

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL REPORT (Unaudited - Note 2)

For the Six months period ended December 31, 2010

### 1. STATUS AND NATURE OF BUSINESS

Colgate-Palmolive (Pakistan) Limited ("the company") was initially incorporated in Pakistan on December 5, 1977 as a public limited company with the name of National Detergents Limited. The name of the company was changed to Colgate-Palmolive (Pakistan) Limited on March 28, 1990 when the company entered into a Participation Agreement with Colgate-Palmolive Company, USA. The company is listed on the Karachi and Lahore Stock Exchanges. The registered office of the company is situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi.

The company is mainly engaged in the manufacture and sale of detergents, personal care and other related products.

### 2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial report of the company for the six months period ended December 31, 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 This condensed interim financial report comprises of the condensed interim balance sheet as at December 31, 2010 and the condensed interim profit and loss account, condensed interim statement of changes in equity and the condensed interim cash flow statement for the six months period then ended which have been subjected to a review but not audited. This condensed interim financial report also includes the condensed interim profit and loss account for the quarter ended December 31, 2010 which is not subject to a review.

2.3 The comparative condensed balance sheet, presented in this condensed interim financial report, as at June 30, 2010 has been extracted from the annual audited financial statements of the company for the year ended June 30, 2010 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the six months period ended December 31, 2009 were subjected to a review but not audited. The comparative condensed profit and loss account for the quarter ended December 31, 2009 included in this condensed interim financial report was not subject to a review.

2.4 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after July 1, 2010 but are considered



not to be relevant or have any significant effect on the company's operations and are therefore not detailed in this condensed interim financial report.

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

The following standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011 or later periods:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The company will apply the revised standard from July 1, 2011. The company is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other new standards, amendments to the existing standards and new interpretations that are mandatory for accounting periods beginning after January 1, 2011 but are considered not to be relevant or do not have any significant effect on company's operations and are therefore not detailed in these condensed interim financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2010.

<b>December 31, 2010</b>	June 30, 2010
(Rupees in '000)	

**4. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets - notes 4.1 and 4.2	1,287,524	1,318,071
Capital work-in-progress - note 4.3	854,440	555,047
	<u>2,141,964</u>	<u>1,873,118</u>

	<b>Six months period ended December 31, 2010</b>	Six months period ended December 31, 2009
(Rupees in '000)		
<b>4.1 Additions - operating fixed assets (at cost)</b>		
Leasehold land	30,664	
Factory building on leasehold land	207	978
Plant and machinery	7,739	4,994
Electric fittings and installation	310	579
Furniture and fixtures	696	84
Tools and equipment	3,214	17,751
Vehicles	6,205	14,116
Computers and accessories	3,337	4,022
Office equipment	986	3,499
	<u>53,358</u>	<u>46,023</u>

4.1.1 Additions include transfers from capital work-in-progress

**4.2 Disposals - operating fixed assets (at cost)**

Furniture and fixtures	1,000	
Vehicles	5,302	5,392
Computers and accessories	382	211
Office equipment	508	
	<u>7,192</u>	<u>5,603</u>

**4.3 Additions - capital work-in-progress (at cost)**

Factory building on leasehold land	61,924	34,232
Plant and machinery	193,852	376,102
Electric fittings and installation	24,340	2,497
Tools and equipment	5,818	3,224
Vehicle	406	1,800
Computers and accessories	915	2,373
Furniture & fixtures	16,587	12,817
Office equipment	376	3,436
	<u>304,218</u>	<u>436,481</u>

4.4 Included in fixed assets are few items having cost of Rs. 29.431 million (June 30, 2010: Rs. 40.066 million) held by related parties and of Rs. 41.415 million (June 30, 2010: Rs. 29.431 million) held by third parties for manufacturing certain products for the company. These fixed assets are free of lien and the company has full rights of repossession of these assets.



	December 31, 2010	June 30, 2010
(Rupees in '000)		
<b>5. LOANS AND ADVANCES</b>		
Considered good		
Current portion of long term loans		
- due from executives	3,987	3,337
- due from other employees	7,323	6,569
	<u>11,310</u>	<u>9,906</u>
Advances		
- to employees - note 5.1	10,643	9,836
- to contractors and suppliers - note 5.2	74,368	85,621
- against letter of credit	94,559	
	<u>190,880</u>	<u>105,363</u>

5.1 Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.

5.2 Included in advances to contractors and suppliers is an amount of Rs. 0.479 million (June 30, 2010: Rs.0.352 million) given to related parties.

#### 6. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	10,175	3,800
Prepayments	44,594	12,172
	<u>54,769</u>	<u>15,972</u>

#### 7. OTHER RECEIVABLES

Receivable from related parties - note 7.1	13,356	3,490
Federal excise duty claimable		379
Claims receivable from an insurance company	377	322
Others	917	
	<u>14,650</u>	<u>4,191</u>

##### 7.1 Other receivables include the following amounts due from related parties:

Century Insurance Company Limited	138	106
Clover Pakistan Limited	180	362
Colgate-Palmolive Philipine	8	6
Tetley Clover (Private) Limited	4,349	3,007
Rollins Industries (Pvt) Limited		9
Employees gratuity fund	8,681	
	<u>13,356</u>	<u>3,490</u>

## 8. SHORT TERM INVESTMENTS - available for sale

	December 31, 2010 (Number of units)	June 30, 2010	December 31, 2010 (Rupees in '000)	June 30, 2010
Lakson Money Market Fund	1,041,436	-	104,210	-

The company acquired 1,976,497 units of Lakson Money Market Fund (LMMF a related party) at the rate of Rs.101.189 each. Out of which 988,249 units have been redeemed at the rate of Rs.102.310 each during the period. During the current period, 53,187 units were received as bonus units.

## 9. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

December 31, 2010 (Number of shares)	June 30, 2010		December 31, 2010 (Rupees in '000)	June 30, 2010
5,882,353	5,882,353	Ordinary shares of Rs. 10 each fully paid in cash	58,824	58,824
25,708,512	21,587,965	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	257,085	215,880
<u>31,590,865</u>	<u>27,470,318</u>		<u>315,909</u>	<u>274,704</u>

**December 31,  
2010** (Rupees in '000)

## 10. TRADE AND OTHER PAYABLES

Trade creditors - note 10.1	402,257	331,441
Accrued liabilities	285,687	262,012
Bills payable	290,055	104,882
Amounts due to distributors	44,694	12,629
Special excise duty payable	6,863	8,760
Sales tax payable	47,682	89,192
Royalty payable to an associated undertaking	73,921	49,670
Workers' profit participation fund	40,473	94,709
Workers' welfare fund	15,800	35,284
Retention money payable	10,781	7,360
Unclaimed dividend	2,632	2,174
Others - note 10.2	17,127	12,348
	<u>1,237,972</u>	<u>1,010,461</u>



- 10.1 This includes Rs. 34.102 million (June 30, 2010: Rs. 14.603 million) payable to related parties.
- 10.2 This includes Rs. 1.640 million (June 30, 2010: Rs. 1.349 million) payable to related parties.

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

- 11.1.1 During the six months period ended December 31, 2010, all industrial units operating in Sindh Industrial Trading Estate (SITE) including our Kotri Factory have received a notice from SITE management for cancellation of lease agreement in respect of discharge of untreated effluent. Proceedings have been initiated in the court of law for revocation of Lease Deed in accordance with the directives of the High Court of Sindh, Hyderabad bench. The company has submitted its written response to the notice stating that the company is an environment conscious organisation and has its own effluent treatment plant and is treating the waste water before discharging into the SITE drains. Furthermore, an independent & Environmental Protection Agency (EPA) approved consultant has also checked the Kotri factory's effluent discharge and has confirmed that the effluent is compliant with EPA standards. The company intends to pursue this matter severally or jointly with Kotri Association of Trade and Industry (KATI) which is in the process of initiating legal proceedings. The management is confident that the matter will be decided in favour of the company and there will be no material impact on the company's financial statements.
- 11.1.2 The status of the contingency which was reported in notes 24.1.1 to the financial statements for the year ended June 30, 2010 has been changed during the period. The relevant case has been dismissed by the Senior Civil Judge in favour of KATI. Subsequently, the Octroi contractor has filed an appeal in the District Court Jamshoro against the dismissal.
- 11.1.3 The claim amount of the contingency reported in note 24.1.2 to the financial statements for the year ended June 30, 2010 has decreased to Rs 1.553 million as some of the cases have been resolved during the period.
- No provision has been made in this condensed interim financial report for the same as the management is of the opinion that the matters shall be decided in favour of the company.
- 11.1.4 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting to Rs 132.031 million (June 30, 2010: Rs 114.150 million) payable at the time of ex-bonding of imported goods. In the event the goods are not cleared from custom warehouse within the prescribed time period, cheques issued as security shall be encashable.
- 11.1.5 Contingent liabilities in respect of indemnities given to the financial institutions for guarantees issued by them in the normal course of business aggregate Rs 19.950 million (June 30, 2010: Rs 18.300 million).

## 11.2 Commitments

11.2.1 Commitments in respect of capital expenditure amount to Rs 344.944 million (June 30, 2010: Rs 58.092 million).

11.2.2 Outstanding letters of credit and acceptances amount to Rs 942.600 million (June 30, 2010: Rs 519.528 million).

11.2.3 Outstanding duties leviable on ex-bonding of stocks amount to Rs 7.232 million (June 30, 2010: Rs 8.743 million).

## 12. EARNINGS PER SHARE

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Six months period ended December 31, 2010	Six months period ended December 31, 2009
	(Rupees in '000)			
Profit after taxation	286,197	308,444	496,542	671,977
	(Number of shares)			
Weighted average number of ordinary shares outstanding during the period (restated)	31,590,865	31,590,865	31,590,865	31,590,865
	(Rupees)			
Earnings per share (restated)	9.06	9.76	15.72	21.27

12.1 There were no dilutive potential ordinary shares outstanding as at December 31, 2010.

	Six months period ended December 31, 2010	Six months period ended December 31, 2009
	(Rupees in '000)	

## 13. CASH GENERATED FROM OPERATIONS

Profit before taxation	753,177	1,021,661
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	90,188	68,610
Gain on disposal of property, plant and equipment	(1,702)	(2,436)
Property, plant and equipment written off	233	31
Intangible assets written off		2,760
Provision for doubtful debts	2,386	3,245
Stock in trade written off		1,126
Profit on bank deposits	(23,273)	(37,291)
Profit on short term investments	(89)	
Profit on disposal of short term investments	(1,107)	
Finance costs	5,453	5,541
Exchange loss	2,929	
Working capital changes – note 13.1	(118,459)	(158,262)
	<u>709,736</u>	<u>904,985</u>



	<b>Six months period ended December 31, 2010</b>	Six months period ended December 31, 2009
	(Rupees in '000)	
<b>13.1 Working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spares	(8,265)	(5,786)
Stock in trade	(145,243)	(329,121)
Trade debts	(55,706)	(3,390)
Loans and advances	(84,113)	70,971
Trade deposits and short term prepayments	(38,797)	(19,819)
Other receivables	(10,459)	(9,969)
	<u>(342,583)</u>	<u>(297,114)</u>
Increase in current liabilities:		
Trade and other payables	224,124	138,852
	<u>(118,459)</u>	<u>(158,262)</u>

**14. RELATED PARTIES**

	<b>Relationship with the Company</b>	<b>Six months period ended December 31, 2010</b>	Six months period ended December 31, 2009
		(Rupees in '000)	
Sale of goods, services and reimbursement of expenses	Associates	225,083	229,729
Purchase of goods and services received and reimbursement of expenses	Associates	1,325,073	1,043,518
Purchase of short term investments	Associates	200,000	
Sale proceeds on redemption of short term investments	Associates	101,107	
Rent, allied and other charges	Associates	11,036	9,227
Royalty charges	Associates	31,701	23,956
Insurance claims received	Associates	659	8,434
Insurance commission income	Associates	2,390	1,746
Purchase of property, plant and equipment	Associates	31,522	
Contribution to staff retirement benefits	Retirement benefits fund	16,088	14,518
Key management personnel compensation	Directors	15,994	13,178
Donation	Associates	10,459	6,450
Dividend paid	Associates	339,502	251,483
		<b>December 31, 2010</b>	June 30, 2010
		(Rupees in '000)	
Receivable against sale of goods	Associates	10,963	776
Loans and advances	Associates		Refer note 5
Other receivable from related parties	Associates		Refer note 7
Royalty payable to associated undertaking	Associates		Refer note 10
Due from gratuity fund	Retirement benefits fund		Refer note 7
Payable against purchase of goods	Associates		Refer note 10

## 15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on January 27, 2011 by the Board of Directors of the company.



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director