

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Quarter ended September 30, 2005 (Unaudited)

### 1. INTRODUCTION

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 PRESENTATION AND 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.

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.

<b>Quarter ended September 30, 2005</b>	Quarter ended September 30, 2004
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**Rupees in '000**

### 3. OPERATING FIXED ASSETS

Additions – at cost (include transfers from CWIP)	<b>19,032</b>	29,299
Disposals (cost)	<b>(67)</b>	

### 4. CONTINGENCIES AND COMMITMENTS

#### 4.1 Contingencies

4.1.1 The status of the contingency which was reported in note 22.1.1 to the financial statements for the year ended June 30, 2005 has remained unchanged.

4.1.2 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rs 5.465 million (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.

4.1.3 Contingent liability in respect of indemnities given to the financial institutions for guarantees issued by them in the normal course of business aggregate Rs 7.700 million (June 30, 2005: Rs 7.700 million).

#### 4.2 Commitments

4.2.1 Commitments in respect of capital expenditure amounted to Rs. 35.948 million (June 30, 2005: 9.202 million).

4.2.2 Outstanding letters of credit and acceptances amount to Rs. 98.251 million (June 30, 2005: 52.879 million).

4.2.3 Outstanding duties leviable on ex-bonding of stocks amount to Rs. 9.465 million (June 30, 2005: 2.849 million).

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

	<b>September 30, 2005</b>	June 30, 2005
	<b>Rupees in '000</b>	
Not later than one year	<b>3,507</b>	4,025
Later than one and less than five years	<b>1,962</b>	2,577
Balance at the end of the year	<b>5,469</b>	6,602
	<b>Quarter ended September 30, 2005</b>	Quarter ended September 30, 2004
	<b>Rupees in '000</b>	

#### 5. CASH GENERATED FROM OPERATIONS

Profit before taxation	<b>175,611</b>	108,757
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expenses	<b>18,827</b>	13,375
Gain on disposal of property, plant and equipment	<b>(10)</b>	
Profit on bank deposits	<b>(4,765)</b>	(629)
Financial costs	<b>3,550</b>	3,058
Working capital changes – note 5.1	<b>83,890</b>	(215,015)
	<b>277,103</b>	(90,454)

	<b>Quarter ended September 30, 2005</b>	<b>Quarter ended September 30, 2004</b>
	<b>Rupees in '000</b>	
<b>5.1 Working capital changes</b>		
(Increase)/decrease in current assets:		
Stores and spares	<b>(273)</b>	41
Stock in trade	<b>69,232</b>	(167,433)
Trade debts	<b>(26,113)</b>	2,997
Loans and advances	<b>(10,328)</b>	(3,307)
Trade deposits, short term prepayments and other receivables	<b>648</b>	(3,762)
	<b>33,166</b>	(171,464)
Increase / (decrease) in current liabilities:		
Trade and other payables	<b>50,724</b>	(43,551)
	<b>83,890</b>	(215,015)

## **6. TRANSACTIONS WITH RELATED PARTIES**

Sale of goods, services and reimbursement of expenses	<b>57,688</b>	49,758
Purchase of goods and services	<b>213,247</b>	164,402
Rent, allied and other charges	<b>2,073</b>	1,794
Royalty charges	<b>4,849</b>	4,271
Insurance claims received	<b>712</b>	188
Insurance commission income	<b>704</b>	282
Donation	<b>75</b>	
Contribution to staff retirement benefits	<b>5,176</b>	2,965

## **7. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 22, 2005 by the board of directors of the company.

## 8. CORRESPONDING FIGURES

Previous period / year's figures have been reclassified, wherever necessary, for the purposes of comparison which include reclassification of short term running finances which have been now shown as part of cash and cash equivalents for cash flow statement purposes.

## 9. GENERAL

Amounts have been rounded off to the nearest thousand rupees unless otherwise stated.



**Zulfiqar Ali Lakhani**  
Chief Executive



**Tasleemuddin Ahmed Batlay**  
Director