

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, 2010.

OPERATING RESULTS

During the year ended June 30, 2010, the company registered growth in all of its profit indicators, namely gross profit +37.7%, operating profit +48.6% and profit after tax +53.6%.

Our gross revenue and net revenue have grown by 4.2% and 2.3% respectively. Major increase in profit was due to the reduced cost of raw materials.

Company's overheads remained under pressure as a result of high inflation as well as rupee devaluation. Frequent increases in electricity tariffs and power outages added substantially to our costs during the year. Furthermore, due to unstable law and order situation in the country, security cost as well as insurance cost, have increased. Company's operating cost has also registered an increase as a result of amortization of software consequent to implementation of Sales & Distribution system and SAP-ERP. All these factors have contributed to enhanced Selling and Distribution costs as well as Administrative costs which rose by 29.5% and 39.2% respectively.

In order to defend our market share in an increasingly competitive environment, the Company has continued to invest heavily in its brands and their distribution. Consequently, advertising and sales promotion costs during the current year under review are 39.3% higher than last year. We believe that in the coming years, the Company will need to increase investment in its brands to withstand challenges surrounding the business environment.

Despite the challenges, the Company's operating profit increased by 48.6% to Rs. 1.8 billion versus Rs. 1.2 billion during the previous year. The company has continued to focus on reassessing the changing needs of its customers, and investing in product quality and innovation. These changes along with inherent strength of its diverse portfolio, have helped the Company to attain its overall growth objective.

Net profit after tax has increased by 53.6% to Rs. 1.2 billion. Correspondingly Earnings per Share rose to Rs. 41.92 versus Rs. 27.30 in the prior year.

A brief financial analysis is presented as under:

Operating Results	2009-10 Rs. in million	2008-09 Rs. in million	Increased By
Gross Revenue	14,584	13,995	4.2%
Net Revenue	11,529	11,265	2.3%
Gross Profit	3,830	2,782	37.7%
Gross Profit %	33.2%	24.7%	+850 basis points
Operating Profit	1,775	1,195	48.6%
Profit After Tax	1,152	750	53.6%
Profit After Tax (% to sale)	10.0%	6.7%	+328 basis points
Earnings per Share - Rupees	41.92	27.30	53.6%

Profit and Appropriations	2009-10 Rs. in thousand
Profit After Tax	1,151,639
Un-appropriated profit brought forward	7,347
Profit available for appropriation	1,158,986
Appropriations:	
Proposed Cash Dividend @ 135 % i.e. Rs.13.50 per share (2009; @ 115% i.e. Rs. 11.50 per share).	370,851
Reserve for proposed issue of bonus shares @ of 15% i.e., 3 shares for every 20 shares (2009; @ 15% i.e. 3 shares for every 20 shares).	41,205
Transfer to General Reserve	740,000
Un-appropriated profit carried forward	6,930

CASH FLOWS

Net cash generated during the year reduced to Rs. 63.4 million from Rs. 431.7 million in the last year; this was mainly due to capital expenditure in plant & machinery and installation and implementation of an ERP SAP system. Nevertheless the Company was cash positive at the end of the year 2009-10 at Rs. 1.1 billion.

HUMAN RESOURCES

The Company has continued to maintain its focus on human resource capital and specifically in improving working conditions. We encourage employees to participate in training, the Company offers and we support employees in their investment in further education.

STRIVING TOWARDS A HEALTHIER SOCIETY----- CSR

As always the Company has played a vital role in promoting a healthy society by sponsoring various events throughout the year. The 'Palmolive Sindh Women's Swimming Championship' is one such event. Additionally, 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 have been implemented.

CHALLENGES AND PROSPECTS

While we have continued with the pace of our progress in 2009-10, it is considered prudent on our part to state that tough market situations in the next financial year can be expected. Though recent trends have shown slight signs of macro economic stability, we believe this recovery in the country is still fragile and is threatened by the pressures building up on the fiscal account deficit, further energy shortages, persistent inflation, uncertainty hovering around the political front and continued disruptions on account of law and order situation. Furthermore the cost of basic raw materials have started to show an upward trend in the international market, which is likely to impact our margins in the up coming year.

Business environment is also expected to remain difficult. However, we remain committed to investing in our brands to consolidate and expand market share and we are confident that our continued focus on consumer preferences & our own operational efficiencies will help us achieve our targets in the coming financial year.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to state that the 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, accurately present its state of affairs, the results of its operations, its cash flows and its 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 an 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 the 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 are as follows:

	2009-10 Rs. in million
Provident Fund	245.890
Gratuity Fund	82.129

- 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	2
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz Ebrahim	4
Mr. Peter John Graylin	1
	Nominee of CP-USA (upto October 23, 2009)
Mr. Jerome Graham Webb	3
	Nominee of CP-USA (from October 23, 2009)
Mr. Peter Justin Skala	2
	Nominee of CP-USA (upto April 23, 2010)
Mr. Derrick Samuel	1
	Nominee of CP-USA (from April 23, 2010)

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

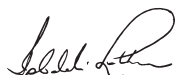
PATTERN OF SHAREHOLDINGS

- A statement showing pattern of shareholding of the Company and additional information as at June 30, 2010 is included in the report.
- Except for one spouse of a director who gifted 85,949 shares of the company to a family member, no Director, CEO, CFO, Company Secretary their spouses or minor children carried out any transaction regarding the shares of the Company during the year.

ACKNOWLEDGEMENTS

We thank members of the management, other employees and staff for their commitment to the success of the Company. We 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 Directors


IQBAL ALI LAKHANI
Chairman

Karachi: July 26, 2010