



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the nine months period ended March 31, 2007 (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, Sawar 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, 2006 has been extracted from the audited financial statements of the company for the year ended June 30, 2006 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, 2006 are unaudited. The comparative profit and loss account for the quarter ended March 31, 2006 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, 2006.

	March 31, 2007	June 30, 2006
	(Rupees in 000)	
3. PROPERTY, PLANT AND EQUIPMENTS		
Operating fixed assets - notes 3.1 and 3.2	747,078	653,116
Capital work-in-progress - notes 3.3	107,847	86,165
	<u>854,925</u>	<u>739,281</u>
	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006
	(Rupees in 000)	
3.1 Additions - at cost		
Operating fixed assets		
Factory building on leasehold land	48,290	1,200
Plant and machinery	78,174	41,099
Electric fittings and installation	8,095	2,316
Furniture and fixtures	1,133	493
Tools and equipment	6,201	2,941
Vehicles	14,111	35,562
Computer and accessories	737	2,025
Office equipment	799	798
	<u>157,540</u>	<u>86,434</u>
3.1.1 Additions include transfers from capital work-in-progress.		
3.2 Disposals - at cost		
Operating fixed assets		
Leasehold land		196
Vehicles	523	1,195
Computer and accessories	290	
Office equipment		207
	<u>813</u>	<u>1,598</u>
3.3. Additions - at cost		
Capital work-in-progress		
Factory building on leasehold land	18,700	27,374
Plant and machinery	123,472	2,195
Electric fittings and installation	3,350	291
Furniture and fixtures	240	659
Tools and equipments	1,947	
Office equipment	132	
	<u>147,841</u>	<u>30,519</u>

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

March 31, 2007 (Number of shares)	June 30, 2006		March 31, 2007 (Rupees in '000)	June 30, 2006
5,882,353	5,882,353	Ordinary shares of Rs. 10 each fully paid in cash	58,824	58,824
9,405,476	6,347,910	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	94,055	63,479
<u>15,287,829</u>	<u>12,230,263</u>		<u>152,879</u>	<u>122,303</u>

5. TRADE AND OTHER PAYABLES

Trade creditors	285,181	299,018
Accrued liabilities	66,308	59,633
Bills payable	77,303	60,230
Amounts due to distributors	7,129	6,251
Sales tax payable	30,310	14,039
Royalty payable to an associated undertaking	15,383	17,442
Workers' profit participation fund	36,145	41,284
Workers' welfare fund	12,706	15,066
Retention money payable	1,123	938
Unclaimed dividend	1,328	973
Others	7,638	1,832
	<u>540,554</u>	<u>516,706</u>

6. SHORT TERM BORROWINGS

Secured		
Running finance facilities under mark-up arrangements	24,281	
Other short term borrowings	144,056	
	<u>168,337</u>	

7. CONTINGENCIES AND COMMITMENTS**7.1 Contingencies**

7.1.1 The status of the contingencies which was reported in note 24.1.1 to the financial statements for the year ended June 30, 2006 has remained unchanged.

7.1.2 Postdated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting to Rs 13.632 million (June 30, 2006: Rs 16.433 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.

7.1.3 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, 2006: Rs 11 million).

7.2 Commitments

7.2.1 Commitments in respect of capital expenditure amount to Rs 12.466 million (June 30, 2006: Rs 77.828 million).

7.2.2 Outstanding letters of credit and acceptances amount to Rs 191.485 million (June 30, 2006: Rs 99.518 million).

7.2.3 Outstanding duties leviable on ex-bonding of stocks amount to Rs 4.281 million (June 30, 2006: Rs 6.870 million).

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

	March 31, 2007	June 30, 2006
	(Rupees in 000)	
Not later than one year	865	2,144
Later than one and less than five years		433
Balance at the end of the period	<u>865</u>	<u>2,577</u>

8. EARNINGS PER SHARE – basic and diluted

	Quarter ended March 31, 2007 (Rupees in '000)	Quarter ended March 31, 2006 (Rupees in '000)
Profit after taxation	139,900	134,787
	Nine months period ended March 31, 2007 (Rupees in '000)	Nine months period ended March 31, 2006 (Rupees in '000)
Profit after taxation	448,980	363,082
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the period	15,287,829	15,287,829
	(Rupees)	
Earnings per share (restated) for the quarter ended March 31, 2007/2006	9.15	8.82
Earnings per share (restated) for the nine months period ended March 31, 2007/2006	29.37	23.75

9. CASH GENERATED FROM OPERATIONS

Profit before taxation	676,948	559,082
Adjustment for non-cash charges and other items:		
Depreciation and amortisation expense	67,302	60,488
Gain on disposal of property, plant and equipment	(1,073)	(1,418)
Bad debts written off	(213)	
Profit on bank deposits	(20,267)	(17,101)
Profit on short term investments	(2,158)	
Profit on disposal of short term investments	(1,834)	
Finance costs	9,529	10,479
Property, plant and equipment written off	383	183
Working capital changes – note 9.1	(181,180)	54,983
	<u>547,437</u>	<u>666,696</u>

	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006
	(Rupees in 000)	
9.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores and spares	(1,490)	(4,858)
Stock in trade	(133,453)	26,812
Trade debts	(43,838)	(51,392)
Loans and advances	(9,320)	(36,952)
Trade deposits, short term prepayments and other receivables	(16,572)	(3,788)
	<u>(204,673)</u>	<u>(70,178)</u>
Increase in current liabilities:		
Trade and other payables	23,493	125,161
	<u>(181,180)</u>	<u>54,983</u>

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:

	March 31, 2007	March 31, 2006
	(Rupees in 000)	
Cash and bank balances	465,811	457,193
Running finance facilities under mark-up arrangements - note 6	(168,337)	
	<u>297,474</u>	<u>457,193</u>

	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006
	(Rupees in 000)	
11. TRANSACTIONS WITH RELATED PARTIES		
Sale of goods, services and reimbursement of expenses	201,333	151,949
Purchase of goods and services received and reimbursement of expenses	889,859	655,531
Rent, allied and other charges	6,955	6,392
Royalty charges	15,383	12,958
Insurance claims received	5,128	3,261
Insurance commission income	2,751	2,210
Sale of property, plant and equipment	93	
Purchase of property, plant and equipment	171	17
Contribution to staff retirement benefits	12,456	15,842
Key management personnel compensation	20,245	19,090
Donation	300	75



12. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 24, 2007 by the Board of Directors of the Company.

13. CORRESPONDING FIGURES

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

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director