

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report with the audited financial statements of the Company for the year ended June 30, 2007.

OPERATING RESULTS

Financial Year 2006-07 has also proved to be successful year for the Company due to maintained growth momentum in turnover and profits. Company managed to attain a growth of 18.45% in its sales from Rs. 6.29 bn to Rs. 7.45 bn during the operations of the year ended June 30, 2007. All four Business Cares - Fabric, Personal, Oral and Surface showed sustained growth.

The increasing costs of imported raw materials and other inputs in a highly competitive business environment, tried to de-track the Company from its growth oriented objective, however focused advertisements, innovative & efficient supply chain strategies, effective communications and improved sales mix resulted in a favorable outcome. Gross profit margin of the Company increased by 16.41% to Rs. 1.88 bn from Rs.1.62 bn of last year 2005-06. Increased sales resulted in selling & distribution expenses touching the amount of Rs. 907 mn as compared to Rs. 759 mn of the last year. Optimum utilization of funds has contributed to increased profits from operations which have demonstrated an upward movement of 16.35% to Rs. 911 mn from Rs. 783 mn of last year. Profit after tax also portrayed a growth of 21.24% from Rs. 499 mn to Rs. 605 mn resulting in an increase by same percentage in Earnings Per Share to Rs. 39.56 compared to the corresponding EPS of Rs. 32.63 of last year.

Operating Results	2006-07 Rs. In million	2005-06 Rs. In million	Increase By
Gross Revenues	7,446	6,286	18.45%
Gross Profit	1,880	1,615	16.41%
Operating Profit	911	783	16.35%
Profit After Tax	605	499	21.24%
Earnings per Share - Rupees	39.56	32.63	21.24%

Profit and Appropriations	Rupees in Thousand
Profit After Tax	604,751
Un-appropriated profit brought forward	5,569
Profit available for appropriation	610,320

Appropriations:

Proposed Cash Dividend @ 160 % i.e. Rs. 16 per share (2006; @160% i.e. Rs. 16 per share)	244,606
Reserve for proposed issue of bonus shares at the rate of one share for every four shares (2006; @ one share for every four shares)	38,220
Transfer to General Reserve	320,000
Un-appropriated profit carried forward	7,494

CASH GENERATION

The Cash generation during the year was Rs. 845.34 mn as compared to Rs. 900.49 mn during last year. The difference is due to capital investment and higher raw and packing materials inventories. The year end balance was Rs. 420.70 mn as compared to Rs. 390.64 mn at the close of financial year 2005-06.

HUMAN RESOURCES

Local and foreign training programs and continuing professional education for employees is the part of the Company's philosophy. In accordance with the past practice your Company has maintained

its focus on human resource capital and particularly their satisfaction by continuing to improve working conditions. We encourage employees to participate in the training process the Company offers from time to time.

STRIVING TOWARDS A HEALTHIER SOCIETY

As always your Company continued its efforts for the betterment of the community as a whole by sponsoring various events throughout the year. The 'Palmolive Sindh Women's Swimming Championship' is one such event. In order to improve oral health awareness, specialized oral health programs such as 'Bright Smile Bright Future', free dental clinics and dental health months in key cities are implemented.

RECOGNITIONS

Your Company has shown high growth in sales, profitability and enhanced value distribution to its stakeholders. In recognition of these achievements, Karachi Stock Exchange has declared Colgate as one of the top performing companies and presented 'Top 25 Companies Award' to your Company for the year 2005. Continuous Improvement, Teamwork and Caring are the Colgate's core values which have contributed to promote its goodwill.

CHALLENGES AND PROSPECTS

Your company has been facing the challenges of inflation and cost escalations due to increasing raw material and energy costs. The economic scenario in the country gives us confidence of continuing growth in our business. While we are optimistic for good results in 2007-08, as well, it is considered prudent on our part to state that tougher market situations particularly in the later half of the next financial year can be expected.

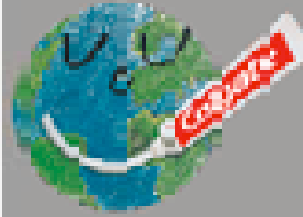
CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to state that your Company is compliant with the provisions of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the statements on Corporate and Financial Reporting Frame Work:

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

	2006-07
	(Rs. in million)
Provident Fund (Audited Accounts as at December 31, 2006)	97.93
Gratuity Fund (Audited Accounts as at June 30, 2006)	28.77



- The board held four (4) meetings during the year. Attendance by each Director was as follows:

	Attended
Mr. Iqbal Ali Lakhani	3
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammed Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz Ebrahim	3
Mr. Fabian T.Garcia	-
Mr. Peter John Graylin	4
	Nominee of CP-USA
	Nominee of CP-USA

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

PATTERN OF SHAREHOLDINGS

- A statement showing pattern of shareholding of the Company and additional information as at June 30, 2007 is included in the report.
- Three Directors and their spouses have sold 2,306,200 shares to certain Associated Companies who were already shareholders in the company. Furthermore, one Director and his spouse have gifted 200,087 shares of the Company to a family member.

ACKNOWLEDGMENTS

We take pleasure by thanking members of the management, other employees and staff for their loyalty and commitment to the success of the Company. We greatly value the support and cooperation of our customers, suppliers, bankers and all stakeholders and wish to record our thanks and gratitude.

On behalf of Board of Director

IQBAL ALI LAKHANI
Chairman

Karachi: August 17, 2007.