

JOHNSON & PHILLIPS

ANNUAL REPORT 1996-97

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DIRECTORS

BILAL AHMED QURESHI (CHAIRMAN & CHIEF EXECUTIVE)
RAJA AHMED KHAN
H. U. BEG
ABDUR REHMAN KHAN
RASHEED Y. CHINYOY
SHAHID GHAFFAR
SYED WIQAR ALI

COMPANY SECRETARY

AZIZUR RAHMAN

AUDITORS

Messrs Ebrahim & Co.
Chartered Accountants

SOLICITORS

Messrs Surridge & Beecheno

BANKERS

MUSLIM COMMERCIAL BANK LIMITED
UNITED BANK LIMITED
HABIB BANK LIMITED

REGISTERED OFFICE

C/10, South Avenue, S.I.T.E., Karachi-75700
Tel: 2560030 to 2560037
Telex: 20695 JPK PK
Fax: 2564603 & 2563201
E-Mail: test @johnson.khi.erum.com.pk

REGIONAL OFFICES:

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Fax: 6368817
E-Mail: johnson @jppl.brain.com.pk

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that thirty sixth Annual General Meeting of Johnson & Phillips (Pakistan) Limited will be held on Thursday, March 26, 1998 at Hotel Avari Towers Karachi at 02:00 p.m. to transact the following business:

1. To confirm the minutes of the thirty fifth Annual General Meeting held on 26 March 1997.
2. To receive, consider and approve the audited accounts for the fifteen months ended 30 June 1997 and the reports of Directors and Auditors thereon.
3. To appoint Auditors and fix their remuneration.
4. Special Business:

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution under section 191 of the Companies Ordinance 1984.

RESOLVED that the Company hereby approve and authorise the payment as remuneration to Mr. Syed Wiqar Ali, a working Director, of a sum not exceeding Rs. 700,000/- per annum and for the subsequent two years sums not exceeding the said amount as increased by 15% per annum.

5. To consider any other business which may be placed before the meeting with the permission of the Chair.

NOTE:

1. The Shares Transfer Books of the Company will be closed from 25 March 1998 to 31 March 1998 both days inclusive. Transfers received in order at the Registered Office of the Company before the close of business on 24 March 1998 will be in time for the purpose of the Annual General Meeting.
2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy who must be a member of the Company and such proxy will have a right to attend speak and vote in place of the member. The instrument appointing a proxy to be valid must be deposited at the Registered Office of the company at least 48 hours before the meeting, duly stamped, signed and witnessed.
3. Statement under section 160 of the Companies Ordinance 1984 pertaining to special business:

Mr. S. Wiqar Ali who was elected as a Director of the Company last year is an engineer by profession and is associated with the Company for the last eleven years.

In accordance with section 191 of the Companies Ordinance 1984, approval is sought to fix his emoluments.

4. Shareholders are requested to promptly notify the Company of any change in their addresses.

CHAIRMAN'S REVIEW

This was one of the most difficult year in terms of business opportunities in the industry. There were no significant projects or orders from the Utility Companies, who have been facing considerable financial problems and consequently delaying payments to the manufacturers.

Due to fewer orders in the private sector projects also, the companies whose manufacturing capacities remained un-utilized for major part of the year, offered uneconomical low prices resulting in huge losses due to inadequate gross profit margins to cover selling and administrative expenses and financial charges.

It is indeed a difficult task to present the Annual Report, when the financial results are not satisfactory and no dividend is recommended by the Board of Directors.

During 1996-97 we could not achieve better results due to continued depreciation of rupee against foreign currencies and imposition of regulatory duty which increased the cost of imported raw materials and components and a cut throat price competition in the wake of fewer orders available in the market. Political situation and inconsistency in government policies for manufacturing industries and financial institutions also effected the industrial growth. Banks' rigid attitude for normal approved facilities delayed the procurement of imported components and resulted in late delivery penalties, demurrage, etc.

The government has in the past not given the priority to engineering industry which it deserved and no real incentives were provided to increase the exports of engineering goods. Local manufacturers have shown capability by securing orders against international contracts and earning foreign exchange. Engineering capital goods industry has been waiting for a long term stable policy for preparing themselves for exports and to be in a position to compete with developed countries in Asia, Middle East and South East Asia. One of the possible way to export our equipment, is by opening small assembly units in other countries, where our equipment and components can be assembled.

The labour laws require to be reformed to bring these in line with the new aspirations of the country and needs for a free market economy.

Company has taken positive steps to curtail the expenses and improve the quality and profitability by restructuring the organization, inducting new methods, designs and equipment. Despite the prevailing problems, we are hopeful that with anticipated restructuring of Wapda, K.E.S.C., W.A.S.A., and other projects and the revival in the private sector, the Company will be able to recoup its losses and look forward to making profits in the future years.

The Company had a negative earning per share of Rs. 9.22 due to loss during the year.

JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

For reasons explained in the Report of Directors, and to restrict accumulated losses the factory operations have been temporarily suspended.

As soon as the financial restructuring is agreed by NDFC and the marketing conditions revive, the manufacturing operations will re-commence.

The Company had a negative earning per share of Rs. 5.81 due to loss during the year.

JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

Reasons for the loss during the year have been explained in the Directors Report.

It is hoped that the financial restructuring will soon be agreed by NDFC and the liquidity position of utility companies will improve, thus enabling the Company to generate adequate profits in the future.

The Company had a negative earning per share of Rs. 4.02 due to loss during the year.

J&P EMO PAKISTAN (PRIVATE) LIMITED

As explained in the Directors' Report the Company has not yet been able to get any turn key project business.

However, as soon as the overall economics conditions improve, the Company is expected to enter into projects with Pakistan Railways and Government / Semi Government organizations.

The Company had a negative earning per share of Rs. 7.12 due to loss during the year.

In the end I would like to thank all my colleagues for their co-operation and support.

REPORT OF DIRECTORS

1. The Directors have pleasure in submitting their annual report along with the audited accounts of the company for the year ended June 30, 1997 and auditors' report thereon.

2. Summarised position of the financial results for the year and its appropriation is as follows:

	(Rs. 000')	(Rs. 000')
Loss for the period before provision for diminution in value of investment and taxation		37,038
Provision for diminution in value of investment		10,510
Provision for taxation		
Current	759	
Deferred	1,972	2,731
	-----	-----
Net loss after taxation		50,279
Accumulated loss brought forward		5,198

Accumulated loss carried forward		55,477
		=====

3. Material information regarding the affairs of the Company and that of the subsidiaries is given with Chairman's Review which may be taken as part of the Director's Report.

4. Pattern of shareholding is annexed.

5. The present auditors, Messrs. Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JOHNSON AND PHILLIPS (PAKISTAN) LIMITED as at June 30, 1997 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year, - then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and after due verification thereof. we report that:

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the loss and the changes in financial position for the year, - then ended; and

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

BALANCE SHEET AS AT JUNE 30, 1997

NOTES	JUNE 30, 1997	JUNE 30, 1996
	(Rupees in thousands)	
SHARE CAPITAL AND RESERVES		
Authorised capital 8,000,000 ordinary shares of Rs. 10 each	80,000	80.00
	=====	=====
Issued, subscribed and paid up capital	3 54,500	54,500
Capital reserves - share premium	29,727	29,727
Revenue reserve - general	23,073	23,073
Accumulated (loss)	(55,477)	(5,198)
	-----	-----
	51,823	102,102
SURPLUS ON REVALUATION OF FIXED ASSETS	42,642	42,642
LONG TERM LOAN	4 3,100	-
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	5 5,234	3,045

DEFERRED LIABILITY

Staff gratuity	6,614	6,504
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CURRENT LIABILITIES

Short term loan and running finance	6	85,603	79,824
Current portion of long term liabilities	7	7,791	2,149
Creditors, accrued and other liabilities	8	102,111	71,139
Dividends	9	2,546	2,780

		198,051	155,892
CONTINGENCIES AND COMMITMENTS	10		
		307,464	310,185
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

	NOTES	June 30, 1997	June 30, 1996
(Rupees in thousands)			
TANGIBLE FIXED ASSETS	11	68,557	64,561
LONG TERM INVESTMENTS	12	61,000	71,510
DEFERRED TAXATION	13	714	2,686
LONG TERM DEPOSITS			
Security deposits		2,431	1,063
CURRENT ASSETS			
Consumable stores	14	463	305
Stock in trade	15	106,449	89,458
Trade debts	16	15,094	37,352
Advances and deposits	17	45,277	34,501
Prepayments and other receivables	18	5,200	4,911
Cash and bank balances	19	2,279	3,838
		174,762	170,365
		307,464	310,185
		=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	NOTES	YEAR ENDED JUNE 30, 1997	FIFTEEN MONTHS ENDED JUNE 30, 1996
(Rupees in thousands)			
Sales (Net)	20	151,771	188,792
Cost of sales	21	135,652	148,078
		16,119	40,714
Gross profit			
Administrative and selling expenses	22	29,648	36,335

Operating profit		(13,529)	4,379
Other income	23	3,556	1,426
		(9,973)	18,640
Research and development expenses		323	2,442
Financial charges	24	26,742	21,157
		27,065	23,599
		(37,038)	(4,959)
Provision for diminution in value of investment		10,510	-
		(47,548)	(4,959)
Taxation-current		759	780
- deferred		1,972	(393)
		2,731	387
Loss after taxation		(50,279)	(5,346)
Accumulated (loss)/profit brought forward		(5,198)	148
Accumulated (loss) carried forward		(55,477)	(5,198)
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1997**

YEAR ENDED JUNE 30, 1997 **FIFTEEN MONTHS ENDED JUNE 30, 1996**
(Rupees in thousands)

CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) for the year	(47,548)	(4,959)
Adjustments for items not involving movement of funds		
Depreciation	6,473	6,150
Provision for staff gratuity (Net)	110	947
Provision for diminution in value of investment	10,510	-
Profit on sale of fixed assets	(2,047)	(883)
	(32,502)	1,255
(Increase)/Decrease in current assets		
Consumable stores	(158)	67
Stock in trade	16,991	(11,140)
Trade debts	22,258	19,918
Advances and deposits	(4,443)	573
Prepayments and other receivables	(289)	(1,924)

	-----	-----
	377	7,494
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	30,972	(13,361)
	-----	-----
Net cash from operating activities before tax	(1,153)	(4,612)
Tax paid	(7,092)	(6,755)
	-----	-----
Net (decrease) in cash from operating activities	(8,245)	(11,367)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets and capital work in progress	(3,752)	(8,034)
Long term loan	-	20,000
Long term investments	-	(20,000)
Long term deposit	(1,368)	33
Proceeds from sale of fixed assets	2,331	979
	-----	-----
Net cash from investing activities	(2,789)	(7,022)

YEAR **FIFTEEN**
ENDED **MONTHS ENDED**
JUNE 30, 1997 **JUNE 30, 1996**
(Rupees in thousands)

CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	6,200	-
Prepayment of liabilities against finance leases	(2,270)	(1,861)
Short term loans and running finances	5,779	26,125
Dividend paid	(234)	(2,843)
	-----	-----
Net cash from financing activities	9,475	21,421
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(1,559)	3,032
Cash and cash equivalents at the beginning of the year	3,838	806
Cash and cash equivalents at the end of the year	2,279	3,838
	=====	=====

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1997

1. NATURE AND STATUS OF BUSINESS

The company was incorporated in Pakistan as public limited company and its shares are quoted on the Karachi Stock Exchange. The company is principally engaged in the manufacture, installation and sale of electrical equipments.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

These accounts have been prepared under the historical cost convention except for leasehold land which is stated at revalued amount.

2.2 Accounting for leases

The company accounts for assets operated under finance leases by recording the assets and related liability. The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the company. Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at rates specified in the related note to write off the assets over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease.

2.3 Staff retirement benefits

The company contributes to an approved contributory provident fund scheme.

The company also operates unfunded gratuity schemes. for its unionised and other staff. Provision is made annually to cover obligations under the schemes.

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

2.4 Taxation

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rates after taking into account tax rebates and minimum tax computed at the prescribed rate on sales net of sales tax.

The company accounts for deferred taxation for all material timing differences. The amount is computed using the liability method.

2.5 Investments

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

2.6 Tangible fixed assets

These are stated at cost less accumulated depreciation except leasehold land and capital work in progress which are stated at revalued amount and historical cost respectively.

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals are capitalised and the assets so replaced, if any, are retired. Profit and loss on disposal of assets is included in income currently.

2.7 Consumable stores

These are valued at average cost.

2.8 Stock in trade

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

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course

of business less costs of completion and less costs necessarily to be incurred in order to make the sale.

2.9 Trade debts

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.10 Rates of exchange

Liabilities in foreign currencies are translated into rupees at the rates of exchange approximate to those ruling at the balance sheet date except for liabilities covered under forward exchange contracts, which are translated at the contracted rates. Exchange gains and losses are included in income currently.

2.11 Warranties

Warranty claims for replacement are accounted for in the period in which claims are settled.

2.12 Foreseeable losses on orders in hand

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

2.13 Research and development

Research and development expenses are charged to income in the period in which these are incurred.

2.14 Revenue recognition

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

Price escalation claims are recorded in the period in which these are finally determined and accepted by the customers.

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1997	1996			
(Ordinary shares of Rs. 10 each)				
4,638,268	4,638,268	Shares fully paid in cash	46,383	46,383
93,000	93,000	Shares issued for consideration other than cash	930	930
718,704	718,704	Shares issued as fully paid bonus shares	7,187	7,187
-----	-----		-----	-----
5,449,972	5,449,972		54,500	54,500
=====	=====		=====	=====

4. LONG TERM LOAN

Unsecured

Other (Note: 4.1)	6,200	-
Less: Shown under current liabilities		
Payable with in one year	3,100	-
	-----	-----
	3,100	-
	=====	=====

4.1 This loan is repayable in two equal half yearly installments due on March 31, 1998 and September 30, 1998 and carries interest at 30% per annum.

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Secured	9,925	5,194
Less: Shown under current liabilities payable within one year	4,691	2,149
	-----	-----
	3,045	5,234
	=====	=====

The above liability represents the unpaid balance of the total of minimum lease payments and the residual value payable at the end of lease period.

Remaining aggregate rentals of Rs.10.074 million inclusive of mark-up are payable in equal i installments latest by 1999.

At the end of the lease period the ownership of assets shall transfer to the company on payment of residual value.

The cost of operating and maintaining the leased asset is borne by the company.

The above liability is secured against demand promissory notes.

6. SHORT TERM LOANS AND RUNNING FINANCES

Secured		
Banking companies		
Short term loans (Note: 6.1)	14,999	16,526
Running finances (Note: 6.2)	60,551	63,298
Export refinance (Note: 6.3)	10,000	-
	-----	-----
	85,550	79,824
Unsecured		
Temporary overdraft	53	-
	-----	-----
	85,603	79,824
	=====	=====

6.1 These loans are secured against lien on bills drawn on customers. Sanctioned limit is Rs.15.000 million (1996: Rs. 18.36 million). The rates of mark-up range from 22.92% to 24.66% per annum.

6.2 Running finance facilities available from the bankers amounts to Rs.60.000 million (1996:Rs.60.000 million).

The rate of mark-up range from 19.75% to 22% per annum. The purchase December 31, 1997.

The arrangement is secured by way of equitable mortgage of the company's fixed assets, hypothecation of stock in trade and lien on import documents.

6.3 The facility is secured against hypothecation of stock. Sanction limit is Rs.10.000 million (1996:Rs.10.000 million). The rate of mark-up is 13% per annum.

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

6.4 The unutilised credit facilities as at the balance sheet date were as follows:

Export re finance	-	10,000
Letters of credit	-	27,808

7. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loan	3,100	-
Liabilities against assets subject to finance lease	4,691	2,149
	-----	-----
	7,791	2,149
	=====	=====

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	10,431	10,081
Bills payable	42,859	28,505
Accrued liabilities	12,415	8,552
Deposits - others	60	71
Advances from customers	14,921	8,079
Mark-up on running finances	9,547	6,659
Due to subsidiary company	2,340	853
Due to Director	2,218	2,218
Sales tax payable	4,293	3,690
Workers' profit participation fund (Note: 8.1)	80	71
Workers' welfare fund	398	398
Others	2,549	1,962
	-----	-----
	102,111	71,139
	=====	=====

8.1 Workers' profit participation fund

Balance as at July 1, 1996	71	895
Interest credited at prescribed rates	9	72
	-----	-----
	80	967
Amount paid to fund	-	896
	-----	-----
	80	71
	=====	=====

The company retains the allocation to this fund for its business operations till the amounts are paid to the fund togetherwith interest at prescribed rates under the Act.

9. DIVIDENDS

Unclaimed	2,546	2,780
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10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

a) Guarantees

There is a contingent liability in respect of guarantees issued by banks on behalf of the company in the normal course of business aggregating to Rs. 104.292 million (1996: Rs. 61.577 million).

b) Taxation

The income tax assessments for the assessment years upto 1996-97 have been completed and the total liability demanded for the assessment years 1991-92 to 1996-97 amount to Rs.28.262 million which the company is disputing in appeals before Tax Authorities. In the event of adverse decision in the appeals the company would not be required to make future payments as advanced tax paid would cover the demand. The company would however be faced with a charge against profits amounting to Rs. 1.940 million (1996: Rs. 0.923 million).

c) Stamp duty

There is a contingent liability amounting to Rs. 7.017 million in respect of penalty for stamp duty imposed by Collector of Stamps, Central Board of Revenue, Sindh. The company has filed a revision petition against the order in the Board of Revenue, Sindh and the Management expects a favourable result in the petition. In the event of adverse decision the company would be faced with a liability and charge against profit amounting to Rs. 7.017 million.

d) Custom duties

There is a contingent liability in respect of custom duties amounting to Rs.20.765 million (1996: Rs. 8.275 million) on account of concessional rates of duties on imported raw material availed on the basis of consumption plans. In the event the consumption certificates are not provided on due dates, the post dated cheques lodged as security are encashable.

10.2 Commitments

The company was committed as at the balance sheet date as follows:

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

a) Letters of credit	36,691	34,443
b) Capital commitment		
Land	830	830
Building	16	998

11. TANGIBLE FIXED ASSETS (Rupees in thousands)

11.1 The following is a statement of tangible fixed assets:

PARTICULARS	COST AS ON JULY 1, 1996	ADDITIONS	(DISPOSAL)	REVALUATION	COST/REVAL- UATION AS AT JUNE 30,1997	ACCUMULATED DEPRECIATION JUNE 30,1997	WRITTEN DOWN VALUE AS AT JUNE 30, 1997	ANNUAL RATE OF DEPRECIATION %	DEPRECIATION FOR THE YEAR
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Owned

Leasehold land (Note: 11.2)	61	-	-	42,642	42,703	14	42,689	-	-
Building on leasehold land	7,146	-	-	-	7,146	6,899	247	10	214
Plant and machinery	20,469	3,390	-	-	23,859	10,003	13,856	10	1,642
Gas and electric installation	1,033	-	-	-	1,033	845	188	10	75
Factory tools	1,405	10	-	-	1,415	1,261	154	20	79
Vehicles	3,536	1,205	(1,231)	-	3,510	3,065	445	25	488
Furniture, fixture and fittings	1,561	20	-	-	1,581	1,354	227	20	138
Office and other equipments	3,900	2,295	-	-	6,195	5,252	943	20	411
Capital work in progress (Note: 11.3)	1,133	222	(71)	-	1,284	-	1,284	-	-
Sub Total	40,244	7,142	(1,302)	42,642	88,726	28,693	60,033		3,047
Leased									
Vehicles	5,113	5,138	(1,173)	-	9,078	3,088	5,990	25	2,281
Office and other equipments	4,442	551	(2,150)	-	2,843	1,519	1,324	20	1,042
Plant and machinery	-	1,312	-	-	1,312	102	1,210	10	103
Sub Total	9,555	7,001	(3,323)	-	13,233	4,709	8,524		3,426
TOTAL (Rs.000's) - 1997	49,799	14,143	(4,625)	42,642	101,959	33,402	68,557		6,473
TOTAL (Rs.000's) - 1996	42,220	14,762	(7,183)	42,642	92,441	27,880	64,561		6,150

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

11.2 The company professionally revalued their leasehold land as on March 31, 1995.

11.3 Capital work in progress

This comprises of:

Building	1,198	1,062
Plant and machinery	86	71
	-----	-----
	1,284	1,133
	=====	=====

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

Cost of sales	3,952	3,611
Administration and selling expenses	2,521	2,539
	-----	-----
	6,473	6,150
	=====	=====

11.5 Details of fixed assets sold

The following are the details of disposal of assets during the year.

Particular	Cost	Accumulated depreciation	Book Sale value proceeds	Mode of disposal	Purchaser
(Rupees in thousands)					

Vehicle

Toyota corolla T-7288	17	8	9	361	Tender	Mohd. Azeem Khan	L-C 63 sector 1 IC, 2 North, Karachi.
Toyota corolla S-4496	23	15	8	276	Tender	M/s Islamic Book	I-B, S/1, Nazimabad Karachi
Honda T-5933	11	5	6	314	Tender	Syed Mohd. Aleem	H.No.A-795 sector, 11-b, North, Karachi.
Suzuki S-7179	16	11	5	148	Tender	Syed Mohd. Aleem	H.No.A-795 sector 11-B North, Karachi.
Jeep BB-6302	250	159	91	80	Negotiation	Chaudhri M.Riaz	H.No 54/1-8 Township Lahore
Jeep BB-5976	200	127	73	40	Negotiation	Chaudhri M.Riaz	HNo 54/1-8 Township, Lahore
Jeep BB-5838	225	143	82	90	Negotiation	Chaudhri M.Riaz	H.No 54/t-8 Township, Lahore
Vehicles with book value below Rs. 5,000 each	489	479	10	1,022	Tender/Negotiation Various parties		
	1,231	947	284	2,331			

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

12. LONG TERM INVESTMENTS - at cost

12.1 In shares of unquoted subsidiary companies:

Johnson and Phillips Industries
(Pakistan) Limited

- 3,000,000 fully paid

ordinary shares of Rs. 10 each

30,000 30,000

(Break-up value as at June 30, 1997

Rs. Nil).

The company held 100% of the investee's total equity.

Chief Executive: Mr. Shehryar Saeed

Johnson and Phillips Transformers
(Private) Limited

- 2,100,000 fully paid

ordinary shares of Rs. 10 each

21,000 21,000

(Break-up value as at June 30, 1997

Rs.0.75).

The company held 70% of the investee's total equity.

Chief Executive: Mr. Nadeem S. Qureshi

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

J&P EMO Pakistan (Private) Limited

- 51,000 fully paid ordinary shares

of Rs. 10 each

510 510

(Break-up value as at June 30, 1997

Rs. Nil)

The company held 51% of the investee's total equity.

Chief Executive: Mr. Farouk Hamid Khan

12.2 Share application money

Johnson and Phillips Industries
(Pakistan) Limited

20,000 20,000

71,510 71,510

Provision for diminution in value

of investments	10,510	-
	-----	-----
	61,000	71,500
	=====	=====
13. DEFERRED TAXATION		
Debit balance arising in respect of:		
Staff gratuity	1,984	2,341
Depreciation	(1,270)	345
	-----	-----
	714	2,686
	=====	=====
14. CONSUMABLE STORES		
Stores including loose tools	463	305
	=====	=====
15. STOCK IN TRADE		
Raw material and components		
- in hand	51,348	36,638
- in transit	29,183	34,886
	-----	-----
	80,531	71,524
Work in process	17,857	13,165
Finished goods	-----	-----
- in hand	8,061	4,631
- in transit	-	138
	-----	-----
	8,061	4,769
	-----	-----
	106,449	89,458
	=====	=====

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

16. TRADE DEBTS

Unsecured		
Considered good		
- Due from associated companies		
(Note: 16.1)	11,561	28,926
- Others	3,533	8,426
Considered doubtful	1,301	1,357
	-----	-----
	16,395	38,709
Provision for doubtful debts	1,301	1,357
	-----	-----
	15,094	37,352
	=====	=====

16.1 The maximum amount due from associated companies at the end of any month during the year was Rs. 40.93 million (1996: Rs. 28.926 million).

17. ADVANCES AND DEPOSITS

Advances - Considered good		
Executives (Note: 17.1)	125	98
- Employees	383	402

Subsidiaries (Note: 17.2)	11,510	12,252
Suppliers	13,207	7,433
Imports	358	415
Income tax (Note: 17.3)	17,115	10,782
Purchase of land	1,453	1,453
Others	134	448
	-----	-----
	44,285	33,283
Deposits	-----	-----
Margin against letters of credit	41	23
Security deposits	951	1,195
	-----	-----
	992	1,218
	-----	-----
	45,277	34,501
	=====	=====

17.1 The maximum amount due from executives at the end of any month during the year was Rs. 0.110 million (1996: Rs. 0.098 million).

17.2 The maximum amount due from subsidiaries at the end of any month during the year was Rs. 31.823 million (1996: Rs. 18.862 million)

JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

17.3 Advance income tax	44,196	37,104
Less: Provision for taxation	27,081	26,322
	-----	-----
	17,115	10,782
	=====	=====

18. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	1,444	1,532
Due from subsidiary company (Note: 18.1)	2,512	2,568
Other receivables (Considered good)	1,244	811
	-----	-----
	5,200	4,911
	=====	=====

18.1 The maximum amount due from a subsidiary company at the end of any month during the year was Rs. 3.259 million (1996: Rs. 1.413 million).

19. CASH AND BANK BALANCES

Cash in hand	248	300
Cheques in transit	-	216
Cash with banks in current accounts	2,031	3,322
	-----	-----
	2,279	3,838
	=====	=====

YEAR FIFTEEN
ENDED MONTHS ENDED
JUNE 30, 1997 JUNE 30, 1996

(Rupees in thousands)

20. SALES (NET)

Sales	- local	64,530	126,274
	- export	88,454	65,586
		-----	-----
		152,984	191,860
Less: Commission and discount on sales		1,213	3,068
		-----	-----
		151,771	188,792
		=====	=====

21. COST OF SALES

Raw materials and components consumed			
Opening stock		71,524	60,815
Purchases		119,240	114,844
		-----	-----
		190,764	175,659
Closing stock		(80,531)	(71,524)
		-----	-----
		110,233	104,135
		=====	=====

YEAR **FIFTEEN**
ENDED **MONTHS ENDED**
JUNE 30, 1997 **JUNE 30, 1996**
(Rupees in thousands)

Stores and spares consumed		2,572	3,689
Salaries, wages and other benefits		19,248	26,067
Rent, rates and taxes		506	535
Insurance		1,778	2,167
Fuel and power		1,736	2,479
Repairs and maintenance		592	1,514
Depreciation		3,952	3,611
Inspection and testing		201	185
Printing and stationery		310	435
Travelling and conveyance		1,124	1,597
Postage, telephone and telex		1,219	1,786
Consultancy		5	98
Other manufacturing expenses		161	211
		-----	-----
		33,404	44,374
		-----	-----
		143,637	148,509
		-----	-----
Work in process		13,165	15,273
Opening stock		(17,857)	(13,165)
		-----	-----
Closing stock		(4,692)	2,108
		-----	-----
Cost of goods manufactured		138,945	150,617
		-----	-----
Finished goods		4,769	2,230
Opening stock		(8,062)	4,769

Closing stock	(8,062)	(4,769)
	(3,293)	(2,539)
	135,652	148,078
	=====	=====

22. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	9,394	14,356
Rent, rates and taxes	506	535
Repairs and maintenance	1,281	1,894
Insurance	314	83
Depreciation	2,521	2,539
Travelling and conveyance	2,617	4,369
Auditors remuneration (Note: 22.1)	140	264
Legal and professional charges	573	1,063
Advertising and sales promotion	468	287
Donation (Note: 22.2)	8	36
Subscriptions	595	408

YEAR **FIFTEEN**
ENDED **MONTHS ENDED**
JUNE 30, 1997 **JUNE 30, 1996**
(Rupees in thousands)

Entertainment	991	85
Light and water	1,025	971
Printing and stationery	310	435
Postage, telegram, telephone and telex	1,219	1,786
Free guarantee replacement	92	1,042
Packing	1,220	1,902
Securities expenses	54	52
Provision for doubtful debts	51	454
Charges for late deliveries	3,587	1,237
Late payment surcharge imposed by sales tax authorities	1,422	-
Others	1,260	1,002
	-----	-----
	29,648	36,335
	=====	=====

22.1 Auditors' remuneration

Audit fee	120	120
Special reports, certifications and sundry advisory services	-	92
Out of pocket expenses	20	-
Excise duty	-	24
	-----	-----
	140	264
	=====	=====

22.2 None of the donations were given to an organisation in which any director or his spouse had an interest.

23. OTHER INCOME

Dividend income from subsidiary company	-	1,575
Mark-up on loan to subsidiary	-	1,900
Sale of scrap	187	370

Profit on disposal of fixed assets	2,047	883
Commission income	1,210	6,801
Liabilities considered no more payable written back	-	1,795
Miscellaneous	112	937
	-----	-----
	3,556	14,261
	=====	=====

YEAR FIFTEEN
ENDED MONTHS ENDED
JUNE 30, 1997 JUNE 30, 1996
(Rupees in thousands)

24. FINANCIAL CHARGES

Interest on workers' profit participation fund		71
	9	--
Interest on unsecured long term loan	917	1,152
Mark-up on finance lease	1,354	
Mark-up on secured short term loans and running finances	21,323	16,811
Interest on Provident Fund	261	--
Excise duty	628	807
Bank charges	2,250	2,316
	-----	-----
	26,742	21,157
	=====	=====

25. 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.

26. REMUNERATION OF DIRECTOR, CHIEF EXECUTIVE AND EXECUTIVES

a) The aggregate amount charged in the accounts for the year for remuneration, including all benefits, to the chief executive, directors and executives of the Company are as follows:

	Chief executive		Director		Executives		Total	
	1997	1996	1997	1996	1997	1996	1997	1996
	(Rupees in thousands)							
Managerial remuneration	491	570	255	318	1,344	1,491	2,090	2,379
Retirement benefits and provident fund contributions	77	95	23	35	106	144	206	274
Housing	221	257	80	95	401	455	702	807
Utilities	266	202	18	21	89	101	373	122
Leave passages	-	-	-	18	43	38	43	56
Medical expenses	24	32	9	9	39	44	72	53
Club subscription	35	48	4	4	2	5	41	57
	-----	-----	-----	-----	-----	-----	-----	-----
	1,114	1,204	389	500	1,024	2,278	3,527	3,748
	=====	=====	=====	=====	=====	=====	=====	=====

Number of persons	1	1	1	1	7	5	7	9
	=====	=====	=====	=====	=====	=====	=====	=====

b) The aggregate amount charged in these accounts in respect of directors fee to 2 (1996: 3) non executive directors amounted to Rs. 2,000 (1996: 3,000).

c) One non executive director was paid Rs. 120,000 (1996: Rs. 120,000) as consultancy fee.

d) The chief executive and executives are also provided with free use of company maintained cars.

27. TRANSACTION WITH ASSOCIATED COMPANIES

The company completed following transactions with associated companies in the normal course of business:

	YEAR ENDED JUNE 30, 1997	FIFTEEN MONTHS ENDED JUNE 30, 1996
	(Rupees in thousands)	
Purchase of goods and services	16,880	12,730
Sales of goods and services	56,059	851
Commission income	1,210	6,801
Mark-up on loan to subsidiary	-	1,900
Sale of fixed asset	285	-

28. GENERAL

i) Figures have been rounded off to the nearest rupees thousands unless otherwise stated.

ii) Previous period's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

STATEMENT U/S 237(1)E OF THE COMPANIES ORDINANCE, 1984

Johnson And Phillips Industries (Pakistan) Limited	Johnson And Phillips Transformers (Private)	J&P EMO Pak (Private) Limited
--	--	--

(Rupees in thousand)

a) Extent of the interest of Johnson & Phillips (Pakistan) Limited (holding Company) in the equity of its subsidiaries at the end of last financial period of the subsidiaries.

100%	70%	51%
------	-----	-----

b) Net aggregate amount of profits /(losses) of the subsidiary company so far as these concern members of the holding company that has not been dealt with in the accounts of the holding company for the period

ended June 30, 1997.

- For the current financial period of the subsidiary.	(17,426)	(8,448)	(363)
- For the previous periods but subsequent to the acquisition of controlling interest by the holding company.	(26,854)	(9,634)	(470)
c) The net aggregate amount of profits /losses of the subsidiary company so far as these have been dealt with or provision made for losses in the account of holding company for the period ended June 30, 1997.			
- For the current financial year of the subsidiary.	5,000	5,000	510
- For previous years but subsequent to the acquisition of controlling interest by the holding company.	Nil	Nil	Nil
d) Audited financial statements of subsidiaries for the period ended June 30, 1997.	Attached	Attached	Attached

10 YEARS COMPARATIVE RESULTS

Year Ended March 31	Sales Rs. 000'	Profit/(Loss) after Tax		Dividend Rs. 000'	Bonus Shares
		Rs. 000'	%		
1988	81,546	78	-	-	-
1989	97,059	1,210	-	-	-
1990	122,449	3,282	10	1,290	1:10
1991	156,041	7,908	25	5,161	-
1992	178,370	11,135	25	6,193	-
1993	139,083	2,920	-	-	-
1994	216,682	(3,220)	-	-	-
1995	284,917	8,861	10	5,450	-
1996	188,792	(5,346)	-	-	-
1997	151,771	(50,279)	-	-	-

PATTERN OF SHAREHOLDING**AS AT JUNE 30, 1997**

Number of Shareholders	Shareholding		Total shares held
	From	To	
350	1	100	12,976
328	101	500	83,973
112	501	1000	80,038
106	1001	5000	206,443
11	5001	10000	66,550
4	10001	15000	53,435
3	15001	20000	52,691
1	20001	25000	20,780
-	25001	30000	-
1	30001	35000	30,221
2	35001	40000	76,177

2	40001	45000	84,441
-	45001	50000	-
1	50001	55000	54,061
-	55001	105000	1
1	105001	110000	109,163
-	110001	135000	-
1	135001	140000	135,715
1	140001	200000	-
1	200001	205000	203,973
-	205001	250000	-
1	250001	255000	251,372
-	255001	1105000	1
1	1105001	1110000	1,208,427
1	1110001	2715000	-
1	2715001	2720000	2,719,536
-----			-----
927			5,449,972
=====			=====

Categories of Shareholders

	Number	Shares held	Percentage
Individuals	913	1,374,291	25.22
Investment Companies	4	1,264,036	23.19
Insurance Companies	3	85,866	1.58
Joint Stock Companies (Local)	2	5,158	0.09
Joint Stock Companies (Foreign)	1	2,719,536	49.90
Financial Institution	1	382	0.01
Administrator Abandoned Property (Government of Pakistan)	1	701	0.01
Others (See Below)	2	2	0.00
	-----	-----	-----
	927	5,449,972	100.00
	=====	=====	=====

Others:

1. Corporate Law Authority		1	
2. Pakistan Shareholders Association		1	

		2	
		=====	

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

REPORT OF DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited accounts of the company for the year ended June 30, 1997 and the auditors' report thereon:

OPERATIONAL RESULTS

The summarized position of the financial result for the year ended June 30, 1997 is as follows:

(RS. 000')

Net loss for the period	17,305
Provision for taxation (turnover tax)	121

	17,426
Accumulated loss brought forward	26,854

Accumulated loss carried forward	44,280
	=====

It would be recalled that in the years 1992/93 when the management decided to establish the manufacturing facility at Lahore, there was a boom in the private sector, particularly in the textile industry and Punjab was the main centre of the activity. Subsequently the industrial growth slowed down and the textile industry suffered a set back resulting in closing down of many textile mills. Besides this both the utility Companies i.e. Wapda and KESC faced acute financial problems of their own with the result that they had no finances available for new orders and payments due from them were delayed by months.

These factors adversely affected the Company's financial position and the management's efforts in achieving break even point.

In order to restrict the accumulated losses, the management decided, subsequent to the date of accounts, to temporarily suspend the factory operations.

FUTURE PROSPECTS

Management has put up a proposal to National Development Finance Corporation who are the only banker of the Company, to restructure the credit facilities which is presently under their consideration.

As soon as the financial restructuring is agreed by NDFC and the market conditions improve vis a vis the industrial activities particularly in Punjab, management will re-commence the manufacturing operations.

HOLDING COMPANY

The company is a subsidiary of Johnson & Phillips (Pakistan) Limited, a listed company incorporated in Pakistan.

PATTERN OF SHAREHOLDING

The pattern of share-holding is annexed.

RETIRING AUDITORS

The retiring auditors, Messrs. Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

**PATTERN OF HOLDING OF SHARES OF
JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED
HELD BY THE SHAREHOLDERS AS AT JUNE 1997**

Number of Shareholders	Shareholding		Total shares held
	From	To	
7	1	500	7

Nil	501	1,000	Nil
Nil	1,001	100,000	Nil
Nil	100,001	1,000,000	Nil
Nil	500,001	1,000,000	-
1	1,000,001	5,000,000	2,999,993
-----	-----	-----	-----
8			3,000,000
=====	=====	=====	=====

Categories of Shareholders

	Number	Shares held	Percentage
Individuals	7	7	-
Limited Company	1	2,999,993	100
	-----	-----	-----
	8	3,000,000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED as at June 30, 1997 and the related profit and loss account and the statement of changes in financial position togetherwith the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit, and after due verification thereof, we report that:

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position togetherwith the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the loss and the changes in financial position for the year then ended; and

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

Without qualifying our report, we draw attention to Note: 1.2 of the Notes to the Accounts. The Company's net equity position has decreased to Rs. 5.720 million because of accumulated losses. As on the balance sheet date the Company's current liabilities exceeded the current assets by Rs. 31.011 million. These factors alongwith other matters as stated in Note: 1.2 raise doubt that the Company will be able to continue as a going concern.

BALANCE SHEET AS AT JUNE 30, 1997

	NOTES	JUNE 30, 1997	JUNE 30, 1996
(Rupees in thousands)			
CAPITAL AND RESERVES			
Authorised capital 3,000,000 ordinary shares of Rs. 10/-- each		30,000	30,000
		=====	=====
Issued, subscribed and paid--up capital	3	30,000	30,000
Advance against share issue		20,000	20,000
Profit and loss account (Adverse balance)		(44,280)	(26,854)
		-----	-----
		5,720	23,146
SURPLUS ON REVALUATION OF FIXED ASSETS		2,200	2,200
LONG TERM LOAN	4	11,906	14,071
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	5	712	-
DEFERRED LIABILITY			
Staff gratuity		104	65
CURRENT LIABILITIES			
Current portion of long term loan		3,599	1,082
Short term loan and running finance	6	34,916	35,394
Creditors, accrued and other liabilities	7	24,632	17,637
Provision for taxation		238	283
		-----	-----
		63,385	54,396
CONTINGENCIES AND COMMITMENTS	8	-----	-----
		84,027	93,878
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

	NOTES	JUNE 30, 1997	JUNE 30, 1996
(Rupees in thousands)			
TANGIBLE FIXED ASSETS	9	51,372	45,354
LONG TERM DEPOSIT			
Security deposit		281	151
CURRENT ASSETS		-----	-----
Consumable stores		649	589
Tools and dies		5,701	5,925
Stock in trade	10	12,483	22,380
Trade debts	11	3,095	3,917
Advances & Deposits	12	2,352	7,448
Prepayments and other receivables	13	6,594	5,765
Cash and bank balances	14	1,500	2,349
		-----	-----

32,374	48,373
-----	-----
84,027	93,878
=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	NOTES	YEAR ENDED JUNE 30, 1997	EIGHTEEN MONTHS ENDED JUNE 30, 1996
		(Rupees in thousands)	
Sales (Net)	15	24,085	34,276
Cost of sales	16	26,166	33,877
		-----	-----
Gross (loss) profit		(2,081)	399
Administrative and selling expenses	17	5,917	8,027
		-----	-----
Operating loss		(7,998)	(7,628)
Other Income	18	780	652
		-----	-----
Financial charges	19	(7,218)	(6,976)
		10,087	13,233
		-----	-----
Net loss for the year		(17,305)	(20,209)
Provision for taxation Current		121	172
		-----	-----
Net loss after taxation		(17,426)	(20,381)
Accumulated losses brought forward		(26,854)	(6,473)
		-----	-----
Accumulated losses carried forward		(44,280)	(26,854)
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1997**

	YEAR ENDED JUNE 30, 1997	EIGHTEEN MONTHS ENDED JUNE 30, 1996
	(Rupees in thousands)	

CASH FLOW FROM OPERATING ACTIVITIES

Net loss for the period	(17,305)	(20,209)
Adjustments for items not involving movement of funds		
Depreciation	2,287	3,211
Provision for gratuity	39	32

	-----	-----
	(14,979)	(16,966)
	-----	-----
(Increase)/decrease in current assets		
Consumable stores	164	(3,551)
Stock in trade	9,897	(8,979)
Trade debts	822	(494)
Advances	5,503	3,837
Deposit, prepayment and other receivables	(829)	(6,265)
	-----	-----
	15,557	(15,452)
	-----	-----
	578	(32,418)
Increase in current liabilities		
Creditors, accrued and other liabilities	6,995	13,081
	-----	-----
	7,573	(19,337)
Taxes paid	(573)	(353)
	-----	-----
Net increase (decrease) in cash from operating activities	7,000	(19,690)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets and capital work in progress	(8,305)	(2,405)
Long term deposits	(130)	
	-----	-----
Net cash from investing activities	(8,435)	(2,405)

YEAR **EIGHTEEN**
ENDED **MONTHS ENDED**
JUNE 30, **JUNE 30,**
1997 **1996**
(Rupees in thousands)

CASH FLOW FROM FINANCING ACTIVITIES		
Advances against share issue	-	20,000
Long term loans	352	(4,847)
Short term borrowings and running finances	(478)	9,270
Liability against assets subject to finance lease	712	-
	-----	-----
Net cash from financing activities	586	24,423
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(849)	2,328
Cash and cash equivalents at the beginning of the period	2,349	21
	-----	-----
Cash and cash equivalents at the end of the period	1,500	2,349
	=====	=====

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1997

1. NATURE AND STATUS OF BUSINESS

1.1 The company was incorporated on October 05, 1992 in Pakistan under the Companies Ordinance, 1984 as a public limited company. The principal activity of the company is the manufacture and sale of all types of electrical and mechanical equipments and appliances.

1.2 The Company's net equity position has decreased to Rs. 5.720 million on account of accumulated losses. Keeping in view the state of the Company's affairs and the general market conditions, the Management decided to temporarily shut down production in July 1997. The Management is now seized with the task of reorganising the company's affairs. The financing arrangements were approved subsequent to the balance sheet date but the Management are trying to obtain the finances on more favourable terms. Alternate business plans are being considered and the Management are of the firm view that the Company shall be able to re-commence their operations in the near future and expect to procure orders at acceptable profitability. The Management are confident that the losses shall be recovered. Accordingly, these accounts have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

These accounts have been prepared under the historical cost convention except for land which is stated at revalued amount.

2.2 Accounting for leases

The company accounts for assets operated under finance leases by recording the assets and related liability.

The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the company. Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at rates specified in the related note to write off the asset over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease.

2.3 Staff gratuity

The company operates an unfunded gratuity scheme for its staff. Provision is made annually to cover obligations under the scheme.

2.4 Provision for taxation

The company was enjoying tax holiday for a period of three years under clause 118(E) of the second schedule to the Income Tax Ordinance, 1979 commencing from September 1, 1993.

Provision for current taxation is the higher of the amount computed on taxable income at current tax rates after taking into account tax rebates and minimum tax computed at the prescribed rate on sales net of sales tax.

2.5 Tangible fixed assets

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

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

~~5

Maintenance and normal repairs are charged to income as and when incurred.
Major renewals are capitalised and the assets so replaced, if any, are retired.
Profit and loss on disposal of assets is included in income currently.

2.6 Consumable stores

These are valued at average cost.

2.7 Tools and dies

These are valued at cost less amortisation for wear and tear.

2.8 Stock-in-trade

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

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

2.9 Revenue recognition

Sales are recorded on delivery of goods to the customers.

	JUNE 30, 1997	JUNE 30, 1996
	(Rupees in thousands)	

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

3,000,000 ordinary shares of Rs. 10 each
fully paid in cash

	30,000	30,000
	=====	=====

3,000,000 (1996: 3,000,000) ordinary shares of the company representing 100% (1996:100%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.

4. LONG TERM LOAN

	JUNE 30, 1997	JUNE 30, 1996
Secured Financial institution Local currency general term finance (Note: 4.1)	15,153	15,153
Less: Current portion shown under current liabilities	3,247	1,082
	-----	-----
	11,906	14,071
	=====	=====

Secured
Financial institution
Local currency general term finance
(Note: 4.1)
Less: Current portion shown under
current liabilities

	15,153	15,153
	-----	-----
	3,247	1,082
	-----	-----
	11,906	14,071
	=====	=====

4.1 This loan is secured against first mortgage charge on the entire immoveable property of the company, first floating charge on all business undertakings and other assets and properties and hypothecation of all moveable and immoveable properties including book debts and other receivables of the company.

The marked-up price amounting to Rs. 45.397 million is repayable in 14 equal semi annual installments commencing from March 1, 1997. The company is entitled to a prompt payment rebate of Rs. 11.150 million if the installments are paid on due dates.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	JUNE 30, 1997	JUNE 30, 1996
Additions during the year	1,295	-
Payments during the year	231	-
	-----	-----
	1,064	-
Less: Shown under current liabilities payable within one year	352	-
	-----	-----
	712	-
	=====	=====

The above liability represents the unpaid balance of the total of minimum lease payments and the residual value payable at the end of lease period.

Remaining aggregate rentals of Rs. 1.206 million inclusive of mark--up are payable in equal monthly installments latest by October 1997.

At the end of the lease period the ownership of assets shall transfer to the company on payment of residual value.

The cost of operating and maintaining the leased asset is borne by the company.

The above liability is secured against demand promissory notes.

	JUNE 30, 1997	JUNE 30, 1996
--	------------------	------------------

(Rupees in thousands)

6. SHORT TERM LOAN AND RUNNING FINANCE

Secured		
Short term loan		
Financial institution (Note: 5.1)	34,916	34,916
Short term running finance		
Banking company(Note: 5.2)	-	478
	-----	-----
	34,916	35,394
	=====	=====

This is secured against hypothecation and lien on book debts. The borrowing carries mark--up at 60 paisas per rupees thousand per diem for three quarters and 65 paisas per rupees thousand per diem for last quarter and total sanctioned limit is Rs. 35.00 million (1996: Rs. 35.00 million).

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	6,939	10,000
Accrued expenses	350	2,636
Advances from customers	1,779	2,628
Accrued mark--up and excise duty on secured liabilities	11,110	1,979
Due to holding company	107	-
Due to Director	1,754	1,644
Other liabilities	-----	-----
Sales tax payable	1,943	329
Income tax deducted at source	616	366
Others	34	34

-----	-----
2,593	729
-----	-----
24,632	17,637
=====	=====

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is a contingent liability in respect of a guarantee issued by a financial institution on behalf of the company in the normal course of business amounting to Rs. 1.230 million (1996: Rs. 5.000million)

8.2 Commitments

The commitments of the company as at June 30, 1997 comprises of the following:

	JUNE 30, 1997	JUNE 30 1996
Capital expenditure		
- Building	-	2,581
Letters of credit	-	4,729

9. TANGIBLE FIXED ASSETS (Rupees in thousands)

PARTICULARS	COST				AS AT 30-06-97	Rate %	DEPRECIATION		AS AT 30-06-97	WRITTEN DOWN
	AS AT 81-07-97	ADDITION	(DISPOSALS)	REVALUATION SURPLUS			AS AT 01-07-96	FOR THE PERIOD		AS AT 30-06-97
Operating										
Free hold land (Note: 9.2)	2,900	-	-	2,200	5,100	-	-	-	-	5,100
Building	13,959	16,855	-	-	30,814	5	1,872	698	2,570	28,244
Plant and machinery	5,835	-	-	-	5,835	10	2,025	583	2,608	3,227
Electric installation	466	-	-	-	466	10	93	47	140	326
Factory tools	315	21	-	-	336	20	133	64	197	139
Furniture and fitting	47	2	-	-	49	20	24	10	34	15
Office and other equipment	505	39	-	-	544	20	181	104	285	259
Non-operating										
Plant and machinery	13,768	-	-	-	13,768	5	1,721	688	2,409	11,359
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	37,795	16,917	-	2,200	56,912	-	6,049	2,287	8,243	48,669
Leased-Assets										
Plant and machinery	-	1,295	-	-	1,295	10	-	93	93	1,202
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	37,795	18,212	-	2,200	58,207	-	6,049	2,194	8,336	49,871
Capital work in progress										
Building (Note: 9.4)	9,919	6,936	(16,855)	-	-	-	-	-	-	-
Plant and machinery	1,489	12	-	-	1,501	-	-	-	-	1,501
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	11,408	6,948	(16,855)	-	1,501	-	-	-	-	1,501
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL - 1997	49,203	25,160	(16,855)	2,200	59,708	-	6,049	2,287	8,336	51372

TOTAL - 1996	46,798	2,405	-	2,200	51,403	-	2,838	3,211	6,049	45,354
--------------	--------	-------	---	-------	--------	---	-------	-------	-------	--------

9.1 Depreciation has been allocated as follows:

	JUNE 30, 1997	JUNE 30, 1996
	(Rupees in thousands)	
Cost of sales	1,941	2,827
Administrative expenses	346	384
	-----	-----
	2,287	3,211
	=====	=====

9.2 The Management has professionally revalued the freehold land as on June 30, 1995.

9.3 Depreciation on idle plant and machinery costing Rs.13.768 million has been charged at a reduced rate of 5%. If depreciation had been charged at normal rate the charge and loss for the period would have been higher by Rs. 0.688 million (1996: Rs. 1.033 million).

9.4 The additions under this head includes mark--up amounting to Rs. 0.734 million (1996: Rs. 1.420 million) being financial charges directly related to the construction cost.

	JUNE 30, 1997	JUNE 30, 1996
	(Rupees in thousands)	

10. STOCK IN TRADE

Raw material	9,141	18,946
Work in progress	871	2,456
Finished goods	2,471	978
	-----	-----
	12,483	22,380
	=====	=====

11. TRADE DEBTS

Unsecured -- considered good	3,095	3,917
	=====	=====

12. ADVANCES AND DEPOSITS

Advances (Unsecured -- considered good)		
To staff	46	34
To suppliers	1,543	1,780
For expenses		
For building construction	-	4,541
Against rent	10	10
Income tax	753	346
Against letter of credit	-	30

	JUNE 30, 1997	JUNE 30, 1996
	(Rupees in thousands)	

Guarantee margin	2,352	6,948
	-	500
	-----	-----
	2,352	7,448
	=====	=====

13. PREPAYMENT AND O RECEIVABLES

Prepayments	213	200
Due from holding company	-	853
Due from associated company	6,381	4,697
Other	-	15
	-----	-----
	6,594	5,765
	=====	=====

14. CASH AND BANK BALANCES

Cash in hand	238	5
Cash with banks in current accounts	1,262	2,344
	-----	-----
	1,500	2,349
	=====	=====

YEAR EIGHTEEN
ENDED MONTHS ENDED
JUNE 30, JUNE 30,
1997 1996
(Rupees in thousands)

15. SALES (NET)

Sales	30,238	40,192
	-----	-----
Less: Commission on sale	2,737	1,556
Sales Tax	3,416	4,360
	-----	-----
	6,153	5,916
	-----	-----
	24,085	34,276
	=====	=====

16. COST OF SALES

Raw material consumed (Note: 15.1)	21,205	27,729
Store and spares consumed	300	697
Salaries and other benefits	2,240	2,802
Insurance	168	328

YEAR EIGHTEEN
ENDED MONTHS ENDED
JUNE 30, JUNE 30,
1997 1996
(Rupees in thousands)

Fuel and power	344	597
Repair and maintenance	62	66
Depreciation	1,941	2,827
Loading and handling	99	240
Clearing and forwarding	177	-
Painting and welding LT panel	437	598
Other manufacturing expenses	67	35

	-----	-----
	27,040	36,514
Work in progress	-----	-----
Opening stock	2,456	176
Closing stock	(871)	(2,456)
	-----	-----
	1,585	(2,280)
Cost of goods manufactured	-----	-----
Finished goods	-----	-----
Opening stock	978	621
Closing stock	(2,471)	(978)
	-----	-----
	(1,493)	(357)
Less: Recoveries of conversion cost holding company	(966)	-
	-----	-----
	26,166	33,877
	=====	=====

16.1 Raw material consumed

Opening stock	18,445	12,604
Purchases	11,901	33,570
	-----	-----
	30,346	46,174
Closing stock	9,141	18,445
	-----	-----
	21,205	27,729
	=====	=====

YEAR **EIGHTEEN**
ENDED **MONTHS ENDED**
JUNE 30, **JUNE 30,**
1997 **1996**
(Rupees in thousands)

17. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	3,178	3,657
Rent, rates and taxes	94	68
Repair and maintenance	120	286
Insurance	168	323
Travelling and conveyance	143	366
Audit fee	35	35
Legal and professional	64	126
Newspapers and periodicals	13	27
Entertainment	77	127
Electricity expense	230	399
Postage and telephone	219	388
Packing charges	94	244
Freight and despatch	167	389
Transportation and loading	303	64
Preliminary expenses written off	-	51
Vehicle running expenses	-	514
Printing and stationery	128	316

Depreciation	346	384
Zakat	2	24
Other	180	239
Late payment surcharge imposed by sales tax authorities	356	-
	-----	-----
	5,917	8,027
	=====	=====

18. OTHER INCOME

Service income	242	-
Scrap sales	277	486
Profit on bank deposit	48	118
Exchange gain	-	22
Miscellaneous	213	26
	-----	-----
	780	652
	=====	=====

YEAR	YEAR
ENDED	ENDED
JUNE 30,	JUNE 30,
1997	1996
(Rupees in thousands)	

19. FINANCIAL CHARGES

Mark--up on long term loan	2,160	2,103
Mark--up on short term borrowing and running finances	6,930	9,305
Mark--up on Finance lease	151	-
Excise duty on running finance	676	637
Bank charges	164	81
Project examination fee charges	-	22
Commitment fee	6	1,085
	-----	-----
	10,087	13,233
	=====	=====

20. GENERAL

i) Figures have been rounded off to the nearest rupees thousands unless otherwise stated.

ii) Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

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

REPORT OF DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited accounts

of the company for the year ended June 30, 1997 and the auditors' report thereon:

OPERATIONAL RESULTS

The summarized position of the financial result for the 12 months ended June 30, 1997 is as follows:

	(Rs. 000')	
Net loss for the period		11,653
Provision for taxation		
Turnover tax	129	
Prior year tax	287	416
	-----	-----
		12,069
Accumulated loss brought forward		16,013
	-----	-----
Accumulated loss carried forward		28,082
		=====

The management's efforts to procure more business did not materialize due to continued poor liquidity position of utility companies and depressed industrial activities particularly in Punjab. Although management took various steps to slash costs and expenses, the break even point could not be achieved due to inadequate sales volume.

FUTURE PROSPECTS

As a part of re-organizing the Company's affairs the present management is seized with the task of procuring business with acceptable profit margin. The management has also put up a proposal to National Development Finance Corporation, who are the only banker of the Company, for re-structuring the credit facilities which is at present under their consideration.

It is hoped that as soon as the financial re-structuring is agreed by NDFC and the liquidity position of utility companies improves, the Company will once again be able to generate adequate profits.

AUDITORS' QUALIFICATION

The amount under "Receivable" from "ex-Management" represents payments which are considered as un-verified disbursements by the ex management as documents, information and explanations regarding the nature of payments have not been made available to date.

In the opinion of the management this amount shall be refunded by ex Management as a larger amount is carried in the books of accounts as payable to one of the ex Management's Associated Company.

The management is presently re-organizing the financial accounting systems and expects to have a full consumption record. The amounts stated in the accounts are determined after physical verification of inventories and carrying out proper out off tests on purchases. In the opinion of the management the consumption amounts are fairly stated.

HOLDING COMPANY

The company is a subsidiary of Johnson & Phillips (Pakistan) Limited, a listed company incorporated in Pakistan.

PATTERN OF SHAREHOLDING

The pattern of share-holding is annexed.

RETIRING AUDITORS

The retiring auditors, Messrs. Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

**PATTERN OF HOLDING OF SHARES OF
JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED
HELD BY THE SHAREHOLDERS AS AT 30 JUNE 1997**

Number of Shareholders	Shareholding		Total shares held
	From	To	
5	1	100	5
Nil	101	1,000	Nil
Nil	1,001	100,000	Nil
4	100,001	500,000	900,000
NIL	500,001	1,000,000	-
1	1,000,001	5,000,000	2,099,995
-----	-----	-----	-----
10			3,000,000
=====	=====	=====	=====

Categories of Shareholders

	Number	Shares held	Percentage
Individuals	9	900,005	30
Investment Company	1	2,099,995	70
	-----	-----	-----
	10	3,000,000	100
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JOHNSON AND PHILLIPS TRANSFORMERS (PRIVATE) LIMITED as at June 30, 1997 and the related profit and loss account and the statement of changes in financial position togetherwith the notes forming part thereof, for the year then ended.

1. In the absence of supports and information and explanations balances amounting to Rs. 7.942 million are being carried forward as "Receivable from Ex-management". In our opinion provision should be made for the loss that would arise in the event this amount is not recovered as explained in Note: 1.2.

2. in the absence of proper records of consumption of raw material the amount has been determined on the basis of physical verification of year end quantities of stocks.

Except for the above, we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit, and after due verification thereof, we report that:

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

b) in our opinion:

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

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

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

c) except for the adjustments that would be required on resolution of the matters stated above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position togetherwith the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fait' view of the state of the company's affairs as at June 30, 1997 and of the loss and the changes in financial position for the year then ended; and

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

Without qualifying our report, we draw attention to Note 1.3 of the notes to the accounts. The Company's net equity position has decreased to Rs. 1.918 million because of the accumulated losses. As on the balance sheet date the Company's current liabilities exceeded the current assets by Rs. 23.441 million. These factors alongwith other matters as stated in Note 1.3 raise doubt that the Company will be able to continue as a going concern.

BALANCE SHEET AS AT JUNE 30, 1997

	NOTE	1997 (Rupees in thousands)	1996
CAPITAL AND RESERVES			
Authorised capital			
3,000,000 ordinary shares of Rs. 10/- each		30,000	30,000
		=====	=====
Issued, subscribed and paid-up capital	3	30,000	30,000
Profit and loss account (Adverse balance)		(28,082)	(16,013)
		-----	-----
		1,918	13,987
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES			
	4	-	661
DEFERRED LIABILITY			
Staff gratuity		857	973
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance leases		1,117	1,426
Short term loans and running finances	5	30,262	23,509
Creditors, accrued and other liabilities	6	46,692	45,923
Provision for taxation		779	1,032
		-----	-----
		78,850	71,890
CONTINGENCIES AND COMMITMENTS			
	7		

-----	-----
81,625	87,511
=====	=====

NOTE: The annexed notes form an integral part of these accounts.

	NOTE	1997	1996
(Rupees in thousands)			
TANGIBLE FIXED ASSETS	8	25,761	26,441
LONG TERM DEPOSIT			
Security deposit		455	448
CURRENT ASSETS			
Consumable stores		21	368
Stock in trade	9	35,657	39,865
Trade debts	10	6,549	5,852
Advances	11	3,476	4,445
Prepayment and other receivables	12	9,123	9,583
Cash and bank balances	13	583	509
		-----	-----
		55,409	60,622
		-----	-----
		81,625	87,511
		=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	NOTES	YEAR ENDED JUNE 30, 1997	EIGHTEEN MONTHS ENDED JUNE 30, 1996
(Rupees in thousands)			
Sales (Net)	14	25,773	1301045
Cost of sales	15	23,871	123,959
		-----	-----
Gross profit		1,902	6,086
Administrative and selling expenses	16	7,225	14,440
		-----	-----
Operating (loss)		(5,323)	(8,354)
Other income	17	1,072	1,394
		-----	-----
Financial charges	18	(4,251)	(6,960)
		7,402	10,329
		-----	-----
Net (loss) for the year		(11,653)	(17,289)
Provision for taxation		-----	-----
Current		129	650
Prior		287	-
		-----	-----
		416	650
		-----	-----
Net loss after taxation		(12,069)	(17,939)
Accumulated (loss)/profit			

brought forward	(16,013)	4,176
	-----	-----
	(28,082)	(13,763)
Interim dividend Nil (1996: 7.5%)	-	2,250
	-----	-----
Balance carried forward	(28,082)	(16,013)
	=====	=====

NOTE: The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1997**

**YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,
1997 1996
(Rupees in thousands)**

CASH FLOW FROM OPERATING ACTIVITIES

Net (loss) for the period	(11,653)	(17,289)
Adjustments for items not involving movement of funds		
Depreciation	3,367	3,534
Provision for gratuity	(116)	614
	-----	-----
	(8,402)	(13,141)

(Increase)/Decrease in current assets

Consumable stores	347	173
Stock in trade	4,208	(22,241)
Trade debts	(697)	17,411
Advances	340	13,438
Other receivables	460	(7,928)
	-----	-----
	4,658	853
	-----	-----
	(3,744)	(12,288)

Increase in current liabilities

Creditors, accrued and other liabilities	769	35,560
	-----	-----
Net cash from operating activities before tax	(2,975)	23,272
Tax paid	(40)	(3,029)
	-----	-----
Net cash from operating activities after tax	(3,015)	20,243

CASH FLOW FROM INVESTING ACTIVITIES

Addition to fixed assets and capital work in progress	(2,687)	(5,340)
Long term deposits	(7)	(154)
	-----	-----
Net cash from investing activities	(2,694)	(5,494)

**YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,**

1997 **1996**
(Rupees in thousands)

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of liabilities against finance lease	(970)	(721)
Short term loans and running finances	6,753	(11,279)
Dividend paid	-	(2,250)
	-----	-----
Net cash from financing activities	5,783	14,250
	-----	-----
Net increase in cash and cash equivalents	74	499
	-----	-----
Cash and cash equivalents at the beginning of the period	509	10
	-----	-----
Cash and cash equivalents at the end of the period	583	509
	=====	=====

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED JUNE 30, 1997****1. NATURE AND STATUS OF BUSINESS**

1.1 The company was incorporated on October 05, 1992 in Pakistan under the Companies Ordinance, 1984. The principal activity of the company is the manufacture and sale of all types of electrical and mechanical equipment and appliances.

1.2 On August 31, 1996 there was a change in management of the company. The Ex-management was requested to furnish documents, information and explanations in relation to various matters pertaining to the books of accounts of the company. As the Ex-management have not responded to all the requirements of the management and the auditors, amounts under stock-in-trade, trade debts, advances and trade creditors have been taken as per books of accounts and available supporting records. The unexplained amounts disbursed are shown as "Receivable from Ex-management" as explained more fully in Note: 12.1. The management is making every effort to confirm the accuracy of the amounts stated.

1.3 The Company's net equity position has decreased to Rs. 1.918 million on account of accumulated losses. The Management are seized with the task Of reorganising the Company's affairs after taking them over from the Ex-Management. Their efforts are directed at procuring business with acceptable profit margin. The financing arrangements were approved subsequent to the balance sheet date but the Management are trying to obtain the finances on more favourable terms.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of accounting**

These accounts have been prepared under historical cost convention.

2.2 Accounting for leases

The company accounts for assets operated under finance lease by recording the assets and related liability. The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the company. Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at rates specified in the related note to write off the asset over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease period.

2.3 Staff gratuity

The company operates an unfunded gratuity scheme for its staff. Provision is made annually to cover obligations under the scheme.

2.4 Provision for taxation

The company is enjoying tax holiday for a period of five years under clause 118(D) of the second schedule to the Income Tax Ordinance, 1979 commencing from May 01, 1993. However, provision for minimum tax under the Income Tax Ordinance, 1979 has been made in these accounts at prescribed rate on sales.

2.5 Tangible Fixed assets

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

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals are capitalised and the assets so replaced, if any, are retired. Profit and loss on disposal of assets is included in income currently.

2.6 Consumable stores

These are valued at average cost.

2.7 Stock-in-trade

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

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

2.8 Revenue recognition

Sales are recorded on delivery of goods to the customers.

	1997	1996
	(Rupees in thousands)	

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

3,000,000 ordinary shares of Rs. 10/-
each fully paid in cash

	30,000	30,000
	=====	=====

2,100,000 (1996: 2,100,000) ordinary shares of the company representing 70% (1996: 70%) of the issued. subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.

	1997	1996
	(Rupees in thousands)	

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Opening balance	2,087	1,420
	-	1,388
Additions during the year	-----	-----
	2,087	2,808
Payments during the year	970	721
	-----	-----
	117	2,087
Less: Shown under current liabilities payable within one year	117	1,426
	-----	-----
	-	661

The above liability represents the unpaid balance of the total of minimum lease payments and the residual value payable at the end of lease period.

Remaining aggregate rentals of Rs. 1.218 million inclusive of mark-up are payable in equal monthly installments latest by 1997.

At the end of the lease period the ownership of assets shall transfer to the company on payment of residual value.

The cost of operating and maintaining the leased asset is borne by the company.

The above liability is secured against demand promissory notes.

5. SHORT TERM LOANS AND RUNNING FINANCES

Short term loan		
Secured		
Financial institution (Note: 5.1)	24,859	18,106
Short term running finance		
Secured	-----	-----
Financial institution (Note: 5.2)	1,843	1,843
Unsecured		
Others (Note: 5.3)	3,560	3,560
	-----	-----
	5,403	5,403
	-----	-----
	30,262	23,509
	=====	=====
	1997	1996
	(Rupees in thousands)	

5.1 The borrowing is secured against hypothecation of stocks and lien on book debts. The borrowing carries mark-up at 60 to 65 paisas per rupees thousand per diem and the total sanctioned amount is Rs. 25.000 million (1996: Rs. 30.000 million).

5.2 This represents bill discounting facility which is secured against lien on receivables and carries mark-up at 55 paisas per rupees thousand per diem. The total sanctioned amount is Rs. 15.00 million (1996: Rs. 20.000 million).

5.3 The loan is from Associated Company and is unsecured and interest free.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors (Note: 6.1)	12,333	18,755
Accrued expenses	4,569	3,816
Mark-up and excise duty on short term loan and running finance	5,059	1,053
Mark-up on lease finance	59	132
Due to holding company	11,726	12,524
Due to associated company	6,809	5,151
Due to director	1,100	-
Advances from customers	2,590	1,841
Other liabilities		
Workers' profit participation fund (Note: 6.2)	----- 358	----- 307
Sales tax payable	1,338	1,573
Other tax payable	751	771
	----- 2,447	----- 2,651
	----- 46,692	----- 45,923
	=====	=====

6.1 This includes balance due to associated company amounting to Rs.5.430 million (1996:6.034 million).

6.2 Workers' profit participation fund

Balance brought forward	307	246
Interest credited at prescribed rate	51	61
	----- 358	----- 307
	=====	=====

The company retains the allocation to this fund for its business operations till the amounts are paid to the fund togetherwith interest at prescribed rates under the Act.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There was no contingent liability as at the balance sheet date.

7.2 Commitments

There was no commitment as at the balance sheet date.

8. TANGIBLE FIXED ASSETS (Rupees in thousands)

PARTICULARS	COST		RATE		DEPRECIATION		WRITTEN DOWN VALUE	
	AS AT 01-07-96	ADDITION (DISPOSAL)	AS AT 30-06-97	%	AS AT 01-07-96	FOR THE YEAR	AS AT 30-06-97	AS AT 30-06-97
Company owned								
Land	3,709	-	3,709	-	-	-	-	3,709
Building	9,652	2,144	11,796	10	1,016	965	1,981	9,815
Plant and machinery	12,695	136	12,831	10	2,676	1,279	3,955	8,876

Tools and equipments	1,523	42	-	1,565	10	275	155	430	1,135
Office equipments	457	74	-	531	10	126	101	227	304
Furniture and fixture	110	48	-	158	20	19	14	33	125
Laboratory equipments	181	4	-	185	10	15	18	33	152
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	28,327	2,448	-	30,775		4,127	2,532	6,659	24,116
Capital work in progress									
Building	-	2,383	(2,144)	239		-	-	-	239
Leased									
Vehicles	3,338	-	-	3,338	25	1,097	835	1,932	1,406
	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL (Rupees) - 1997	31,665	4,831	(2,144)	34,352		5,244	3,367	859	25,761
	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL (Rupees) - 1996	24,937	10,695	(3,967)	31,665		1,690	3,534	5,224	26,441
	=====	=====	=====	=====	=====	=====	=====	=====	=====

8.1 Depreciation is allocated as follows:

**YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,
1997 1996
(Rupees in thousands)**

Cost of sales	2,128	3,184
Administrative and selling expenses	1,239	350
	-----	-----
	3,367	3,534
	=====	=====

**1997 1996
(Rupees in thousands)**

9. STOCK IN TRADE

Raw material and components	18,313	18,259
	9,493	15,872
Work in progress	7,851	5,734
Finished goods	-----	-----
	35,657	39,865
	=====	=====

10. TRADE DEBTS

Unsecured - considered good	6,549	5,852
	=====	=====

11. ADVANCES

Advances (Unsecured-considered good)

To staff	162	187
To suppliers	592	949
Against income tax	2,405	3,034
Against purchase of land	275	275
For purchase	42	-
	-----	-----
	3,476	4,445
	=====	=====

12. PREPAYMENTS AND OTHER RECEIVABLES

Prepay ments	117	-
Margin on letter of credit	890	891
Sales tax refundable	-	151
Margin on bills discounted	174	174
Receivable from Ex-management (Note: 12.1)	7,942	8,367
	-----	-----
	9,123	9,583
	=====	=====

12.1 The balance receivable from Ex-Management comprises as follows:

Advances	6,419	6,419
Administrative expense	1,523	1,948
	-----	-----
	7,942	8,367
	=====	=====

The amount under "Receivable from Ex-Management" represents payments by the Ex-Management which are not properly documented. Satisfactory explanation and information pertaining to these payments have not been made available to us to date. The present management does not accept these items and is of the opinion that the Ex-Management should refund them. Accordingly, these items have been shown as "Receivable from Ex-Management". In the opinion of the Management, it would be possible to recover this amount from the Ex-Management as Rs.8.990 million is carried in the books of accounts as payable to one of the Ex-Management's associated companies.

1997 1996
(Rupees in thousands)

13. CASH AND BANK BALANCES

Cash in hand	39	-
Cash with banks in current accounts	544	509
	-----	-----
	583	509
	=====	=====

YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30
1997 1996
(Rupees in thousands)

14. SALES (NET)

Sales	31,337	155,293
	-----	-----
Less: Commission on sales	1,042	5,690
Sales tax	4,522	19,558
	-----	-----
	5,564	25,248
	-----	-----
	25,773	130,045
	=====	=====

15. COST OF SALES

Raw material consumed (Note: 15.1)	10,856	111,050
Store consumed	556	3,933

Salaries, wages and other benefits	4,597	12,628
Carriage inward	153	1,417
Repair and maintenance	221	296
Consultancy	251	289
Inspection and testing	493	610
Depreciation	2,128	3,184
Electricity	1,230	1,751
Insurance	127	366
Other manufacturing expenses	271	4,046
	-----	-----
	20,883	139,570
	-----	-----
Work in progress		
Opening stock	15,872	4,673
Closing stock	(9,493)	(15,872)
	-----	-----
	6,379	(11,199)
	-----	-----
Cost of goods manufactured	27,262	128,371
	=====	=====

YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,
1997 1996
(Rupees in thousands)

Finished goods	-----	-----
Opening stock	5,734	1,322
Closing stock	(7,851)	(5,734)
	-----	-----
	(2,117)	(4,412)
	-----	-----
	25,145	123,959
Less: Recoveries of conversion cost from holding company	(1,274)	-
	-----	-----
	23,871	123,959
	=====	=====

15.1 Raw material consumed

Opening Stock	5,781	11,628
Add: Purchases during the year	23,388	105,203
	-----	-----
	29,169	116,831
Less: Closing stock	18,313	5,781
	-----	-----
	10,856	111,050
	=====	=====

16. ADMINISTRATIVE AND SELLING EXPENSES

Director remuneration	63	504
Salaries and allowances	2,877	3,764
Rates and taxes	42	56
Repair and maintenance	946	1,298
Insurance	92	353
Depreciation	1,239	350
Travelling and conveyance	211	439
Freight and octroi	527	1,855

Audit fee	35	35
Legal and professional	135	144
Advertisement	2	16
Charity and donation	-	65
Entertainment	54	230
Printing and stationery	78	166
Telephone and postage	168	537
Security service expenses	269	350
Fees and subscription	13	110

YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,
1997 1996
(Rupees in thousands)

Penalties on late delivery	-	2,471
Demurrage	-	1,596
Others	61	101
Research and development	413	
	-----	-----
	7,225	14,440
	=====	=====

17. OTHER INCOME

Service income	510	-
Scrap sales	353	1,051
Profit on deposits	17	77
Other	192	266
	-----	-----
	1,072	1,394
	=====	=====

18. FINANCIAL CHARGES

Mark-up/interest on:		
Liabilities for finance leases	194	505
Short term loans and running finance	7,113	8,589
Workers' profit participation fund	51	61
Bank charges	44	1,174
	-----	-----
	7,402	10,329
	=====	=====

19. GENERAL

i) Figures have been rounded off to the nearest rupees thousands unless otherwise stated.

ii) Previous period's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

J&P EMO PAKISTAN
(PRIVATE) LIMITED

REPORT OF DIRECTORS

The Directors wish to submit their annual report together with the audited accounts of the company for the year ended June 30, 1997 and the auditors' report thereon:

Operational results

The summarised position of the financial results for the 12 months ended June 30, 1997 is as follows:

	(Rs. 000')
Net loss before taxation	704
Provision for taxation	8

	712
Accumulated loss brought forward	921

Accumulated loss carried forward	1,633
	=====

The Company has not yet been able to get any turn key projects. Considerable efforts were put in to enter into projects of Pakistan Railways, Water & Salination Authority and Azad Kashmir Small Hydel Power Plants. Some positive results of these efforts are expected as soon as the overall economic conditions improve.

Holding company

The company is a subsidiary of Johnson & Phillips (Pakistan) Limited, a listed company incorporated in Pakistan.

Pattern of shareholding

The pattern of shareholding is annexed.

Retiring auditors

The present auditors, Messrs. Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of J&P EMO PAKISTAN (PRIVATE) LIMITED as at June 30, 1997 and the related profit and loss account and statement of changes in financial position, togetherwith the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit, and after due verification thereof, we report that:

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and statement of changes in financial position togetherwith the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1997 and of the loss and the changes in financial position for the year then ended; and

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

BALANCE SHEET AS AT JUNE 30, 1997

	NOTES	1997 (Rupees in thousands)	1996 (Rupees in thousands)
SHARE CAPITAL			
Authorised capital 1,000,000 ordinary shares of Rs. 10/- each		10,000 =====	10,000 =====
Issued, subscribed and paid-up capital	3	1,000	1,000
Profit and loss account (Adverse balance)		(1,633) ----- (633)	(921) ----- 79
CURRENT LIABILITIES			
Short term advances	4	34,851	30,081
Accrued and other liabilities	5	146	458
Provision for taxation		12 -----	4 -----
		3,643	3,470
CONTINGENCIES AND COMMITMENTS			
	6	----- 3,010 =====	----- 3,549 =====

NOTES: The annexed notes form an integral part of these accounts.

	NOTES	1997 (Rupees in thousands)	1996 (Rupees in thousands)
TANGIBLE FIXED ASSETS			
PRE-OPERATING EXPENSES	7	62	92
	8	1,818	2,423
CURRENT ASSETS			
Installation work in progress	9	974	711
Advances, deposit and prepayments	10	153	100
Cash and bank balances	11	3 ----- 1,130 -----	223 ----- 1,034 -----
		3,010	3,549

=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

		YEAR ENDED JUNE 30, 1997	EIGHTEEN MONTHS ENDED JUNE 30, 1996
		(Rupees in thousands)	
	NOTES		
Contract income		1,652	830
Cost of contract	12	1,124	567
		-----	-----
Gross profit		528	263
Administrative and selling expenses	13	1,228	1,179
		-----	-----
Operating loss		(700)	(916)
Financial charges	14	4	1
		-----	-----
		(704)	(917)
Provision for taxation		8	4
		-----	-----
		(712)	(921)
Accumulated loss brought forward		(921)	-
		-----	-----
Accumulated loss carried forward		(1,633)	(921)
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1997**

	YEAR ENDED JUNE 30, 1997	EIGHTEEN MONTHS ENDED JUNE 30, 1996
	(Rupees in thousands)	

CASH FLOW FROM PRE-OPERATING ACTIVITIES

Pre-operating expense incurred during the period	-	(563)
Adjustments for items not involving movement of funds		
Depreciation	-	15
Net decrease in cash from pre-operating activities	-----	-----
	-	(548)

CASH FLOW FROM OPERATING ACTIVITIES

Net loss for the year	(704)	(917)
Adjustments for items not involving movement of funds	-----	-----
Depreciation	30	29
Amortisation of pre-operating expenses	605	605
Amortisation of preliminary expenses	-	47

	-----	-----
	635	681
	-----	-----
	(69)	(236)
	-----	-----
	(69)	(784)
(Increase)/decrease in current assets		
Installation work in progress	(263)	(711)
Advances, deposits and prepayments	(23)	2
	-----	-----
	(286)	(709)
	-----	-----
	(355)	(1,493)
(Decrease)/increase in current liabilities		
Accrued and other liabilities	(312)	443
	-----	-----
Cash from operating activities		
before tax	(667)	(1,050)
Tax paid	(30)	-
	-----	-----
	(697)	(1,050)

YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,
1997 1996
(Rupees in thousands)

CASH FLOW FROM FINANCING ACTIVITIES

Short term advances	477	1,271
Net (decrease)/increase in cash and cash equivalents	-----	-----
	(220)	221
Cash and Cash equivalents at the beginning of the period	223	2
Cash and cash equivalents at the end of the period	-----	-----
	3	223
	=====	=====

NOTES TO THE ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1997

1. NATURE AND STATUS OF BUSINESS

The company was incorporated on March 22, 1993 in Pakistan under the Companies Ordinance, 1984 as a private limited company. The principal activity of the company is to participate in turnkey engineering industrial projects.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

These accounts have been prepared under the historical cost convention.

2.2 Taxation

Provision for current taxation is the higher of the amounts computed on taxable income at the current tax rates after taking into account tax rebates and minimum tax computed at the prescribed rate on turnover.

2.3 Tangible fixed assets

These are stated at cost less accumulated depreciation.

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

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

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

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

2.4 Pre-operating expenses

These expenses are amortized over five years by charge to profit and loss account.

2.5 Installation work in progress

These are stated at actual cost incurred on installation jobs and includes material at actual cost.

2.6 Revenue recognition

Contract income is recognised as and when billed to customers in accordance with the terms of the contracts for supply of service and material.

1997 1996
(Rupees in thousands)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

100,000 ordinary shares of Rs. 10/-
each fully paid in cash

	1,000	1,000
	=====	=====

51,000 (1996:51,000) ordinary shares of the company representing 51% (1996: 51%) of the issued, subscribed and paid up capital are held by the holding company, Johnson and Phillips (Pakistan) Limited.

4. SHORT TERM ADVANCES

Unsecured
Holding company

	3,485	3,008
	=====	=====

The above advance is unsecured and interest free.

5. ACCRUED AND OTHER LIABILITIES

Accrued expenses
Advances from customers
Others

	41	23
	82	430
	23	5
	-----	-----
	146	458
	=====	=====

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There was a contingent liability in respect of guarantee issued by an insurance company on behalf of the company amounting to Rs.0.900 million (1996: Nil).

6.2 Commitments

There was no commitment as at balance sheet date.

7. TANGIBLE FIXED ASSETS (Rupees in thousands)

PARTICULARS	COST		RATE %	DEPRECIATION		WRITTEN DOWN VALUE	
	AS AT 01-07-1996 & 30-06-1997			AS AT 01-07-1996	FOR THE YEAR	AS AT 30-06-1997	AS AT 30-06-1997
Office equipment	110	20	67	22	89	21	
Furniture and fixture	73	10	25	7	32	41	
Vehicle	3	20	2	1	3	-	
	-----	-----	-----	-----	-----	-----	
TOTAL RUPEES - 1997	186		94	30	124	62	
	=====	=====	=====	=====	=====	=====	
TOTAL RUPEES - 1996	186		50	44	94	92	
	=====	=====	=====	=====	=====	=====	

YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,
1997 1996
(Rupees in thousands)

7.1 Depreciation has been charged as follows:

Administrative and selling expenses	30	29
Pre-operating expenses	-	15
	-----	-----
	30	44
	=====	=====
	1997	1996
	(Rupees in thousands)	

8. PRE-OPERATING EXPENSES

Opening balance	2,423	2,465
Addition during the year	-	563
	-----	-----
	2,423	3,028
Less: Amortisation for the year/period	605	605
	-----	-----
	1,818	2,423
	=====	=====

9. INSTALLATION WORK IN PROGRESS

Material	974	711
	=====	=====

10. ADVANCES, DEPOSIT AND PREPAYMENTS

Advances (Unsecured - considered good)		
To staff	-	2

To suppliers	90	60
Income tax	40	10
	-----	-----
	130	72
Deposit		
Security deposit	23	23
Prepayments	-	5
	-----	-----
	153	100
	=====	=====

11. CASH AND BANK BALANCES

Cash in hand	-	37
Cash with banks in current accounts	3	186
	-----	-----
	3	223
	=====	=====

YEAR ENDED EIGHTEEN MONTHS
JUNE 30, ENDED JUNE 30,
1997 1996
(Rupees in thousands)

12. COST OF CONTRACT

Material consumption	882	135
Installation charges	113	431
Testing charges	3	-
Transportation	95	-
Miscellaneous	31	1
	-----	-----
	1,124	567
	=====	=====

13. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and allowances	283	270
Insurance expenses	5	5
Commission and brokerage	-	55
Power, water and gas	9	12
Vehicle running expenses	12	3
Repair and maintenance	1	4
Printing and stationery	9	17
Travelling and conveyance	16	51
Audit fee	5	5
Entertainment	9	5
Legal and professional charges	31	-
Newspaper, books and periodicals	4	5
Consultancy charges	123	-
Postage and telephone	24	26
Tender 'fee and documents	6	7
Depreciation	30	29
Amortisation of pre-operating expenses	605	605
Amortisation of preliminary expenses	-	47
Miscellaneous expenses	44	33

Sale promotion expenses	12	-
	-----	-----
	1,228	1,179
	=====	=====
14. FINANCIAL CHARGES		
Bank charges	4	1
	=====	=====

15. GENERAL

i) Figures have been rounded off to the nearest rupees thousands unless otherwise stated.

ii) Previous period figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

**PATTERN OF HOLDING OF SHARES OF
J&P EMO PAKISTAN (PRIVATE) LTD
HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1997**

Number of Shareholders	Shareholding		Total shares held
	From	To	
7	1	100	7
Nil	101	1,000	Nil
1	1,001	25,000	9,999
1	25,001	50,000	38,998
1	50,001	100,000	50,996
Nil	100,001	500,000	Nil
Nil	500,001	1,000,000	Nil
-----	-----	-----	-----
10			100,000
=====	=====	=====	=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	7	7	0.007
Foreign Companies	2	48,997	48.997
Limited Company	1	50,996	50.996
	-----	-----	-----
	10	100,000	100.00
	=====	=====	=====