

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL REPORT (Unaudited)

For the Quarter ended September 30, 2010

1. THE COMPANY AND ITS OPERATIONS

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 care and other related products.

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial report of the company for the period ended September 30, 2010 has been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 The comparative condensed balance sheet, presented in this condensed interim financial report, as at June 30, 2010 has been extracted from the annual audited financial statements of the company for the year ended June 30, 2010 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the period ended September 30, 2009 and are unaudited.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same those applied in the preparation of the financial statements for the year ended June 30, 2010.

September 30, 2010	June 30, 2010
(Rupees in '000)	

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - notes 4.1 and 4.2	1,283,754	1,318,071
Capital work-in-progress - note 4.3	684,508	555,047
	<u>1,968,262</u>	<u>1,873,118</u>

	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	(Rupees in '000)	
4.1 Additions - operating fixed assets (at cost)		
Factory building on leasehold land	44	978
Plant and machinery	3,551	2,190
Electric fittings and installation	46	578
Furniture and fixtures	54	84
Tools and equipment	120	17,094
Vehicles	2,091	9,371
Computer and accessories	961	1,403
Office equipment	357	2,293
	<u>7,224</u>	<u>33,991</u>

4.1.1 Additions include transfers from capital work-in-progress

4.2 Disposals/Write offs - operating fixed assets (at cost)

Vehicles	2,520	3,941
Computer and accessories	93	211
Office equipment	431	
	<u>3,044</u>	<u>4,152</u>

4.3 Additions - Capital Work-in-Progress (at cost)

Factory building on leasehold land	46,827	11,553
Plant and machinery	61,088	45,999
Electric fittings and installation	15,256	1,633
Tools and equipment	1,993	
Furniture & fixtures	4,239	16,152
Office equipment	59	748
Computer software		12,225
	<u>129,462</u>	<u>88,310</u>

4.4 Included in fixed assets are few items having cost of Rs. 29.431 million (June 30,2010: Rs. 29.431 million) held by related parties and Rs. 40.066 million (June 2010: Rs. 40.066 million) held by third parties for manufacturing certain products of the company. These fixed assets are free of lien and the company has full rights of repossession of these assets.



September 30, 2010 June 30, 2010
(Rupees in '000)

5. LOANS AND ADVANCES

Considered good		
Current portion of long term loans to employees		
- due from executives	3,877	3,337
- due from other employees	7,252	6,569
	<u>11,129</u>	<u>9,906</u>
Advances		
- to employees - note 5.1	12,629	9,836
- to contractors and suppliers - note 5.2	57,550	85,621
- against letters of credit	33,072	
	<u>114,380</u>	<u>105,363</u>

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

5.2 Included in advances to contractors and suppliers is an amount of Rs. 0.986 million (June 30, 2010: Rs.0.352 million) given to related parties.

6. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	8,295	3,800
Prepayments	40,676	12,172
	<u>48,971</u>	<u>15,972</u>

7. OTHER RECEIVABLES

Receivable from related parties - note 7.1	18,900	3,490
Federal Excise duty claimable		379
Claims receivable from an insurance company	413	322
Others	205	
	<u>19,518</u>	<u>4,191</u>

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

Century Insurance Company Limited	106	106
Clover Pakistan Limited	915	362
Colgate-Palmolive Philipine	6	6
Tetley Clover (Private) Limited	4,531	3,007
Rollins Industries (Pvt) Limited	32	9
Workers' profit participation fund trust	289	
Employees gratuity fund	13,021	
	<u>18,900</u>	<u>3,490</u>

8. SHORT TERM INVESTMENTS - available for sale

The company acquired 1,976,497 units of Lakson Money Market Fund (LMMF) at the rate of Rs.101.189 each. Out of which 988,249 units have been redeemed @ Rs.101.20 during the period.

9. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

September 30, 2010 (Number of shares)	June 30, 2010		September 30, 2010 (Rupees in '000)	June 30, 2010
5,882,353	5,882,353	Ordinary shares of Rs. 10 each fully paid in cash	58,824	58,824
25,708,512	21,587,965	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	257,085	215,880
<u>31,590,865</u>	<u>27,470,318</u>		<u>315,909</u>	<u>274,704</u>

September 30,
2010
(Rupees in '000)

10. TRADE AND OTHER PAYABLES

Trade creditors - note 10.1	424,515	331,441
Accrued liabilities - note 10.2	284,222	262,012
Bills payable	114,294	104,882
Amounts due to distributors	32,683	12,629
Special excise duty payable	6,271	8,760
Sales tax payable	73,578	89,192
Royalty payable to an associated undertaking	66,009	49,670
Workers' profit participation fund	17,274	94,709
Workers' welfare fund	42,284	35,284
Retention money payable	10,023	7,360
Unclaimed dividend	3,373	2,174
Others - note 10.3	17,615	12,348
	<u>1,092,141</u>	<u>1,010,461</u>

- 10.1 This includes Rs. 80.411 million (June 30,2010: Rs. 14.603 million) payable to related parties.
- 10.2 This includes Rs. 3.890 million (June 30,2010: Rs. 3.601 million) payable to related parties.
- 10.3 This includes Rs. 4.498 million (June 30,2010: Rs. 1.349 million) payable to related parties.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1 The status of contingency which was reported in note 24.1.1 to the financial statements for the year ended June 30, 2010 has been changed during the period. The relevant case has been dismissed by the Senior Civil Judge in favour of KATI. Subsequently the octroi contractor has filed an appeal in the District Court Jamshoro against the dismissal.
- 11.1.2 The claim amount of the contingency reported in note 24.1.2 to the financial statements for the year ended June 30, 2010 has been decreased to Rs. 1.603 million as some cases have been withdrawn during the period.

No provision has been made in this condensed interim financial report for the same as the management is of the opinion that the matters shall be decided in favour of the company.
- 11.1.3 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting to Rs 138.037 million (June 30, 2010: Rs 114.150 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.
- 11.1.4 Contingent liabilities in respect of indemnities given to the financial institutions for guarantees issued by them in the normal course of business aggregate Rs.19.950 million (June 30,2010: Rs. 18.300 million).

11.2 Commitments

- 11.2.1 Commitments in respect of capital expenditure amount to Rs. 122.863 million (June 30, 2010: Rs. 58.092 million).
- 11.2.2 Outstanding letters of credit and acceptances amount to Rs. 448.590 million (June 30, 2010: Rs. 519.528 million).
- 11.2.3 Outstanding duties leviable on clearing of stocks amount to Rs. 6.686 million (June 30, 2010: Rs. 8.743 million).

	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	(Rupees in '000)	
12. EARNINGS PER SHARE		
Profit after taxation	<u>210,345</u>	<u>363,533</u>
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the period	<u>31,590,865</u>	<u>31,590,865</u>
	(Rupees)	
Earnings per share - restated	<u>6.66</u>	<u>11.51</u>

12.1 There were no dilutive potential ordinary shares outstanding as at September 30, 2010.

	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	(Rupees in '000)	
13. CASH ENERATED FROM OPERATIONS		
Profit before taxation	321,205	548,633
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	44,615	31,605
Gain on disposal of property,plant and equipment	(1,167)	(2,201)
Property,plant and equipment written off	64	31
Provision for impairment - trade debts		3,245
Bad debts written off		(3,210)
Stock in trade written off		1,126
Profit on bank deposits	(13,243)	(20,394)
Profit on redemption of short term investments	(1,107)	
Finance costs	2,661	2,672
Net exchange loss	3,064	1,472
Working capital changes – note 13.1	<u>(287,871)</u>	<u>(84,613)</u>
	<u>68,221</u>	<u>478,366</u>



	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	(Rupees in '000)	
13.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(4,705)	(506)
Stock in trade	(180,297)	88,660
Trade debts	(124,162)	(60,414)
Loans and advances	(7,793)	(749)
Trade deposits and short term prepayments	(32,999)	(30,021)
Other receivables	(15,327)	(2,085)
	<u>(365,283)</u>	<u>(5,115)</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	77,412	(79,498)
	<u>(287,871)</u>	<u>(84,613)</u>

14. TRANSACTIONS WITH RELATED PARTIES

	Relationship with the Company	Quarter ended September 30, 2010	Quarter ended September 30, 2009
		(Rupees in '000)	
Sale of goods, services and reimbursement of expenses	Associates	137,974	111,583
Purchase of goods and services received and reimbursement of expenses	Associates	648,853	508,940
Purchase of short term investments	Associates	200,000	
Sale proceeds on redemption of short term investments	Associates	101,107	
Rent, allied and other charges	Associates	6,094	5,655
Royalty charges	Associates	16,339	12,375
Insurance claims received	Associates	206	4,624
Insurance commission income	Associates	2,390	
Contribution to staff retirement benefits	Retirement benefits fund	8,033	5,878
Key management personnel compensation	Directors	8,932	6,658
Donation	Associates	4,800	250
Dividend paid	Associates	339,502	251,482
		September 30, 2010	June 30, 2010
		(Rupees in '000)	
Receivable against sale of goods	Associates	41,348	776
Loans and advances	Associates		Refer note 5
Other receivable from related parties	Associates		Refer note 7
Royalties payable to associated undertaking	Associates		Refer note 9
Payable against purchase of goods	Associates		Refer note 9

15. CORRESPONDING FIGURES

For the purposes of comparison and better presentation following reclassifications have been made :

From	To	(Rupees in '000)
Trade discounts	Selling and distribution costs	17,783

16. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on October 25 ,2010 by the Board of Directors of the company.


Zulfiqar Ali Lakhani
Chief Executive


Tasleemuddin Ahmed Batlay
Director