

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Six months period ended December 31, 2005 (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 financial statements comprise of the balance sheet as at December 31, 2005 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period ended December 31, 2005 which have been subjected to a review but not audited. The financial statements also include the profit and loss account for the quarter ended December 31, 2005.

The comparative balance sheet presented in these financial statements as at June 30, 2005 has been extracted from the audited financial statements of the company for the year ended June 30, 2005 whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are for the six months period ended December 31, 2004 and were subjected to a review but not audited. The comparative profit and loss account for the quarter ended December 31, 2004 is also included in the financial statements.

- 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, 2005.

3. TANGIBLE FIXED ASSETS

3.1 Additions - at cost

	Six months period ended December 31, 2005	Six months period ended December 31, 2004
	Rupees in '000	
Owned		
Factory building on leasehold land	704	8,637
Plant and machinery	27,568	127,004
Electric fittings and installation	1,374	9,140
Furniture and fixtures	327	121
Tools and equipment	1,723	1,645
Vehicles	28,310	4,857
Computer and accessories	1,742	3,595
Office equipment	658	592
Assets held under finance lease		
Vehicles	-	2,571
	<u>62,406</u>	<u>158,162</u>

3.1.1 Additions include transfers from capital work-in-progress

3.2 Disposals - at cost

Owned		
Leasehold land	196	-
Furniture and fixture	-	19
Vehicles	939	670
Office equipment	207	-
	<u>1,342</u>	<u>689</u>

4. CAPITAL WORK-IN-PROGRESS

Additions - at cost

Factory building on leasehold land	14,896	6,959
Plant and machinery	2,195	24,069
Electric fittings and installation	34	9,068
Furniture and fixtures	596	90
Computer and accessories	-	790
Office equipment	-	352
	<u>17,721</u>	<u>41,328</u>

5. TRADE AND OTHER PAYABLES

	Six months period ended December 31, 2005	Year ended June 30, 2005
	Rupees in '000	
Trade creditors	263,388	167,306
Accrued liabilities	55,512	30,106
Bills payable	77,726	60,108
Amounts due to distributors	9,900	5,991
Sales tax payable	17,144	18,014
Accrued mark-up on:		
- long term loans	200	25
- running finance facilities	76	112
	276	137
Royalty payable to Colgate-Palmolive Company USA	24,109	15,122
Workers' profit participation fund	18,910	24,957
Workers' welfare fund	7,000	7,600
Retention money payable	713	399
Unclaimed dividend	1,019	789
Others	1,609	932
	477,306	331,461

6. CONTINGENCIES AND COMMITMENTS
6.1 Contingencies

6.1.1 The status of the contingencies which was reported in notes 22.1.1 and 22.1.3 to the financial statements for the year ended June 30, 2005 has remained unchanged.

6.1.2 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rs Nil (June 30, 2005: Rs 0.051 million) on account of concessional rates of duties on imported raw materials availed on the basis of consumption plans. In the event the certificates of consumption are not provided on due dates, cheques issued as security shall be encashable.

6.1.3 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting to Rs 14.400 million (June 30, 2005: Rs Nil) 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.

6.2 Commitments

6.2.1 Commitments in respect of capital expenditure amounted to Rs 109.482 million (June 30, 2005: Rs. 9.202 million).

6.2.2 Outstanding letters of credit and acceptances amount to Rs 123.180 (June 30, 2005: Rs. 52.879 million).

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

	December 31, 2005	June 30, 2005
	Rupees in '000	
Not later than one year	2,996	4,025
Later than one and less than five years	1,389	2,577
Balance at the end of the year	4,385	6,602

7. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

	Six months period ended December 31, 2005	Six months period ended December 31, 2004
Profit before taxation	352,295	236,953
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	38,831	28,482
Gain on disposal of property, plant and equipment	(513)	(587)
Profit on bank deposits	(10,437)	(942)
Finance costs	7,169	6,965
Working capital changes – note 7.1	104,246	(271,712)
	491,591	(841)

7.1 Working capital changes

Decrease/(increase) in current assets:

Stores and spares	(4,525)	(141)
Stock in trade	(1,889)	(191,194)
Trade debts	(18,399)	21,817
Loans and advances	(10,288)	(9,623)
Trade deposits, short term prepayments and other receivables	(6,129)	(7,840)
	(41,230)	(186,981)

Increase/(decrease) in current liabilities:

Trade and other payables	145,476	(84,731)
	104,246	(271,712)

8. TRANSACTIONS WITH RELATED PARTIES

	Six months period ended December 31, 2005	Six months period ended December 31, 2004
	Rupees in '000	
Sale of goods, services and reimbursement of expenses	115,087	81,091
Purchase of goods, services received and reimbursement of expenses	422,430	300,005
Rent, allied and other charges	4,513	3,655
Royalty charges	8,987	7,735
Insurance claims received	3,203	1,463
Insurance commission income	1,499	1,616
Purchase of property, plant and equipment	17	1,145
Contribution to staff retirement benefits	10,396	5,888
Key management personnel compensation	11,929	10,671
Donation	75	-

9. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on January 30, 2006 by the Board of Directors of the company.

10. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, for the purposes of comparison including those required as a result of revision in the Fourth Schedule to the Companies Ordinance, 1984 which was made effective from July 5, 2004.



Zulfiqar Ali Lakhani
Chief Executive



Tasleemuddin Ahmed Batlay
Director