognition**

Sales are recorded on delivery of goods to the customers.

### **3.13 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.

### **3.14 Cash and cash equivalents**

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

### **3.15 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.

### **3.16 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.

### **3.17 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.

#### 4 ASSETS HELD FOR SALE

Description	COST			DEPRECIATION			Written down Values as at June 30, 2017	Rate
	As at July 01, 2016	Additions / disposal	As at June 30, 2017	As at July 01, 2016	For the year	As at June 30, 2017		
----- Rupees in thousand----- (%)								
Free hold land	3,709	(3,709)	-	-	-	-	-	-
Building	12,326	(5,467)	6,859	6,859	-	6,859	0	10
Plant and machinery	10,415	(4,883)	5,532	5,532	-	5,532	-	0
Tools and equipments	1,565	(745)	820	820	-	820	0	10
Office equipments	531	(170)	361	361	-	361	0	10
Furniture and fixture	158	(46)	112	112	-	112	-	0
Laboratory equipments	185	(106)	79	79	-	79	0	10
<b>2017</b>	<b>28,890</b>	<b>(15,126)</b>	<b>13,763</b>	<b>13,763</b>	<b>-</b>	<b>13,763</b>	<b>-</b>	
2016	28,890	-	28,890	13,763	-	13,763	15,127	

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 was being shown separately under current assets as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and measured at the lower of carrying amount and fair value less costs to sell. During the year assets held for sale have been disposed off.

#### 5 STOCK-IN-TRADE-held for disposal

2017      2016  
(Rupees in thousand)

Raw material and components - in hand

-      6,910

#### 6 ADVANCES

##### Unsecured-Considered good

Advance against land

-      1,500

Sales tax refundable

**167**      167

**167**      1,667

#### 7 OTHER RECEIVABLES

Receivable from Ex-Management against sale of assets

**568**      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".

	<i>Note</i>	<b>2017</b>	2016
		<b>(Rupees in thousand)</b>	
<b>8 CASH AND BANK BALANCES</b>			
Cash at bank (in current accounts)		<u>61</u>	<u>61</u>
<b>9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
3,000 (2016: 3,000) ordinary shares of Rs. 10/- each fully paid in cash		<u>30,000</u>	<u>30,000</u>
2,100 (2016: 2,100) ordinary shares of the Company representing 70% (2016: 70%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.			
<b>10 LONG TERM LOAN</b>			
<b>Secured</b>			
National Bank of Pakistan (formerly NDFC) (Note: 13.1 c )		-	25,894
Less: transferred to short term loan		-	(25,894)
		<u>-</u>	<u>-</u>
<b>10.1</b> The borrowing is secured against hypothecation of stocks and lien on book debts and repayment guarantee of holding company.			
The Company has settled its disputes with NBP and agreed to pay Rs. 27.345 million as full and final settlement of its outstanding dues as per compromise agreement dated April 30, 2002. This amount is repayable in six equal half yearly instalments commencing after the expiry of eight months from the date of decree.			
In the event of default in payment of any single instalment the entire outstanding amount shall become due and payable forthwith in lump sum. NBP has a right to recover the outstanding amount by sale of charged assets and properties of the company.			
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.			
<b>11 DEFERRED LIABILITIES</b>			
Deferred taxation		<u>596</u>	<u>596</u>
<b>12 TRADE AND OTHER PAYABLES</b>			
Trade creditors		<b>4,068</b>	4,068
Workers' profit participation fund		<b>1,429</b>	1,429
Others		<b>2,147</b>	2,147
		<u>7,644</u>	<u>7,644</u>
<b>13 SHORT TERM LOAN</b>			
From commercial bank -secured	<i>10</i>	-	25,894
From holding company	<i>12.1</i>	<b>20,785</b>	13,194
From associated company	<i>12.1</i>	-	7,505
From others -unsecured	<i>13.2</i>	<b>3,685</b>	3,685
		<u>24,470</u>	<u>50,278</u>
<b>13.1</b> Loans obtained from holding company and associated company are interest free and payable on demand.			
<b>13.2</b> Represents loan obtained from Mr. Bilal Ahmed Qureshi, a related party, major shareholder of the holding company. The loan is interest free and payable on demand.			

## 14 CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

- a) The income tax assessments for the assessment years up to 2000-2001 have been completed and the total liability demanded for the assessment years 1994-95 to 1998-99 amounts to Rs.4.835 million. The company has filed an appeal before Commissioner of Income Tax Appeals (CIT) against the above demand. The Commissioner has set aside the order of Deputy Commissioner of Income Tax and directed reassessment of demand. In the event of adverse decision the company would be faced with additional liability of Rs.4.451 million and corresponding charge against profit amounting to Rs.4.409 million.
- b) The liability for the amount due to Atta Cables (Pvt) Limited including unsecured loan relating to Ex-Management, has been recorded in the books at an amount of Rs.8.984 million as against the amount of Rs.18.998 million (2016: Rs.18.998 million) claimed by M/s Atta Cables (Pvt) Limited. The company does not acknowledge the excess amount of claim.
- c) Pursuant to a recovery suit filed by the National Bank of Pakistan against Johnson & Phillips Transformers (Pvt.) Limited (Defendant No.1) and Johnson & Phillips (Pakistan) Limited (Defendant No.2), the Banking Court No. III, Lahore passed a compromise decree.

The Bank agreed that prior to executing the Decree against the Defendant No.2 as guarantor, the Bank will execute against all assets of the Defendant No. 1. Some payments has been made to the Bank while the remaining amount of Rs. 25.894 million is still payable. The execution proceedings in this case are now pending before the Banking Court No. III.

### 14.2 Commitments

There were no capital commitments as at the balance sheet date.(2016: Nil)

	2017	2016
	(Rupees in thousand)	
<b>15 ADMINISTRATIVE EXPENSES</b>		
Audit fee	16	15
Fee & subscription	-	34
Insurance expenses	70	-
	<u>86</u>	<u>49</u>
<b>16 LOSS PER SHARE-BASIC AND DILUTED</b>		
Profit / (Loss) for the year after taxation	2,271	(49)
Weighted average number of ordinary shares	3,000	3,000
Loss per share - basic and diluted	<u>757.00</u>	<u>(16.33)</u>

### 17 PRODUCTION CAPACITY

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

### 18 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

**19 STAFF RETIREMENT BENEFITS**

**2017**                      2016  
**(Rupees in thousand)**

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

**20 TRANSACTIONS WITH HOLDING COMPANY AND ASSOCIATED COMPANIES**

Payment on behalf of the company made by holding company	<u><b>86</b></u>	<u>49</u>
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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:

	2017	2016
	(Rupees in thousand)	
Long term deposits	165	165
Advances	-	1,500
Other receivables	568	568
Bank balance	61	61
	<b>794</b>	2,294

### Impairment losses

As at balance date there was no impairment loss in respect of financial statements (2016: Nil).

## 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	7,644	7,644	-	(7,644)	-
Short term borrowings	24,470	24,470	1,424	(25,894)	-
<b>June 30, 2017</b>	<b>32,114</b>	<b>32,114</b>	<b>1,424</b>	<b>(33,538)</b>	-
Trade and other payables	7,644	7,644	-	(7,644)	-
Short term borrowings	50,278	50,278	(24,384)	(25,894)	-
June 30, 2016	57,922	57,922	(24,384)	(33,538)	-

## 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, 2017, the shareholders' negative equity amounts to Rupees 30.194 million (2016: Rs. 32.465 million)

## **23 NUMBER OF EMPLOYEES**

The total number of employees as at the balance sheet date were Nil ( 2016: Nil).

## **24 DATE OF AUTHORIZATION**

These financial statements were authorised for issue on October 06th, 2017 by the Board of Directors of the Company.

## **25 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

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**Chief Executive**

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**Director**

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

We have audited the annexed balance sheet of **J & P EMO Pakistan (Pvt) Ltd.** ("the Company") as at **June 30, 2017** 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 paragraph (a) to (d) 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 (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 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 (2016: 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. 0.546 million (2016: Rs. 0.546 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by the conditions.
- (b) as discussed in Note 1.2 to the financial statements the accumulated losses of the Company as at June 30, 2017 stand at Rs. 4.397 million (2016: Rs.4.381 million) resulting in a negative equity of Rs.3.397 million (2016: Rs. 3.381 million) and, as at that date, its current liabilities exceeds its current assets by Rs. 3.397 million (2016: Rs.3.381 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company' 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 statements that may arise due to decision against appeals filed by the Company with income tax authorities. We are unable to report matters of contingencies as disclosed in Note 8 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 statements referred to above.
- (f) in our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980.

Karachi  
October 06, 2017

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**NAZIR CHAUDHRI & CO.**  
**Chartered Accountants**  
Engagement Partner: Abdul Rafay

**J & P EMO PAKISTAN (PVT) LTD.**  
**BALANCE SHEET**  
AS AT JUNE 30, 2017

	2017 (Rupees in Thousand)	2016
<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
	143	143
	<b>143</b>	<b>143</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised capital</b>		
1,000,000 (2016: 1,000,000) ordinary shares of Rs. 10 each	10,000	10,000
Issued, subscribed and paid-up capital	4	1,000
Accumulated losses	(4,397)	(4,381)
	(3,397)	(3,381)
Trade and others payables	5	171
Temporary overdraft	391	391
Short term advances	6	2,964
Provision for taxation	14	14
	3,540	3,524
<b>Contingencies and commitments</b>	7	
	<b>143</b>	<b>143</b>

*The annexed notes from 1 to 18 form an integral part of these financial statements.*

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**J & P EMO PAKISTAN (PVT) LTD.**  
*PROFIT AND LOSS ACCOUNT*  
*FOR THE YEAR ENDED JUNE 30, 2017*

	<i>Note</i>	<b>2017</b> <b>(Rupees in Thousand)</b>	2016
Administrative expenses	<b>8</b>	<u>(16)</u>	<u>(24)</u>
Operating loss		<b>(16)</b>	(24)
<b>Loss for the year</b>		<b><u>(16)</u></b>	<b><u>(24)</u></b>
Loss per share- basic and diluted	<b>9</b>	<b><u>(0.16)</u></b>	<b><u>(0.24)</u></b>

*The annexed notes from 1 to 18 form an integral part of these financial statements.*

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**Chief Executive**

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**Director**

**J & P EMO PAKISTAN (PVT) LTD.**  
*STATEMENT OF COMPREHENSIVE INCOME*  
*FOR THE YEAR ENDED JUNE 30, 2017*

	<b>2017</b>	2016
	<b>(Rupees in thousand)</b>	
Loss for the year	<b>(16)</b>	(24)
Other comprehensive income	-	-
Total comprehensive loss	<u><b>(16)</b></u>	<u>(24)</u>

*The annexed notes from 1 to 18 form an integral part of these financial statements.*

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**J & P EMO PAKISTAN (PVT) LTD.**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
Note	(Rupees in thousand)	
<b>CASH FLOWS FROM CEASED OPERATIONS</b>		
<b>Loss for the year</b>	<b>(16)</b>	<b>(24)</b>
Adjustment for non-cash charges and other items:	-	-
Loss before working capital changes	<u><b>(16)</b></u>	<u><b>(24)</b></u>
<b>Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Trade & other payables	<u><b>0</b></u>	<u>15</u>
	<u>-</u>	<u>15</u>
<b>Net cash (used) from ceased operations</b>	<u><b>(16)</b></u>	<u><b>(9)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term advances	<u><b>16</b></u>	<u>9</u>
Net (decrease) / increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	<u><b>(391)</b></u>	<u>(391)</u>
Cash and cash equivalents at the end of the year	<u><u><b>(391)</b></u></u>	<u><u>(391)</u></u>

*The annexed notes from 1 to 18 form an integral part of these financial statements.*

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**J & P EMO PAKISTAN (PVT) LTD.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Issued, subscribed and paid-up capital</b>	<b>Accumulated losses</b>	<b>Total</b>
	-----Rupees in thousand-----		
Balance as at June 30, 2015	1,000	(4,357)	(3,357)
Loss for the year	-	(24)	(24)
Balance as at June 30, 2016	<u>1,000</u>	<u>(4,381)</u>	<u>(3,381)</u>
Loss for the year	-	(16)	(16)
<b>Balance as at June 30, 2017</b>	<b><u>1,000</u></b>	<b><u>(4,397)</u></b>	<b><u>(3,397)</u></b>

*The annexed notes from 1 to 18 form an integral part of these financial statements.*

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

# **J & P EMO PAKISTAN (PVT) LTD.**

## **NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

- 1.1** J & P EMO Pakistan (Pvt) Ltd. (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, 2017 stand at Rs. 4.397 million ( 2016: Rs. 4.381 million) resulting in a negative equity of Rs. 3.397 million ( 2016: Rs. 3.381 million) and as at that date, the current liabilities of the Company exceeds the current assets by Rs. 3.397 million (2016: Rs. 3.381 million). These conditions indicate the existence of a material uncertainty, which may cast a significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the ability of the management to negotiate profitable contracts.

The management is making efforts but anticipate that they may not succeed in procuring contracts at desired level of profitability in the foreseeable future because of adverse economic conditions of the industry in general and utility companies in particulars. During the current year , the management of the Company was unable to procure any contract , therefore, contract income and related cost are appearing as nil.

However, these accounts are prepared on going concern basis and, therefore, do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities.

### **2 BASIS OF PREPARATION**

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

- 2.1.1** These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Ordinance or the requirements of the said directives prevail.
- 2.1.2** During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated commission's decision that the companies whose financial year close on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

## 2.2 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.

## 2.3 Functional and presentation currency

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

## 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. Company follow revaluation policy after every five years.

### 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 2.7 to these financial statements.

## 2.5 Standards, interpretations and amendments applicable to financial statements

The accounting policies adopted in the preparation of these financial statement are consistent with those of the previous financial year except as describe below:

### 2.5.1 New standards, interpretations and amendments

The Company has adopted the following accounting standards and amendments which became effective for the current year:

IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation

IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 - Separate Financial Statements: Equity Method in Separate 'Financial Statements (Amendment)

The adoption of the above accounting standards did not have any effect on the financial statements.

### 2.5.2 Annual Improvements

IFRS 5 - Non-current Assets Held for sale and Discontinued Operations - Changes in methods of

disposal

- IFRS 7 - Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 - Employee Benefits - Discount rate: regional market issue
- IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material effect on these financial statements.

### 2.5.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 - Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 7 - Financial Instruments: Disclosures - Disclosure Initiative (Amendment)	January 1, 2017
IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	January 1, 2017
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 - Uncertainty Over Income Tax Treatments	January 1, 2019

The Company expects that the adoption of the above amendments and interpretation of the standards will not effect the Company's financial statements in the period of initial application.

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

<b>Standard or interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
-----------------------------------	--

IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 16 - Leases	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Foreign currency translation**

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

#### **3.2 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.

#### **3.3 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.

#### **3.4 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.

#### **3.5 Investments**

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

#### **3.6 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.

### **3.7 Intangible assets**

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

### **3.8 Consumable stores**

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

### **3.9 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.

### **3.10 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.

### **3.11 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.

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

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

### **3.13 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.

### **3.14 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.

### **3.15 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.

### **3.16 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.

### **3.17 Cash and cash equivalents**

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

### **3.18 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.

### **3.19 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.

### **3.20 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.

### **3.21 Dividend**

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

#### 4 PROPERTY, PLANT AND EQUIPMENT

Description	COST			DEPRECIATION			Written down Values as at June 30, 2017	Rate
	As at July 01, 2016	Additions / disposal	As at June 30, 2017	As at July 01, 2016	For the year	As at June 30, 2017		
----- 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>2017</b>	<b>186</b>	<b>-</b>	<b>186</b>	<b>186</b>	<b>-</b>	<b>186</b>	<b>-</b>	
2016	186	-	186	186	-	186	-	
<b>2017</b>								2016
<b>(Rupees in Thousand)</b>								

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

100,000 (2016: 100,000) Ordinary shares of Rs. 10/- each fully paid in cash

1,000      1,000

51,000 (2016: 51,000) ordinary shares of the company representing 51% (2016: 51%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.

#### 6 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>30</b>	30
	<u><b>171</b></u>	<u>171</u>

#### 7 SHORT TERM ADVANCES

Unsecured

Holding Company **2,964**      2,948

The above advance is unsecured and interest free. The maximum amount outstanding at the end of any month during the year was Rs. 2.964 million. (2016: Rs. 2.948 million).

## 8 CONTINGENCIES AND COMMITMENTS

### Contingencies

#### 8.1 Taxation

The income tax assessments for the assessment year up to 2000-2001 have been completed and the total liability demanded for the assessment years 1996-97 to 1999-2000 amounts to Rs. 0.226 million which the Company is disputing in appeal before tax authorities. In the event of adverse decision in the appeals the Company would be faced with additional liability of Rs. 0.053 million and corresponding charge against profit amounting to Rs. 0.133 million.

- 8.2 The Company is contingently liable in respect of professional fee payable to M/s Ebrahim & Company, Chartered Accountants amounting to Rs.59,550.

### Commitments

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

## 9 ADMINISTRATIVE EXPENSES

2017  
(Rupees in Thousand)

2016

Fee subscription

- 9

Auditors' remuneration

16 15

16 24

## 10 LOSS PER SHARE - BASIC AND DILUTED

Loss for the year after taxation

(16) (24)

Weighted average number of ordinary shares

100,000 100,000

Loss per share - basic and diluted

(0.16) (0.24)

## 11 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

## 12 TRANSACTIONS WITH RELATED PARTIES

Payment on behalf of the company made by holding company

16 27

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

## 13 STAFF RETIREMENT BENEFITS

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

## 14 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.

### **14.1 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>2017</b>	<b>2016</b>
	<b>(Rupees in thousand)</b>	
<b>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	171	171	-	(171)	-
Temporary overdraft	391	391	-	(391)	-
Short term advances	2,964	2,964	-	(2,964)	-
<b>June 30, 2017</b>	<b>3,526</b>	<b>3,526</b>	<b>-</b>	<b>(3,526)</b>	<b>-</b>
Trade and other payables	171	171	-	(171)	-
Temporary overdraft	391	391	-	(391)	-
Short term advances	2,948	2,948	-	(2,948)	-
<b>June 30, 2016</b>	<b>3,510</b>	<b>3,510</b>	<b>-</b>	<b>(3,510)</b>	<b>-</b>

## 14.2 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.

## 14.3 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:

2017	2016	2017	2016
Effective interest rate (%)		Carrying amount (Rs.'000')	

### Financial liabilities

Temporary overdraft	Non-interest bearing	<b>391</b>	391
Short term advances	Non-interest bearing	<b>2,964</b>	2,948

### Sensitivity analysis

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

## 14.4 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.

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, 2017, the shareholders' negative equity amounts to Rupees 3.397 million (2016: Rupees 3.381 million)

**16 NUMBER OF EMPLOYEES**

The total number of employees as at the balance sheet date were NIL ( 2016: NIL).

**17 DATE OF AUTHORIZATION**

These financial statements were authorised for issue on October 06th, 2017 by the Board of Directors of the Company.

**18 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

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**Chief Executive**

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**Director**

# FORM OF PROXY

The Company Secretary,  
**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
56<sup>TH</sup> ANNUAL GENERAL MEETING  
Karachi

I, \_\_\_\_\_ S/o. \_\_\_\_\_, holder of CNIC No. \_\_\_\_\_  
Resident of \_\_\_\_\_ being  
member of JOHNSON & PHILLIPS (PAKISTAN) LIMITED, holding \_\_\_\_\_ ordinary shares as per Registered Folio / CDS Account  
No. \_\_\_\_\_ hereby appoint \_\_\_\_\_, resident of \_\_\_\_\_  
\_\_\_\_\_ or failing him/ her Mr./Ms. \_\_\_\_\_ of (full  
address) who is/are also member(s) of the Company, as my / our proxy to attend, act and vote for me/ us and on my / our behalf at Annual General  
Meeting (AGM) of the Company to be held on **Tuesday, October 31, 2017 at 10:00 am at the Registered Office of the company at C-10, South  
Avenue S.I.T.E., Karachi** and / or any Adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Signed by \_\_\_\_\_ in the presence of;

Witness:

1. Name: Signature \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
CNIC or Passport No. ;  
\_\_\_\_\_

2. Name: \_\_\_\_\_  
Signature \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
CNIC or Passport No. ;  
\_\_\_\_\_

**Note:**

1. The proxy form, duly completed and signed, must be received at the Registered Office of the Company.
2. All members are entitled to attend and vote at the meeting.
3. A member eligible to attend and vote at the Meeting may appoint another member as his/her proxy to attend, and vote instead of him/her.
4. An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy may be obtained from the registered office of the Company during normal office hours
5. An instrument of proxy and the power of attorney or other authority (if any), under which it is signed or a notarily certified copy of such power or authority must, to be valid, be deposited at the registered office not less than 48 hours before the time of the meeting.
6. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.
7. Members are requested to notify any changes in their addresses immediately.
8. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular 1, dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

**For CDC Account Holders/Corporate Entities:**

In addition to above, the following requirements have to be met:

- i) The proxy form shall be witnessed by two (2) persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

سیسنگ کے فا

کمپنی سیکریٹری،  
(پاکستا ) لمیٹڈ  
56th سالانہ جنرل میٹنگ  
کر چی

میں \_\_\_\_\_ لدکانا \_\_\_\_\_  
قومی شناختی کا کانمبر \_\_\_\_\_ ہائشی کے حامل \_\_\_\_\_

جینسن فیلپیپس (پاکستا ) لمیٹڈ کا کن \_\_\_\_\_ فولیو / سی ڈی ایس  
کا نٹ نمبر کے مطابق. \_\_\_\_\_ کے ساتھ \_\_\_\_\_

ہائشی کے حامل \_\_\_\_\_ یا مسٹر / \_\_\_\_\_ کو ناکا کرنے  
میر / \_\_\_\_\_ کسی میں شرکت کرنے کے طو \_\_\_\_\_ کمپنی کا سالانہ کن (مکمل) \_\_\_\_\_ / شرکت کے  
کن ہیں میر / میر / \_\_\_\_\_ ری جانب سے کمپنی کے کل سالانہ \_\_\_\_\_ میں کا کرتے ہیں  
. منگل کو 31 اکتوبر 2017 کو 10 بجے بجے منعقد ہونے کے لئے سی -10 جنوبی یونیو سائٹ کر چی  
/ یا \_\_\_\_\_ کے کسی بھی علامیے میں کمپنی کے \_\_\_\_\_ فس میں.  
میر / \_\_\_\_\_ ہاتھ گو \_\_\_\_\_ / \_\_\_\_\_ کا \_\_\_\_\_ 2017  
کی طر \_\_\_\_\_ کی موجو گی میں

:

1. \_\_\_\_\_ :  
یہ یس: \_\_\_\_\_

قومی شناختی کا یا پاسپو .

2. \_\_\_\_\_ :  
یڈ یس: \_\_\_\_\_

قومی شناختی کا یا پاسپو .

:

1. کسی فا مکمل طو پر مکمل کمپنی کے فتر میں موصو می ہے.
2. کین میں شرکت ینے کا حقد ہیں.
3. کسی کن میں شرکت کرنے ینے کے قابل ہونے کے قابل ہو سکتا ہے کسی کن کی حیثیت سے کے پر کسی کے طو پر شرکت کی جائے کے بدلے سکے.
4. کے لئے پر کسی قابل کا یک کین کو بھیج یا گیا نوٹس کے ساتھ فر ہم کی ہی ہے. کسی کی مزید کاپیا فتر کے گھنٹو کے کمپنی کے سے حاصل کی جا سکتی ہیں
5. کسی نی یا یگر تھا ٹی کی طاقت ( گر کوئی ہے) جس کے تحت یہ ستخط کیا جاتا ہے یا کے یا تھا ٹی کی معتبر طو پر تصدیق شد کاپی لا می طو فتر میں جمع نہیں کیا 48 سے کم کے قت سے پہلے گھنٹے.

6. یک کن یک سے یا کسی کی حیثیت کہتا ہے کسی کے یک سے یا کمپنی کے

7. کسی کن کی طر سے جمع کردی جاتی ہے تو کسی کے کو غلط کیا جائے .  
ست کی جاتی ہے ک ری پنے پتے میں کسی بھی تبدیلی کو مطلع کر یں.

8. سی ڈی سی کا کو مزید 26 ری، 2000 کو سیکیو ٹیز اینڈ ایکسچینج کمیشن  
پاکستا کے یے ری کر سرکلر 1 میں بیا کر یل بد یا پر عمل کرنا ہوگا.  
سی ڈی سی کا / کا یٹ کے لئے:

پر کے علا یل ضر یا کو پو کرنا ہوگا:

(i) کسی فا کو (2) کی طر کیا جائے گا جن کے نا قومی شناختی  
کا کے نمبر کریں گے.

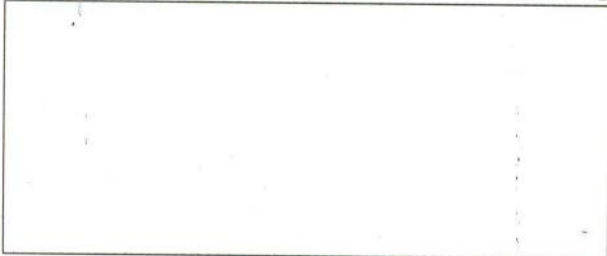
(ii) مند مالکا کی قومی شناختی کا یا پاسپو کی شامل کر کاپیا کسی کو  
کسی فا کے ساتھ پیش کیا جائے گا.

(iii) کسی ملاقا کے قومی شناختی کا یا تیا کر گی.

(iv) کا یٹ کی سو میں نمائش کے ستخط کے ساتھ نی بو کے فیصلے /  
کر یئے جائیں گے (جب تک یہ پہلے ہی فر ہم نہیں کیا گیا ہے) کسی کمپنی کو تشکیل یں.



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