



# annual report 2014



CLOVER PAKISTAN LIMITED

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## Company Information

### BOARD OF DIRECTORS

Iqbal Ali Lakhani  
Zulfiqar Ali Lakhani  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay  
A. Aziz H. Ebrahim  
Shahid Ahmed Khan  
M. A. Qadir (upto 05 October, 2013)  
Mansoor Ahmed (from 25 October, 2013)

Chairman  
Chief Executive

### ADVISOR

Sultan Ali Lakhani

### AUDIT COMMITTEE

Iqbal Ali Lakhani  
Tasleemuddin Ahmed Batlay  
Mansoor Ahmed

Chairman

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Iqbal Ali Lakhani  
Zulfiqar Ali Lakhani  
Tasleemuddin Ahmed Batlay

Chairman

### COMPANY SECRETARY

Mansoor Ahmed

### EXTERNAL AUDITORS

ERNST & YOUNG FORD RHODES SIDAT HYDER  
Chartered Accountants

### INTERNAL AUDITORS

BDO EBRAHIM & CO.  
Chartered Accountants

### REGISTERED OFFICE

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

### SHARES REGISTRAR

FAMCO ASSOCIATES (PRIVATE) LIMITED  
8-F, next to Hotel Faran, Nursery,  
Block-6, P.E.C.H.S. Shahrah-e-Faisal,  
Karachi

### WEBSITE

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

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of CLOVER PAKISTAN LIMITED will be held on Thursday, October 23, 2014 at 10.30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
2. To declare final dividend in cash @ 135% i.e. Rs. 13.50 per share of Rs.10/- each as recommended by the Board of Directors.
3. To appoint auditors and fix their remuneration.

By Order of the Board



**MANSOOR AHMED**

Director & Company Secretary

Karachi: September 22, 2014

### NOTES:

1. The share transfer books of the Company will remain closed from October 17, 2014 to October 23, 2014 (both days inclusive). Transfers received in order by the Shares Registrar of the Company M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi upto October 16, 2014 will be considered in time for entitlement of the dividend.
2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the annual general meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy to be valid must be properly filed-in/executed and received by the Company at its registered office at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.
7. Form of proxy is enclosed herewith.

## Directors' Report

The Directors present the Annual Report together with the Company's audited accounts for the year ended June 30, 2014.

### OPERATING RESULTS

	<u>2014</u>	<u>2013</u>
	Rupees in thousand	
Net Revenue	41,539	28,248
Gross profit	13,367	9,457
Operating profit	51,828	62,275
Profit from continuing operations before tax	51,658	62,213
Profit from continuing operations after tax	44,720	59,571
Profit from discontinuing operations after tax	-	3,335
Profit for the year after tax	44,720	62,906
Earnings per share	Rs.4.74	Rs.6.67

### PROFIT AND APPROPRIATIONS

	Rupees
Profit after tax	44,720,495
Un-appropriated profit brought forward	298,921
	<u>45,019,416</u>
Transfer from General Reserve	82,500,000
Profit available for appropriation	<u>127,519,416</u>
Appropriation : Proposed cash dividend @ 135%	
i.e. Rs. 13.50 per share (2013 : Rs.6.00)	<u>127,370,880</u>
Un-appropriated profit carried forward	<u><u>148,536</u></u>

### OPERATING RESULTS

Net revenue from watch sales amounted to Rs.41.539 million this year as compared to Rs. 28.248 million during the previous year.

During this financial year the Company made an operating profit after tax from continuing operations of Rs.44.720 million as compared to an operating profit after tax from continuing operations of Rs.59.571 million during last year.



The main income this year was derived from the gain on sale of investments which amounted to Rs.56.193 million as compared to Rs.79.286 million last year.

The Company ended up with an overall profit after tax of Rs.44.720 million as compared to Rs.62.906 million for the last year.

## **CONTRIBUTION TO THE NATIONAL ECONOMY**

The Company's contribution to the exchequer in the form of taxes (including income tax and sales tax) customs duty, workers profit participation and welfare funds, amounted to Rs.16.913 million as compared to Rs.28.852 million during the previous year.

## **AUDITORS**

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

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

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

## **CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

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

- The financial statements prepared by the management of the Company, represent fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.

- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- In preparation of these financial statements International Financial Reporting Standards, as applicable in Pakistan, have been followed, and any departures there from have been adequately disclosed and explained.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- The summary of key operating and financial data of the Company of last six years including current period is annexed in this report.
- Information about taxes and levies is given in the notes to the accounts.
- The value of investments made by the staff retirement benefit funds based on their respective unaudited accounts as at June 30, 2014 is as follows:

	(Rupees in million)
Provident Fund	8.005
Gratuity Fund	1.387

## **BOARD OF DIRECTORS**

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

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

	Meetings Attended
Mr. Iqbal Ali Lakhani	4
Mr. Zulfiqar Ali Lakhani	3
Mr. Amin Mohammed Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	3
Mr. M. A. Qadir	- (up to 05-10-2013)
Mr. Shahid Ahmed Khan	4
Mr. Mansoor Ahmed	2 (appointed w.e.f. 25-10-2013)

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

The Directors with a deep sense of loss, regret to inform of the sad demise on October 05, 2013 of Mr. Muhammad Abdul Qadir, a director of the Company. The Board highly appreciate the valuable services rendered by him during his tenure on the Board. May Almighty Allah bless his soul and give strength to his family to bear this irreparable loss.

The Board welcomes Mr Mansoor Ahmed as a director, who has been co-opted in place of Mr. Muhammad Abdul Qadir with effect from October 25, 2013

#### AUDIT COMMITTEE

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

	Meetings Attended
Mr. Iqbal Ali Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4
Mr. Mansoor Ahmed	2 (appointed w.e.f. 25-10-2013)
Mr. M. A. Qadir	- (up to 05-10-2013)

#### HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Human Resource and Remuneration Committee held one (1) meeting during the year. Attendance by each member was as follows :



	Meetings Attended
Mr. Iqbal Ali Lakhani	1
Mr. Zulfiqar Ali Lakhani	1
Mr. Tasleemuddin Ahmed Batlay	1

## PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding of the Company and additional information as at June 30, 2014 is annexed with this report.

The Board has determined threshold under clause xvi (I) of CCG-2012 in respect of trading of Company's shares by executives and employees as those who are drawing annual basic salary of Rs. 1.5 million or above.

There has been no transaction carried out by Directors, Chief Executive, CFO, Company Secretary and their spouses and minor children in the shares of the Company during the year.

## FUTURE PROSPECTS

During the year, Company has evaluated various business projects and carried out some feasibility studies to invest its surplus funds. However, due to volatile business environment currently prevailing in the country and high risk levels attached with the relevant projects, the Company has prudently decided not to undertake any new business venture for the present. The wrist watch business is suffering losses due to smuggled products and tough competition with the replica products, it has become difficult to expand and grow this business. In this prevailing environment we do not see any improvement in the wrist watch business in the near future. However, the Company will continue to look for viable business opportunities and until such time excess cash will be invested in money market funds.

## ACKNOWLEDGEMENT

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

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

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

On behalf of the Board of Directors

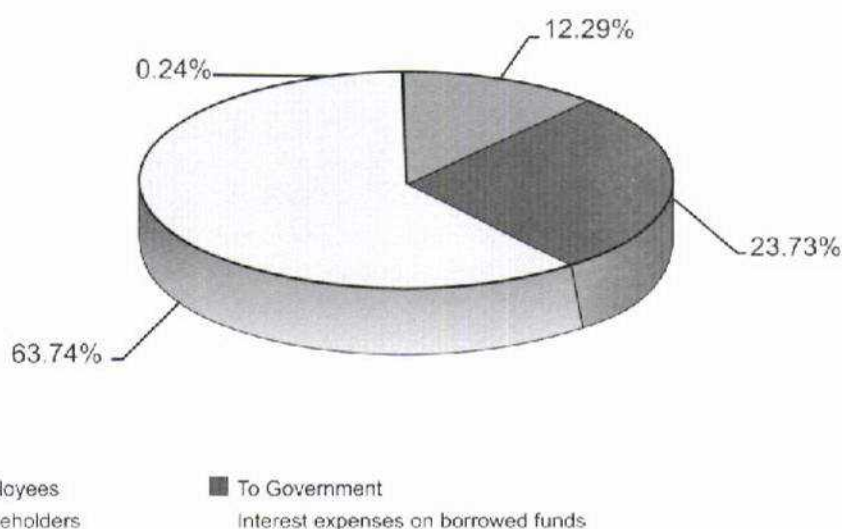


**IQBAL ALI LAKHANI**  
Chairman

Karachi : September 19, 2014

## Statement of Value Added

	June 30, 2014 Rupees		June 30, 2013 Rupees	
<b>Wealth Generated</b>				
Total revenue	116,248,485		240,424,516	
Bought-in-material & services	(44,975,863)		(134,997,739)	
	<u>71,272,622</u>	100%	<u>105,426,777</u>	100%
<b>Wealth Distributed</b>				
To Employees	8,758,916	12.3%	12,336,450	11.70%
To Government				
Excise duty, income tax, sales tax, To Government	16,913,398	23.73%	28,851,996	27.37%
To providers of Capital				
Dividend to shareholders To share holders	127,370,880	178.7%	56,609,280	53.70%
Mark-up/interest expenses				
Interest expenses on borrowed funds	169,819	0.24%	237,282	0.23%
Retained for reinvestment & future growth				
Depreciation & retained profit Retained for future growth	(81,940,391)	115%	7,391,769	7.01%
	<u>71,272,622</u>	100.00%	<u>105,426,777</u>	100.00%

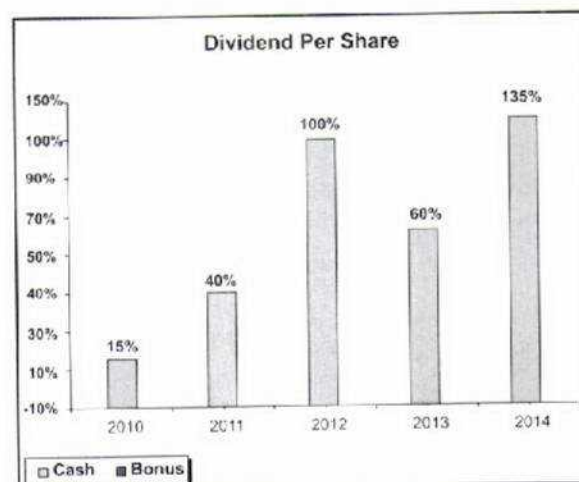
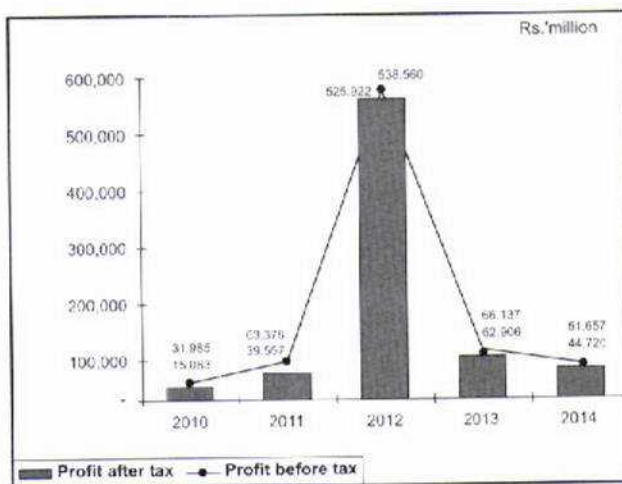
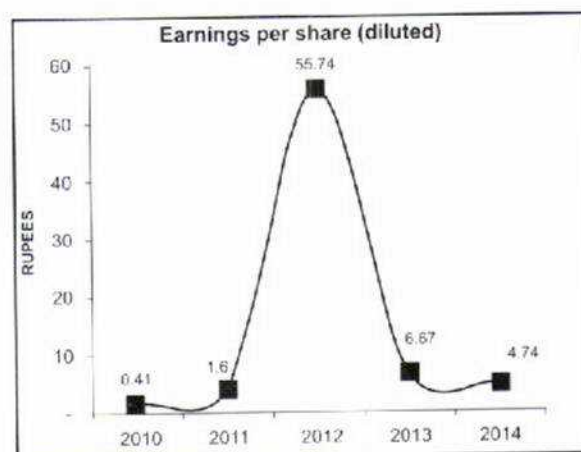
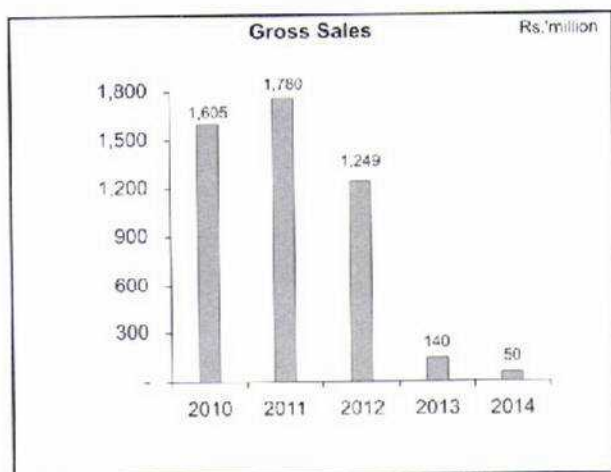


## Yearwise Financial Highlights

	2014	2013	2012	2011	2010	2009
		(restated)	(Rupees in thousands) (restated)			
<b>BALANCE SHEET</b>						
Fixed Assets - Property, plant and equipment	528	3,758	5,554	55,025	96,952	106,527
Long term loans & security deposits	40	201	876	3,860	4,633	3,643
Current Assets	849,046	872,711	1,128,743	754,581	660,151	613,307
Current Liabilities	7,418	20,616	231,323	410,095	384,347	360,007
	841,628	852,095	897,420	344,486	275,804	253,300
	842,196	856,054	903,850	403,371	377,389	363,470
Equity	842,196	856,054	901,838	396,345	369,705	354,622
Long term deposits	-	-	3,902	3,760	3,310	2,904
Deferred liability	-	-	(1,890)	3,266	4,374	5,944
	842,196	856,054	903,850	403,371	377,389	363,470
		(restated)				
<b>PROFIT AND LOSS ACCOUNTS</b>						
Gross turnover	49,760	140,410	1,249,357	1,780,407	1,605,454	1,332,299
Less: Sales tax	7,107	22,121	209,207	319,985	263,608	217,197
Trade discount	1,114	15,344	38,459	119,526	100,575	79,485
	8,221	37,465	247,666	439,511	364,182	296,682
Net turnover	41,539	102,945	1,001,690	1,340,896	1,241,272	1,035,617
Cost of sales	28,172	117,371	960,521	1,072,179	979,019	779,506
Gross Profit	13,367	(14,426)	41,169	268,717	262,253	256,110
Distribution and marketing expenses	(16,299)	(17,245)	(70,285)	(199,000)	(212,501)	(212,066)
Administrative expenses	(11,598)	(15,616)	(19,034)	(16,746)	(20,090)	(19,916)
Other operating expenses	(1,245)	(1,698)	(31,171)	(7,352)	(6,184)	(11,403)
Other income	67,602	115,359	618,461	19,545	10,156	7,696
Financial charges	(170)	(237)	(639)	(1,785)	(1,647)	(6,182)
Profit before taxation	51,657	66,137	538,502	63,378	31,985	14,239
Taxation	(6,937)	(3,232)	(12,580)	(23,821)	(16,902)	(10,357)
Profit after taxation	44,720	62,906	525,922	39,557	15,083	3,882
Earnings Per Share - basic (Rupees)	4.74	6.67	55.74	4.19	1.60	0.41
Cash dividend	135%	60%	100%	40%	15%	-
Operating profit	51.83	66.37	539.14	65.16	33.63	20.42
Capital	9,434,880	9,434,880	9,434,880	9,434,880	9,434,880	9,434,880
Diluted EPS	4.74	6.67	55.74	4.19	1.60	0.41



## Five Years at a Glance





## Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2014

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

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

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

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

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

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board during the year which was filled in promptly.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in Clause xi of CCG, majority of Directors of the Company are exempted from the requirement of Directors' Training Program. Training of one of the Directors is in process during the year and the rest of the Directors to be trained within specified time. The Board arranged orientation course for its Directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Corporate Laws.

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

  
**IQBAL ALI LAKHANI**  
 Chairman

Karachi: September 19, 2014



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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2014, prepared by the Board of Directors of Clover Pakistan Limited (the Company) to comply with the requirements of Listing Regulation No. 35 (Chapter XI) of Karachi and Lahore stock exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Further, we highlight and draw attention to clause 9 read with clause 23 of the Statement of Compliance related to directors' training program.

*Ernst & Young Ford Rhodes Sidat Hyder*

Chartered Accountants  
19 September 2014  
Karachi



Building a better  
working world

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
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Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
eyfrsh.khi@pk.ey.com  
ey.com/pk

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Clover Pakistan Limited (the Company) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.4 to the accompanying financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

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

*Ernst & Young Ford Rhodes Sidat Hyder*

Chartered Accountants  
Audit Engagement Partner: Omar Mustafa Ansari  
19 September, 2014  
Karachi



**Balance Sheet as at June 30, 2014**

	Note	June 30, 2014	June 30, 2013 (Restated)
		------(Rupees) -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	528,382	3,758,366
Long-term loans	5	30,000	170,454
Long-term security deposits		10,466	30,461
Deferred taxation	6	-	-
		<b>568,848</b>	<b>3,959,281</b>
<b>CURRENT ASSETS</b>			
Stores and spares		399,443	497,018
Stock-in-trade	7	25,353,203	27,730,247
Trade debts	8	2,544,860	6,351,937
Loans and advances	9	114,808	261,561
Trade deposits and short-term prepayments	10	1,130,139	1,048,248
Other Receivables	11	456,897	5,159,632
Short-term investments	12	729,394,726	728,618,473
Duty refunds due from government	13	20,997,742	20,997,742
Taxation - net		48,486,704	53,794,997
Sales tax refundable		16,470,085	17,397,752
Cash and bank balances	14	3,697,153	8,053,871
		<b>849,045,760</b>	<b>869,911,478</b>
<b>TOTAL ASSETS</b>		<b>849,614,608</b>	<b>873,870,759</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised share capital 10,000,000 (2013: 10,000,000) Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	15	94,348,800	94,348,800
Reserves	16	747,847,954	758,905,674
		<b>842,196,754</b>	<b>853,254,474</b>
<b>CURRENT LIABILITIES</b>			
Short-term deposits		569,500	589,500
Trade and other payables	17	6,848,354	20,026,785
		<b>7,417,854</b>	<b>20,616,285</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	18		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>849,614,608</b>	<b>873,870,759</b>

The annexed notes 1 to 38 form an integral part of these financial statements.

  
Zulfiqar Ali Lakhani  
Chief Executive

  
Tasleemuddin Ahmed Batlay  
Director

**Profit and Loss Account for the year ended June 30, 2014**

	Note	June 30, 2014 ------(Rupees) -----	June 30, 2013
<b>CONTINUING OPERATIONS</b>			
Revenue - net	19	41,539,424	28,248,196
Cost of sales	20	(28,172,048)	(18,790,716)
<b>Gross profit</b>		<b>13,367,376</b>	<b>9,457,480</b>
Distribution and marketing expenses	21	(16,298,865)	(10,787,254)
Administrative expenses	22	(11,598,051)	(15,615,547)
Other operating expenses	23	(1,245,039)	(1,697,735)
Other income	24	67,602,246	80,917,915
		<b>38,460,291</b>	<b>52,817,379</b>
<b>Operating profit</b>		<b>51,827,667</b>	<b>62,274,859</b>
Finance costs	25	(169,819)	(62,061)
<b>Profit for the year from continuing operations before taxation</b>		<b>51,657,848</b>	<b>62,212,798</b>
Taxation	26	(6,937,353)	(2,641,839)
<b>Profit for the year from continuing operations after taxation</b>		<b>44,720,495</b>	<b>59,570,959</b>
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations after taxation	27.2	-	3,334,736
<b>Profit for the year after taxation</b>		<b>44,720,495</b>	<b>62,905,695</b>
Earnings per share from continuing operations - Basic and diluted	28	4.74	6.32
Earnings per share from discontinued operations - Basic and diluted	28	-	0.35
<b>Earnings per share - Basic and diluted</b>	28	<b>4.74</b>	<b>6.67</b>

The annexed notes 1 to 38 form an integral part of these financial statements.

  
**Zulfiqar Ali Lakhani**  
 Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
 Director

**Statement of Comprehensive Income** for the year ended June 30, 2014

	June 30, 2014	June 30, 2013 (Re-stated)
	------(Rupees) -----	
<b>Net profit for the year</b>	<b>44,720,495</b>	<b>62,905,695</b>
<b>Other comprehensive income / (loss)</b>		
Other comprehensive income to be reclassified through profit & loss in future periods		
Unrealised gain on revaluation of available-for-sale investment at fair value	56,406,969	61,164,714
Gain on redemption and repurchase of units	(56,192,904)	(79,285,752)
Net effect of revaluation of available-for-sale investment to fair value as at year end	214,065	(18,121,038)
Other comprehensive income not to be reclassified through profit & loss in future periods		
Recognition of actuarial gain	617,000	981,000
<b>Total comprehensive income for the year</b>	<b>45,551,560</b>	<b>45,765,657</b>

The annexed notes 1 to 38 form an integral part of these financial statements.



**Zulfikar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director

**Cash Flow Statement for the year ended June 30, 2014**

	Note	June 30, 2014	June 30, 2013
		------(Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	31	(4,428,205)	(121,258,494)
Taxes paid		(2,952,165)	(9,896,238)
Finance costs paid		(169,819)	(685,433)
Employment benefits-net		-	3,983,000
Long-term loans		140,454	674,649
Long term deposits		19,995	-
<b>Net cash used in operating activities</b>		<b>(7,389,740)</b>	<b>(127,182,516)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(12,821)	(2,181,000)
Proceeds from disposal of property, plant and equipment		3,848,821	9,467,130
Proceeds from disposal of discontinued operations		-	52,000,000
Purchase of available for sale investments		(728,562,188)	(778,000,000)
Proceeds from redemption of available for sale investments		784,192,906	884,741,566
<b>Net cash generated from investing activities</b>		<b>59,466,718</b>	<b>166,027,696</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term deposits		(20,000)	(3,312,500)
Dividend paid		(56,413,696)	(94,118,177)
<b>Net cash used in financing activities</b>		<b>(56,433,696)</b>	<b>(97,430,677)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,356,718)</b>	<b>(58,585,497)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8,053,871</b>	<b>66,639,368</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b>3,697,153</b>	<b>8,053,871</b>

The annexed notes 1 to 38 form an integral part of these financial statements.

  
**Zulfiqar Ali Lakhani**  
 Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
 Director



**Statement of Changes in Equity for the year ended June 30, 2014**

	REVENUE RESERVES						
	Issued, subscribed and paid-up capital	General reserves	Unrealized gain on available for sale investments	Remeasure- ment of post retirement benefits obligation	Unappro- priated profit	Total reserves	Total
	(Rupees)						
Balance as at July 01, 2012	94,348,800	263,000,000	18,739,511	2,898,000	522,851,306	807,488,817	901,837,617
Net profit for the year (A)	-	-	-	-	62,905,695	62,905,695	62,905,695
Other comprehensive income / (loss) - as previously reported	-	-	(18,121,038)	3,781,000	-	(14,340,038)	(14,340,038)
Effect of correction of error (note 11.1)	-	-	-	(2,800,000)	-	(2,800,000)	(2,800,000)
Other comprehensive income / (loss) - as restated (B)	-	-	(18,121,038)	981,000	-	(17,140,038)	(17,140,038)
Total comprehensive income (A+B)	-	-	(18,121,038)	981,000	62,905,695	45,765,657	45,765,657
Final dividend for the year ended June 30, 2012 (Rs. 4 per share)	-	-	-	-	(94,348,800)	(94,348,800)	(94,348,800)
Transfer to general reserves	-	431,000,000	-	-	(431,000,000)	-	-
Balance as at June 30, 2013 - as restated	94,348,800	694,000,000	618,473	3,879,000	60,408,201	758,905,674	853,254,474
Balance as at June 30, 2013 - as, previously reported	94,348,800	694,000,000	618,473	6,679,000	60,408,201	761,705,674	856,054,474
Effect of correction of error (note 11.1)	-	-	-	(2,800,000)	-	(2,800,000)	(2,800,000)
Balance as at June 30, 2013 - as restated	94,348,800	694,000,000	618,473	3,879,000	60,408,201	758,905,674	853,254,474
Net profit for the year	-	-	-	-	44,720,495	44,720,495	44,720,495
Other comprehensive income	-	-	214,065	617,000	-	831,065	831,065
Total comprehensive income	-	-	214,065	617,000	44,720,495	45,551,560	45,551,560
Final dividend for the year ended June 30, 2013 @ Rs. 6 per share	-	-	-	-	(56,609,280)	(56,609,280)	(56,609,280)
Transfer to general reserves	-	3,500,000	-	-	(3,500,000)	-	-
Balance as at June 30, 2014	94,348,800	697,500,000	832,538	4,496,000	45,019,416	747,847,954	842,196,754

The annexed notes 1 to 38 form an integral part of these financial statements

  
Zulfiqar Ali Lakhani  
Chief Executive

  
Tasleemuddin Ahmed Batlay  
Director

## Notes to the Financial Statements for the year ended June 30, 2014

### 1. THE COMPANY AND ITS OPERATIONS

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

1.2 The principal business of the Company was manufacture and sale of food and plastic products and trading in food and consumer durables. During the year ended June 30, 2013 the Company signed a Distributor Agreement with Titan Industries India. Titan being desirous of marketing its products in the international market has appointed the Distributor herein to sell and distribute Titan products in the territorial jurisdiction of Pakistan. As per the contract, which became effective from March 14, 2013 Titan has appointed the Company as the distributor of Titan products to the customers through the appointed dealers within the market. In such capacity, the Company will purchase products from Titan and will devote its continuing best efforts to the promotion, sale and distribution and after sales service of such products.

#### 1.3 Discontinued operations

The Company had a trademark license agreement with Kraft Foods Holding Inc. - USA for the manufacturing, sale and marketing of Tang products. The Tang business was sold and transferred to Mondelez Pakistan Limited - MPL (Formerly Kraft Foods Pakistan Limited) on April 02, 2012 under a transitional services agreement which expired in September 2013.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Statement of compliance

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

#### 2.2 Basis of preparation

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



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

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

Standards or interpretation		Effective date (accounting periods beginning on or after)
IFRS 10	- Consolidated Financial Statements	January 01, 2015
IFRS 11	- Joint Arrangements	January 01, 2015
IFRS 12	- Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13	- Fair Value Measurement	January 01, 2015
IAS 16 & 38	- Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 19 -	Employee Contributions	July 01, 2014
IAS 32 -	Offsetting Financial Assets and Financial liabilities - (Amendment)	January 01, 2014
IAS 36 -	Recoverable Amount for Non-Financial Assets - (Amendment)	January 01, 2014
IAS 39 -	Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	January 01, 2014

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

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

## 2.4 Standards, amendments and interpretations adopted during the year

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

### New and amended standards and interpretations

Company has adopted the following new and amended IFRSs and interpretations which became effective during the year:

IAS 1	- Presentation of Financial Statements (Amendment)
IAS 12	- Income Taxes (Amendment)

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

## 2.5 Significant accounting judgments, estimates and assumptions

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:

#### **Stock-in-trade**

The Company reviews the net realisable values of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

#### **Trade debts**

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

#### **Taxation**

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. With regard to deferred taxation, the Company applies various assumptions on future projections and applicability of different tax regime, as well as recoverability of various deferred tax assets.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

## 3.2 Intangible assets

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, costs associated with developing and maintaining the computer software programmes are recognized as expense as incurred. However, costs 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. Amortisation is charged on a straight line basis over the useful lives of the assets, not exceeding three years.

## 3.3 Stores and spares

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

## 3.4 Stock-in-trade - Trading goods

These are valued at lower of cost and net realizable value. The cost of trading goods is determined on the basis of weighted average method. Net realizable value represents estimated selling prices in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

## 3.5 Trade debts

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

## 3.6 Loans, advances and other receivables

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

## 3.7 Investments

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



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

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

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

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

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

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

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

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

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

### **3.8 Cash and cash equivalents**

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

### **3.9 Staff retirement benefits**

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

The Company operates an approved defined funded gratuity scheme for all its permanent employees. Contributions to the fund are made based on actuarial recommendations. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur.

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

A recognized provident fund scheme is in operation, which covers all permanent employees. Equal monthly contributions are made by both the Company and the employees.



## 3.10 **Compensated absences**

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

## 3.11 **Taxation**

### **Current**

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

### **Deferred**

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

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

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

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

## 3.12 **Trade and other payables**

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

## 3.13 **Provisions**

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

## 3.14 **Foreign currency translations**

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

**3.15 Financial instruments**

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

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

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

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

**3.17 Revenue recognition**

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

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

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

**3.18 Dividend and appropriation to reserves**

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

**3.19 Transaction with related parties**

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

**3.20 Impairment****3.20.1 Financial assets**

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

**3.20.2 Non-financial assets**

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



## 3.21 Functional and presentation currency

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

## 4. PROPERTY, PLANT AND EQUIPMENT

Description	2014								Net Book Value at June 30, 2014	Dep. Rate % per annum
	COST				ACCUMULATED DEPRECIATION					
	As at July 01, 2013	Additions	Disposals/ *(written off)	As at June 30, 2014	As at July 01, 2013	For the year	On disposals/ *(written off)	As at June 30, 2014		
	(Rupees)									
Furniture and fittings	4,274,661	-	*(310,449)	3,964,212	3,669,394	292,413	*(249,523)	3,712,284	251,928	15
Office equipment	1,361,585	-	(61,903) *(2,660)	1,297,022	942,517	176,093	(56,175) *(1,796)	1,060,639	236,383	15
Tools and equipment	10,850	-	-	10,850	7,763	1,628	-	9,391	1,459	15
Vehicles	4,463,956	-	(4,253,000) *(81,900)	129,056	1,805,050	174,233	(1,812,600) *(65,520)	101,163	27,893	25
Computer and data process equipment	2,509,429	12,821	(278,382)	2,243,868	2,437,391	65,628	(269,870)	2,233,149	10,719	33
2014	12,620,481	12,821	(4,593,285) *(395,009)	7,645,008	8,862,115	709,995	(2,138,645) *(316,839)	7,116,626	528,382	
Description	2013								Net Book Value at June 30, 2013	Dep. Rate % per annum
	COST				ACCUMULATED DEPRECIATION					
	As at July 01, 2012	Additions	Disposals) / *(Written off)	As at June 30, 2013	As at July 01, 2012	For the year	(On Disposals) / *(Written off)	As at June 30, 2013		
	(Rupees)									
Office premises	1,203,197	-	*(1,203,197)	-	1,203,197	-	*(1,203,197)	-	-	15
Furniture and fittings	4,401,988	-	(127,327)	4,274,661	3,422,048	337,665	(90,319)	3,669,394	605,267	15
Office equipment	2,279,649	19,000	(158,499) *(778,565)	1,361,585	1,435,437	257,273	(113,065) *(637,128)	942,517	419,068	15
Tools and equipment	26,750	-	*(15,900)	10,850	22,035	1,628	*(15,900)	7,763	3,087	15
Vehicles	14,395,555	2,162,000	(12,093,599)	4,463,956	11,014,477	341,827	(9,551,255)	1,805,050	2,658,906	25
Computer and data process equipment	3,573,076	-	(444,937) *(618,710)	2,509,429	3,229,503	156,961	(330,363) *(618,710)	2,437,391	72,038	33
2013	25,880,215	2,181,000	(12,824,362) *(2,616,372)	12,620,481	20,326,697	1,095,354	(10,085,003) *(2,474,935)	8,862,115	3,758,366	

Details of property, plant and equipment sold is given in Note 33.



	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
4.1 Depreciation for the year has been allocated as follows:			
Distribution and marketing expenses	21	436,935	590,840
Administrative expenses	22	273,059	504,514
		<u>709,994</u>	<u>1,095,354</u>
<b>5. LONG-TERM LOANS</b>			
Secured - considered good			
Employees	5.1	70,019	343,446
Due within one year shown under current assets	9	(40,019)	(172,992)
		<u>30,000</u>	<u>170,454</u>
5.1 These are interest free loans to employees principally for the purchase of vehicles and house building and are repayable over 5 years in equal monthly installments. House building loans are secured against the retirement benefits of the employees. In case of vehicle loans, these are secured by pledge of original registration documents of vehicles and demand promissory notes.			
<b>6. DEFERRED TAXATION</b>			
Deferred tax assets on deductible temporary differences			
Provision for doubtful debts		-	1,181,018
Provision for slow moving stock		376,000	-
Tax depreciation allowance		603,417	766,202
Accrual for employees compensated absences		31,479	396,449
Gain on actuarial valuation		(23,450)	(343,350)
		<u>987,446</u>	<u>2,000,319</u>
Temporary differences not expected to be recovered due to applicability of Final Tax Regime / separate block of income		<u>(987,446)</u>	<u>(2,000,319)</u>
		<u>-</u>	<u>-</u>
<b>7. STOCK-IN-TRADE</b>			
Packing material		-	2,744
Trading goods in hand	7.1	26,430,010	27,727,503
Provision for slow moving stock made during the year		(1,076,807)	-
		<u>25,353,203</u>	<u>27,730,247</u>
7.1 This includes trading goods held by third parties (retails) in the normal course of business amounting to Rs. 10.369 million (2013: Rs. 9.239 million).			

# CLOVER PAKISTAN LIMITED

	Note	June 30, 2014 ----- Rupees -----	June 30, 2013 -----
<b>8. TRADE DEBTS</b>			
Unsecured			
Considered good		2,544,860	6,351,937
Considered doubtful		-	19,616
		<u>2,544,860</u>	<u>6,371,553</u>
Provision for doubtful debts	8	-	(19,616)
		<u>2,544,860</u>	<u>6,351,937</u>
<b>8.1 The aging of trade debts at June 30 is as follows:</b>			
Neither past due nor impaired		2,082,324	638,512
Past due but not impaired			
- within 90 days		367,564	1,587,558
- 91 to 180 days		94,972	878,703
- over 180 days		-	3,247,164
		<u>2,544,860</u>	<u>6,351,937</u>
<b>8.2 Movement of provision for doubtful debts</b>			
Opening balance		19,616	4,782,210
Charge for the year		-	2,095,304
Reversal for the year		(19,616)	(6,857,898)
		<u>(19,616)</u>	<u>(4,762,594)</u>
		-	19,616
<b>9. LOANS AND ADVANCES - Considered good</b>			
Secured			
Current portion of long-term loans to employees	5	40,019	172,992
Unsecured			
Advance against import		24,473	1,500
Advances to employees	9.1	50,316	87,069
		<u>74,789</u>	<u>88,569</u>
		<u>114,808</u>	<u>261,561</u>
<b>9.1 The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.</b>			
<b>10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposits - security deposits		677,500	526,550
Short-term prepayments		452,639	521,698
		<u>1,130,139</u>	<u>1,048,248</u>
<b>11. OTHER RECEIVABLES</b>			
Considered good			
Workers' Profits Participation Fund	17.2	-	357,039
Receivable from staff gratuity fund	11.1	273,000	4,450,000
Others		183,897	352,593
		<u>456,897</u>	<u>5,159,632</u>

**11.1 Receivable from staff gratuity fund**

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

Annual (income) / charge is based on actuarial valuation carried out as at June 30, 2014 using the Projected Unit Credit Method.

During the process of actuarial valuation of retirement benefit plan, a difference in fair value of plan assets was identified. The actuary while preparing the valuation report for the current year has revised the opening balance of fair value of plan assets which has also resulted in revision of actuarial gain in respect of defined benefit obligation recognized in the year 2013. The management has considered such difference to be an error and this has resulted in a restatement of comparative of other comprehensive income and opening balance of receivable and cumulative remeasurement gain / loss.

Following are the effects of such restatement on the comparative figure:

	----- (Rupees) -----
Decrease in receivable from gratuity fund	2,800,000
Decrease in other comprehensive income	2,800,000

**Significant actuarial assumptions**

Following are significant actuarial assumptions used in the valuation:

	June 30, 2014	June 30, 2013
	----- (Per annum) -----	
Discount rate	13%	12.50%
Expected rate of increase in salary	13%	12.50%
Rate of return on plan assets	13%	10.00%

**The amounts recognized in the profit and loss**

**account against defined benefit schemes are as follows:**

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	----- (Restated) -----
Current service cost	(179,000)	587,000
Interest cost	(27,000)	(4,308,000)
Income for the year	(206,000)	(3,721,000)

**The (income) for the year has been allocated as follows:**

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	----- (Restated) -----
Distribution and marketing expenses	(72,645)	(3,186,700)
Administrative expenses	(133,355)	(534,300)
	(206,000)	(3,721,000)

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	----- (Restated) -----
Opening balance	(4,450,000)	(3,731,000)
Recognised in other comprehensive income	(617,000)	203,000
Income for the year	(206,000)	(3,721,000)
Paid during the year	5,000,000	3,982,000
Closing balance	273,000	(3,267,000)

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	----- (Restated) -----
Present value of defined benefit obligation	1,112,000	3,183,000
Fair value of plan assets	(1,385,000)	(10,433,000)
Surplus	(273,000)	(7,250,000)



	June 30, 2014	June 30, 2013
	----- (Rupees) -----	(Restated)
<b>Movement in the present value of defined benefit obligation:</b>		
Present value of defined benefit obligation at July 01	3,183,000	9,606,000
Service cost	153,000	587,000
Interest cost	274,000	1,049,000
Curtailment gain	(332,000)	(4,222,000)
Benefits paid	(1,988,000)	(2,433,000)
Actuarial gain	(178,000)	(1,404,000)
Present value of the defined benefit obligation at June 30	<u>1,112,000</u>	<u>3,183,000</u>
<b>Movement in the fair value of plan assets:</b>		
Fair value of plan assets at July 01	7,633,000	13,337,000
Expected return	301,000	1,135,000
Contributions / (withdrawals)	(5,000,000)	(3,982,000)
Benefits paid	(1,988,000)	(2,433,000)
Actuarial gain	439,000	(424,000)
Fair value of plan assets at June 30	<u>1,385,000</u>	<u>7,633,000</u>

**Historical information**

As at June 30	2014	2013	2012	2011
	----- Rupees -----			
Present value of defined benefit obligation	1,112,000	3,183,000	9,606,000	12,476,000
Fair value of plan assets	(1,385,000)	(7,633,000)	(13,337,000)	(13,185,000)
Surplus	<u>(273,000)</u>	<u>(4,450,000)</u>	<u>(3,731,000)</u>	<u>(709,000)</u>
Experience adjustment on plan liabilities	178,000	1,404,000	(893,000)	(677,000)
Experience adjustments on plan assets	1,732,000	2,376,000	(10,000)	215,000
			2014 %	2013 %

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

Treasury bills	-	38
Mutual funds	73	28
Cash	27	34

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2014 was Rs. 0.44 (2013: Rs. 0.98) million.

	June 30, 2014	June 30, 2013
	----- Rupees -----	
<b>11.2 Provident fund</b>		
Size of the fund	<u>5,574,161</u>	<u>11,175,645</u>
Cost of investments made	<u>5,244,038</u>	<u>9,813,740</u>
Fair value of investments	<u>8,004,710</u>	<u>13,204,572</u>
Percentage of investments made	<u>94%</u>	<u>88%</u>

**11.2.1 Break-up of Investments of provident fund**

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	June 30, 2014		June 30, 2013	
	Investments (Rupees)	Investment as size of the Fund %	Investments (Rupees)	Investment as size of the Fund %
Govt. securities	1,252,220	23	3,429,634	31
Mutual Funds	-	-	5,426,820	43
Listed securities	1,977,868	35	4,308,829	14
Cash and bank	2,344,073	42	1,795,266	12
	<b>5,574,161</b>	<b>100</b>	<b>14,960,549</b>	<b>100</b>

- 11.2.2 Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose. Contributions are made both by the Company and the members @ 9% of the aggregate of basic salary, cost of living allowance and dearness allowance.

Note  
June 30, 2014  
June 30, 2013  
----- Rupees -----

**12. SHORT-TERM INVESTMENTS****Available-for-sale - at fair value****Atlas Money Market Fund -**

647,134.71 (2013: 597,773.81) units **325,211,081** 300,196,028

**ABL Cash Fund**

4,750,692.1965 (2013: 4,399,120.18) units **47,624,264** 44,025,075

**UBL Liquidity Plus Fund**

473,780.54 (2013: 441,815.94) units **47,551,695** 44,000,000

**Lakson Money Market Fund - a related party**

3,086,866.51 (2013: 3,379,436.13) units **309,007,686** 340,397,370

**729,394,726** **728,618,473**

**13. DUTY REFUNDS DUE FROM GOVERNMENT**

During the year ended June 30, 2009, the Federal Government issued SRO 787(1)/2008 dated July 26, 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 July 26, 2008 to October 15, 2008 and paid duty of Rs. 17.012 million and Rs. 3.986 million without availing the benefit of subject SRO. Subsequently, the refund claims filed were rejected by the Additional Collectorate on the ground that the incidence of duty and taxes has been passed to end consumers.

The Company filed appeals before the Collector of Customs as well as before the Appellate Tribunal in the year ended June 30, 2010 and 2011 respectively, against the orders passed which were rejected on the same grounds as above. The Company subsequently filed references in the High Court of Sindh against the judgements of the Appellate Tribunal. The reference of Rs. 17.012 million is currently pending, however, the Divisional Bench of the High Court dismissed the reference for Rs. 3.986 million in 2012. An appeal against the decision of the High Court before the Supreme Court of Pakistan was filed on the grounds that none of the forums above, including the High Court, had examined the evidence produced to establish that the burden of duties and

taxes has not been passed to the end consumer. The Supreme Court in order to examine this question granted leave in the petition. Accordingly, the Company has recognized and maintained the refund claims in its books of accounts.

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
<b>14. CASH AND BANK BALANCES</b>			
Cash in hand		187,090	50,000
Cash at banks			
In current accounts		991,308	4,460,732
In savings accounts	14.1	2,518,755	3,543,139
		3,510,063	8,003,871
		3,697,153	8,053,871
14.1	These balances carry profit at rates, ranging between 6% and 7% (2013: 5% and 9.5%) per annum.		
14.2	Of the aggregate facility of Rs. 15 (2013: Rs. 15) million for opening letters of credit, the amount utilized as at June 30, 2014 was Rs. 7.246 (2013: Rs. 4.835) million.		
<b>15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
	Number of shares		
	2014	2013	
3,900,000	3,900,000	Issued for cash	39,000,000
5,534,880	5,534,880	Issued as bonus shares	55,348,800
9,434,880	9,434,880		94,348,800
15.1	As at the year end, related parties held 8,928,669 (2013: 8,934,624) ordinary shares of Rs. 10/- each.		
<b>16. RESERVES</b>			
Revenue reserves			
General reserves		697,500,000	694,000,000
Unappropriated profit		49,515,416	64,287,201
Unrealized gain on revaluation of available-for sale investments		832,538	618,473
		747,847,954	758,905,674
<b>17. TRADE AND OTHER PAYABLES</b>			
Creditors			
Due to related parties	17.1	381,244	339,109
Others		246,810	485,243
		628,054	824,352
Bills payable		1,990,947	5,257,662
Stock return provision		-	8,000,000
Accrued expenses		1,321,332	2,097,612
Amount due to distributors		644,582	658,164
Workers' Welfare Fund		1,088,895	1,360,167
Unclaimed dividend		1,173,644	997,970
Others		900	830,858
		6,848,354	20,026,785



	Note	June 30, 2014 ----- Rupees -----	June 30, 2013 -----
17.1	<b>The amount due to related parties, comprises of :</b>		
	Hasan Ali & Gulbanoo Karabhai Foundation	217,035	2,800
	Cyber Internet Services (Private) Limited	-	14,147
	Century Insurance Company Limited	164,209	316,934
	Princeton Travels (Private) Limited	-	5,228
		<u>381,244</u>	<u>339,109</u>
17.2	<b>Workers' Profits Participation Fund comprises as follows:</b>		
	Balance as at July 01	(357,039)	28,392,961
	Amount received / (paid) from/ to the Fund	<u>357,039</u>	<u>(28,750,000)</u>
	11	<u>-</u>	<u>(357,039)</u>
18.	<b>CONTINGENCIES AND COMMITMENTS</b>		
18.1	<b>Contingencies</b>		
	(a) Refer note 13.		
	(b) Refer note 26.2		
19.	<b>SALES</b>		
	Gross revenue	49,760,261	34,459,436
	Sales tax	(7,106,815)	(4,995,005)
	Trade discount and allowances	<u>(1,114,022)</u>	<u>(1,216,235)</u>
		<u>41,539,424</u>	<u>28,248,196</u>
20.	<b>COST OF SALES</b>		
	<b>Trading</b>		
	Opening stock	27,727,503	10,788,644
	Purchases	25,795,004	35,381,394
	Closing stock	<u>(26,430,010)</u>	<u>(27,727,503)</u>
		27,092,497	18,442,535
		2,744	348,181
	Packing material consumed	<u>1,076,807</u>	<u>-</u>
	Provision for damaged and obsolete watches	<u>28,172,048</u>	<u>18,790,716</u>
21.	<b>DISTRIBUTION AND MARKETING EXPENSES</b>		
	Salaries, allowances and other benefits	4,716,913	3,386,662
	Travelling and conveyance	1,019,917	1,026,623
	Repairs and maintenance	560,965	162,393
	Vehicles running expenses	150,296	102,566
	Advertisement	3,092,022	2,088,254
	Subscription & membership	6,000	4,500
	Postage, telegrams and telephone	397,396	237,517
	Rent, rates and taxes	4,449,736	3,017,652
	Printing and stationery	67,850	30,998
	Electricity	677,863	334,556
	Insurance	279,836	151,866
	Bad debts written-off	149,348	10,617
	Freight and octroi	236,384	198,048
	Depreciation	436,935	-
	Information technology expenses	15,501	35,002
	Warehouse expenses	<u>41,903</u>	<u>-</u>
		<u>16,298,865</u>	<u>10,787,254</u>

# CLOVER PAKISTAN LIMITED

21.1 Includes Rs. 0.101 (2013:Rs. 0.132) million in respect of staff retirement benefits

		June 30, 2014	June 30, 2013
		----- Rupees -----	
<b>22. ADMINISTRATIVE EXPENSES</b>			
Chief Executive's remuneration	28	-	500,000
Salaries, allowances and other benefits	22.1	4,258,107	6,742,441
Travelling and conveyance		136,508	11,763
Repairs and maintenance		50,840	152,360
Vehicles running expenses		181,522	706,506
Advertisement		35,545	6,264
Postage, telegrams and telephone		366,275	350,832
Rent, rates and taxes		1,375,429	1,375,428
Printing and stationery		443,822	464,870
Subscription and membership		900,056	990,116
Legal and professional charges		1,039,000	619,000
Electricity		1,170,332	963,967
Insurance		278,089	925,950
Auditors' remuneration	22.2	440,870	652,370
Depreciation	4.1	273,059	504,514
Information technology expenses		508,805	561,496
Others		139,792	87,670
		<u>11,598,051</u>	<u>15,615,547</u>
22.1 Includes Rs. 0.110 (2013: Rs. 0.331) million in respect of staff retirement benefits.			
22.2 <b>Auditors' remuneration</b>			
Audit fee - statutory		350,000	350,000
Half yearly review and other certifications		50,000	260,810
Out of pocket expenses		40,870	41,560
		<u>440,870</u>	<u>652,370</u>
<b>23. OTHER OPERATING EXPENSES</b>			
Workers' Welfare Fund		1,051,833	1,249,583
Exchange loss - net		193,206	448,152
		<u>1,245,039</u>	<u>1,697,735</u>
<b>24. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on deposits		286,632	999,988
Gain on sale of investments		56,192,905	79,285,752
		<u>56,479,537</u>	<u>80,285,740</u>
<b>Income from non-financial assets</b>			
Gain on scrap sales		-	7,830
Gain on sale of fixed assets		1,316,012	-
Recovery against written-off amount		1,311,597	-
Reversal of freight on imports		425,687	-
Reversal of stock return provision	17&24.1	8,000,000	-
Insurance commission from a related party		60,455	176,878
Management fee from a related party		-	205,455
Service Income - watches		8,958	-
Others		-	242,012
		<u>11,122,709</u>	<u>632,175</u>
		<u>67,602,246</u>	<u>80,917,915</u>

- 24.1 Represents reversal of provision related to Tang stock return, no more required.

	June 30, 2014	June 30, 2013
	----- Rupees -----	
<b>25. FINANCE COSTS</b>		
Bank charges and commission	<u>169,819</u>	<u>62,061</u>
<b>26. TAXATION</b>		
Current	4,895,472	3,443,879
Prior years	<u>2,041,881</u>	<u>(2,692,025)</u>
	6,937,353	751,854
Deferred	-	1,889,985
	<u>6,937,353</u>	<u>2,641,839</u>
<b>26.1 Tax charge reconciliation</b>		
Applicable tax rate as per Income Tax Ordinance, 2001	34.00	35.00
Tax effect of amounts that are:		
Income at lower / zero rate	(37.07)	(40.26)
Permanent differences	(0.22)	(1.59)
Effect of deferred tax not accounted for	(1.93)	3.54
Effect of change in prior years' tax	3.96	(4.07)
Tax effect under presumptive tax regime and others	14.66	12.20
	<u>(20.60)</u>	<u>(30.18)</u>
	<u>13.40</u>	<u>4.82</u>

The return of income for the tax year 2013 has been filed which is deemed to be an assessment order in view of the provisions of Section 120 of the Income Tax Ordinance, 2001.

- 26.2 The income tax assessments of the Company have been finalized up to and including the Tax Year 2013. The return for the Tax Year 2012 filed by the Company was selected for total audit under section 177 by the Commissioner Inland Revenue. During the period, Deputy Commissioner Inland Revenue has passed an amended order which was further rectified for apparent mistakes resulting in further tax demand of Rs.108.840 million and demand for Workers Welfare Fund of Rs.11.325 million. The Company had filed an appeal before the Commissioner Inland Revenue Appeals (CIRA) against the disallowances. The Commissioner Appeals has in the fitness of things annulled the assessment to the extent of impugned addition, with certain directions to the DCIR. Based on the advice of the tax advisor handling the subject matter, the management is confident that the demand created through the order passed under Section 122 does not subsist.

## 27. DISCONTINUED OPERATIONS

- 27.1 In accordance with the requirements of IFRS-5 "Non-Current Assets Held for Sale and Discontinued Operations" as of June 30, 2014, the profit and loss account, the income and expenses for the Tang business have been reported separately. (Note 1)



27.2 The results of discontinued operations for the year are presented below:

	Note	June 30, 2014 ----- Rupees -----	June 30, 2013 -----
<b>Gross revenue</b>	27.3	-	105,950,352
Sales tax and special excise duty		-	(17,125,540)
Trade discounts and allowances		-	(14,127,924)
<b>Net revenue</b>		-	74,696,888
Cost of sales	27.4	-	(98,580,591)
<b>Gross (loss)</b>		-	(23,883,703)
Distribution and marketing expenses	27.5	-	(6,457,608)
Other operating income	27.6	-	34,440,972
<b>Operating profit / (loss)</b>		-	4,099,661
Finance costs		-	(175,221)
<b>Profit / (loss) for the period from discontinued operations before taxation</b>		-	3,924,440
Taxation	27.7	-	(589,704)
<b>Profit / (loss) for the period from discontinued operations after taxation</b>		-	3,334,736
<b>27.3 Gross revenue</b>			
Locally manufactured		-	-
Trading		-	105,950,352
		-	105,950,352
<b>27.4 Finished goods</b>			
Opening stock		-	32,422,797
Purchases		-	66,157,794
Closing stock		-	-
		-	98,580,591
		-	98,580,591
<b>27.5 Distribution and marketing expenses</b>			
Salaries, allowances and other benefits	27.5.1	-	2,422,569
Travelling and conveyance		-	858,124
Repairs and maintenance		-	436,028
Vehicles running expenses		-	1,188,830
Advertisement		-	173,619
Postage, telegrams and telephone		-	212,834
Rent, rates and taxes		-	1,351,286
Printing and stationery		-	43,580
Electricity		-	372,579
Insurance		-	121,411
Bad debts written-off		-	2,292,707
Freight and octroi		-	2,103,854
Stock handling / godown charges		-	67,913
Depreciation	4.1	-	590,840
Information technology expenses		-	197,451
		-	12,433,625
Reimbursement of selling expenses		-	(5,976,017)
		-	6,457,608

		June 30, 2014	June 30, 2013
		----- Rupees -----	
27.5.1	This amount includes Nil (2013: Rs. 0.071) million in respect of staff retirement benefits.		

## 27.6 Other operating income

Gain on disposal of fixed assets		-	6,578,501
Gain on sale of waste		-	33,075
Liabilities no longer required written back	27.6.1	-	23,066,802
Reversal of provision for doubtful debts	8.3	-	4,762,594
		-	34,440,972

27.6.1 This includes old outstanding but not claimed media bills amounting to Rs. 21,574,710 written back during the year, considering them time barred and no longer payable.

## 27.7 Taxation

Current	-	589,704
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## 28. EARNINGS PER SHARE

Profit for the year from continuing operations after tax	-	59,570,959
Profit for the year from discontinued operations after tax	-	3,334,736
Profit after taxation for the year	44,720,495	62,905,695
Weighted average ordinary shares in issue (number of shares)	9,434,880	9,434,880
Earnings per share from continuing operations - basic and diluted - (Rupees)	4.74	6.32
Earnings per share from discontinued operations - basic and diluted - (Rupees)	-	0.35
Earnings per share - basic and diluted - (Rupees)	4.74	6.67

28.1 The effect of the change in accounting policy on the 'earnings per share' is not material in the overall context of these financial statements.

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

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

	Chief Executive		Executives		Total	
	2014	2013	2014	2013	2014	2013
	(Rupees)					
Remuneration	-	370,400	782,912	2,525,796	782,912	2,896,196
House rent	-	129,600	352,308	1,136,592	352,308	1,266,192
Bonus	-	-	402,838	575,153	402,838	575,153
Retirement benefits	-	-	70,893	228,602	70,893	228,602
Motor vehicle expenses	-	-	165,872	486,237	165,872	486,237
Others	-	-	464,016	287,120	464,016	287,120
	-	500,000	2,238,839	5,239,500	2,238,839	5,739,500
Numbers of persons		1	2	3	2	4

The directors and the chief executive have waived their meeting fees and remuneration respectively for the year.

The Chief Executive and certain executives are provided with free use of Company maintained car.

## 30. RELATED PARTIES DISCLOSURES

The related parties include group companies, 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 29, are as follows:

Relationship	Nature of transactions	June 30, 2014	June 30, 2013
		----- Rupees -----	----- Rupees -----
Group companies	Sale of goods and services	939,015	9,919,001
	Purchase of goods and services	3,528,046	8,009,526
	Rent, utilities and allied services	2,281,311	2,331,810
	Insurance premium	689,301	1,419,505
	Insurance commission	60,455	135,627
	Investment in mutual fund	308,761,354	390,000,000
	Sale of units of mutual fund	362,882,058	494,027,537
	Dividend paid	53,529,588	80,294,382
Retirement benefit plans	Contribution to staff retirement benefit plans	211,188	463,462

The Company enters into transaction with related parties for the sale of its products. 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, 2014 is included in relevant notes to the financial statements.

## 31. CASH GENERATED FROM OPERATIONS

Profit before taxation from continuing operations	51,657,848	62,212,798
Profit before taxation from discontinued operations	-	3,924,440
Profit before taxation	51,657,848	66,137,238
Adjustments for:		
Depreciation	709,995	1,095,354
Gain on disposal of fixed assets	(1,316,012)	(6,586,331)
Income from gratuity fund	(206,000)	(3,721,000)
Reversal for doubtful debts	(19,616)	(4,762,594)
Gain on redemption of available for sale investments	(56,192,905)	(79,285,752)
Finance costs	169,819	685,433
	(56,854,719)	(92,574,890)
Working capital changes	31.1 768,666	(94,820,842)
	(4,428,205)	(121,258,494)



	June 30, 2014	June 30, 2013
	Rupees	
31.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	97,575	(401,665)
Stock-in-trade	2,377,044	15,832,119
Trade debtors	3,826,693	74,677,344
Loans and advances	146,753	347,607
Trade deposits and short-term prepayments	(81,891)	913,851
Other receivables	5,525,735	26,637,026
	<u>11,891,909</u>	<u>118,006,282</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(12,050,910)	(211,526,438)
Sales tax payable	927,667	(1,300,686)
	<u>(11,123,243)</u>	<u>(212,827,124)</u>
	<u>768,666</u>	<u>(94,820,842)</u>

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 32.1 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 risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

#### 32.1.1 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 is exposed to interest rate risk in respect of investment in money market mutual funds.

#### Sensitivity Analysis

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

	Increase / decrease in basis points	Effect on profit before tax Rupees
2014	+100	490,713
	-100	(490,713)
2013	+100	713,471
	-100	(713,471)

## 32.1.2 Foreign Currency Risk

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

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

	Bills payable	Commitments
	----- Rupees -----	
June 30, 2014	1,996,000	5,249,920
June 30, 2013	5,257,662	-
	June 30, 2014	June 30, 2013

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

Exchange rates - 1 US Dollar to Rupee	98.75	98.80
---------------------------------------	-------	-------

### 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	Profit or loss
	----- (Rs. in '000) -----	
June 30, 2014	(197)	(303)
June 30, 2013	(526)	(809)

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.

## 32.1.3 Credit risk

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

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

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

	Carrying values	
	June 30, 2014	June 30, 2013
	----- Rupees -----	----- Rupees -----
Long-term loans	30,000	170,454
Long-term security deposits	10,466	30,461
Trade debts	2,544,860	6,351,937
Loans and advances	114,808	261,561
Trade deposits	677,500	526,550
Short-term investments	729,394,726	728,618,473
Other receivables	456,897	5,159,632
Bank balances	3,510,063	8,003,871
	<u>736,739,320</u>	<u>749,122,939</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:

	June 30, 2014	June 30, 2013
	----- Rupees -----	----- Rupees -----
<b>Trade debts</b>		
Customers with no defaults in the past one year	2,082,324	638,512
<b>Cash at bank and held to maturity investments</b>		
A1-	3,510,063	8,003,871
<b>Available for sale investments</b>		
A+	-	300,196,028
AA+	372,762,776	44,000,000
AA	356,631,950	384,422,445
	<u>729,394,726</u>	<u>728,618,473</u>

#### 32.2 Liquidity risk

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

Year ended June 30, 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rupees					
Short term deposits	569,500	-	-	-	-	569,500
Trade and other payables	3,536,075	3,312,279	-	-	-	6,848,354
	<u>4,105,575</u>	<u>3,312,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,417,854</u>
Year ended June 30, 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Short term deposits	589,500	-	-	-	-	589,500
Trade and other payables	2,166,151	17,568,646	291,988	-	-	20,026,785
	<u>2,755,651</u>	<u>17,568,646</u>	<u>291,988</u>	<u>-</u>	<u>-</u>	<u>20,616,285</u>



## 32.3 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended June 30, 2014 and June 30, 2013.

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

## 32.4 Fair values of financial instruments

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

### Fair value hierarchy

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

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

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

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

As at June 30, 2014, the Company has available-for-sale investments measured using level 1 valuation technique.

## 33. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Description	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyers
Rupees							
<b>Vehicles</b>							
Honda Civic-AYZ-040	2,162,000	288,267	1,873,733	1,873,733	-	Negotiation	Rollins Industries (Private) Limited H-36, S.I.T.E., Kotri, District Jamshoro, Sindh
Honda Civic-ALW-960	1,506,000	1,204,800	301,200	1,625,000	1,323,800	Insurance claim	Century Insurance Company Limited Sarwar Shaheed Road, Karachi
Suzuki Mehran-AVS-917	524,000	270,733	253,267	253,267	-	Company car scheme	Mr. Obaid-ul-Haq (ex-employee)
Yamaha Junoon-KDK-5295	61,000	48,800	12,200	13,000	800	Negotiation	Mr. Amer Rashid (CNIC 35201-7233188-5) Rawalpindi
	4,253,000	1,812,600	2,440,400	3,765,000	1,324,600		

Description	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyers
Rupees							
<b>Office equipment</b>							
Items having book value upto Rs. 50,000/-	22,000	22,000	-	7,000	7,000	Negotiation	Ideal Refrigeration c/o Mr. M. Sabir, Sukker.
Items having book value up to Rs. 50,000/-	39,903	34,176	5,727	6,635	908	Negotiation	Colgate Palmolive (Pakistan) Limited, Lakson Square Building No.2, Sarwar Shaheed Road, Karachi
	61,903	56,176	5,727	13,635	7,908		
<b>Computer and data process equipment</b>							
Items having book value upto Rs. 50,000/-	166,932	158,420	8,512	49,930	41,418	Negotiation (Related party)	Colgate Palmolive (Pakistan) Limited, Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Items having book value upto Rs. 50,000/-	20,500	20,500	-	10,000	10,000	Negotiation (Related party)	Tetley Clover (Pvt) Limited Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi
Lenovo Think pad	90,950	90,950	-	10,256	10,256	Bid	Mr. Ashiq Ali Issani, CNIC (42101-0758874-7), Deluxe Plaza, Flat # 46, F.B. Area, Karachi
	278,382	269,870	8,512	70,186	61,674		
	4,593,285	2,138,646	2,454,639	3,848,821	1,394,182		

#### 34. NUMBER OF EMPLOYEES

Total number of employees at year end are 9 (2013: 11) and average number of employees during the year was 10 (2013: 21).

#### 35. CORRESPONDING FIGURES

No reclassifications have been made in respect of prior year's figures in the current year's financial statements.

#### 36. DIVIDEND AND APPROPRIATIONS

Subsequent to the balance sheet date, the Board of Directors have proposed a final dividend of Rs.13.50/- per share amounting to a total dividend of Rs. 127,370,880/- (2013: Rs. 56,609,280/-) in its meeting held on September 19, 2014 for approval of the members at the Annual General Meeting. In addition, the Board has also approved transfer back from general reserves of Rs.82.5 million. In 2013 an amount of Rs. 3.5 million was appropriated to general reserve.

#### 37. DATE OF AUTHORISATION FOR ISSUE

The Board of Directors of the Company authorised these financial statements for issue on September 19, 2014.

#### 38. GENERAL

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

  
Zulfiqar Ali Lakhani  
Chief Executive

  
Taseemuddin Ahmed Batlay  
Director

**Pattern of Holding of Shares** held by the shareholders as at June 30, 2014

CUIN NO. 0015034

INCORPORATION NUMBER K-198/9686 of 1986

No. of Shareholders	Shareholdings		Total shares held
	From	To	
530	1	100 Shares	8,150
159	101	500 Shares	50,415
68	501	1,000 Shares	58,045
98	1,001	5,000 Shares	207,942
8	5,001	10,000 Shares	56,730
2	10,001	15,000 Shares	22,000
1	20,001	25,000 Shares	25,000
1	65,001	70,000 Shares	66,528
1	80,001	85,000 Shares	85,000
1	1,990,001	1,995,000 Shares	1,991,844
1	2,220,001	2,225,000 Shares	2,223,849
1	2,225,001	2,230,000 Shares	2,227,908
1	2,410,001	2,415,000 Shares	2,411,469
872			9,434,880

<u>Categories of Shareholders</u>	<u>Shares held</u>	<u>Percentage</u>
Directors, Chief Executive Officer, their spouse and minor children	13,649	0.14
Associated Companies, Undertakings and Related parties	8,928,669	94.64
NIT and ICP	NIL	-
Banks, Development Finance Institutions, Non Banking Finance Institutions	369	-
Insurance Companies	66,528	0.71
Modarabas and Mutual Funds	NIL	-
Shareholders holding 10%	8,855,070	93.85
Others	9,374	0.10
General Public		
a) Local	482,819	5.12
b) Foreign	NIL	-

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



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

<u>CATEGORIES OF SHAREHOLDERS</u>		<u>NO. OF SHARES HELD</u>
<b>i) <u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u></b>		
1.	M/s. SIZA (Private) Limited	2,223,849
2.	M/s. SIZA Services (Private) Limited	2,411,469
3.	M/s. SIZA Commodities (Private) Limited	1,991,844
4.	M/s. Premier Fashions (Private) Limited	2,227,908
5.	M/s. Century Insurance Company Limited	66,528
6.	Mr. Sultan Ali Lakhani	403
7.	Mrs. Shaista Sultan Ali Lakhani	259
8.	Mr. Babar Ali Lakhani	2,500
9.	Mr. Bilal Ali Lakhani	198
10.	Mr. Danish Ali Lakhani	1,983
11.	Ms. Anushka Zulfiqar Lakhani	864
12.	Ms. Anika Amin Lakhani	864
		<hr/> 8,928,669 <hr/>
<b>ii) <u>MUTUAL FUNDS</u></b>		<hr/> NIL <hr/>
<b>iii) <u>DIRECTORS, THEIR SPOUSE &amp; MINOR CHILDREN</u></b>		
1.	Mr. Iqbal Ali Lakhani	Director 7,659
2.	Mr. Zulfiqar Ali Lakhani	Director/CEO 720
3.	Mr. Amin Mohammed Lakhani	Director 1,036
4.	Mr. Tasleemuddin A. Batlay	Director 1,209
5.	Mr. A. Aziz H. Ebrahim	Director 1,209
6.	Mr. Shahid Ahmed Khan	Director 728
7.	Mr. Mansoor Ahmed	Director 508
8.	Mrs. Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani	230
9.	Mrs. Fatima Lakhani W/o. Zulfiqar Ali Lakhani	144
10.	Mrs. Saira Amin Lakhani W/o. Amin Mohammed Lakhani	206
		<hr/> 13,649 <hr/>
<b>iv) <u>EXECUTIVES</u></b>		<hr/> NIL <hr/>
<b>v) <u>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS</u></b>		<hr/> NIL <hr/>
<b>vi) <u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</u></b>		
1.	IDBP (ICP unit)	369
2.	Century Insurance Company Limited	66,528
		<hr/> 66,897 <hr/>
<b>vii) <u>SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS IN THE COMPANY</u></b>		
1.	M/s. SIZA (Private) Limited	2,223,849
2.	M/s. SIZA Services (Private) Limited	2,411,469
3.	M/s. SIZA Commodities (Private) Limited	1,991,844
4.	M/s. Premier Fashions (Private) Limited	2,227,908
		<hr/> 8,855,070 <hr/>
<b>viii) <u>INDIVIDUALS AND OTHER THAN THOSE NOT MENTIONED ABOVE</u></b>		<hr/> 492,193 <hr/>

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

## Form of Proxy

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

who is/are also member/s of Clover Pakistan Limited to act as my/our proxy and to vote for me/us  
and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held  
on 23rd day of October 2014 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

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

### Witness 1

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

### Witness 2

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

Notes : 1. The proxy must be a member of the Company.

2. The signature must tally with the specimen signature/s registered with the Company.

3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.







**CLOVER PAKISTAN LIMITED**

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