

Spencer & Co. (Pakistan) Limited

Annual Report 1999

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Audited accounts for the year ended June 30, 1999

Board of Directors

DIRECTORS

Byram D. Avari, Chairman & C.E.O.
Dinshaw B. Avari
Xerxes B. Avari
Nauzer B. Commissariat
Keyy R. Dastur
Mr. Zia-ur-Rehman Shami
Col. (Rtd) Aziz Khan

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.
Doha 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 51st Annual General Meeting of Spencer & Co. (Pakistan) Ltd., will

be held on Thursday, March 30, 2000, at 7:00 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 50th Annual General Meeting held on December 30, 1998 and the Minutes of the Extra-Ordinary General Meeting held on April 30, 1999.
3. To receive, consider and adopt Audited Accounts, together with the Directors' and Auditors' Reports thereon, for the year ended June 30, 1999.
4. To appoint Auditors and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

Karachi: March 02, 2000

NOTE:

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

(b) The share transfer books of the Company will remain closed from March 24, 2000 to March 30, 2000 (both days inclusive). Transfers received in order at the Registered Office of the Company upto March 22, 2000 will be considered in time.

(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 you the Chairman's Review along with the Annual Report and the Audited Accounts of Spencer & Company (Pakistan) Limited, for the year ended June 30, 1999.

The year under review witnessed the full effect of the general economic recession prevailing in the country. The Company, being no exception, was also severely effected. After a number of years of continuous profits and high dividends, coupled with high intrinsic value, I regret to inform you that this year our Company will not be able to declare any dividend as is apparent from the detailed accounts attached.

The myth that Pharmaceutical manufacturing cannot suffer recessions, as medicines are a necessity, was proved wrong. For the first time in the country's history this sector witnessed a Sales decline as inflation has eaten into people's ability to purchase. This resulted in Homeopathy, Hakims and Home Remedies to be considered as alternatives.

A decline in sales has also been acerbated by the effect of normal inflation on costs. Labour, cost of living and other general expenses are the ones that have increased as a result. This has further eroded margins as these increases cannot be off-set as the selling price is controlled and static.

On the positive side, I am pleased to inform you that we are manufacturing injections for a multi national company and the full line of liquids, tablets and injections for another local Pharmaceutical company. We are also confident of executing two highly remunerative contracts with another multi-national and local Pharmaceutical company during the current year. This should help pull the pharmaceuticals business out of the red as "tolling" (contract manufacturing for other Pharmaceutical companies) absorbs the overheads and is a high margin business with no marketing or administrative costs attached to it.

The prudent decision of your Company to sell a comparatively small portion of the Karachi property to Metropolitan Bank can be appreciated from the present property position throughout the Country which has witnessed the largest drop of the last century in real estate prices. This sale helped to shore up the Balance Sheet of the company by substituting the Surplus on Revaluation with a similar amount being increased in your Company's General Reserves. After consulting experts and due deliberations, your Board decided to reflect this treatment as it is mandated by the International Accounting Standards (IAS), for similar transactions.

By Order of the Board

**Abdul Rahim Suriya
Company Secretary**

This is also as per the internationally recognised accounting practices.

I am pleased to inform you that at year-end your Company was fully Y2K compliant and at January 01, 2000 there were no problems faced and no interruptions.

On behalf of your Directors and Management, I take this opportunity of thanking the Executives and Staff for the hard work, dedications and loyalty to the Company as well as express our gratitude to our customers, bankers, distributors and advisers.

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, 1999 the Directors report that:

Loss for the year before providing for the taxation is	<i>Rupees</i>
Less: Provision for Taxation	28,194,232)
	(1,215,227)

Add: Amount brought forward from last year	29,409,459)
	340,374

Accumulated loss carried forward to reserves	(29,089,085)
	=====

On behalf of the Board

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

Karachi: March 02, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SPENCER & COMPANY (PAKISTAN) LIMITED as at June 30, 1999 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) provision against short term advances given to Spencer Powergen Company of Pakistan Limited amounting to Rs. 504.697 (1998: Rs. 490.363) million has not been made by the company in the accounts of the current year for the reasons disclosed by the management of the company in note 9.1 to the accounts of the current year. Had the company made the above referred provision, advances at the end of the year would have reduced by Rs. 504.697 million, net loss for the year would have increased by the same amount and reserves at the end of the year would have converted into accumulated loss of Rs. 243.488 million at the end of the current year;

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

(c) 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;

(d) in our opinion, except for the effects on the financial statements of the matter referred to in paragraph (a) above, 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, 1999 and of the loss and the changes in financial position for the year then ended; and

(e) 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 - March 02, 2000

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
TANGIBLE FIXED ASSETS			
Operating fixed assets at cost less accumulated depreciation	3	155,626,092	277,619,569
LONG TERM INVESTMENTS			
	4	11,345,971	11,352,901
LONG TERM ADVANCES			
	5	52,644,341	40,888,452
LONG TERM DEPOSITS			
	6	145,654	145,654
DEFERRED COST			
	7	3,120,553	966,107
CURRENT ASSETS			
Trade debts	8	--	--
Advances, deposit and other receivables	9	512,560,872	495,621,219
Cash and bank balances	10	5,254,770	2,052,499
		-----	-----
		517,815,642	497,673,718
		-----	-----
		740,698,253	828,646,401
		=====	=====
CAPITAL AND RESERVES			
Share Capital			
Authorised	11	25,000,000	25,000,000
		=====	=====
Issued, subscribed and paid-up	11	15,423,010	15,423,010
Reserves	12	261,209,060	156,769,086
		-----	-----
		276,632,070	172,192,096
SURPLUS ON REVALUATION OF FIXED ASSETS			
	13	162,955,862	296,805,295
LONG TERM LOANS			
	14	25,480,128	13,000,000
LONG TERM FINANCES			
	15	85,000,000	--
RENT RECEIVED IN ADVANCE			
	16	--	27,878,472
CURRENT LIABILITIES			
Current maturity of long term loan		4,160,042	--
Current maturity of long term finances		15,000,000	--
Short term running finance		--	50,000,000
Short term loan	17	20,000,000	22,500,000
Accrued and other liabilities	18	34,681,763	47,359,210

Current account with an associated undertaking	19	107,255,812	188,644,492
Provision for taxation - net		--	73,423
Dividends payable	20	9,532,576	10,193,413
		-----	-----
		190,630,193	3,187,705.38
CONTINGENCY	21		
		-----	-----
		740,698,253	828,646,401
		=====	=====

The annexed notes form an integral part of these accounts

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

Col. (Rtd) Aziz Khan
Director

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

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
INCOME	22	5,731,621	31,527,069
Administrative expenses	23	(3,696,539)	(1,675,995)
Depreciation		(3,566,156)	(5,382,971)
		-----	-----
		(7,262,695)	(7,058,966)
		-----	-----
OPERATING (LOSS) / PROFIT		(1,531,074)	24,468,103
Financial charges	24	(27,217,338)	(21,784,946)
Other operating income	25	554,180	128,184
		-----	-----
(LOSS) / PROFIT BEFORE TAXATION		(28,194,232)	2,811,341
TAXATION			
Current	26	(28,650)	(157,635)
Prior	26	(1,186,577)	(268,530)
		-----	-----
		(1,215,227)	(426,165)
		-----	-----
NET (LOSS) / PROFIT FOR THE YEAR		(29,409,459)	2,385,176
UNAPPROPRIATED PROFIT BROUGHT FORWARD		340,374	1,797,428
(ACCUMULATED LOSS) / UNAPPROPRIATED		-----	-----
PROFIT AVAILABLE FOR APPROPRIATIONS		(29,069,085)	4,182,604
APPROPRIATIONS			
Proposed dividend @ Rs. Nil (1998: Rs. 4.50) per Ordinary share of Rs. 10 each		--	(6,940,355)
Less: Dividend waived by major shareholder M/S Beach Luxury Hotel (Private) Limited, who is represented through the Directors on the Board		--	3,098,125
		-----	-----
		--	(3,842,230)
		-----	-----
(ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT			
CARRIED FORWARD TO RESERVES		(29,069,085)	340,374
		=====	=====
(LOSS) / EARNINGS PER SHARE (BASIC)	27	(19.07)	1.55
		=====	=====

The annexed notes form an integral part of these accounts.

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

Col. (Rtd) Aziz Khan
Director

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised by operations	30	(26,348,500)	(20,593,093)
Payment of financial charges		(27,542,361)	(22,604,100)
Payment of taxes		(1,457,509)	(84,212)
Long term advances		(11,755,889)	4,414,895
		-----	-----
Net cash flow from operating activities		(67,104,259)	(38,866,510)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(18,500)	--
Sale proceeds of fixed assets		119,000,000	--
Deferred cost		(1,260,000)	--
Purchase of shares		--	(6,930)
Decrease in long term deposits		--	10,000
		-----	-----
Net cash inflow from investing activities		117,721,500	3,070
		-----	-----
		50,617,241	(38,863,440)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		10,640,170	--
Long term finances		100,000,000	--
(Repayment) / Receipt of short term loan		(2,500,000)	22,500,000
Payment of dividend		(660,836)	(683,443)
Repayment of rent		(23,512,554)	--
(Payment to) / Receipt from an associated undertaking		(81,381,750)	19,232,773
		-----	-----
Net cash inflow from financing activities		2,585,030	41,049,330
		-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS		53,202,271	2,185,890
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		(47,947,501)	(50,133,391)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	31	----- 5,254,770	----- (47,947,501)
		=====	=====

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

Col. (Rtd) Aziz Khan
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 1999**

<i>Share Capital</i>		<i>Capital Reserve</i>		<i>Revenue Reserves</i>		
<i>Issued, subscribed and Paid-up</i>	<i>Profit arising on sale of land and building on prior</i>	<i>Premium on issue of ordinary</i>	<i>Capital redemption reserve</i>	<i>General reserve</i>	<i>Unappropriated profit/(loss)</i>	<i>Total</i>

		<i>years</i>		<i>shares</i>			
Balance as at June 30, 1997	15,423,010	249,902	1,542,300	2,375,000	152,261,510	1,797,428	173,649,150
Net profit for the year ended June	--	--	--	--	--	2,385,176	2,385,176
Proposed final dividend @45%	--	--	--	--	--	(6,940,355)	(6,940,355)
Dividend waived	--	--	--	--	--	3,098,125	3,098,125
						(3,842,230)	(3,842,230)
Balance as at June 30, 1998	15,423,010	249,902	1,542,300	2,375,000	152,261,510	340,374	172,192,096
Realisation of surplus on revaluation of fixed assets	--	--	--	--	133,849,433	--	133,849,433
Net loss for the year ended June 30, 1999	--	--	--	--	--	(29,409,459)	(29,409,459)
Balance as at June 30, 1999	15,423,010	249,902	1,542,300	2,375,000	286,110,943	(29,069,085)	276,632,070

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

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 and 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 lands are amortised over their periods 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 of.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the cadets 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 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 transactions 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%, wherever is higher.

The company accounts for deferred taxation on all significant timing differences using the liability method. However, deferred tax is not provided for if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future. As of June 30, 1999, the company has not accounted for a net deferred tax debit of Rs. 2.439 (1998: Rs. 1.930) 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 investment in shares is accounted for on an accrual basis.

- Income on sale of investments, rental income from properties and income on advances are accounted for on an accrual basis.

3. OPERATING FIXED ASSETS

	<i>COST OR REVALUATION</i>			<i>ACCUMULATED DEPRECIATION</i>			<i>Net book</i>			
	<i>As at July 1, 1998</i>		<i>Additions/ (Disposals)/ (Adjustments)</i>	<i>As at June 30, 1999</i>	<i>Rate</i>	<i>As at July 1, 1998</i>		<i>On disposals</i>	<i>As at June 30, 1999</i>	<i>value as at June 30, 1999</i>
	<i>Cost</i>	<i>Revaluation</i>				<i>For the year</i>	<i>As at June 30, 1999</i>			
<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>%</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Freehold land (note 3.1)	1,552,252	79,102,445	--	80,654,697	--	--	--	--	--	80,654,697
Leasehold land (note 3.1 & 3.2)	1,243,254	150,850,691	(125,320) (92,754,680)	59,213,945	57 to 99 years	9,937,489	1,613,040	(7,441,728)	4,108,801	55,105,144
Building on freehold land (note 3.1)	1,816,739	19,691,322	--	21,508,061	5	4,822,596	834,274	--	5,656,870	15,851,191
Building on leasehold land (note 3.)	1,377,843	45,660,837	(1,240,059) (41,094,753)	4,703,868	5	9,423,240	1,032,074	(9,327,264)	1,128,050	3,575,818
Furniture and fittings	205,612	--	--	205,612	10	84,199	12,141	--	96,340	109,272
Office machinery, computer and other equipment	218,051	--	18,500	236,551	10 to 20	151,466	10,584	--	162,050	74,501
Vehicles	431,551	--	--	431,551	20 to 25	112,039	64,043	--	176,082	255,469
	-----	-----	-----	-----		-----	-----	-----	-----	-----
1999	6,845,302	295,305,295	(135,196,312)	166,954,285		24,531,029	3,566,156	(16,768,992)	11,328,193	155,626,092
	=====	=====	=====	=====		=====	=====	=====	=====	=====
1998	6,458,251	295,305,295	387,051	302,150,597		19,148,057	5,382,971	--	24,531,028	277,619,569
	=====	=====	=====	=====		=====	=====	=====	=====	=====

3.1 During the years ended December 31, 1974 and June 30, 1994 revaluations of the company's land, both freehold and leasehold, and buildings thereon were carried out by Thariani and company, resulting in a net surplus on revaluation of Rs. 295.305 million. Had there been no revaluation in the above referred years, Cost and net book values of the revalued assets would have been as follows:

	<i>Cost as at June 30, 1999</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Net book value as at June 30, 1999</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Freehold land	1,552,252	--	1,552,252
leasehold land	1,117,932	173,765	944,167
building on freehold land	1,816,739	1,235,814	580,925
building on leasehold land	137,784	105,235	32,549
	-----	-----	-----
	4,624,707	1,514,814	3,109,893

3.2 During the current year, as a result of disposal of a portion of leasehold land and building thereon, surplus on their revaluation to the extent of Rs. 133,849 million has been realised, as shown above and in notes 12 & 13.

*Adjustments represent a portion of surplus on revaluation of fixed assets realised during the current year, as discussed in note 3.2 above.

3.3 The following operating assets were disposed of during the year.

<i>Particulars</i>	<i>Cost/ Revaluation*</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>		<i>Sale proceeds</i>	<i>Profit/(loss)</i>	<i>Mode of disposal</i>	<i>Particular of purchasers</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		<i>Rupees</i>	<i>Rupees</i>		
Leasehold land	92,880,000*		7,441,728	85,438,272		--		
Building on leasehold land	42,334,812*		9,327,264	33,007,548		--		
	-----		-----	-----	-----	-----		
	135,214,812		16,768,992	118,445,820	119,000,000	554,180	Negotiation	Metropolitan Bank Limited Spencer's Building
	=====		=====	=====	=====	=====		

4. LONG TERM INVESTMENTS

Quoted

12,100 (1998: 12,100) ordinary shares of Rs. 10 each of Parke Davis & Company Limited
[Market value as at the balance sheet date: Rs. 3,926,450 (1998: Rs. 5,578,100)]

4.1 5,618,340 5,618,340

500 (1998: 500) ordinary shares of Rs. 10 each of Hub Power Company Limited

4.2 6,630 6,630

[Market value as at the balance sheet date: Rs. 7,050 (1998: Rs. 6,855)]

5,000 (1998: 5,000) ordinary shares of Rs. 10 each of Commercial Union Life Assurance Company Limited

4.2 50,000 50,000

[Market value as at the balance sheet date: Rs. 38,750 (1998: Rs. 42,500)]

Unquoted

Nil (1998: 693) ordinary shares of Rs. 10 each of Spencer Powergen Company of Pakistan Limited

4.3 -- 6,930

[Break-up value of each ordinary share of Rs. 10 each as at June 30, 1999, Rs. Nil (1998: Rs. 10) per ordinary share]

Unquoted - Subsidiary

95,000 (1998: 95,000) ordinary shares of Rs. 100 each in Spencer Pharma (Private) Limited

4.4 5,671,001 5,671,001

[Break-up value of each ordinary share of

Rs. 100 each as at June 30, 1999 Rs. Nil
(1998: Rs. 25.99), based on the latest
audited account8 for the year ended
June 30, 1999, equity held 95 per cent
(1998: 95 per cent) (Chief Executive:
Mr. Xerxes B. Avari)]

-----	-----
11,345,971	11,352,901
=====	=====

4.1 The company has 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 the Beach Luxury Hotel, an associated undertaking.

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

4.3 These have been disposed of during the current year at cost.

4.4 Although the Subsidiary of the company has experienced financial difficulties and losses during the last few years, resulting in the reduction of the break-up value of its shares, a recent independent appraisal of the subsidiary company has indicated the current fair value of the company's investment therein to be greater than its carrying value and, hence, for this reason, the management of the company believes that no permanent diminution in the value of its investment in the Subsidiary has taken place.

5. LONG TERM ADVANCES

Spencer Pharma (Private) Limited
the subsidiary company

5.1

52,644,341	40,888,452
=====	=====

5.1 For the reasons disclosed in note 4.4, the company considers the above referred advances to be fully recoverable from its subsidiary company.

5.2 The maximum amount of long term advances to the subsidiary at the end of any month during the year was Rs. 52.644 (1998: Rs. 45.323) million.

6. LONG TERM DBPOSIT5

Government authorities and others

145,654	145,654
=====	=====

7. DEFERRED COST

Relocation cost
Less: Amortisation to-date

5,752,213	2,832,213
2,631,660	1,868,106
-----	-----
3,120,553	966,107
=====	=====

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

8. TRADE DEBTS - unsecured

Considered good
Considered doubtful

--	--
4,802,335	4,802,335
-----	-----

Less; Provision for debts considered doubtful

4,802,335	4,802,335
4,802,335	4,802,335
-----	-----
--	--
=====	=====

9. ADVANCES, DEPOSIT AND OTHER RECEIVABLES

Considered good

Advances

Spencer Powergen Company

of Pakistan Limited - unsecured	9.1	504,696,536	490,362,970
Employees - unsecured		58,500	61,000
Income tax - net		180,257	--
		-----	-----
		504,935,293	490,423,970
Deposit	9.2	6,000,000	--
Other receivables			
Income tax refundable		99,632	1,359,633
Dividend receivable		36,300	169,400
Accrued Interest		59,553	--
		-----	-----
Recoverable from Principals		3,172,934	3,172,934
Less: Provision there against		3,172,934	1,613,093
		-----	-----
		--	1,559,841
Rentals			
- considered good		1,960,378	2,038,659
- considered doubtful		85,030	85,030
		-----	-----
		1,445,408	2,123,689
Less: Provision tot rentals considered doubtful		85,030	85,030
		-----	-----
		1,360,378	2,038,659
Gratuity fund		19,716	19,716
Others		50,000	50,000
		-----	-----
		512,560,872	495,621,219
		=====	=====

9.1 Although, the company is currently experiencing difficulty in recovering this advance, it is still hopeful that it could succeed in recovering the amount due from Spencer Powergen Company of Pakistan Limited and, hence, for this reason, it does not consider it appropriate to make provision thereagainst.

9.2 This represents amount placed as security deposit with a bank against amount borrowed therefrom by the company.

10. CASH AND BANK BALANCES

In hand		22,000	18,283
At banks			
current accounts		5,220,677	2,034,216
deposit accounts		12,093	--
		-----	-----
		5,254,770	2,052,499
		=====	=====

11. SHARE CAPITAL

Authorised			
500,000(1998: 500,000) 10% Redeemable Cumulative Preference shares of Rs. 10 each		5,000,000	5,000,000
2,000,000(1998: 2,000,000) Ordinary shares of Rs. 10 each		20,000,000	20,000,000
-----		-----	-----
2,500,000		2,500,000	2,500,000
=====		=====	=====

Issued, subscribed and paid-up

Ordinary shares of Rs. 10 each

873,864(1998: 873,864) Ordinary shares of Rs. 10 each fully paid in cash	8,738,640	8,738,640
64,736(1998: 64,736) Ordinary shares issued for consideration other than cash	647,360	647,360
603,701(1998: 603,701) Ordinary shares issued as fully paid bonus shares	6,037,010	6,037,010
----- 1,542,301 =====	----- 15,423,010 =====	----- 15,423,010 =====

12. RESERVES**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 - beginning of the year	152,261,510	152,261,510
Add: Realisation of surplus on revaluation of fixed assets during the current year	3 & 13 133,849,433	--
	----- 286,110,943	----- 152,261,510
(Accumulated Loss) / Unappropriated profit	(29,069,085)	340,374
	----- 257,041,858	----- 152,601,884
	----- 261,209,060	----- 156,769,086
	=====	=====

13. SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance	296,805,295	296,805,295
Less: Surplus realised on disposal of fixed assets during the current year	3 & 12 (133,849,433)	--
	----- 162,955,862	----- 296,805,295
	=====	=====

On June 28, 1994, Thariani and Company had revalued the company's leasehold and freehold land and buildings thereon, resulting in an increase over book value of Rs. 295.305 million (see note). This was 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 subsequently converted into leasehold land in 1983-84.

During the current year, as a result of the disposal of a portion of leasehold land and building thereon, Rs. 133.849 million representing a portion of surplus previously created on revaluation of fixed assets has now been realised.

14. LONG TERM LOANS

From an associated undertaking - unsecured	14.1	13,000,000	13,000,000
From a bank - secured	14.2	16,640,170	--
Less: Current maturity shown under current liabilities		4,160,042	--
		----- 12,480,128	----- --
		----- 25,480,128	----- 13,000,000
		=====	=====

14.1 The loan from an associated undertaking is interest free and is repayable in December, 2000.

14.2 This loan carries interest @ 18% per annum payable quarterly. It is repayable in twelve equal quarterly installments, commencing from October, 1999. The loan is secured against a floating charge on current assets and personal guarantees of directors of the company

15. LONG TERM FINANCES

From banks - secured	100,000,000	--
Less: Current maturity shown under current liabilities	15,000,000	--
	-----	-----
	85,000,000	--
	=====	=====

During the year, the company arranged long term finances amounting to Rs 50 million each from two banks. These carry mark-up @ 17.50% per annum, payable quarterly. Repayments in respect of Rs. 50 million are being made by the company on a quarterly basis, commencing from November 1999, over a period of five years whereas repayments in respect of the remaining finance of Rs. 50 million will commence after one year of the date of the agreement.

The above finances are secured against registered charges on property and stock-in-trade of the Subsidiary. The finances are also collaterally secured against equitable mortgage of the rental properties of the company.

16. RENT RECEIVED IN ADVANCE

--	27,878,472
=====	=====

The rent received in advance by the company from a tenant of its property in Karachi has been adjusted against the proceeds of the property sold during the year to that tenant.

17. SHORT TERM LOAN

From a bank- secured	20,000,000	22,500,000
	=====	=====

The balance outstanding at the end of the year represents the balance of a short term loan of Rs. 25 million obtained from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited. The markup on the loan ranges between 20 to 22% (1998: 22%) per annum, payable quarterly, and is repayable in full on December 06, 1999.

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

18. ACCRUED AND OTHER LIABILITIES

Accrued liabilities

Accrued expenses	2,460,410	1,371,665
Accrued mark-up on secured short term running finance	--	3,978,133
long term finance	4,363,014	--
short term loan	241,096	298,356
	-----	-----
	7,064,520	5,648,154

Other liabilities

Redeemable Preference shares not presented for redemption	340,550	340,550
Payable on behalf of Spencer Powergen Company of Pakistan Limited	27,208,136	41,301,949
Provident Fund	68,557	68,557
	-----	-----
	27,617,243	41,711.06
	-----	-----

34,681,763	47,359,210
=====	=====

19. CURRENT ACCOUNT WITH AN ASSOCIATED UNDERTAKING

Mark-up at the rate of 20% (1998: 22%) per annum is being charged by an associated undertaking on a portion of current account therewith (note 24).

20. DIVIDENDS PAYABLE

Unclaimed		510,121	451,893
Unpaid	20.1	9,022,455	5,899,290
Proposed		--	3,842,230
		-----	-----
		9,532,576	10,193,413
		=====	=====

20.1 This represents dividend payable to a foreign shareholder of the company in respect of prior years. The same has not been remitted thereto pending approval from State Bank of Pakistan.

21. CONTINGENCY

There are claims aggregating Rs. 479,593 (1998: 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.

22. INCOME

Net rental income from properties	22.1	3,959,928	7,033,169
Dividend income		187,550	293,900
Income on advances to Spencer Powergen Company of Pakistan Limited.	22.2	--	24,200,000
Interest income on a bank account		1,584,143	--
		-----	-----
		5,731,621	31,527,069
		=====	=====

22.1 Net rental income from properties

Income	5,316,491	8,240,370
--------	-----------	-----------

Less: Expenditure

Insurance	29,764	29,765
Rates and taxes	375,351	371,489
Amortisation of deferred cost	765,553	708,053
Conservancy charges	185,895	97,894
	-----	-----
	1,356,563	1,207,201
	-----	-----

Net rental income	3,959,928	7,033,169
	=====	=====

22.2 In view of the facts stated in note 9.1, accrual of interest on advances to Spencer Powergen has not been made with effect from January 1, 1998.

23. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits		423,468	340,375
Directors' fee		11,000	8,500
Rent, rates and taxes		666,078	118,938
Repairs and maintenance		3,120	5,700
Auditor's remuneration	23.1	58,245	59,868
Legal and professional charges		368,900	598,000
Postage, telephone and telefax		15,484	11,317
Travelling, conveyance and entertainment		125,563	66,901
Motor car expenses		--	5,025
Printing and stationery		103,201	92,350

Insurance		272,500	272,500
Advertising		31,800	30,150
News papers and subscription		32,533	32,443
Provision against recoverable from principals considered doubtful		1,559,841	--
Others		24,806	33,928
		-----	-----
		3,696,539	1,675,995
		=====	=====

23.1 AUDITOR'S REMUNERATION

Audit fee		40,000	40,000
Out of pocket expenses		18,245	19,868
		-----	-----
		58,245	59,868
		=====	=====

24. FINANCIAL CHARGES

Mark-up on secured			
Short term loan		4,517,672	3,040,821
Short term running finance		5,150,685	11,132,702
Long term finances		8,414,383	--
Mark-up on current account with an associated undertaking	19	9,113,714	7,423,537
Central excise duty		--	46,108
Bank charges		20,884	141,778
		-----	-----
		27,217,338	21,784,946
		=====	=====

25. OTHER OPERATING INCOME

Gain on sale of fixed assets		554,180	--
Creditors balances written back		--	128,184
		-----	-----
		554,180	128,184
		=====	=====

26. TAXATION

The income-tax assessments of the company have been finalised upto and including assessment year 1998-99, corresponding to income year June 30, 1998.

27. (LOSS) / EARNINGS PER SHARE (BASIC)

Net (Loss) / profit after taxation		(29,409,459)	2,385,176
		=====	=====
Number of Ordinary shares		1,542,301	1,542,301
		=====	=====
(Loss) / Earnings per share (Basic)		(19.07)	1.55
		=====	=====

28. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 1999**(i) Financial assets and liabilities**

	<i>Interest/Mark-up bearing</i>			<i>Non-Interest/Mark-up bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
Financial assets							
Long term Investments	--	--	--	--	11,346	11,346	11,346
Long term advances	--	--	--	52,644	--	52,644	52,644

Long term deposits	--	--	--	146	146	146
Advances, deposit & other receiv	--	--	512,223	--	512,223	512,223
Cash and bank balances	12	--	12	5,243	--	5,243

Financial liabilities

Long term loans	4,160	12,480	16,640	--	13,000	13,000	29,640
Long term finances	15,000	85,000	100,000	--	--	--	100,000
Shod term loan	20,000	--	20,000	--	--	--	20,000
Accrued and other liabilities	--	--	--	34,675	--	34,675	34,675
Dividends payable	--	--	--	9,533	--	9,533	9,533
Current account with an associated undertaking	--	--	--	107,258	--	107,256	107,256

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All the financial assets of the company, except cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risks relating to payables, if any, are covered through forward foreign exchange contracts.

(iv) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair value.

29. 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:

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Fees	--	--	11,000	--	8,500	--
Managerial remuneration	--	--	--	--	--	--
Contribution to provident fund	--	--	--	--	--	--
Rent	--	--	--	--	--	--
Utilities	--	--	--	--	--	--
Medical expenses	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
	--	--	11,000	--	8,500	--
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	6	6	--	--

<i>Notes</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>

30. CASH UTILISED BY OPERATIONS

(Loss) / Profit before taxation	(28,194,232)	2,811,341
Add/(less) Adjustments for non cash charges and other items		
Depreciation	3,566,156	5,382,971
Profit on sale of fixed assets	(554,180)	--
Financial charges	27,217,338	21,784,946
Amortisation of deferred cost	765,553	708,053
Rental Income	(4,365,918)	(7,294,431)
Income on advances	--	(24,200,000)
Provision against recoverable from Principals		

considered doubtful	1,559,841	--
	-----	-----
	28,188,790	(3,618,461)
	-----	-----
Loss before working capital changes	(5,442)	(807,120)
	=====	=====

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

(Increase)/decrease in current assets		
Advances and other receivables	(11,677,990)	(20,789,022)
Increase/(decrease) in current liabilities		
Accrued and other liabilities	(14,665,068)	1,003,049
	-----	-----
	(26,343,058)	(19,785,973)
	-----	-----
Cash utilised by operations	(26,348,500)	(20,593,093)
	=====	=====

31. CASH AND CASH EQUIVALENTS

Cash and bank balances	5,254,770	2,052,499
Short term running finance	--	(50,000,000)
	-----	-----
	5,254,770	(47,947,501)
	=====	=====

32. TRANSACTIONS WITH AN ASSOCIATED UNDERTAKING AND A SUBSIDIARY

Advances to	135,140,056	48,433,092
Advances from	42,465,889	81,585,121

33. GENERAL

33.1 Figures have been rounded off to the nearest rupee.

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

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

Col. (Rtd) Aziz Khan
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

(6,776,517)

-- for the previous financial years, since it became the holding company's subsidiary

=====

(7,030,063)

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

PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS AT JUNE 30,1999

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>			<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>		
283	1	100	Shares	6,227
87	101	500	Shares	23,337
27	501	1,000	Shares	18,957
27	1,001	5,000	Shares	46,494
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
-----				-----
431				1,542,301
=====				=====

CATEGORY OF SHAREHOLDERS AS AT JUNE 30, 1999

<i>CATEGORY OF SHAREHOLDERS</i>	<i>NUMBERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
Individuals	421	114,261	7.41
Insurance Companies	1	50,370	3.27
Joint Stock Companies	8	1,371,905	88.95
Financial Institution	1	5,765	0.37
	-----	-----	-----
	431	1,542,301	100.00
	=====	=====	=====

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999

SPENCER & COMPANY (PAKISTAN) LIMITED AND SUBSIDIARY COMPANY

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated Balance Sheet of SPENCER AND COMPANY (PAKISTAN) LIMITED and its subsidiary company 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 a separate opinion on the financial statements of SPENCER AND COMPANY (PAKISTAN) LIMITED. The financial statements of the subsidiary company were audited by other firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. 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.

Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

Provision against advances given to Spencer Powergen Company of Pakistan Limited amounting to Rs. 504.697 (1998: Rs. 490.363) million has not been made by the company in the accounts of the current year for the reasons disclosed by the management of the company in note 9.1 to the accounts of the current year. Had the company made the above referred provision, advances at the end of the year would have reduced by Rs. 504.697 million, net loss for the year would have increased by the same amount and reserves at the end of the year would have converted into accumulated loss of Rs. 254.006 million at the end of the current year.

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the consolidated financial statements examined by us present fairly the financial position of SPENCER AND COMPANY (PAKISTAN) LIMITED and its subsidiary company as at June 30, 1999 and the results of their operations for the year then ended.

Karachi - March 02, 2000

Ford, Rhodes, Robson, Morrow
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
TANGIBLE FIXED ASSETS			
Operating fixed assets at cost less accumulated depreciation	3	175,279,864	299,685,501
Capital work-in-progress		18,348,055	18,180,055
		-----	-----
		193,627,919	317,865,556
LONG TERM INVESTMENTS	4	5,674,970	5,681,900
LONG TERM DEPOSITS	5	145,654	145,654
DEFERRED COST	6	3,120,553	966,107
CURRENT ASSETS			
Stock-in-trade	7	13,501,668	15,714,962
Trade debts	8	3,175,472	3,908,241
Advances, deposits, prepayments and other receivables	9	524,111,419	505,212,170
Cash and bank balances	10	5,752,843	2,821,412
		-----	-----
		546,541,402	527,656,785
		-----	-----
		749,110,498	852,316,002
		=====	=====
CAPITAL AND RESERVES			
Share Capital			,
Authorised	11	25,000,000	25,000,000
		=====	=====
Issued, subscribed and paid-up	11	15,423,010	15,423,010
Reserves	12	250,691,910	153,568,013
		-----	-----
		266,114,920	168,991,023
MINORITY INTEREST	13	--	129,997
SURPLUS ON REVALUATION OF FIXED ASSETS	14	162,955,862	296,805,295
LONG TERM LOANS	15	25,480,128	13,000,000
LONG TERM FINANCES	16	85,000,000	--
RENT RECEIVED IN ADVANCE	17	--	27,878,472
DEFERRED LIABILITIES		3,899,960	3,063,762

CURRENT LIABILITIES

Current maturity of long term loan		4,160,042	--
Current maturity of long term finances		15,000,000	--
Short term running finance		--	50,687,797
Short term loan	18	20,000,000	22,500,000
Creditors, accrued and other liabilities	19	49,070,537	70,020,575
Current account with an associated undertaking	20	107,255,812	188,644,492
Provision for taxation - net		640,661	401,176
Dividends payable	21	9,532,576	10,193,413
		-----	-----
		205,659,628	342,447,453
CONTINGENCY	22	-----	-----
		749,110,498	852,316,002
		=====	=====

The annexed notes form an integral part of these accounts

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

Col. (Rtd) Aziz Khan
Director

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
INCOME	23	68,313,230	97,077,646
Cost of sales	24	46,253,338	45,142,513
		-----	-----
GROSS PROFIT		22,059,892	51,935,133
Administrative expenses	25	(26,775,172)	(23,468,239)
Depreciation	3	(3,566,156)	(5,382,971)
		-----	-----
		(30,341,328)	(28,851,210)
OPERATING (LOSS) / PROFIT		(8,281,436)	23,083,923
Other operating income	26 27	(28,795,111) 1,749,149	(24,751,635) 693,208
		-----	-----
LOSS BEFORE TAXATION		(35,327,398)	(974,504)
TAXATION			
Current	28	(341,558)	(485,388)
Prior	28	(1,186,577)	(268,530)
		-----	-----
		(1,528,135)	(753,918)
NET LOSS FOR THE YEAR		(36,855,533)	(1,728,422)
MINORITY INTEREST		372,304	205,679
		-----	-----
		(36,483,229)	(1,522,743)
(ACCUMULATED LOSS)/UNAPPROPRIATED PROFIT BROUGHT FORWARD		(2,860,699)	2,504,274
(ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT AVAILABLE FOR APPROPRIATIONS		-----	-----
		(39,343,928)	981,531
APPROPRIATIONS			
Proposed dividend @ Rs. Nil (1998: Rs. 4.50) per Ordinary share of Rs. 10 each		--	(6,940,355)

Less: Dividend waived by major shareholder
M/s Beach Luxury Hotel (Private) Limited,
who is represented through the
Directors on the Board

		--	3,098,125
		-----	-----
		--	(3,842,230)
		-----	-----
ACCUMULATED LOSS CARRIED FORWARD TO RESERVES		(39,343,928)	(2,860,699)
		=====	=====
LOSS PER SHARE	29	(23.90)	(1.12)
		=====	=====

The annexed notes form an integral part of these accounts.

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

Col. (Rtd) Aziz Khan
Director

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised by operations	32	(34,699,232)	(9,933,178)
Payment of financial charges		(30,552,914)	124,335,303)
Payment of taxes		(1,858,864)	(564,108)
Payment of staff retirement gratuity		(131,913)	(217,018)
Long term advances		(11,755,889)	4,414,895
		-----	-----
Net cash flow from operating activities		(78,998,812)	(30,634,712)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(154,888)	(3,445,555)
Sale proceeds of fixed assets		119,860,000	737,001
Deferred cost		(1,260,000)	
Addition in capital work-in-progress		(168,000)	(2,055,135)
Purchase of shares		--	(6,930)
Decrease in long term deposits		--	10,000
		-----	-----
Net cash inflow from investing activities		118,277,112	(4,760,619)
		-----	-----
		39,278,300	(35,395,331)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		10,640,170	--
Long term finances		100,000,000	--
(Repayment) / Receipt of short term loan		(2,500,000)	22,500,000
Payment of dividend		(660,836)	(683,443)
Repayment of rent		(23,512,554)	--
(Payment to) / Receipt from an associated undertaking		(69,625,852)	14,817,869
		-----	-----
Net cash inflow from financing activities		14,340,928	36,634,426
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		53,619,228	1,239,095
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(47,866,385)	(49,105,480)

**CASH AND CASH EQUIVALENTS AT
THE END OF THE YEAR**

33

5,752,843

(47,866,385)

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

**Col. (Rtd) Aziz Khan
Director**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Share Capital</i>		<i>Capital Reserve</i>		<i>Revenue Reserves</i>			<i>Total</i>
	<i>Issued, subscribed and Paid-up</i>	<i>Profit arising on sale of land and building on prior years</i>	<i>Premium on issue of ordinary shares</i>	<i>Capital redemption reserve</i>	<i>General reserve</i>	<i>Unappropriated profit / (loss)</i>		
Balance as at June 30, 1997	15,423,010		249,902	1,542,300	2,375,000	152,261,510	2,504,274	174,355,996
Net loss for the year ended June 3	--		--	--	--	--	(1,728,422)	(1,728,422)
Minority Interest	--		--	--	--	--	205,679	205,679
Proposed final dividend @ 45%	--		--	--	--	--	(6,940,355)	(6,940,355)
Dividend waived	--		--	--	--	--	3,098,125	3,098,125
							(3,842,230)	(3,842,230)
Balance as at June 30, 1998	15,423,010		249,902	1,542,300	2,375,000	152,261,510	(2,860,699)	168,991,023
Realisation of surplus on revaluation of fixed asset	--		--	--	--	133,849,433	--	133,849,433
Net loss for the year ended June 30, 1999	--		--	--	--	--	(36,855,533)	(36,855,533)
Minority Interest	--		--	--	--	--	372,304	372,304
Minority shares of loss borne by the company	--		--	--	--	--	(242,307)	(242,307)
Balance as at June 30, 1999	15,423,010		249,902	1,542,300	2,375,000	286,110,943	(39,586,235)	266,114,920

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

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 and pharmaceutical manufacturing through its subsidiary company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of consolidation

The consolidated financial statements include the accounts of Spencer & Company (Pakistan) Limited and its subsidiary company, Spencer Pharma (Private) Limited. Investment in the subsidiary company represents ownership interest of 95%. Material inter-company transactions are eliminated.

2.2 Accounting convention

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

2.3 Fixed assets

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

Leasehold lands are amortised over their periods 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 on the assets of the company aggregating to Rs. 3.566 (1998: Rs. 5.383) million 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 of. In case of the subsidiary, depreciation aggregating to Rs. 1.851 (1998: Rs. 2.237) million is charged on additions during the year for the whole year, whereas no depreciation is charged on fixed assets said or scraped during the year.

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.

2.4 Investments

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

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 the sale.

2.6 Trade debts

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

2.7 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 except where forward exchange cover has been obtained for payment of liabilities in which case the contracted rates are applied. 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.

2.8 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 for if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future. As of June 30, 1999, the company has not accounted for a net deferred tax debit of Rs. 2.439 (1998: Rs. 1.930) million as a matter of prudence.

In case of the subsidiary, the deferred tax liability on account of timing differences primarily due to accelerated tax depreciation amounts to approximately Rs. 0.664 (1998: Rs. 0.982) 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.

2.9 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.

2.10 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.

2.11 Revenue recognition

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

3. OPERATING FIXED ASSETS

	<i>COST OR REVALUATION</i>				<i>ACCUMULATED DEPRECIATION</i>				<i>Net book value as at June 30, 1999</i>		
	<i>Cost</i>	<i>As at July 1, 1998 Revaluation</i>	<i>Additions/ (Disposals)/ (Adjustments)*</i>	<i>As at June 30, 1999</i>	<i>Rate</i>	<i>As at July 1, 1998</i>	<i>For the year</i>	<i>On disposals</i>		<i>As at June 30, 1999</i>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Year/%</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		<i>Rupees</i>	
Freehold land (note 3.1)	1,552,252		79,102,445	--	80,654,697	--	--	--	--	80,654,697	
Leasehold lands (note 3.1 & 3.2)	2,743,254		150,850,691	(125,320) (92,754,680)*	60,713,945	57 to 99 years & 1%	10,046,381	1,626,951	(7,441,728)	4,231,804	56,482,341
Building on freehold land (note 3.1)	1,816,739		19,691,322	--	21,508,061	5 %	4,822,594	834,274	4,822,590	5,656,870	15,851,191
Building on leasehold land (note 3.)	12,579,505		45,660,837	(1,240,059) (41,094,753)*	15,905,530	5	13,569,732	1,384,832	(9,327,264)	5,627,300	10,278,230
Plant & machinery & equipment	26,772,601		--	101,888	26,874,489	10 & 20	16,090,963	1,080,389	--	17,171,352	9,703,137
Air-conditioners & refrigerators	6,500		--	--	6,500	15	6,151	52	--	8,203	297
Furniture and fittings	1,453,814		--	9,300	1,463,114	10	907,832	55,528	--	963,360	499,754
Office machinery, computer and other equipment	1,132,543		--	43,700	1,176,243	10 & 20	700,317	80,941	--	781,258	394,985
Vehicles	3,842,526		--	(1,152,425)	2,690,101	20 to 25	1,375,557	353,984	(454,672)	1,274,869	1,415,232
	-----		-----	-----	-----		-----	-----	-----	-----	-----
1999	51,899,734		295,305,295	(136,212,349)	210,992,680		47,519,529	5,416,951	(17,223,664)	35,712,816	175,279,864
	=====		=====	=====	=====		=====	=====	=====	=====	=====
1998	49,223,986		295,305,295	2,675,748	347,205,029		40,221,796	7,620,380	(322,648)	47,519,528	299,685,501
	=====		=====	=====	=====		=====	=====	=====	=====	=====

3.1 During the years ended December 31, 1974 and June 30, 1994 revaluations of the company's land, both freehold and leasehold, and buildings thereon were carried out by Thariani and company, resulting in a net surplus on revaluation of Rs. 295.305 million. Had there been no revaluation in the above referred years, Cost and net book values of the revalued assets would have been as follows:

	<i>Cost as at June 30, 1999</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Net book value as at June 30, 1999</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Freehold land	1,552,252	--	1,552,252
leasehold land	1,117,932	173,765	944,167
Building on freehold land	1,816,739	1,235,814	580,925
Building on leasehold land	137,784	105,235	32,549
	-----	-----	-----
	4,624,707	1,514,814	3,109,893

3.1 During the current year, as a result of disposal of a portion of leasehold land and building thereon, surplus on their revaluation to the extent of Rs. 133,849 million has been realised as shown above and in notes 12 & 14.

* Adjustment represent a portion of surplus on revaluation of fixed assets realised during the current year, as discussed in note 3.2 above.

3.3 The following operating assets were disposed of during the year.

<i>Particulars</i>	<i>Cost / Revaluation*</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>		<i>Sale proceeds</i>	<i>Profit</i>	<i>Mode of disposal</i>	<i>Particular of purchasers</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
Leasehold land	125,320 92,754,680		7,441,728	85,438,272	--	--		
Building on leasehold land	1,240,059 41,094,753		9,327,264	33,007,548	--	--		
	----- 135,214,812 =====		----- 16,768,992 =====	----- 118,445,820 =====	----- 119,000,000 =====	----- 554,180 =====	Negotiation	Metropolitan Bank Limited Spencer's Building I.I. Chundrigar Road, Karachi.
Vehicles	1,152,425		454,672	697,753	860,000	162,247	Insurance Claim	Commercial Union Assurance Company Limited. CU Building, 74/1-A, Lalazar M.T. Khan Road, Karachi.
	----- 136,367,237 =====		----- 17,223,664 =====	----- 119,143,573 =====	----- 119,143,573 =====	----- 716,427 =====		

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Cost of sales	24	1,483,631	1,614,475
Selling & Administrative expenses Relating to parent company shown separately in Profit & loss Account	25	367,164	622,934
		3,560,156	5,382,971
		----- 5,416,951 =====	----- 7,620,380 =====

4. LONG TERM INVESTMENTS

Quoted

12,100 (1998: 12,100) ordinary shares of Rs. 10 each of Parke Davis & Company Limited.
[Market value as at the balance sheet date: Rs. 3,926,450 (1998: Rs. 5,578,100)]

4.1 5,618,340 5,618,340

500 (1998: 500) ordinary shares of Rs. 10 each of Hub Power Company Limited

4.2 6,630 6,630

[Market value as at the balance sheet date: Rs. 7,050 (1998: Rs. 6,855)]

5,000 (1998: 5,000) ordinary shares of Rs. 10 each of Commercial Union Life Assurance Company Limited.

4.2 50,000 50,000

[Market value as at the balance sheet date: Rs. 38,750 (1998: Rs. 42,500)]

Unquoted

Nil (1998: 693) ordinary shares of Rs. 10 each of Spencer Powergen Company of Pakistan Limited

4.3 -- 6,930

[Break-up value of each ordinary share of Rs. 10 each as at June 30, 1999, Rs. Nil (1998: Rs. 10) per ordinary share]

5,674,970 5,681,900
=====

4.1 The company has 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 the Beach Luxury Hotel, an associated undertaking.

4.2 These shares are held by the company in the personal name of the Directors. Efforts are currently underway to transfer the same in the name of the company.

4.3 These have been disposed of during the current year at cost.

5. LONG TERM DEPOSIT

Government authorities and others

145,654 145,654
=====

6. DEFERRED COST

Relocation cost

5,752,213 2,832,213

Less: Amortisation to-date

2,631,660 1,866,106

3,120,553 966,107
=====

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.

7. STOCK-IN-TRADE

Raw and packing material, including in transit of Rs. 635,607 (1998: Rs.132,121)

8,546,742 8,804,928

Work-in-process

1,067,523 1,631,160

Finished goods

3,887,403 5,278,874

13,501,668 15,714,962
=====

8. TRADE DEBTS - unsecured

Considered good

3,175,472 3,908,241

Considered doubtful

5,760,338 5,130,517

8,935,810 9,038,758

Less: Provision for debts considered doubtful

5,760,338 5,130,517

3,175,472 3,908,241
=====

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good

Advances

Spencer Powergen Company of Pakistan Limited - unsecured	9.1	504,696,536	490,362,970
Employees - unsecured		260,896	260,224
Suppliers - unsecured		133,004	124,639
Income Tax - net		4,019,316	3,795,968
		-----	-----
		509,109,752	494,543,801
Deposits			
Deposit with a bank	9.2	6,000,000	--
Trade deposits		287,990	328,057
		-----	-----
		6,287,990	328,057
Prepayments		4,500	87,270
Other receivables			
Income tax refundable		1,904,372	2,806,109
Dividend receivable		36,300	169,400
Accrued Interest		59,553	--
Recoverable from Principals		3,172,934	3,172,934
Less: Provision thereagainst		3,172,934	1,613,093
		-----	-----
		--	1,559,841
Rentals			
- considered good		1,360,378	2,038,659
- considered doubtful		85,030	85,030
		-----	-----
		1,445,408	2,123,689
Less: Provision for rentals considered doubtful		85,030	85,030
		-----	-----
		1,360,378	2,038,659
Gratuity fund		19,716	19,716
Others		5,328,858	3,659,317
		-----	-----
		524,111,419	505,212,170
		=====	=====

9.1 Although, the company is currently experiencing difficulty in recovering this advance, it is still hopeful that it could succeed in recovering the amount due from Spencer Powergen Company of Pakistan Limited and, hence, for this reason, it does not consider it appropriate to make provision thereagainst.

9.2 This represents amount placed as security deposit with a bank against amount borrowed therefrom by the company.

10. CASH AND BANK BALANCES

In hand		46,648	47,879
At banks in			
current accounts		5,694,102	2,773,533
deposit accounts		12,093	--
		-----	-----
		5,752,843	2,821,412
		=====	=====

11. SHARE CAPITAL

Authorised			
500,000(1998: 500,000) 10% Redeemable Cumulative Preference shares of Rs. 10 each		5,000,000	5,000,000
2,000,000(1998: 2,000,000) Ordinary shares of Rs. 10 each		20,000,000	20,000,000
		-----	-----

2,500,000

25,000,000

25,000,000

Issued, subscribed and paid-up

Ordinary shares of Rs. 10 each

873,864(1998: 873,864) Ordinary
shares of Rs. 10 each
fully paid in cash

8,738,640

8,738,640

64,736(1998: 64,736) Ordinary
shares issued for
consideration other than
cash

647,360

647.30

603,701(1998: 603,701) Ordinary
shares issued as fully paid
bonus shares

6,037,010

6,037,010

1,542,301

15,423,010

15,423,010

12. RESERVES**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 - beginning of the year

152,261,510

152,261,510

Add: Realisation of surplus on revaluation
of fixed assets during the current year

3 & 14

133,849,433

--

286,110,943

152,261,510

Accumulated loss

(39,343,928)

(2,860,699)

Add: Minority share of loss borne by
the company

13

(242,307)

--

(39,586,235)

(2,860,699)

250,691,910

153,568,013

13. MINORITY INTEREST

Balance at the beginning of the year

129,997

335,676

Share of loss incurred during the year

(372,304)

(205,679)

(242,307)

129,997

Share of loss borne by the company

12

242,307

--

--

129,997

Balance at the end of the year

14. SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance

296,805,295

296,805,295

Less: Surplus realised on disposal of
fixed assets during the current year

3 & 12

(133,849,433)

--

162,955,862

296,805,295

On June 28, 1994, Thariani and Company had revalued the company's leasehold and freehold land and buildings thereon, resulting in an increase over book value of Rs. 295.305 million (see note 3). This was 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 subsequently converted into leasehold land in 1983-84.

During the current year, as a result of the disposal of a portion of leasehold land and building thereon, Rs. 133.849 million representing a portion of surplus previously created on revaluation of fixed assets has now been realised.

15. LONG TERM LOANS

From an associated undertaking - unsecured	15.1	13,000,000	13,000,000
From a bank - secured	15.2	16,640,170	--
Less: Current maturity shown under current liabilities		4,160,042	--
		-----	-----
		12,480,128	--
		-----	-----
		25,480,128	13,000,000
		=====	=====

15.1 The loan from an associated undertaking is interest free and is repayable in December 2000.

15.2 This loan carries interest @ 18% per annum payable quarterly. It is repayable in twelve equal quarterly installments, commencing from October, 1999. The loan is secured against a floating charge on current assets and personal guarantees of directors of the company.

16. LONG TERM FINANCES

From banks - secured		100,000,000	--
Less: Current maturity shown under current liabilities		15,000,000	--
		-----	-----
		85,000,000	--
		=====	=====

During the year, the company arranged long term finances amounting to Rs 50 million each from two banks. These carry mark-up @ 17.50% per annum, payable quarterly. Repayments in respect of Rs. 50 million are being made by the company on a quarterly basis, commencing from November 1999, over a period of five years whereas repayments in respect of the remaining finance of Rs. 50 million will commence after one year of the date of the agreement.

The above finances are secured against registered charges on property and stock-in-trade of the subsidiary. The finances are also collaterally secured against equitable mortgage of the rental properties of the company.

17. RENT RECEIVED IN ADVANCE

	--	27,878,472
	=====	=====

The rent received in advance by the company from a tenant of its property in Karachi has been adjusted against the proceeds of the property sold during the year to that tenant.

18. SHORT TERM LOAN

From a bank - secured		20,000,000	22,500,000
		=====	=====

The balance outstanding at the end of the year represents a short term loan of Rs, 25 million from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited. The markup on the loan ranges between 20 to 22% (1998: 22%) per annum, payable quarterly, and is repayable in full on December 06, 1999.

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

19. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		9,656,550	9,366,567
Bills payable		259,000	7,616,825
Accrued liabilities			
Accrued expenses		5,642,200	4,341,866
Accrued mark-up on secured short term running finance		--	3,978,133
long term finances		4,363,014	--
shod term loan		241,096	298,356
Letters of credit		12,669	1,445,449
		-----	-----
		10,258,979	10,063,804
Advances from customers		1,048,854	1,084,223
Other liabilities			
Redeemable Preference shares not presented for redemption		340,550	340,550
Payable on behalf of Spencer Powergen Company of Pakistan Limited		27,208,136	41,301,949
Provident Fund		68,557	68,557
Others		229,911	178,100
		-----	-----
		27,847,154	41,889,156
		-----	-----
		49,070,537	70,020,575
		=====	=====

20. CURRENT ACCOUNT WITH AN ASSOCIATED UNDERTAKING

Mark-up at the rate of 20% (1998: 22%) per annum is being charged by an associated undertaking on a portion of current account therewith (note 26):

21. DIVIDENDS PAYABLE

Unclaimed		510,121	451,893
Unpaid	21.1	9,022,455	5,899,290
Proposed		--	3,842,230
		-----	-----
		9,532,576	10,193,413
		=====	=====

21.1 This represents dividend payable to a foreign shareholder of the company in respect of prior years. The same has not been remitted thereto pending approval of the State Bank of Pakistan.

22. CONTINGENCY

There are claims aggregating Rs. 479,593 (1998: 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.

23. INCOME

Net rental income from properties	23.1	3,959,928	7,033,169
Sales	23.2	62,581,609	65,550,577
Dividend income		187,550	293,900
Income on advances to Spencer Powergen Company of Pakistan Limited.	23.3	--	24,200,000
Interest income on a bank account		1,584,143	--
		-----	-----
		68,313,230	97,077,646
		=====	=====

23.1 Net rental income from properties

Income		5,316,491	8,240,370
Less: Expenditure			
Insurance		29,764	29,765

Rates and taxes	375,351	371,489
Amortisation of deferred cost	765,553	708,053
Conservancy charges	185,895	97,894
	-----	-----
	1,356,563	1,207,201
	-----	-----
Net rental income	3,959,928	7,033,169
	=====	=====

23.2 Sales

Gross sales	73,797,063	76,241,208
Less: Discounts	(10,561,170)	(10,239,319)
Cost of product bonus	(654,284)	(451,312)
	-----	-----
	(11,215,454)	(10,690,631)
	-----	-----
	62,581,609	65,550,577
	=====	=====

23.3 In view of the facts stated in note 9.1, accrual of interest on advances to Spencer Powergen has not been made with effect from January 1, 1998.

24. COST OF SALES

Opening work in process	1,631,160	1,529,375
Raw and packing materials consumed	28,444,649	30,156,336
	-----	-----
	30,075,809	31,685,711
	-----	-----
Salaries, wages and other benefits	9,628,167	8,914,210
Store and spares consumed	1,187,792	723,526
Fuel and power	3,138,805	3,369,579
Repairs and Maintenance	676,360	777,775
Stationery and office supplies	261,585	436,504
Communication	96,490	78,037
Travelling and entertainments	363,560	481,812
Insurance	171,657	159,411
Rent, rates and taxes	191,181	183,266
Depreciation	1,483,631	1,614,475
Other expenses	1,749,019	1,266,677
	-----	-----
	18,948,247	18,005,272
	-----	-----
Balance carried forward	49,024,056	49,690,983
	-----	-----
Balance brought forward	49,024,056	49,690,983
Closing work-in-process	(1,067,523)	(1,631,160)
	-----	-----
Cost of goods manufactured	47,956,533	48,059,823
Opening stock of finished goods	5,278,874	5,248,026
Finished goods purchased	1,870,579	2,377,424
	-----	-----
	55,105,986	55,685,273
	-----	-----
Closing stock of finished goods	(3,887,403)	(5,278,874)
	-----	-----
	51,218,583	50,406,399
	-----	-----
Less: Expenses reallocated		
Product bonus	634,290	451,103
Samples	3,785,796	4,515,071
Cost of breakage, expired finished goods and others	545,159	297,712
	-----	-----
	4,965,245	5,263,886

		-----	-----
		46,253,338	45,142,513
		=====	=====
25. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		10,206,304	8,731,379
Training expenses and fees		795,817	529,388
Forwarding expenses, breakage and replacements		515,691	415,543
Sales promotional expenses		3,943,620	5,034,545
Donation		226,812	14,481
Directors' fee		11,000	8,500
Rent, rates and taxes		729,633	207,398
Repairs and maintenance		76,519	54,560
Auditors' remuneration	25.1	83,370	97,368
Legal and professional charges		557,140	786,240
Postage, telephone and telefax		800,734	610,375
Travelling, conveyance and entertainment		5,654,826	5,096,978
Motor car expenses		128,062	82,107
Printing and stationery		312,936	300,007
Insurance		479,968	443,636
Advertising		107,050	67,685
Depreciation		367,164	622,934
News papers and subscription		32,533	32,443
Provision against recoverable from principals considered doubtful		1,559,841	--
Others		186,152	332,672
		-----	-----
		26,775,172	23,468,239
		=====	=====
25.1 AUDITOR'S REMUNERATION			
Audit fee		65,125	77,500
Out of pocket expenses		18,245	19,868
		-----	-----
		83,370	97,368
		=====	=====
26. FINANCIAL CHARGES			
Mark-up on secured			
Short term loan		4,517,672	3,040,821
Short term running finance		5,183,218	11,418,712
Long term finances		8,414,383	--
Mark-up on current account with an associated undertaking	20	9,659,578	8,351,941
Mark-up on other finance		905,161	1,666,223
Central excise duty		--	46,108
Bank charges		115,099	227,830
		-----	-----
		28,795,111	24,751,635
		=====	=====
27. OTHER OPERATING INCOME			
Gain / (loss) on disposal of fixed assets		716,427	(97,209)
Creditors balances written back		--	128,184
Others		1,032,722	662,233
		-----	-----
		1,749,149	693,208
		=====	=====
28. TAXATION			
The income-tax assessments of the company and its subsidiary have been finalised upto and			

including assessment year 1998-99, corresponding to income year June 30, 1998.

29. LOSS PER SHARE

Loss after taxation	(36,855,533)	(1,728,422)
	=====	=====
Number of Ordinary shares	1,542,301	1,542,301
	=====	=====
Loss per share	(23.90)	(1.12)
	=====	=====

30. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 1999

(i) Financial assets and liabilities

	<i>Maturity upto one year</i>	<i>Interest/Mark-up bearing Maturity after one year</i>		<i>Sub-total</i>	<i>Non-Interest/Mark-up bearing Maturity upto one year</i>		<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Total</i>
		<i>Rupees in thousand</i>							
Financial assets									
Long term Investments	--	--	--	--	--	5,675	5,675	5,675	5,675
Long term deposits	--	--	--	--	--	146	146	146	146
Trade debts	--	--	--	--	3,175	--	3,175	3,175	3,175
Advances, deposits, prepayments & other receivables	--	--	--	--	518,129	--	518,129	518,129	518,129
Cash and bank balances	12	--	12	12	5,741	--	5,741	5,741	5,753
Financial liabilities									
Long term loans	4,160	--	12,480	16,640	--	13,000	13,000	29,640	29,640
Long term finances	15,000	--	85,000	100,000	--	--	--	100,000	100,000
Short term Loan	20,000	--	--	20,000	--	--	--	20,000	20,000
Creditors, accrued and other liabilities	--	--	--	--	49,084	--	49,064	49,064	49,064
Dividends payable	--	--	--	--	9,533	--	9,533	9,533	9,533
Current account with an associated undertaking	--	--	--	--	107,256	--	107,256	107,256	107,256

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All the financial assets of the, company, except cash in hand, are exposed to credit risk. The company and its subsidiary believes that it is not exposed to major concentration of credit risk.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risks relating to payables are covered through forward foreign exchange contracts.

(iv) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair value.

31. 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:

	<i>Chief Executive</i>		<i>Directors</i>		<i>Executives</i>	
	<i>1999 Rupees</i>	<i>1998 Rupees</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Fees	--	--	11,000	--	8,500	--
Managerial remuneration	--	--	--	--	--	--
Contribution to provident fund	--	--	--	--	--	--

Rent	--	--	--	--	--
Utilities	--	--	--	--	--
Medical expenses	--	--	--	--	--
	-----	-----	-----	-----	-----
	--	11,000	8,500	--	--
	=====	=====	=====	=====	=====
Number of persons	1	1	6	--	--

	<i>Notes</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
32. CASH UTILISED BY OPERATIONS			
Loss before taxation		(974,504)	(35,327,398)
Add/(less) Adjustments for non cash charges and other items			
Depreciation		5,416,951	7,620,380
Profit on sale of fixed assets		(716,427)	97,209
Financial charges		28,795,111	24,751,635
Amortisation of deferred cost		765,553	708,053
Rental Income		(4,365,918)	(7,294,431)
Provision for gratuity		968,111	1,233,056
income on advances		--	(24,200,000)
Provision against recoverable from Principles considered doubtful		1,559,841	--
		-----	-----
		32,423,222	2,915,902
		-----	-----
(Loss) / Profit before working capital changes		(2,904,176)	1,941,398

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

(Increase)/decrease in current assets			
Advances, deposits, prepayments and other receivables		(10,290,177)	(19,774,232)
Increase/(decrease) in current liabilities			
Creditors, accrued and other liabilities		(21,504,879)	7,899,656
		-----	-----
		(31,795,056)	(11,874,576)
		-----	-----
Cash utilised by operations		(34,699,232)	(9,933,178)
		=====	=====

33. CASH AND CASH EQUIVALENTS

Cash and bank balances		5,752,843	2,821,412
Short term running finance		--	(50,687,797)
		-----	-----
		5,752,843	(47,866,385)
		=====	=====

34. TRANSACTIONS WITH AN ASSOCIATED UNDERTAKING

Advances to		121,973,739	48,413.09
Advances from		42,078,659	77,899,073

35. GENERAL

35.1 Figures have been rounded off to the nearest rupee.

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

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

Col. (Rtd) Aziz Khan
Director

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

REPORT OF THE DIRECTORS

In submitting the Accounts of the Company and the Auditors' Report for the year ended June 30, 1999 the Directors report that:

Loss for the year before providing for the taxation is
 Less: Provision for Taxation

Rupees

(7,133,176)
 (312,908)

Add: Amount brought forward from last year

(7,446,084)
 (7,400,066)

Accumulated loss carried forward

(14,846,150)
 =====

On behalf of the Board

Xerxes B. Avari
Chief Executive

Karachi: December 06, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SPENCER PHARMA (PRIVATE) LIMITED as at 30th June, 1999 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 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 as at 30th June, 1999 and of the loss for the year then ended; and

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

Karachi: December 06, 1999

Shakir & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorized Share capital 100,000 ordinary shares of Rs. 100/- each		10,000,000	10,000,000
		=====	=====
Issued, subscribed and paid up capital	3	10,000,000	10,000,000
Accumulated losses		(14,846,150)	(7,400,066)
		-----	-----
		(4,846,150)	2,599,934
ADVANCE FROM AN ASSOCIATED UNDERTAKING	4	52,644,341	40,888,443
DEFERRED LIABILITIES			
Staff retirement gratuity		3,899,960	3,063,762
CURRENT LIABILITIES			
Short term finance under mark-up arrangement	5	--	687,797
Creditors, Accrued and Other liabilities	6	14,388,774	22,661,365
Provision for taxation		640,661	327,753
		-----	-----
		15,029,435	23,676,915
		-----	-----
		66,727,586	70,229,054
		=====	=====
TANGIBLE FIXED ASSETS			
Operating assets	7	19,653,772	22,065,932
Capital work-in-progress		18,348,055	18,180,055
		-----	-----
		38,001,827	40,245,987
		=====	=====
CURRENT ASSETS			
Stock-in-trade	8	13,501,668	15,714,962
Trade debtors	9	3,175,472	3,908,241
Loans and advances	10	4,174,459	4,119,831
Deposits and prepayments	11	292,490	415,327
Other receivables	12	7,083,597	5,055,793
Cash and bank balances	13	498,073	768
		-----	-----
		28,725,759	29,983,067
		-----	-----
		66,727,586	70,229,054
		=====	=====

The annexed notes form an integral part of these accounts.

Xerxes B. Avari

Dinshaw B. Avari

Chief Executive

Director

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Net sales	14	62,581,609	65,550,577
Cost of sales	15	46,253,347	45,142,504
		-----	-----
Gross profit		16,328,262	20,408,073
Selling and administrative expenses	16	23,078,634	21,792,244
		-----	-----
Operating loss		(6,750,372)	(1,384,171)
Other income	17	1,194,969	565,024
		-----	-----
Financial and other charges	18	(5,555,403)	(819,147)
		1,577,773	2,966,689
		-----	-----
Net loss before taxation		(7,133,176)	(3,785,836)
Provision for taxation		(312,908)	(327,753)
		-----	-----
Net loss after taxation for the year		(7,446,084)	(4,113,589)
Accumulated losses brought forward		(7,400,066)	(3,286,477)
		-----	-----
Accumulated losses carried forward		(14,846,150)	(7,400,066)
		=====	=====

The annexed notes form an integral part of these accounts.

Xerxes B. Avari
Chief Executive

Dinshaw B. Avari
Director

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

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. 0.664 million (1998: Rs. 0.982 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 year's 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 PAID UP CAPITAL

As at June 30, 1999 Spencer & Co. (Pakistan) Limited held 94,998 Ordinary shares (1998: 94,998 Ordinary shares) of Rs. 100 each.

4. ADVANCE FROM AN ASSOCIATED UNDERTAKING

The amount includes advance of Rs. 1,501,341 obtained under the mark-up arrangements.

The rate of mark-up is 22 percent per annum. (1998: 22% p.a.)

5. SHORT TERM FINANCE UNDER MARKUP ARRANGEMENT

Indus Bank Limited

<i>1999</i>	<i>1998</i>
<i>Rupees</i>	<i>Rupees</i>
	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.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	9,656,550	9,366,567
Bills payable	259,000	7,616,825
Accrued expenses	3,181,790	2,970,201
Accrued mark-up	12,669	1,445,449
Advances from Customers	1,048,854	1,084,223
Others	229,911	178,100
	-----	-----
	14,388,774	22,661,365
	=====	=====

7. OPERATING ASSETS

The following is a statement of operating assets

<i>PARTICULARS</i>	<i>COST</i>		<i>DEPRECIATION</i>						
	<i>Cost as at</i>	<i>Additions</i>	<i>Cost as at</i>	<i>Rate %</i>	<i>Accumulated</i>	<i>For the</i>	<i>On Disposals</i>	<i>As at</i>	<i>Net book</i>
	<i>July 1,</i>	<i>(Disposals)</i>	<i>June 30,</i>		<i>as at July</i>	<i>year</i>		<i>June 30,</i>	<i>Value as at</i>
	<i>1998</i>		<i>1999</i>		<i>1, 1998</i>			<i>1999</i>	<i>June 30,</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Leasehold land	1,500,000	--	1,500,000	1	108,892	13,911	--	122,803	1,377,197
Building on leasehold land	11,201,662	--	11,201,662	5	4,146,492	352,758	--	4,499,250	6,702,412
Plant & machinery & equipments	26,772,601	101,888	26,874,489	10 & 20	16,690,963	1,080,389	--	17,171,352	9,702,412
Furniture & fixtures	1,248,202	9,300	1,257,502	10	823,633	48,387	--	867,020	390,482
Vehicles	3,410,975	(1,152,425)	2,258,550	20	1,263,518	289,941	(454,672)	1,098,787	1,159,763
Air-conditioners & refrigerators	8,500	--	6,500	15	6,151	52	--	6,203	297
Office equipments	914,492	25,200	939,692	15 & 20	548,851	70,357	--	619,208	320,484
	-----		-----		-----	-----	-----	-----	-----
1999 Rupees	45,054,432	136,988	44,038,395		22,988,500	1,850,795	--	24,384,623	19,653,772
		(1,152,425)					(454,672)		
	=====	=====	=====		=====	=====	=====	=====	=====
1998 Rupees	42,705,735	3,445,555	45,054,432		21,073,739	2,237,409	(322,648)	22,988,500	22,065,932
	=====	(1,156,858)	=====		=====	=====	=====	=====	=====

16. STOCK-IN-TRADE

Raw and packing material including
in transit Rs. 635,607 (1998: Rs. 132,121)

Work-in-process

Finished goods

	8,546,742	8,804,928
	1,067,523	1,631,160
	3,887,403	5,278,874
	-----	-----
	13,501,668	15,714,962
	=====	=====

9. TRADE DEBTORS - UNSECURED

Considered good

Considered doubtful

Less: Provision for doubtful debts

	3,175,472	3,908,241
	958,003	328,182
	-----	-----
	4,133,475	4,236,423
	958,003	328,182
	-----	-----
	3,175,472	3,908,241
	=====	=====

10. LOANS AND ADVANCES

Loans and advances to staff for expenses

Advance to suppliers

Advance payment to Income Tax Authorities

	202,396	199,224
	133,004	124,639
	3,839,059	3,795,968
	-----	-----
	4,174,459	4,119,831
	=====	=====

11. DEPOSITS AND PREPAYMENTS

Trade deposits	287,990	328,057
Prepayments	4,500	87,270
	-----	-----
	292,490	415,327
	=====	=====

12. OTHER RECEIVABLES

Determined Refunds Income Tax Authorities	1,804,740	1,446,476
Others	5,278,857	3,609,317
	-----	-----
	7,083,597	5,055,793
	=====	=====

13. CASH AND BANK BALANCES

Cash in hand	24,648	29,596
Balance with banks		
-On current account	473,425	739,317
	-----	-----
	498,073	768,913
	=====	=====

14. SALES

Gross sales	73,797,063	76,241,208
Less: Discounts	(10,561,170)	(10,239,319)
Cost of product bonus	(654,284)	(451,312)
	-----	-----
	62,581,609	65,550,577
	=====	=====

15. COST OF SALES

Opening work in process	1,631,160	1,529,375
Raw and packing materials consumed	28,444,649	30,156,336
	-----	-----
	30,075,809	31,685,711

MANUFACTURING EXPENSES:

Salaries, wages and other benefits	9,628,167	8,914,210
Store and spares consumed	1,187,792	723,526
Fuel and power	3,138,805	3,369,579
Repairs and maintenance	676,360	777,775
Stationery and office supplies	261,585	436,504
Communication	96,490	78,037
Travelling and entertainment	363,569	481,803
Insurance	171,657	159,411
Rent rates and taxes	191,181	183,266
Depreciation	1,483,631	1,614,475
Other expenses	1,749,019	1,266,677
	-----	-----
	18,948,256	18,005,263
Closing work-in-process	(1,067,523)	(1,631,160)
	-----	-----
Cost of goods manufactured	47,956,542	48,059,814
Opening stock of finished goods	5,278,874	5,248,026
Finished goods purchased	1,870,579	2,377,424
	-----	-----
	55,105,995	55,685,26
Closing stock of finished goods	(3,887,403)	(5,278,874)
	-----	-----
	51,218,592	50,406,390
Less: Expenses reallocated		
Product bonus	634,290	451,103

Samples	3,785,796	4,515,071
Cost of breakage, expired finished goods & others	545,159	297,712
	(4,965,245)	(5,263,886)
	46,253,347	45,142,504

16. SELLING AND ADMINISTRATIVE EXPENSES

Salaries and benefits	9,782,836	8,391,004
Training expenses and fees	795,817	529,388
Advertisement	75,250	37,535
Forwarding expenses, breakage and replacements	515,691	415,543
Sales promotional expenses	3,943,620	5,034,545
Travelling	5,107,248	4,704,315
Conveyance and entertainment	422,015	325,762
Insurance	207,468	171,136
Audit fee	25,125	37,500
Legal and professional expenses	188,240	188,240
Rent, rates & taxes	63,555	88,460
Vehicle running expenses	128,062	77,082
Stationery and office supplies	209,736	207,657
Communication	785,250	599,058
Repairs and maintenance	73,399	48,860
Depreciation	367,164	622,934
Donation	226,812	14,481
Other expenses	161,346	298,744
	23,078,634	21,792,244

17. OTHER INCOME

Gain/(loss) on disposal of fixed assets	162,247	(97,209)
Others	1,032,722	662,233
	1,194,969	565,024

18. FINANCIAL AND OTHER CHARGES

Mark-up on advance from associated undertaking	545,864	928,404
Mark-up on short term finance	32,533	286,010
Bank charges	94,215	86,052
Markup on other finance	905,161	1,666,223
	1,577,773	2,966,689

19. COMPARATIVE FIGURES

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

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

Xerxes B. Avari
Chief Executive

Dinshaw B. Avari
Director

PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS AT JUNE 30, 1999

<i>NUMBER OF</i>	<i>SHAREHOLDING</i>	<i>TOTAL</i>
------------------	---------------------	--------------

<i>SHARE HOLDERS</i>	<i>FROM</i>	<i>TO</i>		<i>SHARES HELD</i>
8		100	Shares	78
4	1,001	5,000	Shares	4,924
1	90,001	95,000	Shares	94,998
----- 13				----- 100,000 =====

CATEGORY OF SHAREHOLDERS AS AT JUNE 30, 1999

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