



Directors' Report

The Directors take pleasure in presenting the Annual Report together with the Company's audited accounts for the year ended June 30, 2006

FINANCIAL HIGHLIGHTS

	Rs. in Million
The profit and appropriations for the year are as follows :	
Net profit before tax for the year	125.336
Provision for taxation	<u>44.687</u>
Profit after tax	80.649
Unappropriated profit brought forward	<u>0.061</u>
Profit available for appropriation	80.710
Transfer to general reserves	<u>37.000</u>
Unappropriated profit carried forward	<u><u>43.710</u></u>

SUBSEQUENT EFFECT

Proposed cash dividend @ Rs.6.00 per share	32.760
Proposed bonus issue @ 20%	10.920

PAKISTAN ECONOMY

The country's economy has continued to grow, registering a growth of 6.6% in the current fiscal year. This growth along with monetary expansion has led to increased consumer spending. However the upsurge in worldwide oil and commodity prices is likely to impact the growth momentum in the ensuing year.

OPERATING RESULTS

During the current year gross sales grew by 26.65% from Rs.744.675 million last year to Rs.943.097 million.

Net sales during the same period grew by 28.01% from Rs.585.406 million last year to Rs. 749.363 million during the current year.



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Due to capital investment the company's single shift annual production capacity increased from 2,334 tons last year to 4,092 tons this year.

The international price of sugar which is a major constituent of our product Tang has increased considerably during the year. This along with the increase in fuel costs has had a significant affect on the cost of material used by the Company. The net effect of which is a reduction in gross margins. However the Company through re-inforced cost control measures has tried to reduce the effect of these increases.

Distribution and marketing expenses were up by 35.24% as compared to last year. Spending on advertising and sales promotion activities increased from Rs.67.276 million to Rs.95.088 million an increase of 41.34%

The profit before tax rose from Rs.106.071 million to Rs. 125.336 million an increase of 18.16% and consequently the profit after tax also increased by 13.95%.

FINANCIALS

Financial charges were contained at a minimum through better resource management. We also managed to double our other operating income during this period.

CONTRIBUTION TO THE NATIONAL ECONOMY

The Company's contribution to the exchequer in the form of taxes, which includes income tax, sales tax, customs duty, workers profit participation and welfare funds, continues to grow. During the current year this contribution amounted to Rs.212.205 million an increase of 25.66% over the former year.

AUDITORS

The auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offered themselves for reappointment. The Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements (except for the changes as stated in note 3.2) and accounting estimates are based on reasonable and prudent judgement.
- In preparation of these financial statements International Accounting Standards, as applicable in Pakistan, have been followed.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- The summary of key operating and financial data of the Company of last six years is annexed in this report.
- Information about taxes and levies is given in the notes to the accounts.
- The value of investments made by the staff retirement benefit funds based on their respective audited accounts as at June 30, 2006 is as follows:

	(Rupees in million)
Provident Fund	11,065
Gratuity Fund	2,217



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During the year four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Directors	No. of meetings attended
Mr. Iqbal Ali Lakhani	04
Mr. Zulfiqar Ali Lakhani	04
Mr. Amin Mohammed Lakhani	03
Mr. Tasleemuddin Ahmed Batlay	04
Mr. Aziz Ebrahim	03
Mr. Ramzan Ali Halani	04
Mr. M. A. Qadir	04

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

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of the Company and additional information as at June 30, 2006 is included in this report on page 46.

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

AUDIT COMMITTEE

The Audit Committee consisting of four members, three of whom are non-executive directors including the Chairman, has been in existence since implementation of the Code of Corporate Governance. The Board of Directors has set out Terms of Reference for the Audit Committee.

The Terms of Reference provide guidelines for establishing internal controls in the Company. The Committee manages adequately the system of internal control through the Internal Audit department and reviews effectiveness of operational and financial controls. The Committee periodically reviews financial statements of the Company and their compliance with the statutory and regulatory requirements, by virtue of the Terms of Reference. The Audit Committee is also responsible for the selection of external auditors and reviews the procedure with respect to the services performed by them.

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FUTURE PROSPECTS

Clover Pakistan is striving hard to be a leading food company. While we keep pace with market realities, at the same time we ensure internal synergies in terms of capacity utilization, peak season warehouse capacities and adequate production controls to achieve optimum production output.

With these objectives in mind we are continuously focusing on expanding the current range of products we produce and market. Targeting the achievable growth levels within existing category based variants and with new products is part of our strategy.

One of our strategic focuses is to re-evaluate our systems with the objective to improve them to cater to the peak season demand.

The market has become exceedingly competitive with the induction of new national and multinational players. As leaders, your Company will strive to maintain its leadership through creative in-market approaches and by highlighting our brand superiorities over competition.

While costs have continued to sour we plan to re-double our efforts to source raw material requirements on most competitive prices. This is intended to help our margins and our profitability.

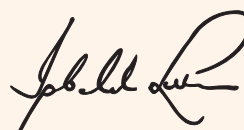
ACKNOWLEDGEMENT

We wish to thank the customers for their faith in our products, and their continuing patronage. Without their support we would not have been able to achieve these improved results.

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

Finally we wish to thank our staff who have remained committed to deliver towards the growth of your Company.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Iqbal Ali Lakhani".

IQBAL ALI LAKHANI
CHAIRMAN

Karachi : August 17, 2006