

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

For the Quarter ended September 30, 2008 (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 comparative balance sheet presented in these financial statements as at June 30, 2008 has been extracted from the audited financial statements of the company for the year ended June 30, 2008 whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are for the quarter ended September 30, 2007 and are unaudited.

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, 2008.

<b>September 30, 2008</b>	June 30, 2008
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(Rupees in '000)

### 3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - notes 3.1 and 3.2	967,082	961,098
Capital work-in-progress - note 3.3	7,144	5,257
	<u>974,226</u>	<u>966,355</u>



	<b>September 30, 2008</b>	September 30, 2007
	(Rupees in '000)	
<b>3.1 Additions - at cost</b>		
<b>Operating fixed assets</b>		
Factory building on leasehold land	1,033	16,410
Plant and machinery	5,095	51,995
Electric fittings and installation		1,435
Furniture and fixtures	1,274	186
Tools and equipment	2,273	6,089
Vehicles	15,495	12,259
Computers and accessories	8,394	1,567
Office equipment	3,245	555
	<u>36,809</u>	<u>90,496</u>
3.1.1 Additions include transfers from capital work-in-progress.		
<b>3.2 Disposals at cost</b>		
<b>Operating fixed assets</b>		
Vehicles	2,740	1,550
Computers and accessories	608	1,242
Office equipment	36	87
	<u>3,384</u>	<u>2,879</u>
<b>3.3 Additions - at cost</b>		
<b>Capital work-in-progress</b>		
Factory building on leasehold land	1,241	1,376
Plant and machinery		19,380
Electric fittings and installation		180
Vehicles	4,818	
Computers and accessories	3,266	
Office equipment		60
	<u>9,325</u>	<u>20,996</u>
	<b>September 30, 2008</b>	June 30, 2008
<b>4. LOANS AND ADVANCES</b>		
Considered good		
Current portion of long term loans to employees	8,404	8,208
Advances		
- to employees (4.1)	10,855	7,682
- to contractors and suppliers	53,549	40,909
- advance payment against letter of credit	51,469	1,419
- cash margin against letter of credit (4.2)	498,834	37,194
	<u>623,111</u>	<u>95,412</u>

4.1 Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.

4.2 This includes 35% cash margin requirement on opening of letter of credit levied by State Bank of Pakistan.

**September 30,**      **June 30,**  
**2008**                      **2008**  
(Rupees in '000)

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

Trade deposits and short term prepayments		
Security deposits	7,043	4,976
Prepayments	20,481	14,012
	<u>27,524</u>	<u>18,988</u>
Other receivables		
Receivable from related parties	5,034	38,224
Custom duty refundable		245
Claims receivable from an insurance company	395	284
Others	3,285	
	<u>8,714</u>	<u>38,753</u>
	<u>36,238</u>	<u>57,741</u>

Other receivables include the following amounts due from related parties:

Century Insurance Company Limited	1,847	34,683
Clover Pakistan Limited	234	1,090
Colgate-Palmolive Philippine	6	6
Tetley Clover (Private) Limited	2,947	2,445
	<u>5,034</u>	<u>38,224</u>

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

<b>September 30,</b> <b>2008</b> (Number of shares)	<b>June 30,</b> <b>2008</b>		<b>September 30,</b> <b>2008</b> (Rupees in '000)	<b>June 30,</b> <b>2008</b>
5,882,353	5,882,353	Ordinary shares of Rs. 10 each fully paid in cash	58,824	58,824
18,004,880	13,227,433	Ordinary shares of Rs. 10 each issued as fully paid bonus shares.	180,049	132,274
<u>23,887,233</u>	<u>19,109,786</u>		<u>238,873</u>	<u>191,098</u>



**September 30,**      **June 30,**  
**2008**                      **2008**  
(Rupees in '000)

## 7. TRADE AND OTHER PAYABLES

Trade creditors	562,485	404,324
Accrued liabilities	54,007	77,973
Bills payable	336,080	117,779
Amounts due to distributors	8,968	19,174
Special excise duty payable	4,062	4,574
Sales tax payable	51,181	51,250
Royalty payable to an associated undertaking	40,134	30,316
Workers' profit participation fund	11,733	54,648
Workers' welfare fund	21,565	17,265
Retention money payable	171	42
Unclaimed dividend	173,653	1,647
Others	14,211	7,153
	<u>1,278,250</u>	<u>786,145</u>

## 8. SHORT TERM BORROWINGS

Secured - From banks		
- Running finance facilities	146,266	
- Import credit facilities		44,945
	<u>146,266</u>	<u>44,945</u>

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

9.1.1 The status of the contingencies reported in note 25.1.1 and 25.1.2 to the financial statements for the year ended June 30, 2008 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, 2008 has been increased to Rs.1.258 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 141.035 million (June 30, 2008: Rs 59.595 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 30,2008 - Rs. 14.600 million).

## 9.2 Commitments

9.2.1 Commitments in respect of capital expenditure amounted to Rs. 147.028 million (June 30,2008:Rs. 12.175 million).

9.2.2 Outstanding letters of credit and acceptances amount to Rs. 467.128 million (June 30,2008: Rs. 276.878 million).

9.2.3 Outstanding duties leviable on clearing of stocks amount to Rs. 39.600 million (June 30,2008: Rs. 18.864 million).

	<b>September 30, 2008</b>	September 30, 2007
	(Rupees in '000)	
<b>10. EARNINGS PER SHARE - basic and diluted</b>		
Profit after taxation	<u>145,027</u>	<u>163,301</u>
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the period	<u>23,887,233</u>	<u>23,887,233</u>
	(Rupees)	
Earnings per share (restated) - basic and diluted	<u>6.07</u>	<u>6.84</u>
<b>11. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	218,627	250,125
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	31,332	24,426
Gain on disposal of property, plant and equipment	(2,001)	(669)
Bad debts written off		(10)
Profit on savings accounts	(7,305)	(6,265)
Profit on term deposit accounts	(737)	(21)
Profit on disposal of short term investments	(5,080)	(1,936)
Finance costs	2,813	4,088
Exchange loss / (gain)	9,458	(801)
Working capital changes – note 11.1	(768,437)	(125,220)
	<u>(521,330)</u>	<u>143,717</u>



September 30, September 30,  
2008 2007  
(Rupees in '000)

**11.1 Working capital changes**

(Increase)/decrease in current assets:

Stores and spares	(142)	115
Stock in trade	(466,186)	43,424
Trade debts	(67,752)	(115,346)
Loans and advances	(527,502)	(10,307)
Trade deposits, short term prepayments and other receivables	(17,499)	(1,251)
	<u>(1,079,081)</u>	<u>(83,365)</u>
Decrease / (increase) in current liabilities:		
Trade and other payables	310,644	(41,855)
	<u>(768,437)</u>	<u>(125,220)</u>

**12. TRANSACTIONS WITH RELATED PARTIES**

Sale of goods, services and reimbursement of expenses	95,598	65,726
Purchase of goods, services received and reimbursement of expenses	459,345	309,260
Rent, allied and other charges	3,285	2,475
Royalty charges	11,413	7,724
Insurance claims received	39,218	
Insurance commission income	545	
Sale of property, plant and equipment	290	83
Contribution to staff retirement benefits	5,418	4,344
Key management personnel compensation	6,322	5,617

**13. CORRESPONDING FIGURES**

Corresponding figures have been reclassified, wherever necessary, for the purposes of comparison.

**14. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 27,2008 by the Board of Directors of the company.

Zulfiqar Ali Lakhani  
Chief Executive

A. Aziz Ebrahim  
Director