

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

For the Six months period ended December 31, 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. SIGNIFICANT EVENT DURING THE PERIOD**

On December 28, 2007, the stock godown at the factory of the company situated in Kotri was torched as a result of riots which led to destruction of certain raw and packing materials and finished goods. Further, the packing department of the factory situated over the stock godown was also affected by heat generated by the fire in the stock godown which damaged the electronic circuitry, central processing units and other electronic components of the machinery used in packing of detergents. The company had lodged insurance claims in respect of loss of stock-in-trade, damage to property, plant and equipment and consequential loss of profit. The claim in respect of stock-in-trade has been finalised, where as, the other claims mentioned above are under assessment and verification.

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

- 3.1** 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, 2007 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period ended December 31, 2007 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, 2007.

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 six months period ended December 31, 2006 and were subjected to a review but not audited. The comparative profit and loss account for the quarter ended December 31, 2006 is also included in the financial statements.

- 3.2** 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.



|  | December 31,<br>2007   | June 30,<br>2007                                   |
|--|--|--|
|  | (Rupees in '000)   |  |
| <b>4. PROPERTY, PLANT AND EQUIPMENT</b>                          |  |  |
| Operating fixed assets - notes 4.1 and 4.2                       | 813,969  | 739,628  |
| Capital work-in-progress - note 4.3                              | 73,872   | 125,209  |
|  | 887,841  | 864,837  |
|  | <b>Six months<br/>period ended<br/>December 31,<br/>2007</b> | Six months<br>period ended<br>December 31,<br>2006 |
| <b>4.1 Additions - at cost</b>                                   |  |  |
| <b>Operating fixed assets</b>                                    |  |  |
| Factory building on leasehold land                               | 16,950   | 7,999  |
| Plant and machinery  | 65,343   | 67,730   |
| Electric fittings and installation                               | 1,435  | 7,940  |
| Furniture and fixtures   | 401  | 320  |
| Tools and equipment  | 8,252  | 5,736  |
| Vehicles   | 29,123   | 10,990   |
| Computer and accessories   | 2,892  | 401  |
| Office equipment   | 1,215  | 578  |
|  | 125,611  | 101,694  |
| 4.1.1 Additions include transfers from capital work-in-progress. |  |  |
| <b>4.2 Disposals - at cost</b>                                   |  |  |
| <b>Operating fixed assets</b>                                    |  |  |
| Vehicles   | 4,455  | 523  |
| Computer and accessories   | 1,338  |  |
| Office equipment   | 87   |  |
|  | 5,880  | 523  |
| <b>4.3. Additions - at cost</b>                                  |  |  |
| <b>Capital work-in-progress</b>                                  |  |  |
| Factory building on leasehold land                               | 1,605  | 14,704   |
| Plant and machinery  | 11,388   | 113,479  |
| Electric fittings and installation                               | 210  | 2,829  |
| Furniture and fixtures   |  | 43   |
| Tools and equipment  | 112  |  |
| Office equipment   | 60   | 132  |
|  | 13,375   | 131,187  |

- 4.4 As more fully explained in note 2 above, certain items of property, plant and equipment were partially damaged due to riots and fire in the factory of the company situated in Kotri on December 28, 2007. The company is, at present, in the process of quantifying the financial impact of impairment in property, plant and equipment due to damage referred above which shall be finalised after conducting an assessment of cost which shall be required to be incurred for repairing / replacing the related assets. Accordingly, in the absence of an estimate of the financial impact of the loss incurred, the impairment in property, plant and equipment cannot be recognised in these interim condensed financial statements.

**December 31,**      June 30,  
**2007**                      2007  
(Rupees in '000)

**5. TRADE DEPOSITS, SHORT TERM PREPAYMENTS  
AND OTHER RECEIVABLES**

Trade deposits and short term prepayments

|   |               |               |
|---|---------------|---------------|
| Security deposits                           | 2,852         | 2,384         |
| Prepayments                                 | 21,832        | 6,474         |
|   | <u>24,684</u> | <u>8,858</u>  |
| Other receivables                           |               |               |
| Receivable from related parties             | 58,266        | 8,302         |
| Claims receivable from an insurance company | 435           | 290           |
| Others                                      | 1,867         | 13,220        |
|   | <u>60,568</u> | <u>21,812</u> |
|   | <u>85,252</u> | <u>30,670</u> |

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

|                                   |               |              |
|-----------------------------------|---------------|--------------|
| Century Insurance Company Limited | 56,087        | 6,600        |
| Clover Pakistan Limited           | 699           | 761          |
| Colgate-Palmolive Philippine      | 6             | 6            |
| Tetley Clover (Private) Limited   | 1,474         | 935          |
|                                   | <u>58,266</u> | <u>8,302</u> |

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

| <b>December 31,<br/>2007</b> | <b>June 30,<br/>2007</b> |   | <b>December 31,<br/>2007</b> | <b>June 30,<br/>2007</b> |
|------------------------------|--------------------------|---|------------------------------|--------------------------|
| (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>           |

**7. TRADE AND OTHER PAYABLES**

|  |                |                |
|--|----------------|----------------|
| Trade creditors                              | 325,843        | 297,260        |
| Accrued liabilities                          | 81,635         | 102,629        |
| Bills payable                                | 96,401         | 99,098         |
| Amounts due to distributors                  | 11,728         | 7,105          |
| Sales tax and special excise duty payable    | 41,334         | 26,819         |
| Royalty payable to an associated undertaking | 35,891         | 21,253         |
| Workers' profit participation fund           | 26,919         | 47,737         |
| Workers' welfare fund                        | 22,574         | 13,300         |
| Retention money payable                      | 42             | 1,625          |
| Unclaimed dividend                           | 1,646          | 1,281          |
| Others                                       | 6,083          | 5,356          |
|  | <u>650,096</u> | <u>623,463</u> |

**8. SHORT TERM BORROWINGS**

|                            |                |                |
|----------------------------|----------------|----------------|
| Secured - from banks       |                |                |
| - Import credit facilities | <u>295,874</u> | <u>188,981</u> |

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

9.1.1 The status of the contingencies which was reported in note 25.1.1 to the financial statements for the year ended June 30, 2007 has remained unchanged.

9.1.2 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 increased to Rs.1.308 million as some cases have been added 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.

9.1.3 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting to Rs 39.338 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.

9.1.4 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).

### 9.2 Commitments

9.2.1 Commitments in respect of capital expenditure amount to Rs. 28.060 million (June 30,2007: Rs. 13.155 million).

9.2.2 Outstanding letters of credit and acceptances amount to Rs. 432.558 million (June 30,2007: Rs. 129.204 million).

9.2.3 Outstanding duties leviable on ex-bonding of stocks amount to Rs.8.651 million (June 30,2007: Rs. 1.042 million).

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

|   | <b>December 31,<br/>2007</b> | June 30,<br>2007 |
|---|------------------------------|------------------|
|   | (Rupees in '000)             |                  |
| Not later than one year                 |                              | 433              |
| Later than one and less than five years |                              |                  |
| Balance at the end of the period        |                              | 433              |



|   | <b>Quarter ended<br/>December 31,<br/>2007</b><br>(Rupees in '000)               | Quarter ended<br>December 31,<br>2006              |
|---|--|--|
| <b>10. EARNINGS PER SHARE</b>   |  |  |
| Profit after taxation   | <u>166,016</u>   | <u>152,988</u>                                     |
|   | <b>Six months<br/>period ended<br/>December 31,<br/>2007</b><br>(Rupees in '000) | Six months<br>period ended<br>December 31,<br>2006 |
| Profit after taxation   | <u>329,317</u>   | <u>309,080</u>                                     |
|   | (Number of shares)   |  |
| Weighted average number of ordinary shares<br>outstanding during the period                         | <u>19,109,786</u>  | <u>19,109,786</u>                                  |
|   | (Rupees)   |  |
| Earnings per share (restated) for the quarter<br>ended December 31, 2007/2006                       | <u>8.69</u>  | <u>8.01</u>  |
| Earnings per share (restated) for the six months<br>period ended December 31, 2007/2006             | <u>17.23</u>   | <u>16.17</u>                                       |
| <b>10.1</b> There are no dilutive potential ordinary shares outstanding as at December 31,<br>2007. | <b>Six months<br/>period ended<br/>December 31,<br/>2007</b><br>(Rupees in '000) | Six months<br>period ended<br>December 31,<br>2006 |
| <b>11. CASH GENERATED FROM OPERATIONS</b>   |  |  |
| Profit before taxation  | 502,189  | 461,948  |
| Adjustment for non-cash charges and other items:  |  |  |
| Depreciation and amortisation expense   | 51,200   | 43,021   |
| Gain on disposal of property, plant and equipment   | (1,235)  | (1,062)  |
| Profit on bank deposits   | (13,508)   | (14,719)   |
| Profit on short term investments  |  | (2,158)  |
| Profit on disposal of short term investments  | (4,083)  | (1,834)  |
| Finance costs   | 12,711   | 5,596  |
| Property, plant and equipment written off   | 352  | 383  |
| Working capital changes – note 11.1   | <u>(35,044)</u>  | <u>(179,658)</u>                                   |
|   | <u>512,582</u>   | <u>311,517</u>                                     |

|   | <b>Six months<br/>period ended<br/>December 31,<br/>2007</b> | Six months<br>period ended<br>December 31,<br>2006 |
|---|--|--|
| (Rupees in '000)  |  |  |
| <b>11.1 Working capital changes</b>                             |  |  |
| (Increase)/decrease in current assets:                          |  |  |
| Stores and spares   | 23   | (2,278)  |
| Stock in trade  | 93,059   | (195,218)  |
| Trade debts   | (83,708)   | (9,871)  |
| Loans and advances  | (16,104)   | 9,734  |
| Trade deposits, short term prepayments and<br>other receivables | <u>(54,582)</u>  | <u>(13,477)</u>                                    |
|   | (61,312)   | (211,110)  |
| Increase in current liabilities:                                |  |  |
| Trade and other payables  | <u>26,268</u>  | <u>31,452</u>                                      |
|   | <u>(35,044)</u>  | <u>(179,658)</u>                                   |

**12. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following items :

|                                     | <b>December 31,<br/>2007</b> | December 31,<br>2006 |
|-------------------------------------|------------------------------|----------------------|
| Cash and bank balances              | <u>761,642</u>               | 249,260              |
| Running finance facilities - note 8 | <u>761,642</u>               | <u>(25,592)</u>      |
|                                     | <u>761,642</u>               | <u>223,668</u>       |

|   | <b>Six months<br/>period ended<br/>December 31,<br/>2007</b> | Six months<br>period ended<br>December 31,<br>2006 |
|---|--|--|
| <b>13. TRANSACTIONS WITH RELATED PARTIES</b>                          |  |  |
| Sale of goods, services and reimbursement<br>of expenses              | 136,927  | 132,991  |
| Purchase of goods, services received<br>and reimbursement of expenses | 637,130  | 566,823  |
| Rent, allied and other charges  | 5,236  | 4,608  |
| Royalty charges   | 14,638   | 10,253   |
| Insurance claims received   | 3,229  | 7,421  |
| Insurance commission income   | 1,519  | 1,296  |
| Sale of property, plant and equipment                                 | 83   |  |
| Purchase of property, plant and equipment                             | 720  | 154  |
| Contribution to staff retirement benefits                             | 8,675  | 8,099  |
| Key management personnel compensation                                 | 14,674   | 14,044   |
| Donation  | 240  | 300  |
| Dividend paid   | 174,190  | 99,777   |

**14. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on February 20, 2008 by the Board of Directors of the company.

  
**Zulfiqar Ali Lakhani**  
Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
Director