

Notes to the Financial Statements for the year ended June 30, 2009

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 judgements in the process of applying the Company's accounting policies. Estimates and judgements 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 judgements which are significant to the financial statements:

	Note
• Useful lives of assets and method of depreciation	4.4
• Defined benefit plan	4.12
• Provision for taxation - current and deferred	4.14
• 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 except for available-for-sale investments that have been measured at fair value.

4.2 Standard issued but 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:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32 - Financial Instruments (Amended)	January 01, 2009
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 2 - Share-based Payments (Amended)	January 01, 2009
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreement for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfer of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and/or enhancements in the presentation and disclosures in the financial statements resulting from the application of IAS 1. The revised IAS 1 was issued in September 2007 and becomes effective for financial years beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

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

4.3 Adoption of new accounting standards

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008:

- IFRS 7 - Financial Instruments: Disclosures
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes; and
- IFRIC 14 - IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures included in the relevant notes to the financial statements.

4.4 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 5.1. Depreciation on additions is charged from the month in which the asset is available to 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.

Leased

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged to the profit and loss applying the straight-line method at the rates stated in note 5.1 below.

4.5 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.

4.6 Stores

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

4.7 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.

4.8 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.

4.9 Loans, advances and other receivables

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

4.10 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.

4.11 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.

4.12 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, 2009 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.

4.13 Compensated absences

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

4.14 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 available.

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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 Borrowings costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

4.21 Revenue recognition

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

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

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

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.

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	2009						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 (1,277,514)	8,245,777	4,965,105	567,070 (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 (1,297,418)	25,830,496	12,533,721	3,233,048 (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
2009	159,548,672	37,358,492 (2,574,932)	194,332,232	77,158,735	12,430,511 (1,197,079)	88,392,167	105,940,065	

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Description	2008							Book Value at June 30, 2008	Dep. Rate % per annum
	COST			ACCUMULATED DEPRECIATION					
	As at July 01, 2007	Additions/ (disposals)/ *transfers	As at June 30, 2008	As at July 01, 2007	For the year (disposals)/ *transfers	As at June 30, 2008			
	(Rupees)								
Freehold land	1,636,307	-	1,636,307	-	-	-	1,636,307	-	
Leasehold land	4,913,666	-	4,913,666	-	-	-	4,913,666	-	
Building on leasehold land	20,102,825	11,433,391	31,536,216	12,113,673	1,213,162 *(123,921)	13,202,914	18,333,302	5	
Office premises	1,203,197	-	1,203,197	1,018,568	134,933 *49,696	1,203,197	-	15	
Plant and machinery	64,835,914	13,042,703 (1,711,949) *(355,429)	75,811,239	37,349,563	4,409,287 (1,711,949) *(1,124,354)	38,922,547	36,888,692	10	
Furniture and fittings	5,356,146	3,167,633 (4,543) *(98,569)	8,420,667	4,488,721	423,014 (4,543) *57,913	4,965,105	3,455,562	15	
Office equipment	1,633,998	817,078 (8,390) *138,956	2,581,642	1,205,390	270,110 (8,390) *(71,293)	1,395,817	1,185,825	15	
Tools and equipment	1,311,853	1,632,780 (62,500) *220,486	3,102,619	929,406	258,013 (62,500) *339,124	1,464,043	1,638,576	15	
Vehicles	24,002,238	3,075,176 (2,323,400)	24,754,014	12,437,807	462,596 (1,314,207) *947,525	12,533,721	12,220,293	25	
Computer and data processing equipment	3,854,671	2,107,346 (467,468) *94,556	5,589,105	3,041,596	880,628 (448,184) *(2,649)	3,471,391	2,117,714	33	
2008	128,850,815	35,276,107 (4,578,250)	159,548,672	72,584,724	8,123,784 (3,549,773)	77,158,735	82,389,937		

* Represent transfers from leased assets to owned assets.

Details of Property, plant and equipment sold is given in Note 36.

	Note	2009 Rupees	2008 Rupees
5.1	Depreciation for the year has been allocated as follows:		
	23	8,007,542	6,650,206
	24	3,097,971	210,789
	25	1,324,998	1,262,789
		12,430,511	8,123,784

6. INTANGIBLE ASSETS

Description	2009						Book Value at June 30, 2009	Dep. Rate % per annum
	COST			ACCUMULATED DEPRECIATION				
	As at July 01, 2008	Additions	As at June 30, 2009	As at July 01, 2008	For the year	As at June 30, 2009		
	(Rupees)							
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	2009 Rupees	2008 Rupees
7.	LONG-TERM LOANS		
Loans to staff			
Secured - considered good			
Executives	7.1, 7.2 & 7.3	1,299,986	1,699,994
Other employees	7.1	3,747,406	5,361,028
		5,047,392	7,061,022
Less: Due within one year shown under			
Current assets			
- Executives	10	400,008	400,008
- Other employees	10	1,125,956	1,130,936
		1,525,964	1,530,944
		3,521,428	5,530,078

7.1. These are interest free loans to staff principally for purchase of vehicles and house building and are repayable in 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	1,699,994	-
Disbursements during the year	-	2,000,000
Repayments during the year	(400,008)	(300,006)
Balance at the end of the year	1,299,986	1,699,994

7.3. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.7 million (2008: Rs. 2.00 million).

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	Note	2009 Rupees	2008 Rupees
8. STOCK-IN-TRADE			
Raw material		104,093,670	111,434,101
Packing material	8.1	36,469,253	26,836,571
Work in process		4,437,911	2,281,714
Finished goods		62,898,853	40,663,720
Trading goods		22,235,532	27,634,594
		230,135,219	208,850,700
8.1	This includes packaging material held by third parties in the normal course of business amounting to Rs. 973,272 (2008: Rs. 915,003).		
9. TRADE DEBTS			
Unsecured			
Considered good	9.1 & 9.2	112,097,321	78,626,250
Considered doubtful		4,486,381	4,280,296
		116,583,702	82,906,546
Provision for doubtful debts	9.3	(4,486,381)	(4,280,296)
		112,097,321	78,626,250
9.1	The aging of trade debts at June 30 is as follows:		
Neither past due nor impaired		58,439,283	41,521,666
Past due but not impaired			
- within 90 days		37,171,071	34,344,026
- 91 to 180 days		4,844,893	2,606,586
- over 180 days		11,642,074	153,972
		112,097,321	78,626,250
9.2	The amount includes due from the following related parties:		
Colgate Palmolive (Pakistan) Limited		83,995	44,763
Tetley Clover (Private) Limited		16,238	-
		100,233	44,763
9.3	Movement of provision for doubtful debts		
Opening balance		4,280,296	3,917,776
Charge for the year		264,156	362,520
Reversal for the year		(58,071)	-
		206,085	362,520
Closing balance		4,486,381	4,280,296

	Note	2009 Rupees	2008 Rupees
10. LOANS AND ADVANCES - Considered good			
Secured			
Current portion of long-term loans to staff			
- Executives	7	400,008	400,008
- Other employees	7	1,125,956	1,130,936
		1,525,964	1,530,944
Unsecured			
Advance against import		5,791,118	1,043,095
Advances to:			
Suppliers	10.1	2,068,962	4,587,962
Employees	10.2	329,327	677,829
		2,398,289	5,265,791
		9,715,371	7,839,830
10.1	This includes Nil (2008: Rs. 0.5 million) advanced to a related party, Century Insurance Company Limited, against insurance premium. The maximum balance due from a related party at the end of any month during the year was Rs. 0.5 million (2008: 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.		
11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits			
Security deposits		1,351,115	1,246,915
Container deposits		2,490,000	280,000
		3,841,115	1,526,915
Short term prepayments		5,722,233	3,315,047
		9,563,348	4,841,962
12. OTHER RECEIVABLES			
Considered good			
Receivable from related parties	12.1 & 12.3	3,343,588	3,121,747
Receivable from Collector of Customs	12.2	236,170	236,170
Margin against letters of credit		1,883,915	427,022
Workers Profit Participation Fund	20.3	-	1,354,393
Employees' Provident Fund Trust - a related party		-	395,687
Others	12.4	597,824	5,335,720
		6,061,497	10,870,739
12.1	The amount due from related parties comprises:		
Tetley Clover (Private) Limited	12.1.1	3,087,588	2,205,148
Kraft Foods Middle East & Africa	12.1.2	256,000	-
Century Insurance Company Limited		-	916,599
		3,343,588	3,121,747

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- 12.1.1 Represents balance due on account of sharing cost of warehouses, which has been realized subsequent to the balance sheet date.
- 12.1.2 Represents balance due on account of expenses incurred on behalf of Kraft Foods Middle East & Africa.
- 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. This amount has been recognized as refundable as the management expects a favourable resolution to the dispute and hence no provision has been made thereagainst.
- 12.3 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 8.068 million (2008: Rs. 5.625 million).

	Note	2009 Rupees	2008 Rupees
12.4 Others			
Titan International (Middle East)	12.4.1	177,789	5,021,608
Others		420,035	741,134
		<u>597,824</u>	<u>5,762,742</u>

- 12.4.1 Represents advertisement expenses incurred by the Company reimbursable from Titan International (Middle East), the Principal supplier in accordance with the terms of the Memorandum of Understanding.

13. SHORT TERM INVESTMENTS

Held to maturity - at amortised cost	13.1	60,598,356	5,017,808
Available for sale - at fair value	13.2	-	140,800,696
		<u>60,598,356</u>	<u>145,818,504</u>

13.1 Held to maturity

This represents investment in term deposit with a bank, having maturity of one month with an option to roll forward and which carries mark-up @ 13% (2008: 10%) per annum.

13.2 Available for sale

Number of units		Name of investee	2009 Rupees	2008 Rupees
2009	2008			
Open ended mutual funds				
-	1,862,527	NAFA Cash Fund	-	20,072,266
-	341,789	KASB Liquid Fund	-	35,289,663
-	38,201	Atlas Income Fund	-	20,014,135
-	565,203	Pak Oman Advantage Plus Fund	-	30,186,371
-	340,203	Faysal Saving and Growth Fund	-	35,238,261
			<u>-</u>	<u>140,800,696</u>

14. DUTY REFUNDS DUE FROM GOVERNMENT

During the year, 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 made zero as against 25% given in First Schedule to the Act. The Company imported crystalline sugar from July 26, 2008 to October 15, 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 refund 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. Subsequent to year end, 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 intends to pursue this case in the Appellate Tribunal. 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, it has decided to account for this refund claims in the books of account of the Company for the year ended June 30, 2009.

	Note	2009 Rupees	2008 Rupees
15. CASH AND BANK BALANCES			
Cash in hand		357,228	494,547
Cash at banks			
In current accounts		20,977,228	11,919,248
In savings accounts	15.1	118,863,228	51,298,991
		139,840,456	63,218,239
Cheques in hand		-	9,179,338
		<u>140,197,684</u>	<u>72,892,124</u>

- 15.1 These balances carry profit rates, ranging between 2% and 10.10% (2008: 2% and 10.10%) per annum.
- 15.2 As at the balance sheet date, aggregate unutilized sanctioned limit of running finance facilities was Rs. 155 million (2008: Rs. 215 million). These facilities are secured against hypothecation charge over stocks and book debts of the Company and carry markup at rates, ranging between 13.64% and 17.00% (2008: 11.18% and 13.75%) per annum. As at the year end, the balance outstanding under these facilities was Nil (2008: Nil).
- 15.3 Of the aggregate facility of Rs. 326.9 million (2008: Rs. 465 million) for opening letters of credit and Rs. 15 million (2008: Rs. 15 million) for guarantees, the amount utilized as at June 30, 2009 was Rs. 172.808 million (2008: Rs. 174.555 million) and Rs. 0.075 million (2008: Rs. 1.354 million) respectively.

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16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid Ordinary shares of Rs. 10/- each

Number of shares			2009	2008
2009	2008		Rupees	Rupees
3,900,000	3,900,000	Issued for cash	39,000,000	39,000,000
		Issued as bonus shares		
3,962,400	2,652,000	Opening balance	39,624,000	26,520,000
1,572,480	1,310,400	Issued during the year	15,724,800	13,104,000
5,534,880	3,962,400		55,348,800	39,624,000
<u>9,434,880</u>	<u>7,862,400</u>		<u>94,348,800</u>	<u>78,624,000</u>

16.1 As at the year end, related parties held 8,942,089 (2008: 6,836,866) 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.

	2009	2008
	Rupees	Rupees
17. RESERVES		
Revenue reserves		
- General reserves	256,300,000	202,000,000
- Unappropriated profit	3,973,030	97,634,342
- Unrealized gain on revaluation of available-for-sale investments	-	800,696
	<u>260,273,030</u>	<u>300,435,038</u>
18. LONG TERM DEPOSITS	<u>2,904,500</u>	<u>2,354,500</u>

This represents deposits received from distributors, which are interest free and are repayable on termination of distributorship.

19. DEFERRED TAXATION

Deferred tax liability on tax depreciation allowance - taxable temporary differences	8,171,352	8,902,416
Deferred tax assets on deductible temporary differences		
Provision for doubtful debts	(1,570,233)	(1,498,104)
Provision for employees compensated absences	(657,349)	(595,145)
	<u>(2,227,582)</u>	<u>(2,093,249)</u>
	<u>5,943,770</u>	<u>6,809,167</u>

	Note	2009 Rupees	2008 Rupees
20. TRADE AND OTHER PAYABLES			
Creditors			
Due to related parties	20.1	8,892,577	4,713,298
Others		107,312,523	75,152,374
		<u>116,205,100</u>	<u>79,865,672</u>
Bills payable		162,766,147	75,467,176
Royalty payable	20.2	36,230,265	33,336,886
Accrued expenses		23,008,461	29,307,507
Amount due to distributors		4,744,144	3,855,092
Advance against export		-	50,981
Workers' Profit Participation Fund	20.3	767,437	-
Workers' Welfare Fund		761,496	2,868,681
Retention money		25,000	50,000
Payable to staff gratuity fund	20.4	2,202,000	-
Unclaimed dividend		636,984	557,115
Employees' Provident Fund Trust - a related party		31,335	-
Others		1,126,223	797,071
		<u>348,504,592</u>	<u>226,156,181</u>

20.1 The amount due to related parties, comprises of :

Hasan Ali Karabhai Foundation		109,902	62,692
Colgate Palmolive (Pakistan) Limited		1,327,655	1,194,926
Cyber Internet Services (Private) limited		-	105,909
Century Insurance Company Limited		2,722,538	-
Century Paper and Board Mills Limited		4,674,680	2,738,491
Century Publications (Private) Limited		-	611,280
Reliance Chemicals (Private) Limited		9,482	-
Lakson Business Solution		30,000	-
Princeton Travels (Private) Limited		18,320	-
		<u>8,892,577</u>	<u>4,713,298</u>

20.2 Royalty is payable to a related party Kraft Foods Holding Inc. - trade mark licensor.

20.3 **Workers' Profit Participation Fund comprises as follows:**

Balance as at July 01		(1,354,393)	(1,889,738)
Amount received from / (paid to) the fund		1,354,393	(7,110,262)
		-	(9,000,000)
Add: Current year allocation @ 5%	26	767,437	7,645,607
Balance as at June 30		<u>767,437</u>	<u>(1,354,393)</u>

20.4 **Payable to staff gratuity fund**

As mentioned in note 4.12(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.

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Annual charge is based on actuarial valuation carried out as at June 30, 2009 using the Projected Unit Credit Method.

Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

	2009	2008
Discount rate	13% per annum	12% per annum
Expected rate of increase in salary	12% per annum	10% per annum
Rate of return on plan assets	13% per annum	9% per annum
	2009	2008
	Rupees	Rupees

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

Current service cost	1,431,000	1,011,000
Interest cost	1,358,000	903,000
Expected return on plan assets	(730,000)	(131,000)
Past service cost	143,000	143,000
Impact of transferred employee	-	84,000
Recognition of actuarial loss	-	1,325,000
Charge for the year	<u>2,202,000</u>	<u>3,335,000</u>

The charge for the year has been allocated as follows:

Manufacturing expenses	567,624	1,026,857
Distribution and marketing expenses	1,272,875	1,870,023
Administrative expenses	361,501	438,120
	<u>2,202,000</u>	<u>3,335,000</u>

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

Opening balance	-	-
Charge for the year	2,202,000	3,335,000
Contributions / payments during the year	-	(3,335,000)
Closing balance	<u>2,202,000</u>	<u>-</u>

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	14,816,000	11,316,000
Fair value of plan assets	(8,960,000)	(8,111,000)
Deficit	<u>5,856,000</u>	<u>3,205,000</u>
Unrecognised past service cost	(2,819,000)	(2,962,000)
Unrecognised actuarial loss	(835,000)	(243,000)
Amount recognised in balance sheet	<u>2,202,000</u>	<u>-</u>

	2009 Rupees	2008 Rupees
Movement in the present value of defined benefit obligation:		
Present value of defined benefit obligation at July 01	11,316,000	9,030,000
Service cost	1,431,000	1,011,000
Interest cost	1,358,000	903,000
Impact of transferred employee	-	1,324,000
Actuarial loss	711,000	(952,000)
Present value of the defined benefit obligation at June 30	14,816,000	11,316,000

Movement in the fair value of plan assets:

Fair value of plan assets at July 01	8,111,000	4,350,000
Expected return	730,000	131,000
Contributions	-	3,335,000
Actuarial gain	119,000	295,000
Fair value of plan assets at June 30	8,960,000	8,111,000

Historical information**As at June 30**

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Present value of defined benefit obligation	14,816,000	11,316,000	9,030,000	6,492,000
Fair value of plan assets	(8,960,000)	(8,111,000)	(4,350,000)	(2,217,000)
Deficit	5,856,000	3,205,000	4,680,000	4,275,000
Experience adjustment on plan liabilities	(711,000)	952,000	(685,000)	(1,090,000)
Experience adjustments on plan assets	119,000	295,000	94,000	(10,000)

Major categories / composition of plan assets are as follows:

	2009 %	2008 %
Cash	100%	100%

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2009 was Rs. 0.001 million (2008: Rs. 0.250 million)

21. CONTINGENCIES AND COMMITMENTS**21.1 Contingencies****a) Customs duties**

In the year 2002, the Assistant Collector Customs Karachi had issued a demand cum show cause notice for the recovery of Rs. 4.465 million (2008: Rs. 4.465 million) on account of duties on import of foodstuff misapplied under Pakistan Custom Tariff Code. The Company had filed a detailed reply in response to the show cause notice. The management is confident that based on the advice of its legal advisor, any liability in this respect has a remote possibility of crystallization and hence no provision for the same has been made in these financial statements.

b) Refer note 14.**c) Guarantees**

There is a contingent liability in respect of indemnities given to banks for guarantees issued by them in the normal course of business aggregating to Rs. 0.075 million (2008: Rs. 1.354 million).

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21.2. Commitments

- a) Commitments in respect of letters of credit amounted to Rs. 69.871 million (2008: Rs. 174.555 million).
- b) Foreign purchase commitments amounted to Rs. 44.644 million (2008: Rs. Nil).

	Note	2009 Rupees	2008 Rupees
22. GROSS REVENUE			
Local manufactured		1,284,316,836	1,345,622,223
Trading		47,981,726	37,558,340
		<u>1,332,298,562</u>	<u>1,383,180,563</u>
23. COST OF SALES			
Manufactured			
Raw material consumed:			
Opening stock		111,434,101	54,978,020
Purchases		505,544,656	523,954,993
		<u>616,978,757</u>	578,933,013
Less: Closig stock		104,093,670	111,434,101
		<u>512,885,087</u>	467,498,912
Packing material consumed		163,181,447	184,043,697
Stores consumed		961,565	545,346
Salaries, wages and other benefits	23.1	28,985,023	25,407,301
Royalty	20.2	47,941,303	44,799,752
Power and fuel		6,045,322	5,322,172
Vehicle running expenses		696,209	471,624
Repairs and maintenance		5,694,014	8,436,496
Rent, rates and taxes		447,618	473,551
Travelling and conveyance		175,757	152,969
Insurance		2,466,118	1,681,939
Postage, telegrams and telephone		230,097	335,513
Laboratory expenses		78,718	72,914
Cartage		634,871	470,433
Information technology expenses		472,453	225,662
Printing and stationery		145,849	64,509
Depreciation	5.1	8,007,542	6,650,206
Other manufacturing expenses		42,938	25,594
		<u>266,206,844</u>	279,179,678
		779,091,931	746,678,590
Work in process			
Opening stock		2,281,714	1,817,879
Closing stock		(4,437,911)	(2,281,714)
		<u>(2,156,197)</u>	(463,835)
Cost of goods manufactured		<u>776,935,734</u>	746,214,755
Finished goods			
Opening stock		40,663,720	28,704,510
Closing stock		(62,898,853)	(40,663,720)
		<u>(22,235,133)</u>	(11,959,210)
Trading goods			
Opening stock		27,634,594	1,769,628
Add: Purchases		19,406,688	47,141,703
Less: Closing stock		(22,235,532)	(27,634,594)
		<u>24,805,750</u>	21,276,737
		<u>779,506,351</u>	<u>755,532,282</u>

- 23.1. This amount includes Rs. 1.024 million (2008: Rs. 1.423 million) in respect of staff retirement benefits.

	Note	2009 Rupees	2008 Rupees
24. DISTRIBUTION AND MARKETING EXPENSES			
Salaries, allowances and other benefits	24.1	30,849,727	26,395,181
Travelling and conveyance		5,696,954	6,972,817
Repairs and maintenance		298,320	403,024
Vehicles running expenses		5,662,783	4,671,396
Advertisement		127,706,245	97,289,708
Postage, telegrams and telephone		1,543,258	1,386,894
Rent, rates and taxes		4,601,431	3,540,383
Printing and stationery		423,192	598,911
Subscription and membership		106,461	93,313
Electricity		537,820	368,551
Insurance		2,272,022	1,532,380
Provision for doubtful debts	9.3	206,085	362,520
Bad debts written-off		-	576,539
Freight and octroi		26,552,272	25,572,517
Stock handling / godown charges		494,873	345,561
Depreciation	5.1	3,097,971	210,789
Amortisation		141,542	-
Information technology expenses		1,575,340	916,707
Donations	24.2	300,000	100,500
		212,066,296	171,337,691

- 24.1 This amount includes Rs. 2.437 million (2008: Rs. 2.806 million) in respect of staff retirement benefits.

- 24.2 Donations include the following donee in whom directors or their spouses are interested:

Name of donee	Address of donee	Name of directors	Interest in donee	2009 Rupees	2008 Rupees
Hasanali	7th Floor, Lakson	Mr. Iqbal Ali Lakhani	Trustee	300,000	-
Karabhai	Square, Building No.2,	Mr. Zulfiqar Ali Lakhani	Trustee		
Foundation	Sarwar Shaheed Road, Karachi.	Mr. Amin Mohammed Lakhani	Trustee		

This donation was made by the donee to Swat Internally Displaced Persons.

25. ADMINISTRATIVE EXPENSES

Chief Executive's remuneration	31	1,500,000	1,500,000
Salaries, allowances and other benefits	25.1	9,707,993	8,248,858
Travelling and conveyance		259,959	676,030
Repairs and maintenance		12,267	13,332
Vehicles running expenses		672,500	668,457
Advertisement		212,270	166,535
Postage, telegrams and telephone		333,839	432,585
Rent, rates and taxes		1,451,460	1,285,584
Printing and stationery		529,097	515,056
Subscription and membership		311,373	328,557
Legal and professional charges		928,256	999,264
Electricity		730,462	502,381
Insurance		659,958	542,044
Auditors' remuneration	25.2	557,037	418,840
Depreciation	5.1	1,324,998	1,262,789
Information technology expenses		633,400	574,357
Others		91,344	33,497
		19,916,213	18,168,166

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25.1. This amount includes Rs. 0.778 million (2008: Rs. 0.769 million) in respect of staff retirement benefits.

	Note	2009 Rupees	2008 Rupees
25.2	Auditors' remuneration		
	Audit fee - statutory	260,000	200,000
	Half yearly review and other certifications	210,120	160,900
	Out of pocket expenses	86,917	57,940
		<u>557,037</u>	<u>418,840</u>
26.	OTHER OPERATING EXPENSES		
	Workers' Profits Participation Fund	20.3 767,437	7,645,607
	Workers' Welfare Fund	342,164	2,905,331
	Loss on disposal of fixed assets	446,853	-
	Exchange loss - net	9,846,712	10,664,068
		<u>11,403,166</u>	<u>21,215,006</u>
27.	OTHER OPERATING INCOME		
	Insurance commission from a related party	499,499	932,155
	Profit on deposits	2,879,936	5,016,602
	Gain on sale of investments	4,316,917	16,227,379
	Gain on disposal of fixed assets	-	1,520,428
	Others	-	628,186
		<u>7,696,352</u>	<u>24,324,750</u>
28.	FINANCE COSTS		
	Mark-up / interest on short-term running finances	5,282,261	708,419
	Bank charges and commission	899,460	927,740
		<u>6,181,721</u>	<u>1,636,159</u>
29.	TAXATION		
	Current		
	For the year	6,412,961	38,688,410
	For prior year	4,809,689	1,336,478
		<u>11,222,650</u>	<u>40,024,888</u>
	Deferred	(865,397)	4,965,649
		<u>10,357,253</u>	<u>44,990,537</u>
	Tax charge reconciliation	2009 %	2008 %
	Applicable tax rate as per Income Tax Ordinance, 2001	35.00	35.00
	Tax effect of amounts that are:		
	Not deductible for tax purposes	5.37	(9.2)
	Effect of deferred tax charge	(6.08)	3.5
	Effect of change in prior years' tax	33.78	0.94
	Tax effect under presumptive tax regime and others	4.67	1.49
		<u>37.74</u>	<u>(3.27)</u>
	Average effective tax rate charged to profit and loss account	<u>72.74</u>	<u>31.73</u>

30. EARNINGS PER SHARE	2009 Rupees	2008 Rupees
Profit after taxation for the year	<u>3,881,888</u>	<u>96,817,922</u>
	Numbers of shares	
Weighted average Ordinary shares in issue	<u>9,434,880</u>	<u>(Restated) 9,434,880</u>
Earnings per share - basic and diluted	<u>Rs. 0.41</u>	<u>Rs. 10.26</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>	
	2009	2008	2009	2008	2009	2008
	(Rupees)					
Remuneration	1,111,200	1,111,200	9,860,267	6,309,197	10,971,467	7,420,397
House rent	388,800	388,800	4,441,783	2,849,058	4,830,583	3,237,858
Bonus	-	-	1,472,193	1,302,115	1,472,193	1,302,115
Retirement benefits	-	-	880,145	561,198	880,145	561,198
Motor vehicle expenses	-	-	1,322,293	804,572	1,322,293	804,572
Utilities	-	-	-	-	-	-
Others	-	-	1,530,087	749,957	1,530,087	749,957
	<u>1,500,000</u>	<u>1,500,000</u>	<u>19,506,768</u>	<u>12,576,097</u>	<u>21,006,768</u>	<u>14,076,097</u>
Number of persons	<u>1</u>	<u>1</u>	<u>12</u>	<u>7</u>	<u>13</u>	<u>8</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	2009 Rupees	2008 Rupees
Group companies	Sale of goods and services	15,427,928	14,965,670
	Purchase of goods and services	58,002,264	67,903,458
	Rent, utilities and allied services	2,759,460	2,155,984
	Insurance premium	9,048,631	5,795,148
	Insurance commission	499,499	932,155
	Dividend paid	23,904,531	16,540,002
	Issue of bonus shares (No. of shares)	1,365,972	735,110
Licensor of product in respect of which the Company has exclusive trademark rights	Royalty on sale of licensed products	47,941,303	44,799,752
Retirement benefit plans	Contribution to staff retirement benefit plans	4,238,634	4,998,155
Other related parties	Purchase of goods and services	165,286,283	139,220,220

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, 2009 is included in relevant notes to the accounts.

33. CAPACITY AND PRODUCTION

	2009		2008	
	Capacity	Production	Capacity	Production
	(Kilograms)			
Food products	4,092,000	6,456,246	4,092,000	7,600,645
Plastic products	27,000	37,405	27,000	51,204
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	2009 Rupees	2008 Rupees
34. CASH GENERATED FROM OPERATIONS			
Profit before taxation		14,239,141	141,808,459
Adjustments for :			
Depreciation		12,430,511	8,123,784
Amortisation		141,542	-
Loss/(gain) on disposal of fixed assets		446,853	(1,520,428)
Provision for gratuity		2,202,000	3,335,000
Provision for doubtful debts		206,085	362,520
Gain on redemption of available for sale investments		(4,316,917)	(16,227,379)
Finance costs		16,028,434	12,300,228
		27,138,508	6,373,725
Working capital changes	34.1	38,811,914	(170,038,260)
		80,189,563	(21,856,076)

	Note	2009 Rupees	2008 Rupees
34.1	Working capital changes		
	(Increase)/decrease in operating assets		
	Stores	(684,140)	(47,819)
	Stock-in-trade	(21,284,519)	(103,975,528)
	Trade debtors	(33,677,156)	(42,789,265)
	Loans and advances	(1,875,541)	(6,670,742)
	Trade deposits and short term prepayments	(4,721,386)	(686,386)
	Other receivables	4,809,241	(8,607,692)
	Duty refunds due from government	(20,997,742)	-
		<u>(78,431,243)</u>	<u>(162,777,432)</u>
	Increase/(decrease) in current liabilities		
	Trade and other payables	120,066,542	(6,051,410)
	Sales tax payable	(2,823,385)	(1,209,418)
		<u>117,243,157</u>	<u>(7,260,828)</u>
		<u><u>38,811,914</u></u>	<u><u>(170,038,260)</u></u>

35. FINANCIAL INSTRUMENTS RELATED DISCLOSURES

35.1 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended June 30, 2009 and June 30, 2008.

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

35.2 Liquidity risk

Liquidity risk reflects the Company's inability in raising fund to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

35.3 Mark-up rate risk

The Company has long term and short term Rupees based loans at variable rates. Rates on short term finances are effectively fixed and are disclosed in the relevant notes.

35.4 Yield / mark-up rate exposure

Yield / mark-up rate risk is the risk that the value of financial instruments will fluctuate due to change in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/mark-up rate risk in respect of the following:

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	Effective profit / mark-up %	2009		
		Exposed to yield/mark-up rate risk		
		Maturity upto one year	Maturity after one year	Total
				(Rupees)
Financial assets				
Loans to staff		-	-	-
Deposits		-	-	-
Trade debts (Net)		-	-	-
Other receivables		-	-	-
Short term investments	13	60,598,356	-	60,598,356
Cash and bank balances	2-10.10	118,863,228	-	118,863,228
		<u>179,461,584</u>	<u>-</u>	<u>179,461,584</u>
Financial liabilities				
Long term deposits		-	-	-
Trade and other payables		-	-	-
Mark-up accrued		-	-	-
		-	-	-
Total yield / mark-up rate risk sensitivity gap		<u>179,461,584</u>	<u>-</u>	<u>179,461,584</u>

	Effective profit / mark-up %	2008		
		Exposed to yield/mark-up rate risk		
		Maturity upto one year	Maturity after one year	Total
				(Rupees)
Financial assets				
Loans to staff		-	-	-
Deposits		-	-	-
Trade debts (Net)		-	-	-
Other receivables		-	-	-
Short term investments	10	5,017,808	-	5,017,808
Cash and bank balances	2-10.10	51,298,991	-	51,298,991
		<u>56,316,799</u>	<u>-</u>	<u>56,316,799</u>
Financial liabilities				
Long term deposits		-	-	-
Trade and other payables		-	-	-
Mark-up accrued		-	-	-
		-	-	-
Total yield / mark-up rate risk sensitivity gap		<u>56,316,799</u>	<u>-</u>	<u>56,316,799</u>

35.5 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.

35.6 Credit risk and concentration of credit risk

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

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

The Company is exposed to credit risk on trade debts, loans and advances and long term deposits. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

35.7 Credit 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 to historical information about counterparty default rates:

	2009 Rupees	2008 Rupees
Trade debts		
Customers with no defaults in the past one year	53,006,162	38,506,492
Customers with some defaults in past one year which have been fully recovered	5,433,121	3,015,174
Customers with defaults in past one year which have not yet been recovered	-	-
	<u>58,439,283</u>	<u>41,521,666</u>
Cash at bank and short-term investments		
AAA	11,332,355	6,883,702
AA+	11,262,962	3,765,767
AA	9,647,360	7,034,078
AA-	168,120,375	45,349,271
A	14,567	54,677
BBB	61,193	40,744
	<u>200,438,812</u>	<u>63,128,239</u>

35.8 Foreign currency risk management

Foreign currency risk arises mainly where receivables and payable exist due to transactions in foreign currencies. In appropriate cases, the management takes out forward contracts to mitigate the risks.

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

Accounting year end	Bills payable	Commitments	Cash and bank balances
	Rupees		
June 30, 2009	162,962,022	112,957,496	96,796
June 30, 2008	75,467,176	174,302,556	173,053

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

	2009 Rupees	2008 Rupees
Exchange Rates	<u>81.30</u>	<u>68.20</u>

Sensitivity analysis:

A reasonable change of 10 percent depreciation of the rupee against the US dollar at June 30 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 Rupees in thousands	Profit or loss
June 30, 2009	<u>(17,928)</u>	<u>(27,582)</u>
June 30, 2008	<u>(16,224)</u>	<u>(24,960)</u>

A 10 percent strengthening of the rupee against the US dollar at June 30 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.

35.9 Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of investment securities.

At the balance sheet date, the Company is not exposed to such risk.

36. 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						
Furniture and fittings items having nil book value	1,277,514	175,658	1,101,856	-	(1,101,856)		Written off
Vehicles							
Suzuki Alto	491,000	392,800	98,200	345,000	246,800	Negotiation	Mr. Taimur Dyer, Showroom No. 6, Plot 711 Ponawala Trust Building, New M.A. Jinnah Road, Karachi.
Suzuki Bolan	400,000	320,000	80,000	200,000	120,000	Insurance Claim	Century Insurance Company Limited, Lakson Square, Building No. 3, Karachi.
Items having book value upto Rs. 50,000	406,418	308,621	97,797	386,000	288,203	Negotiation	Various
	1,297,418	1,021,421	275,997	931,000	655,003		
2009	<u>2,574,932</u>	<u>1,197,079</u>	<u>1,377,853</u>	<u>931,000</u>	<u>(446,853)</u>		
2008	<u>4,578,250</u>	<u>3,549,773</u>	<u>1,028,477</u>	<u>2,548,905</u>	<u>1,520,428</u>		

37. DATE OF AUTHORISATION FOR ISSUE

The Board of Directors of the Company authorised these financial statements for issue on August 13, 2009.

38. CORRESPONDING FIGURES

Certain prior period's figures have been reclassified consequent upon certain changes in current year's presentation. The summary of material reclassification is as follows:

Note	Reclassification		Nature	Rupees
	From	To		
11	Loans and advances	Trade deposits and short-term prepayments	Reclassification of prepayments	2,805,985
23	Distribution & marketing expenses	Cost of sales	Reclassification of royalty expense	44,799,752

39. DIVIDEND AND APPROPRIATIONS

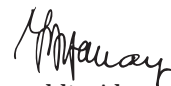
Subsequent to the balance sheet date, the Board of Directors have proposed a final dividend of Nil per share (2008: Rs. 3.50 per share, amounting to a total dividend of Rs. 27.518 million), bonus issue of Nil (2008: 1.572 million shares at the rate of 1 for every 5 shares held) in their meeting held on August 13, 2009 for approval of the members at the Annual General Meeting. In addition, no appropriation to general reserves (2008: Rs. 54.300 million) has been made by the Board of Directors.

40. GENERAL

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



Zulfiqar Ali Lakhani
Chief Executive



Tasleemuddin Ahmed Batlay
Director