COLGATE-PALMOLIVE (PAKISTAN) LTD.

FIRST QUARTER REPORT

JULY - SEPTEMBER 2018

CONTENTS

	Page
COMPANY INFORMATION	2
DIRECTORS' REVIEW	3-4
DIRECTORS' REVIEW - IN URDU	5-6
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	7
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	9
CONDENSED INTERIM STATEMENT OF CASH FLOWS	10
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS	11-23

COLGATE-PALMOLIVE (PAKISTAN) LTD.

COMPANY INFORMATION

BOARD OF DIRECTORS

Iqbal Ali Lakhani	Chairman
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
Aliya Saeeda Khan	
Peter John Graylin	
Mukul Vinayak Deoras	(from September 27, 2018)
Vinod Nambiar	(upto September 27, 2018)
Zulfiqar Ali Lakhani	Chief Executive

ADVISOR

Sultan Ali Lakhani

AUDIT COMMITTEE

Aliya Saeeda Khan	Chairperson
Iqbal Ali Lakhani	
Amin Mohammed Lakhani	

HUMAN RESOURCE & REMUNERATION COMMITTEE

Aliya Saeeda Khan	Chairperson
Iqbal Ali Lakhani	
Zulfiqar Ali Lakhani	

COMPANY SECRETARY

Mansoor Ahmed

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants

INTERNAL AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

REGISTERED OFFICE

Lakson Square, Building No. 2,
Sarwar Shaheed Road,
Karachi-74200
Pakistan

SHARES REGISTRAR

FAMCO Associates (Private) Limited
8-F, Near Hotel Faran, Nursery, Block-6,
P.E.C.H.S., Shahra-e-Faisal, Karachi.

FACTORIES

G-6, S.I.T.E., Kotri
District Jamshoro (Sindh)

217, Sundar Industrial Estate,
Raiwind Road, Lahore

WEBSITE

www.colgate.com.pk

DIRECTORS' REVIEW

The directors of your Company are pleased to present un-audited condensed financial statements of the Company for the quarter ended September 30, 2018.

Financial Position at a Glance

A brief financial analysis of the Company for the quarter is summarized below:

Operating Results	July- September 2018	July- September 2017	Increase/ Decrease
	Amount in PKR million		
Turnover	11,125	10,129	10.82%
Net Turnover	8,484	7,675	10.54%
Gross Profit	2,545	2,604	(2.27%)
Gross Profit %	30.00%	33.93%	(393 bps)
Selling & Distribution Cost	1,269	1,306	(2.83%)
Administrative Expenses	124	108	14.81%
Operating Profit	1,171	1,169	0.17%
Profit After Tax	801	817	(1.96%)
Earnings Per Share - Rupees	13.91	14.19	(1.96%)

Financial Performance Highlights

Net turnover of the Company grew by 10.54% mainly on account of price adjustments made to off-set the impact of increase in cost of production. However, despite the increase in selling prices, the gross profit margin of the Company dropped by 393 bps over the corresponding period last year as the Company did not pass on the full impact of devaluation of PKR and increase in the commodity prices due to competitive dynamics of the industry.

The Company rationalized its spending on media and promotion resulting in decrease of 2.83% in the selling and distribution cost. Administrative expenses of the Company grew by 14.81% mainly due to increase in employee related cost and depreciation expense.

Net turnover, gross profit and selling and distribution cost of corresponding period has been restated due to implementation of IFRS 15 as detailed in note 3 to the unaudited condensed interim financial statements.

COLGATE-PALMOLIVE (PAKISTAN) LTD.

Business Performance Highlights

Personal care continues to deliver steady growth resulting in share gain for bar soap business.

Due to pressure on margins, the Company took selective price increases on its brands to partially neutralize the impact of increased costs and devaluation.

Tax avoidance by unorganized sector in detergent powder and dishwashing bar market is helping the regional players to gain momentum. Due to these non-filers in the industry, the organized sector does not have a level playing field.

Future Outlook

The PKR has continued its slide against US Dollar and has depreciated by more than 6% in the current month. Further devaluation of rupee is expected. The international economic outlook also looks uncertain and it is expected that the prices of key commodities may increase further.

Acknowledgement

We would like to extend our sincere gratitude to our customers for their trust in our brands. We are thankful to our bankers, shareholders and suppliers for their continued support. We also appreciate our employees for their relentless dedication and immense contribution to the Company.

On behalf of Board of Directors

IQBAL ALI LAKHANI
Chairman

ZULFIQAR ALI LAKHANI
Chief Executive

Karachi : October 30, 2018

ڈائریکٹرز رپورٹ

کمپنی ڈائریکٹرز مسرت کے ساتھ کمپنی کے 30 ستمبر 2018 کو اختتام پذیر ہونے والی سہ ماہی کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے پیش کرتے ہیں۔

مالیاتی صورتحال ایک نظر میں

اس سہ ماہی کے لیے کمپنی کا مختصر مالیاتی جائزہ ذیل کے مطابق ہے:

کاروباری نتائج	جولائی - ستمبر 2018	جولائی - ستمبر 2017	اضافہ / (کمی)
	(روپے ملین میں)		
مجموعی آمدنی	11,125	10,129	10.82%
خالص آمدنی	8,484	7,675	10.54%
مجموعی منافع	2,545	2,604	(2.27%)
مجموعی منافع %	30.00%	33.93%	(393 بنیادی پوائنٹس)
فروخت اور ترسیل کے اخراجات	1,269	1,306	(2.83%)
% انتظامی اخراجات	124	108	14.81%
آپریشنز سے منافع	1,171	1,169	0.17%
بعد از ٹیکس منافع	801	817	(1.96%)
فی شیئر آمدنی (روپے)	13.91	14.19	(1.96%)

مالیاتی کارکردگی کی جھلکیاں

کمپنی کی خالص آمدنی میں 10.54% کے اضافے کی بنیادی وجہ قیمتوں میں مطابقت تھی جو پیداواری لاگت میں اضافے کے اثرات کو متوازن کرنے کے لیے کی گئی۔ قیمتوں میں اضافے کے باوجود کمپنی کا مجموعی منافع گذشتہ سال کی اسی مدت کے مقابلے میں 393 بنیادی پوائنٹس سے کم ہوا، چونکہ کمپنی نے انڈسٹری کے مسابقتی محرکات کی وجہ سے روپے کی قدر میں ہونے والی کمی اور اشیاءِ تصرف کی قیمتوں میں اضافے کے مجموعی اثرات صارف پر منتقل نہیں کئے۔

کمپنی کے فروخت اور ترسیل کے اخراجات میں 2.83% کمی واقع ہوئی جس کی وجہ میڈیا اور پروموشنل سرگرمیوں کی مد میں اخراجات میں استدلال تھا۔ انتظامی اخراجات میں 14.81% اضافہ ہوا جس کی بنیادی وجہ ملازمین اور ڈیپریسیئشن سے متعلق اخراجات ہیں۔

IFRS 15 کولاگو کرنے کی وجہ سے متعلقہ مدت کی خالص آمدنی، مجموعی منافع اور فروخت وترسیل کے اخراجات دوبارہ بیان کیے گئے ہیں، جس کی تفصیل غیر آڈٹ شدہ مختصر عبوری مالیاتی گوشواروں کے نوٹ 3 میں درج ہے۔

کاروباری کارکردگی کی جھلکیاں

پرسنل کیئر میں مستقل بنیادوں پر بتدریج نمو کے نتیجے میں بار سوپ بزنس کے شیئر میں اضافہ ہوا ہے۔

منافع پر دباؤ کے نتیجے میں چند برانڈز کی قیمتوں میں اضافہ کیا گیا تا کہ اخراجات میں اضافے اور روپے کی قدر میں کمی کے اثرات کو جزوی طور پر زائل کیا جا سکے۔

ڈٹرجنٹ پاؤڈر اور ڈش واشنگ بار مارکیٹ میں غیر منظم کاروباری طبقہ کے ٹیکس بچانے کی وجہ سے انہیں کاروبار میں نمو حاصل کرنے میں مدد مل رہی ہے۔ انڈسٹری کے ان نان فائلرز کی وجہ سے منظم طبقہ کو اپنا کاروباری حجم بڑھانے کے یکساں مواقع حاصل نہیں ہیں۔

مستقبل کی توقعات

پاکستانی روپیہ امریکی ڈالر کے مقابلے میں مسلسل کمی کا شکار ہے اور رواں ماہ کے دوران اس میں 6% سے زائد کمی واقع ہو چکی ہے۔ جبکہ روپے کی قدر میں مزید کمی کی توقع ہے۔ بین الاقوامی معاشی منظر نامہ بھی غیر یقینی نظر آ رہا ہے اور اہم اشیاءِ تصرف کی قیمتوں میں مزید اضافہ کی توقع کی جا سکتی ہے۔

اظہارِ تشکر

ہم اپنے صارفین کے انتہائی مشکور ہیں کہ انھوں نے ہمارے برانڈز پر اپنا اعتماد برقرار رکھا۔ ہم اپنے بینکرز، شیئر ہولڈرز اور سپلائرز کی مسلسل معاونت پر انکے شکر گزار ہیں۔ ہم اپنے ملازمین کی انتھک لگن اور قابل قدر کردار کی تعریف کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

اقبال علی لاکھانی
چیئرمین

ذوالفقار علی لاکھانی
چیف ایگزیکٹیو

کراچی: 30 اکتوبر، 2018

CONDENSED INTERIM STATMENT OF FINANCIAL POSITION (Unaudited-Note 2)

As at September 30, 2018

	Note	September 30, 2018 (unaudited)	June 30, 2018 (audited)
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property,plant and equipment	5	3,771,259	3,644,294
Intangible assets		22,105	24,818
Long term loans		48,297	42,651
Long term security deposits		19,101	17,648
		3,860,762	3,729,411
CURRENT ASSETS			
Stores and spares		249,840	228,561
Stock in trade	6	4,328,407	4,110,978
Trade debts		772,318	736,373
Loans and advances		445,725	253,582
Trade deposits and short term prepayments		159,703	66,597
Other receivables		203,766	204,338
Accrued profit		17,575	14,693
Taxation		841,918	522,942
Short term investments	7	5,040,769	5,354,454
Cash and bank balances		1,200,109	1,528,039
		13,260,130	13,020,557
TOTAL ASSETS		17,120,892	16,749,968
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital		750,000	750,000
Issued,subscribed and paid-up share capital	8	575,459	479,549
Reserves		12,684,183	12,937,587
Remeasurement on post retirement benefits obligation		(112,888)	(112,888)
(Deficit) / Surplus on revaluation of investments		(6,111)	5
		13,140,643	13,304,253
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred taxation		137,895	163,350
Long term deposits		80,458	86,062
		218,353	249,412
CURRENT LIABILITIES			
Trade and other payables	9	3,456,224	3,183,656
Unclaimed dividend		305,672	12,647
		3,761,896	3,196,303
TOTAL LIABILITIES		3,980,249	3,445,715
TOTAL EQUITY AND LIABILITIES		17,120,892	16,749,968
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Mirza Rehan Ahmed
Chief Financial Officer

COLGATE-PALMOLIVE (PAKISTAN) LTD.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited- Note 2)

For the Quarter ended September 30, 2018

	Note	**Quarter ended September 30, 2018**	Quarter ended September 30, 2017 (Restated)
		(Rupees in '000)	
Turnover		11,224,679	10,129,429
Sales tax		(1,781,276)	(1,603,543)
Trade and other discounts		(959,358)	(850,988)
Net turnover		8,484,045	7,674,898
Cost of sales		(5,938,952)	(5,070,552)
Gross profit		2,545,093	2,604,346
Selling and distribution costs		(1,269,047)	(1,305,826)
Administrative expenses		(124,244)	(108,265)
Other expenses		(101,455)	(97,155)
Other income		120,769	75,668
Profit from operations		1,171,116	1,168,768
Finance costs and bank charges		(8,809)	(6,400)
Profit before taxation		1,162,307	1,162,368
Taxation			
- Current - for the period		387,106	363,100
- Deferred		(25,455)	(17,300)
		(361,651)	(345,800)
Profit after taxation		800,656	816,568
Other comprehensive (loss) / income for the period-net of tax			
Items that may be reclassified subsequently to profit or loss			
(Deficit) / Surplus on investments categorised as 'fair value through other comprehensive income'		(6,889)	37,994
Impact of deferred tax		1,722	(5,699)
		(5,167)	32,295
Total comprehensive income for the period		795,489	848,863
		----------(Rupees)----------	
Earnings per share - basic and dilutive	11	13.91	14.19

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Mirza Rehan Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited - Note 2)

For the Quarter ended September 30, 2018

	Issued, subscribed and paid up share capital	Capital reserve-share premium	Revenue reserves		Sub Total-reserves	Remeasurement on post retirement benefits obligation- net of tax	(Deficit)/Surplus on revaluation of investments-net of tax	Total Equity
			General reserve	Unappropriated profit				
	(Rupees in '000)							
Balance as at July 1, 2017	479,549	13,456	8,808,000	2,537,499	11,358,955	(88,621)	4,043	11,753,926
Transactions with owners								
Final dividend for the year ended June 30, 2017 (Rs. 20 per share)	-	-	-	(959,099)	(959,099)	-	-	(959,099)
Total transactions with owners	-	-	-	(959,099)	(959,099)	-	-	(959,099)
Comprehensive income for the period								
Profit after taxation for the quarter ended September 30, 2017	-	-	-	816,568	816,568	-	-	816,568
Other comprehensive income	-	-	-	-	-	-	32,295	32,295
Total comprehensive income for the quarter ended September 30, 2017	-	-	-	816,568	816,568	-	32,295	848,863
Transfer to general reserve	-	-	1,578,000	(1,578,000)	-	-	-	-
Balance as at September 30, 2017	479,549	13,456	10,386,000	816,968	11,216,424	(88,621)	36,338	11,643,690
Balance as at June 30, 2018	479,549	13,456	10,386,000	2,538,131	12,937,587	(112,888)	5	13,304,253
Adjustment due to change in accounting policy (Note 3.1)	-	-	-	949	949	-	(949)	-
Balance as at July 1, 2018	479,549	13,456	10,386,000	2,539,080	12,938,536	(112,888)	(944)	13,304,253
Transactions with owners								
Final dividend for the year ended June 30, 2018 (Rs. 20.00 per share)	-	-	-	(959,099)	(959,099)	-	-	(959,099)
Bonus shares issued at the rate of one share for every five shares held	95,910	-	-	(95,910)	(95,910)	-	-	-
Total transactions with owners	95,910	-	-	(1,055,009)	(1,055,009)	-	-	(959,099)
Comprehensive income for the period								
Profit after taxation for the quarter ended September 30, 2018	-	-	-	800,656	800,656	-	-	800,656
Other comprehensive income	-	-	-	-	-	-	(5,167)	(5,167)
Total comprehensive income for the quarter ended September 30, 2018	-	-	-	800,656	800,656	-	(5,167)	795,489
Transfer to general reserve	-	-	1,483,000	(1,483,000)	-	-	-	-
Balance as at September 30, 2018	575,459	13,456	11,869,000	801,727	12,684,183	(112,888)	(6,111)	13,140,643

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Mirza Rehan Ahmed
Chief Financial Officer

COLGATE-PALMOLIVE (PAKISTAN) LTD.

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited - Note 2)

For the Quarter ended September 30, 2018

	Note	**Quarter ended September 30, 2018**	Quarter ended September 30, 2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	973,675	1,126,916
Taxes paid		(706,086)	(219,882)
Long term loans		(5,646)	1,886
Long term security deposits (assets)		(1,453)	(72)
Staff retirement gratuity paid		-	(7,376)
Long term deposits		(5,604)	11,413
Net cash generated from operating activities		254,886	912,885
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments of property, plant and equipment		(321,390)	(160,091)
Purchase of intangible assets		(1,129)	-
Short term investments made during the period		-	(3,843,693)
Proceeds from sale of property,plant and equipment		6,750	4,744
Profit received on saving accounts		10,206	9,778
Profit received on treasury bills		42,595	23,049
Profit received on Pakistan Investment Bonds		414	5,058
Profit received on term deposit receipt		16,852	33,095
Profit received on Sukuk certificates		338	-
Sale proceeds on disposal of short term investments		294,230	3,783,189
Net cash generated / (used in) from investing activities		48,866	(144,871)
CASH USED IN FINANCING ACTIVITIES			
Dividend paid		(666,074)	(675,089)
Net increase in cash and cash equivalents during the period		(362,322)	92,925
Cash and cash equivalents at the beginning of the period		4,291,039	4,415,140
Cash and cash equivalents at the end of the period	13	3,928,717	4,508,065

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Mirza Rehan Ahmed
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited - Note 2)

For the Quarter ended September 30, 2018

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 Pakistan Stock Exchange. 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the quarter ended September 30, 2018 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of the International Accounting Standard 34 - 'Interim Financial Reporting' and provision of and directives issued under the Companies Act, 2017 (the Act). In case where requirements differ, the provisions of or directives issued under the Act have been followed. These interim financial statements should be read in conjunction with the financial statements for the year ended June 30, 2018 as they provide an update of previously reported information.

2.2 These condensed interim financial statements do not include all the information and disclosures required in an annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30,2018.

2.3 These condensed interim financial statements comprise of the condensed interim statement of financial position as at September 30, 2018 and the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and notes thereto for the three months period then ended.

2.4 The comparative condensed statement of financial position, presented in these condensed interim financial statements as at June 30, 2018 has been extracted from the annual audited financial statements of the Company for the year ended June 30,2018 whereas the comparative condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flow together with the notes thereto for the period ended September 30, 2017 have been extracted from the condensed interim financial statements of the Company for the three months period then ended.

2.5 **New standards, amendments to approved accounting standards and interpretations that are effective during the quarter ended September 30, 2018**

There are certain new standards, amendments to approved accounting standards and interpretations which are mandatory for the Company's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except for IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. The impact of adoption of these new standards is detailed in note 3.

2.6 **New standards, amendments to approved accounting standards and interpretations that are not yet effective**

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019 and may have impact on the financial statements of the Company. At present, the impact of application of these standards, amendments and interpretations on the Company's future financial statements is being assessed.

2.7 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the financial statements for the year ended June 30, 2018 except for those specified in note 3 below.

3. CHANGE IN ACCOUNTING POLICY

3.1 **IFRS 9 'Financial Instruments'**

IFRS 9 has replaced the multiple classification and measurement models in IAS 39 'Financial Instruments: Recognition and Measurement' with a single model having two classification categories (i.e. amortised cost and fair value). It has also introduced an expected credit loss impairment model. Following the application of IFRS 9, the Company's policy for financial instruments stands amended as follows:

Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories.

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 or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Gains and losses arising on financial assets at amortised cost and financial assets at fair value through profit or loss are recognised in profit or loss. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on financial assets at fair value through other comprehensive income are also recognised in profit or loss. Gains and losses from changes in fair value of financial assets at fair value through other comprehensive income are recognised in other comprehensive income and, in case of debt instruments, are reclassified to profit or loss on derecognition or reclassification.

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 on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, 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 or loss.

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.

The aforesaid change in accounting policy resulted in reclassification of investment in mutual funds amounting to Rs 2,200 million as at July 1, 2018 from available for sale to fair value through profit or loss since its cash flows do not represent solely payments of principal and interest. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated and the reclassification is recognised in the opening statement of financial position.

The effect of change in accounting policy is summarised below:

Effect on statement of changes in equity	As at June 30, 2018	Reclassification	As at July 1, 2018
	----------(Rupees in '000)----------		
Unappropriated profit	12,937,587	949	12,938,536
Surplus on revaluation of investments	5	(949)	(944)

Further, the classification terms used for remaining financial assets have been changed as follows:

S. No.	Term as per IAS 39	Term as per IFRS 9
1.	Loans and receivables	Amortised Cost
2.	Available for sale	Fair value through other comprehensive income

3.2 **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Following the application of IFRS 15, the Company's policy for revenue recognition stands amended as follows:

Revenue recognition

- Revenue from sale of goods is recognised when the Company satisfies a performance obligation by transferring promised goods to customer. Goods are transferred when the customer obtains their control (i.e. on dispatch of goods to customers). Revenue is recognised at transaction price (which excludes estimates of variable consideration).

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

- Insurance commission income is recognised as and when received.

- Gains / (losses) arising on disposal of investments are recognised on the date when the transaction takes place.

- Unrealised gains / (losses) arising on revaluation of securities measured at 'fair value' are included in profit or loss / other comprehensive income in the period in which they arise.

The aforesaid change in accounting policy resulted in reclassification of certain payments / rebates from selling and distribution costs to trade and other discounts because they meet the criteria of variable consideration and do not constitute distinct goods / services.

The effect of change in accounting policy is summarised below:

	Quarter ended September 30, 2017		
Effect on statement of profit or loss and other comprehensive income	As previously reported	Reclassification	As reported after reclassification
	(Rupees in '000)		
Trade and other discounts	(595,126)	(255,862)	(850,988)
Selling and distribution costs	(1,561,688)	255,862	(1,305,826)

4. SIGNIFICANT ACCOUNTING ESTIMATES , JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan for interim reporting requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on the historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are same as those applied to financial statements as at and for the year ended June 30, 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

	Note	**September 30, 2018 (unaudited)**	June 30, 2018 (audited)
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (at net book value)	5.1 to 5.5	2,647,872	2,757,033
Capital work-in-progress (at cost)	5.6	1,123,387	887,261
		3,771,259	3,644,294

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
5.1 **Additions - operating fixed assets (at cost)**		
Factory building on leasehold land	6,443	1,462
Plant and machinery	37,164	28,682
Electric fittings and installation	2,259	522
Furniture and fixtures	4,677	4,457
Tools and equipment	2,124	10,563
Vehicles	27,261	7,803
Computer and accessories	2,813	9,282
Office equipment	2,528	2,490
	85,269	65,261

5.1.1 Additions include transfers from capital work-in-progress aggregating Rs 14.995 million (September 30,2017 : Rs 1.988 million).

5.2 **Disposals - operating fixed assets (at net book value)**		
Plant and machinery	-	527
Vehicles	5,073	2,440
Computer and accessories	-	14
Office equipment	13	28
	5,086	3,009
5.3 Depreciation charge for the period	189,344	156,770

5.4 Included in operating fixed assets are few items having cost of Rs. 35.506 million (June 30,2018: Rs. 35.506 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.

5.5 During the period, the Company has identified certain items of operating fixed assets from which further economic benefits are no longer being derived. Therefore, assets having cost of Rs 3.922 million (September 30, 2017: Rs 0.840 million) and net book value Rs nil (September 30, 2017: Rs 0.176) have been retired from active use and have been written off in these condensed interim financial statements.

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
	(Rupees in '000)	
5.6 **Additions - Capital Work-in-Progress (at cost)**		
Factory building on leasehold land	66,200	2,120
Plant and machinery	148,931	77,889
Electric fittings and installation	25,818	2,244
Tools and equipment	7,814	11,056
Furniture & fixtures	2,085	2,682
Computer and accessories	-	40
Office equipment	273	787
	251,121	96,818

	Note	**September 30, 2018 (unaudited)**	June 30, 2018 (audited)
6. STOCK IN TRADE			
Raw and packing materials	6.1	2,901,485	2,846,080
Work-in-process		468,632	311,269
Finished goods - Manufacturing		711,000	703,191
Finished goods - Trading		247,290	250,438
		958,290	953,629
		4,328,407	4,110,978

6.1 Stock in trade include raw and packing materials in transit aggregating Rs 1,008.322 million (June 30,2018 : Rs 1,088.557 million) and finished goods in transit aggregating Rs 67.371 million (June 30,2018 : Rs 36.694 million).

	Note	September 30, 2018 (unaudited)	June 30, 2018 (audited)
		(Rupees in '000)	

7. SHORT TERM INVESTMENTS

Investments - Amortised cost	7.1	3,073,430	2,765,607
Investments - Fair value through OCI	7.2	384,338	388,171
Investments - Fair value through P&L	7.3	1,583,001	2,200,676
		5,040,769	5,354,454

7.1 These include term deposits and trasury bills having profits rates of 5% - 8.40% and 7.635% per annum respectively and maturity between February 2019 and October 2018 respectively.

7.2 These include PIB's and Sukuk having profits rates of 6.85% and 7.16% per annum respectively and maturity in May 2028 and November 2022 respectively.

7.3

Name of the investee	As at July 01, 2018	Purchase during the period	Bonus units	Sales / Redemptions during the period	As at September 30, 2018	Average cost as at September 30, 2018	Fair Value as at September 30, 2018	Unrealised Gain as at September 30, 2018
	(Number of units in '000)					(Rupees in '000)		
Lakson Income Fund	9,442	468	-	(6,367)	3,543	350,000	362,528	12,528
Atlas Money Market Fund	1,513	81	-	-	1,594	800,000	813,628	13,628
NAFA Money Market Fund	38,464	2,156	-	-	40,620	400,000	406,845	6,845
	49,419	2,705	-	(6,367)	45,757	1,550,000	1,583,001	33,001

8. SHARE CAPITAL

8.1 Authorised share capital

September 30, 2018 (unaudited)	June 30, 2018 (audited)		September 30, 2018 (unaudited)	June 30, 2018 (audited)
(Number of shares)			(Rupees in '000)	
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000	750,000

8.2 **Issued, subscribed and paid-up share capital**

September 30, 2018 (unaudited)	June 30, 2018 (audited)		**September 30, 2018 (unaudited)**	June 30, 2018 (audited)
(Number of shares)			(Rupees in '000)	
5,882,353	5,882,353	Ordinary shares of Rs. 10 each fully paid in cash	58,824	58,824
51,663,562	42,072,576	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	516,635	420,725
57,545,915	47,954,929		575,549	479,549

8.3 These shares include 9,590,986 bonus shares of Rs 10 each issued by the Company during the period (June 2018: nil shares).

	Note	**September 30, 2018 (unaudited)**	June 30, 2018 (audited)
		(Rupees in '000)	
9. TRADE AND OTHER PAYABLES			
Trade creditors	9.1	960,338	790,063
Accrued liabilities	9.2	1,435,368	1,402,467
Bills payable		294,442	317,929
Advances from distributors - unsecured	9.3	48,216	47,636
Sales tax payable		194,649	2,053
Royalty payable to Colgate-Palmolive Co.,USA		275,174	222,814
Workers' profit participation fund		62,485	250,446
Workers' welfare fund		118,456	93,540
Retention money payable		5,546	4,945
Others	9.4	61,550	51,763
		3,456,224	3,183,656

9.1 This includes Rs. 79.552 million (June 30, 2018: Rs. 90.932 million) payable to related parties.

9.2 This includes Rs. 39.669 million (June 30, 2018: Rs. 73.399 million) payable to related parties.

9.3 This includes Rs.0.656 million (June 30, 2018: Rs. 6.205 million) in relation to advance from a related party.

9.4 This includes Rs.10.733 million (June 30, 2018: Rs. 3.292 million) payable to related parties.

9.5 There has been no change in short term borrowing facilities from various banks on mark-up basis from those that are mentioned in note 23.1 of annual audited financial statements for the year ended June 30, 2018.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Contingent liabilities in the form of bank guarantees issued in favour of Collector of Customs for clearance of tooth brushes shipments under section 81 aggregate Rs 130.704 million (June 30,2018: 67.307 million) as mentioned in the note 24.1.4 to the company's financial statements for the year ended June 30, 2018.

10.1.2 There has been no change in the status of contingencies disclosed in note 24.1.1, 24.1.2, 24.1.3, 24.1.4, 24.1.5, 24.1.6 and 24.1.8 to the Company's financial statements for the year ended June 30, 2018.

10.2 Commitments

10.2.1 Commitments in respect of capital expenditure and inventory items amount to Rs. 255.999 million and Rs. 507.736 million respectively (June 30, 2018: Rs. 165.729 million and Rs. 963,283 million respectively).

10.2.2 Outstanding letters of credit amount to Rs. 918.581 million (June 30,2018: Rs.534.505 million).

10.2.3 Outstanding duties leviable on clearing of stocks amount to Rs. 11.224 million (June 30,2018: Rs. 6.261 million).

11. EARNINGS PER SHARE

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
	(Rupees in '000)	
Profit after taxation	800,656	816,568
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the period - Restated	57,545,915	57,545,915
	(Rupees)	
Earnings per share - Restated	13.91	14.19

11.1 There were no dilutive potential ordinary shares outstanding as at September 30, 2018 and 2017.

11.2 Earnings per share has been restated to account for the impact of issue of bonus shares.

	Note	Quarter ended September 30, 2018	Quarter ended September 30, 2017
		(Rupees in '000)	
12. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,162,307	1,162,368
Adjustment for non-cash charges and other items:			
Depreciation expense		189,344	156,770
Amortisation expense		3,842	2,607
Gain on disposal of items of property, plant and equipment		(1,668)	(1,734)
Staff retirement gratuity		8,879	7,376
Property,plant and equipment written off		11	175
Stocks in trade written off		-	502
Profit on saving accounts		(10,252)	(9,699)
Profit on term deposit receipt		(13,852)	(28,787)
Profit on treasury bills		(42,597)	(23,049)
Profit on PIBs		(6,284)	(1,956)
Profit on Sukuk certificates		(865)	-
Gain on disposal of short term investments		(28,428)	(39)
Working capital changes	12.1	(286,762)	(137,618)
		973,675	1,126,916
12.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(21,279)	(12,203)
Stock in trade		(217,429)	(94,684)
Trade debts		(35,945)	(150,000)
Loans and advances		(192,143)	(21,017)
Trade deposits and short term prepayments		(93,106)	(137,988)
Other receivables		572	729
		(559,330)	(415,163)
Increase in current liabilities:			
Trade and other payables		272,568	277,545
		(286,762)	(137,618)
13. CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,200,109	1,346,065
Short term investments - Amortised cost		2,728,608	2,912,000
Short term investments - Certificate of Musharika		-	250,000
		3,928,717	4,508,065

14. RELATED PARTIES DISCLOSURES

14.1 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. The Company enters into transactions with related parties on the basis of mutually agreed terms. Significant balances and transactions with related parties are as follows:

Nature of Transaction	Relationship with the Company	Quarter ended September 30, 2018	Quarter ended September 30, 2017
		(Rupees in '000)	
Sale of goods, services and reimbursement of expenses	Associates	16,096	28,193
Purchase of goods and services received and reimbursement of expenses	Associates	815,945	646,299
Purchase of short term investments	Associates	-	200,000
Profit on short term investments	Associates	7,486	-
Sale proceeds on redemption of short term investments	Associates	642,514	-
Purchase of property,plant and equipment	Associates	-	333
Rent, allied and other charges	Associates	9,580	8,518
Royalty charges	Associates	52,355	37,842
Insurance claims received	Associates	2,068	4,895
Insurance commission income	Associates	10,411	4,652
Contribution to staff retirement benefits	Employee fund	19,432	16,992
Compensation paid to Key management personnel	Key management personnel	17,516	19,421
Donation	Associates	4,500	4,500
Dividend paid	Associates	843,496	843,496

Nature of balances	Relationship with the Company	September 30, 2018 (unaudited)	June 30, 2018 (audited)
		(Rupees in '000)	
Trade debts	Associates	632	750
Loans and advances	Associates	11,644	4,536
Other receivable	Associates	1,465	1,769
Short term investments	Associates	362,528	1,000,159
Trade and other payables	Associates	Refer note 9	

15. ENTITY-WIDE INFORMATION

15.1 The Company constitutes of a single reportable segment, the principal classes of products which are Personal Care, Home Care and Others.

15.2 Information about products

The Company's principal classes of products accounted for the following percentages of sales :

	Quarter ended September 30, 2018	Quarter ended September 30, 2017
Personal Care	26%	25%
Home Care	69%	71%
Others	5%	4%
	100%	100%

15.3 Information about geographical areas

The Company does not hold non-current assets in any foreign country. Revenues from external customers attributed to foreign countries in aggregate are not material.

15.4 Information about major customers

The Company does not have transactions with any external customer which amount to 10 percent or more of the entity's revenues.

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 30, 2018 by the Board of Directors of the Company.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director

Mirza Rehan Ahmed
Chief Financial Officer

www.jamapunji.pk
Jama Punji
سرمایہ کاری سمجھداری کے ساتھ
Be aware, Be alert, Be safe
Learn about investing at www.jamapunji.pk
Key features:
Licensed Entities Verification
Scam meter*
Jamapunji games*
Tax credit calculator*
Company Verification
Insurance & Investment Checklist
FAQs Answered
Stock trading simulator (based on live feed from KSE)
Knowledge center
Risk profiler*
Financial calculator
Subscription to Alerts (event notifications, corporate and regulatory actions)
Jamapunji application for mobile device
Online Quizzes
Jama Punji is an Investor Education Initiative of Securites and Exchange Commission of Pakistan
jamapunji.pk
@jamapunji_pk
*Mobile apps are also available for download for android and ios devices

COLGATE-PALMOLIVE (PAKISTAN) LTD.

Lakson Square, Building No. 2,
Sarwar Shaheed Road, Karachi-74200.
Tel: +9221-38400000