



annual  
report  
2012



CLOVER PAKISTAN LIMITED

**Contents**

	Page
Company Information	2
Notice of Annual General Meeting	3
Directors' Report	4
Statement of Value Added	9
Yearwise Financial Highlights	10
Five Years at a Glance	11
Statement of Compliance with the Code of Corporate Governance	12
Review Report to the Members on Statement of Compliance	14
Auditors' Report to the Members	15
Balance Sheet	16
Profit and Loss Account	17
Statement of Comprehensive Income	18
Cash Flow Statement	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21
Pattern of Holding of Shares	54
Details of Pattern of Shareholding	55
Form of Proxy	

## Company Information

### BOARD OF DIRECTORS

Iqbal Ali Lakhani  
Zulfiqar Ali Lakhani  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay  
A. Aziz H. Ebrahim  
Shahid Ahmed Khan  
M. A. Qadir

Chairman  
Chief Executive

### ADVISOR

Sultan Ali Lakhani

### AUDIT COMMITTEE

Iqbal Ali Lakhani  
Tasleemuddin Ahmed Batlay  
M. A. Qadir

Chairman

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Iqbal Ali Lakhani  
Zulfiqar Ali Lakhani  
Tasleemuddin Ahmed Batlay

Chairman

### COMPANY SECRETARY

Mansoor Ahmed

### EXTERNAL AUDITORS

ERNST & YOUNG FORD RHODES SIDAT HYDER  
Chartered Accountants

### INTERNAL AUDITORS

BDO EBRAHIM & CO.  
Chartered Accountants

### REGISTERED OFFICE

Lakson Square, Building No. 2  
Sarwar Shaheed Road  
Karachi-74200

### SHARES REGISTRAR

FAMCO ASSOCIATES (PRIVATE) LIMITED  
State Life Building No. 1-A, 1st Floor  
I.I. Chundrigar Road, Karachi

### WEBSITE

[www.clover.com.pk](http://www.clover.com.pk)

### E-MAIL

[clover@clover.com.pk](mailto:clover@clover.com.pk)

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 26th Annual General Meeting of CLOVER PAKISTAN LIMITED will be held on Monday, October 22, 2012 at 4.00 p.m at Auditorium of Institute of Chartered Accountants of Pakistan, Clifton, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.
2. To declare final dividend in cash @ 100% i.e. Rs.10/- per share of Rs.10/- each as recommended by the Board of Directors.
3. To appoint auditors and fix their remuneration.

By Order of the Board



**MANSOOR AHMED**  
Company Secretary

Karachi: September 24, 2012

### NOTES:

1. The share transfer books of the Company will remain closed from October 16, 2012 to October 22, 2012 (both days inclusive). Transfers received in order by the Shares Registrar of the Company M/s. FAMCO Associates (Private) Limited, State Life Building No.1-A, 1st Floor, I.I. Chundrigar Road, Karachi upto October 15, 2012 will be consider in time for entitlement of the dividend.
2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the general meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy to be valid must be properly filled in/executed and received by the Company at its registered office at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.
7. A form of proxy is enclosed herewith.

## Directors' Report

The Directors present the Annual Report together with the Company's audited accounts for the year ended June 30, 2012.

### OPERATING RESULTS

	<u>2012</u>	<u>2011</u>
	Rupees in thousand	
Net revenue	<b>22,185</b>	21,063
Gross profit	<b>7,981</b>	8,085
Operating loss	<b>(39,396)</b>	(13,402)
Profit/(loss) from continuing operations before tax	<b>565,284</b>	(14,185)
Profit/(loss) from continuing operations after tax	<b>569,548</b>	(15,566)
(Loss)/profit from discontinuing operations after tax	<b>(43,568)</b>	55,122
Profit for the period after tax	<b>525,980</b>	39,557
Earnings per share	<b>Rs.55.75</b>	Rs.4.19

### PROFIT AND APPROPRIATIONS

	Rupees
Profit after tax	525,980,085
Un-appropriated profit brought forward	21,221
Profit available for appropriation	<u>526,001,306</u>
Appropriation : proposed cash dividend @ 100%	
i.e. Rs.10.00 per share (2011 : Rs.4.00)	94,348,800
Transfer to general reserve	431,000,000
Un-appropriated profit carried forward	<u><u>652,506</u></u>

### DISCONTINUING OPERATIONS

On February 17, 2012 the Board of Directors of the Company accepted an offer from Kraft Foods Pakistan Limited to purchase certain assets of Clover Pakistan Limited relating to the manufacture, marketing and sale of Tang including the manufacturing facilities, together with the intangibles of the business and inventory. The transaction was subject to the approval being granted by the Members of the Company, obtaining necessary regulatory approvals, and successful negotiation, finalization and execution of the Asset Purchase Agreement and the Transitional Services Agreement.

On March 14, 2012 at an Extraordinary General Meeting the Members of the Company unanimously consented to the sale and on April 02, 2012 the Tang business was sold and transferred to Kraft Foods Pakistan Limited.

At the same time the Company entered into a Transitional Services Agreement with Kraft Foods Pakistan Limited pursuant to which the Company will for a period of upto eighteen months distribute Tang products manufactured by Kraft Foods Pakistan Limited. During this transitional period as Kraft Foods Pakistan limited takes over distribution of its Tang products, there will be a gradual reduction in the quantity of products which are distributed by the Company.

## **OPERATING RESULTS**

During the fiscal year 2011-12 the Company suffered an operating loss after tax of Rs.78.766 million as compared to an operating profit after tax of Rs.39.557 million. The reason for this operating loss was that the fourth quarter generates profit relating to the Tang business, which has been disposed of.

However the Company did end up with an overall profit of Rs.525.980 million as compared to Rs.39.557 million due to disposal of assets relating to the Tang business.

## **CONTRIBUTION TO THE NATIONAL ECONOMY**

The Company's contribution to the exchequer in the form of taxes (including income tax and sales tax) customs duty, workers profit participation and welfare funds amounted to Rs.261.748 million as compared to Rs.382.102 million during the previous year.

## **AUDITORS**

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment. The Board of Directors of the Company endorsed the recommendation of the Audit Committee for the re-appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, till the conclusion of the next Annual General Meeting. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The Directors are pleased to state that all necessary steps have been taken to comply with the requirements of the Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan (SECP). The Statement of Compliance with the Code of Corporate Governance is annexed with the report.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Following are the Statements on Corporate and Financial Reporting frame work:

- The financial statements prepared by the management of the Company, represent fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- In preparation of these financial statements International Financial Reporting Standards, as applicable in Pakistan, have been followed, and any departures therefrom have been adequately disclosed and explained.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- The summary of key operating and financial data of the Company of last six years (including current period) is annexed in this report.
- Information about taxes and levies is given in the notes to the accounts.
- The value of investments made by the staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2012 is as follows:

	(Rupees in million)
Provident Fund	14.047
Gratuity Fund	13.200

## BOARD OF DIRECTORS

### Election of Directors

During the year under review election of Directors of the Company were conducted on January 26, 2012 and all existing Directors were re-elected for the next term of three years. The Board would like to place on record its appreciation for the valuable contribution made by the members during the last term and expects them to continue providing valuable guidance in the future in their respective fields. The existing terms and

conditions of the appointment of Chief Executive were approved by the Board for the next term of three years.

### **Meetings of Board of Directors**

During the year seven (7) meetings of the Board of Directors were held. Attendance by each Director was as follows:

	Meetings Attended
Mr. Iqbal Ali Lakhani	6
Mr. Zulfiqar Ali Lakhani	6
Mr. Amin Mohammed Lakhani	5
Mr. Tasleemuddin Ahmed Batlay	6
Mr. A. Aziz H. Ebrahim	7
Mr. M. A. Qadir	4
Mr. Shahid Ahmed Khan	7

Leave of absence was granted to Directors who could not attend some of the Board meetings.

### **AUDIT COMMITTEE**

The Board in accordance with the Code of Corporate Governance has set up an Audit Committee comprising of three non-executive Directors. Terms of reference of the Committee have been determined by the Board of Directors in accordance with the guidelines provided in Listing Regulations. The Audit Committee held four meetings during the year. Attendance by each member was as follows :

	Meetings Attended
Mr. Iqbal Ali Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4
Mr. M. A. Qadir	3

### **HUMAN RESOURCE AND REMUNERATION COMMITTEE**

The Board in accordance with the Code of Corporate Governance has set up a Human Resource and Remuneration Committee, comprising the following three Directors.

Mr. Iqbal Ali Lakhani	Chairman
Mr. Zulfiqar Ali Lakhani	Member
Mr. Tasleemuddin Ahmed Batlay	Member



The terms of reference of the Committee include , but is not limited to those mentioned in the Code of Corporate Governance.

As the Committee was formed after the election of Directors and close to the financial year end, it has yet to hold its meeting.

## **PATTERN OF SHAREHOLDING**

A statement of the pattern of shareholding of the Company and additional information as at June 30 2012 is included in this report on page 54.

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

## **FUTURE PROSPECTS**

The Company is in the process of expanding its watch sales network and at the same time is looking out for new opportunities to invest in. Proceeds from the sale of the Tang business have been invested in mutual funds which are generating a steady income.

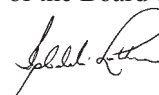
## **ACKNOWLEDGEMENT**

We wish to thank our customers for their faith and loyalty in our products, and their continued patronage.

We also take this opportunity to thank our suppliers, bankers and distributors for providing us with their valuable support throughout the year.

Finally we wish to thank our staff whose dedicated commitment has been a source of strength to the Company.

On behalf of the Board of Directors



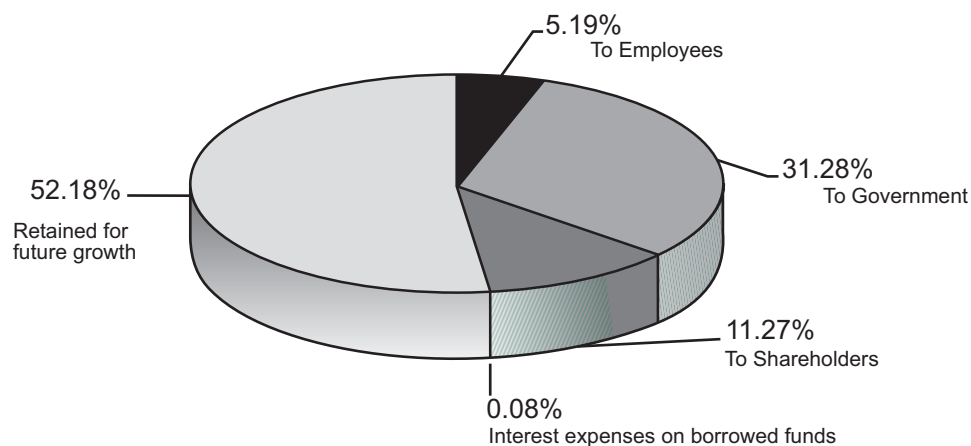
**IQBAL ALI LAKHANI**  
Chairman

Karachi : September 20, 2012

## Statement of Value Added

	June 30, 2012 Rupees		June 30, 2011 Rupees	
<b>Wealth Generated</b>				
Total revenue	1,829,025,741		1,680,425,997	
Bought-in-material & services	(992,135,231)		(1,180,383,429)	
	<u>836,890,510</u>	100%	<u>500,042,568</u>	100%
<b>Wealth Distributed</b>				
<b>To Employees</b>	43,465,684	5.19%	66,495,016	13.30%
<b>To Government</b>				
Excise duty, income tax, sales tax, To Government	261,748,343	31.28%	382,102,355	76.41%
<b>To providers of Capital</b>				
Dividend to shareholders To share holders	94,348,800	11.27%	37,739,520	7.55%
<b>Mark-up/interest Expenses on</b>				
Interest expenses on borrowed funds	638,630	0.08%	1,784,875	0.36%
<b>Retained for reinvestment &amp; future growth</b>				
Depreciation & retained profit Retained for future growth	436,689,053	52.18%	11,920,802	2.38%
	<u>836,890,510</u>	100.00%	<u>500,042,568</u>	100.00%

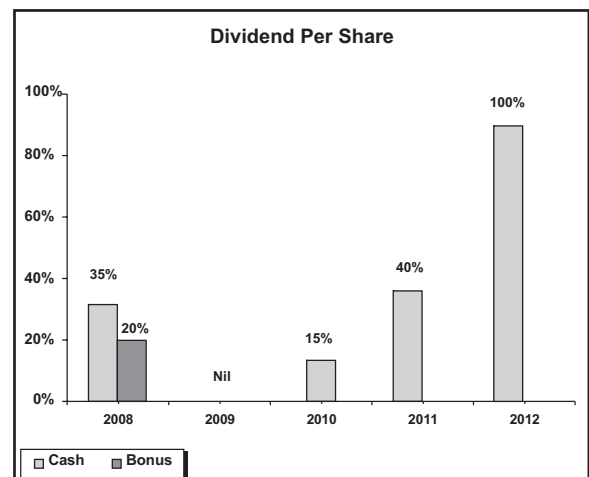
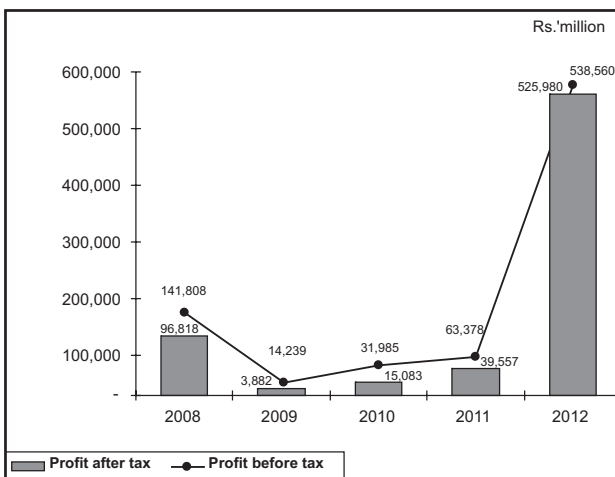
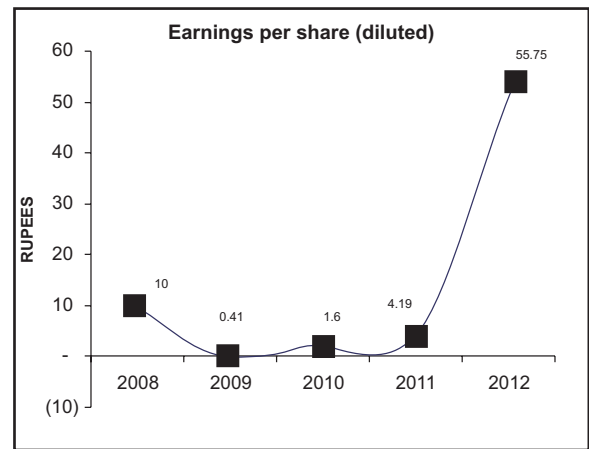
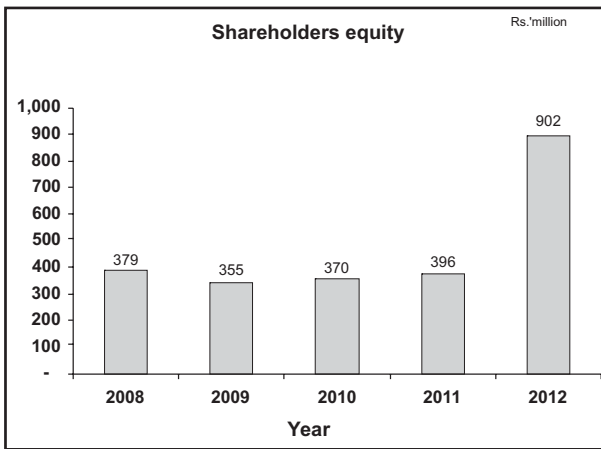
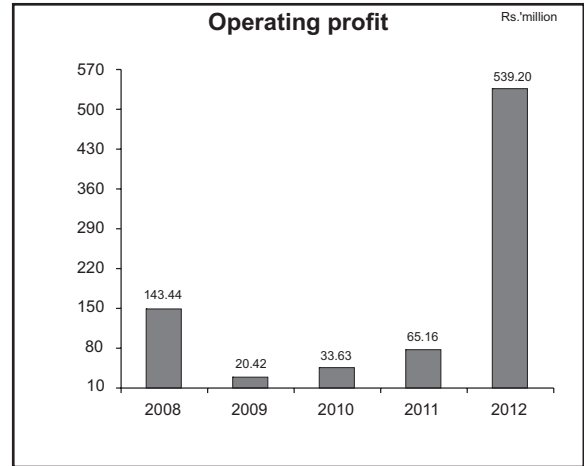
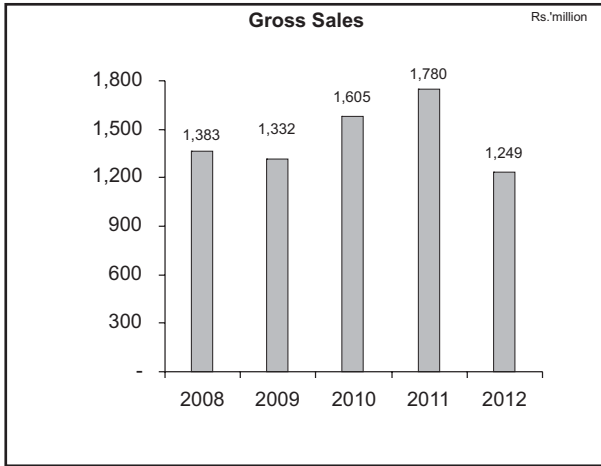
### STATEMENT OF VALUE ADDED



**Yearwise Financial Highlights**

	2012	2011	2010	2009	2008	2007
	(Rupees in thousands)					
<b>BALANCE SHEET</b>						
Fixed assets - property, plant and equipment	5,554	55,025	96,952	106,527	82,390	59,498
Long term loans & security deposits & deferred taxation	2,766	3,860	4,633	3,643	5,652	2,245
Current assets	1,128,995	753,872	660,151	613,307	540,164	512,929
Current liabilities	231,323	410,095	384,347	360,007	239,983	253,603
	897,672	343,777	275,804	253,300	300,181	259,326
	<b>905,992</b>	<b>402,662</b>	<b>377,389</b>	<b>363,470</b>	<b>388,223</b>	<b>321,070</b>
Equity	902,090	395,636	369,705	354,622	379,059	317,019
Long term deposits	3,902	3,760	3,310	2,904	2,355	2,207
Deferred liability	-	3,266	4,374	5,944	6,809	1,844
	<b>905,992</b>	<b>402,662</b>	<b>377,389</b>	<b>363,470</b>	<b>388,223</b>	<b>321,070</b>
<b>PROFIT AND LOSS ACCOUNTS</b>						
Gross turnover	1,249,356	1,780,407	1,605,454	1,332,299	1,383,181	1,159,043
Less: Sales tax	209,207	319,985	263,608	217,197	214,120	169,022
Trade discount	38,459	119,526	100,575	79,485	83,688	77,513
	247,666	439,511	364,182	296,682	297,808	246,535
Net turnover	1,001,690	1,340,896	1,241,272	1,035,617	1,085,373	912,508
Cost of sales	960,521	1,072,179	979,019	779,506	710,733	541,205
Gross Profit	41,169	268,717	262,253	256,110	374,640	371,303
Distribution and marketing expenses	(69,939)	(199,000)	(212,501)	(212,066)	(216,137)	(217,618)
Administrative expenses	(18,989)	(16,746)	(20,090)	(19,916)	(18,168)	(17,347)
Other operating expenses	(31,171)	(7,352)	(6,184)	(11,403)	(21,215)	(10,664)
Other operating income	618,129	19,545	10,156	7,696	24,325	8,220
Financial charges	(639)	(1,785)	(1,647)	(6,182)	(1,636)	(1,500)
Profit before taxation	538,560	63,378	31,985	14,239	141,808	132,393
Taxation	(12,580)	(23,821)	(16,902)	(10,357)	(44,991)	(45,019)
Profit after taxation	525,980	39,557	15,083	3,882	96,818	87,374
Earnings Per Share - basic (Rupees)	55.75	4.19	1.60	0.41	10.26	13.34
Cash dividend	100%	40%	15%	-	35%	45%
Bonus shares	-	-	-	-	20%	20%
Operating profit	539.20	65.16	33.63	20.42	143.44	133.89
Capital	9,434,880	9,434,880	9,434,880	9,434,880	9,434,880	7,862,400
Diluted EPS	55.75	4.19	1.60	0.41	10.26	11.11

Five Years at a Glance



## Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi & Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

<u>Category</u>	<u>Names</u>
Independent Directors	---
Executive Director	Mr. Zulfiqar Ali Lakhani
Non-Executive Directors	M/s. Iqbal Ali Lakhani, Amin Mohammed Lakhani, Tasleemuddin A. Batlay, A. Aziz H. Ebrahim, Shahid Ahmed Khan, M.A. Qadir

The condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause xi of CCG, six Directors of the Company are exempted from the requirement of directors' training program and a remaining Director to be trained within specified time. The Board also arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Companies Ordinance/Corporate Laws.

10. The Chief Financial Officer was appointed prior to the implementation of the Code of Corporate Governance. The remuneration and terms & conditions in case of future appointments on this position will be approved by the Board. Mr. Mansoor Ahmed was assigned the responsibilities of Company Secretary of Clover Pakistan Limited in addition to his responsibilities in other Group Companies. Internal Audit function of the Company was outsourced with the approval of the Board. The Board has approved appointment of Head of Internal Audit and terms and conditions of his appointment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. Presently it comprises three members all of them are non-executive Directors including the Chairman of the Committee. The condition of clause 1(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company. Chairman of the audit committee and Board will be recomposed from the date of next election of directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
18. The Board has outsourced internal audit function of the Company to a firm of Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.



**IQBAL ALI LAKHANI**  
Chairman

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of Clover Pakistan Limited (the Company) to comply with the Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 June 2012.

*Ernst & Young Ford Rhodes Sidat Hyder*

Chartered Accountants

20 September 2012

Karachi

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Clover Pakistan Limited** (the Company) as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, 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) 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 except for changes as stated in note 2.3 to the accompanying financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) 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, statement of comprehensive income, 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 30 June 2012 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) 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.

We draw attention to note 13 to the financial statements in respect of customs duty refundable, amounting to Rs. 20.997 million, recognised in the financial statements, which is subject to the decision of the High Court of Sindh and the Supreme Court of Pakistan. The ultimate outcome of this matter cannot presently be determined and hence, no provision for any impairment loss that may result therefrom has been made in these financial statements. Our opinion is not qualified in respect of this matter.

*Ernst & Young Ford Rhodes Sidat Hyder*

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

20 September 2012

Karachi:



# CLOVER PAKISTAN LIMITED

## Balance Sheet as at June 30, 2012

	Note	2012 Rupees	2011 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	5,553,518	54,923,633
Intangible asset	5	-	101,174
Long term loans	6	845,103	3,738,564
Long term security deposits		30,461	121,466
Deferred taxation	18	1,889,985	-
		<b>8,319,067</b>	<b>58,884,837</b>
<b>CURRENT ASSETS</b>			
Stores and spares		95,353	1,133,295
Stock-in-trade	7	43,562,366	269,940,092
Trade debts	8	76,266,688	116,686,238
Loans and advances	9	609,167	9,882,015
Trade deposits and short term prepayments	10	1,962,099	5,972,691
Other receivables	11	83,329,659	8,951,347
Short term investments	12	774,195,323	103,531,797
Duty refunds due from government	13	20,997,742	20,997,742
Taxation - net		45,240,407	46,521,977
Sales tax refundable		16,097,066	-
Cash and bank balances	14	66,639,368	170,254,633
		<b>1,128,995,238</b>	<b>753,871,827</b>
<b>TOTAL ASSETS</b>		<b>1,137,314,305</b>	<b>812,756,664</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised share capital 10,000,000 (2011: 10,000,000) Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	15	94,348,800	94,348,800
Reserves	16	807,740,817	301,287,113
		<b>902,089,617</b>	<b>395,635,913</b>
<b>NON CURRENT LIABILITIES</b>			
Long term deposits	17	3,902,000	3,759,500
Deferred taxation	18	-	3,266,266
		<b>3,902,000</b>	<b>7,025,766</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	231,322,688	385,058,018
Accrued mark-up		-	407,769
Sales tax payable		-	24,629,198
		<b>231,322,688</b>	<b>410,094,985</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,137,314,305</b>	<b>812,756,664</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director

**Profit and Loss Account** for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
<b>CONTINUING OPERATIONS</b>			
Gross revenue		26,619,496	25,541,973
Less: Sales tax and special excise duty		(3,666,558)	(3,983,440)
Less: Trade discounts and allowances		(767,942)	(495,677)
Net revenue		<u>22,184,996</u>	<u>21,062,856</u>
Cost of sales	21	(14,203,792)	(12,978,033)
Gross profit		<u>7,981,204</u>	<u>8,084,823</u>
Distribution and marketing expenses	22	(9,927,757)	(9,343,556)
Administrative expenses	23	(18,988,746)	(16,745,926)
Other operating expenses	24	(29,509,301)	(4,685,669)
Other operating income	25	11,048,617	9,288,655
Operating loss		<u>(39,395,983)</u>	<u>(13,401,673)</u>
Finance costs	26	(66,641)	(783,302)
Gain on sale of discontinuing operations	27	604,746,365	-
Profit/(loss) for the year from continuing operations before taxation		<u>565,283,741</u>	<u>(14,184,975)</u>
Taxation	28	4,264,343	(1,380,584)
Profit/(loss) for the year from continuing operations after taxation		<u>569,548,084</u>	<u>(15,565,559)</u>
<b>DISCONTINUING OPERATIONS</b>			
(Loss) / profit for the year from discontinuing operations after taxation	29	(43,567,999)	55,122,373
Profit for the year after taxation		<u>525,980,085</u>	<u>39,556,814</u>
Earnings/(loss) per share from continuing operations - basic and diluted	30	<u>Rs. 60.37</u>	<u>Rs. (1.65)</u>
(Loss) / earnings per share from discontinuing operations - basic and diluted	30	<u>Rs. (4.62)</u>	<u>Rs. 5.84</u>
Earnings per share - basic and diluted	30	<u>Rs. 55.75</u>	<u>Rs. 4.19</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director

**Statement of Comprehensive Income** for the year ended June 30, 2012

	<b>2012 Rupees</b>	2011 Rupees
Profit for the year	<b>525,980,085</b>	39,556,814
Other comprehensive income:		
Net effect of revaluation of available-for-sale investment to fair value as at year end	<b>18,213,139</b>	526,372
Total comprehensive income for the year	<b><u>544,193,224</u></b>	<u>40,083,186</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



**Zulfikar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director

**Cash Flow Statement for the year ended June 30, 2012**

	Note	2012 Rupees	2011 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	34	(2,317,435)	56,802,799
Taxes paid		(16,454,696)	(44,444,945)
Finance costs paid		(2,828,386)	(4,078,240)
Gratuity paid		-	(1,797,000)
Long term loans		2,893,461	773,272
<b>Net cash generated from operating activities</b>		<b>(18,707,056)</b>	<b>7,255,886</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(3,662,651)	(2,001,583)
Proceeds from disposal of property, plant and equipment		5,154,451	35,090,200
Proceeds from disposal of discontinuing operations		598,000,000	-
Purchase of available for sale investments		(750,000,000)	(150,000,000)
Proceeds from redemption of available for sale investments		100,000,000	51,070,398
<b>Net cash (used in) investing activities</b>		<b>(50,508,200)</b>	<b>(65,840,985)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term deposits		233,505	450,000
Dividends paid		(37,638,939)	(14,117,166)
<b>Net cash (used in) financing activities</b>		<b>(37,405,434)</b>	<b>(13,667,166)</b>
Net (decrease) / increase in cash and cash equivalents		(106,620,690)	(72,252,265)
Cash and cash equivalents at the beginning of the year		173,260,058	245,512,323
Cash and cash equivalents at the end of the year		<b>66,639,368</b>	<b>173,260,058</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	14	66,639,368	170,254,633
Short term investments	12	-	3,005,425
		<b>66,639,368</b>	<b>173,260,058</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director

**Statement of Changes in Equity** for the year ended June 30, 2012

	RESERVES					Total
	Issued, subscribed and paid-up capital	Revenue Reserves			Sub total	
		General reserves	Unrealized gain on available for sale investments	Unappropriated profit		
— Rupees —						
Balance as at July 01, 2010	94,348,800	256,300,000	-	19,056,247	275,356,247	369,705,047
Profit after taxation for the year ended June 30, 2011	-	-	-	39,556,814	39,556,814	39,556,814
Other comprehensive income	-	-	526,372	-	526,372	526,372
Total comprehensive income	-	-	526,372	39,556,814	40,083,186	40,083,186
Final dividend for the year ended June 30, 2010 (Rs. 1.5 per share)	-	-	-	(14,152,320)	(14,152,320)	(14,152,320)
Transfer to general reserves	-	4,700,000	-	(4,700,000)	-	-
Balance as at June 30, 2011	94,348,800	261,000,000	526,372	39,760,741	301,287,113	395,635,913
Balance as at July 01, 2011	94,348,800	261,000,000	526,372	39,760,741	301,287,113	395,635,913
Profit after taxation for the year ended June 30, 2012	-	-	-	525,980,085	525,980,085	525,980,085
Other comprehensive income	-	-	18,213,139	-	18,213,139	18,213,139
Total comprehensive income	-	-	18,213,139	525,980,085	544,193,224	544,193,224
Final dividend for the year ended June 30, 2011 (Rs. 4 per share)	-	-	-	(37,739,520)	(37,739,520)	(37,739,520)
Transfer to general reserves	-	2,000,000	-	(2,000,000)	-	-
Balance as at June 30, 2012	94,348,800	263,000,000	18,739,511	526,001,306	807,740,817	902,089,617

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**Zulfiqar Ali Lakhani**  
 Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
 Director

## Notes to the Financial Statements for the year ended June 30, 2012

### 1. THE COMPANY AND ITS OPERATIONS

- 1.1 The Company was incorporated in Pakistan on September 30, 1986 as a public limited company under the Companies Ordinance, 1984 (the Ordinance). The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi.

The principal business of the Company is manufacture and sale of food and plastic products and trading in food and consumer durables.

The Company had a trademark license agreement with Kraft Foods Holding Inc. - USA for the manufacturing, sale and marketing of Tang business. In November 2011, the Company received from Kraft Foods Pakistan Limited (KFPL) a non-binding offer to purchase all its assets relating to the manufacture, marketing and sale of Tang business including the manufacturing facilities, together with the intangibles of the business. Subsequently KFPL made a binding offer to purchase from the Company specified assets relating to the Tang business and its associated intangibles for an aggregate sum of Rs. 650 million.

The Board of Directors in its meeting on February 17, 2012 approved the aforesaid sale transaction subject to the successful negotiation and execution of the Asset Purchase Agreement and the Transitional Services Agreement with KFPL and approval of the same by the members in the Extra Ordinary General Meeting (EOGM) held on March 14, 2012 and the Asset Purchase Agreement was signed on March 22, 2012 between the Company and KFPL. Through the Asset Purchase Agreement, KFPL purchased the land and buildings used in the production of Tang and located at Hub Baluchistan together with the plant and machinery and other assets located therein for Rs.650 million. They also purchased the stock of finished goods, raw and packing material in hand at cost.

The Tang business was sold and transferred to Kraft Foods Pakistan Limited on April 02, 2012. At the same time the Company entered into a Transitional Services Agreement with KFPL pursuant to which the Company will for a period of up to 18 months, distribute Tang products manufactured by KFPL. During this transitional period as KFPL takes over distribution of its Tang products, there will be a gradual reduction in the quantity of products which are distributed by the Company.

In view of the significance of Tang business in the overall operations, the Company has started the process of searching alternative business in addition to supporting the growth of the business of consumer durables. In the meantime, the Board intends to invest the sale proceeds in appropriate instruments to generate return. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

### 2. BASIS OF PREPERATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

## 2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for held to maturity and available-for-sale investments that have been measured at amortized cost and fair value in accordance with IAS - 39 "Financial Instruments: Recognition and Measurement".

## 2.3 New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

- IFRS 7 - Financial Instruments: Disclosures (Amendment)
- IAS 24 - Related Party Disclosures (Revised)
- IFRIC14 - Prepayments of a Minimum Funding Requirement (Amendment)

Issued in May 2010:

- IFRS 7 - Financial Instruments: Disclosures  
Clarification of disclosures
- IAS 1 - Presentation of Financial Statements  
Clarification of statement of changes in equity
- IAS 34 - Interim Financial Reporting  
Significant events and transactions
- IFRIC 13 - Customer Loyalty Programmes  
Fair value of award credits

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

## 2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standards or interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 - Employee Benefits -(Amendment)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application except for the following:

IAS 19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognized in other comprehensive income as they occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

## **2.5 Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	<b>Note</b>
• Useful lives of assets and method of depreciation	3.1
• Provision for doubtful debts	3.5
• Defined benefit plan	3.9
• Provision for taxation - current and deferred	3.11
• Recognition of duty refunds due from government	13
• Contingencies	20.1

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Fixed assets and depreciation**

#### **Property, plant and equipment - Owned**



Operating property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and leasehold land are stated at cost.

Depreciation is charged to profit and loss using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in Note 4. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the respective asset was in use. Assets residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account in the period in which they arise.

### 3.2 **Intangible asset**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such assets can also be measured reliably.

Generally, cost associated with developing and maintaining the computer software programmes are recognized as an expense as incurred. However, cost that are directly associated with identifiable software and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

These are stated at cost less accumulated amortization. Amortization is charged on a straight line basis over the useful lives of the assets, not exceeding three years.

### 3.3 **Stores and spares**

Stores are valued at lower of moving average cost and net realizable value.

Spares are charged to Profit and Loss accounts as and when purchased.

### 3.4 **Stock in trade**

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw, packing and promotional material	- at moving average cost
Work-in-process and finished goods	- at cost of material as above plus proportionate production overheads
Trading goods - food items	- at cost on first-in-first-out basis
Trading goods - wrist watches	- at cost on moving average basis
Stock in transit	- at invoice value plus other charges paid thereon

Net realizable value represents estimated selling prices in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

### 3.5 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at each quarter end. Balances considered bad and irrecoverable are written off when identified.

### 3.6 Loans, advances and other receivables

These are stated at cost less provision for doubtful balance, if any.

### 3.7 Investments

The investments of the Company, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investment, as appropriate. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When investments are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

#### **Held-to-maturity investments**

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

#### **Available for sale investments**

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. After initial measurement, these are stated at fair values (except for unquoted investments where active market does not exist) with unrealised gains or losses recognised directly in equity until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in equity is recognised in the profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

### 3.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks, cheques in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

## 3.9 **Staff retirement benefits**

### a) **Defined benefit plan**

The Company operates an approved defined funded gratuity scheme for all its permanent employees. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at June 30, 2012 using the Projected Unit Credit Method. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceeds 10% of the higher of present value of defined benefit obligation and fair value of plan asset. These gains or losses are recognized over the future expected remaining working lives of employees.

### b) **Defined contribution plan**

A recognized provident fund scheme is in operation, which covers all permanent employees. The Company and the employees make equal contributions at the rate of 9% of the basic salary plus cost of living allowance. Contribution of the Company is charged to income for the year.

## 3.10 **Compensated absences**

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

## 3.11 **Taxation**

### **Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates available, if any. The tax charge as calculated above is compared with turnover tax under section 113 of the Income Tax Ordinance 2001, and whichever is higher is provided in the financial statements.

### **Deferred**

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**3.12 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

**3.13 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**3.14 Foreign currency translations**

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income currently.

**3.15 Financial instruments**

Financial instruments carried on the balance sheet include investments, loans, deposits, trade debts, other receivables, cash and cash equivalents, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

**3.16 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

**3.17 Revenue recognition**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which generally coincides with dispatch of goods to customers.

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

Dividend income is recognized when the right to receive the same is established.

### 3.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

### 3.19 Transaction with related parties

All transactions with related parties are carried out by the company using the methods prescribed under the Ordinance.

### 3.20 Impairment

#### 3.20.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

#### 3.20.2 Non-Financial assets

The carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exists, then the recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost sell and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### 3.21 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is Company's functional and presentation currency.

## 4. PROPERTY, PLANT AND EQUIPMENT

	<b>2012</b> <b>Rupees</b>	2011 Rupees
Operating fixed assets	<b>5,553,518</b>	54,923,633
	<u><b>5,553,518</b></u>	<u>54,923,633</u>

Description	2012									
	COST				ACCUMULATED DEPRECIATION				Net Book Value at June 30, 2012	Dep. Rate % per annum
	As at July 01, 2011	Additions/ (Disposals)/ *(Written off)	Sold to Kraft Foods Pakistan Ltd.	As at June 30, 2012	As at July 01, 2011	For the year/ (on Disposals) / *(Written off)	Sold to Kraft Foods Pakistan Ltd.	As at June 30, 2012		
(Rupees)										
Freehold land	1,636,307	-	(1,636,307)	-	-	-	-	-	-	-
Leasehold land	4,913,666	730,719	(5,644,385)	-	-	-	-	-	-	-
Building on leasehold land	31,536,216	-	(31,536,216)	-	16,721,605	508,045	(17,229,650)	-	-	-
Office premises	1,203,197	-	-	1,203,197	1,203,197	-	-	1,203,197	-	15
Plant and machinery	78,837,904	*(3,189,713)	(75,648,191)	-	54,805,901	2,567,028 *(3,189,713)	(54,183,216)	-	-	-
Furniture and fittings	7,490,769	-	(3,088,781)	4,401,988	6,055,782	370,241	(3,003,975)	3,422,048	979,940	15
Office equipment	3,519,072	27,900 *(731,369)	(535,954)	2,279,649	2,179,925	338,423 *(731,369)	(351,542)	1,435,437	844,212	15
Tools and equipment	3,350,833	*(224,722)	(3,099,361)	26,750	2,303,448	105,889 *(223,035)	(2,164,267)	22,035	4,715	15
Vehicles	19,626,701	2,828,000 (6,706,246)	(1,352,900)	14,395,555	14,588,129	747,241 (3,891,240)	(429,653)	11,014,477	3,381,078	25
Computer and data process equipment	6,792,183	76,032 (105,000) *(2,555,150)	(634,989)	3,573,076	6,125,228	319,728 (99,157) *(2,555,150)	(561,146)	3,229,503	343,573	33
<b>2012</b>	<b>158,906,848</b>	<b>3,662,651</b> <b>(6,811,246)</b> <b>*(6,700,954)</b>	<b>(123,177,084)</b>	<b>25,880,215</b>	<b>103,983,215</b>	<b>4,956,595</b> <b>(3,990,397)</b> <b>*(6,699,267)</b>	<b>(77,923,449)</b>	<b>20,326,697</b>	<b>5,553,518</b>	

# CLOVER PAKISTAN LIMITED

Description	2011								Net Book Value at June 30, 2011	Dep. Rate % per annum
	COST				ACCUMULATED DEPRECIATION					
	As at July 01, 2010	Additions	Disposals/ adjustments*	As at June 30, 2011	As at July 01, 2010	For the year	On disposals/ adjustments*	As at June 30, 2011		
	(Rupees)									
Freehold land	1,636,307	-	-	1,636,307	-	-	-	-	1,636,307	-
Leasehold land (note 4.2)	35,137,502	439,632	30,663,468	4,913,666	-	-	-	-	4,913,666	-
Building on leasehold land	31,536,216	-	-	31,536,216	15,705,599	1,016,006	-	16,721,605	14,814,611	5
Office premises	1,203,197	-	-	1,203,197	1,203,197	-	-	1,203,197	-	15
Plant and machinery	79,659,290	99,000	(920,386)*	78,837,904	49,904,189	5,249,187	(347,475)*	54,805,901	24,032,003	10
Furniture and fittings	7,425,769	65,000	-	7,490,769	5,625,622	430,160	-	6,055,782	1,434,987	15
Office equipment	3,519,072	-	-	3,519,072	1,793,120	386,805	-	2,179,925	1,339,147	15
Tools and equipment	3,205,833	145,000	-	3,350,833	2,005,608	297,840	-	2,303,448	1,047,385	15
Vehicles	26,193,701	701,000	7,268,000	19,626,701	17,493,566	1,790,971	4,696,408	14,588,129	5,038,572	25
Computer and data process equipment	6,408,232	551,951	168,000	6,792,183	5,585,822	689,897	150,491	6,125,228	666,955	33
2011	195,925,119	2,001,583	38,099,468 (920,386)*	158,906,848	99,316,723	9,860,866	4,846,899 (347,475)*	103,983,215	54,923,633	

Details of Property, plant and equipment sold is given in Note 37.

	Note	2012 Rupees	2011 Rupees
4.1 Depreciation for the year has been allocated as follows:			
Cost of sales	29.5	3,449,697	7,224,529
Distribution and marketing expenses	29.6	1,066,804	1,911,324
Administrative expenses	23	440,094	725,013
		<b>4,956,595</b>	<b>9,860,866</b>

4.2. Represents offer / release of an industrial plot at Sunder Industrial Estate to Colgate-Palmolive (Pakistan) Limited (CPPL), a related party, for Rs.30.663 million. The plot measuring 16,648.09 sq. meters, was allotted to Clover Pakistan Limited (the Company) at a cost of Rs. 27.564 million by Punjab Industrial Estate Development & Management Company (PIE) and the Company incurred other incidental charges of Rs.3.099 million thereon.

In May 2010, the Company received a letter addressed to the allottees from the Sunder Industrial Estates Owners Association informing them of a statement of the Punjab Chief Minister for cancellation of all plots where the construction work has not started. To avoid loss of the said plot, the management of CPPL wrote to PIE on June 3, 2010 for amalgamation of the above plot with its plot, as both the plots are adjacent to each other.

On July 26, 2010 the Company's plot was cancelled due to default of the Agreement to Sell but was restored on September 23, 2010 after the Company provided PIE an undertaking that it would construct an industrial unit thereon. Subsequently on October 27, 2010, PIE approved CPPL's request for merger of the plots. Based on this decision, the Company decided to offer / release its plot to CPPL.

According to PIE as stated in its reply to the SECP in July 2011, the market price of the plot was Rs.9 million per acre. However, the Company was not authorized to sell this plot in the market in view of the terms of allotment whereby an allottee can sell / transfer the plot only after commencement of commercial production, obtaining completion certificate from PIE and after execution and registration of a sale deed in the Company's favor. The Sale deed can only be executed on the completion of the project and after obtaining completion certificate from PIE.

Since the above mentioned formalities had not been completed, the Company had two alternatives:

- i) Surrender the plot to PIE; or
- ii) Offer / release the plot to CPPL at a total cost incurred by the Company as the related party was in need of land for its project.

The directors of the Company keeping in view the interest of the Company and its shareholders decided to offer / release the plot to CPPL.

## 5. INTANGIBLE ASSETS

Description	2012						Net Book Value at June 30, 2012	Dep. Rate % per annum
	COST			ACCUMULATED AMORTISATION				
	As at July 01, 2011	Additions	As at June 30, 2012	As at July 01, 2011	For the year	As at June 30, 2012		
	(Rupees)							
Computer software	728,000	-	728,000	626,826	101,174	728,000	-	33 1/3
Total - 2012	728,000	-	728,000	626,826	101,174	728,000	-	
Description	2011						Net Book Value at June 30, 2011	Dep. Rate % per annum
	COST			ACCUMULATED AMORTISATION				
	As at July 01, 2010	Additions	As at June 30, 2011	As at July 01, 2010	For the year	As at June 30, 2011		

	(Rupees)							
Computer software	728,000	-	728,000	384,184	242,642	626,826	101,174	33 1/3
Total - 2011	728,000	-	728,000	384,184	242,642	626,826	101,174	



# CLOVER PAKISTAN LIMITED

	Note	2012 Rupees	2011 Rupees
<b>6. LONG-TERM LOANS</b>			
Secured - considered good			
Employees	6.1	1,308,478	5,441,952
Less: Due within one year shown under			
Current assets	9	463,375	1,703,388
		<u>845,103</u>	<u>3,738,564</u>
6.1.	These are interest free loans to employees principally for purchase of vehicles and house building and are repayable over 5 years in equal monthly installments. House building loans are secured against the retirement benefits of the employees. In case of vehicle loans, these are secured by pledge of original registration documents of vehicles and demand promissory notes.		
<b>7. STOCK-IN-TRADE</b>			
Raw material			
- in hand		-	66,572,808
- in transit		-	38,544,204
		-	105,117,012
Packing material	7.1	350,925	42,945,880
Work in process		-	6,845,548
Finished goods		32,422,797	106,676,805
Trading goods			
- in hand		10,788,644	6,796,245
- in transit		-	1,558,602
		<u>10,788,644</u>	<u>8,354,847</u>
		<u>43,562,366</u>	<u>269,940,092</u>
7.1.	This includes packaging material held by third parties in the normal course of business amounting to Rs. Nil (2011: Rs. 731,738).		
<b>8. TRADE DEBTS</b>			
<b>Unsecured</b>			
Considered good	8.1 & 8.2	76,266,688	116,686,238
Considered doubtful		4,782,210	5,114,586
		<u>81,048,898</u>	121,800,824
Provision for doubtful debts	8.3	(4,782,210)	(5,114,586)
		<u>76,266,688</u>	<u>116,686,238</u>
8.1.	The aging of trade debts at June 30 is as follows:		
Neither past due nor impaired		29,973,199	67,723,212
Past due but not impaired			
- within 90 days		39,171,020	44,687,531
- 91 to 180 days		2,727,659	1,788,944
- over 180 days		4,394,810	2,486,551
		<u>76,266,688</u>	<u>116,686,238</u>

	Note	2012 Rupees	2011 Rupees
<b>8.2. The amount includes due from the following related parties:</b>			
Colgate Palmolive (Pakistan) Limited		133,039	49,096
Siza Foods (Private) Limited		7,175	-
Tetley Clover (Private) Limited		2,918	3,447
Century Paper & Board Mills Limited		12,557	-
Cyber Internet Services (Private) Limited		537	1,794
Siza Services (Private) Limited		-	1,795
Lakson Business Solution Limited		1,857	-
		<u>158,083</u>	<u>56,132</u>
<b>8.3. Movement of provision for doubtful debts</b>			
Opening balance		5,114,586	4,802,122
Charge for the year		1,128,411	2,054,292
Reversal for the year		(1,460,787)	(1,741,828)
	29.8	<u>(332,376)</u>	<u>312,464</u>
Closing balance		<u>4,782,210</u>	<u>5,114,586</u>
<b>9. LOANS AND ADVANCES - Considered good</b>			
<b>Secured</b>			
Current portion of long-term loans to employees	6	463,375	1,703,388
<b>Unsecured</b>			
Advance against import		4,189	366,733
Advances to:			
Suppliers		-	7,497,222
Employees	9.1	141,603	314,672
		<u>141,603</u>	<u>7,811,894</u>
		<u>609,167</u>	<u>9,882,015</u>
9.1. The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.			
<b>10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposits			
Security deposits		720,715	880,665
Container deposits		-	1,317,000
		<u>720,715</u>	<u>2,197,665</u>
Short term prepayments		<u>1,241,384</u>	<u>3,775,026</u>
		<u>1,962,099</u>	<u>5,972,691</u>
<b>11. OTHER RECEIVABLES</b>			
Considered good			
Receivable from related parties	11.1 & 11.2	1,405,002	5,729,645
Margin against letters of credit		1,224,136	1,382,333
Receivable from staff gratuity fund	11.3	3,983,000	-
Others	11.4	76,717,521	1,839,369
		<u>83,329,659</u>	<u>8,951,347</u>

# CLOVER PAKISTAN LIMITED

	Note	2012 Rupees	2011 Rupees
11.1. <b>The amount due from related parties comprises:</b>			
Tetley Clover (Private) Limited	11.1.1	8,610	3,855,240
Kraft Foods Middle East & Africa	11.1.2	763,475	573,749
Century Insurance Company Limited		-	607,556
Colgate Palmolive (Pakistan) Limited	11.1.3	325,574	693,100
Lakson Investments Limited	11.1.4	307,343	-
		<b>1,405,002</b>	<b>5,729,645</b>
11.1.1	Represents balance due on account of sharing cost of warehouses.		
11.1.2	Represents balance due on account of claim for damaged stock.		
11.1.3	Represents balance due on account of sharing of expenses incurred on behalf of Colgate Palmolive (Pakistan) Limited.		
11.1.4	Represents balance due on account of share of management fee on investment in money market fund.		
11.2	The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 7.930 million (2011: Rs. 22.260 million).		

## 11.3 Receivable from staff gratuity fund

The Company operates an approved funded gratuity scheme. The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company.

Annual (income) / charge is based on actuarial valuation carried out as at June 30, 2012 using the Projected Unit Credit Method.

### Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

	2012	2011
Discount rate	12.50% per annum	14% per annum
Expected rate of increase in salary	12.50% per annum	14% per annum
Rate of return on plan assets	10% per annum	11% per annum

**The amounts recognised in the profit and loss account against defined benefit schemes are as follows:**

	2012 Rupees	2011 Rupees
Current service cost	1,351,000	1,675,000
Interest cost	1,661,000	1,846,000
Expected return on plan assets	(1,383,000)	(1,308,000)
Past service cost	141,000	141,000
Net Actuarial (gain)/loss recognized	(385,000)	(557,000)
Curtailment gain	(5,554,000)	-
Actuarial loss / (gain) recognized - due to Asset Ceiling para 58 A (a)	903,000	-
Actuarial (gain)/loss recognized - due to curtailment	(717,000)	-
(Income) / Charge for the year	<b>(3,983,000)</b>	<b>1,797,000</b>

	2012 Rupees	2011 Rupees
<b>The (income) / charge for the year has been allocated as follows:</b>		
Manufacturing expenses	-	830,581
Distribution and marketing expenses	(3,083,633)	496,674
Administrative expenses	(899,367)	469,745
	<u>(3,983,000)</u>	<u>1,797,000</u>

**Movements in the net (assets) / liability recognised in the balance sheet are as follows:**

Opening balance	-	-
(Income) / Charge for the year	(3,983,000)	1,797,000
Paid during the year	-	(1,797,000)
Closing balance	<u>(3,983,000)</u>	<u>-</u>

**The amounts recognised in the balance sheet are as follows:**

Present value of defined benefit obligation	9,606,000	12,476,000
Fair value of plan assets	(13,337,000)	(13,185,000)
(Surplus)/ deficit	(3,731,000)	(709,000)
Unrecognised past service cost	(2,394,000)	(2,535,000)
Unrecognised actuarial gain / (loss)	2,142,000	3,244,000
Amount recognised in balance sheet	<u>(3,983,000)</u>	<u>-</u>

**Movement in the present value of defined benefit obligation:**

Present value of defined benefit obligation at July 01	12,476,000	13,182,000
Service cost	1,351,000	1,675,000
Interest cost	1,661,000	1,846,000
Curtailement gain	(5,554,000)	-
Benefits paid	(1,221,000)	(4,904,000)
Actuarial loss / (gain)	893,000	677,000
Present value of the defined benefit obligation at June 30	<u>9,606,000</u>	<u>12,476,000</u>

**Movement in the fair value of plan assets:**

Fair value of plan assets at July 01	13,185,000	14,769,000
Expected return	1,383,000	1,308,000
Contributions	-	1,797,000
Benefits paid	(1,221,000)	(4,904,000)
Actuarial (loss) / gain	(10,000)	215,000
Fair value of plan assets at June 30	<u>13,337,000</u>	<u>13,185,000</u>

**Historical information**

As at June 30	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	9,606,000	12,476,000	13,182,000	14,816,000
Fair value of plan assets	(13,337,000)	(13,185,000)	(14,769,000)	(8,960,000)
(Surplus) / Deficit	<u>(3,731,000)</u>	<u>(709,000)</u>	<u>(1,587,000)</u>	<u>5,856,000</u>
Experience adjustment on plan liabilities	(893,000)	(677,000)	4,967,000	(711,000)
Experience adjustments on plan assets	(10,000)	215,000	131,000	119,000

# CLOVER PAKISTAN LIMITED

	2012 %	2011 %
<b>Major categories / composition of plan assets are as follows:</b>		
Treasury bills	59%	83%
Mutual funds	20%	-
Cash	21%	17%

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2012 was Rs. 13.20 million (2011: Rs. 1.492 million).

11.4	Others	Note	2012 Rupees	2011 Rupees
	Titan International (Middle East)		-	1,805,481
	Kraft Foods Pakistan Limited (KFPL)	11.4.1	76,673,920	-
	Others		43,601	33,888
			<u>76,717,521</u>	<u>1,839,369</u>
11.4.1	Includes Rs.52 million receivable on account of 8% of sales proceeds of Tang business payable by KFPL after 12 months from the date of sale subject to Asset Purchase Agreement between KFPL and the Company.			

## 12. SHORT TERM INVESTMENTS

### Held to maturity - at amortised cost

Term deposit receipt	-	3,000,000
Add: Accrued profit thereon	-	5,425
	-	3,005,425

### Available-for-sale - at fair value

First Habib Cash Fund 708,719.84 units (2011: Nil)	71,629,818	-
HBL Money Market Fund 1,393,600.12 units (2011: Nil)	143,391,139	-
Atlas Money Market Fund 285,258.55 units (2011: Nil)	143,353,834	-
<b>In a related party</b>		
Lakson Money Market Fund 4,122,328.69 units (2011: 999,516 units)	415,820,532	100,526,372
	<u>774,195,323</u>	<u>103,531,797</u>

## 13. DUTY REFUNDS DUE FROM GOVERNMENT

During the year ended June 30, 2009, the Federal Government issued SRO 787(1)/2008 dated 26-07-2008 under Section 19 of Customs Act, 1969 (the Act) whereby Customs duty on import of crystalline sugar was brought down to zero as against 25% given in First Schedule to the Act. The Company imported crystalline sugar from 26 July 2008 to 15 October 2008 and paid duty of Rs. 17.012 million and Rs. 3.986 million at the rate of 25% without availing the benefit of subject SRO removing the duty on sugar to zero. Subsequently, the Company filed refunds claims with the custom authorities. The refund claims were rejected by the Additional Collectorate on the ground that the incidence of duty and taxes has been passed on to end consumers by incorporating it in the cost of the products.

The Company filed an appeal before the Collector of Customs, Sales Tax & Federal Excise, Appeals, Karachi, against the orders passed by the Additional Collectorate of Customs. Subsequently, the Collector (Appeals), vide order dated July 15, 2009 upheld the decision of the Additional Collectorate and rejected the refund claims of the Company on the same grounds. The Company during the year ended June 30, 2010 filed two appeals for the refund of aforesaid amounts in the Appellate Tribunal. During the last financial year appeal for refund of Rs. 17.012 million was decided by the Appellate Tribunal against the Company. In September 2011 appeal for the refund of Rs. 3.986 million was also decided by the Appellate Tribunal against the Company. The management, based on the advice of its legal counsel, filed references in the High Court of Sindh against both judgements of the Appellate Tribunal. The Division Bench of the High Court dismissed the reference for Rs.3.986 million earlier this year. The legal advisor has filed an appeal against the decision of the High Court before the Supreme Court of Pakistan. The management and its legal counsel are of the view that the issue raised by the Customs authorities is without any basis and the ultimate decision of refund will be in favour of the Company. Accordingly, the Company had recognized the above refund claims in the books of account of the Company.

	Note	2012 Rupees	2011 Rupees
<b>14. CASH AND BANK BALANCES</b>			
Cash in hand		50,000	260,737
Cash at banks			
In current accounts		19,432,440	17,232,460
In savings accounts	14.1	47,156,928	152,761,436
		66,589,368	169,993,896
		<u>66,639,368</u>	<u>170,254,633</u>
14.1.	These balances carry profit at rates, ranging between 5% and 10.25% (2011: 5% and 10.10%) per annum.		
14.2.	As at the balance sheet date, there was no sanctioned limit for running finance facilities (2011: Rs. 200 million).		
14.3.	Of the aggregate facility of Rs. 7 million (2011: Rs. 275 million) for opening letters of credit the amount utilized as at June 30, 2012 was Rs. 1.077 million (2011: Rs. 51.776 million).		

#### 15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid Ordinary shares of Rs. 10/- each

Number of shares				
2012	2011			
3,900,000	3,900,000	Issued for cash	39,000,000	39,000,000
5,534,880	5,534,880	Issued as bonus shares	55,348,800	55,348,800
<u>9,434,880</u>	<u>9,434,880</u>		<u>94,348,800</u>	<u>94,348,800</u>

- 15.1. As at the year end, related parties held 8,934,624 (2011: 8,954,477) Ordinary shares of Rs. 10/- each.

# CLOVER PAKISTAN LIMITED

	Note	2012 Rupees	2011 Rupees
<b>16. RESERVES</b>			
Revenue reserves			
- General reserves		263,000,000	261,000,000
- Unappropriated profit		526,001,306	39,760,741
- Unrealized gain on revaluation of available-for sale investments		18,739,511	526,372
		<u>807,740,817</u>	<u>301,287,113</u>
<b>17. LONG TERM DEPOSITS</b>			
These represent deposits received from distributors, which are interest free and are repayable on termination of distributorship.			
<b>18. DEFERRED TAXATION</b>			
Deferred tax liability on tax depreciation allowance taxable temporary differences		-	5,566,725
Deferred tax assets on deductible temporary differences			
Provision for doubtful debts		(1,174,152)	(1,747,411)
Tax depreciation allowance		(487,633)	-
Provision for employees compensated absences		(228,200)	(553,048)
		<u>(1,889,985)</u>	<u>(2,300,459)</u>
		<u>(1,889,985)</u>	<u>3,266,266</u>
<b>19. TRADE AND OTHER PAYABLES</b>			
Creditors			
Due to related parties	19.1	761,299	7,599,231
Others		172,796,370	188,595,270
		<u>173,557,669</u>	<u>196,194,501</u>
Bills payable		3,863,562	111,261,544
Royalty payable		-	39,020,774
Accrued expenses		6,580,831	25,924,286
Amount due to distributors		15,516,300	5,914,763
Workers' Profit Participation Fund	19.2	28,392,961	3,385,464
Workers' Welfare Fund		996,155	1,284,285
Unclaimed dividend		767,347	666,766
Others		1,647,863	1,405,635
		<u>231,322,688</u>	<u>385,058,018</u>
<b>19.1. The amount due to related parties, comprises of :</b>			
Hasan Ali Karabhai Foundation		108,346	89,056
Colgate Palmolive (Pakistan) Limited		599,636	658,404
Cyber Internet Services (Private) Limited		-	39,788
Television Media Network (Private) Limited		-	1,556,543
Century Insurance Company Limited		53,317	1,023,270
Century Paper and Board Mills Limited		-	2,192,664
Tetley Clover (Private) Limited		-	2,031,271
Princeton Travels (Private) Limited		-	8,235
		<u>761,299</u>	<u>7,599,231</u>

	Note	2012 Rupees	2011 Rupees
19.2. <b>Workers' Profit Participation Fund comprises as follows:</b>			
Balance as at July 01		3,385,464	620,856
Amount paid to the Fund		<b>(3,385,464)</b>	<b>(620,856)</b>
		-	-
Add: Current year allocation @ 5%	24	<b>28,392,961</b>	3,385,464
Balance as at June 30		<b>28,392,961</b>	3,385,464

## 20. CONTINGENCIES AND COMMITMENTS

### 20.1. Contingencies

- a) Refer note 13.
- b) Contingent liability in respect of indemnities given to banks for a guarantee issued by them in the normal course of business aggregating to Rs. 1.020 million (2011: Rs. 1.020 million).

### 20.2. Commitments

- a) Commitments in respect of letters of credit amounted to Rs. 2.119 million (2011: Rs. 50.434 million).
- b) Other foreign purchase commitments amounted to Rs. Nil (2011: Rs. 33.072 million).

## 21. COST OF SALES

Trading			
Opening stock		6,796,245	13,386,452
Add: Purchases		18,028,412	6,387,826
Less: Closing stock		<b>(10,788,644)</b>	<b>(6,796,245)</b>
		<b>14,036,013</b>	12,978,033
Packing material consumed		167,779	-
		<b>14,203,792</b>	12,978,033

## 22. DISTRIBUTION AND MARKETING EXPENSES

Salaries, allowances and other benefits	22.1	3,190,073	3,670,716
Travelling and conveyance		691,907	504,939
Repairs and maintenance		200,087	156,524
Vehicles running expenses		73,085	92,361
Advertisement		460,908	1,050,877
Postage, telegrams and telephone		186,198	194,558
Rent, rates and taxes		2,934,652	2,912,465
Printing and stationery		13,672	30,535
Electricity		247,018	219,708
Insurance		40,978	264,385
Bad debts written-off		1,670,947	41,617
Freight and octroi		139,984	81,923
Information technology expenses		78,248	122,948
		<b>9,927,757</b>	<b>9,343,556</b>

- 22.1. This amount includes Rs. 0.453 million (2011: Rs. 1.138 million) in respect of staff retirement benefits.



# CLOVER PAKISTAN LIMITED

	Note	2012 Rupees	2011 Rupees
<b>23. ADMINISTRATIVE EXPENSES</b>			
Chief Executive's remuneration	31	1,500,000	1,500,000
Salaries, allowances and other benefits	23.1	5,625,620	7,274,522
Travelling and conveyance		556,926	174,181
Repairs and maintenance		220,380	42,352
Vehicles running expenses		716,719	515,279
Advertisement		54,000	68,060
Postage, telegrams and telephone		303,056	286,198
Rent, rates and taxes		1,375,428	1,375,428
Printing and stationery		426,304	415,671
Subscription and membership		612,616	384,363
Legal and professional charges		3,663,634	1,155,090
Electricity		809,986	727,954
Insurance		675,771	621,180
Auditors' remuneration	23.2	774,418	623,830
Depreciation	4.1	440,094	725,013
Information technology expenses		947,271	781,832
Others		286,523	74,973
		<b>18,988,746</b>	<b>16,745,926</b>
23.1.	This amount includes Rs. 0.337 million (2011: Rs. 0.754 million) in respect of staff retirement benefits.		
23.2. <b>Auditors' remuneration</b>			
Audit fee - statutory		431,250	375,000
Half yearly review and other certifications		217,808	135,000
Out of pocket expenses		125,360	113,830
		<b>774,418</b>	<b>623,830</b>
<b>24. OTHER OPERATING EXPENSES</b>			
Workers' Profits Participation Fund	19.2	28,392,961	3,385,464
Workers' Welfare Fund		996,155	1,284,285
Exchange loss - net		120,185	15,920
		<b>29,509,301</b>	<b>4,685,669</b>
<b>25. OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Insurance commission from a related party		214,045	1,172,060
Management fee from a related party		509,697	44,455
Profit on deposits		4,052,765	6,904,359
Gain on sale of investments		5,455,812	1,025,943
		<b>10,232,319</b>	<b>9,146,817</b>
<b>Income from non-financial assets</b>			
Gain on scrap sales		-	23,493
Others		816,298	118,345
		<b>816,298</b>	<b>141,838</b>
		<b>11,048,617</b>	<b>9,288,655</b>

		2012 Rupees	2011 Rupees
<b>26.</b>	<b>FINANCE COSTS</b>		
	Mark-up / interest on short term running finances	9,792	720,254
	Bank charges and commission	56,849	63,048
		<u>66,641</u>	<u>783,302</u>
<b>27.</b>	<b>GAIN ON SALE OF DISCONTINUING OPERATIONS</b>		
		2012 Rupees	
	Note	Carrying value	Sale proceeds
			Gain on sale
		45,253,635	143,790,751
	27.1	-	506,209,249
		<u>45,253,635</u>	<u>604,746,365</u>
27.1.	This represents receipt on account of termination of the Company's user's rights and interest in the Tang brand; a legal restraint upon the Company from engaging in or undertaking the production, marketing and sale of products identical or similar to Tang products for a period of two years; and provision of a list of the Company's customers, selling trade outlets, suppliers and distributors over the last two years.		
	Note	2012 Rupees	2011 Rupees
<b>28.</b>	<b>TAXATION</b>		
	Current	1,104,938	1,058,195
	Prior years	(213,030)	1,430,413
		<u>891,908</u>	<u>2,488,608</u>
	Deferred	(5,156,251)	(1,108,024)
		<u>(4,264,343)</u>	<u>1,380,584</u>
<b>29.</b>	<b>DISCONTINUING OPERATIONS</b>		
29.1	In accordance with the requirements of IFRS-5 "Non-Current Assets Held for Sale and Discontinued Operations" as of 30 June 2012, the profit and loss account, the income and expenses for the Tang business have been reported separately. (Note 1.1).		
29.2	<b>The results of discontinuing operations for the year ended are presented below:</b>		
	Gross revenue	29.4 1,222,737,014	1,754,864,906
	Less: Sales tax and special excise duty	(205,540,508)	(316,001,493)
	Less: Trade discounts and allowances	(37,691,376)	(119,029,815)
	Net revenue	<u>979,505,130</u>	1,319,833,598
	Cost of sales	29.5 (946,317,117)	(1,059,201,426)
	Gross profit	<u>33,188,013</u>	260,632,172
	Distribution and marketing expenses	29.6 (60,343,806)	(189,656,737)
	Other operating expenses	29.7 (1,661,803)	(2,666,632)
	Other operating income	29.8 2,665,943	10,255,955
	Operating (loss) / profit	<u>(26,151,653)</u>	78,564,758
	Finance costs	(571,989)	(1,001,573)
	(Loss) / profit for the period from discontinuing operations before taxation	<u>(26,723,642)</u>	77,563,185
	Taxation	29.9 (16,844,357)	(22,440,812)
	Profit for the period from discontinuing operations after taxation	<u>(43,567,999)</u>	<u>55,122,373</u>

# CLOVER PAKISTAN LIMITED

29.3 **The fair values and carrying values of major classes of the assets and the liabilities sold to KFPL, consequent to the agreement are as follows:**

		2012	
		Rupees	
		Fair value of assets sold	Carrying value of assets sold
Property, plant and equipment			
- Land		29,641,100	7,280,692
- Building		32,586,221	14,306,566
- Plant and machinery		75,250,201	21,464,975
- Tools and equipment		4,705,469	935,094
- Computer and accessories		79,539	73,843
- Furniture and fixtures		87,813	84,806
- Office and electrical equipment		190,328	184,412
- Vehicles		1,250,080	923,247
Intangible assets		506,209,249	-
Stock-in-trade		190,096,439	190,096,439
		<b>840,096,439</b>	<b>235,350,074</b>
	Note	2012	2011
		Rupees	Rupees
29.4 <b>GROSS REVENUE</b>			
Locally manufactured		584,187,248	1,754,864,906
Trading		638,549,766	-
		<b>1,222,737,014</b>	<b>1,754,864,906</b>
29.5 <b>COST OF SALES</b>			
<b>Manufactured</b>			
Raw material consumed:			
Opening stock		66,572,808	42,695,155
Add: Purchases		186,309,008	780,929,523
		<b>252,881,816</b>	823,624,678
Less: Closing stock		-	(66,572,808)
		<b>252,881,816</b>	757,051,870
Packing material consumed		79,579,029	209,992,469
Stores and spares consumed		1,116,143	334,317
Salaries, wages and other benefits		20,081,595	39,040,554
Royalty		14,315,747	54,215,774
Power and fuel		5,243,148	8,777,002
Vehicle running expenses		865,544	1,121,226
Repairs and maintenance		2,014,026	12,537,684
Rent, rates and taxes		294,845	307,747
Travelling and conveyance		30,980	445,191
Insurance		1,603,927	2,153,560
Postage, telegrams and telephone		160,745	255,477
Laboratory expenses		15,592	86,655
Cartage		503,312	1,737,912
Information technology expenses		182,023	326,154
Printing and stationery		80,804	79,009
Depreciation	4.1	3,449,697	7,224,529
Other manufacturing expenses		173,062	155,445
		<b>129,710,219</b>	338,790,705
		<b>382,592,035</b>	1,095,842,575
<b>Work in process</b>			
Opening stock		6,845,548	4,202,598
Closing stock		-	(6,845,548)
		<b>6,845,548</b>	(2,642,950)
		<b>389,437,583</b>	1,093,199,625
<b>Finished goods</b>			
Opening stock		106,676,805	72,678,606
Add: Purchases		482,625,526	-
Closing stock		(32,422,797)	(106,676,805)
		<b>556,879,534</b>	(33,998,199)
		<b>946,317,117</b>	1,059,201,426

	Note	2012 Rupees	2011 Rupees
<b>29.6 DISTRIBUTION AND MARKETING EXPENSES</b>			
Salaries, allowances and other benefits	29.6.1	15,816,010	18,747,731
Travelling and conveyance		3,101,859	3,362,053
Repairs and maintenance		348,373	325,259
Vehicles running expenses		4,715,202	4,190,088
Advertisement		43,473,612	118,926,179
Postage, telegrams and telephone		764,764	901,890
Rent, rates and taxes		3,848,285	3,604,086
Printing and stationery		224,640	321,492
Subscription and membership		36,806	177,128
Electricity		640,832	408,684
Insurance		1,622,600	1,784,368
Provision for doubtful debts		-	312,464
Bad debts written-off		993,947	4,548
Freight and octroi		15,520,638	33,304,029
Stock handling / godown charges		615,819	380,823
Depreciation	4.1	1,066,804	1,911,324
Amortisation		101,174	242,642
Information technology expenses		592,621	751,949
		93,483,986	189,656,737
Reimbursement of selling expenses	29.6.2	(33,140,180)	-
		<u>60,343,806</u>	<u>189,656,737</u>
29.6.1	This amount includes Rs. 0.062 million (2011: Rs. 1.138 million) in respect of staff retirement benefits.		
29.6.2	As per the Transitional Services Agreement between KFPL and the Company, KFPL shall pay 5% of Net Revenue as reimbursement for the Company's selling and distribution costs and 2% of Net Revenue as logistics and freight charges.		
<b>29.7 OTHER OPERATING EXPENSES</b>			
Exchange loss - net		1,661,803	2,666,632
		<u>1,661,803</u>	<u>2,666,632</u>
<b>29.8 OTHER OPERATING INCOME</b>			
<b>Income from non-financial assets</b>			
Gain on disposal of fixed assets		2,333,567	1,837,631
Provision no longer required written back		-	8,418,324
Reversal of provision for doubtful debts		332,376	-
		<u>2,665,943</u>	<u>10,255,955</u>
<b>29.9 TAXATION</b>			
Current		16,844,357	22,440,812
		<u>16,844,357</u>	<u>22,440,812</u>
		2012	2011
		%	%
<b>Tax charge reconciliation</b>			
Applicable tax rate as per Income Tax Ordinance, 2001		35.00	35.00
Tax effect of amounts that are:			
Income not taxable		(33.00)	-
Not deductible for tax purposes		1.13	1.44
Effect of deferred tax charge		(0.96)	(1.75)
Effect of change in prior years' tax		(0.04)	2.26
Tax effect under presumptive tax regime and others		0.21	0.64
		<u>(32.66)</u>	<u>2.59</u>
Average effective tax rate charged to profit and loss account		<u>2.34</u>	<u>37.59</u>

# CLOVER PAKISTAN LIMITED

The return of income for the tax year 2011 has been filed which is deemed to be an assessment order in view of the provisions of Section 120 of the Income Tax Ordinance, 2001.

<b>30. EARNINGS PER SHARE</b>	<b>2012 Rupees</b>	<b>2011 Rupees</b>
Profit / (loss) for the year from continuing operations after tax	<u><b>569,548,084</b></u>	<u>(15,565,559)</u>
(Loss) / profit for the year from discontinuing operations after tax	<u><b>(43,567,999)</b></u>	<u>55,122,373</u>
Profit after taxation for the year	<u><b>525,980,085</b></u>	<u>39,556,814</u>
	<b>Numbers of shares</b>	
Weighted average Ordinary shares in issue	<u><b>9,434,880</b></u>	<u>9,434,880</u>
Earnings / (loss) per share from continuing operations - basic and diluted	<u><b>Rs. 60.37</b></u>	<u>Rs. (1.65)</u>
(Loss) / earnings per share from discontinuing operations - basic and diluted	<u><b>Rs. (4.62)</b></u>	<u>Rs. 5.84</u>
Earnings per share - basic and diluted	<u><b>Rs. 55.75</b></u>	<u>Rs. 4.19</u>

## 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount, charged in the financial statements for the year are as follows:

	<u>Chief Executive</u>		<u>Executives</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<b>(Rupees)</b>					
Remuneration	<b>1,111,200</b>	1,111,200	<b>4,488,941</b>	6,787,879	<b>5,600,141</b>	7,899,079
House rent	<b>388,800</b>	388,800	<b>1,968,146</b>	3,036,319	<b>2,356,946</b>	3,425,119
Bonus	-	-	<b>880,690</b>	1,223,057	<b>880,690</b>	1,223,057
Retirement benefits	-	-	<b>352,551</b>	607,088	<b>352,551</b>	607,088
Motor vehicle expenses	-	-	<b>593,857</b>	791,641	<b>593,857</b>	791,641
Others	-	-	<b>760,075</b>	930,608	<b>760,075</b>	930,608
	<u><b>1,500,000</b></u>	<u>1,500,000</u>	<u><b>9,044,260</b></u>	<u>13,376,592</u>	<u><b>10,544,260</b></u>	<u>14,876,592</u>
Number of persons	<u><b>1</b></u>	<u>1</u>	<u><b>6</b></u>	<u>9</u>	<u><b>7</b></u>	<u>10</u>

Directors have waived their meeting fees for the year.

The Chief Executive and certain Executives are provided with free use of Company maintained cars.

## 32. RELATED PARTIES DISCLOSURES

The related parties include group companies, trade mark licensor, staff retirement funds, companies where directors also hold directorship, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 31, are as follows:

Relationship	Nature of transactions	2012 Rupees	2011 Rupees
Group companies	Sale of goods and services	15,349,313	16,602,930
	Sale of assets	1,556,082	33,451,260
	Purchase of goods and services	32,808,598	64,598,857
	Rent, utilities and allied services	2,383,133	2,446,136
	Insurance premium	1,898,932	10,313,206
	Insurance claim received	-	200,000
	Insurance commission	214,045	1,172,060
	Investment in mutual fund	400,000,000	150,000,000
	Sale of units of mutual fund	100,000,000	51,070,398
	Dividend paid	32,117,752	13,372,419
	Share of management fee on investment	509,697	27,876
Licensor of product in respect of which the Company had exclusive trademark rights	Royalty on sale of licensed products	14,382,239	54,215,774
	Purchase of goods and services	40,805,029	259,840,299
	Claim for damaged stock	763,475	573,749
Retirement benefit plans	Contribution to staff retirement benefit plans	1,198,492	3,344,751

The Company enters into transaction with related parties for the sale of its products and purchase of raw and packing materials. Services, rent and allied expenses are charged between related parties on the basis of mutually agreed terms.

The related party status of outstanding balances as at June 30, 2012 is included in relevant notes to the financial statements.

### 33. CAPACITY AND PRODUCTION

	2012		2011	
	Capacity	Production (Kilograms)	Capacity	Production
Food products	-	1,727,833	4,092,000	6,190,610
Plastic products	-	-	27,000	26,665
Number of shifts	-		Single	

34. CASH GENERATED FROM OPERATIONS	Note	2012 Rupees	2011 Rupees
Profit/(loss) before taxation from continuing operations		565,283,741	(14,184,975)
(Loss)/profit before taxation from discontinuing operations		(26,723,642)	77,563,185
Profit before taxation		538,560,099	63,378,210
Adjustments for :			
Depreciation		4,956,595	9,860,866
Amortisation		101,174	242,642
Gain on disposal of fixed assets		(2,333,567)	(1,837,631)
Gain on disposal of discontinuing operations		(604,746,398)	-
(Income) / provision for gratuity		(3,983,000)	1,797,000
(Reversal) / provision for doubtful debts		(332,376)	312,464
Gain on redemption of available for sale investments		(5,455,812)	(1,070,398)
Plant and machinery written off		1,686	572,911
Finance costs		2,420,617	4,467,428
		(609,371,081)	14,345,282
Working capital changes	34.1	68,493,547	(20,920,693)
		(2,317,435)	56,802,799

# CLOVER PAKISTAN LIMITED

	2012 Rupees	2011 Rupees
<b>34.1 Working capital changes</b>		
(Increase)/decrease in current assets		
Stores	1,037,942	118,130
Stock-in-trade	226,377,726	(54,074,638)
Trade debtors	40,751,926	(5,505,916)
Loans and advances	9,272,848	12,328,451
Trade deposits and short-term prepayments	4,010,592	(3,337,729)
Other receivables	(18,395,312)	4,228,168
	<u>263,055,722</u>	<u>(46,243,534)</u>
Increase/(decrease) in current liabilities		
Trade and other payables	(153,835,911)	19,540,468
Sales tax payable	(40,726,264)	5,782,373
	<u>(194,562,175)</u>	<u>25,322,841</u>
	<u>68,493,547</u>	<u>(20,920,693)</u>

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors oversees the management of these risks which are summarized below:

### 35.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

#### 35.1.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term running finances with the commercial banks with floating interest rates.

#### Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax Rupees
<b>2012</b>		
KIBOR	+100	<u>(98)</u>
KIBOR	-100	<u>98</u>
<b>2011</b>		
KIBOR	+100	<u>(7,203)</u>
KIBOR	-100	<u>7,203</u>

### 35.1.2 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payable exist due to transactions in foreign currencies.

The Company's exposure denominated in foreign currency is given below:

Accounting year end	Bills payable	Commitments	Cash and bank balances
	Rupees		
<b>June 30, 2012</b>	<b>3,863,562</b>	<b>2,119,241</b>	-
June 30, 2011	113,728,703	71,209,339	18,931

The following significant exchange rates have been applied at the reporting dates:

	2012 Rupees	2011 Rupees
Exchange rates US \$	<b>94.20</b>	86.05

#### Sensitivity analysis:

A reasonable change of 10 percent depreciation of the rupee against the US dollar at 30 June would have decreased the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	Equity	Profit or loss
	----- (Rs. in thousands) -----	
<b>30 June 2012</b>	<b>(385)</b>	<b>(592)</b>
30 June 2011	(12,020)	(18,492)

A 10 percent strengthening of the rupee against the US dollar at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

### 35.1.3 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy, allowing advances to vendors / suppliers who have long standing with Company and placing deposits with banks with good rating. The maximum exposure to credit risk at the reporting date is:



# CLOVER PAKISTAN LIMITED

	Carrying values	
	2012 Rupees	2011 Rupees
Long term loans	845,103	3,738,564
Long term security deposits	30,461	121,466
Trade debts	76,266,688	116,686,238
Loans and advances	609,167	9,882,015
Trade deposits	720,715	2,197,665
Short term investments	774,195,323	103,531,797
Other receivables	83,329,659	8,951,347
Bank balances	66,589,368	169,993,896
	<b>1,002,856,484</b>	<b>415,102,988</b>

## Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2012 Rupees	2011 Rupees
<b>Trade debts</b>		
Customers with no defaults in the past one year	17,594,537	48,155,195
Customers with some defaults in past one year which have been fully recovered	12,378,662	19,568,017
Customers with defaults in past one year which have not yet been recovered	-	-
	<b>29,973,199</b>	<b>67,723,212</b>

## Cash at bank and held to maturity investments

A1	5,732	86,191
A1+	66,583,636	172,913,130
	<b>66,589,368</b>	<b>172,999,321</b>
<b>Available for sale investments</b>		
AA+	286,744,973	-
AA	487,450,350	100,526,372
	<b>774,195,323</b>	<b>100,526,372</b>

## 35.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended June 30, 2012	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Rupees						
Long term deposits	3,902,000	-	-	-	-	3,902,000
Trade and other payables	41,299,277	190,023,411	-	-	-	231,322,688
Accrued mark up	45,201,277	190,023,411	-	-	-	235,224,688

Year ended June 30, 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rupees					
Long term deposits	3,759,500	-	-	-	-	3,759,500
Trade and other payables	31,154,748	352,284,527	1,618,743	-	-	385,058,018
Accrued mark up	407,769	-	-	-	-	407,769
	35,322,017	352,284,527	1,618,743	-	-	389,225,287

### 35.3 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended June 30, 2012 and June 30, 2011.

As of the balance sheet date, the management considers that the capital of the Company is sufficient to meet the requirement of the business.

### 35.4 Fair values of financial instruments

The fair value is the amount for which an asset will be exchanged or a liability settled between knowledgeable, willing parties at an arm's length. The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

#### Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Company has available-for-sale investments measured using level 1 valuation technique.

## 36. SEGMENT REPORTING

For management purposes, the Company is organized into business units based on their products, and has two reportable operating segments as follows:

Types of segments	Nature of business
Food (Discontinuing operations)	Manufacture, market and sell powdered beverages
Consumer durables	Import, market and sell watches

No operating segments have been aggregated to form the above reportable operating segments.

# CLOVER PAKISTAN LIMITED

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the financial statements.

The following table presents revenue and profit information regarding the Company's operating segments for the year ended June 30, 2012 and 2011 respectively:

	2012			2011		
	Food (Discontinuing operations)	Consumer Durables	Total	Food	Consumer Durables	Total
Rupees in '000						
<b>Segment Results</b>						
Net sales	979,505	22,185	<b>1,001,690</b>	1,319,834	21,063	1,340,897
Gross profit	33,188	7,981	<b>41,169</b>	260,935	7,782	268,717
Distribution costs	(60,343)	(9,928)	<b>(70,271)</b>	(189,657)	(9,343)	(199,000)
Administrative expenses	-	(18,989)	<b>(18,989)</b>	-	(16,746)	(16,746)
Segment results	(27,155)	(20,936)	<b>(48,091)</b>	71,278	(18,307)	52,971
<b>Unallocated corporate expenses</b>						
Other operating expenses			<b>(31,171)</b>			(7,352)
Other operating income			<b>618,461</b>			19,544
Finance costs			<b>(639)</b>			(1,785)
Taxation			<b>(12,580)</b>			(23,821)
			<b>574,071</b>			(13,414)
Profit after taxation			<b>525,980</b>			39,557
<b>Assets</b>						
Segment assets	229,853	860,331	<b>1,090,184</b>	745,655	20,580	766,235
Unallocated corporate assets	-	-	<b>47,130</b>	-	-	46,522
	229,853	860,331	<b>1,137,314</b>	745,655	20,580	812,757
<b>Liabilities</b>						
Segment liabilities	227,459	3,864	<b>231,323</b>	412,296	1,559	413,855
Unallocated corporate liabilities	-	-	-	-	-	3,266
	227,459	3,864	<b>231,323</b>	412,296	1,559	417,121
Capital expenditure	3,663	-	<b>3,663</b>	1,928	73	2,001
Depreciation and amortization	4,620	438	<b>5,058</b>	9,384	477	9,861

Segment assets do not include Taxation- net and deferred taxation as the assets are managed on a Company basis.

**37. THE FOLLOWING PROPERTY, PLANT AND EQUIPMENT WERE DISPOSED OFF DURING THE YEAR:**

Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers
Freehold land	1,636,307	-	1,636,307	11,703,600	10,067,293	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Leasehold land	5,644,385	-	5,644,385	17,937,500	12,293,115	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Building on leasehold land	31,536,216	17,229,650	14,306,566	32,586,221	18,279,655	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Plant and machinery	75,648,191	54,183,216	21,464,975	75,250,201	53,785,226	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Furniture and fittings	2,705,040	2,705,040	-	-	-	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Furniture and fittings	383,741	298,935	84,806	87,813	3,007	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Office equipment	535,954	351,542	184,412	190,328	5,916	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Tools and equipment	3,099,361	2,164,267	935,094	4,705,469	3,770,375	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi.
Total (Land, Equipment, Furniture, Plant and machinery)	121,189,195	76,932,650	44,256,545	142,461,132	98,204,587		

# CLOVER PAKISTAN LIMITED

Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(loss)	Mode of disposal	Particulars of buyers
Rupees							
<b>Vehicles</b>							
Toyota Corolla	1,060,000	772,917	287,083	287,083	-	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Suzuki Cultus	590,000	472,000	118,000	575,000	457,000	Bid	Khalid Ahmed Aurangabad 9/8, Nazimabad, Karachi
Suzuki Alto	469,000	375,200	93,800	153,681	59,881	Maturity of Company Car Scheme	Abid Khan Flat # 380, Grace Residency, Maskan Chowrangi Block-4, Gulshan-e-Iqbal, Karachi
Suzuki Mehran	524,000	61,134	462,866	462,866	-	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Honda City	901,000	720,800	180,200	681,000	500,800	Bid	Humera Asrar Hassan, House # 43/7-H, PECHS, Block 6, Karachi
Suzuki Cultus	890,000	44,500	845,500	845,500	-	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi
Suzuki Cultus	890,000	59,333	830,667	890,000	59,333	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi
Suzuki Bolan	404,000	323,200	80,800	110,080	29,280	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi
Hyundai Shehzore	58,900	47,120	11,780	250,000	238,220	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi
Suzuki Alto	676,000	169,000	507,000	625,000	118,000	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Suzuki Mehran	350,000	280,000	70,000	315,000	245,000	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Suzuki Alto	380,000	304,000	76,000	405,000	329,000	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Suzuki Cultus	616,715	493,372	123,343	715,000	591,657	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Suzuki Shogun	68,287	54,630	13,657	8,000	(5,657)	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi

Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers
	Rupees						
Yamaha Dhoom	44,900	34,611	10,289	28,000	17,711	Negotiation	Colgate Palmolive Pakistan Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Suzuki Shogan	68,057	54,446	13,611	12,000	(1,611)	Negotiation	Sajid Ali H.No.E7-939, Dehri, Hasanabad, Rawalpindi.
Suzuki Shogan	68,287	54,630	13,657	12,000	(1,657)	Negotiation	Sajid Ali H.No.E7-939, Dehri, Hasanabad, Rawalpindi.
	8,059,146	4,320,893	3,738,253	6,375,210	2,636,957		
<b>Computer &amp; Accessories</b>							
Items having book value upto Rs. 50,000	634,989	561,146	73,843	79,539	5,696	Asset Purchase Agreement	Kraft Foods Pakistan Limited 5th Floor, Tower B, World Trade Centre, Khayaban-e-Roomi, Clifton, Karachi
Items having book value upto Rs. 50,000	105,000	99,157	5,843	29,286	23,443	Negotiation	Colgate Palmolive (Pakistan) Limited - A Related Party, Lakson Square Building No.2, Sarwar Shaheed Road, Karachi
<b>2012</b>	<b>129,988,330</b>	<b>81,913,846</b>	<b>48,074,484</b>	<b>148,945,167</b>	<b>100,870,683</b>		

### 38. DIVIDEND AND APPROPRIATIONS

Subsequent to the balance sheet date, the Board of Directors have proposed a final dividend of Rs. 10/- per share amounting to a total dividend of Rs. 94,348,800/- (2011: Rs. 37,739,520/-) in their meeting held on September 20, 2012 for approval of the members at the Annual General Meeting. In addition, the Board has also approved appropriation to general reserves of Rs.431 million (2011: Rs. 2 million).

### 39. DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company authorized these financial statements for issue on September 20, 2012.

### 40. GENERAL

Amounts have been rounded off to the nearest rupee unless otherwise stated.



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director

**Pattern of Holding of Shares** held by the shareholders as at June 30, 2012

CUIN NO. 0015034  
INCORPORATION NUMBER K-198/9686 of 1986

No. of Shareholders	Shareholdings		Total shares held
	From	To	
453	1	100 Shares	9,115
161	101	500 Shares	44,108
66	501	1,000 Shares	52,502
91	1,001	5,000 Shares	181,524
8	5,001	10,000 Shares	52,895
1	50,001	55,000 Shares	51,138
1	65,001	70,000 Shares	66,528
1	120,001	125,000 Shares	122,000
1	1,990,001	1,995,000 Shares	1,991,844
1	2,220,001	2,225,000 Shares	2,223,849
1	2,225,001	2,230,000 Shares	2,227,908
1	2,410,001	2,415,000 Shares	2,411,469
<u>786</u>			<u>9,434,880</u>

<u>Categories of Shareholders</u>	<u>Shares held</u>	<u>Percentage</u>
Directors, Chief Executive Officer their spouse and minor children	8,395	0.09%
Associated Companies, Undertakings and Related parties	8,934,624	94.70%
NIT and ICP	NIL	-
Banks, Development Finance Institutions, Non Banking Finance Institutions	509	0.01%
Insurance Companies	66,528	0.71%
Modarabas and Mutual Funds	NIL	-
Shareholders holding 10%	8,855,070	93.85%
Others	15,450	0.16%
General Public	475,902	5.04%

Note : Some of the shareholders are reflected in more than one category.

## Details of Pattern of Shareholding as per requirement of Code of Corporate Governance

<u>CATEGORIES OF SHAREHOLDERS</u>	<u>NO. OF SHARES HELD</u>
<b>i) <u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u></b>	
1. M/s. SIZA (Private) Limited	2,223,849
2. M/s. SIZA Services (Private) Limited	2,411,469
3. M/s. SIZA Commodities (Private) Limited	1,991,844
4. M/s. Premier Fashions (Private) Limited	2,227,908
5. M/s. Century Insurance Company Limited	66,528
6. Mrs. Gulbanoo Lakhani	5,955
7. Mr. Sultan Ali Lakhani	403
8. Mrs. Shaista Sultan Ali Lakhani	259
9. Mr. Babar Ali Lakhani	2,500
10. Mr. Bilal Ali Lakhani	198
11. Mr. Danish Ali Lakhani	144
12. Mrs. Natasha Lakhani	864
13. Miss. Anushika Zulfiqar Lakhani	864
14. Miss. Anika Amin Lakhani	864
15. Miss. Sanam Iqbal Lakhani	975
	8,934,624
<b>ii) <u>MUTUAL FUNDS</u></b>	NIL
<b>iii) <u>DIRECTORS THEIR SPOUSE &amp; MINOR CHILDREN</u></b>	
1. Mr. Iqbal Ali Lakhani	1,704
2. Mr. Zulfiqar Ali Lakhani	720
3. Mr. Amin Mohammed Lakhani	1,036
4. Mr. Tasleemuddin A. Batlay	1,209
5. Mr. A. Aziz H. Ebrahim	1,209
6. Mr. Shahid Ahmed Khan	728
7. Mr. Muhammad Abdul Qadir	1,209
8. Mrs. Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani	230
9. Mrs. Fatima Lakhani W/o. Zulfiqar Ali Lakhani	144
10. Mrs. Saira Amin Lakhani W/o. Amin Mohammed Lakhani	206
	8,395
<b>iv) <u>EXECUTIVES</u></b>	16
<b>v) <u>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS</u></b>	NIL
<b>vi) <u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</u></b>	
IDBP (ICP unit)	509
Century Insurance Company Limited	66,528
	67,037
<b>vii) <u>SHAREHOLDERS HOLDING 5% OR MORE VOTING INTEREST</u></b>	
1. M/s. SIZA (Private) Limited	2,223,849
2. M/s. SIZA Services (Private) Limited	2,411,469
3. M/s. SIZA Commodities (Private) Limited	1,991,844
4. M/s. Premier Fashions (Private) Limited	2,227,908
	8,855,070
<b>viii) <u>INDIVIDUALS AND OTHER THAN THOSE NOT MENTIONED ABOVE</u></b>	491,336



## Form of Proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_  
a member of **CLOVER PAKISTAN LIMITED** hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him  
\_\_\_\_\_ of  
\_\_\_\_\_

who is/are also member/s of Clover Pakistan Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held on 22nd day of October 2012 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Folio No.	CDC Participant ID No.	CDC Account/ Sub Account No.	No. of shares held	Signature over Revenue Stamp

**Witness 1**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

**Witness 2**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

- Notes :
1. The proxy must be a member of the Company.
  2. The signature must tally with the specimen signature/s registered with the Company.
  3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
  4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.



**CLOVER PAKISTAN LIMITED**

LAKSON SQUARE BUILDING NO.2, SARWAR SHAHEED ROAD,  
KARACHI-74200, PAKISTAN.