AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Johnson & Phillips (Pakistan) Limited ("the Company") as at **June 30, 2016**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 thatwe have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our auditexcept 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 nor does the Company have sufficient fund available in their bank accounts to pay the unclaimed dividend in the event same is demanded by the shareholder.

b. We have not received direct confirmation from legal advisors of the Company regarding cases mentioned in note 19.1.2 and 19.1.4 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 except for the changes as stated in note 2.4.1 to the financial statements with which we concur;

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, 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, 2016**; 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.52.857 million for the year and as at 30 June 2016, the Company has accumulated losses of Rs.279.054 million and the equity of the Company is negative by Rs. 171.754 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, 2016

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

JOHNSON & PHILLIPS (PAKISTAN) LIMITED

Balance Sheet

As at June 30, 2016

	Note	2016	2015 Restated	2014 Restated
		---------(Rupees in thousand)-----------		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	*3*	**184,009**	192,820	201,630
Intangible Assets	*0*	**-**	-	-
Long term investments	*5*	**-**	-	-
Long term deposits		**940**	940	940
		184,949	193,760	202,570
CURRENT ASSETS				
Stock-in-trade	*6*	**42,650**	45,324	65,091
Trade debts - Unsecured, considered good	*7*	**6,372**	9,009	49,806
Loans and advances	*8*	**16,289**	16,828	15,859
Deposits and prepayments - considered good	*9*	**6,776**	6,844	8,630
Advance tax-net of provision	*10*	**2,315**	2,303	1,865
Cash and bank balances	*11*	**1,082**	1,731	1,066
		75,484	82,039	142,317
TOTAL ASSETS		**260,433**	275,799	344,887
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVE				
Authorized capital				
8,000,000 (2015: 8,000,000) ordinary shares of Rs. 10		**80,000**	80,000	80,000
Issued, subscribed and paid-up capital	*12*	**54,500**	54,500	54,500
Share premium reserve		**29,727**	29,727	29,727
General reserve		**23,073**	23,073	23,073
Accumulated loss		**(279,054)**	(233,193)	(182,074)
		(171,754)	(125,893)	(74,774)
Surplus on revaluation of property, plant and equipment	*13*	**173,962**	179,451	186,082
NON-CURRENT LIABILITIES				
Long term borrowings	*14*	**81,582**	77,331	73,435
Deferred liabilities	*15*	**12,862**	15,183	15,542
CURRENT LIABILITIES				
Trade and other payables	*16*	**155,513**	121,459	136,334
Current and overdue portion of long term borrowings	*17*	**4,000**	4,000	4,000
Mark up accrued	*18*	**-**	-	-
Unclaimed dividend		**4,268**	4,268	4,268
		163,781	129,727	144,602
Contingencies and commitments	*19*			
TOTAL EQUITY AND LIABILITIES		**260,433**	275,799	344,887

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, 2016

	Note	2016	2015 Restated
		(Rupees in thousand)	
Sales - net	20	**35,345**	39,230
Cost of sales	21	**(46,344)**	(60,346)
Gross loss		**(10,999)**	(21,116)
Distribution cost	22	**(3,538)**	(2,132)
Administrative expenses	23	**(34,093)**	(28,958)
Other income	24	**104**	485
		(48,526)	(51,721)
Finance cost	25	**(5,154)**	(6,510)
Loss before taxation		**(53,680)**	(58,231)
Taxation	26	**823**	1,417
Loss for the year		**(52,857)**	(56,814)
		-----Rupees---	
Loss per share - basic and diluted	27	**(9.70)**	(10.61)

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, 2016

	2016	2015 Restated
	(Rupees in thousand)	
Loss for the year	**(52,857)**	(56,814)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Gain / (loss) on remeasurment of post employment benefit	**162**	(936)
Total comprehensive loss	**(52,695)**	(57,750)

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

Chief Executive **Director**

JOHNSON & PHILLIPS (PAKISTAN) LIMITED

Cash Flow Statement

For the year ended June 30, 2016

		Note	2016	2015
			(Rupees in thousand)	
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Cash generated from operations	*28*	**277**	3,795
	Taxes paid	*10*	**(404)**	(438)
	Gratuity paid		**(300)**	(776)
	Finance cost paid		**(1,063)**	(5,787)
	Net cash from operating activities		**(1,490)**	(3,206)
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Additions to property, plant and equipment	*3*	**-**	(25)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Proceeds from long term borrowing		**841**	3,896
	Net increase in cash and cash equivalents		**(649)**	665
	Cash and cash equivalents at beginning of the year		**1,731**	1,066
	Cash and cash equivalents at end of the year		**1,082**	1,731

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, 2016

	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, 2014 - As reported	54,500	29,727	23,073	(180,585)	**(73,285)**
Effect of prior period error - Ref Note - 2.27	**-**	**-**	**-**	(1,489)	**(1,489)**
Balance as at June 30, 2014 - Restated	54,500	29,727	23,073	(182,074)	**(74,774)**
Net loss for the year	-	-	-	(56,814)	**-** **(56,814)**
Other comprehensive income					
Gain / (loss) on remeasurment of post employment benefit obligation	-	-	-	(936)	**(936)**
Transfer from surplus on revaluation of property, plant and equipment - restated	-	-	-	6,631	**6,631**
Balance as at June 30, 2015 - Restated	54,500	29,727	23,073	(233,193)	**(125,893)**
Net loss for the year	-	-	-	(52,857)	**(52,857)**
Other comprehensive income					
Gain / (loss) on remeasurment of post employment benefit obligation	-	-	-	162	**162**
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**	**(279,054)**	**(171,754)**

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

Chief Executive **Director**

JOHNSON & PHILLIPS (PAKISTAN) LIMITED

Notes To The Financial Statements

For the year ended June 30, 2016

1 STATUS AND NATURE OF BUSINESS

1.1 Johnson and Phillips (Pakistan) Limited (the Company) was incorporated in Pakistan as a public limited company on April 15, 1961 and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at C-10, South Avenue, SITE, Karachi. The Company is principally engaged in manufacturing, installing and selling of electrical equipments. Etheridge Company Limited, held 2,719,536 (2015: 2,719,536) ordinary share of Rs. 10 each of the Company as at year and, which constitute 49.90% of total share issued.

1.2 The Company has incurred loss after tax of Rs. 52.857 million (2015: Rs. 56.814 million) during the year, which has increased accumulated losses amounting to Rs. 279.054 million (2015 Rs. 233.193 million) and has resulted in negative equity of Rs. 171.754 million (2015: Rs. 125.893 million) as at June 30, 2016. The Company has negative net current assets of Rs. 88.297 million (2015: Rs. 47.688 million).

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

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

i) The Company already has its obligations rescheduled in respect of long term loans and financial arrangements, including repayment of principal and accumulated markup thereon with various lenders at terms referred to in note 14.2, 14.3 and 14.4 of these financial statements.

ii) Efforts are underway to obtain orders so that sales volume as well as profitability can be maintained and the management expects favorable improvements during the year ending June 30, 2017. The Strategic Business Revival Plan put forward by Management is approved by Board of Directors and will be presented before General Meeting for shareholders approval. According to which Company relocate its assets /operations /manufacturing to Lahore and maintain only Marketing/Sales and Service facility to facilitate its established customers.

iii) The Board 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 has continued to provide loan and financial support to the Company.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Accounting convention

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

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

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

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

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

2.2 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 interoperations:

Standard or Interpretation	**Effective date (annual periods beginning on or after)**
IFRS 2 Share-based Payments - Classification and measurement of Share-based Payments transactions (Amendments)	1 January 2018
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investment in Associates - Investment entities: Applying the Consolidated Exception (Amendment)	1 January 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Join Ventures - Sale or contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized

IFRS 11 Joint Arrangements - Accounting for acquisition of Interest in Joint Operation (Amendment)	1 January 2016
IAS 1 Presentation of Financial Statements - Disclosure initiative (Amendment)	1 January 2016
IAS 7 Financial Instruments: Disclosures - Disclosure initiative (Amendment)	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendment)	1 January 2017
IAS 16 Property, plant and equipment and IAS 38 Intangible Assets - Clarification of acceptable methods of depreciation and amortization (Amendment)	1 January 2016
IAS 16 Property, plant and equipment, IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	1 January 2016
IAS 27 Separate Financial Statements - Equity Method in "Separate Financial Statements"	1 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to above standards and amendments , improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on 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.

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

2.3 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 the company's financial statements are as follows:

i) **Employee benefits**

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefits obligations. The valuation is based on assumptions as mentioned in note 2.4.1 & 15.1.1.

ii) **Property, plant and equipment**

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

iii) **Taxation**

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

2.4 Employee benefits

2.4.1 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, 2016. 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.

Change in accounting policy

The Company did not carry out the actuarial valuation for gratuity scheme for the year ended 30 June 2015, instead, the Company used other valuation method, which practice was not in accordance with the International Financial Reporting Standards. Therefore, the Company has changed its accounting policy and carried out the actuarial valuation for gratuity scheme as at 30 June 2015.

The effects of this change in accounting policy have been adjusted retrospectively as per International Accounting Standard 8 (IAS - 8) "Accounting policies, changes in accounting estimates and errors". Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 "Presentation of Financial Statements". Details of change in accounting policy are as follows:

	As per audited financial statements	Effect of prior period error	Restated amount
	---------------------Rupees in thousands---------------------		
Effects of prior period error on financial statements for the year ended 30 June 2015			
Balance sheet			
Staff retirement benefits - Gratuity (Deferred liabilities)	5,816	48	5,768
Accumulated loss	230,381	(984)	229,397
Profit & Loss account			
Cost of sales	60,488	(142)	60,346
Distribution cost	2,134	(2)	2,132
Administrative expenses	30,489	(1,531)	28,958
Finance cost	5,819	691	6,510
Loss per share - basic and diluted	(10.61)	-	(10.61)
Other comprehensive income			
Gain on remeasurment of post employment benefit obligation			

2.4.2 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.

2.4.3 Provident fund related disclosures

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

	Unaudited	Unaudited
	June 30, 2016	Dec. 31, 2015
	----Rupees in thousands----	
Size of the fund - Total assets	**8,009**	7,421
Cost of the Investment made	**6,000**	6,000
Percentage of investments made	**75%**	81%
Fair value of the investments	6,000	6,000

Break-up of the fair value of investments is:

	30 June 2016	31 Dec 2015	**30 June 2016**	31 Dec 2015
	Unaudited	Unaudited	**Unaudited**	Unaudited
	----Rupees in thousands----			
Certificate of Investment	6,000	6,000	**75%**	**81%**

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.

2.5 Compensated absences

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

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 Investments

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

2.11 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 3. Depreciation on additions and disposals of assets during the year is charged from the month of acquisition to the month of disposal.

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

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

Profit and loss on disposal of assets is included in income currently.

b) Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amounts of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated by applying straight line method over the estimated useful lives of the assets as stated in note 3.

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

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

2.12 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.

2.13 Consumable stores

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

2.14 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.

2.15 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.

2.16 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.

2.17 Foreseeable losses on orders in hand

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

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Cash and cash equivalents

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

2.23 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.

2.24 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.

2.25 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.

2.26 Dividend

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

2.27 Prior period error

Error in computation of incremental depreciation and related deferred tax effects

The Company had recorded deferred taxation on surplus on revaluation of property, plant and equipment in financial statements for the year ended 30 June 2015. However, a calculation error was occurred while computing the deferred taxation on the surplus.

This error has been corrected retrospectively and the comparative figures have been restated in accordance with IAS - 8 "Accounting policies, changes in accounting estimates and errors". Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 "Presentation of Financial Statements". Details of correction of error are as follows:

	As per audited financial statements	Effect of prior period error	Restated amount
	---------------------Rupees in thousands---------------------		
Effects of prior period error on financial statements for the year ended 30 June 2014			
Balance sheet			
Surplus on revaluation of property, plant and equipment	184,634	1,448	186,082
Deferred taxation	10,791	41	10,832
Accumulated loss	180,585	1,489	182,074
Profit & Loss account			
Taxation	321	-	321
Loss per share - basic and diluted	(5.82)	-	(5.82)
Effects of prior period error on financial statements for the year ended 30 June 2015			
Balance sheet			
Surplus on revaluation of property, plant and equipment	176,632	2,819	179,451
Deferred taxation	9,374	41	9,415
Accumulated loss	230,381	2,812	233,193
Profit & Loss account			
Taxation	1,417	-	1,417
Loss per share - basic and diluted	(10.61)	-	(10.61)

3 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 2014									
Cost	170,000	25,600	14,610	1,178	3,843	11,640	4,320	11,969	243,160
Accumulated depreciation	(4,143)	(2,773)	(2,261)	(1,162)	(3,843)	(11,300)	(4,319)	(11,729)	(41,530)
Net book value	165,857	22,827	12,349	16	-	340	1	240	201,630
Year Ended 30 June 2015									
Opening net book value	165,857	22,827	12,349	16	-	340	1	240	201,630
Additions during the year	-	-	-	-	-	-	-	25	25
Depreciation for the year	(4,000)	(2,560)	(2,087)	(4)	-	(85)	-	(99)	(8,835)
Closing net book value	161,857	20,267	10,262	12	-	255	1	166	192,820
Useful Life (Years)	99	10	7	10	5	4	5	5	
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**
As at 30 June 2016									
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**
Useful Life (Years)	**99**	**10**	**7**	**10**	**5**	**4**	**5**	**5**	

3.1 The previous revaluations were carried out on March 31, 1995, June 30, 2004 and June 17, 2008 which resulted in a surplus of Rs 42.642 million, surplus of Rs 73.464 million and Rs. 104.097 million and impairment of Rs. 0.855 million respectively. Further, latest revaluation of leasehold land, building on leasehold land and Plant & Machinery were revalued on June 12, 2013. The revaluation was incorporated in books on June 30, 2013, following the elimination method. The revaluation exercise was conducted by M/s Asif Associates (Private) Limited, a valuer on approved list of Pakistan Bankers Association, on market value basis.

The last revaluation of leasehold land, Building and Plant & Machinery resulted in a surplus of Rs. 31.776 million. The carrying amount of the above mentioned assets as at 30 June 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	11,498	1,583
Plant and machinery	30,018	28,583	1,435

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

	Note	**2016**	2015
		(Rupees in thousand)	
Cost of sales and services	21	**7,049**	7,068
Administrative expenses	23	**1,762**	1,767
		8,811	8,835

	Note	2016	2015
		(Rupees in thousand)	

3.2 Cost of fully depreciated assets

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

4 INTANGIBLE ASSET

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

5 LONG TERM INVESTMENTS

In shares of unquoted subsidiaries companies:(at cost)

	2016	2015
Johnson & Phillips Industries (Pakistan) Limited	**30,000**	30,000
3,000,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2016 was Nil (June 2015: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, 2016 was Nil (June 2015:Nil)]The Company held 70% of the investee's total equity. Chief Executive Mr. Nabeel Sadiq		
Johnson & Phillips EMO Pakistan (Private) Limited	**510**	510
51,000 fully paid ordinary shares of Rs.10 each[Break-up value as at June 30, 2016 was Nil (June 2015:Nil)]The Company held 51% of the investee's total equity. Chief Executive Mr. Shehryar Anwar Saeed		
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 was as follows:

Johnson & Phillips Industries (Pakistan) Limited	**(38,498)**	(38,478)
Johnson & Phillips Transformers (Private) Limited	**(22,726)**	(22,691)
Johnson & Phillips EMO Pakistan (Private) Limited	**(1,724)**	(1,712)

		Note	**2016**	2015
6	**STOCK-IN-TRADE**		**(Rupees in thousand)**	
	Raw material and components			
	in hand - Gross		**40,269**	38,201
	Less: provision for obsolete/ slow moving items		**(8,360)**	(10,644)
			31,909	27,557
	Work-in-process		**3,273**	17,446
	Finished goods		**7,468**	321
	Stock in transit		**-**	-
			42,650	**45,324**
7	**TRADE DEBTS**			
	Trade debts - *unsecured, considered good*		**11,377**	9,009
	Less: Provision for doubtful trade debts		**(5,005)**	-
			6,372	9,009
8	**LOANS AND ADVANCES**			
	Loans to subsidiary companies - unsecured			
	Considered doubtful			
	Johnson & Phillips Industries (Pakistan) Limited (JPI)	8.1	**32,244**	24,738
	Johnson & Phillips Transformers (Private) Limited (JPT)	8.2	**13,194**	13,160
	Johnson & Phillips EMO Pakistan (Pvt.) Limited (EMO)	8.3	**2,948**	2,939
			48,386	40,837
	Less Provision against doubtful loans		**(48,386)**	(40,837)
			-	-
	Advances - Unsecured - Considered good			
	To suppliers		**829**	1,100
	To employees		**460**	352
	Against purchase of land		**2,717**	2,717
	Others		**71**	71
			4,077	4,240
	Sales tax refundable		**15,754**	15,305
	Less: Provision for doubtful advances against:			
	Suppliers		**(765)**	-
	purchase of land		**(2,717)**	(2,717)
	Others		**(60)**	-
			(3,542)	(2,717)
			16,289	16,828
8.1	**Reconciliation of loan amount due from JPI**			
	Opening balance		**24,738**	14,685
	Disbursed during the year		**7,506**	10,053
	Closing balance		**32,244**	24,738
	Less: provision		**(32,244)**	(24,738)
		8.4	**-**	-

		Note	2016	2015
			(Rupees in thousand)	
8.2	**Reconciliation of loan amount due from JPT**			
	Opening balance		**13,160**	13,107
	Disbursed during the year		**34**	53
	Closing balance		**13,194**	13,160
	Less: provision		**(13,194)**	(13,160)
		8.5	**-**	-
8.3	**Reconciliation of loan amount due from EMO**			
	Opening balance		**2,939**	2,896
	Disbursed during the year		**9**	43
	Closing		**2,948**	2,939
	Less: provision		**(2,948)**	(2,939)
		8.6	**-**	-

8.4 The maximum amount of loan due from JPI at the end of any month during the year was Rs. 32.244 million (2015: Rs. 24.738 million).

8.5 The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs. 13.194 million (2015: Rs. 13.160 million).

8.6 The maximum amount of loan due from Johnson & Phillips EMO Pakistan (Private) Limited at the end of any month during the year was Rs. 2.948 million (2015: Rs. 2.939 million).

		Note	2016	2015
9	**DEPOSITS AND PREPAYMENTS - Considered good**			
	Prepayments		**70**	-
	Deposits			
	Margin against bank guarantee		**6,478**	5,843
	Deposit with court		**723**	723
	Other receivable		**50**	50
	Tender deposits - net of provision		**228**	228
			7,479	6,844
	Less: Provision for doubtful deposits		**(773)**	-
			6,776	6,844
10	**ADVANCE TAX - NET OF PROVISION**			
	opening balance		**2,303**	1,865
	Paid / adjusted during the year		**404**	438
			2,707	2,303
	Less: Provision for the year			
	- current		**-**	-
	- prior		**392**	-
			392	-
	Closing balance		**2,315**	**2,303**
11	**CASH AND BANK BALANCES**			
	Cash in hand		**39**	43
	At bank - in current accounts		**1,019**	1,665
	- in saving accounts	11.1	**24**	23
			1,082	1,731

11.1 This carry profit at the rate ranging from 3.75% to 4.5% (2.15: 5.25% to 6.5%) per annum.

				2016	2015
			Note	(Rupees in thousand)	

12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(Number of shares) 2016	2015		2016	2015
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 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2016	2015
Leasehold land		
Revaluation surplus over written down value at beginning	**161,967**	165,966
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(3,999)**	(3,999)
	157,968	161,967
Factory building		
Revaluation surplus over written down value at beginning	**18,452**	20,783
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(1,632)**	(1,515)
Related deferred tax liability of incremental depreciation charged during the year	**(699)**	(816)
	16,121	18,452
Related deferred tax liability at beginning	**(6,458)**	(7,274)
Effect of change in tax rate	**923**	-
Less: related to incremental depreciation	**699**	816
	(4,836)	(6,458)
Plant and machinery		
Revaluation surplus over written down value at beginning	**8,447**	10,165
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(1,203)**	(1,117)
Related deferred tax liability of incremental depreciation charged during the year	**(516)**	(601)
	6,728	8,447
Related deferred tax liability at beginning of the year	**(2,957)**	(3,558)
Effect of change in tax rate	**422**	-
Less: related to incremental depreciation	**516**	601
	(2,019)	(2,957)
	173,962	179,451

14	LONG TERM BORROWINGS	Note	2016	2015
			(Rupees in thousand)	
	Loans from others-unsecured			
	Loan from others	14.1	**4,000**	4,000
	Loan-1 (From related party)			
	Principal	14.2	**8,408**	8,408
	Accumulated mark-up there on		**9,908**	9,219
			18,316	17,627
	Loan -2 (From director)			
	Principal	14.3	**22,023**	21,182
	Accumulated mark-up there on		**4,426**	3,454
			26,449	24,636
	Loan-3 (From related party)			
	Principal	14.4	**18,650**	18,650
	Accumulated mark-up there on		**18,167**	16,418
			36,817	35,068
			85,582	81,331
	Less: current and overdue portion	17	**(4,000)**	(4,000)
			81,582	77,331

14.1 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.

14.2 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, 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.

14.3 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, 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.

14.4 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, 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).

	Note	**2016**	2015
		(Rupees in thousand)	
15 DEFERRED LIABILITIES			
Staff retirement benefits - Gratuity	15.1	**6,007**	5,768
Deferred taxation	15.2	**6,855**	9,415
		12,862	15,183

15.1 Staff retirement benefits - Gratuity

	2016	2015
Staff retirement benefits - Gratuity	**6,901**	6,662
Unclaimed gratuity shown under current liabilities	**(894)**	(894)
	6,007	5,768

15.1.1 Principal assumptions

	2016	2015
Discount rate	**7.25%**	9.75%
Expected rate of eligible salary increase in future years	**7.25%**	9.75%

15.1.2 Liability for gratuity arose in the following manner:

	2016	2015
Opening net liability	**6,662**	5,603
Expense for the year	**701**	899
Other Comprehensive Income	**(162)**	936
Benefits paid	**(300)**	(776)
Closing net liability	**6,901**	6,662

15.1.3 Charge to profit and loss account

	2016	2015
Current service cost	**66**	208
Interest cost	**635**	691
Total amount chargeable to profit and loss account	**701**	899

15.1.4 Comparison for five years

	2016	2015	2014	2013	2012
	---Rupees in thousand---				
Present value of defined benefit obligation	6,901	6,662	4,701	6,579	6,765

15.1.5 Expected charge for the year ending 30 June 2017 is Rs. 0.333 million.

15.2 DEFERRED TAXATION

Taxable temporary differences			
Surplus on revaluation of fixed assets		**6,855**	9,415
Deductible temporary differences			
Accelerated tax depreciation		**(3,949)**	(2,969)
Carried forward tax losses and unabsorbed depreciation		**(103,013)**	(86,423)
		(106,962)	(89,392)
		(100,107)	(79,977)
Deferred tax asset not recognised		**106,962**	89,392
		6,855	9,415

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

16 TRADE AND OTHER PAYABLES

Creditors	16.1	**120,066**	106,849
Accrued liabilities		**5,796**	3,509
Advances from customers		**9,134**	1,619
Payable to Elmetec (Pvt) Ltd - related party		**18,459**	7,480
Payable to ex-employees		**802**	802
Provident fund		**13**	40
Unclaimed gratuity payable		**894**	894
Tax deducted at source		**116**	46
Others		**233**	220
		155,513	121,459

16.1 These include Rs. 113.054 million (2015: 100,543 million) payable to Elmetec (Private) Limited - a related party.

17 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS

Loan from others - unsecured	14.1	**4,000**	4,000
		4,000	4,000

18 MARK UP ACCRUED

Opening balance		**-**	-
Accrued during the year		**4,473**	5,787
		4,473	5,787
Paid / transferred during the year	18.1	**(4,473)**	(5,787)
Closing balance		**-**	-

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

		Note	2016	2015
19	**CONTINGENCIES AND COMMITMENTS**		**(Rupees in thousand)**	

19.1 Contingencies

19.1.1 Guarantees

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

Guarantees against performance bond	**6,100**	5,520

Labour

19.1.2 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).

Others

19.1.3 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.

19.1.4 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.

19.2 Commitments

There is no commitment as on June 30, 2016 (2015 : Nil)

20 SALES - NET

	Note	2016	2015
Gross sales		**41,469**	39,893
Sales tax		**(6,035)**	(663)
Commission and discount on sales		**(89)**	-
		(6,124)	(663)
		35,345	39,230

21 COST OF SALES

	Note	2016	2015
Raw materials and components consumed			
Opening stock		**38,201**	42,442
Purchases and sub contract cost		**24,712**	21,917
		62,913	64,359
Closing stock		**(40,269)**	(38,201)
		22,644	26,158
Salaries, wages and benefits	21.1	**9,305**	9,108
Insurance		**-**	505
Fuel and power		**1,252**	1,281
Repair and maintenance		**522**	293
Inspection and testing		**5**	48
Printing and stationery		**39**	24
Traveling and conveyance		**209**	209
Depreciation	3.1.1	**7,049**	7,068
Provision for Obsolete/ Slow moving Stocks		**(2,284)**	(1,488)
Other manufacturing expenses		**577**	126
		16,674	17,174
		39,318	43,332

	Note	2016	2015
		(Rupees in thousand)	
Work in process			
Opening stock		**17,446**	32,611
Closing stock		**(3,273)**	(17,446)
		14,173	15,165
Cost of goods manufactured		**53,491**	58,497
Finished goods			
Opening stock		**321**	2,170
Closing stock		**(7,468)**	(321)
		(7,147)	1,849
		46,344	60,346

21.1 Salaries, wages and benefits

		2016	2015
Salaries and wages		**9,219**	8,893
Gratuity		**36**	122
P.F Contribution (Worker & Staff)		**50**	93
		9,305	9,108

22 DISTRIBUTION EXPENSES

	Note	2016	2015
Salaries, wages and benefits	22.1	**1,309**	756
Late delivery charges and penalties		**1,830**	789
Advertising and sales promotion		**98**	83
Travelling and conveyance		**44**	134
Subscriptions and periodicals		**81**	48
Repair and maintenance		**37**	61
Entertainment		**55**	42
Printing and stationery		**21**	23
Others		**63**	196
		3,538	2,132

22.1 Salaries, wages and benefits

		2016	2015
Salaries & wages		**1,289**	734
Gratuity		**5**	10
P.F Contribution-Staff		**15**	12
		1,309	756

23 ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries, wages and benefits	23.1	**6,704**	5,818
Directors' remuneration		**350**	120
Travelling and conveyance		**1,133**	1,159
Legal and professional charges		**375**	433
Rent, rates and taxes		**1,362**	1,365
Repair and maintenance		**451**	809
Printing and stationery, postage etc.		**830**	1,189
Light and power		**1,747**	1,501
Entertainment		**623**	977
Advertisement, subscriptions and periodicals		**1,859**	697
Auditors' remuneration	23.2	**447**	413
Insurance		**80**	183
Provisions for doubtful debts, loans, advances and deposits		**14,152**	10,149
Depreciation	3.1.1	**1,762**	1,767
Others		**2,218**	2,378
		34,093	28,958

		Note	2016	2015
			(Rupees in thousand)	
23.1	**Salaries, wages and benefits**			
	Salaries and wages		**6,534**	5,591
	Gratuity		**25**	76
	P.F Contribution-Staff		**145**	151
			6,704	5,818
23.2	**Auditors' remuneration**			
	Annual audit fee		**250**	250
	Review of half yearly financial statements		**60**	60
	Review of consolidated financial statements		**60**	60
	Certification and others		**15**	15
	Out of pocket expenses		**62**	28
			447	413
24	**OTHER INCOME**			
	Mark-up on saving accounts		**1**	19
	Services income		**103**	466
			104	485
25	**FINANCE COST**			
	Mark-up on unsecured long term loans		**4,473**	5,787
	Bank charges and commission		**46**	32
	Interest on defined benefit plan liability		**635**	691
			5,154	6,510
26	**TAXATION**			
	Current year	26.1	**-**	-
	Prior year		**392**	-
	Deferred tax		**(1,215)**	(1,417)
			(823)	(1,417)

26.1 Income tax assessments of the Company upto tax year 2015 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:

	2016	2015
Loss after taxation	**(52,857)**	(56,814)
Weighted average number of ordinary shares	**5,449,972**	5,449,972
Loss per share - basic and diluted	**(9.70)**	(10.61)

		Note	2016	2015
			(Rupees in thousand)	
28	**CASH GENERATED FROM OPERATIONS**			
	Loss before taxation		**(53,680)**	(58,231)
	Adjustments for:			
	Depreciation	3.1.1	**8,811**	8,835
	Provisions for doubtful debts, loans and advances		**14,152**	10,149
	Provision for staff gratuity - net		**66**	208
	Provision for Obsolete/ Slow moving Stocks		**2,284**	1,488
	Finance cost	25	**5,108**	6,478
			(23,259)	(31,073)
	Effect on cash flow due to working capital changes			
	Decrease /(Increase)decrease in current assets			
	Stock-in-trade		**390**	18,279
	Trade debts		**(2,368)**	40,797
	Loans and advances		**(7,835)**	(11,119)
	Deposits and prepayments - considered good		**(705)**	1,786
			(10,518)	49,743
	Decrease in current liabilities			
	Trade and other payables		**34,054**	(14,875)
	Cash generated from operations		**277**	3,795

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 frame work. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

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

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:

	2016	2015
	(Rupees in thousand)	
Long term deposits	**940**	940
Trade debts	**6,372**	9,009
Loans and advances	**535**	1,523
Trade deposits and other receivables	**6,776**	6,844
Bank balances	**1,043**	1,688
	15,666	20,004

Impairment losses

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

	2016		2015	
	Gross	**impairment**	Gross	impairment
	(Rupees in thousand)		(Rupees in thousand)	
Past due 1 - 60 days	673	-	541	-
Past due 61 - 365 days	5,700	-	6,012	-
More than one year	5,005	(5,005)	2,456	-
Total	**11,378**	**(5,005)**	9,009	**-**

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

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	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	**245,363**	**245,363**	**(5,964)**	**(157,817)**	**(81,582)**
Long term financing	81,331	81,331	-	(4,000)	(77,129)
Trade and other payables	121,459	121,459	(1,911)	(119,548)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
June 30, 2015	**207,058**	**207,058**	**(6,179)**	**(123,548)**	**(77,129)**

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:

	2016	**2015**	**2016**	2015
	Effective interest rate (%)		Carrying amount(Rs.'000')	
Financial liabilities				
Long term financing	**KIBOR and KIBOR +2%**	12%, KIBOR and KIBOR +2%	**85,582**	81,331

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.

.llp;. 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

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair

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, 2016 the negative shareholders' equity amounts to Rs. 171.754 million (2015: Rs. 125.893 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:

	Executives		Chief Executive		Directors		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	Rupees in thousands							
Managerial Remuneration	1,848	1,640	2,400	1,680	-	-	4,248	3,320
Retirement benefits and provident	154	137						
fund contribtion			200	140	-	-	200	140
Rent, utilities, leave encashment etc.	-	-	1,989	2,249			1,989	2,249
Directors' fees	-	-	-	-	2,096	3,488	2,096	3,488
	2,002	**1,777**	**4,589**	**4,069**	**2,096**	**3,488**	**8,533**	**9,197**
No. of persons	**3**	**3**	**1**	**1**	**1**	**1**	**5**	**5**

31.1 The chief executive and one 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:

	2016	2015
	(Rupees in thousand)	
Subsidiaries		
Loan provided to wholly owned subsidiary companies	**7,500**	24,738
Payments made on behalf of subsidiary companies	**49**	96
Provident Fund		
Contribution paid to Provident Fund	**210**	256
Directors		
Directors' fee paid	**2,096**	3,488
Markup on long term borrowings	**2,035**	2,643
Loan received	**841**	805
Other related parties due to close family relationship with director		
Purchases	**12,599**	13,107
Funds received - net	**23,490**	21,846
Markup on long term borrowings	**2,438**	3,144

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, 2016 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, 2016 was 56 (2015: 60) and average number of employees during the year was 58 (2015: 61)

Chief Executive **Director**