

## **Spencer & Co. (Pakistan) Limited**

**Annual Report 1998**

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### **Board of Directors**

#### **DIRECTORS**

Byram D. Avari, Chairman & C.E.O.  
Dinshaw B. Avari  
Xerxes B. Avari  
Nauzer B. Commissariat  
Keky R. Dastur  
Mrs. Dinaz D. Avari  
Mrs. Dilnaz X. Avari

#### **COMPANY SECRETARY**

Abdul Rahim Suriya

#### **AUDITORS**

Ford, Rhodes, Robson, Morrow

#### **BANKERS**

Allied Bank of Pakistan Ltd.  
American Express Bank Ltd.  
ANZ Grindlays Bank p.l.c.  
Habib Bank A.G. Zurich.  
Metropolitan Bank Ltd.  
Union Bank Ltd.

#### **REGISTERED OFFICE**

2nd Floor, Beach Luxury Hotel,  
M.T. Khan Road,  
Karachi.

### **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of Spencer & Co. (Pakistan) Ltd., will

be held on Wednesday, December 30, 1998, at 2.00 p.m. at the Beach Luxury Hotel, M.T. Khan Road, Karachi, to transact the following business :-

1. To read the notice of the meeting.
2. To confirm the Minutes of the 49th Annual General Meeting held on December 30, 1997.
3. To receive, consider and adopt Audited Accounts, together with the Directors' and Auditors' Reports thereon, for the year ended June 30, 1998.
4. To approve the dividend @ 45% per Ordinary Share of Rs. 10/= each (i.e. Rs. 4.50 per share) for the year ended June 30, 1998 as recommended by the Board of Directors.
5. To appoint Auditors and to fix their remuneration.
6. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi: December 08, 1998

Abdul Rahim Suriya  
Company Secretary

#### NOTE

(a) The Share Transfer Books of the Company will be closed from December 23, 1998 to December 30, 1998 (both days inclusive).

(b) A member entitled to attend and vote at the Annual General Meeting, is entitled to appoint another member as a proxy to attend and vote instead of him/her at the Meeting.

(c) The instrument appointing a proxy must be received at Registered Office of the Company not later than 48 hours before the time appointed for the Meeting.

#### CHAIRMAN'S REVIEW

It gives me great pleasure in presenting to you the Chairman's Review alongwith the Annual Report and the Audited Accounts of Spencer & Company (Pakistan) Limited, for the year ended June 30, 1998.

Economic conditions have over all had an effect on the business 'of the company due to general recession which has also affected the Pharmaceutical. With the ever depreciating Rupee, our costs are constantly increasing since most of our raw materials are imported. The Industry through Pakistan Pharmaceutical Manufacturers Association has been aggressively taking up the matter of price increase with Ministry of Health. In this bleak scenario, the silver lining is that our Injection Unit has been very well received. The Management expect this high profit, high margin unit to contribute substantially to the bottom line. This will help us to fill a niche market which is available at present. This facility has also attracted a lot of interest for multinationals for Toll Manufacturing. We have already entered into an agreement with a multinational company for producing their Injectable products and are expecting more such contracts to follow. These efforts will have a positive effect, as the increase in product capability through this capital investment not only yields returns but also adds confidence in our company by the medical profession. When our Company does Toll Manufacturing for multinationals it means that medical consultants and specialists would automatically have confidence in the quality of Spencer Pharma's products and would therefore recommend the other products manufactured by us. The high standards of GMP (Good Manufacturing Practices) which is the criteria on the basis of which a Pharmaceutical company's judged have always been maintained at a very high standard by our Company.

I would like to take this opportunity to also apprise the Shareholders About the status of the 270 MW Diesel technology power plant which is being sponsored by your Company. Spencer Powergen Company (Pakistan) Ltd., has taken this matter up with Government and at the same time has instituted legal proceedings to ensue the implementation and completion of this Project. We are fully confident that they will prevail and that our shareholders will get the benefits of investment in this Company.

Year 2000 is fast approaching and all business organisations face continuity problems to adjust their computers with the four digit requirement connected with the 21 st century. This new Millennium bug problem is being dealt by the management and we are in the process of achieving the compliance by Mid 1999 for our company as well as our subsidiary, Spencer Pharma (Pvt) Ltd. We have gone a step further by looking into our Suppliers to see that they do not face this problem, which might .effect our Company.

The assurance given in the past to give sustained growth, increase yields with larger dividends is once again being made. In spite of the economic situation of the country, it is my pleasure to declare again this year 45% dividend to all Common Shareholders.

The present management took over before the end of the financial year 1990, when the Company's sole business was pharmaceutical distribution. Subsequent to this, the Management undertook the restructuring of the entire Company, by deleting its non-prior making core business of distribution and entered the field of pharmaceutical manufacturing, by acquiring Fisons Pakistan (Private) Ltd. and diversifying into other fields.

(You will notice how the Company was veered around to declaring handsome dividends.)

**DIVIDENDS**

June 1990	Nil	The new management had conveyed that we have taken over the Company at this juncture, as it was floundering in May 1990, and therefore had informed shareholders that two years were required to put the Company on an even Keel. (For these two years, the Company could not generate the required profits.)
June 1991	Nil	
June 1992	20%	Mr. Byram D. Avari, the then Chairman, fulfilled his personal commitment to the small shareholders by paying from his and his family's own resources, the stated dividends for these two years. The beneficiaries were the Ordinary Shareholders, holding 1% and less shares in the Company.
June 1993	25%	
June 1994	30%	
June 1995	35%	
June 1996	40%	
June 1997	45%	
June 1998	45%	

It will therefore be of interest to shareholders to see how the present management has turned around the Company to start paying increased dividends from year to year.

Additionally, the break up value of the Share has been increased from Rs. 16.70 when the present management took over this floundering ship in June 1990, to Rs. 111.65 as of June 1998. This is proof in itself of sustained growth with larger dividends and increase in the intrinsic value to the shareholders.

I take this opportunity of thanking the Executives and staff for their ever loyal and faithful dedication to the Company which has made all this possible.

December 8, 1998

Byram D. Avari  
Chairman & Chief Executive

**REPORT OF THE DIRECTORS**

In submitting the Accounts of the Company and the Auditors' Report for the year ended June 30, 1998 the Directors report that:

	<b>Rupees</b>
Profit for the year before providing for the taxation is	2,811,341
Less: Provision for Taxation	(426,165)
	-----
	2,385,176
Add: Amount brought forward from last year	1,797,428
	-----
Profit available for appropriations	4,182,604
Appropriations:	
Dividend of Rs. 4.50 per Ordinary Shares of Rs. 10/- each	6,940,355
Less: Dividend waived by major shareholders M/s Beach Luxury Hotel (Pvt.) Ltd., who is represented through the Directors on the Board.	3,098,125
	3,842,230
Unappropriated profit	340,374
Less: Transfer to General Reserve	--
	-----
Unappropriated profit carried forward	340,374
	=====
On behalf of the Board	

Karachi: December 08, 1998

**Byram D. Avari**  
Chairman & C.E.O.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Spencer & Company (Pakistan) Limited as at June 30, 1998 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner, so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the profit and the changes in financial position for the year then ended;

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi- December 08, 1998

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

**BALANCE SHEET**  
**AS AT JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>CAPITAL AND RESERVES</b>			
Share Capital			
Authorised	3	25,000,000	25,000,000
		=====	=====
Issued, subscribed and paid-up	3	15,423,010	15,423,010
Reserves	4	156,769,086	158,226,140
		-----	-----
		172,192,096	173,649,150
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	5	296,805,295	296,805,295
<b>LONG TERM LOAN</b>	6	13,000,000	13,000,000
<b>RENT RECEIVED IN ADVANCE</b>	7	27,878,472	35,172,903
<b>CURRENT LIABILITIES</b>			
Shod term running finance	8	50,000,000	50,507,555
Shod term loan	9	22,500,000	--
Creditors, accrued and other liabilities	10	47,359,210	47,175,306
Current account with an associated undertaking	11	188,644,492	169,411,719
Provision for taxation - net		73,423	--
Unclaimed dividends		6,351,183	3,192,396

Proposed dividend		3,842,230	3,842,230
		-----	-----
		318,770,538	274,129,206
<b>CONTINGENCY</b>	<b>12</b>	-----	-----
		828,646,401	792,756,554
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets at cost less accumulated depreciation	13	277,619,569	282,615,489
LONG TERM INVESTMENTS - at cost	14	11,352,901	11,345,971
LONG TERM DEPOSITS	15	145,654	542,705
<b>DEFERRED COST</b>	<b>16</b>	966,107	1,674,160
<b>CURRENT ASSETS</b>			
Trade debts	17	--	--
Advances and other receivables	18	536,509,671	496,204,065
Cash and bank balances	19	2,052,499	374,164
		-----	-----
		538,562,170	496,578,229
		-----	-----
		828,646,401	792,756,554
		=====	=====

The annexed notes form an integral part of these accounts.

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

	<b>Note</b>	<b>1998 Rupees</b>	<b>1997 Rupees</b>
INCOME	20	31,527,069	30,088,519
ADMINISTRATIVE EXPENSES	21	(1,675,995)	(1,176,580)
DEPRECIATION		(5,382,971)	(5,467,481)
		-----	-----
		(7,058,966)	(6,644,061)
		-----	-----
OPERATING PROFIT		24,468,103	23,444,458
GAIN ON SALE OF INVESTMENT		--	21,473,250
		-----	-----
		24,468,103	44,917,708
FINANCIAL CHARGES	22	(21,784,946)	(21,214,661)
OTHER INCOME	23	128,184	--
		-----	-----
PROFIT BEFOR TAXATION		2,811,341	23,703,047
<b>TAXATION</b>			
Current		(157,635)	(150,443)
Prior		(268,530)	(10,033,066)

	(426,165)	(10,183,509)
<b>NET PROFIT FOR THE YEAR</b>	2,385,176	13,519,538
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>	1,797,428	2,120,120
	-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>	4,182,604	15,639,658
<b>APPROPRIATIONS</b>		
Proposed dividend @Rs. 4.50 (1997: Rs. 4.50) per Ordinary share of Rs. 10 each	6,940,355	6,940,355
Less: Dividend waived by major shareholder M/s Beach Luxury Hotel (Pvt.) Ltd., who is represented through the Directors on the Board	3,098,125	3,098,125
	-----	-----
	3,842,230	3,842,230
Transfer to General Reserve	--	10,000,000
	-----	-----
	3,842,230	13,842,230
	-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD TO RESERVES</b>	340,374	1,797,428
	=====	=====

The annexed notes form an integral part of these accounts.

Byram D. Avari  
Chairman & C.E.O.

Keky R. Dastur  
Director

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

	Note	1998 Rupees	1997 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25	(16,178,198)	(89,551,173)
Payment of financial charges		(22,604,100)	(19,669,773)
Payment of taxes		(84,212)	(161,844)
		-----	-----
Net cash flow from operating activities		(38,866,510)	(109,382,790)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Sale of investments in shares		--	53,706,000
Sale proceeds of fixed assets		--	20,000
Deferred cost		--	(725,000)
Purchase of shares		(6,930)	(1,314,000)
Receipt of rent in advance		--	2,110,620
Decrease in long term deposits		10,000	34,360
		-----	-----
Net cash inflow from investing activities		3,070	53,831,980
		-----	-----
		(38,863,440)	(55,550,810)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			

Short term loan	22,500,000	--
Repayment of self liquidating finance	--	(2,015,350)
Payment of dividend	(683,443)	(452,020)
Receipt from an associated undertaking	19,232,773	59,652,229
	-----	-----
Net cash inflow from financing activities	41,049,330	57,184,859
	-----	-----
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,185,890	1,634,049

<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	(50,133,391)	(51,767,440)
--	--------------	--------------

<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>	26	(47,947,501)	(50,133,391)
--	----	--------------	--------------

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Byram D. Ava   Keky R. Dastur  
Chairman & C.E.O.

Director

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

### 1. THE COMPANY AND ITS OPERATIONS

Spencer and Company (Pakistan) Limited is a public limited company, quoted on the Karachi Stock Exchange. The business of the company is property management, pharmaceutical manufacturing through its subsidiary company and is a holding company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention except that land and building are stated at revalued amounts.

#### 2.2 Fixed assets

These are stated at cost less accumulated depreciation except freehold land and a portion of leasehold land which were revalued in 1974 and 1994.

Leasehold land is amortised over the period of the lease. Depreciation on all other assets is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life.

Depreciation is charged on additions during the year from the month in which the asset is put into use and in respect of disposals during the year upto the month in which the asset is disposed off.

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

#### 2.3 Investments

These are stated at cost. Provision for diminution in the value of investments is made if



considered permanent by the directors.

#### 2.4 Trade debts

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

#### 2.5 Foreign currency translation

Assets and liabilities in foreign currencies, if any, are translated into rupees at the rates of exchange which approximate to those prevalent on the balance sheet date. Transactions in foreign currencies are converted into Pak Rupees at the rates in effect on the date of the transactions. Exchange gains and losses on translation are included in income currently.

#### 2.6 Taxation

The charge for current taxation in the accounts is based on taxable income or minimum tax on turnover, under section 80D, @0.5% , whichever is higher.

The company accounts for deferred taxation on all significant timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future. As of June 30, 1998, the company has not accounted for net debit deferred tax of Rs. 1.930 (1997: Rs. 1.921 million) as a matter of prudence.

#### 2.7 Deferred cost

This consists of relocation cost paid by the company to tenants for vacating the properties of the company. It is being amortised over a period of four years.

#### 2.8 Revenue recognition

Dividend on investments in shares is accounted for on accrual basis. Income on sale of investments, rental income from properties and income on advances are accounted for on an accrual basis.

	1998 Rupees	1997 Rupees
<b>3. SHARE CAPITAL</b>		
<b>Authorised</b>		
500,000 10% Redeemable Cumulative Preference shares of Rs. 10 each	5,000,000	5,000,000
2,000,000 Ordinary shares of Rs. 10 each	20,000,000	20,000,000
-----	-----	-----
2,500,000	25,000,000	25,000,000
=====	=====	=====
<b>Issued, subscribed and paid-up</b>		
Ordinary shares of Rs. 10 each		
873,864 shares fully paid in cash	8,738,640	8,738,640
64,736 shares issued for consideration other than cash	647,360	647,360
603,701 shares issued as fully paid bonus shares	6,037,010	6,037,010
-----	-----	-----

1,542,301	15,423,010	15,423,010
=====	=====	=====

<b>4. RESERVE</b>	<b>Note</b>	<b>1998 Rupees</b>	<b>1997 Rupees</b>
Capital reserves			
Profit arising on sale of land and building in prior years		249,902	249,902
Premium on issue of ordinary shares		1,542,300	1,542,300
Capital redemption reserve		2,375,000	2,375,000
		-----	-----
		4,167,202	4,167,202
Revenue reserves			
General reserve		152,261,510	152,261,510
Unappropriated profit		340,374	1,797,428
		-----	-----
		152,601,884	154,058,938
		-----	-----
		156,769,086	158,226,140
		=====	=====
<b>5. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		296,805,295	296,805,295
		=====	=====

On June 28, 1994, Thariani and Company revalued company's leasehold and freehold land and building resulting in an increase over book value of Rs. 295.305 million (see note 13). This is in addition to an earlier revaluation carried out by the company in 1974 which had resulted in an increase in book value of freehold land by Rs. 1.5 million. A portion of this was converted into leasehold land in 1983-84.

#### 6. LONG TERM LOAN

Loan from an associated undertaking - <b>unsecured</b>	6.1	13,000,000	13,000,000
		=====	=====

6.1 The loan from an associated undertaking is interest free and is repayable in December 1999.

<b>7. RENT RECEIVED IN ADVANCE</b>		27,878,472	35,172 903
		=====	=====

This represents rent received in advance by the company from a tenant of its property in Karachi. The company has signed long term lease with its tenant for a period ending July 15, 2001.

<b>8. SHORT TERM RUNNING FINANCE</b>	<b>Note</b>	<b>1998 Rupees</b>	<b>1997 Rupees</b>
Utilized Under mark-up arrangements - secured			
From a bank			

Short Term running finance	8.1	50,000,000	50,507,555
		=====	=====

8.1 The facility for shod term running finance available from a bank amounts to Rs. 50 million (1997: Rs. 50 million). The rate of mark-up is 20% (1997: 23%) per annum with both purchase price and mark-up payable currently.

The facility is secured against hypothecation of stock-in-trade of the subsidiary with the same to be registered with the Registrar of Joint Stock Companies and floating charge on the current assets of the company. The facility is also collaterally secured against equitable mortgage of rental properties of the company.

#### 9. SHORT TERM LOAN

During the year, the company arranged a shod term loan of Rs. 25 million from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited. The loan carries mark-up at the rate of 22% per annum, payable quarterly, and is repayable in full on December 12, 1998.

The loan is secured against personal guarantees of sponsor directors, a demand promissory note and pledge of shares in the name of an associated undertaking.

#### 10. CREDITORS, ACCRUED AND OTHER LIABILITIES

<b>Creditors</b>	-	128,184
<b>Accrued liabilities</b>		
Accrued expenses	1,371,665	7,259,764
Accrued mark-up - on secured shod term running finance	3,978,133	5,748,287
- on secured shod term loan	298,356	-
	-----	-----
	5,648,154	13,008,051
<b>Other liabilities</b>		
Redeemable Preference shares not presented for redemption	340,550	340,550
Payable on behalf of Spencer Powergen Company of Pakistan Limited	41,301,949	33,629,964
Provident fund	68,557	68,557
	-----	-----
	41,711,056	34,039,071
	-----	-----
	47,175,306	34,039,071
	-----	-----
	47,359,210	47,175,306
	=====	=====

#### 11. CURRENT ACCOUNT WITH AN ASSOCIATED UNDERTAKING

Mark-up at the rate of 22% (1997: 22%) per annum is being charged by the associated undertaking on a portion of current account therewith (note 22).

#### 12. CONTINGENCY

There are claims aggregating Rs. 479,593 (1997: Rs. 479,593) on account of goods supplied to the former East Pakistan (now Bangladesh) branches of the company, which are not acknowledged as debt by the company.

### 13. OPERATING FIXED ASSETS

	COST OR REVALUATION		ACCUMULATED		DEPRECIATION		Net book value			
	AS at July 1, 1997 Cost	Revaluation	Additions/ (Disposals)	As at June 30,1998	Rate	As at July 1,1997	For the year	On disposals	As at June 30, 1998	as at June 30,1998
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Freehold land (note 13.1)	1,552,252	79,102,445	-	80,654,697	-				-	80,654,697
Leasehold land (note 13.1)	1,243,254	150,850,691	-	152,093,945	56 years	7,510,132	2,427,357	-	9,937,489	142,156,456
Building on freehold land	1,816,739	19,691,322	-	21,508,061	5	3,944,413	878.18	-	4,822,595	16,685,466
Building on leasehold land	1,377,843	45,660,837	-	47,038,680	5	7,443,480	1,979,760	-	9,423,240	37,615,440
Furniture and fittings	205,612	-	-	205,612	10	70,709	13,490	-	84,199	121,413
Office machinery, computer and other equipment	218,051	-	-	218,051	10 to 20	139,177	12,289	-	151,466	66,585
Vehicles (note 13.2)	44,500	-	387,051	431,551	20 to 25	40,146	71893	-	112,039	319,512
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
1998	6,458,251	295,305,295	387,051	302,150,597		19,148,057	5,382,971	-	24,531,028	277,619,569
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1997	6,470,249	295,305,295	(11,998)	301,763,546		13,685,577	5,467,481	(5,001)	19,148,057	282,615,489
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

13.1 In 1974, the company revalued its freehold land a portion of which was converted into leasehold land in 1983-84 resulting in a revaluation surplus of Rs. 1,600,000. Had there been no revaluation, the net book value of freehold and leasehold lands as at June 30, 1998 would have amounted to Rs. 285,585 (1997: Rs. 285,585) and Rs. 803,945 (1997: Rs. 812,408) respectively. A further revaluation was undertaken in June, 1994 the effect of which has been shown in note 5 and the schedule above.

13.2 Included here in are two vehicles which are currently not in the name of the Company. Efforts are, however, being made to register the same in the name of the Company.

	Note	1998 Rupees	1997 Rupees
<b>14. LONG TERM INVESTMENTS-at cost</b>			
Fully paid ordinary shares - listed			
12,100 (1997: 12,100) shares of Rs. 10 each in Parke Davis & Company Limited.	14.1	5,618,340	5,618,340
[Market value as at the balance sheet date Rs. 5,578,100 (1997: Rs. 4,271,300)]			
500 (1997: 500) shares of Rs. 10 each in The Hub Power Company Limited	14.2	6,630	6,630
[Market value as at the balance sheet date Rs. 6,855 (1997: Rs. 20,400)]			

5,000 (1997: 5,000) shares of Rs. 10 each in  
Commercial Union Life Assurance  
Company 14.2 50,000 50,000

[Market value as at the balance sheet  
date Rs. 42,500 (1997: Rs. 56,250)]

Fully paid ordinary shares - unlisted

693 (1997: Nil) shares of Rs. 10 each in  
Spencer Powergen Company of Pakistan Limited 6,930 --

Break-up value of ordinary shares as at  
June 30, 1998, Rs. 10 per share

Fully paid ordinary shares in a subsidiary - unlisted

95,000 (1997: 95,000) shares of Rs. 100 each  
in Spencer Pharma (Private) Limited (Break-up  
value of ordinary shares as at June 30, 1998:  
Rs. 25.99 per share based on the audited  
accounts for the year ended June 30, 1998  
(June 30, 1997: Rs. 67.14 per share) equity  
held 95 per cent (1997:95 per cent) (Chief  
Executive: Mr. Xerxes B. Avari).

	5,671,001	5,671,001
	-----	-----
	11,352,901	11,345,971
	=====	=====

14.1 During 1997, the company pledged 7,500 ordinary shares of Rs. 10 each with a bank as security therewith in respect of financial assistance extended by the bank to an associated undertaking.

14.2 These shares are held by the company in the name of Directors. Efforts are currently under way to transfer the same in the name of the company.

SPENCER

	1998 Rupees	1997 Rupees
<b>15. LONG TERM DEPOSITS</b>		
Government authorities and others	145,654	542,705
	=====	=====
<b>16. DEFERRED COST</b>		
Relocation cost	1,674,160	8,907,213
Less: Amortisation to date	708,053	7,233,053
	-----	-----
	966,107	1,674,160
	=====	=====

The above represents relocation cost paid by the company to its tenants for vacating certain properties so that these could be leased at a higher rent .

**17. TRADE DEBTS - unsecured**

Considered good	-	-
Considered doubtful	4,802,335	4,802,335
	-----	-----
	4,802,335	4,802,335
Less: Provision for debts considered doubtful	4,802,335	4,802,335
	-----	-----
	-	-
	=====	=====

**18. ADVANCES AND OTHER RECEIVABLES****Considered good****Advances - secured**

Spencer Powergen Company of Pakistan Limited	18.1	490,362,970	446,164,638
---	------	-------------	-------------

**Advances - unsecured**

Employees		61,000	28,893
-----------	--	--------	--------

**Other receivables**

Income tax refundable		1,359,633	1,616,762
Tax deducted at source - net		--	11,401
Dividend receivable		169,400	41,400

## Recoverable from -

Principals	18.2	31,729,341	3,172,934
Less: Provision there against		1,613,093	1,613,093
		-----	-----
		1,559,841	1,559,841

## Current account with subsidiary -

(Spencer Pharma (Pvt.) Limited)	18.3	40,888,452	45,303,347
Rentals		2,038,659	1,408,067
Gratuity fund		19,716	19,716
Others		50,000	50,000
		-----	-----
		536,509,671	496,204,065

## Considered doubtful

Rental of properties		85,030	85,030
Less: Provision for rentals considered doubtful		85,030	85,030
		-----	-----
		-	-
		-----	-----
		536,509,671	496,204,065
		=====	=====

18.1 These are secured against 100 acres of land, building and other site developments of Spencer Powergen Company of Pakistan Limited, with their current values in excess of Rs. 500 million as at the close of the year. Interest is charged @ 22% (1997: 17%) per annum on a portion of outstanding balance, representing the amount borrowed by the company for advancing the same to Spencer Powergen Company of Pakistan Limited.

18.2 This includes Rs. 2,122,980 which is over three years old against which a provision of Rs. 1,613,093 has been made by the company. The company is confident that its efforts will result in the recovery of the old outstanding balances, and hence, pending negotiations

and resolution of the matter, no provision has been made against the remaining balance of Rs. 509,887.

18.3 The maximum amount of current account with subsidiary at the end of any month during the year was Rs. 45.323 (1997: Rs. 45.303) million.

	Note	1998 Rupees	1997 Rupees
<b>19. CASH AND BANK BALANCES</b>			
Cash in hand		18,283	32,000
At banks - current accounts		2,034,216	342,164
		-----	-----
		2,052,499	374,164
		=====	=====
<b>20. INCOME</b>			
Net rental income from properties	20.10	7,033,169	5,663,97
Dividend income on investment in shares		293,900	217,800
Gain on disposal of fixed assets			13,003
Income on advances to Spencer Powergen Company of Pakistan Limited.	18.10	----- 24,200,000	----- 24,193,749
		-----	-----
		31,527,069	30,088,519
		=====	=====
<b>20.1 NET RENTAL INCOME FROM PROPERTIES</b>			
Income		8,240,370	8,729,895
Less: Expenditure			
Insurance		29,765	29,765
Rates and taxes		371,489	558,736
Amortisation of deferred cost		708,053	2,245,553
Conservancy charges		97,894	231,874
		-----	-----
		1,207,201	3,065,928
		-----	-----
Net rental income		7,033,169	5,663,967
		=====	=====
<b>21. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits		340,375	284,462
Directors' fee		8,500	4,500
Rent, rates and taxes		118,935	40,870
Repairs and maintenance		5,700	-
Auditors' remuneration	21.1	59,868	61,874
Legal and professional charges		598,000	172,750
Postage, telephone and telefax		11,317	9,131
Travelling, conveyance and entertainment		66,901	37,912
Motor car expenses		5,025	698
Printing and stationery		92,350	64,394
Insurance		272,500	272,500
Advertising		30,150	51,850
Brokerage commission		-	116,500
News papers and subscription		32,443	29,608

Security charges	-	15,750
Others	33,928	13,781
	-----	-----
	1,675,995	1,176,580
	=====	=====

**21.1 AUDITORS' REMUNERATION**

Audit fee	40,000	40,000
Out of pocket expenses	19,868	21,874
	-----	-----
	59,868	61,874
	=====	=====

**22. FINANCIAL CHARGES**

Mark-up on secured		
Shod term loan	3,040,821	-
Shod term running finance	11,132,702	11,142,350
Mark-up on current account with an associated undertaking	11 7,423,537	9,336,032
Central excise duty	46,108	
		609,953
Bank Charges	141,778	126,326
	-----	-----
	21,784,946	21,214,661
	=====	=====

**23. OTHER INCOME**

Creditors balances written back	128,184	-
	=====	=====

**24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the accounts of the year for remuneration including certain benefits provided to the Chief Executive, Directors and Executives are as follows .

	Chief Executive		Directors		Executives	
	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees
Fees	-	-	8,500	4,500	-	-
Managerial remuneration	-	-	-	-	-	-
Contribution to provident fund	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical expenses	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	6	5	-	-
			<b>1998</b>	<b>1997</b>		
			<b>Rupees</b>	<b>Rupees</b>		

**25. CASH FLOW FROM OPERATING ACTIVITIES**



Profit before taxation	2,811,341	23,703,047
Add/(less) Adjustments for non cash and other items		
Depreciation	5,382,971	5,467,481
Profit on sale of fixed assets	--	(13,003)
Financial charges	21,784,946	21,214,661
Amortisation of deferred cost	708,053	2,245,553
Rental Income	(7,294,431)	(6,060,616)
Profit on sale of investment	--	(21,473,250)
Income on advances	(24,200,000)	(24,193,749)
	-----	-----
	(3,618,461)	(22,812,923)
	-----	-----
Profit before working capital changes	(807,120)	890,124

**EFFECT ON CASH FLOW DUE TO WORKING****CAPITAL CHANGES**

(Increase)/decrease in current assets		
Advances and other receivables	(16,374,127)	(115,419,151)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	1,003,049	24,977,854
	-----	-----
	(15,371,078)	(90,441,297)
	-----	-----
Cash generated from operations	(16,178,198)	(89,551,173)
	=====	=====

**26. CASH AND CASH EQUIVALENTS**

Cash and bank balances	2,052,499	374,164
Shod term running finance	(50,000,000)	(50,507,555)
	-----	-----
	(47,947,501)	(50,133,391)
	=====	=====

**27. UNAVAILED CREDIT FACILITY**

--	--
=====	=====

**28. TRANSACTIONS WITH AN ASSOCIATED UNDERTAKING  
AND A SUBSIDIARY**

Advances to	48,433,092	61,747,236
Advances from	81,585,121	141,260,269

**29. GENERAL**

29.1 Figures have been rounded off to the nearest rupee.

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29.2 Figures have been re-arranged, wherever considered necessary, to facilitate comparison.

Byram D. Avari  
Chairman & C.E.O.

Key R. Dastur  
Director

**STATEMENT UNDER SUB-SECTION (1) (E) OF SECTION  
237 OF THE COMPANIES ORDINANCE, 1984**

The extent of the interest of Spencer & Co. (Pakistan) Ltd. as a holding company in its subsidiary, Spencer Pharma (Private) Limited. As at the end of the last day of the financial year of that subsidiary was 95%. Rupees

The net aggregate amount of (loss) / Profit of the subsidiary company so far as it concerns members of the holding company, which has not been dealt with in the accounts of the holding company for the year ended June 30, 1998 is as follows:

-- for the last of the financial year of the subsidiary (3,596,544)  
=====  
 -- for the previous financial years, since it became the holding company's subsidiary (3,124,053)  
=====

The current or previous year (Loss) / profits of the subsidiary have todate not been dealt with in the account of the holding Company.

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

NUMBER OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	FROM	TO		
265	1	100	Shares	6,019
88	101	500	Shares	23,808
27	501	1,000	Shares	18,957
27	1,001	5,000	Shares	46,231
3	5,001	10,000	Shares	19,415
1	10,001	15,000	Shares	11,055
1	50,001	55,000	Shares	50,370
1	670,001	675,000	Shares	672,411
1	690,001	695,000	Shares	694,035
-----				-----
414				1,542,301
=====				=====

**CATEGORY OF SHAREHOLDERS AS AT JUNE 30, 1998**

CATEGORY OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	404	114,178	7.40

Insurance Companies	1	50,370	3.27
Joint Stock Companies	8	1,371,988	88.96
Financial Institution	1	5,765	0.37
	-----	-----	-----
	414	1,542,301	100.00
	=====	=====	=====

**SPENCER PHARMA (PVT) LTD.**

FORMERLY FISON'S PAKISTAN (PVT) LTD.  
 A SUBSIDIARY OF SPENCER & COMPANY (PAKISTAN) LTD.

**AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Spencer Pharma (Private) Limited as at June 30, 1998 and the related profit and loss account, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations given which to the best of our knowledge and belief were necessary for the purpose of our audit and after due verification thereof, we report that:

a) in our opinion, proper books of account 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 account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account 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 at June 30, 1998 and of the profit for the year then ended; and

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

Karachi: 08 December, 1998

Shakir & Co.  
 Chartered Accountants

**BALANCE SHEET  
 AS AT JUNE 30, 1998**

	<b>1998</b>	<b>1997</b>
<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>

**SHARE CAPITAL AND RESERVES**

Authorized

100,000 ordinary shares of  
Rs. 100 each

10,000,000 10,000,000

=====

Issued, subscribed and fully paid share

10,000,000 10,000,000

Unappropriated (Loss)

(7,400,066) (3,286,477)

-----

2,599,934 6,713,523

ADVANCE FROM AN ASSOCIATED UNDERTAKING

4

40,888,443 45,303,347

**DEFERRED LIABILITIES**

Staff retirement gratuity

3,063,762 2,047,724

**CURRENT LIABILITIES**

Short term finance under mark-up arrangement

5

687,797 -

Creditors, accrued and other liabilities

6

22,661,365 14,529,272

Provision for taxation

327,753 303,960

-----

23,676,915 14,833,232

-----

70,229,054 68,897,826

=====

**TANGIBLE FIXED ASSETS**

Operating assets

7

22,065,932 21,691,996

Capital work in progress

18,180,055 16,124,920

-----

40,245,987 37,816,916

**CURRENT ASSETS**

Stock-in-trade

8

15,714,962 17,560,658

Trade debtors

9

3,908,241 3,586,818

Loans and advances

10

323,863 552,741

Deposits and prepayments

11

415,327 441,112

Other receivables

12

8,851,761 7,911,670

Cash and bank balances

13

768,913 1,027,911

-----

29,983,067 31,080,910

-----

70,229,054 68,897,826

=====

The annexed notes form an integral part of these accounts.

K. K. A. Marker

Dinshaw B. Avari

Director

Director

Statement U.S 241(2) of the Companies Ordinance, 1984.

The Chief Executive being out of Pakistan, this Balance Sheet has been signed by two Directors of the Company under the provision of Section 241 (2) of Companies Ordinance' 1984.

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

	<b>Note</b>	<b>1998 Rupees</b>	<b>1997 Rupees</b>
Net sales	14	65,550,577	60,792,017
Cost of sales	15	45,142,504	40,390,637
		-----	-----
Gross profit		20,408,073	20,401,380
Selling and administrative expenses	16	21,792,244	18,798,687
		-----	-----
Operating (loss) / profit		(1,384,171)	1,602,693
Other income	17	565,024	977,248
		-----	-----
Financial and other charges	18	(819,147)	2,579,941
		2,966,689	2,010,031
		-----	-----
Net (loss) / profit before taxation		(3,785,836)	569,910
Provision for taxation		327,753	303,960
		-----	-----
Net (loss)/ profit after taxation		(4,113,589)	265,950
Accumulated (loss) brought forward		(3,286,477)	(3,552,427)
		-----	-----
Accumulated (loss) carried forward		(7,400,066)	(3,286,477)
		=====	=====

The annexed notes form an integral part of these accounts.

K. K. A. Marker  
Director

Dinshaw B. Avari  
Director

The Chief Executive being out of Pakistan, this Profit & Loss account has been signed by two Directors of the Company under the provisions of Section 241 (2) of Companies Ordinance, 1984.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1998**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

The Company is incorporated in Pakistan as a private limited company. The Company is principally engaged in manufacture and sale of pharmaceutical products. The factory started its production on October 1, 1988.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the 'historical cost convention'.

**2.2 Staff retirement gratuity**

The company operates an unfunded gratuity scheme covering all employees whose period of service with the company is five years or more. Provision is made to cover obligations under

the scheme in respect of employees who have completed the minimum qualifying period.

### **2.3 Taxation**

#### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax credit and tax rebates available, if any.

#### **Deferred**

The Company accounts for deferred taxation arising on all major timing differences using the liability method. The deferred tax liability on account of timing differences primarily due to accelerated tax depreciation amounts to approximately Rs. 3.617 million (1997: Rs. 3.483 million).

However, provision for deferred taxation has not been made as the management considers that the timing differences will not reverse in view of accumulated losses.

### **2.4 Tangible fixed assets**

Operating assets are stated at cost less accumulated depreciation. Capital work-in-progress is stated at cost.

Consistent with prior years' policy, depreciation on all fixed assets, is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life.

Depreciation on additions during the year is charged for the whole year, whereas no depreciation is charged on fixed assets sold or scrapped during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

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

### **2.5 Stock-in-trade**

Consistent with last year, stock-in-trade is stated at the lower of average cost and net realisable value except for goods-in-transit which are stated at cost. Average cost in relation to work-in-process and finished goods represents direct materials and labour together with appropriate manufacturing overheads.

Net realisable value signifies the selling price in the ordinary course of business less cost necessarily incurred in order to make and sell.

### **2.6 Foreign currency**

Assets and liabilities in foreign currencies as at the balance sheet date are translated into rupees at exchange rates prevailing on that date except where forward exchange cover has been obtained for payment of liabilities in which case the contracted rates are applied.

Exchange gains and losses are included in income currently.

### **2.7 Revenue recognition**

Sales are recorded on despatch of goods to customers.

**3. ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL**

As at June 30, 1998 Spencer & Co. (Pakistan) Limited held 94,998 ordinary shares (1997: 94,998 ordinary shares) of Rs. 100 each.

**4. ADVANCE FROM AN ASSOCIATED UNDERTAKING**

The amount includes advance of Rs. 3,424,881 obtained under the mark-up arrangement. The rate of mark-up is 22 percent per annum. (1997: 22% p.a.)

	1998 Rupees	1997 Rupees
<b>5. SHORT TERM FINANCE UNDER MARKUP ARRANGEMENT</b>		
Indus Bank Limited	687,797	--
	=====	=====

This represents finance availed from Indus Bank Limited under mark-up arrangement. The rate of markup is 22 percent per annum and is payable on quarterly basis.

The above is secured by the personal guarantees of the directors.

	1998 Rupees	1997 Rupees
<b>6. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors	9,366,567	6,187,668
Bills payable	7,616,825	3,437,517
Accrued expenses	2,970,201	2,326,526
Accrued mark-up	1,445,449	209,963
Advances from customers	1,084,223	2,263,240
Workers' profit participation fund payable	--	28,495
Others	178,100	75,863
	-----	-----
	22,661,365	14,529,272
	=====	=====

**7. OPERATING ASSETS**

The following is a statement of operating assets

	Cost as at July I, 1997	Additions (Disposals)	Cost as at June 30, 1998	Accumulated Depreciation June 30. 1998	Net book value as at June 30, 1998	Depreciation for the year ----- Amount Rupees	Rate %
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%
Leasehold land	1,500,000	--	1,500,000	108,892	1,391,108	14,052	1
Building on leasehold land	11,201,662	--	11,201,662	4,146,492	7,055,170	371,325	5
Plant & machinery & equipment	26,666,788	130,100 (24,287)	26,772,601	16,090.96	10,681,638	1,188,010	10 & 20
Furniture & fixtures	1,234,302	13,900	1,248,202	823,633	424,569	47,174	10
Vehicles	1,282,375	3,020,025 (891,425)	3,410,975	1,263,518	2,147,457	536,864	20
Air-conditioners & refrigerators	6,500	--	6,500	6,151	349	61	15

Office equipment	874,108	281,530	914,492	548,851	365,641	79,923	15 & 20
		(241,146)					
1998	42,765,735	3,445,555	45,054,432	22,988,500	22,065,932	2,237,409	
		(1,156,858)					
1997	42,252,226	993,091	42,765,735	21,073,739	21,691,996	1,923,244	
		(479,582)					

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**8. STOCK-IN-TRADE**

Raw and packing material including in transit Rs. 132,121 (1997: Rs. 298,926)	8,804,928	10,783,257
Work-in-process	1,631,160	1,529,375
Finished goods	5,278,874	5,248,026
	-----	-----
	15,714,962	17,560,658
	=====	=====

**9. TRADE DEBTORS - UNSECURED**

Considered good	3,908,241	3,586,818
Considered doubtful	328,182	328,182
	-----	-----
	4,236,423	3,915,000
Less: Provision for doubtful debts	328,182	328,182
	-----	-----
	3,908,241	3,586,818
	=====	=====

**10. LOANS AND ADVANCES**

Loans and advances to staff	199,224	313,719
Advance to suppliers	124,639	235,022
Others	-	4,000
	-----	-----
	323,863	552,741
	=====	=====

**11. DEPOSITS AND PREPAYMENTS**

Trade deposits	328,057	333,370
Prepayments	87,270	107,742
	-----	-----
	415,327	441,112
	=====	=====

**12. OTHER RECEIVABLES**

Advance payment to Income Tax Authorities	3,795,968	3,620,032
Determined Refund Income Tax Authorities	1,446,476	1,446,476
Others	3,609,317	2,845,162
	-----	-----
	8,851,761	7,911,670
	=====	=====

**13. CASH AND BANK BALANCES**

Cash in hand	29,596	108,022
--------------	--------	---------



Balance with banks		
-on current account	739,317	919,889
	-----	-----
	768,913	1,027,911
	=====	=====

**14. SALES**

Gross sales	76,241,208	70,963,004
Less: Discounts and rebates	(10,239,319)	(9,699,696)
Cost of product bonus	(451,312)	(471,291)
	-----	-----
	65,550,577	60,792,017
	=====	=====

**15. COST OF SALES**

Opening work in process	1,529,375	1,737,273
Raw and packing materials consumed	30,156,336	28,238,118
	-----	-----
	31,685,711	29,975,391
	=====	=====

**MANUFACTURING EXPENSES:**

Salaries, wages and other benefits	8,914,210	7,949,895
Store and spares consumed	723,526	511,504
Fuel and power	3,369,579	2,768,673
Repairs and maintenance	777,775	840,526
Stationery and office supplies	436,504	216,723
Communication	78,037	76,360
Travelling and entertainment	481,803	298,967
Insurance	159,411	198,968
Rent, rates and taxes	183,266	197,389
Depreciation	1,614,475	1,760,686
Other expenses	1,266,677	1,234,122
	-----	-----
	18,005,263	16,053,813
Closing work-in-process	(1,631,160)	(1,529,375)
	-----	-----
Cost of goods manufactured	48,059,814	44,499,829
Opening stock of finished goods	5,248,026	4,290,658
Finished goods purchased	2,377,424	2,229,670
	-----	-----
	55,685,264	51,020,157
Closing stock of finished goods	(5,278,874)	(5,248,026)
	-----	-----
	50,406,390	45,772,131
Less: Expenses reallocated		
Product bonus	451,103	338,146
Samples	4,515,071	4,736,830
Cost of breakage, expired finished goods & others	297,712	306,518
	-----	-----
	(5,263,886)	(5,381,494)
	-----	-----
	45,142,504	40,390,637

**16. SELLING AND ADMINISTRATIVE EXPENSES**

Salaries and benefits	8,391,004	5,954,266
Training expenses and fees	529,388	553,634
Advertisement	37,535	101,758
Forwarding expenses, breakage and replacements	415,543	627,982
Sales promotional expenses	5,034,545	4,905,902
Travelling	4,704,315	4,691,829
Conveyance and entertainment	325,762	348,004
Insurance	171,136	72,768
Audit fee	37,500	25,125
Legal and professional expenses	188,240	284,880
Rent, rates & taxes	88,460	16,655
Vehicle running expenses	77,082	259,553
Stationery and office supplies	207,657	143,618
Communication	599,058	373,784
Repairs and maintenance	48,860	124,970
Depreciation	622,934	162,559
Donation	14,481	32,783
Other expenses	298,744	118,617
	-----	-----
	21,792,244	18,798,687
	=====	=====

**17. Other Income**

Gain/(loss) on disposal of fixed assets	(97,209)	58,799
Others	662,233	918,449
	-----	-----
	565,024	977,248
	=====	=====

**18. FINANCIAL AND OTHER CHARGES**

Mark-up on advance from an associated undertaking	928,404	1,185,688
Mark-up on short term finance	286,010	--
Bank charges	86,052	142,730
Interest on WPPF	--	2,868
WPPF	--	28,495
Markup on other finance	1,666,223	650,250
	-----	-----
	2,966,689	2,010,031
	=====	=====

**19. COMPARATIVE FIGURES**

The previous year's figures have been re-arranged wherever necessary for the purpose of comparison.

20. Figures have been rounded off nearest to a rupee.

K. K. A. Marker  
Director

Dinshaw B. Avari  
Director

**PATTERN OF HOLDING OF T. HE SHARES BY THE  
SHAREHOLDERS AS AT JUNE 30, 1998**

NUMBER OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	FROM	TO		
8	1	100	Shares	78
4	1,001	5,000	"	4,924
1	90,001	95,000	"	94,998
-----				-----
13				100,000
=====				=====

**CATEGORY OF SHAREHOLDERS AS AT JUNE 30, 1998**

CATEGORY OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
Joint Stock Company		94,998	94.998
Individual		5,002	5.002
		-----	-----
		100,000	100.000
		=====	=====