

Johnson & Phillips
Annual Report 1997-98

CONTENTS

Board of Directors
Notice of Meeting
Chairman's Review
Report of the Directors
Auditors' Report to the Members
Balance sheet
Profit and Loss Account
Statement of changes in financial position
Notes to the Accounts
Statement U/S 237 (1) E of the Companies Ordinance, 1984
10 Years Comparative Results
Pattern of Share Holding
Johnson & Phillips Industries (Pakistan) Limited
Johnson & Phillips Transformers (Private) Limited
J&P EMO Pakistan (Private) Limited

DIRECTORS

RAJA AHMED KHAN (CHAIRMAN)
SHEHRYAR ANWER SAEED (CHIEF EXECUTIVE)
NADIM S. QURASHI
RIAZ MOHAMMAD KHAN
AHMED BILAL MALIK
MOHAMMAD ASAD KHAN
I. A. HANAFI

COMPANY SECRETARY
RIAZ MOHAMMAD KHAN

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:

5-B, LDA Complex,
Lawrence .Road, Garden View, Lahore
Tel: 6314006-9
Telex: 44790 JPL PK
Fax: 6368817
E-Mail: johnson@jpl.brain.com.pk

291/1 Street 56, F7/4
Islamabad:
Tel: 274984-90
Telex: 54148 JPI PK
Fax: 274988
E-Mail: isd@johnson.sdnk.undp.org

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that thirty seventh Annual General Meeting of Johnson & Phillips (Pakistan) Limited will be held on Monday June 28, 1999 at Pearl Continental Hotel Karachi at 10.00 a.m. to transact the following business:

1. To confirm the minutes of the thirty sixth Annual General Meeting held on 26 March 1998.
2. The receive, consider and approve the audited accounts for the twelve months ended 30 June 1998 and the reports of Directors and Auditors thereon.
3. To appoint Auditors and fix their remuneration.
4. To consider any other business which may be placed before the meeting with the permission of the Chair.

***By Order of the Board
(Riaz Mohammad Khan)
Company Secretary***

Karachi: June 07, 1999

NOTE :

1. The Shares Transfer Books of the Company will be closed from 21 June 1999 to 28 June 1999 both days inclusive. Transfers received in order at the Registered Office of the Company before the close of business on 20 June 1999 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. Shareholders are requested to promptly notify the Company of any change in their addresses.

CHAIRMAN'S REVIEW

The financial statements of your company and its subsidiaries for the year ended 30th June 1998 are being presented to you.

I regret to inform you that the position of your company has not improved. The economic scenario of the country remains stagnant. The power sector has been the worst and until it improves, making this company profitable is going to be a long drawn out process; the only silver lining being that after the induction of the army in the near "bankrupt" utility companies, things are looking better. After a period of about 2 years the utility companies have started making some purchases and we hope this will be a turning point.

Over the past few years, our industry has been operating under extremely difficult, rather impossible conditions. It would not be an exaggeration to say that there is not a single company in our sector which is performing well. A number of our competitors have practically closed down, and nearly everyone has had to make large scale redundancies to survive. Although this is no consolation, but this does give an idea of the extent of the collapse of the power sector.

We have also reduced our work force by over 50% and have taken other stringent measures to cut down costs and are making efforts to diversify into the service sector, as it seems that the engineering sector has a bleak future in this Country. If the trend does not change, in the next 5 years we will be a nation of traders, already a number of manufacturing companies are turning into indenting houses.

If the Government does not pay its suppliers on one hand and then charges them penalties for late deliveries on the other hand and are also on the look out to encash performance bonds, the closure of the industry becomes a reality. It is ironic; first we ensure that our units become sick and collapse and then we try to re-structure and revive them.

It is only the resilience of our people that we are still surviving, because the government through its utility companies, financial and other institutions have done everything possible to close down the industry, it is pure determination and faith in the future that a few of us are still in business.

We are trying to consolidate and plan for the future, a long term plan has been made. We are negotiating with the banks to provide us working capital. The few orders in the market are also being aggressively pursued. The saving grace being that with lesser orders, there are also lesser competitors, because every few weeks some competitor, closes down.

We are very hopeful that with the support of our Bankers we will be in a position to turn around the Company. We anticipate considerable improvement in the next few months, and we hope once again the company will be in a situation next few months, and we hope once again the company will be in a situation where we could look forward to profits.

The two subsidiary companies namely Johnson & Phillips Industries Pakistan Limited and Johnson & Phillips Transformers (Pvt.) Limited have been temporarily closed down to cut operational costs. We are trying to sell some of our assets to improve our cash flow and raise working capital. The management labour relations have been strained because of the retrenchment which had to be carried out. Nearly all the ex-workers have gone to the labour court. My colleagues have been facing the workers, the court officials and the labour department, their demands are unending. Fortunately, we have not succumbed to the "or else" warnings.

Mr. Shehryar Saeed has taken over as the new Chief Executive of the Company, he has a challenging task in front of him. I wish him goodluck.

I also take this opportunity to thank the staff who have been working under difficult conditions.

RAJA AHMED KHAN

DIRECTORS' REPORT

The Directors of your Company are pleased to present the annual report alongwith the audited accounts for the year ended June 30, 1998.

FINANCIAL RESULTS

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

		RUPEES
		(000)
Loss for the year before provision for diminution in value of investment and taxation		(54,211)
Provision for diminution in value of investment		10,000

Net loss for the year		(64,211)
Taxation - current	(513)	
- prior	(1,012)	
- deferred	2,453	928

Net loss after taxation		(63,283)
Accumulated loss brought forward		(55,477)

Accumulated loss carried over to balance sheet		(118,760)
		=====

DIVIDENDS

The Directors propose not to declare a dividend due to loss sustained during the year under review.

PERFORMANCE REVIEW

During the year under review the management of your Company could not achieve better results due to the following factors, among others:-

- * Continued depreciation of rupee against US dollar.
- * No significant projects or orders from the utilities companies.
- * Fewer orders in the private sector projects.
- * Rigid attitude adopted by banks and financial institutions for normal approved facilities.
- * High financial charges, charged by financial institutions.

The management of your Company has taken positive steps to curtail the expenses and improve the quality and profitability by restructuring the organisation. Despite the prevailing problems the management expects that the Company will be able to recoup its losses and look forward to making profits.

AUDITORS' QUALIFICATION

1. The Management is striving hard to achieve restructuring of their existing debt obligations and obtain working capital financing. They are also making continuous efforts to obtain business even if the orders are not available at desired level of profitability. They are confident that their efforts would bear fruit and the Company shall continue operations in the foreseeable future.

2. The Management believe that the operations of the subsidiaries shall recommence soon and the existing debt obligations would be restructured. They are also implementing plans for sale of surplus assets and intend to use part of the proceeds as working capital. They are of the opinion that the provision for diminution in value of investments is adequate taking also into account the current market value of the fixed and operating assets of the subsidiaries.

CHANGES IN THE BOARD OF DIRECTORS

The following changes in the Board of Directors of your Company occurred during the period:

<u>Name of resigning Director/CE.</u>	<u>Name of Director, C.E. appointed</u>
Mr. Bilal Ahmed Qureshi (C.E)	Mr. Saiyed Hashim Ishaque (C.E)
Mr. Saiyed Hashim Ishaque (C.E)	Mr. Shehryar Anwer Saeed (C.E)
Mr. H. U. Beg	Mr. Azizur Rahman
Mr. Shahid Ghaffar	Mr. I. A. Hanafi
Mr. Syed Wiqar Ali	Mr. Ahmed Bilal Malik
Mr. Abdur Rehman Khan	Mr. Nadim S. Qureshi
Mr. Rashid Y. Chinoy	Mr. Riaz Mohammad Khan

FUTURE PROSPECTS

The management is confident that after anticipated restructuring of WAPDA and K.E.S.C. the company is expected to receive orders. After overcoming the financial hurdles your Company will be able to recoup its losses and look forward to making profits in the future years.

EARNING PER SHARE

Earning per ordinary share of Rs. 10 each is in negative at Rs. 11.61 due to the loss for the year.

SUBSIDIARY COMPANIES

1. JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

The factory operations have been temporarily suspended in order to restrict the accumulated losses. Other reasons have been explained in the Directors' Report of the subsidiary. Manufacturing operations shall recommence as soon as market situation improves.

The Company had a negative earning per share of Rs. 5.79 due to loss during the year under review.

2. J&P EMO PAKISTAN (PRIVATE) LIMITED

Reasons for the loss during the year have been explained in the Directors' Report of the subsidiary company. When the economic conditions improve the company is expected to gain projects from government and semi government organisations.

The Company had a negative earning per share of Rs. 21.37 due to loss during the year.

3. JOHNSON & PHILLIPS TRANSFORMERS (PRIVATE) LIMITED

In the subsidiary's Directors' Report reasons for the loss have been explained Manufacturing operations have been temporarily suspended to restrict the losses.

The Company had negative earning per share of Rs. 4.72 due to loss during the year.

INDUSTRIAL RELATIONS

The management and workers have had a strained relationship due to retrenchment of workers however the Directors would like to place on record their appreciation for the loyalty in promoting Company's objectives during the difficult period.

YEAR 2000 COMPLIANCE

Appropriate measures have been taken for necessary modification in the softwares. Your company shall be Y2K compliant in due course.

AUDITORS

We thank Messrs. Ebrahim & Co., Chartered Accountants, retiring auditors of the company for their valuable services. The Directors propose the appointment of Messrs. Mansha Mohsin Dossani Khan & Co., Chartered accountants as auditors for the ensuring year 1998-1999.

PATTERN OF SHAREHOLDING

The Pattern of shareholding in prescribed form is included in this report.

***On behalf of the
Board of Directors***

***(Shehryar/Anwer Saeed)
Chief Executive***

Karachi

Dated: 3rd June, 1999

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the annexed balance sheet of JOHNSON AND PHILLIPS (PAKISTAN) LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position (cash flow statement), together with the notes forming part thereof, for the year then ended.

2. The accumulated losses of the Company aggregating to Rs. 118.760 million have wiped out the equity and current liabilities aggregating to Rs. 223.688 million exceed the current assets by Rs. 81.445 million. These factors together with the information given in Note: 1.2 indicate that there is substantial doubt regarding the ability of the Company to continue as a going concern. Consequently, adjustments may be required to the recorded asset amounts and classification of liabilities.

3. Long term investments in subsidiaries are being carried Rs. 51.000 million. In the absence of reliable estimates of the valuation of fixed and other operating assets of the subsidiaries we have not been able to ascertain the realisable value of these investments and, therefore, we are unable to confirm the adequacy of provision for diminution in value of investments.

4. Except for the matters referred above, we state that we have obtained all the information and explanations which to best of our knowledge and belief were necessary for the purposes 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) Except for the effect of adjustments in respect of matters referred in paras 2 and 3 above, in our opinion and to the best of our information and according to explanations given to us, the balance sheet, profit and loss account and 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, 1998 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.

KARACHI

DATED: 3rd June, 1999

EBRAHIM & CO.

CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1998

	<i>NOTES</i>	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
		<i>(Rupees in thousands)</i>	
SHARE CAPITAL AND RESERVES			
Authorised capital 8,000,000 ordinary shares of Rs. 10 each		80,000	80,000
		=====	=====
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
Profit and loss account - (adverse balance)		(118,760)	(55,477)
		-----	-----
		(11,460)	51,823
SURPLUS ON REVALUATION OF FIXED ASSETS		42,642	42,642
LONG TERM LOAN	4	--	3,100
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	5	1,783	5,234
DEFERRED LIABILITY			
Staff gratuity		4,975	6,614
CURRENT LIABILITIES			
Short term loan and running finances	6	130,298	85,603

Current portion of long term liabilities	7	4,676	7,791
Creditors, accrued and other liabilities	8	86,115	102,111
Dividends	9	2,599	2,546
		-----	-----
		223,688	198,051
CONTINGENCIES AND COMMITMENTS	10	-----	-----
		261,628	307,464
		=====	=====

	NOTES	JUNE 30, 1998	JUNE 30, 1997
(Rupees in thousands)			
TANGIBLE FIXED ASSETS	11	63,378	68,557
LONG TERM INVESTMENTS	12	51,000	61,000
DEFERRED TAXATION	13	3,167	714
LONG TERM DEPOSITS			
Security deposits		1,840	2,431
CURRENT ASSETS			
Stores and loose tools	14	374	463
Stock in trade	15	79,357	106,449
Trade debts	16	18,377	15,094
Advances and deposits	17	36,669	45,277
Prepayments and other receivables	18	5,028	5,200
Cash and bank balances	19	2,438	2,279
		-----	-----
		142,243	174,762
		-----	-----
		261,628	307,464
		=====	=====

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

KARACHI

DATED: 3rd June 1999

Chief Executive

Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998**

	NOTES	JUNE 30, 1998	JUNE 30, 1997
(Rupees in thousands)			
Sales (Net)	20	102,853	151,771
Cost of sales	21	107,424	135,652
Gross (loss)/profit		(4,571)	16,119
Administrative and selling expenses	22	27,801	29,648
		-----	-----

Operating loss		(32,372)	(13,529)
Other income	23	4,773	3,556
		-----	-----
		(27,599)	(9,973)
		-----	-----
Research and development expenses		1,164	323
Financial charges	24	25,448	26,742
		-----	-----
		26,612	27,065
		-----	-----
		(54,211)	(37,038)
Provision for diminution in value of investments		10,000	10,510
		-----	-----
Net loss for the year		(64,211)	(47,548)
Taxation			
- current		513	759
- prior year		1,012	--
- deferred		(2,453)	1,972
		-----	-----
		(928)	2,731
		-----	-----
Net loss after taxation		(63,283)	(50,279)
Accumulated (losses) brought forward		(55,477)	(5,198)
		-----	-----
Accumulated (losses) carried over to balance sheet		(118,760)	(55,477)
		=====	=====

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

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

***STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998***

***JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)***

CASH FLOW FROM OPERATING ACTIVITIES

Net (loss) for the year	(64,211)	(47,548)
Adjustments for items not involving movement of funds		
Depreciation	5,800	6,473
Provision for staff gratuity (Net)	(1,639)	110
Provision for diminution in value of investments	10,000	10,510
Profit on sale of fixed assets	(3,668)	(2,047)
	-----	-----
	(53,718)	(32,502)

Decrease/(Increase) in current assets

Consumable stores	89	(158)
Stock in trade	27,092	(16,991)
Trade debts	(3,283)	22,258
Advances and deposits	4,823	(4,443)
Prepayments and other receivables	172	(289)
	-----	-----
	28,893	377

Decrease/(Increase) in current liabilities

Creditors, accrued and other liabilities	(15,996)	30,972
	-----	-----
Net cash from operating activities before tax	(40,821)	(1,153)
Tax refunded/(paid)	2,260	(7,092)
	-----	-----

Net (decrease) in cash from operating activities	(38,561)	(8,245)
--	----------	---------

CASH FLOW FROM INVESTING ACTIVITIES

Addition to fixed assets and capital work in progress	(646)	(3,752)
Long term deposit	591	(1,368)
Proceeds from sale of fixed assets	3,693	2,331
	-----	-----
Net cash from investing activities	3,638	(2,789)

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

CASH FLOW FROM FINANCING ACTIVITIES

Long term loan	(6,200)	6,200
Repayment of liabilities against finance leases	(3,466)	(2,270)
Short term loans and running finances	44,695	5,779
Dividend paid	53	(234)
	-----	-----
Net cash from financing activities	35,082	9,475
	-----	-----

Net increase/(decrease) in cash and cash equivalents	159	(1,559)
--	-----	---------

Cash and cash equivalents at the beginning of the year	2,279	3,838
--	-------	-------

Cash and cash equivalents at the end of the year	-----	-----
	2,438	2,279
	=====	=====

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998**

1. NATURE AND STATUS OF BUSINESS

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

1.2 The ability of the Company to continue as a going concern is dependent on the following significant factors:

- a. negotiate a package with the lenders for restructuring existing debt obligations on reasonable terms.
- b. negotiate adequate working capital facilities for short term so that orders in hand can be serviced.
- c. negotiate profitable contracts with the utility companies who are the primary customers of the Company.

The Management is in the process of negotiating a package with the lenders for rescheduling current overdue debts on more favourable terms. Subsequent to balance sheet date they have successfully negotiated additional working capital facilities to service the current orders in hand. As regards future business prospects, because of adverse economic conditions of the industry in general and the utility companies in particular, the Management is of the opinion that they may not be able to procure contracts at desired level of profitability in the foreseeable future.

Under these circumstance the Management is of the opinion that they have no alternative but to streamline the asset base of the Company by disposing surplus assets at market values and using the proceeds to clear interest bearing and other current debts. A plan of action in this regard is under preparation for formal approval and implementation.

The financial statements are prepared on going concern basis and, therefore, do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities.

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 unionized 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, JUNE 30,
1998 1997
(Rupees in thousands)

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1998 1997

(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
=====	=====	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

4. LONG TERM LOAN

Unsecured			
Other		--	6,200
Less: Shown under current liabilities		--	3,100
Payable within one year		-----	-----
		--	3,100
		=====	=====

5. LIABILITIES AGAINST ASSETS SUBJECT

TO FINANCE LEASE

Secured	6,459	9,925
Less: Shown under current liabilities		
Payable within one year	4,676	4,691
	-----	-----
	1,783	5,234
	=====	=====

The above liabilities represent the unpaid balance of the total of minimum lease payments and the residual value payable at the end of lease discounted at rates ranging from 16.06% to 22.01% per annum.

Remaining aggregate rentals of Rs.7.536 million inclusive of mark-up of Rs. 1.077 million are payable in equal monthly and quarterly installments under various lease agreements by August, 1999 as shown below:

(Rs. in million)

1998-1999	5.747
1999-2000	1.789

At the end of the lease period the ownership of assets shall transferred to the Company on payment of residual values.

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,	JUNE 30,
1998	1997
(Rupees in thousands)	

6. SHORT TERM LOANS AND RUNNING FINANCES

Secured		
Banking companies		
Short term loan (Note: 6.1)	41,670	14,999
Running finances (Note: 6.2)	72,274	60,551
Export refinance	--	10,000
Other		
Morabaha finance (Note: 6.3)	11,000	--
	-----	-----
	124,944	85,550
Unsecured		
Other		
Short term loan (Note: 6.4)	3,361	--
Temporary overdraft	1,993	53
	-----	-----
	5,354	53
	-----	-----
	130,298	85,603
	=====	=====

6.1 These loans are secured against lien on bills drawn on customers and pari passu charge on fixed assets of the Company. Sanctioned limits are Rs. 43.500 million (1997:Rs.15.000 million) and are repayable at various dates by October 31, 1998. The rates of mark-up range from 18.62% to 22.26% per annum.

6.2 Running finance facilities available from the bankers amounts to Rs. 60.000 million (1997: Rs.60.000 million) and are repayable at various dates by June 30, 1999 and include amount of Rs.25.028 million which is over due. The rate of mark-up range from 18.62% to 21.82% per annum. The arrangement is secured by way of equitable mortgage and pari passu charge on fixed assets, and current assets of the Company and hypothecation of stock in trade.

6.3 This finance is secured against equitable mortgage of fixed assets and carries mark-up at 22% per annum. The balance is repayable in six equal monthly installments of Rs. 0.199 million each by December 1998.

6.4 This loan .is unsecured and interest free.

7. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loan	--	3,100
Liabilities against assets subject to finance lease	4,676	4,691
	-----	-----
	4,676	7,791
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors (Note: 8.1)	16,927	12,771
Bills payable	19,132	42,859
Accrued liabilities	14,084	12,415
Deposits - others	73	60
Advances from customers	9,586	14,921
Mark-up on secured loans and running finances	16,162	9,547
Due to Director	957	2,218
Sales tax payable	2,644	4,293
Workers' profit participation fund (Note: 8.2)	90	80
Workers' welfare fund	398	398
	-----	-----
Other liabilities		
Payable to ex-employees	3,140	385
Provident fund	1,873	1,720
Withholding tax payable	449	294
Others	600	150
	-----	-----
	6,062	2,549
	-----	-----
	86,115	102,111
	=====	=====

8.1 These include balance due to Subsidiary Company amounting to Rs. 3.363 million (1997: Rs. 2.340 million)

8.2 Workers' profit participation fund

Balance as at July 01, 1997	80	71
-----------------------------	----	----

Interest credited at prescribed rate	10	9
	-----	-----
	90	80
	=====	=====

The Company retains the allocation to this fund for its business operations till the amounts are paid to the fund together with interest at prescribed rate under the Act.

9. DIVIDENDS

Unclaimed	2,599	2,546
	=====	=====

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

a) Guarantees

i) 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. 86.136 million (1997: Rs. 104.292 million).

ii) The Company has given repayment guarantee to a financial institution for repayment of loan to a subsidiary company amounting to Rs.24.859 million (1997:Rs. 26.702 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 further payments as advance tax paid would cover the demand. The Company would however be faced with a charge amounting to Rs.0.928 million (1997: Rs. 1.940 million).

c) Stamp duty

There is a contingent liability amounting to Rs. 6.981 million (1997: 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 a charge against profit amounting to Rs. 6.981 million (1997: Rs. 7.017 million).

d) Custom duties

There is a contingent liability in respect of custom duties amounting to Rs.18.395 million (1997: Rs. 20.765 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,	JUNE 30,
1998	1997

(Rupees in thousands)

Letters of credit	--	36,691
Capital commitments	967	846

II. TANGIBLE FIXED ASSETS (Rupees in thousands)

11.1 The following is a statement of tangible fixed assets:

COST/REVALUATION

PARTICULARS	COST AS AT JULY 01, 1997	ADDITIONS	(DISPOSALS)	AS AT JUNE 30, 1998	RATE %	ACCUMULATED DEPRECIATION AS AT JUNE 30, 1997	DEPRECIATION FOR THE YEAR	ADJUSTMENTS	ACCUMULATED DEPRECIATION AS JUNE 30, 1998	WRITTEN DOWN VALUE AS AT JUNE 30, 1998
Owned										
Leasehold land (Note: 11.2)	42,703	--	--	42,703	--	14	--	--	14	42,689
Building on leasehold land	7,146	1,209	690	7,665	10	6,899	161	689	6,371	1,294
Plant and machinery Gas and electric installation	23,859	145	--	24,004	10	10,003	1,722	--	11,725	12,279
Factory tools	1,033	--	--	1,033	10	845	66	--	911	122
Vehicles	1,415	--	--	1,415	20	1,261	66	--	1,327	88
Furniture, fixture and fittings	3,510	12	546	2,976	20	3,065	341	522	2,884	92
Office and other equipments	1,581	11	51	1,541	20	1,354	104	51	1,407	134
Capital work in progress (Note: 11.3)	6,195	129	68	6,256	25	5,252	421	68	5,605	651
	1,284	559	1,295	548	--	--	--	--	--	548
Sub Total	88,726	2,065	2,650	88,141		28,693	2,881	1,330	30,244	57,897
Leased										
Vehicles	9,078	--	46	9,032	25	3,088	2,261	35	5,314	3,718
Office and other equipments	2,843	--	280	2,563	20	1,519	526	167	1,878	685
Plant and machinery	1,312	--	--	1,312	10	102	132	--	234	1,078
Sub Total	13,233	--	326	12,907		4,709	2,919	202	7,426	5,481
TOTAL (Rs.000's)-1998	101,959	2,065	2,976	101,048		33,402	5,800	1,532	37,670	63,378
TOTAL {Rs.000's)-1997	92,441	14,143	4,625	101,959		27,880	6,473	951	33,402	68,557

11.2 The Company professionally revalued their leasehold land as on March 31, 1995. The balance of revaluation surplus amounting to Rs. 42.642 million is included in the carrying value of leasehold land with a corresponding amount appearing as " Surplus on revaluation of fixed assets".

JUNE 30, **JUNE 30,**
1998 **1997**

*(Rupees in thousands)***11.3 Capital work in progress**

This comprises of:

Building	--	1,198
Plant and machinery	548	86
	-----	-----
	548	1,284
	=====	=====

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

Cost of sales	3,613	3,952
Administrative and selling expenses	2,187	2,521
	-----	-----
	5,800	6,473
	=====	=====

11.5 Details of fixed assets sold

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

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>Purchaser</i>	
<i>(Rupees in thousands)</i>							
Vehicles							
Suzuki Van							
Hi-Roof CJ-5987	248	227	21	164	Tender	Mr. M. Hanif Khan	Karachi
Suzuki Mehran S-7178	16	0.16	--	133	Tender	Mr. M. Hanif Khan	Karachi
Suzuki Mehran S-0521	15	15	--	124	Tender	Mr. M. Hanif Khan	Karachi
Suzuki Pick-up KB-2838	12	0.12	--	86	Tender	Mr. M. Hanif Khan	Karachi
Suzuki Pick-up CA-9145	12	12	--	85	Tender	Mr. M. Shamim	Karachi
Suzuki Mehran T-5523	8	5	3	140	Tender	Mr. M. Shamim	Karachi
Nissan Sunny F-3979	235	235	--	205	Tender	Mr. Mansoor Alam	Karachi
Furniture & Fixture	119	119	--	56	Negotiation	City School Karachi	
Flat No. 5 B, LDA Complex Lawrence Road, Lahore	690	689	1	2,700	Negotiation	Mr. Mohammad Aaqil	Lahore
	-----	-----	-----	-----			
	1,355	1,330	25	3,693			
	=====	=====	=====	=====			

12. LONG TERM INVESTMENTS - at cost

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

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
(Break-up value as at June 30, 1998 was Nil).
The Company held 100% of the investee's total equity.
Chief Executive: Mr. Ahmed Bilal Malik

30,000 30,000

Johnson and Phillips Transformers (Private) Limited

- 2,100,000 fully paid ordinary shares of Rs. 10 each
(Break-up value as at June 30, 1998 was Nil).
The Company held 70% of the investee's total equity.
Chief Executive: Mr. Nadeem S. Qureshi

21,000 21,000

J&P EMO Pakistan (Private) Limited

- 51,000 fully paid ordinary shares of Rs. 10 each
(Break-up value as at June 30, 1998 was Nil)
The Company held 51% of the investee's total equity.
Chief Executive: Mr. Ahmed Bilal Malik

510 510

12.2 Share application money

Johnson and Phillips Industries (Pakistan) Limited

20,000 20,000

71,510 71,510

Less: Provision for diminution in value of investments

20,510 10,510

51,000 61,000
=====

13. DEFERRED TAXATION

Debit balance arising in respect of:

Staff gratuity 1,492 1,984
Depreciation 1,382 (1,270)
Finance lease 293 --

3,167 714
=====

14. STORES AND LOOSE TOOLS

Stores 349 438
Loose tools 25 25

374 463

	=====	=====
15. STOCK IN TRADE		
Raw material and components		
- in hand	41,008	51,348
- in transit	21,889	29,183
	-----	-----
	62,897	80,531
Work in process	15,022	17.86
Finished goods		
- in hand	1,438	8,061
	-----	-----
	79,357	106,449
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

16. TRADE DEBTS

Unsecured		
Considered good		
- Due from Associated Companies		
(note: 16.1)	1,531	11,561
- Others	16,846	3,533
Considered doubtful	1,731	1,301
	-----	-----
	20,108	16,395
Provision for doubtful debts	1,731	1,301
	-----	-----
	18,377	15,094
	=====	=====

16.1 The maximum amount due from Associated Companies at the end of any month during the year was Rs. 6.144 million (1997: Rs. 40.931 million).

17. ADVANCES AND DEPOSITS

Advances (Unsecured - considered good)		
Executives (Note: 17.1)	36	125
Employees	328	383
Subsidiary (Note: 17.2)	10,999	11,510
Suppliers	8,729	13,207
Imports	4	358
Income tax (Note: 17.3)	13,330	17,115
Purchase of land	1,453	1,453
Others	191	134
	-----	-----
	35,070	44,285
Deposits		
Margin against letters of credit	41	41
Security deposits	1,558	951

1,599	992
36,669	45,277

17.1 The maximum amount due from executives at the end of any month during the year was Rs. 0.036 million
(1997: Rs. 0.110 million).

17.2 The maximum amount due from subsidiaries at the end of any month during the year was Rs. 14.045 million
(1997: Rs. 31.823 million)

17.3 Advance income tax	41,936	44,196
Less: Provision for taxation	28,606	27,081
	13,330	17,115

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

18. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	849	1,444
Due from Subsidiary Company (Note: 18.1)	3,109	2,512
Other receivables (Considered good)	1,070	1,244
	5,028	5,200

18.1 The maximum amount due from a subsidiary at the end of any month during the year was Rs. 3.109 million
(1997: Rs. 3.259 million).

19. CASH AND BANK BALANCES

Cash in hand	70	248
Cash with banks in current accounts	2,368	2,031
	2,438	2,279

20. SALES (NET)

Sales - local	64,220	64,530
- export	41,890	88,454
	106,110	152,984
Less: Commission and discount on sales	3,257	1,213
	102,853	151,771

21. COST OF SALES

Raw materials and components consumed		
Opening stock	80,531	71,524
Purchases	41,309	119,240
Transferred from subsidiaries at cost	4,163	--
	-----	-----
	126,003	190,764
Closing stock	(62,897)	(80,531)
	-----	-----
	63,106	110,233
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

Stores and spares consumed	931	2,572
Salaries, wages and other benefits	21,269	19,248
Rent, rates and taxes	379	506
Insurance	856	1,778
Fuel and power	1,499	1,736
Repairs and maintenance	1,213	592
Depreciation	3,613	3,952
Inspection and testing	192	201
Printing and stationery	257	310
Travelling and conveyance	1,017	1,124
Postage, telephone and telex	828	1,219
Consultancy	23	5
Other manufacturing expenses	339	161
	-----	-----
	32,416	33,404
	-----	-----
	95,522	143,637
Work in process		
Opening stock	17,857	13,165
Transferred from subsidiary at cost	297	--
Closing stock	(15,022)	(17,857)
	-----	-----
	3,132	(4,692)
	-----	-----
Cost of goods manufactured	98,654	138,945
Finished goods		
Opening stock	8,061	4,768
Transferred from subsidiary at cost	2,147	--
Closing stock	(1,438)	(8,061)
	-----	-----
	8,770	(3,293)
	-----	-----
	107,424	135,652
	=====	=====

22. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	10,340	9,394
Rent, rates and taxes	379	506
Repairs and maintenance	516	1,281
Insurance	151	314
Depreciation	2,187	2,521
Travelling and conveyance	2,389	2,617
Auditors remuneration (Note: 22.1)	185	199
Legal and professional charges	668	514
Advertising and sales promotion	177	468
Donation (Note: 22.2)	26	8
Subscriptions	340	595

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

Entertainment	831	991
Light and water	1,172	1,025
Printing and stationery	257	310
Postage, telegram, telephone and telex	827	1,219
Free guarantee replacement	167	92
Packing	1,753	1,220
Securities expenses	401	54
Provision for doubtful debts	430	51
Charges for late deliveries	2,062	3,587
Demurrage charges	264	--
Late payment surcharge imposed by Sales tax authorities	480	1,422
Others	1,799	1,260
	-----	-----
	27,801	29,648
	=====	=====

22.1 Auditors' remuneration

Audit fee	120	120
Taxation services	45	59
Out of pocket expenses	20	20
	-----	-----
	185	199
	=====	=====

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

23. OTHER INCOME

Liabilities no longer payable written back	529	--
Sale of scrap	197	187
Profit on disposal of fixed assets	3,668	2,047
Commission income	--	1,210
Miscellaneous	379	112
	-----	-----

4,773	3,556
=====	=====

<i>JUNE 30,</i>	<i>JUNE 30,</i>
<i>1998</i>	<i>1997</i>
<i>(Rupees in thousands)</i>	

24. FINANCIAL CHARGES

Interest on workers' profit participation fund	10	9
Interest on unsecured long term loan	1,438	917
Mark-up on finance lease	797	1,354
Mark-up on secured short term loans and running finances	21,560	21,323
Interest on Provident Fund	238	261
Excise duty	--	628
SBP penalty on running finance	473	--
Bank charges	932	2,250
	-----	-----
	25,448	26,742
	=====	=====

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 DIRECTORS, 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:

	<i>Chief executive</i>		<i>Directors</i>		<i>Executives</i>		<i>Total</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>(Rupees in thousands)</i>							
Managerial remuneration	600	491	226	255	1,463	1,344	2,289	2,090
Retirement benefits and provident fund contributions	50	77	19	23	89	106	158	206
Housing	270	221	102	80	598	401	970	702
Utilities	--	266	23	18	133	89	156	373
Leave passages	--	--	30	--	87	43	117	43
Medical expenses	--	24	66	9	76	39	142	72
Club subscription	55	35	9	4	1	2	65	41
	-----	-----	-----	-----	-----	-----	-----	-----
	975	1,114	475	389	2,447	2,024	3,897	3,527
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	7	7	9	9
	=====	=====	=====	=====	=====	=====	=====	=====

b) The aggregate amount charged in these accounts in respect of directors fee to 2 (1997: 2) non executive directors amounted to Rs.2,000 (1997: Rs. 2,000).

c) One non executive director was paid Rs. 120,000 (1997: Rs. 120,000) as consultancy fee.

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

27. TRANSACTIONS WITH ASSOCIATED COMPANIES

The Company completed following transactions with Associated Companies in the normal course of business:

	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
	<i>(Rupees in thousands)</i>	
Transfer of stock and stores from Subsidiaries at cost	11,503	16,880
Sales of goods and services	2,377	56,059
Commission income	--	1,210
Sale of fixed assets	--	285

28. GENERAL

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

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

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

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

<i>Particulars</i>	<i>Johnson And Phillips Industries (Pakistan) Limited</i>	<i>Johnson And Phillips Transformers (Private) Limited</i>	<i>J&P EMO Pak (Private) Limited</i>
--------------------	---	--	--

(Rupees in thousand)

a) Extent of 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, 1998.

- For the current financial period of the subsidiary.	(17,360)	(9,913)	(1,091)
- For the previous periods but subsequent to the acquisition of controlling interest by the holding company.	(44,280)	(19,657)	(833)
c) The net aggregate amount of profits / (losses) of the subsidiary. companies so far as these have been dealt with or provision made for losses in the account of the holding company for the year ended June 30, 1998.			
- For the current financial year of the subsidiaries.	(5,000)	(5,000)	--
- For previous years but subsequent to the acquisition of controlling interest by the holding company.	(5,000)	(3,425)	(510)
d) Audited financial statements of subsidiaries for the period ended June 30, 1998.	Attached	Attached	Attached

CHIEF EXECUTIVE

DIRECTOR

10 YEARS COMPARATIVE RESULTS

<i>Year Ended March 31</i>	<i>Sales Rs. 000'</i>	<i>Profit/(Loss) after tax Rs. 000'</i>	<i>Dividend %</i>	<i>Rs. 000'</i>	<i>Bonus Shares</i>
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	5.45	--
<i>Year Ended June 30</i>					
1996	188,792	(5,346)	--	--	--

1997	151,771	(50,279)	--	--	--
1998	102,853	(63,283)	--	--	--

***PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998***

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
415	1	100	15,497
323	101	500	83,121
112	501	1000	79,503
107	1001	5000	207,110
14	5001	10000	85,867
2	10001	15000	26,650
3	15001	20000	52,691
1	20001	25000	20,780
0	25001	35000	0
2	35001	40000	76,177
3	40001	45000	127,441
0	45001	50000	0
1	50001	55000	54,061
1	55001	60000	55,382
0	60001	70000	0
1	70001	75000	73,221
0	75001	105000	0
1	105001	110000	109,163
0	110001	200000	0
1	200001	205000	203,973
0	205001	250000	0
1	250001	255000	251,372
0	255001	1205000	0
1	1205001	1210000	1,208,427
0	1210001	2715000	0
1	2715001	2720000	2,719,536
-----			-----
990			5,449,972
=====			=====

***Categories of
Shareholders***

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	974	1,373,887	25.20
Investment Companies	5	56,985	1.05
Insurance Companies	3	85,866	1.58
Joint Stock Companies (Local)	2	4,186	0.08
Joint Stock Companies (Foreign)	1	2,719,536	49.90
Financial Institution/Banks	2	1,208,809	22.18
Administrator Abandoned (Government of Pakistan)	1	701	0.01
Others (See Belows)	2	2	0.00
	-----	-----	-----

	990	5,449,972	100.00
	=====	=====	=====
Others:			
Corporate Law Authority	1		
Pakistan Shareholders Association	1		

	2		
	=====		

JOHNSON & PHILLIPS INDUSTRIES (PAKISTAN) LIMITED

DIRECTORS' REPORT

The Directors of your Company are pleased to present the annual report alongwith the audited accounts for the year ended June 30, 1998.

OPERATIONAL RESULTS

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

		<i>RUPEES</i>	
		<i>(000)</i>	
Net loss for the year			(17,342)
Provision for taxation	- current	(1)	
	- prior	(17)	(18)
		-----	-----
Net loss after taxation			(17,360)
Accumulated loss brought forward			(44,280)
		-----	-----
Accumulated loss carried over to balance sheet			(61,640)
			=====

DIVIDENDS

The Directors propose not to declare a dividend due to loss sustained during the year under review.

PERFORMANCE REVIEW

Keeping in view the circumstances mentioned hereunder which were beyond the control of the management of your Company and were adversely effecting the Company's financial position the management decided against recommencing the manufacturing operations:-

The utility companies WAPDA and K.E.S.C. are still facing acute financial problems.

* No finances are available for new projects or orders with the utilities companies.

* Payments from utility companies were delayed beyond expectations.

* Virtually no further orders in the private sector projects.

* Rigid attitude adopted by banks and financial institutions for normal approved facilities.

AUDITORS' QUALIFICATION

The Management is negotiating restructuring proposals with the lenders and expect that a package shall be agreed. The existing plans are to sell surplus assets and use the proceeds to pay some of the debts and use the balance as working capital for resumption of operations. In the opinion of the Management the Company can be turned around if the economic and market conditions improve.

CHANGES IN THE BOARD OF DIRECTORS

The following changes in the Board of Directors of your Company occurred during the period:

<u>Name of resigning Director</u>	<u>Name of Director appointed</u>
Mr. Bilal Ahmed Qureshi	Mr. Saiyed Hashim Ishaque
Mr. Saiyed Hashim Ishaque	Mr. Nadim S. Quraishi
Mr. H. U. Beg	Mr. Azizur Rahman
Mr. Muhammad Anwar Shafi	Mr. Mohammad Asad Khan
Mr. Abdur Rehman Khan	Mr. Ahmed Bilal Malik
Mr. Rashid Y. Chinoy	Mr. Riaz Mohammad Khan

FUTURE PROSPECTS

The management is confident that after anticipated restructuring of WAPDA and K.E.S.C the company is expected to receive orders. Furthermore, once economic activity is revived in the country on the whole, the demand for our products will increase and therefore generate business cycle because of which we will be able to recoup our losses and look forward to a profitable period.

EARNING PER SHARE

Earnings per ordinary share of Rs. 10 each is in negative at Rs. 5.79 due to the loss of the year.

HOLDING COMPANY

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

INDUSTRIAL RELATIONS

The Directors wish to place on record their appreciation of the dedication, hard work and efficient services rendered by the executives, officers, staff members and employees specially the workers for their devotion, sense of responsibility and loyalty in promoting the Company's objectives during the period.

YEAR 2000 COMPLIANCE

Appropriate measures have been taken for necessary modification in the softwares. Your company shall be Y2K compliant in due course.

AUDITORS

We thank Messrs. Ebrahim & Co., Chartered Accountants, retiring auditors of the company for their valuable services. The Directors propose the appointment of Messrs. Mansha Mohsin Dossani Khan & Co., Chartered accountants as auditors for the ensuing year 1998-1999.

PATTERN OF SHAREHOLDING

The Pattern of shareholding in prescribed form is included in this report.

***On behalf of the
Board of Directors***

Karachi
Dated: 3rd June, 1999

***(Ahmed Bilal Malik)
Chief Executive***

***PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998***

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
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	Nil
1	1,000,001	5,000,000	2,999,993
-----			-----
8			3,000,000
=====			=====

Categories of

Shareholders

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	7	7	--
Joint Stock Company	1	2,999,993	100,000
	-----	-----	-----
	8	3,000,000	100,000
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the annexed balance sheet of JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position (cash flow statement) together with the notes forming part thereof, for the year then ended.
2. The Company ceased production in July 1998. The accumulated losses of the Company aggregating to Rs. 61.640 million have wiped out the equity and current liabilities aggregating to Rs. 72.921 million exceed the current assets by Rs. 47.802 million. These factors together with the information given in Note: 1.2 indicate that the Company is not a going concern. The accounts do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities.
3. Except for the matter referred in para 2 above, we state that we have obtained all the information and explanation 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 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 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:

d) because of the significance of matter referred in para 2 above regarding the ability of the Company to continue as a going concern, in our opinion. the balance sheet, profit and loss account and the statement of changes in financial position together with the notes forming part thereof do not present fairly the state of the Company's affairs as at June 30, 1998 and of the loss and changes in financial position for the year then ended; and

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

KARACHI
DATED: 3rd June, 1999

EBRAHIM & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1998

	<i>NOTES</i>	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
		<i>(Rupees in thousands)</i>	
<i>SHARE CAPITAL AND RESERVES</i>			
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)		(61,640)	(44,280)
		-----	-----
		(31,640)	(14,280)
<i>ADVANCE AGAINST SHARE ISSUE</i>		20,000	20,000
<i>SURPLUS ON REVALUATION OF FIXED ASSETS</i>		2.20	2,200
<i>LONG TERM LOAN</i>	4	9,741	11,906
<i>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</i>	5	271	712
<i>DEFERRED LIABILITY</i>			
Staff gratuity		104	104

CURRENT LIABILITIES

Current portion of long term loan and finance lease		5,948	3,599
Short term loan	6	34,924	34,916
Creditors, accrued and other liabilities	7	31,931	24,632
Provision for taxation		118	238
		-----	-----
		72,921	63,385

CONTINGENCIES AND COMMITMENTS

	10	-----	-----
		73,597	84,027
		=====	=====

NOTES **JUNE 30,** **JUNE 30,**
1998 **1997**
(Rupees in thousands)

TANGIBLE FIXED ASSETS	9	48,197	51,372
LONG TERM DEPOSITS			
Security deposits		281	281
CURRENT ASSETS			
Consumable stores		182	649
Tools and dies		2,590	5.70
Stock in trade	10	5,795	12,483
Trade debts	11	5,901	3,095
Advances and deposits	12	9,143	8,733
Prepayments		--	213
Cash and bank balances	13	1,508	1,500
		-----	-----
		25,119	32,374
		-----	-----
		73,597	84,027
		=====	=====

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

KARACHI

DATED: 3rd June 1999

Chief Executive

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998

NOTES **JUNE 30,** **JUNE 30,**
1998 **1997**
(Rupees in thousands)

Sales (Net)	14	247	24,085
Cost of sales	15	3,743	26,166

Gross (loss)		(3,496)	(2,081)
Administrative and selling expenses	16	1,854	5,917
Operating loss		(5,350)	(7,998)
Other income	17	699	780
		(4,651)	(7,218)
Financial charges	18	12,691	10,087
Net loss for the year		(17,342)	(17,305)
Provision for taxation			
Current		1	121
Prior		17	--
		18	121
Net loss after taxation		(17,360)	(17,426)
Accumulated (losses brought) forward		(44,280)	(26,854)
Accumulated (losses) carried over to balance sheet		(61,640)	(44,280)

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

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

***STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998***

***JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)***

CASH FLOW FROM OPERATING ACTIVITIES

Net (loss) for the period	(17,342)	(17,305)
Adjustments for items not involving movement of funds		
Depreciation	3,175	2,287
Provision for gratuity	79	39
	(14,088)	(14,979)
<i>Decrease/(Increase) in current assets</i>		
Consumable stores, tools and dies	3,578	164
Stock in trade	6,688	9,897
Trade debts	(2,806)	822
Advances and deposits	(548)	5,503
Prepayments	213	(829)
	7,125	15,557

Decrease/(Increase) in current liabilities

Creditors, accrued and other liabilities	7,220	6,995
	-----	-----
	257	7,573
Taxes paid	--	(573)
	-----	-----
Net increase in cash from operating activities	257	7,000

CASH FLOW FROM INVESTING ACTIVITIES

Addition to fixed assets and capital work in progress	--	(8,305)
Long term deposit	--	(130)
	-----	-----
Net cash from investing activities	--	(8,435)

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

CASH FLOW FROM FINANCING ACTIVITIES

Long term loan	--	352
Short term borrowings and running finances	8	(478)
Liabilities against assets subject to finance lease	(257)	712
	-----	-----
Net cash from financing activities	(249)	586
Net increase/(decreases) in cash and cash equivalents	8	(849)
Cash and cash equivalents at the beginning of the year	1,500	2,349
	-----	-----
Cash and cash equivalents at the end of the year	1,508	1,500
	=====	=====

DATED: 3rd June, 1999

CHIEF EXECUTIVE**DIRECTOR****NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998****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 ceased production in July, 1997. The ability of the Company to resume production and continue as a going concern is dependent on the following significant factors:

(a) negotiate a package with the lenders for restructuring existing debt obligations on reasonable terms

including arrangements for working capital to facilitate commencement of production.

(b) negotiate profitable contracts with the utility companies who are the primary customers of the Company.

The Management is in the process of negotiating a package with the lenders for rescheduling current overdue debts on more favourable terms. As regards future business potential, because of adverse economic conditions of the industry in general and of the utility companies in particular, the Management is of the opinion that they may not be able to procure contracts in the foreseeable future at the desired level of profitability.

Under these circumstances, the Management is of the opinion that they have no alternatives but to streamline the asset base of the Company by disposing surplus assets at market values and using the proceeds to clear interest bearing and other current debts. A plan of action in this regard is under preparation for formal approval and implementation.

The financial statements are prepared on going concern basis and, therefore, do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities.

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 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 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 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 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.

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, JUNE 30,
1998 1997
(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 (1997: 3,000,000) ordinary shares of the Company representing 100% (1997: 100%) of the issued, subscribed and paid up capital are held by the Holding Company, Johnson and Phillips (Pakistan) Limited.

4. LONG TERM LOAN

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

	15,153	15,153
	5,412	3,247
	-----	-----
	9,741	11,906

=====

4.1 This loan is secured against first mortgage charge on the entire immovable property of the Company, first floating charge on all business undertakings and other assets and properties of the Company and hypothecation of all moveable and immovable 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. 8.761 million if the installments are paid on due dates.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Opening balance	1,064	--
Add: Additions during the year	--	1,295
	-----	-----
	1,064	1,295
Less: Payments during the year	257	231
	-----	-----
	807	1,064
Less: Shown under current liabilities payable within one year	536	352
	-----	-----
	271	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.0.939 million inclusive of mark-up are payable in equal monthly installments latest by October 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 assets is borne by the Company.

The above liability is secured against demand promissory notes.

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

6. SHORT TERM LOAN AND RUNNING FINANCE

Secured		
Short term loan		
Financial institution (Note: 6.1)		
	34,924	34,916
	=====	=====

6.1 This is secured against hypothecation of stock, first charge on fixed assets including pari passu and lien on book debts. The borrowing carries mark-up at 65 paisas per rupees thousand per diem and total sanctioned

limit is Rs.35.00 million (1997: Rs. 35.00 million).

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	4,732	6,939
Accrued expenses	325	350
Advances from customers	355	1,779
Accrued mark-up and excise duty on secured liabilities	23,661	11,110
Due to Holding Company	--	107
Due to Director	1,754	1,754
	-----	-----
Other liabilities		
Sales tax payable	31	1.94
Income tax deducted at source	493	616
Unclaimed gratuity,	79	--
Others	501	34
	-----	-----
	1,104	2,593
	-----	-----
	31,931	24.63
	=====	=====

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. 1.381 million (1997: Rs. 1.230 million).

8.2 Commitments

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

9. TANGIBLE FIXED ASSETS (Rupees in thousands)

11.1 The following is a statement of tangible fixed assets:

PARTICULARS	COST/REVALUATION				RATE %	DEPRECIATION		WRITTEN DOWN	
	COST AS AT JULY 01, 1997	ADDITIONS	(DISPOSALS)	AS AT JUNE 30, 1998		AS AT JUNE 30, 1997	FOR THE YEAR	AS AT JUNE 30, 1998	VALUE AS AT JUNE 30, 1998
Owned									
Operating									
Free hold land (Note: 9.2)	5,100	--	--	5,100	--	--	--	--	5,100
Building	30,814	--	--	30,814	5	2,570	1,541	4,111	26,703
Plant and machinery	5,835	--	--	5,835	10	2,608	583	3,191	2,644
Electric installation	466	--	--	466	10	140	47	187	279
Factory tools	336	--	--	336	20	197	67	264	72
Furniture and fitting	49	--	--	49	20	34	10	44	5
Office and other equipment	544	--	--	544	20	285	109	394	150

Non-operating Plant and machinery (Note: 9.3)	13,768	--	--	13,768	5	2,409	688	3,097	10,671
Capital work in progress Plant and machinery (Note: 9.4)	1,501	--	--	1,501	--	--	--	--	1,501
	58,413	--	--	58,413		8,243	3,045	11,288	47,125
Leased Assets Plant and machinery	1,295	--	--	1,295	10	93	130	223	1,072
TOTAL - (Rs.000's) 1998	59,708	--	--	59,708		8,336	3,175	11,511	48,197
TOTAL - (Rs.000's) 1997	51,403	25,160	(16,855)	59,708		6,049	2,287	8,336	51,372

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

9.1 Depreciation has been allocated as follows:

Cost of sales	2,770	1,941
Administrative and selling expenses	405	346
	3,175	2,287

9.2 The Management has professionally revalued the freehold land as on June 30, 1995 as a consequence of which the asset has been written upto Rs. 5.100 million. Revaluation surplus amounting to Rs. 2.200 million is included in the book value of freehold land with corresponding amounts appearing as "Surplus on revaluation of fixed assets".

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 (1997: Rs. 0.688 million).

9.4 The installation of the plant and machinery was not completed because production ceased in July, 1997.

10. STOCK IN TRADE

Raw material	4,896	9,141
Work in process	--	871
Finished goods	899	2,471
	5,795	12,483

11. TRADE DEBTS

Unsecured - considered good Holding Company	3,363	--
--	-------	----

Others	2,538	3,095
	-----	-----
	5,901	3,095
	=====	=====

12. ADVANCES AND DEPOSITS

Advances (Unsecured - considered good)

To Staff	42	46
To suppliers (Note: 12.1)	8,416	7,924
Against rent	--	10
Income tax	615	753
	-----	-----
	9,073	8,733

Deposit

Guarantee margin	70	--
	-----	-----
	9,143	8,733
	=====	=====

12.1 These include balance due from associated companies amounting to Rs. 7.791 million (1997:7.297 million).

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

13. CASH AND BANK BALANCES

Cash in hand

Cash with banks	15	238
in current accounts	1821	1101
in fixed deposit accounts (Note: 13.1)	1,311	1,152
	-----	-----
	1,493	1,262
	-----	-----
	1,508	1,500
	=====	=====

13.1 There is a lien on this fixed deposit for the guarantee issued by a bank.

14. SALES (NET)

Sales	278	30,238
Less: Commission on sales	--	2,737
Sales tax	31	3,416
	-----	-----
	31	6,153
	-----	-----
	247	24,085
	=====	=====

15. COST OF SALES

Raw material consumed (Note: 15.1)	62	21,205
Store and spares consumed	336	300
Salaries and other benefits	369	2,240
Insurance	179	168
Fuel and power	4	344
Repair and maintenance	4	62
Depreciation	2,770	1,941
Loading and handling	20	99
Clearing and forwarding	--	177
Painting and welding LT panel	--	437
Other manufacturing expenses	--	67
	-----	-----
	3744	27,040
Work in process		
Opening stock	871	2,456
Transferred to Holding Company at cost	(297)	--
Closing stock	--	(871)
	-----	-----
	574	1,585

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

Cost of goods manufactured	4,318	28,625
Finished goods		
Opening stock	2,471	978
Transferred to Holding Company at cost	(2,147)	
Closing stock	(899)	(2,471)
	-----	-----
	(575)	(1,493)
Recoveries of conversion cost		
Holding Company	--	(966)
	-----	-----
	3,743	26,166
	=====	=====

15.1 Raw material consumed

Opening stock	9,141	18,445
Add: Purchases	62	11,901
	-----	-----
	9,203	30,346
	-----	-----
Less: Returned to suppliers	924	--
Closing Stock	4,896	9,141
Transferred to Holding Company at cost	3,321	--
	-----	-----
	9,141	9,141
	-----	-----
	62	21,205
	=====	=====

16. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	859	3,178
Rent, rates and taxes	110	94
Repair and maintenance	3	120
Insurance	26	168
Travelling and conveyance	14	143
Audit fee.	35	35
Legal and professional	140	64
Newspapers and periodicals	2	13
Entertainment	48	77
Electricity expense	11	230
Postage and telephone	42	219
Packing charges	2	94
Freight and dispatch	20	167
Transportation and loading	27	303
Printing and stationery	2	128

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

Depreciation	405	346
Zakat	2	2
Advertisement	4	--
Bad debts expenses	38	--
Penalties on sales tax	--	356
Miscellaneous	64	180
	-----	-----
	1,854	5,917
	=====	=====

17. OTHER INCOME

Service income	--	242
Scrap sales	51	277
Profit on bank deposit	9	48
Exchange gain	209	--
Miscellaneous	74	213
Penalties of sales tax no longer payable written back	356	--
	-----	-----
	699	780
	=====	=====

18. FINANCIAL CHARGES

Mark-up on long term loan	4,321	2,160
Mark-up on short term borrowing and running finances	8,193	6,930
Mark-up on finance lease	176	151
Excise duty on running finance	--	676
Bank charges	1	164

Commitment fee	--	6
	-----	-----
	12,691	10,087
	=====	=====

19. GENERAL

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

Corresponding figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

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

DIRECTORS' REPORT

The Directors of your Company are pleased to present the annual report alongwith the audited accounts for the year ended June 30, 1998.

OPERATIONAL RESULTS

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

		<i>RUPEES</i>	
		<i>(000)</i>	
Net loss for the year			(13,300)
Provision for taxation	- Current	(64)	
	- Prior	(5)	
	- Deferred	(793)	(862)
		-----	-----
Net loss after taxation			(14,162)
Accumulated loss brought forward			(28,082)
		-----	-----
Accumulated loss carried forward			(42,244)
		=====	=====

DIVIDENDS

The Directors propose not to declare a dividend due to loss sustained during the year under review.

PERFORMANCE REVIEW

Keeping in view that the management's efforts did not materialise due to continued poor liquidity position of the utility companies, the management decided to close down its manufacturing operations. The management has also taken

various other steps to slash costs and curtail expenditure.

AUDITORS' QUALIFICATION

1. The management is negotiating proposals with the lenders and expect that a package shall be agreed. The existing plans are to sell surplus assets and use the proceeds to pay some of the debts and use the balance as working capital for resumption of operations. In the opinion of the Management the Company can be turned around if the economic and market conditions improve.

2. The amount under "Receivable from ex-Management" represents payments which are considered as unverified 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.

3. The amounts stated in the accounts are determined after physical verification of inventories and carrying out proper cut off tests on purchases. In the opinion of the Management the consumption amounts are fairly stated.

CHANGES IN THE BOARD OF DIRECTORS

The following changes in the Board of Directors of your Company occurred during the period:

Name of resigning Director

Mr. Bilal Ahmed Qureshi.
Mr. Saiyed Hashim Ishaque
Mr. H. U. Beg
Mr. Abdur Rehman Khan
Mr. Rashid Y. Chinoy

Name of Director appointed

Mr. Saiyed Hashim Ishaque
Mr. Nadim S. Quraishi
Mr. Shehryar Anwer Saeed
Mr. Ahmed Bilal Malik
Mr. Riaz Mohammad Khan

FUTURE PROSPECTS

The management is confident that after anticipated restructuring of WAPDA and K.E.S.C the company is expected to receive orders. Furthermore, once economic activity is revived in the country on the whole, the demand for our products will increase and therefore generate business cycle because of which we will be able to recoup our losses and look forward to a profitable period.

EARNING PER SHARE

Earnings per ordinary share of Rs. 10 each is in negative at Rs. 4.72 due to the loss of the year.

HOLDING COMPANY

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

INDUSTRIAL RELATIONS

The Directors wish to place on record their appreciation of the dedication, hard work and efficient services rendered by the executives, officers, staff members and employees specially the workers for their devotion, sense of responsibility and loyalty in promoting the Company's objectives during the period

YEAR 2000 COMPLIANCE

Appropriate measures have been taken for necessary modification in the softwares. Your company shall be Y2K compliant in due course.

AUDITORS

We thank Messrs. Ebrahim & Co., Chartered Accountants, retiring auditors of the company for their valuable services. The Directors propose the appointment of Messrs. Mansha Mohsin Dossani Khan & Co., Chartered accountants as auditors for the ensuring year 1998-1999.

PATTERN OF SHAREHOLDING

The Pattern of shareholding in prescribed form is included in this report.

*On behalf of the
Board of Directors*

Karachi
Dated: 3rd June, 1999

*(Nadim S. Quraishi)
Chief Executive*

PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
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	Nil
1	1,000,001	5,000,000	2,099,995
----- 10			----- 3,000,000
=====			=====

**Categories of
Shareholders**

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	9	900,005	30.00
Joint Stock Company	1	2,099,995	70.00
	----- 10	----- 3,000,000	----- 100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the annexed balance sheet of JOHNSON AND PHILLIPS TRANSFORMERS (PRIVATE) LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position (cash flow statement), together with the notes forming part thereof, for the year then ended.
2. The Company ceased production in February 1998. The accumulated losses of the Company aggregating to Rs. 42.244 million have wiped out the equity and current liabilities aggregating to Rs. 79.456 million exceed the current assets by Rs. 33.415 million. These factors together with the information given in Note: 1.3 indicate that the Company is not a going concern. The accounts do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities.

3. 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.

4. In the absence of proper records of consumption of raw material the valuation of stock in trade has been determined on the basis of physical verification of year end quantities of stocks.

5. Except for the matters referred in paras 2 to 4 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 purposes 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 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;

d) because of the significance of matter referred in para 2 above regarding the ability of the Company to continue as a going concern, in our opinion, the balance sheet, profit and loss account and the statement of changes in financial position together with the notes forming part thereof do not present fairly the state of the Company's affairs as at June 30, 1998 and of the loss and changes in financial position for the year then ended; and

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

KARACHI
DATED: 3rd June, 1999

EBRAHIM & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1998

<i>NOTES</i>	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
	<i>(Rupees in thousands)</i>	
<i>CAPITAL AND RESERVES</i>		
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)		(42,244)	(28,082)
		-----	-----
		(12,244)	(1,918)
DEFERRED LIABILITY	4	919	857
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance leases			1,117
Short term loan and running finances	5	28,419	30,262
Creditors, accrued and other liabilities	6	50,322	46,692
Provision for taxation		715	779
		-----	-----
		79,456	78,850
CONTINGENCIES AND COMMITMENTS	7		
		-----	-----
		68,131	81,625
		=====	=====

NOTES **JUNE 30,** **JUNE 30,**
1998 **1997**
(Rupees in thousands)

TANGIBLE FIXED ASSETS	8	21,925	25,761
LONG TERM DEPOSITS			
Security deposits		165	455
CURRENT ASSETS			
Consumable stores		21	21
Stock in trade	9	29,224	35,657
Trade debts	10	4,905	6,549
Advances	11	2,834	3,476
Prepayments and other receivables	12	9,012	9,123
Cash and bank balances	13	45	583
		-----	-----
		46,041	55,409
		-----	-----
		68,131	81,625
		=====	=====

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

KARACHI

DATED: 3rd June 1999

Chief Executive

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998

	<i>NOTES</i>	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
		<i>(Rupees in thousands)</i>	
Sales (Net)	14	12,889	25,773
Cost of sales	15	12,976	23,871
		-----	-----
Gross (loss)/profit		(87)	1,902
Administrative and selling expenses	16	7,645	7,225
		-----	-----
Operating (loss)		(7,732)	(5,323)
Other income	17	1,183	1,072
		-----	-----
		(6,549)	(4,251)
Financial charges	18	6,751	7,402
		-----	-----
Net (loss) for the year		(13,300)	(11,653)
Provision for taxation			
Current		64	129
Prior		5	287
Deferred		793	
		-----	-----
		862	416
		-----	-----
Net loss after taxation		(14,162)	(12,069)
Accumulated (losses) brought forward		(28,082)	(16,013)
		-----	-----
Accumulated (losses) carried over to balance sheet		(42,244)	(28,082)
		=====	=====

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

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

***STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998***

	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
	<i>(Rupees in thousands)</i>	
<i>CASH FLOW FROM OPERATING ACTIVITIES</i>		
Net (loss) for the year before taxation	(13,300)	(11,653)
Adjustments for items not involving movement of funds		
Depreciation	3,557	3,367
Provision for gratuity (Net)	(731)	(116)
Gain on sale of fixed assets	(872)	--
	-----	-----
	(11,346)	(8,402)

Decrease/(Increase) in current assets

Consumable stores	--	347
Stock in trade	6,433	4,208
Trade debts	1,644	(697)
Advances	509	340
Prepayments and other receivables	111	460
	-----	-----
	8,697	4,658

Increase in current liabilities

Creditors, accrued and other liabilities	3,630	769
	-----	-----
Net cash from operating activities before tax	981	(2,975)
Taxes paid	--	(40)
	-----	-----
Net cash from operating activities after tax	981	(3,015)

CASH FLOW FROM INVESTING ACTIVITIES

Addition to fixed assets and capital work in progress	(292)	(2,687)
Sale proceeds on sale of fixed assets	1,443	--
Long term deposits	290	(7)
	-----	-----
Net cash from investing activities	1,441	(2,694)

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of liabilities against assets subject to finance lease	(1,117)	(970)
Short term loans and running finances	(1,843)	6,753
	-----	-----
Net cash from financing activities	(2,960)	5,783
Net (decreases)/increase in cash and cash equivalents	(538)	74
Cash and cash equivalents at the beginning of the year	583	509
Cash and cash equivalents at the end of the year	-----	-----
	=====	=====

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1998

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, 1997 there was a change in management of the Company. The Ex-management was requested to furnish documents, information and explanations in relation to various matters pertaining to the books of accounts of the Company. As the Ex-management have not responded to all the requirements of the Management and the auditors, amounts under stock-in-trade, trade debts, advances and trade creditors 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 ceased production in February, 1998. The ability of the Company to resume production and continue as a going concern is dependent on the following significant factors:

(a) negotiate a package with the lenders for restructuring existing debt obligations on reasonable terms including arrangements of working capital to facilitate commencement of production.

(b) negotiate profitable contracts with the utility companies who are the primary customers of the Company.

The Management is in the process of negotiating a package with the lenders for rescheduling debts on more favourable terms. As regards future business potential, because of adverse economic conditions of the industry in general and of the utility companies in particular, the Management is of the opinion that they may not be able to procure contracts in the foreseeable future at the desired level of profitability.

Under these circumstances the Management is of the opinion that they have no alternatives but to streamline the asset base of the Company by disposing surplus assets at market values and using the proceeds to clear interest bearing and other current debts. A plan of action in this regard is under preparation for formal approval and implementation.

The financial statements are prepared on going concern basis and, therefore, do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities.

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 was 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. Provision for minimum tax under the Income Tax Ordinance, 1979 has been made in these accounts at prescribed rate on sales.

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

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 disposal of assets during the period is charged from the month of acquisition to the month of disposal.

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

Major renewals are 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 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.

<i>JUNE 30,</i>	<i>JUNE 30,</i>
<i>1998</i>	<i>1997</i>
<i>(Rupees in thousands)</i>	

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 (1997: 2,100,000) ordinary shares of the Company representing 70% (1997: 70%) of the issued.

subscribed and paid up capital are held by the Holding Company, Johnson and Phillips (Pakistan) Limited.

4. DEFERRED LIABILITIES

Staff gratuity	126	857
Deferred taxation	793	--
	-----	-----
	919	857
	=====	=====

5. SHORT TERM LOANS AND RUNNING FINANCES

Secured		
Short term loan (Note: 5.1)	24,859	24,859
Short term running finance	--	1,843
	-----	-----
	24,859	26,70
Unsecured		
Others (Note: 5.2)	3,560	3,56
	-----	-----
	28,419	30,262
	=====	=====

5.1 The borrowing is secured against hypothecation of stocks and lien on book debts and repayment guarantee of Holding Company. The borrowing carries mark-up at 65 paisas per rupees thousand per diem and the total sanctioned amount is Rs. 25.000 million (1997: Rs. 30.000 million).

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

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors (Note: 6.1)	10,915	12,333
Accrued expenses	6,358	4,569
Mark-up and excise duty on short term loan and running finance	10,974	5,059
Mark-up on lease finance		59
Due to Holding Company	10,999	11,73
Due to Associated Company	7,328	6,809
Due to Director	500	1,100
Advances from customers	2,221	2,590

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

Other liabilities		
Workers' profit participation fund (Note: 6.2)	403	358
Sales tax payable	--	1,34
Others	624	751
	-----	-----
	1,027	2,447
	-----	-----

50,322	46,692
=====	=====

6.1 These include balance due to Associated Company amounting to Rs.5.424 million (1997:5.430 million).

6.2 Workers' profit participation fund

Balance brought forward	358	307
Interest credited at prescribed rate	45	51
	-----	-----
	403	358
	=====	=====

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

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

The liability for the amounts due to an Associated Company including unsecured loan, relating to Ex-Management has been recorded in the books at an amount of Rs. 8.984 million as against the amount of Rs. 16.724 million claimed by the Associated Company. The Company does not acknowledge the excess amount of claim by the Associated Company.

7.2 Commitments

There were no capital commitments as at balance sheet date.

8. TANGIBLE FIXED ASSETS (Rupees in thousands)

PARTICULARS	COST				RATE %	DEPRECIATION			WRITTEN DOWN	
	COST AS AT JULY 01, 1997	ADDITIONS	(DISPOSALS)	AS AT JUNE 30, 1998		AS AT JUNE 30, 1997	FOR THE YEAR	ADJUSTMENTS	AS AT JUNE 30, 1998	VALUE AS AT JUNE 30, 1998
Owned										
Land	3,709	--	--	3,709	--	--	--	--	--	3,709
Building	11,796	531	--	12,327	10	1,981	1,180	--	3,161	9,166
Plant and machinery	12,831	--	--	12,831	10	3,955	1,283	--	5,238	7,593
Tools and equipments	1,565	--	--	1,565	10	430	156	--	586	979
Office equipments	531	--	--	531	10	227	53	--	280	251
Furniture and fixture	158	--	--	158	20	33	32	--	65	93
Laboratory equipments	185	--	--	185	10	33	18	--	51	134
Vehicles	--	3,338	3,338	--	25	--	--	--	--	--
Capital work in progress										
Building	239	292	531	--		--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	31,014	4,161	3,869	31,306	--	6,659	2,722	--	9,381	21,925
Leased										
Vehicles	3,338	--	3,338	--	25	1,932	835	2,767	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL - (Rs.000's) 1998	34,352	4,161	7,207	31,306		8,591	3,557	2,767	9,381	21,925

TOTAL - (Rs.000's) 1997	31,665	4,831	2,144	34,352	5,224	3,367	--	8,591	25,761
-------------------------	--------	-------	-------	--------	-------	-------	----	-------	--------

8.1 Depreciation is allocated as follows:

	JUNE 30, 1998	JUNE 30, 1997
	<i>(Rupees in thousands)</i>	
Cost of sales	2,412	2,128
Administrative and selling expenses	1,145	1,239
	3,557	3,367

9. STOCK IN TRADE

Raw material and components	19,555	18,313
Work in progress	8,554	9,493
Finished goods	1,115	7,851
	29,224	35,657

10. TRADE DEBTS

Unsecured - considered good	4,905	6,549
-----------------------------	-------	-------

	JUNE 30, 1998	JUNE 30, 1997
	<i>(Rupees in thousands)</i>	

II. ADVANCES

(Unsecured-considered good)		
To staff	64	162
To suppliers	223	634
Against income tax	2,272	2,405
Against purchase of land	275	275
	2,834	3,476

12. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	--	117
Margin on letter of credit	890	890
Sales tax refundable	167	--
Margin on bills discounted	--	174
Receivable from Ex-management (Note: 12.1)	7,942	7,942
Due from Director	13	--

9,012	9,123
=====	=====

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

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

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 date. The present management does not accept these items and is of the opinion that the Ex-Management should refund the amounts. Accordingly, these items have been shown as "Receivable from Ex-Management". In the opinion of the Management, it would be possible to recover this amount from the Ex-Management as Rs.8.984 million is carried in the books of accounts as payable to one of the Ex-Management's Associated Company.

13. CASH AND BANK BALANCES

Cash in hand	34	39
Cash with banks in current accounts	11	544
	-----	-----
	45	583
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

14. SALES (NET)

Sales	14,730	31,337
Less: Commission on sales	203	1,042
Sales tax	1,638	4.52
	-----	-----
	1,841	5,564
	-----	-----
	12,889	25,773
	=====	=====

15. COST OF SALES

Raw material consumed (Note: 15.1)	--	10,856
Store consumed	261	556
Salaries, wages and other benefits	2,005	4,597
Carriage inward	31	153
Repair and maintenance	9	221
Consultancy	46	251
Inspection and testing	10	493

Depreciation	2,412	2,128
Electricity	336	1,230
Insurance	65	127
Other manufacturing expenses	126	271
	-----	-----
	5,301	20,883
Work in progress		
Opening stock	9,493	15,872
Closing stock	(8,554)	(9,493)
	-----	-----
	939	6,379
	-----	-----
Cost of goods manufactured	6,240	27,262
Finished goods		
Opening stock	7,851	5,734
Closing stock	(1,115)	(7,851)
	-----	-----
	6,736	(2,117)
Less: Recoveries of conversion cost from Holding Company	--	(1,274)
	-----	-----
	12,976	23,871
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

15.1 Raw material consumed

Opening stock	18,313	5,781
Add: Purchases during the year	2,084	23,388
	-----	-----
	20,397	29,169
Less: Transfer to Holding Company at cost	842	--
	-----	-----
	19,555	29,169
Less: Closing stock	19,555	18,313
	-----	-----
	--	10,856
	=====	=====

16. ADMINISTRATIVE AND SELLING EXPENSES

Director remuneration	--	63
Salaries and allowances	1,789	2,877
Rate and taxes	5	42
Repair and maintenance	363	946
Insurance	92	92
Depreciation	1,145	1,239
Travelling and conveyance	32	211

Freight and octroi	235	527
Audit fee	35	35
Legal and professional	192	135
Advertisement	1	2
Entertainment	46	54
Printing and stationery	--	78
Telephone and postage	35	168
Security service expenses	3	269
Fees and subscription	7	13
Penalty on sales tax	445	--
Demurrage	2,757	--
Research and development	174	413
Penalties on sales tax	117	--
Service charges	160	--
Miscellaneous expenses	12	61
	-----	-----
	7,645	7,225
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

17. OTHER INCOME

Service income	--	510
Scrap sales	218	353
Profit on deposits	--	17
Gain on sale of fixed assets	872	--
Other	93	192
	-----	-----
	1,183	1,072
	=====	=====

18. FINANCIAL CHARGES

Mark-up/interest on:		
Liabilities for finance leases	613	194
Short term loans and running finance	5,915	7,113
Workers' profit participation fund	45	51
Margin on bills discount charged	174	--
Bank charges	4	44
	-----	-----
	6,751	7,402
	=====	=====

19. GENERAL

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

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

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

***J&P EMO PAKISTAN
(PRIVATE) LIMITED***

DIRECTORS' REPORT

The Directors of your Company are pleased to present the annual report alongwith the audited accounts for the year ended June 30, 1998.

OPERATIONAL RESULTS

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

	<i>RUPEES</i> <i>(000)</i>
Net loss for the year	(2,133)
Provision for taxation	(6)

Net loss after taxation	(2,139)
Accumulated loss brought forward	(1,633)

Accumulated loss carried forward	(3,772)
	=====

DIVIDENDS

The Directors propose not to declare a dividend due to loss sustained during the year under review.

PERFORMANCE REVIEW

Despite the management's efforts the Company could not get turn-key projects. Efforts are also being made to enter into agreements with Pakistan Railways, Water & Sanitation Authority and Azad Kashmir Small Hydel Power Plants. Positive results of these efforts are expected with improvement in overall economic conditions.

AUDITORS' QUALIFICATION

The management is making every effort to procure contracts and expect that the Company shall be able to continue operations in the foreseeable future.

CHANGES IN THE BOARD OF DIRECTORS

The following changes in the Board of Directors of your Company occurred during the period:

Name of resigning Director

Mr. Bilal Ahmed Qureshi
Mr. Saiyed Hashim Ishaque
Mr. H. U. Beg

Name of Director appointed

Mr. Saiyed Hashim Ishaque
Mr. Riaz Mohammad Khan
Mr. Ahmed Bilal Malik

FUTURE PROSPECTS

The management is confident that after anticipated restructuring of WAPDA and K.E.S.C the company is expected to receive orders. Furthermore, once economic activity is revived in the country on the whole, the demand for our products will increase and therefore generate business cycle because of which we will be able to recoup our losses and look forward to a profitable period.

EARNING PER SHARE

Earnings per ordinary share of Rs. 10 each is in negative at Rs. 21.37 due to the loss of the year.

HOLDING COMPANY

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

INDUSTRIAL RELATIONS

The Directors wish to place on record their appreciation of the dedication, hard work and efficient services rendered by the executives, officers, staff members and employees specially the workers for their devotion, sense of responsibility and loyalty in promoting the Company's objectives during the period

YEAR 2000 COMPLIANCE

Appropriate measures have been taken for necessary modification in the softwares. Your company shall be Y2K compliant in due course.

AUDITORS

We thank Messrs. Ebrahim & Co., Chartered Accountants, retiring auditors of the company for their valuable services. The Directors propose the appointment of Messrs. Mansha Mohsin Dossani Khan & Co., Chartered Accountants as auditors for the ensuring year 1998-1999.

PATTERN OF SHAREHOLDING

The Pattern of shareholding in prescribed form is included in this report.

***On behalf of the
Board of Directors***

***(Ahmed Bilal Malik)
Chief Executive***

Karachi
Dated: 3rd June, 1999

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 1998

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
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

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	7	7	0.01
Foreign Companies	2	48,997	49.00
Joint Stock Company	1	50,996	51.00
	-----	-----	-----
	10	100,000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the annexed balance sheet of J&P EMO PAKISTAN (PRIVATE) LIMITED as at June 30, 1998 and the related profit and loss account and the statement of changes in financial position (cash flow statement) together with the notes forming part thereof; for the year then ended.

2. The accumulated losses of the Company aggregating to Rs.3.772 million has wiped out the equity and current liabilities aggregating to Rs. 3.220 million exceed the current assets by Rs.2.806 million. These factors together with the information given in Note: 1.2 indicate that there is significant uncertainty regarding the ability of the Company to continue as a going concern. Consequently adjustments would be required to the recorded asset amounts and classification of liabilities if the Management is unable to succeed in their efforts.

3. Except for the matters referred in para 2 above, we state that we have obtained all the information and explanations which to 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 except for the change in accounting policy explained in note 8.1 with which we concur;

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

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

c) Except for the effect of adjustments in respect of matters referred in para 2 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 together with the notes forming pan 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, 1998 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.

KARACHI
DATED: 3rd June, 1999

EBRAHIM & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1998

	<i>NOTES</i>	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
<i>(Rupees in thousands)</i>			
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)		(3,772)	(1,633)
		(2,772)	(633)
CURRENT LIABILITIES			
Short term advances	4	3,108	3,485
Creditors, accrued and other liabilities	5	102	146
Provision for taxation		10	12
		3,220	3,643
CONTINGENCIES AND COMMITMENTS			
	6	448	3,010

	<i>NOTES</i>	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
<i>(Rupees in thousands)</i>			
TANGIBLE FIXED ASSETS	7	34	62
PRE-OPERATING EXPENSES		--	1,818
CURRENT ASSETS			
Installation work in progress	9	--	974
Trade debts (Unsecured - considered good)		299	--
Advances and deposit	10	37	153
Cash at banks	11	78	3
		414	1,130

-----	-----
448	3,010
=====	=====

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

KARACHI

DATED: 3rd June 1999

Chief Executive

Director

***PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998***

	<i>NOTES</i>	<i>JUNE 30, 1998</i>	<i>JUNE 30, 1997</i>
<i>(Rupees in thousands)</i>			
Contract income		1,268	1,652
Cost of contract	12	1,114	1,124
Gross profit		----- 154	----- 528
Administrative expenses	13	468	623
Amortisation of preoperating expenses		1,818	605
		----- 2,286	----- 1,228
Operating loss		(2,132)	(700)
Financial charges	14	1	4
Net loss for the year		----- (2,133)	----- (704)
Provision for taxation		6	8
Net loss after taxation		----- (2,139)	----- (7,12)
Accumulated losses brought forward		(1,633)	(921)
Accumulated losses carried over to balance sheet		----- (3,772)	----- (1,633)
		=====	=====

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

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR

***STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998***

<i>JUNE 30,</i>	<i>JUNE 30,</i>
-----------------	-----------------

1998 **1997**
(Rupees in thousands)

CASH FLOW FROM OPERATING ACTIVITIES

Net (loss) for the year before taxation	(2,133)	(704)
Adjustments for items not involving movement of funds		
Depreciation	28	30
Amortisation of pre-operating expenses	1,818	605
	-----	-----
	1,846	635
	-----	-----
	(287)	(69)
Decrease/(Increase) in current assets		
Installation work in progress	974	(263)
Debtors	(299)	--
Advances and deposits	113	(23)
	-----	-----
	788	(286)
	-----	-----
	501	(355)
(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(44)	(312)
	-----	-----
Cash from operating activities before tax	457	(667)
Tax paid	(5)	(30)
	-----	-----
	452	(697)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Short term advance	(377)	477
Net increase/(decrease) in cash and cash equivalents	-----	-----
	75	(220)
Cash and cash equivalents at the beginning of the period	3	223
Cash and cash equivalents at the end of the period	-----	-----
	78	3
	=====	=====

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE**DIRECTOR**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998

1. NATURE AND STATUS OF BUSINESS

1.1 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 turkey engineering industrial projects.

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

The management is making efforts but anticipate that they may not succeed in procuring contracts at desired level of profitability in the foreseeable future because of adverse economic conditions of the industry in general and utility companies in particular.

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

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

The unamortised portion of preoperating expenses has been charged off during the year.

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.

JUNE 30, JUNE 30,
1998 1997
(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 (1997: 51,000) ordinary shares of the Company representing 51% (1997: 51%) of the issued, subscribed and paid up capital are held by the Holding Company, Johnson and Phillips (Pakistan) Limited.

4. SHORT TERM ADVANCE

Unsecured Holding Company	3,108	3,485
	=====	=====

The above advance is unsecured and interest free.

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for services	92	27
Accrued expenses	5	14
Advances from customers	--	82
Others	5	23
	-----	-----
	102	146
	=====	=====

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 (1997: Rs. 0.900 million).

6.2 Commitments

There were no commitments as at the balance sheet date.

7. TANGIBLE FIXED ASSETS (Rupees in thousands)

PARTICULARS	COST		DEPRECIATION			WRITTEN DOWN VALUE AS AT JUNE 30, 1998
	AS AT JULY 01, 1997 & JUNE 30, 1998	RATE %	AS AT JULY 01, 1997	FOR THE YEAR	AS AT JUNE 30, 1998	
Office equipments	110	20	89	21	110	--
Furniture and fixtures	73	10	32	7	39	34
Vehicles	3	20	3	--	3	--
	-----	-----	-----	-----	-----	-----
TOTAL - (Rs. 000's) 1998	186		124	28	152	34
	=====	=====	=====	=====	=====	=====
TOTAL - (Rs. 000's) 1997	186		94	30	124	62
	=====	=====	=====	=====	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

8. PRE-OPERATING EXPENSES

Opening balance	1,818	2,423
Less: Amortisation for the year	1,818	605
	-----	-----
	--	1,818
	=====	=====

8.1 The unamortised portion of the pre-operating expenses has been charged off during the year instead of writing off the amount over five years as per the adopted accounting policy. If there had been no change in accounting policy the loss for the year and accumulated losses would have been lower by Rs. 1.213 million.

9. INSTALLATION WORK IN PROGRESS

Material	--	974
	=====	=====

10. ADVANCES AND DEPOSIT

Advances (Unsecured-considered good)		
To suppliers	--	90
Income tax	37	40
	-----	-----
	37	130

Deposit		
Security deposit	--	23
	-----	-----
	37	153
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

II. CASH AT BANKS

Cash with bank in current account	78	3
	=====	=====

12. COST OF CONTRACT

Material consumption	1,005	882
Installation charges	90	113
Testing charges	--	3
Transportation	19	95
Miscellaneous	--	31
	-----	-----
	1,114	1,124
	=====	=====

13. ADMINISTRATIVE EXPENSES

Salaries and allowances	160	283
Insurance expenses	--	5
Power, water and gas	--	9
Vehicles running expenses	60	12
Repair and maintenance	1	1
Printing and stationery	1	9
Travelling and conveyance	20	16

Audit fee	5	5
Entertainment	5	9
Legal and professional charges	62	31
Newspaper, books and periodicals	1	4
Consultancy charges	--	123
Postage and telephone	48	24
Tender fee and documents	36	6
Depreciation	28	30
Miscellaneous expenses	36	44
Business promotion expenses	5	12
	-----	-----
	468	623
	=====	=====

JUNE 30, JUNE 30,
1998 1997
(Rupees in thousands)

14. FINANCIAL CHARGES

Bank charges	1	4
	=====	=====

15. GENERAL

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

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

KARACHI

DATED: 3rd June, 1999

CHIEF EXECUTIVE

DIRECTOR