

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the Quarter ended September 30, 2007 (Unaudited)

### **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 and other related products.

### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

2.1 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.

The comparative balance sheet presented in these financial statements as at June 30, 2007 has been extracted from the audited financial statements of the company for the year ended June 30, 2007 whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are for the quarter ended September 30, 2006 and are unaudited.

2.2 The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the company for the year ended June 30, 2007.

	<b>September 30, 2007</b>	June 30, 2007
	(Rupees in '000)	
<b>3. PROPERTY, PLANT AND EQUIPMENTS</b>		
Operating fixed assets - notes 3.1 and 3.2	806,285	739,628
Capital work-in-progress - note 3.3	81,493	125,209
	<u>887,778</u>	<u>864,837</u>
	<b>September 30, 2007</b>	September 30, 2006
<b>3.1 Additions - at cost</b>		
<b>Operating fixed assets</b>		
Factory building on leasehold land	16,410	
Plant and machinery	51,995	39,667
Electric fittings and installation	1,435	147
Furniture and fixtures	186	123
Tools and equipment	6,089	850
Vehicles	12,259	7,972
Computer and accessories	1,567	343
Office equipment	555	127
	<u>90,496</u>	<u>49,229</u>
3.1.1 Additions include transfers from capital work-in-progress.		
<b>3.2 Disposals - at cost</b>		
<b>Operating fixed assets</b>		
Furniture and fixture		4
Vehicles	1,550	430
Computer and accessories	1,242	200
Office equipment	87	138
	<u>2,879</u>	<u>772</u>
<b>3.3. Additions - at cost</b>		
<b>Capital work-in-progress</b>		
Factory building on leasehold land	1,376	5,833
Plant and machinery	19,380	20,044
Electric fittings and installation	180	1,675
Office equipment	60	132
	<u>20,996</u>	<u>27,684</u>

**September 30, 2007**      June 30, 2007

(Rupees in '000)

#### 4. CASH AND BANK BALANCES

With banks on:		
- Current accounts	311,787	30,558
- Saving accounts	229,319	357,511
	<u>541,106</u>	<u>388,069</u>
Cheques in hand	61,710	32,059
Cash in hand	1,442	568
	<u>604,258</u>	<u>420,696</u>

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

<b>September 30, 2007</b>	June 30, 2007		<b>September 30, 2007</b>	June 30, 2007
(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
13,227,433	9,405,476	Ordinary shares of Rs. 10 each issued as fully paid bonus shares.	132,275	94,055
<u>19,109,786</u>	<u>15,287,829</u>		<u>191,099</u>	<u>152,879</u>

#### 6. TRADE AND OTHER PAYABLES

Trade creditors	272,220	297,260
Accrued liabilities	88,279	102,629
Bills payable	91,804	99,098
Amounts due to distributors	8,398	7,105
Sales tax and special excise duty payable	49,394	26,819
Royalty payable to associated undertaking	28,977	21,253
Workers' profit participation fund	13,408	47,737
Workers' welfare fund	17,700	13,300
Retention money payable	1,161	1,625
Dividend payable	221,430	1,281
Others	8,184	5,356
	<u>800,955</u>	<u>623,463</u>

**September 30,**      **June 30,**  
**2007**                      **2007**  
(Rupees in '000)

**7. SHORT TERM BORROWINGS**

Secured - from banks

- Import credit facilities

189,810

188,981

**8. CONTINGENCIES AND COMMITMENTS**

**8.1 Contingencies**

8.1.1 The status of the contingencies reported in note 25.1.1 and 25.1.2 to the financial statements for the year ended June 30, 2007 has remained unchanged.

8.1.2 The claim amount of the contingency reported in note 25.1.3 to the financial statements for the year ended June 30, 2007 has been reduced to Rs.0.918 million as some cases have been withdrawn during the period.

No provision has been made in these financial statements for the same as the management is of the opinion that matter shall be decided in favour of the company.

8.1.3 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting Rs 29.491 million (June 30, 2007: Rs 6.929 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.

8.1.4 Contingent liabilities in respect of indemnities given to the financial institutions for guarantees issued by them in the normal course of business aggregate Rs.14.600 million (June 30, 2007 - Rs. 14.600 million).

**8.2 Commitments**

8.2.1 Commitments in respect of capital expenditure amounted to Rs. 6.608 million (June 30,2007: Rs. 13.155 million).

8.2.2 Outstanding letters of credit and acceptances amount to Rs. 298.237 million (June 30,2007: Rs. 129.204 million).

8.2.3 Outstanding duties leviable on ex-bonding of stocks amount to Rs.9.697 million (June 30,2007: Rs. 1.042 million).

8.2.4 Commitments for rentals under operating lease agreements in respect of vehicles are as under :

	<b>September 30, 2007</b>	June 30, 2007
	(Rupees in '000)	
Not later than one year	<u>79</u>	<u>433</u>
<b>9. EARNINGS PER- SHARE - basic and diluted</b>		
Profit after taxation	<u>163,301</u>	<u>156,092</u>
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the period	<u>19,109,786</u>	<u>19,109,786</u>
	(Rupees)	
Earnings per share (restated) -basic and diluted	<u>8.55</u>	<u>8.17</u>
	<b>September 30, 2007</b>	September 30, 2006
	(Rupees in '000)	

**10. CASH GENERATED FROM OPERATIONS**

Profit before taxation	250,125	236,992
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	24,426	21,211
Gain on disposal of property, plant and equipment	(669)	(1,045)
Bad debts written off	(10)	
Profit on bank deposits	(6,286)	(8,245)
Profit on short term investments		(2,076)
Profit on disposal of short term investments	(1,936)	
Finance costs	4,088	2,803
Property, plant and equipment written off		55
Working capital changes – note 10.1	(126,021)	(6,435)
	<u>143,717</u>	<u>243,260</u>

**September 30, 2007**    **September 30, 2006**

(Rupees in '000)

**10.1 Working capital changes**

(Increase)/decrease in current assets:

Stores and spares	115	(1,682)
Stock in trade	43,424	29,722
Trade debts	(115,346)	(49,493)
Loans and advances	(10,307)	2,986
Trade deposits, short term prepayments and other receivables	(1,251)	(10,201)
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	(83,365)	(28,668)

Increase / (decrease) in current liabilities:

Trade and other payables	(42,656)	22,233
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	(126,021)	(6,435)

**11. TRANSACTIONS WITH RELATED PARTIES**

Sale of goods, services and reimbursement of expenses	65,726	64,181
Purchase of goods, services received and reimbursement of expenses	309,260	279,362
Rent, allied and other charges	2,475	2,353
Royalty charges	7,724	5,321
Insurance claims received		92
Sale of property, plant and equipment	83	
Purchase of property, plant and equipment		154
Contribution to staff retirement benefits	4,344	4,032
Key management personnel compensation	5,617	5,359

**12. CORRESPONDING FIGURES**

Corresponding figures have been reclassified, wherever necessary, for the purposes of comparison.

**13. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 24,2007 by the Board of Directors of the company.



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director