



annual  
report  
2015



CLOVER PAKISTAN LIMITED

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## Company Information

### BOARD OF DIRECTORS

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	Chief Executive
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
A. Aziz H. Ebrahim	
Shahid Ahmed Khan	
Syed Shahid Ali Bukhari (from January 26, 2015)	
Mansoor Ahmed (upto January 26, 2015)	

### ADVISOR

Sultan Ali Lakhani

### AUDIT COMMITTEE

Syed Shahid Ali Bukhari (from January 26, 2015)	Chairman
Iqbal Ali Lakhani	
Tasleemuddin Ahmed Batlay	
Mansoor Ahmed (upto January 26, 2015)	

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

### 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

### SHARE 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 29th Annual General Meeting of CLOVER PAKISTAN LIMITED will be held on Thursday, October 29, 2015 at 09:30 a.m. at the Auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.
2. To declare final dividend in cash at 25% i.e. Rs.2.50 per share of Rs.10 each held by the members as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

4. To consider and approve the amendments in some of the clauses of Articles of Association of the Company and if thought fit, to pass Special Resolution with or without modification.
- 5(a). To consider and approve the transactions carried out in normal course of business with associated companies during the year ended June 30, 2015 and pass an ordinary resolution.
- 5(b). To consider to authorize the Chief Executive to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2016 and to pass an ordinary resolution in this connection.

Statement under section 160 of the Companies Ordinance, 1984 in the above matters containing draft of the resolutions to be passed pertaining to item Nos. 4 and 5 are annexed.

By Order of the Board

  
**MANSOOR AHMED**  
Company Secretary

Karachi: September 21, 2015

### NOTES:

1. The share transfer books of the Company will remain closed from October 23, 2015 to October 29, 2015 (both days inclusive). Transfers received in order by the Share 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 the close of business on October 22, 2015 will be treated 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 CDC 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, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated 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 Share Registrar of the Company promptly of any change in their addresses.
6. Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Share Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.

# CLOVER PAKISTAN LIMITED

7. In compliance with the SECP's Circular No.8(4)SM/CDC 2008 dated April 05, 2013, the Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.
8. Pursuant to Notification vide SRO.787 (1)/2014 of September 08, 2014, the SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company's website i.e. www.clover.com.pk. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.
9. (i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
  1. Rate of tax deduction for filer of income tax return 12.5%
  2. Rate of tax deduction for non-filers of income tax return 17.5%

To enable the Company to make tax deduction on the amount of cash dividend at 12.5% instead of 17.5%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted at 17.5% instead of 12.5%.

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint holder(s).

(iii) For any query/problem/information, the investors may contact the Company Secretary at phone: 35698082 and e-mail address mansoor@lakson.com.pk and/or FAMCO Associates (Pvt) Ltd. at phone 021-34380101-5 and e-mail address: info.shares@famco.com.pk

(iv) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Pvt) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

10. Members can also avail video conference facility in (name of cities where facility can be provided keeping in view geographical dispersal of members). In this regard, please fill the following and submit to registered address of the Company 10 days before holding of the annual general meeting.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Clover Pakistan Limited, holder of \_\_\_\_\_ ordinary share(s) as per registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_."

11. Form of Proxy is enclosed.

**STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO  
SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the Special Business, given in agenda item Nos. 4 and 5 of the Notice will be considered to be passed by the members. The purpose of the statement is to set forth the material facts concerning such Special Business.

**1. Agenda Item No. 4 of the Notice - Amendments in some of the clauses of Articles of Association of the Company to be passed as a Special Resolution.**

The Board of Directors have recommended to the members to amend certain clauses of Articles of Association of the Company. The proposed changes in certain clauses will update the Articles of Association of the Company and the following resolution will be passed as Special Resolution in this connection:

**"RESOLVED THAT THE AMENDMENTS AS UNDER BE AND ARE HEREBY MADE IN THE ARTICLES OF ASSOCIATION OF THE COMPANY:**

- 1) Substitute the entire clause 75(1). 'The ordinary remuneration of a Director other than the regularly paid Chief Executive and full time working Directors shall not exceed rupees five hundred per meeting of the Board of Directors or a Committee of such Board attended by him or such amount as may be prescribed under the relevant law time being in force'. The amended clause 75(1) shall read as under:

"75(1). The ordinary remuneration of a Director, other than the regularly paid Chief Executive and full time working Directors, shall be Rupees 5,000 (Five Thousand) or as fixed by the Board of Directors from time to time for attending a meeting of Board of Directors or a Committee of the Board, plus out of pocket expenses, if any."

- 2) Insert the words 'in person or via teleconferencing or videoconferencing or by any other electronic means' between the words 'together' and 'for the despatch of business' in line 1 in clause-95. The word 'Karachi' be substituted with the word 'Pakistan' at the end of the clause. The amended clause 95 shall read as under:

"95. The Directors may meet together in person or via teleconferencing or videoconferencing or by any other electronic means for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit. The Directors shall meet at least once in each quarter in a year. Questions arising at any meeting shall be decided by a majority of votes. In case of equality of vote the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time, summon a meeting of the Directors. It shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from Pakistan."

- 3) Substitute the entire Clause 96. 'Three Directors shall be a quorum for the Board's meeting till the Company is listed on any stock exchange in Pakistan. In the event when the Company is listed on the stock exchange the quorum for the Board's meeting shall be one third of their number or four, whichever is greater. If all the Directors of the Company except one are disqualified from voting, the matter shall be decided by the Company in General Meeting. A meeting of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Directors generally. The continuing Directors may act notwithstanding any vacancy in their body provided that their number is not reduced below the number fixed by or in accordance with these Articles as the necessary quorum of Directors. The amended clause 96 shall read as under:

"96. The quorum necessary for the transaction of the business of the Directors shall be one third of their number or four, whichever is greater. Board Meetings through audio/videoconferencing can be held when physical presence of some Directors is not possible at the venue of the meeting. The participation of such Directors through audio/videoconferencing shall be treated as physical attendance and if required even to complete a quorum and for meeting requirements and passing of resolutions

of all other businesses, contracts and agreements etc. If all the Directors of the Company except one are disqualified from voting the matter shall be decided by the Company in General Meeting. A meeting of Directors at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Directors generally. The continuing Directors may act notwithstanding any vacancy in their body provided that their number is not reduced below the number fixed by or in accordance with these Articles as the necessary quorum of Directors."

- 4) Insert the words 'or through courier service or any other mode' between the words 'registered post' and 'to the registered address' in lines 5 and 6 in clause 113. The amended clause 113 shall read as under:

"113.No dividend shall be paid in respect of any share except to the registered holder of such share or to his order or to a financial institution nominated by him for the purpose. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent by registered post or through courier service or any other mode to the registered address of the Member or person entitled thereto and in the case of joint holders to the registered address of that one of the joint holders who is first named on the Register, or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or warrant if purporting to be duly endorsed shall be good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. If several persons are registered as joint holders of any share, any one of them may give effectual receipt for any dividend or other moneys payable on or in respect of share."

The Directors are interested to the extent of shares held by them and the privileges attached thereto only.

2. **Agenda Item No. 5(a) of the Notice - Transactions carried out with associated companies during the year ended June 30, 2015 to be passed as an Ordinary Resolution.**

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of the Code of Corporate Governance, 2012.

During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorships and holding of shares in the associated companies, the quorum of directors could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions carried out during the financial year ended June 30, 2015 with associated companies shown in Note No. 30 of the audited financial statements are being placed before the shareholders for their consideration and approval/ratification and to pass the following resolution as an ordinary resolution in this connection:

**"RESOLVED** that the transactions carried out in normal course of business with associated companies as disclosed in Note No. 30 of the audited financial statements for the year ended June 30, 2015 be and are hereby ratified and approved."

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

**3. Agenda Item No. 5(b) of the Notice - Authorization to the Chief Executive for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2016 to be passed as an Ordinary Resolution.**

The Company is expected to be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorships and shareholding in the associated companies. Therefore, such transactions with associated companies have to be approved by the shareholders.

In order to comply with the provisions of clause 5.19.6 (b) of the Code of Corporate Governance, 2012, the shareholders may authorize the Chief Executive to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2016 and to pass the following resolution as an ordinary resolution in this connection:

**"RESOLVED** that the Chief Executive of the Company be and is hereby authorize to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2016 and in this connection the Chief Executive be and is hereby authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required to be signed/executed in this regard on behalf of the Company."

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.



## Directors' Report

The Directors present the Annual Report together with the Company's audited financial statements for the year ended June 30, 2015.

### OPERATING RESULTS

	<u>2015</u>	<u>2014</u>
	Rupees in thousand	
Net Revenue	<b>30,352</b>	41,539
Gross Profit	<b>7,631</b>	13,367
Operating Profit	<b>28,477</b>	51,828
Profit from operations before tax	<b>28,442</b>	51,658
Profit from operations after tax	<b>21,067</b>	44,720
Earnings per share	<b>Rs.2.23</b>	Rs.4.74

### PROFIT AND APPROPRIATIONS

	Rupees
Profit after tax	21,067,263
Un-appropriated profit brought forward	<u>148,536</u>
	21,215,799
Transfer back from General Reserve	<u>2,400,000</u>
Profit available for appropriation	23,615,799
Appropriation : proposed cash dividend @ 25%	
i.e. Rs 2.50 per share (2014 : Rs.13.50)	<u>23,587,200</u>
Un-appropriated profit carried forward	<u><u>28,599</u></u>

### OPERATING RESULTS

Net revenue from watch sales amounted to Rs.28.821 million this year as compared to Rs. 41.539 million during the previous year.

During this financial year the Company made an operating profit before tax of Rs.28.477 million as compared to an operating profit before tax of Rs.51.828 million during the previous year.

The main income this year was once again derived from gain on sale of investments which amounted to Rs.54.212 million as compared to Rs.56.193 million last year.

The Company recorded an overall profit after tax of Rs.21.067 million as compared to Rs.44.720 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 and workers welfare funds, amounted to Rs.23.810 million as compared to Rs.16.913 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 un-audited accounts as at June 30, 2015 is as follows:

	(Rupees in million)
Provident Fund	9.105
Gratuity Fund	1.187

## **BOARD OF DIRECTORS**

### **Election of Directors**

During the year under review election of Directors of the Company were conducted on January 26, 2015 and all existing Directors except for Mr. Mansoor Ahmed were re-elected for the next term of three years. The Board would like to place on record its appreciation for the valuable contribution made by the members during the last term and expects them to continue providing valuable guidance in the future in their respective fields.

The Board also wish to thank Mr. Mansoor Ahmed for his invaluable service during his Directorship. The Board welcomes Mr. Syed Shahid Ali Bukhari, who has been elected Director in his place.

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

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, and the rest of the Directors have completed the same. 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.

## **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	4
Mr. Amin Mohammed Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	4
Mr. Shahid Ahmed Khan	3
Mr. Syed Shahid Ali Bukhari (from January 26, 2015)	2
Mr. Mansoor Ahmed (upto January 26, 2015)	2

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

## **AUDIT COMMITTEE**

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

	Meetings Attended
Mr. Syed Shahid Ali Bukhari	2 (from 26-01-2015)
Mr. Iqbal Ali Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4
Mr. Mansoor Ahmed	2 (upto 26-01-2015)

## **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, 2015 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**

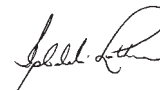
During the year, Company has evaluated various business projects and carried out some feasibility studies to invest its surplus funds. However, due to volatile business environment currently prevailing in the country and high risk levels attached with the relevant projects, the Company has prudently decided not to undertake any new business venture for the present. The wrist watch business was continuously suffering losses due to competition from smuggled products and replica products. The company has therefore decided to discontinue this activity. The Company continues to look for a viable business opportunity and until such time excess cash will be invested in money market funds and government securities.

## **ACKNOWLEDGEMENT**

We 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

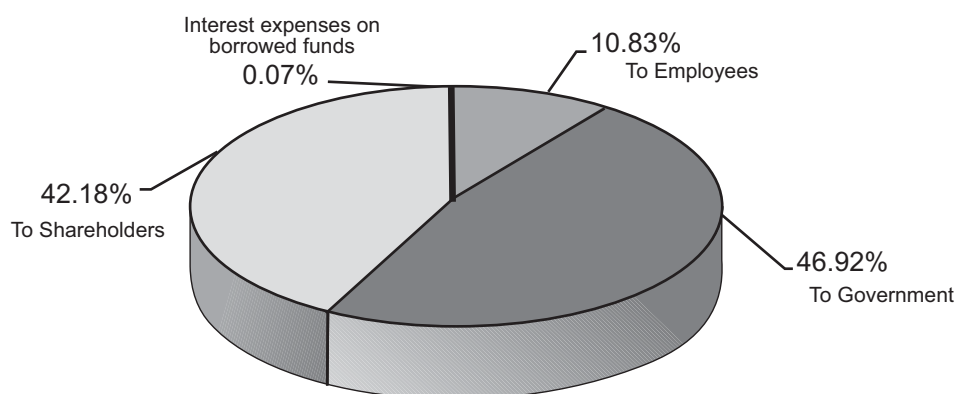


**IQBAL ALI LAKHANI**  
Chairman

Karachi : September 18, 2015

## Statement of Value Added

	June 30, 2015 Rupees		June 30, 2014 Rupees	
<b>Wealth Generated</b>				
Total revenue	90,209,048		116,248,485	
Bought-in-material & services	(39,462,666)		(44,975,863)	
	<u>50,746,382</u>	100%	<u>71,272,622</u>	100%
<b>Wealth Distributed</b>				
<b>To Employees</b>	5,495,445	10.83%	8,758,916	12.29%
<b>To Government</b>				
Excise duty, income tax, sales tax, To Government	23,809,793	46.92%	16,913,398	23.73%
<b>To providers of Capital</b>				
Dividend to shareholders To share holders	23,587,200	46.48%	127,370,880	178.71%
<b>Mark-up/interest Expenses on</b>				
Interest expenses on borrowed funds	35,204	0.07%	169,819	0.24%
<b>Retained for reinvestment &amp; future growth</b>				
Depreciation & retained profit Retained for future growth	(2,181,260)	-4.30%	(81,940,391)	-114.97%
	<u>50,746,382</u>	100.00%	<u>71,272,622</u>	100.00%

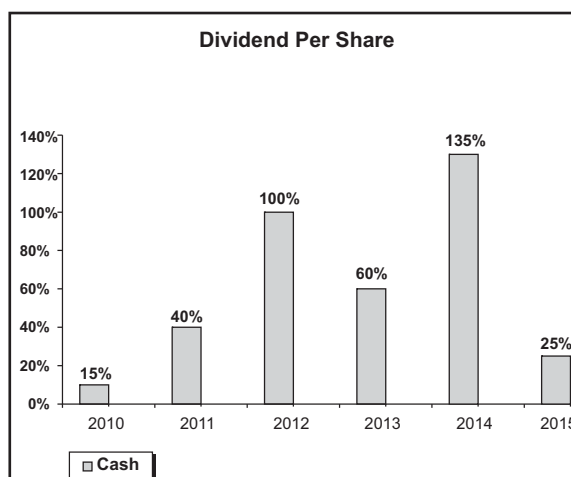
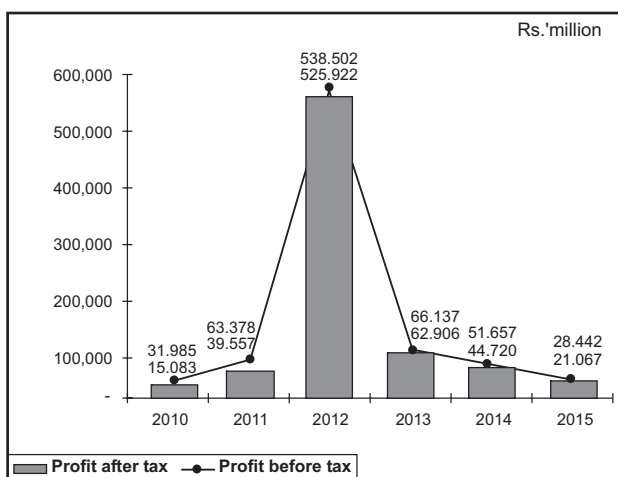
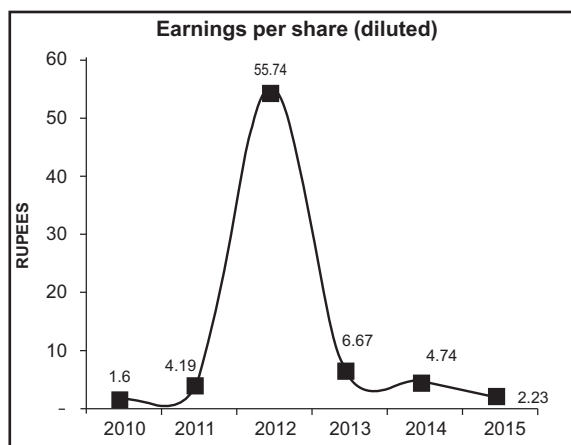
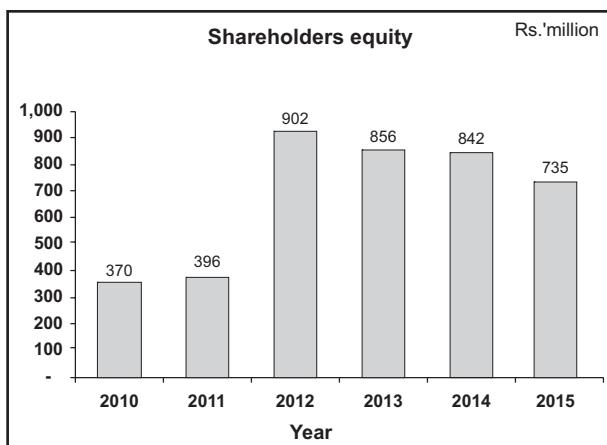
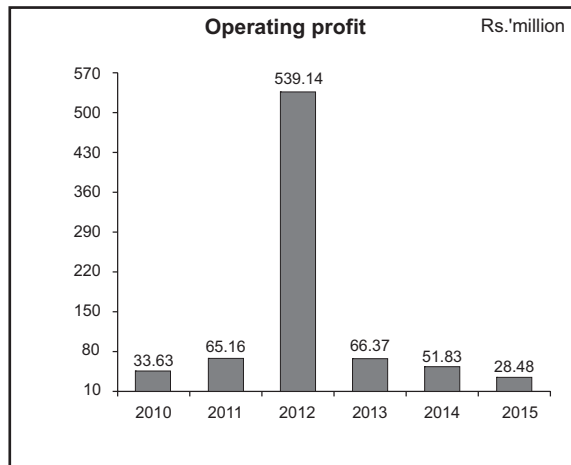
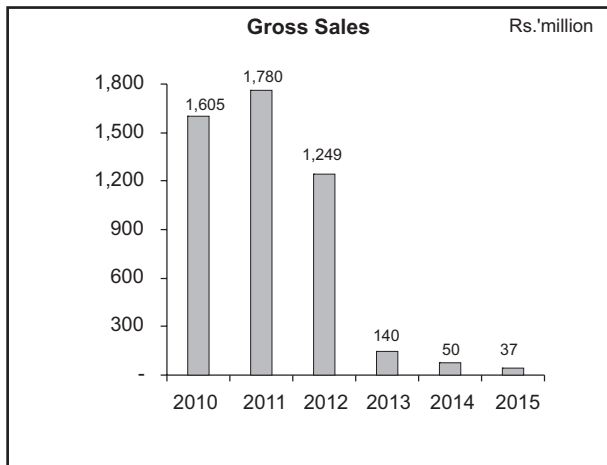


# CLOVER PAKISTAN LIMITED

## Yearwise Financial Highlights

	2015	2014	2013	2012	2011	2010
	(Rupees in thousands)					
				(restated)	(restated)	
<b>BALANCE SHEET</b>						
Fixed Assets - Property, plant and equipment	112	528	3,758	5,554	55,025	96,952
Long term loans & security deposits	34	40	201	876	3,860	4,633
Current Assets	740,013	849,046	872,711	1,128,743	754,581	660,151
Current Liabilities	5,342	7,418	20,616	231,323	410,095	384,348
	734,671	841,628	852,095	897,420	344,486	275,804
	<b>734,817</b>	<b>842,196</b>	<b>856,054</b>	<b>903,850</b>	<b>403,371</b>	<b>377,389</b>
Equity	734,817	842,196	856,054	901,838	396,345	369,705
Long term deposits	-	-	-	3,902	3,760	3,310
Deferred liability	-	-	-	(1,890)	3,266	4,374
	<b>734,817</b>	<b>842,196</b>	<b>856,054</b>	<b>903,850</b>	<b>403,371</b>	<b>377,389</b>
<b>PROFIT AND LOSS ACCOUNTS</b>						
<b>Gross turnover</b>	36,538	49,760	140,410	1,249,357	1,780,407	1,605,454
Less: Sales tax	5,098	7,107	22,121	209,207	319,985	263,608
Trade discount	1,088	1,114	15,344	38,459	119,526	100,575
	6,186	8,221	37,465	247,666	439,511	364,182
<b>Net turnover</b>	30,352	41,539	102,945	1,001,690	1,340,896	1,241,272
<b>Cost of sales</b>	22,721	28,172	117,371	960,521	1,072,179	979,019
<b>Gross Profit</b>	<b>7,631</b>	<b>13,367</b>	<b>(14,426)</b>	<b>41,169</b>	<b>268,717</b>	<b>262,253</b>
Distribution and marketing expenses	(10,630)	(16,299)	(17,245)	(70,285)	(199,000)	(212,501)
Administrative expenses	(11,992)	(11,598)	(15,616)	(19,034)	(16,746)	(20,090)
Other operating expenses	(11,290)	(1,245)	(1,698)	(31,171)	(7,352)	(6,184)
Other operating income	54,758	67,602	115,359	618,461	19,545	10,156
Financial charges	(35)	(170)	(237)	(639)	(1,785)	(1,647)
<b>Profit before taxation</b>	<b>28,442</b>	<b>51,657</b>	<b>66,137</b>	<b>538,502</b>	<b>63,378</b>	<b>31,985</b>
Taxation	(7,375)	(6,937)	(3,232)	(12,580)	(23,821)	(16,902)
<b>Profit after taxation</b>	<b>21,067</b>	<b>44,720</b>	<b>62,906</b>	<b>525,922</b>	<b>39,557</b>	<b>15,083</b>
<b>Earnings Per Share - basic</b> (Rupees)	<b>2.23</b>	<b>4.74</b>	<b>6.67</b>	<b>55.74</b>	<b>4.19</b>	<b>1.60</b>
<b>Cash dividend</b>	<b>25%</b>	<b>135%</b>	<b>60%</b>	<b>100%</b>	<b>40%</b>	<b>15%</b>
<b>Operating profit</b>	<b>28.48</b>	<b>51.83</b>	<b>66.37</b>	<b>539.14</b>	<b>65.16</b>	<b>33.63</b>
<b>Capital</b>	<b>9,434,880</b>	<b>9,434,880</b>	<b>9,434,880</b>	<b>9,434,880</b>	<b>9,434,880</b>	<b>9,434,880</b>
<b>Diluted EPS</b>	<b>2.23</b>	<b>4.74</b>	<b>6.67</b>	<b>55.74</b>	<b>4.19</b>	<b>1.60</b>

Six Years at a Glance





## Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi and 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	Mr. Syed Shahid Ali Bukhari
Executive Director	Mr. Zulfiqar Ali Lakhani
Non-Executive Directors	Mr. Iqbal Ali Lakhani Mr. Amin Mohammed Lakhani Mr. Tasleemuddin A. Batlay Mr. A. Aziz H. Ebrahim and Mr. Shahid Ahmed Khan

The independent director meets the criteria of independence under Clause i (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year. However, the election of the Directors was held during the year in which seven Directors were elected for a term of three years.
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, and the rest of the Directors have completed the same. 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 Board has approved the appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment. The Chief Financial Officer was appointed prior to the implementation of the CCG 2012. The remuneration and terms and 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 the Company, in addition to his responsibilities in other Group Companies. The Company has outsourced its internal audit function, with the approval of the Board.
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. It comprises of three members, all of whom are non-executive Directors and the chairman of the committee is an independent director.
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 and as required by the CCG. 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. The CEO is also the member of the Committee.
18. The Board has outsourced the 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 (ICAP), 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 ICAP.
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.

Karachi: September 18, 2015

  
**IQBAL ALI LAKHANI**  
Chairman



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
eyfrsh.khi@pk.ey.com  
ey.com/pk

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Clover Pakistan Limited (the Company) for the year ended 30 June 2015 to comply with the requirements of Listing Regulations No. 35, Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, 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 inquiries 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 as applicable to the Company for the year ended 30 June 2015.

Chartered Accountants  
19 September 2014  
Karachi



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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 2015 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 4.1 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 2015 and of the profit, its comprehensive income, 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 contents of note 14 to the financial statements in respect of recoverability of customs duty refundable of Rs.20.998 million. Our opinion is not qualified in respect of this matter.

Chartered Accountants  
Audit Engagement Partner: Shariq Ali Zaidi  
Karachi

# CLOVER PAKISTAN LIMITED

## Balance Sheet as at June 30, 2015

	Note	June 30, 2015	June 30, 2014
		------(Rupees) -----	
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	112,298	528,382
Long-term loans	6	23,334	30,000
Long-term deposits - security deposits		10,466	10,466
Deferred tax asset	7	-	-
		<b>146,098</b>	568,848
<b>CURRENT ASSETS</b>			
Stores and spare parts		372,583	399,443
Stock-in-trade	8	10,605,101	25,353,203
Trade debts	9	1,462,272	2,544,860
Loans and advances	10	44,273	114,808
Trade deposits and short-term prepayments	11	181,328	1,130,139
Other receivables	12	492,901	456,897
Short-term investments	13	653,252,675	729,394,726
Duty refunds due from government	14	20,997,742	20,997,742
Sales tax refundable		13,187,592	16,470,085
Taxation - net	15	35,608,531	48,486,704
Cash and bank balances	16	3,808,470	3,697,153
		<b>740,013,468</b>	849,045,760
<b>TOTAL ASSETS</b>		<b>740,159,566</b>	849,614,608
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>CAPITAL AND RESERVES</b>			
Authorised share capital			
10,000,000 (2014: 10,000,000) ordinary shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	17	94,348,800	94,348,800
Reserves		640,468,474	747,847,954
		<b>734,817,274</b>	842,196,754
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	4,777,792	6,848,354
Short-term deposits		564,500	569,500
		<b>5,342,292</b>	7,417,854
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>740,159,566</b>	849,614,608

The annexed notes 1 to 35 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, 2015

	Note	June 30, 2015 ----- <b>(Rupees)</b> -----	June 30, 2014 -----
Revenue - net	20	<b>30,352,452</b>	41,539,424
Cost of sales	21	<b>(22,721,659)</b>	(28,172,048)
<b>Gross profit</b>		<b>7,630,793</b>	13,367,376
Distribution and marketing expenses	22	<b>(10,629,776)</b>	(16,298,865)
Administrative expenses	23	<b>(11,991,905)</b>	(11,598,051)
Other operating expenses	24	<b>(11,290,078)</b>	(1,245,039)
Other income	25	<b>54,758,383</b>	67,602,246
		<b>20,846,624</b>	38,460,291
<b>Operating profit</b>		<b>28,477,417</b>	51,827,667
Finance costs	26	<b>(35,204)</b>	(169,819)
<b>Profit before taxation</b>		<b>28,442,213</b>	51,657,848
Taxation	27	<b>(7,374,950)</b>	(6,937,353)
<b>Profit for the year</b>		<b>21,067,263</b>	44,720,495
<b>Earnings per share - Basic and diluted</b>		<b>2.23</b>	4.74

The annexed notes 1 to 35 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, 2015**

	June 30, 2015	June 30, 2014
	------(Rupees) -----	
<b>Profit for the year</b>	<b>21,067,263</b>	44,720,495
<b>Other comprehensive income / (loss)</b>		
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</b>		
Unrealised gain on revaluation of available-for-sale investments at fair value	53,632,618	56,406,969
Transferred to profit and loss account on redemption	(54,212,481)	(56,192,904)
Net comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods	(579,863)	214,065
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)</b>		
Remeasurement (losses) / gains on defined benefit plan	(496,000)	617,000
Net comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods	(496,000)	617,000
Total other comprehensive (loss) / income for the year, net of tax	(1,075,863)	831,065
Total comprehensive income for the year, net of tax	<u>19,991,400</u>	<u>45,551,560</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

  
**Zulfiqar Ali Lakhani**  
 Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
 Director

**Cash Flow Statement** for the year ended June 30, 2015

	Note	June 30, 2015	June 30, 2014
		------(Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash flows from / (used in) operations	31	4,022,711	(4,448,205)
Taxes paid		(6,587,719)	(2,952,165)
Finance costs paid		(35,204)	(169,819)
Long-term loans		6,666	140,454
Long term deposits		-	19,995
<b>Net cash used in operating activities</b>		<b>(2,593,546)</b>	<b>(7,409,740)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	5	(70,000)	(12,821)
Sale proceeds from disposal of property, plant and equipment	5.3	12,000	3,848,821
Purchase of available-for-sale investments		(672,000,000)	(728,562,188)
Proceeds from redemption of available-for-sale investments		801,774,670	784,192,906
<b>Net cash flows generated from investing activities</b>		<b>129,716,670</b>	<b>59,466,718</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(127,011,807)	(56,413,696)
<b>Net cash flows used in financing activities</b>		<b>(127,011,807)</b>	<b>(56,413,696)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>111,317</b>	<b>(4,356,718)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,697,153</b>	<b>8,053,871</b>
<b>Cash and cash equivalents at the end of the year</b>	16	<b>3,808,470</b>	<b>3,697,153</b>

The annexed notes 1 to 35 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, 2015

	REVENUE RESERVES					Total equity
	Issued, subscribed and paid-up capital	General reserves	Available for-sale reserve	Unappropriated profit	Total reserves	
	(Rupees)					
<b>Balance as at June 30, 2013</b>	94,348,800	694,000,000	618,473	64,287,201	758,905,674	853,254,474
Transfer to general reserves	-	3,500,000	-	(3,500,000)	-	-
Final dividend for the year ended June 30, 2013 @ Rs. 6 per share	-	-	-	(56,609,280)	(56,609,280)	(56,609,280)
Profit for the year	-	-	-	44,720,495	44,720,495	44,720,495
Other comprehensive income for the year, net of tax	-	-	214,065	617,000	831,065	831,065
Total comprehensive income for the year, net of tax	-	-	214,065	45,337,495	45,551,560	45,551,560
<b>Balance as at June 30, 2014</b>	94,348,800	697,500,000	832,538	49,515,416	747,847,954	842,196,754
Transfer from general reserves	-	(82,500,000)	-	82,500,000	-	-
Final dividend for the year ended June 30, 2014 @ Rs. 13.5 per share	-	-	-	(127,370,880)	(127,370,880)	(127,370,880)
Profit for the year	-	-	-	21,067,263	21,067,263	21,067,263
Other comprehensive loss for the year, net of tax	-	-	(579,863)	(496,000)	(1,075,863)	(1,075,863)
Total comprehensive income / (loss) for the year, net of tax	-	-	(579,863)	20,571,263	19,991,400	19,991,400
<b>Balance as at June 30, 2015</b>	<b>94,348,800</b>	<b>615,000,000</b>	<b>252,675</b>	<b>25,215,799</b>	<b>640,468,474</b>	<b>734,817,274</b>

The annexed notes 1 to 35 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, 2015

### 1. LEGAL STATUS AND 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 is the manufacture and sale of food and plastic products and trading in food and consumer durables. Effective from March 14, 2013, the Company, for a period of two years, had signed a Distributor Agreement with Titan Industries Limited, India (the Agreement) to sell and distribute Titan products in the territorial jurisdiction of Pakistan, in the capacity of distributor of Titan products. The said Agreement expired on March 14, 2015, and has not been renewed as the Company decided not to continue with distributorship of the Titan products. Subsequent to the balance sheet date, the Company has sold all the stock of Titan watches to a new distributor of Titan products in Pakistan at its carrying value.
- 1.3** In view of the significance of Tang business in the overall operations, which was discontinued by the Company in year 2012. 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 of Tang business 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. STATEMENT OF COMPLIANCE

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

### 3. 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 amortised cost and fair value in accordance with IAS - 39 "Financial Instruments: Recognition and Measurement".

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 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:

The Company has adopted the following accounting standard, amendments and interpretation of IFRSs which became effective for the current year:

## **Amended standards, interpretations and improvements**

- IAS 19 - Employee Benefits (Amendment): Defined Benefit Plans: Employee Contributions
- IAS 32 - Financial Instruments: Presentation (Amendment): Offsetting Financial Assets and Financial Liabilities
- IAS 36 - Impairment of Assets (Amendment):- Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 - Financial Instruments: Recognition and Measurement (Amendment): - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 - Levies

## **Improvement to Accounting Standards issued by the IASB**

- IFRS 2 - Share-based Payment - Definitions of vesting conditions
- IFRS 3 - Business Combinations - Accounting for contingent consideration in a business Combination
- IFRS 3 - Business Combinations - Scope exceptions for joint ventures
- IFRS 8 - Operating Segments - Aggregation of operating segments
- IFRS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
- IAS16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Revaluation method - proportionate restatement of accumulated depreciation / amortisation
- IAS 24 - Related Party Disclosures: Key management personnel
- IAS 40 - Investment Property: Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

## **4.2 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 these financial statements:

### **Property, plant and equipment and Intangible assets**

The Company reviews the useful lives, methods of depreciation / amortisation and residual values of operating fixed assets / intangible assets on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets/intangible assets with a corresponding effect on the depreciation charge.

### **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.

Other areas where judgments, estimates and assumptions involved are disclosed in respective notes to these financial statements.

### **4.3 Property, plant and equipment - owned assets**

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 account using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in note 5 to these financial statements. 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 are written down to their recoverable amount.

Major renewals and improvements for assets are capitalised and the assets so replaced, if any, are retired. Maintenance and normal repairs are charged to profit and loss account, as and when incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset are charged to profit and loss account.

### **4.4 Intangible assets**

An intangible asset is recognised 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 recognised 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 recognised 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 recognised as a capital improvement and added to the original cost of the software.

These are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged on a straight line basis over the useful lives of the assets, not exceeding three years. Amortisation 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.

#### **4.5 Stores and spare parts**

Stores and spare parts are valued at lower of moving average cost and net realisable value, except items in transit, which are stated at cost.

#### **4.6 Stock-in-trade - Trading goods**

Stock-in-trade is valued at the lower of cost, determined on weighted average basis and net realisable value, except items in transit, which are stated at cost comprising invoice value and plus other charges incurred thereon.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to be incurred to make the sale.

#### **4.7 Trade debts**

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for doubtful debts, if any. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. No provision is made in respect of the active customers which are considered good. Bad debts are written-off, as and when identified.

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

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

#### **4.9 Investments**

The management of the Company determines the appropriate classification of its investments at the time of purchase.

##### **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. These are initially measured at fair value plus transaction costs and are subsequently stated at amortised cost using the effective interest method less impairment, if any. These are classified as current and non-current assets in accordance with the criteria set out by IFRSs. Gains and losses are recognised in profit and loss account, when the investments are derecognised or impaired, as well as through the amortisation process.

##### **At fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial instruments are classified as held for trading if they are acquired for the purpose of selling and

repurchasing in near term. Held for trading assets are acquired principally for the purpose of generating profit from short-term fluctuations in price. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes sales and purchase decision based on their fair value in accordance with the Company's investment strategy.

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. All transaction costs are recognised directly in profit and loss account. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognised directly in the profit and loss account. These are classified as current and non-current assets in accordance with criteria set out by IFRSs. The Company has not classified any financial asset as held for trading.

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

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes in market conditions are classified as available-for-sale. At initial recognition, available-for-sale investments are measured at fair value plus directly attributable transaction costs.

After initial recognition, investments which are classified as available-for-sale are measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until, the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss is reclassified to the profit and loss account and removed from the available-for-sale reserve.

The fair value of those investments representing listed equity and other securities i.e. debt instruments are determined on the basis of year-end bid prices obtained from stock exchange quotations and quotes from brokers.

## **4.10 Impairment**

### **4.10.1 Financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortised cost are recognised in profit and loss account.

### **4.10.2 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, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. In determining fair value less costs to sell, the recent

market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

#### **4.11 Cash and cash equivalents**

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

#### **4.12 Staff retirement benefits**

##### **4.12.1 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. Remeasurement gains and losses on the defined benefit plan are recognised in full, in the period, in which they occur in other comprehensive income. Such remeasurement gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations.

The scheme is governed by the Trust Deeds and Rules and all matters pertaining to the scheme including contributions to the scheme and payments to outgoing members are dealt with in accordance with the Trust Deeds and Rules.

##### **4.12.2 Defined contribution plan**

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

#### **4.13 Compensated absences**

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

#### **4.14 Taxation**

##### **Current**

Provision for current taxation is computed on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.



## **Deferred**

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

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forwards of unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits 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 tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to the profit and loss account.

Deferred tax relating to items recognised directly in the other comprehensive income or equity is recognised in the other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

### **4.15 Trade and other payables**

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

### **4.16 Provisions**

Provisions are recognised 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.

### **4.17 Foreign currency translations**

Transactions in foreign currencies are translated into Pakistani Rupee at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. Exchange gains and losses are recognised in profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.



## **4.18 Financial instruments**

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account.

## **4.19 Offsetting of financial assets and financial liabilities**

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

## **4.20 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognised:

- Revenue from sales is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer which generally coincides with dispatch of goods to customers.
- Income on bank accounts is recorded using effective interest rate and all other revenue are recorded on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.

## **4.21 Functional and presentation currency**

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

## **4.22 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognised to the financial statement in the period in which these are approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, they are disclosed in the notes to the financial statements.

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

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

<b>Standards or interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities (Amendment)	January 01, 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets: Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture: Agriculture - Bearer Plants (Amendment)	January 01, 2016
IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

The Company expect that the adoption of above standards and amendments will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

<b>Standard</b>	<b>IASB Effective date (accounting periods beginning on or after)</b>
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, 2018

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

# CLOVER PAKISTAN LIMITED

## 5. PROPERTY, PLANT AND EQUIPMENT

Description	2015								WRITTEN DOWN VALUE	Dep. Rate % per annum
	COST				ACCUMULATED DEPRECIATION					
	As at July 01, 2014	Additions	(Disposals) (note 5.3)	As at June 30, 2015	As at July 01, 2014	For the year	(On disposals)	As at June 30, 2015		
	(Rupees)									
Furniture and fittings	3,964,212	-	(1,260,962)	2,703,250	3,712,284	183,636	(1,206,030)	2,689,890	13,360	15
Vehicles	129,056	-	(25,000)	104,056	101,163	2,083	(20,000)	83,246	20,810	25
Office equipment	1,297,022	70,000	(373,620)	993,402	1,060,639	147,194	(286,145)	921,688	71,714	15
Tools and equipment	10,850	-	-	10,850	9,391	1,459	-	10,850	-	15
Computer and data process equipment	2,243,868	-	(64,500)	2,179,368	2,233,149	4,305	(64,500)	2,172,954	6,414	33
<b>2015</b>	<b>7,645,008</b>	<b>70,000</b>	<b>(1,724,082)</b>	<b>5,990,926</b>	<b>7,116,626</b>	<b>338,677</b>	<b>(1,576,675)</b>	<b>5,878,628</b>	<b>112,298</b>	

Description	2014								WRITTEN DOWN VALUE	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
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
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
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
<b>2014</b>	<b>12,620,481</b>	<b>12,821</b>	<b>(4,593,285)</b> <b>*(395,009)</b>	<b>7,645,008</b>	<b>8,862,115</b>	<b>709,995</b>	<b>(2,138,645)</b> <b>*(316,839)</b>	<b>7,116,626</b>	<b>528,382</b>	

**Note**                      **June 30, 2015**                      June 30, 2014  
 ----- Rupees -----

5.1 Depreciation for the year has been allocated as follows:

Distribution and marketing expenses	22	<b>288,197</b>	436,935
Administrative expenses	23	<b>50,480</b>	273,060
		<b>338,677</b>	709,995

5.2 Included herein assets costing Rs.4,719,844/- (2014: Rs.3,654,106/-), which are fully depreciated.

5.3. The details of operating fixed assets disposed off during the year are as follows:

Description	Original cost	Accumulated depreciation	Written down value	Sales proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyers
Rupees							
<b>Office equipment</b>							
Dawlance Split AC	70,000	4,375	65,625	60,000	(5,635)	Negotiation	AR Communication 28/4-D, Ali Murtaza Street, Shah Kamal Ichra, Lahore.
Aggregate amount of assets disposed off having written down value less than Rs.50,000 each							
Furniture and fittings	1,260,962	1,206,030	54,932	20,000	(34,932)	Negotiation	AR Communication 28/4-D, Ali Murtaza Street, Shah Kamal Ichra, Lahore.
Vehicle	25,000	20,000	5,000	12,000	7,000	Negotiation	Muhammad Sultan (NIC # 42401-1573326-9), House No. 1004, Street No. 8, Yousuf Goth, North Karachi.
Office equipment	303,620	281,770	21,850	10,000	(11,850)	Negotiation	AR Communication 28/4-D, Ali Murtaza Street, Shah Kamal Ichra, Lahore
Computer and data process equipment	64,500	64,500	-	-	-	Negotiation	AR Communication 28/4-D, Ali Murtaza Street, Shah Kamal Ichra, Lahore
<b>2015</b>	<u>1,724,082</u>	<u>1,576,675</u>	<u>147,407</u>	<u>102,000</u>	<u>(45,407)</u>		
2014	<u>4,593,285</u>	<u>2,138,645</u>	<u>2,454,640</u>	<u>3,848,821</u>	<u>1,394,181</u>		

**Note**                      **June 30,**                      **June 30,**  
**2015**                                      **2014**  
----- **Rupees** -----

## 6. LONG-TERM LOANS

Secured - considered good

Employees	6.1	<b>66,667</b>	70,019
Due within one year shown under current assets	10	<b>(43,333)</b>	(40,019)
		<u><b>23,334</b></u>	<u>30,000</u>

6.1 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.

## 7. DEFERRED TAX ASSET

Deferred tax assets on deductible temporary differences		
Property, plant and equipment - accelerated tax depreciation	<b>502,398</b>	603,417
Provision for slow moving stock	<b>280,405</b>	376,000
Provision for compensated absences	<b>34,052</b>	31,479
Remeasurement gains / (losses)	<b>90,560</b>	(23,450)
	<u><b>907,415</b></u>	<u>987,446</u>
Temporary differences not expected to be recovered due to applicability of Final Tax Regime / separate block of income	<b>(907,415)</b>	(987,446)
	<u>-</u>	<u>-</u>

# CLOVER PAKISTAN LIMITED

	Note	June 30 2015	June 30, 2014
		----- (Rupees) -----	
<b>8. STOCK-IN-TRADE</b>			
Trading goods in hand - Titan watches	8.1	<b>11,481,366</b>	26,430,010
Provision for slow moving stock	8.2	<b>(876,265)</b>	(1,076,807)
		<b>10,605,101</b>	25,353,203
<b>8.1</b>	Included herein trading goods held by third parties (retailers) in the normal course of business amounting to Rs.4.035 million (2014: Rs.10.369 million).		
<b>8.2</b>	The movement in provision for slow moving stock is as follows:		
Opening balance		<b>1,076,807</b>	-
Provision made during the year		-	1,076,807
Written off during the year		<b>(200,542)</b>	-
Closing balance		<b>876,265</b>	1,076,807
<b>9. TRADE DEBTS</b>			
Unsecured, considered good	9.1 & 9.2	<b>1,462,272</b>	2,544,860
<b>9.1</b>	The ageing of trade debts at June 30 is as follows:		
Neither past due nor impaired		<b>1,274,773</b>	2,082,324
Past due but not impaired			
- within 90 days		-	367,564
- 91 to 180 days		<b>187,499</b>	94,972
		<b>187,499</b>	462,536
		<b>1,462,272</b>	2,544,860
<b>9.2</b>	These are unsecured, interest free and generally on 30 days credit term.		
<b>10. LOANS AND ADVANCES - Considered good</b>			
<b>Secured</b>			
Current portion of long-term loans	6	<b>43,333</b>	40,019
<b>Unsecured</b>			
Advance against import		-	24,473
Advances to employees	10.1	<b>940</b>	50,316
		<b>940</b>	74,789
		<b>44,273</b>	114,808
<b>10.1</b>	These are given to employees in order to meet business expenses and are settled, as and when, the expenses are incurred.		
<b>11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposits - security deposits		<b>101,100</b>	677,500
Short-term prepayments		<b>80,228</b>	452,639
		<b>181,328</b>	1,130,139

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
<b>12. OTHER RECEIVABLES</b>			
Unsecured, considered good			
Receivable from gratuity fund	23.3	-	273,000
Others	12.1	<b>492,901</b>	183,897
		<b>492,901</b>	456,897

12.1 These are non-interest bearing and generally on an average term of 1 to 6 months.

### 13. SHORT-TERM INVESTMENTS

#### Held-to-maturity

Term Deposits Receipts - Bank Alfalah Limited	13.1	<b>100,000,000</b>	-
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#### Available-for-sale - at fair value

Atlas Money Market Fund - 545,970.74 units (2014: 647,134.71 units)	<b>275,000,000</b>	325,211,081
ABL Cash Fund - Nil units (2014: 4,750,692.1965 units)	-	47,624,264
UBL Liquidity Plus Fund - Nil units (2014: 473,780.54 units)	-	47,551,695
Lakson Money Market Fund - a related party 2,776,651.36 units (2014: 3,086,866.51 units)	<b>278,252,675</b>	309,007,686
	<b>553,252,675</b>	729,394,726
	<b>653,252,675</b>	729,394,726

13.1 Represents term deposits with banks carrying interest at a rate of 7.30 percent per annum, having maturity by July 29, 2015.

### 14. 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, the Customs duty on import of crystalline sugar was brought down to zero, as against 25% given in First Schedule to the Act. The Company had imported crystalline sugar from July 26, 2008 to October 15, 2008 and paid custom duty of Rs.17.012 million and Rs.3.986 million without availing the benefit of subject SRO. Thereafter, the refund claims were filed by the Company with the custom authorities and recognised the same in books of account during the year ended June 30, 2009. The refund claims were rejected by the Additional Collectorate on the ground that the incidence of duty and taxes has been passed on to the end consumers by incorporating it in the cost of the product.

Being aggrieved with decision of Additional Collectorate, the Company had filed appeals before the Collector of Customs as well as before the Appellate Tribunal in the years ended June 30, 2010 and 2011 respectively, which were also rejected on the same grounds. The Company later filed references in the Honourable High Court of Sindh (SHC) against the judgments of the Appellate Tribunal. Regarding the reference of Rs.17.012 million, the SHC vide its order dated May 28, 2015 had allowed the reference application and remanded the case to the Customs Appellate Tribunal for decision afresh on the basis of the evidence produced before the Tribunal to establish that the burden of tax under Section 19-A of the Act has not been passed on to the end consumer. The case is currently pending for hearing. On the other hand, the Divisional Bench of the SHC dismissed the reference for Rs.3.986 million in 2012. The Company filed appeal against the decision of the SHC before the Honourable Supreme Court of Pakistan (SCP) on the grounds that none of the forums above, including the SHC, had examined the evidence produced to establish that the burden of duty and taxes has not been passed on to the end consumer. The SCP in order to examine this question granted leave in the petition.

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The management based on the view of its legal counsel is confident that the issue raised by the Customs Authorities is without any basis and the ultimate decision of refund will be in favor of the Company. Accordingly, the Company has maintained the already recognised refund claims of Rs.20.998 million and is of the view that no provision for impairment loss is required to be made in these financial statements.

	Note	June 30, 2015	June 30, 2014
		----- Rupees -----	
<b>15. TAXATION - net</b>			
Opening balance		<b>48,486,704</b>	53,749,909
Provision for current and prior taxation	27	<b>(7,374,950)</b>	(6,937,353)
Income tax paid and deducted at source		<b>6,587,719</b>	2,952,165
Workers' Welfare Fund adjustment	18 & 27.3	<b>(12,090,942)</b>	(1,278,017)
Closing balance		<b>35,608,531</b>	48,486,704
<b>16. CASH AND BANK BALANCES</b>			
Cash in hand	16.1	<b>89,535</b>	187,090
Cash at banks			
In current accounts		<b>1,077,250</b>	991,308
In savings accounts	16.2	<b>2,641,685</b>	2,518,755
		<b>3,718,935</b>	3,510,063
		<b>3,808,470</b>	3,697,153
16.1	Included herein is cash held with employees at various outlets amounting to Rs.39,535/- (2014: Rs.137,090/-).		
16.2	These carry profit at rates, ranging between 4.5% and 7% (2014: 6% and 7%) per annum.		
<b>17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
	<u>2015</u>	<u>2014</u>	
	Number of shares		
			June 30, 2015
			June 30, 2014
			----- Rupees -----
	<b>3,900,000</b>	3,900,000	Issued for cash
	<b>5,534,880</b>	5,534,880	Issued as bonus shares
	<b>9,434,880</b>	9,434,880	<b>39,000,000</b>
			39,000,000
			<b>55,348,800</b>
			55,348,800
			<b>94,348,800</b>
			94,348,800
17.1	As of balance sheet date, the related parties held 6,964,903 (2014: 8,928,669) ordinary shares of Rs.10/- each.		
<b>18. TRADE AND OTHER PAYABLES</b>			
<b>Creditors</b>			
Due to related parties	18.1	<b>3,841</b>	381,244
Others		<b>1,701,678</b>	246,810
		<b>1,705,519</b>	628,054
Bills payable		-	1,990,947
Accrued expenses		<b>746,282</b>	1,321,332
Amount due to distributors		<b>510,274</b>	644,582
Workers' Welfare Fund	15	-	1,088,895
Unclaimed dividend		<b>1,532,717</b>	1,173,644
Payable to gratuity fund	23.3	<b>283,000</b>	-
Others		-	900
		<b>4,777,792</b>	6,848,354

	Note	June 30, 2015	June 30, 2014
		----- Rupees -----	
<b>18.1</b>	The amount due to related parties, comprise of :		
	Hasanali & Gulbanoo Karabhai Foundation	-	217,035
	Century Insurance Company Limited	<b>3,841</b>	164,209
		<b>3,841</b>	381,244
<b>19.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>19.1</b>	<b>Contingencies</b>		
	The contingencies in respect of duty refunds due from Government aggregating to Rs. 20.998 million (2014: 20.998 million) is fully explained in note 14 to these financial statements.		
<b>20.</b>	<b>REVENUE - NET</b>		
	Gross revenue	<b>37,976,609</b>	52,391,827
	Sales tax	<b>(5,098,213)</b>	(7,106,815)
	Trade discount and allowances	<b>(1,087,791)</b>	(1,114,022)
	Sales returns	<b>(1,438,153)</b>	(2,631,566)
		<b>30,352,452</b>	41,539,424
<b>21.</b>	<b>COST OF SALES</b>		
	Trading goods		
	Opening stock-in-trade	<b>26,430,010</b>	27,727,503
	Purchases	<b>7,973,557</b>	25,795,004
	Closing stock-in-trade	<b>(11,481,366)</b>	(26,430,010)
		<b>22,922,201</b>	27,092,497
	Packing material consumed	-	2,744
	Provision for slow moving stock	-	1,076,807
	Stock written off	8.2 <b>(200,542)</b>	-
		<b>22,721,659</b>	28,172,048
<b>22.</b>	<b>DISTRIBUTION AND MARKETING EXPENSES</b>		
	Salaries, allowances and other benefits	22.1 <b>3,687,044</b>	4,716,913
	Travelling and conveyance	<b>422,806</b>	1,019,917
	Repairs and maintenance	<b>628,686</b>	560,965
	Vehicles running expenses	<b>147,605</b>	150,296
	Advertisement	<b>241,136</b>	3,092,022
	Subscription and membership	<b>3,500</b>	6,000
	Postage, telegrams and telephone	<b>256,775</b>	397,396
	Rent, rates and taxes	<b>3,596,931</b>	4,449,736
	Printing and stationery	<b>31,166</b>	67,850
	Electricity	<b>713,315</b>	677,863
	Insurance	<b>282,918</b>	279,836
	Bad debts written-off	<b>63,810</b>	149,348
	Freight and octroi	<b>194,166</b>	236,384
	Depreciation	5.1 <b>288,197</b>	436,935
	Information technology	<b>52,205</b>	15,501
	Warehouse expenses	<b>19,516</b>	41,903
		<b>10,629,776</b>	16,298,865
<b>22.1</b>	Included herein Rs.0.096 million (2014: Rs.0.101 million) in respect of staff retirement benefits.		



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	Note	June 30, 2015	June 30, 2014
		----- Rupees -----	
<b>23. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	23.1	1,880,615	4,258,107
Travelling and conveyance		109,290	136,508
Repairs and maintenance		11,315	50,840
Vehicles running expenses		2,810	181,522
Advertisement		438,296	35,545
Postage, telegrams and telephone		295,947	366,275
Rent, rates and taxes		1,580,277	1,375,429
Printing and stationery		410,532	443,822
Subscription and membership		1,218,013	900,056
Legal and professional charges		3,029,213	1,039,000
Electricity		1,406,082	1,170,332
Insurance		27,131	278,089
Auditors' remuneration	23.2	507,583	440,870
Depreciation	5.1	50,480	273,059
Information technology		367,169	508,805
Others	23.5	657,152	139,792
		<u>11,991,905</u>	<u>11,598,051</u>

**23.1** Included herein Rs.0.082 million (2014: Rs.0.110 million) in respect of staff retirement benefits.

## **23.2 Auditors' remuneration**

Audit fee - statutory	350,000	350,000
Half yearly review and other certifications	50,000	50,000
Out of pocket expenses	107,583	40,870
	<u>507,583</u>	<u>440,870</u>

## **23.3 Staff retirement benefits - gratuity scheme**

As stated in note 4.12.1 to these financial statements, the Company operates an approved funded gratuity scheme. The latest actuarial valuation was carried out as at June 30, 2015 using the Projected Unit Credit Actuarial Cost Method.

### **23.3.1 Significant actuarial assumptions**

The following are significant actuarial assumptions used in the actuarial valuation:

	June 30, 2015	June 30, 2014
		----- Per annum -----
Discount rate	10.50%	13.00%
Expected rate of increase in salary	10.50%	13.00%
Rate of return on plan assets	10.50%	13.00%

Note	June 30, 2015	June 30, 2014
		----- Rupees -----

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

Present value of defined benefit obligation	23.3.3	1,452,000	1,112,000
Fair value of plan assets	23.3.4	(1,169,000)	(1,385,000)
Liability / (asset) recognised in the balance sheet		<u>283,000</u>	<u>(273,000)</u>

	Note	June 30, 2015	June 30, 2014
		----- Rupees -----	
<b>23.3.3 Movement in the present value of defined benefit obligation:</b>			
Present value of defined benefit obligation at July 01		1,112,000	3,183,000
Service cost		110,000	153,000
Interest cost		145,000	274,000
Curtailement gain		15,000	(332,000)
Benefits paid		-	(1,988,000)
Remeasurement losses / (gains)		70,000	(178,000)
Present value of the defined benefit obligation at June 30		<u>1,452,000</u>	<u>1,112,000</u>
<b>23.3.4 Movement in the fair value of plan assets:</b>			
Fair value of plan assets at July 01		1,385,000	7,633,000
Expected return on plan assets		180,000	301,000
Withdrawals		-	(5,000,000)
Benefits paid		-	(1,988,000)
Remeasurement losses / (gains)		(396,000)	439,000
Fair value of plan assets at June 30		<u>1,169,000</u>	<u>1,385,000</u>
<b>23.3.5 Movements in the net liability / (assets) recognised in the balance sheet are as follows:</b>			
Opening balance		(273,000)	(4,450,000)
Recognised in other comprehensive income		496,000	(617,000)
Charge / (reversal) for the year	23.3.6	60,000	(206,000)
Paid during the year		-	5,000,000
Closing balance		<u>283,000</u>	<u>(273,000)</u>
<b>23.3.6 Amounts recognised in the profit and loss account against defined benefit schemes are as follows:</b>			
Current service cost		95,000	(179,000)
Interest cost		(35,000)	(27,000)
Charge / (reversal) for the year	23.3.7	<u>60,000</u>	<u>(206,000)</u>
<b>23.3.7 The charge / (income) for the year has been allocated as follows:</b>			
Distribution and marketing expenses		21,000	(72,645)
Administrative expenses		39,000	(133,355)
		<u>60,000</u>	<u>(206,000)</u>
<b>23.3.8 Major categories / composition of plan assets are as follows:</b>			
Mutual funds		1,064,214	1,013,543
Cash		122,312	373,237
		<u>1,186,526</u>	<u>1,386,780</u>

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2015 was Rs.0.02 million (2014: Rs.0.44 million).

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23.3.9 The Company expects to contribute Rs.0.144 million to the gratuity fund in 2015-16.

	<b>June 30, 2015 (Un-audited)</b>	June 30, 2014 (Audited)
	----- Rupees -----	
<b>23.4 Provident fund</b>		
Size of the fund	<u>8,684,720</u>	<u>5,574,161</u>
Cost of investments made	<u>8,684,720</u>	<u>5,244,038</u>
Fair value of investments	<u>9,104,569</u>	<u>8,004,710</u>
Percentage of investments made	<u>100%</u>	<u>94%</u>

## 23.4.1 Break-up of investments of provident fund

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

	<b>June 30, 2015 (Un-audited)</b>		June 30, 2014 (Audited)	
	Investment as size of the		Investment as size of the	
	Investments	Fund	Investments	Fund
	(Rupees)	%	(Rupees)	%
Government securities	4,533,913	52	858,458	16
Mutual funds	3,477,926	40	393,762	8
Listed securities	175,140	2	1,584,106	30
Cash and bank	497,741	6	2,407,712	46
	<u>8,684,720</u>	<u>100</u>	<u>5,244,038</u>	<u>100</u>

23.4.2 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.

23.5 Included herein sales tax penalties of Rs.0.269 million (2014: Rs. Nil) on account of amended sales tax order pertaining to year 2013.

	<b>June 30, 2015</b>	June 30, 2014
	----- Rupees -----	
<b>24. OTHER OPERATING EXPENSES</b>		
Workers' Welfare Fund	11,002,047	1,051,833
Loss on disposal of property, plant and equipment	45,406	-
Exchange loss - net	242,625	193,206
	<u>11,290,078</u>	<u>1,245,039</u>

	June 30, 2015 ----- Rupees -----	June 30, 2014 -----
<b>25. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Profit on saving accounts	380,936	286,632
Gain on redemption of available-for-sale investments	54,212,481	56,192,905
	<b>54,593,417</b>	56,479,537
<b>Income from related parties</b>		
Insurance commission	59,399	60,455
<b>Income from assets other than financial assets</b>		
Gain on disposal of property, plant and equipment	-	1,316,012
Recovery against stock written off	19,231	1,311,597
Reversal of freight on imports	-	425,687
Reversal of stock return provision	-	8,000,000
Service income - watches	86,336	8,958
	<b>105,567</b>	11,062,254
	<b>54,758,383</b>	67,602,246
<b>26. FINANCE COSTS</b>		
Bank charges and commission	35,204	169,819
<b>27. TAXATION</b>		
Current	6,678,184	4,895,472
Prior years	696,766	2,041,881
	<b>7,374,950</b>	6,937,353
<b>27.1</b>	A numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:	
Applicable tax rate	33.00	34.00
Tax effect of amounts that are:		
Income at lower / zero rate	(35.22)	(37.07)
Permanent differences	2.78	(0.22)
Effect of deferred tax not accounted for	(0.01)	(1.93)
Effect of change in prior years' tax	2.46	3.96
Tax effect under final tax regime and others	22.92	14.66
	<b>(7.07)</b>	(20.60)
Average effective tax rate	<b>25.93</b>	13.40
<b>27.2</b>	The return of income for the tax year 2014 has been filed which is deemed to be an assessment order in view of the provisions of Section 120 of the Income Tax Ordinance, 2001.	
<b>27.3</b>	The income tax assessments of the Company have been finalised up to and including the Tax Year 2014. The return for the Tax Year 2012 filed by the Company was selected for total audit under Section 177 of Income Tax Ordinance, 2001, by the Commissioner Inland Revenue (CIR). During the year ended June 30, 2014, Deputy Commissioner Inland Revenue (DCIR) had 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 (WWF) of Rs.11.325 million. The Company had filed an appeal before the Commissioner Inland Revenue Appeals [CIR (Appeals)] against the disallowances. The CIR (Appeals) had, in the fitness of things annulled the assessment	

to the extent of impugned addition, with certain directions to the DCIR. During the year, DCIR vide its order dated February 06, 2015, has accepted the Company's stance in respect of further tax demand of Rs.108.840 million and raised revised demand for WWF of Rs.11.002 million. Accordingly, the Company has recognised the said revised demand of WWF for Tax Year 2012 in these financial statements (note 15).

- 27.4 The Finance Act 2015 has introduced one-time super tax at the rate of 3 percent on taxable income, which applies retrospectively for Tax Year 2015. No provision has been made in these financial statements, as the required criteria for taxability is not applicable, in case of the Company.

	<b>June 30, 2015</b>	June 30, 2014
<b>28. EARNINGS PER SHARE</b>		
Profit for the year (Rupees)	<u><b>21,067,263</b></u>	<u>44,720,495</u>
Weighted average ordinary shares in issue (number of shares)	<u><b>9,434,880</b></u>	<u>9,434,880</u>
Earnings per share - basic and diluted (Rupees)	<u><b>2.23</b></u>	<u>4.74</u>

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

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

	<u>CHIEF EXECUTIVE</u>		<u>DIRECTORS</u>		<u>EXECUTIVES</u>	
	<u>2015</u>	2014	<u>2015</u>	2014	<u>2015</u>	2014
	<b>(Rupees)</b>					
Remuneration	-	-	-	-	-	782,912
House rent	-	-	-	-	-	352,308
Bonus	-	-	-	-	-	402,838
Retirement benefits	-	-	-	-	-	70,893
Motor vehicle expenses	-	-	-	-	-	165,872
Others	-	-	-	-	-	464,016
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,238,839</u>
Numbers of persons	<u><b>1</b></u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>

- 29.1 No remuneration is paid / payable by the Company to the Chief Executive and Directors after the year ended June 30, 2013.

## 30. RELATED PARTIES TRANSACTIONS

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 those disclosed elsewhere in these financial statements, are as follows:

Name of related party	Sale of goods and services	Purchase of goods and services	Insurance premium paid	Insurance commission received	Redemption of investment in mutual fund	Investment in mutual fund	Rent, allied and other charges	Dividend paid	Retirement benefit plans
<b>(Rupees)</b>									
<b>Associated Companies / Undertakings</b>									
Century Insurance Company Limited	-	-	104,926	59,399	-	-	-	898,128	-
Century Paper & Board Mills Limited	17,000	-	-	-	-	-	-	-	-
Colgate-Palmolive (Pakistan) Limited	535,164	634,000	-	-	-	-	-	-	-
Cyber Internet Services (Pvt) Limited	-	125,121	-	-	-	-	-	-	-
Hasanali and Gulbanoo Lakhani Foundation	-	1,830,006	-	-	-	-	2,080,564	-	-
Lakson Business Solution Limited	-	97,365	-	-	-	-	-	-	-
Lakson Investment (Pvt) Limited	-	-	-	-	350,206,402	297,000,000	-	-	-
Merit Packaging Limited	65,239	-	-	-	-	-	-	-	-
Premier Fashion (Pvt) Limited	-	-	-	-	-	-	-	30,076,758	-
Princeton Travel (Pvt) Limited	-	111,059	-	-	-	-	-	-	-
Reliance Chemicals (Pvt) Limited	-	29,131	-	-	-	-	453,600	-	-
Siza (Pvt) Limited	-	4,365	-	-	-	-	-	30,021,962	-
Siza Commodities (Pvt) Limited	-	-	-	-	-	-	-	26,478,144	-
Siza Foods (Pvt) Limited	11,688	113,400	-	-	-	-	-	-	-
Siza Services (Pvt) Limited	-	93,780	-	-	-	-	-	32,554,832	-
Tetley Clover (Pvt) Limited	-	1,780	-	-	-	-	-	-	-
<b>Others</b>									
Century Publication (Pvt) Limited	-	912,964	-	-	-	-	-	-	-
<b>Retirement Benefit Plan</b>									
Contribution to Staff Provident Fund	-	-	-	-	-	-	-	-	118,250
Contribution to Staff Gratuity Fund	-	-	-	-	-	-	-	-	283,000
<b>June 30, 2015</b>	<b>629,091</b>	<b>3,952,971</b>	<b>104,926</b>	<b>59,399</b>	<b>350,206,402</b>	<b>297,000,000</b>	<b>2,534,164</b>	<b>120,029,824</b>	<b>401,250</b>
June 30, 2014	939,015	3,528,046	689,301	60,455	362,882,058	308,761,354	2,381,311	53,529,588	211,188

**30.1** 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, as approved by the Board of Directors.

**30.2** The related parties status of outstanding balances as at June 30, 2015 and 2014 are disclosed in relevant notes to these financial statements.

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	Note	June 30, 2015	June 30, 2014
		----- Rupees -----	
<b>31. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		28,442,213	51,657,848
<b>Adjustments for:</b>			
Depreciation	5	338,677	709,995
Gain on disposal of property, plant and equipment	5.3	45,407	(1,316,012)
Charge / (reversal) for gratuity		60,000	(206,000)
Reversal of provision for doubtful debts		-	(19,616)
Gain on redemption of available-for-sale investments		(54,212,481)	(56,192,905)
Finance costs		35,204	169,819
		(53,733,193)	(56,854,719)
Working capital changes	31.1	29,313,691	748,666
		<u>4,022,711</u>	<u>(4,448,205)</u>
<b>31.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
Stores and spares		26,860	97,575
Stock-in-trade		14,748,102	2,377,044
Trade debtors		1,082,588	3,826,693
Loans and advances		70,535	146,753
Trade deposits and short-term prepayments		1,038,811	(81,891)
Other receivables		(36,004)	5,525,735
Sales tax refundable		3,282,493	-
		<u>20,213,385</u>	<u>11,891,909</u>
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		9,105,306	(12,050,910)
Short-term deposits		(5,000)	(20,000)
Sales tax payable		-	927,667
		<u>9,100,306</u>	<u>(11,143,243)</u>
		<u>29,313,691</u>	<u>748,666</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 <b>Rupees</b>
<b>2015</b>	<b>+100</b>	<b><u>(29,157)</u></b>
	<b>-100</b>	<b><u>29,157</u></b>
2014	+100	<u>(490,713)</u>
	-100	<u>490,713</u>

#### 32.1.2 Currency risk

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. As of balance sheet date, the Company is not exposed to currency risk.

#### 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. Out of total financial assets of Rs.659.195 million (2014: Rs.736.926 million), the financial assets which are subject to credit risk amounted to Rs.659.106 million (2014: Rs.736.739 million). The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Company's credit risk is primarily attributable to its short-term investments and bank balances. The credit risks on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high external credit rating.

The credit quality of financial assets that are past due but not impaired is discussed in note 9.1 to these financial statements. As at balance sheet date, there are no financial assets that would otherwise be past due or impaired, whose terms have been renegotiated.

The carrying values of financial assets which are neither past due nor impaired are as under:

Long-term loans	6	<b>23,334</b>	30,000
Long-term deposits - security deposits		<b>10,466</b>	10,466
Trade debts	9	<b>1,274,773</b>	2,082,324
Loans and advances	10	<b>44,273</b>	114,808
Trade deposits	11	<b>101,100</b>	677,500
Other receivables	12	<b>492,901</b>	456,897
Short-term investments	13	<b>653,252,675</b>	729,394,726
Bank balances	16	<b>3,718,935</b>	3,510,063
		<b><u>658,918,457</u></b>	<u>736,276,784</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:



# CLOVER PAKISTAN LIMITED

	Note	June 30, 2015 ----- Rupees -----	June 30, 2014 -----
<b>Trade debts</b>			
Customers with no defaults in the past one year		1,274,773	2,082,324
<b>Cash at bank and held-to-maturity investments (notes 13 &amp; 16)</b>			
A1+		103,688,965	3,510,063
A-1+		29,970	-
		<u>103,718,935</u>	<u>3,510,063</u>
Available-for-sale investments (note 13)			
AA+		-	372,762,776
AA		-	356,631,950
AA(f)		553,252,675	-
		<u>553,252,675</u>	<u>729,394,726</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 maturity profile of the Company's financial liabilities at the reporting dates are as follows:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rupees					
Trade and other payables	4,031,510	746,282	-	-	-	4,777,792
Short-term deposits	564,500	-	-	-	-	564,500
<b>June 30, 2015</b>	<u>4,596,010</u>	<u>746,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,342,292</u>
Trade and other payables	569,500	3,312,279	-	-	-	6,848,354
Short-term deposits	3,536,075	-	-	-	-	569,500
<b>June 30, 2014</b>	<u>4,105,575</u>	<u>3,312,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,417,854</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. Equity comprise of share capital and reserves.

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, 2015 and June 30, 2014. The management considers that the capital of the Company is sufficient to meet the requirement of the business.

As at balance sheet date, the Company has no gearing ratio, as it is an ungeared Company.

## 32.4 Fair value

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, 2015, the Company has available-for-sale investments measured using level 1 valuation technique.

**33. DIVIDEND AND APPROPRIATIONS**

The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed a final dividend of Rs. 2.50 per share amounting to Rs 23.5872 million (2014: Rs.13.5 per share amounting to Rs.127.371 million) in their meeting held on September 18, 2015 for the financial and tax year 2015 which exceeds (or meets) the prescribed minimum dividend requirement as referred above. The Company believes that it would not be liable to pay tax on its undistributed reserves as of June 30, 2015.

In addition, the Board of Directors has also approved transfer back from general reserves of Rs. 2.4 million (2014: Rs.82.50 million).

**34. DATE OF AUTHORISATION FOR ISSUE**

The Board of Directors of the Company authorised these financial statements for issue on September 18, 2015.

**35. GENERAL**

35.1 Total number of employees at year end are 7 (2014: 9) and average number of employees during the year was 8 (2014: 10).

35.2 Certain prior year's figures have been re-arranged for better presentation, wherever necessary, however, there are no material reclassifications to report.

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

  
**Zulfiqar Ali Lakhani**  
Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
Director

**Pattern of Holding of Shares** held by the shareholders as at June 30, 2015

CUIN NO. 0015034

INCORPORATION NUMBER K-198/9686 of 1986

No. of Shareholders	Shareholdings			Total shares held
	From		To	
701	1	–	100 Shares	21,475
513	101	–	500 Shares	181,531
283	501	–	1,000 Shares	250,727
347	1,001	–	5,000 Shares	825,792
50	5,001	–	10,000 Shares	364,423
15	10,001	–	15,000 Shares	191,100
3	15,001	–	20,000 Shares	56,700
3	20,001	–	25,000 Shares	71,000
2	25,001	–	30,000 Shares	51,500
1	30,001	–	35,000 Shares	31,000
1	35,001	–	40,000 Shares	37,400
1	65,001	–	70,000 Shares	66,528
1	85,001	–	90,000 Shares	87,500
1	120,001	–	125,000 Shares	125,000
1	180,001	–	185,000 Shares	181,900
1	1,080,001	–	1,085,000 Shares	1,083,149
1	1,165,001	–	1,170,000 Shares	1,168,778
1	2,225,001	–	2,230,000 Shares	2,227,908
1	2,410,001	–	2,415,000 Shares	2,411,469
<u>1,927</u>				<u>9,434,880</u>

<u>Categories of Shareholders</u>	<u>Shares held</u>	<u>Percentage</u>
Directors, Chief Executive Officer, their spouses and minor children	13,649	0.14
Associated Companies, Undertakings and Related parties	6,964,903	73.82
NIT and ICP	NIL	-
Banks, Development Finance Institutions, Non Banking Finance Institutions	182,269	1.93
Insurance Companies	66,528	0.71
Modarabas and Mutual Funds	NIL	-
Shareholders holding 10%	6,891,304	73.04
Others	104,239	1.11
General Public		
a) Local	2,169,820	23.00
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	1,083,149
2. M/s. SIZA Services (Private) Limited	2,411,469
3. M/s. SIZA Commodities (Private) Limited	1,168,778
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. Miss. Anushka Zulfiqar Lakhani	864
12. Miss. Anika Amin Lakhani	864
	6,964,903
<b>ii) <u>MUTUAL FUNDS</u></b>	NIL
<b>iii) <u>DIRECTORS, THEIR SPOUSES &amp; MINOR CHILDREN</u></b>	
1. Mr. Iqbal Ali Lakhani	Chairman/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. Syed Shahid Ali Bukhari	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
	13,649
<b>iv) <u>EXECUTIVES</u></b>	508
<b>v) <u>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS</u></b>	NIL
<b>vi) <u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</u></b>	
1. IDBP (ICP Unit)	369
2. MCB Bank Limited - Treasury	181,900
	182,269
<b>vii) <u>SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS IN THE COMPANY</u></b>	
1. M/s. SIZA (Private) Limited	1,083,149
2. M/s. SIZA Services (Private) Limited	2,411,469
3. M/s. SIZA Commodities (Private) Limited	1,168,778
4. M/s. Premier Fashions (Private) Limited	2,227,908
	6,891,304
<b>viii) <u>INDIVIDUALS AND OTHER THAN THOSE NOT MENTIONED ABOVE</u></b>	2,273,551

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

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## 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 29th day of October 2015 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

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.