POLARIS INTERNATIONAL

Naveed Zafar Husain Jaffery & Co.
Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Johnson & Phillips (Pakistan) Limited ("the Company") as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

The financial statements of the year ended June 30, 2009 were audited by another firm of Chartered Accountants whose report dated September 29, 2009 expressed unqualified opinion thereon.

Naveed Zafar Husain Jaffery & Co
Naveed Zafar Husain Jaffery & Co
Chartered Accountants
Engagement Partner: Ahsan Elahi Vohra

Karachi:
29 SEP 2010

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	199,475	209,386
Long term investments	5	-	-
Long term deposits	6	935	587
		200,410	209,973
CURRENT ASSETS			
Stock-in-trade	7	61,955	51,383
Trade debts	8	23,974	30,300
Loans and advances	9	26,890	27,143
Deposits, prepayments and other receivables	10	10,551	14,967
Advance tax net of provision		1,531	1,283
Cash and bank balances	11	5,411	3,947
		131,424	129,325
TOTAL ASSETS		331,834	339,298
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorised capital			
8,000,000 (2009: 8,000,000) ordinary shares of Rs. 10 each		80,000	80,000
Issued, subscribed and paid-up capital	12	54,500	54,500
RESERVES			
Capital reserve			
Share premium		29,727	29,727
Revenue reserve	13	(82,697)	(76,590)
SHARE HOLDERS' EQUITY		1,530	7,637
Surplus on revaluation of property, plant and equipment	14	130,455	131,709
NON-CURRENT LIABILITIES			
Long term borrowings	15	71,636	66,319
Liabilities against assets subject to finance lease	16	-	1,758
Deferred liabilities - staff gratuity	17	5,822	5,725
CURRENT LIABILITIES			
Trade and other payables	18	112,846	109,813
Short term borrowings	19	1,277	1,834
Current and overdue portion of long term borrowings	20	4,000	5,190
Current and overdue portion of lease liabilities	16	-	621
Mark-up accrued	21	-	[illegible]
Unclaimed dividend	22	4,258	4,268
Provision for taxation	23	-	-
		122,391	126,150
Contingencies and commitments	24		
TOTAL EQUITY AND LIABILITIES		331,834	339,298

The annexed notes from 1 to 39 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, 2010

	Note	2010	2009
		(Rupees in thousand)	
Revenue from sales and services-net	25	127,181	133,741
Cost of sales and services	26	(102,431)	(128,499)
Gross profit		**24,750**	**5,242**
Distribution cost	27	(5,300)	(4,622)
Administrative expenses	28	(24,717)	(33,159)
Other operating income	29	6,611	12,243
Operating profit / (loss)		**1,344**	**(20,096)**
Finance cost	30	(8,068)	(9,544)
Loss before taxation		**(6,724)**	**(29,640)**
Taxation	31	(1,314)	(676)
Loss after taxation		**(8,038)**	**(30,316)**
Earnings per share - basic and diluted	32	(1.47)	(5.56)

The annexed notes from 1 to 39 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, 2010

	Note	2010	2009
		(Rupees in thousand)	
Loss after taxation		(8,038)	(30,316)
Other comprehensive income		-	-
Total comprehensive loss		(8,038)	(30,316)

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

Chief Executive

Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	14,220	16,563
Taxes paid		(1,083)	(1,182)
Gratuity paid		(900)	(1,376)
Finance cost paid		(1,362)	(9,678)
Net cash from operating activities		**10,875**	**4,327**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(81)	(326)
Long term deposits		(348)	1,795
Net cash (used)/generated from investing activities		**(429)**	**1,469**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loans		(13,440)	(12,043)
Repayment of liabilities against assets subject to finance leases		(2,291)	(2,201)
Proceeds from long term loans		7,306	3,700
Repayment of short term loans		(557)	(5,537)
Net cash used in financing activities		**(8,982)**	**(16,081)**
Net increase/(decrease) in cash and cash equivalents		**1,464**	**(10,285)**
Cash and cash equivalents at beginning of the year		3,947	14,232
Cash and cash equivalents at end of the year	11	5,411	3,947

The annexed notes from 1 to 39 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, 2010

1. STATUS AND NATURE OF BUSINESS

Johnson and Phillips (Pakistan) Limited (the Company) was incorporated in Pakistan as a public limited company on April 15, 1961 and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at [illegible], South Avenue, SITE, Karachi. The Company is principally engaged in manufacturing, installing and selling of electrical equipments. Etheridge Company Limited, Hong Kong, held 2,719,538 (2009: 2,71[illegible],538) ordinary shares of Rs. 10 each of the Company at year end, which constitute 49.90% of total shares issued.

2. GOING CONCERN

The Company has been sustaining losses over the years and the accumulated losses of the Company as at June 30, 2010 stand at Rs.105.750 million (2009: Rs.99.653 million).

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

(i) The company has also rescheduled its obligation in respect of loan and financing arrangement with various lenders.

(ii) The management is also making efforts to increase total sales of the company during the financial year ending June 30, 2011 and thereafter.

However, despite these mitigating factors the company has registered a decline in its sales during the year. The management feels that it is a temporary phase due to overall economic slow down. The Management is of the view that the company will be able to continue as a going concern; hence, these financial statements have been prepared on the basis of going concern assumption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

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

c) **Amendments to published accounting standards that are effective in the current period**

IAS 1 (revised) - "Presentation of financial statements" (effective for annual periods beginning on or after January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The company has opted to present two statements; a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.

IFRS 7 - 'Financial Instruments: Disclosures', introduces new disclosures relating to financial instruments. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

IFRS 8 - 'Operating segments' replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segment. The company has no reportable segments under IFRS 8. However, certain disclosures as required under IFRS 8 have been included in these financial statements. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 which are not considered to exist nor have any significant effect on the company's operations are not detailed in these financial statements.

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

The following standards, amendments and interpretation of approved accounting standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increase in disclosures in certain cases:

i)	Amendments to IAS 27 (Revised) - Consolidated and Separate Financial Statements	effective from July 01, 2010
ii)	IAS 32 (amendments) - Financial Instruments: Presentation and consequential amendment to IAS 1 - Presentation of Financial Statements	effective for annual period beginning on or after 1 January 2010.
iii)	IFRS 1 (revised), First-time adoption	effective from July 01, 2010
iv)	IFRS 2 Share based payments (amended)	effective from January 01, 2010
v)	Amendment to IFRS 7 - Financial Instruments: Disclosure	effective from January 01, 2010
vi)	IFRS 8 - Operating Segments	effective from January 01, 2010
vii)	IFRIC 17 - Distribution of Non-Cash Assets to Owners	effective from July 01, 2010

NDHJ

e) **Critical Accounting estimates and judgments**

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

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

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

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

3.5 Compensated absences

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

3.6 Foreign currency translation

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

3.8 Trade and other payables

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

3.9 Provisions

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

3.10 Investments

These are stated at cost less provision for diminution in 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 capitalised 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 include appropriate portion of manufacturing expenses.

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

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

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

3.16 Warranties

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

3.17 Foreseeable losses on orders in hand

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

3.18 Transaction with related parties

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

3.19 Impairment losses

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

[illegible]

3.20 Revenue recognition

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

3.21 Borrowing cost

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

3.22 Cash and cash equivalents

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

3.23 Financial Instruments

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

3.24 Offsetting

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

3.25 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are 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.

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid-up capital	Capital reserve Share premium	General reserve	Revenue reserve Un-appropriated profit (Accumulated loss)	Total
	-----------------	-----------------	(Rupees in thousand)	-----------------	-----------------
Balance as at June 30, 2008 - Restated	54,500	20,727	23,072	[illegible]	[illegible]
Net loss for the year	-	-	-	[illegible]	[illegible]
Transfer from surplus on revaluation of property, plant and equipment	-		-	[illegible]	[illegible]
Balance as at June 30, 2009	54,500	20,727	[illegible]	[illegible]	[illegible]
Net loss for the year		-	-	[illegible]	[illegible]
Transfer from surplus on revaluation of property, plant and equipment	-	-		[illegible]	[illegible]
Balance as at June 30, 2010	54,500	20,727	[illegible]	[illegible]	[illegible]

The annexed notes from 1 to [illegible] form an integral part of these financial statements.

Chief Executive

Director

4 PROPERTY, PLANT AND EQUIPMENT

4.1 Operating

	Cost/Revaluation					Accumulated Depreciation				Written down value	
	As at July 01, [illegible]	Additions	Disposals	Transfers/Adjustment	As at June 30, [illegible]	As at July 01, [illegible]	Adjustment/Transfer	For the year	As at June 30, [illegible]	As at June 30, [illegible]	Useful Life
	Rupees in '000										
Owned											
Freehold land	179,[illegible]		-		179,[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Buildings on freehold land	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Plant and machinery	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]		-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furniture and fixtures	[illegible]		-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Office and other equipment	[illegible]	[illegible]	-	-	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Leased											
Plant and machinery	[illegible]			-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]	-	-	[illegible]	-	[illegible]	[illegible]	-	-	[illegible]	[illegible]
	[illegible]		-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	

[illegible]

2019

	Cost / Revaluation					Accumulated Depreciation				Written down value	
	As at July 01, 2018	Additions	Disposals	Transfers / Adjustments	As at June 30, 2019	As at July 01, 2018	Adjustments / Transfers / Revaluation	For the year	As at June 30, 2019	As at June 30, 2019	Rate %
	Rupees in '000										
Owned											
Freehold land	[illegible]	-	-	-	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Buildings on freehold land	[illegible]	-	-	-	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Plant and machinery	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Gas and electric installations	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furniture and fixtures	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Office and other equipments	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Leased											
Plant and machinery	[illegible]	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Office and other equipments	[illegible]			[illegible]		[illegible]	[illegible]				[illegible]
	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	

[illegible]

[illegible]

Asset category	Cost / Revaluation	Accumulated Depreciation	Written down value
Freehold land	[illegible]	[illegible]	[illegible]
Buildings on freehold land	[illegible]	[illegible]	[illegible]
Plant and machinery	[illegible]	[illegible]	[illegible]

	Note	2010	2009
		(Rupees in thousand)	

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

	Note	2010	2009
Cost of sales and services	26	7,993	8,632
Administrative expenses	28	1,999	2,159
		9,992	10,791

4.5 Cost of fully depreciated assets

	2010	2009
Gas and electric installation	1,011	1,006
Factory tools	1,443	1,442
Vehicles	8,859	2,151
Furniture and fixtures	4,087	1,300
Office and other equipments	9,588	9,408
	24,988	15,307

5 LONG TERM INVESTMENTS

	2010	2009
In shares of unquoted subsidiaries companies (at cost)		
Johnson & Phillips Industries (Pakistan) Limited 3,000,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2010 was Nil (2009:Nil) The Company held 100% of the investee's total equity.] Chief Executive Mr. Shehryar Anwar Saeed	30,000	30,000
Johnson & Phillips Transformers (Private) Limited 2,100,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2010 was Nil (2009:Nil)] The Company held 70% of the investee's total equity Chief Executive Mr. Naushad Qamar Ali	21,000	21,000
Johnson & Phillips EMO Pakistan (Private) Limited 51,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2010 was Nil (2009:Nil) The Company held 51% of the investee's total equity. Chief Executive Mr. Shehryar Anwar Saeed	510	510
Share Application money Johnson & Phillips Industries (Pakistan) Limited	20,000	20,000
	71,510	71,510
Provision for diminution in value of investments	(71,510)	(71,510)
	-	-

5.1 Value of the above investments, based on the net assets of the investee companies as per latest available audited financial statements of the investee companies as at June 30, 2010 was as follows:

	2010	2009
Johnson & Phillips Industries (Pakistan) Limited	(38,059)	(37,976)
Johnson & Phillips Transformers (Private) Limited	(31,922)	(31,825)
Johnson & Phillips EMO Pakistan (Private) Limited	(3,179)	(3,146)

	Note	2010	2009
		(Rupees in thousand)	
6 LONG TERM DEPOSITS			
Deposits- Leasing company		-	150
Deposits- Others		935	437
		935	587
7 STOCK-IN-TRADE			
Raw material and components in hand - Gross		43,769	42,580
Less provision for obsolete/ slow moving items		(12,213)	(12,452)
		31,556	30,128
Work-in-process		21,758	7,463
Finished goods		8,645	13,792
		61,959	51,383
8 TRADE DEBTORS			
Unsecured			
- Considered good		24,974	30,900
- Considered doubtful		-	215
- Considered bad		-	232
		24,974	31,347
Provision for doubtful debts		-	(215)
Trade debts considered bad written off		-	(232)
		24,974	30,900
9 LOANS AND ADVANCES			
Loans to subsidiary companies - unsecured			
Considered doubtful			
Johnson & Phillips Transformers (Private) Limited (JPT)	9.1	12,667	12,604
Johnson & Phillips EMO Pakistan (Private) Limited (EMO)	9.2	2,777	2,744
		15,444	15,348
Less Provision against doubtful loans		(15,444)	(15,348)
		-	-
Advances - Unsecured			
To suppliers			
Considered good		4,997	5,681
Considered doubtful		-	1,469
		4,997	7,150
Less: Provision for doubtful advances to suppliers		-	(1,469)
		4,997	5,681
Other advances considered good			
To employees		282	125
To executive		116	120
Against purchase of land		3,045	3,045
		3,444	3,290
Others		80	252
		3,524	3,542
Sales tax refundable		18,069	17,920
		26,590	27,143

	2010	2009
	(Rupees in thousand)	

9.1 Reconciliation of loan amount due from JPT

Opening balance	12,604	12,521
Disbursed during the year	63	83
Closing balance	12,667	12,604
Less: provision	(12,667)	(12,604)
	-	-

9.2 Reconciliation of loan amount due from EMO

Opening balance	2,744	2,729
Disbursed during the year	33	15
Closing balance	2,777	2,744
Less: provision	(2,777)	(2,744)
	-	-

9.3 The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs.12.667 million (2009: 12.604 million).

9.4 The maximum amount of loan due from J & P EMO Pakistan (Private) Limited, at the end of any month during the year was Rs. 2.777 million (2009: 2.744 million).

10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Prepayments

Prepaid insurance - considered good	117	292
Other Prepayments - considered doubtful	-	286
	117	578
Provision for doubtful prepayments	-	(286)
	117	292

Deposits

Margin against bank guarantee - considered good	7,159	8,219
Deposit with court - considered good	723	723
Lease deposits - considered good	-	1,500
Tender deposits - considered good	2,660	4,121
Tender deposits - considered doubtful	-	1,806
	10,542	16,369
Provision for doubtful deposits	-	(1,806)
	10,542	14,563
Other receivables	-	12
	10,659	14,867

11 CASH AND BANK BALANCES

Cash in hand	6	4
At bank - in current accounts	1,254	3,889
- in saving accounts	4,151	54
	5,411	3,947

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

2010	2009		Note	2010	2009
				(Rupees in thousand)	
4,638,268	4,638,268	Ordinary shares of Rs. 10 each fully paid in cash		46,383	46,383
93,000	93,000	Ordinary shares of Rs. 10 each issued for consideration other than cash		930	930
718,704	718,704	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		7,187	7,187
5,449,972	5,449,972			54,500	54,500

13 **REVENUE RESERVE**

	2010	2009
General reserve	23,073	23,073
Accumulated loss	(105,770)	(97,663)
	(82,697)	(74,590)

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

	2010	2009
Opening balance	131,709	132,964
Transferred to accumulated loss in respect of incremental depreciation on revalued assets for the year	(1,931)	(1,931)
Deferred tax expense / (income) related to incremental depreciation and addition during the year	677	676
	130,455	131,709

15 **LONG TERM BORROWINGS**

	Note	2010	2009
Secured From Non Banking Financial Institution			
Leasing company	15.1	-	6,740
Loans from others-unsecured			
Loan from others	15.2	4,000	10,700
Loan-1			
Principal	15.3	8,408	3,408
Accumulated mark-up there on		4,504	3,782
		12,912	7,190
Loan -2 (**from director**)			
Principal	15.4	19,726	17,330
Accumulated mark-up there on		2,660	763
		22,386	18,093
Loan-3			
Principal	15.5	24,900	24,900
Accumulated mark-up there on		11,458	7,894
		36,358	32,794
		75,656	75,517
Less current and overdue portion	20	(4,000)	(9,198)
		71,656	66,319

15.1 Represents amount Rs. Nil (2009: Rs 6,740) payable to Capital Assets Leasing Corporation in respect of Musharika facility including old overdue, cased liabilities and other miscellaneous payables which was clubbed in lieu of an agreement between the parties.

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

15.3 Represents an unsecured loan from an individual. During the year an agreement has been signed to reschedule the loan. According to the agreement dated June 30, 2010 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2010) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2011. The mark-up will be charged at the rate of 12% per annum on the outstanding balance of principal. A fresh unsecured loan amounting to Rs. 5.00 million taken during the year and according to the agreement dated April 29, 2010, The loan carries a mark-up Twelve months KIBOR per annum and the loan will be repaid in Thirty Six equal monthly installments commencing from July 01, 2011.

15.4 Represents an unsecured loan from a Director. During the year an agreement has been signed to reschedule the loan. According to the agreement dated June 30, 2010 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2010) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2011. The mark-up will be charged at the rate of 12% on the outstanding balance of principal. A fresh unsecured loan amounting to Rs. 7.797 million taken during the year and according to the agreement dated December 16, 2009, the loan carries a mark-up KIBOR+3.5% per annum and the loan will be repaid in twenty four monthly installments commencing from Jan 01, 2011.

15.5 Represents an unsecured loan from a private company. During the year an agreement has been signed to reschedule the loan. According to the agreement dated June 30, 2010 the parties have agreed that the aggregate amount of loan(Principal and mark-up accumulated thereon up to June 30, 2010) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2011. The mark-up will be charged at the rate of 19% per annum on the outstanding balance of principal.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into lease agreements with Capital Assets Leasing Corporation Limited to acquire vehicles and Minimum Lease payments have been discounted by using finance rate of 15% to 20% (2009: 15% to 22%) per annum.

The amount of future payments for the lease and the period in which these payments has been due and no further dues against the said lease.

	2010		2009	
	(Rupees in thousand)		(Rupees in thousand)	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees	Rupees	Rupees	Rupees
Within one year	-	-	696	623
After one year but not more than five years	-	-	1,768	1,758
Total minimum lease payments	-	-	2,464	2,381
Less: Amounts representing finance charges	-	-	83	
Present value of minimum lease payments	-	-	2,381	2,381
Less: Current portion	-	-	623	623
		-	1,758	1,758

The company has an option to purchase the leased assets upon completion of the lease period at a price which is expected to be sufficiently lower than the fair value at the date the option become exercisable. The Company has intention to exercise such option.

17 DEFERRED LIABILITIES - STAFF GRATUITY

17.1 The amounts recognised in the balance sheet are as follows:

	Note	2010	2009
		(Rupees in thousand)	
Movement in net liability/(assets) recognised			
Opening net liability		6,488	7,118
Charge for the year		945	745
Benefits paid during the year		(900)	(1,375)
Closing net liability		6,533	6,488
Charge for /(income from) the Defined Benefit Plan			
Current Service Cost		235	166
Interest cost		721	585
Acturial (Gains) / losses recognised		(11)	(6)
Expense recognised in the financial statements		945	745
Reconciliation of payable to/(receivable from) Defined Benefit Plan			
Present value of Defined Benefit Obligation		5,284	5,002
Unrecognised acturial gain / (loss)		538	723
		5,822	5,725
Unclaimed gratuity	18	711	763
Liability recognised in the accounts		6,533	6,488
Actuarial assumptions:			
- Valuation discount rate		14%	13%
- Salary increase rate		14%	13%

	Note	2010	2009
		(Rupees in thousand)	

18 TRADE AND OTHERS PAYABLES

	Note	2010	2009
Creditors			
Creditors		91,913	79,272
Accrued liabilities		6,624	5,415
Other liabilities			
Advances from customers		7,039	10,934
Workers' profit participation fund	18.1	-	2,525
Payable to ex-employees		1,056	697
Provident fund		1,048	5,703
Unclaimed gratuity payable	17.1	711	763
Tax deducted on behalf of suppliers		4,217	4,079
Others		208	430
		7,270	14,197
		14,309	25,131
		112,846	109,818

18.1 Workers' profit participation fund

	2010	2009
Opening balance	2,525	3,952
Provision made during the year	-	-
Paid during the year	(2,525)	(1,660)
Interest credited at prescribed rate	-	233
	-	2,525

The Company retains the allocation to this fund for its business operations till the amounts are paid to the fund together with interest at prescribed rate under the Companies Profit (Workers' Participation) Act (XII of 1968).

	Note	2010	2009
		(Rupees in thousand)	

19 SHORT TERM BORROWINGS

Unsecured

	Note	2010	2009
From related party			
Loan from a subsidiary company			
Johnson and Phillips Industries (Pakistan) Limited	19.1	1,277	1,334
Reconciliation of outstanding amount			
Opening balance		1,334	1,556
Adjusted /paid during the year		(57)	(222)
Closing balance		1,277	1,334
Loans from others-unsecured			
Loan-4	19.2	-	500
		1,277	1,834

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

19.2 This represents loan obtained from a Private Limited Company. It is interest free and payable on demand.

20 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS

	Note	2010	2009
Loan from others	15.2	4,000	8,000
Loan-1	15.3	-	1,198
		4,000	9,198

21 MARK UP ACCRUED

	Note	2010	2009
Mark-up on unsecured loan			
Opening balance		409	543
Accrued during the year		5,951	7,393
		6,360	7,936
Paid / transferred during the year	21.1	(6,360)	(7,527)
Closing balance		-	409

21.1 These have been rescheduled as disclosed in note 15 to these financial statements.

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	2010	2009
	(Rupees in thousand)	

22 UNCLAIMED DIVIDEND

	2010	2009
Opening balance	4,268	4,268
Addition for the year	-	-
Paid / adjusted during the year	-	-
Closing balance	**4,268**	**4,268**

23 PROVISION FOR TAXATION

Reconciliation

	2010	2009
Opening balance	-	736
Provision for the year	637	-
Paid/ adjusted during the year	(637)	(796)
Closing balance	-	-

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

a) Guarantees

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

	2010	2009
	(Rupees in thousand)	
Guarantees against performance bond	6,035	4,192

b) Labour

Some legal cases are pending against the Company filed by ex-workers in respect of their claims. The aggregate amounts involved in these cases are Rs. 0.987 million. (2009: 0.987 million).

c) Others

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

In the case mentioned above, an order was passed on 21-07-2004 by the Banking Court No. III, Lahore for the sale of mortgaged property for the payment of decreed amount to the National Bank. The National Bank however, got the proceedings stayed from the High Court in EFA 410. The next date in this case will be fixed by the Court.

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

24.2 Commitments

There is no commitment as on June 30, 2010 (2009: nil)

	Note	2010	2009
		(Rupees in thousand)	
25 SALES AND SERVICES (NET)			
Sales		127,486	136,415
Commission and discount on sales		(305)	(2,674)
		127,181	133,741
26 COST OF SALES AND SERVICES			
Raw materials and components consumed			
Opening stock		42,580	46,393
Purchases and sub contract cost		86,370	90,987
		128,950	137,380
Closing stock		(43,769)	(42,580)
		85,181	94,800
Salaries, wages and benefits	26.1	12,274	14,523
Insurance		227	196
Fuel and power		2,104	2,274
Repair and maintenance		437	448
Inspection and testing		248	237
Printing and stationery		118	112
Traveling and conveyance		725	491
Consultancy		-	98
Depreciation	4.2	7,093	8,632
Provision for Obsolete/ Slow moving Stocks		(237)	1,189
Written off advance against capital expenditure		-	1,343
Other manufacturing expenses		2,511	1,848
		26,400	31,391
		111,581	126,191
Work in process			
Opening stock		7,463	5,724
Closing stock		(21,758)	(7,463)
		(14,295)	(1,739)
Cost of goods manufactured		97,286	124,452
Finished goods			
Opening stock		13,790	17,837
Closing stock		(8,645)	(13,790)
		5,145	4,047
		102,431	128,499
26.1 'Salaries, wages and benefits			
Salaries and wages		11,938	13,624
Gratuity		154	711
P.F Contribution (Worker & Staff)		182	188
		12,274	14,523

	Note	2010	2009
		(Rupees in thousand)	

27 DISTRIBUTION EXPENSES

	Note	2010	2009
Salaries, wages and benefits	27.1	1,009	1,706
Late delivery charges and penalties		2,721	1,392
Advertising and sales promotion		236	216
Travelling and conveyance		118	218
Subscriptions and periodicals		64	187
Repair and maintenance		29	62
Insurance		32	36
Entertainment		1,053	330
Printing and stationery		18	22
Others		-	255
		5,300	4,422

27.1 Salaries, wages and benefits

	2010	2009
Salaries & wages	917	1,690
Gratuity	74	16
P.F Contribution-Staff	18	-
	1,009	1,706

28 ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, wages and benefits	28.1	5,865	4,350
Travelling and conveyance		2,619	1,367
Legal and professional charges		888	1,014
Rent rates and taxes		1,126	1,311
Repair and maintenance		1,297	974
Printing and stationery		376	193
Postage, telegram, telephone and telex		875	885
Light and power		960	905
Entertainment		634	495
Donation	28.2	-	5
Subscriptions and periodicals		1,183	487
Advertisement		174	31
Auditors' remuneration	28.3	410	410
Annual General Meeting		34	15
Insurance		725	612
Provision for doubtful loans and advances		95	14,083
Provision for doubtful debts		-	215
Depreciation	4.2	1,398	2,159
Provision for doubtful deposits and prepayments		-	2,132
Written off advances against capital expenditure		-	68
Written off other advances		4,727	854
Others		796	985
		24,717	35,159

28.1 Salaries, wages and benefits

	2010	2009
Salaries and wages	4,957	4,314
Gratuity	717	18
P.F Contribution-Staff	191	18
	5,865	4,350

28.2 Director or a spouse of a director have no interest in the donee.

28.3 Auditors' remuneration

	2010	2009
Annual audit fee	250	250
Review of half yearly financial statements	60	60
Review of consolidated financial statements	60	60
Certification and others	15	15
Out of pocket expenses	25	25
	410	410

	Note	2010	2009
		(Rupees in thousand)	
29 OTHER OPERATING INCOME			
Liabilities no more payable written back		5,441	11,051
Mark-up on saving accounts		221	144
Others		949	1,048
		6,611	12,243
30 FINANCE COST			
Mark-up on unsecured long term loans		7,010	7,314
Mark-up on invoices / bill discounting		-	812
Mark-up on finance lease		46	219
Bank charges and commission		60	966
Interest on workers' profit participation fund		-	233
Interest on employees provident fund		952	-
		8,068	9,544
31 TAXATION			
Current year	31.1	(637)	-
Deferred tax	31.2	(677)	(676)
		(1,314)	(676)

Relationship between tax expense and accounting profit

31.1 There is no tax applicable on taxable profits of the Company under the provision of Income Tax Ordinance, 2001 as amended by Finance Act, 2009 due to available assessed tax losses. Accordingly, no reconciliation of tax expense with accounting profit has been presented.

31.2 In view of net deductible temporary differences amounting to Rs 31.732 million and expected future turnover, it is probable that the company will not have sufficient taxable income in near future and hence will not be able to utilize the deductible temporary differences. Therefore, as a matter of prudence, the company has not recognized net deferred tax asset in these accounts. The net deductible temporary differences include available tax losses of Rs.15.523 million (expiry 2011), unabsorbed depreciation of Rs.19.727 million, and deductible temporary differences of Rs. 33.480 million.

[illegible]

	2010	2009
	(Rupees in thousand)	

32 EARNING PER SHARE

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

Loss after taxation	(8,038)	(30,316)
Weighted average number of ordinary shares	5,449,972	5,449,972
Earnings per share - basic	(1.47)	(5.56)

33 CASH GENERATED FROM OPERATIONS

Loss before taxation	(6,724)	(29,640)
Adjustments for:		
Depreciation	9,992	10,791
Provision for staff gratuity - net	945	745
Liabilities no more payable written back	-	(1,059)
Finance cost	8,068	9,544
	12,281	(9,617)

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

(Increase) / decrease in current assets		
Stock-in-trade	(10,576)	7,310
Trade debts	5,926	25,361
Short term investment	-	9,000
Loans and advances	253	18,994
Deposits, prepayments and other receivables	4,207	3,953
	(190)	64,618
Increase / (decrease) in current liabilities		
Trade and other payables excluding unclaimed gratuity	2,129	(38,438)
	2,129	(38,438)
Cash generated from operations	14,220	16,563

3 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

3.1 Maturities of financial assets and liabilities
As at June 30, [illegible]

	Effective interest rate	Interest bearing maturity				Non-interest bearing maturity				Total
		Upto one year	Over one year upto five years	Over five years	Sub total	Upto one year	Over one year upto five years	Over five years	Sub total	
	%	(Rupees in thousand)								
Financial assets										
Deposits	-	-	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]
Trade debts	-	-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
[illegible]	-	-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
Cash and bank balances	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	-	[illegible]	[illegible]
		[illegible]	-	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Financial liabilities										
Long term financing	[illegible]	-	[illegible]	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Trade and other payables		-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
[illegible]		-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
Unclaimed dividend		-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
		-	[illegible]	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]

Maturities of financial assets and liabilities
As at June 30, [illegible]

	Effective interest rate	Interest bearing maturity				Non-interest bearing maturity				Total
		Upto one year	Over one year upto five years	Over five years	Sub total	Upto one year	Over one year upto five years	Over five years	Sub total	
	%	(Rupees in thousand)								
Financial assets										
Deposits	-	-	-	-	-	[illegible]	[illegible]	-	[illegible]	[illegible]
Trade debts	-	-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
[illegible]	-	-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
Cash and bank balances	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	-	[illegible]	[illegible]
		[illegible]	-	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Financial liabilities										
Long term financing	[illegible]	[illegible]	[illegible]	-	[illegible]	-	[illegible]	-	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	-	-	-	-	[illegible]
Trade and other payables	[illegible]	[illegible]	-	-	[illegible]	[illegible]	-	-	[illegible]	[illegible]
Short term borrowings	[illegible]	-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
[illegible]		-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
Unclaimed dividend		-	-	-	-	[illegible]	-	-	[illegible]	[illegible]
		[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]

[illegible]

34.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. As indicated in note 34.1, the company is not materially exposed to interest rate risk.

34.3 Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. To guard against this risk the company has negotiated the terms of repayment with its lenders to maintain healthy balance of cash and cash equivalents. The liquidity profile of the company is disclosed in note 34.1.

34.4 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. The company is not materially exposed to credit risk.

34.5 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. The estimated fair values of all the financial assets and liabilities are not materially different from their book values as at the balance sheet date.

34.6 Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. The company is not materially exposed to foreign exchange risk.

34.7 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. The capital is calculated as equity as shown in the balance sheet plus net debt.

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	Chief Executive		Directors		Executive		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rs '000')							
Managerial	254	254	511	518	610	600	1,375	1,375
Retirement benefits paid	-		-		-			
Provident fund	22	22	43	43	50	50	115	115
Housing	102	108	275	226	229	270	576	576
Utilities	25	26	38	38	50	60	124	124
Leave passage	44	44		-	-	-	44	44
Domestic servants	222	222		-	-	-	222	222
Medical expenses	-	-	23	23	-	-	23	23
Conveyance	-	-	-	-	-		-	-
Club subscription	103	103	-	-	-	-	103	103
Others	-	-	121	121	-		121	121
	863	863	972	972	900	900	2,635	2,635
No. of persons	1	1	6	6	1	1	7	7

b) The chief executive, directors and some executives are also provided with free use of company maintained cars.

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36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties and associated undertakings , other than remuneration and benefits to key management personnel under the terms of employment disclosed in note 36in these financial statements , are as follows :

	2010	2009
	(Rupees in thousand)	
Payments made on behalf of subsidiaries companies	96	97
Adjustment of loan to subsidiary company	57	223
Repayment of loan to Provident Fund Trust	5,703	-
Contribution paid to Provident Fund Trust	863	724

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

37 PRODUCTION CAPACITY

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

38 DATE OF AUTHORISATION

These financial statements were authorised for issue on 29 SEP 20 by the Board of Directors of the company.

39 GENERAL

Figures have been rounded off to the nearest thousand rupee.

Chief Executive

Director