

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

For the Six months period ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

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

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

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial report of the company for the six months period ended December 31, 2009 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 This condensed interim financial report comprises of the condensed interim balance sheet as at December 31, 2009 and the condensed interim profit and loss account, condensed interim statement of changes in equity and the condensed interim cash flow statement for the six months period then ended which have been subjected to a review but not audited. This condensed interim financial report also includes the condensed interim profit and loss account for the quarter ended December 31, 2009 which is not subject to a review.

2.3 The comparative condensed balance sheet, presented in this condensed interim financial report, as at June 30, 2009 has been extracted from the annual audited financial statements of the company for the year ended June 30, 2009 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the six months period ended December 31, 2008 were subjected to a review but not audited. The comparative condensed profit and loss account for the quarter ended December 31, 2008 included in this condensed interim financial report was not subject to a review.

2.4 Standards, amendments and interpretations effective from July 1, 2009:



- a) IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. Chief Executive Officer) of the Company.
- b) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, '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 performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning 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 has elected to present one statement (the income statement and statement of comprehensive income).
- c) IFRS 7 (amendment) 'Financial instruments: Disclosures'. 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. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Company's financial position or performance.

Certain interpretations to the approved accounting standards are mandatory for accounting periods beginning on or before 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 this condensed interim financial report.

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

Certain standards, amendments and interpretations to approved accounting standards are effective 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 detailed in this condensed interim financial report.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2009 (except for the change in accounting policy (note 3.1) and adoption of a new accounting policy (note 3.2)).

3.1 Changes in accounting policies

3.1.1 IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, '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.

The company has applied IAS 1 (revised) from July 1, 2009, and has elected to present one performance statement. As a result non-owner changes in equity which were previously credited directly in the statement of changes in equity are now shown as other comprehensive income in the performance statement (referred to as profit and loss account in this condensed interim financial report). The change in presentation has not affected the values of the net assets of the Company for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the management. Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. Chief Executive Officer) of the company. The management considers fabric, surface, oral care as its major segments. As these operating segments meet the aggregation criteria set forth in the IFRS 8, therefore, the company is not required to make segment wise disclosures. Accordingly, the company considers all of its segments (including the aforementioned segments) as one segment.

December 31, 2009	June 30, 2009
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(Rupees in '000)

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - notes 4.1 and 4.2	1,010,100	1,024,478
Capital work-in-progress - note 4.3	580,257	143,778
	<u>1,590,357</u>	<u>1,168,256</u>



	Six months period ended December 31, 2009 (Rupees in '000)	Six months period ended December 31, 2008
4.1 Additions - operating fixed assets (at cost)		
Leasehold land		30,618
Factory building on leasehold land	978	3,018
Plant and machinery	4,994	28,162
Electric fittings and installation	579	58
Furniture and fixtures	84	256
Tools and equipment	17,751	3,672
Vehicles	14,116	29,151
Computers and accessories	4,022	11,857
Office equipment	3,499	8,157
	<u>46,023</u>	<u>114,949</u>
4.1.1 Additions include transfers from capital work-in-progress.		
4.2 Disposals - operating fixed assets (at cost)		
Vehicles	5,392	5,122
Computers and accessories	211	911
Office equipment		36
	<u>5,603</u>	<u>6,069</u>
4.3 Additions - capital work in progress (at cost)		
Factory building on leasehold land	34,232	4,359
Plant and machinery	376,102	27
Electric fittings and installation	2,497	95
Tools and equipment	3,224	
Vehicles	1,800	
Computers and accessories	2,373	
Furniture & fixtures	12,817	
Office equipment	3,436	19
	<u>436,481</u>	<u>4,500</u>

With effect from July 1, 2009, the management of the company has reassessed its estimate in respect of residual values and depreciation method of its items of 'property, plant and equipment'. Accordingly, depreciation is now being calculated using the straight line method assuming nil residual value for all items except for vehicles. In case of vehicles purchased subsequent to June 30, 2009, 20% of their cost and in case of vehicles already in use as at July 1, 2009, 20% of their written down value as at June 30, 2009 has been assigned as their residual values. The written down

values of items already in use as at June 30, 2009 have been taken as the new 'cost' of such assets. Previously items of 'property, plant and equipment' were depreciated using the reducing balance method assuming nil residual values for all items. The effects of the aforementioned changes are not considered to be material.

- 4.4 Included in fixed assets are few items having cost of Rs 43.354 million (June 30,2009: Rs 29.432 million) held by related parties. These fixed assets are free of lien and the company has full rights of repossession of these assets.

December 31, June 30,
2009 2009
(Rupees in '000)

5. LOANS AND ADVANCES

Considered good		
Current portion of long term loans		
- due from executives	1,116	300
- due from other employees	8,806	8,346
	<u>9,922</u>	<u>8,646</u>
Advances		
- to employees - note 5.1	11,074	9,555
- to contractors and suppliers - note 5.2	63,234	46,564
- against letter of credit	4,803	93,963
	<u>89,033</u>	<u>158,728</u>

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

- 5.2 Included in advances to contractors and suppliers is an amount of Rs. Nil (June 30, 2009: Rs. 0.154 million) given to related parties.

6. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	12,434	12,758
Prepayments	33,109	12,966
	<u>45,543</u>	<u>25,724</u>

7. OTHER RECEIVABLES

Receivable from related parties - note 7.1	20,093	10,242
Claims receivable from an insurance company	961	285
Others	1,055	1,613
	<u>22,109</u>	<u>12,140</u>

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

Century Insurance Company Limited	227	1,861
Clover Pakistan Limited	7,283	1,706
Colgate-Palmolive Philippine	6	6
Tetley Clover (Private) Limited	4,374	6,669
Rollins Industries (Private) Limited	18	
Employees gratuity fund	8,185	
	<u>20,093</u>	<u>10,242</u>

**8. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

December 31, 2009	June 30, 2009		December 31, 2009	June 30, 2009
(Number of shares)			(Rupees in '000)	
5,882,353	5,882,353	Ordinary shares of Rs. 10 each fully paid in cash	58,824	58,824
21,587,964	18,004,880	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	215,880	180,049
<u>27,470,317</u>	<u>23,887,233</u>		<u>274,704</u>	<u>238,873</u>

9. TRADE AND OTHER PAYABLES

Trade creditors - note 9.1	329,920	308,605
Accrued liabilities	240,300	229,111
Bills payable	312,806	194,515
Amounts due to distributors	24,070	11,448
Special excise duty payable	1,687	5,102
Sales tax payable	50,762	85,235
Royalty payable to an associated undertaking	66,142	42,186
Workers' profit participation fund	54,847	61,528
Workers' welfare fund	20,433	22,922
Retention money payable	2,515	261
Unclaimed dividend	2,239	1,877
Others - note 9.2	8,874	12,591
	<u>1,114,595</u>	<u>975,381</u>

9.1 This includes Rs. 65.628 million (June 30, 2009: Rs. 61.888 million) payable to related parties.

9.2 This includes Rs. 1.350 million (June 30, 2009: Rs. 4.963 million) payable to related parties.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 The status of the contingencies which were reported in notes 26.1.1 and 26.1.2 to the financial statements for the year ended June 30, 2009 has remained unchanged.

10.1.2 The claim amount of the contingency reported in note 26.13 to the financial statements for the year ended June 30, 2009 has been increased to Rs 1.553 million as some cases have been added during the period.

No provision has been made in this condensed interim financial report for the same as the management is of the opinion that the matters shall be decided in favour of the company.

10.1.3 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting to Rs 80.563 million (June 30, 2009: Rs 23.014 million) payable at the time of ex-bonding of imported goods. In the event the goods are not cleared from custom warehouse within the prescribed time period, cheques issued as security shall be encashable.

10.1.4 Contingent liabilities in respect of indemnities given to the financial institutions for guarantees issued by them in the normal course of business aggregate Rs 18.300 million (June 30, 2009: Rs 18.300 million).

10.2 Commitments

10.2.1 Commitments in respect of capital expenditure amount to Rs 197.418 million (June 30, 2009: Rs 315.230 million).

10.2.2 Outstanding letters of credit and acceptances amount to Rs 337.698 million (June 30, 2009: Rs 443.054 million).

10.2.3 Outstanding duties leviable on ex-bonding of stocks amount to Rs Nil (June 30, 2009: Rs 7.981 million).

**11. EARNINGS PER SHARE**

	Quarter ended December 31, 2009	Quarter ended December 31, 2008	Six months period ended December 31, 2009	Six months period ended December 31, 2008
	(Rupees in '000)			
Profit after taxation	308,444	96,596	671,977	241,623
	(Number of shares)			
Weighted average number of ordinary shares outstanding during the period	27,470,317	27,470,317	27,470,317	27,470,317
	(Rupees)			
Earnings per share (restated)	11.23	3.52	24.46	8.80

11.1 There were no dilutive potential ordinary shares outstanding as at December 31, 2009.

	Six months period ended December 31, 2009	Six months period ended December 31, 2008
	(Rupees in '000)	

12. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

Profit before taxation	1,021,661	368,699
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	68,610	64,466
Gain on disposal of property, plant and equipment	(2,436)	(2,479)
Property, plant and equipment written off	31	140
Intangible assets written off	2,760	
Provision for doubtful debts	3,245	
Stock in trade written off	1,126	
Profit on bank deposits	(37,291)	(10,810)
Profit on disposal of short term investments		(4,965)
Transfer of surplus from revaluation reserve on disposal of short term investments		(201)
Finance costs	5,541	24,666
Working capital changes – note 12.1	(158,262)	(884,769)
	904,985	(445,253)

	Six months period ended December 31, 2009	Six months period ended December 31, 2008
	(Rupees in '000)	
12.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(5,786)	(1,229)
Stock in trade	(329,121)	(736,862)
Trade debts	(3,390)	(183,247)
Loans and advances	70,971	(108,047)
Trade deposits and short term prepayments	(19,819)	(20,023)
Other receivable	(9,969)	23,807
	<u>(297,114)</u>	<u>(1,025,601)</u>
Increase in current liabilities:		
Trade and other payables	138,852	140,832
	<u>(158,262)</u>	<u>(884,769)</u>

13. RELATED PARTIES

	Relationship with the Company	Six months period ended December 31, 2009	Six months period ended December 31, 2008
		(Rupees in '000)	
Sale of goods, services and reimbursement of expenses	Associates	229,729	280,508
Purchase of goods and services received and reimbursement of expenses	Associates	1,043,518	998,058
Rent, allied and other charges	Associates	9,227	7,397
Royalty charges	Associates	23,956	22,112
Insurance claims received	Associates	8,434	41,886
Insurance commission income	Associates	1,746	2,123
Sale of property, plant and equipment	Associates		290
Contribution to staff retirement benefits	Retirement benefit fund	14,518	10,922
Key management personnel compensation	Directors	13,178	13,629
Donation	Associates	6,450	
Dividend paid	Associates	251,483	174,936
		December 31, 2009	June 30, 2009
		(Rupees in '000)	
Receivable against sale of goods	Associates	46,256	41,310
Loans and advances	Associates		Refer note 5
Other receivables from related parties	Associates		Refer note 7
Royalty payable to associated undertaking	Associates		Refer note 9
Due from gratuity fund	Retirement benefit fund	8,185	
Payable against purchase of goods	Associates		Refer note 9



14. CORRESPONDING FIGURES

For the purposes of comparison and better presentation following reclassifications have been made:

(Rupees in '000)

From	To	
Trade creditors (note 9)	Accrued liabilities (note 9)	157,828
Accrued liabilities (note 9)	Royalty payable to associated undertaking (note 9)	6,750
Trade discounts	Selling and distribution costs	39,273
Capital work-in-progress (note 4)	Intangibles	25,262

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on January 28, 2010 by the Board of Directors of the company.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director