



# Johnson & Phillips (Pakistan) Ltd.

Annual Report  
**2018**



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

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## COMPANY INFORMATION

### Board of Directors

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

### Board of Audit Committee

Mr.Abid Saeed Khan	Chairman
Mr.Muhammad Tariq Anjum	Member
Ms.Mariam Shafi	Member

### Board of HR Committee

Mr.Syed Jamshed Zaidi	Chairman
Mr. Salman Ganny	Member
Mr.Shehryar Saeed	Member

### Company Secretary & Financial Officer(CFO)

Chief  
Mr.Tariq Ahmed

### Internal Auditor

Mr. Tariq Ilyas

### Legal Advisor

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

### Auditors

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

### Share Registrar

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

### Bankers

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

### Registered Office

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

# CODE OF CONDUCT

## OBJECTIVE

The objective of Johnson & Phillips (Pakistan) Limited is to engage efficiently, responsibly and profitably in the manufacturing, installation and sale of electrical equipments. J&P provide maintenance services to make investments in real

## RESPONSIBILITIES TOWARDS STAKEHOLDERS

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

## EMPLOYEE

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

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

## BUSINESS RESOURCES

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

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

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

## SOCIAL RESPONSIBILITIES

The Company acts in a responsible manner within the law of Pakistan, in pursuit of its legitimate commercial objectives To fulfill all legal requirements of the Government and its regulatory bodies, follow relevant and applicable laws of the country.

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

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

## WHISTLE BLOWING POICY

J&P is committed to the highest possible standards of openness, probity and accountability. In line with this commitment, J&P

## FINANCIAL REPORTING & INTERNAL CONTROL

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

## CONFLICT OF INTEREST

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

## ENVIRONMENT PROTECTION

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

## QUALITY ASSURANCE

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

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



# Johnson & Phillips (Pakistan) Limited

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 57th Annual General Meeting of Johnson & Phillips (Pakistan) Limited will be held on Thursday, October 25, 2018 at the registered office of the company at C-10, south avenue SITE, Karachi at 06:15 PM to transact the following businesses:-

### ORDINARY BUSINESS:

- 1- To confirm the minutes of the Extra Ordinary General Meeting held on April 26, 2018.
- 2- To receive, consider and adopt Annual Audited Financial Statements of the Company together with the Directors' and Auditors' reports thereon for the year ended June 30, 2018 together with the Audited Consolidated Financial Statements of the Company and the Directors' and Auditors' Report thereon for the year ended June 30, 2018.
- 3- To appoint Auditors' of the Company for the financial year ending June 30, 2019 and to fix their remuneration. The Board of Directors, on the recommendation of the Audit Committee of the Company, has proposed the name of retiring auditors M/s Nazir Chaudhri & Company, Chartered Accountants, for their appointment as external auditors for the year ending June 30, 2019.

### ANY OTHER BUSINESS:

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

Date: October 04, 2018

Place: Karachi

By Order of the Board

Tariq Ahmed

Company Secretary

### Notes:

1. The Share Transfer Books of the Company will remain closed from October 18, 2018 to October 25, 2018 (both days inclusive). Transfer received at the registered office of the company / by our Share Registrar, C & K Management Associates (Pvt) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi -75530 by the close of business on October 17, 2018 will be treated in time for this purpose.
2. Appointment of Proxies and Attending AGM:
  - i) A member eligible to attend and vote at the Meeting may appoint another member as his/her proxy to attend, and vote instead of him/her.
  - ii) A blank instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy may be obtained from the registered office of the Company during normal office hours.
  - iii) A duly completed instrument of proxy and the power of attorney or other authority (if any), under which it is signed or a notarized certified copy of such power or authority must, to be valid, be deposited at the registered office not less than 48 hours before the time of the meeting. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.
  - iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted with proxy form.
  - v) The owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport (in case of foreign nationals) for identification purpose at the time of attending the meeting.
3. Members are requested to notify any changes in their addresses immediately to the Share Registrar M/s C & K Management Associates (Pvt) Limited.
4. Members, who have not yet submitted attested photocopy of their valid CNIC along with folio number are requested to send the same, at the earliest, directly to the Company's Share Registrar.
5. The Annual Report of the Company for the year ended June 30, 2018 has been placed on the Company's website at the link: [http://www.johnsonphillips.pk/Annual\\_Financial\\_Reports.html](http://www.johnsonphillips.pk/Annual_Financial_Reports.html)
6. The Annual Report of the Company for the year ended June 30, 2018 is being dispatched to the shareholders through CD. However, if any shareholder, in addition, desires to get the hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven working days of receipt of such request. Standard request FORM is available for the purpose on Company's website.
7. Video Conference Facility will be provided to members who hold at least 10% or more shareholding, enabling them to participate in the AGM. They will be entertained subject to availability of such facility in that city and receipt of the Consent Form 7 days before holding of General Meeting. Consent FORM is available for the purpose on Company's website.



(پاکستان) لمیٹڈ

## عام جنرل کی میٹنگ کا نوٹس

نوٹس یہ ہے کہ جانسن اور فلپس (پاکستان) لمیٹڈ کی 57 ویں سالانہ جنرل میٹنگ کو جمعرات، 25 اکتوبر 2018 کو سی-10، جنوبی ایونیو سائٹ، کراچی میں کراچی کے رجسٹرڈ دفتر میں منعقد کیا جائے گا۔ مندرجہ ذیل کاروباروں کو منتقل کرنے کے لئے:-

### بنیادی کاروبار:

- 1- اپریل، 2018 کو منعقد ہونے والے اضافی عام اجلاس کے منٹوں کی تصدیق کرنے کے لئے۔
- 2- کمپنی کے سالانہ آڈٹ شدہ مالیاتی بیانات کو ملنے، غور اور غور کرنے کے لئے 30 2018 کے اختتامی سالوں کے ساتھ ڈائریکٹروں اور آڈٹوں کی رپورٹوں کے ساتھ کمپنی کے آڈٹ شدہ مجموعی مالی بیانات اور ڈائریکٹروں اور آڈٹوں کے ساتھ ساتھ '30 2018 تک ختم ہونے والے سال کے لئے رپورٹ کریں۔
- 3- مالیاتی سال کے لئے 30 2019 کو ختم کرنے اور ان کے معاوضہ کو ٹھیک کرنے کے لئے کمپنی کے آڈیٹروں کو مقرر کرنے کے لئے۔ کمپنی کے آڈٹ کمیشن کی سفارش پر، بورڈ آف ڈائریکٹرز نے 30 2019 تک ختم ہونے والی سال کے لئے بیرونی آڈیٹروں کے طور پر ان کی تقرری کے لئے ریٹائرڈ آئیٹر ایم نذیر چوہدری اور کمپنی چارٹرڈ اکاؤنٹنٹس کا نام پیش کیا ہے۔

### کوئی اور کاروبار:

- 4- کرسی کی اجازت کے ساتھ کسی اور کاروبار کو منتقل کرنے کے لئے۔

بورڈ کے حکم سے

کمپنی کا منشی

تاریخ: 04 اکتوبر، 2018

کراچی:

:

1. کمپنی کا حصہ ٹرانسفر کتابیں اکتوبر 18 2018 25 اکتوبر، 2018 تک جاری رہیں گے (دونوں دن شامل ہیں)۔ 17 اکتوبر کو کاروباری قریبی طرف سے کمپنی کے رجسٹرڈ آفس / ہمارے حصص کے رجسٹرار، سی او کے مینجمنٹ ایسوسی ایٹس (پی وی ٹی) لمیٹڈ، 404، ٹریڈ ٹاور، عبد اللہ ہارون روڈ، میٹروپولیٹن ہوٹل کے قریب، کراچی-75530 کے ذریعے موصول ہونے والی منتقلی کو منتقلی۔ مقصد کے لئے 2018 کا علاج کیا جائے گا۔
2. پراکسیوں کی تقرری اور میٹنگ میں شرکت:
  - (i) ایک رکن میں شرکت کرنے اور ووٹ دینے کے قابل ہونے کے قابل ہو سکتا ہے کسی دوسرے رکن کی حیثیت سے اس کے پراکسی کے طور پر شرکت کی جائے اور اس کے بدلے ووٹ ڈال سکے۔
  - (ii) اجلاس کے لئے پراکسی قابل اطلاق کا ایک خالی ذریعہ اراکین کو بھیج دیا گیا نوٹس کے ساتھ فراہم کی جا رہی ہے۔ پراکسی کے آلے کی مزید کاپیاں عام دفتر کے گھنٹوں کے دوران کمپنی کے رجسٹرڈ دفتر سے حاصل کی جا سکتی ہیں۔
  - (iii) پراکسی کی مکمل طور پر مکمل آلہ اور اٹارنی یا دیگر اتھارٹی (اگر کوئی ہے)، جس کے تحت یہ دستخط کیا جاتا ہے یا اس طرح کے اقتدار یا اتھارٹی کا ایک سندھ تصدیق شدہ کاپی ہونا لازمی ہے، رجسٹرڈ دفتر میں جمع نہیں ہونا چاہئے میٹنگ کے وقت 48 گھنٹوں سے قومی شناختی کا یا رکن کے پاسپورٹ اور پراکسی کے پاس کردہ کاپیاں پیش کی جائیں گی پراکسی فارم کے ساتھ۔
  - (iv) کارپوریٹ ادارے کی صورت میں، نمونہ دستخط کے ساتھ اٹارنی کے ڈائریکٹرز کے اعلامیہ / پاور بورڈ پراکسی فارم کے ساتھ پیش کی جائے گی۔
  - (v) جسمانی حصص اور سینٹرل ڈیپازٹمنٹ کمپنی آف پاکستان لمیٹڈ (سی ڈی سی) کے نام میں رجسٹرڈ حصص کے مالکان اور ان کی پراکسیوں کو ان کی اصل کمپیوٹرائزڈ نیشنل شناختی کارڈ (سی این ائی سی) یا پاسپورٹ کی پیداوار کرنے کی ضرورت ہے۔ غیر ملکی شہریوں) اجلاس میں شرکت کے وقت شناخت کے مقصد کے لئے۔
3. ممبران سے درخواست کی جاتی ہے کہ فوری طور پر حصص رجسٹرار ایم اینڈ سی کے مینجمنٹ ایسوسی ایٹس (پی وی ٹی) لمیٹڈ کو اپنے پتے میں کسی بھی تبدیلی کو مطلع کریں۔
4. ممبران، جنہوں نے ابھی تک فولیو نمبر کے ساتھ ساتھ ان کے درست سی این ائی سی کے مطلوبہ فوٹو کاپی کو بھی پیش نہیں کیا ہے، وہ سب سے جلد، براہ راست کمپنی کے حصول رجسٹرار کو بھیجنے کے لئے درخواست کی جاتی ہیں۔
5. 30 2018 کو ختم ہونے والی سال کے لئے کمپنی کی سالانہ رپورٹ کو کمپنی کی ویب سائٹ پر لنک پر دیا گیا ہے:

[http://www.johnsonphillips.pk/Annual\\_Financial\\_Reports.html](http://www.johnsonphillips.pk/Annual_Financial_Reports.html)

30.6 2018 کو ختم ہونے والی سال کے لئے کمپنی کی سالانہ رپورٹ شیئر ہولڈروں کو سی ڈی کے ذریعہ بھیج دیا جا رہا ہے۔ اگر کسی بھی شریک کارکن کے علاوہ، سالانہ آڈیٹ کردہ مالی بیانات کی سخت کاپی حاصل کرنے کے خواہاں ہیں، تو اس طرح کی درخواست کی وصولی کے ساتھ کاروباری دنوں کے اندر ہی اسی طرح مفت کی لاگت کی جائے گی۔ فارم شدہ درخواست فارم کمپنی کی ویب سائٹ پر اس مقصد کیلئے دستیاب ہے۔

7. ویڈیو کنفرنس کی سہولت فراہم کرنے والے ارکان کو کم از کم 10% یا اس سے زیادہ حصص رکھنے کے لئے فراہم کیا جائے گا، انہیں میٹنگ میں حصہ لینے کے قابل بنانے میں مدد ملے گی۔ وہ اس شہر میں اس سہولیات کی دستیابی کے تابع ہوں گے اور جنرل میٹنگ کے قیام 7 دن قبل رضامندانہ فارم کی وصولی۔ رضامندی برائے فارم کمپنی کی ویب سائٹ پر اس مقصد کے لئے دستیاب ہے۔



# JOHNSON & PHILLIPS PAKISTAN LIMITED

## SIX YEARS FINANCIAL REVIEW

Rupees in '000'

	<u>2018</u>	<u>2017</u> (Restate)	<u>2016</u> (Restate)	<u>2015</u> (Restate)	<u>2014</u> (Restate)	<u>2013</u> (Restate)
Sales	6,312	22,924	35,448	39,230	103,813	103,179
Gross Profit / (Loss)	(18,333)	(36,545)	(10,896)	(21,116)	10,738	12,047
Profit / Loss before Taxation	(49,804)	(71,365)	(53,680)	(58,231)	(32,060)	(6,970)
Profit / Loss After Taxation	(49,166)	(70,503)	(52,857)	(56,814)	(31,739)	(39,216)
Fixed Assets (Net)	14,194	175,318	184,009	192,820	201,630	210,048
Total Assets	517,079	216,143	260,433	275,799	344,887	404,121
Total Liabilities	517,079	216,143	260,433	222,241	233,538	262,055
Current Assets	30,168	39,885	75,484	82,039	142,317	193,133
Current Liabilities	186,333	177,809	163,781	129,727	144,602	170,495
<b>Liquidity</b>						
Current Ratio	0.16	0.22	0.46	0.63	0.98	1.13
Quick Ratio	0.15	0.15	0.20	0.28	0.53	0.51
<b>Profitability</b>						
Gross Profit Ratio	%	-290.45%	-159.42%	-30.74%	-53.83%	10.34%
Net Profit Ratio	%	-778.93%	-307.55%	-149.11%	-144.82%	-38.01%
<b>Assets Utilization</b>						
Inventory Turnover Ratio	0.80	0.81	0.81	0.71	1.21	0.91
Total Assets Turnover Ratio	0.01	0.11	0.14	0.14	0.30	0.26
Debtor Turnover Ratio	5.86	5.38	4.61	1.33	2.26	2.68
Creditor Turnover Ratio	0.03	0.11	0.22	0.19	0.24	0.35
<b>Investment</b>						
Earning Per Share	(9.02)	(12.94)	(9.70)	(10.61)	(5.82)	(7.20)
Market Value Per Share	63.25	29.99	20.39	20.60	25.18	10.31
P.E.Ratio	(7.01)	(2.32)	(2.10)	(1.94)	(4.33)	(1.43)
Market Capitalization (Mn)	344,649	163,416	111,105	112,249	137,206	56,179
<b>Employee As Remuneration</b>	13,561	19,551	17,318	17,357	15,799	22,556
<b>Production</b>						
Transformers (Nos)	4	11	13	12	30	32
Switch Gear Panels (Nos)	1	5	17	97	30	31

## CHAIRMAN'S REVIEW

I present to you the 57<sup>th</sup> Annual Report of the performance of the company for the year ended June 30, 2018.

This year our sales have further declined, impacting our bottom line. The Land, Building and Plant & Machinery have been revalued by incorporating surplus on revaluation of fixed assets in the financial statements and accordingly restating the prior years' numbers.

The management will implement a new business plan after the sale of its Land and Building. The five years Business Revival Plan / Strategy and Execution includes continued activity in an area related to the core business of the company – i.e. in the electrical equipment industry. In this regard a new setup for Engineering, Repair and Maintenance Services is to be established. For this purpose, the company will be able to put to use its existing Plant & Machinery and Testing equipment. In addition to this, the company will be exploring new businesses in the Indenting and trading sector. This will provide the Company with sufficient capital to clear major current trade liabilities and generate enough funds for the relocation and setup of the new plant in a new location. It will benefit the Company and its shareholders. This is in the process of being finalized.

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

The year 2017 - 2018 depicted a positive trend for Pakistan with improvement in the security environment, low inflation and expected investment from China in the Country – (CPEC). The inflation is continuing on its downward trajectory. State Bank of Pakistan has reduced the interest rate which will give a boost to the investment climate. However, fundamental reforms will be needed to fully overcome Pakistan's chronic energy crisis, the Government still faces challenges in narrowing the fiscal deficit and building sustainable foreign currency inflows.

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

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

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

For and on behalf of the Board of Directors

**Salman Ganny**  
Chairman

Karachi: October 01, 2018

## DIRECTORS' REPORT

The Directors' of your Company are pleased to present the 57<sup>th</sup> Annual Report together with the Audited Financial statements for the year ended June 30, 2018 and Auditors' Report thereon.

### Financial Highlights

The comparative financial highlights of your Company for the year ended June 30, 2018 and June 30, 2017 are as follows:

	2018	2017
	.....Rupees in '000.....	
(Loss) for the year before taxation	(49,804)	(71,365)
Out of which the Directors have accounted For taxation – current	638	862
Disposable (loss) for appropriation	(49,166)	(70,503)
Accumulated (Losses) brought forward	(341,866)	(279,054)
Adjustment for: Incremental depreciation on revalued assets	5,941	6,834
Other Comprehensive Profit/(Loss)	208	857
<b>Accumulated losses carried over to Balance Sheet</b>	<b>(384,883)</b>	<b>(341,866)</b>

In view of the losses and need of the liquid funds for working capital, the Directors have not recommended any dividend to the Share holders for the year ended June 30, 2018.

### Earnings per Share

Earnings per share for the year ended June 30, 2018 is Rs. (9.02) [June 30, 2017 Rs. (12.94)].

### Material Changes

There has been no material change since June 30, 2018 and the Company has not entered into any commitments which would affect its financial position on that date.

### Performance Review

The Sales -net for the year was Rs.6.3M as compared to Rs.22.9M for the corresponding period of last year. The cost of sales for the year was 24.6M as compared to Rs.59.4M. This was mainly due to lower sales made during the year.

The Gross loss of the Company was Rs. (18.3M) against a loss of Rs. (36.5M) in the corresponding period of last year. This is mainly due to lower sales. The Company's Distribution cost, Administrative expenses and finance cost during the year ended June 30, 2018 was Rs.34.5M as against Rs.34.8M in the corresponding period of previous year. The Company is in the process of reorganizing its activities.

A loss after tax of Rs.49.16M was reported for the year ended June 30, 2018 compared to a loss after tax of Rs.70.5M in the corresponding period. Management of your Company is making concerted efforts and continues to endeavor to achieve improved performance in the future.

As per decision of the Board in this financial year the Land, Building and Plant & Machinery have been revalued. The revalued amount has been taken from the Report issued by the value M/S Joseph Lobo (Pvt) Limited in their report dated January 13, 2018 by incorporating surplus on revaluation of fixed assets in the financial statements and accordingly restating the prior years' numbers.

### Human Resource developments

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

## Corporate Social Responsibility

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

The Company contributed Rs.3.58 Million to the National Exchequer during the year in the form of direct and indirect taxes and other mandatory contributions.

## External Audit

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

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

## Internal Audit

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

## Statement of Corporate and Financial Reporting Framework

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

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required under the Companies Act, 2017.
3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment
4. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve objectives, and by its nature can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process used by the Board to review the effectiveness of the system of internal control includes, inter-alia, the following:
  - A Board Audit Committee (BAC) is in place. It reviews the approach adopted by the Company’s internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the BAC discusses the actions to be taken in areas of concern with the relevant executives. The BAC consists of three members. The Chairman of the BAC is an independent director and all the other members of the BAC are independent directors. During the year 2018, four meetings of BAC were held with one in each quarter and attendance was as follows:

<b>Name of member</b>	<b>No. of meetings attended</b>
-----------------------	---------------------------------

Mr. Abid Saeed Khan (Chairman)	4
Mr. Muhammad Azharul Islam	3
Mr. Muhammad Tariq Anjum	1
Ms. Marium Shafi	1

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

- An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
  - There is an annual budgeting and strategic planning process. Financial forecasts are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.
6. There is no doubt upon the Company's ability to continue as a going concern.
  7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.
  8. The Company has followed the best practices of the Code of Corporate Governance and there is no material departure there from.
  9. Key operating and financial data for last six years is annexed with the report.
  10. The value of investments including accrued income of provident fund on the basis of audited financial statements as at December 31, 2017 is Rs.4.7M(December 31, 2016: audited amount Rs. 5.8M).
  11. The related parties' transactions are approved or ratified by the Board Audit Committee and the Board of Directors.
  12. All major decisions relating to the investments / disinvestments, changes in the policies are taken by the Investment Committee / Board of directors.
  13. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.
  14. Outstanding taxes and duties are given in the financial statements.

## **Board of Directors**

### **Role of Chairman**

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

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

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

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

## Composition of the Board

Total number of Directors:

Male: 6 and Female: 1

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

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

<b>Name</b>	<b>No. of meetings eligible to attend during the tenure</b>	<b>No. of meetings attended</b>
Mr. Salman Ganny(Chairman)	5	5
Mr. Shehryar Saeed (MD & Chief Executive Officer)	5	5
Ms. Marium Shafi	5	2
Mr. Muhammad Tariq Anjum	5	1
Mr. Muhammad Azharul Islam	5	4
Mr. Abid Saeed Khan	5	4
Mr. Syed Jamshed Zaidi	5	5

During the year no casual vacancy occurred.

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

## Board of Directors' Remuneration

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

## Performance Evaluation of the Board

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

## Board Committee Meetings

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

## Human Resource and Remuneration Committee

During the year 2018, one meeting of Human Resource and Remuneration Committee was held and attendance was as follows:

### Attendance

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

## Investment Committee

During the year 2018, one meeting was held and attendance was as follows:

### **Attendance**

Mr. Muhammad Tariq Anjum (Chairman)	1
Mr. Shehryar Saeed	1
Mr. Tariq Ahmed	1

### **Business Strategy Committee**

During the year 2018, one meeting was held and attendance was as follows:

#### **Attendance**

Mr. Salman Ganny (Chairman)	1
Mr. Shehryar Saeed	1
Mr. Tariq Ahmed	1

### **Pattern of Shareholding**

A statement showing the pattern of shareholding as required under Section 227 of the Companies Act, 2017, for the year ended June 30, 2018 is attached with this report.

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

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

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

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 set out by the Securities & Exchange Commission of Pakistan, relevant for the year ended June 30, 2018, have been duly complied with. A statement to this effect is annexed with this report.

### **Code of Conduct**

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

### **Directors training program**

Directors training requirements are fully complied. One director, Mr. Shehryar Saeed is exempted from the requirement of directors training program.

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

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

### **Employee Relations**

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

### **Future Plan /growth**

The management after approval of the shareholders in the Extra Ordinary General Meeting (EOGM) held on April 26, 2018 will implement a new business plan after the sale of its land and building. The five years Business Revival Plan / Strategy and Execution includes continued activity in an area related to the core business of the company – i.e. in the electrical equipment industry. In this regard a new setup for Engineering, Repair and Maintenance Services is to be established. For this purpose, the company will be able to put to use its existing Plant & Machinery and Testing equipment. In addition to this, the company will be exploring new businesses in the Indenting and trading sector.

To generate this working capital, the company advertised in the newspaper to sell its land and building at its existing facility located at SITE, Karachi. Following this sale, the facility will be shifted to a new location in Korangi, Karachi. This approach will provide the company with sufficient capital to clear major current trade liabilities and generate enough funds for the relocation and setup of the new plant in a new location. It will benefit the company and its shareholders.

Three quotations were received for the purchase of Company's' Land and Building. However, the highest bidder backed out and at present the management is pursuing the other bidders to re-quote which is in the process of being finalized.

### **Acknowledgement**

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

**Shehryar Saeed**  
MD & Chief Executive Officer

**Salman Ganny**  
Chairman

Karachi: October 01, 2018



## ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹروں کو 30 2018 کے اختتامی سال کے لئے کردہ مالیاتی بیانات کے ساتھ مل کر 57 ویں سالانہ رپورٹ پیش کرنے کی خوشی ہے۔

### مالی اہمیت

30 2018 تک ختم ہونے والی سال کے لئے آپ کی کمپنی کے موازنہ مالیاتی نمائشیں مندرجہ ذیل ہیں:

2017	2018	
..... میں	000 .....	
(71365)	(43313)	ٹیکس دینے سے قبل سال کے لئے ( )
862	1923	جن میں سے ڈائریکٹروں نے حساب کیا ہے ٹیکس کے لئے -
(70503)	(41390)	اختصاص کے لئے ڈسپوز ایبل ( )
(905427)	(341866)	( ) آگے بڑھے
6834	8603	ایڈجسٹمنٹ: کے لئے بحال شدہ اثاثوں پر اضافی استحکام
857	208	دیگر جامع منافع / ( )
(341866)	(374445)	بیلنس شیٹ تک جمع کئے جانے والے نقصانات

کام چلانے کے لیے سرمایہ مائع فنڈز کے نقصانات اور مائع فنڈز کی ضرورت کے مطابق، 30 2018 کو ختم ہونے والی سال کے لئے ڈائریکٹرز نے کسی بھی لابیٹ کو حصہ ہولڈرز کی سفارش نہیں کی ہے۔

### فی حصہ آمدنی

30 2018 کو ختم ہونے والی سال کے لئے آمدنی فی حصہ ہے۔ (7.59) [30] (12.94). 2017

### مواد تبدیل

30 2018 کے بعد سے کوئی مادی تبدیلی نہیں آئی ہے اور کمپنی کسی بھی وعدے میں داخل نہیں ہوئی ہے جو اس تاریخ پر اپنی مالی حیثیت کو متاثر کرے گی۔

### کارکردگی کا جائزہ

گزشتہ سال کی اسی مدت کے لئے 6.3 ملین روپے کے مقابلے میں سال کے لئے فروخت-اینٹ 22.9 ملین روپے تھا۔ سال کے لئے فروخت کی قیمت 19.0 ملین روپے تھی جبکہ اس کے مقابلے میں 54.4 ملین روپے۔ اس سال بنیادی طور پر کم فروخت کی وجہ سے یہ بنیادی طور پر تھا۔

کمپنی کا مجموعی نقصان تھا۔ (12.7 ملین روپے) کے نقصان کے خلاف (36.5 ملین روپے) گزشتہ سال کی اسی مدت میں۔ یہ بنیادی کم فروخت کی وجہ سے ہے۔ 30 2018 تک ختم ہونے والے سال کے دوران کمپنی کی تقسیم کی لاگت، انتظامی اخراجات اور مالیاتی اخراجات پچھلے سال کی اسی مدت میں 33.6 ملین روپے کے مقابلے میں 34.8 ملین روپے تھا۔ کمپنی اپنی سرگرمیاں دوبارہ منظم کرنے کے عمل میں ہے۔

30 جون کو 2018 تک اسی سال کے لئے اس کے نقصان میں کمی کے مقابلے میں اس کے عہدے میں 41.3 ملین روپے کے ٹیکس کے بعد 77.5 ملین روپے کا ٹیکس نقصان ہوا۔ آپ کی کمپنی کا انتظام کنسرٹ کی کوششیں کر رہا ہے اور مستقبل میں بہتر کارکردگی کو حاصل کرنے کے لئے کوشش کرنا جاری ہے۔

اس مالی سال میں بورڈ کے فیصلے کے مطابق زمین، بلڈنگ اور پلانٹ اور مشینری کو بحال کیا گیا ہے۔ بحال شدہ رقم کی رقم ایم او ایس جوزف لوبو (پی وی ٹی) لمیٹڈ کی طرف سے جاری کی گئی رپورٹ سے 13 جنوری، 2018 کی طرف سے جاری کی گئی رپورٹ سے لے گئی ہے۔ مالی بیانات میں فکسڈ اثاثوں کی نظر ثانی کرنے پر اضافی اضافے اور اس کے مطابق سابقہ سالوں کی تعداد میں ترمیم کی گئی ہے۔

## انسانی وسائل کی ترقی

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

## کارپوریٹ سماجی ذمہ داری

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

کمپنی نے رقم ادا کی سال کے دوران براہ راست اور غیر مستقیم ٹیکس اور دیگر لازمی شراکت کے طور پر قومی افتتاحی 19.2 ملین.

## بیرونی آڈٹ

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

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

## اندرونی آڈٹ

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

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

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

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

2. کمپنیوں نے کمپنیوں کے ایکٹ، 2017 کے تحت مطلوبہ اکاؤنٹس کی مناسب کتابوں کو برقرار رکھا ہے۔

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

4. بین الاقوامی اکاؤنٹنگ معیارات (آئی اے اے ایس) اور بین الاقوامی مالیاتی رپورٹنگ کے معیارات (آئی آر ایف ایس) پاکستان میں قابل اطلاق ہیں، مالیاتی بیانات کی تیاری اور اس کے بعد کسی بھی روانگی کی تیاری میں پیروی کی گئی ہے۔

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

• بورڈ کے آڈٹ کمیشن (بی اے سی) . یہ کمپنی کے اندرونی آڈٹ ڈیپارٹمنٹ اور خارجہ آڈیٹر کے ساتھ تعلقات اور رشتہ کے ذریعہ اپنایا گیا نقطہ نظر کا جائزہ لےتا ہے۔ یہ اندرونی آڈٹ ڈیپارٹمنٹ اور بیرونی آڈیٹروں کی داخلی کنٹرول کے نظام اور کسی بھی مواد کی کمزوریوں کی نشاندہی کی گئی ہے جس کی نشاندہی کی گئی ہے۔ مزید برآں، بی اے سی متعلقہ ایگزیکٹوز کے ساتھ تشویش کے علاقوں میں لے جانے والے اقدامات پر بحث کرتی ہے۔ بی اے سی تین ارکان پر مشتمل ہے۔ بی اے سی کے چیئرمین ایک آزاد ڈائریکٹر ہے اور بی سی اے کے تمام دیگر ارکان مستقل ڈائریکٹر ہیں۔ 2018 کے دوران، ہر سہ ماہی میں بی سی کے چار اجلاس منعقد کئے گئے تھے اور حاضری مندرجہ بالا تھی:

ممبروں کے نام	اجلاسوں میں شرکت کی تعداد
سٹر عابد سعید خان (چیئرمین)	4
	3
	1
محترمہ میریم شفیق	1

اجلاس میں شرکت کرنے میں ناکام افراد کو غیر موجودگی کی اجازت دی گئی تھی۔  
 • ایک تنظیمی ڈھانچہ قائم کی گئی ہے، جس کی ذمہ داری اور احتساب کی وفد کے ساتھ مواصلات اور سطح کے درجے کی سطحوں کی واضح لائنوں کی حمایت ہوتی ہے۔

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

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

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

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

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

10. 31 2017 کے طور پر آڈٹ شدہ مالی بیانات کے بنیاد پر ثابت فنڈ کی جمع شدہ آمدنی سمیت سرمایہ کاری کی قیمت 4.7 ملین روپے (31 2016: 538 ملین روپے) .

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

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

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

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

## بورڈ آف ڈائریکٹرز

### چیئرمین کا کردار

چیئرمین بورڈ آف ڈائریکٹرز کی قیادت کرتی ہے، گروپ کی نمائندگی کرتا ہے اور بورڈ کے بورڈ اور حصول داروں کی طرف سے گروپ کے مجموعی محافظ کے طور پر کام کرتا ہے۔ بورڈ کی تاثیر کو یقینی بنانے کے لئے ذمہ دار، وہ کمپنی کی حکمت عملی اور مجموعی مقاصد کے ترقی اور عزم میں مکمل اور تخلیقی کردار ادا کرنے کے لئے بورڈ کو مکمل طور پر طاقت دیتا ہے۔

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

سی ای او / ایم ڈی کے حصول داروں کو قیمت بنانے کے لئے کمپنی کی طویل مدتی حکمت عملی کے عملدرآمد کے لئے ذمہ دار ہے۔ کمپنی کے مختصر اور طویل مدتی مقاصد / منصوبے کو پورا کرنے کے لئے سی ای او / ایم ڈی پورے دن سے فیصلے کرتا ہے۔

اور کمپنی کے انتظامیہ کے درمیان براہ راست رابطے کے طور پر کام کرتا ہے۔ انہوں نے کمپنی کی جانب سے حصص، ملازمین، سرکاری حکام، دیگر حصول داروں اور عوام کی جانب سے بات چیت کی۔ سی ای او / ایم ڈی ڈائریکٹر، فیصلہ ساز اور رہنما کے طور پر کام کرتا ہے۔ مواصلاتی کردار میں بیرونی دنیا کے ساتھ تنظیم کے انتظام اور ملازمتوں کے ساتھ بات چیت شامل ہے؛ فیصلہ سازی کے کردار میں پالیسی اور حکمت عملی کے بارے میں اعلیٰ درجے کی فیصلے شامل ہیں۔ کمپنی کے رہنما کے طور پر، وہ ملازمتوں کو حوصلہ افزائی کرتا ہے اور ان میں ضروری حوصلہ افزائی اور روح کو فروغ دیتا ہے۔

سی ای او / ایم ڈی کی کارکردگی بورڈ کے ذریعہ کام کی وضاحت کے خلاف بورڈ کی نگرانی اور تشخیص کی جاتی ہے۔

## بورڈ کی تشکیل

ڈائریکٹرز کی کل تعداد:

6 : 1

بورڈ آف ڈائریکٹرز پر مشتمل ہے سات ارکان، دو ایگزیکٹو ڈائریکٹرز، چار آزاد ڈائریکٹرز اور ایک مستقل ڈائریکٹر (ایم ڈی اور چیف ایگزیکٹو آفیسر)۔

جائزہ لینے کے تحت سال کے دوران پانچ اجلاس منعقد ہوئے اور مندرجہ ذیل میں شرکت کی:

جلاسوں میں شرکت کی تعداد

دورے کے دوران  
میں حاضر والے کی تعداد

5	5	نی (چیئرمین)
5	5	یار سعید
2	5	(ایم ڈی اور چیف ایگزیکٹو آفیسر)
1	5	محترمہ میریم شفیق
4		
4	5	عابد سعید خان
5	5	مسٹر سید جمشید زیدی

سال کے دوران کوئی آرام دہ اور پرسکون چھٹی نہیں ہوئی۔

اجلاس میں شرکت کرنے میں ناکام رہنماؤں کو غیر موجودگی کی اجازت دی گئی۔  
بورڈ آف ڈائریکٹرز کا ریمانڈ

کمپنی کے تمام ڈائریکٹر سی ای او ایم ڈی کے علاوہ آزاد اور غیر ایگزیکٹو ڈائریکٹر ہیں۔ منظور شدہ پالیسی کے مطابق، ڈائریکٹر بورڈ / کمیٹی کے اجلاسوں میں شرکت کے لئے رقم کی ادائیگی کی ادائیگی کی جاتی ہے۔

## بورڈ کے کارکردگی کی تشخیص

فہرست شدہ کمپنیوں کے مطابق (کارپوریٹ گورننس) کے قوانین، 2017، بورڈ آف ڈائریکٹرز نے ایک جامع میکانیزم کو منظوری دینے والے سوالات کے ذریعہ خود تشخیص کے طریقہ کار کو اپنانے کی طرف سے اپنی کارکردگی کا اندازہ کرنے کی منظوری دے دی۔ تیار میکانیزم جو بورڈ کے کام پر مبنی اور معروف رجحانات پر مبنی ہے اور اس کی تاثیر کو بہتر بناتا ہے۔ تشخیصی مشق ہر سال کی جاتی ہے۔ انسانی وسائل اور ریمانڈرن کمیٹی نے بورڈ کے کارکردگی کو مکمل طور پر اور اس کی کمیٹیوں کی تشخیص کے لئے ایک رسمی عمل شروع کیا جائے گا۔

## بورڈ کمیٹی اجلاس

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

## انسانی وسائل اور ریموٹرن کمیٹی

2018 کے دوران، انسانی وسائل اور ریمانڈرن کمیٹی کا ایک اجلاس منعقد ہوا اور حاضری مندرجہ ذیل تھی:

## حاضری

1	مسٹر سید جمشید زیدی (چیئرمین)
1	مسٹر سلمان غنی
1	مسٹر شہریار سعید

## سرمایہ کاری کمیٹی

2018 کے دوران، ایک اجلاس منعقد کی گئی تھی اور حاضری مندرجہ ذیل تھی:

## حاضری

1	(چیئرمین)
1	مسٹر شہریار سعید
1	

## کاروباری حکمت عملی کمیٹی

2018 کے دوران، ایک اجلاس منعقد کی گئی تھی اور حاضری مندرجہ ذیل تھی:

## حاضری

1	سلمان غنی (چیئرمین)
1	مسٹر شہریار سعید
1	

## شیئر ہولڈنگ کا پیٹرن

30 2018 کو ختم ہونے والے سال کے لئے کمپنیوں کے ایکٹ، 2017 کے دفعہ 227 کے تحت ضروری طور پر حصص کے پیٹرن کی نمائش کا ایک بیان دکھایا گیا ہے۔

## کمپنی کے حصص کی ٹریڈنگ

کمپنی کے حصص میں کوئی ٹریڈنگ نہیں، ڈائریکٹر، سی ای او اور ایگزیکٹوز (ملازمین سے 0.5 ملین یا اس سے اوپر کی بنیادی تنخواہ کے ساتھ ملازمین) یا ان کے شوہروں یا چھوٹے بچے، اگر کوئی۔ فہرست شدہ کمپنیوں کے ساتھ تعمیل (کارپوریٹ گورننس) کے ضابطے، 2017

فہرست کمپنیاں (کارپوریٹ گورننس) کے قوانین، 2017 کے سیکرٹریٹس اینڈ ایکسچینج کمشنر آف پاکستان کی طرف سے مقرر کردہ ضروریات، کی ضروریات، 30 2018 کو ختم ہونے والی سال کے مطابق، قانونی طور پر ہدایت کی گئی ہے۔ اس اثر کا ایک بیان اس رپورٹ میں شامل ہے۔

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

## ڈائریکٹری ٹریننگ پروگرام

ڈائریکٹروں کی تربیتی ضروریات کو مکمل طور پر عمل کیا جاتا ہے۔ ایک ڈائریکٹر، شہری سعید کو ڈائریکٹر ٹریننگ پروگرام کی ضرورت سے مستثنیٰ ہے۔

باقی ڈائریکٹرز کے مطابق ڈائریکٹرز کے تربیتی پروگرام کی ضرورت ہوتی ہے۔

اس کمپنی نے ڈائریکٹرز ایوارڈریشن کورس کے لئے ان کے ڈائریکٹروں کے لئے اہتمام کیا کہ ان کو کوڈ کارپوریٹ گورننس، قابل اطلاق قوانین، ان کے فرائض اور ذمے داروں کے ساتھ واقف ہونے کے لئے وہ حصص داروں کی جانب سے درج کردہ کمپنیوں کے معاملات کو موثر طریقے سے منظم کرنے کے قابل بنائے۔

مہینہ سال کے دوران ملازمتوں کے تعاون کی تعریف کرتا ہے۔

## مستقبل کی منصوبہ بندی / ترقی

26 اپریل، 2018 کو منعقد اضافی عام جنرل اجلاس (ای او جی ایم) میں حصص داروں کی منظوری کے بعد مہینہ سال کے بعد مہینہ سال کی زمین اور عمارت کی فروخت کے بعد ایک نیا کاروباری منصوبہ لاگو کرے گا۔ پانچ سال بزنس ریویولوپولپلان / حکمت عملی اور پیمائشی میں کمپنی کے بنیادی کاروبار سے متعلق علاقے میں مسلسل سرگرمی بھی شامل ہے - یعنی الیکٹریکل آلات کی صنعت میں۔ اس سلسلے میں انجینئرنگ، مرمت اور بحالی کی خدمات کے لئے ایک نئی سیٹ اپ قائم کی جائے گی۔ اس مقصد کے لئے، کمپنی اپنے موجودہ پلانٹ مشینری اور ٹیسٹنگ کا سامان استعمال کرنے کے قابل ہو گی۔ اس کے علاوہ، کمپنی اور تجارتی شعبے میں نئے کاروباری اداروں کی تلاش کرے گی۔

یہ کام کرنے والے سرمایہ، کمپنی اخبار میں تشہیر کرنے کے لئے اپنی زمین اور عمارت کو اس سائٹ، کراچی میں واقع موجودہ سڈ پر فروخت کرنے کے لئے۔ اس فروخت کے بعد، سہولیات کراچی، کورنگی میں ایک نیا مقام منتقل ہو جائے گی۔ یہ نقطہ موجودہ موجودہ کاروباری ذمہ داریوں کو صاف کرنے اور نئے پلانٹ میں نئے پلانٹ کے قیام اور سیٹ اپ کے لئے کافی سرمایہ کاری فراہم کرے گا۔ اس کی کمپنی اور اس کے حصول داروں کو فائدہ ہوگا۔

کمپنی کی 'لینڈ اور بلڈنگ' کی خریداری کے لئے تین کوٹیشن موصول ہوئی تھیں۔ تاہم، سب سے زیادہ بولیڈر بیک اپ ہو گیا اور اس وقت انتظامیہ کو دوسرے بولیڈروں کو دوبارہ دوبارہ حوالہ دینے کی کوشش کی جا رہی ہے جو حتمی شکل کے عمل میں ہے۔

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

مسٹر سلمان غنی  
چیرمین

مسٹر شہریار سعید  
ایم ڈی اور چیف ایگزیکٹو افسر

کراچی: اکتوبر 01 2018

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

**Name of company : Johnson & Phillips (Pakistan) Limited**  
**Year ending : June 30, 2018**

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

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

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

2. The composition of board is as follows:

a) Independent Directors

- 1) Mr. Muhammad Tariq Anjum.
- 2) Mr. Muhammad Azhar ul Islam.
- 3) Mr. Abid Saeed Khan.
- 4) Mr. Syed Jamshed Zaidi.

b) Other Non-executive Director

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

c) Executive Director

- 1) Mr. Shehryar Saeed

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

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

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

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

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

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

9. No Director obtained the training during the year. One of the Director (Mr. Shehryar Saeed) meets the criteria of exemption under Code of Corporate Governance Regulations, 2017 and is accordingly exempted from the directors training program. However, the company had made arrangements to carry out orientation course for the directors to acquaint them with CCG, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the company for and on behalf of the shareholders.

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

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

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

- a) Audit Committee (Name of members and Chairman)
- |                             |   |          |
|-----------------------------|---|----------|
| 1) Mr. Abid Saeed Khan      | : | Chairman |
| 2) Mr. Muhammad Tariq Anjum | : | Member   |
| 3) Ms. Marium Shafi         | : | Member   |
- b) HR and Remuneration Committee (Name of members and Chairman)
- |                           |   |          |
|---------------------------|---|----------|
| 1) Mr. Syed Jamshed Zaidi | : | Chairman |
| 2) Mr. Salman Ganny       | : | Member   |
| 3) Mr. Shehryar Saeed     | : | Member   |
- c) Investment Committee (Name of members and Chairman)
- |                             |   |          |
|-----------------------------|---|----------|
| 1) Mr. Muhammad Tariq Anjum | : | Chairman |
| 2) Mr. Shehryar Saeed       | : | Member   |
| 3) Mr. Tariq Ahmed          | : | Member   |
- d) Business Strategy Committee (Name of members and Chairman)
- |                       |   |          |
|-----------------------|---|----------|
| 1) Mr. Salman Ganny   | : | Chairman |
| 2) Mr. Shehryar Saeed | : | Member   |
| 3) Mr. Tariq Ahmed    | : | Member   |

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

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

- |                                  |   |   |
|----------------------------------|---|---|
| a) Audit Committee               | : | 4 |
| b) HR and Remuneration Committee | : | 1 |
| c) Investment Committee          | : | 1 |
| d) Business Strategy Committee   | : | 1 |

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company. Experience and qualification of the Head of Internal Auditor is not as per requirements, this condition will be complied in due course.

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

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

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

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(SALMAN GANNY)  
Chairman

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(SHEHRYAR SAEED)  
Chief Executive



## INDEPENDENT AUDITOR'S REVIEW REPORT

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

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Johnson & Phillips (Pakistan) Limited** (the Company) for the year ended **30 June 2018** in accordance with the requirements of regulation 40 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **30 June 2018**.

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

<b><u>Reference</u></b>	<b><u>Description</u></b>
Point 15	Head of Internal Audit of the Company does not possess the required qualification and experience as required under section 24 of the Regulations.

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**Nazir Chaudhri & Co.**  
Chartered Accountants  
Karachi

## **INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the annexed financial statements of **Johnson & Phillips (Pakistan) Limited** (the Company), which comprise the statement of financial position as at **June 30, 2018** and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming parts thereof conform with accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to note 1.2 to the financial statements which indicates that the Company has incurred net loss of Rs.70.503 million for the year and as at 30 June 2018, the Company has accumulated losses of Rs.341.866 million and the equity of the Company is negative by Rs. 234.566 million. These conditions along with other matters as set forth in note 1.2 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were

addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section and *Basis for Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the key audit matters:

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<b>1. Non-current assets classified as held for sale.</b>	
<p>Refer to note 6 to the financial statements and the accounting policy in note 4.24 to the financial statements.</p> <p>The Company announced in March 2018 their intention to sale its land and building amounting to Rs.472.129 million, consequently, these have been classified as non-current assets held for sale. According to IFRS 5, non-current assets should be classified as held-for-sale if their carrying value will be recovered principally through a sales transaction rather than through continuing use. One of the conditions that must be satisfied for classification as held for-sale is that the sale is highly probable within one year. In addition, assets held for sale should be measured at the lower of carrying value and estimated fair value less costs to sell.</p> <p>We focused on this area since classification and measurement of assets held for sale require significant judgements and estimates by management and the amounts have a significant impact on the financial position of the Company.</p>	<p>Our audit procedures to assess the classification of land and building as non-current assets held for sale, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• review of the Company’s actions in order to sale land and building;</li> <li>• challenging management on whether the requirements under IFRS 5 for land and building classified as held for sale were met; and</li> <li>• review and evaluation of the Board of Directors’ and management’s process to determine fair value less costs of disposal;</li> </ul>
<b>2. Valuation of stock-in-trade</b>	
<p>Refer to note 10 to the financial statements and the accounting policy in note 4.11 to the financial statements.</p>	<p>Our audit procedures to assess valuation of trade debts, amongst others, include the following:</p>

<p>As at 30 June 2018, the Company's stock-in-trade amounted to Rs.1.926 million.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost involved significant management judgement and estimation.</p>	<ul style="list-style-type: none"> <li>• obtaining an understanding of the management's basis for the determination of NRV and the key estimates adopted, including future selling prices and costs necessary to make the sales and the basis of the calculation and justification for the amount of the write-downs and provisions;</li> <li>• assessing the NRV of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with the current selling prices; and</li> <li>• comparing NRV to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete.</li> </ul>
<p><b>3. Valuation of trade debts</b></p>	
<p>Refer to note 11 to the financial statements and the accounting policy in note 4.16 to the financial statements.</p> <p>The Company has a significance balance of doubtful trade debts. The management has determined these debts to be irrecoverable and therefore, has written off all the trade debts.</p> <p>We identified the recoverability of the Company's trade debts as a key audit matter as it involves significant management judgement in determining the recoverable amount of trade debts.</p>	<p>Our audit procedures to assess valuation of trade debts, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• Obtaining the understanding of the management's basis for the determination of the doubtful trade debts to be written off and the receivables collection process;</li> <li>• For a sample of trade debts, tested the adequacy of the provisions for doubtful debts by taking into account the ageing of receivables at the year end, as well as assessing the judgements made by the management in relation to the credit worthiness of the debtors;</li> </ul>
<p><b>4. Uncertainty related to recovery lawsuit</b></p>	
<p>Refer to note 23.1.4 to the financial statements which describes the uncertainty</p>	<p>We inquired the management and evaluated the Company's assessment of the most recent</p>

<p>related to outcome of the recovery lawsuit filed by the National Bank of Pakistan against the subsidiary companies of the Company in which the Company has given counter guarantee to the banks.</p> <p>Although, we were informed by the management that the subsidiary company has paid the entire liability stood in its books, however, the bank has not acknowledged the full settlement of its claim. We considered this matter as key audit matter because the outcome of the case, if the decree is executed against the Company, could have a significant impact on the financial position of the Company.</p>	<p>status and outcome of the claim.</p> <p>The specific audit work that we performed during our assessment of the claim included:</p> <ul style="list-style-type: none"> <li>• Read related minutes of meetings of the Board of Directors and the audit committee</li> <li>• Obtained external confirmation on the fact and views in writing from related legal advisor</li> <li>• Considered the adequacy of the related disclosures.</li> </ul>
<p><b>5. Tax contingencies</b></p>	
<p>As disclosed in note 23.1.3 to the financial statements, various tax matters are pending adjudication at various levels with the taxation authorities and other legal forums. The tax contingencies require the management of the Company to make judgements and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management judgements and estimates in relation to such contingencies may be complex and can significantly impact the financial statements.</p> <p>For such reasons we have considered tax contingencies disclosed in note 23.1.3 as a key audit matter.</p>	<p>Our key audit procedures in this area included, amongst others, a review of the correspondence of the Group with the relevant tax authorities and tax advisors including judgments or orders passed by the competent authorities.</p> <p>We involved internal tax experts to assess and review the management’s conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 23.1.3 to the annexed financial statements.</p>
<p><b>6. Preparation of financial statements under Companies Act, 2017.</b></p>	
<p>As referred to in note 2 to the accompanying Financial statements, the companies act 2017 (the Act) became applicable for first time for the preparation of the Company’s annual financial statements for the year ended 30</p>	<p>We assessed the procedures applied by the management for identification of changes require in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the</p>

<p>June 2018.</p> <p>The act forms an integral part of statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the exiting disclosures have been included in the financial statements as referred to note 3.1 to the accompanying financial statement,</p> <p>The aforementioned changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of changes in the financial statements resulting from the transition to the new reporting requirement under the Act.</p>	<p>previous disclosures based on the new requirements. We also evaluated sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statement.</p>
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### **Information Other than the unconsolidated Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements of the Company and financial statements of subsidiary companies of the Company and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account and returns and are further in accordance with accounting policies consistently applied;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).

The engagement partner on the audit resulting in this independence auditor's report is Abdul Rafay.

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Note	2018 ------(Rupees in thousand)-----	2017 Restated	2016 Restated
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	7	14,194	175,318	184,009
Intangible asset	8	-	-	-
Long term investments	9	-	-	-
Long term deposits	10	559	940	940
		<b>14,753</b>	176,258	184,949
<b>CURRENT ASSETS</b>				
Stock-in-trade	11	1,926	13,788	42,650
Trade debts	12	-	2,156	6,372
Loans and advances	13	62	97	535
Deposits and prepayments	14	40	382	6,776
Tax refunds due from government	15	23,584	19,028	18,069
Cash and bank balances	16	4,556	4,434	1,082
		<b>30,168</b>	39,885	75,484
Non-current assets classified as held for sale	6	472,158	-	-
<b>TOTAL ASSETS</b>		<b>517,079</b>	216,143	260,433
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVE</b>				
<b>Authorized capital</b>				
8,000,000 (2017: 8,000,000) ordinary shares of Rs. 10 each		80,000	80,000	80,000
Issued, subscribed and paid-up capital	17	54,500	54,500	54,500
Share premium reserve		29,727	29,727	29,727
General reserve		23,073	23,073	23,073
Surplus on revaluation of property, plant and equipment	18	474,380	167,128	173,962
Accumulated loss		(384,883)	(341,866)	(279,054)
		<b>196,797</b>	(67,438)	2,208
<b>NON-CURRENT LIABILITIES</b>				
Long term borrowings	19	120,041	96,121	81,582
Deferred liabilities	20	13,908	9,651	12,862
		<b>330,746</b>	38,334	96,652
<b>CURRENT LIABILITIES</b>				
Trade and other payables	21	175,214	166,690	155,513
Current and overdue portion of long term borrowings	19.1	4,000	4,000	4,000
Short term borrowing	22	2,851	2,851	-
Mark up accrued	23	-	-	-
Unclaimed dividend		4,268	4,268	4,268
		<b>186,333</b>	177,809	163,781
<b>Contingencies and commitments</b>	24			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>517,079</b>	216,143	260,433

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

Chief Executive

Director

Chief Financial Officer

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2018

	<i>Note</i>	2018 (Rupees in thousand)	2017
Sales - net	25	6,312	22,924
Cost of sales	26	(24,645)	(59,469)
<b>Gross loss</b>		<b>(18,333)</b>	<b>(36,545)</b>
Distribution cost	27	(812)	(1,484)
Administrative expenses	28	(28,572)	(28,453)
		<b>(29,384)</b>	<b>(29,937)</b>
		<b>(47,717)</b>	<b>(66,482)</b>
Finance cost	29	(5,144)	(4,883)
Other income		3,057	-
<b>Loss before taxation</b>		<b>(49,804)</b>	<b>(71,365)</b>
Taxation	31	638	862
<b>Loss for the year</b>		<b>(49,166)</b>	<b>(70,503)</b>
		<b>-----Rupees---</b>	
<b>Loss per share - basic and diluted</b>	32	<b>(9.02)</b>	<b>(12.94)</b>

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

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**

For the year ended June 30, 2018

2018 2017

(Rupees in thousand)

Loss for the year (49,166) (70,503)

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

Gain on remeasurment of post employment benefit 208 857

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

Gain on revaluation of land and buildings	318,232	-
Deferred tax on gain on revaluation of buildings	(5,428)	-
	312,804	-

**Total comprehensive income / (loss)** 263,846 (69,646)

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

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

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Chief Financial Officer

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2018

	<i>Note</i>	2018 (Rupees in thousand)	2017
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	33	(20,263)	(7,009)
Taxes paid	15	(494)	(689)
Gratuity paid	16.1.2	(21)	(1,808)
Finance cost paid		(21)	(6)
<b>Net cash used in operating activities</b>		<b>(20,799)</b>	<b>(9,512)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred	4	(115)	(122)
Sale proceed from disposal of property, plant and equipment		2,239	-
<b>Net cash generated from / (used in) investing activities</b>		<b>2,124</b>	<b>(122)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term borrowing received		18,797	10,135
Short term borrowings received		-	2,851
<b>Net cash generated from financing activities</b>		<b>18,797</b>	<b>12,986</b>
<b>Net increase in cash and cash equivalents</b>		<b>122</b>	<b>3,352</b>
Cash and cash equivalents at beginning of the year		4,434	1,082
Cash and cash equivalents at end of the year		<b>4,556</b>	<b>4,434</b>

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

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

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

\_\_\_\_\_  
**Chief Financial Officer**

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Capital reserve			Revenue reserve		Total
	Issued, subscribed and paid-up capital	Share premium reserve	Surplus on revaluation of property, plant and equipment	General reserve	Accumulated loss	
----- ( Rupees in thousand ) -----						
Balance as at June 30, 2016 - As previously reported	54,500	29,727	-	23,073	(279,054)	<b>(171,754)</b>
Impact of restatement - note 5	-	-	173,962	-	-	<b>173,962</b>
Balance as at June 30, 2016 - Restated	54,500	29,727	173,962	23,073	(279,054)	<b>2,208</b>
Net loss for the year	-	-	-	-	(70,503)	<b>(70,503)</b>
<b>Other comprehensive income</b>						
Gain on remeasurment of post employment benefit obligation	-	-	-	-	857	<b>857</b>
Transfer from surplus on revaluation of property, plant and equipment - note 17	-	-	(6,834)	-	6,834	-
Balance as at June 30, 2017	54,500	29,727	167,128	23,073	(341,866)	<b>(67,438)</b>
Net loss for the year	-	-	-	-	(49,166)	<b>(49,166)</b>
<b>Other comprehensive income</b>						
Gain on revaluation of land, building and plant & machinery	-	-	318,232	-	-	<b>318,232</b>
Deferred tax on gain on revaluation of buildings and plant & machinery	-	-	(5,428)	-	-	<b>(5,428)</b>
	-	-	312,804	-	-	<b>312,804</b>
Gain on remeasurment of post employment benefit obligation	-	-	-	-	208	<b>208</b>
Transfer from surplus on revaluation of property, plant and equipment	-	-	(5,941)	-	5,941	-
<b>Balance as at June 30, 2018</b>	<b>54,500</b>	<b>29,727</b>	<b>473,991</b>	<b>23,073</b>	<b>(384,883)</b>	<b>196,408</b>

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

Chief Executive

Director

Chief Financial Officer

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2018

**1 STATUS AND NATURE OF BUSINESS**

**1.1** Johnson and Phillips (Pakistan) Limited (the Company) was incorporated in Pakistan as a public limited company on April 15, 1961 and its shares are quoted on Pakistan Stock Exchange (Guarantee) Limited. The registered office of the Company and its manufacturing facilities are 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 (2017: 2,719,536) ordinary share of Rs. 10 each of the Company as at year end, which constitute 49.90% of total share issued.

**1.2 Significant transactions and events affecting the Company's financial position and performance**

**1.2.1** The Board of Directors of the Company, in their meeting held on February 28, 2018 and shareholders of the Company in the Extra Ordinary General Meeting held on April 26, 2018, approved, subject to approval / consent of the applicable regulatory authorities, the business revival plan. Following are the major components of the plan:

- Sale of land and building at its existing facility located at SITE, Karachi.
- Following the sale, the facility will be shifted to a new location in Korangi, Karachi.
- The sale and relocation will release funds for setup and working capital for the new venture from the proceeds of the sale of land and building.

**1.2.2** Due to applicability of the Companies Act, 2017 to the financial statements of the Company, amounts reported for the previous period have been restated. For detailed information please refer to note 3.1.2 and note 5; and

**1.2.3** For a detailed discussion about the Company's performance please refer to the Directors' report

**2 Going concern**

The Company has incurred loss after tax of Rs. 40,358 million (2017: Rs. 70,503 million) during the year, which has increased accumulated losses amounting to Rs. 375,599 million (2017 Rs. 341,866 million) as at June 30, 2018. The Company has negative net current assets of Rs.144,635 million (2017: Rs. 137,924 million). These conditions indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The sales of the Company is continuously decreasing because of low demand from the private sector. In spite of the above stated circumstances the management of the company still consider that the going concern assumption used for preparation of these financial statement is appropriate in view of the following facts.

- i) The Company already has its obligations rescheduled in respect of long term loans and financial arrangements, including repayment of principal and accumulated mark-up thereon with various lenders.
- ii) Efforts are underway to obtain orders so that sales volume as well as profitability can be achieved and the management expects favorable improvements in forthcoming year. This will be achieved with the re-certification of our product line now under way, so sales to the public sector will commence driving volume, which will boost sales and profitability.
- iii) The board has provided in the past continued support to the company and has indicated commitment in order to maintain the going concern status. This is evident from the fact that a Director continues to provide financial support to the Company.

- iv) As stated in note 1.2.1 the Management after approval of the shareholders in the Extra Ordinary General Meeting(EOGM) held on April 26, 2018 will implement a new business plan after the sale of its Land & Building, which is in the process of being finalized.

The management of the Company is confident that the above factors shall enable the Company to continue as going concern in foreseeable future; hence, this condensed interim financial information have been prepared on going concern assumption.

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

**3.1.2** The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of nomenclature of these financial statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (refer note 7.4 & 7.5), management assessment of sufficiency of tax provision in the the financial statements (refer note 31.2), change in threshold for identification of executives (refer note 36), additional disclosure requirements for related parties (refer note 37) etc.

#### 3.2 Accounting convention

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

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

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

#### 3.3 Functional and presentation currency

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

#### 3.4 Significant accounting estimates and judgments

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

	<b>Note</b>
Provision for taxation	4.4
Provision for deferred taxation	4.4
Residual values and useful lives of depreciable assets	4.8
Provision for obsolete and slow moving stock	4.11
Write down of stock in trade to their net realisable value	4.11
Provision for doubtful debts	4.12
Provision for doubtful advance and deposits	4.12
Employees' retirement benefits	4.1



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

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

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

#### 3.5.1 New standards, interpretations and amendments

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

- IAS 7 - Statement of Cash Flows - Disclosure Initiative - (Amendment)
- IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 - Share Based Payments - Classification and Measurement of Share Based Payment Transactions (Amendments)	01 January 2018
IFRS 9 - Financial Instruments	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)	01 January 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15- Revenue from Contracts with Customers	01 July 2018
IFRS 16 - Leases	01 January 2019
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — (Amendments)	01 January 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2018

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 except for IFRS 15 - Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

#### **4 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.

##### **4.1 Employee benefits**

###### **3.1.1 Defined benefit plan**

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

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

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

###### **3.1.2 Defined contribution plan**

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

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

### 3.1.3 Provident fund related disclosures

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

	<b>Unaudited June 30, 2018</b>	Unaudited June 30, 2017
	----Rupees in thousands----	
Size of the fund - Total assets	<u>4,761</u>	<u>5,397</u>
Cost of the Investment made	<u>4,000</u>	<u>4,000</u>
Percentage of investments made	<u>84%</u>	<u>74%</u>
Fair value of the investments	<u>4,761</u>	<u>5,397</u>

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

	<b>June 30, 2018</b>	June 30, 2017	<b>June 30, 2018</b>	June 30, 2017
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	----Rupees in thousands----			
Certificate of Investment	4,000	4,000	<b>84%</b>	<b>74%</b>

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

### 4.2 Compensated absences

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

### 4.3 Foreign currency translation

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

### 4.4 Taxation

#### a) Current

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

#### b) Deferred

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

### 4.5 Trade and other payables

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

#### **4.6 Provisions**

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

#### **4.7 Investments**

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

#### **4.8 Property, plant and equipment and depreciation**

##### **a) Owned**

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

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life as stated in Note 5. Depreciation on additions and disposals of assets during the year is charged from the month of acquisition to the month of disposal.

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

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

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

##### **b) Leased**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amounts of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated by applying straight line method over the estimated useful lives of the assets as stated in note 4.

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

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

#### **4.9 Intangible assets**

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

#### **4.10 Consumable stores**

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

#### **4.11 Stock in trade**

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

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

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

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

#### **4.13 Warranties**

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

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

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

#### **4.15 Transaction with related parties**

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

#### **4.16 Impairment**

##### **Financial assets**

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

##### **Non-financial assets**

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

#### **4.17 Revenue recognition**

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

#### **4.18 Borrowing cost**

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

#### **4.19 Cash and cash equivalents**

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

#### **4.20 Financial Instruments**

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

#### **4.21 Offsetting**

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

#### **4.22 Borrowings**

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

#### **4.23 Dividend**

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

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

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

### **5 CHANGE IN ACCOUNTING POLICY**

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	<b>Surplus on revaluation of property, plant and equipment</b>	<b>Share capital and reserves</b>	Surplus on revaluation of property, plant and equipment	Share capital and reserves
	<b>As at June 30, 2017</b>		<b>As at June 30, 2016</b>	
	<b>Rupees</b>		<b>Rupees</b>	
<b>Effect on statement of financial position</b>				
As previously Reported	167,128	-	173,962	-
As Restated	-	167,128	-	173,962
Restatement	(167,128)	167,128	(173,962)	173,962
<b>Effect on statement of changes in equity</b>				
As previously Reported	-	-	-	-
As Restated	167,128	-	173,962	-
Restatement	167,128	-	173,962	-

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

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

As disclosed in note 2.2.1 to the financial statements the Company has resolved to sale land and building. Therefore these have been classified as held for sale:

	<b>2018</b>	<b>2017</b>
	----- <b>(Rupees in thousand)</b> -----	
Leasehold land	<b>448,558</b>	-
Building on leasehold land	<b>23,600</b>	-
	<b>472,158</b>	-

**7 PROPERTY, PLANT AND EQUIPMENT**

	Lease hold Land	Building on lease hold land	Plant and machinery	Gas and electric installations	Factory tools	Vehicles	Furniture and fixtures	Office and other equipments	Total
----- Rupees in thousands -----									
<b>As at 01 July 2016</b>									
Cost	170,000	25,600	14,610	1,178	3,843	11,640	4,320	11,994	243,185
Accumulated depreciation	(12,143)	(7,893)	(6,435)	(1,170)	(3,843)	(11,470)	(4,319)	(11,903)	(59,176)
Net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
<b>Year Ended 30 June 2017</b>									
Opening net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
Additions during the year	-	-	-	-	90	-	-	32	122
Depreciation for the year	(4,000)	(2,560)	(2,087)	(8)	(8)	(89)	(1)	(60)	(8,813)
Closing net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Useful Life (Years)	99	10	7	10	5	4	5	5	
<b>As at 01 July 2017</b>									
Cost	170,000	25,600	14,610	1,178	3,933	11,640	4,320	12,026	243,307
Accumulated depreciation	(16,143)	(10,453)	(8,522)	(1,178)	(3,851)	(11,559)	(4,320)	(11,963)	(67,989)
Net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
<b>Year Ended 30 June 2018</b>									
Opening net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Additions during the year	-	-	-	-	-	-	-	115	115
Surplus on revaluation	298,143	10,133	9,956	-	-	-	-	-	318,232
Disposal									
Cost	-	-	-	-	-	(8,148)	-	-	(8,148)
Accumulated depreciation	-	-	-	-	-	8,080	-	-	8,080
	-	-	-	-	-	(68)	-	-	(68)
Classified as held for sale	(448,558)	(23,600)	-	-	-	-	-	-	(472,158)
Depreciation for the year	(3,442)	(1,680)	(2,115)	-	(8)	-	-	-	(7,245)
Closing net book value	-	-	13,929	-	74	13	-	178	14,194
<b>As at 30 June 2018</b>									
Cost	-	-	24,566	1,178	3,933	3,492	4,320	12,141	49,630
Accumulated depreciation	-	-	(10,637)	(1,178)	(3,859)	(3,479)	(4,320)	(11,963)	(35,436)
Net book value	-	-	13,929	-	74	13	-	178	14,194
Useful Life (Years)	99	10	7	10	5	4	5	5	



- 7.1 Included herein assets costing Rs.24.657 million (2017: Rs. 32.743 million), which are fully depreciated.
- 7.2 The previous revaluations were carried out on March 31, 1995, June 30, 2004, June 17, 2008 and June 12, 2013 which resulted in a surplus of Rs 42.642 million, surplus of Rs 73.464 million and surplus of Rs. 104.097 million and impairment of Rs. 0.855 million respectively.

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

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

- 7.3 The carrying amount of leasehold land, building on leasehold land and Plant & Machinery as at 30 June 2018, if the said had been carried at historical cost would have been Rs.032 million (2017: Rs. .033 million), Rs 1.222 million (2017: Rs.1.357) and Rs.0.832 million (2017: Rs.1.076) respectively.
- 7.4 The forced sale value of leasehold land, building on leasehold land and Plant & Machinery is Rs.340.491 million, Rs.18.160 million and Rs.11.350 million respectively.
- 7.5 Factory of the Company is situated at 3 acres of land at C-10, South Avenue, SITE, Karachi
- 7.6 Details of operating fixed assets disposed off during the year are as follows:

Assets	Cost	Accumulated depreciation	Net book value	Sale Proceed	Mode of disposal	Purchaser address
Items of net book value below Rs. 500,000 each	8,148	8,080	68	2,239	Negotiation	Various

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

	2018	2017
Note	(Rupees in thousand)	
Cost of sales and services		
Administrative expenses	26	7,050
	28	1,763
	<b>7,245</b>	<b>8,813</b>

## 8 INTANGIBLE ASSET

	COST			AMORTIZATION			Written down Values as at June 30, 2018	Useful life (years)
	As at July 01, 2017	Additions / disposal	As at June 30, 2018	As at July 01, 2017	For the year	As at June 30, 2018		
----- Rupees in thousands -----								
Computer Software	129	-	129	129	-	129	-	5
	<b>129</b>	-	<b>129</b>	<b>129</b>	-	<b>129</b>	-	

## 9 LONG TERM INVESTMENTS

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

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

3,000,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2018 was Nil (June 2017: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, 2018 was Nil (June 2017:Nil)]. The Company held 70% of the investee's total equity. Chief Executive Mr. Nabeel Sadiq

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

51,000 fully paid ordinary shares of Rs.10 each [Break-up value as at June 30, 2018 was Nil (June 2017:Nil)]. The Company held 51% of the investee's total equity. Chief Executive Mr. Shehryar Anwar Saeed

### Share Application money

Johnson and Phillips Industries (Pakistan) Limited	20,000	20,000
	71,510	71,510

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

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

Johnson and Phillips Industries (Pakistan) Limited	(42,375)	(42,375)
Johnson & Phillips Transformers (Private) Limited	(21,091)	(21,091)
J & P EMO Pakistan (Pvt) Ltd	(1,732)	(1,732)

## 10 LONG TERM DEPOSITS

Deposits	940	940
Written off during the year	(381)	-
	559	940

## 11 STOCK-IN-TRADE

		2018	2017
		(Rupees in thousand)	
Raw material and components in hand - Gross		30,011	37,987
Less: provision for obsolete/ slow moving items	11.1	(28,585)	(28,585)
		1,426	9,402
Work-in-process	11.2	500	4,386
		1,926	13,788

### 11.1 Movement in obsolete /slow moving items

Opening provision	(28,585)	(8,360)
Provision made during the year	-	(20,225)
	<u>(28,585)</u>	<u>(28,585)</u>

11.2 These represent obsolete items carried at net realizable values against their cost of Rs.4.386 million.

### 12 TRADE DEBTS

Trade debts , <i>unsecured</i>	11,669	11,851
Doubtful debts written off	(11,669)	-
Less: Provision for doubtful trade debts	12.1	(9,695)
	<u>-</u>	<u>2,156</u>

### 12.1 Movement in provision for doubtful trade debts

Opening provision	(9,695)	(5,005)
Provision made / balances written off during the year	9,695	(4,690)
	<u>-</u>	<u>(9,695)</u>

### 13 LOANS AND ADVANCES

#### Loans to subsidiary companies - unsecured Considered doubtful

Johnson and Phillips Industries (Pakistan) Limited (JPI)	13.1	24,835	24,756
Johnson & Phillips Transformers (Private) Limited (JPT)	13.2	20,864	20,785
J & P EMO Pakistan (Pvt.) Ltd. (EMO)	13.3	3,012	2,964
		48,711	48,505
Less: Provision against doubtful loans		<u>(48,711)</u>	<u>(48,505)</u>
		-	-

#### Advances - Unsecured

To suppliers		774	794
To employees		341	356
Against purchase of land		2,717	2,717
Others		71	-
		3,903	3,938
Less: Provision for doubtful advances	13.4	<u>(3,841)</u>	<u>(3,841)</u>
		<u>62</u>	<u>97</u>

### 13.1 Reconciliation of loan amount due from JPI

Note	2018 (Rupees in thousand)	2017
	24,756	32,244
	79	(7,488)
	24,835	24,756
	(24,835)	(24,756)
13.5	<u>-</u>	<u>-</u>

### 13.2 Reconciliation of loan amount due from JPT

Opening balance	20,785	13,194
Disbursed during the year	79	7,591
Closing balance	20,864	20,785
Less: provision	(20,864)	(20,785)

13.6	-	-
------	---	---

### 13.3 Reconciliation of loan amount due from EMO

Opening balance	2,964	2,948
Disbursed during the year	48	16
Closing	3,012	2,964
Less: provision	(3,012)	(2,964)

13.7	-	-
------	---	---

### 13.4 Movement in provision for doubtful advances

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

13.5 The maximum amount of loan due from JPI at the end of any month during the year was Rs. 24.835 million (2017: Rs. 24.756 million).

13.6 The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs. 20.864 million (2017: Rs. 20.785 million).

13.7 The maximum amount of loan due from Johnson & Phillips EMO Pakistan (Private) Limited at the end of any month during the year was Rs. 3.012 million (2017: Rs. 2.964 million).

## 14 DEPOSITS AND PREPAYMENTS

**Prepayments** - 86

### Deposits

Margin against bank guarantee	281	3,126
Deposit with court	-	723
Other receivable	40	50
Tender deposits	228	228
	<b>549</b>	<b>4,127</b>

Less: Doubtful deposits written off during the year	(509)	(3,831)
	<b>40</b>	<b>382</b>

## 15 TAX REFUNDS DUE FROM GOVERNMENT

### Income tax

Advance income tax	446	815
Income tax refundable	2,422	1,836
	<b>2,868</b>	<b>2,651</b>

### Sales tax

Sales tax refundable	20,716	16,377
	<b>23,584</b>	<b>19,028</b>

## 16 CASH AND BANK BALANCES

Cash in hand	31	26
At bank - in current accounts	4,500	4,383
- in saving accounts	16.1	25
	<b>4,556</b>	<b>4,434</b>

16.1 This carry profit at the rate ranging from 3.75% to 4.0% (2017: 3.75% to 4.75%) per annum.

**2018**                      2017  
(Rupees in thousand)

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

(Number of shares)				
2018	2017			
<b>4,638,268</b>	4,638,268	Ordinary shares of Rs. 10 each fully paid in cash	<b>46,383</b>	46,383
<b>93,000</b>	93,000	Ordinary shares of Rs. 10 each issued for consideration other than cash.	<b>930</b>	930
<b>718,704</b>	718,704	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>7,187</b>	7,187
<b><u>5,449,972</u></b>	<u>5,449,972</u>		<b><u>54,500</u></b>	<u>54,500</u>

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

**Leasehold land**

Revaluation surplus over written down value at beginning	<b>153,969</b>	157,968
Surplus on revaluation during the year	<b>298,143</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	<b>(3,443)</b>	(3,999)
	<b>448,669</b>	153,969

**Factory building**

Revaluation surplus over written down value at beginning	<b>13,790</b>	16,121
Surplus on revaluation during the year	<b>10,133</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(1,097)</b>	(1,632)
Related deferred tax liability of incremental depreciation charged during the year	<b>(448)</b>	(699)
	<b>22,378</b>	13,790
Related deferred tax liability at beginning	<b>(4,137)</b>	(4,836)
Deferred tax on revaluation during the year	<b>(2,939)</b>	-
Effect of change in tax rate	<b>138</b>	
Less: related to incremental depreciation	<b>448</b>	699
	<b>(6,490)</b>	(4,137)

18.2

## Plant and machinery

Revaluation surplus over written down value at beginning		<b>5,009</b>	6,728
Surplus on revaluation during the year		<b>9,956</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		<b>(1,401)</b>	(1,203)
Related deferred tax liability of incremental depreciation charged during the year		<b>(467)</b>	(516)
		<b>13,097</b>	5,009
Related deferred tax liability at beginning of the year		<b>(1,503)</b>	(2,019)
Deferred tax on revaluation during the year		<b>(2,489)</b>	-
Effect of change in tax rate	18.2	<b>251</b>	
Less: related to incremental depreciation		<b>467</b>	516
		<b>(3,274)</b>	(1,503)
		<b>474,380</b>	167,128

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

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

**19.4** 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, 2018 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2018) will be repaid in twenty four equal quarterly installments commencing from July 01, 2019. The mark-up rate on this loan is KIBOR plus 2% per annum (2017: KIBOR plus 2% per annum).

	Note	2018 (Rupees in thousand)	2017		
<b>20 DEFERRED LIABILITIES</b>					
Staff retirement benefits - Gratuity	20.1	4,144	4,011		
Deferred taxation	20.2	9,764	5,640		
		<u>13,908</u>	<u>9,651</u>		
<b>20.1 Staff retirement benefits - Gratuity</b>					
Staff retirement benefits - Gratuity		5,038	4,905		
Unclaimed gratuity shown under current liabilities (trade and other payables)		(894)	(894)		
		<u>4,144</u>	<u>4,011</u>		
<b>20.1.1 Principal assumptions</b>					
Discount rate		7.75%	7.75%		
Expected rate of eligible salary increase in future years		7.75%	7.75%		
<b>20.1.2 Liability for gratuity arose in the following manner:</b>					
Opening net liability		4,905	6,901		
Expense for the year		362	669		
Other Comprehensive Income		(208)	(857)		
Benefits paid		(21)	(1,808)		
Closing net liability		<u>5,038</u>	<u>4,905</u>		
<b>20.1.3 Charge to profit and loss account</b>					
Current service cost		52	234		
Interest cost		310	435		
Total amount chargeable to profit and loss account		<u>362</u>	<u>669</u>		
<b>20.1.4 Comparison for five years</b>					
	2018	2017	2016	2015	2014
	-----Rupees in thousand-----				
Present value of defined benefit obligation	5,038	4,905	6,662	4,701	6,579

**20.1.5** Expected charge for the year ending 30 June 2019 is Rs. 0.259 million.

## 20.2 DEFERRED TAXATION

	2018	2017
Note	(Rupees in thousand)	
<b>Taxable temporary differences</b>		
Surplus on revaluation of fixed assets	9,764	5,640
<b>Deductible temporary differences</b>		
Accelerated tax depreciation	952	(4,003)
Carried forward tax losses and unabsorbed depreciation	(102,256)	(108,698)
	(101,304)	(112,701)
	(91,540)	(107,061)
Deferred tax asset not recognised	101,304	112,701
	9,764	5,640

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.

## 21 TRADE AND OTHER PAYABLES

Creditors		
- Related parties	119,397	117,270
- Others	5,255	6,392
	124,652	123,662
Advances from customers		
- Related parties	22,892	23,016
- Others	5,527	5,389
	28,419	28,405
Accrued liabilities	19,067	11,018
Payable to ex-employees	802	802
Provident fund	187	281
Unclaimed gratuity payable	894	894
Tax deducted at source	11	9
Others	1,182	1,619
	175,214	166,690

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

21.2 This includes Rs. 0.933 million payable to a director.

## 22 SHORT TERM BORROWING

### Unsecured

from director	2,851	2,851
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22.1 This represents unsecured and interest free loan received from a director, Mr. Salman Ganny. The loan is repayable on demand.

## 23 MARK UP ACCRUED

Opening balance	-	-
Accrued during the year	5,123	4,410
	5,123	4,410
Paid / transferred during the year	(5,123)	(4,410)
Closing balance	-	-

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



19 LONG TERM BORROWINGS	Note	2018 (Rupees in thousand)	2017
<b>Loans from others-unsecured</b>			
Loan from others	19.1	4,000	4,000
<b>Loan-1 (From related party)</b>			
Principal	19.2	8,408	8,408
Accumulated mark-up there on		10,913	10,614
		<b>19,321</b>	19,022
<b>Loan -2 ( From director )</b>			
Principal	19.3	23,675	22,358
Accumulated mark-up there on		7,867	6,117
		<b>31,542</b>	28,475
<b>Loan-3 (From related party)</b>			
Principal	19.4	45,930	28,450
Accumulated mark-up there on		23,248	20,174
		<b>69,178</b>	48,624
		<b>124,041</b>	100,121
Less: current and overdue portion	19.1	(4,000)	(4,000)
		<b>120,041</b>	96,121

**19.1** 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.

**19.2** 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, 2018 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2018) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2019. The mark-up will be charged at the rate of Twelve months KIBOR plus 2% per annum (2017: 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, 2017, the loan carries mark-up @ Twelve months KIBOR per annum (2017: Twelve months KIBOR per annum) and will be repaid in Twenty four equal quarterly installments commencing from July 01, 2019.

**19.3** 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, 2018 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2018) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2019. The mark-up will be charged at the rate of KIBOR plus 2% per annum (2017: 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, 2018, the loans carry mark-up @ KIBOR+2% per annum (2017: KIBOR+2% per annum), which will be repaid in twenty four quarterly installments commencing from July 01, 2019 and markup on these loans will be paid on monthly basis.

	Note	2018	2017
24 CONTINGENCIES AND COMMITMENTS		(Rupees in thousand)	
<b>Contingencies</b>			
<b>24.1 Guarantees</b>			
The banks have issued guarantees, on behalf of the Company as detailed below:			
Guarantees against performance bond		1,794	2,679

#### 24.2 Labour

Ex-workers of the Company has filed following cases against the Company to reinstate them on their jobs:

- 24.2.1** Abdul Rahim in Labour Court - No definite outcome can be anticipated, however, in the opinion of legal advisor, the Company has good case in its favour.
- 24.2.2** Mushtaq Ahmed - The case has been decided in the Company's favour in Labour Court and later in Sindh Labour Appellate Tribunal. Mr. Mushtaq Ahmed has filed a Writ Petition in Sindh High Court against the decision of Sindh Labour Appellate Tribunal which is pending for hearing. In the opinion of legal advisor, the Company has good case in its favour.
- 24.2.3** Abdul Naeem in Labour Court - The case is pending subjudice before the Court, therefore, in the opinion of legal advisor, anticipated loss or profit which may likely to occur can not be anticipated.

#### 24.3 Income tax and sales tax

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

#### Others

- 24.4** Pursuant to a recovery suit filed by the National Bank of Pakistan against Johnson & Phillips Transformers (Pvt.) Limited (Defendant No.1) and Johnson & Phillips (Pakistan) Limited (Defendant No.2), the Banking Court No. III, Lahore passed a compromise decree. The Bank agreed that prior to executing the Decree against the Defendant No.2 as guarantor, the Bank will execute against all assets of the Defendant No. 1. The entire amount of loan has been settled by the subsidiary company, however, the bank has not yet issued No Obligation Certificate (NOC) to the subsidiary company.

24.5 The Company had filed a suit for the recovery of insurance claim of Rs 3.735 million (2017: Rs 3.735 million) in Honorable High Court of Sindh at Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited. However, the Honorable High Court of Sindh has disposed off the suit vide order dated 18 October, 2016.

## 25 SALES - NET

Gross sales	5,643	26,156
Sales tax	(820)	(3,681)
	4,823	22,475
Commission and discount on sales	(37)	(32)
	4,786	22,443
Services income	1,526	481
	6,312	22,924

	Note	2018 (Rupees in thousand)	2017
<b>26 COST OF SALES</b>			
<b>Raw materials and components consumed</b>			
Opening stock		37,987	40,269
Purchases and sub contract cost		3,531	13,940
		41,518	54,209
<b>Closing stock</b>		<b>(30,011)</b>	<b>(37,987)</b>
		11,507	16,222
Salaries, wages and benefits	26.1	2,677	7,911
Fuel and power		378	998
Repair and maintenance		191	270
Inspection and testing		-	8
Printing and stationery		6	35
Traveling and conveyance		41	190
Depreciation	7.7	5,796	7,050
Provision for Obsolete/ slow moving stocks		-	20,225
Other manufacturing expenses		163	205
		9,252	36,892
		20,759	53,114
<b>Work in process</b>			
Opening stock		4,386	3,273
Closing stock		(500)	(4,386)
		3,886	(1,113)
<b>Cost of goods manufactured</b>		<b>24,645</b>	<b>52,001</b>
<b>Finished goods</b>			
Opening stock		-	7,468
Closing stock		-	-
		-	7,468
		24,645	59,469

## 26.1 Salaries, wages and benefits

Salaries and wages	2,591	7,778
Gratuity	72	95
P.F Contribution (Worker & Staff)	14	38
	<u>2,677</u>	<u>7,911</u>

## 27 DISTRIBUTION EXPENSES

Salaries, wages and benefits	27.1	568	926
Late delivery charges and penalties		-	314
Advertising and sales promotion		33	28
Travelling and conveyance		5	27
Subscriptions and periodicals		5	52
Repair and maintenance		42	65
Entertainment		27	28
Printing and stationery		-	1
Others		132	43
		<u>812</u>	<u>1,484</u>

## 27.1 Salaries, wages and benefits

Salaries & wages	538	900
Gratuity	15	11
P.F Contribution-Staff	15	15
	<u>568</u>	<u>926</u>

## 28 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	28.1	10,316	10,714
Directors' remuneration		-	366
Travelling and conveyance		526	691
Legal and professional charges		7,556	212
Rent, rates and taxes		883	1,004
Repair and maintenance		419	316
Printing and stationery, postage etc.		937	909
Light and power		773	721
Entertainment		509	337
Advertisement, subscriptions and periodicals		822	943
Auditors' remuneration	28.2	529	485
Insurance		-	347
Provisions for doubtful debts, loans and advances		206	4,335
Doubtful deposits written off	14 & 10	890	3,831
Doubtful trade debts written off		1,974	-
Depreciation	7.7	1,449	1,763
Others		783	1,479
		<u>28,572</u>	<u>28,453</u>

	Note	2018 (Rupees in thousand)	2017
<b>28.1 Salaries, wages and benefits</b>			
Salaries and wages		9,895	10,440
Gratuity		275	128
P.F Contribution - Staff		146	146
		<u>10,316</u>	<u>10,714</u>
<b>28.2 Auditors' remuneration</b>			
Annual audit fee		324	270
Review of half yearly financial statements		65	65
Review of consolidated financial statements		65	65
Certification and others		16	16
Out of pocket expenses		59	69
		<u>529</u>	<u>485</u>
<b>29 FINANCE COST</b>			
Mark-up on unsecured long term loans		5,123	4,410
Bank charges and commission		21	38
Interest on defined benefit plan liability			435
		<u>5,144</u>	<u>4,883</u>
<b>30 OTHER INCOME</b>			
Interest income		1	-
Bad debts recovered		885	-
Gain on sale of fixed assets		2,171	-
		<u>3,057</u>	<u>-</u>
<b>31 TAXATION</b>			
Current year	31.1	-	-
Prior year		277	353
Deferred tax		(915)	(1,215)
		<u>(638)</u>	<u>(862)</u>

**31.1** Income tax assessments of the Company upto tax year 2017 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.

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

	2017	2016	2015
Tax assessed as per most recent tax assessment	277	353	392
Provision in accounts for income tax	-	-	-
<b>32 LOSS PER SHARE - basic and diluted</b>			
There is no dilutive effect on the basic earnings per share of the company, which is based on:			
Loss after taxation - (Rupees in thousand)		<u>(49,166)</u>	<u>(70,503)</u>
Weighted average number of ordinary shares		<u>5,449,972</u>	<u>5,449,972</u>
<b>Loss per share - basic and diluted - (Rupees)</b>		<u>(9.02)</u>	<u>(12.94)</u>
		<b>2018</b>	<b>2017</b>

33 CASH GENERATED FROM OPERATIONS	Note	(Rupees in thousand)	
Loss before taxation		(49,804)	(71,365)
<b>Adjustments for:</b>			
Depreciation	7.7	7,245	8,813
Provisions for doubtful debts, loans and advances		206	4,335
Doubtful deposits written off		890	3,831
Doubtful trade debts written off		1,974	
Provision for staff gratuity		362	234
Provision for Obsolete/ slow moving stocks		-	20,225
Finance cost	29	5,144	4,845
Gain on sale of fixed assets		(2,171)	-
		<u>(36,154)</u>	<u>(29,082)</u>
<b>Effect on cash flow due to working capital changes</b>			
<i>Decrease /(Increase)decrease in current assets</i>			
Stock-in-trade		11,862	8,637
Trade debts		182	(474)
Loans and advances		(171)	(603)
Tax refunds due from government		(4,339)	-
Deposits and prepayments		(167)	3,336
		<u>7,367</u>	<u>10,896</u>
<i>increase in current liabilities</i>			
Trade and other payables		8,524	11,177
<b>Cash generated from operations</b>		<u><u>(20,263)</u></u>	<u><u>(7,009)</u></u>

### 34 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.

### 34.1 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:

	2018	2017
	(Rupees in thousand)	
Long term deposits	559	940
Trade debts	-	2,156
Loans and advances	62	97
Trade deposits and other receivables	40	296
Bank balances	4,525	4,408
	<u>5,186</u>	<u>7,897</u>

#### Impairment losses

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

	2018		2017	
	Gross	impairment	Gross	impairment
	(Rupees in thousand)		(Rupees in thousand)	
Past due 1 - 60 days	-	-	544	-
Past due 61 - 365 days	-	-	1,612	-
More than one year	11,669	(11,669)	9,695	(9,695)
<b>Total</b>	<b>11,669</b>	<b>(11,669)</b>	<b>11,851</b>	<b>(9,695)</b>

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

### 34.2 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	124,041	124,041	-	(4,000)	(120,041)
Trade and other payables	175,214	175,214	(1,696)	(173,518)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
<b>June 30, 2018</b>	<b>303,523</b>	<b>303,523</b>	<b>(5,964)</b>	<b>(177,518)</b>	<b>(120,041)</b>
Long term financing	100,121	100,121	-	(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, 2017	<b>259,902</b>	<b>259,902</b>	<b>(5,964)</b>	<b>(157,817)</b>	<b>(81,582)</b>

The Contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30. The rate of mark-up have been disclosed in note 14 to these financial statements.

### 34.3 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:

2018	2017	2018	2017
Effective interest rate (%)		Carrying amount(Rs.'000')	

#### Financial liabilities

Long term financing	<b>KIBOR and KIBOR +2%</b>	KIBOR and KIBOR +2%	<b>124,041</b>	100,121
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#### Sensitivity analysis

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



### 34.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

### 34.5 Fair value hierarchy

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Long term borrowings	-	120,041	-	120,041
	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Long term borrowings	-	96,121	-	96,121

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

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

## 35 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, 2018 the negative shareholders' equity amounts to Rs. - 196.797 million (2017: Rs. 67.438 million).

### 36 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	
	2018	2017	2018	2017	2018	2017	2018	2017
----- Rupees in thousands -----								
Managerial Remuneration	1,200	1,380	2,400	2,400	-	-	3,600	3,780
Retirement benefits and provident fund contribution	-	-	-	200	-	-	-	200
Rent, utilities, leave encashment etc.	-	-	1,176	1,722	-	-	1,176	1,722
Directors' fees	-	-	-	-	185	370	185	370
	<b>1,200</b>	<b>1,380</b>	<b>3,576</b>	<b>4,322</b>	<b>185</b>	<b>370</b>	<b>4,961</b>	<b>6,072</b>
No. of persons	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>5</b>

### 37 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:

	2018	2017
	(Rupees in thousand)	
<b>Subsidiaries</b>		
Loan provided to subsidiary companies	<b>206</b>	70
Payments made on behalf of subsidiary companies	<b>206</b>	49
Amount adjusted between two subsidiaries	-	7,505
<b>Provident Fund</b>		
Contribution paid to Provident Fund	<b>175</b>	199
<b>Directors</b>		
Directors' fee paid	<b>185</b>	370
Markup on long term borrowings	<b>1,750</b>	1,697
Loan received	-	335
Funds received during the year	-	1,962
Funds repaid during the year	-	1,180
<b>Other related parties due to close family relationship with director</b>		
Long term Loan received	<b>17,480</b>	9,800
Purchases	<b>4,833</b>	10,521
Funds received - net	<b>17,480</b>	4,557
Markup on long term borrowings	<b>3,373</b>	2,713

### 38 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.

### 39 DATE OF AUTHORIZATION

These financial statements were authorized for issue on \_\_\_\_\_ by the Board of Directors of the Company.

### 40 GENERAL

40.1 Figures have been rounded off to the nearest thousand rupee.

40.2 The number of employees as at June 30, 2018 was 8 (2017: 18) and average number of employees during the year was 8 (2017: 37)

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

<u>Description</u>	<u>Reclassification from</u>	<u>Reclassification to</u>	<u>Rupees</u>
Sales tax refundable	Loans and advances	Tax refunds due from government	16,377

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer

## DIRECTORS' REPORT

The Directors of your Company are pleased to present the consolidated Audited Financial statements for the year ended June 30, 2018 and Auditors' Report thereon.

### Financial Highlights

The comparative financial highlights of your Company for the year ended June 30, 2018 and June 30, 2017 are as follows:

	2018	2017
	.....Rupees in '000.....	
(Loss) for the year before taxation	(49,298)	(72,869)
Out of which the Directors have accounted For taxation – current	638	862
Disposable (loss) for appropriation	(48,660)	(72,007)
Accumulated (Losses) brought forward	(349,328)	(285,012)
Adjustment for: Incremental depreciation on revalued assets	5,941	6,834
Other Comprehensive Profit/(Loss)	208	857
<b>Accumulated losses carried over to Balance Sheet</b>	<b>(391,839)</b>	<b>(349,328)</b>

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

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

The subsidiaries of the group have ceased production/ operation.

### Loss per Share

Earnings per share for the year ended June 30, 2018 is Rs.(8.93) [June 30, 2017Rs.(13.21)].

### Material Changes

There has been no material changes since June 30, 2018 and the Company has not entered into any commitments which would affect its financial position on that date.

### Performance Review

The Sales -net for the year was Rs.6.3M as compared to Rs.22.9M for the corresponding period of last year. The cost of sales for the year was 24.6M as compared to Rs.59.4M. This was mainly due to lower sales made during the year.

The Gross loss of the Company was Rs.(18.3M) against a loss of Rs. (36.5M) in the corresponding period of last year. This is mainly due to lower sales. The Company's Distribution cost, Administrative expenses and finance cost during the year ended June 30, 2018 was Rs.34.5M as against Rs.34.8M in the corresponding period of previous year. The Company is in the process of reorganizing its activities.

A loss after tax of Rs.48.6M was reported for the year ended June 30, 2018 compared to a loss after tax of Rs.72.0M in the corresponding period. Management of your Company is making concerted efforts and continues to endeavor to achieve improved performance in the future.

As per decision of the Holding Company Board in this financial year the Land, Building and Plant & Machinery have been revalued. The revalued amount has been taken from the Report issued by the value M/S Joseph Lobo (Pvt) Limited in their report dated January 13, 2018 by incorporating surplus on revaluation of fixed assets in the financial statements and accordingly restating the prior years' numbers.

### External Audit

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

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

### **Internal Audit**

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

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

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

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required under the Companies Act, 2017.
3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
4. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve objectives, and by its nature can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process used by the Board to review the effectiveness of the system of internal control includes, inter-alia, the following:
  - A Board Audit Committee (BAC) is in place. It reviews the approach adopted by the Company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the BAC discusses the actions to be taken in areas of concern with the relevant executives. The BAC consists of three members. The Chairman of the BAC is an independent director and all the other members of the BAC are independent directors.
  - An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
  - There is an annual budgeting and strategic planning process. Financial forecasts are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.
6. There is no doubt upon the Company's ability to continue as a going concern.
7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.
8. The Company has followed the best practices of the Code of Corporate Governance and there is no material departure there from.
9. The related parties' transactions are approved or ratified by the Board Audit Committee and the Board of Directors.

10. All major decisions relating to the investments / disinvestments, changes in the policies are taken by the Investment Committee / Board of directors.
11. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.
12. Outstanding taxes and duties are given in the financial statements.

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

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

#### **Name**

Mr. Salman Ganny (Chairman)  
Mr. Shehryar Saeed (MD & Chief Executive Officer)  
Ms. Marium Shafi  
Mr. Muhammad Tariq Anjum  
Mr. Muhammad Azharul Islam  
Mr. Abid Saeed Khan  
Mr. Syed Jamshed Zaidi

#### **Pattern of Shareholding**

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

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

The management of the Holding Company after approval of the shareholders in the Extra Ordinary General Meeting (EOGM) held on April 26, 2018 will implement a new business plan after the sale of its land and building. The business plan includes continued activity in an area related to the core business of the company – i.e. in the electrical equipment industry. In this regard a new setup for Engineering, Repair and Maintenance Services is to be established. For this purpose, the company will be able to put to use its existing Plant & Machinery and Testing equipment. In addition to this, the company will be exploring new businesses in the Indenting and trading sector.

To generate this working capital, the Company advertised in the newspaper to sell its land and building at its existing facility located at SITE, Karachi. Following this sale, the facility will be shifted to a new location in Korangi, Karachi. This approach will provide the company with sufficient capital to clear major current trade liabilities and generate enough funds for the relocation and setup of the new plant in a new location. It will benefit the company and its shareholders.

Three quotations were received for the purchase of our land and building. However, the highest bidder backed out and at present the management is pursuing the other bidders to re-quote which is in the process of being finalized.

#### **Acknowledgement**

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

**Shehryar Saeed**  
MD & Chief Executive Officer  
Karachi: October 01, 2018

**Salman Ganny**  
Chairman

## INDEPENDENT AUDITOR'S REPORT

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

#### Qualified Opinion

We have audited the annexed consolidated financial statements of **Johnson & Phillips (Pakistan) limited** (the Holding Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the annexed consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Qualified Opinion

The financial statements of the subsidiary companies, Johnson and Phillips Industries (Pakistan) limited, Johnson & Phillips Transformers (Private) Limited and J & P EMO Pakistan (Private) Limited for the year ended June 30, 2017 were audited by us. Due to the significance of the matters mentioned below, the scope of our work was not sufficient to enable us to express, and we did not express our opinion in our reports dated October 01, 2018 on the financial statements referred to above:

- i) The subsidiaries have not maintained certain customary accounting records and supporting documents relating to transactions with its customers and suppliers, particularly with respect to receivables, payables, bank balances, fixed assets and inventories. Further, in the absence of information regarding realizable value of several balances under advances, deposits and other receivables aggregating to Rs. Nil (2017: Rs. 12.912 million). We were not able to confirm whether the amount would be realized at carrying values. Moreover, due to lack of customary accounting records and supporting documents, we were unable to verify the Companies' liabilities aggregating to Rs. Nil (2017: Rs. 41.610 million). Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these conditions.
- ii) During the year, the management of subsidiary companies have written off assets amounting to Rs.10.872 million which include long term deposits of Rs.0.711 million, advance of Rs.0.167 million cash at bank of Rs.9.376 million and other receivable of Rs.0.618 million and wrote back liabilities amounting to Rs.11.377 million which include Creditors of Rs.8.139 million and other liabilities of Rs.3.238 million resulting in

recognition of expense in statement of profit or loss of Rs.10.872 million and income of Rs.11.377 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the subsidiary Companies' financial statements for the year ended 30 June 2017 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.

- iii) During the year ended 30 June 2017, the management of the subsidiaries of the group, Johnson and Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited recorded disposal and reversal of certain assets and liabilities in the financial statements of these subsidiaries including assets held for sale amounting to Rs. 23.870 million, stores, spare parts and loose tools amounting to Rs. 2.396 million, stock in trade amounting to Rs. 12.705 million, advances amounting to Rs. 9.005 million, short term loan from commercial bank amounting to Rs. 37.242 million and recognised a loss on sale of assets held for sale amounting to Rs. 1.504 million in profit and loss account resulting in increase in bank balance amounting to Rs. 9.213 million. We were unable to verify the existence and realizable amounts of these assets and liabilities during our audit of the subsidiary companies' financial statements for the year ended 30 June 2016 and accordingly we disclaimed our opinion in our report on those financial statements. Further, in the absence of relevant supporting documents of these transactions we have not been able to verify their occurrence, accuracy and completeness of the amounts reported in the financial statements. Accordingly, it was not practicable to extend our procedures sufficiently to determine the extent to which the financial statements may have been affected by these transactions.
- iv) In the absence of information regarding the latest positions of income tax assessments of the subsidiary companies, we are unable to ascertain the possible effects of the contingencies or other financial effects, if any, on these financial statements that may arise due to the decision against appeals filed by the subsidiaries with income tax authorities.
- v) As explained in note 2.1 to the consolidated financial statements, the subsidiaries of the group, Johnson and Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited ceased production in July 1997 and February 1998 respectively. Further, the accumulated losses of all the subsidiary companies as at June 30, 2018 stand at Rs.136.666 million (2017: Rs. 136.967 million). These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the subsidiary companies' ability to continue as a going concern.
- vi) In the absence of information regarding current status of taxation, the amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets is recognized in the balance sheets of the subsidiary companies, we are



unable to ascertain the possible effect of deferred tax on the subsidiaries' financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to note 1.2 to the consolidated financial statements which indicates that the Group has incurred net loss of Rs.49.166 million for the year and as at 30 June 2018 the Group has accumulated losses of Rs.384.883 million. These conditions along with other matters as set forth in note 1.2 to the consolidated financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Material Uncertainty Related to Going Concern* section and *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the key audit matters:

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<b>1. Non-current assets classified as held for sale.</b>	
<p>Refer to note 6 to the financial statements and the accounting policy in note 4.24 to the financial statements.</p> <p>The Company announced in February 2018 their intention to sale its land and building amounting to Rs.472.129 million, consequently, these have been classified as non-current assets held for sale. According to IFRS 5, non-current assets should be classified as held-for-sale if their carrying</p>	<p>Our audit procedures to assess the classification of land and building as non-current assets held for sale, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• review of the Company's actions in order to sale land and building;</li> <li>• challenging management on whether the requirements under IFRS 5 for land and building classified as held for sale were met; and</li> </ul>

<p>value will be recovered principally through a sales transaction rather than through continuing use. One of the conditions that must be satisfied for classification as held for-sale is that the sale is highly probable within one year. In addition, assets held for sale should be measured at the lower of carrying value and estimated fair value less costs to sell.</p> <p>We focused on this area since classification and measurement of assets held for sale require significant judgements and estimates by management and the amounts have a significant impact on the financial position of the Company.</p>	<ul style="list-style-type: none"> <li>• review and evaluation of the Board of Directors' and management's process to determine fair value less costs of disposal;</li> </ul>
<p><b>2. Valuation of stock-in-trade</b></p>	
<p>Refer to note 10 to the financial statements and the accounting policy in note 4.11 to the financial statements.</p> <p>As at 30 June 2018, the cost of the Company's stock-in-trade comprise of Rs.39.766 million.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost involved significant management judgement and estimation.</p>	<p>Our audit procedures to assess valuation of trade debts, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the management's basis for the determination of NRV and the key estimates adopted, including future selling prices and costs necessary to make the sales and the basis of the calculation and justification for the amount of the write-downs and provisions;</li> <li>• assessing the NRV of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with the selling prices achieved subsequent to the end of the reporting period; and</li> <li>• comparing NRV to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete.</li> </ul>
<p><b>3. Valuation of trade debts</b></p>	
<p>Refer to note 11 to the financial statements and the accounting policy in note 4.16 to the</p>	<p>Our audit procedures to assess valuation of trade debts, amongst others, include the</p>

<p>financial statements.</p> <p>The Company has a significance balance of doubtful trade debts. Provision against doubtful trade debts is based on management's judgement to determine the appropriate level of provision against balances which may not ultimately be recovered;</p> <p>We identified the recoverability of the Company's trade debts as a key audit matter as it involves significant management judgement in determining the recoverable amount of trade debts.</p>	<p>following:</p> <ul style="list-style-type: none"> <li>• Obtaining the understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process;</li> <li>• For a sample of trade debts, tested the adequacy of the provisions for doubtful debts by taking into account the ageing of receivables at the year end and cash received after year end, as well as assessing the judgements made by the management in relation to the credit worthiness of the debtors;</li> </ul>
<p><b>4. Uncertainty related to recovery lawsuit</b></p>	
<p>Refer to note 23.1.3 to the financial statements which describes the uncertainty related to outcome of the recovery lawsuit filed by the National Bank of Pakistan against the subsidiary companies of the Company in which the Company has given counter guarantee to the banks.</p> <p>Although the subsidiary company has paid the entire liability stood in its books, however, the bank has not acknowledged the full settlement of its claim. We considered this matter as key audit matter because the outcome of the case, if the decree is executed against the Company, could have a significant impact on the financial position of the Company.</p>	<p>We inquired the management and evaluated the Company's assessment of the most recent status and outcome of the claim.</p> <p>The specific audit work that we performed during our assessment of the claim included:</p> <ul style="list-style-type: none"> <li>• Read related minutes of meetings of the Board of Directors and the audit committee</li> <li>• Obtained external confirmation on the fact and views in writing from related legal advisor</li> <li>• Considered the adequacy of the related disclosures.</li> </ul>
<p><b>5. Preparation of financial statements under Companies Act, 2017.</b></p>	
<p>As referred to in note 2 to the accompanying Financial statements, the companies act 2017 (the Act) became applicable for first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The act forms an integral part of statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of</p>	<p>We assessed the procedures applied by the management for identification of changes require in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statement.</p>

<p>the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the exiting disclosures have been included in the financial statements as referred to note 3.1 to the accompanying financial statement,</p> <p>The aforementioned changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of changes in the financial statements resulting from the transition to the new reporting requirement under the Act.</p>	
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### **Information Other than the Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Abdul Rafay.

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**Nazir Chaudhri & Co.**  
**Chartered Accountants**  
**Karachi**  
**October 01, 2018**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at June 30, 2018

	Note	2018	2017	2016
		(Rupees in thousand)		
			Restated	Restated
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	6	14,194	175,318	184,009
Intangible Asset	7	-	-	-
Long term deposits		559	1,566	1,566
		<b>14,753</b>	176,884	185,575
<b>CURRENT ASSETS</b>				
Store, spares and loose tools		-	-	2,396
Stock-in-trade	8	1,926	13,788	55,355
Trade debts	9	-	2,156	6,372
Loans and advances	10	62	97	17,956
Deposits and prepayments and other receivables	11	40	1,085	7,479
Tax refunds due from government	12	26,239	21,850	4,970
Cash and bank balances	13	4,556	13,810	1,245
		<b>32,823</b>	52,786	95,773
Non-current assets classified as held for sale	5	472,158	-	23,870
<b>TOTAL ASSETS</b>		<b>519,734</b>	229,670	305,218
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVE</b>				
<b>Authorized capital</b>				
8,000,000 (2016: 8,000,000) ordinary shares of		80,000	80,000	80,000
Issued, subscribed and paid-up capital	14	54,500	54,500	54,500
Share premium reserve		29,727	29,727	29,727
Surplus on revaluation of property, plant and equipment	16	474,380	167,128	173,962
General reserve		23,073	23,073	23,073
Accumulated loss		(391,839)	(349,328)	(285,012)
		<b>189,841</b>	(74,900)	(3,750)
Non-controlling interest	15	-	-	-
<b>NON-CURRENT LIABILITIES</b>				
Long term borrowings	17	120,041	96,121	81,582
Deferred liabilities	18	14,504	10,247	13,458
		<b>134,545</b>	106,368	95,040
<b>CURRENT LIABILITIES</b>				
Trade and other payables	19	179,984	182,447	171,269
Short term borrowings	20	6,536	6,927	33,831
Current and overdue portion of long term	17.2	4,000	4,000	4,000
Mark up accrued	21	-	-	-
Unclaimed dividend		4,268	4,268	4,268
Taxation		560	560	560
		<b>195,348</b>	198,202	213,928
<b>Contingencies and commitments</b>	22			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>519,734</b>	229,670	305,218

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

Chief Executive

Director

Chief Financial Officer

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the year ended June 30, 2018

	<i>Note</i>	2018 (Rupees in thousand)	2017
Revenue from sales and services - net	23	6,312	22,924
Cost of sales and services	24	<u>(24,645)</u>	<u>(59,469)</u>
<b>Gross loss</b>		<b>(18,333)</b>	<b>(36,545)</b>
Distribution cost	25	<u>(812)</u>	<u>(1,484)</u>
Administrative expenses	26	<u>(28,571)</u>	<u>(28,453)</u>
		<b>(29,383)</b>	<b>(29,937)</b>
		<u>(47,716)</u>	<u>(66,482)</u>
Finance cost	27	(5,144)	(4,883)
Other income	28	3,057	-
Assets written off		(10,872)	-
Liabilities written back		11,377	-
loss on disposal of assets classified as held for sale		-	(1,504)
		<u>(1,582)</u>	<u>(6,387)</u>
<b>Loss before taxation</b>		<b>(49,298)</b>	<b>(72,869)</b>
Taxation	29	<u>638</u>	<u>862</u>
<b>Loss after taxation from continued operations</b>		<b><u>(48,660)</u></b>	<b><u>(72,007)</u></b>
<b>Loss after taxation for the year attributable to:</b>			
- Owners of the Holding Company		(50,233)	(71,334)
- Non-controlling interests		1,573	(673)
		<u>(48,660)</u>	<u>(72,007)</u>
		-----Rupees-----	
<b>Loss per share - basic and diluted</b>	30	<b><u>(8.93)</u></b>	<b><u>(13.21)</u></b>

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

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

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

\_\_\_\_\_  
**Chief Financial Officer**



**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended June 30, 2018

	2018	2017
	<b>(Rupees in thousand)</b>	
Loss for the year	<b>(48,660)</b>	(72,007)
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain / (loss) on remeasurment of post employment benefit obligation	<b>208</b>	857
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>		
Gain on revaluation of land and buildings	<b>318,232</b>	-
Deferred tax on gain on revaluation of buildings	<b>(5,428)</b>	-
	<b>312,804</b>	-
<b>Total comprehensive income / (loss)</b>	<b><u>264,352</u></b>	<b><u>(71,150)</u></b>
<b>Total comprehensive loss for the year attributable to:</b>	<b>-----Rupees-----</b>	
- Owners of the Holding Company	<b>262,779</b>	(70,477)
- Non-controlling interests	<b>1,573</b>	(673)
	<b><u>264,352</u></b>	<b><u>(71,150)</u></b>

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

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

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

\_\_\_\_\_  
**Chief Financial Officer**

**JOHNSON & PHILLIPS (PAKISTAN) LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended June 30, 2018

	<i>Note</i>	<b>2018</b> <b>(Rupees in thousand)</b>	2017
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	32	(20,263)	9,593
Taxes paid	10	(494)	(689)
Gratuity paid	17.1.2	(21)	(1,808)
Finance cost paid		(21)	(6)
<i>Net cash from operating activities</i>		<u>(20,799)</u>	7,090
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(115)	(122)
Proceeds from disposal of property, plant and equipment		2,239	-
Proceeds from disposal of assets classified as held for sale		-	22,366
<i>Net cash from investing activities</i>		<u>2,124</u>	22,244
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term borrowing		18,797	10,135
Repayment of short term borrowing		-	(26,904)
<i>Net cash used in investing activities</i>		<u>18,797</u>	(16,769)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>122</u>	12,565
Cash and cash equivalents at beginning of the year		4,434	854
Cash and cash equivalents at end of the year	31	<u><u>4,556</u></u>	<u><u>13,419</u></u>

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

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

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

\_\_\_\_\_  
**Chief Financial Officer**

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

For the year ended June 30, 2018

	Capital reserve			Revenue reserve		Total
	Issued, subscribed and paid-up capital	Share premium reserve	Surplus on revaluation of fixed assets	General reserve	(Accumulated loss)	
	----- ( Rupees in thousand ) -----					
Balance as at June 30, 2016 - As previously reported	54,500	29,727	-	23,073	(285,012)	(177,712)
Impact of restatement - note 4	-	-	173,962	-	-	173,962
Balance as at June 30, 2016 - Restated	54,500	29,727	173,962	23,073	(285,012)	(3,750)
<b>Total comprehensive loss for the year ended June 30, 2017</b>						
Net loss for the year					(72,007)	(72,007)
Other comprehensive income	-	-		-	857	857
					(71,150)	(71,150)
Transfer from surplus on revaluation of property, plant and equipment	-	-		-	6,834	6,834
<b>Balance as at June 30, 2017</b>	<b>54,500</b>	<b>29,727</b>	<b>173,962</b>	<b>23,073</b>	<b>(349,328)</b>	<b>(68,066)</b>
<b>Total comprehensive loss for the year ended June 30, 2018</b>						
Net loss for the year	-	-		-	(48,660)	(48,660)
Other comprehensive income					208	208
					(48,452)	(48,452)
Transfer from surplus on revaluation of property, plant and equipment	-	-		-	5,941	5,941
	<b>54,500</b>	<b>29,727</b>	<b>173,962</b>	<b>23,073</b>	<b>(391,839)</b>	<b>(110,577)</b>

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

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

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

\_\_\_\_\_  
**Chief Financial Officer**

# JOHNSON & PHILLIPS (PAKISTAN) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

### 1 STATUS AND NATURE OF BUSINESS

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

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

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

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

### 1.2 Going Concern

The accumulated losses of the Group as at June 30, 2018 stand at Rs. 392.044 million (2017: Rs. 349.328million) resulting in negative equity of Rs. 242.028 million (2017: Rs. 74.900 million restated) and, as at that date, its current liabilities exceeds its current assets by Rs. 165.525 million (2017: 145.416 million).

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

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

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

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

## **2 Significant transactions and events affecting the Group's financial position and performance**

- 2.1** The Subsidiaries of The Group, Johnson & Phillips Industries (Pakistan) Limited and Johnson & Phillips Transformers (Private) Limited ceased production in July 1997 and February 1998 respectively. During the year ended June 30, 2004 the subsidiaries have settled their disputes with National Bank of Pakistan and agreed to pay Rs. 82.460 million as full and final settlement of their outstanding dues in installment.
- 2.2** On August 31, 1997 there was a change of management of a subsidiary company. The ex-management was requested to furnish documents, information and explanations in relation to various matters pertaining to the books of the accounts of the subsidiary companies. As the ex-management have not responded to all the requirements of the management and their auditors. Amounts under stock in trade, trade debts, advances and trade creditors have been taken as per books of the accounts and available supporting records. As explained in Note 11, the unexplained amounts disbursed are shown as Receivables from "Ex-Management" .The Management is making every effort to confirm the accuracy of the amounts stated.
- 2.3** The Board of Directors of the Holding Company, in their meeting held on February 28, 2018 and shareholders of the Company in the Extra Ordinary General Meeting held on April 26, 2018, approved, subject to approval / consent of the applicable regulatory authorities, the business revival plan. Following are the major components of the plan:
- Sale of land and building at its existing facility located at SITE, Karachi.
  - Following the sale, the facility will be shifted to a new location in Korangi, Karachi.
  - The sale and relocation will release funds for setup and working capital for the new venture from the proceeds of the sale of land and building.
- 2.4** Due to applicability of the Companies Act, 2017 to the consolidated financial statements of the Group, amounts reported for the previous period have been restated. For detailed information please refer to note 3.1.2 and note 4; and
- 2.5** For a detailed discussion about the Groups's performance please refer to the Directors' report
- 2.6** During the year the subsidiaries of the Holding Company have written off their assests and written back their liabilities.

## **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 Statement of compliance**

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

- 3.1.2** The Act has also brought certain changes with regard to the preparation and presentation of these financial

statements. These changes, amongst others, included change in respect of nomenclature of these financial statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (refer note 6.4 & 6.5), management assessment of sufficiency of tax provision in the the financial statements (refer note 28.2), change in threshold for identification of executives (refer note 34), additional disclosure requirements for related parties (refer note 35) etc.

### 3.2 Accounting convention

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

- Recognition of staff retirement benefits which are stated at present value as referred to in note 17.1.
- Certain items of property, plant and equipment which are stated at revalued amounts as referred to in note 6.

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

### 3.3 Functional and presentation currency

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

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

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

#### 3.4.1 New standards, interpretations and amendments

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

- IAS 7 - Statement of Cash Flows - Disclosure Initiative - (Amendment)
- IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

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

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 - Share Based Payments - Classification and Measurement of Share Based Payment Transactions (Amendments)	01 January 2018
IFRS 9 - Financial Instruments	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)	01 January 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15- Revenue from Contracts with Customers	01 July 2018

IFRS 16 - Leases	01 January 2019
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — (Amendments)	01 January 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2018

The above standards and amendments are not expected to have any material impact on the Group's financial statements in the period of initial application except for IFRS 15 - Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Group's financial statements in the period of initial application

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

### 3.5 Critical Accounting estimates and judgments

The preparation of the consolidated financial statements 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 Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to these consolidated financial statements are as follows:

	<b>Note</b>
Provision for taxation	3.9
Provision for deferred taxation	3.9
Residual values and useful lives of depreciable assets	3.13
Provision for obsolete and slow moving stock	3.16
Write down of stock in trade to their net realisable value	3.16
Provision for doubtful debts	3.17
Provision for doubtful advance and deposits	3.17
Employees' retirement benefits	3.6

### **3.6 Employee benefits**

#### **3.6.1 Defined benefit plan**

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

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

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

#### **3.6.2 Defined contribution plan**

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

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

#### **3.6.3 Provident fund related disclosures**

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

	<b>Unaudited June 30, 2018</b>	Unaudited June 30, 2017
	----Rupees in thousands----	
Size of the fund - Total assets	<u><b>4,761</b></u>	<u>8,009</u>
Cost of the Investment made	<u><b>4,000</b></u>	<u>6,000</u>
Percentage of investments made	<u><b>84%</b></u>	<u>75%</u>
Fair value of the investments	<u><b>4,761</b></u>	<u>6,000</u>

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



	<b>June 30, 2018</b>	June 30, 2017	<b>June 30, 2018</b>	June 30, 2017
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	---Rupees in thousands---			
Certificate of Investment	4,000	6,000	<b>84%</b>	74%

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

### **3.7 Compensated absences**

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

### **3.8 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.

### **3.9 Taxation**

#### **a) Current**

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

#### **b) Deferred**

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

### **3.10 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.

### **3.11 Provisions**

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

### **3.12 Investments**

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

### **3.13 Property, plant and equipment and depreciation**

#### **a) Owned**

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

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life as stated in Note 6. Depreciation on additions and disposals of assets during the year is charged from the month of acquisition to the month of disposal.

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

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

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

#### **b) Leased**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amounts of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated by applying straight line method over the estimated useful lives of the assets as stated in note 6.

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

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

#### **3.14 Intangible assets**

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

#### **3.15 Consumable stores**

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

#### **3.16 Stock in trade**

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

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

#### **3.17 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.

#### **3.18 Warranties**

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

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

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

#### **3.20 Transaction with related parties**

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

### **3.21 Impairment losses**

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

### **3.22 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.

### **3.23 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.

### **3.24 Cash and cash equivalents**

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

### **3.25 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.

### **3.26 Offsetting**

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

### **3.27 Dividend**

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

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

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

## **4 CHANGE IN ACCOUNTING POLICY**

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity

Following the application of IAS 16, the Group's accounting policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	<b>Surplus on revaluation of property, plant and equipment</b>	<b>Share capital and reserves</b>	Surplus on revaluation of property, plant and equipment	Share capital and reserves
	<b>As at June 30, 2017</b>		As at June 30, 2016	
	<b>Rupees</b>		Rupees	
<b>Effect on statement of financial position</b>				
As previously Reported	167,128	-	173,962	-
As Restated	-	167,128	-	173,962
Restatement	166,690	167,128	(173,962)	173,962
<b>Effect on statement of changes in equity</b>				
As previously Reported	-		-	-
As Restated	167,128	-	173,962	-
Restatement	167,128	-	173,962	-

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

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

As disclosed in note 2.3 to the financial statements the Company has resolved to sale land and building. Therefore these have been classified as held for sale:

	<b>2018</b>	2017
	----- <b>(Rupees in thousand)</b> -----	
Leasehold land	<b>448,558</b>	-
Building on leasehold land	<b>23,600</b>	-
	<b>472,158</b>	-

## 6 PROPERTY, PLANT AND EQUIPMENT

	Lease hold Land	Building on lease hold land	Plant and machinery	Gas and electric installations	Factory tools	Vehicles	Furniture and fixtures	Office and other equipments	Total
----- Rupees in thousands -----									
Year Ended 30 June 2017									
Opening net book value	157,857	17,707	8,175	8	-	170	1	91	184,009
Additions during the year	-	-	-	-	90	-	-	32	122
Depreciation for the year	(4,000)	(2,560)	(2,087)	(8)	(8)	(89)	(1)	(60)	(8,813)
Closing net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Useful Life (Years)	99	10	7	10	5	4	5	5	
As at 30 June 2017									
Cost	170,000	25,600	14,610	1,178	3,933	11,640	4,320	12,026	243,307
Accumulated depreciation	(16,143)	(10,453)	(8,522)	(1,178)	(3,851)	(11,559)	(4,320)	(11,963)	(67,989)
Net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
<b>Year Ended 30 June 2018</b>									
Opening net book value	153,857	15,147	6,088	-	82	81	-	63	175,318
Additions during the year	-	-	-	-	-	-	-	115	115
Supplu on revaluaiton	298,143	10,133	9,956	-	-	-	-	-	318,232
Disposal									
Cost	-	-	-	-	-	(8,148)	-	-	(8,148)
Accumulated depreciation	-	-	-	-	-	8,080	-	-	8,080
	-	-	-	-	-	(68)	-	-	(68)
Classified as held for sale	(448,558)	(23,600)	-	-	-	-	-	-	(472,158)
Depreciation for the year	(3,442)	(1,680)	(2,115)	-	(8)	-	-	-	(7,245)
Closing net book value	-	-	13,929	-	74	13	-	178	14,194
<b>As at 30 June 2018</b>									
Cost	-	-	24,566	1,178	3,933	3,492	4,320	12,141	49,630
Accumulated depreciation	-	-	(10,637)	(1,178)	(3,859)	(3,479)	(4,320)	(11,963)	(35,436)
Net book value	-	-	13,929	-	74	13	-	178	14,194
Useful Life (Years)	99	10	7	10	5	4	5	5	

6.1 Included herein assets costing Rs.24.657 million (2017: Rs. 32.743 million), which are fully depreciated.

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

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

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

6.3 The carrying amount of leasehold land, building on leasehold land and Plant & Machinery as at 30 June 2018, if the said had been carried at historical cost would have been Rs.032 million (2017: Rs. .033 million), Rs 1.222 million (2017: Rs.1.357) and Rs.0.832 million (2017: Rs.1.076) respectively.

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

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

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

	Note	2017 (Rupees in thousand)	2016
Cost of sales and services	24	5,796	7,050
Administrative expenses	26	1,449	1,763
		<u>7,245</u>	<u>8,813</u>

6.7 Details of operating fixed assets disposed off during the year are as follows:

Assets	Cost	Accumulated depreciation	Net book value	Sale Proceed	Mode of disposal	Purchaser address
Items of net book value below Rs. 500,000 each	8,148	8,080	68	2,239	Negotiation	Various

## 7 INTANGIBLE ASSET

	COST			AMORTIZATION			Written down Values as at June 30, 2018	Useful life (years)
	As at July 01, 2017	Additions / disposal	As at June 30, 2018	As at July 01, 2017	For the year	As at June 30, 2018		
----- Rupees in thousands -----								
<b>Computer Software</b>	129	-	129	129	-	129	-	5
	<b>129</b>	<b>-</b>	<b>129</b>	<b>129</b>	<b>-</b>	<b>129</b>	<b>-</b>	

2018  
2017  
Note (Rupees in thousand)

## 8 STOCK-IN-TRADE

Raw material and components - in hand		30,011	37,987
Less: provision for obsolete/ slow moving items	8.1	(28,585)	(28,585)
		1,426	9,402
Work-in-process		500	4,386
		<b>1,926</b>	<b>13,788</b>

### 8.1 Movement in obsolete /slow moving items

Opening provision		(28,585)	(8,360)
(Provision) / reversal made during the year		-	(20,225)
		<b>(28,585)</b>	<b>(28,585)</b>

## 9 TRADE DEBTS

Trade debts - <i>unsecured</i>		11,851	11,851
Less: Provision for doubtful trade debts	9.1	(11,851)	(9,695)
		-	2,156

### 9.1 Movement in provision for doubtful trade debts

Opening provision		(9,695)	(5,005)
Provision made during the year		(2,156)	(4,690)
		<b>(11,851)</b>	<b>(9,695)</b>

	Note	2018 (Rupees in thousand)	2017
<b>10 LOANS AND ADVANCES</b>			
<b>Advances - Unsecured</b>			
To suppliers		774	794
To employees		341	356
Against purchase of land		2,717	2,717
Others		71	71
		<b>3,903</b>	3,938
Less: Provision for doubtful advances	10.1	<b>(3,841)</b>	(3,841)
		<b>62</b>	97
<b>10.1 Movement in provision for doubtful advances</b>			
		(Provision) / reversal made during the year	Closing provision
<b>Provision for doubtful advances against:</b>			
		-----Rupees-----	
Suppliers		(765)	<b>(765)</b>
Employees		(2,717)	<b>(2,717)</b>
Purchase of land		(288)	<b>(288)</b>
Others		(71)	<b>(71)</b>
		<b>(3,841)</b>	<b>(3,841)</b>
<b>11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Prepayments</b>		-	86
<b>Deposits</b>			
Deposit		-	85
Margin against bank guarantee		281	3,126
Deposit with court		-	723
Other receivable		40	50
Tender deposits - net of provision		228	228
		<b>549</b>	4,212
Less: Provision for doubtful deposits doubtful deposits written off	11.1	<b>(509)</b>	(3,831)
<b>Other receivables</b>			
Receivables from ex-management against sale of fixed assets	11.2	-	618
		<b>40</b>	1,085
<b>11.1 Movement in provision for doubtful deposits</b>			
Opening provision		-	(773)
Provisions made during the year		-	(3,058)
Deposits written off during the year		<b>(509)</b>	3,831
		<b>(509)</b>	-

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

	Note	2018 ---(Rupees in thousand)--	2017
<b>12 TAX REFUNDS DUE FROM GOVERNMENT</b>			
<b>Income tax</b>			
Advance income tax		446	815
Income tax refundable		<u>5,077</u>	<u>4,491</u>
		<b>5,523</b>	5,306
<b>Sales tax</b>			
Sales tax refundable		<u>20,716</u>	16,544
		<b>26,239</b>	<b>21,850</b>
<b>13 CASH AND BANK BALANCES</b>			
Cash in hand		31	26
At bank			
- in current accounts		4,500	13,759
- in saving accounts		<u>25</u>	<u>25</u>
		<b>4,556</b>	<b>13,810</b>
<b>14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
(Number of shares)			
2018	2017		
<u>4,638,268</u>	4,638,268	Ordinary shares of Rs. 10 each fully paid in cash	46,383
93,000	93,000	Ordinary shares of Rs. 10 each issued for consideration other than cash.	930
718,704	718,704	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,187
<u>5,449,972</u>	<u>5,449,972</u>		<u>54,500</u>
			<b>54,500</b>
<b>15 NON-CONTROLLING INTEREST</b>			
Share in issued, subscribed and paid up capital			
Share of accumulated loss			
- brought forward		(21,586)	(20,913)
- for the year		<u>1,573</u>	<u>(673)</u>
		<b>(20,013)</b>	<b>(21,586)</b>
		<b>(10,523)</b>	<b>(12,096)</b>
Minority share in excess of their share in capital transferred to profit and loss account of the group			
		<u>10,523</u>	12,096
		<b>-</b>	<b>-</b>



2018      2017  
**(Rupees in thousand)**  
Restated

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

**Leasehold land**

Revaluation surplus over written down value at beginning of the year	<b>153,969</b>	157,968
Surplus on revaluation during the year	<b>298,143</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	<b>(3,443)</b>	(3,999)
	<b>448,669</b>	153,969

**Factory building**

Revaluation surplus over written down value at beginning of the year	<b>13,790</b>	16,121
Surplus on revaluation during the year	<b>10,133</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(1,097)</b>	(1,632)
Related deferred tax liability of incremental depreciation charged during the year	<b>(448)</b>	(699)
	<b>22,378</b>	13,790
Related deferred tax liability at beginning	<b>(4,137)</b>	(4,836)
Deferred tax on revaluation during the year	<b>(2,939)</b>	-
Effect of change in tax rate	<b>138</b>	-
Less: related to incremental depreciation	<b>448</b>	699
	<b>(6,490)</b>	(4,137)

**Plant and machinery**

Revaluation surplus over written down value at beginning of the year	<b>5,009</b>	6,728
Surplus on revaluation during the year	<b>9,956</b>	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(1,401)</b>	(1,203)
Related deferred tax liability of incremental depreciation charged during the year	<b>(467)</b>	(516)
	<b>13,097</b>	5,009
Related deferred tax liability at beginning of the year	<b>(1,503)</b>	(2,019)
Deferred tax on revaluation during the year	<b>(2,489)</b>	-
Effect of change in tax rate	<b>251</b>	-
Less: related to incremental depreciation	<b>467</b>	516
	<b>(3,274)</b>	(1,503)
	<b>474,380</b>	167,128

	Note	2018 (Rupees in thousand)	2017
<b>17 LONG TERM BORROWINGS</b>			
<i>Relating to subsidiary companies</i>			
Local currency - general term finance	17.1	-	-
<i>Relating to Holding Company</i>			
<b>Loans from others-unsecured</b>			
Loan from others	17.2	4,000	4,000
<b>Loan-1 (From related party)</b>			
Principal	17.3	8,408	8,408
Accumulated mark-up there on		10,913	10,614
		19,321	19,022
<b>Loan -2 ( From majority shareholder)</b>			
Principal	17.4	23,675	22,358
Accumulated mark-up there on		7,867	6,117
		31,542	28,475
<b>Loan-3 (From related party)</b>			
Principal	17.5	45,930	28,450
Accumulated mark-up there on		23,248	20,174
		69,178	48,624
		124,041	100,121
Less: overdue portion shown under current liabilities		(4,000)	(4,000)
		<u>120,041</u>	<u>96,121</u>

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

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

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

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

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

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

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

- 17.2** Represents unsecured loan taken by the Holding Company at an interest rate of 12% per annum which was repayable in installments of Rs. 500,000 per month starting from October 2006. As the loan remained unpaid till the year ended June 30, 2007, a fresh agreement was made by the parties on June 30, 2007. According to the fresh agreement dated June 30, 2007 the effective date of repayment, which was October, 2006, was extended to July, 2008. The Holding Company made default in repayment of this loan, accordingly the loan has been classified as overdue under current liabilities.
- 17.3** Represents an unsecured loan from a director of Elmetec (Pvt) Ltd - a related party of the Holding Company. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2018 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2018) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2018. The mark-up will be charged at the rate of Twelve months KIBOR plus 2% per annum (2017: 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, 2018, the loan carries mark-up @ Twelve months KIBOR per annum (2017: Twelve months KIBOR per annum) and will be repaid in Twenty four equal quarterly installments
- 17.4** Represents an unsecured loan from a majority shareholder of the Holding Company. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2018 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2018) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2018. The mark-up will be charged at the rate of KIBOR plus 2% per annum (2017: 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, 2018, the loans carry mark-up @ KIBOR+2% per annum (2017: KIBOR+2% per annum), which will be repaid in twenty four quarterly installments commencing from July 01, 2019 and markup on these loans will be paid on
- 17.5** Represents an un-secured loan from Elmetec (Pvt) Ltd - a related party of the Holding Company. During the year an agreement has been signed to reschedule the loan. According to the agreement dated June 30, 2016 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2016) will be repaid in twenty four equal quarterly installments commencing from July 01, 2017. The mark-up rate on this loan is KIBOR plus 2% per annum (2017: KIBOR plus 2% per annum).

		<b>2018</b>	2017
	<b>Note</b>	<b>(Rupees in thousand)</b>	
<b>18 DEFERRED LIABILITIES</b>			
Staff retirement benefits - Gratuity	18.1	<b>4,144</b>	4,011
Deferred taxation	18.2	<b>10,360</b>	6,236
		<b><u>14,504</u></b>	<u>10,247</u>

<b>18.1 Staff retirement benefits - Gratuity</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>(Rupees in thousand)</b>	
Staff retirement benefits - Gratuity		<b>5,038</b>	4,905
Unclaimed gratuity shown under current liabilities (Trade and other payables)		<b>(894)</b>	(894)
		<b>4,144</b>	<b>4,011</b>
<b>17.1.1 Principal assumptions</b>			
Discount rate		<b>7.75%</b>	7.75%
Expected rate of eligible salary increase in future years		<b>7.75%</b>	7.75%
<b>17.1.2 Liability for gratuity arose in the following manner:</b>			
Opening net liability		<b>4,905</b>	6,901
Expense for the year		<b>362</b>	669
Other Comprehensive Income		<b>(208)</b>	(857)
Benefits paid		<b>(21)</b>	(1,808)
Closing net liability		<b>5,038</b>	4,905
<b>17.1.3 Charge to profit and loss account</b>			
Current service cost		<b>52</b>	234
Interest cost		<b>310</b>	435
Total amount chargeable to profit and loss account		<b>362</b>	669
<b>17.1.4 Comparison for five years</b>			

	2018	2017	2016	2015	2014
	-----Rupees in thousand -----				
Present value of defined benefit obligation	5,038	4,905	6,662	4,701	6,579

**17.1.5** Expected charge for the year ending 30 June 2019 is Rs. 0.259 million.

## **18.2 DEFERRED TAXATION**

### **Taxable temporary differences**

Surplus on revaluation of fixed assets	<b>9,764</b>	5,640
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### **Deductible temporary differences**

Accelerated tax depreciation	<b>952</b>	(5,591)
Carried forward tax losses and unabsorbed depreciation	<b>(102,256)</b>	(109,728)
	<b>(101,304)</b>	(115,319)
	<b>(91,540)</b>	(109,679)

Deferred tax asset not recognised	<b>101,304</b>	115,319
	<b>9,764</b>	5,640

Deferred tax liability related to subsidiary	<b>596</b>	596
	<b>10,360</b>	6,236

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

<b>19 TRADE AND OTHER PAYABLES</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>(Rupees in thousand)</b>			
Creditors	19.1	<b>124,652</b>	131,801
Accrued liabilities		<b>19,163</b>	11,093
Advances from customers	19.2	<b>5,527</b>	5,389
Advance from related party		<b>22,892</b>	23,016
Workers' profit participation fund		<b>3,498</b>	3,498
Payable to ex-employees		<b>802</b>	802
Provident fund		<b>187</b>	281
Unclaimed gratuity payable		<b>894</b>	894
Sales tax payable		<b>39</b>	39
Due to others		-	1,349
Withholding tax payable		<b>516</b>	514
Others		<b>1,814</b>	3,771
		<b><u>179,984</u></b>	<b><u>182,447</u></b>

**19.1** These include Rs. 119.397 million (2017: 117.270 million) payable to Elmetec (Private) Limited - a related party.

**19.2** This includes Rs. 0.933 million payable to a director.

## **20 SHORT TERM BORROWINGS**

### **Relating to subsidiary company**

#### *From financial institutions*

Short term loan

**17.1**                    -                    -

Temporary overdraft

-                    391

#### *From director*

**20.1**                    **3,685**                    3,685

**3,685**                    4,076

### **Relating to holding company**

#### *From director*

**20.1**                    **2,851**                    2,851

**6,536**                    6,927

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

## **21 MARK UP ACCRUED**

Opening balance

-                    -

Accrued during the year

**5,123**                    4,410

**5,123**                    4,410

Paid / transferred during the year

21.1                    **(5,123)**                    (4,410)

**Closing balance**

**-**                    -

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

## 22 CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

#### 21.1.1 a) Guarantees

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

Guarantees against performance bond	1,794	2,679
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#### b) Labour

**21.1.2** Some legal cases are pending against the Holding Company filed by ex-workers in respect of their claims. The aggregate amounts involved in these cases are Rs. 0.987 million. (2017: 0.987 million).

#### c) Others

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

The Bank agreed that prior to executing the Decree against the Defendant No.2 as guarantor, the Bank will execute against all assets of the Defendant No. 1. Some payments has been made to the Bank while the remaining amount of Rs. 25,894 thousand is still payable. The execution proceedings in this case are now pending before the Banking Court No. III.

**21.1.4** The Holding Company has filed a suit for the recovery of insurance claim of Rs 3.734 million (2017: Rs 3.734 million) in Honorable High Court of Sindh Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited.

#### d) Professional fee payable

The subsidiary Companies are contingently liable in respect of professional fee payable to M/s. Ebrahim & Company, Chartered Accountants amounting to Rs. 0.205 million (2017: 0.205 million)

#### e) Unsecured loan

The liability of Johnson & Phillips Transformers (Private) Limited for the amount due to Atta Cables (Pvt) Limited including unsecured loan relating to ex-management has been recorded in the books at an amount of Rs. 8.984 million as against the amount of Rs. 18.998 million (2017: Rs. 18.998 million) claimed by M/s Atta Cables (Pvt) Limited. The subsidiary Company does not acknowledge the excess amount of claim.

#### f) Tax assessments of subsidiary companies

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

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

The income tax assessments of Johnson & Phillips EMO Pakistan (Private) Limited for the assessment year upto 2000-2001 have been completed and the total liability demanded for the assessment years 1996-97 to 1999-2000 amounts to Rs. 0.226 million which the Subsidiary Company is disputing in appeals before tax authorities. In the event of adverse decision in the appeals the company would be faced with additional liability of Rs. 0.053 million (2017: Rs. 0.053 million).

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

## 22.2 Commitments

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

		2018	2017
	Note	(Rupees in thousand)	
<b>23 REVENUE FROM SALES AND SERVICES - NET</b>			
Gross sales		5,643	26,156
Sales tax		(820)	(3,681)
		<b>4,823</b>	22,475
Commission and discount on sales		(37)	(32)
		<b>4,786</b>	22,443
Services income		1,526	600
Sales tax on service income		-	(119)
		<b>1,526</b>	481
		<b>6,312</b>	22,924
<b>24 COST OF SALES AND SERVICES</b>			
Raw materials and components consumed	24.1	11,507	16,222
Salaries, wages and benefits	24.2	2,677	7,911
Fuel and power		378	998
Repair and maintenance		191	270
Inspection and testing		-	8
Printing and stationery		6	35
Traveling and conveyance		41	190
Depreciation	6.6	5,796	7,050
Provision for Obsolete/ slow moving stocks		-	20,225
Other manufacturing expenses		163	205
		<b>20,759</b>	53,114
<b>Work in process</b>			
Opening stock		4,386	3,273
Closing stock		(500)	(4,386)
<i>Cost of goods manufactured</i>		<b>24,645</b>	52,001
<b>Finished goods</b>			
Opening stock		-	7,468
Closing stock		-	-
		<b>24,645</b>	59,469
<b>24.1 Raw materials and components consumed</b>			
Opening stock		37,987	40,269
Purchases and sub contract cost		3,531	13,940
		<b>41,518</b>	54,209
<b>Closing stock</b>		<b>(30,011)</b>	(37,987)
		<b>11,507</b>	16,222

	Note	2018 (Rupees in thousand)	2017
<b>24.2 Salaries and wages</b>		<b>2,591</b>	7,778
Gratuity		72	95
P.F Contribution (Worker & Staff)		14	38
		<u>2,677</u>	<u>7,911</u>
<b>25 DISTRIBUTION EXPENSES</b>			
Salaries, wages and benefits	25.1	568	926
Late delivery charges and penalties		-	314
Advertising and sales promotion		33	28
Travelling and conveyance		5	27
Subscriptions and periodicals		5	52
Repair and maintenance		42	65
Entertainment		27	28
Printing and stationery		-	1
Others		132	43
		<u>812</u>	<u>1,484</u>
<b>25.1 Salaries, wages and benefits</b>			
Salaries & wages		538	900
Gratuity		15	11
P.F Contribution-Staff		15	15
		<u>568</u>	<u>926</u>
<b>26 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	26.1	10,316	10,714
Directors' remuneration		-	366
Travelling and conveyance		526	691
Legal and professional charges		7,556	213
Rent, rates and taxes		1,040	1,004
Repair and maintenance		419	316
Printing and stationery, postage etc.		937	909
Light and power		773	721
Entertainment		509	337
Advertisement, subscriptions and periodicals		822	943
Auditors' remuneration	26.2	577	533
Insurance		-	417
Provisions for doubtful debts, loans and advances	9.1 & 10.1	-	4,216
Doubtful deposits written off	11.1	890	3,831
Doubtful trade debts written off		1,974	-
Depreciation	6.6	1,449	1,763
Others		783	1,479
		<u>28,571</u>	<u>28,453</u>
<b>26.1 Salaries, wages and benefits</b>			
Salaries and wages		9,895	10,440
Gratuity		275	128
P.F Contribution-Staff		146	146
		<u>10,316</u>	<u>10,714</u>



	Note	2018 (Rupees in thousand)	2017	
<b>26.2 Auditors' remuneration</b>				
Annual audit fee		372	318	
Review of half yearly financial statements		65	65	
Review of consolidated financial statements		65	65	
Certification and others		16	16	
Out of pocket expenses		59	69	
		<u>577</u>	<u>533</u>	
<b>27 FINANCE COST</b>				
Mark-up on unsecured long term loans		5,123	4,410	
Interest on defined benefit plan liability		-	435	
Bank charges and commission		21	38	
		<u>5,144</u>	<u>4,883</u>	
<b>28 OTHER INCOME</b>				
<i>Income from financial assets</i>		1	-	
Interest income				
<i>Income from non financial assets</i>				
Bad debts recovered		885	-	
Gain on sale of fixed assets		2,171	-	
		<u>3,057</u>	<u>-</u>	
<b>29 TAXATION</b>				
Current year	29.1	-	-	
Prior year		277	353	
Deferred tax		(915)	(1,215)	
		<u>(638)</u>	<u>(862)</u>	
<b>29.1</b>	Income tax assessments of the Holding Company upto tax year 2017 is deemed to have been completed. There is no tax applicable on taxable profits of the Company under the provision of Income Tax Ordinance, 2001 due to available assessed tax losses. Accordingly, no reconciliation of tax expense with accounting profit has been presented.			
<b>29.2</b>	In view of the management, sufficient tax provision has been made in the Holding Company's financial statements. Comparisons of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:			
		<b>2017</b>	<b>2016</b>	<b>2015</b>
Tax assessed as per most recent tax assessment		277	353	392
Provision in accounts for income tax		-	-	-
<b>30 LOSS PER SHARE</b>				
There is no dilutive effect on the basic earnings per share of the company, which is based on:				
Loss after taxation		<u>(48,660)</u>	<u>(72,007)</u>	
Weighted average number of ordinary shares		<u>5,449,972</u>	<u>5,449,972</u>	
<b>Loss per share - basic and diluted (Rupees)</b>		<u>(8.93)</u>	<u>(13.21)</u>	

	Note	2018 (Rupees in thousand)	2017
<b>31 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	13	4,556	13,810
Temporary overdraft	20	-	(391)
		<u>4,556</u>	<u>13,419</u>
<b>32 CASH GENERATED FROM OPERATIONS</b>			
Loss before taxation		(49,298)	(72,869)
<b>Adjustments for:</b>			
Depreciation	6.6	7,245	8,813
Provisions for doubtful debts, loans and advances	9.1 & 10.1	-	4,216
Doubtful deposits written off	11.1	890	3,831
Doubtful trade debts written off		1,974	
Provisions for obsolete / slow moving stock	6.6	-	20,225
Provision for staff gratuity - net	17.1.3	362	234
Finance cost	27	5,144	4,845
Assets written off		10,872	-
Liabilities written back		(11,377)	-
Gain on disposal of property, plant and equipment		(2,171)	-
Loss on disposal of assets classified as held for sale		-	1,504
		<u>(36,359)</u>	<u>(29,201)</u>
<b>Effect on cash flow due to working capital changes</b>			
<i>Decrease/(Increase) in current assets</i>			
Stock-in-trade		11,862	21,342
Trade debts		182	(474)
Store, spares and loose tools		-	2,396
Loans and advances		34	1,016
Tax refunds due from government		(4,339)	
Deposits and prepayments and other receivables		(167)	3,336
		7,572	27,616
<i>Decrease in current liabilities</i>			
Trade and other payables excluding unclaimed gratuity		8,524	11,178
<b>Cash generated from operations</b>		<u>(20,263)</u>	<u>9,593</u>

### 33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

## Risk management framework

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

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

### 33.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

#### Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects the Group's of counter parties whose aggregate credit exposure is significant in relation the Group's total credit exposure. Credit risk of the Group arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date is as follows:

	2018	2017
	(Rupees in thousand)	
Long term deposits	559	1,566
Trade debts	-	2,156
Loans and advances	62	97
Trade deposits and other receivables	40	999
Bank balances	4,525	13,784
	<u>5,186</u>	<u>18,602</u>

#### Impairment losses

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

	2018		2017	
	Gross	impairment	Gross	impairment
	----- (Rupees in thousand) -----			
Past due 1 - 60 days	-	-	544	-
Past due 61 - 365 days	-	-	1,612	-
More than one year	11,669	(11,669)	9,695	(9,695)
<b>Total</b>	<u>11,669</u>	<u>(11,669)</u>	<u>11,851</u>	<u>(9,695)</u>

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of up to one year does not require any impairment provision other than to the extent

determined above.

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

### 33.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Group ensures that it has sufficient cash on demand to meet expected working capital requirements.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Carrying amount	Total	Contractual Cash Flows		
			On demand	Upto one year	More than one year
Long term financing	124,041	124,041	-	(4,000)	120,041
Trade and other payables	179,984	179,984	(1,696)	(178,288)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
Short term borrowings	6,536	6,536	-	(6,536)	-
<b>June 30, 2018</b>	<b>314,829</b>	<b>314,829</b>	<b>(5,964)</b>	<b>(188,824)</b>	<b>120,041</b>
Long term financing	100,121	100,121	-	(4,000)	96,121
Trade and other payables	182,447	182,447	(1,911)	(180,536)	-
Unclaimed dividend	4,268	4,268	(4,268)	-	-
Short term borrowings	6,927	6,927	-	(6,927)	-
June 30, 2017	293,763	293,763	(6,179)	(191,463)	96,121

The Contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30. The rate of mark-up have been disclosed in note 16 to these financial statements.

### 33.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objectives of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is exposed to currency risk and interest rate risk only.

#### Interest rate risk

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

2018	2017	2018	2017
Effective interest rate (%)		Carrying amount (Rs.'000')	

#### Financial liabilities

Long term financing	<b>KIBOR and KIBOR +2%</b>	12%, KIBOR and KIBOR +2%	<b>124,041</b>	100,121
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### Sensitivity analysis

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

### 33.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

### 33.5 Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
<b>2018</b>				
Long term borrowings	-	120,041	-	120,041
<b>2017</b>				
Long term borrowings	-	96,121	-	96,121

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

## 34 CAPITAL MANAGEMENT

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

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the lights of changes in economic conditions. As at June 30, 2018 the negative shareholders' equity amounts to Rs. 189.842 million (2017: Rs. 74.9 million).

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

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

	<b>Executives</b>		<b>Chief Executive</b>		<b>Directors</b>		<b>Total</b>	
	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017
----- Rupees in thousands -----								
Managerial Remuneration	1,200	1,380	2,400	2,400	-	-	3,600	3,780
Retirement benefits and provident fund contribution	-	-	-	200	-	-	-	200
Rent, utilities, leave encashment etc	-	-	1,176	1,722	-	-	1,176	1,722
Directors' fees	-	-	-	-	185	370	185	370
	<b>1,200</b>	<b>1,380</b>	<b>3,576</b>	<b>4,322</b>	<b>185</b>	<b>370</b>	<b>4,961</b>	<b>6,072</b>
No. of persons	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>5</b>

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

### 36 TRANSACTIONS WITH RELATED PARTIES

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

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

	<b>2018</b>	2017
	(Rupees in thousand)	
<b>Provident Fund</b>		
Contribution paid to Provident Fund	<u>175</u>	<u>199</u>
<b>Directors</b>		
Directors' fee paid	<u>185</u>	<u>370</u>
Markup on long term borrowings	<u>1,750</u>	<u>1,697</u>
Loan received	<u>-</u>	<u>335</u>
Funds received during the year	<u>-</u>	<u>1,962</u>
Funds repaid during the year	<u>-</u>	<u>1,180</u>
<b>Other related parties due to close family relationship with director</b>		
Long term Loan received	<u>17,480</u>	<u>9,800</u>
Purchases	<u>4,833</u>	<u>10,521</u>
Funds received - net	<u>17,480</u>	<u>4,557</u>
Markup on long term borrowings	<u>3,373</u>	<u>2,713</u>

### 37 PRODUCTION CAPACITY

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

**38 DATE OF AUTHORIZATION**

These consolidated financial statements were authorized for issue on October 01, 2018 by the Board of Directors of the Holding Company.

**39 GENERAL**

- 39.1** Figures have been rounded off to the nearest thousand rupee.
- 39.2** The number of employees of the Group as at June 30, 2018 was 18 (2017: 18) and average number of employees during the year was 37 (2017: 37)
- 39.3** Corresponding figures have been re-arranged & re-classified, whenever, necessary for the purpose of comparison and better presentation. Following major reclassifications have been made during the year:

<b>Description</b>	<b>Reclassified from</b>	<b>Reclassified to</b>	<b>Rupees in thousand</b>
Sales tax refundable	Loans and advances	Tax refunds due from government	16,544

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

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

\_\_\_\_\_  
**Chief Financial Officer**