

Spencer & Co. (Pakistan) Limited

Annual Report 2000

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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
Mr. Zia-ur-Rehman Shami
Col. (Rtd) Aziz Khan

COMPANY SECRETARY

Abdul Rahim Suriya

AUDITOR

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 52nd Annual General Meeting of Spencer & Co. (Pakistan) Ltd., will be held on Friday, December 22, 2000, at 12.30 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 51st Annual General Meeting held on March 30, 2000.
3. To receive, consider and adopt Audited Accounts, together with the Directors' and Auditors' Report thereon, for the year ended June 30, 2000.
4. To appoint Auditors and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Abdul Rahim Suriya
Company Secretary

Karachi: November 30, 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 December 15, 2000 to December 22, 2000 (both days inclusive). Transfers received in order at the Registered Office of the Company upto December 14, 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

I am pleased to present the Chairman's Review, along with the Annual Report and the Audited Accounts of Spencer & Company (Pakistan) Limited for the year ended June 30, 2000.

The unprecedented economic recession experienced for the first time in the history of our country has definitely made the year under Review difficult. I would certainly be doing an injustice if I did not mention that in recent days, there is a perceptible up-tick in economic and business activity, which reflects the underlying confidence and is indicative of better future prospects.

The income from rental has declined over last year. This is on account of the sale of a portion of the Karachi property as recorded last year. The decline in income has also been registered because the majority of the tenants have been vacated from the Company's three properties. This has been done at a cost which is reflected in the Accounts and through Court settlements and these costs are being charged over a period of time to the rental income as detailed below. Additionally, the buildings being nearly vacant has resulted in the decline of this income. The purpose is to refurbish the properties to bring them up to the standards required to extricate their full potential. After adjusting insurance, taxes, conservancy charges and amortization of deferred charges (representing the charges to vacate tenants) from the income, the net rental income is in the negative. This is actually not a cash loss to the Company since the amortization of deferred charges

is only a book entry. This, coupled with heavy depreciation charges and financial expenses, has contributed to the net loss inspite of strict control of administrative expenses which are less then last year.

The Auditors have sought to qualify your Company's advance to Spencer Powergen Company of (Pakistan) Limited, which is a subsidiary of your Company, and whose Accounts are annexed hereto. With this Company being a 100% subsidiary, our investment remains fully protected. The reason for this has been explained in previous years. In the meantime the Writ Petition filed by your Company against the cancellation of this Project by the Benazir Bhutto Government, is being continued to be vigorously pursued.

Spencer-Pharma recorded a decline in Sales, which was expected as explained last year, since Pharmaceuticals were also not immune to the down-turn. However, I am pleased to mention that the bottom line has improved, but owing to a Book Entry to expense the advance tax paid the bottom line remains the same as last year. This improvement is on account of strong tolling revenue generated from the existing contracts in place. It is expected that further improvements will be realized by the Ministry granting a price-increase, further tolling products being obtained and owing to the reduction in the distribution commission being paid.

I am delighted to inform you that another leading Multi-national has selected us to Toll Manufacture their products. The Agreement is expected to be signed shortly. This will contribute substantially to the bottom line and it is expected that this Contract will be the real break-through that the Management has been working to achieve.

No material changes or any other commitments have been made which would be affecting the financial position of the Company between the end of the financial year and the date of this Report.

The present Auditors, M/s. Ford, Rhodes, Robson Morrow retire and being eligible offer themselves for reappointment.

On behalf of your Directors and Management, I take this opportunity of thanking all the Executives and Staff for their ever loyal dedication, diligent hardwork and competence. I would also like to express our gratitude to our customers, bankers, distributors and advisers.

Byram D. Avari

Chairman & CEO

REPORT OF THE DIRECTORS

In submitting the Accounts of the Company and the Auditors' Report for the year ended June 30, 2000 the Directors report that:

	<i>Rupees</i>
Loss for the year before providing for the taxation is	(33,867,939)
Less: Provision for Taxation	(1,839,841)

	(35,707,780)
Add: Amount brought forward from last year	(29,069,085)

Accumulated loss carried forward to reserves	(64,776,865)
	=====

On behalf of the Board

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

Karachi: November 30, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the, annexed balance sheet of **SPENCER & COMPANY (PAKISTAN) LIMITED** as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) provisions against (i) long term investments in the subsidiaries of the company, aggregating to Rs. 5.678 million and (ii) short and long term advances extended thereto, aggregating to Rs. 532.058 million, at the end of the year have not been made in the accounts of the current year for the reasons disclosed by the company in notes 4, 5 and 8 to the accounts. in our opinion, the above referred provisions should be made in the accounts of the current year. Had the company made these provisions, long term investments and short and long term advances would have reduced by Rs. 5.678 million and Rs. 532.058 million respectively, net loss for the year and accumulated losses at the end of the year would have increased by Rs. 537.736 million and reserves at the end of the year would have been converted into a deficit of Rs. 312.235 million at the end of the current year:

(b) in our opinion, proper books of accounts 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 matters referred to in paragraph (a) above, to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2000 and of the loss, its cash flows and changes in equity for the year then ended;

(e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and

(f) without qualifying our opinion, we draw attention to the presentation of a loan of Rs. 50 million from a bank under long term finances in note 14.1 to the accounts and related disclosure therein, which is on the basis of a request made by the company for extension in the repayment of the above referred loan. The said request is currently pending approval of the bank.

Karachi: November 30, 2000

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

TANGIBLE FIXED ASSETS	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Operating fixed assets at cost less accumulated depreciation	3	236,593,060	155,626,092
LONG TERM INVESTMENTS	4	10,317,631	11,345,971
LONG TERM ADVANCES AND DEPOSITS	5	48,543,089	52,789,995
DEFERRED COST	6	2,770,000	3,120,553
CURRENT ASSETS			
Trade debts	7	1,289,971	1,360,378
Advances, deposits and other receivables	8	494,328,564	511,200,494
Cash and bank balances	9	235,933	5,254,770
		-----	-----
		495,854,468	517,815,642
		-----	-----
CAPITAL AND RESERVES		794,078,248	740,698,253
		=====	=====
Share Capital			
Authorised	10	25,000,000	25,000,000
		=====	=====
Issued, subscribed and paid-up	10	15,423,010	15,423,010
Reserves	11	225,501,280	261,209,060
		-----	-----
		240,924,290	276,632,070
SURPLUS ON REVALUATION OF FIXED ASSET	12	228,722,198	162,955,862
LONG TERM LOANS	13	19,933,404	25,480,128
LONG TERM FINANCES	14	94,070,970	85,000,000
CURRENT LIABILITIES			
Current maturities of long term loans and finances		25,598,158	19,160,042
Short term loan	15	17,500,000	20,000,000
Accrued and other liabilities	16	37,766,609	34,681,763
Current account with an associated undertaking	17	120,047,254	107,255,812
Dividends payable	18	9,515,365	9,532,576
		-----	-----
		210,427,386	190,630,193
CONTINGENCY	19		
		-----	-----
		794,078,248	740,698,253
		=====	=====

The annexed notes form an integral part of these accounts

Byram D. Avari

Col. (Rtd) Aziz Khan

Chairman & C.E.O.

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
(LOSS) / INCOME	20	(912,449)	5,731,621
Administrative expenses	21	(2,733,854)	(3,696,539)
Depreciation		(3,593,613)	(3,566,156)
		(6,327,467)	(7,262,695)
OPERATING LOSS		(7,239,916)	(1,531,074)
Financial charges	22	(26,628,023)	(27,217,338)
Other operating income		--	554,180
LOSS BEFORE TAXATION		33,867,939)	(28,194,232)
TAXATION			
Current	23	(10,588)	(28,650)
Prior	24	(1,829,253)	(1,186,577)
		(1,839,841)	(1,215,227)
NET LOSS FOR THE YEAR		35,707,780)	(29,409,459)
(Accumulated loss) / Unappropriated profit brought forward		(29,069,085)	340,374
ACCUMULATED LOSSES CARRIED FORWARD		(64,776,865)	29,069,085)
LOSS PER SHARE	25	(23.15)	(19.07)

The annexed notes form an integral part of these accounts.

Byram D. Avari
Chairman & C.E.O.Col. (Rtd) Aziz Khan
Director**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised by operations	28	(3,831,985)	(26,348,500)
Payment of financial charges		(22,318,654)	(27,542,361)
Payment of taxes		(2,751,700)	(1,457,509)
Long term advances		6,753,906	(11,755,889)
Net cash flow from operating activities		(22,148,433)	(67,104,259)

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets	--	(18,500)
Sale proceeds of fixed assets	300,000	119,000,000
Deferred cost	(900,000)	(1,260,000)
Increase in long term deposits	(2,507,000)	--
	-----	-----
Net cash inflow from investing activities	(3,107,000)	117,721,500
	-----	-----
	(25,255,433)	50,617,241

CASH FLOW FROM FINANCING ACTIVITIES

Long term loans	(6,660,040)	10,640,170
Long term finances	26,622,405	100,000,000
(Repayment) / Receipt of short term loan	(12,500,000)	(2,500,000)
Payment of dividend	(17,211)	(660,836)
Repayment of rent	--	(23,512,554)
(Payment to) / Receipt from an associated undertaking	12,791,442	(81,381,750)
	-----	-----
Net cash inflow from financing activities	20,236,596	2,585,030

NET (DECREASE) / INCREASE IN CASH AND

CASH EQUIVALENTS	(5,018,837)	53,202,271
CASH AND CASH EQUIVALENTS AT THE		
BEGINNING OF THE YEAR	5,254,770	(47,947,501)
CASH AND CASH EQUIVALENTS AT		
THE END OF THE YEAR	29	5,254,770
	=====	=====
	235,933	

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

Col. (Rtd) Aziz Khan
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2000**

	<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 years</i>	<i>Premium on issue of ordinary shares</i>	<i>Capital redemption reserve</i>	<i>General reserve</i>	<i>Unappropriated profit / (loss)</i>	<i>Total</i>
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
Net loss for the year ended June 3	--	--	--	--	--	(29,409,459)	(29,409,459)
Realisation of surplus on revaluation of fixed assets	--	--	--	--	133,849,433	--	133,849,433
	-----	-----	-----	-----	-----	-----	-----
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
Net loss for the year ended June 30, 2000	--	--	--	--	--	(35,707,780)	(35,707,780)
	-----	-----	-----	-----	-----	-----	-----
Balance as at June 30, 2000	15,423,010	249,902	1,542,300	2,375,000	286,110,943	(64,776,865)	240,924,290
	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

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 Basis of Preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

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

2.3 Fixed assets

These are stated at cost less accumulated depreciation except freehold and leasehold land and buildings thereon which were revalued in 1974, 1994 and during the current year.

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 of.

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 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 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.

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, 2000, the company has not accounted for a net deferred tax debit of Rs. 4.185 (1999: Rs. 4.249) 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 and rental income from properties are accounted for on an accrual basis.

3. OPERATING FIXED ASSETS

	<i>COST OR REVALUATION</i>					<i>ACCUMULATED DEPRECIATION</i>			<i>NET BOOK VALUE</i>	
	<i>As at July 1, 1999</i>		<i>Additions/</i>	<i>As at June</i>	<i>Rate</i>	<i>As at July</i>	<i>On</i>	<i>As at</i>	<i>As at</i>	
	<i>Cost</i>	<i>Revaluation</i>	<i>(Disposals)</i>	<i>30, 2000</i>		<i>1, 1999</i>	<i>For the year</i>	<i>disposals</i>	<i>June 30, 2000</i>	<i>June 30, 2000</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 31)	1,552,252	79,102,446	--	80654697	--	--	--	--	--	80,654,697
Leasehold land (note 31)	1,117,934	104874471	--	105,992,405	57 to 99 years	4,108,801	872,876	--	4,981,677	101,010,728
Building on freehold land (note 31)	1,816,739	19,691,322	--	21,508,061	5	5,656,870	792,560	--	6,449,430	15,058,631
Building on freehold land (note 3.1)	137,784	23,553,960	--	23,691,744	5	1,128,050	262,542	--	1,390,592	22,301,152
Furniture and fittings (note 32)	205,612	--	822,200	1,027,812	10	96,340	52,037	--	148,377	879,435
Office equipment and computers (note 3.2)	236,551	--	6,443,712	6,680,263	10 to 20	162,050	495,566	--	657,616	6,022,647
Vehicles (note 3.2)	431,551	--	12,335,000 (850,000)	11,916,551	20 to 25	176,082	1,118,032	(43,333)	1,250,781	10,665,770
June 30, 2000	5,498,423	227,222,198	19,600,912 (850,000)	251,471,533		11,328,193	3,593,613	(43,333)	14,878,473	236,593,060
June 30, 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

3.1 As a result of revaluation carried out by Gul & Thariani, Chartered Architects, Engineers & Designers, during the current year, as on June 20, 2000 on a present day basis, and similar exercises carried out by Thariani and Company, Architects, during the years ended December 31, 1974 and June 30, 1994, company's leasehold and freehold land and buildings thereon have been revalued, resulting in a surplus on revaluation thereon aggregating to Rs. 361.071 million including Rs. 65.766 million arising during the current year. However, a portion thereof equivalent to Rs. 133.849 million was realized during the year ended June 30, 1999 as a result of disposal of leasehold land and building thereon leaving in a balance of Rs. 227.222 million at the end of the current year, as shown above. Had these revaluations not been carried out, cost and net book values of leasehold and freehold land and buildings thereon would have been as follows:

	<i>Cost as at June 30, 2000</i>	<i>Accumulated depreciation as at June 30, 2000</i>	<i>Net book value as at June 30, 2000</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Freehold land	1,552,252	--	1,552,252
leasehold land	1,117,932	186,766	931,166
building on freehold land	1,816,739	1,264,860	551,879
building on leasehold land	137,784	106,862	30,922
	4,624,707	1,558,488	3,066,219

3.2 Additions to fixed assets during the year amounting to Rs. 19.401 million represent fair market

values of assets as at January 01, 2000, transferred from Spencer Powergen Company of Pakistan Limited, the wholly owned subsidiary of the company.

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

<i>Particulars</i>	<i>Cost</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 purchase</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
Vehicles	650,000	43,333	606,667	300,000	(306,667)	Insurance Claim	Habib Insurance Corer any Limited, Karachi.
	200,000	--	200,000	200,000	--	Negotiation	Speedway Center, Karachi
	-----	-----	-----	-----	-----		
	850,000	43,333	806,667	500,000	(306,667)		
	=====	=====	=====	=====	=====		

	<i>2000</i>	<i>1999</i>
	<i>Note</i>	<i>Rupees</i>

4. LONG TERM INVESTMENTS

Quoted

12,100 (1999: 12,100) Ordinary shares of Rs. 10 each of Parke Davis & Company Limited.

	4.1	5,618,340	5,618,340
--	-----	-----------	-----------

[Market value as at the balance sheet date: Rs. 4,598,000 (1999: Rs. 3,926,450)]

500 (1999: 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. 7,350 (1999: Rs. 7,050)]

5,000 (1999: 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. 35,000 (1999: Rs. 38,750)]

Unquoted - Subsidiaries

700 (1999: Nil) Ordinary shares of Rs. 10 each of Spencer Powergen Company of Pakistan Limited - a wholly owned subsidiary

		7,000	--
--	--	-------	----

[break-up value of each Ordinary share of Rs. 10 each as at June 30, 2000 Rs. Nil (1999: Rs. Nil) per Ordinary share]

95,000 (1999: 95,000) Ordinary shares of Rs. 100 each of Spencer Pharma (Private) Limited

	4.3	5,671,001	5,671,001
--	-----	-----------	-----------

[break-up value of each Ordinary share of Rs. 100 each as at June 30, 2000: Rs. Nil (1999: Rs. Nil), based on the latest audited accounts for the year ended

June 30, 2000, equity held 95 per cent
(1999: 95 per cent) (Chief Executive:
Mr. Xerxes B. Avari)]

**Provision for diminution in value of
investments in Parke Davis & Company
Limited and Commercial Union Life
Assurance Company Limited**

21	(1,035,340)	--
	-----	-----
	10,317,631	11,345,971
	=====	=====

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 Although the Subsidiary of the company has experienced financial difficulties and losses during the last few years, resulting in a nil break-up value of its shares, an independent appraisal of the subsidiary company during the year ended June 30, 1999 indicated the 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. Accordingly, provision thereagainst is not considered appropriate by the management of the company

5. LONG TERM ADVANCES & DEPOSITS

Advances

Spencer Pharma (Private) Limited - subsidiary company	5.1	45,890,435	52,644,341
--	-----	------------	------------

Deposits

Security	5.2	2,500,000	--
Government authorities and others		152,654	145,654
		-----	-----
		2,652,654	145,654
		-----	-----
		48,543,089	52,789,995
		=====	=====

5.1 For the reasons disclosed in note 4.3, the company considers the above referred advances to be fully recoverable from its subsidiary company. Markup thereon has not been charged by the company in view of uncertainty regarding the realisation of the same because of the poor financial position of the subsidiary.

The maximum amount of long term advances to the subsidiary at the end of any month during the year was Rs. 52.644 (1999: Rs. 52.644) million.

The above advance includes Rs. Nil (1999: Rs. Nil) outstanding for a period exceeding three years.

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

6. DEFERRED COST

Relocation cost	6,652,213	5,752,213
Less: Amortisation to-date	3,882,213	2,631,660

-----	-----
2,770,000	3,120,553
=====	=====

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. TRADE DEBTS - unsecured

Considered good	7.1	1,289,971	1,360,378
Considered doubtful		4,887,365	4,887,365
		-----	-----
		6,177,336	6,247,743
Less: Provision for debts considered doubtful		4,887,365	4,887,365
		-----	-----
		1,289,971	1,360,378
		=====	=====

7.1 Included herein are debts aggregating to Rs. 0.992 (1999: Rs. 0.870) million which are currently under litigation. Pending the outcome of the same, provision thereagainst has not been made by the company in these accounts.

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Considered good

Advances

Spencer Powergen Company
of Pakistan Limited -

The subsidiary company - unsecured	8.1	486,167,455	504,696,536
Executive - unsecured		40,500	40,500
Income tax - net		1,092,116	180,257
Miscellaneous		19,300	18,000
		-----	-----
		487,319,371	504,935,293

Deposits

- Security	8.2	6,000,000	6,000,000
- Rental		53,000	--
		-----	-----
		6,053,000	6,000,000

Other receivables

Income tax refundable		99,632	99,632
Dividend receivable		211,750	36,300
Interest accrued on bank accounts		95	59,553
Insurance claims		575,000	--
		-----	-----
Recoverable from Principals		3,172,934	3,172,934
Less: Provision there against		31,729,341	3,172,934
		-----	-----
		--	--
Gratuity fund		19,716	19,716
Others		50,000	50,000
		-----	-----
		494,328,564	511,200,494
		=====	=====

8.1 Although, the company is currently experiencing difficulty in recovering this advance, it is hopeful that it would 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.

The maximum amount of advance to the subsidiary at the end of any month during the year was Rs. 509.399 million.

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

9. CASH AND BANK BALANCES

In hand	12,000	22,000
At banks in		
current accounts		
- local currency	169,283	5,213,645
- foreign currency	52,477	7,032
deposit accounts	2,173	12,093
	-----	-----
	235,933	5,254,770
	=====	=====

10. SHARE CAPITAL

Authorised

500,000(1999: 500,000) 10% Redeemable Cumulative Preference shares of Rs. 10 each	5,000,000	5,000,000
2,000,000(1999: 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(1999: 873,864) Ordinary shares of Rs. 10 each fully paid in cash	8,738,640	8,738,640
64,736(1999: 64,736) Ordinary shares issued for consideration other than cash	647,360	647,360
603,701(1999: 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
=====	=====	=====

11. 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	286,110,943	152,261,510
Add: Realisation of surplus on revaluation of fixed assets	3.1 & 12	--
		133,849,433

		-----	-----
		286,110,943	286,110,943
Accumulated losses		(64,776,865)	(29,069,085)
		-----	-----
		221,334,078	257,041,858
		-----	-----
		225,501,280	261,209,060
		=====	=====

12. SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance		162,955,862	296,805,295
Add: Surplus arising on revaluation of fixed assets during the current year	3.1	65,766,336	--
Less: Surplus realised on disposal of fixed assets	3.1 & 11	--	(133,849,433)
		-----	-----
		228,722,198	162,955,862
		=====	=====

13. LONG TERM LOANS

From an associated undertaking - unsecured	13.1	13,000,000	13,000,000
From a bank - secured	13.2	12,480,127	16,640,170
Less: Current maturities shown under current liabilities		5,546,723	4,160,042
		-----	-----
		6,933,404	12,480,128
		-----	-----
		19,933,404	25,480,128
		=====	=====

13.1 The loan from an associated undertaking is interest free and is repayable in December, 2001.

13.2 This loan carries interest @ 15% (1999: 18%) per annum payable quarterly. It is repayable in twelve equal quarterly installments, commencing from October 1, 1999. The loan is secured against a floating charge on current assets, first charge on leased assets and personal guarantees of the directors of the company.

14. LONG TERM FINANCES**Secured**

From:			
banks	14.1	90,300,000	100,000,000
leasing company	14.2	23,822,405	--
		-----	-----
		114,122,405	100,000,000
Less: Current maturity including an overdue balance of Rs. 2.5 (1999: Rs. 5) million, shown under current liabilities		20,051,435	15,000,000
		-----	-----
		94,070,970	85,000,000
		=====	=====

14.1 During the year ended June 30, 1999, the company arranged long term finances amounting to Rs 50 million each from two banks which carried mark-up @ 17.50% (1999: 17.50%) per annum, payable quarterly. While repayments in respect of a loan of Rs. 50 million are being made by the company on a quarterly basis, commencing from November 1999, over a period of five years, the repayments in respect of the remaining finance of Rs. 50 million

were to commence from September, 2001, however, the company has recently requested the bank to extend this loan for a period of three years.

In addition, the company arranged another term finance amounting to Rs. 2.8 million from a bank during the current year. It carries mark-up @ 18% per annum, payable quarterly. Repayments in respect thereof will commence from September, 2001, and will be over a period of three years.

The above finances are secured against registered charges on property and stock-in-trade of the Spencer Pharma (Private) Limited, a subsidiary. The finances are also collaterally secured against equitable mortgage of the rental properties of the company.

14.2 During the current year, the company arranged financing from a leasing company amounting to Rs. 25 million. Repayment in respect thereof is being made on a monthly basis commencing from May 2000 over a period three years. Since the finance has been obtained for the purposes of advancing the same to its associated undertaking, interest @ 11.37% per annum is being charged thereon.

The finance is secured against the charge on the assets of an associated undertaking and the personal guarantees of the directors of the company.

15. SHORT TERM LOAN

From an investment company - secured	15.1	17,500,000	20,000,000
		=====	=====

15.1 Subsequent to the year end, the company was able to negotiate the conversion of outstanding balance of short term loan of Rs. 17.5 million in August, 2000 into two separate loans: (a) a long term loan of Rs. 7.5 million repayable in 18 equal monthly installments of Rs. 0.417 million commencing from September, 06, 2000 alongwith mark-up @ 17% per annum and (b) a short term loan of Rs. 10 million repayable in full on December 05, 2000. Mark-up thereon is payable @ 17% per annum on quarterly basis.

The above loans are 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.

16. ACCRUED AND OTHER LIABILITIES

Accrued liabilities

Mark-up accrued on secured:

long term finances	8,245,173	4,363,014
long term loans	488,994	--
short term loan	179,315	241,096
Other accrued expenses	1,398,966	2,460,410
	-----	-----
	10,312,448	7,064,520

Other liabilities

Redeemable Preference shares pending redemption	235,170	340,550
Payable on behalf of Spencer Powergen Company of Pakistan Limited - The subsidiary company	27,218,991	27,208,136
Provident Fund	--	68,557
	-----	-----
	27,454,161	27,617,243
	-----	-----
	37,766,609	34,681,763
	=====	=====

17. CURRENT ACCOUNT WITH AN ASSOCIATED

UNDERTAKING		120,047,254	107,255,812
		=====	=====

Mark-up at the rate of 20% (1999: 20%) per annum is being charged by an associated undertaking on a portion of current account therewith (note 22).

18. DIVIDENDS PAYABLE

Unclaimed		492,910	510,121
Unpaid	18.1	9,022,455	9,022,455
		-----	-----
		9,515,365	9,532,576
		=====	=====

18.1 This represents dividend payable to a foreign shareholder of the company in respect of prior years. The same was not remitted thereto pending approval from the State Bank of Pakistan. However, subsequent to the end of the current year, the State Bank of Pakistan approval was granted and the company paid the dividend to the aforesaid shareholder.

19. CONTINGENCY

There are claims aggregating Rs. 0.480 (1999: Rs. 0.480) million 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.

20. (LOSS) / INCOME

Net rental (loss) / income from properties	20.1	(1,144,663)	3,959,928
Dividend income		211,750	187,550
Interest income on bank accounts		20,464	1,584,143
		-----	-----
		(912,449)	5,731,621
		=====	=====

20.1 Net rental (loss) / income from properties

Gross income		647,782	5,316,491
Less: Expenditure			
Insurance		22,020	29,764
Rates and taxes		383,264	375,351
Amortisation of deferred cost		1,250,553	765,553
Conservancy charges		136,608	185,895
		-----	-----
		1,792,445	1,356,563
		-----	-----
Net rental (loss) / income		(1,144,663)	3,959,928
		=====	=====

21. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits		359,298	423,468
Directors' fee		11,000	11,000
Rent, rates and taxes		26,503	666,078
Repairs and maintenance		18,855	3,120
Auditors' remuneration	21.1	111,124	58,245
Legal and professional charges		428,203	368,900
Postage, telephone and telefax		11,835	15,484
Travelling, conveyance and entertainment		37,627	125,563
Printing and stationery		101,786	103,201
Insurance		162,468	272,500
Advertising		45,600	31,800
News papers and subscription		53,190	32,533
Provision for diminution in value of			

long term investments	4	1,035,340	--
Provision against recoverable from principals considered doubtful		--	1,559,841
Loss on disposal of fixed asset		306,667	--
Others		24,358	24,806
		-----	-----
		2,733,854	3,696,539
		=====	=====

21.1 Auditors' remuneration

Audit fee		40,000	40,000
Certificates, accounting and other advisory services		51,500	--
Out of pocket expenses		19,624	18,245
		-----	-----
		111,124	58,245
		=====	=====

22. FINANCIAL CHARGES

Mark-up on secured			
Long term loans		2,207,831	--
Long term finances		16,573,262	8,414,383
Short term loan		3,435,273	4,517,672
Short term running finance		--	5,150,685
Mark-up on current account with an associated undertaking	17	4,340,639	9,113,714
Bank charges		71,018	20,884
		-----	-----
		26,628,023	27,217,338
		=====	=====

23. TAXATION - Current

The income-tax assessments of the company have been finalised upto and including assessment year 1998-99, corresponding to income year June 30, 1998. The charge for current taxation in the accounts is based on taxable income taking into consideration dividend income only. Minimum tax on turnover under section 80D @ 0.5% has not been provided as in the view of the tax advisor of the company, the same is not applicable to the company in the light of a ruling by the Income Tax Appellate Tribunal in 1995, declaring that tax on turnover under section 80D is payable only in respect of receipts from business and not receipts from other sources.

As at June 30, 2000, the company has available accumulated assessed tax losses to be carried forward amounting to Rs. 2.364 (1999: Rs. 2.364) million.

24. TAXATION - Prior

A property was sold during the year ended June 30, 1996 and the full disposal value was accounted for in the accounts for the year then ended. The company made a declaration during the current year with regard to the Registered Conveyance Deed and paid a tax of Rs. 1.13 million on the same. The balance of Rs. 0.699 million represents tax paid in relation to custom duties and other expenses incurred on import of a fixed asset during the year ended June 30, 1994.

25. LOSS PER SHARE

Loss after taxation		(35,707,780)	(29,409,459)
		=====	=====
Number of Ordinary shares		1,542,301	1,542,301
		=====	=====
Loss per share		(23.15)	(19.07)

26. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 2000

(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>	<i>June 30 2000</i>	<i>June 30 1999</i>
<i>Rupees in thousand</i>								
Financial assets								
Long term Investments	--	--	--	--	10.32	10,318	10318	11,346
Long term advances	--	--	--	--	45,890	45,890	45,890	52,644
Long term deposits	--	--	--	--	2,653	2,653	2,653	146
Trade debts	--	--	--	--	1,290	1,290	1,290	1,360
Advances, deposits, & other receivables	--	--	--	493,077	--	493,077	493,077	510,862
Cash and bank balances	2	--	2	234	--	234	236	5,255
June 30, 2000	2	--	2	493,311	60,151	553,462	553,464	581,613
June 30, 1999	12	--	12	570,109	11,492	581,601	581,613	
Financial liabilities								
Long term loans	5,547	6,933	12,480	--	13,000	13,000	25,480	29,640
Long term finances	12,500	77,800	90,300	7,551	16,271	23,822	114,122	100,000
Short term Loan	17,500	--	17,500	--	--	--	17,500	20,000
Accrued and other liabilities	--	--	--	37,736	--	37,736	37,736	34,675
Dividends payable	--	--	--	9,515	--	9,515	9,515	9,533
Current account with an associated undertaking	11,540	--	11,540	108,507	--	108,507	120,047	107,256
June 30, 2000	47,087	84,733	131,820	163,309	29,271	192,580	324,400	301,104
June 30, 1999	40,060	97,480	137,540	150,564	13,000	163,564	301,104	

(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 values.

27. The amount charged in the accounts for the year for fees to six (1999: six) non-executive directors was Rs. 0.011 (1999: Rs. 0.011) million.

<i>Notes</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
28. CASH UTILISED BY OPERATIONS		
Loss before taxation	(33,867,939)	(28,194,232)
Add/(less) Adjustments for non cash charges and other items		
Depreciation	3,593,613	3,566,156
Loss / Profit on sale of fixed assets	306,667	(554,180)
Financial charges	26,628,023	27,217,338
Amortisation of deferred cost	1,250,553	765,553
Rental Income	--	(4,365,918)
Provision against recoverable from Principals considered doubtful	--	1,559,841
Provision for diminution in the value of long term investment	1,035,340	--
	-----	-----
	32,814,196	28,188,790
	-----	-----
Loss before working capital changes	(1,053,743)	(5,442)
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Advances and other receivables	(1,553,716)	(11,677,990)
Increase/(decrease) in current liabilities		
Accrued and other liabilities	(1,224,526)	14,665,068
	-----	-----
	(2,778,242)	26,343,058
	-----	-----
Cash utilised by operations	(3,831,985)	26,348,500
	=====	=====
29. CASH AND CASH EQUIVALENTS		
Cash and bank balances	235,933	5,254,770
Short term running finance	--	--
	-----	-----
	235,933	5,254,770
	=====	=====
30. TRANSACTIONS WITH AN ASSOCIATED UNDERTAKING AND SUBSIDIARIES		
Advances to	86,654,497	135,140,056
Advances from	112,174,530	42,465,889
Expenses incurred on behalf of the company by a subsidiary and an associated undertaking	2,313,482	--
Expenses incurred on behalf of a subsidiary by the company	7,785,503	--
Adjustments of balances of a subsidiary and an associated undertaking	15,709,225	--
Fixed assets transferred from a subsidiary of the company	19,600,912	--
Interest charged by an associated undertaking	4,340,639	9,113,714
31. NUMBER OF EMPLOYEES		
	2	2
	=====	=====

32. GENERAL

32.1 Figures have been rounded off to the nearest rupee.

32.2 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, 2000 is as follows:

-- for the last of the financial year of the subsidiary

(5,145,654)

=====

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

(14,103,843)

=====

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 30 JUNE, 2000**

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>			<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>		
291	1	100	Shares	7,357
88	101	500	Shares	23,765
31	501	1,000	Shares	22,320
25	1,001	5,000	Shares	41,573
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
----- 442				----- 1,542,301 =====

CATEGORY OF SHAREHOLDERS AS AT JUNE 30, 2000

<i>CATEGORY OF SHAREHOLDERS</i>	<i>NUMBERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
Individuals	432	115,461	7.49
Insurance Companies	1	50,370	3.27
Joint Stock Companies	8	1,370,705	88.87
Financial Institution	1	5,765	0.37
	-----	-----	-----
	442	1,542,301	100.00
	=====	=====	=====

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000****SPENCER & COMPANY (PAKISTAN) LIMITED
AND SUBSIDIARY COMPANIES****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 companies as at June 30, 2000 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year ended June 30, 2000. We have also expressed a separate opinion on the financial statements of SPENCER AND COMPANY (PAKISTAN) LIMITED. The financial statements of the subsidiary companies were audited by other firms of Chartered Accountants, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. 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.

Our report on the accounts of the holding company contains a qualification with regard to (i) long term investments and (ii) short and long term advances to the subsidiaries thereof, which have been eliminated on consolidation.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of SPENCER AND COMPANY (PAKISTAN) LIMITED and its subsidiary companies as at June 30, 2000 and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to the presentation of a loan of Rs. 50 million from a bank under long term finances in note 17.1 to the accounts and related disclosure therein, which is on the basis of a request made by the company for extension in the repayment of the above referred loan. The said request is currently pending approval of the bank.

Karachi- November 30, 2000

Ford, Rhodes, Robson, Morrow
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
TANGIBLE FIXED ASSETS			
Operating fixed assets at cost less accumulated depreciation	3	254,964,156	175,279,864
Capital work-in-progress		637,179,126	18,348,055
		-----	-----
		892,143,282	193,627,919
		-----	-----
LONG TERM INVESTMENTS	5	4,639,630	5,674,970
LONG TERM DEPOSITS	6	2,652,654	145,654
DEFERRED COST	7	2,940,212	3,120,553
CURRENT ASSETS			
Stock-in-trade	8	11,189,467	13,501,668
Trade debts	9	4,622,473	4,535,850
Advances, deposits, prepayments and other receivables	10	18,191,068	522,110,380
Cash and bank balances	11	1,571,316	5,752,843
		-----	-----
		35,574,324	545,900,741
		-----	-----
		937,950,102	748,469,837
		=====	=====
CAPITAL AND RESERVES			
Share Capital			
Authorised	12	25,000,000	25,000,000
		=====	=====
Issued, subscribed and paid-up Reserves	12	15,423,010	15,423,010
	13	207,633,483	250,691,910
		-----	-----
		223,056,493	266,114,920
ADVANCE AGAINST SHARES		127,209,001	--
MINORITY INTEREST	14	--	--
SURPLUS ON REVALUATION OF FIXED ASSET	15	228,722,198	162,955,862
LONG TERM LOANS	16	19,933,404	25,480,128
LONG TERM FINANCES	17	94,070,970	85,000,000
DEFERRED LIABILITIES		5,045,505	3,899,960
CURRENT LIABILITIES			
Current maturities of long term loans and finances		25,598,158	19,160,042
Shod term loan	18	17,500,000	20,000,000
Shod term finance under mark-up arrangement	19	7,473,064	--
Creditors, accrued and other liabilities	20	59,778,690	49,070,537
Current account with art associated undertaking	21	120,047,254	107,255,812
Dividends payable	22	9,515,365	9,532,576
		-----	-----
		239,912,531	205,018,967
CONTINGENCY	23		
		-----	-----
		937,950,102	748,469,837
		=====	=====

The annexed notes form an integral pad 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, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
INCOME		56,620,325	68,313,230
Cost of sales		45,276,201	46,499,592
		-----	-----
GROSS PROFIT		11,344,124	21,813,638
Administrative expenses		(23,305,847)	(26,775,172)
Depreciation		(3,593,613)	(3,566,156)
		-----	-----
		(26,899,460)	(30,341,328)
OPERATING LOSS		(15,555,336)	(8,527,690)
Financial charges	27	(27,642,880)	(28,795,111)
Other operating income	28	3,913,798	1,995,403
		-----	-----
LOSS BEFORE TAXATION		(39,284,418)	(35,327,398)
TAXATION			
Current	29	(298,252)	(341,558)
Prior	30	(3,475,757)	(1,186,577)
		-----	-----
		(3,774,009)	(1,528,135)
NET LOSS FOR THE YEAR		(43,058,427)	(36,855,533)
MINORITY INTEREST		367,532	372,304
		-----	-----
ACCUMULATED LOSS BROUGHT FORWARD		(42,690,895)	(36,483,229)
		(39,343,928)	(2,860,699)
ACCUMULATED LOSSES CARRIED FORWARD		(82,034,823)	(39,343,928)
		=====	=====
LOSS PER SHARE	31	(27.92)	(23.90)
		=====	=====

The annexed notes form an integral part of these accounts.

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

Col. (Rtd) Aziz Khan
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised by operations	34	18,478,564	(34,699,232)

Payment of financial charges	(23,048,698)	(30,552,914)
Payment of taxes	(3,080,654)	(1,858,864)
Payment of staff retirement gratuity	(20,809)	(131,913)
Long term advances	6,753,906	(11,755,889)
	-----	-----
Net cash flow from operating activities	(917,691)	(78,998,812)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(429,630)	(154,888)
Sale proceeds of fixed assets	300,000	119,860,000
Deferred cost	(900,000)	(1,260,000)
Addition in capital work-in-progress	(18,320,507)	(168,000)
Received from equipment suppliers	619,659,000	--
Decrease in long term deposits	(2,507,000)	--
	-----	-----
Net cash inflow from investing activities	597,801,863	118,277,112
	-----	-----
	596,884,172	39,278,300
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	(6,660,040)	10,640,170
Long term finances	26,622,405	100,000,000
(Repayment) / Receipt of short term loan	(15,500,000)	(2,500,000)
Payment of dividend	(17,211)	(660,836)
Payment of share application money	(619,659,000)	--
Repayment of rent	--	(23,512,554)
(Payment to) / Receipt from an associated undertaking	6,037,536	(69,625,852)
	-----	-----
Net cash flow from financing activities	(609,176,310)	14,340,928
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(12,292,138)	53,619,228
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,752,843	(47,866,385)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS OF THE NEW SUBSIDIARY	637,547	--
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	-----	-----
	35 (5,901,748)	5,752,843
	=====	=====

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

Col. (Rtd) Aziz Khan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<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 years</i>	<i>Premium on issue of ordinary shares</i>	<i>Capital redemption reserve</i>	<i>General reserve</i>	<i>Unappropriated profit/(loss)</i>	<i>Total</i>
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 assets	--	--	--	--	133,849,433	--	133,849,433
Net loss for the year ended June 3	--	--	--	--	--	(36,855,533)	(36,855,533)
Minority Interest	--	--	--	--	--	372,304	372,304
Minority share 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
Realisation of surplus on revaluation of fixed assets	--	--	--	--	--	--	--
Net loss for the year ended June 30, 2000	--	--	--	--	--	(43,058,427)	(43,058,427)
Minority Interest	--	--	--	--	--	367,532	367,532
Minority share of loss borne by the company	--	--	--	--	--	(367,532)	(367,532)
Balance as at June 30, 2000	15,423,010	249,902	1,542,300	2,375,000	286,110,943	(82,644,662)	223,056,493

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

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 companies, Spencer Pharma (Private) Limited and Spencer Powergen Company of Pakistan Limited. Investment in the subsidiary companies represent ownership interest of 100% in Spencer Powergen Company of Pakistan Limited and 95% in Spencer Pharma (Private) Limited. 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 and leasehold land and buildings thereon which were revalued in 1974, 1994 and during the current year.

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 disposed of.

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 are included in income currently.

2.4 Capital work in progress

Capital work in progress is stated at cost.

2.5 Investments

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

2.6 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.

2.7 Trade debts

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

2.8 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.

2.9 Taxation

The charge for current taxation in the accounts; is based on taxable income.

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, 2000, the company has not accounted for a net deferred tax debit of Rs. 4.185 (1999: Rs. 4.249) 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. 4.346 (1999: Rs. 4.010) 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.

2.10 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.

2.11 Deferred cost

- Preliminary expenses paid by the wholly owned subsidiary in respect of its formation are not amortized due to the reason that the subsidiary has not started its commercial production todate.

- Relocation cost paid by the company to its tenants for vacating the properties is being amortised over a period of four years.

2.12 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.

- Sales and toll revenue are recorded on dispatch or goods to customers.

3. OPERATING FIXED ASSETS

	<i>COST OR REVALUATION</i>				<i>Rate</i>	<i>ACCUMULATED DEPRECIATION</i>				<i>Net book value</i>
	<i>As at July 1, 1999</i>	<i>Additions/</i>	<i>As at</i>	<i>Rate</i>		<i>As at July</i>	<i>On</i>	<i>As at June</i>	<i>As at June</i>	
	<i>Cost</i>	<i>Revaluation</i>	<i>Disposals)</i>			<i>June 30, 2000</i>	<i>1, 1999</i>	<i>disposals</i>	<i>30, 2000</i>	<i>30, 2000</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>	<i>Rupees</i>	
Freehold land (note 3.1)	1,552,252	79,102,448	--	80,654,697	--	--	--	--	--	80,654,697
Leasehold land (note 3.1)	2,617,934	104,874,471	--	107,492,405	57 to 99	4,231,604	886,648	--	5,118,252	102,374,153
Building on freehold land (note 3.1)	1,816,739	19,691,322	--	21,508,061	5	5,656,870	792,560	--	6,449,430	15,058,631
Building on leasehold land (note 3.1)	11,339,446	23,553,960	--34,893,406		5	5,627,300	597,663	--	6,224,963	28,668,443
Plant & machinery & equipment	26,874,489	--	223,100	27,097,589	10 to 20	17,171,352	994,253	--	18,165,605	8,931,984
Air-conditioners & refrigerators	6,500	--	--	6,500	15	6,203	45	--	6,248	252
Furniture and fittings (note 3.2)	1,463,114	--	828,700	2,291,814	10	963,360	91,736	--	1,055,096	1,236,718
Office machinery computer and other equipment (note 3.2)	1,176,243	--	6,461,712	7,637,955	10 to 20	781,258	556,623	--	1,337,881	6,300,074
Vehicles (note 3.2)	2,690,101	--	12,517,030 (850,000)	14,357,131	20 to 25	1274889	1,386,391 (43333)		2,617,927	11,739,204
June 30, 2000	49,536,818	227,222,198	20,030,542 (880,000)	295,939,558		35,712,816	5,305,919 (43,333)		40,975,402	254,964,156
June 30, 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

3.1 As a result of revaluation carried out by Gul & Thariani, Chartered Architects, Engineers and Designers, during the current year, as on June 20, 2000 on a present day basis, and similar exercises carried out by Thariani and Company, Architects, during the years ended December 31, 1974 and June 30, 1994, company's leasehold and freehold land and buildings thereon have been revalued, resulting in a surplus on revaluation thereon aggregating to Rs. 361.071 million including Rs. 65.766 million arising during the Current year. However, a portion thereof equivalent to Rs. 133.849 million was realized during the year ended June 30, 1999 as a result of disposal of leasehold land and building thereon leaving in a balance of Rs. 227.222 million at the end of the current year, as shown above. Had these revaluations not carried out, cost and net book values of leasehold and freehold land and buildings thereon would have been as follows:

<i>Cost as at</i>	<i>Accumulated depreciation as at</i>	<i>Net book value as at</i>
<i>June 30, 2000</i>	<i>June 30, 2000</i>	<i>June 30, 2000</i>
<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>

Freehold land	1,552,252	--	1,552,252
leasehold land	1,117,932	186,766	931,166
Building on freehold land	1,816,739	1,264,860	551,879
Building on leasehold land	137,784	106,862	30,922
	-----	-----	-----
	4,624,707	1,558,488	3,066,219
	=====	=====	=====

3.2 Addition to fixed assets during the year amounting to Rs. 19,401 million represent fair market values of assets as at January 01, 2000, transferred from Spencer Powergen Company of Pakistan Limited, the wholly owned subsidiary of the company.

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

<i>Particulars</i>	<i>Cost</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>		
Vehicles	650,000	43,333	606,667	300,000	(306,667)	Insurance claim	Habib Insurance Company Limited, Karachi.
	200,000	--	200,000	200,000	--	Negotiation	Speedway Centre, Karachi.
	-----	-----	-----	-----	-----		
	850,000	43,333	806,667	500,000	(306,667)		
	=====	=====	=====	=====	=====		

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
Cost of sales	25	1,376,080	1,483,631
Selling & Administrative expenses	26	336,223	367,164
Relating to Parent company shown separately in Profit & Loss Account		3,593,613	3,566,156
		-----	-----
		5,305,916	5,416,951
		=====	=====

4. CAPITAL WORK IN PROGRESS

Land		75,444,350	--
Plant and machinery		145,557,055	18,348,055
Building		102,870,350	--
		-----	-----
		323,871,755	18,348,055
Pre Operating expenses to be capitalized			
Travelling, conveyance & entertainment		58,516,875	--
Consultancy charges		66,821,458	--
Salaries, wages & other benefits		14,611,762	--
Financial charges	4.1	118,928,394	--
Interest on deposit with bank		(6,793,755)	--
Printing & stationery		198,481	--
Motor car & lease rental		8,160,875	--
Insurance		839,385	--
Telephone & postage		2,769,724	--

Utilities	5,657,692	--
Repairs & maintenance	572,094	--
Rent, rate & taxes	7,830,069	--
Audit fee	75,000	--
Power bond encashed	33,000,000	--
Subscription and periodicals	43,098	--
Miscellaneous	2,076,219	--
	-----	-----
	313,307,371	--
	-----	-----
	637,179,126	18,348,055
	=====	=====

4.1 Financial charges consist of:

Guarantee commission	1,221,000	--
Financing fees	6,012,334	--
Interest on advance from Spencer & Co	105,759,491	--
Musharika mark-up	1,606,574	--
Exchange gain	(7,587,857)	--
Central excise duty	212,659	--
Interest on short term loan	11,602,117	--
Bank charges	102,076	--
	-----	-----
	118,928,394	--
	=====	=====

5. LONG TERM INVESTMENTS**Quoted**

12,100 /1999: 12,100) Ordinary shares of Rs. 10 each of Parke Davis & Company Limited.	5.1	5,618,340	5,618,340
[Market value as at the balance sheet date: Rs. 4,598,000 (1999: Rs. 3,926,450)]			
500 (1999: 500/ Ordinary shares of Rs. 10 each of Hub Power Company Limited	5.2	6,630	6,630
[Market value as at the balance sheet date: Rs. 7,350 (1999: Rs. 7,050)]			
5,000 (1999: 5,000) Ordinary shares of Rs. 10 each of Commercial Union Life Assurance Company Limited.	5.2	50,000	50,000
[Market value as at the balance sheet date: Rs. 35,000 (1999: Rs. 38,750)]			
Provision for diminution in value of investments in Parke Davis & Company Limited and Commercial Union Life Assurance Company Limited		(1,035,340)	--
		-----	-----
		4,639,630	5,674,970
		=====	=====

5.1 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.

5.2 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.

6. LONG TERM DEPOSITS

Security	6.1	2,500,000	--
Government authorities and others		152,654	145,654
		-----	-----
		2,652,654	145,654
		=====	=====

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

7. DEFERRED COSTS

Preliminary expenses		170,212	--
Relocation cost	7.1	66,522,131	5,752,213
Less: Amortisation to-date		3,882,213	2,631,660
		-----	-----
		2,770,000	3,120,553
		-----	-----
		2,940,212	3,120,553
		=====	=====

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

8. STOCK-IN-TRADE

Raw and packing material, including in-transit of Rs. 0.109 (1999: Rs.0.636) million		6,736,114	8,546,742
Work-in-process		1,780,232	1,067,523
Finished goods		2,673,121	3,887,403
		-----	-----
		11,189,467	13,501,668
		=====	=====

9. TRADE DEBTS - unsecured

Considered good	9.1	4,622,473	4,535,850
Considered doubtful		5,845,368	5,845,368
		-----	-----
		10,467,841	10,381,218
Less: Provision for debts considered doubtful		5,845,368	5,845,368
		-----	-----
		4,622,473	4,535,850
		=====	=====

9.1 Included herein are debts aggregating to Rs. 0.992 (1999: Rs. 0.870) million which are currently under litigation. Pending the outcome of the same, provision thereagainst has not been made by the company in these accounts.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**Considered good****Advances**

Spencer Powergen Company of Pakistan Limited - unsecured		--	504,696,536
Executive - unsecured		40,500	40,500
Employees - unsecured		86,478	202,396
Suppliers - unsecured		60,691	133,004

Income Tax - net		1,379,071	2,519,903
Miscellaneous		19,300	18,000
		-----	-----
		1,586,040	507,610,339
Deposits			
Security	10.1	6,000,000	6,000,000
Rental		53,000	--
Trade		292,957	287,990
		-----	-----
		6,345,957	6,287,990
Prepayments		6,500	4,500
Other receivables			
Income tax refundable		2,763,124	2,763,124
Dividend receivable		211,750	36,300
Accured interest		95	59,553
Insurance claims		575,000	--
Recoverable from Principals		31,729,341	3,172,934
Less: Provision thereagainst		3,172,934	3,172,934
		-----	-----
		--	--
Gratuity fund		19,716	19,716
Others		6,682,886	5,328,858
		-----	-----
		18,191,068	522,110,380
		=====	=====

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

11. CASH AND BANK BALANCES

In hand		43,407	46,648
At banks in			
current accounts			
local currency		1,395,100	5,694,102
foreign currency		130,636	--
deposit accounts		2,173	12,093
		-----	-----
		1,571,316	5,752,843
		=====	=====

12. SHARE CAPITAL

Authorised

500,000(1999: 500,000) 10% Redeemable Cumulative Preference shares of Rs. 10 each		5,000,000	5,000,000
2,000,000(1999: 2,000,000) Ordinary shares of Rs. 10 each		20,000,000	20,000,000
		-----	-----
		2,500,000	25,000,000
		=====	=====

Issued, subscribed and paid-up

Ordinary shares of Rs. 10 each

873,864(1999: 873,864) Ordinary shares of Rs. 10 each fully paid in cash	8,738,640	8,738,640
64,736(1999: 64,736) Ordinary shares issued for consideration other than cash	647,360	647,360
603,701(1999: 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
=====	=====	=====

13. 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	286,110,943	152,261,510
Add: Realisation of surplus on revaluation of fixed assets during the current year	3 & 15	--
	-----	-----
	286,110,943	286,110,943
Accumulated loss	(82,034,823)	(39,343,928)
Add: Minority share of loss borne by the company	(609,839)	(242,307)
	-----	-----
	(82,644,662)	(39,586,235)
	-----	-----
	207,633,483	250,691,910
	=====	=====

14. MINORITY INTEREST

Balance at the beginning of the year	--	129,997
Share of loss incurred during the year	(367,532)	(372,304)
	-----	-----
	(367,532)	(242,307)
Share of loss borne by the company	367,532	242,307
	-----	-----
Balance at the end of the year	--	--
	=====	=====

15. SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance	162,955,862	296,805,295
Add: Surplus arising on revaluation of fixed assets	3.1	65,766,336
Less: Surplus realised on disposal of		--

fixed assets	3 & 12	--	(133,849,433)
		-----	-----
		228,722,198	162,955,862
		=====	=====

16. LONG TERM LOANS

From an associated undertaking - unsecured	16.1	13,000,000	13,000,000
From a bank - secured	16.2	12,480,127	16,640,170
Less: Current maturities shown under current liabilities		5,546,723	4,160,042
		-----	-----
		6,933,404	12,480,128
		-----	-----
		19,933,404	25,480,128
		=====	=====

16.1 The loan from an associated undertaking is interest free and is repayable in December, 2001.

16.2 This loan carries interest @ 15% (1999: 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.

17. LONG TERM FINANCES**Secured**

From:			
banks	17.1	90,300,000	100,000,000
leasing company		23,822,405	--
		-----	-----
		114,122,405	100,000,000
Less: Current maturity, including overdue balance of Rs. 2.5 (1999: Rs. 5) million, shown under current liabilities 17.2		20,051,435	15,000,000
		-----	-----
		94,070,970	85,000,000
		=====	=====

17.1 During the year ended June 30, 1999, the company arranged long term finances amounting to Rs 50 million each from two banks which carried mark-up @ 17.50% (1999: 17.50%) per annum, payable quarterly. While repayments in respect of a loan of Rs. 50 million are being made by the company on a quarterly basis, commencing from November 1999. over a period of five years, the repayments in respect of the remaining finance of Rs. 50 million were to commence from September, 2001, however, the company has recently requested the bank to extend this loan for a period of three years.

In addition, the company arranged another term finance amounting to Rs. 2.8 million from a bank during the current year. It carries markup @ 18% per annum, payable quarterly. Repayments in respect thereof will commence from September, 2001, and will be over a period of three years.

The above finances are secured against registered charges on property and stock-in-trade of the Spencer Pharma (Pvt.) Limited, subsidiary. The finances are also collaterally secured against equitable mortgage of the rental properties of the company.

17.2 During the current year, the company arranged financing from a leasing company amounting to Rs. 25 million. Repayment in respect thereof is being made on a monthly basis

commencing from May 2000 over a period of three years. Since the finance has been obtained for the purposes of advancing the same to its associated undertaking, interest @ 11.37% per annum is being charged thereon.

The finance is secured against the charge on the assets of an associated undertaking and the personal guarantees of the directors of the company.

18. SHORT TERM LOAN

From an investment company - secured	18.1	17,500,000	20,000,000
		=====	=====

18.1 Subsequent to the year and, the company was able to negotiate the conversion of outstanding balance of shod term loan of Rs. 17.5 million in August, 2000 into two separate loans; (a) a long term loan of Rs. 7.5 million repayable in 18 equal monthly installments of Rs. 0.417 million commencing from September 06, 2000 along with mark-up @ 17% per annum and (b) a short term loan of Rs. 10 million repayable in full on December 05, 2000. Mark-up thereon is payable @ 17% per annum on quarterly basis.

The above loans are 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. SHORT TERM FINANCE UNDER MARK-UP ARRANGEMENT

The facility for Shod term running finance available from a bank amounts to Rs. 7,500,000. The rate of mark-up is 16 percent per annum with both purchase price and mark-up payable currently.

The above is secured against the hypothecation of pharmaceutical raw material and pharmaceutical products.

20. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors

Trade	9,572,349	9,656,550
Bills payable	753,374	259,000

Accrued liabilities

Other accrued expenses	10,250,587	5,642,200
Mark-up accrued on secured:		
long term loans	488,994	--
long term finances	8,245,173	4,363,014
short term loan	179,315	241,096
short term running finance	297,482	12,669
	-----	-----
	19,461,551	10,258,979

Other liabilities

Redeemable Preference shares not presented for redemption	235,170	340,550
Advance from customers	2,097,243	1,048,854
Payable on behalf of Spencer Powergen Company of Pakistan Limited	27,218,991	27,208,136
Provident Fund	--	68,557
Others	440,012	229,911
	-----	-----
	29,991,416	28,896,008
	-----	-----
	59,778,690	49,070,537
	=====	=====

21. CURRENT ACCOUNT WITH AN ASSOCIATED UNDERTAKIN	120,047,254	107,255,812
	=====	=====

Mark-up at the rate of 20% (1999: 20%) per annum is being charged by an associated undertaking on a portion of current account therewith (note 27).

22. DIVIDENDS PAYABLE

Unclaimed		492,910	510,121
Unpaid	22.1	9,022,455	9,022,455
		-----	-----
		9,515,365	9,532,576
		=====	=====

22.1 This represents dividend payable to a foreign shareholder of the company in respect of prior years. The same was not remitted thereto pending approval from the State Bank of Pakistan. However, subsequent to the end of the current year, the State Bank of Pakistan approval was granted and the company paid the dividend to the aforesaid shareholder.

23. CONTINGENCY

There are claims aggregating Rs. 0.480 (1999: Rs. 0.480) million 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.

24. INCOME

Net rental (loss)/income from properties	24.1	(1,144,663)	3,959,928
Sales	24.2	57,532,774	62,581,609
Dividend income		211,750	187,550
Interest income on a bank accounts		20,464	1,584,143
		-----	-----
		56,620,325	68,313,230
		=====	=====

24.1 Net rental (loss) / income from properties

Gross income		647,782	5,316,491
Less: Expenditure			
Insurance		22,020	29,764
Rates and taxes		383,264	375,351
Amortisation of deferred cost		1,250,553	765,553
Conservancy charges		136,608	185,895
		-----	-----
		1,792,445	1,356,563
		-----	-----
Net rental (loss) income		(1,144,663)	3,959,928
		=====	=====

24.2 Sales

Gross sales		64,486,425	73,797,063
Less: Discounts, commission and rebates		(6,953,651)	(10,561,170)
Cost of product bonus		--	(654,284)
		-----	-----
		(6,953,651)	(11,215,454)
		-----	-----
		57,532,774	62,581,609
		=====	=====

25. COST OF SALES

Opening work in process		1,067,523	1,631,160
-------------------------	--	-----------	-----------

Raw and packing materials consumed		27,647,907	28,444,649
		-----	-----
		28,715,430	30,075,809
Salaries, wages and other benefits		11,067,042	9,528,167
Stores and spares consumed		507,562	1,187,792
Fuel and power		4,126,091	3,138,805
Repairs and maintenance		494,425	676,360
Stationery and office supplies		358,840	261,585
Communication		91,259	96,490
Travelling and entertainments		135,562	363,561
Insurance		179,671	171,657
Rent, rates and taxes		129,814	191,181
Depreciation	3.4	1,376,080	1,483,631
Other expenses		1,673,238	1,995,272
		-----	-----
		20,139,584	19,194,501
		-----	-----
		48,855,014	49,270,310
Closing work-in-process		(1,780,232)	(1,067,523)
		-----	-----
Cost of goods manufactured		47,074,782	48,202,787
Opening stock of finished goods		3,887,403	5,278,874
Finished goods purchased		--	1,870,579
		-----	-----
		50,962,185	55,352,240
Closing stock of finished goods		(2,673,121)	(3,887,403)
		-----	-----
		48,289,064	51,464,837
Less: Expenses reallocated			
Product bonus		--	634,290
Samples		2,794,419	3,785,796
Cost of breakage, expired finished goods and others		218,444	545,159
		-----	-----
		3,012,863	4,965,245
		-----	-----
		45,276,201	46,499,592
		=====	=====

26. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits		9,779,991	10,206,304
Training expenses and fees		385,305	795,817
Forwarding expenses, breakage and replacements		930,172	515,691
Sales promotional expenses		3,058,414	3,943,620
Donation		249	226,812
Directors' fee		11,000	11,000
Rent, rates and taxes		72,168	729,633
Repairs and maintenance		65,635	76,519
Auditors' remuneration	26.1	136,249	83,370
Legal and professional charges		676,443	557,140
Postage, telephone and telefax		621,576	800,734
Travelling, conveyance and entertainment		4,876,462	5,654,826
Motor car expenses		81,607	128,062
Printing and stationery		248,409	312,936
Insurance		319,533	479,968
Advertising		78,300	107,050
Depreciation	34	336,223	367,164

News papers and subscription	53,190	32,533
Provision against recoverable from principals considered doubtful	--	1,559,841
Provision for diminution in value of long term investments	1,035,340	--
Loss on disposals of fixed assets	306,667	--
Others	232,914	186,152
	-----	-----
	23,305,847	26,775,172
	=====	=====

26.1 AUDITOR'S REMUNERATION

Audit fee	65,125	65,125
Certificates, accounting and advisory services	51,500	--
Out of pocket expenses	19,624	18,245
	-----	-----
	136,249	83,370
	=====	=====

27. FINANCIAL CHARGES

Mark-up on secured:		
Long term loans	2,207,831	--
Long term finances	16,573,262	8,414,383
Short term loan	3,435,273	4,517,672
Short term running finance	624,996	5,183,218
Mark-up on current account with an associated undertaking	21	4,340,639
		9,113,714
Mark-up on advance from an associated undertaking	157,606	545,864
Mark-up on other finance	108,186	905,161
Bank charges	195,087	115,099
	-----	-----
	28,795,111	27,642,880
	=====	=====

28. OTHER OPERATING INCOME

Gain on disposal of fixed assets	--	716,427
Toll Revenue	3,047,728	499,079
Others	866,070	779,897
	-----	-----
	3,913,798	1,995,403
	=====	=====

29. TAXATION Current**Parent**

The income-tax assessments of the company have been finalised upto and including assessment year 1998-99, corresponding to income year June 30, 1998. The charge for current taxation in the accounts is based on taxable income taking into consideration dividend income only. Minimum tax on turnover under section 80D @ 0.5% has not been provided as in the view of the tax advisor of the company, the same is not applicable to the company in the light of a ruling by the Income Tax Appellate Tribunal in 1995, declaring the tax on turnover under section 80D is payable only in respect of receipts from business and not receipts from other sources.

As at June 30, 2000 the company has available accumulated assessed tax losses to be carried forward amounting to Rs. 2.364 (1999: Rs. 2.364) million.

Subsidiary

The income-tax assessments of the company have been finalized upto and including assessment year 1999-2000 corresponding to income year June 30, 1999.

As at June 30, 2000, the company has available accumulated assets tax losses to be carried forward amounting to Rs. 12.319 (1999: 12.319) million.

30. TAXATION - Prior

Parent

A property was sold during the year ended June 30, 1996 and the full disposal value was accounted for in the accounts for the year then ended. The company made a declaration during the current year with regard to the Registered Conveyance Deed and paid a tax of Rs. 1.13 million on the same. The balance of Rs. 0.699 million represents tax paid in relation to custom duties and other expenses incurred on import of a fixed asset during the year ended June 30, 1994.

31. LOSS PER SHARE

Loss after taxation	(43,058,427)	(36,855,533)
	=====	=====
Number of Ordinary shares	1,542,301	1,542,301
	=====	=====
Loss per share	(27.92)	(23.90)
	=====	=====

32. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 2000

(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>	<i>June 30 2000</i>	<i>June 30 1999</i>
	<i>Rupees in thousand</i>							
Financial assets								
Long term Investments	--	--	--	--	4,640	4,640	4,640	5,675
Long term deposits	--	--	--	--	2,653	2,653	2,653	146
Trade debts	--	--	--	--	4,623	4,623	4,623	4,536
Advances, deposits, prepayments & other receivables	--	--	--	13,758	--	13,758	13,758	516,769
Cash and bank balances	2	--	2	1,569	--	1,569	1,571	5,753
	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 2000	2	--	2	15,327	11,916	27,243	27,245	532,879
	=====	=====	=====	=====	=====	=====	=====	=====
June 30, 1999	12	--	12	527,046	5,821	532,867	532,879	
	=====	=====	=====	=====	=====	=====	=====	=====
Financial liabilities								
Long term loans	5,547	6,933	12,480	--	13,000	13,000	25,480	29,640
Long term finances	12,500	77,800	90,300	--	23,822	23,822	114,122	100,000
Advance against shares	--	--	--	--	127,209	127,209	127,209	--
Short term running finance	7,473	--	7,473	--	--	--	7,473	--
Short term Loan	17,500	--	17,500	--	--	--	17,500	20,000
Creditors, accrued and other liabilities	--	--	--	59,746	--	59,746	59,746	49,064
Dividends payable	--	--	--	9,515	--	9,515	9,515	9,533
Current account with an associated undertaking	11,540	--	11,540	108,507	--	108,507	120,047	107,256
	-----	-----	-----	-----	-----	-----	-----	-----

June 30, 2000	54,560	84,733	139,293	177,768	164,031	341,799	481,092	315,493
	=====	=====	=====	=====	=====	=====	=====	=====
June 30, 1999	40,060	97,480	137,540	164,953	13,030	177,953	315,493	
	=====	=====	=====	=====	=====	=====	=====	

(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 believe 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 values.

33. The amount charged in the accounts for the year for fees to six (1999: six) non-executive directors was Rs. 0.011 (1999: Rs. 0.011) million.

34. CASH UTILISED BY OPERATIONS

Loss before taxation	(39,284,418)	(35,327,398)
Add/(less) Adjustments for non cash charges and other items		
Depreciation	5,305,919	5,416,951
Loss/(profit) on sale of fixed assets	306,667	(716,427)
Financial charges	27,642,880	28,795,111
Amortisation of deferred cost	1,250,553	765,553
Rental Income	--	(4,365,918)
Provision for gratuity	1,166,354	968,111
Provision for diminution in the value of long term investment	1,035,340	--
Provision against recoverable from Principals considered doubtful	--	1,559,841
	-----	-----
	36,707,713	32,423,222
	-----	-----
Loss before working capital changes	(2,576,705)	(2,904,176)

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

(Increase)/decrease in current assets		
Advances, deposits, prepayments and other receivables	47,974	(10,290,177)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	21,007,295	(21,504,879)
	-----	-----
	21,055,269	(31,795,056)
	-----	-----
Cash utilised by operations	18,478,564	(34,699,232)
	=====	=====

35. CASH AND CASH EQUIVALENTS

Cash and bank balances	1,571,316	5,752,843
------------------------	-----------	-----------

Short term running finance	(7,473,064)	--
	-----	-----
	(5,901,748)	5,752,843
	=====	=====
36. TRANSACTIONS WITH AN ASSOCIATED UNDERTAKING		
Advances to	53,278,600	121,973,739
Advances from	96,331,385	42,078,659
Expenses incurred on behalf of the company	5,727,584	--
37. NUMBER OF EMPLOYEES	159	158
	=====	=====

38. GENERAL

38.1 Figures have been rounded off to the nearest rupee.

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

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

Col. (Rtd) Aziz Khan
Director

SPENCER POWERGEN COMPANY OF PAKISTAN LIMITED
A SUBSIDIARY OF SPENCER & COMPANY (PAKISTAN) LIMITED

CHAIRMAN'S REVIEW

Your Company was actively engaged in the processing and commissioning of a 270 MW Diesel technology-based private Power Plant at S.I.T.E. North. Substantial investment made was expected to yield high returns and generate substantial profits for your Company. However, when the Final Consent for Financial Closure as per the terms and conditions was requested from the Private Power and Infrastructure Board (PPIB), our Power Project was cancelled (on a technical knock-out) by the Benazir Bhutto Government in August 1996.

Your Company vigorously pursued the matter with the PPIB and the Ministry of Water & Power at that time. However, instead of accepting the correct and logical view-point of the Management, your .Company's Bank Guarantee/Bond was encashed.

In order to secure your Company's position a Writ Petition was filed in the Lahore High Court. This is pending and your Company is confident that justice will prevail.

On behalf of the Directors and Management, I take this opportunity of thanking all the Executives and Staff for their hard work, dedication, loyalty and competence.

November 09, 2000

Byram D. Avari
Chairman and CEO

REPORT OF THE DIRECTORS

In submitting the Accounts of the Company and the Auditors' Report for the year ended 30th June, 2000 the Directors report that:

Rupees

Profit / loss for the year before providing for the taxation is	--
Less: Provision for Taxation	--

Add: Amount brought forward from last year	--

Accumulated profit / loss carried forward to reserves	--
	=====

On behalf of the Board

Byram D. Avari
Chief Executive

Karachi: November 09, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SPENCER POWERGEN COMPANY OF PAKISTAN LIMITED** as at June 30, 2000 and cash flow statement 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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 cash flow statement 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 and cash flow statement, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2000 ended; and

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

Karachi: November 9, 2000

Hyder Bhimji & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
AUTHORISED CAPITAL			
10,000,000 ordinary shares of Rs. 10/- each		100,000,000	100,000,000
		=====	=====
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
700 Ordinary Shares of Rs. 10/- each fully paid in cash		7,000	7,000
ADVANCES AGAINST SHARES			
		434,149,182	1,053,808,182
SHORT TERM LOAN	3	--	3,000,000
CURRENT LIABILITIES			
Advance, Accrued and Other Liabilities	4	185,420,675	199,473,808
		-----	-----
		619,576,857	1,256,288,990
		=====	=====
TANGIBLE FIXED ASSETS - at cost			
	5	--	35,139,862
CAPITAL WORK IN PROGRESS	6	618,831,071	1,220,169,563
PRELIMINARY EXPENSES		170,212	170,212
CURRENT ASSETS			
Advances, Deposits and Other Receivables	7	--	171,805
Cash and Bank Balances	8	575,574	637,548
		-----	-----
		575,574	809,353
		-----	-----
		619,576,857	1,256,288,990
		=====	=====

Byram D. Avari
Chief Executive

Zia-ur-Rehman Shami
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Profit / (Loss) before taxation		--	--
Add / (less) Adjustments for non cash charges and other items		--	--
		-----	-----
Profit / (Loss) before working capital changes		--	--
		=====	=====

EFFECT ON CASH FLOW ON WORKING CAPITAL CHANGES

(Increase) / Decrease in Current Assets

Advances, Deposit & Other Receivable	171,805	472,215
Increase / (Decrease) in Current Liabilities		
Advance, Accrued and Other Liabilities	21,086,728	14,608,242
	-----	-----
	21,258,533	15,080,457
	=====	=====

CASH FLOW FROM INVESTING ACTIVITIES

Cash Generated from Operations	21,258,533	15,080,457
	-----	-----
Sale proceeds of fixed Assets	--	450,000
Increase in CWIP	(18,320,507)	(15,848,491)
Encashment of long term deposits	--	38,023,713
Received from equipment suppliers	619,659,000	2,067,928,000
	-----	-----
	601,338,493	2,090,553,222

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of short term loan	(3,000,000)	(41,429,344)
Increase in short term loan	--	3,900,000
Repayment of Share application money	(619,659,000)	(2,067,928,000)
	-----	-----
	(622,659,000)	(2,105,457,344)

Net decrease in cash and cash equivalents	(61,974)	176,335
Cash and cash equivalent at the beginning	637,548	461,213
	-----	-----
Cash and cash equivalent at the end of the year	575,574	637,548
	=====	=====

Byram D. Avari
Chief Executive

Zia-ur-Rehman Shami
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2000**

	<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 years</i>	<i>Premium on issue of ordinary shares</i>	<i>Capital redemption reserve</i>	<i>General reserve</i>	<i>Unappropriated profit / (loss) reserve</i>	<i>Total</i>
Balance as at June 30, 1998	7,000	--	--	--	--	--	7,000
Net profit for the year ended June	--	--	--	--	--	--	--
Proposed final dividend	--	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Balance as at June 30, 1999	7,000	--	--	--	--	--	7,000
Net Profit for the year ended June 30, 2000	--	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Balance as at June 30, 2000	7,000	--	--	--	--	--	7,000
	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000**1. THE COMPANY AND ITS OPERATIONS**

Spencer Powergen Company (Pakistan) Limited is established in October 1994 and was Incorporated as an Independent Power Project (IPP) to produce, market and provide power to Karachi Electric Supply Corporation under the private power policy of March 1994.

2. SIGNIFICANT ACCOUNTING POLICIES:**2.1 Accounting Convention**

These accounts have been prepared under the historical cost convention.

2.2 Fixed assets

These are stated at cost less accumulated depreciation. Depreciation on all the assets is charged to income applying the reducing balance method. Full year depreciation is charged on addition during the year and no depreciation is charged on the assets sold during the year.

2.3 Capital Work-in-Progress

Capital Work-in-Progress stated at cost.

2.4 Investments

These are stated at lower of cost and market value.

2.5 Taxation

Under the implementation Agreement with the Government of Pakistan, the Company is not liable to taxation in Pakistan.

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
3. SHORT TERM LOAN		
From a bank- secured	--	3,000,000
	=====	=====

This amount represents short term loan obtained from a Bank. The loan carries mark-up @ 18% per annum payable quarterly.

4. ADVANCE, ACCRUED AND OTHER LIABILITIES

Advance from Spencer & Co. (Pakistan) Ltd.	179,227,274	197,719,354
Accrued and Other liabilities	6,193,401	1,754,454
	-----	-----
	185,420,675	199,473,808
	=====	=====

5. OPERATING FIXED ASSETS

	<i>As at</i> <i>July 1</i> <i>1999</i>	<i>COST</i> <i>(Disposal)</i>	<i>As at</i> <i>June 30,</i> <i>2000</i>
Furniture & Fixture	822,200	(822,200)	--
Office Equipment & Computers	11,443,712	(11,443,712)	--
Vehicle for fuel inspection	15,538,950	(15,538,950)	--
Vehicles	7,335,000	(7,335,000)	--
	-----	-----	-----
Rupees	35,139,862	(35,139,862)	--
	-----	-----	-----

1999 Rupees	35,589,862	(450,000)	35,139,862
	=====	=====	=====

5.1 The following Assets were disposed off during the year.

<i>Particulars</i>	<i>Cost Rupees</i>	<i>Sale proceeds Rupees</i>	<i>Profit / (loss) Rupees</i>	<i>Purchasers</i>
Furniture & Fixture	822,200	822,200	--	Spencer & Co (Pakistan) Ltd.
Office Equipment & Computers	11,443,712	6,443,712	(5,000,000)	Spencer & Co. (Pakistan) Ltd.
Vehicle for fuel inspection	15,538,950	15,538,950	--	Beach Luxury (Pvt.) Ltd.
Vehicles	7,335,000	12,335,000	5,000,000	Spencer & Co. (Pakistan) Ltd.
	-----	-----	-----	
	35,139,862	35,139,862	--	
	=====	=====	=====	
		<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>

6. CAPITAL WORK IN PROGRESS

Land		75,444,350	75,444,350
Plant and Machinery		127,209,000	744,470,000
Building		102,870,350	102,870,350
Pre Operating expenses to be capitalized			
Travelling, Conveyance & Entertainment		58,516,875	46,730,331
Consultancy Charges		66,821,458	66,335,219
Salaries, Wages & Other Benefits		14,611,762	11,961,991
Financial charges	6.1	118,928,394	120,704,523
Interest on deposit with bank		(6,793,755)	(6,793,755)
Printing & Stationery		198,481	194,438
Motor Car & Lease Rental		8,160,875	7,877,876
Insurance		839,385	839,385
Telephone & Postage		2,769,724	2,612,517
Utilities		5,657,692	4,526,673
Repair & Maintenance		572,094	568,672
Rent, Rate & Taxes		7,830,069	6,708,971
Audit Fee		75,000	15,000
Power Bond encashed		33,000,000	33,000,000
Subscription and periodicals		43,098	39,019
Miscellaneous		2,076,219	2,064,003
		-----	-----
		618,831,071	1,220,169,563
		=====	=====

6.1 Financial Charge consist of

Guarantee Commission		1,221,000	1,221,000
Financing Fees		6,012,334	6,012,334
Interest on Advance from Spencer & Co.		105,759,491	105,759,491
Musharika Mark-up		1,606,574	1,606,574
Exchange (Gain) / Loss		(7,587,857)	(5,189,857)
Central Excise Duty		212,659	212,659
Interest on short term Loan		11,602,117	10,987,193
Bank Charges		102,076	95,129
		-----	-----
		118,928,394	120,704,523

7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advance tax	--	161,730
Others	--	10,075
	--	171,805

8. CASH AND BANK BALANCES

Cash in hand	670	670
Current account with banks	574,904	636,878
	575,574	637,548

9. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 2000**(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>	
	<i>Rupees in thousand</i>						
Financial assets							
Advances, deposits & other receivables	--	--	--	--	--	--	--
Cash and bank balances	--	--	--	576	--	576	576
Financial liabilities							
Advances against shares	--	--	--	--	434,149	434,149	434,149
Short term loan	--	--	--	--	--	--	--
Advance, accrued and other liabilities	--	--	--	185,389	--	185,389	185,389

(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.

10. CASH AND CASH EQUIVALENTS

Cash and bank balances	575,574	637,548
------------------------	---------	---------

11. GENERAL

The Project has been cancelled by Government of Pakistan.

Figures have been rounded off to the nearest rupee.

Byram D. Avari
Chief Executive

Zia-ur-Rehman Shami
Director

PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS AT JUNE 30, 2000

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>			<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>		
1	501	1000	Shares	700
-----				-----
1				700
=====				=====

CATEGORY OF SHAREHOLDERS AS AT JUNE 30, 2000

<i>CATEGORY OF SHAREHOLDERS</i>	<i>NUMBERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
Joint Stock Companies	1	700	100
	-----	-----	-----
	1	700	100
	=====	=====	=====

SPENCER PHARMA (PVT) LTD.

FORMERLY FISON'S PAKISTAN (PVT) LTD.

A SUBSIDIARY OF SPENCER & COMPANY (PAKISTAN) LTD.

CHAIRMAN'S REVIEW

Your company recorded a decline in Sales due to the downturn in the economy. This affected pharmaceuticals companies as inflation ate into peoples ability to purchase, which resulted in them considering alternatives like homeopathy, hakims and home remedies. In spite of this the profit before tax reflected an improvement, but the after tax loss remained the same as the previous year due to a book entry to expense the advance tax paid. This improvement was on account of strong tolling revenue generated from the existing contracts in place. Further improvements are expected due to the price-increase granted by the Ministry of Health and owing to the reduction in the distribution commission being paid.

A leading Multi-nationals has selected us to Toll Manufacture their products and the Agreement is expected to be executed shortly. This will turn around the company and yield substantial profits in the future.

On behalf of your Directors and Management, I would like to place on record my appreciation for the dedication, hardwork and loyalty of the Executives and Staff, as well as thank our customers, distributors and bankers.

Karachi: November 08, 2000

Xerxes B. Avari
Chairman

REPORT OF THE DIRECTORS

In submitting the Accounts of the Company and the Auditors' Report for the year ended June 30, 2000 the Directors report that:

Rupees

Loss for the year before providing for the taxation is	(5,416,478)
Less: Provision for Taxation	
-Current year	(287,664)
-Prior years	(1,646,504)

	(1,934,168)

Net loss after taxation	(7,350,646)
Add: Accumulated loss brought forward from last year	(14,846,150)
Accumulated loss carried forward	(22,196,796)
	=====

On behalf of the Board

Xerxes B. Avari
Chief Executive

Karachi: November 08, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SPENCER PHARMA (PRIVATE) LIMITED** as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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, cash flow statement and statement of changes in equity 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, 2000 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: November 08, 2000

Shakir & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
TANGIBLE FIXED ASSETS			
Operating fixed assets at cost less accumulated depreciation	3	18,371,096	19,653,772
Capital work in progress		18,348,055	18,348,055
CURRENT ASSETS			
Stock-in-trade		11,189,467	13,501,668
Trade Debtors		3,332,502	3,175,472
Loans and Advances		721,788	3,315,707
Deposits and Prepayments		299,457	292,490
Other receivables		9,296,378	7,942,349
Cash and bank balances		759,809	498,073
		-----	-----
		25,599,401	28,725,759
		-----	-----
		62,318,552	66,727,586
		=====	=====
SHARE CAPITAL AND RESERVES			
Authorised Share capital 100,000 ordinary shares of Rs. 100/- each		10,000,000	10,000,000
		=====	=====
Issued, subscribed and paid-up capital	10	10,000,000	10,000,000
Accumulated loss		(22,196,796)	(14,846,150)
		-----	-----
		(12,196,796)	(4,846,150)
ADVANCE FROM AN ASSOCIATED UNDERTAKING		45,890,435	52,644,341
DEFERRED LIABILITY - Gratuity		5,045,505	3,899,960
CURRENT LIABILITIES			
Shod term finance under mark-up arrangement	11	7,473,064	--
Creditors, Accrued and Other liabilities	12	15,818,680	14,388,774

Provision for taxation	287,664	640,661
	-----	-----
	23,579,408	15,029,435
	-----	-----
	62,318,552	66,727,586
	=====	=====

The annexed notes form an integral pad of these accounts

Xerxes B. Avari
Chief Executive

Dinshaw B. Avari
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Net sales	13	57,532,774	62,581,609
Cost of sales	14	(45,276,201)	(46,499,600)
		-----	-----
Gross profit		12,256,573	16,082,009
Selling and administrative expenses	15	(20,571,992)	(23,078,634)
		-----	-----
Operating loss		(8,315,419)	(6,996,625)
Financial charges	16	(1,014,857)	(1,577,773)
Other income	17	3,913,798	1,441,222
		-----	-----
Net loss before taxation		(5,416,478)	(7,133,176)
Taxation			
-Current		(287,664)	(312,908)
-Prior		(1,646,504)	--
		-----	-----
		(1,934,168)	(312,908)
		-----	-----
Net loss after taxation for the year		(7,350,646)	(7,446,084)
Accumulated loss brought forward		(14,846,150)	(7,400,066)
		-----	-----
Accumulated loss carried forward		(22,196,796)	(14,846,150)
		-----	-----
Loss per share - (Basic)	18	(73.51)	(74.46)
		=====	=====

The annexed notes form an integral pad of these accounts.

Xerxes B. Avari
Chief Executive

Dinshaw B. Avari
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2000**

<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
-------------	------------------------------	------------------------------

CASH FLOW FROM OPERATING ACTIVITIES

Cash generated from operations	19	1,052,015	(8,350,732)
Payment of staff gratuity		(20,809)	(131,913)
Payment of financial charges		(730,044)	(3,010,553)
Payments of taxes		(328,954)	(401,355)
		-----	-----
Net cash (Outflow) from operating activities		(27,792)	(11,894,553)

CASH FLOW FROM INVESTING ACTIVITIES

Sale of fixed assets		--	860,000
Purchase of fixed assets		(429,630)	(136,388)
Addition of W.I.P.		--	(168,000)
		-----	-----
Net cash (Outflow) / Inflow from investing activities		(429,630)	555,612

CASH FLOW FROM FINANCING ACTIVITIES

Increase /(decrease)in shod term running finance		--	(687,797)
Advance to an associated undertaking		(6,753,906)	11,755,898
		-----	-----
Net cash (Outflow) / Inflow from financing activities		(6,753,906)	11,068,101

**NET (DECREASE) IN CASH AND CASH EQUIVALENTS
CASH AND CASH EQUIVALENTS AT THE
BEGINNING OF THE YEAR**

		(7,211,328)	(270,840)
		498,073	768,913

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

	20	-----	-----
		(6,713,255)	498,073
		=====	=====

Xerxes B. Avari
Chief Executive

Dinshaw B. Avari
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Share Capital</i>	<i>Revenue Reserves</i>	<i>Total</i>
	<i>Issued, subscribed and Paid-up</i>	<i>Accumulated (loss)</i>	
		<i>Rupees</i>	
Balance as at June 30, 1998	10,000,000	(7,400,066)	2,599,934
Net loss for the year ended June 30, 1999	--	(7,446,084)	(7,446,084)
	-----	-----	-----
Balance as at June 30, 1999	10,000,000	(14,846,150)	(4,846,150)
Net loss for the year ended June 30, 2000	--	(7,350,646)	(7,350,646)
	-----	-----	-----
Balance as at June 30, 2000	10,000,000	(22,196,796)	(12,196,796)
	=====	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

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. 4.346 million (1999: Rs. 4.010 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. OPERATING ASSETS

The following is a statement of operating assets

	<i>COST</i>			<i>Rate %</i>	<i>DEPRECIATION</i>				
	<i>As at July 1, 1999</i>	<i>Additions / (Deletion)</i>	<i>As at June 30, 2000</i>		<i>Accumulated as at July 1, 1999</i>	<i>For the year</i>	<i>On (Disposal)</i>	<i>Accumulated as at June 30, 2000</i>	<i>Net Book Value as at June 30, 2000</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	122,803	13,772	--	136,575	1,363,425
Building on Leasehold land	11,201,662	--	11,201,662	5	4,499,250	335,121	--	4,834,371	6,367,291
Plant & Machinery & Equipments	26,874,489	223,100	27,097,589	10 & 20	17,171,352	994,253	--	18,165,605	8,931,984
Furniture & Fixtures	1,257,502	6,800	1,264,002	10	867,020	39,699	--	906,719	357,283
Vehicles	2,258.55	182,030	2,440,580	20	1,098,787	268,359	--	1,367,146	1,073,434
Air-conditioners & Refrigerators	6,500	--	6,500	15	6,204	44	--	6,248	252
Office Equipments	939,692	18,000	957,692	15 & 20	619,208	61,057	--	680,265	277,427
	-----	-----	-----		-----	-----	-----	-----	-----
2000	44,038,395	429,630	44,468,025		24,384,624	1,712,305	--	26,096,929	18,371,096
	=====	=====	=====		=====	=====	=====	=====	=====
1999	45,054,432	136,388	44,038,395		22,988,500	1,850,795	--	24,384,623	19,653,772
	=====	=====	=====		=====	=====	=====	=====	=====
			<i>2000</i>	<i>1999</i>					
			<i>Rupees</i>	<i>Rupees</i>					

4. STOCK-IN-TRADE

Raw and packing material including in transit Rs. 108,804 (1999: Rs. 635,607)

Work-in-process	6,736,114	8,546,742
Finished Goods	1,780,232	1,067,523
	2,673,121	3,887,403
	-----	-----
	11,189,467	13,501,668
	=====	=====

5. TRADE DEBTORS - UNSECURED

Considered good		
Considered doubtful	3,332,502	3,175,472
	958,003	958,003
	-----	-----
	4,290,505	4,133,475
Less: Provision for doubtful debts	958,003	958,003
	-----	-----
	3,332,502	3,175,472

6. LOANS AND ADVANCES

Loans and advances to staff for expenses	86,478	202,396
Advance to suppliers	60,691	133,004
Advance payment to Income Tax Authorities	574,619	2,980,307
	721,788	3,315,707

7. DEPOSITS AND PREPAYMENTS

Trade deposits	292,957	287,990
Prepayments	6,500	4,500
	299,457	292,490

8. OTHER RECEIVABLES

Determined Refunds Income Tax Authorities	2,663,492	2,663,492
Others	6,632,886	5,278,857
	9,296,378	7,942,349

9. CASH AND BANK BALANCES

Cash in hand	30,737	24,648
Balance with banks		
-on current Account	650,913	473,425
-on Foreign Currency Account	78,159	--
	759,809	498,073

10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

As at June 30, 2000 Spencer & Co. (Pakistan) Limited held 94,998 Ordinary shares (1999: 94,998 Ordinary shares) of Rs. 100 each.

11. SHORT TERM FINANCE UNDER MARKUP ARRANGEMENT

This represents running finance under mark-up arrangement. The rate of markup is 16 percent per annum.

The above is secured against the hypothecation of Pharmaceutical raw materials and Pharmaceutical products.

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	9,572,349	9,656,550
Bills payable	753,374	259,000
Accrued expenses	2,658,220	3,181,790
Accrued mark-up	297,482	12,669
Advances from Customers	2,097,243	1,048,854
Others	440,012	229,911
	15,818,680	14,388,774

13. SALES

Gross sales	64,486,425	73,797,063
Less: Discounts, Commission and rebates	(6,953,651)	(10,561,170)

Cost of product bonus	--	(654,284)
	-----	-----
	57,532,774	62,581,609
	=====	=====

14. COST OF SALES

Opening work-in-process	1,067,523	1,631,160
Raw and packing materials consumed	27,647,907	28,444,649
	-----	-----
	28,715,430	30,075,809

MANUFACTURING EXPENSES:

Salaries, wages and other benefits	11,067,042	9,628,167
Store and spares consumed	507,562	1,187,792
Fuel and power	4,126,091	3,138,805
Repairs and maintenance	494,425	676,360
Stationery and office supplies	358,840	261,585
Communication	91,259	96,490
Travelling and entertainment	135,562	363,569
Insurance	179,671	171,657
Rent, rates and taxes	129,814	191,181
Depreciation	1,376,080	1,483,631
Other expenses	1,673,238	1,995,272

	-----	-----
	20,139,584	19,194,509
Closing work-in-process	(1,780,232)	(1,067,523)
	-----	-----
Cost of goods manufactured	47,074,782	48,202,795
Opening stock of finished goods	3,887,403	5,278,874
Finished goods purchased	--	1,870,579
	-----	-----
	50,962,185	55,352,248
Closing stock of finished goods	(2,673,121)	(3,887,403)
	-----	-----
	48,289,064	51,464,845

Less: Expenses reallocated

Product bonus	--	634,290
Samples	2,794,419	3,785,796
Cost of breakage, expired finished goods & others	218,444	545,159
	-----	-----
	(3,012,863)	(4,965,245)
	-----	-----
	45,276,201	46,499,600
	=====	=====

15. SELLING AND ADMINISTRATIVE EXPENSES

Salaries and benefits	9,420,693	9,782,836
Training expenses and fees	385,305	795,817
Advertisement	32,700	75,250
Forwarding expenses, breakage and replacements	930,172	515,691
Sales promotional expenses	3,058,414	3,943,620
Travelling	4,405,021	5,107,248
Conveyance and entertainment	433,814	422,015
Insurance	157,065	207,468
Audit fee	25,125	25,125

Legal and professional expenses	248,240	188,240
Rent, rates & taxes	45,665	63,555
Vehicle running expenses	81,607	128,062
Stationery and office supplies	146,623	209,736
Communication	609,741	785,250
Repairs and maintenance	46,780	73,399
Depreciation	336,223	367,164
Donation	249	226,812
Other expenses	208,555	161,346
	-----	-----
	20,571,992	23,078,634
	=====	=====

16. FINANCIAL CHARGES

Mark-up on advance from associated undertaking	157,606	545,864
Mark-up on short term finance	624,996	32,533
Bank charges	124,069	94,215
Markup on other finance	108,186	905,161
	-----	-----
	1,014,857	1,577,773
	=====	=====

17. OTHER INCOME

Gain on disposal of fixed assets	--	162,246
Others	866,070	779,897
Tolling revenue	3,047,728	499,079
	-----	-----
	3,913,798	1,441,222
	=====	=====

18. LOSS PER SHARE

Net loss for the year	(7,350,646)	(7,446,084)
Number of ordinary shares	100,000	100,000
	-----	-----
	(73.51)	(74.46)
	=====	=====

19. CASH GENERATED FROM OPERATIONS

(Loss) before taxation	(5,416,478)	(7,133,176)
Add / (Less): adjustments for non cash charges and other items:		
Depreciation	1,712,305	1,850,795
Gain on sale of fixed assets	--	(162,247)
Financial charges	1,014,857	1,577,773
Provision for staff gratuity .	1,166,354	968,111
	-----	-----
(Loss) before working capital changes	(1,522,962)	(2,898,744)

**EFFECT ON CASH FLOW DUE TO WORKING
CAPITAL CHANGES****(Increase)/decrease in Current Assets**

Decrease in stock in trade	2,312,201	2,213,294
(Increase) / decrease in trade debtors	(157,030)	732,769
(Increase) / Decrease in deposits & prepayments	(6,967)	122,837
Decrease/ (Increase) in loan & advances	635,709	(11,537)
(Increase) in other receivables	(1,354,029)	(1,669,540)

SHAREHOLDERS AS AT JUNE 30, 2000

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>			<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>		
8	1	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, 2000

<i>CATEGORY OF SHAREHOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
Joint Stock Company	94,998	95%
Individuals	5,002	5%
	-----	-----
	100,000	100%
	=====	=====