

Johnson & Phillips (Pakistan) Limited Annual Report 1999

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DIRECTORS

RAJA AHMED KHAN (CHAIRMAN)
SHEHRYAR ANWER SAEED (CHIEF EXECUTIVE)
NADEEM S. QURAISHI
MOHAMMAD ASAD KHAN
RIAZ HAIDER RIZVI
FAVAZ LONGI - (NIT-NOMINEE)
MS. SARAH JAWED - (NIT-NOMINEE)
SHAMIM A. NAIK - (MCB-NOMINEE)

COMPANY SECRETARY

RIAZ HAIDER RIZVI

AUDITORS

Messrs Ehsaim & Co.
Chartered Accountants

SOLICITORS

Messrs Sarridge & Beechero

BANKERS

MUSLIM COMMERCIAL BANK LIMITED
UNITED BANK LIMITED
HABIB BANK LIMITED

REGISTERED OFFICE

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the adjourned thirty eight Annual General Meeting of Johnson & Phillips (Pakistan) Limited will be held on Tuesday August 8, 2000 at the Registered Office of the Company at C-10, South Avenue, S.I.T.E., Karachi at 10.00 a.m. to transact the following business:

1. To receive, consider and approve the audited accounts for the twelve months ended 30 June 1999 and the reports of Directors and Auditors thereon.
2. To appoint Auditors and fix their remuneration.
3. To consider any other business with the permission of the Chair.

By the orders of the Board

Karachi,
Dated: 18 July, 2000

(RIAZ HAIDER RIZVI)
Company Secretary

Note:

1. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint to 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 time of the meeting by stamped, signed and witnessed.

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

CHAIRMAN'S REVIEW

This was one of the most difficult year in terms of business opportunity in the industry. During this year the economy of the country remained sluggish. We faced continues recession, in the country and the financial crises in the public and private sectors and lack of economic activity in the country further aggravated the situation.

Due to fewer orders from the utility companies and the private sector, the engineering companies whose manufacturing facilities remained partly utilised, resulting in very low prices, resulting in continued losses due to inadequate profit margins to cover selling and administrative expenses and financial charges.

To overcome the difficulties in such an environment our effort were directed towards corporate restructuring, streamlining production capacities, and taking other stringent measures to cut costs and look towards new business avenues, since it seems that manufacturing has a bleak future until and unless the government realises the crises the engineering industry is facing.

Priority has never been given to Engineering industry, and no real incentives were provided for the exports of engineering goods. Engineering Capital goods industry has particularly suffered because of lack of government support or consistent policy.

Support, seems a far cry, when the government organizations are not even willing to pay their bills on time.

We are trying to consolidate and plan for the future. A long term plan has been made. We are hopeful of securing further line for working capital, which would put us in a position to turn around the Company.

Sales went down due to the inability of the Utility Companies to place orders or pay their bills on time owing to their financial crises and stagnant private sector business.

Losses went up due to lower sales. The effect was further compounded because of high financial charges. We are making efforts to reduce these debts and put in an efficient financial management system.

The margins were not satisfactory due to cut throat competition in the shrinking market. Production capacities of all our products remained substantially under utilised for major portion of the year.

Trade debts increased because of nonpayment by the public sector customers owing to Shortage of funds.

The company has an excellent reputation with good demand for its products. What is required is a better business and investment climate in the country to improve.

The Government needs to be more aware of some of the problems hindering progress in the engineering sector and take positive steps to improve the business climate.

We can only wait and hope for this change, which in turn would improve our future and we can once again look forward to profits.

The two subsidiary companies namely JPT and JPI have been closed to cut operational costs. We are trying to sell some of our assets and regulate a settlement with NDFC on outstanding of these subsidiaries.

Our thanks to all our managers, officers, workers who have been working under difficult conditions.

Raja Ahmed Khan

**Sd/-
Chairman**

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of JOHNSON & PHILLIPS (PAKISTAN) LIMITED and its subsidiary companies as at June 30, 1999 and the related consolidated profit and loss account and consolidated cash flow statement together with the notes forming part thereof, for the year ended June 30, 1999. We have also expressed separate opinions on the financial statements of Johnson & Phillips (Pakistan) Limited and the individual financial statements of all the subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

2. Our examination was made in accordance with generally accepted auditing guidelines and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

3. The subsidiaries of the group, Johnson and Phillips Industries (Pakistan) Limited and Johnson and Phillips Transformers (Private) Limited ceased production in July 1997 and February 1998 respectively. The accumulated losses of the Group aggregating to Rs. 285.172 million have wiped out the equity and current liabilities aggregating to Rs. 462.465 million exceed the current assets by Rs. 235.362 million. These factors together with the information given in Note: 1,2 indicate that there is substantial doubt regarding the ability of the Group to continue as a going concern. Consequently, adjustments may be required to the recorded asset amounts and classification of liabilities.

4. The Group is contesting a suit filed by National Development Finance Corporation claiming recovery of Rs. 161.554 million. No provision has been made in these accounts for liquidated damages amounting to Rs. 31.707 million included in the amount of this claim.

5. In the absence of information regarding realisable value of several balances under stores and spares, stock in trade, trade debts, advances to suppliers, deposits and other receivables aggregating to Rs. 107.171 million we have not been able to confirm that the amount would be realised at carrying values.

6. 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: 1.3.

7. Except for the matters referred in paras 3 to 6 above, in our opinion the consolidated financial statements examined by us present fairly the financial position of Johnson & Phillips (Pakistan) Limited and its subsidiary as at June 30, 1999 and the results of their operations for the year then ended.

KARACHI

DATED:-

CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1999

	NOTE	1999 (Rs. 000 's)	1998 (Rs. 000 's)
SHARE CAPITAL AND RESERVE			
Authorised capital			
8,000,000 ordinary shares of			
Rs. 10/- each		80,000	80,000
Issued, subscribed and paid-up capital	4	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)		(285,172)	(196,416)
		(177,872)	(89,116)
MINORITY INTEREST	5	-	-
SURPLUS ON REVALUATION OF FIXED ASSETS		44,842	44,842
LONG TERM LOAN	6	7,577	9,741
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASES	7	3,900	2,054
DEFERRED LIABILITIES	8	4,986	5,205
CURRENT LIABILITIES			
Short term loans and running finance	9	257,499	193,641
Current portion of long term liabilities	10	9,580	10,624
Creditors, accrued and other liabilities	11	192,787	147,066
Dividend - unclaimed		2,599	2,599
		462,465	353,93
CONTINGENCIES AND COMMITMENTS	12		
		345,898	326,656
TANGIBLE FIXED ASSETS	13	118,034	133,534
DEFERRED TAXATION		--	2,374
LONG TERM DEPOSITS			
Security deposits		761	2,286
CURRENT ASSETS			
Stores and loose tools	14	3,108	3,167
Stock in trade	15	104,580	114,376
Trade debts	16	68,480	26,120
Advances and deposits	17	32,488	30,856
Prepayments and other receivables	18	16,226	9,874
Cash and bank balances	19	2,021	4,069
		227,103	188,462
		345,898	326,656

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

KARACHI

CHIEF EXECUTIVE

DATED:

DIRECTOR

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

		1999 (Rs.000's)	1998 (Rs.000's)
	NOTE		
Sales and services (Net)	20	103,568	117,257
Cost of sales and services	21	102,162	121,352
Gross profit/(loss)		1,406	(4,095)
Fixed factory expenses of non-operating subsidiaries	22	4,279	3,905
Administrative and selling expenses	23	32,288	37,768
Amortisation of pre-operating expenses		--	1,818
		36,567	43,491
Operating (loss)		(35,161)	(47,586)
Other income	24	4,624	6,655
		(30,537)	(40,931)
Research and development expenses		109	1,164
Financial charges	25	54,345	44,891
		54,454	46,055
Net loss before taxation and minority interest		(84,991)	(86,986)
Taxation			
- Current		510	584
- Prior year		--	1,034
- Deferred		3,255	(1,660)
		3,765	(42)
Net loss before minority interest		(88,756)	(86,944)
Minority interest in loss for the year		3,044	5,297
		(85,712)	(81,647)
Minority share in excess of the Capital transferred to Profit & Loss Account of the Group		(3,044)	(5,297)
		(88,756)	(86,944)
Accumulated (losses) brought forward		(196,416)	(109,472)
Accumulated (losses) carried over to balance sheet		(285,172)	(196,416)
Loss per share - Basic and Diluted	26	(16.29)	(15.95)

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

KARACHI **CHIEF EXECUTIVE**
DATED: **DIRECTOR**

**STATEMENT OF CHANGES IN FINANCIAL POSITION
CONSOLIDATED (CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	1999 (Rs.000's)	1998 (Rs.000's)
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) for the year	(84,991)	(86,986)
Adjustments for items not involving movement of funds		
Depreciation	9,450	12,560
Provision for staff gratuity (Net)	(870)	(169)
Amortisation of loose tools	130	285
Amortisation of pre-operating expense	--	1,818
Profit on sale of fixed assets	(780)	(4,540)
Financial charges	54,345	44,891
	(22,716)	(32,141)
(Increase)/Decrease in current assets		
Consumable stores	(71)	3,382
Stock in trade	9,796	40,213
Installation work in progress	--	974
Trade debts	(42,360)	(4,745)
Advances and deposits	(4,686)	1,790
Prepayments and other receivables	(6,249)	496
	(43,570)	42,110
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	2,837	(29,331)
Net cash from operating activities before tax and financial charges	(63,449)	(19,362)
Tax refunded	2,243	2,525
Financial charges paid	(11,693)	(19,764)
Net (decrease) in cash from operating activities	(72,899)	(36,871)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets and capital work in progress	(35)	(958)
Proceeds from sale of fixed assets	7,765	5,136
Long term deposit	1,525	881
Net cash from investing activities	9,255	5,079
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	--	(6,200)
Repayment of liabilities against finance leases	(2,262)	(4,840)
Short term loans and running finances	63,858	42,483
Dividend paid	--	53
Net cash from financing activities	61,596	31,496
Net (decrease) in cash and cash equivalents	(2,048)	(296)
Cash and cash equivalents at the beginning of the year	4,069	4,365
Cash and cash equivalents at the end of the year	2,021	4,069

KARACHI **CHIEF EXECUTIVE**
DATED: **DIRECTOR**

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999**

1. NATURE AND STATUS OF BUSINESS

1.1 Johnson and Phillips (Pakistan) Limited 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.

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

The following subsidiaries have been consolidated in the accounts of the Holding Company:

Subsidiaries	Company Status	Group Holding	Operating status
M's Johnson & Phillips Industries (Pakistan) Limited	Public Limited	100%	Ceased production in July, 1997
M's Johnson & Phillips Transformers (Private) Limited	Private Limited	70%	Ceased production in February, 1998
M's Johnson & Phillips EMO (Private) Limited	Private Limited	51%	Operating

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

- negotiate a package with the lenders for restructuring existing debt obligations on reasonable terms
- negotiate adequate working capital facilities for short term so that orders in hand can be serviced
- successfully contest the suit filed by National-Development Finance Corporation
- negotiate profitable contracts with the utility companies who are the primary customers of the Group.

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 Group by disposing surplus assets at market values and using the proceeds to clear interest bearing and other current debts. The plan of action in this regard is being reviewed for 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.

1.3 On August 31, 1997 there was a change in management of a subsidiary company. The Ex-Management was requested to furnish documents, information and explanations in relation to various matters pertaining to the books of accounts of the subsidiary Company. As the Ex-Management has 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: 11.1 (f). The Management is making every effort to confirm the accuracy of the amounts stated.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Johnson & Phillips (Pakistan) Limited (the Holding Company) and its subsidiaries. The financial statements of each subsidiary have been consolidated on line by line basis.

All material intercompany balances, transactions and resulting unrealised profit/loss have been eliminated. Minority interest in the equity and results of the subsidiaries that are controlled by Johnson & Phillips (Pakistan) Limited are shown as separate items in the consolidated financial statements. However in case of negative equity of subsidiaries minority's share of losses has been borne by Holding Company and is included in accumulated loss of the Holding Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

3.2 Accounting for leases

The Group accounts for assets operated under finance leases by recording the assets and related liabilities. 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.

3.3 Staff retirement benefits

The Holding Company contributes to an approved contributory provident fund scheme.

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

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

3.4 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, if any 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. Debit balances on account of deferred taxation are recognized only if there is reasonable certainty for realisation.

3.5 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 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.

3.6 Consumable stores

These are valued at average cost.

3.7 Tools and dies

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

3.8 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.

3.9 Trade debts

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

3.10 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.

3.11 Warranties

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

3.12 Foreseeable losses on orders in hand

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

3.13 Research and development

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

3.14 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.

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

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1999 (No of shares)	1998 (Ordinary shares of Rs. 10 each)		
4,638,268	4,638,268 Fully paid in cash	46,383	46,383
93,000	93,000 Issued for consideration other than cash	930	930
718,704	718,704 Issued as fully paid bonus shares	7,187	7,187
-----	-----	-----	-----
5,449,972	5,449,972	54,500	54,500
=====	=====	=====	=====

5. MINORITY INTEREST

Share capital	9,490	9,490
Share of accumulated losses		
Brought forward	14,521	9,225
For the year	3,044	5,297
	17,565	14,522
Minority share in excess of the Capital transferred to Profit & Loss Account of the Group	8,075	5,032
	-----	-----
	--	--
	=====	=====

6. LONG TERM LOAN

Secured		
National Development Finance Corporation (NDFC)		
Local currency general term finance (Note: 6.1)	15,153	15,153
Less: Current portion shown under current liabilities	7,576	5,412
	-----	-----
	7,577	9,741
	=====	=====

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

The marked-up price amounting to Rs. 45.397 million is repayable in 14 equal semi annual installments commencing from March 1, 1997. The subsidiary is entitled to a prompt payment rebate of Rs. 8,761 million if the installments are paid on due dates.

NDFC has filed a suit in Lahore High Court for recovery of outstanding balance together with liquidation damages as further explained in Note: 12.1.e.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Secured	5,904	7,266
Less: Shown under current liabilities payable within one year	2,004	5,212
	-----	-----
	3,900	2,054
	=====	=====

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 25% per annum. Remaining aggregate rentals of Rs. 8,310 million inclusive of mark-up of Rs. 2,406 million are payable in equal monthly and quarterly installments under various lease agreements by December, 2001.

The future minimum lease payments to which the Group is committed under the lease agreements and the years in which they will become due are as follows:

	<i>(Rs. in million)</i>	
Year ending June 30, 2000		3,530
Year ending June 30, 2001		2,913
Year ending June 30, 2002		1,867

		8,310
Less: Financial charges		2,406

		5,904
		=====

At the end of the lease period the ownership of assets shall transfer to the Group on payment of residual values.

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

The above liability is secured against demand promissory notes.

8. DEFERRED LIABILITIES

Staff gratuity	4,105	5,205
Deferred taxation	881	--
	-----	-----
	4,986	5,205
	=====	=====

9. SHORT TERM LOANS AND RUNNING FINANCES

Secured		
Banking Companies		
Short term loan (Note: 9.1 & 9.3)	116,794	41,670
Running finances (Note: 9.2 & 9.3)	65,808	72,274
	181,802	113,944
National Development Finance Corporation		
Short term loan (Note: 9.4)	59,775	59,775
Other		
Morabaha finance (Note: 9.5)	12,193	11,000
	-----	-----
	253,770	184,72
Unsecured		
Banking Companies		
Short term running finance		
Temporary overdraft	169	2,001
Other		
Short term loan (Note: 9.6)	3,560	6,921
	-----	-----
	3,729	8,922
	-----	-----
	257,499	193,641
	=====	=====

9.1 These loans are secured against lien on bills drawn on customers and pari passu charge on fixed/current assets (if the Holding Company. The sanctioned limits are Rs. 114,300 million (1998: Rs. 43,500 million). The facilities are repayable on various dates upto June 30, 1999. The rates of mark-up range from 18.62% to 22.26% per annum.

9.2 Running finance facilities available from the banks amount to Rs. 60,000 million (1998: Rs. 60,000 million) and

the facilities are repayable upto June 30, 1999. The rates of mark-up range from 18.62% to 22% per annum. The arrangement is secured by way of equitable mortgage and pari passu charge on fixed current assets of the Holding Company and hypothecation of stock in trade.

9.3 Subsequent to the balance sheet date short term running finance amounting to Rs.40,000 million and short term loan amounting to Rs. 61,627 million has been restructured by Miltion Commercial Bank into long term demand finance on payment of Rs. 10,000 million. Further payment of Rs. 20,000 million is to be made by June 30, 2000 and balance is payable in 31 equal quarterly installments of Rs. 5,000 million commencing from February 15, 2002.

9.4 This is secured against hypothecation of stock, first charge on fixed assets of the subsidiary ranking pari passu, lien on book debts and the payment guarantee of the Holding Company amounting to Rs. 41,464 million. The borrowing carries mark-up at 65 paisas per rupees thousand per diem and total sanctioned limit is Rs.60,000 million (1998: Rs. 60,000 million).

NDFC has filed a suit in Lahore High Court for recovery of outstanding balance together with liquidation damages its explained in Note: 12.1e:

9.5 This finance is secured against equitable mortgage of fixed assets and carries mark-up at 22% per annum. The balance is overdue as at the balance sheet date.

9.6 This loan is unsecured and interest free.

10. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loan	7,576	5,412
Liabilities against asset subject to finance lease	2,004	5,212
	<u>9,580</u>	<u>10,624</u>

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	27,776	29,303
Bills payable	16,104	19,132
Accrued liabilities	28,535	20,777
Deposits - others	106	73
Advances from customers	13,346	12,162
Mark-up on secured loans and running finances	93,390	50,800
Due to Ex-director	1,452	3,211
Due to others	607	453
Sales tax payable	-	2,508
Workers' profit participation fund (Note: 11.1)	554	493
Workers' welfare fund	398	398
Others liabilities		
Payable to ex-employees	2,912	3,140
Provident fund	2,630	1,873
Withholding tax payable	2,747	1,566
Unclaimed gratuity	1,508	532
Others	722	653
	<u>10,519</u>	<u>7,764</u>
	<u>192,787</u>	<u>147,066</u>

11.1 Workers' profit participation fund

Balance as at July 01	493	438
Interest credited at prescribed rate	61	55
	<u>554</u>	<u>493</u>

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

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

a) Guarantees

There is a contingent liability in respect of guarantees issued by banks on behalf of the Group in the normal course of business aggregating to Rs. 44,561 million (1998: Rs. 83,417 million).

b) Taxation

The tax authorities has created demand for assessment years up to 1997-98 amounting to Rs. 30,991 million which the Group is disputing in appeals before appellate authorities. In the event of adverse decision in the appeals the Group would be faced with additional liability amounting to Rs. 1,557 million and corresponding charge against profit amounting to Rs.4,767 million (1998: Rs. 3,211 million).

c) Stamp duty

There is a contingent liability amounting to Rs. 6,981 million (1998: Rs. 6,981 million) in respect of penalty for stamp duty imposed by Collector of Stamps, Board of Revenue, Sindh. The Holding Company has filed a revised petition against the order and the Management expects a favourable result in the petition. In the event of adverse decision the Holding Company would be faced with a liability and a charge against profit amounting to Rs. 6,981 million (1998: Rs. 6,981 million).

d) Custom duties

There is a contingent liability in respect of custom duties amounting to Rs.32,392 million (1998: Rs. 18,395 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.

e) Suit for recovery of loan

There is a contingent liability in respect of suit filed by National Development Finance Corporation (NDFC) before the Lahore High Court for the recovery of their outstanding dues. The suit seeks to recover in addition to the dues recognised in the books of accounts, liquidated damages amounting to Rs. 31,707 million (1998: Nil) and future markup at the rate of 20% until the realisation of outstanding balance, in respect of which no provision has been made as the Management expect favourable decision in the suit as stated below. In the absence of specific information the amount of contingency, if any, with respect to the complaint in the Banking court, cannot be quantified.

The Group has been successful in obtaining leave to defend the case in the High Court. In the opinion of the Management the Honorable Court shall not decree an amount in excess of Rs. 70,215 million as excess markup, penalties and markup on markup have not been allowed by the Court in other cases. In the event the Court decides on the basis of Management expectation liabilities towards NDFC shall be reduced by Rs. 57,546 million.

f) Ex-Management balances

The liability for the amounts due to M/s Ata Cables (Private) Ltd. including unsecured loan, relating to Management has been recorded in the books of a subsidiary company at an amount of Rs. 8,984 million as against the amount of Rs. 18,998 million (1998: Rs. 16,724 million) claimed by M/s Ata Cables (Private) Ltd. The Management does not acknowledge the excess amount of claim.

g) Import bills payable

There is a contingent liability of an unascertained amount in respect of charges accruing due to delayed payment of import bills under confirmed letter of credit which were not cleared by the Bank on due dates.

12.2 Commitments

The Holding Company was committed as at the balance sheet date as follows:

	1999 (Rs.000's)	1998 (Rs.000's)
	(Rupees in thousands)	
Capital commitments	967	967

13. TANGIBLE FIXED ASSETS (Rupees in thousands)

10.1 The following is a statement of tangible fixed assets:

COST/REVALUATION	RATE	DEPRECIATION	WRITTEN
------------------	------	--------------	---------

PARTICULARS	AS AT		DISPOSAL	AS AT		%	AS AT		FOR THE YEAR	(ADJUSTMENT)	DOWN VALUE	
	01-07-98	ADDITION		30-06-99	30-06-99		01-07-98	30-06-99			AS AT 30-06-99	AS AT 30-06-99
Owned												
Operating												
Leasehold land (Note: 13.3)	42,704	--	--	42,704	--	--	14	--	--	--	14	42,600
Freehold land (Note: 13.3)	8,809	--	--	8,809	--	--	--	--	--	--	--	8,809
Building on freehold land	43,141	--	--	43,141	5-10	7,271	2,774	--	--	10,045	--	33,096
Building on leasehold land	7,665	--	--	7,665	10	6,371	160	--	--	6,531	--	1,134
Plant and machinery	24,004	13	1,624	22,993	10	11,795	1,624	11,300	12,219	--	--	10,174
Gas and electric installation	1,033	--	27	1,006	10	911	30	13	928	--	--	78
Factory tools	1,415	--	--	1,415	20	1,327	52	--	--	1,379	--	36
Vehicles (Note: 13.1.1)	2,977	--	1,859	1,118	25	2,887	15	1,859	1,043	--	--	75
Furniture and fixture	1,614	--	255	1,359	20	1,446	73	234	1,285	--	--	74
Office and other equipment	6,366	22	162	6,226	20	5,714	364	149	5,929	--	--	297
Sub total	139,728	35	3,927	135,836		37,666	5,092	3,385	39,373			96,463
Non-operating (Note: 13.4)												
Plant and machinery	32,434	--	7,472	24,962	10	11,529	1,478	3,087	9,920	--	--	15,042
Tools and machinery	1,901	--	44	1,857	10-20	850	110	39	921	--	--	936
Office equipment	1,075	--	55	1,020	10-20	673	80	45	708	--	--	312
Furniture and fixture	207	--	35	172	20	108	19	33	94	--	--	78
Laboratory equipment	185	--	--	185	10	52	9	--	61	--	--	124
Electric installation	466	--	--	466	10	186	23	--	209	--	--	257
Sub total	36,268	--	7,606	28,662		13,398	1,719	3,204	11,913			16,749
Capital work in progress												
Plant and machinery	2,049	--	204	1,845	--	--	--	--	--	--	--	1,845
Sub total	178,045	35	11,737	166,343		51,064	6,811	6,589	51,286			115,057
Leased												
Vehicles	9,032	900	4,429	5,503	25	5,314	2,229	3,572	3,971	--	--	1,532
Office and other equipment	2,563	--	--	2,563	20	1,878	252	--	2,130	--	--	433
Plant and machinery (Note:13.1.2)	2,607	--	1,312	1,295	10	457	158	332	283	--	--	1,012
Sub total	14,202	900	5,741	9,361		7,649	2,639	3,904	6,384			2,977
TOTAL (Rs.000's) - 1999	192,247	935	17,478	175,704		58,713	9,450	10,493	57,670			118,034
TOTAL (Rs.000's) - 1998	196,205	6,226	10,184	192,247		50,453	12,560	4,300	58,713			133,534

13.1.1 These include vehicles costing Rs. 433,170 the title documents of which are in the process of being transferred in the name of the Holding Company.

13.1.2 These include plant and machinery costing Rs. 830,700 in respect of which lease liability has been transferred from a Subsidiary Company but the assets are in the custody of the Leasing Company.

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

Cost of sales	3,206	5,452
Fixed factory expenses	3,888	3,343
Administrative and selling expenses	2,356	3,765
	9,450	12,560

13.3 The Holding Company and its subsidiary professionally revalued their leasehold and freehold land as on March 31, 1995 and June 30, 1995 respectively. The balance of revaluation surplus amounting to Rs. 42,642 million and Rs. 2,200 million is included in the carrying value of leasehold and freehold land respectively with corresponding amount appearing as "Surplus on revaluation of fixed assets".

13.4 Due to cessation of operation of two subsidiaries depreciation on all non operating fixed assets of these subsidiaries have been charged at 50% of the normal rates. If the depreciation had been charged at normal rates the charge and loss for the year would have been higher by Rs. 1,751 million (1998: Rs. 0,688 million).

13.5 Details of fixed assets sold

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Purchaser	Address
(Rupees in thousands)							
OWNED							
Plant and machinery	1,574	1,102	472	341	Tender	Mr. Shahid Wabeed	Karachi
Generator	50	28	22	120	Negotiation	Mr. Pervaiz	Islamabad
Plant and machinery	5,988	2,394	3,594	1,606	Tender	Mr. Mohammad Kalim	Lahore
Plant and machinery	1,484	693	791	578	Tender	Ms. Elemenet (Pvt.) Limited	Lahore
Gas & electric installation	27	13	14	25	Negotiation	Mr. Pervaiz	Islamabad
Vehicles							
Suzuki FX E-6953	80	80	--	91	Negotiation	Mr. M. Ramzan	Karachi
Mitsubishi Lancer F-3428	28	28	--	125	Negotiation	Ms. Treet Farms	Rawalpindi
Mitsubishi Lancer B-6453	28	--	28	160	Negotiation	Mr. Ashraf Baig, Employee	Karachi
Land Rover Jeep BB-6052	300	300	--	131	Negotiation	Mr. M. Ramzan	Karachi
Suzuki Swift S-2168	23	23	--	147	Negotiation	Mr. Mohammad Khalid	Karachi
Jeep CJ-7 BB-6101	240	240	--	91	Tender	Ms. Treet Farms	Rawalpindi
Suzuki Mehran T-5525	8	8	--	90	Negotiation	Ms. S. Majedullah	Karachi
Toyota Corolla V-6046	334	334	--	360	Negotiation	Mr. Zafar Hussain	Karachi
Suzuki Mehran V-6595	190	190	--	140	Negotiation	Mr. Fazal-e-Hussain	Karachi
Toyota Corolla V-6516	314	314	--	285	Negotiation	Mr. Aslam Khum	Karachi
Toyota Corolla V-6514	314	314	--	322	Negotiation	Major Humayoon Akhter	Islamabad
Furniture and fixture	204	190	14	162	Negotiation	Mr. Pervaiz	Islamabad
Furniture and fixture	51	44	7	7	Insurance claim	Ms. E.F.U. Insurance Co.	Karachi
Furniture and fixture	35	33	2	9	Tender	Mr. Mohammad Kalim	Lahore
office equipments	87	87	--	100	Negotiation	Ms. Capital Asset Leasing Corporation Limited	Lahore
Office equipments	75	62	13	13	Insurance claim	Ms. E.F.U. Insurance Co.	Karachi
Office equipments	55	45	10	15	Tender	Mr. Mohammad Kalim	Lahore
Factory tools	44	39	5	12	Tender	Mr. Mohammad Kalim	Lahore
Capital work in progress	204	--	204	55	Tender	Mr. Mohammad Kalim	Lahore
LEASED							
Plant and machinery	1,312	332	980	850	Reposessed	Capital Asset Leasing Corporation Limited	Lahore
Vehicles	4,044	3,290	754	1,827	Reposessed	Capital Asset Leasing Corporation Limited	Lahore
Vehicles	385	282	103	103	Insurance claim	Ms. E.F.U. Insurance co.	Karachi
TOTAL	17,478	10,493	6,985	7,765			

14. STORES AND LOOSE TOOLS

Stores	623	552
Loose tools	2,485	2,615
	3,108	3,167

15. STOCK IN TRADE

Raw material and components			
- in hand (Note: 15.1)		52,346	55,608
- in transit - lying at port (Note: 15.2)		16,040	25,353
- in bond		3,961	6,387
		72,347	87,348
Work in process		27,061	23,576

Finished goods	5,172	3,452
	-----	-----
	104,580	114,376
	=====	=====

15.1 This includes material in the possession of an Associated Company amounting to Rs. 8,631 million (1998: Nil).

15.2 This stock is under lien of Muslim Commercial Bank and National Development Finance Corporation against financing facilities provided by them.

16. TRADE DEBITS

Unsecured		
Considered good (Note: 16.1)	68,480	26,120
Considered doubtful	1,476	1,731
	-----	-----
	69,956	27,851
Less: Provision for doubtful debts	1,476	1,731
	-----	-----
	68,480	26,120
	=====	=====

16.1 These include a balance due to an Associated Company amounting to Rs. 0.865 million (1998: Nil). The maximum amount due from the Associated Company at the end of any month during the year was Rs. 1.552 million (1998: Nil).

17. ADVANCES AND DEPOSITS

Advances (Unsecured + considered good)		
Executives (Note: 17.1.1)	30	36
Employees	581	434
Suppliers	15,349	10,094
Income tax (Note: 17.2)	12,658	15,409
Purchase of land	1,728	1,728
Others	245	196
	-----	-----
	30,591	28,297
Deposits		
Margin against letters of credit	1,212	931
Guarantee margin	70	70
Security deposits	815	1,558
	-----	-----
	2,097	2,559
	-----	-----
	32,688	30,856
	=====	=====

17.1 The maximum amount due from executives at the end of any month during the year was Rs. 0.036 million (1998: Rs. 0.036 million).

17.2 Advance income tax

Advance income tax	42,329	44,858
Less: Provision for taxation	29,671	29,449
	-----	-----
	12,658	15,409
	=====	=====

18. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	537	849
Sales tax refundable	5,294	--
Receivable from Ex-management	7,942	7,942
Due from director	--	13
Insurance claim receivable	503	480
Receivable against sale of fixed assets	957	--
Receivable from Ex-employee	352	352
Others	641	238
	-----	-----
	16,226	9,874
	=====	=====

19. CASH AND BANK BALANCES

Cash in hand	275	119
Cash with banks		
in current accounts	1,746	2,639
in fixed deposits account	--	1,311
	-----	-----
	1,746	3,950
	-----	-----
	2,021	4,069
	=====	=====

20. SALES AND SERVICES (NET)

Sales - local	39,482	77,559
- export	64,068	41,890
Contract income	175	1,268
	-----	-----
	103,725	120,717
Less: Commission and discount on sales	157	3,460
	-----	-----
	103,568	117,257
	=====	=====

21. COST OF SALES AND SERVICES

Raw materials and components consumed		
Opening stock	87,348	107,983
Purchases	60,897	44,569
	-----	-----
	148,245	152,554
Return to supplier	--	(924)
Closing stock	(64,276)	(87,348)
	-----	-----
	(64,276)	(88,272)
	-----	-----
	83,969	64,28
Stores and spares consumed	1,123	1,267
Salaries, wages and fiber benefits (Note: 21.1)	12,291	23,643
Rent, rates and taxes	278	379
Insurance	1,388	915
Fuel and power	1,751	1,723
Repairs and maintenance	382	1,226
Depreciation	3,206	5,452
inspection and testing	276	202
Printing and stationery	121	257
Travelling and conveyance	1,106	1,017
Postage, telephone and telex	568	828
Consultancy	40	69
Provision for obsolete stock	560	--
Other manufacturing expenses	318	516
	-----	-----
	107,367	101,776
Work in process		
Opening stock	23,576	28,221
Closing stock	(27,061)	(23,576)
	-----	-----
	(3,485)	4,645
	-----	-----
	103,882	106,421
Cost of goods manufactured		
Finished goods		
Opening stock	3,452	18,383
Closing stock	(5,172)	(3,452)
	-----	-----

(1,720)	14,931
102,162	121,352
=====	=====

21.1 Salaries, wages and other benefits include Rs. 0.544 million (1998: Rs. 0.975 million) in respect of staff retirement benefit.

22. FIXED FACTORY EXPENSES OF NON OPERATING SUBSIDIARIES

Insurance	228	185
Depreciation	3,888	3,343
Electricity	33	116
Amortisation of loose tools	130	261
	4,279	3,905
	=====	=====

23. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits (Note: 23.1)	9,339	13,148
Rent, rates and taxes	288	494
Repairs and maintenance	582	883
Insurance	245	269
Travelling and conveyance	1,570	2,455
Auditors' remuneration (Note: 23.2)	310	260
Legal and professional charges	1,349	1,062
Advertisement and sale promotion	92	187
Donation (Note: 23.3)	31	26
Subscriptions	240	350
Entertainment	602	930
Fuel and power	570	1,243
Printing and stationery	121	260
Postage, telegram, telephone and telex	573	952
Free guarantee replacement	243	167
Packing	882	1,755
Securities expenses	71	404
Provision for doubtful debts	24	468
Charges for late deliveries	8,420	2,062
Demurrage charges	3,211	3,02
Late payment surcharge imposed by Sales tax authorities	303	1,042
Depreciation	2,356	3,765
Zakat	--	2
	-----	-----
Research and development	--	174
Tender fee and documents	--	36
Others	866	2,353
	-----	-----
	32,288	37,768
	=====	=====

23.1 Salaries and other benefits include Rs. 0.555 million (1998: Rs. 0.451 million) in respect of staff retirement benefit.

23.2 Auditors' remuneration

Audit fee	195	195
Taxation services	89	45
Out of pocket expenses	26	20
	-----	-----
	310	260
	=====	=====

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

24. OTHER INCOME

Sale of scrap	131	466
Profit on disposal of fixed assets	780	4,540
Exchange gain	117	209
Liabilities no longer payable written back	1,244	885
Bank deposits	58	9
Insurance claim received	1,730	--
Miscellaneous	564	546
	-----	-----
	4,624	6,655
	=====	=====

25. FINANCIAL CHARGES

Mark-up on secured long term loan	4,321	4,321
Mark-up on unsecured long term loan	--	1,438
Mark-up on finance lease	2,664	1,586
Mark-up on secured short term loans and running finance	41,690	35,789
Interest on workers' profit participation fund	61	55
Interest on provident fund	324	238
Mark-up on morabaha finance	2,463	53
SHF penalty on running finance	599	473
Exchange loss	2,279	--
Bank charges	544	938
	-----	-----
	54,345	44,891
	=====	=====

26. LOSS PER SHARE - BASIC AND DILUTED

Loss for the year after taxation and minority interest	(88,756)	(86,944)
	-----	-----

Number of shares

Weighted average number of ordinary shares	5,449,972	5,449,972
	-----	-----

Loss per share - Basic and Diluted	Rs. (16.29)	Rs. (15.95)
	-----	-----

27. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Revenue Reserve	Profit and Loss account	Total
(Rupees in thousands)					
Balance as on July 01, 1997.	54,500	29,727	23,073	(99,472)	7,828
Loss for the year	--	--	--	(86,944)	(86,944)
Balance as on June 30, 1998	54,500	29,727	23,073	(196,416)	89,116)
Loss for the year	--	--	--	(88,756)	(88,756)
Balance as on June 30, 1999	54,500	29,727	23,073	(285,172)	(177,872)
	=====	=====	=====	=====	=====

28. 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.

29. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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>
------------------------	------------------	-------------------	--------------

	1999	1998	1999	1998	1999	1998	1999	1998
	<i>(Rupees in thousand)</i>							
Managerial Remuneration	666	600	807	226	1,544	1,463	3,017	2,289
Retirement benefits and provident fund contributions	31	50	17	19	53	89	101	158
Housing	248	270	235	102	482	598	965	970
Utilities	35	--	52	23	107	133	194	156
Leave passages	--	--	--	30	--	87	--	117
Medical expenses	--	--	--	66	--	76	--	142
Club subscription	24	55	43	9	41	1	108	65
	1,004	975	1,154	475	2,227	2,447	4,385	3,897
Number of persons	1	1	5	1	6	7	12	9

b) The Directors of the Holding Company have waived their meeting fees for the year.

c) The Chief Executive, Directors and Executives are also provided with free use of Company maintained cars.

30. TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Purchase of goods and services		1,584	--
Sale of goods and services	1,552	--	
Raw material supplied to Associated Company as sub contractor	8,631	--	

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Interest rate risk exposure

Interest rate risk of the Company's financial assets and financial liabilities as at June 30, 1999 can be evaluated from the following.

	<i>Interest bearing</i>			<i>Total</i>
	<i>With in one year</i>	<i>More than one year</i>	<i>Non interest bearing</i>	
Financial Assets				
Trade debts (Net)	--	--	68,480	68,480
Deposits	--	--	2,097	2,097
Others receivables	--	--	10,395	10,395
Cash and bank balances	--	--	2,021	2,021
	--	--	82,993	82,993
Financial Liabilities				
Dividend payable	--	--	(2,599)	(2,599)
Creditors accrued and other liability	--	--	(176,694)	(176,694)
Short term loans and running finan	(253,939)	--	(3,560)	(257,499)
Liabilities against assets subject to finance lease	(2,004)	(3,900)	--	(5,904)
Long term loan	(7,576)	(7,577)	--	(15,153)
	(263,519)	(11,477)	(182,853)	(457,849)
Net financial (liabilities)	(263,519)	(11,477)	(99,860)	(374,856)
Effective interest rate	18.62 - 25%	23.73-25%		

31.2 Credit risk

The financial assets include Rs. 80.972 million which are subject to credit risk.

31.3 Currency risk

The financial liabilities include Rs. 16.104 million which are subject to currency risk.

31.4 Fair value of financial instruments

The fair value of all financial assets and liabilities reflected in the consolidated financial statements are estimated to approximate their carrying amount.

32. NUMBER OF EMPLOYEES

The total number of employees of the Group at year end was 151 (1998: 179).

33. 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
DATE:

CHIEF EXECUTIVE
DIRECTOR

JOHNSON & PHILLIPS (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, 1999.

FINANCIAL RESULTS

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

	<i>RUPEES</i>
	<i>(000)</i>
Loss for the year before provision for diminution in value of investment and taxation	(56,988)
Provision for diminution in value of investment	--
Net loss for the year	(56,988)
Taxation	
- current	(509)
- prior	--
- deferred	(3167)
Net loss after taxation	(60,664)
Accumulated loss brought forward	118,760
Accumulated loss carried over to balance sheet	(179,424)

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.

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 regrettably acknowledge that the operations of the subsidiaries could not recommence as planned and the existing debt obligations would need to be reduced by streaming asset base of the company. 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 year under review:

Name of resigning Director	Name of Director appointed
Mr. Azizur Rahman	Mr. Fiaz Ahmed Long-Nominee NIT
Mr. I. A. Hamid	Mr. Sarah Jawad-Nominee NIT
Mr. Ahmed Bilal Malik	Mr. Shamim A. Naik-Nominee MCB
Mr. Riaz Mohammad Khan	Mr. Riaz Haider Rizvi

FUTURE PROSPECTS

The management has restructured its sales & Marketing tactics, and orders from WAPDA and K.E.S.C. have started coming in. We are probing private sector and as a result orders from this sector has also been materialised. The bank on the other hand has also shown their confidence in our effort by providing additional working capital and restructuring the existing loans. 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. 11.13 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. 6.03 due to loss during the year under review.

2. 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 a negative earning per share of Rs. 3.43 due to loss during the year.

3. 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. 0.89 due to loss during the year.

INDUSTRIAL RELATIONS

The management and workers have a good Working Relationship. 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 software. Your company is now Y2K compliant.

AUDITORS

We thank Messrs. Ebrahim & Co., Chartered Accountants, auditors of the company for their valuable services. The Directors propose reappointment of Messrs. Ebrahim & Co., Chartered accountants as auditors for the ensuing year 1999-2000.

PATTERN OF SHAREHOLDING

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

On behalf of the
Board of Directors

Karachi
Dated: 15th July, 2000
(Shehryar Anwar Saeed)
(Chief Executive)

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the annexed balance sheet of JOHNSON AND PHILLIPS (PAKISTAN) LIMITED as at June 30, 1999 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. 179,424 million have wiped out the equity and current liabilities aggregating to Rs. 313,352 million exceed the current assets by Rs. 1,30,769 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. In the absence of information regarding realisable value of several balances under stores and spares, stock in trade, trade debts and advances to suppliers aggregating to Rs. 60,255 million we have not been able to confirm that the amount would be realised at carrying values.

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 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 to 4 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, 1999 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: **CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT JUNE 30, 1999

		1999	1998
	NOTE	(Rs.000's)	(Rs.000's)
SHARE CAPITAL AND RESERVE			
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)		(179,424)	(118,760)
		(72,124)	(11,460)
		42,642	42,642
SURPLUS ON REVALUATION OF FIXED ASSETS			
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES			
	4	3,900	1,783
DEFERRED LIABILITY			
Staff gratuity		4,105	4,975
CURRENT LIABILITIES			
Short term loan and running finance	5	194,164	130,298
Current portion of long term liabilities	6	2,004	4,676
Creditors, accrued and other liabilities	7	113,898	86,115
Dividends	8	2,599	2,599
		312,665	223,688
CONTINGENCIES AND COMMITMENTS			
		291,188	261,628
TANGIBLE FIXED ASSETS			
	10	57,847	63,378
LONG TERM INVESTMENTS			
	11	51,000	51,000
DEFERRED TAXATION			
		--	3,167
LONG TERM DEPOSITS			
Security deposits		445	1,840
CURRENT ASSETS			
Stores and loose tools	12	445	374
Stock in trade	13	69,561	79,357
Trade debts	14	62,385	18,377
Advances and deposits	15	38,456	36,669
Prepayments and other receivables	16	9,914	5,028
Cash and bank balances	17	1,135	2,438
		181,896	142,243
		291,188	261,628

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

KARACHI
DATED: **CHIEF EXECUTIVE
DIRECTOR**

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

		1999	1998
	NOTE	(Rs.000's)	(Rs.000's)
Sales (Net)	18	103,393	102,853
Cost of sales	19	102,133	107,424
Gross profit/(loss)		1,260	(4,571)
Administrative and selling expenses	20	28,918	27,801
Operating(loss)		(27,658)	(32,372)
Other income	21	6,717	4,773
		(20,941)	(27,599)
Research and development expenses		109	1,164
Financial charges	22	35,938	25,448
		36,047	26,61
		(56,988)	(54,211)
Provision for diminution in value of investments		--	10,000
Net loss for the year		(56,988)	(64,211)
Taxation - Current		509	513
- Prior year		--	1,012
- Deferred		3,167	(2,453)
		3,676	(928)
Net loss after taxation		(60,664)	(63,283)
Accumulated (losses) brought forward		(118,760)	(55,477)
Accumulated (losses) carried over to balance sheet		(179,424)	(118,760)
Loss per share - Basic and Diluted	23	(11.13)	(11.61)

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

KARACHI
DATED: **CHIEF EXECUTIVE
DIRECTOR**

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

		1999	1998
		(Rs.000's)	(Rs.000's)
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss) for the year		(56,988)	(64,211)
Adjustments for items not involving movement of funds			
Depreciation		4,918	5,800
Provision for staff gratuity (Net)		(870)	(1,639)
Provision for diminution in value of investments		--	10,000
Profit on sale of fixed assets		(3,110)	(3,668)
Financial charges		35,938	25,448

	(20,112)	(28,270)
(Increase)/Decrease in current assets		
Consumable stores	(71)	89
Stock in trade	9,796	27,092
Trade debts	(44,008)	(3,283)
Advances and deposits	(4,539)	4,823
Prepayments and other receivables	(4,886)	172
	(43,708)	28,893
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	3,377	(22,621)
Net cash from operating activities before tax	(60,443)	(21,998)
Tax refunded	2,243	2,260
Financial charges paid	(11,532)	(18,823)
Net (decrease) in cash from operating activities	(69,732)	(38,561)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets and capital work in progress	(35)	(646)
Long term deposits	1,395	391
Proceeds from sale of fixed assets	5,489	3,693
Net cash from investing activities	6,849	3,638
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	--	(6,200)
Repayment of liabilities against finance leases	(2,286)	(3,466)
Short term loans and running finances	63,866	44,695
Dividend paid	--	53
Net cash from financing activities	61,580	35,082
Net (decrease)/increase in cash and cash equivalents	(1,303)	159
Cash and cash equivalents at the beginning of the year	2,438	2,279
Cash and cash equivalents at the end of the year	1,135	2,438

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. NATURE AND STATUS OF BUSINESS

1.1 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:

- negotiate a package with the lenders for restructuring existing debt obligations on reasonable terms
- negotiate adequate working capital facilities for short term so that orders in hand can be serviced
- 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 circumstances 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. The plan of action in this regard is being reviewed for 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 liabilities.

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

2.3 Staff retirement benefits

The Company contributes to an approved contributory provident fund scheme.

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

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

2.4 Taxation

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

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

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-process 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.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL.

1999	1998		1999 (Rs. 000's)	1998 (Rs. 000's)
		(Ordinary shares of Rs. 10 each)		
4,638,268	4,638,268	Fully paid in cash	46,383	46,383
93,000	93,000	Issued for consideration other than cash	930	930
718,704	718,704	Issued as fully paid bonus shares	7,187	7,187
-----	-----		-----	-----
5,449,972	5,449,972		54,500	54,500
=====	=====		=====	=====

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Secured	5,904	6,459
Less: Shown under current liabilities payable within one year	2,004	4,676
	-----	-----
	3,900	1,783
	=====	=====

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 25% per annum. Remaining aggregate rentals of Rs.8.310 million inclusive of mark-up of Rs.2.406 million are payable in equal monthly and quarterly installments under various lease agreements by December, 2001.

The future minimum lease payments to which the Company is committed under the lease agreements and the years in which they will become due are as follows:

	(Rs. 000's)
Year ending June 30, 2000	3,530
Year ending June 30, 2001	2,913
Year ending June 30, 2002	1,867

	8,310
Less: Finance charges allocated to future periods	2,406

	5,904
	=====

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

The cost of operating and maintaining the leased assets is borne by the Company.

The above liability is secured against demand promissory notes.

5. SHORT TERM LOANS AND RUNNING FINANCES

Secured		
Banking companies		
Short term loan (Note: 5.1 & 5.3)	116,794	41,670
Running finances (Note: 5.2 & 5.3)	65,008	72,274
Other		
Merabaha finance (Note: 5.4)	12,193	11,000
	-----	-----
	193,995	124,944
Unsecured		
Other	--	3,361
Short term loan		
Temporary overdraft	169	1,993
	-----	-----
	169	5,354
	-----	-----
	194,164	130,298
	=====	=====

5.1 These loans are secured against lien on bills drawn on customers and pari passu charge on fixed current assets of the Company. Sanctioned limits are Rs. 114.300 million (1998: Rs. 43.500 million) and the facilities are repayable on various dates upto June 30, 1999. The rates of mark-up range from 18.62% to 22.26% per annum.

5.2 Running finance facilities available from the banks amount to Rs. 60.000 million (1998: Rs. 60.000 million) and the facilities are repayable upto June 30, 1999. The rates of mark-up ranges from 18.62% to 22% per annum. The arrangement is secured by way of equitable mortgage and pari passu charge on fixed current assets of the Company and hypothecation of stock in trade.

5.3 Subsequent to the balance sheet date short term running finance amounting to Rs.40.000 million and short term loan amounting to Rs. 61.627 million has been restructured by Muslim Commercial Bank into long term demand finance on payment of Rs. 10.000 million. Further payment of Rs. 20.000 million is to be made by June 30, 2000 and balance is payable in 31 equal quarterly installments of Rs. 5.000 million commencing from February 15, 2000.

5.4 This finance is secured against equitable mortgage of fixed assets and carries mark-up at 22% per annum. The balance was overdue as at the balance sheet date.

6. CURRENT PORTION OF LONG TERM LIABILITIES

Liabilities against assets subject to finance lease	2,004	4,676
	-----	-----

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors (Note: 7.1)	15,778	16,927
Bills payable	16,104	19,132
Accrued liabilities	19,975	14,084
Deposits - others	106	73
Advances from customers	10,770	9,586
Mark-up on secured loans and running finances	40,357	16,163
Due to Ex-Director	1,452	957
Sales tax payable	--	2,644
Workers' profit participation fund (Note: 7.2)	101	90
Workers' welfare fund	398	398
Other liabilities		
Payable to ex-employees	2,912	3,140
Provision fund	2,630	1,873
Withholding tax payable	1,630	449
Unclaimed gratuity	1,194	453
Others	291	147
	8,657	6,062
	113,898	86,115

7.1 These include balances due to Subsidiary Company amounting to Rs. 2,957 million (1998: Rs. 3,363 million)

7.2 Workers' profit participation fund

Balance as at July 1, 1998	90	80
Interest credited at prescribed rate	11	10
	101	90

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.

8. DIVIDENDS

Unclaimed	2,599	2,599
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9. CONTINGENCIES AND COMMITMENTS

9.1 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. 42,679 million (1998: Rs. 83,136 million).

ii) The Company has given repayment guarantee to National Development Finance Corporation (NDFC) for repayment of loan to a subsidiary company amounting to Rs.41,464 million (1998: Rs.35,833 million).

The NDFC has filed a suit in Lahore High Court for recovery of their outstanding dues. The suit seeks to recover liquidated damages amounting to Rs. 7,509 million and future markup at the rate of 20% until the realisation of outstanding balance, in respect of which no provision has been made as the Management expect favorable decision in the suit as stated below.

The Company is defending the suit filed by NDFC and has been successful in obtaining leave to defend. In the opinion of the Management the Honorable Court shall not decree an amount in excess of Rs. 17,615 million as excess markup, penalties and markup on markup have not been allowed by the Court in other cases. In the event the Court decides on the basis of Management expectation's liabilities towards NDFC shall be reduced by Rs. 23,849 million.

b) Taxation

The income tax assessments for the assessment years upto 1997-98 have been completed and the total liability demanded for the assessment years 1991-92 to 1997-98 amount to Rs. 29,027 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 against profit amounting to Rs.0.928 million (1998: Rs. 0.928 million).

c) Stamp duty

There is a contingent liability amounting to Rs. 6,981 million (1998: Rs. 6,981 million) in respect of penalty stamp duty imposed by Collector of Stamps, Board of Revenue, Sindh. The Company has filed a revision petition against the order 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 (1998: Rs. 6,981 million).

d) Custom duties

There is a contingent liability in respect of custom duties amounting to Rs.32,392 million (1998: Rs. 18,395 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.

e) Import bills payable

There is a contingent liability of an unascertained amount in respect of charges accruing due to delayed payment of import bills under confirmed letter of credit which were not cleared by the Bank on due dates.

9.2 Commitments

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

	1999	1998
	(Rs.000's)	(Rs.000's)
	<i>(Rupees in thousands)</i>	
Capital commitments	967	967

10. TANGIBLE FIXED ASSETS (Rupees in thousands)

The following is a statement of tangible fixed assets:

PARTICULARS	COST/REVALUATION			RATE		DEPRECIATION			WRITTEN DOWN VALUE	
	AS AT 01-07-98	ADDITION	(DISPOSAL)	AS AT 30-06-99	%	AS AT 01-07-98	FOR THE YEAR	(ADJUSTMENT)	AS AT 30-06-99	AS AT 30-06-99
Land - leasehold	42,704	--	--	42,704	--	14	--	--	14	42,690
Building on leasehold land	7,665	--	--	7,665	10	6,371	160	--	6,531	1,134
Plant and machinery	24,004	13	1,624	22,393	10	11,725	1,624	1,130	12,219	10,174
Gas & electric installation	1,033	--	27	1,006	10	911	30	13	928	78
Factory tools	1,415	--	--	1,415	20	1,327	52	--	1,379	36
Vehicles (Note: 10.1.1)	2,974	--	1,859	1,115	25	2,884	15	1,859	1,040	75
Furniture and fixtures	1,541	--	255	1,286	20	1,407	66	234	1,239	47
Office and other equipment	6,256	22	162	6,116	20	5,604	364	149	5,819	297
Capital work in progress	548	--	--	548	--	--	--	--	--	548
Sub total	88,140	35	3,927	84,248		30,243	2,311	3,385	29,169	55,079
Leased										
Vehicles	9,032	900	4,429	5,503	25	5,314	2,229	3,572	3,971	1,532
Office and other equipments	2,563	--	--	2,563	20	1,878	252	--	2,130	433
Plant and machinery (Note: 10.1.2)	1,512	831	1,312	831	10	234	126	332	28	803
Sub total	12,907	1,731	5,741	8,897		7,426	2,607	3,904	6,129	2,768
TOTAL (Rs. 000'S) - 1999	101,047	1,766	9,668	93,145		37,669	4,918	7,289	35,298	57,847
TOTAL (Rs.000'S) - 1998	101,959	2,065	2,977	101,047		33,402	5,800	1,533	37,669	63,378

10.1.1 These include vehicles costing Rs. 433,170 the title documents of which are in the process of being transferred in

the name of the Company.

10.1.2 These include plant and machinery costing Rs. 830,700 in respect of which liability has been transferred from a subsidiary Company but the assets are in the custody of the Leasing Company.

10.1.3 The Company professionally revalued their leasehold land as on March 31, 1998. 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".

10.3 Capital work in progress

This comprises of:

Plant and machinery	548	548
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10.4 The depreciation charge for the year has been allocated as follows:

Cost of sales	3,206	3,613
Administrative and selling expenses	1,712	2,187
	4,918	5,800

10.5 Details of fixed assets sold

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

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Purchaser	Address
(Rupees in thousands)							
OPERATING							
Plant and machinery							
Misc. items	1,574	1,102	472	341	Tender	Mr. Shahid Waheed	Karachi
Generator	50	28	22	120	Negotiation	Mr. Pervaiz	Islamabad
Gas & Electric Installation	27	13	14	25	Negotiation	Mr. Pervaiz	Islamabad
Vehicles							
Suzuki FX E-6953	80	80	--	91	Negotiation	Mr. M. Ramzan	Karachi
Mitsubishi Lancer F-3428	28	28	--	125	Negotiation	M/s. Trest Farms	Rawalpindi
Mitsubishi Lancer B-6453	28	28	--	160	Negotiation	Mr. Ashraf Baig, Employee	Karachi
Land Rover Jeep BB-6052	300	300	--	131	Negotiation	Mr. M. Ramzan	Karachi
Suzuki Swift S-2168	23	23	--	147	Negotiation	Mr. Mohammad Khalid	Karachi
Jeep CJ-7 BB-6101	240	240	--	90	Tender	M/s. Trest Farms	Rawalpindi
Suzuki Mehran T-5525	8	8	--	90	Negotiation	Mr. S. Mujeebullah	Karachi
Toyota Corolla V-6046	334	334	--	360	Negotiation	Mr. Zafar Hussain	Karachi
Suzuki Mehran V-6595	190	190	--	140	Negotiation	Mr. Fazal-e-Hussain	Karachi
Toyota Corolla V-6516	314	314	--	285	Negotiation	Mr. Adam Khan	Karachi
Toyota Corolla V-6514	314	314	--	322	Negotiation	Majid Humayon Akhter	Islamabad
Furniture and fixture	204	190	14	162	Negotiation	Mr. Pervaiz	Islamabad
Furniture and fixture	51	44	7	7	Insurance claim	M/s. E.F.U. Insurance Co.	Karachi
					Capital Asset		
					Leasing		
Office equipments	87	87	--	100	Negotiation	Corporation Limited	Lahore
Office equipments	75	62	13	13	Insurance claim	M/s. E.F.U. Insurance Co.	Karachi
LEASED							
Plant anti machinery	1,312	332	980	850	Reposessed	M/s. Capital Asset Leasing Corporation Limited	Lahore
Vehicles	4,044	3,290	754	1,827	Reposessed	M/s. Capital Asset Leasing Corporation Limited	Lahore
Vehicles	385	282	103	103	Insurance claim	M/s. E.F.U. Insurance Co.	Karachi
TOTAL	9,668	7,289	2,379	5,489			

47. LONG TERM INVESTMENTS - at cost

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, 1999 was Nil)	30,000	30,000
The Company held 100% of the investee's total equity. Chief Executive: Mr. Ahmed Bilal Malik.		

Johnson and Phillips Transformers (Private) Limited 2,100,000 fully paid ordinary shares of Rs. 10 each (Break-up value as at June 30, 1999 was Nil)	21,000	21,000
The Company held 70% of the investee's total equity. Chief Executive: Mr. Nadeem S. Qureshi		

J&P EMO Pakistan (Private) Limited 51,000 fully paid ordinary shares of Rs. 10 each (Break-up value as at June 30, 1999 was Nil)	510	510
The Company held 51% of the investee's total equity. Chief Executive: Mr. Ahmed Bilal Malik		

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	205
	51,000	51,000

12. STORES AND LOOSE TOOLS

Stores	420	349
Loose tools	25	25
	445	374

13. STOCK IN TRADE

Raw material and components		
- in hand (Note: 13.1)	37,746	4
- in transit - lying at port (Note: 13.2)	6,189	15,502
- in bond	3,961	6,387
	47,896	62,897
Work in process	18,507	15,022
Finished goods	3,158	1,438
	69,561	79,357

13.1 This includes material in the possession of an Associated Company amounting to Rs. 8,631 million (1998: Nil).

13.2 This stock is under lien of Muslim Commercial Bank against financing facilities provided by them.

14. TRADE DEBTS

Unsecured	62,385	18,377
Considered good (Note: 14.1)	1,476	1,731
Considered doubtful	63,861	20,108
	1,476	1,731
Less: Provision for doubtful debts	62,385	18,377

14.1 These include a balance due from an Associated Company amounting to Rs. 0.865 million (1998: Nil). The maximum amount due from the Associated Company at the end of any month during the year was Rs. 1.552 million (1998: Nil).

15. ADVANCES AND DEPOSITS

Advances (Unsecured - considered good)	30	36
Executives (Note: 15.1)	581	228
Employees	10,848	10,999
Subsidiary (Note: 15.2)	13,584	8,729
Suppliers	10,578	13,330
Income tax (Note: 15.3)	1,453	1,453
Purchase of land	245	195
Others	-----	-----
	37,319	35,070
Deposits	322	41
Margin against letters of credit	815	1,558
Security deposits	-----	-----
	1,137	1,599
	-----	-----
	38,456	36,669
	=====	=====

15.1 The maximum amount due from executives at the end of any month during the year was Rs. 0.036 million (1998: Rs. 0.036 million).

15.2 The maximum amount due from a subsidiary at the end of any month during the year was Rs. 12.728 million (1998: Rs. 14.045 million)

15.3 Advance income tax	39,693	41,936
Less: Provision for taxation	29,115	28,606
	-----	-----
	10,578	13,330
	=====	=====

16. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	537	849
Due from Subsidiary Company (Note: 16.1)	2,960	3,109
Other receivables - considered good	5,158	--
- Sale tax refundable	352	352
- Receivable from ex-employee	503	--
- Insurance claim	404	238
- Other	-----	-----
	6,417	1,070
	-----	-----
	9,914	5,028
	=====	=====

16.1 The maximum amount due from a subsidiary at the end of any month during the year was Rs. 2.960 million (1998: Rs. 3.109 million).

17. CASH AND BANK BALANCES

Cash in hand	226	70
Cash with banks in current accounts	909	2,368
	-----	-----
	1,135	2,438
	=====	=====

18. SALES (NET)

Sales - local	39,482	64,220
- export	64,068	41,890
	103,550	106,110
	157	3,257
Less: Commission and discount on sales	-----	-----
	103,393	102,853
	=====	=====

19. COST OF SALES

Raw materials and components consumed	62,897	80,531
Opening stock	60,868	41,399
Purchases	--	4,163
Transferred from subsidiaries at cost	-----	-----
	123,765	126,003
	(39,825)	(62,897)
Closing stock	-----	-----
	83,940	63,106
	-----	-----
	1,123	93
Stores and spares consumed	12,281	21,269
Salaries, wages and other benefits (Note: 19.1)	278	379
Rent, rates and taxes	1,288	856
Insurance	1,751	1,499
Fuel and power	382	1,213
Repairs and maintenance	3,206	3,613
Depreciation	276	192
Inspection and testing	-----	-----
Printing and stationery	121	257
Travelling and conveyance	1,106	1,017
Postage, telephone and telex	568	828
Consultancy	40	23
Provision for obsolete stock	560	--
Other manufacturing expenses	318	339
	-----	-----
	23,398	32,416
	-----	-----
	107,338	95,522
Work in process	15,022	17,86
Opening stock	--	297
Transferred from subsidiary at cost	(18,507)	(15,022)
Closing stock	-----	-----
	(3,485)	3,132
	-----	-----
	103,853	98,654
Cost of goods manufactured	-----	-----
Finished goods	1,438	8,061
Opening stock	--	2,147
Transferred from subsidiary at cost	(3,158)	(1,438)
Closing stock	-----	-----
	(1,720)	8,770
	-----	-----
	102,133	107,424
	=====	=====

19.1 Salaries, wages and other benefits include Rs. 0.544 million (1998: Rs. 0.836 million) in respect of staff retirement benefits.

20. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits (Note: 20.1)	8,719	10,340
Rent, rates and taxes	278	379
Repairs and maintenance	572	516
Insurance	245	151
Depreciation	1,712	2,187
Travelling and conveyance	1,562	2,389
Auditors remuneration (Note: 20.2)	235	185
Legal and professional charges	1,266	668
Advertising and sales promotion	92	177
Donation (Note: 20.3)	31	26

Subscriptions	224	340
Entertainment	596	831
Light and power	553	1,172
Printing and stationery	121	257
Postage, telegram, telephone and telex	568	827
Free guarantee replacement	243	167
Packing	867	1,753
Securities expenses	66	401
Provision for doubtful debts	24	430
Charges for late deliveries	8,420	2,062
Demurrage charges	1,397	264
Late payment surcharge imposed by sales tax authorities	303	480
Others	824	1,799
	28,918	27,801

20.1 Salaries and other benefits includes Rs. 0.555 million (1998: Rs. 0.372 million) in respect of staff retirement benefits.

20.2 Auditors' remuneration

Audit fee	120	120
Taxation services	89	45
Out of pocket expenses	26	20
	235	185

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

21. OTHER INCOME

Liabilities no longer payable written back	1,244	529
Sale of scrap	131	197
Profit on disposal of fixed assets	3,110	3,668
Insurance claim received	1,730	--
Miscellaneous	502	379
	6,717	4,773

22. FINANCIAL CHARGES

Interest on workers' profit participation fund	11	10
Interest on unsecured long term loan	--	1,438
Mark-up on finance lease	2,549	797
Mark-up on secured short term loans and running finances	27,176	21,507
Mark-up on morabaha finance	2,463	53
Interest on Provident Fund	324	238
SDP penalty on running finance	599	473
Bank charges	537	932
Exchange loss	2,279	--
	35,938	25,448

23. LOSS PER SHARE - BASIC AND DILUTED

Net loss for the year	(60,664)	(63,283)
	Number of shares	
Weighted average number of ordinary shares	5,449,972	5,449,972
Loss per share - Basic and Diluted	Rs. (11.13)	Rs. (11.61)

24. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Revenue Reserve	Profit and Loss account	Total Reserve
(Rupees in thousands)					
Balance as on July 01, 1997	54,500	29,727	23,073	(63,283)	44,017
Loss for the year	--	--	--	(55,477)	(55,477)
Balance as on June 30, 1998	54,500	29,727	23,073	(118,760)	(11,460)
Loss for the year	--	--	--	(60,664)	(60,664)
Balance as on June 30, 1999	54,500	29,727	23,073	(179,424)	(72,124)

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:

	Chief executive		Directors		Executives		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
(Rupees in thousands)								
Managerial Remuneration	666	600	807	226	1,544	1,463	3,017	2,289
Retirement benefits and provident fund contributions	31	50	17	19	53	89	101	158
Housing	248	270	235	102	482	598	965	970
utilities	35	--	52	23	107	133	194	156
Leave passages	--	--	--	30	--	87	--	117
Medical expenses	--	--	--	66	--	76	--	142
Club subscription	24	55	43	9	41	1	108	65
	1,004	975	1,154	475	2,227	2,447	4,385	3,897
Number of persons	1	1	5	1	6	7	12	9

b) The Directors of the Company have waived their meeting fees.

c) The Chief Executive, Directors 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:

Transfer of stock and stores from

Purchase of goods and services	1,584	--
Transfer of stock and stores from Subsidiaries at cost	--	11,503
Sales of goods and services	1,552	2,677
Take over lease liability of a Subsidiary Company	831	--
Raw material supplied to Associated Company as sub contractor	8,631	--

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Interest rate risk exposure

Interest rate risk of the Company's financial assets and financial liabilities as at June 30, 1999 can be evaluated from the following:

	Interest bearing			Total
	With in	More than	Non interest	

	<i>one year</i>	<i>one year</i>	<i>bearing</i>	
Financial assets				
Trade debts (Net)	--	--	62,385	62,385
Deposits	--	--	12,430	12,430
Others receivables	--	--	4,219	4,219
Cash and bank balances	--	--	1,135	1,135
Total financial assets	--	--	80,169	80,169
Financial liabilities				
Dividend payable	--	--	(2,599)	(2,599)
Creditors accrued and other liabilities	--	--	(102,084)	(102,084)
Short term loan and running finance	(193,995)	--	(169)	(194,164)
Liabilities against assets subject to finance lease	(2,004)	(3,900)	--	(5,904)
Total financial liabilities	(195,999)	(3,900)	(104,852)	(304,751)
Net financial (liabilities)	(195,999)	(3,900)	(24,683)	(224,582)
Effective interest rate	18.62 - 25%	25%		

28.2 Credit risk
The financial assets include Rs. 79,034 million which are subject to credit risk.

28.3 Currency risk
The financial liabilities include Rs. 16,104 million which are subject to currency risk.

28.4 Fair value of financial instruments
The fair value of all financial assets and liabilities are estimated to approximate their carrying amount.

29. NUMBER OF EMPLOYEES
The total number of employees as at the balance sheet date were 137 (1998: 154)

30. 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 **CHIEF EXECUTIVE DIRECTOR**
DATED:

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

	<i>Johnson And Phillips Industries (Pakistan) Limited</i>	<i>Johnson And Phillips Transformers (Private) Limited</i>	<i>J&P EMO Pak (Private) Limited</i>
	<i>(Rupees in thousand)</i>		
a) Extent of the interest of Johnson & Phillips (Pakistan) Limited (holding Company) in the equity of its subsidiaries at the end of last financial period of the subsidiaries.	100%	70%	51%
b) Net aggregate amount of profits (losses) of the subsidiary company so far as these concern members of the holding company that has not been dealt with in the accounts of the holding company for the period ended June 30, 1999.			
- For the current financial period of the subsidiary.	(18,098)	(6,772)	45
- For the previous periods but subsequent to the acquisition of controlling interest by the holding company.	(61,640)	(29,570)	(1,924)
c) The net aggregate amount of profits (losses) of the subsidiary company so far as these have been dealt with or provision made for losses in the account of holding company for the period ended June 30, 1999.			
- For the current financial year of the subsidiary.	Nil	Nil	Nil
- For previous years but subsequent to the acquisition of controlling interest by the holding company.	(10,900)	(8,425)	(510)
d) Audited financial statements of subsidiaries for the period ended June 30, 1999.	Attached	Attached	Attached

CHAIRMAN & 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>Bonus Shares</i>
1990	122,449	3,282	10	1,290
1991	156,041	7,908	25	5,161
1992	178,370	11,135	25	6,193
1993	139,083	2,920	--	6,193
1994	216,682	(3,220)	--	--
1995	284,917	8,861	10	5,450
Year Ended June 30				
1996	188,792	(5,246)	--	--
1997	151,771	(50,279)	--	--
1998	102,853	(63,283)	--	--
1999	103,393	(60,664)	--	--

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
454	1	-100	17,326
320	101	500	82,540
111	501	1000	78,955
107	1001	-5000	206,410
14	5001	-10000	85,867

2	10001	-15000	26,650
3	15001	-20000	52,691
1	20001	-25000	30,780
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	10500	-110000	109,163
0	11000	-200000	0
1	20000	-205000	203,973
0	20500	-250000	0
1	25000	-255000	251,372
0	25500	-1205000	0
1	120500	-1210000	1,208,427
0	121000	-2715000	0
1	271500	-2720000	2,719,536
-----			-----
1025			5,449,972
-----			-----

Categories of

Shareholders	Number	Shares held	Percentage
Individuals	1009	1,373,887	25.20
Investment Companies	5	56,985	1.05
Insurance Companies	3	85,866	1.58
Joint Stock Companies (Local)	2	5,158	0.08
Joint Stock Companies (Foreign)	1	2,719,536	49.90
Financial Institution	2	1,208,809	22.18
Administrative Abandoned Property (Government of Pakistan)	1	701	0.01
Others (See Below)	2	2	0.00
-----			-----
1025	5,449,972	100.00	-----
-----			-----

Others:

1. Corporate Law Authority
2. Pakistan Shareholders Association

2	2	0.00

2	2	0.00

JOHNSON AND 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, 1999.

OPERATIONAL RESULTS

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

			RUPEES
			(000)
Net loss for the year			(18,098)
Provision for taxation	- current	(-)	(-)
	- prior	(-)	(-)
-----			-----
Net loss after taxation			(18,098)
Accumulated loss brought forward			(61,640)
-----			-----
Accumulated loss carried over to balance sheet			79,738
-----			-----

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 affecting 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 expects that the NDFC litigation will be favourably resolved. 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 year under review:

Name of resigning Director	Name of Director appointed
Mr. Saïyed Hashim Ishaque	Mr. Nadim S. Qureshi (E.C)
Mr. Azizur Rahman	Mr. Shehryar Anwer Saeed
Mr. Ahmad Bilal Malik	Mr. Mohammad Asad Khan
Mr. Riaz Mohammad Khan	Mr. Riaz Haider Rizvi

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

Earnings per ordinary share of Rs. 10 each is in negative at Rs. 6.03 due to the loss for 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 year under review.

YEAR 2000 COMPLIANCE

Appropriate measures have been taken for necessary modification in the softwares. Your company is now Y2K compliance.

AUDITORS

We thank M/s. Ebrahim & Co., Chartered Accountants, auditors of the company for their valuable services. The Directors propose reappointment of Messrs. Ebrahim & Co., Chartered accountants as auditors for the ensuring year 1999-2000.

PATTERN OF SHAREHOLDING

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

**On behalf of the
Board of Directors**

Karachi
 Dated: 15th July, 2000

(Nadim S. Quraishi)
 Chief Executive

**PATTERN OF HOLDING OF SHARES
 HELD BY THE SHAREHOLDERS AS AT JUNE 1999**

Number of Shareholders	Shareholding		Total shares held
	From	To	
7	1	500	7
Nil	501	1,000	Nil
Nil	1,001	100,000	Nil
Nil	100,001	1,000,000	Nil
Nil	500,001	1,000,000	Nil
1	1,000,001	5,000,000	2,999,993
----- 8			----- 3,000,000

Categories of Shareholders

Shareholders	Number	Shares held	Percentage
Individuals	7	7	--
Joint Stock Company	1	2,999,993	100
-----	8	3,000,000	----- 100.00

AUDITORS' REPORT TO THE MEMBERS

- We have audited the annexed balance sheet of **JOHNSON AND PHILLIPS INDUSTRIES (PAKISTAN) LIMITED** as at June 30, 1999 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.
- The Company ceased production in July 1997. The accumulated losses of the Company aggregating to Rs. 79.738 million have wiped out the equity and current liabilities aggregating to Rs. 85.398 million exceed the current assets by Rs. 60.890 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.
- The Company is contesting a suit filed by National Development Finance Corporation claiming recovery of Rs. 112.181 million being the amount due upto August 31, 1999. No provision has been made in these accounts for liquidated damages upto June 30, 1999 amounting to Rs. 23.798 million included in amount of the claim.
- In the absence of information regarding realisable value of several balances under stores and spares, stock in trade, trade debts and advances to suppliers aggregating to Rs. 22.066 million we have not been able to confirm that the amount should be realised at carrying values.
- Except for the matters referred in paras 2 to 4 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:
 - in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
 - in our opinion:
 - 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;
 - the expenditure incurred during the year was for the purpose of the Company's business; and
 - the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
 - 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;
 - because of the significance of matters referred in para 2 to 4 above, 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, 1999 and of the loss and changes in financial position for the year then ended; and
 - in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KARACHI
 DATED: **CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT JUNE 30, 1999

		1999 (Rs. 000's)	1998 (Rs. 000's)
CAPITAL AND RESERVES			
Authorised capital			
3,000,000 ordinary shares of Rs. 10/- each		30,000	30,000
Issued, subscribed and paid-up capital	3	30,000	30,000
Profit and loss account (Adverse balance)		(79,738)	(61,640)
		(49,738)	(31,640)
ADVANCE AGAINST SHARE ISSUE		20,000	20,000
SURPLUS ON REVALUATION OF FIXED ASSETS		2,200	2,200
LONG TERM LOAN	4	7,577	9,741
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
DEFERRED LIABILITY	5	--	27
Staff gratuity		--	104
CURRENT LIABILITIES			
Current portion of long term loan and finance leases		7,576	5,948
Short term loan and running finance	6	34,916	34,924
Creditors, accrued and other liabilities	7	42,788	31,931
Provision for taxation		118	118
		85,398	72,921
CONTINGENCIES AND COMMITMENTS	8		
		65,437	73,597
TANGIBLE FIXED ASSETS	9	40,778	48,197
LONG TERM DEPOSITS			
Security deposits		151	281

CURRENT ASSETS		
Consumable stores		182
Tools and dies		2,460
Stock in trade	10	5,795
Trade debts	11	5,171
Advances, deposits and other receivable	12	10,100
Cash and bank balances	13	800

		24,508

		65,437

		73,597
		=====

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

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	1999	1998
	(Rs. 000's)	(Rs. 000's)
Sales (Net)	--	247
Cost of sales	--	775
Gross (loss)	--	(528)
Fixed factory expenses	14	2,485
Administrative and selling expenses	15	3,127

		5,612

		4.82
Operating (loss)		(5,612)
Other income	16	237

		(5,375)
Financial charges	17	12,723

		(18,098)
Net (loss) for the year		(17,342)
Provision for taxation		--
Current		1
Prior		17

		18
Net (loss) after taxation		(18,098)
Accumulated (losses) brought forward		(61,640)

		(79,738)
Accumulated losses carried over to balance sheet		(61,640)

		(6.03)
Loss per share - Basic and Diluted	18	(5.79)
		=====

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

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	1999	1998
	(Rs. 000's)	(Rs. 000's)
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) for the year	(18,098)	(17,342)
Adjustments for items not involving movement of funds		
Depreciation	2,564	3,175
Provision for gratuity	--	79
Amortisation of loose tools	130	285
Loss on sale of fixed assets	2,326	--
Financial charges	12,723	12,691

	(355)	(1,112)
(Increase)/Decrease in current assets		
Consumable stores, tools and dies	--	3,293
Stock in trade	--	6,688
Trade debts	730	(2,806)
Advances, deposits and other receivables	(957)	(548)
Prepayments	--	213

	(227)	6,840
(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,814)	(5,331)
Net cash from Operating activities before financial charges	(2,396)	397
Financial charges paid	(156)	(140)
Net cash from operating activities after financial charges	(2,552)	257
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	2,529	--
Long term deposits	130	--

Net cash from investing activities	2,659	--
CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings and running finance	(8)	8
Repayment of liability against finances lease	(807)	(257)

Net cash from financing activities	(815)	(249)
Net (decrease)/increase in cash and cash equivalents	(708)	8
Cash and cash equivalents at the beginning of the year	1,508	1,500

Cash and cash equivalents at the end of the year	800	1,508
		=====

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999**

1. NATURE AND STATUS OF BUSINESS

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 ability of the Management to:

- successfully contest the suit filed by National Development Finance Corporation
- negotiate profitable contracts with the utility companies who are the primary customers of the Company.

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. The plan of action in this regard is being reviewed for 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 liabilities. 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

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.

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 (1998: 3,000,000) ordinary shares of the Company representing 100% (1998: 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		
National Development Finance Corporation (NDFC)		
Local currency general term finance		
(Note: 4.1)	15,153	15,153
Less: Current portion shown under		
current liabilities	7,576	5,412
	-----	-----
	7,577	9,741
	=====	=====

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 the dates.

NDFC has filed a suit in Lahore High Court for recovery of outstanding balance together with liquidation damages as explained in Note: 8.1c.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Opening balance	807	1,064
Less: Adjustment/payments during the year	807	257
	-----	-----
	--	807
Less: shown under current liabilities payable		
within one year	--	536
	-----	-----
	--	271
	=====	=====

The above liability and related asset has been taken over by the Holding Company.

6. SHORT TERM LOAN AND RUNNING FINANCE

Secured		
Short term loan		
National Development Finance Corporation	34,916	34,916
(Note: 6.1)		
Unsecured		
Temporary overdraft	--	8
	-----	-----
	34,916	34,924
	=====	=====

6.1 This is secured against hypothecation of stock, first charge on fixed assets of the Company ranking 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.35,000 million (1998: Rs. 35,000 million).

NDFC has filed a suit in Lahore High Court for recovery of outstanding balance together with liquidation damages as explained in Note: 8.1c.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	4,535	4,732
Accrued expenses	378	325
Advances from customers	355	355

Accrued mark-up and excise duty on secured liabilities	36,228	23,661
Due to director	--	1,784
Due to other	154	--
Sales tax payable	31	31
Other liabilities	493	493
Income tax deducted at source	188	79
Unclaimed gratuity	426	501
Others	-----	-----
	1,107	1,073
	-----	-----
	42,788	31,931
	-----	-----

CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

a) The income tax assessments for the assessment years upto 1997-98 have been completed and the total liability demanded for the assessment year 1996-97 amounts to Rs. 0.117 million which the Company is disputing in appeal before tax authorities. In the event of adverse decision in the appeal the Company would not be required to make further payment as advance tax paid would cover the demand. The Company would however, face a charge against profit amounting to Rs. 0.346 million (1998: Rs. 0.346 million).

b) 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. 0.070 million (1998: Rs. 1.381 million).

c) There is a contingent liability in respect of suit filed by National Development Finance Corporation (NDFC) in Lahore High Court against the Company for recovery of their financing facilities and a complaint filed in the banking court alleging various charges in relation to non-compliance of the terms of loan agreement. The suit in the High Court seeks to recover in addition to the dues recognised in the books of accounts, liquidated damages amounting to Rs. 23,798 million up to June 30, 1999 (1998: Nil) and future markup at the rate of 20% until the realisation of outstanding balance, in respect of which no provision has been made in books of accounts as the Management expect favourable decision in the suit as stated below in the absence of specific information, the amount of contingency if any, with respect to the complaint in the banking court can not be qualified.

The Company has been successful in obtaining leave to defend the case in the High Court. In the opinion of the Management the Honourable Court shall not decree an amount in excess of Rs. 52,600 million as excess markup, penalties and markup on markup have not been allowed by the Court in other cases. In the event the Court decides on the basis of Management expectation liabilities towards NDFC shall be reduced by Rs. 33,697 million.

8.2 Commitments

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

9. TANGIBLE FIXED ASSETS (Rupees in thousands)

PARTICULARS	COST/REVALUATION			RATE	DEPRECIATION			WRITTEN DOWN VALUE		
	AS AT 01-07-98	ADDITION	(DISPOSAL)		AS AT 30-06-99	%	AS AT 01-07-98 FOR THE YEAR	(ADJUSTMENT)	AS AT 30-06-99	AS AT 30-06-99
Owned										
Operating										
Free hold land (Note: 9.2)	5,100	--	--	5,100	--	--	--	--	--	5,100
Building	30,814	--	--	30,814	5	4,111	1,541	--	5,652	25,162
Non-operating (Note: 9.3)										
Plant and machinery	19,603	--	5,988	13,615	10	6,290	880	2,394	4,776	--
Electric installation	466	--	466	10	23	186	--	--	209	257
Factory tools	336	--	44	292	20	264	32	39	257	35
Furniture and fitting	49	--	35	14	20	44	3	33	14	--
Office and other equipment	544	--	55	489	20	393	53	45	401	88
Capital work in progress										
Plant and machinery	1,501	--	204	1,297	--	--	--	--	--	1,297
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	58,413	--	6,326	52,087		11,288	2,532	2,511	1,309	40,778
Leased Assets										
Plant and machinery	1,295	--	1,295	--	10	223	32	255	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL Rs. 000's - 1999	59,708	--	7,621	52,087		11,511	2,564	2,766	1,309	40,778
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL Rs. 000's - 1998	59,708	--	--	59,708		8,336	3,175	--	11,511	48,197
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

9.1 Depreciation has been allocated as follows:

Cost of sales	--	231
Fixed factory expenses	2,210	2,539
Administrative and selling expenses	354	405
	-----	-----
	2,564	3,175
	-----	-----

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. 2,210 million is included in the book value of freehold land with corresponding amounts appearing as "Surplus on revaluation of fixed assets".

9.3 Due to cessation of operations depreciation on all non-operating fixed assets has been charged at 50% of the normal rates. If depreciation had been charged at normal rates the charge and loss for the year would have been higher by Rs. 1,023 million (1998: Rs. 0.688 million).

9.4 Details of fixed assets sold

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

Particulars	Cost Depreciation	Accumulated	Book value	Sale proceeds	Mode of disposal	Purchaser
			(Rupees in thousands)			
Owned						
Plant and machinery	5,988	2,394	3,594	1,607	Tender	Mr. Mohammad Kalim Lahore
Factory tools	44	39	5	12	Tender	Mr. Mohammad Kalim Lahore
Furniture and fittings	35	33	2	9	Tender	Mr. Mohammad Kalim Lahore
Office and other equipments	55	45	10	15	Tender	Mr. Mohammad Kalim Lahore
Capital work in progress	204	--	204	55	Tender	Mr. Mohammad Kalim Lahore
Leased assets						
Plant and machinery	1,295	255	1,040	831	Transfer	M/s. Johnson & Phillips (Pakistan) Limited Karachi
	-----	-----	-----	-----		
	7,621	2,766	4,855	2,529		
	-----	-----	-----	-----		

10. STOCK IN TRADE

Raw material	4,896	4,896
Finished goods	899	899
	-----	-----
	5,795	5,795
	-----	-----

11. TRADE DEBTS

Unsecured - considered good		
Holding Company (Note: 11.1)	2,957	3,363
Others	2,214	2,538
	-----	-----
	5,901	5,171
	-----	-----

11.1 The maximum amounts outstanding at the end of any month during the year was Rs. 3,273 million. (1998: Rs. 3,363 million)

12. ADVANCES, DEPOSITS AND OTHER RECEIVABLE

Advances (Unsecured - considered good)		
To staff	--	42
To suppliers (Note: 12.1)	8,416	8,416
Income tax	615	615
	-----	-----
	9,031	9,073
	=====	=====
Deposit		
Guarantee margin	70	70
Other receivable		--
Receivable against sale of fixed assets	957	--
Others	42	--
	999	--
	-----	-----
	10,100	9,143
	=====	=====

12.1 These include balances due from associated companies amounting to Rs. 7,791 million (1998: Rs. 7,791 million). The maximum amount outstanding at the end of any month during the year was Rs. 7,791 million (1998: Rs. 7,791 million)

13. CASH AND BANK BALANCES

Cash in hand	15	15
Cash with banks		
in current accounts	785	182
in fixed deposit account	--	1,311
	-----	-----
	785	1,493
	-----	-----
	800	1,508
	=====	=====

14. FIXED FACTORY EXPENSES

Ameritization of tools and dies	130	261
Insurance	125	164
Depreciation	2,210	2,539
Electricity	20	4
	-----	-----
	2,485	2,968
	=====	=====

15. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and other benefits	328	859
Rent, rates and taxes	--	110
Repair and maintenance	10	5
Insurance	--	26
Travelling and conveyance	1	14
Audit fee	35	35
Legal and professional	27	140
Newspapers and periodicals	--	2
Entertainment	--	48
Electricity expense	--	11
Postage and telephone	5	42
Packing charges	15	2
Freight and despatch	--	20
Transportation and loading	--	27
Printing and stationery	--	2
Depreciation	354	405
Zakat	--	2
Advertisement	--	4
Bad debts expenses	--	38
Loss on sale of fixed assets	2,326	--
Miscellaneous	26	64
	-----	-----
	3,127	1,854
	=====	=====

16. OTHER INCOME

Scrap sales	--	51
Profit on bank deposit	58	9
Exchange gain	117	209
Miscellaneous	62	74
Liability no more payable written back	--	356
	-----	-----
	237	699
	=====	=====

17. FINANCIAL CHARGES

Mark-up on long term loan	4,321	4,321
Mark-up on short term borrowing and running finances	8,284	8,193
Mark-up on finance lease	115	176
Bank charges	3	1
	-----	-----
	12,723	12,691
	=====	=====

18. LOSS PER SHARE - BASIC AND DILUTED

Net loss for the year	(18,098)	(17,360)
	-----	-----

Number of shares

Weighted average number of ordinary shares	3,000,000	3,000,000
	-----	-----
Loss per share - Basic and Diluted	Rs. (6.03)	Rs. (5.79)
	-----	-----

19. STATEMENT OF CHANGES IN EQUITY

	Share capital	Profit and loss account	Total
Balance as on July 01, 1997	30,000	(17,360)	12,640
Loss for the year	--	(44,280)	(44,280)
	-----	-----	-----
Balance as on June 30, 1998	30,000	(61,640)	(31,640)
Loss for the year	--	(18,098)	(18,098)
	-----	-----	-----
Balance as on June 30, 1999	30,000	(79,738)	(49,738)
	=====	=====	=====

20. CAPACITY AND PRODUCTION

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.

21. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief executive		Directors		Executives		Total
	1999	1998	1999	1998	1999	1998	
	(Rupees in thousand)						
Managerial remuneration	--	--	--	--	--	--	--
Retirement benefits	--	--	--	--	--	--	--
Other allowances	--	--	--	--	--	--	--

Director fee	--	--	--	--	--	--	--	--	--
Numbers of persons	--	--	--	--	--	--	--	--	--

22. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Takeover of lease liability by Holding Company 807 --

23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

23.1 Interest rate risk exposures

Interest rate risk of the Company's financial assets and financial liabilities as June 30, 1999 can be evaluated from the following:

	<i>Interest bearing</i>			<i>Total</i>
	<i>With in one year</i>	<i>More than one year</i>	<i>Non interest bearing</i>	
Financial assets				
Trade debts (Net)	--	--	5,171	5,171
Deposits	--	--	70	70
Other receivables	--	--	999	999
Cash and bank balances	--	--	800	800
			7,040	7,040
Financial liabilities				
Creditors accrued and other liabilities	--	--	(41,909)	(41,909)
Short term loans and running finance	(34,916)	--	--	(34,916)
Long term loans	(7,576)	(7,577)	--	(15,153)
	(42,492)	(7,577)	(41,909)	(91,978)
Net financial liabilities	(42,492)	(7,577)	(34,869)	(84,938)
Effective interest rate	22.27%	28.5%		

23.2 Credit Risk

The financial assets include Rs. 6,240 million which are subject to credit risk.

23.3 Fair value of financial instruments

Fair value of financial instruments are not significantly different from their book values as shown in these financial statements.

24. NUMBER OF EMPLOYEES

Total number of employees at year end was 2 (1998: 10).

25. 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 **CHIEF EXECUTIVE**

DATED: **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, 1999.

OPERATIONAL RESULTS

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

	RUPEES		
	(000)		
Net loss for the year			(10,204)
Provision for taxation	- Current	(-)	
	- Prior	(-)	
	- Deferred	(88)	(88)
Net loss after taxation			(10,292)
Accumulated loss brought forward			(62,244)
Accumulated loss carried forward			(52,536)

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 expects that the NDFC litigation will be favourably resolved. 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 account 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 year under review:

<i>Name of resigning Director</i>	<i>Name of Director appointed</i>
Mr. Saïyed Hashim Ishaque	Mr. Nadim S. Qureshi (E.C)
Mr. Ahmed Bilal Malik	Mr. Shehryar Anwer Saïed
Mr. Riaz Mohammad Khan	Mr. Riaz Haider Rizvi
	Mr. Mohammad Asad 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. 3.43 due to the loss for 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 year under review.

YEAR 2000 COMPLIANCE

Appropriate measures have been taken for necessary modification in the softwares. Your company is now Y2K compliance.

AUDITORS

We thank M/s. Ebrahim & Co., Chartered Accountants, auditors of the company for their valuable services. The Directors propose reappointment of Messrs. Ebrahim & Co., Chartered accountants as auditors for the ensuring year 1999-2000.

PATTERN OF SHAREHOLDING

The pattern of shareholding in, prescribed form is included in this report.

**On behalf of the
Board of Directors**

Karachi
Dated: 15th July, 2000

**(Nadim S. Quraishi)
Chief Executive**

PATTERN OF HOLDING OF SHARES OF HELD BY THE SHAREHOLDERS AS AT JUNE 1999

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

Categories of Shareholders

Categories of Shareholders	Number	Shares held	Percentage
Individuals	9	900,005	30.000
Limited Company	1	2,099,995	70.000
-----	-----	-----	-----
	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, 1999 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. 52.536 million have wiped out the equity and current liabilities aggregating to Rs. 85.519 million exceed the current assets by Rs. 40.993 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. The Company is contesting a suit filed by National Development Finance Corporation claiming recovery of Rs. 49.373 million. No provision has been made in these accounts for liquidation damages amounting to Rs. 7.909 million included in amount of the claim.

4. In the absence of information regarding realisable value of several balances under stores and spares, stock in trade, trade debts, advances to suppliers, deposits and other receivables aggregating to Rs. 34.382 million we have not been able to confirm that the amount would be realised at carrying values.

5. 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: 1.3.

6. Except for the matters referred in paras 2 to 5 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 matters referred in paras 2 to 5 above, 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, 1999 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:

CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1999

	NOTES	1999 (Rs,000's)	1998 (Rs,000's)
CAPITAL AND RESERVES			
Authorised capital			
3,000,000 ordinary shares of Rs. 10 - each		30,000	30,000
Issued, subscribed and paid-up capital	3	30,000	30,000
Profit and loss account (Adverse balance)		(52,536)	(42,244)
		-----	-----
		(22,536)	(12,244)
DEFERRED LIABILITIES	4	881	919

CURRENT LIABILITIES			
Short term loan	5	28,419	28,419
Creditors, accrued and other liabilities	6	56,693	50,322
Provision for taxation		427	715
		-----	-----
		85,539	79,456
		-----	-----
CONTINGENCIES AND COMMITMENTS			
	7	63,884	68,131
		-----	-----
TANGIBLE FIXED ASSETS			
	8	19,173	21,925
LONG TERM DEPOSITS			
Security/deposits		165	165
CURRENT ASSETS			
Consumable stores		21	21
Stock in trade	9	29,224	29,224
Trade debts	10	3,581	4,905
Advances	11	2,481	2,834
Deposits and other receivables	12	9,194	9,012
Cash and bank balances	13	45	45
		-----	-----
		44,546	46,041
		-----	-----
		63,884	68,131
		=====	=====

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

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

		1999	1998
		(Rs,000's)	(Rs,000's)
Sales (Net)		--	12,889
Cost of sales		--	12,038
		-----	-----
Gross profit		--	851
Fixed factory expenses	14	1,794	9381
Administrative and selling expenses	15	2,727	7,645
		-----	-----
		4,521	8,583
Operating (loss)		(4,521)	(7,732)
Other income		--	1,183
Financial charges	16	(4,521)	(6,549)
		-----	-----
		5,683	6,751
Net (loss) for the year		(10,204)	(13,300)
Provision for taxation		--	64
Current		--	5
Prior		--	793
Deferred		88	862
		-----	-----
		(10,292)	(14,162)
Net (loss) after taxation		(10,292)	(14,162)
Accumulated (losses) brought forward		(42,244)	(28,082)
		-----	-----
Accumulated (losses) carried over to balance sheet		(52,536)	(42,244)
Loss per share - Basic and Diluted	17	(3.43)	(4.72)
		=====	=====

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

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

		1999	1998
		(Rs,000's)	(Rs,000's)
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss) for the year before taxation		(10,204)	(13,300)
Adjustments for items not involving movement of funds		1,961	3,557
Depreciation		--	(731)
Provision for gratuity (Net)		213	(872)
(Gain)/loss on sale of fixed assets		5,683	6,751
Financial charges		-----	-----
		(2,347)	(4,595)
Decrease/(increase) in current assets			
Stock in trade		--	6,433
Trade debts		1,324	1,644
Advances		65	509
Deposits and other receivables		--	111
		-----	-----
		1,207	8,697
Increase in current liabilities			
Creditors, accrued and other liabilities		565	(2,330)
		-----	-----
Net cash from operating activities before financial charges		(575)	1,772
Financial charges paid		(3)	(791)
		-----	-----
Net cash from operating activities after financial charges		(578)	981
CASH FLOW FROM INVESTING ACTIVITIES			
Addition to fixed assets and capital work in progress		--	(292)
Sale proceeds on sale of fixed assets		578	1,443
Long term deposits		--	290
		-----	-----
Net cash from investing activities		578	1,441
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against finance lease		--	(1,117)
Short term loans and running finances		--	(1,843)
		-----	-----
Net cash from financing activities		--	(2,960)
Net (decrease) in cash and cash equivalents		--	(538)
Cash and cash equivalents at the beginning of the year		45	583

Cash and cash equivalents at the end of the year	45	45
	=====	=====

KARACHI
DATED: **CHIEF EXECUTIVE
DIRECTOR**

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999**

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 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 ability of the Management to:

- a. successfully contest the suit filed by National Development Finance Corporation
- b. negotiate profitable contracts with the utility companies who are the primary customers of the Company.

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. The plan of action in this regard is being reviewed for 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.

1.3 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, 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.

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 assets 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
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.

2.5 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-process 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.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

3,000,000 ordinary shares of Rs. 10/- each	30,000	30,000
fully paid in cash	=====	=====

2,100,000 (1998: 2,100,000) ordinary shares of the Company representing 70% (1998: 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
Deferred taxation	881	793
	-----	-----
	881	919
	=====	=====

5. SHORT TERM LOANS

Secured		
Financial institution (Note: 5.1)	24,859	24,859
Unsecured		
Others (Note: 5.2)	3,560	3,560
	-----	-----
	28,419	28,419
	=====	=====

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 (1998: Rs. 25,000 million).

NDFC has filed a suit in Lahore High Court for recovery of outstanding balance together with liquidated damages as explained in Note: 7.1c.

5.2 The loan is unsecured and interest free.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	10,328	10,915
Accrued expenses	8,160	6,358
Mark-up and excise duty on short term		
loan and running finance	16,605	10,974
Due to Holding Company	10,848	10,999

Due to Associated Company	7,328	7,328
Due to Director	--	500
Advances from customers	2,221	2,221
Workers' profit participation fund (Note: 6.1)	453	403
Other liabilities	750	624
	=====	=====
	56,693	50,322
	=====	=====

6.3 Workers' profit participation fund

Balance brought forward	403	358
Interest credited at prescribed rate	50	45
	-----	-----
	453	403
	=====	=====

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

(a) The income tax assessments for the assessment years upto 1997-98 have been completed and the total liability demanded for the assessment years 1994-95 and 1996-97 amounts to Rs. 1,835 million which the Company is disputing in appeal before tax authorities. In the event of adverse decision in the appeal the Company would be faced with additional liability of Rs. 1,473 million and corresponding charge against profit amounting to Rs. 3,381 million (1998: Rs. 1,909 million).

(b) The liability for the amounts due to M/s Atta Cables (Pvt) Ltd. including unsecured loan, relating to Es. Management has been recorded in the books at an amount of Rs. 8,984 million as against the amount of Rs. 18,998 million (1998: 16,724 million) claimed by M/s Atta Cables (Pvt) Ltd.. The Company does not acknowledge the excess amount of claim.

(c) There is a contingent liability in respect of suit filed by National Development Finance Corporation (NDFC) in Lahore High Court against the Company for recovery of their financing facilities and a complaint filed in the banking court alleging various charges in relation to non-compliance of the terms of loan agreement. The suit in the High Court seeks to recover in addition to the dues recognised in the books of accounts, liquidated damages amounting to Rs. 7,909 million (1998: Nil) and future markup at the rate of 20% until the realisation of outstanding balance, in respect of which no provision has been made as the Management expect favorable decision in the suit as stated below in the absence of specific information, the amount of contingency if any, with respect to the complaint in the banking court can not be quantified.

The Company is defending the suit filed by NDFC and has been successful in obtaining leave to defend. In the opinion of the Management the Honorable Court shall not decree an amount in excess of Rs. 17,615 million as excess markup, penalties and markup on markup have not been allowed by the Court in other cases. In the event the Court decides on the basis of Management expectation liabilities towards NDFC shall be reduced by Rs. 23,849 million.

d) There is a guarantee issued by a financial institution on behalf of Company in the normal course of business amounting to Rs. 0.912 million (1998: Nil).

7.2 Commitments

There were no capital commitments as at balance sheet date.

8. TANGIBLE FIXED ASSETS (Rupees in thousands)

PARTICULARS	COST/REVALUATION			RATE	DEPRECIATION			WRITTEN DOWN VALUE		
	AS AT 01-07-98	ADDITION	(DISPOSAL)		AS AT 30-06-99	%	AS AT 01-07-98	FOR THE YEAR	(ADJUSTMENT)	AS AT 30-06-99
Operating										
Land	3,709	--	--	3,709	--	--	--	--	--	3,709
Building	12,327	--	--	12,327	10	3,160	1,233	--	4,393	7,934
Non-operating (Note: 8.2)										
Plant and machinery	12,831	--	1,484	11,347	10	5,239	598	693	5,144	6,203
Tools and equipments	1,565	--	--	1,565	10	586	78	--	664	901
Office equipments	531	--	--	531	10	280	27	--	317	224
Furniture and fixture	158	--	--	158	20	64	16	--	80	78
Laboratory equipments	185	--	--	85	10	52	9	--	61	124
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL Rs. 000's-1999	31,306	--	1,484	29,822		9,381	1,961	693	10,649	19,173
	=====	=====	=====	=====		=====	=====	=====	=====	=====
TOTAL Rs. 000's 1998	34,352	4,161	7,207	31,306		8,591	3,557	2,767	9,381	21,925
	=====	=====	=====	=====		=====	=====	=====	=====	=====

8.1 Depreciation is allocated as follows:

Cost of sales	--	1,608
Fixed factory expenses	1,678	804
Administrative and selling expenses	283	1,145
	-----	-----
	1,961	3,557
	=====	=====

8.3 Due to cessation of operations depreciation on all non-operating fixed assets has been charged at 50% of the normal rates. If depreciation had been charged at normal rates the charge and loss for the year would have been higher by Rs.0.728 million (1998: Rs. NIL).

8.3 Details of fixed assets sold

The following is the detail of disposal of asset during the year.

Particulars	Cost Depreciation	Accumulated	Book value	Sale proceeds	Mode of disposal	Purchaser
(Rupees in thousands)						
Owned						
Plant and machinery	1,484	693	791	579	Tender	M/s Elmetec (Pvt) Ltd. Lahore

9. STOCK IN TRADE

Raw material and components		
In hand	9,704	9,704
In transit	9,851	9,851
	19,555	19,555
Work in process	8,554	8,554
Finished goods	1,115	1,115
	-----	-----
	29,224	29,224
	=====	=====

10. TRADE DEBTS

Unsecured - considered good	3,581	4,905
	=====	=====

11. ADVANCES

(Unsecured-considered good)		
To staff	--	64
To suppliers	224	224
Against income tax	1,982	2,271
Against purchase of land	275	275
	-----	-----
	2,481	2,834
	=====	=====

12. DEPOSITS AND OTHER RECEIVABLES

Margin on letter of credit	890	890
----------------------------	-----	-----

Sales tax refundable	167	167
Receivable from Ex-management (Note: 12.1)	7,942	7,942
Due from Director	--	13
Others	195	--
	9,194	9,012

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 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 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	34
Cash with banks in current accounts	11	11
	45	45

14. FIXED FACTORY EXPENSES

Insurance	103	22
Depreciation	1,678	804
Electricity	13	112
	1,794	938

15. ADMINISTRATIVE AND SELLING EXPENSES

Salaries and allowances	283	1,789
Rates and taxes	10	5
Repair and maintenance	--	363
Insurance	--	92
Depreciation	283	1,145
Travelling and conveyance	7	32
Freight and octroi	14	235
Audit fee	35	35
Legal and professional	40	192
Advertisement	--	1
Entertainment	6	46
Telephone and postage	--	35
Security service expenses	5	3
Fees and subscription	16	7
Penalty on sales tax	--	562
Demurrage	1,814	--
Research and development	--	174
Service charges	--	160
Loss on sale of fixed asset	213	--
Miscellaneous expenses	1	12
	2,727	7,645

16. FINANCIAL CHARGES

Mark-up/interest on:	--	613
Liabilities for finance leases	--	--
Short term loans and running finance	5,630	5,915
Workers' profit participation fund	50	45
Margin on bills discount charged	--	174
Bank charges	3	4
	5,683	6,751

17. LOSS PER SHARE - BASIC AND DILUTED

Loss for the year after taxation	(10,292)	(14,162)
	Number of shares	
Weighted average no. of ordinary shares	3,000,000	3,000,000
Loss per share - Basic and Diluted	(3.43)	(4.72)

18. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Profit and loss account	Total
Balance as on July 01, 1997	30,000	(14,162)	15,838
Loss for the year	--	(28,082)	(28,082)
Balance as on June 30, 1998	30,000	(42,244)	(12,244)
Loss for the year	--	(10,292)	(10,292)
Balance as on June 30, 1999	30,000	(52,536)	(22,536)

19. 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.

20. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Directors		Executives		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	(Rupees in thousand)							
Managerial remuneration	--	--	--	--	--	--	--	--
Retirement benefits	--	--	--	--	--	--	--	--
Other allowances	--	--	--	--	--	--	--	--
Director fee	--	--	--	--	--	--	--	--
	=====	=====	=====	=====	=====	=====	=====	=====
Numbers of persons	--	--	--	--	--	--	--	--

21. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Sale of fixed assets 579

22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

22.1 Interest rate risk exposure

Interest rate risk of the Company's financial assets and financial liabilities as at June 30, 1999 can be evaluated from the following:

	Interest bearing			Total
	With in	More than	Non interest	

	<i>one year</i>	<i>one year</i>	<i>bearing</i>	
Financial assets				
Trade debts (Net)	--	--	3,581	3,581
Deposits	--	--	890	890
Other receivables	--	--	8,137	8,137
Cash and bank balances	--	--	45	45
	-----	-----	-----	-----
	--	--	12,653	12,653
Financial liabilities				
Creditors accrued and other liabilities	--	--	(53,595)	(53,595)
Short term loans and running finance	(24,859)	-----	(3,560)	(28,419)
	-----	-----	-----	-----
	(24,859)	--	(56,255)	(81,814)
	-----	-----	-----	-----
Net financial liabilities	(24,859)	--	(44,302)	(69,161)
	-----	-----	-----	-----
Effective interest rate	22.27%			

22.2 Credit risk exposure

The financial assets include Rs. 12,608 million which are subject to credit risk.

22.3 Fair value of financial instruments

Fair value of financial instruments are not significantly different from their book values as shown in these financial statements.

23. NUMBER OF EMPLOYEES

Total number of employees at year end were 4 (1998: 5).

24. 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:

**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, 1999.

OPERATIONAL RESULTS

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

	RUPEES (000)
Net Profit after taxation	90
Accumulated Profit brought forward	(1)

Accumulated losses brought forward	(89)
Accumulated loss carried forward	(3,772)

	(3,683)

DIVIDENDS

The Directors propose not to declare a dividend due to accumulated losses 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 year under review:

<i>Name of resigning Director</i>	<i>Name of Director appointed</i>
Mr. Riaz Mohammad Khan	Mr. Sherryar Anwar Saeed (E.C)
Mr. Saïyyed Hashim Ishaque	Mr. Riaz Haider Rizvi
Mr. Ahmed Bilal Malik	Mr. Mohammad Asad 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 making profits in the future years.

EARNING PER SHARE

Earning per ordinary share of Rs. 10 each is in positive at Rs. 0.89 due to the profit 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 year under review.

YEAR 2000 COMPLIANCE

Appropriate measures have been taken for necessary modification in the softwares. Your company is now Y2K compliance.

AUDITORS

We thank Messrs. Ebrahim & Co., Chartered Accountants, auditors of the company for their valuable services. The Directors propose reappointment of Messrs. Ebrahim & Co., Chartered accountants as auditor for the ensuing year 1999-2000.

PATTERN OF SHAREHOLDING

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

**On behalf of the
Board of Directors**

Karachi

Dated: 15th July, 2000

(Sherryar Anwar Saeed)

Chief Executive

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 1999

<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	Number	Shares held	Percentage
Individuals	7	7	0.007
Foreign Companies	2	48,997	48.997
Joint Stock Company	1	50,996	50.996

	10	100,000	100.000
=====			

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the annexed balance sheet of J&P EMO PAKISTAN (PRIVATE) LIMITED as at June 30, 1999 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.3.683 million has wiped out the equity and current liabilities aggregating to Rs.3.090 million exceed the current assets by Rs.2.710 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. Trade debts amounting to Rs. 0.300 million receivable from Water and Power Development Authority remained unrealized during the year. The Management is of the opinion that the debt is good and recoverable. In our opinion provision should be made for the loss that would arise if the debt is not recovered.

4. Except for the matters referred in paras 2 and 3 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;

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 the 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, 1999 and of the profit 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:

CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 1999

		1999 (Rs,000's)	1998 (Rs,000's)
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)		(3,683)	(3,772)
		-----	-----
		(2,683)	(2,772)
CURRENT LIABILITIES			
Short term advances	4	2,960	3,108
Creditors, accrued and other liabilities	5	119	102
Provision for taxation		11	10
		-----	-----
		3,090	3,220
CONTINGENCIES AND COMMITMENTS	6		
		-----	-----
		407	448
		=====	=====
TANGIBLE FIXED ASSETS		727	34
CURRENT ASSETS			
Trade debts (Unsecured - considered good)		300	300
Advances and deposit	8	39	36
Cash at bank	9	41	78
		-----	-----
		380	414
		-----	-----
		407	448
		=====	=====

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

KARACHI

DATED:

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

		1999 (Rs,000's)	1998 (Rs,000's)
Contract income		175	1,268
Cost of contract	10	29	1,114
		-----	-----
Gross profit		146	154
Administrative expenses	11	55	468
Amortisation of pre-operating expenses		-	1,818
		-----	-----
		55	2,286
Operating profit/(loss)		91	(2,132)
Financial charges	12	1	1

Net profit / (loss) for the year	90	(2,133)
Provision for taxation	1	6
Net profit / (loss) after taxation	89	(2,139)
Accumulated losses brought forward	(3,772)	(1,633)
Accumulated losses carried over to balance sheet	(3,683)	(3,772)
Earning / (loss) per share - Basic and Diluted	13	0.89
		(21.39)

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

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	1999 (Rs. 000's)	1998 (Rs. 000's)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss) for the year before taxation	90	(2,133)
Adjustments for items not involving movement of funds		
Depreciation	7	28
Amortisation of pre-operating expenses	--	1,818
Financial charges	1	1
	8	1,847
	98	(286)
(Increase)/decrease in current assets		
Installation work in progress	--	974
Debtors	--	(300)
Advances and deposits	--	114
	(3)	788
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	17	(44)
Net cash from operating activities before tax	112	458
Tax paid	--	(5)
Financial charges paid	(1)	(1)
Net cash from operating activities after tax	111	452
CASH FLOW FROM FINANCING ACTIVITIES		
Short term advance	(148)	(377)
Net (decrease)/increase in cash and cash equivalents	(37)	75
Cash and cash equivalents at the beginning of the year	78	3
Cash and cash equivalents at the end of the year	41	78

KARACHI
DATED: **CHIEF EXECUTIVE DIRECTOR**

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999**

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 turnkey 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 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.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

100,000 ordinary shares of Rs. 10-	1,000	1,000
each fully paid in cash		

51,000 (1998: 51,000) ordinary shares of the Company representing 51% (1998: 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	2,960	3,108
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The above advance is unsecured and interest free.

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for services	92	92
Accrued expenses	22	5
Others	5	5
	119	102

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

a) Guarantee

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 (1998: Rs. 0.900 million).

b) Taxation

The income tax assessments for the assessment years upto 1997-98 have been completed and the total liability demanded for the assessment years 1996-97 and 1997-98 amount to Rs. 0.012 million which the Company is disputing in appeals before Tax Authorities. In the event of adverse decision in the appeals Company would be faced with additional liability of Rs. 0.084 million and corresponding charges amounting to Rs.0.112 million (1998: Rs. 0.028 million).

6.2 Commitments

There were no commitments as at the balance sheet date.

7. TANGIBLE FIXED ASSETS (Rupees in thousands)

	COST		DEPRECIATION		WRITTEN DOWN	
	AS AT 01-07-1998 Rs. 30-06-1999	RATE %	AS AT 01-07-1998	FOR THE YEAR	AS AT 30-06-1999	VALUE AS AT 30-06-1999
Office equipment	110	20	110	-1	10	--
Furniture and fixtures	73	10	39	7	46	27
Vehicle	3	20	3	--	3	--
TOTAL RUPEES -1999	186		152	7	159	27
TOTAL RUPEES - 1998	186		124	28	152	34

8. ADVANCES

Advances (Unsecured - considered good)

Income tax	39	36
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9. CASH AT BANKS

Cash with bank in current account	41	78
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10. COST OF CONTRACT

Material consumption	29	1,005
Installation charges	--	90
Transportation	--	19
	29	1,114

11. ADMINISTRATIVE EXPENSES

Salaries and allowances	9	160
Vehicle running expenses	17	60
Repair and maintenance	--	1
Printing and stationery	--	1
Travelling and conveyance	--	20
Audit fee	5	5
Entertainment	--	5
Legal and professional charges	16	62
Newspaper, books and periodicals	--	1
Postage and telephone	--	48
Tender fee and documents	--	36
Depreciation	7	28
Business promotion expenses	--	5
Miscellaneous expenses	1	36
	55	468

12. FINANCIAL CHARGES

Bank charges	1	1
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13. EARNINGLOSS PER SHARE - BASIC AND DILUTED

Profit/(loss) for the year after taxation	89	(2,139)
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Number of shares

Weighted average no. of ordinary shares	100,000	100,000
Earning/(loss) per share - Basic and diluted	Rs. 0.89	Rs. (21.39)

14. STATEMENT OF CHANGES IN EQUITY

	Share capital	Profit and loss account	Total
Balance as on July 01, 1997	1,000	(1,633)	(633)
Loss for the year -	--	(2,139)	(2,139)
Balance as on June 30, 1998	1,000	(3,772)	(2,772)
Profit for the year -	--	89	8
Balance as on June 30, 1999	1,000	(3,683)	(2,683)

15. REMUNERATION OF DIRECTORS,

CHIEF EXECUTIVE AND EXECUTIVES

None of the Directors, Chief Executive and Executives are paid remuneration and any other allowances.

	Chief executive		Directors		Executives		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	(Rupees in thousand)							
Managerial remuneration	--	--	--	--	--	--	--	--
Retirement benefits	--	--	--	--	--	--	--	--
Other allowances	--	--	--	--	--	--	--	--
Director fee	--	--	--	--	--	--	--	--
Numbers of persons	--	--	--	--	--	--	--	--

16. TRANSACTION WITH ASSOCIATED UNDERTAKING

There were no related party transactions during the year.

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

17.1 Interest rate risk exposure

Interest rate risk of the Company's financial assets and financial liabilities as at June 30, 1999 can be evaluated from the following:

	Interest bearing With in	More than	Non interest	Total
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	<i>one year</i>	<i>one year</i>	<i>bearing</i>	
Financial assets				
Trade debts (Net)	--	--	300	300
Cash and bank balances	--	--	41	41
	-----	-----	-----	-----
	--	--	341	341
	=====	=====	=====	=====
Interest bearing				
	<i>With in</i>	<i>More than</i>	<i>Non interest</i>	<i>Total</i>
	<i>one year</i>	<i>one year</i>	<i>bearing</i>	
Financial Liabilities				
Creditors secured and other liabilities	--	--	119	119
Short term advance	--	--	2,960	2,960
	-----	-----	-----	-----
	--	--	3,079	3,079
	=====	=====	=====	=====
Net Financial Liabilities	--	--	(2,738)	(2,738)
	=====	=====	=====	=====

17.2 Credit risk
The financial assets include Rs. 0.30 million which are subject to credit risk.

17.3 Fair value of financial instruments
Fair value of financial instruments are not significantly different from their carrying values as shown in these financial statements.

18. NUMBER OF EMPLOYEES
There were no employees as at the balance sheet date (1998: 03).

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.

KARACHI
DATED: **CHIEF EXECUTIVE
DIRECTOR**