

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

## 1. THE COMPANY AND ITS OPERATIONS

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, Pakistan.

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

## 2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

### 2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the recognition of certain employee retirement benefits at present value in accordance with the actuarial recommendations as referred to in note 2.14.

### 2.2 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the 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 as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

#### **Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010:**

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2009:

(i) IAS 1 (Revised), 'Presentation of Financial Statements' (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The company has applied IAS 1 (Revised) from July 1, 2009 and elected to present one performance statement (the profit and loss account) as more fully explained in note 2.3.1 below.

(ii) IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The adoption of this amendment will only impact the presentation of the financial statements.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed and not recognised. IAS 19 has been amended to be consistent with IAS 37.
- (iii) IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). In accordance with the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the company's financial statements.
- (iv) IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption of the above amendment, the option of immediately expensing those borrowing costs will be withdrawn. This amendment is not expected to have a significant effect on the company's financial statements. The company has applied IAS 23 from July 1, 2009 as more fully explained in note 2.3.2 below.
- (v) IAS 38 (Amendment) 'Intangible assets' (effective from January 1, 2009). This amendment states that a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have any effect on the company's financial statements.
- (vi) IFRS 7 'Financial instruments – Disclosures' (amendment) (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, the amendment is not expected to have a significant effect on the company's financial statements.
- (vii) IFRS 8, 'Operating segments'. This standard replaces IAS 14, 'Segment reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. Chief Executive) of the company. The company considers the business from a product wise perspective. However, these operating segments meet the aggregation criteria set forth in IFRS 8, therefore, the company is not required to make segment wise disclosures. However, the entity wide disclosure requirements as required by IFRS 8 are applicable on the company and are presented in note 39. The company has applied IFRS 8 from July 1, 2009 as more fully explained in note 2.3.3 below.

**Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010 but not relevant:**

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

**Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:**

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2010 or later periods:

- (i) IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the company's financial statements.

- (ii) IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1 (amendment) from July 1, 2010. It is not expected to have a material impact on the company's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or do not have any significant effect on company's operations and are therefore not mentioned in these financial statements.

### 2.3 Changes in an accounting policies

2.3.1 The company has applied IAS 1 (Revised) from July 1, 2009, and has elected to present one performance statement (profit and loss account). The change in accounting policy has not affected the assets and liabilities of the company for either the current or prior periods and hence restated balance sheet has not been presented.

2.3.2 The company has applied IAS 23 'Borrowing costs' in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009 in accordance with the transition provisions of the standard. This change in accounting policy requires the company to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. There is no material effect of this change in accounting policy in the year ended June 30, 2010.

2.3.3 The company has applied IFRS 8, 'Operating Segments', from July 1, 2009. The application of the standard does not have any impact on the company's financial statements. The change in accounting policy has not affected the assets and liabilities of the company for either the current or prior periods and hence restated balance sheet has not been presented.

### 2.4 Property, plant and equipment

These assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land and capital work in progress which are stated at cost.

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other assets are charged to income in the year when acquired.

Depreciation is charged to income applying the straight line method by applying rates (as stated in note 4.1.1). Previously, depreciation was charged to income applying the reducing balance method. The effects of such a change in estimate is explained in note 4.1.8. Depreciation on additions is charged from the month in which the asset is put to use and on disposal upto the month of disposal at the rates stated in note 4.1.1.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

Residual values and the useful lives are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates. During the current year, the management has reassessed its estimate in respect of both residual values and useful lives of items of property, plant and equipment. The effects of such a change are explained in note 4.1.8.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised.

Profit or loss on disposal of assets is recognised in income currently.

#### 2.4.1 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when assets are available for use.

### 2.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight line method.

Useful lives of intangible operating assets are reviewed, at each balance sheet date and adjusted if the impact of amortisation is significant.

## 2.6 Impairment

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts and the differences are recognised in income currently.

## 2.7 Stores and spares

Stores and spares are valued at lower of cost using the moving average method and estimated net realisable value. Items in transit are valued at cost as accumulated upto the balance sheet date. Provision for obsolete items, if any, is based on their condition as at the balance sheet date depending upon the management's judgement.

Loose tools are charged to income as and when purchased as their inventory is generally not significant.

## 2.8 Stock in trade

Consistent with prior years stock in trade is valued at the lower of cost and estimated net realisable value. Cost is determined as follows:

<b>Stages of stock in trade</b>	<b>Basis of valuation</b>
Raw and packing material	- Moving average cost
Raw and packing material in bonded warehouse and in transit	- Cost accumulated upto the balance sheet date
Work in process and finished goods	- Cost of direct materials and appropriate portion of production overheads
Trading goods	- Moving average cost

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to be incurred for its sale.

## 2.9 Trade debts and other receivables

Consistent with prior years, trade debts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

## 2.10 Taxation

### Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and tax paid on presumptive basis.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all major taxable temporary differences.

Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it becomes probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

#### 2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held with banks and running finances under mark-up arrangement.

#### 2.12 Borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which these are incurred.

#### 2.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

#### 2.14 Staff retirement benefits

##### Defined benefit plan

The company operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees subject to attainment of retirement age and minimum service of prescribed period. Contributions are made to the fund on the basis of actuarial recommendations. Actuarial valuation is carried out using the projected unit credit method.

Actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets, at the beginning of the year, are amortised over average future service of the employees.

##### Defined contribution plan

The company operates an approved funded provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 9 percent of the basic salaries of employees.

##### Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

#### 2.15 Revenue recognition

Sales are recognised on despatch of goods to customers.

Profit on bank balances are recognised on a time proportion basis on the principal amount outstanding and at the applicable rate.

Cumulative gain or loss previously recognised in equity on revaluation of fair values of 'available for sale' financial assets are recognised in income at the time of their derecognition.

Insurance commission income is recognised as and when received.

#### 2.16 Foreign currency translation

Transactions in foreign currencies are translated in Pakistan rupees (functional and presentation currency) at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees at the rates of exchange approximating those prevalent at the balance sheet date. Exchange differences are charged to income currently.

#### 2.17 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is declared. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

## 2.18 Financial instruments

### 2.18.1 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities for greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade debts, loans and advances, deposits, other receivables and profit receivable from banks in the balance sheet.

#### c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. Available-for-sale financial assets are classified as short term investments in the balance sheet.

Changes in fair value of securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the company's right to receive payments is established.

#### d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost.

All financial assets are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the company measures the investments at cost less impairment in value, if any.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortised cost using effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

### 2.18.2 Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

#### 2.18.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements 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.

#### 2.19 Transactions with related parties

The company enters into transactions with related parties for sale or purchase of goods and services on an arm's length basis.

#### 2.20 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Assumptions and estimates used in determining the residual values and useful lives of property, plant and equipment (note 4);
- b) assumptions and estimates used in determining the useful lives of intangible assets (note 5);
- c) assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 9);
- d) assumptions and estimates used in calculating the provision for impairment for trade debts (note 10);
- e) assumptions and estimates used in the recognition of deferred taxation (note 19); and
- f) assumptions and estimates used in accounting for defined benefit plan (note 40).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

### 4. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 (Rupees in '000)	2009
Operating fixed assets	4.1	1,318,071	1,024,478
Capital work in progress	4.2	555,047	143,778
		<u>1,873,118</u>	<u>1,168,256</u>

## 4.1 Operating fixed assets

4.1.1 The following is a statement of operating fixed assets:

	Leasehold land	Factory building on leasehold land	Plant and machinery	Electric fittings and installation	Gas installation	Furniture and fixtures	Tools and equipment	Vehicles	Computers and accessories	Office equipment	Total
(Rupee '000)											
<b>At July 1, 2008</b>											
Cost	10,355	223,669	920,747	58,421	225	14,858	74,930	161,583	31,185	18,957	1,514,930
Accumulated depreciation	-	(82,601)	(318,533)	(19,896)	(143)	(10,116)	(31,154)	(63,492)	(19,934)	(11,078)	(556,947)
<b>Net book value</b>	<b>10,355</b>	<b>141,068</b>	<b>602,214</b>	<b>38,525</b>	<b>82</b>	<b>4,742</b>	<b>43,776</b>	<b>98,091</b>	<b>11,251</b>	<b>7,879</b>	<b>957,983</b>
<b>Year ended June 30, 2009</b>											
<b>Additions</b>	<b>30,618</b>	<b>5,891</b>	<b>67,018</b>	<b>1,714</b>	<b>-</b>	<b>399</b>	<b>4,974</b>	<b>36,671</b>	<b>25,839</b>	<b>12,305</b>	<b>185,429</b>
Transfers from capital work in progress during the year	-	2,227	13,646	796	-	-	24	2,620	-	628	19,941
<b>Disposals (note 4.1.6)</b>											
Cost	-	-	-	-	-	-	-	(9,804)	(1,010)	(36)	(10,850)
Depreciation	-	-	-	-	-	-	-	5,695	327	28	6,050
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,109)</b>	<b>(683)</b>	<b>(8)</b>	<b>(4,800)</b>
<b>Write offs (note 4.1.3)</b>											
Cost	-	(3,143)	(5,146)	(3,782)	(71)	(7,963)	(3,150)	-	(12,255)	(5,246)	(40,756)
Depreciation	-	2,027	5,146	3,782	71	7,959	3,054	-	12,115	5,240	39,394
<b>Net book value</b>	<b>-</b>	<b>(1,116)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>(96)</b>	<b>-</b>	<b>(140)</b>	<b>(6)</b>	<b>(1,362)</b>
<b>Depreciation charge for the year (note 4.1.7)</b>											
		(14,449)	(64,585)	(4,669)	(14)	(2,120)	(7,488)	(28,701)	(7,820)	(2,867)	(132,713)
<b>Closing net book value</b>	<b>40,973</b>	<b>133,621</b>	<b>618,293</b>	<b>36,366</b>	<b>68</b>	<b>3,017</b>	<b>41,190</b>	<b>104,572</b>	<b>28,447</b>	<b>17,931</b>	<b>1,024,478</b>
<b>At June 30, 2009</b>											
Cost	40,973	228,644	996,265	57,149	154	7,294	76,778	191,070	43,759	26,608	1,668,694
Accumulated depreciation	-	(95,023)	(377,972)	(20,783)	(86)	(4,277)	(35,588)	(86,498)	(15,312)	(8,677)	(644,216)
<b>Net book value</b>	<b>40,973</b>	<b>133,621</b>	<b>618,293</b>	<b>36,366</b>	<b>68</b>	<b>3,017</b>	<b>41,190</b>	<b>104,572</b>	<b>28,447</b>	<b>17,931</b>	<b>1,024,478</b>
<b>Annual rates of depreciation (% 2009)</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>15</b>	<b>20 &amp; 25</b>	<b>33</b>	<b>15</b>	
<b>At July 1, 2009</b>											
Cost	40,973	228,644	996,265	57,149	154	7,294	76,778	191,070	43,759	26,608	1,668,694
Accumulated depreciation	-	(95,023)	(377,972)	(20,783)	(86)	(4,277)	(35,588)	(86,498)	(15,312)	(8,677)	(644,216)
<b>Net book value</b>	<b>40,973</b>	<b>133,621</b>	<b>618,293</b>	<b>36,366</b>	<b>68</b>	<b>3,017</b>	<b>41,190</b>	<b>104,572</b>	<b>28,447</b>	<b>17,931</b>	<b>1,024,478</b>
<b>Year ended June 30, 2010</b>											
<b>Additions</b>	<b>-</b>	<b>978</b>	<b>14,465</b>	<b>2,160</b>	<b>-</b>	<b>596</b>	<b>17,927</b>	<b>48,717</b>	<b>7,061</b>	<b>7,206</b>	<b>99,110</b>
Transfers from capital work in progress during the year	-	34,552	258,549	6,959	-	20,140	4,769	-	805	2,452	328,226
<b>Disposals (note 4.1.6)</b>											
Cost	-	-	-	-	-	-	-	(14,735)	-	-	(14,735)
Depreciation	-	-	-	-	-	-	-	8,448	-	-	8,448
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,287)</b>	<b>-</b>	<b>-</b>	<b>(6,287)</b>
<b>Write offs (note 4.1.3)</b>											
Cost	-	-	-	-	-	-	-	-	(467)	(23)	(490)
Depreciation	-	-	-	-	-	-	-	-	374	5	379
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(93)</b>	<b>(18)</b>	<b>(111)</b>
<b>Depreciation charge for the year (note 4.1.7)</b>											
		(14,386)	(69,071)	(3,864)	(7)	(756)	(8,559)	(16,815)	(10,738)	(3,149)	(127,345)
<b>Closing net book value</b>	<b>40,973</b>	<b>154,765</b>	<b>822,236</b>	<b>41,621</b>	<b>61</b>	<b>22,997</b>	<b>55,327</b>	<b>130,187</b>	<b>25,482</b>	<b>24,422</b>	<b>1,318,071</b>
<b>At June 30, 2010</b>											
Cost	40,973	264,174	1,269,279	66,268	154	28,030	99,474	225,052	51,158	36,243	2,080,805
Accumulated depreciation	-	(109,409)	(447,043)	(24,647)	(93)	(5,033)	(44,147)	(94,865)	(25,676)	(11,821)	(762,734)
<b>Net book value</b>	<b>40,973</b>	<b>154,765</b>	<b>822,236</b>	<b>41,621</b>	<b>61</b>	<b>22,997</b>	<b>55,327</b>	<b>130,187</b>	<b>25,482</b>	<b>24,422</b>	<b>1,318,071</b>
<b>Annual rates of depreciation (% 2010)</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>15</b>	<b>20</b>	<b>33</b>	<b>15</b>	

- 4.1.2 Included in fixed assets are few items having cost of Rs 40.066 million (2009: Rs 29.432 million) held by related parties and of Rs 29.431 million (2009: Rs 26.024 million) held by third parties for manufacturing certain products of the company. These fixed assets are free of lien and the company has full rights of repossession of these assets.
- 4.1.3 During the year, the company has identified certain items of property, plant and equipment from which further economic benefits are no longer being derived. Therefore, assets having cost of Rs 0.490 million (2009: Rs 40.756 million) and net book value of Rs 0.111 million (2009: Rs 1.362 million) have been retired from active use and have been written off in these financial statements. These items do not include any assets which have been fully depreciated in prior years.
- 4.1.4 Leasehold land includes land situated in Lahore costing Rs 30.618 million, the possession of which had been transferred to the company during the year ended June 30, 2009. However, in accordance with the terms of the allotment letter issued to the company by the local development and management company, the sale deed shall be executed upon the completion of the project.
- 4.1.5 No impairment relating to operating fixed assets has been recognised in the current year.
- 4.1.6 The following operating fixed assets with a net book value exceeding Rs 50,000 were disposed of during the year:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds / receivable from insurance company	Gain / (loss)	Particulars of purchasers
----- (Rupees in '000) -----							
Vehicles	Bid	590	443	147	435	288	Suleman Allah Rakha, Al-Hilal Housing Society, Amir Khushru Road, Karachi.
	Bid	774	547	227	425	198	Akber Ali, F-135, Abdul Majeed Colony, Metroville S.I.T.E., Karachi.
	Bid	335	115	220	305	85	Mehmood Abdullah, House # F-A-661, Gulbahar, Nazimabad Karachi.
	Bid	590	461	129	450	321	Umer Khitab, House # D-667, S.I.T.E. Area, Karachi.
	Bid	595	447	148	450	302	Umer Khitab, House # D-667, S.I.T.E. Area, Karachi.
	Bid	504	286	218	475	257	Muhammad Taimur Dayer, House # 282, D-Cruze Road, Garden East, Karachi.
	Bid	499	339	160	450	290	Muhammad Taimur Dayer, House # 282, D-Cruze Road, Garden East, Karachi.
	Bid	590	511	79	425	346	Afzal Suleman, House # D-25, Al- Hilal Housing Society, University Road, Karachi.
	Negotiation	322	257	65	260	195	Merit Packaging Limited, 17-B, Sector 29, Korangi Industrial Area, Karachi.
	Bid	1,309	704	605	800	195	Mumtaz Naqi, 30-D.M.C.H.S, Block 7/8, Karachi.
	Negotiation	363	134	229	525	296	Taimur Butt, Employee of the company
	Maturity of Co. Car Scheme	1,209	813	396	396	-	S.S.H. Zaidi, Employee of the company
	Maturity of Co. Car Scheme	310	208	102	102	-	Zia - ur - Rehman, Employee of the company
	Maturity of Co. Car Scheme	774	520	254	254	-	Safdar Ali, Employee of the company
	Maturity of Co. Car Scheme	1,052	701	351	351	-	Syed Anwar Suhail Rizvi, Employee of the company
	Insurance claim	453	56	397	430	33	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
	Insurance claim	544	49	495	490	(5)	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
	Insurance claim	1,869	21	1,848	1,859	11	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
Others		12,682	6,612	6,070	8,882	2,812	
Items having net book value of less than Rs. 50,000 each	Various	2,053	1,836	217	3,447	3,230	Various
2010		14,735	8,448	6,287	12,329	6,042	
2009		10,850	6,050	4,800	9,708	4,908	

4.1.7 Depreciation charge for the year has been allocated as follows:

	Note	2010 (Rupees in '000)	2009
Cost of sales	25.1	101,047	99,229
Selling and distribution costs	26	14,815	26,856
Administrative expenses	27	11,483	6,628
		<u>127,345</u>	<u>132,713</u>

#### 4.1.8 EFFECTS OF REVISION IN DEPRECIATION METHOD, USEFUL LIVES AND RESIDUAL VALUES

Effective July 1, 2009 the management of the company has reassessed its estimate in respect of depreciation method, residual values and useful lives of all items of 'property, plant and equipment' (PPE). Depreciation is now being calculated using the straight line method assuming notional residual value for all items. For vehicles twenty percent (20%) of their original cost has been assigned as their residual values. Previously, items of PPE were depreciated using the reducing balance method assuming notional residual values for all items. Further, the company has also reassessed the useful lives of its assets and has revised the estimated lives of those assets. The effect of the aforementioned changes in estimate is not considered to be material.

#### 4.2 Capital work in progress

The following is a statement of capital work in progress:

	Factory building on leasehold land	Plant and machinery	Electric fittings and installation	Other assets	Total
	(Rupees in '000)				
Balance as at July 1, 2008	1,074	179	-	4,004	5,257
Capital expenditure incurred during the year	26,277	127,573	2,375	2,237	158,462
Transfers to operating fixed assets (note 4.1.1)	(2,227)	(13,646)	(796)	(3,272)	(19,941)
Balance as at June 30, 2009	25,124	114,106	1,579	2,969	143,778
Capital expenditure incurred during the year	172,069	506,361	26,159	34,995	739,584
Capital expenditure charged off during the year	-	(89)	-	-	(89)
Transfers	(688)	1,037	-	(349)	-
Transfers to operating fixed assets (note 4.1.1)	(34,552)	(258,549)	(6,959)	(28,166)	(328,226)
Balance as at June 30, 2010	<u>161,953</u>	<u>362,866</u>	<u>20,779</u>	<u>9,449</u>	<u>555,047</u>

## 5. INTANGIBLE ASSETS

	Note	Goodwill	Computer software	Software implementation	Total
		(Rupees in '000)			
<b>At July 1, 2008</b>					
Cost		43,500	3,500	-	47,000
Accumulated amortisation		(31,900)	(385)	-	(32,285)
Net book value		11,600	3,115	-	14,715
<b>Year ended June 30, 2009</b>					
Additions	5.2	-	11,769	25,262	37,031
		11,600	14,884	25,262	51,746
Amortisation for the year	5.5	(5,800)	(3,872)	-	(9,672)
Net book value as at June 30, 2009		5,800	11,012	25,262	42,074
<b>At June 30, 2009</b>					
Cost		43,500	15,269	25,262	84,031
Accumulated amortisation		(37,700)	(4,257)	-	(41,957)
Net book value		5,800	11,012	25,262	42,074
<b>Year ended June 30, 2010</b>					
Additions	5.2	-	-	14,820	14,820
Amount charged off				(2,761)	(2,761)
Transfers			37,321	(37,321)	-
		5,800	48,333	-	54,133
Amortisation for the year	5.5	(5,800)	(16,178)	-	(21,978)
Net book value as at June 30, 2010		-	32,155	-	32,155
<b>At June 30, 2010</b>					
Cost		43,500	52,590	-	96,090
Accumulated amortisation		(43,500)	(20,435)	-	(63,935)
Net book value		-	32,155	-	32,155

5.1 Goodwill represents amount paid on acquisition of the brand "Sparkle" from Transpak Corporation Limited.

5.2 This represents cost of SAP software implemented during the year.

5.3 Computer softwares are being amortised over a useful life of 3 years.

5.4 The intangible assets included a trade mark costing Rs 1.500 million in respect of the brand "Sparkle" purchased on January 4, 2001. The trade mark was fully amortised during the year ended June 30, 2005. However, it is still in active use.

5.5 Amortisation charge for the year has been allocated as follows:

	Note	2010	2009
		(Rupees in '000)	
Selling and distribution costs	26	11,086	9,672
Administrative expenses	27	10,892	-
		21,978	9,672

## 6. LONG TERM LOANS

	Note	2010	2009	2008
		(Rupees in '000)		
Considered good				
- due from executives	6.1, 6.2 & 6.3	9,206	8,307	3,574
- due from other employees	6.2	17,331	18,843	23,185
		26,537	27,150	26,759
Recoverable within one year	11	(9,906)	(8,646)	(8,208)
		16,631	18,504	18,551
6.1 Reconciliation of carrying amount of loans to executives:				
Opening balance as at July 1, 2009 / 2008 / 2007		8,307	3,574	1,573
Disbursements		7,310	7,866	2,954
Repayments		(6,411)	(3,133)	(953)
Closing balance as at June 30		9,206	8,307	3,574

- 6.2 These loans are interest free and have been given to executives and other employees of the company for purchase of house, vehicles or for personal use in accordance with their terms of employment. These loans are to be repaid over a period of two to five years in equal monthly installments. Any outstanding loan due from an employee at the time of leaving the service of the company is adjustable against final settlement of staff provident fund.
- 6.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs 9.811 million (2009: Rs 8.185 million).
- 6.4 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material.

	Note	2010 (Rupees in '000)	2009
<b>7. LONG TERM SECURITY DEPOSITS</b>			
Long term security deposits	7.1 & 7.2	6,966	6,431

- 7.1 This includes amount of Rs 4.410 million (2009: Rs 3.954 million) representing amount deposited with Water and Power Development Authority (WAPDA) for enhancement in electricity load for detergent unit at Kotri.
- 7.2 This includes a Term Deposit Receipt (TDR) amounting to Rs 1.7 million (2009: Rs 1.7 million) issued by a banking company. This TDR has been issued to provide a security to a banking company for issue of guarantee against a lien on the TDR. The TDR carries profit at the rate of 4% (2009: 4%) per annum and shall mature on August 30, 2010 at which time the management intends to rollover the TDR.

## 8. STORES AND SPARES

Stores		8,842	10,283
Spares	8.1	9,963	4,855
	25.1.3	18,805	15,138

- 8.1 This includes spares in transit amounting to Rs 0.761 million (2009: Rs nil).

	Note	2010	2009	2008
(Rupees in '000)				
<b>9. STOCK IN TRADE</b>				
Raw materials				
- in hand		500,712	321,556	414,218
- in bonded warehouse		73,399	54,602	60,558
- in transit		199,881	208,299	240,374
	25.1.1	773,992	584,457	715,150
Packing materials				
- in hand		107,862	88,309	68,674
- in transit		1,084	978	12,240
- with third parties		383	2,069	1,023
	25.1.2	109,329	91,356	81,937
Work in process	25.1	40,399	105,539	25,658
Finished goods				
- in hand	9.1	312,261	257,878	119,454
- in transit		1,912	10,641	19,357
		314,173	268,519	138,811
Trading goods				
- in hand		81,119	74,296	44,808
- in transit		3,225	4,265	-
		84,344	78,561	44,808
		1,322,237	1,128,432	1,006,364

- 9.1 This includes stocks carried at fair value less cost to sell amounting to Rs nil (2009: Rs 10.383 million).

	Note	2010 (Rupees in '000)	2009
<b>10. TRADE DEBTS</b>			
Considered good			
- due from related parties	10.1 & 10.2	776	41,310
- others		316,003	298,180
		<u>316,779</u>	<u>339,490</u>
Considered doubtful			
- others		21,628	7,057
		<u>338,407</u>	<u>346,547</u>
Less: Provision for impairment	10.3	21,628	7,057
		<u>316,779</u>	<u>339,490</u>
10.1 Trade debts include the following amounts due from related parties:			
Merit Packaging Limited		42	14
Clover Pakistan Limited		384	5
Century Paper and Board Mills Limited		247	167
Rollins Industries (Private) Limited		-	41,100
Tetley Clover (Private) Limited		46	24
Hasanali Karabhai Foundation		4	-
SIZA Services (Private) Limited		3	-
Television Media Network (Private) Limited		44	-
Cyber Internet Services (Private) Limited		6	-
		<u>776</u>	<u>41,310</u>
10.2 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 57.817 million (2009: Rs 112.678 million).			
10.3 Provision for impairment			
Balance at the beginning of the year		7,057	6,568
Provision made during the year	28	17,781	489
Amounts written off (against provision)		(3,210)	-
Balance at the end of the year		<u>21,628</u>	<u>7,057</u>
10.4 As at June 30, 2010, trade receivables of Rs 124.856 million (2009: Rs 114.231 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:			
Upto 1 month		62,367	59,763
1 to 6 months		35,835	51,741
More than 6 months		26,654	2,727
		<u>124,856</u>	<u>114,231</u>
10.5 As at June 30, 2010, trade receivables of Rs 21.628 million (2009: Rs 7.057 million) were impaired and provided for. The ageing of these receivables is as follows:			
One year to five years		14,536	31
Five years and over		7,092	7,026
		<u>21,628</u>	<u>7,057</u>
<b>11. LOANS AND ADVANCES</b>			
	Note	2010	2009
			2008
Considered good			(Rupees in '000)
Current portion of long term loans			
- due from executives		3,337	2,989
- due from other employees		6,569	5,657
	6	<u>9,906</u>	<u>8,646</u>
Advances			
- to employees	11.1	9,836	9,555
- to contractors and suppliers	11.2	85,621	46,564
- against letters of credit		-	93,963
		<u>105,363</u>	<u>158,728</u>
			<u>95,412</u>

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

	Note	2010 (Rupees in '000)	2009
11.2 Advances include the following amounts due from related parties:			
Rollins Industries (Private) Limited		352	-
Colgate-Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust		-	154
		<u>352</u>	<u>154</u>

## 12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		3,800	12,758
Prepayments		12,172	12,966
		<u>15,972</u>	<u>25,724</u>

## 13. OTHER RECEIVABLES

Receivable from related parties	13.1 & 13.2	3,490	10,242
Federal excise duty claimable		379	-
Claims receivable from an insurance company		322	285
Others		-	1,613
		<u>4,191</u>	<u>12,140</u>

13.1 Other receivables include the following amounts due from related parties:

Century Insurance Company Limited		106	1,861
Clover Pakistan Limited		362	1,706
Colgate-Palmolive Philippine		6	6
Rollins Industries (Private) Limited		9	-
Tetley Clover (Private) Limited		3,007	6,669
		<u>3,490</u>	<u>10,242</u>

13.2 The maximum aggregate amount receivable from related parties at the end of any month during the year was Rs 10.201 million (2009: Rs 35.883 million).

## 14. PROFIT RECEIVABLE FROM BANKS

Profit on savings and term deposit accounts		3,190	803
Profit on a term deposit receipt		34	34
		<u>3,224</u>	<u>837</u>

## 15. CASH AND BANK BALANCES

With banks on:			
- Current accounts		117,847	89,697
- Savings accounts	15.1	741,989	786,257
- Term deposit account	15.2	200,000	100,000
		<u>1,059,836</u>	<u>975,954</u>
Cheques in hand		27,948	48,116
Cash in hand		237	596
		<u>1,088,021</u>	<u>1,024,666</u>

15.1 The range of rates of profit on these savings accounts is between 5.00% to 11.00% per annum (2009: 4.00% to 11.50% per annum).

15.2 The rate of profit on this term deposit account is 11.50% per annum (2009: 12.75% per annum). The maturity period of the term deposit account is one month from the date of original issue.

## 16. SHARE CAPITAL

### 16.1 Authorised Capital

2010 Number of shares	2009		2010 (Rupees in '000)	2009
<u>40,000,000</u>	<u>40,000,000</u>	Ordinary shares of Rs 10 each	<u>400,000</u>	<u>400,000</u>

### 16.2 Issued, subscribed and paid-up capital

5,882,353	5,882,353	Ordinary shares of Rs 10 each fully paid in cash	58,824	58,824
21,587,965	18,004,880	Ordinary shares of Rs 10 each issued as fully paid bonus shares (note 16.3)	215,880	180,049
<u>27,470,318</u>	<u>23,887,233</u>		<u>274,704</u>	<u>238,873</u>

16.3 These shares include 3,583,085 bonus shares of Rs 10 each (2009: 4,777,447 bonus shares of Rs 10 each) issued by the company during the current year.

## 17. RESERVES

	Note	2010 (Rupees in '000)	2009
Capital reserve			
- Share premium reserve		13,456	13,456
Revenue reserve			
- General reserve		2,130,000	1,690,000
- Unappropriated profit		1,158,986	757,882
		<u>3,302,442</u>	<u>2,461,338</u>

## 18. LONG TERM LOAN

Secured	18.1	625	3,125
Less: Current maturity shown under current liabilities		<u>625</u>	<u>2,500</u>
		<u>-</u>	<u>625</u>

18.1 The company has obtained a loan from a commercial bank amounting to Rs 10 million to finance the expansion of existing plant and machinery. This facility is secured against pari passu charge over fixed assets of the company. Markup is charged at the rate of three month's KIBOR plus 110 bps per annum. The loan is repayable in sixteen equal quarterly installments of Rs 0.625 million each, which commenced from October 2006.

## 19. DEFERRED TAXATION

Credit / (debit) balances arising in respect of timing differences relating to:

Accelerated tax depreciation allowance	224,074	167,063
Provision for compensated absences	(4,504)	(3,593)
Provision for impairment of trade debts	(7,570)	(2,470)
	<u>212,000</u>	<u>161,000</u>

## 20. LONG TERM DEPOSITS

Security deposits obtained from:		
- Distributors	5,775	5,153
- Transporters	500	500
- Others	5	5
	<u>6,280</u>	<u>5,658</u>

20.1 These deposits are interest free and are not refundable during the subsistence of relationship with the company.

	Note	2010	2009	2008
(Rupees in '000)				
<b>21. TRADE AND OTHER PAYABLES</b>				
Trade creditors	21.1	331,441	308,605	330,174
Accrued liabilities	21.2	262,012	229,111	150,528
Bills payable		104,882	194,515	117,779
Amounts due to distributors		12,629	11,448	19,174
Special excise duty payable		8,760	5,102	4,574
Sales tax payable		89,192	85,235	51,250
Royalty payable to an associated undertaking		49,670	42,186	31,911
Workers' profits participation fund	21.3	94,709	61,528	54,648
Workers' welfare fund		35,284	22,922	17,265
Retention money payable		7,360	261	42
Unclaimed dividend		2,174	1,877	1,647
Others	21.4	12,348	12,591	7,153
		<u>1,010,461</u>	<u>975,381</u>	<u>786,145</u>
21.1 These balances include the following amounts due to related parties:				
Hasanali Karabhai Foundation		467	488	262
Princeton Travels (Private) Limited		142	204	39
Merit Packaging Limited		1,493	3,930	-
Clover Pakistan Limited		-	-	1,483
Century Insurance Company Limited		908	5,629	3,357
Rollins Industries (Private) Limited		-	34,823	-
Century Publication (Private) Limited		2,556	-	1,500
SIZA (Private) Limited		-	-	18
Cyber Internet Services (Private) Limited		-	-	353
Century Paper & Board Mills Limited		4,500	13,951	15,739
Television Media Network (Private) Limited		4,351	2,862	-
Tetley Clover (Private) Limited		186	-	-
		<u>14,603</u>	<u>61,887</u>	<u>22,751</u>
21.2 These balances include the following amounts due to related parties:				
Century Paper & Board Mills Limited		1,517	609	579
Century Publication (Private) Limited		-	1,500	750
Clover Pakistan Limited		-	294	-
Cyber Internet Services (Private) Limited		-	763	-
Hasanali Karabhai Foundation		-	82	77
Lakson Business Solution Limited		-	179	-
SIZA (Private) Limited		-	80	-
Television Media Network (Private) Limited		-	11,610	13,337
Merit Packaging Limited		2,084	-	-
Lakson Tobacco Company Limited		-	-	35
		<u>3,601</u>	<u>15,117</u>	<u>14,778</u>
21.3 Workers' profits participation fund				
Balance at the beginning of the year		61,528	54,648	47,737
Allocation for the year	28	<u>94,709</u>	<u>61,528</u>	<u>54,648</u>
		156,237	116,176	102,385
Less: Payments during the year		<u>61,528</u>	<u>54,648</u>	<u>47,737</u>
Balance at the end of the year		<u>94,709</u>	<u>61,528</u>	<u>54,648</u>
21.4 These balances include the following amounts due to related parties:				
Colgate-Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust		-	2,860	-
Reliance Chemicals (Private) Limited		-	753	19
Colgate-Palmolive (Thailand) Limited		1,072	1,072	1,029
Colgate-Palmolive (Hong Kong) Limited		<u>277</u>	<u>278</u>	<u>-</u>
		<u>1,349</u>	<u>4,963</u>	<u>1,048</u>

	Note	2010 (Rupees in '000)	2009
<b>22. ACCRUED MARK-UP</b>			
Accrued markup on:			
- Long term loan		15	84
- Short term borrowings		43	83
		<u>58</u>	<u>167</u>

## 23. SHORT TERM RUNNING FINANCES

- 23.1 The company has arranged short-term borrowing facilities from various banks on mark-up basis to the extent of Rs 1,140 million (2009: Rs 912 million), which can be interchangeably utilised as running finance facilities or import credit facilities. These facilities expired during the year and were renewed subsequently. The renewed facilities are available for various periods expiring between July 30, 2010 to June 30, 2011. The arrangements are secured by a joint hypothecation of stocks, stores and spares, trade debts, other current assets and second charge on immoveable assets of the company.
- 23.2 The mark-up on short-term running finance facilities ranges between 13.36 % to 17.00 % (2009: 13.99% to 17.00%) per annum.
- 23.3 The facilities for opening letters of credit and guarantee as at June 30, 2010 aggregated Rs 3,254.250 million and Rs 30.000 million (2009: Rs 2,713.220 million and Rs 30.000 million) respectively of which the amounts remaining unutilised at the year end were Rs 2,720.264 million and Rs 11.700 million (2009: Rs 2,482.761 million and Rs 11.700 million) respectively.

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

24.1.1 As a result of a recovery suit of Rs 31.455 million alongwith interest at the rate of thirteen percent (13%) per annum filed by the Octroi Contractor against the Government of Sindh, Union Council Bulari and Kotri Association of Trade and Industries (KATI) in the Civil Court, the Honorable Senior Judge issued a decree of Rs 7.336 million in favour of Octroi Contractor. KATI has filed an appeal in the High Court of Sindh, whereas, the Octroi Contractor has also filed an appeal requesting to enhance the amount of decree. Subsequently, the case has been transferred to the Additional District Judge Kotri by the High Court of Sindh. The District Judge allowed the appeal in favour of KATI and remanded the case to Senior Civil Judge Kotri for adjudication which is still awaited. If the company's appeal is dismissed then the company, being a member of KATI, would be required to pay its share as determined by the Court out of the total decree amount. The management of the company, based on the advice of its legal counsel handling the subject matter, is confident that the appeal will be decided in favour of KATI. Accordingly, no provision has been made in the financial statements on this account.

24.1.2 Cases have been filed against the company by some employees claiming approximately Rs 1.8 million (2009: Rs 0.991 million) in aggregate. Provision has not been made in these financial statements for the aforementioned amounts as the management of the company, based on the advice of its legal counsel handling the subject cases, is of the opinion that matters shall be decided in the company's favour.

24.1.3 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting Rs 114.150 million (2009: Rs 23.014 million) payable at the time of exbonding 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.

24.1.4 Contingent liabilities in respect of indemnities given to financial institutions for guarantees issued by them on behalf of the company in the normal course of business aggregate Rs 18.300 million (2009: Rs 18.300 million).

### 24.2 Commitments

24.2.1 Commitments in respect of capital expenditure amount to Rs 58.092 million (2009: Rs 315.230 million).

24.2.2 Outstanding letters of credit and acceptances amount to Rs 519.528 million (2009: Rs 443.054 million).

24.2.3 Outstanding duties leviable on clearing of stocks amount to Rs 8.743 million (2009: Rs 7.981 million).

	Note	2010 (Rupees in '000)	2009
<b>25. COST OF SALES</b>			
Opening stock of finished goods (including trading goods)		347,080	199,689
Cost of goods manufactured	25.1	6,340,393	7,158,313
Purchases of trading goods		1,410,445	1,471,834
		<u>8,097,918</u>	<u>8,829,836</u>
Less: Closing stock of finished goods (including trading goods)	9	398,517	347,080
		<u>7,699,401</u>	<u>8,482,756</u>
25.1 Cost of goods manufactured			
Opening stock of work in process		105,539	9,588
Raw materials consumed	25.1.1 & 25.2	4,315,539	5,400,267
Packing materials consumed	25.1.2 & 25.2	1,250,686	1,237,287
Stores and spares consumed	25.1.3 & 25.2	22,900	27,128
Salaries, wages and other benefits		261,219	222,828
Gratuity	40.8	9,958	6,514
Provident fund		5,661	4,900
Power and fuel		169,668	154,447
Repairs and maintenance		29,151	17,664
Rent, rates and taxes		2,244	2,215
Insurance		16,804	15,831
Laboratory expenses		5,429	3,170
Cartage		54,248	28,331
Depreciation	4.1.7	101,047	99,229
Other manufacturing expenses		33,410	35,173
		<u>6,383,503</u>	<u>7,264,572</u>
Less: Recovery from related parties		720	720
Insurance claims against fire damages		1,991	-
		<u>6,380,792</u>	<u>7,263,852</u>
Less: Closing stock of work in process	9	40,399	105,539
		<u>6,340,393</u>	<u>7,158,313</u>
25.1.1 Raw materials consumed			
Opening stock		584,457	715,150
Purchases		4,505,074	5,269,574
		<u>5,089,531</u>	<u>5,984,724</u>
Less: Closing stock	9	773,992	584,457
		<u>4,315,539</u>	<u>5,400,267</u>
25.1.2 Packing materials consumed			
Opening stock		91,356	81,937
Purchases		1,268,659	1,246,706
		<u>1,360,015</u>	<u>1,328,643</u>
Less: Closing stock	9	109,329	91,356
		<u>1,250,686</u>	<u>1,237,287</u>
25.1.3 Stores and spares consumed			
Opening stock		15,138	14,085
Purchases		26,567	28,181
		<u>41,705</u>	<u>42,266</u>
Less: Closing stock	8	18,805	15,138
		<u>22,900</u>	<u>27,128</u>

	Note	2010 (Rupees in '000)	2009
25.2	Cost of sales includes amounts written off during the year in respect of the following:		
- Raw materials		7,060	3,710
- Packing materials		4,453	214
- Stores and spares		-	571
<b>26.</b>	<b>SELLING AND DISTRIBUTION COSTS</b>		
Salaries, wages and other benefits		184,867	122,961
Staff retirement gratuity	40.8	2,973	2,291
Provident fund		5,557	4,229
Travelling and conveyance		33,288	28,266
Repairs and maintenance		4,948	6,592
Vehicle running expenses		78,123	62,127
Advertising and sales promotion		1,021,084	733,042
Royalty on sale of licensed products		49,670	42,186
Postage, telephone and internet charges		10,646	6,965
Rent, rates and taxes		13,984	11,790
Printing and stationery		3,568	2,364
Subscription and membership		3,417	1,295
Legal and professional		92	942
Freight		389,724	356,657
Electricity		5,974	3,589
Insurance		14,129	8,828
Security service charges		5,051	4,207
Depreciation	4.1.7	14,815	26,856
Amortisation	5.5	11,086	9,672
Other expenses		6,495	211
		1,859,491	1,435,070
Less: Recovery from related parties		13,393	9,356
		1,846,098	1,425,714
<b>27.</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and other benefits		71,151	59,323
Staff retirement gratuity	40.8	3,440	2,354
Provident fund		2,699	2,550
Travelling and conveyance		3,799	3,004
Repairs and maintenance		3,719	2,307
Vehicle running expenses		5,891	4,173
Postage, telephone and internet charges		3,003	2,204
Rent, rates and taxes		5,776	5,797
Printing and stationery		2,410	2,117
Subscription and membership		5,850	2,690
Legal and professional		2,161	2,137
Electricity		2,931	2,186
Insurance		2,729	4,803
Security service charges		3,454	201
Depreciation	4.1.7	11,483	6,628
Software amortisation	5.5	10,892	-
Others		1,365	282
		142,753	102,756
Less: Recovery from related parties		732	732
		142,021	102,024

	Note	2010 (Rupees in '000)	2009
<b>28. OTHER OPERATING EXPENSES</b>			
Workers' profits participation fund	21.3	94,709	61,528
Workers' welfare fund		35,284	22,922
Auditors' remuneration	28.1	914	806
Property, plant and equipment - written off		111	1,362
Donations	28.2	6,735	11,498
Advances to ex-employees written off		37	-
Provision for impairment - trade debts	10.3	17,781	489
Net exchange loss		635	13,903
		<u>156,206</u>	<u>112,508</u>
<b>28.1 Auditors' remuneration</b>			
Audit fee		400	300
Fee for half yearly review and other certifications		425	387
Out of pocket expenses		89	119
		<u>914</u>	<u>806</u>
<b>28.2 Donations include the following in which a director is interested:</b>			
<b>Name of director</b>	<b>Interest in donee</b>	<b>Name and address of donee</b>	
Mr Iqbal Ali Lakhani	(See note below)	Special Olympics Pakistan, 205, Sunset Tower, Sunset Boulevard, DHA, Phase-II, Karachi.	
			450      200
Note: Spouse of Mr Iqbal Ali Lakhani is the Program Chief Executive of the donee organisation.			
Mr Zulfiqar Ali Lakhani	(See note below)	Zulfiqar & Fatima Foundation, 9 - Khayaban-e-Ghazi, DHA, Phase-V, Karachi.	
			6,000      9,336
Note: Mr Zulfiqar Ali Lakhani, his spouse and children are trustees of the donee organisation.			
Mr Zulfiqar Ali Lakhani, Mr Amin Mohammed Lakhani and Mr Iqbal Ali Lakhani	(See note below)	Donation made to Swat IDPs through Hasanali Karabahi Foundation.	
			-      1,002
Note: The above mentioned directors are trustees of the Hasanali Karabahi Foundation.			
Mr Iqbal Ali Lakhani	(See note below)	Pakistan Business Council, M-02 Mezzanine Floor, Beaumont Plaza, 10 Beaumont Road, Karachi.	
			150      -
Note: Mr Iqbal Ali Lakhani is a common director.			
<b>29. OTHER OPERATING INCOME</b>			
<b>Income from financial assets / liabilities</b>			
Profit on savings and term deposit accounts		77,275	35,279
Profit on a term deposit receipt		68	68
Profit on disposal of short term investments		-	5,166
Liabilities no longer payable written back		491	-
<b>Income from non-financial assets</b>			
Insurance commission		3,955	6,647
Gain on disposal of property, plant and equipment	4.1.6	6,042	4,908
Sale of scrap		1,767	911
Profit on sale of material		46	318
		<u>89,644</u>	<u>53,297</u>

	2010	2009
	(Rupees in '000)	
<b>30. FINANCE COSTS</b>		
Markup on:		
- Long term loan	237	639
- Short term borrowings	1,353	41,155
Guarantee commission	306	267
Bank commission and other charges	9,140	6,806
	<u>11,036</u>	<u>48,867</u>

<b>31. TAXATION</b>		
Current		
- for the year	560,800	388,313
- for prior years'	753	1,726
Deferred	51,000	6,100
	<u>612,553</u>	<u>396,139</u>

31.1 Reconciliation between the average effective tax rate and the applicable tax rate.

	2010	2009
	Percentage	
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not allowable in determining taxable income	-	(0.16)
Tax effect of income assessed under presumptive tax regime	(0.32)	(0.39)
Tax effect of income tax provision relating to prior year	0.04	0.15
Tax impact arising due to origination of temporary differences	-	(0.04)
	<u>34.72</u>	<u>34.56</u>

	2010	2009
	(Rupees in '000)	
<b>32. EARNINGS PER SHARE</b>		
Profit after taxation	<u>1,151,639</u>	<u>749,966</u>
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year - restated	<u>27,470,318</u>	<u>27,470,318</u>
	(Rupees)	
Earnings per share - restated	<u>41.92</u>	<u>27.30</u>

32.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2010 and 2009.

	<b>2010</b>	2009
	(Rupees in '000)	
<b>33. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	1,764,192	1,146,105
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	149,323	142,385
Gain on sale of property, plant and equipment	(6,042)	(4,908)
Provision for impairment - trade debts	17,781	489
Advances to employees written off	37	-
Profit on savings and term deposit accounts	(77,275)	(35,279)
Profit on a term deposit receipt	(68)	(68)
Profit on disposal of short term investments	-	(5,166)
Finance costs	11,036	48,867
Net exchange loss	635	13,903
Stores and spares written off	-	571
Stocks written off	11,513	3,924
Property, plant and equipment written off	111	1,362
Capital work-in-progress charged off	89	-
Intangibles charged off	2,761	-
Working capital changes	33.1 (97,618)	(157,510)
	<u>1,776,475</u>	<u>1,154,675</u>

**33.1 Working capital changes**

Decrease / (Increase) in current assets:		
Stores and spares	(3,667)	(1,624)
Stock in trade	(205,318)	(125,992)
Trade debts	4,930	(161,996)
Loans and advances	54,588	(62,878)
Trade deposits and short term prepayments	9,752	(6,736)
Other receivables	7,949	26,613
	<u>(131,766)</u>	<u>(332,613)</u>
Increase in current liabilities:		
Trade and other payables	34,148	175,103
	<u>(97,618)</u>	<u>(157,510)</u>

**34. PROPOSED DIVIDEND**

The Board of Directors at their meeting held on July 26, 2010 have proposed a cash dividend of Rs 13.50 per share (2009: Rs 11.5 per share) for the year ended June 30, 2010, amounting to Rs 370.851 million (2009: Rs 274.704 million), bonus issue of 4.121 million shares (2009: 3.583 million shares) at the rate of 15% i.e. in proportionate of three shares for every twenty shares held (2009: three shares for every twenty shares held) and transfer to general reserve of Rs 740 million (2009: Rs 440 million) subject to the approval of members at the annual general meeting to be held on September 2, 2010.

**35. RELATED PARTY DISCLOSURES**

**35.1 Disclosure of transactions between the company and related parties.**

The related parties comprise associated companies, staff retirement funds, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. Significant balances and transactions with related parties are as follows:

Nature of transaction	Note	Relationship with the Company	2010 (Rupees in '000)	2009
<u>Sale of goods, services provided and reimbursement of expenses</u>				
Century Paper & Board Mills Limited		Associate	423	430
Clover Pakistan Limited		Associate	22,479	14,534
Merit Packaging Limited		Associate	82	75
Rollins Industries (Private) Limited	35.3	Related party	484,400	624,932
Tetley Clover (Private) Limited		Associate	5,084	4,861
Cyber Internet Services (Private) Limited		Associate	6	7
Hasanali Karabhai Foundation		Associate	78	-
SIZA Services (Private) Limited		Associate	20	-
Television Media Network (Private) Limited		Associate	79	-
			<u>512,651</u>	<u>644,839</u>
<u>Purchase of goods, services received and reimbursement of expenses</u>				
Century Insurance Company Limited		Associate	63,329	59,180
Century Paper & Board Mills Limited		Associate	153,032	172,332
Century Publication (Private) Limited		Associate	14,437	10,665
Clover Pakistan Limited		Associate	3,824	1,776
Colgate-Palmolive China		Subsidiary of CP-USA	61,235	98,655
Colgate-Palmolive (Vietnam) Limited		Subsidiary of CP-USA	36,817	31,861
Colgate-Palmolive Company USA		Joint venture company	70,085	60,055
Colgate-Palmolive (Hong Kong) Limited		Subsidiary of CP-USA	438	-
Colgate-Palmolive (Thailand) Limited		Subsidiary of CP-USA	14,984	12,070
Colgate-Palmolive Malaysia		Subsidiary of CP-USA	-	34
Cyber Internet Services (Private) Limited		Associate	8,512	5,902
Lakson Business Solution Limited		Associate	1,093	2,430
Merit Packaging Limited		Associate	47,106	22,568
Princeton Travels (Private) Limited		Associate	6,654	6,969
Rollins Industries (Private) Limited	35.3	Related party	1,693,314	1,658,196
SIZA (Private) Limited		Associate	259	460
SIZA Foods (Private) Limited		Associate	2,803	-
Accuray Surgicals (Private) Limited		Associate	-	25
Sybird (Private) Limited		Associate	2,014	165
Tetley Clover (Private) Limited		Associate	931	722
Television Media Network (Private) Limited		Associate	54,752	34,391
			<u>2,235,619</u>	<u>2,178,456</u>
<u>Rent, allied and other charges</u>				
Hasanali Karabhai Foundation		Associate	16,048	13,906
SIZA Services (Private) Limited		Associate	670	1,101
Reliance Chemicals (Private) Limited		Associate	2,149	1,704
			<u>18,867</u>	<u>16,711</u>
<u>Royalty charges</u>				
Colgate-Palmolive Company USA		Joint venture company	49,670	42,186
<u>Sale of property, plant and equipment</u>				
SIZA Services (Private) Limited		Associate	150	-
Tetley Clover (Private) Limited		Associate	-	290
Merit Packaging Limited		Associate	260	-
			<u>410</u>	<u>290</u>

<b>Nature of transaction</b>	<b>Note</b>	<b>Relationship with the Company</b>	<b>2010</b> (Rupees in '000)	<b>2009</b>
<u>Contribution to staff retirement benefits</u>				
Colgate-Palmolive (Pakistan) Limited Employees Contributory Provident Fund		Employees fund	13,917	11,723
Colgate-Palmolive (Pakistan) Limited Employees Gratuity Fund		Employees fund	16,371	11,159
			<u>30,288</u>	<u>22,882</u>
<u>Donations</u>				
Special Olympics Pakistan	28.2	Related party	450	200
Hasanali Karabhai Foundation	28.2	Associate	-	1,002
Zulfiqar & Fatima Foundation	28.2	Associate	6,000	9,336
Pakistan Business Council	28.2	Common Director	150	
			<u>6,600</u>	<u>10,538</u>
<u>Compensation paid to key management personnel</u>				
Short-term employee benefits including compensated absences		Key management personnel	25,055	23,053
Post employment benefits		--do--	2,666	2,696
			<u>27,721</u>	<u>25,749</u>
<u>Insurance claims received</u>				
Century Insurance Company Limited		Associate	10,778	43,941
<u>Insurance commission income</u>				
Century Insurance Company Limited		Associate	3,955	6,647
<u>Purchase of property, plant and equipment</u>				
Tetley Clover (Private) Limited		Associate	6,365	-
Clover Pakistan Limited		Associate	55	-
			<u>6,420</u>	<u>-</u>
<u>Dividend paid</u>				
Colgate-Palmolive Company USA		Joint venture company	82,411	57,329
Century Insurance Company Limited		Associate	101	70
Premier Fashions (Private) Limited		Associate	44,449	30,921
SIZA (Private) Limited		Associate	21,551	14,992
SIZA Services (Private) Limited		Associate	77,579	53,968
SIZA Commodities (Private) Limited		Associate	25,381	17,656
Rollins Industries (Private) Limited		Related party	11	-
			<u>251,483</u>	<u>174,936</u>
<u>Interest on short term loan</u>				
Mrs Ronak Iqbal Ali Lakhani			-	3,526
Mr Amin M. Lakhani			-	10,895
			<u>-</u>	<u>14,421</u>

35.2 The related party status of outstanding balances as at June 30, 2010 are included in trade debts (note 10), other receivables (note 13), and trade and other payables (note 21).

35.3 Rollins Industries (Private) Limited is a third party whose manufacturing process is dependent on the company.

### 36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

36.1 The aggregate amount charged in these financial statements for remuneration, including certain benefits to the chief executive, the director and executives of the company, are as follows:

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in '000)					
Managerial remuneration	5,382	5,382	2,085	1,892	64,248	50,241
Bonus / commission	-	-	335	318	12,212	8,621
Staff retirement gratuity	-	-	546	503	1,398	2,343
Provident fund	-	-	188	171	5,436	4,267
Housing	1,614	1,614	938	852	28,939	22,693
Utilities	809	720	-	-	-	-
Motor vehicles	528	580	195	193	6,855	5,560
Others	-	-	218	203	10,542	7,745
	<u>8,333</u>	<u>8,296</u>	<u>4,505</u>	<u>4,132</u>	<u>129,630</u>	<u>101,470</u>
Number of persons	1	1	1	1	58	53

36.2 Chief executive, a working director and the executives of the company are also provided with company maintained cars.

### 37. FINANCIAL INSTRUMENTS BY CATEGORY

37.1 Financial risk management objectives and policies

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

	2010	2009
	(Rupees in '000)	
<b>FINANCIAL ASSETS</b>		
Loans and receivables at amortised cost		
Long term loans	16,631	18,504
Long term security deposits	6,966	6,431
Trade debts	316,779	339,490
Loans and advances	19,742	18,201
Trade deposits	3,800	12,758
Other receivables	3,812	12,140
Profit receivable from banks	3,224	837
Cash and bank balances	1,088,021	1,024,666
	<u>1,458,975</u>	<u>1,433,027</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities at amortised cost		
Long term loan	625	3,125
Long term deposits	6,280	5,658
Trade and other payables	769,887	789,146
Accrued mark-up	58	167
	<u>776,850</u>	<u>798,096</u>

### 38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 The company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to, market risk, credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risks measured and managed by the company are explained in notes 38.1.1, 38.1.2 and 38.1.3 below:

#### 38.1.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rs 1,458.975 million (2009: Rs 1,433.027 million), the financial assets that are subject to credit risk amounted to Rs 1,458.738 million (2009: Rs 1,432.431 million).

The maximum exposure to credit risk as at June 30, 2010, along with comparative is tabulated below:

#### Financial assets

	2010 (Rupees in '000)	2009
Long term loans	16,631	18,504
Long term security deposits	6,966	6,431
Trade debts	316,779	339,490
Loans and advances	19,742	18,201
Trade deposits	3,800	12,758
Other receivables	3,812	12,140
Profit receivable from banks	3,224	837
Cash and bank balances	1,087,784	1,024,070
	<u>1,458,738</u>	<u>1,432,431</u>

The bank balances along with credit ratings are tabulated below:

	2010 (Rupees in '000)
Credit ratings	
A-1+	1,044,377
A-1	9,996
A2	2,825
F1	2,638
	<u>1,059,836</u>

Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company.

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Accordingly the credit risk is minimal and the company also believes that it is not exposed to major concentration of credit risk.

The breakup of amount due from customers other than related parties as stated in note 10 is presented below:

	2010 (Rupees in '000)	2009
Due from customers other than related parties		
Institutional customers	220,884	164,374
Distributors	116,747	140,863
	<u>337,631</u>	<u>305,237</u>

Out of Rs 337.631 million (2009: 305.237 million), the company has provided Rs 21.628 million (2009: 7.057 million) as the amounts being doubtful to be recovered from them.

### 38.1.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the company on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financial liabilities in accordance with their contractual maturities are presented below:

	Interest/mark-up bearing			Non- interest/mark-up bearing			Total
	Maturity within one year	Maturity after one year	Sub-total	Maturity within one year	Maturity after one year	Sub-total	
<b>June 30, 2010</b>							
(Rupees in '000)							
<b>Financial liabilities</b>							
Long term loan	625	-	625	-	-	-	625
Long term deposits	-	-	-	-	6,280	6,280	6,280
Trade and other payables	-	-	-	769,887	-	769,887	769,887
Accrued mark-up	-	-	-	58	-	58	58
	<u>625</u>	<u>-</u>	<u>625</u>	<u>769,945</u>	<u>6,280</u>	<u>776,225</u>	<u>776,850</u>
<b>June 30, 2009</b>							
(Rupees in '000)							
<b>Financial liabilities</b>							
Long term loan	3,125	625	3,750	-	-	-	3,750
Long term deposits	-	-	-	-	5,658	5,658	5,658
Trade and other payables	-	-	-	789,146	-	789,146	789,146
Accrued mark-up	-	-	-	167	-	167	167
	<u>3,125</u>	<u>625</u>	<u>3,750</u>	<u>789,313</u>	<u>5,658</u>	<u>794,971</u>	<u>798,721</u>

### 38.1.3 Market Risk

#### Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company primarily has foreign currency exposures in US Dollars (USD).

At June 30, 2010, if the currency had weakened / strengthened by 5% against the USD with all other variables held constant, pre-tax profit for the year would have been higher / lower by approximately Rs 6 million (2009: approximately Rs 7 million). This will mainly result due to foreign exchange gains / losses on translation of USD-denominated bank balances and bills payables.

#### Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. At June 30, 2010 the company's financial instruments mainly affected due to changes in the interest rates are balances placed on deposits with banks where changes in interest rates may have impact on the future profits / cash flows. The effects of changes in interest rates on the future profits arising on the balances placed on deposits with banks is not considered to be material. The company places its funds in banks having good credit ratings as also stated in note 38.1.1.

### 38.1.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2010 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

### 38.1.5 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

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 or sell assets to reduce debt. Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term loan' and 'current maturity of the long term loan' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

As at June 30, 2010 and 2009, the company had surplus cash reserves to meet its requirements and there was no net debt position.

## 39. ENTITY-WIDE INFORMATION

39.1 The company constitutes of a single reportable segment, the principal classes of products of which are Personal Care, Home Care and Others.

### 39.2 Information about products

The company's principal classes of products accounted for the following percentages of sales:

	2010	2009
Personal Care	23%	21%
Home Care	74%	75%
Others	3%	4%
	100%	100%

### 39.3 Information about geographical areas

The company does not hold non-current assets in any foreign country. Revenues from external customers attributed to foreign countries in aggregate are not material.

### 39.4 Information about major customers

The company does not have transactions with any external customer which amount to 10 percent or more of the entity's revenues.

## 40. DEFINED BENEFIT PLAN (Staff Retirement Gratuity)

40.1 The disclosures made in notes 40.2 to 40.13 are based on the information included in the actuarial valuation report as of June 30, 2010.

40.2 The actuarial valuation of gratuity plan was carried out as at June 30, 2010. The projected unit credit method using the following significant assumptions was used for this valuation:

	2010 (Percentage)	2009
- Discount rate - per annum compound	12.00	12.00
- Expected rate of increase in salaries - per annum	11.00	11.00
- Expected rate of return on plan assets - per annum	12.00	12.00

### 40.3 Mortality rate

The rates assumed were based on the EFU 61-66 mortality table.

	Note	2010	2009
		(Rupees in '000)	
40.4 The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligation	40.5	112,924	90,954
Fair value of plan assets	40.6	82,962	57,899
Deficit		29,962	33,055
Unrecognised net actuarial gains		(22,615)	(23,871)
Unrecognised past service cost		(7,347)	(9,184)
Payable to the gratuity fund		-	-
40.5 Movement in defined benefit obligation			
Present value of defined benefit obligation as at July 1, 2009 / 2008		90,954	72,505
Current service cost		9,431	6,129
Interest cost		10,914	8,700
Actuarial losses		3,186	6,382
Benefits paid		(1,561)	(2,762)
Fair value as at June 30		112,924	90,954
40.6 Movement in fair value of plan assets			
Fair value as at July 1, 2009 / 2008		57,899	49,149
Expected return on plan assets		6,948	5,898
Actuarial losses		3,305	(5,545)
Company contributions		16,371	11,159
Benefits paid		(1,561)	(2,762)
Fair value as at June 30		82,962	57,899
40.7 Movement in net liability in the balance sheet is as follows:			
Charge for the year	40.8	16,371	11,159
Contributions made during the year to the fund		(16,371)	(11,159)
Closing balance of net liability		-	-
40.8 Charge for the year has been allocated as under:			
Cost of sales	25.1	9,958	6,514
Selling and distribution costs	26	2,973	2,291
Administrative expenses	27	3,440	2,354
		16,371	11,159
40.9 The following amounts have been charged to income in respect of the gratuity plan:			
Current service cost		9,431	6,129
Interest cost		10,914	8,700
Past service cost – non vested		1,837	1,837
Actuarial loss charge		1,137	391
Expected return on plan assets		(6,948)	(5,898)
		16,371	11,159
Actual return on plan assets		10,253	353

40.10 Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of the defined benefit obligation and the deficit arising thereon are as follows:

	<b>2010</b>	2009	2008	2007	2006
	(Rupees in '000)				
As at June 30					
Present value of defined benefit obligation	112,924	90,954	72,505	62,378	50,312
Fair value of plan assets	(82,962)	(57,899)	(49,149)	(42,781)	(28,910)
Deficit	<u>29,962</u>	<u>33,055</u>	<u>23,356</u>	<u>19,597</u>	<u>21,402</u>
Experience adjustment:					
(Loss) / gain on plan assets (as percentage of plan assets)	3.98	(8.32)	(4.46)	8.28	4.51
Loss / (gain) on obligations (as a percentage of obligation)	2.82	5.83	4.75	5.94	1.04

40.11 Plan assets comprise of the following:

	<b>2010</b>		<b>2009</b>	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Shares and units of mutual funds	10,447	12.59	2,584	4.46
Debt	2,055	2.48	13,287	22.95
Cash	70,460	84.93	42,020	72.58
Others			8	0.01
	<u>82,962</u>	<u>100.00</u>	<u>57,899</u>	<u>100.00</u>

40.12 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the company, at the beginning of the period, for returns over the entire life of related obligation.

40.13 Expected contribution to post employment benefit plan for the year ending June 30, 2011 is Rs 17.362 million.

#### 41. PLANT CAPACITY AND ACTUAL PRODUCTION

	<b>2010</b>	2009
	(Quantities in tons)	
Capacity	<u>144,460</u>	<u>123,500</u>
Production	<u>117,344</u>	<u>117,005</u>

The underutilisation of capacity was due to market constraints.

## 42. CORRESPONDING FIGURES

42.1 Following reclassifications have been made for better presentation:

From	To	(Rupees in '000)	
		2009	2008
1. 'Trade creditors' appearing as a part of 'trade and other payables'	'Accrued liabilities' appearing as a part of 'trade and other payables'	157,828	74,150
2. 'Accrued liabilities' appearing as a part of 'trade and other payables'	'Royalty payable to an associated undertaking' appearing as a part of 'trade and other payables'	6,750	1,595
3. 'Finished goods in hand' appearing as a part of 'stock in trade'	'Work in process' appearing as a part of 'stock in trade'	96,738	16,070
4. 'Due from other employees' appearing as a part of 'long term loans'	'Due from executives' appearing as a part of 'long term loans'	6,967	2,602
5. 'Due from other employees' appearing as a part of 'loans and advances'	'Due from executives' appearing as a part of 'loans and advances'	2,689	867

As the aforementioned reclassifications do not have any impact on the face of the balance sheet, therefore, the company has not presented the balance sheet as at the beginning of the earliest comparative period presented (i.e. June 30, 2009). However, the company has disclosed the effects of the aforementioned reclassification in the related notes.

	(Rupees in '000)	2009
6. 'Capital work in progress' appearing as a part of 'property, plant and equipment' 'Software implementation' appearing as a part of 'intangible assets'	25,262	

As the reclassification is not considered to be material and as it does not have any impact on the June 2008 financial statements, therefore, the company has not presented the balance sheet as at the beginning of the earliest comparative period presented (i.e. June 30, 2009) and related notes have also not been presented as of the beginning of the earliest period presented (i.e. June 30, 2008).

	(Rupees in '000)	2009
7. 'Trade discounts' appearing on the face of the profit and loss account	'Advertising and sales promotion' appearing as a part of 'selling and distribution costs'	79,747
8. 'Profit on a term deposit account' appearing as a part of 'other operating income'	'Profit on savings and term deposit accounts' appearing as a part of 'other operating income'	3,488

As the aforementioned reclassifications pertain to the profit and loss account, therefore, the company has not presented the balance sheet and the related notes as at the beginning of the earliest comparative period presented (i.e. June 30, 2009). Further, the company has also made the necessary reclassification relating to sub-note 8 above in the cash flow statement.

## 43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 26, 2010 by the Board of Directors of the company.

  
Zulfiqar Ali Lakhani  
Chief Executive

  
Tasleemuddin Ahmed Batlay  
Director