

## Notes to the Financial Statements for the year ended June 30, 2010

### 1. THE COMPANY AND ITS OPERATIONS

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 personal care products.

### 2. 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.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's 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 | 4.5         |
| • Provision for doubtful debts                      | 4.9         |
| • Defined benefit plan                              | 4.13        |
| • Provision for taxation - current and deferred     | 4.15        |
| • Recognition of tax refunds due from government    | 14          |
| • Contingencies                                     | 21.1        |

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Basis of preparation

These financial statements have been prepared under the historical cost convention.

#### 4.2 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

During the current year, the Company has adopted the following new and amended IFRSs as of July 01, 2009:

|        |   |  |
|--------|---|--|
| IAS-1  | - | Presentation of Financial Statements (Revised) |
| IFRS-7 | - | Financial Instruments: Disclosures (Amended)   |
| IFRS-8 | - | Operating Segments                             |
| IAS-23 | - | Borrowing Costs (Revised)                      |

## **IAS-1 Presentation of Financial Statements (Revised)**

The revised IAS-1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced a statement of comprehensive income, which presents all items of recognised income and expense, either as a single statement, or in two linked statements. The Company has opted to present two linked statements and accordingly has presented a separate statement of comprehensive income in these financial statements. Comparative figures have also been re-presented to bring it in conformity with the revised standard.

## **IFRS 7 - Financial Instruments: Disclosures (Amendments)**

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement and liquidity risk disclosures are not significantly impacted by the amendments.

## **IFRS-8 Operating Segments**

IFRS-8 requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. Adoption of this standard did not have any effect on the financial position or performance of the Company. Additional disclosures about each of the operating segments are shown in Note 36 including revised comparative information.

## **IAS-23 Borrowing Costs (Revised)**

During the year, the Company has changed its accounting policy for borrowing costs. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged directly to the profit and loss account. This change has been made to comply with the requirements of IAS 23 (Amendments) Borrowing Costs which became effective from January 01, 2009. The change in policy has not impacted the financial statements of the Company as it does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

### **4.3 Standards and interpretations that became effective but not relevant to the Company**

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

|        |   |  |
|--------|---|--|
| IAS 3  | - | Business Combinations (Revised)                          |
| IAS 27 | - | Consolidated and Separate Financial Statements (Revised) |

|          |   |   |
|----------|---|---|
| IAS 32   | - | Financial Instruments (Amended for Puttable instruments and obligations arising on liquidation) |
| IAS 39   | - | Financial Instruments: Recognition and Measurement (Amended)                                    |
| IFRIC 15 | - | Agreements for the Construction of Real Estate  |
| IFRIC 16 | - | Hedges of a Net Investment in a Foreign Operation   |
| IFRIC 17 | - | Distributions of Non-cash Assets to Owners  |
| IFRIC 18 | - | Transfers of Assets from Customers  |

#### 4.4 **Standards, interpretations and amendments to approved accounting standards that are not yet effective:**

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

| <b>Standards or interpretation</b> |   | <b>Effective date (accounting periods beginning on or after)</b> |
|------------------------------------|---|--|
| IAS 24 -                           | Related Party Disclosures (Revised)   | January 01, 2011   |
| IAS 32 -                           | Financial Instruments: Presentation<br>Amendments relating to Classification of Rights Issues                       | February 01, 2010  |
| IFRS 2 -                           | Share-based Payment: Amendments relating to<br>Group - settled Share-based Payment Transactions                     | January 01, 2010   |
| IFRIC 14 -                         | IAS 19 - The Limit on a Defined Benefit Asset,<br>Minimum Funding Requirements and their<br>Interaction (Amendment) | January 01, 2011   |
| IFRIC 19 -                         | Extinguishing Financial Liabilities with Equity<br>Instruments  | July 01, 2010  |

The Company expects that the adoption of the above revision, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application except for the implications of IAS 24 - Related Party Disclosures (revised), which may effect certain disclosures.

In addition to above addition to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements of the standards will not have any material impact on the Company's financial statements in the period of initial application.

#### 4.5 **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 5. 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.

#### 4.6 **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.

#### 4.7 **Stores**

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

#### 4.8 **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.

#### 4.9 **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.

#### 4.10 **Loans, advances and other receivables**

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

#### 4.11 **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.

#### 4.12 **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.

#### 4.13 **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, 2010 using the Projected Unit Credit Method. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the schemes. 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.

4.14 **Compensated absences**

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

4.15 **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.

4.16 **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.

4.17 **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. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**4.18 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.

**4.19 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.

**4.20 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.

**4.21 Revenue recognition**

Revenue from sale of goods is recognised 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.

**4.22 Dividend and appropriation to reserves**

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

**4.23 Transaction with related parties**

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

**4.24 Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income in the period in which they arise.

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## 4.25 Functional and presentation currency

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

## 5. PROPERTY, PLANT AND EQUIPMENT

| Description                            | 2010                |                        |                     |                          |                          |                     | Net Book Value at June 30, 2010 | Dep. Rate % per annum |
|--|---------------------|------------------------|---------------------|--------------------------|--------------------------|---------------------|---------------------------------|-----------------------|
|  | COST                |                        |                     | ACCUMULATED DEPRECIATION |                          |                     |                                 |                       |
|  | As at July 01, 2009 | Additions/ (disposals) | As at June 30, 2010 | As at July 01, 2009      | For the year (disposals) | As at June 30, 2010 |                                 |                       |
|  | (Rupees)            |                        |                     |                          |                          |                     |                                 |                       |
| Freehold land                          | 1,636,307           | -                      | 1,636,307           | -                        | -                        | -                   | 1,636,307                       | -                     |
| Leasehold land                         | 35,137,502          | -                      | 35,137,502          | -                        | -                        | -                   | 35,137,502                      | -                     |
| Building on leasehold land             | 31,536,216          | -                      | 31,536,216          | 14,688,454               | 1,017,145                | 15,705,599          | 15,830,617                      | 5                     |
| Office premises                        | 1,203,197           | -                      | 1,203,197           | 1,203,197                | -                        | 1,203,197           | -                               | 15                    |
| Plant and machinery                    | 77,741,290          | 2,000,000 (82,000)     | 79,659,290          | 44,417,081               | 5,559,857 (72,749)       | 49,904,189          | 29,755,101                      | 10                    |
| Furniture and fittings                 | 8,245,777           | - (820,008)            | 7,425,769           | 5,356,517                | 494,608 (225,503)        | 5,625,622           | 1,800,147                       | 15                    |
| Office equipment                       | 3,757,672           | 215,200 (453,800)      | 3,519,072           | 1,679,219                | 367,131 (253,230)        | 1,793,120           | 1,725,952                       | 15                    |
| Tools and equipment                    | 3,141,244           | 159,500 (94,911)       | 3,205,833           | 1,756,930                | 273,471 (24,793)         | 2,005,608           | 1,200,225                       | 15                    |
| Vehicles                               | 25,830,496          | 1,492,400 (1,129,195)  | 26,193,701          | 14,745,348               | 3,326,347 (578,129)      | 17,493,566          | 8,700,135                       | 25                    |
| Computer and data processing equipment | 6,102,531           | 305,701                | 6,408,232           | 4,545,421                | 1,040,401                | 5,585,822           | 822,410                         | 33                    |
| <b>2010</b>                            | 194,332,232         | 4,172,801 (2,579,914)  | 195,925,119         | 88,392,167               | 12,078,960 (1,154,404)   | 99,316,723          | 96,608,396                      |                       |

| Description                            | 2009                |   |                     |                          |   |                     | Net Book Value at June 30, 2009 | Dep. Rate % per annum |
|--|---------------------|---|---------------------|--------------------------|---|---------------------|---------------------------------|-----------------------|
|  | COST                |   |                     | ACCUMULATED DEPRECIATION |   |                     |                                 |                       |
|  | As at July 01, 2008 | Additions/ (disposals)                  | As at June 30, 2009 | As at July 01, 2008      | For the year (disposals)                | As at June 30, 2009 |                                 |                       |
|  | (Rupees)            |   |                     |                          |   |                     |                                 |                       |
| Freehold land                          | 1,636,307           | -                                       | 1,636,307           | -                        | -                                       | -                   | 1,636,307                       | -                     |
| Leasehold land                         | 4,913,666           | 30,223,836                              | 35,137,502          | -                        | -                                       | -                   | 35,137,502                      | -                     |
| Building on leasehold land             | 31,536,216          | -                                       | 31,536,216          | 13,202,914               | 1,485,540                               | 14,688,454          | 16,847,762                      | 5                     |
| Office premises                        | 1,203,197           | -                                       | 1,203,197           | 1,203,197                | -                                       | 1,203,197           | -                               | 15                    |
| Plant and machinery                    | 75,811,239          | 1,930,051                               | 77,741,290          | 38,922,547               | 5,494,534                               | 44,417,081          | 33,324,209                      | 10                    |
| Furniture and fittings                 | 8,420,667           | 1,102,624<br>(1,277,514)                | 8,245,777           | 4,965,105                | 567,070<br>(175,658)                    | 5,356,517           | 2,889,260                       | 15                    |
| Office equipment                       | 2,581,642           | 1,176,030                               | 3,757,672           | 1,395,817                | 283,402                                 | 1,679,219           | 2,078,453                       | 15                    |
| Tools and equipment                    | 3,102,619           | 38,625                                  | 3,141,244           | 1,464,043                | 292,887                                 | 1,756,930           | 1,384,314                       | 15                    |
| Vehicles                               | 24,754,014          | 2,373,900<br>(1,297,418)                | 25,830,496          | 12,533,721               | 3,233,048<br>(1,021,421)                | 14,745,348          | 11,085,148                      | 25                    |
| Computer and data processing equipment | 5,589,105           | 513,426                                 | 6,102,531           | 3,471,391                | 1,074,030                               | 4,545,421           | 1,557,110                       | 33                    |
| <b>2009</b>                            | <b>159,548,672</b>  | <b>37,358,492</b><br><b>(2,574,932)</b> | <b>194,332,232</b>  | <b>77,158,735</b>        | <b>12,430,511</b><br><b>(1,197,079)</b> | <b>88,392,167</b>   | <b>105,940,065</b>              |                       |

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

|  | Note | 2010 Rupees       | 2009 Rupees |
|--|------|-------------------|-------------|
| 5.1 Depreciation for the year has been allocated as follows: |      |                   |             |
| Cost of sales  | 23   | <b>7,639,842</b>  | 8,007,542   |
| Distribution and marketing expenses                          | 24   | <b>3,050,952</b>  | 3,097,971   |
| Administrative expenses                                      | 25   | <b>1,388,166</b>  | 1,324,998   |
|  |      | <b>12,078,960</b> | 12,430,511  |

## 6. INTANGIBLE ASSETS

| Description       | 2010                |           |                     |                          |              |                     | Net Book Value at June 30, 2010 | Dep. Rate % per annum |
|-------------------|---------------------|-----------|---------------------|--------------------------|--------------|---------------------|---------------------------------|-----------------------|
|                   | COST                |           |                     | ACCUMULATED AMORTISATION |              |                     |                                 |                       |
|                   | As at July 01, 2009 | Additions | As at June 30, 2010 | As at July 01, 2009      | For the year | As at June 30, 2010 |                                 |                       |
| Computer software | 728,000             | -         | 728,000             | 141,542                  | 242,642      | 384,184             | 343,816                         | 33 1/3                |
| Total - 2010      | 728,000             | -         | 728,000             | 141,542                  | 242,642      | 384,184             | 343,816                         |                       |

| Description       | 2009                |           |                     |                          |              |                     | Net Book Value at June 30, 2009 | Dep. Rate % per annum |
|-------------------|---------------------|-----------|---------------------|--------------------------|--------------|---------------------|---------------------------------|-----------------------|
|                   | COST                |           |                     | ACCUMULATED AMORTISATION |              |                     |                                 |                       |
|                   | As at July 01, 2008 | Additions | As at June 30, 2009 | As at July 01, 2008      | For the year | As at June 30, 2009 |                                 |                       |
| Computer software | -                   | 728,000   | 728,000             | -                        | 141,542      | 141,542             | 586,458                         | 33 1/3                |
| Total - 2009      | -                   | 728,000   | 728,000             | -                        | 141,542      | 141,542             | 586,458                         |                       |

|                                       | Note           | 2010 Rupees      | 2009 Rupees |
|---------------------------------------|----------------|------------------|-------------|
| <b>7. LONG-TERM LOANS</b>             |                |                  |             |
| Loans to staff                        |                |                  |             |
| Secured - considered good             |                |                  |             |
| Executives                            | 7.1, 7.2 & 7.3 | <b>899,978</b>   | 1,299,986   |
| Other employees                       | 7.1            | <b>5,705,757</b> | 3,747,406   |
|                                       |                | <b>6,605,735</b> | 5,047,392   |
| Less: Due within one year shown under |                |                  |             |
| Current assets                        |                |                  |             |
| - Executives                          | 10             | <b>400,008</b>   | 400,008     |
| - Other employees                     | 10             | <b>1,693,891</b> | 1,125,956   |
|                                       |                | <b>2,093,899</b> | 1,525,964   |
|                                       |                | <b>4,511,836</b> | 3,521,428   |

7.1. These are interest free loans to staff principally for purchase of vehicles and house building and are repayable over 5 years by 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.

### 7.2. Reconciliation of carrying amount of loans to Executives

|                                      |                  |           |
|--------------------------------------|------------------|-----------|
| Balance at the beginning of the year | <b>1,299,986</b> | 1,699,994 |
| Repayments during the year           | <b>(400,008)</b> | (400,008) |
| Balance at the end of the year       | <b>899,978</b>   | 1,299,986 |

7.3. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.3 million (2009: Rs. 1.7 million).

|  | Note      | 2010<br>Rupees     | 2009<br>Rupees     |
|--|-----------|--------------------|--------------------|
| <b>8. STOCK-IN-TRADE</b>   |           |                    |                    |
| Raw material   |           |                    |                    |
| - in hand  |           | 42,695,155         | 104,093,670        |
| - in transit   |           | 49,360,973         | -                  |
|  |           | <u>92,056,128</u>  | <u>104,093,670</u> |
| Packing material   | 8.1       | 33,239,459         | 36,469,253         |
| Work in process  |           | 4,202,598          | 4,437,911          |
| Finished goods   |           | 72,678,606         | 62,898,853         |
| Trading goods  |           |                    |                    |
| - in hand  |           | 13,386,452         | 22,235,532         |
| - in transit   |           | 302,211            | -                  |
|  |           | <u>13,688,663</u>  | <u>22,235,532</u>  |
|  |           | <u>215,865,454</u> | <u>230,135,219</u> |
| 8.1. This includes packaging material held by third parties in the normal course of business amounting to Rs. 1,012,212 (2009: Rs. 973,272). |           |                    |                    |
| <b>9. TRADE DEBTS</b>  |           |                    |                    |
| <b>Unsecured</b>   |           |                    |                    |
| Considered good  | 9.1 & 9.2 | 111,492,786        | 112,097,321        |
| Considered doubtful  |           | 4,802,122          | 4,486,381          |
|  |           | <u>116,294,908</u> | <u>116,583,702</u> |
| Provision for doubtful debts   | 9.3       | (4,802,122)        | (4,486,381)        |
|  |           | <u>111,492,786</u> | <u>112,097,321</u> |
| 9.1. <b>The aging of trade debts at June 30 is as follows:</b>   |           |                    |                    |
| Neither past due nor impaired  |           | 58,335,265         | 58,439,283         |
| Past due but not impaired  |           |                    |                    |
| - within 90 days   |           | 46,976,219         | 37,171,071         |
| - 91 to 180 days   |           | 2,266,537          | 4,844,893          |
| - over 180 days  |           | 3,914,765          | 11,642,074         |
|  |           | <u>111,492,786</u> | <u>112,097,321</u> |
| 9.2. <b>The amount includes due from the following related parties:</b>  |           |                    |                    |
| Colgate Palmolive (Pakistan) Limited   |           | 128,540            | 83,995             |
| Merit Packaging Limited  |           | 27,380             | -                  |
| Siza Foods (Private) Limited   |           | 9,419              | -                  |
| Tetley Clover (Private) Limited  |           | 2,183              | 16,238             |
| Century Paper & Board Mills Limited  |           | 709                | -                  |
| Siza Services (Private) Limited  |           | 349                | -                  |
|  |           | <u>168,580</u>     | <u>100,233</u>     |

# CLOVER PAKISTAN LIMITED

|   | Note        | 2010<br>Rupees | 2009<br>Rupees |
|---|-------------|----------------|----------------|
| <b>9.3. Movement of provision for doubtful debts</b>  |             |                |                |
| Opening balance   |             | 4,486,381      | 4,280,296      |
| Charge for the year   |             | 458,535        | 264,156        |
| Reversal for the year   |             | (142,794)      | (58,071)       |
|   | 24          | 315,741        | 206,085        |
| Closing balance   |             | 4,802,122      | 4,486,381      |
| <b>10. LOANS AND ADVANCES – Considered good</b>   |             |                |                |
| <b>Secured</b>  |             |                |                |
| Current portion of long-term loans to staff   |             |                |                |
| - Executives  | 7           | 400,008        | 400,008        |
| - Other employees   | 7           | 1,693,891      | 1,125,956      |
|   |             | 2,093,899      | 1,525,964      |
| <b>Unsecured</b>  |             |                |                |
| Advance against import  |             | 16,254,221     | 5,791,118      |
| Advances to:  |             |                |                |
| Suppliers   | 10.1        | 3,632,353      | 2,068,962      |
| Employees   | 10.2        | 229,993        | 329,327        |
|   |             | 3,862,346      | 2,398,289      |
|   |             | 22,210,466     | 9,715,371      |
| 10.1. The maximum balance due from a related party at the end of any month during the year was Rs. Nil (2009: Rs. 0.5 million). |             |                |                |
| 10.2. The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.      |             |                |                |
| <b>11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>  |             |                |                |
| Trade deposits  |             |                |                |
| Security deposits   |             | 845,615        | 1,351,115      |
| Container deposits  |             | 430,000        | 2,490,000      |
|   |             | 1,275,615      | 3,841,115      |
| Short term prepayments  |             | 1,359,347      | 5,722,233      |
|   |             | 2,634,962      | 9,563,348      |
| <b>12. OTHER RECEIVABLES</b>  |             |                |                |
| Considered good   |             |                |                |
| Receivable from related parties   | 12.1 & 12.3 | 10,310,710     | 3,343,588      |
| Receivable from Collector of Customs  | 12.2        | -              | 236,170        |
| Margin against letters of credit  |             | 135,000        | 1,883,915      |
| Others  | 12.4        | 2,733,805      | 597,824        |
|   |             | 13,179,515     | 6,061,497      |
| 12.1. The amount due from related parties comprises:  |             |                |                |
| Tetley Clover (Private) Limited   | 12.1.1      | 7,450          | 3,087,588      |
| Kraft Foods Middle East & Africa  | 12.1.2      | 10,019,259     | 256,000        |
| Colgate Palmolive (Pakistan) Limited  | 12.1.3      | 284,001        | -              |
|   |             | 10,310,710     | 3,343,588      |

- 12.1.1 Represents balance due on account of sharing cost of warehouses.
- 12.1.2 Represents balance due on account of advertisement expenses incurred on behalf of Kraft Foods Middle East & Africa.
- 12.1.3 Represents balance due on account of sharing of expenses incurred on behalf of Colgate Palmolive (Pakistan) Limited.
- 12.2 This represents amount of guarantees encashed by the Collector of Customs, issued on account of disputed amount of duties demanded by the Collectorate on certain imported goods. The amount has been refunded to the Company during the year.
- 12.3 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 10.586 million (2009: Rs. 8.068 million).

|                                   | Note   | 2010<br>Rupees          | 2009<br>Rupees        |
|-----------------------------------|--------|-------------------------|-----------------------|
| 12.4 <b>Others</b>                |        |                         |                       |
| Titan International (Middle East) | 12.4.1 | 2,720,293               | 177,789               |
| Others                            |        | <u>13,512</u>           | <u>420,035</u>        |
|                                   |        | <u><u>2,733,805</u></u> | <u><u>597,824</u></u> |

- 12.4.1 Represents discounts given by the Company to its customers on sale of certain models of Titan watches, ranging from 25% to 50%. The discounts are reimbursable by Titan International (Middle East).

### 13. SHORT-TERM INVESTMENTS

|                                      |      |                           |                          |
|--------------------------------------|------|---------------------------|--------------------------|
| Held to maturity - at amortised cost | 13.1 | <u><u>128,731,330</u></u> | <u><u>60,598,356</u></u> |
|--------------------------------------|------|---------------------------|--------------------------|

#### 13.1 Held to maturity

This represents investment in term deposits with a bank. The rates of profit on these term deposits range between 9.50% to 11.75% (2009:13%) per annum. The maturity period of the term deposits ranges from one month to three months.

### 14. 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. 17.011 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 has filed an appeal in the Appellate Tribunal which is still pending. The management believes, on the merit of the case and as advised by its consultant, 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.

# CLOVER PAKISTAN LIMITED

|                                   | Note  | 2010<br>Rupees | 2009<br>Rupees |
|-----------------------------------|---|----------------|----------------|
| <b>15. CASH AND BANK BALANCES</b> |   |                |                |
| Cash in hand                      |   | 269,870        | 357,228        |
| Cash at banks                     |   |                |                |
| In current accounts               |   | 18,102,183     | 20,977,228     |
| In savings accounts               | 15.1  | 98,408,940     | 118,863,228    |
|                                   |   | 116,511,123    | 139,840,456    |
|                                   |   | 116,780,993    | 140,197,684    |
| 15.1.                             | These balances carry profit at rates, ranging between 5% and 11.10% (2009: 2% and 10.10%) per annum.  |                |                |
| 15.2.                             | As at the balance sheet date, aggregate unutilized sanctioned limit of running finance facilities was Rs. 200 million (2009: Rs. 155 million). These facilities are secured against hypothecation charge over stocks and book debts of the Company and carry markup at rates, ranging between 13.78% and 17% (2009: 13.64% and 17.00%) per annum. As at the year end, the balance outstanding under these facilities was Nil (2009: Nil). |                |                |
| 15.3.                             | Of the aggregate facility of Rs. 275 million (2009: Rs. 326.9 million) for opening letters of credit and Rs. Nil (2009: Rs. 15 million) for guarantees, the amount utilized as at June 30, 2010 was Rs. 91.710 million (2009: Rs. 172.808 million) and Rs. Nil (2009: Rs. 0.075 million) respectively.  |                |                |

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

Fully paid Ordinary shares of Rs. 10/- each

| Number of shares |           |                        | 2010<br>Rupees | 2009<br>Rupees |
|------------------|-----------|------------------------|----------------|----------------|
| 2010             | 2009      |                        |                |                |
| 3,900,000        | 3,900,000 | Issued for cash        | 39,000,000     | 39,000,000     |
|                  |           | Issued as bonus shares |                |                |
| 5,534,880        | 3,962,400 | Opening balance        | 55,348,800     | 39,624,000     |
| –                | 1,572,480 | Issued during the year | –              | 15,724,800     |
| 5,534,880        | 5,534,880 |                        | 55,348,800     | 55,348,800     |
| 9,434,880        | 9,434,880 |                        | 94,348,800     | 94,348,800     |

- 16.1. As at the year end, related parties held 8,953,098 (2009: 8,942,089) Ordinary shares of Rs. 10/- each.
- 16.2. As per the terms of Trademark License Agreement, Kraft Foods Holding Inc. - trade mark licensor has the option to purchase 33% of the equity of the Company as increased by the issue of shares to the licensor in a manner and on terms and conditions to be ultimately determined and approved by the authorities of the Islamic Republic of Pakistan.

## 17. RESERVES

|                         |  |             |             |
|-------------------------|--|-------------|-------------|
| Revenue reserves        |  |             |             |
| - General reserves      |  | 256,300,000 | 256,300,000 |
| - Unappropriated profit |  | 19,056,247  | 3,973,030   |
|                         |  | 275,356,247 | 260,273,030 |

|   | Note | 2010<br>Rupees     | 2009<br>Rupees     |
|---|------|--------------------|--------------------|
| <b>18. LONG TERM DEPOSITS</b>   |      | <b>3,309,500</b>   | <b>2,904,500</b>   |
| These represent deposits received from distributors, which are interest free and are repayable on termination of distributorship. |      |                    |                    |
| <b>19. DEFERRED TAXATION</b>  |      |                    |                    |
| Deferred tax liability on tax depreciation allowance - taxable temporary differences  |      | <b>6,620,987</b>   | 8,171,352          |
| Deferred tax assets on deductible temporary differences   |      |                    |                    |
| Provision for doubtful debts  |      | <b>(1,633,032)</b> | (1,570,233)        |
| Provision for employees compensated absences  |      | <b>(613,665)</b>   | (657,349)          |
|   |      | <b>(2,246,697)</b> | (2,227,582)        |
|   |      | <b>4,374,290</b>   | <b>5,943,770</b>   |
| <b>20. TRADE AND OTHER PAYABLES</b>   |      |                    |                    |
| Creditors   |      |                    |                    |
| Due to related parties  | 20.1 | <b>2,922,200</b>   | 8,892,577          |
| Others  |      | <b>174,938,180</b> | 107,312,523        |
|   |      | <b>177,860,380</b> | 116,205,100        |
| Bills payable   |      | <b>115,923,881</b> | 162,766,147        |
| Royalty payable   | 20.2 | <b>40,452,378</b>  | 36,230,265         |
| Accrued expenses  |      | <b>23,718,669</b>  | 23,008,461         |
| Amount due to distributors  |      | <b>3,328,034</b>   | 4,744,144          |
| Workers' Profit Participation Fund  | 20.3 | <b>620,856</b>     | 767,437            |
| Workers' Welfare Fund   |      | <b>1,480,202</b>   | 761,496            |
| Retention money   |      | <b>25,000</b>      | 25,000             |
| Payable to staff gratuity fund  | 20.4 | -                  | 2,202,000          |
| Unclaimed dividend  |      | <b>631,612</b>     | 636,984            |
| Employees' Provident Fund Trust - a related party   |      | -                  | 31,335             |
| Others  |      | <b>1,441,384</b>   | 1,126,223          |
|   |      | <b>365,482,396</b> | <b>348,504,592</b> |
| <b>20.1 The amount due to related parties, comprises of :</b>   |      |                    |                    |
| Hasan Ali Karabhai Foundation   |      | <b>66,812</b>      | 109,902            |
| Colgate Palmolive (Pakistan) Limited  |      | -                  | 1,327,655          |
| Television Media Network (Private) Limited  |      | <b>410,313</b>     | -                  |
| Century Insurance Company Limited   |      | <b>161,996</b>     | 2,722,538          |
| Century Paper and Board Mills Limited   |      | <b>2,263,331</b>   | 4,674,680          |
| Reliance Chemicals (Private) Limited  |      | -                  | 9,482              |
| Lakson Business Solutions Limited   |      | -                  | 30,000             |
| Princeton Travels (Private) Limited   |      | <b>19,748</b>      | 18,320             |
|   |      | <b>2,922,200</b>   | <b>8,892,577</b>   |
| <b>20.2</b>   |      |                    |                    |
| Royalty is payable to a related party Kraft Foods Holding Inc. - trade mark licensor.   |      |                    |                    |

# CLOVER PAKISTAN LIMITED

|      | Note  | 2010<br>Rupees     | 2009<br>Rupees |
|------|---|--------------------|----------------|
| 20.3 | <b>Workers' Profit Participation Fund comprises as follows:</b> |                    |                |
|      | Balance as at July 01   | 767,437            | 1,354,393      |
|      | Amount paid to the fund   | (1,867,437)        | (1,354,393)    |
|      |   | <u>(1,100,000)</u> | <u>-</u>       |
|      | Add: Current year allocation @ 5%                               | 26<br>1,720,856    | 767,437        |
|      | Balance as at June 30   | <u>620,856</u>     | <u>767,437</u> |

## 20.4 Payable to staff gratuity fund

As mentioned in note 4.13(a), 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 charge is based on actuarial valuation carried out as at June 30, 2010 using the Projected Unit Credit Method.

### Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

|                                     | 2010          | 2009          |
|-------------------------------------|---------------|---------------|
| Discount rate                       | 14% per annum | 13% per annum |
| Expected rate of increase in salary | 14% per annum | 12% per annum |
| Rate of return on plan assets       | 10% per annum | 13% per annum |

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

|                                | 2010<br>Rupees   | 2009<br>Rupees   |
|--------------------------------|------------------|------------------|
| Current service cost           | 1,407,000        | 1,431,000        |
| Interest cost                  | 1,926,000        | 1,358,000        |
| Expected return on plan assets | (1,165,000)      | (730,000)        |
| Past service cost              | 143,000          | 143,000          |
| Charge for the year            | <u>2,311,000</u> | <u>2,202,000</u> |

### The charge for the year has been allocated as follows:

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Manufacturing expenses              | 574,800          | 567,624          |
| Distribution and marketing expenses | 1,341,137        | 1,272,875        |
| Administrative expenses             | 395,063          | 361,501          |
|                                     | <u>2,311,000</u> | <u>2,202,000</u> |

### Movements in the net liability recognised in the balance sheet are as follows:

|                      |             |                  |
|----------------------|-------------|------------------|
| Opening balance      | 2,202,000   | -                |
| Charge for the year  | 2,311,000   | 2,202,000        |
| Paid during the year | (4,513,000) | -                |
| Closing balance      | <u>-</u>    | <u>2,202,000</u> |

|  | 2010<br>Rupees      | 2009<br>Rupees     |
|--|---------------------|--------------------|
| <b>The amounts recognised in the balance sheet are as follows:</b> |                     |                    |
| Present value of defined benefit obligation                        | 13,182,000          | 14,816,000         |
| Fair value of plan assets  | <u>(14,769,000)</u> | <u>(8,960,000)</u> |
| (Surplus)/ Deficit   | (1,587,000)         | 5,856,000          |
| Unrecognised past service cost                                     | (2,676,000)         | (2,819,000)        |
| Unrecognised actuarial gain / (loss)                               | <u>4,263,000</u>    | <u>(835,000)</u>   |
| Amount recognised in balance sheet                                 | <u>-</u>            | <u>2,202,000</u>   |

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

|  |                    |                   |
|--|--------------------|-------------------|
| Present value of defined benefit obligation at July 01     | 14,816,000         | 11,316,000        |
| Service cost   | 1,407,000          | 1,431,000         |
| Interest cost  | 1,926,000          | 1,358,000         |
| Actuarial (gain) / loss                                    | <u>(4,967,000)</u> | <u>711,000</u>    |
| Present value of the defined benefit obligation at June 30 | <u>13,182,000</u>  | <u>14,816,000</u> |

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

|                                      |                   |                  |
|--------------------------------------|-------------------|------------------|
| Fair value of plan assets at July 01 | 8,960,000         | 8,111,000        |
| Expected return                      | 1,165,000         | 730,000          |
| Contributions                        | 4,513,000         | -                |
| Actuarial gain                       | <u>131,000</u>    | <u>119,000</u>   |
| Fair value of plan assets at June 30 | <u>14,769,000</u> | <u>8,960,000</u> |

**Historical information**

| As at June 30                               | 2010<br>Rupees      | 2009<br>Rupees     | 2008<br>Rupees     | 2007<br>Rupees     |
|---|---------------------|--------------------|--------------------|--------------------|
| Present value of defined benefit obligation | 13,182,000          | 14,816,000         | 11,316,000         | 9,030,000          |
| Fair value of plan assets                   | <u>(14,769,000)</u> | <u>(8,960,000)</u> | <u>(8,111,000)</u> | <u>(4,350,000)</u> |
| (Surplus) / Deficit                         | <u>(1,587,000)</u>  | <u>5,856,000</u>   | <u>3,205,000</u>   | <u>4,680,000</u>   |

|   |           |           |         |           |
|---|-----------|-----------|---------|-----------|
| Experience adjustment on plan liabilities | 4,967,000 | (711,000) | 952,000 | (685,000) |
| Experience adjustments on plan assets     | 131,000   | 119,000   | 295,000 | 94,000    |

|           |           |
|-----------|-----------|
| 2010<br>% | 2009<br>% |
|-----------|-----------|

**Major categories / composition of plan assets are as follows:**

|      |      |      |
|------|------|------|
| Cash | 100% | 100% |
|------|------|------|

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2010 was Rs. 1.336 million (2009: Rs. 1.042 million).

**21. CONTINGENCIES AND COMMITMENTS****21.1 Contingencies**

Refer note 14.

**21.2 Commitments**

- a) Commitments in respect of letters of credit amounted to Rs. 29.698 million (2009: Rs. 69.871 million).
- b) Other foreign purchase commitments amounted to Rs. 22.880 million (2009: Rs. 44.644 million).

# CLOVER PAKISTAN LIMITED

|                                    | Note | 2010<br>Rupees       | 2009<br>Rupees       |
|------------------------------------|------|----------------------|----------------------|
| <b>22. GROSS REVENUE</b>           |      |                      |                      |
| Local manufactured                 |      | 1,578,392,401        | 1,284,316,836        |
| Trading                            |      | 27,061,837           | 47,981,726           |
|                                    |      | <u>1,605,454,238</u> | <u>1,332,298,562</u> |
| <b>23. COST OF SALES</b>           |      |                      |                      |
| Manufactured                       |      |                      |                      |
| Raw material consumed:             |      |                      |                      |
| Opening stock                      |      | 104,093,670          | 111,434,101          |
| Purchases                          |      | 610,092,758          | 505,544,656          |
|                                    |      | <u>714,186,428</u>   | 616,978,757          |
| Less: Closing stock                |      | 42,695,155           | 104,093,670          |
|                                    |      | <u>671,491,273</u>   | 512,885,087          |
| Packing material consumed          |      | 187,578,618          | 163,181,447          |
| Stores consumed                    |      | 257,612              | 961,565              |
| Salaries, wages and other benefits | 23.1 | 30,442,723           | 28,985,023           |
| Royalty                            | 20.2 | 57,289,850           | 47,941,303           |
| Power and fuel                     |      | 7,068,957            | 6,045,322            |
| Vehicle running expenses           |      | 799,906              | 696,209              |
| Repairs and maintenance            |      | 4,315,889            | 5,694,014            |
| Rent, rates and taxes              |      | 272,867              | 447,618              |
| Travelling and conveyance          |      | 353,294              | 175,757              |
| Insurance                          |      | 1,802,977            | 2,466,118            |
| Postage, telegrams and telephone   |      | 230,649              | 230,097              |
| Laboratory expenses                |      | 47,082               | 78,718               |
| Cartage                            |      | 1,019,187            | 634,871              |
| Information technology expenses    |      | 309,276              | 472,453              |
| Printing and stationery            |      | 82,905               | 145,849              |
| Depreciation                       | 5.1  | 7,639,842            | 8,007,542            |
| Other manufacturing expenses       |      | 151,266              | 42,938               |
|                                    |      | <u>299,662,900</u>   | 266,206,844          |
|                                    |      | <u>971,154,173</u>   | 779,091,931          |
| Work in process                    |      |                      |                      |
| Opening stock                      |      | 4,437,911            | 2,281,714            |
| Closing stock                      |      | (4,202,598)          | (4,437,911)          |
|                                    |      | <u>235,313</u>       | (2,156,197)          |
| Cost of goods manufactured         |      | <u>971,389,486</u>   | 776,935,734          |
| Finished goods                     |      |                      |                      |
| Opening stock                      |      | 62,898,853           | 40,663,720           |
| Closing stock                      |      | (72,678,606)         | (62,898,853)         |
|                                    |      | <u>(9,779,753)</u>   | (22,235,133)         |
| Trading goods                      |      |                      |                      |
| Opening stock                      |      | 22,235,532           | 27,634,594           |
| Add: Purchases                     |      | 8,559,930            | 19,406,688           |
| Less: Closing stock                |      | (13,386,452)         | (22,235,532)         |
|                                    |      | <u>17,409,010</u>    | 24,805,750           |
|                                    |      | <u>979,018,743</u>   | 779,506,351          |

23.1 This amount includes Rs. 1.096 million (2009: Rs. 1.024 million) in respect of staff retirement benefits.

|  | Note | 2010<br>Rupees     | 2009<br>Rupees     |
|--|------|--------------------|--------------------|
| <b>24. DISTRIBUTION AND MARKETING EXPENSES</b> |      |                    |                    |
| Salaries, allowances and other benefits        | 24.1 | 28,893,486         | 30,849,727         |
| Travelling and conveyance                      |      | 4,432,648          | 5,696,954          |
| Repairs and maintenance                        |      | 489,475            | 298,320            |
| Vehicles running expenses                      |      | 4,664,186          | 5,662,783          |
| Advertisement                                  |      | 128,672,111        | 127,706,245        |
| Postage, telegrams and telephone               |      | 1,416,080          | 1,543,258          |
| Rent, rates and taxes                          |      | 6,085,427          | 4,601,431          |
| Printing and stationery                        |      | 312,497            | 423,192            |
| Subscription and membership                    |      | 41,825             | 106,461            |
| Electricity                                    |      | 606,859            | 537,820            |
| Insurance                                      |      | 1,605,472          | 2,272,022          |
| Provision for doubtful debts                   | 9.3  | 315,741            | 206,085            |
| Bad debts written-off                          |      | 295,065            | -                  |
| Freight and octroi                             |      | 29,565,759         | 26,552,272         |
| Stock handling / godown charges                |      | 702,475            | 494,873            |
| Depreciation                                   | 5.1  | 3,050,952          | 3,097,971          |
| Amortisation                                   |      | 242,642            | 141,542            |
| Information technology expenses                |      | 1,108,047          | 1,575,340          |
| Donations                                      |      | -                  | 300,000            |
|  |      | <b>212,500,747</b> | <b>212,066,296</b> |

24.1 This amount includes Rs. 2.227 million (2009: Rs. 2.437 million) in respect of staff retirement benefits.

## 25. ADMINISTRATIVE EXPENSES

|   |      |                   |                   |
|---|------|-------------------|-------------------|
| Chief Executive's remuneration          | 31   | 1,500,000         | 1,500,000         |
| Salaries, allowances and other benefits | 25.1 | 10,079,136        | 9,707,993         |
| Travelling and conveyance               |      | 234,699           | 259,959           |
| Repairs and maintenance                 |      | 11,507            | 12,267            |
| Vehicles running expenses               |      | 674,448           | 672,500           |
| Advertisement                           |      | 76,695            | 212,270           |
| Postage, telegrams and telephone        |      | 227,801           | 333,839           |
| Rent, rates and taxes                   |      | 1,451,460         | 1,451,460         |
| Printing and stationery                 |      | 339,659           | 529,097           |
| Subscription and membership             |      | 443,690           | 311,373           |
| Legal and professional charges          |      | 715,680           | 928,256           |
| Electricity                             |      | 866,213           | 730,462           |
| Insurance                               |      | 671,039           | 659,958           |
| Auditors' remuneration                  | 25.2 | 640,802           | 557,037           |
| Depreciation                            | 5.1  | 1,388,166         | 1,324,998         |
| Information technology expenses         |      | 700,499           | 633,400           |
| Others                                  |      | 69,802            | 91,344            |
|   |      | <b>20,091,296</b> | <b>19,916,213</b> |

25.1 This amount includes Rs. 0.810 million (2009: Rs. 0.778 million) in respect of staff retirement benefits.

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|   | Note | 2010<br>Rupees    | 2009<br>Rupees    |
|---|------|-------------------|-------------------|
| <b>25.2. Auditors' remuneration</b>                           |      |                   |                   |
| Audit fee - statutory   |      | 375,000           | 260,000           |
| Half yearly review and other certifications                   |      | 167,502           | 210,120           |
| Out of pocket expenses  |      | 98,300            | 86,917            |
|   |      | <u>640,802</u>    | <u>557,037</u>    |
| <b>26. OTHER OPERATING EXPENSES</b>                           |      |                   |                   |
| Workers' Profits Participation Fund                           | 20.3 | 1,720,856         | 767,437           |
| Workers' Welfare Fund   |      | 718,706           | 342,164           |
| Loss on disposal of fixed assets                              |      | -                 | 446,853           |
| Exchange loss - net   |      | 3,744,672         | 9,846,712         |
|   |      | <u>6,184,234</u>  | <u>11,403,166</u> |
| <b>27. OTHER OPERATING INCOME</b>                             |      |                   |                   |
| <b>Income from financial assets</b>                           |      |                   |                   |
| Insurance commission from a related party                     |      | 892,916           | 499,499           |
| Profit on deposits  |      | 7,577,258         | 2,879,936         |
| Gain on sale of investments                                   |      | 1,218,178         | 4,316,917         |
|   |      | <u>9,688,352</u>  | <u>7,696,352</u>  |
| <b>Income from non-financial assets</b>                       |      |                   |                   |
| Gain on disposal of fixed assets                              |      | 13,164            | -                 |
| Gain on scrap sales   |      | 412,500           | -                 |
| Others  |      | 41,750            | -                 |
|   |      | <u>467,414</u>    | <u>-</u>          |
|   |      | <u>10,155,766</u> | <u>7,696,352</u>  |
| <b>28. FINANCE COSTS</b>                                      |      |                   |                   |
| Mark-up / interest on short-term running finances             |      | 563,916           | 5,282,261         |
| Bank charges and commission                                   |      | 1,083,287         | 899,460           |
|   |      | <u>1,647,203</u>  | <u>6,181,721</u>  |
| <b>29. TAXATION</b>   |      |                   |                   |
| Current   |      |                   |                   |
| For the year  |      | 12,804,211        | 6,412,961         |
| For prior years   |      | 5,667,453         | 4,809,689         |
|   |      | <u>18,471,664</u> | <u>11,222,650</u> |
| Deferred  |      | (1,569,480)       | (865,397)         |
|   |      | <u>16,902,184</u> | <u>10,357,253</u> |
|   |      | <b>2010</b>       | <b>2009</b>       |
|   |      | <b>%</b>          | <b>%</b>          |
| <b>Tax charge reconciliation</b>                              |      |                   |                   |
| Applicable tax rate as per Income Tax Ordinance, 2001         |      | 35.00             | 35.00             |
| Tax effect of amounts that are:                               |      |                   |                   |
| Not deductible for tax purposes                               |      | 2.74              | 5.37              |
| Effect of deferred tax charge                                 |      | (4.90)            | (6.08)            |
| Effect of change in prior years' tax                          |      | 17.72             | 33.78             |
| Tax effect under presumptive tax regime and others            |      | 2.28              | 4.67              |
|   |      | <u>17.84</u>      | <u>37.74</u>      |
| Average effective tax rate charged to profit and loss account |      | <u>52.84</u>      | <u>72.74</u>      |

The income tax assessments of the Company have been finalized by the Income Tax Department upto tax year 2009.

|   | <b>2010<br/>Rupees</b>   | 2009<br>Rupees   |
|---|--------------------------|------------------|
| <b>30. EARNINGS PER SHARE</b>             |                          |                  |
| Profit after taxation for the year        | <u><b>15,083,217</b></u> | <u>3,881,888</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 per share - basic and diluted    | <u><b>Rs. 1.60</b></u>   | <u>Rs. 0.41</u>  |

There is no dilution effect of option to purchase 33% shares of the Company (see note 16.2) due to certain conditions stipulated in the agreement.

### 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>             |                   |
|------------------------|-------------------------|------------------|--------------------------|-------------------|--------------------------|-------------------|
|                        | 2010                    | 2009             | 2010                     | 2009              | 2010                     | 2009              |
|                        | (Rupees)                |                  |                          |                   |                          |                   |
| Remuneration           | <b>1,111,200</b>        | 1,111,200        | <b>9,284,163</b>         | 9,860,267         | <b>10,395,363</b>        | 10,971,467        |
| House rent             | <b>388,800</b>          | 388,800          | <b>4,183,947</b>         | 4,441,783         | <b>4,572,747</b>         | 4,830,583         |
| Bonus                  | -                       | -                | <b>1,961,731</b>         | 1,472,193         | <b>1,961,731</b>         | 1,472,193         |
| Retirement benefits    | -                       | -                | <b>820,421</b>           | 880,145           | <b>820,421</b>           | 880,145           |
| Motor vehicle expenses | -                       | -                | <b>999,318</b>           | 1,322,293         | <b>999,318</b>           | 1,322,293         |
| Others                 | -                       | -                | <b>1,249,273</b>         | 1,530,087         | <b>1,249,273</b>         | 1,530,087         |
|                        | <u><b>1,500,000</b></u> | <u>1,500,000</u> | <u><b>18,498,853</b></u> | <u>19,506,768</u> | <u><b>19,998,853</b></u> | <u>21,006,768</u> |
| Number of persons      | <u><b>1</b></u>         | <u>1</u>         | <u><b>11</b></u>         | <u>12</u>         | <u><b>12</b></u>         | <u>13</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:

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| Relationship   | Nature of transactions                         | 2010<br>Rupees | 2009<br>Rupees |
|--|--|----------------|----------------|
| Group companies  | Sale of goods and services                     | 15,390,402     | 15,427,928     |
|  | Purchase of goods and services                 | 68,372,031     | 58,002,264     |
|  | Rent, utilities and allied services            | 2,161,820      | 2,759,460      |
|  | Insurance premium                              | 3,898,315      | 9,048,631      |
|  | Insurance commission                           | 892,916        | 499,499        |
|  | Dividend paid                                  | -              | 23,904,531     |
|  | Issue of bonus shares (No. of shares)          | -              | 1,365,972      |
| Licensor of product in respect of which the Company has exclusive trademark rights | Royalty on sale of licensed products           | 57,289,850     | 47,941,303     |
|  | Purchase of goods and services                 | 158,357,211    | 165,286,283    |
| Retirement benefit plans   | Contribution to staff retirement benefit plans | 4,133,396      | 4,238,634      |

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, 2010 is included in relevant notes to the financial statements.

### 33. CAPACITY AND PRODUCTION

|                  | 2010      |                           | 2009      |            |
|------------------|-----------|---------------------------|-----------|------------|
|                  | Capacity  | Production<br>(Kilograms) | Capacity  | Production |
| Food products    | 4,092,000 | 6,369,981                 | 4,092,000 | 6,456,246  |
| Plastic products | 27,000    | 38,774                    | 27,000    | 37,405     |
| Number of shifts | Single    |                           | Single    |            |

Capacity is based on single shift, however, demand for food products is seasonal. A second shift was operated during the year to meet increased demand.

|  | Note | 2010<br>Rupees    | 2009<br>Rupees    |
|--|------|-------------------|-------------------|
| <b>34. CASH GENERATED FROM OPERATIONS</b>            |      |                   |                   |
| Profit before taxation                               |      | 31,985,401        | 14,239,141        |
| Adjustments for :                                    |      |                   |                   |
| Depreciation   |      | 12,078,960        | 12,430,511        |
| Amortisation   |      | 242,642           | 141,542           |
| (Gain)/loss on disposal of fixed assets              |      | (13,164)          | 446,853           |
| Provision for gratuity                               |      | 2,311,000         | 2,202,000         |
| Provision for doubtful debts                         |      | 315,741           | 206,085           |
| Gain on redemption of available for sale investments |      | (1,218,178)       | (4,316,917)       |
| Finance costs  |      | 5,391,875         | 16,028,434        |
|  |      | 19,108,876        | 27,138,508        |
| Working capital changes                              | 34.1 | 28,837,291        | 38,811,914        |
|  |      | <b>79,931,568</b> | <b>80,189,563</b> |

|   | <b>2010</b>         | 2009         |
|---|---------------------|--------------|
|   | <b>Rupees</b>       | Rupees       |
| <b>34.1. Working capital changes</b>              |                     |              |
| <b>(Increase)/decrease in current assets</b>      |                     |              |
| Stores  | <b>(253,119)</b>    | (684,140)    |
| Stock-in-trade                                    | <b>14,269,765</b>   | (21,284,519) |
| Trade debtors                                     | <b>288,794</b>      | (33,677,156) |
| Loans and advances                                | <b>(12,495,095)</b> | (1,875,541)  |
| Trade deposits and short-term prepayments         | <b>6,928,386</b>    | (4,721,386)  |
| Other receivables                                 | <b>(7,118,018)</b>  | 4,809,241    |
| Duty refunds due from government                  | -                   | (20,997,742) |
|   | <b>1,620,713</b>    | (78,431,243) |
| <b>Increase/(decrease) in current liabilities</b> |                     |              |
| Trade and other payables                          | <b>19,185,176</b>   | 120,066,542  |
| Sales tax payable                                 | <b>8,031,402</b>    | (2,823,385)  |
|   | <b>27,216,578</b>   | 117,243,157  |
|   | <b>28,837,291</b>   | 38,811,914   |

### **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 principal financial liabilities consist of trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has loans, advances, other receivables, trade debts, cash and bank balances, short-term deposits and short term investments that arrive directly from its operations.

The Company's Board of Directors oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

The Board of Directors reviews and agrees policies for managing each 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<br>in basis<br>points | Effect on<br>profit before<br>tax<br>Rupees |
|-------------|---|---|
| <b>2010</b> |   |   |
| KIBOR       | +100                                      | <u>(5,639)</u>                              |
| KIBOR       | -100                                      | <u>5,639</u>                                |
| <b>2009</b> |   |   |
| KIBOR       | +100                                      | <u>(52,823)</u>                             |
| KIBOR       | -100                                      | <u>52,823</u>                               |

### 35.1.2 Foreign Currency Risk

Foreign currency risk 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, 2010</b> | <b>168,166,596</b> | <b>48,178,120</b> | <b>59,964</b>          |
| June 30, 2009        | 162,962,022        | 112,957,496       | 96,796                 |

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

|                      | <b>2010</b><br>Rupees | 2009<br>Rupees |
|----------------------|-----------------------|----------------|
| Exchange Rates US \$ | <u><b>85.40</b></u>   | <u>81.30</u>   |

### 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 2010</b> | <u><b>(14,059)</b></u>         | <u><b>(21,629)</b></u> |
| 30 June 2009        | <u>(17,928)</u>                | <u>(27,582)</u>        |

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 counter parties and continually assessing the credit worthiness of counter parties.

Concentrations of credit risk arise when a number of counter parties 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:

|                             | Carrying Values    |                    |
|-----------------------------|--------------------|--------------------|
|                             | 2010<br>Rupees     | 2009<br>Rupees     |
| Long-term loans             | 4,511,836          | 3,521,428          |
| Long-term security deposits | 121,466            | 121,466            |
| Trade debts                 | 111,492,786        | 112,097,321        |
| Loans and advances          | 22,210,466         | 9,715,371          |
| Trade deposits              | 1,275,615          | 3,841,115          |
| Short term investments      | 128,731,330        | 60,598,356         |
| Other receivables           | 13,179,515         | 6,061,497          |
| Bank balances               | 116,511,123        | 139,840,456        |
|                             | <u>398,034,137</u> | <u>335,797,010</u> |

## 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:

|   | 2010<br>Rupees     | 2009<br>Rupees     |
|---|--------------------|--------------------|
| <b>Trade debts</b>  |                    |                    |
| Customers with no defaults in the past one year                               | 52,488,581         | 53,006,162         |
| Customers with some defaults in past one year which have been fully recovered | 5,846,684          | 5,433,121          |
| Customers with defaults in past one year which have not yet been recovered    | -                  | -                  |
|   | <u>58,335,265</u>  | <u>58,439,283</u>  |
| <b>Cash at bank and short-term investments</b>                                |                    |                    |
| A1  | 9,968              | 190,149            |
| A1+   | 245,207,493        | 200,187,470        |
| A2  | 24,992             | 61,193             |
|   | <u>245,242,453</u> | <u>200,438,812</u> |

## 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:

# CLOVER PAKISTAN LIMITED

| Year ended June 30, 2010 | On demand  | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total       |
|--------------------------|------------|--------------------|----------------|--------------|-----------|-------------|
| Long-term deposits       | 3,309,500  | -                  | -              | -            | -         | 3,309,500   |
| Trade and other payables | 31,093,614 | 332,584,229        | 1,804,553      | -            | -         | 365,482,396 |
| Accrued mark-up          | 18,582     | -                  | -              | -            | -         | 18,582      |
|                          | 34,421,696 | 332,584,229        | 1,804,553      | -            | -         | 368,810,478 |

  

| Year ended June 30, 2009 | On demand  | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total       |
|--------------------------|------------|--------------------|----------------|--------------|-----------|-------------|
| Long-term deposits       | 2,904,500  | -                  | -              | -            | -         | 2,904,500   |
| Trade and other payables | 33,585,487 | 313,040,965        | 1,878,140      | -            | -         | 348,504,592 |
| Accrued mark-up          | 686,603    | -                  | -              | -            | -         | 686,603     |
|                          | 37,176,590 | 313,040,965        | 1,878,140      | -            | -         | 352,095,695 |

### 35.3 Capital risk management

35.4 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, 2010 and June 30, 2009.

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

### Fair value of financial assets and liabilities

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

## 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              | 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.

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, 2010 and 2009 respectively:

|                                       | 2010          |                   |                  | 2009      |                   |           |
|---------------------------------------|---------------|-------------------|------------------|-----------|-------------------|-----------|
|                                       | Food          | Consumer Durables | Total            | Food      | Consumer Durables | Total     |
|                                       | Rupees in 000 |                   |                  |           |                   |           |
| <b>Segment Results</b>                |               |                   |                  |           |                   |           |
| Net sales                             | 1,215,128     | 26,144            | <b>1,241,272</b> | 1,008,423 | 27,194            | 1,035,617 |
| Gross profit / (loss)                 | 254,031       | 8,222             | <b>262,253</b>   | 246,122   | 9,988             | 256,110   |
| Distribution costs                    | (201,492)     | (11,009)          | <b>(212,501)</b> | (195,436) | (16,631)          | (212,066) |
| Administrative expenses               | (20,091)      | -                 | <b>(20,091)</b>  | (19,916)  | -                 | (19,916)  |
| Segment results                       | 32,448        | (2,787)           | <b>29,661</b>    | 30,770    | (6,643)           | 24,128    |
| <b>Unallocated corporate expenses</b> |               |                   |                  |           |                   |           |
| Other operating expenses              |               |                   | <b>(6,184)</b>   |           |                   | (11,403)  |
| Other operating income                |               |                   | <b>10,155</b>    |           |                   | 7,696     |
| Finance costs                         |               |                   | <b>(1,647)</b>   |           |                   | (6,182)   |
| Taxation                              |               |                   | <b>(16,902)</b>  |           |                   | (10,357)  |
|                                       |               |                   | <b>(14,578)</b>  |           |                   | (20,246)  |
| Profit after taxation                 |               |                   | <b>15,083</b>    |           |                   | 3,882     |
| <b>Assets</b>                         |               |                   |                  |           |                   |           |
| Segment assets                        | 707,158       | 27,573            | <b>734,731</b>   | 656,959   | 43,575            | 700,534   |
| Unallocated corporate assets          | -             | -                 | <b>27,006</b>    | -         | -                 | 22,943    |
|                                       | 707,158       | 27,573            | <b>761,737</b>   | 656,959   | 43,575            | 723,477   |
| <b>Liabilities</b>                    |               |                   |                  |           |                   |           |
| Segment liabilities                   | 387,350       | 307               | <b>387,657</b>   | 357,505   | 5,406             | 362,911   |
| Unallocated corporate liabilities     | -             | -                 | <b>4,374</b>     | -         | -                 | 5,944     |
|                                       | 387,350       | 307               | <b>392,031</b>   | 357,505   | 5,406             | 368,855   |
| Capital expenditure                   | 4,173         | -                 | <b>4,173</b>     | 35,714    | 1,645             | 37,359    |
| Depreciation and amortization         | 11,696        | 625               | <b>12,321</b>    | 11,806    | 766               | 12,572    |

Segment assets do not include Taxation- net as the asset is managed on a Company basis.

Segment liabilities do not include deferred tax liability as the liability is managed on a Company basis.

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## 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  |
|--|------------------|--------------------------|------------------|------------------|------------------|------------------|--|
| Rupees   |                  |                          |                  |                  |                  |                  |  |
| <b>Furniture and fittings</b><br>items having book value upto Rs. 50,000 | 820,008          | 225,503                  | 594,505          |                  | (594,505)        |                  | Written off  |
| <b>Tools and equipment</b><br>items having book value upto Rs. 50,000    | 94,911           | 24,793                   | 70,118           | 37,930           | (32,188)         | Negotiation      | Various  |
| <b>Plant and machinery</b><br>Split Air conditioner                      | 82,000           | 72,749                   | 9,251            | 14,000           | 4,749            | Negotiation      | Mr. Muhammad Aslam,<br>Nursery Road, A-106,<br>Dhobi Ghat, Jut Line,<br>Karachi  |
| <b>Vehicles</b>  |                  |                          |                  |                  |                  |                  |  |
| Suzuki Cultus  | 575,730          | 268,674                  | 307,056          | 619,000          | 311,944          | Negotiation      | Mr. Taimur Dyer,<br>Showroom No. 6,<br>Plot 711, Ponawala Trust<br>Building, New M.A.<br>Jinnah Road, Karachi.           |
| Suzuki Alto  | 504,000          | 285,600                  | 218,400          | 501,000          | 282,600          | Negotiation      | Mr. Taimur Dyer,<br>Showroom No. 6,<br>Plot 711, Ponawala Trust<br>Building, New M.A.<br>Jinnah Road, Karachi.           |
| Items having book value upto Rs. 50,000                                  | 49,465           | 23,855                   | 25,610           | 162,744          | 137,134          | Negotiation      | Various  |
|  | 1,129,195        | 578,129                  | 551,066          | 1,282,744        | 731,678          |                  |  |
| <b>Office &amp; Electric Equipment</b>                                   |                  |                          |                  |                  |                  |                  |  |
| Photo copy machine   | 195,000          | 195,000                  | -                | 15,000           | 15,000           | Negotiation      | DWP Technologies (Private)<br>Limited, 11, First Floor,<br>Mandviwalla Chambers,<br>Talpur Road, Karachi.                |
| Cassette type Air conditioner  | 147,800          | 33,255                   | 114,545          | 55,000           | (59,545)         | Negotiation      | Colgate-Palmolive (Pakistan)<br>Limited, 3rd Floor, Lakson<br>Square Building No. 2,<br>Sarwar Shaheed Road,<br>Karachi. |
| Cassette type Air conditioner  | 111,000          | 24,975                   | 86,025           | 34,000           | (52,025)         | Negotiation      | Sybrid (Private) Limited,<br>Lakson Square Building<br>No. 2, Sarwar Shaheed<br>Road, Karachi.                           |
|  | 453,800          | 253,230                  | 200,570          | 104,000          | (96,570)         |                  |  |
| <b>2010</b>  | <b>2,579,914</b> | <b>1,154,404</b>         | <b>1,425,510</b> | <b>1,438,674</b> | <b>13,164</b>    |                  |  |
| <b>2009</b>  | <b>2,574,932</b> | <b>1,197,079</b>         | <b>1,377,853</b> | <b>931,000</b>   | <b>(446,853)</b> |                  |  |

**38. DATE OF AUTHORIZATION FOR ISSUE**

The Board of Directors of the Company authorized these financial statements for issue on August 13, 2010.

**39. DIVIDEND AND APPROPRIATIONS**

Subsequent to the balance sheet date, the Board of Directors have proposed a final dividend of Rs.1.50 per share amounting to a total dividend of Rs. 14,152,320 (2009: Rs. Nil), in their meeting held on August 13, 2010 for approval of the members at the Annual General Meeting. In addition, the Board has also approved appropriation to general reserves of Rs. 4.7 million (2009: Rs. Nil)

**40. GENERAL**

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



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director