

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2009

## 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, Pakistan.

The company is mainly engaged in the manufacture and sale of detergents, personal care and other related products.

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Ordinance. However, the requirements of the Ordinance or directives issued by the SECP have been followed in case where their requirements are not consistent with the requirements of the approved accounting standards.

### **Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2009:**

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the company's accounting period beginning on July 1, 2008.

IFRS 7, 'Financial instruments: Disclosures' introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

IFRIC Interpretation 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirements. The amendment does not have significant effect on the company's financial statements.

### **Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2009 but not relevant:**

There are certain new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2008 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

### **Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:**

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2009:

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Further, where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

*IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).*

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The adoption of this amendment will only impact the presentation of the financial statements.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent with IAS 37.

*IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009).* As per the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have significant effect on the company's financial statements.

*IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009).* It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption of the above amendment, the option of immediately expensing those borrowing costs will be withdrawn. This amendment is not expected to have a significant effect on the company's financial statements.

*IAS 38 (Amendment) 'Intangible assets' (effective from January 1, 2009).* It states that a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the company's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or do not have any significant effect to the company's operations and are therefore not mentioned in these financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefit at present value as referred to in note 3.12 and certain financial instruments that have been accounted for on the basis of their fair values as referred to in note 3.16.

#### **3.2 Property, plant and equipment**

These assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land and capital work in progress which are stated at cost.

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other assets are charged to income in the year when acquired.

Depreciation is charged to income applying the reducing balance method and by applying rates (as stated in note 5.1.1) on the opening book value of the assets. Depreciation on additions is charged from the month in which the asset is put to use and on disposal upto the month of disposal at the rates stated in note 5.1.1.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

Residual values and the useful lives are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates. The management estimates that the financial impact of changes in the residual values and the useful lives during the year ended June 30, 2009 is immaterial.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised.

Profit or loss on disposal of assets is recognised in income currently.

### 3.2.1 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when assets are available for use.

### 3.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset as specified in note 6.3 on a systematic basis applying the straight line method.

Useful lives of intangible operating assets are reviewed, at each balance sheet date and adjusted if the impact of amortisation is significant.

### 3.4 Impairment

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts and the differences are recognised in income currently.

### 3.5 Stores and spares

Stores and spares are valued at lower of cost using the moving average method and estimated net realisable value. Items in transit are valued at cost as accumulated upto the balance sheet date. Provision for obsolete items, if any, is based on their condition as at the balance sheet date depending upon the management's judgement.

Loose tools are charged to income as and when purchased as their inventory is generally not significant.

### 3.6 Stock in trade

Stock in trade is valued at the lower of cost and estimated net realisable value. Cost is determined as follows:

<b>Stages of stock in trade</b>	<b>Basis of valuation</b>
Raw and packing material	- Moving average cost
Raw and packing material in bonded warehouse and in transit	- Cost accumulated upto the balance sheet date
Work in process and finished goods	- Cost of direct materials and appropriate portion of production overheads
Trading goods	- First in first out basis

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to be incurred for its sale.

### 3.7 Trade debts and other receivables

Trade debts and other receivables are carried at invoice value, which approximates fair value less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

### 3.8 Taxation

#### Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and tax paid on presumptive basis.

#### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases .

Deferred tax liabilities are recognised for all major taxable temporary differences.

Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it becomes probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

### 3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held with banks and running finances under mark-up arrangement.

### 3.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred.

### 3.11 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

### 3.12 Staff retirement benefits

#### Defined benefit plan

The company operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees subject to attainment of retirement age and minimum service of prescribed period. Contributions are made to the fund on the basis of actuarial recommendations. Actuarial valuation is carried out using the projected unit credit method.

Actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets, at the beginning of the year, are amortised over average future service of the employees.



#### Defined contribution plan

The company operates an approved funded provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 9 per cent of the basic salaries of employees.

#### Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

### 3.13 Revenue recognition

Sales are recognised on despatch of goods to customers.

Profit on bank balances are recognised on a time proportion basis on the principal amount outstanding and at the applicable rate.

Cumulative gain or loss previously recognised in equity on revaluation of fair values of 'available for sale' financial assets are recognised in income at the time of their derecognition.

Insurance commission income is recognised as and when received.

### 3.14 Foreign currency translation

Transactions in foreign currencies are translated in Pakistan rupees (functional and presentation currency) at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees at the rates of exchange approximating those prevalent at the balance sheet date. Exchange differences are charged to income currently.

### 3.15 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is declared. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

### 3.16 Financial instruments

#### 3.16.1 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities for greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade debts, loans and advances, deposits, other receivables and profit receivable from banks in the balance sheet.

#### c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investments within twelve months from the balance sheet date. Available-for-sale financial assets are classified as short term investments in the balance sheet.

Changes in fair value of securities classified as available-for-sale are recognised in equity.

When securities are classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the company's right to receive payments is established.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity and are carried at amortised cost.

All financial assets are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade-date i.e, the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the company measures the investments at cost less impairment in value, if any.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for availablefor sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts is described in note 3.7.

### 3.16.2 Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

### 3.16.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.17 Impairment of non-financial assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to profit and loss account.

### 3.18 Transactions with related parties

The company enters into transactions with related parties for sale or purchase of goods and services on an arm's length basis.



### 3.19 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Assumptions and estimates used in determining the residual values and useful lives of property, plant and equipment (note 5);
- b) Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 10);
- c) Assumptions and estimates used in calculating the provision for impairment for tradedebts (note 11);
- d) Assumptions and estimates used in the classification of investments (note 16);
- e) Assumptions and estimates used in the recognition of deferred taxation (note 21); and
- f) Assumptions and estimates used in accounting for defined benefit plan (note 41).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Note	2009 (Rupees in '000)	2008
Operating fixed assets	5.1	1,024,478	957,983
Capital work in progress	5.2	169,040	5,257
		<u>1,193,518</u>	<u>963,240</u>

## 5.1 Operating fixed assets

5.1.1 The following is a statement of operating fixed assets:

	Leasehold land	Factory building on leasehold land	Plant and machinery	Electric fittings and installation	Gas installation	Furniture and fixtures	Tools and equipment	Vehicles	Computers accessories	Office equipment	Total
(Rupee'000)											
At July 1, 2007											
Cost	10,355	199,707	719,354	59,049	225	16,157	58,271	111,660	27,654	16,357	1,218,789
Accumulated depreciation	-	(67,785)	(276,417)	(18,801)	(134)	(10,016)	(30,153)	(45,472)	(19,439)	(10,944)	(479,161)
Net book value	10,355	131,922	442,937	40,248	91	6,141	28,118	66,188	8,215	5,413	739,628
Year ended June 30, 2008											
Opening net book value	10,355	131,922	442,937	40,248	91	6,141	28,118	66,188	8,215	5,413	739,628
Additions	-	11,041	113,578	5,517	-	1,119	25,493	58,504	7,643	3,498	226,393
Transfers from capital work in progress during the year	-	12,921	124,172	3,371	-	7	568	-	-	469	141,508
Disposals											
Cost	-	-	(36,350)	(9,516)	-	(2,410)	(9,002)	(8,581)	(2,788)	(972)	(69,619)
Depreciation	-	-	10,083	2,751	-	726	4,348	4,413	1,892	546	24,759
Net book value	-	-	(26,267)	(6,765)	-	(1,684)	(4,654)	(4,168)	(896)	(426)	(44,860)
Write offs											
Cost	-	-	(7)	-	-	(15)	(400)	-	(1,324)	(395)	(2,141)
Depreciation	-	-	2	-	-	9	241	-	1,186	298	1,736
Net book value	-	-	(5)	-	-	(6)	(159)	-	(138)	(97)	(405)
Depreciation charge for the year		(14,816)	(52,201)	(3,846)	(9)	(835)	(5,590)	(22,433)	(3,573)	(978)	(140,281)
Closing net book value	10,355	141,068	602,214	38,525	82	4,742	43,776	98,091	11,251	7,879	957,983
At June 30, 2008											
Cost	10,355	223,669	920,747	58,421	225	14,858	74,930	161,583	31,185	18,957	1,514,930
Accumulated depreciation	-	(82,601)	(318,533)	(19,896)	(143)	(10,116)	(31,154)	(63,492)	(19,934)	(11,078)	(556,947)
Net book value	10,355	141,068	602,214	38,525	82	4,742	43,776	98,091	11,251	7,879	957,983
At July 1, 2008											
Cost	10,355	223,669	920,747	58,421	225	14,858	74,930	161,583	31,185	18,957	1,514,930
Accumulated depreciation	-	(82,601)	(318,533)	(19,896)	(143)	(10,116)	(31,154)	(63,492)	(19,934)	(11,078)	(556,947)
Net book value	10,355	141,068	602,214	38,525	82	4,742	43,776	98,091	11,251	7,879	957,983
Year ended June 30, 2009											
Opening net book value	10,355	141,068	602,214	38,525	82	4,742	43,776	98,091	11,251	7,879	957,983
Additions	30,618	5,891	67,018	1,714	-	399	4,974	36,671	25,839	12,305	185,429
Transfers from capital work in progress during the year	-	2,227	13,646	796	-	-	24	2,620	-	628	19,941
Disposals											
Cost	-	-	-	-	-	-	-	(9,804)	(1,010)	(36)	(10,850)
Depreciation	-	-	-	-	-	-	-	5,695	327	28	6,050
Net book value	-	-	-	-	-	-	-	(4,109)	(683)	(8)	(4,800)
Write offs											
Cost	-	(3,143)	(5,146)	(3,782)	(71)	(7,963)	(3,150)	-	(12,255)	(5,246)	(40,756)
Depreciation	-	2,027	5,146	3,782	71	7,959	3,054	-	12,115	5,240	39,394
Net book value	-	(1,116)	-	-	-	(4)	(96)	-	(140)	(6)	(1,362)
Depreciation charge for the year	-	(14,449)	(64,585)	(4,669)	(14)	(2,120)	(7,488)	(28,701)	(7,820)	(2,867)	(132,713)
Closing net book value	40,973	133,621	618,293	36,366	68	3,017	41,190	104,572	28,447	17,931	1,024,478
At June 30, 2009											
Cost	40,973	228,644	996,265	57,149	154	7,294	76,778	191,070	43,759	26,608	1,668,694
Accumulated depreciation	-	(95,023)	(377,972)	(20,783)	(86)	(4,277)	(35,588)	(86,498)	(15,312)	(8,677)	(644,216)
Net book value	40,973	133,621	618,293	36,366	68	3,017	41,190	104,572	28,447	17,931	1,024,478
Annual rate of depreciation (%)	10	10	10	10	10	15	15	20 & 25	33	15	



5.1.2 Included in fixed assets are few items having cost of Rs 29,432 million (2008: Rs 29,907 million) held by related parties and of Rs 26,024 million (2008: Rs 26,878 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.

5.1.3 During the year, the company has identified certain items of property, plant and equipment from which further economic benefits are no longer being derived. Therefore, assets having cost of Rs 40,756 million (2008: Rs 2,141 million) and net book value of Rs 1,362 million (2008: Rs 1,737 million) have been retired from active use and have been written off in these financial statements. This include assets costing Rs 35,471 million which have been fully depreciated in prior years.

5.1.4 No impairment relating to operating fixed assets has been recognised in the current year.

5.1.5 The following operating fixed assets with a net book value exceeding Rs 50,000 were disposed of during the year:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale Proceeds / Receivable from Insurance Company*	Gain / (loss)	Particulars of purchasers
----- (Rupees in '000) -----							
Vehicles	Bid	560	413	147	325	176	Muhammad Taimur Dar House # 282, D'Cruze Road, Garden East, Karachi.
	Maturity of Co. Car scheme	326	225	101	104	3	Naseem-ur-Rehman Employee of the company
	Maturity of Co. Car scheme	302	206	96	99	3	Syed Mahmood Athar Employee of the company
	Maturity of Co. Car scheme	560	378	182	184	2	Junaid Imam Employee of the company
	Maturity of Co. Car scheme	774	518	256	377	121	Moazzam Hussain Employee of the company
	Insurance claim	408	114	294	385	91	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
	Insurance claim	679	368	311	500	189	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
	Insurance claim	409	42	367	399	32	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
	Insurance claim	1,900	303	1,597	1,890	293	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
	Insurance claim	352	37	315	342	27	Century Insurance Company Limited, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi.
		6,270	2,604	3,666	4,605	939	
Computers and accessories	Negotiation	608	48	560	608	48	Mighty Distribution 4F, 12/8, Nazimabad # 4, Karachi.
Others							
Items having netbook value of less than Rs. 50,000 each	Various	3,972	3,398	574	4,495	3,921	Various
2009		10,850	6,050	4,800	9,708	4,908	
2008		69,619	24,759	44,860	44,233	4,341	
					* 4,968		

5.1.6 Depreciation charge for the year has been allocated as follows:

	Note	2009 (Rupees in '000)	2008
Cost of sales	27.1	99,229	80,921
Selling and distribution costs	28	26,856	20,112
Administrative expenses	29	6,628	3,248
		<u>132,713</u>	<u>104,281</u>

5.2 Capital work in progress

The following is a statement of capital work in progress:

	Factory building on leasehold land	Plant and machinery	Electric fittings and installation	Software implementation cost	Other assets	Total
	(Rupees in '000)					
Balance as at July 1, 2007	12,000	108,980	3,161	-	1,068	125,209
Capital expenditure incurred during the year	1,995	15,371	210	-	3,980	21,556
Transfer to operating fixed assets	(12,921)	(124,172)	(3,371)	-	(1,044)	(141,508)
Balance as at June 30, 2008	<u>1,074</u>	<u>179</u>	<u>-</u>	<u>-</u>	<u>4,004</u>	<u>5,257</u>
Balance as at July 1, 2008	1,074	179	-	-	4,004	5,257
Capital expenditure incurred during the period	26,277	127,573	2,375	25,262	2,237	183,724
Transfer to operating fixed assets	(2,227)	(13,646)	(796)	-	(3,272)	(19,941)
Balance as at June 30, 2009	<u>25,124</u>	<u>114,106</u>	<u>1,579</u>	<u>25,262</u>	<u>2,969</u>	<u>169,040</u>

## 6. INTANGIBLE ASSETS

	Note	Goodwill	Computer Software	Total
		(Rupees in '000)		
<b>At July 1, 2007</b>				
Cost		43,500	-	43,500
Accumulated amortisation		(26,100)	-	(26,100)
Net book value		<u>17,400</u>	<u>-</u>	<u>17,400</u>
<b>Year ended June 30, 2008</b>				
Opening net book value		17,400	-	17,400
Additions		-	3,500	3,500
Amortisation for the year	6.3 & 28	17,400	3,500	20,900
		(5,800)	(385)	(6,185)
Closing net book value		<u>11,600</u>	<u>3,115</u>	<u>14,715</u>
<b>At June 30, 2008</b>				
Cost		43,500	3,500	47,000
Accumulated amortisation		(31,900)	(385)	(32,285)
Net book value		<u>11,600</u>	<u>3,115</u>	<u>14,715</u>
<b>At July 1, 2008</b>				
Cost		43,500	3,500	47,000
Accumulated amortisation		(31,900)	(385)	(32,285)
Net book value		<u>11,600</u>	<u>3,115</u>	<u>14,715</u>
<b>Year ended June 30, 2009</b>				
Opening net book value		11,600	3,115	14,715
Additions	6.2	-	11,769	11,769
Amortisation for the year	6.3 & 28	11,600	14,884	26,484
		(5,800)	(3,872)	(9,672)
Closing net book value		<u>5,800</u>	<u>11,012</u>	<u>16,812</u>
<b>At June 30, 2009</b>				
Cost		43,500	15,269	58,769
Accumulated amortisation		(37,700)	(4,257)	(41,957)
Net book value		<u>5,800</u>	<u>11,012</u>	<u>16,812</u>



- 6.1 Goodwill represents amount paid on acquisition of the brand "Sparkle" from Transpak Corporation Limited.
- 6.2 This represents cost of a software "Sales and Distribution System" (S&D).
- 6.3 Goodwill and computer software are being amortised over the useful life of 10 and 3 years respectively.
- 6.4 The intangible assets include a trade mark costing Rs 1.500 million in respect of the brand "Sparkle" purchased on January 4, 2001. The trade mark was fully amortised during the year ended June 30, 2005. However, it is still in active use.

## 7. LONG TERM LOANS

	Note	2009 (Rupees in '000)	2008
Considered good			
- due from executives	7.1, 7.2 & 7.3	1,340	972
- due from other employees	7.2	25,810	25,787
		<u>27,150</u>	<u>26,759</u>
Recoverable within one year	12	(8,646)	(8,208)
		<u>18,504</u>	<u>18,551</u>
7.1 Reconciliation of carrying amount of loans to executives:			
Opening balance as at July 1		972	1,573
Disbursements		1,300	352
Repayments		(932)	(953)
Closing balance as at June 30		<u>1,340</u>	<u>972</u>

- 7.2 These loans are interest free and have been given to executives and other employees of the company for purchase of house and vehicles and for personal use in accordance with their terms of employment. These loans are to be repaid over a period of five years in equal monthly installments. Vehicles purchased under this scheme are registered in the name of the company and the title is transferred when the loan is fully repaid. The remaining loans are adjustable against final settlement of staff provident fund.
- 7.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs 1.340 million (2008: Rs 1.741 million).
- 7.4 Long term loans have been carried at cost as the affect of carrying these balances at amortised cost would not be material.

## 8. LONG TERM SECURITY DEPOSITS

Long term security deposits	8.1 & 8.2	<u>6,431</u>	<u>2,962</u>
8.1 This includes amount of Rs 2.964 million representing amount deposited with Water and Power Development Authority (WAPDA) for enhancement in electricity load for detergent unit at Kotri.			
8.2 This includes Term Deposit Receipt (TDR) amounting to Rs 1.7 million (2008: Rs 1.7 million) issued by a banking company. The TDR has been issued to provide security to a banking company for issue of guarantee against a lien on the TDR. The TDR carries profit at the rate of 4% (2008: 5%) per annum and shall mature on August 30, 2010 at which time the management intends to rollover the TDR. The TDR has been carried at cost as the affect of amortised cost is not material.			

## 9. STORES AND SPARES

Stores		10,283	8,068
Spares		4,855	6,017
	27.1.3	<u>15,138</u>	<u>14,085</u>

	Note	2009 (Rupees in '000)	2008
<b>10. STOCK IN TRADE</b>			
Raw materials			
- in hand		321,556	414,218
- in bonded warehouse		54,602	60,558
- in transit		208,299	240,374
	27.1.1	584,457	715,150
Packing materials			
- in hand		88,309	68,674
- in transit		978	12,240
- with third parties		2,069	1,023
	27.1.2	91,356	81,937
Work in process	27.1	8,801	9,588
Finished goods			
- in hand	10.1	354,616	135,524
- in transit		10,641	19,357
		365,257	154,881
Trading goods			
- in hand		74,296	44,808
- in transit		4,265	-
		78,561	44,808
		<u>1,128,432</u>	<u>1,006,364</u>

10.1 This includes stocks carried at fair value less cost to sell amounting to Rs 10.383 million (2008: Rs 5.605 million).

#### 11. TRADE DEBTS

Considered good			
- due from related parties	11.1 & 11.2	41,310	5,583
- others		298,180	172,400
		339,490	177,983
Considered doubtful			
- others		7,057	6,568
		346,547	184,551
Less: Provision for impairment	11.3	7,057	6,568
		<u>339,490</u>	<u>177,983</u>

11.1 Trade debts include the following amounts due from related parties:

Merit Packaging Limited	14	11
Clover Pakistan Limited	5	-
Century Paper and Board Mills Limited	167	33
Rollins Industries (Private) Limited	41,100	5,539
Tetley Clover (Private) Limited	24	-
	<u>41,310</u>	<u>5,583</u>

11.2 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 112.678 million (2008: Rs 44.324 million).

11.3 Provision for impairment

Balance at the beginning of the year		6,568	5,955
Provision made during the year	30	489	1,338
Amounts written off		-	(725)
Balance at the end of the year		<u>7,057</u>	<u>6,568</u>



11.4 As at June 30, 2009, trade receivables of Rs 114.231 million (2008: Rs 49.406 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Note	2009 (Rupees in '000)	2008
Upto 1 month		59,763	33,049
1 to 6 months		51,741	13,689
More than 6 months		2,727	2,668
		<u>114,231</u>	<u>49,406</u>

11.5 As at June 30, 2009, trade receivables of Rs 7.057 million (2008: Rs 6.568 million) were impaired and provided for. The ageing of these receivables is as follows:

one year to five years		31	-
five years and over		7,026	6,568
		<u>7,057</u>	<u>6,568</u>

## 12. LOANS AND ADVANCES

Considered good			
Current portion of long term loans			
- due from executives		300	964
- due from other employees		8,346	7,244
	7	<u>8,646</u>	<u>8,208</u>
Advances			
- to employees	12.1	9,555	7,682
- to contractors and suppliers	12.2	46,564	40,909
- against letters of credit		93,963	38,613
		<u>158,728</u>	<u>95,412</u>

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

12.2 Advances include the following amounts due from related parties:

Rollins Industries (Private) Limited		-	2,417
Colgate-Palmolive (Pakistan) Limited Employees Contributory Provident Fund Trust		154	861
Century Insurance Company Limited		-	356
		<u>154</u>	<u>3,634</u>

## 13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		12,758	4,976
Prepayments		12,966	14,012
		<u>25,724</u>	<u>18,988</u>

## 14. OTHER RECEIVABLES

Receivable from related parties	14.1 & 14.2	10,242	38,224
Custom duty refundable		-	245
Claims receivable from an insurance company		285	284
Others		1,613	-
		<u>12,140</u>	<u>38,753</u>

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

Century Insurance Company Limited		1,861	34,683
Clover Pakistan Limited		1,706	1,090
Colgate-Palmolive Philippine		6	6
Tetley Clover (Private) Limited		6,669	2,445
		<u>10,242</u>	<u>38,224</u>

14.2 The maximum aggregate amount receivable from related parties at the end of any month during the year was Rs 35.883 million (2008: Rs 161.395 million).

#### 15. PROFIT RECEIVABLE FROM BANKS

	Note	2009 (Rupees in '000)	2008
Profit on savings accounts		34	1,869
Profit on a term deposit account		803	422
		<u>837</u>	<u>2,291</u>

#### 16. SHORT TERM INVESTMENTS – available for sale

	2009 Number of units	2008	2009 (Rupees in '000)	2008
NAFA Cash Fund	-	7,431,077	-	80,000
MCB Dynamic Cash Fund	-	141,070	-	15,000
IGI Income Fund	-	97,466	-	10,000
JS Income Fund	-	240,616	-	25,000
Atlas Income Fund	-	38,224	-	20,000
KASB Liquid Fund	-	96,974	-	10,000
AKD Income Fund	-	194,455	-	10,000
BMA Chundrigar Road Savings Fund	-	927,592	-	10,000
			-	180,000
Surplus on revaluation of investments			-	201
			<u>-</u>	<u>180,201</u>

#### 17. CASH AND BANK BALANCES

With banks on:				
- Current accounts			89,697	55,092
- Savings accounts	17.1		786,257	359,427
- Term deposit account	17.1		100,000	100,000
			<u>975,954</u>	<u>514,519</u>
Cheques in hand			48,116	77,730
Cash in hand			596	688
			<u>1,024,666</u>	<u>592,937</u>

17.1 The rates of profit on these savings and term deposit account range between 4.00% to 11.50% and 12.75% respectively (2008: 0.75% to 13.60% and 14.00%) per annum. The maturity period of term deposit account is one month from the date of original issue.

#### 18. SHARE CAPITAL

##### 18.1 Authorised Capital

	2009 Number of shares	2008	Note	2009 (Rupees in '000)	2008
40,000,000	<u>20,000,000</u>	Ordinary shares of Rs 10 each	18.3	<u>400,000</u>	<u>200,000</u>

##### 18.2 Issued, subscribed and paid-up capital

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		180,049	132,274
<u>23,887,233</u>	<u>19,109,786</u>			<u>238,873</u>	<u>191,098</u>



18.3 During the year, the company has increased its authorised share capital by increasing its number of ordinary shares from 20,000,000 to 40,000,000 at the rate of Rs 10 each.

18.4 These shares include 4,777,447 bonus shares of Rs 10 each (2008: 3,821,957 bonus shares of Rs 10 each) issued by the company during the current year.

## 19. RESERVES

	Note	2009 (Rupees in '000)	2008
Capital reserve			
- Share premium reserve		13,456	13,456
Revenue reserve			
- General reserve		1,690,000	1,250,000
- Unappropriated profit		757,882	686,789
		<u>2,461,338</u>	<u>1,950,245</u>

## 20. LONG TERM LOAN

Secured – From The Royal Bank of Scotland	20.1	3,125	5,625
Less: Current maturity shown under current liabilities		2,500	2,500
		<u>625</u>	<u>3,125</u>

20.1 The company has obtained a loan from The Royal Bank of Scotland (RBS), formerly ABN Amro Bank N.V of Rs 10 million to finance the expansion of existing plant and machinery. This facility is secured against pari passu charge over fixed assets including immovable property of the company. Markup is charged at the rate of three month's KIBOR plus 110 bps per annum. The loan is repayable in sixteen equal quarterly installments of Rs 0.625 million each, which commenced from October 2006.

## 21. DEFERRED TAXATION

Credit / (debit) balances arising in respect of timing differences relating to:			
Accelerated tax depreciation allowance		167,063	159,998
Provision for compensated absences		(3,593)	(2,799)
Provision for impairment of trade debts		(2,470)	(2,299)
		<u>161,000</u>	<u>154,900</u>

## 22. LONG TERM DEPOSITS

Security deposits obtained from:			
- Distributors		5,153	3,960
- Transporters		500	500
- Others		5	5
		<u>5,658</u>	<u>4,465</u>

22.1 These deposits are interest free and are not refundable during the subsistence of relationship with the company.

## 23. TRADE AND OTHER PAYABLES

Trade creditors	23.1	466,433	404,324
Accrued liabilities		78,033	77,973
Bills payable		194,515	117,779
Amounts due to distributors		11,448	19,174
Special excise duty payable		5,102	4,574
Sales tax payable		85,235	51,250
Royalty payable to an associated undertaking		35,436	30,316
Workers' profits participation fund	23.3	61,528	54,648
Workers' welfare fund		22,922	17,265
Retention money payable		261	42
Unclaimed dividend		1,877	1,647
Others	23.2	12,591	7,153
		<u>975,381</u>	<u>786,145</u>

	Note	2009 (Rupees in '000)	2008
23.1	These balances include the following amounts due to related parties:		
	Hasanali Karabhai Foundation	570	339
	Princeton Travels (Private) Limited	204	39
	Merit Packaging Limited	3,930	-
	Clover Pakistan Limited	294	1,483
	Century Insurance Company Limited	5,629	3,357
	Rollins Industries (Private) Limited	34,823	-
	Century Publication (Private) Limited	1,500	2,250
	SIZA (Private) Limited	80	18
	Cyber Inernet Services (Private) Limited	763	353
	Century Paper & Board Mills Limited	14,560	16,318
	Lakson Business Solution Limited	179	-
	Television Media Network (Private) Limited	14,472	13,337
		<u>77,004</u>	<u>37,494</u>
23.2	These balances include the following amounts due to related parties:		
	Colgate-Palmolive Pakistan Limited Employees Contributory Provident Fund Trust	2,860	-
	Reliance Chemicals (Private) Limited	753	19
	Colgate-Palmolive (Thailand) Limited	1,072	1,029
	Colgate-Palmolive (H.K.) Limited	278	-
		<u>4,963</u>	<u>1,048</u>
23.3	Workers' profits participation fund		
	Balance at the beginning of the year	54,648	47,737
	Allocation for the year	61,528	54,648
		<u>116,176</u>	<u>102,385</u>
	Less: Payments during the year	54,648	47,737
	Balance at the end of the year	<u>61,528</u>	<u>54,648</u>
24.	<b>ACCRUED MARK-UP</b>		
	Accrued markup on:		
	- Long term loan	84	110
	- Short term borrowings	83	590
		<u>167</u>	<u>700</u>
25.	<b>SHORT TERM BORROWINGS</b>		
	Short term running finances - Secured		
	- Running finance facilities	25.1 & 25.2	-
	- Import credit facilities	25.1 & 25.3	44,945
		<u>-</u>	<u>44,945</u>

#### Short term running finances

- 25.1 The company has arranged short-term borrowing facilities from various banks on mark-up basis to the extent of Rs 912 million (2008: Rs 837 million), which can be interchangeably utilised as running finance facilities or import credit facilities. These facilities had expired during the year and were renewed subsequently. The renewed facilities are available for various periods expiring between July 30, 2009 to May 30, 2010. The arrangements are secured by a joint hypothecation of stocks, stores and spares, trade debts, other current assets and second charge on moveable assets of the company.
- 25.2 The mark-up on short-term running finance facilities ranges between 13.99% to 17.00% (2008: 10.92% to 13.81%) per annum.
- 25.3 The import credit facility was priced at LIBOR plus 2% per annum (2008: LIBOR plus 2% per annum). This facility expired on October 2, 2008 and was not renewed by the company.



25.4 The facilities for opening letters of credit and guarantee as at June 30, 2009 aggregated Rs 2,713.220 million and Rs 30 million (2008: Rs 2,468.700 million and Rs 30 million) respectively of which the amounts remaining unutilised at the year end were Rs 2,482.761 million and Rs 11.700 million (2008: Rs 2,092.745 million and Rs 15.400 million) respectively.

#### Short term loans

25.5 Short term loans were obtained during the year by the company from Pak Oman Investment Company Limited, Mrs Ronak Iqbal Ali Lakhani (spouse of Mr Iqbal Ali Lakhani, director) and Mr Amin M. Lakhani (director) for funding working capital requirements, amounting to Rs 400 million, Rs 200 million and Rs 50 million respectively.

25.6 These loans carried mark-up at rates of 14.70% per annum, 3-month KIBOR plus 1.50% per annum and 3-month KIBOR plus 1.00% per annum respectively. The loans were fully repaid during the year.

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

26.1.1 As a result of recovery suit of Rs 31.455 million filed by the Octroi Contractor against the Government of Sindh, Union Council Bulari and Kotri Association of Trade and Industries (KATI) in the Civil Court, the Honorable Senior Judge issued a decree of Rs 7.336 million in favor of Octroi Contractor. KATI has filed an appeal in the High Court of Sindh whereas the Octroi Contractor has also filed an appeal requesting to enhance the amount of decree. Subsequently, the case has been transferred to the Additional District Judge Kotri by the High Court of Sindh. The District Judge allowed the appeal in favour of KATI and remanded the case to Senior Civil Judge Kotri for adjudication which is still awaited. If the appeal is dismissed then the company, being a member of KATI, would be required to pay its share as determined by the Court out of the total decree amount. The management of the company, based on the advice of its legal counsel handling the subject matter, is confident that the appeal will be decided in favour of KATI. Accordingly, no provision has been made in the financial statements on this account.

26.1.2 The company has received a notice from the Honourable High Court of Sindh concerning an appeal filed by the Commissioner of Income Tax against a decision made in favour of the company by the Income Tax Appellate Tribunal (ITAT) for the assessment year 1991-92. The case is pending for regular hearing in the Honourable High Court of Sindh and the legal counsel of the company is of the opinion that the company has a good arguable case.

26.1.3 Cases have been filed against the company by some employees claiming approximately Rs 0.991 million (2008: Rs 0.629 million) in aggregate. Provision has not been made in these financial statements for the abovementioned amounts as the management of the company, based on the advice of its legal counsel handling the subject cases, is of the opinion that matters shall be decided in the company's favour.

26.1.4 Post dated cheques have been issued to custom authorities as a security in respect of duties and taxes amounting Rs 23.014 million (2008: Rs 59.595 million) 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.

26.1.5 Contingent liabilities in respect of indemnities given to financial institutions for guarantees issued by them in the normal course of business aggregate Rs 18.300 million (2008: Rs 14.600 million).

### 26.2 Commitments

26.2.1 Commitments in respect of capital expenditure amount to Rs 315.230 million (2008: Rs 12.175 million).

26.2.2 Outstanding letters of credit and acceptances amount to Rs 443.054 million (2008: Rs 276.878 million).

26.2.3 Outstanding duties leviable on clearing of stocks amount to Rs 7.981 million (2008: Rs 18.864 million).

## 27. COST OF SALES

	Note	2009 (Rupees in '000)	2008
Opening stock of finished goods (including trading goods and by-products)		199,689	258,504
Cost of goods manufactured	27.1	7,255,051	4,118,167
Purchases of trading goods		1,471,834	882,330
		<u>8,926,574</u>	<u>5,259,001</u>
Less: Cost of finished goods (including trading goods and by-products) and work in process damaged due to fire	27.1.4	-	24,184
Less: Closing stock of finished goods (including trading goods and by-products)	10	443,818	199,689
		<u>8,482,756</u>	<u>5,035,128</u>

	Note	2009 (Rupees in '000)	2008
<b>27.1 Cost of goods manufactured</b>			
Opening stock of work in process		9,588	5,756
Raw materials consumed	27.1.1 & 27.2	5,400,267	2,895,709
Packing materials consumed	27.1.2 & 27.2	1,237,287	798,764
Stores and spares consumed	27.1.3 & 27.2	27,128	19,359
Salaries, wages and other benefits		222,828	156,045
Gratuity	41.8	6,514	5,048
Provident fund		4,900	3,968
Power and fuel		154,447	101,777
Repairs and maintenance		17,664	15,373
Rent, rates and taxes		2,215	1,340
Insurance		15,831	10,010
Laboratory expenses		3,170	2,461
Cartage		28,331	10,782
Depreciation	5.1.6	99,229	80,921
Other manufacturing expenses		35,173	21,162
		<u>7,264,572</u>	<u>4,128,475</u>
Less: Recovery from related parties		720	720
		<u>7,263,852</u>	<u>4,127,755</u>
Less: Closing stock of work in process	10	8,801	9,588
		<u>7,255,051</u>	<u>4,118,167</u>
<b>27.1.1 Raw materials consumed</b>			
Opening stock		715,150	463,447
Purchases		5,269,574	3,153,224
		<u>5,984,724</u>	<u>3,616,671</u>
Less: Cost of raw materials damaged due to fire	27.1.4	-	5,812
Less: Closing stock	10	584,457	715,150
		<u>5,400,267</u>	<u>2,895,709</u>
<b>27.1.2 Packing materials consumed</b>			
Opening stock		81,937	50,144
Purchases		1,246,706	847,939
		<u>1,328,643</u>	<u>898,083</u>
Less: Cost of packing materials damaged due to fire	27.1.4	-	17,382
Less: Closing stock	10	91,356	81,937
		<u>1,237,287</u>	<u>798,764</u>
<b>27.1.3 Stores and spares consumed</b>			
Opening stock		14,085	16,742
Purchases		28,181	16,702
		<u>42,266</u>	<u>33,444</u>
Less: Closing stock	9	15,138	14,085
		<u>27,128</u>	<u>19,359</u>
27.1.4 This represents insurance claim received from Century Insurance Company Limited against loss of stock due to fire at factory premises on December 28, 2007.			
27.2 Cost of sales includes amounts written off during the year in respect of the following:			
- Raw materials		3,710	810
- Packing materials		214	2,898
- Finished goods		-	1,752
- Stores and spares		571	18



	Note	2009 (Rupees in '000)	2008
<b>28. SELLING AND DISTRIBUTION COSTS</b>			
Salaries, wages and other benefits		122,961	98,399
Staff retirement gratuity	41.8	2,291	1,885
Provident fund		4,229	3,336
Travelling and conveyance		28,266	20,577
Repairs and maintenance		6,592	3,228
Vehicle running expenses		62,127	46,195
Advertising and sales promotion		653,295	483,611
Royalty on sale of licensed products		42,186	31,912
Postage, telephone and internet charges		6,965	6,237
Rent, rates and taxes		11,790	9,889
Printing and stationery		2,364	1,992
Subscription and membership		1,295	342
Legal and professional		942	731
Freight		356,657	243,709
Electricity		3,589	2,312
Insurance		8,828	6,004
Security service charges		4,207	1,779
Depreciation	5.1.6	26,856	20,112
Amortisation	6	9,672	6,185
Other expenses		211	190
		<u>1,355,323</u>	<u>988,625</u>
Less: Recovery from related parties		9,356	6,692
		<u>1,345,967</u>	<u>981,933</u>
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits		59,323	45,609
Staff retirement gratuity	41.8	2,354	1,938
Provident fund		2,550	1,962
Travelling and conveyance		3,004	2,125
Repairs and maintenance		2,307	410
Vehicle running expenses		4,173	3,209
Postage, telephone and internet charges		2,204	1,830
Rent, rates and taxes		5,797	4,040
Printing and stationery		2,117	1,749
Subscription and membership		2,690	1,666
Legal and professional		2,137	2,671
Electricity		2,186	1,421
Insurance		4,803	1,728
Security service charges		201	63
Depreciation	5.1.6	6,628	3,248
Others		282	126
		<u>102,756</u>	<u>73,795</u>
Less: Recovery from related parties		732	742
		<u>102,024</u>	<u>73,053</u>
<b>30. OTHER OPERATING EXPENSES</b>			
Workers' profits participation fund	23.3	61,528	54,648
Workers' welfare fund			
- current year		22,922	17,265
- prior year		-	41
		<u>22,922</u>	<u>17,306</u>
Auditors' remuneration	30.1	806	721
Property, plant and equipment - written off		1,362	405
Donations	30.2	11,498	391
Advances to employees written off		-	30
Provision for impairment - trade debts	11.3	489	1,338
Net exchange loss		13,903	44,350
		<u>112,508</u>	<u>119,189</u>

	Note	2009 (Rupees in '000)	2008
30.1 Auditors' remuneration			
Audit fee		300	240
Fee for half yearly review and other certifications		387	295
Out of pocket expenses		119	186
		<u>806</u>	<u>721</u>
30.2 Donations include the following in which a director is interested:			
<b>Name of director</b>	<b>Interest in donee</b>	<b>Name and address of donee</b>	
Mr Iqbal Ali Lakhani	(See note below)	Special Olympics Pakistan, 205, Sunset Tower, Sunset Boulevard, DHA, Phase-II, Karachi.	
			200
			<u>240</u>
Note: Spouse of Mr Iqbal Ali Lakhani is the Program Chief Executive of the donee organisation.			
Mr Zulfiqar Ali Lakhani	(See note below)	Zulfiqar & Fatima Foundation, 9 - Khayaban-e-Ghazi, DHA, Phase-V, Karachi.	
			9,336
			<u>-</u>
Note: Mr Zulfiqar Ali Lakhani, his spouse and children are trustees of the donee organisation			
Mr Zulfiqar Ali Lakhani, Mr Amin and Mr Iqbal Ali Lakhani	(See note below)	Donation made to Swat IDPs through Hasanali Karabahi Foundation.	
			1,002
			<u>-</u>
Note: The above mentioned directors are trustees of the Hasanali Karabahi Foundation.			
<b>31. OTHER OPERATING INCOME</b>			
<b>Income from financial assets / liabilities</b>			
Profit on savings accounts		31,791	31,045
Profit on a term deposit account		3,556	507
Profit on disposal of short term investments		5,166	20,654
Liabilities no longer payable		-	805
<b>Income from non-financial assets</b>			
Insurance commission		6,647	3,455
Gain on disposal of property, plant and equipment	5.1.5	4,908	4,341
Sale of scrap		911	639
Insurance claim against consequential loss of profit		-	55,737
Sales tax refund		-	524
Profit on sale of material		318	247
Others		-	305
		<u>53,297</u>	<u>118,259</u>
<b>32. FINANCE COSTS</b>			
Markup on:			
- Long term loan		639	751
- Short term borrowings		41,155	14,408
Guarantee commission		267	258
Bank commission and other charges		6,806	4,458
		<u>48,867</u>	<u>19,875</u>



	2009	2008
	(Rupees in '000)	
<b>33. TAXATION</b>		
Current		
- for the year	388,313	300,600
- for prior years'	1,726	1,458
Deferred	6,100	39,658
	<u>396,139</u>	<u>341,716</u>

33.1 Reconciliation between the average effective tax rate and the applicable tax rate.

	2009	2008
	Percentage	
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not allowable in determining taxable income	(0.16)	(0.71)
Effect of income assessed under presumptive tax regime	(0.39)	(0.28)
Tax effect of income tax provision relating to prior year	0.15	0.14
Tax impact arising due to origination of temporary differences	(0.04)	(0.68)
	<u>34.56</u>	<u>33.47</u>

### 34. EARNINGS PER SHARE

	2009	2008
	(Rupees in '000)	
Profit after taxation	749,966	679,293
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year - restated	23,887,233	23,887,233
	(Rupees)	
Earnings per share - restated	<u>31.40</u>	<u>28.44</u>

34.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2009 and 2008.

### 35. CASH GENERATED FROM OPERATIONS

	Note	2009	2008
		(Rupees in '000)	
Profit before taxation		1,146,105	1,021,009
Adjustment for non-cash charges and other items:			
Depreciation and amortisation expense		142,385	110,466
Gain on sale of property, plant and equipment		(4,908)	(4,341)
Provision for impairment - trade debts		489	1,338
Advances to employees written off		-	30
Profit on savings accounts		(31,791)	(31,045)
Profit on a term deposit account		(3,556)	(507)
Profit on disposal of short term investments		(5,166)	(20,654)
Finance costs		48,867	19,875
Net exchange loss		13,903	44,350
Stores and spares written off		571	18
Stocks written off		3,924	5,460
Property, plant and equipment written off		1,362	405
Working capital changes	35.1	(157,510)	(226,608)
		<u>1,154,675</u>	<u>919,796</u>

	2009	2008
	(Rupees in '000)	
35.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(1,624)	2,639
Stock in trade	(125,992)	(233,973)
Trade debts	(161,996)	(35,058)
Loans and advances	(62,878)	(56,079)
Trade deposits and short term prepayments	(6,736)	11,682
Other receivables	26,613	(33,785)
	<u>(332,613)</u>	<u>(344,574)</u>
Increase in current liabilities:		
Trade and other payables	175,103	117,966
	<u>(157,510)</u>	<u>(226,608)</u>

### 36. PROPOSED DIVIDEND

The Board of Directors at their meeting held on July 31, 2009 have proposed for the year ended June 30, 2009 cash dividend of Rs 11.5 per share (2008: Rs 10 per share), amounting to Rs 274.704 million (2008: Rs 191.098 million), bonus issue of 3.583 million shares (2008: 4.777 million shares) at the rate of three shares for every twenty shares held (2008: one share for every four shares held) and transfer to general reserve of Rs 440 million (2008: Rs 440 million) subject to the approval of members at the annual general meeting to be held on September 7, 2009.

### 37. RELATED PARTY DISCLOSURES

#### 37.1 Disclosure of transactions between the company and related parties.

The related parties comprise associated companies, staff retirement funds, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. Significant balances and transactions with related parties are as follows:

Nature of transaction	Note	Relationship with the company		
<u>Sale of goods, services provided and reimbursement of expenses</u>				
Century Paper & Board Mills Limited		Associate	430	266
Clover Pakistan Limited		Associate	14,534	10,436
Merit Packaging Limited		Associate	75	51
Rollins Industries (Private) Limited	37.3	Related party	624,932	294,127
Tetley Clover (Private) Limited		Associate	4,861	2,048
Cyber Internet Services (Private) Limited		Associate	7	-
			<u>644,839</u>	<u>306,928</u>
<u>Purchase of goods, services received and reimbursement of expenses</u>				
Century Insurance Company Limited		Associate	59,180	34,270
Century Paper & Board Mills Limited		Associate	172,332	118,278
Century Publication (Private) Limited		Associate	10,665	8,661
Clover Pakistan Limited		Associate	1,776	1,532
Colgate-Palmolive China		Subsidiary of CP-USA	98,655	87,937
Colgate-Palmolive (Vietnam) Limited		Subsidiary of CP-USA	31,861	10,651
Colgate-Palmolive Company USA		Joint venture company	60,055	41,936
Colgate-Palmolive (H.K.) Limited		Subsidiary of CP-USA	-	791
Colgate-Palmolive (Thailand) Limited		Subsidiary of CP-USA	12,070	6,886
Colgate-Palmolive Turkey		Subsidiary of CP-USA	-	160
Colgate-Palmolive Malaysia		Subsidiary of CP-USA	34	-
Cyber Internet Services (Private) Limited		Associate	5,902	4,792
Lakson Business Solution Limited		Associate	2,430	119
Merit Packaging Limited		Associate	22,568	7,752
Princeton Travels (Private) Limited		Associate	6,969	6,092
Rollins Industries (Private) Limited	37.3	Related party	1,658,196	1,054,975
SIZA (Private) Limited		Associate	460	19
SIZA Foods (Private) Limited		Associate	-	100
Accuray Surgicals (Private) Limited		Associate	25	-
Sybird (Private) Limited		Associate	165	-
Tetley Clover (Private) Limited		Associate	722	-
Television Media Network (Private) Limited		Associate	34,391	13,337
			<u>2,178,456</u>	<u>1,398,288</u>



Nature of transaction	Note	Relationship with the Company	2009 (Rupees in '000)	2008
<u>Rent, allied and other charges</u>				
Century Paper & Board Mills Limited		Associate	-	181
Hasanali Karabhai Foundation		Associate	13,906	8,219
SIZA Services (Private) Limited		Associate	1,101	402
Reliance Chemicals (Private) Limited		Associate	1,704	1,723
			<u>16,711</u>	<u>10,525</u>
<u>Royalty charges</u>				
Colgate-Palmolive Company USA		Joint venture company	<u>42,186</u>	<u>31,912</u>
<u>Sale of property, plant and equipment</u>				
Clover Pakistan Limited		Associate	-	83
Tetley Clover (Private) Limited		Associate	290	35
			<u>290</u>	<u>118</u>
<u>Contribution to staff retirement benefits</u>				
Colgate-Palmolive (Pakistan) Limited		Employees fund	11,723	9,271
Employees Contributory Provident Fund				
Colgate-Palmolive (Pakistan) Limited		Employees fund	11,159	8,871
Employees Gratuity Fund				
			<u>22,882</u>	<u>18,142</u>
<u>Donations</u>				
Special Olympics Pakistan	30.2		200	240
Hasanali Karabhai Foundation			1,002	-
Zulfiqar & Fatima Foundation			9,336	-
			<u>10,538</u>	<u>240</u>
<u>Compensation paid to key management personnel</u>				
Short-term employee benefits including compensated absences		Key management personnel	23,053	26,662
Post employment benefits		--do--	2,696	2,946
			<u>25,749</u>	<u>29,608</u>
<u>Insurance claims received</u>				
Century Insurance Company Limited		Associate	43,941	146,625
<u>Insurance commission income</u>				
Century Insurance Company Limited		Associate	6,647	3,455
<u>Purchase of property, plant and equipment</u>				
Lakson Business Solution Limited		Associate	-	133
Clover Pakistan Limited		Associate	-	1,055
SIZA (Private) Limited		Associate	-	1,080
SIZA Foods (Private) Limited		Associate	-	567
			<u>-</u>	<u>2,835</u>
<u>Dividend paid</u>				
Colgate-Palmolive Company USA		Joint venture company	57,329	73,382
Century Insurance Company Limited		Associate	70	90
Premier Fashions (Private) Limited		Associate	30,921	18,751
SIZA (Private) Limited		Associate	14,992	19,190
SIZA Services (Private) Limited		Associate	53,968	50,839
SIZA Commodities (Private) Limited		Associate	17,656	11,938
			<u>174,936</u>	<u>174,190</u>
<u>Interest on short term loan</u>				
Mrs Ronak Iqbal Ali Lakhani		See note 25.5 & 25.6	3,526	-
Mr Amin M. Lakhani			10,895	-
			<u>14,421</u>	<u>-</u>

37.2 The related party status of outstanding balances as at June 30, 2009 are included in trade debts (note 11), other receivables (note 14), and trade and other payables (note 23) respectively.

37.3 Rollins Industries (Private) Limited is a third party whose manufacturing process is dependent on the company.

### 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

38.1 The aggregate amount charged in these financial statements for remuneration, including certain benefits to the chief executive, the director and executives of the company, are as follows:

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Managerial remuneration	5,382	5,382	1,892	1,708	50,241	33,526
Bonus / commission	–	1,827	318	287	8,621	6,063
Staff retirement gratuity	–	–	503	414	2,343	1,868
Provident fund	–	–	171	154	4,267	2,686
Housing	1,614	1,614	852	768	22,693	15,114
Utilities	720	355	–	–	–	–
Motor vehicles	580	533	193	179	5,560	3,380
Others	–	–	–	231	7,745	5,405
	<u>8,296</u>	<u>9,711</u>	<u>3,929</u>	<u>3,741</u>	<u>101,470</u>	<u>68,042</u>
Number of persons	1	1	1	1	53	34

38.2 Chief executive, a working director and the executives of the company are also provided with company maintained cars.

### 39. FINANCIAL INSTRUMENTS BY CATEGORY

	2009	2008
	(Rupees in '000)	
<b>FINANCIAL ASSETS</b>		
<b>Available-for-sale financial assets</b>		
Short term investments	-	180,201
<b>Loans and receivables</b>		
Long term loans	27,150	26,759
Long term security deposits	6,431	2,962
Trade debts	346,547	184,551
Trade deposits	12,758	4,976
Other receivables	12,140	38,508
Profit receivable from banks	837	2,291
Cash and bank balances	<u>1,024,666</u>	<u>592,937</u>
	<u>1,430,529</u>	<u>852,984</u>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortised cost</b>		
Long term loan	3,125	5,625
Long term deposits	5,658	4,465
Trade and other payables	789,146	639,234
Accrued mark-up	167	700
Short term borrowings	-	44,945
	<u>798,096</u>	<u>694,969</u>



**40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

40.1 The company's exposure to interest rate risk on its financial assets and liabilities at the balance sheet date based on contractual re-pricing or maturity dates, whichever is earlier are summarised as follows:

	June 30, 2009						Total
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity within one year	Maturity after one year	Sub-total	Maturity within one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
<b>Financial assets</b>							
Long term loans	—	—	—	8,646	18,504	27,150	27,150
Long term security deposits	—	1,700	1,700	—	4,731	4,731	6,431
Trade debts	—	—	—	346,547	—	346,547	346,547
Trade deposits	—	—	—	12,758	—	12,758	12,758
Other receivables	—	—	—	12,140	—	12,140	12,140
Profit receivable from banks	—	—	—	837	—	837	837
Short term investments	—	—	—	—	—	—	—
Cash and cash balances	886,257	—	886,257	138,409	—	138,409	1,024,666
	<u>886,257</u>	<u>1,700</u>	<u>887,957</u>	<u>519,337</u>	<u>23,235</u>	<u>542,572</u>	<u>1,430,529</u>
<b>Financial liabilities</b>							
Long term loan	2,500	625	3,125	—	—	—	3,125
Long term deposits	—	—	—	—	5,658	5,658	5,658
Trade and other payables	—	—	—	789,146	—	789,146	789,146
Accrued mark-up	—	—	—	167	—	167	167
Short term borrowings	—	—	—	—	—	—	—
	<u>2,500</u>	<u>625</u>	<u>3,125</u>	<u>789,313</u>	<u>5,658</u>	<u>794,971</u>	<u>798,096</u>
On balance sheet gap (a)	<u>883,757</u>	<u>1,075</u>	<u>884,832</u>	<u>(269,976)</u>	<u>17,577</u>	<u>(252,399)</u>	<u>632,433</u>

	June 30, 2008						Total
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity within one year	Maturity after one year	Sub-total	Maturity within one year	Maturity after one year	Sub-total	
<b>Financial assets</b>							
Long term loans	—	—	—	8,208	18,551	26,759	26,759
Long term security deposits	—	1,700	1,700	—	1,262	1,262	2,962
Trade debts	—	—	—	184,551	—	184,551	184,551
Trade deposits	—	—	—	4,976	—	4,976	4,976
Other receivables	—	—	—	38,508	—	38,508	38,508
Profit receivable from banks	—	—	—	2,291	—	2,291	2,291
Short term investments	—	—	—	180,201	—	180,201	180,201
Cash and cash balances	459,427	—	459,427	133,510	—	133,510	592,937
	<u>459,427</u>	<u>1,700</u>	<u>461,127</u>	<u>552,245</u>	<u>19,813</u>	<u>572,058</u>	<u>1,033,185</u>
<b>Financial liabilities</b>							
Long term loan	2,500	3,125	5,625	—	—	—	5,625
Long term deposits	—	—	—	—	4,465	4,465	4,465
Trade and other payables	—	—	—	639,234	—	639,234	639,234
Accrued mark-up	—	—	—	700	—	700	700
Short term borrowings	44,945	—	44,945	—	—	—	44,945
	<u>47,445</u>	<u>3,125</u>	<u>50,570</u>	<u>639,934</u>	<u>4,465</u>	<u>644,399</u>	<u>694,969</u>
On balance sheet gap (a)	<u>411,982</u>	<u>(1,425)</u>	<u>410,557</u>	<u>(87,689)</u>	<u>15,348</u>	<u>(72,341)</u>	<u>338,216</u>

a) The on balance sheet gap represents the net amount of on-balance sheet items.

	2009	2008
	(Rupees in '000)	
Off-balance sheet items		
Letters of credit	443,054	383,768
Indemnity bonds and guarantees	18,300	14,600

The effective interest / mark-up rates as at June 30 for financial instruments are as follows:

	Percentage	
Long term security deposits	4.00	5.00
Balances with banks in:		
- savings accounts	4.00 to 11.50	0.75 to 13.60
- term deposit account	12.75	14
Long term loan	14.34	11.36
Short term borrowings		
- running finance facilities	13.99 to 17	10.92 to 13.81
- import credit facilities	5.29	4.70

#### 40.2 Financial risk management objectives and policies

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

##### 40.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rs 1,430.529 million (2008: Rs 1,033.185 million), the financial assets that are subject to credit risk amounted to Rs 1,429.933 million (2008: Rs 1,032.497 million).

Out of the total bank balance of Rs 975.954 million placed with banks, amounts aggregating Rs 974.092 million have been placed with banks having short term credit rating of A1+.

Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company.

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Accordingly the credit risk is minimal and the company also believes that it is not exposed to major concentration of credit risk.

The breakup of amount due from customers other than related parties as stated in note 11 is presented.

	2009	2008
	(Rupees in '000)	
Due from customers other than related parties		
Institutional customers	164,374	-
Distributors	140,863	70,173
	305,237	70,173

Out of Rs 305.237 million (2008: 178.968 million), the company has provided Rs 7.057 million (2008: 6.568 million) as the amounts being doubtful to be recovered from them.



#### 40.2.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the company on basis of expected cashflow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Significant balances of financial assets and liabilities shall mature within twelve months as evident from the information presented in the note 40.1.

#### 40.2.3 Market Risk

##### Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company primarily has foreign currency exposures in US Dollars (USD).

At June 30, 2009, if the currency had weakened / strengthened by 5% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Rs 7.258 million higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated bank balances and bills payables.

##### Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The company is not materially exposed to interest rate changes.

#### 40.2.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2009 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

#### 40.2.5 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term loan' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

The salient information relating to capital risk management of the company as of June 30, 2009 and 2008 were as follows:

		2009	2008
		(Rupees in '000)	
Total borrowings	20 & 25	3,125	50,570
Less: Cash and cash equivalents	17	1,024,666	592,937
Net Debt		1,021,541	542,367
Total Equity		2,700,211	2,141,544
Total Capital		3,721,752	2,683,911
Gearing Ratio		27.45%	20.21%

As at June 30, 2009 and 2008, the company had an excess of liquid assets over total borrowings, hence, its exposure to capital risk is minimal.

#### 41. DEFINED BENEFIT PLAN (Staff Retirement Gratuity)

41.1 The disclosures made in notes 41.2 to 41.13 are based on the information included in the actuarial valuation report as of June 30, 2009.

41.2 The actuarial valuation of gratuity plan was carried out as at June 30, 2009. The projected unit credit method using the following significant assumptions was used for this valuation:

	2009	2008
	Percentage	
- Discount rate - per annum compound	12.00	12.00
- Expected rate of increase in salaries - per annum	11.00	11.00
- Expected rate of return on plan assets - per annum	12.00	10.00

41.3 Mortality rate

The rates assumed were based on the EFU 61-66 mortality table.

41.4 The amounts recognised in the balance sheet are as follows:

	Note	2009	2008
		(Rupees in '000)	
Present value of defined benefit obligation	41.5	90,954	72,505
Fair value of plan assets	41.6	57,899	49,149
Deficit		33,055	23,356
Unrecognised net actuarial gains		(23,871)	(12,335)
Unrecognised past service cost		(9,184)	(11,021)
Payable to the gratuity fund		-	-

41.5 Movement in defined benefit obligation

Present value of defined benefit obligation as at July 1, 2008 / 2007	72,505	62,378
Current service cost	6,129	5,039
Interest cost	8,700	6,238
Actuarial losses	6,382	3,442
Benefits paid	(2,762)	(4,592)
Fair value as at June 30	90,954	72,505

41.6 Movement in fair value of plan assets

Fair value as at July 1, 2008 / 2007	49,149	42,781
Expected return on plan assets	5,898	4,278
Actuarial losses	(5,545)	(2,189)
Company contributions	11,159	8,871
Benefits paid	(2,762)	(4,592)
Fair value as at June 30	57,899	49,149

41.7 Movement in net liability in the balance sheet is as follows:

Opening balance of net liability	-	-
Charge for the year	41.8	8,871
Contributions made during the year to the fund		(8,871)
Closing balance of net liability		-

41.8 Charge for the year has been allocated as under:

Cost of sales	27.1	6,514	5,048
Selling and distribution costs	28	2,291	1,885
Administrative expenses	29	2,354	1,938
		11,159	8,871



	Note	2009 (Rupees in '000)	2008
41.9	The following amounts have been charged to income in respect of the gratuity plan:		
Current service cost		6,129	5,039
Interest cost		8,700	6,238
Past service cost – non vested		1,837	1,836
Actuarial loss charge		391	36
Expected return on plan assets		(5,898)	(4,278)
		<u>11,159</u>	<u>8,871</u>
Actual return on plan assets		<u>353</u>	<u>2,089</u>

41.10 Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of the defined benefit obligation and the deficit arising thereon are as follows:

	2009	2008	2007	2006	2005
	(Rupees in '000)				
As at June 30					
Present value of defined benefit obligation	90,954	72,505	62,378	50,312	41,978
Fair value of plan assets	(57,899)	(49,149)	(42,781)	(28,910)	(17,685)
Deficit	<u>33,055</u>	<u>23,356</u>	<u>19,597</u>	<u>21,402</u>	<u>24,293</u>
Experience adjustment:					
(Loss) / gain on plan assets (as percentage of plan assets)	(9.58)	(4.46)	8.28	4.51	(3.64)
Loss / (gain) on obligations (as a percentage of obligation)	7.02	4.75	5.94	1.04	12.26

41.11 Plan assets comprise of the following:

	2009 (Rupees in '000)		2008 (Rupees in '000)	
	Percentage	Percentage	Percentage	Percentage
Shares	2,584	4.46	4,937	10.04
Debt	13,287	22.95	34,956	71.12
Cash	42,020	72.58	7,134	14.52
Others	8	0.01	2,122	4.32
	<u>57,899</u>	<u>100.00</u>	<u>49,149</u>	<u>100.00</u>

41.12 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the company, at the beginning of the period, for returns over the entire life of related obligation.

41.13 Expected contribution to post employment benefit plan for the year ending June 30, 2010 is Rs 16.371 million.

## 42. PLANT CAPACITY AND ACTUAL PRODUCTION

	2009 (Quantities in tons)	2008
Capacity	<u>123,500</u>	<u>105,500</u>
Production	<u>117,005</u>	<u>96,796</u>

The underutilisation of capacity was due to market constraints.

### 43. CORRESPONDING FIGURES

43.1 Corresponding figures have been reclassified, for better presentation, in respect of the following:

Note	From	Note	To	(Rupees in '000)
5.1	Property, plant and equipment	6	Intangible assets	3,500
31	Other operating income	30	Other operating expenses	(44,350)
5.1.6	Depreciation	6	Amortisation	385
13	Trade deposits, short term prepayments and other receivables	14	Other receivables	38,753

43.2 Corresponding figures given in cash flow statement have been reclassified, for better presentation, as follows:

From	To	(Rupees in '000)
Stores and spares	Stores and spares written off	18
Stock in trade	Stocks	5,460
Finance costs	Net exchange loss	(44,350)
Trade deposits, short term prepayments and other receivables	Other receivables	(33,785)

### 44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 31, 2009 by the Board of Directors of the company.

  
**Zulfiqar Ali Lakhani**  
Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
Director