



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the nine months period ended March 31, 2006 (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 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, 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 nine months period ended March 31, 2005 are unaudited. The comparative profit and loss account for the quarter ended March 31, 2005 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**

	Nine months period ended March 31, 2006	Nine months period ended March 31, 2005
	Rupees in '000	
Owned		
Factory building on leasehold land	1,200	12,672
Plant and machinery	41,099	134,532
Electric fittings and installation	2,316	9,892
Furniture and fixtures	493	348
Tools and equipment	2,941	1,915
Vehicles	35,562	7,070
Computer and accessories	2,025	6,075
Office equipment	798	708
Assets held under finance lease		
Vehicles	-	2,571
	86,434	175,783

3.1.1 Additions include transfers from capital work-in-progress

3.2 Disposals - at cost

Owned		
Leasehold land	196	-
Furniture and fixture	-	23
Vehicles	1,195	1,166
Office equipment	207	17
	1,598	1,206

4. CAPITAL WORK-IN-PROGRESS**Additions - at cost**

Factory building on leasehold land	27,374	9,738
Plant and machinery	2,195	28,870
Electric fittings and installation	291	9,205
Furniture and fixtures	659	307
Office equipment	-	352
	30,519	48,472



	Nine months period ended March 31, 2006	Year ended June 30, 2005
5. CASH AND BANK BALANCES		
With banks on:		
- Current accounts	6,857	6,365
- Saving accounts	182,317	127,776
- Term deposit accounts	215,000	55,000
	<u>404,174</u>	<u>189,141</u>
Cheques in hand	52,525	27,049
Cash in hand	494	347
	<u>457,193</u>	<u>216,537</u>
6. TRADE AND OTHER PAYABLES		
Trade creditors	254,597	167,306
Accrued liabilities	49,615	30,106
Bills payable	60,947	60,108
Amounts due to distributors	7,249	5,991
Sales tax payable	22,101	18,014
Accrued mark-up on:		
- long term loans	2,371	25
- running finance facilities	71	112
	<u>2,442</u>	<u>137</u>
Royalty payable to Colgate-Palmolive Company USA	12,958	15,122
Workers' profit participation fund	30,004	24,957
Workers' welfare fund	11,000	7,600
Retention money payable	684	399
Unclaimed dividend	989	789
Others	6,541	932
	<u>459,127</u>	<u>331,461</u>

7. CONTINGENCIES AND COMMITMENTS**7.1 Contingencies**

7.1.1 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.

7.1.2 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.

- 7.1.3 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting to Rs 7.860 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.

7.2 Commitments

- 7.2.1 Commitments in respect of capital expenditure amounted to Rs 96.241 million (June 30, 2005: Rs. 9.202 million).
- 7.2.2 Outstanding letters of credit and acceptances amount to Rs 192.838 million (June 30, 2005: Rs. 52.879 million).
- 7.2.3 Outstanding duties leviable on ex-bonding of stocks amount to Rs. 7.521 million (June 30, 2005: 2.849 million).
- 7.2.4 Commitments for rentals under operating lease agreements in respect of vehicles are as under:

	Nine months period ended March 31, 2006	Year ended June 30, 2005
	Rupees in '000	
Not later than one year	2,477	4,025
Later than one and less than five years	865	2,577
Balance at the end of the year	<u>3,342</u>	<u>6,602</u>

8. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

	Nine months period ended March 31, 2006	Nine months period ended March 31, 2005
	Rupees in '000	
Profit before taxation	559,082	373,022
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	60,488	47,990
Gain on disposal of property, plant and equipment	(1,418)	(705)
Profit on bank deposits	(17,101)	(1,117)
Finance costs	10,479	11,035
Property, plant and equipment written off	183	
Working capital changes – note 8.1	54,983	(279,177)
	<u>666,696</u>	<u>151,048</u>



	Nine months period ended March 31, 2006	Nine months period ended March 31, 2005
	Rupees in '000	
8.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores and spares	(4,858)	(919)
Stock in trade	26,812	(214,601)
Trade debts	(51,392)	6,340
Loans and advances	(36,952)	(31,407)
Trade deposits, short term prepayments and other receivables	(3,788)	(7,794)
	(70,178)	(248,381)
Increase/(decrease) in current liabilities:		
Trade and other payables	125,161	(30,796)
	54,983	(279,177)

9. TRANSACTIONS WITH RELATED PARTIES

Sale of goods, services and reimbursement of expenses	151,949	101,570
Purchase of goods, services received and reimbursement of expenses	655,531	459,779
Rent, allied and other charges	6,392	5,143
Royalty charges	12,958	10,927
Insurance claims received	3,261	3,783
Insurance commission income	2,210	2,349
Purchase of property, plant and equipment	17	1,363
Contribution to staff retirement benefits	15,842	8,960
Key management personnel compensation	19,090	13,266
Donation	75	-

10. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 24, 2006 by the Board of Directors of the Company.

11. 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