



DIRECTORS' REPORT

The Directors are pleased to present the Annual Report with the audited financial statements of the Company for the year ended June 30, 2005.

Pakistan Economy

The economic environment improved significantly during fiscal year 2005. Real GDP grew by 8.4 %, the fastest in 20 years. Government policies were business friendly, the country's public and external debt declined and private sector credit experienced a large expansion. Pak rupee remained stable against the dollar and the country saw an overall surge in business activity. However, inflation was the highest in 8 years at 9.3%. Interest rates rose during the year to approximately 9.5%, part of which was the Government's effort to curb inflation.

Company Performance

Colgate-Palmolive (Pakistan) Limited has completed another successful year. Overall company volume increased by 16.5%, gross sales increased by 16.4% to Rs.4.88 bn, gross profit increased by 10.0% to Rs. 1.05 bn, operating profit by 6.9% to Rs. 482 mn and net profit after tax by 5.6% to Rs. 303 mn. Net earnings per share increased by 5.6% to reach Rs.24.77, reflecting the consistent underlying strength of the business.

The cost of sales as a percentage of gross sales increased during the year. This was primarily due to increase in raw material prices as a result of rising prices of petroleum based products. However, this increase was mitigated by managing tighter controls on other variable costs as well as fixed costs including selling and administration expenses.

These results reflect the continued transformation of Colgate Palmolive, Pakistan, into a business that can drive sustained brand growth and improved earnings. The strength of our core brands' performance is a reflection of the continued investment in brand building over the past few years.

Consolidated Results

	2004-05 Rs. in million	2003-04 Rs. in million	Increase By
Gross Revenues	4,883	4,195	16.4%
Operating Profit	482	451	6.9%
Profit After Tax	303	287	5.6%
Earnings per Share-Rupees	24.77	23.46	5.6%

Profit and Appropriations

	Rupees in Thousand
Profit After Tax	302,974
Un-appropriated profit brought forward	2,880
Profit available for appropriation	305,854
Appropriations:	
Proposed Cash Dividend @ 125 % i.e. Rs. 12.50 per share (2004; @100% i.e. Rs. 10 per share)	152,879
Transfer to General Reserve	150,000
Un-appropriated profit carried forward	2,975

Cash Flows

Your company had a strong liquidity position at the end of fiscal year 2004-05. Net cash at year-end was Rs. 211 mn. During the year, cash generated from operations was Rs. 413 mn. Capital expenditure for the year was Rs. 129 mn, mainly spent on plant replacement, increasing capacities, and technology improvements for gaining efficiencies and cost savings in production.

Contribution to Economy and Society

Caring is one of the core values of Colgate. Your company continued to provide quality goods to its customers, adapting to changing needs and dynamic market conditions. The company made its contribution in job creation in the local community, and remained a source of revenue generation for the treasury in the form of taxes. During 2004-05, Colgate contributed Rs 1.11 bn to the national exchequer in

the form of different taxes and duties. We have continued our efforts for community development by sponsoring community enhancing events like the 'Palmolive Sindh Womens' Swimming Championship', which aims to provide a platform for young women athletes. Oral health programs including 'Bright Smiles, Bright Futures program', 'Dental Week' and 'Annual Dental Conference', all form important parts of a crucial long term oral hygiene map, which raises awareness about the importance of dental care.

Focus on Human Assets

The directors fully appreciate the dedication and hard work of our employees which has enabled the Company to achieve its goals and objectives over the years. The changing market environment and needs of the customers requires updating and filling any skill gaps by continuous training and development of the Company's human assets. The steady progress of the company in multiple areas directly reflects the valuable contribution made by all the employees at Colgate Palmolive.

Information Technology

In the highly competitive and rapidly changing business world today, timely and accurate transfer of information is of utmost importance. Your company is determined to stay current with the latest information solutions available. We have integrated our systems at head office, factory at Kotri and seven zonal sales offices throughout Pakistan so that real-time information is available at all locations.

Management Award

At Colgate, our commitment to excellence plays a significant role in our culture of caring. This enables us to create and sustain the kind of workplace that helps Colgate become the Best Place to Work. Our efforts are recognized and we have been awarded "Corporate Excellence Certificates" by "Management Association of Pakistan" for the third year in a row.

Future Outlook

Increasing competition, upward trend in raw material prices due to increasing crude oil prices, and high inflation rate in the economy, shall put pressure on margins in the next year. However, company's efforts would be directed towards not only consolidating the current business but also exploring cost reducing alternatives and strategies. We intend to continue benefiting from the diversity that our broad geographic distribution brings and from the strength of our brands and our sales and marketing capabilities. The portfolio will also benefit from innovation with the introduction of new brands and brand extensions. In this regard, expansion plans are in progress for our high growth detergents and soaps.

Corporate and Financial Reporting Framework

The directors are pleased to state that your Company is compliant with the provisions of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the statements on Corporate and Financial Reporting Framework:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- In preparation of these financial statements International Accounting Standards, as applicable in Pakistan, have been followed.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring Internal Controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.



- The summary of key operating and financial data of the Company of last six years is annexed in this report.
- Information about taxes and levies is given in the notes to the accounts.
- The valuation of investment made by the staff retirement benefit funds based on their respective audited accounts is as follows:

	(Rs. in million)
Provident Fund	59.36
Gratuity Fund	18.38

The election for the seven Directors for the three year term commencing from March 10, 2005 was held on 09 March, 2005 and the following persons were elected unopposed:

Mr. Iqbal Ali Lakhani	
Mr. Zulfiqar Ali Lakhani	
Mr. Amin Mohammed Lakhani	
Mr. Tasleemuddin Ahmed Batlay	
Mr. A. Aziz Ebrahim	
Mr. Fabian T. Garcia	Nominee of Colgate-Palmolive Comapny-USA
Mr. Peter John Graylin	Nominee of Colgate-Palmolive Comapny-USA

The Chairman welcomed the elected directors on the Board. Mr. Ramzan Ali Halani who served on the Board since February 2001 did not offer himself for re-election. The Board highly appreciates the services rendered by him during his tenure on the Board.

The board had four (4) regular meetings and one (1) to appoint the Chief Executive during the year. Attendance by each Director was as follows:

	Attended	
Mr. Iqbal Ali Lakhani	03	
Mr. Zulfiqar Ali Lakhani	03	
Mr. Amin Mohammed Lakhani	03	
Mr. Tasleemuddin Ahmed Batlay	03	
Mr. Ramzan Ali Halani	03	
Mr. A. Aziz Ebrahim	02	
Mr. Fabian T. Garcia	02	By Proxy
Mr. Peter John Graylin	03	By Proxy

Leave of absence was granted to directors who could not attend some of the Board meetings.

PATTERN OF SHAREHOLDINGS

A statement showing pattern of shareholding of the Company and additional information as at June 30, 2005 is included in the report. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

ACKNOWLEDGMENTS

Finally, we would like to thank members of the management team and staff for their undiminished commitment to the success of the Company. We are very proud of the team and feel highly privileged to be asked to lead this group of very talented professionals. We value the support and cooperation of our customers, suppliers, bankers and all stakeholders and wish to record our thanks and gratitude.

On behalf of Board of Director

IQBAL ALI LAKHANI
Chairman

Karachi: August 24, 2005