Unilever Pakistan Foods Limited

annual report 2011

Unilever

At Unilever all business activities are carried out in a socially and environmentally responsible manner. To promote a greener Pakistan and as a tangible demonstration of our commitment, this annual report has been printed on 100% recycled paper and information has been limited to financial statements only. Further information on our brands, business and corporate social responsibility initiatives is available on our website.

www.unileverpakistanfoods.com.pk

Vision

WE WORK TO CREATE A BETTER FUTURE EVERY DAY.

We help people feel good, look good and get more out of life with brands and services that are good for them and good for others. We will inspire people to take small everyday actions that can add up to a big difference in the world. We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.

Core Values

Impeccable Integrity

We are honest, transparent and ethical in our dealings at all times.

Demonstrating a Passion for Winning

We deliver what we promise.

Wowing our Consumers & Customers

We win the hearts and minds of our consumers and customers.

Bringing out the Best in All of Us

We are empowered leaders, who are inspired by new challenges and have a bias for action.

Living an Enterprise Culture

We believe in trust, truth and outstanding teamwork. We value a creative & fun environment.

Making a Better World

We care about and actively contribute to the community in which we live.

BOARD OF DIRECTORS

Mr. Ehsan A. Malik
Chairman

Ms. Fariyha Subhani
Chief Executive Officer

Mr. Imran Husain
Director / Chief Financial Officer

Mian Zulfikar H.Mannoo
Director

Mian M. Adil Mannoo
Director

Mr. Kamal Monnoo
Director

Mr. Badaruddin F. Vellani
Director

Mr. M. Qaysar Alam
Director

Ms. Shazia Syed
Director

AUDIT COMMITTEE

Mian Zulfikar H.Mannoo
Chairman

Mian M. Adil Mannoo
Member

Mr. M. Qaysar Alam
Member

Mr. Azhar Shahid
Secretary & Head of Internal Audit

AUDITORS

Messrs A.F.Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi.

REGISTERED OFFICE

Avari Plaza
Fatima Jinnah Road
Karachi - 75530

SHARE REGISTRATION OFFICE

C/o Famco Associates (Pvt) Limited
State Life Building No. 1-A
I.I. Chundrigar Road
Karachi.

WEBSITE ADDRESS

www.unileverpakistan.com.pk
www.unileverpakistanfoods.com.pk

Directors' Profile

Fariyha Subhani - CEO

Fariyha joined the board on January 31, 2009 as Chief Executive officer of the Company. She also holds Directorship in Unilever Pakistan Limited..

She completed her MBA from Lahore University of Management Sciences and joined Unilever as a management trainee in 1989. From 1990 to 2001 Fariyha worked with several HPC categories, namely Hair, Personal Wash, Laundry and Skin Care. She moved to Bangkok in 2002, as Regional Brand Director for Omo Asia, where she led several innovations and development of Dirt is Good brand key vision for Asia. In 2005, she moved to head up Household Care category for Asia, when the new BB-BD structure was rolled out.

She returned to Pakistan in 2006 as Marketing director Foods - Savoury, Spreads, Desserts and Drinks categories. In 2009, her role was extended to cover all of Foods including Beverages and Ice cream.

Ehsan A. Malik - Chairman

Ehsan joined the Board on August 31, 2006. He is the Chairman of Unilever Pakistan Foods Limited and is also the Chairman and Chief Executive Officer of Unilever Pakistan Limited. Prior to this, Ehsan was Chairman and CEO of Unilever Sri Lanka Limited. His earlier international appointments covered Unilever's regional business in Egypt, Lebanon, Jordan, Syria and Sudan as well as Unilever's Head Office in UK. These preceded senior commercial and financial roles at Unilever Pakistan. Before joining Unilever mid-career, he held a senior position in media.

Ehsan is a Fellow of the Institute of Chartered Accountants in England and Wales and alumni of the Wharton and Harvard Business Schools. He is a director of the Pakistan Business Council, member of the Management Committee-Overseas Investors Chamber of Commerce & Industry, member of the council of the Harvard Club of Pakistan and Chairman of the Annual Giving Committee of the Aga Khan University and Hospital.

Zulfikar H. Mannoo

Zulfikar joined the Board when the Company was formed. He also holds directorship in Rafhan Maize Products Co. Limited, since 1990, he is the Chief Executive of Pakwest Industries (Private) Ltd., Lahore, which is in the artificial leather manufacturing business.

He is an alumni of The Wharton School, University of Pennsylvania and Aitchison College, Lahore.

Imran Husain

Imran joined the Board on April 20, 2008 and is currently VP Finance and Chief Financial Officer of Unilever Pakistan Foods Limited and Unilever Pakistan Limited. He also holds Directorship in Lever Chemicals (Private) Limited, Lever Associated Pakistan Trust (Private) Limited and Unilever Birds Eye Foods Pakistan (Private) Limited.

Imran's earlier assignments include a regional strategic role based in Singapore where he led operationalising of category strategies for Asia AMET. He has been part of the sales function as Head of Modern Trade and has worked in various business partnering and expertise roles within finance which include Corporate Finance Head, Treasurer and Commercial Manager for Ice Cream. He has also worked with Birds Eye Walls, U.K. as Commercial Manager.

Imran is an M.B.A. from the Institute of Business Administration, Karachi. He enjoys playing golf, fishing and swimming.

Kamal Monnoo

Kamal joined the board on December 19, 2006 as a non-executive director. He is also a director in Samira Fabrics Pvt. Ltd, Pakland Chemical Industries Pvt. Limited, Karvan Crafts Limited and PSIC in Pakistan.

Kamal has a Doctorate in Business Administration from International School of Management, ISM, USA and Master degrees both from Yale, USA and Crummer, USA, and AB in Economics & Econometrics from Syracuse, USA.

M. Adil Mannoo

Adil joined the board on May 05, 2002 as a non-executive director. He also holds directorship in Rafhan Maize Products and is in the business of Textile trade as the sole proprietor of HN Enterprises.

He is a graduate and alumini of Aitchison college, Lahore.

Badaruddin F. Vellani

Vellani joined the Board on May 05, 2002. Currently, he is enrolled as an Advocate of the Supreme Court of Pakistan and is a partner in the law firm of Vellani & Vellani. In addition to his legal practice, Vellani is a member of the Board of Directors in several multinational companies covering the FMCG, manufacturing, medical and philanthropy sectors.

He is an Honours graduate in Chemical Engineering from the Loughborough University of Technology and is also a Barrister at Law from the Middle Temple (London). Vellani was called to the Bar in 1982 and commenced legal practice in Karachi immediately thereafter.

Shazia Syed

Shazia joined the Board on January 21, 2010. She is also a Director - Customer Development at Unilever Pakistan Limited. During her journey in Unilever Pakistan, she was seconded to Vietnam in December 2000 for three years where she worked as a Business Unit Leader in Personal Care Unit. In 2004, she returned back to the home country as a Vice President - Home and Personal Care. In 2009, she moved to Ice Cream business for a year to work on a restructuring plan before taking up the current role.

Shazia has done her Masters in Business Administration from Clayton University. She is an outdoor person and enjoys golf, cycling and her recent passion is rowing.

M. Qaysar Alam

Qaysar joined the board on July 30, 2004. Since then, he has been on the Board of Directors of Unilever Pakistan Foods Limited as well as Unilever Pakistan Limited, and a member of Audit Committees for both these companies.

Qaysar has 29 years of rich working experience in various functions of Supply Chain, most notably in Supply Chain Development where he played a leading role in designing the current structure and working processes at Unilever Pakistan Supply Chain which have resulted in cost and service efficiencies in the business. In 2004-05, he led the big restructuring program through process simplification and BPO. He has also worked briefly at the Unilever corporate office Singapore supporting Asian countries in the area of Supply Chain and Innovation.

Board Committees

Audit Committee

Members

Mian Zulfikar H. Mannoo
Chairman

Mian M. Adil Mannoo
Member

Mr. M. Qaysar Alam
Member

Mr. Azhar Shahid
Secretary & Head of Internal Audit

Meetings held during the year

Date	Attendees
February 17, 2011	3
April 27, 2011	3
August 11, 2011	3
October 27, 2011	4

Terms of Reference

Committee have been drawn up by the Board in compliance with listing regulations. The Committee oversees the internal audit function, and also reviews audit plans and reports. The Committee conducts its meetings as required under the code of corporate governance. The Committee appraises the board about the significant discussions and decisions at its meetings and recommendations in respect of Company's operations and financial results.

The Committee comprises three non-executive members of the Board. All employees of the Company have access to the Committee. The Committee met four times during 2011. Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board.

Board Committees

Committee of Director

Members

Ms. Fariyha Subhani
Chairperson

Ms. Shazia Syed
Member

Mr. Imran Husain
Member

Mr. Amar Naseer
Secretary

Mr. M. Qaysar Alam
Member

Meetings held during the year

Date

January 28, 2011
March 17, 2011
June 21, 2011
September 14, 2011
December 08, 2011

Terms of Reference

The committee comprises of four directors and chaired by the CEO. Periodic meetings are held to facilitate handing of operational matters, share transfer and any other significant matters rose during the normal course of the business operations.

Major Events

KNORR

Knorr Noodles in Pakistan won the "Pakistan Advertisers Society" award for Best communication in the Packaged Foods segment. Knorr won this award in May 2011 for its animated series "Knorr Quest for the Noodle Pot". "Knorr Quest for the Noodle Pot" animated series aimed at eliminating boredom by entertaining Pakistani children while at the same time teaching them all about good eating habits. The underlying objective of the campaign was to get new users to the noodles category by converting them from other snacks. The dramatic story telling, compelling Knorr characters with celebrity voiceovers and exciting animation made the Knorr Quest message fun and powerful.

RAFHAN CARNIVAL

In 2011, Rafhan turned 50 years young. Rafhan celebrated this landmark year with its consumers by throwing them a grand carnival consisting of games, entertainment shows and food enjoyed by kids and adults both. The carnival went to 7 major towns across Pakistan, touched over 200,000 consumers and gave them a memorable brand experience.

FOODSOLUTION

In 2011, Unilever Food Solutions Chef of the Year returned to the market for the third time and was welcomed with great enthusiasm by chefs all over Pakistan. This year Unilever Food Solutions reached out to twice as many chefs and received over 800 recipe entries. The competition was bigger and better as it challenged the chefs to outperform in the art of culinary brilliance. The competition reached out to chefs in 7 major towns across Pakistan and recognized talent in the industry. Unilever Food Solutions Chef of the Year has now established itself as a prestigious accolade that chefs fight for and look forward to each year.

Directors' Report

Our Brands

We have some of the world's best known and most trusted brands, with leadership positions in many of the fast moving consumer goods' categories in which we compete. Committed to enhancing the quality of life of the people of Pakistan, we aim to offer a broad portfolio that appeals to diverse consumers year on year.

Chairman's Statement

The company delivered profit after tax of Rs. 617 million, up 41% on previous year from 22% higher turnover.

Operating conditions in Pakistan remained tough as economic growth for the second consecutive year was marred by floods, prolonged power outages, rising commodity costs and adverse security environment. Notwithstanding this, consumer demand remained resilient. Improved operating efficiency and control over indirects helped the business generate 19% higher margin. Unilever Pakistan Foods further strengthened its foothold in the Food industry through innovation. Soupy noodles was launched in 2011 and was backed by powerful communication, bold activation and increased advertising.

The Company is focusing on its Knorr brand and in building the FoodSolutions business. Distribution reach was further augmented by the addition of thousands of stores into direct coverage and by gearing up assortment and visibility at point of sale.

Unilever's already strong reputation for responsible business practices was enhanced further by the launch of the Unilever Sustainable Living Plan (USLP), which strengthens our social and environmental ambitions. An integral part of our business model, USLP will enable us to accelerate innovation, ensure security of resources, reduce overall costs, build sustainability into our brand propositions and win consumer preference and loyalty.

On behalf of the Board I thank our people for their commitment, dedication and hard work. Also our shareholders, customers and consumers for their continued trust.

EHSAN A. MALIK
CHAIRMAN

Directors' Report

The directors are pleased to present the Annual Report together with the Company's audited financial statements for the year ended December 31, 2011.

Business Review:

Following on from 19.6% growth in 2010, the Company's growth accelerated to 22.3% in 2011 despite challenging economic conditions. Growth was led by the Knorr portfolio. Earnings after tax grew by 41% and are 3.5 times PAT in 2009.

	2011	2010
	Rupees in million	
Sales	**4,940**	4,041
Gross Profit	**1,925**	1,535
Profit from Operations	**917**	658
Profit before tax	**910**	646
Profit after tax	**617**	437
EPS-basic (Rs.)	**100.15**	71.04

Key Financial Indicators

Underlying sales growth
22.3% ↑

Gross Margin
100 bps ↑

Operating Cash flows
96% ↑

Earnings Per Share
41% ↑

Financial Headlines

- Turnover up by Rs. 899 Mn
- Profit from operations up by Rs. 259 Mn
- Earning per share of Rs. 100.15

Key Non - Financial Indicators

Total recordable accident frequency rate (per 1m hours worked)
0.48 ↓
2010: 0.83

Sulphur oxides per ton of production (Kg)
0.31 ↓
2010: 0.44

Energy per ton of production (GJ)
2.48 ↓
2010: 2.58

Waste per ton of production (Kg)
0.91 ↓
2010: 1.57

Unilever Sustainable Living Plan

- Help people to improve their health and well-being
- Halve the environmental impact from make and use of our products
- Enhance the livelihood of thousands of people in our supply chain

Dividends

The Board of Directors has recommended a final cash dividend of Rs. 50 per share. With the interim dividend of Rs. 50 per share already paid during the year, the total dividend for the year 2011 amounts to Rs. 100 (2010: Rs.71) per ordinary share of Rs. 10 each.

The key business milestones were:

Knorr portfolio, comprising of noodles, cooking aids, soups and dressings; achieved an impressive value growth. In Knorr, Noodles was the star performer followed by a remarkable performance by Dressings. Both categories registered value growth over 50%. The innovation of Soupy Noodles in 2011 was a major highlight as it further strengthened the Noodles range and proved to be highly popular among kids. The year also saw the relaunch of Knorr Cubes with an improved formulation offering a better taste to the consumers.

Rafhan, the market leader in the packaged desserts category, celebrated its 50th birthday in 2011. Rafhan desserts have been synonymous with quality over the years and enjoy strong brand equity. It continued to own the birthday platform through the exciting 'Birthday Blast' campaign for desserts supported by innovative on ground activation which involved carnivals celebrating Rafhan's birthday with its consumers.

Energile is a powder drink available in different flavours targeting the Pakistani youth. The brand faced stiff competition and remained under pressure as the powder beverages category continued to decline during the year.

Glaxose-D is a dextrose based drink, positioned towards the health and wellness segment providing instant energy to consumers. The brand achieved high value growth despite challenges faced by the powder drinks category.

Unilever FoodSolutions continues to be one of the leading food service providers in Pakistan, strengthening its strong relationships with all major key food customers. In 2011 Unilever Food Solutions introduced Knorr Soya Mince-textured vegetable protein, which enhances the yield of a meat based dish and alongside gives economy in a kitchen. The much awaited professional chef competition "Unilever FoodSolutions Chef of the Year", which increased its reach to 2000 chefs, was very well received. The business has fostered partnerships with the modern trade customers and continues its growth momentum in this channel.

The Export business caters the categories of ethnic taste and 'Halal' food, targeting customers in Asia and Europe. This segment continued to serve these markets with our quality products including Noodles, Cooking aids and desserts.

Our People

We take pride in our people and enable them to make sustainable choices at home and at work. Our People are an integral part of the Company, who take on the economic and social challenges of the country and continue to grow the business and deliver the ambitious targets.

Diversity is embedded in our values and is crucial to the growth of a vibrant organization that caters to a wide array of consumers. Unilever Pakistan provides facilities to encourage diversity in the workplace. The Unilever Daycare centre was started in 2003 as a tool to attract working mothers to

Unilever. It is now also used by male employees, whose wives work elsewhere.

The Company accords the highest priority to promoting a diverse talent base. Initiatives outlined above, together with a policy targeting a higher number of females is designed to enhance the Company's ability to understand and respond to consumer needs. In key market-facing roles, we already have more than 50% female managers.

Unilever Pakistan has operated flexi-work hours since 2009. As a step forward in 2010 we introduced Agile Working, which is an approach to getting work done with maximum flexibility and minimal constraints. This essentially means that the individual may work from home, office, agency, distributor, our any alternate location during the regular work day.

Our personal vitality health passport initiative has consistently delivered results in terms of employee well being. We continue to place emphasis on work life balance and provide gym facility and healthy eating options. Working with our NGO partner Naya Jeevan, we are providing medical and accident insurance to 40 of our services staff (Mop and cleaning) at the Head Office who cannot afford and do not have access to such services.

Continuous and consistent communication is vital for engaging our people. In-house communication initiatives such as Daily Digest, Team magazine, Together-with U, monthly Functional HR Updates and institutionalising Functional Resource Committees, helped in engaging people. In 13 of the 15 dimensions on which feedback was sought in the Unilever Global People Survey of June 2011, Unilever Pakistan scored higher than its scores of 2010. The Chairman's quarterly web cast remains an important platform to engage employees, share business initiatives and performance and to reiterate our vision. This continues to be re-enforced each Monday in the departmental U-First meetings.

UPFL continues its structured approach for talent management and the development of leadership skills. Unilever Standards of Leadership (SOL), a set of behaviours that are deemed vital to be a good leader, are well embedded in the organization. We have taken personal development to another level of excellence through empowering people with bigger as well as challenging assignments, coaching, mentoring and the appraisal system- 'Performance Development Planning'.

We continue to leverage our parent company's wealth of knowledge to develop talent in marketing, sales, supply chain, finance and human resource management through our E-learning programmes initiated in 2009.

Unilever has kept retention of talent as one of its top priorities and going forward in 2012, we plan on raising the bar further for People, Place, Performance and One Team.

Corporate Social Responsibility (CSR)

Unilever is a multi-local multinational which believes that the highest standards of corporate behaviour are essential to long term success. To achieve our sustainability targets we launched the Unilever Sustainable Living Plan in 2011 that focuses on 3 main pillars; Improving Health and Well-being, Enhancing Livelihoods and Reducing Environmental Impact. We help millions of Pakistanis feel good, look good and get more out of life, through our products, people and partnerships. Unilever Pakistan partners with both local and global partners in order to execute its sustainability agenda:

During 2011, our main initiatives included:

i. **Corporate Philanthropy: Rs. 3.2 million (In addition Unilever, our ultimate parent, contributed Rs. 22.6 million towards flood relief and rehabilitation in Sindh).**

Unilever Pakistan Foods Limited worked with its Global and Local partners for flood relief and rehabilitation.

Unilever employees in Pakistan also donated towards the cause. The amount of the local employee contributions was matched by the company.

ii. **Energy Conservation:**

The Company's Head Office achieved WWF Green Office certification based on its sustainability initiatives through a structured program of measuring, monitoring and reducing energy, paper consumption and waste segregation.

Additionally a number of initiatives have been taken in factories, depots and in transportation to conserve energy. Some of these are:

a. Using day light in production hall.
b. Phasing out window air conditioners and use of eco-efficient lighting at the offices.
c. Engineering improvements in manufacturing for reducing energy waste.
d. Conversion of boiler from diesel to natural gas.

iii. **Environmental Protection Measures:**

Unilever's commitment to reduce environmental impact extends across our value chain and we aim to continually improve our management systems to deliver consistent and measurable progress.

our parent company globally launched Unilever Sustainable Living Plan (USLP) as its strategy for sustainability and has committed to reducing absolute environmental footprint regardless of its audacious growth ambition.

The key environmental protection initiatives include:

1. Distribution Centre Rationalization & Cross Docking:
   Using the 'right sized' vehicles for each route. Optimization of vehicle routes as per vehicles' loads.

2. Logistics Joint Initiatives:
   Utilization of vehicles on return trip through collaboration with non-competitors. This helps share the carbon footprint on roundtrips.

3. Installing MEK recovery unit to reduce hazardous waste by re-using ink from inkjet printers.

4. Dry floor initiatives for reducing water waste in floor wash.

5. Recycling treated water for watering factory green belts & wash rooms.

Alongside all this, the Company is also investing in the resource and capability building areas of eco-efficient practices. Workshops and trainings have been conducted to engage young managers and factory leaders on Environment Management Tools.

iv. Community Investment and Welfare Schemes: Rs. 5 million

a. Unilever Pakistan Foods Limited factory started a Rs. 5 million safe drinking water project in partnership with Pakistan Poverty Alleviation Funds in Purnawan, Bhai Pheru. (Rs. 3 million contributed in 2011).

b. Knorr continued its work with Zindagi Trust to develop 2 interactive books for primary students in their efforts to make education fun. The project will extend into 2012 as Knorr takes these books into schools across the country.

v. Consumer Protection Measures:

The Company operates a complaints call centre called "Raabta" to receive consumer feedback. It is engaged in raising awareness and addressing the growing menace of counterfeiting.

vi. Occupational Safety and Health:

Unilever places Safety, Health and Environment (SHE) at the heart of its business agenda. Unilever Pakistan Foods Limited's (UPFL's) management has been continually improving its management system & standards not only at the workplace but also through "Off-the-Job Safety" initiative to inculcate this consciousness amongst its employees round the clock.

The management has instituted Central Safety Health & Environment Committee (CSHEC) structure, represented by all MC members, to review performance and provide policy guidelines to all business units. Each MC member, in turn, leads a sub-committee to drive a specific SHE mandate across the Company.

Unilever's global SHE standards are the key building blocks of its system and the CSHEC regularly monitors the performance through leading and lagging indicators of all its Manufacturing and Non-Manufacturing Units.

The Company has been continuously engaging its business partners and other organisations through various safety programmes. Key initiatives of 2011 were safety programmes for transport and market activation service providers and "SEDEX" certification audits for suppliers and co-packers, which is Unilever's global initiative to improve safety and social compliance. Internally it has also initiated the 'Safety Week' and the 'Wellness Week' to raise awareness of key issues.

The Company continues to pursue excellence in 'Safe Travel' and in 2011 it has taken a quantum leap by piloting "Black Box Device Installation" project in 40 sales and functional cars to monitor and improve safe driving behaviours. This is in continuation with its ongoing initiatives of "defensive driving", "behavioural risk assessment" and "route risk assessments" to pro-actively identify and manage driving-related risks.

All the above initiatives are paying dividends and the Company had the best safety performance in injury reduction in the entire South Asia cluster in 2011.

vii. Business Ethics and Anti-Corruption Measures:

Unilever holds frequent activities to ensure that the employees are working within the Code of Business Principles (CoBP). The CoBP is rigorously followed throughout the organization. Employees are also required to sign off on the CoBP each year.

viii. Contribution to National Exchequer:

The Company contributed Rs. 1,321 million (2010: Rs. 1,007 million) of its value added to the national exchequer by way of import duties, general sales tax, income tax and other government levies.

Employee Involvement

Community and environment support at UPFL is extended through Company initiatives, to its "people". Our employees work with various organizations giving monetary as well as skill support. Contributions of approximately Rs. 0.2 million through the Employee Payroll Programme were collected for Aga Khan University Hospital, The Citizens' Foundation and UN World Food programme. Employees also contributed towards the flood relief efforts started by the Company for the 2011 Sindh floods.

Value of investments of employees in retirement funds

Our Company contributed Rs. 14.07 million to the staff retirement funds during the year. The cost of investments made by the staff retirement funds operated by the Company as at December 31, 2011 is as follows:

	Rupees in million
Provident Fund	100.0
Gratuity Fund	40.0
Superannuation Fund	59.9

Corporate Governance

The management of the Company is committed to good corporate governance and complying with the best practices. As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the listed Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee comprises of three directors including two non-executive directors representing minority interest.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.
- Statements regarding the following are annexed in this annual report:

- Number of Board meetings held and attendance of directors.
- Key financial data for the last six years.
- Pattern of shareholding.
- Dealing in shares of the company by its Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

Directors

The present directors were elected in the AGM in 2011, and the three years term of office of Directors expires on April 19, 2014.

Auditors

The retiring auditors A. F. Ferguson & Co. Chartered Accountants being eligible, offer themselves for reappointment.

Audit Committee

The Board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance.

The Audit Committee reviewed the quarterly, half-yearly and annual financial statements before submission to the Board and their publication. The Audit Committee had detailed discussions with the external auditors on various issues, including their letter to the management. The Audit Committee also reviewed internal auditors' findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance.

Holding Company

Through its wholly owned subsidiary M/s Conopco Inc. USA, subsidiary of Unilever N.V., has a holding of 75.85% of the shares in Unilever Pakistan Foods Limited.

Reserve Appropriations

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL		REVENUE		SUB TOTAL	
		Share Premium	Special	General	Unappropriated Profit		
	(Rupees in thousand)						
Balance as at January 01, 2011	61,576	24,630	628	138	317,423	342,819	404,395
Total comprehensive income for the year	-	-	-	-	616,695	616,695	616,695
Final dividend for the year ended December 31, 2010 @ Rs. 36 per share	-	-	-	-	(221,674)	(221,674)	(221,674)
Interim dividend for the year ended December 31, 2011 @ Rs. 50 per share	-	-	-	-	(307,881)	(307,881)	(307,881)
Balance as at December 31, 2011	**61,576**	**24,630**	**628**	**138**	**404,563**	**429,959**	**491,535**

Acknowledgement

Our people are the key drivers behind the sustained growth of our Company. The directors acknowledge the contribution of each and every employee of the Company. We would also like to express our thanks to our customers for the trust shown in our products. We are also grateful to our shareholders for their support and confidence in our management.

Future Outlook

The business is embarked on an ambitious growth strategy in face of challenging operating conditions. Growing inflationary pressure from rising commodity & utility costs, depreciating currency and unstable economic & operating environment continue to pose a major threat to the business ambitions.

However, we are prepared to face the challenges that lie ahead. With our access to Unilever's expertise, R&D and a constant stream of innovation and customer-related improvements, we will continue to provide our consumers with better value products driven by strong brand equity and continued consumer-centric approach. As means to achieve this, we will also continue to leverage our ability to attract, develop and retain the best talent in the country. We are confident that our dedicated and focused efforts will allow us to overcome the challenges that lie ahead and deliver the results.

Thanking you all
On behalf of the Board

Fariyha Subhani
Chief Executive

Karachi
February 03, 2012

Board Meetings Attendance 2011

During the year 2011, four Board Meetings were held and were attended as follows:

Directors	No. of Meetings attended
Mr. Ehsan A. Malik	4
Ms. Fariyha Subhani	4
Mr. Imran Husain	4
Mian Zulfikar H. Mannoo	3
Mian M. Adil Mannoo	4
Mr. Kamal Monnoo	4
Mr. Badaruddin F. Vellani	4
Mr. M. Qaysar Alam	4
Ms. Shazia Syed	3
Mr. Amar Naseer *	1

* Appointed against casual vacancy, in February, 2011 and served upto the AGM held on March 31, 2011.

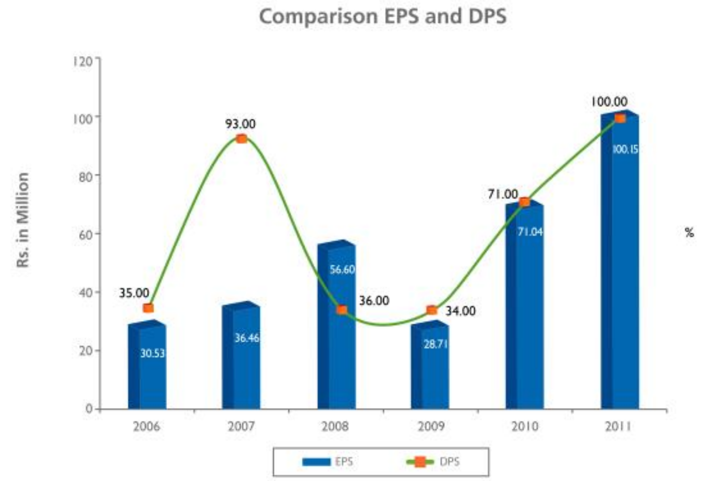
Performance Indicators for 6 years

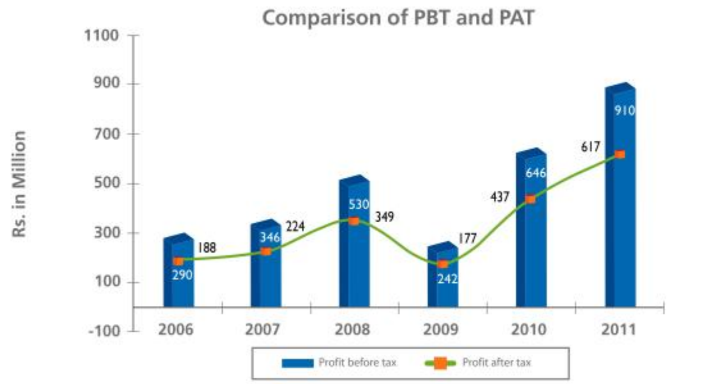
	2011	2010	2009	2008	2007	2006
	(Rupees in thousand)					
FINANCIAL POSITION						
Balance sheet						
Property, plant and equipment	620,702	300,726	288,872	307,707	196,350	102,310
Other non-current assets	110,152	83,922	85,281	191,469	197,780	187,126
Current assets	1,036,314	704,825	600,683	516,437	552,418	597,016
Total assets	1,767,168	1,089,473	974,836	1,015,613	946,548	886,452
Share capital - ordinary	61,576	61,576	61,576	61,576	61,576	61,576
Reserves	429,959	342,819	207,080	239,647	137,406	497,888
Total equity	491,535	404,395	268,656	301,223	198,982	559,464
Non-current liabilities	104,529	38,182	25,497	42,079	13,926	12,606
Current liabilities	1,171,104	646,896	680,683	672,311	733,640	314,382
Total liabilities	1,275,633	685,078	706,180	714,390	747,566	326,988
Total equity and liabilities	1,767,168	1,089,473	974,836	1,015,613	946,548	886,452
Net current (liabilities) / assets	(134,790)	57,929	(80,000)	(155,874)	(181,222)	282,634
OPERATING AND FINANCIAL TRENDS						
Profit and loss						
Net sales	4,940,251	4,040,887	3,376,511	3,081,879	2,376,408	1,939,515
Cost of sales	(3,015,502)	(2,506,003)	(2,122,144)	(1,874,921)	(1,489,985)	(1,208,264)
Gross profit	1,924,749	1,534,884	1,254,367	1,206,958	886,423	731,251
Operating profit	916,995	658,308	264,173	552,544	352,872	294,461
Profit before tax	910,132	645,859	241,656	530,311	346,074	290,116
Profit after tax	616,695	437,463	176,792	348,546	224,492	187,979
Cash ordinary dividends	529,800	301,517	208,610	246,250	584,295	153,940
Cash flows						
Operating activities	964,204	368,273	351,377	483,313	167,192	236,291
Investing activities	(345,950)	(48,445)	(16,277)	(125,416)	(100,579)	(11,257)
Financing activities	(529,800)	(301,517)	(208,610)	(246,250)	(584,925)	(153,772)
Cash and cash equivalents at the end of the year	(1,314)	(89,768)	(108,079)	(234,569)	(346,216)	172,096

Performance Indicators for 6 years

	Unit	2011	2010	2009	2008	2007	2006
PROFITABILITY RATIOS							
Gross profit ratio	Times	0.39	0.38	0.37	0.39	0.37	0.38
Net profit to sales	%	12.48	11.00	5.24	11.31	9.45	9.69
EBITDA margin to sales	%	19.40	17.00	12.00	19.00	16.00	16.00
Operating leverage ratio	%	1.72	7.45	(5.2)	1.9	1.0	2.5
Pre tax return on equity	%	185.00	160.00	89.95	176.05	173.92	51.86
Post tax return on equity	%	125.00	108.00	65.81	115.71	113.00	34.00
Return on capital employed	%	103.00	88.20	37.00	63.00	40.00	34.00
LIQUIDITY RATIOS							
Current ratio	Times	0.88	1.09	0.88	0.77	0.75	1.90
Quick / Acid test ratio	Times	0.36	0.51	0.37	0.22	0.22	0.98
Cash to current liabilities	Times	0.08	0.12	0.06	0.01	0.02	0.55
Cash flow from operations to sales	Times	0.20	0.09	0.10	0.16	0.07	0.12
ACTIVITY / OPERATING PERFORMANCE RATIOS							
Inventory turnover ratio	Days	58	50	59	71	81	65
Debtor turnover ratio	Days	11	8	7	8	12	13
Creditor turnover ratio	Days	89	69	80	76	80	71
Total assets turnover ratio	Times	3	4	3	3	3	2
Fixed assets turnover ratio	Times	8	13	12	10	12	19
Operating cycle	Days	(20)	(11)	(14)	3	13	7
INVESTMENT / MARKET RATIOS							
Earnings per share (EPS)	Rs.	100.15	71.04	28.71	56.60	36.46	30.53
Price earnings ratio	Times	17.07	15.56	45.28	29.31	36.34	16.16
Dividend yield ratio	Times	0.06	0.06	0.03	0.02	0.07	0.07
Dividend payout ratio - earnings	Times	1.00	1.00	1.18	0.64	2.55	1.15
Dividend payout ratio - par value	Times	10.00	7.10	3.40	3.60	9.30	3.50
Dividend cover ratio	Times	1.00	1.00	0.84	1.57	0.39	0.87
Cash dividend	Rs.	100	71	34	36	93	35
Market value - low	Rs.	1,045	816	1,140	1,389	516	330
Market value - high	Rs.	1,850	1,484	1,577	1,858	1,325	494
Market value - year end	Rs.	1,710	1,105	1,300	1,659	1,325	494
Breakup value per share without surplus on revaluation of fixed assets	Rs.	79.83	65.67	43.63	48.92	32.31	90.86
CAPITAL STRUCTURE RATIOS							
Financial leverage ratio	Times	0.16	0.18	0.29	0.44	0.64	-
Interest cover ratio	Times	271.00	71.00	13.00	30.14	70.31	352.00

Performance Indicators for 6 years



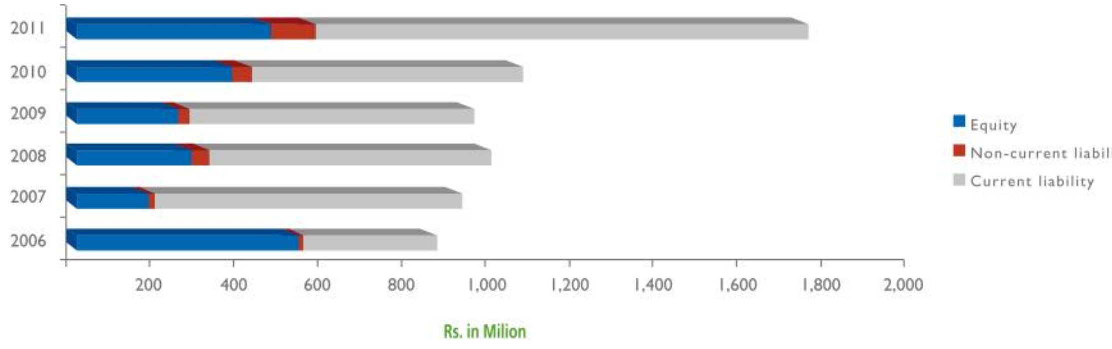


Balance Sheet - Horizontal Analysis for 6 years

Rs. in thousand

	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %	2008 Rs.	08 Vs. 07 %	2007 Rs.	07 Vs. 06 %	2006 Rs.	06 Vs. 05 %
EQUITY AND LIABILITIES												
Capital and reserves												
Share capital	61,576	-	61,576	-	61,576	-	61,576	-	61,576	-	61,576	-
Reserves	429,959	25.42	342,819	65.55	207,080	(13.59)	239,647	74.41	137,406	(72.40)	497,888	7.34
	491,535	21.55	404,395	50.53	268,656	(10.81)	301,223	51.38	198,982	(64.43)	559,464	6.48
Non-current liabilities												
Retirement benefits - obligation	17,519	95.98	8,939	11.82	7,994	63.51	4,889	(14.99)	5,751	(18.86)	7,088	(14.06)
Deferred taxation	87,010	197.54	29,243	67.07	17,503	(52.94)	37,190	354.92	8,175	48.15	5,518	-
	104,529	173.77	38,182	49.75	25,497	(39.41)	42,079	202.16	13,926	10.47	12,606	52.84
Current liabilities												
Trade and other payables	1,030,383	137.94	433,047	(15.45)	512,182	23.22	415,673	14.36	363,467	24.64	291,613	61.53
Provision	25,817	158.17	10,000	-	-	-	-	-	-	-	-	-
Accrued interest / mark up	151	(92.52)	2,020	113.08	948	(87.05)	7,318	1.44	7,214	153.84	2,842	42.24
Taxation - provision less payments	-	-	-	-	-	-	-	(100.00)	592	(97.03)	19,927	-
Sales tax payable	20,227	(36.04)	31,625	68.42	18,778	179.06	6,729	(98.14)	362,367	-	-	-
Short term borrowings	94,526	(44.46)	170,204	14.40	148,775	(38.67)	242,591	-	-	-	-	(100.00)
	1,171,104	81.03	646,896	(4.96)	680,683	1.25	672,311	(8.36)	733,640	133.36	314,382	50.75
	1,767,168	62.20	1,089,473	11.76	974,836	(4.02)	1,015,613	7.30	946,548	6.78	886,452	19.43
ASSETS												
Non-current assets												
Property, plant and equipment	620,702	106.40	300,726	4.10	288,872	(6.12)	307,707	56.71	196,350	91.92	102,310	(0.73)
Intangible assets	81,637	-	81,637	-	81,637	(54.93)	181,145	-	181,145	-	181,145	-
Long term loans	25,621	1,087.81	2,157	(34.42)	3,289	(31.99)	4,836	(18.98)	5,969	6,682.95	88	(28.46)
Long term prepayment	2,894	2,160.94	128	(63.94)	355	(93.53)	5,488	(32.13)	8,086	1,130.75	657	(85.72)
Retirement benefit - prepayment	-	-	-	-	-	-	-	-	2,580	(50.73)	5,236	(21.68)
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	(100.00)
	730,854	90.01	384,648	2.81	374,153	(25.05)	499,176	26.65	394,130	36.17	289,436	(8.39)
Current assets												
Stores and spares	16,700	(4.34)	17,458	19.28	14,636	6.03	13,804	37.70	10,025	1.83	9,845	14.81
Stock in trade	593,162	65.64	358,094	7.27	333,840	(5.27)	352,394	(6.77)	378,002	35.07	279,859	88.51
Trade debts	188,563	95.19	96,606	21.29	79,649	59.37	49,976	(43.27)	88,101	37.06	64,279	(10.18)
Loans and advances	19,366	31.66	14,709	22.95	11,963	(36.69)	18,897	23.77	15,268	10.41	13,828	23.30
Trade deposits and short term prepayments	52,793	160.96	20,230	12.15	18,039	(47.15)	34,132	122.88	15,314	23.08	12,442	35.17
Other receivables	28,868	199.52	9,638	(36.95)	15,287	506.87	2,519	(73.25)	9,418	(65.67)	27,436	77.77
Taxation - payments less provision	43,650	(59.45)	107,654	24.35	86,573	135.94	36,693	-	-	-	-	-
Cash and bank balances	93,212	15.88	80,436	97.65	40,696	407.30	8,022	(50.33)	16,151	(90.62)	172,096	35.67
Accrued interest / mark up	-	-	-	-	-	-	-	(100.00)	7,994	(21.37)	10,166	120.04
Sales tax refundable	-	-	-	-	-	-	-	(100.00)	12,145	71.90	7,065	(76.72)
	1,036,314	47.03	704,825	17.34	600,683	16.31	516,437	(6.51)	552,418	(7.47)	597,016	40.05
	1,767,168	62.20	1,089,473	11.76	974,836	(4.02)	1,015,613	7.30	946,548	6.78	886,452	19.43

Balance Sheet Analysis - Equity & Liabilities

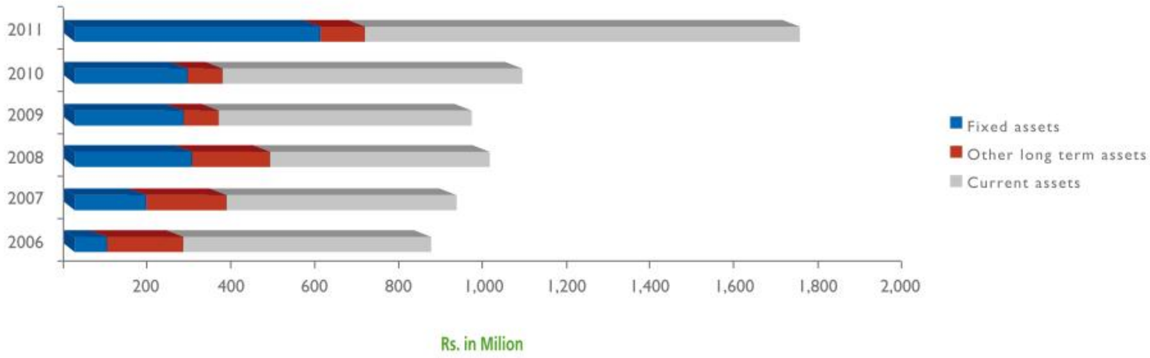


Balance Sheet - Vertical Analysis for 6 years

Rs. in thousand

	2011		2010		2009		2008		2007		2006	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
Capital and reserves												
Share capital	61,576	3.48	61,576	5.65	61,576	6.32	61,576	6.06	61,576	6.51	61,576	6.95
Reserves	429,959	24.33	342,819	31.47	207,080	21.24	239,647	23.60	137,406	14.52	497,888	56.17
	491,535	27.81	404,395	37.12	268,656	27.56	301,223	29.66	198,982	21.02	559,464	63.11
Non-current liabilities												
Retirement benefits - obligation	17,519	0.99	8,939	0.82	7,994	0.82	4,889	0.48	5,751	0.61	7,088	0.80
Deferred taxation	87,010	4.92	29,243	2.68	17,503	1.80	37,190	3.66	8,175	0.86	5,518	0.62
	104,529	5.92	38,182	3.50	25,497	2.62	42,079	4.14	13,926	1.47	12,606	1.42
Current liabilities												
Trade and other payables	1,030,383	58.31	433,047	39.75	512,182	52.54	415,673	40.93	363,467	38.40	291,613	32.90
Provision	25,817	1.46	10,000	0.92	-	-	-	-	-	-	-	-
Accrued interest / mark up	151	0.01	2,020	0.19	948	0.10	7,318	0.72	7,214	0.76	2,842	0.32
Taxation - provision less payments	-	-	-	-	-	-	-	-	592	0.06	19,927	2.25
Sales tax payable	20,227	1.14	31,625	2.90	18,778	1.93	6,729	0.66	362,367	38.28	-	-
Short term borrowings	94,526	5.35	170,204	15.62	148,775	15.26	242,591	23.89	-	-	-	-
	1,171,104	66.27	646,896	59.38	680,683	69.83	672,311	66.20	733,640	77.51	314,382	35.47
	1,767,168	100.00	1,089,473	100.00	974,836	100.00	1,015,613	100.00	946,548	100.00	886,452	100.00
ASSETS												
Non-current assets												
Property, plant and equipment	620,702	35.12	300,726	27.60	288,872	29.63	307,707	30.30	196,350	20.74	102,310	11.54
Intangible assets	81,637	4.62	81,637	7.49	81,637	8.37	181,145	17.84	181,145	19.14	181,145	20.43
Long term loans	25,621	1.45	2,157	0.20	3,289	0.34	4,836	0.48	5,969	0.63	88	0.01
Long term prepayment	2,894	0.16	128	0.01	355	0.04	5,488	0.54	8,086	0.85	657	0.07
Retirement benefit - prepayment	-	-	-	-	-	-	-	-	2,580	0.27	5,236	0.59
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
	730,854	41.36	384,648	35.31	374,153	38.38	499,176	49.15	394,130	41.64	289,436	32.65
Current assets												
Stores and spares	16,700	0.95	17,458	1.60	14,636	1.50	13,804	1.36	10,025	1.06	9,845	1.11
Stock in trade	593,162	33.57	358,094	32.87	333,840	34.25	352,394	34.70	378,002	39.93	279,859	31.57
Trade debts	188,563	10.67	96,606	8.87	79,649	8.17	49,976	4.92	88,101	9.31	64,279	7.25
Loans and advances	19,366	1.10	14,709	1.35	11,963	1.23	18,897	1.86	15,268	1.61	13,828	1.56
Trade deposits and short term prepayments	52,793	2.99	20,230	1.86	18,039	1.85	34,132	3.36	15,314	1.62	12,442	1.40
Other receivables	28,868	1.63	9,638	0.88	15,287	1.57	2,519	0.25	9,418	0.99	27,436	3.10
Taxation - payments less provision	43,650	2.47	107,654	9.88	86,573	8.88	36,693	3.61	-	-	-	-
Cash and bank balances	93,212	5.27	80,436	7.38	40,696	4.17	8,022	0.79	16,151	1.71	172,096	19.41
Accrued interest / mark up	-	-	-	-	-	-	-	-	7,994	0.84	10,166	1.15
Sales tax refundable	-	-	-	-	-	-	-	-	12,145	1.28	7,065	0.80
	1,036,314	58.64	704,825	64.69	600,683	61.62	516,437	50.85	552,418	58.36	597,016	67.35
	1,767,168	100.00	1,089,473	100.00	974,836	100.00	1,015,613	100.00	946,548	100.00	886,452	100.00

Balance Sheet Analysis - Assets



Profit and Loss Account
Horizontal and Vertical Analysis for 6 years

Rs. in thousand

Horizontal Analysis

	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %	2008 Rs.	08 Vs. 07 %	2007 Rs.	07 Vs. 06 %	2006 Rs.	06 Vs. 05 %
Sales	4,940,251	122.26	4,040,887	119.68	3,376,511	109.56	3,081,879	129.69	2,376,408	122.53	1,939,515	130.17
Cost of sales	(3,015,502)	120.33	(2,506,003)	118.09	(2,122,144)	113.19	(1,874,921)	126.00	(1,488,073)	123.16	(1,208,264)	125.30
Gross profit	1,924,749	125.40	1,534,884	122.36	1,254,367	103.93	1,206,958	135.87	888,335	121.48	731,251	139.11
Distribution cost	(850,012)	108.06	(786,593)	(98.66)	(797,304)	138.49	(575,726)	120.59	(477,416)	117.60	(405,974)	136.98
Administrative expenses	(139,198)	270.04	(51,547)	102.64	(50,219)	(86.55)	(58,021)	123.44	(47,004)	121.04	(38,832)	(82.70)
Other operating expenses	(70,767)	136.59	(51,810)	(43.08)	(120,275)	289.10	(41,603)	144.09	(28,873)	125.80	(22,951)	(83.78)
Other operating income	82,582	350.28	23,576	78.17	30,161	144.06	20,936	106.05	19,742	63.75	30,967	256.35
	947,354	141.71	668,510	211.07	316,730	57.32	552,544	155.74	354,784	120.49	294,461	176.31
Restructuring cost	(30,359)	297.58	(10,202)	(19.41)	(52,557)	-	-	-	-	-	-	-
Profit from operations	916,995	139.30	658,308	249.20	264,173	47.81	552,544	155.74	354,784	120.49	294,461	176.31
Finance cost	(6,863)	(55.13)	(12,449)	(55.29)	(22,517)	101.28	(22,233)	255.26	(8,710)	200.46	(4,345)	(71.10)
Profit before taxation	910,132	140.92	645,859	267.26	241,656	45.57	530,311	153.24	346,074	119.29	290,116	180.30
Taxation	(293,437)	140.81	(208,396)	321.28	(64,864)	(35.69)	(181,765)	149.50	(121,582)	119.04	(102,137)	163.33
Profit after taxation	616,695	140.97	437,463	247.45	176,792	50.72	348,546	155.26	224,492	119.42	187,979	191.09
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	616,695	140.97	437,463	247.45	176,792	50.72	348,546	155.26	224,492	119.42	187,979	191.09

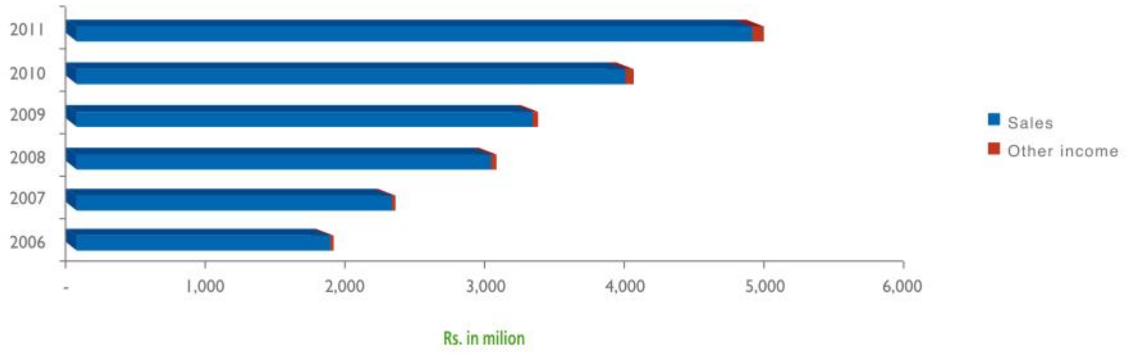
Rs. in thousand

Vertical Analysis

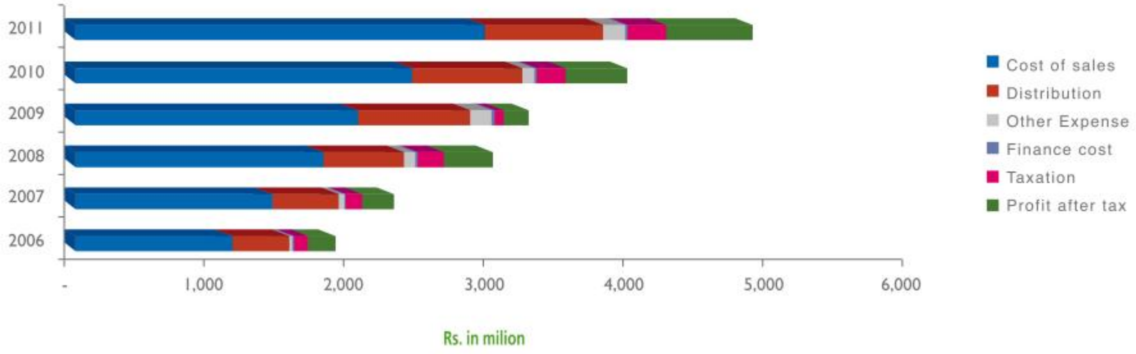
	2011 Rs.	2011 %	2010 Rs.	2010 %	2009 Rs.	2009 %	2008 Rs.	2008 %	2007 Rs.	2007 %	2006 Rs.	2006 %
Sales	4,940,251	100.00	4,040,887	100.00	3,376,511	100.00	3,081,879	100.00	2,376,408	100.00	1,939,515	100.00
Cost of sales	(3,015,502)	(61.04)	(2,506,003)	(62.02)	(2,122,144)	(62.85)	(1,874,921)	(60.84)	(1,488,073)	(62.62)	(1,208,264)	(62.30)
Gross profit	1,924,749	38.96	1,534,884	37.98	1,254,367	37.15	1,206,958	39.16	888,335	37.38	731,251	37.70
Distribution cost	(850,012)	(17.21)	(786,593)	(19.47)	(797,304)	(23.61)	(575,726)	(18.68)	(477,416)	(20.09)	(405,974)	(20.93)
Administrative expenses	(139,198)	(2.82)	(51,547)	(1.28)	(50,219)	(1.49)	(58,021)	(1.88)	(47,004)	(1.98)	(38,832)	(2.00)
Other operating expenses	(70,767)	(1.43)	(51,810)	(1.28)	(120,275)	(3.56)	(41,603)	(1.35)	(28,873)	(1.21)	(22,951)	(1.18)
Other operating income	82,582	1.67	23,576	0.58	30,161	0.89	20,936	0.68	19,742	0.83	30,967	1.60
	947,354	19.18	668,510	16.54	316,730	9.38	552,544	17.93	354,784	14.93	294,461	15.18
Restructuring cost	(30,359)	(0.61)	(10,202)	(0.25)	(52,557)	(1.56)	-	-	-	-	-	-
Profit from operations	916,995	18.56	658,308	16.29	264,173	7.82	552,544	17.93	354,784	14.93	294,461	15.18
Finance cost	(6,863)	(0.14)	(12,449)	(0.31)	(22,517)	(0.67)	(22,233)	(0.72)	(8,710)	(0.37)	(4,345)	(0.22)
Profit before taxation	910,132	18.42	645,859	15.98	241,656	7.16	530,311	17.21	346,074	14.56	290,116	14.96
Taxation	(293,437)	(5.94)	(208,396)	(5.16)	(64,864)	(1.92)	(181,765)	(5.90)	(121,582)	(5.12)	(102,137)	(5.27)
Profit after taxation	616,695	12.48	437,463	10.83	176,792	5.24	348,546	11.31	224,492	9.45	187,979	9.69
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	616,695	12.48	437,463	10.83	176,792	5.24	348,546	11.31	224,492	9.45	187,979	9.69

Graphical Analysis

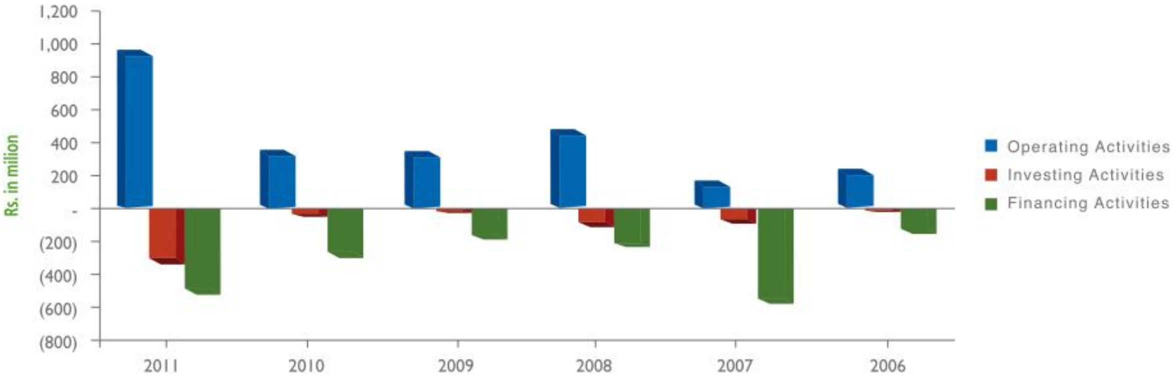
Profit and Loss Analysis - Income



Profit and Loss Analysis - Expenses



Cash Flow Analysis

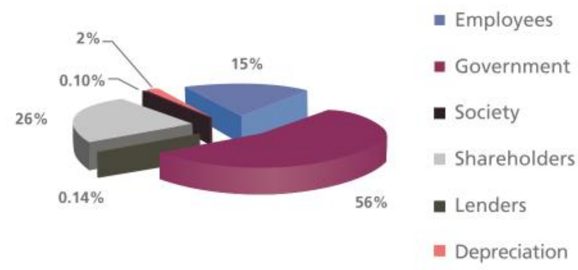


Statement of Value Addition & its Distribution

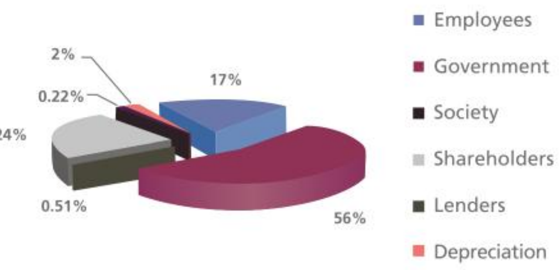
for the year ended December 31, 2011

	2011 Rs. in '000	%	2010 Rs. in '000	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	5,898,757		4,762,908	
Bought-in-material and services	(3,556,109)		(2,955,552)	
	2,342,649	100	1,807,356	100
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	356,914	15.24	310,607	17.18
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	1,321,441	56.41	1,006,991	55.72
To Society				
Donation towards education, health and environment	2,263	0.10	3,943	0.22
To Providers of Capital				
Dividend to shareholders	616,695	26.32	437,463	24.20
Mark-up/ interest expenses on borrowed funds	3,372	0.14	9,166	0.51
To Company				
Depreciation, amortization & retained profit	41,964	1.79	39,186	2.17
	2,342,649	100	1,807,356	100

WEALTH DISTRIBUTION 2011



WEALTH DISTRIBUTION 2010



Note: Previous year's figures have been restated in accordance with audited financial statements.

Pattern of Shareholding

as at December 31, 2011

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held
626	1	100	22,792
102	101	500	20,056
17	501	1,000	10,666
8	1,001	5,000	19,862
2	20,001	25,000	44,581
1	25,001	30,000	28,760
1	35,001	40,000	37,080
3	40,001	45,000	131,552
1	60,001	65,000	61,670
1	65,001	70,000	67,180
2	75,001	80,000	153,573
1	90,001	95,000	94,344
2	95,001	100,000	191,847
1	110,001	115,000	113,860
1	130,001	135,000	134,865
1	150,001	155,000	153,728
1	200,001	205,000	200,947
1	4,670,001	4,675,000	4,670,255
772			6,157,618

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage %
Associated Companies, Undertakings and Related Parties	1	4,670,255	75.85
Directors, CEO and their spouses and minor Children	10	369,670	6.00
Executives	9	10	0.00
Bank, Development Finance Institutions, Non-Banking Finance Institutions	1	396	0.01
Modarabas and Mutual Funds	3	2,623	0.04
Others	15	2,230	0.04
Individuals	733	1,112,434	18.06
	772	6,157,618	100.00

Pattern of Shareholding - Additional Information

as at December 31, 2011

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies , Undertakings and Related Parties (name wise details)		
Conopco Inc.	1	4,670,255
Directors, CEO and their spouses and minor children (name wise details)		
Mr. Ehsan A. Malik	1	1
Ms. Fariyha Subhani	1	1
Mr. Imran Husain	1	1
Mian Zulfikar H. Mannoo	1	153,828
Mrs. Sarwat Zulfikar W/o Zulfikar H. Mannoo	1	5,430
Mian M. Adil Mannoo	1	96,246
Mr. Kamal Monnoo	1	114,060
Mr. Badaruddin F. Vellani	1	101
Mr. M. Qaysar Alam	1	1
Ms. Shazia Syed	1	1
Executives		
Mr. Amar Naseer	1	2
Ms. Zarin Riaz Khwaja	1	1
Mr. Sohail Hanif Baig	1	1
Mr. Mohammad Aslam	1	1
Mr. Aman Ghanchi	1	1
Ms. Noureen A. Merchant	1	1
Mr. Ali Arshad	1	1
Mr. Shariq Ashraf	1	1
Mr. Tariq Anjum	1	1
Banks, Development Finance Institutions Non-Banking Finance Institutions	1	396
Modarabas and Mutual Funds	3	2,623
Others	15	2,230
Shareholders holding 10% or more voting interest (name wise details)		
Conopco Inc.	1	4,670,255

Dealings in Shares by Directors, CEO, CFO, Company Secretary and Employees

During 01-01-2011 to 31-12-2011

S. No.	Name	Acquired during the year
1	Mr. Amar Naseer	1

S. No.	Name	Transferred during the year
1	Mr. Abdul Rab	1

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the best practices of the Code of Corporate Governance (the Code), set out in the listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code, in the following manner:

1. The Company encourages representation of directors representing minority interests on its Board of Directors. At present the Board includes three non-executive directors representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The three years term of office of all the Directors expired on April 19, 2011. The Board has reduced the number of directors from 10 to 9 at its meeting held on February 17, 2011. The election was held at the Shareholders' Annual General Meeting held on March 31, 2011. Mr. Ehsan A. Malik, Ms. Fariyha Subhani, Mr. Imran Husain, Mian Zulfikar H. Mannoo, Mian M. Adil Mannoo, Mr. Kamal Monnoo, Mr. Badaruddin F. Vellani, Mr. M. Qaysar Alam and Ms. Shazia Syed were elected for a fresh term of three years commencing from April 20, 2011.

5. The Company had already adopted and circulated a 'Code of Business Principles', which has been signed by all the directors and employees of the Company.

6. The Company has a Vision Statement. The Company, traditionally; maintains and follows policies designed to align with the Unilever group of companies and global best practices. The Board considers any significant amendments to the policies, as and when required. However, a complete record of particulars of significant policies along with the dates on which these were enacted has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, based on the significance of the matters involved, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive director, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranges orientation courses / meetings for its directors.

10. The Board has re-appointed Ms. Fariyha Subhani as Chief Executive Officer of the Company for a further term of three years w.e.f. April 20, 2011.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three directors including two non-executive directors representing minority interest.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.

18. The Company has out sourced internal audit function to Unilever Pakistan Limited (an associated Company), which has employed suitably qualified and experienced audit staff for the purpose. The said audit staff are conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

Fariyha Subhani
Chief Executive

Karachi
February 03, 2012

Auditors' Review Report

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Unilever Pakistan Foods Limited to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

A.F.Ferguson & Co.
Chartered Accountants

Karachi
Dated: February 20, 2012

Financial Statements

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Foods Limited as at December 31, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F.Ferguson & Co.
Chartered Accountants

Karachi
Dated: February 20, 2012

Name of Engagement Partner: Ali Muhammad Mesia

Balance Sheet
as at December 31, 2011

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	3	620,702	300,726
Intangible assets	4	81,637	81,637
Long term loans	5	25,621	2,157
Long term prepayment	6	2,894	128
		730,854	384,648
Current assets			
Stores and spares	7	16,700	17,458
Stock in trade	8	593,162	358,094
Trade debts	9	188,563	96,606
Loans and advances	10	19,366	14,709
Trade deposits and short term prepayments	11	52,793	20,230
Other receivables	12	28,868	9,638
Taxation - payments less provision		43,650	107,654
Cash and bank balances	13	93,212	80,436
		1,036,314	704,825
Total assets		1,767,168	1,089,473

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	61,576	61,576
Reserves	15	429,959	342,819
		491,535	404,395
Liabilities			
Non-current liabilities			
Retirement benefits - obligation	16	17,519	8,939
Deferred taxation	17	87,010	29,243
		104,529	38,182
Current liabilities			
Trade and other payables	18	1,030,383	433,047
Provision	19	25,817	10,000
Accrued interest / mark-up		151	2,020
Sales tax payable	20	20,227	31,625
Short term borrowings	21	94,526	170,204
		1,171,104	646,896
Total liabilities		1,275,633	685,078
Contingencies & Commitments	22		
Total equity and liabilities		1,767,168	1,089,473

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

Profit and Loss Account

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in thousand)	
Sales	23	4,940,251	4,040,887
Cost of sales	24	(3,015,502)	(2,506,003)
Gross profit		1,924,749	1,534,884
Distribution cost	25	(850,012)	(786,593)
Administrative expenses	26	(139,198)	(51,547)
Other operating expenses	27	(70,767)	(51,810)
Other operating income	28	82,582	23,576
		947,354	668,510
Restructuring cost		(30,359)	(10,202)
Profit from operations		916,995	658,308
Finance cost	29	(6,863)	(12,449)
Profit before taxation		910,132	645,859
Taxation	30	(293,437)	(208,396)
Profit after taxation		616,695	437,463
Other comprehensive income		-	-
Total comprehensive income		616,695	437,463
Earnings per share - Rupees	31	100.15	71.04

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

Cash Flow Statement
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		910,132	645,859
Adjustments for non-cash charges and other items			
Depreciation		41,964	39,186
Gain on disposal of property, plant and equipment		(1,826)	(2,559)
Provision for retirement benefits - obligation		20,269	9,300
Mark-up on short term borrowings		3,372	9,166
Return on savings accounts		(14,164)	(36)
		49,615	55,057
		959,747	700,916
Effect on cash flows due to working capital changes			
(Increase) / Decrease in current assets			
Stores and spares		758	(2,822)
Stock in trade		(235,068)	(24,254)
Trade debts		(91,957)	(16,957)
Loans and advances		(4,657)	(2,746)
Trade deposits and short term prepayments		(32,563)	(2,191)
Other receivables		(19,230)	5,649
		(382,717)	(43,321)
(Decrease) / Increase in current liabilities			
Trade and other payables		597,581	(79,342)
Provision		15,817	10,000
Sales tax payable		(11,398)	12,847
		602,000	(56,495)
Cash generated from operations		1,179,030	601,100
Mark up paid		(5,241)	(8,094)
Income tax paid		(171,666)	(217,737)
Retirement benefits - obligation paid		(11,689)	(8,355)
(Increase) / Decrease in long term loans		(23,464)	1,132
(Increase) / Decrease in long term prepayment		(2,766)	227
Net cash from operating activities (carried forward)		964,204	368,273

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

	Note	2011	2010
		(Rupees in thousand)	
Net cash from operating activities (brought forward)		964,204	368,273
CASH USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(366,684)	(51,455)
Sale proceeds on property, plant and equipment		6,570	2,974
Return received on savings accounts		14,164	36
Net cash used in investing activities		(345,950)	(48,445)
CASH USED IN FINANCING ACTIVITIES			
Dividends paid		(529,800)	(301,517)
Net increase in cash and cash equivalents		88,454	18,311
Cash and cash equivalents at the beginning of the year		(89,768)	(108,079)
Cash and cash equivalents at the end of the year	37	(1,314)	(89,768)

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

Statement of Changes in Equity

for the year ended December 31, 2011

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL		REVENUE		SUB TOTAL	
		Share Premium	Special	General	Unappropriated Profit		
	Rupees in thousand						
Balance as at January 1, 2010	61,576	24,630	628	138	181,684	207,080	268,656
Total comprehensive income for the year	-	-	-	-	437,463	437,463	437,463
Final dividend for the year ended December 31, 2009 @ Rs. 14 per share	-	-	-	-	(86,207)	(86,207)	(86,207)
Interim dividend for the year ended December 31, 2010 @ Rs. 35 per share	-	-	-	-	(215,517)	(215,517)	(215,517)
Balance as at December 31, 2010	61,576	24,630	628	138	317,423	342,819	404,395
Total comprehensive income for the year	-	-	-	-	616,695	616,695	616,695
Final dividend for the year ended December 31, 2010 @ Rs. 36 per share	-	-	-	-	(221,674)	(221,674)	(221,674)
Interim dividend for the year ended December 31, 2011 @ Rs. 50 per share	-	-	-	-	(307,881)	(307,881)	(307,881)
Balance as at December 31, 2011	61,576	24,630	628	138	404,563	429,959	491,535

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

1. THE COMPANY AND ITS OPERATIONS

The Company is a limited liability Company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It manufactures and sells consumer and commercial food products under brand names of Rafhan, Knorr, Energile, Glaxose-D and Foodsolutions. The registered office of the Company is situated at Avari Plaza, Fatima Jinnah Road, Karachi.

The Company is a subsidiary of Conopco Inc. USA, whereas its ultimate parent Company is Unilever N.V. Holland.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are the same as those applied for the previous financial year.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1.2 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:

i. Taxation

The Company accounts for provision for income tax based on current best estimates. However, where the final tax outcome is different from the amounts that were initially recorded, such differences impact the income tax provision in the period in which such determination is made.

ii. Post employment benefits

Significant estimates relating to post employment benefits are disclosed in note 16.

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

There have been no critical judgments made by the Company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.2 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or did not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are considered relevant, but not yet effective

Following amendments to existing standards and interpretation have been published that are mandatory for accounting periods beginning on the dates mentioned below:

IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

IAS 1 (Amendment) - 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after 1 July 2012. It entails the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is however, not expected to have a material impact on the Company's financial statements.

2.4 Interpretations to published approved accounting standards that are not yet effective and are not considered relevant

Standards, amendments to existing approved accounting standards and new interpretations have been published that are mandatory for future years. However, these are not expected to affect materially the financial statements of the Company for the accounting periods beginning on the dates prescribed therein.

2.5 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.6 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and impairment, if any, except capital work in progress which is stated at cost. Depreciation is calculated using the straight-line method on all assets in use at the beginning of each quarter to charge off their cost excluding residual value, if not insignificant, over their estimated useful lives.

The Company accounts for impairment, where indication exists, by reducing its carrying value to the assessed recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred; also individual assets costing up to Rs. 10,000 are charged to income. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Gains and losses on disposal of property, plant and equipment are recognised in the profit and loss account.

2.7 Intangible assets

Intangible assets having indefinite useful life are stated at cost less accumulated amortisation and impairment. Carrying amounts of intangibles are subject to impairment review at each balance sheet date and where conditions exist, impairment is recognised. The determination of recoverable amount is based on value-in-use calculations that require use of judgment to determine net cash flows arising from continuing use and applicable discount rate.

The useful lives of intangible assets are reviewed at each balance sheet date to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset.

2.8 Taxation

i. Current

The charge for current taxation is based on taxable income at the applicable rates of taxation, determined in accordance with the prevailing law for taxation after taking into account tax credits and rebates available, if any.

ii. Deferred

Deferred tax is provided using the liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

2.9 Retirement benefits

Defined contribution plan - Provident Fund

The Company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 6% per annum of the gross salary. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

Defined benefit plans

The Company operates the following schemes:

i) Funded pension scheme for management employees of the Company. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2011, using the 'Projected Unit Credit Method'.

ii) Funded gratuity scheme for management and non-management employees of the Company. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2011, using the 'Projected Unit Credit Method'.

Actuarial gains and losses are changes in present value of defined benefit obligation and fair value of plan assets due to differences between long term actuarial assumptions and actual short term experience. The Company amortises such gains and losses each year by dividing the unrecognised balance at the beginning of the year by the average expected remaining service of current members.

Amounts recognised in the balance sheet represent the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, if any, and as reduced by the fair value of plan assets. Any asset resulting from the calculation is limited to the unrecognised actuarial losses and unrecognised past service cost plus the present value of available refunds and reduction in future contribution to the plan.

2.1 0 Stores and spares

These are valued at average cost and provision is made for slow moving and obsolete stores and spares. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.11 Stock in trade

This is stated at the lower of cost and net realisable value. Cost is determined using the weighted average method except for those in transit where it represents invoice value and other charges paid thereon. Cost of work in process and finished goods include cost of raw and packing materials, direct labour and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.12 Trade and other debts

Trade and other debts are recognised at fair value of consideration receivable. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current and savings accounts and short term running finance.

2.14 Operating leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

2.15 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.16 Borrowings and their cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.17 Provisions

Provisions, if any, 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 will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.18 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

2.19 Foreign currency transactions and translation

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are taken to income.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.20 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on the following basis:

- sale is recognised when the product is despatched to customers; and
- return on savings account is recognised on accrual basis.

2.21 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	(Rupees in thousand)	
Operating assets - note 3.1	593,548	297,151
Capital work in progress - note 3.3	27,154	3,575
	620,702	300,726

3.1 Operating assets

	Freehold land	Building on freehold land	Leasehold improve-ments	Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles	Total
	(Rupees in thousand)							
Net carrying value basis Year ended December 31, 2011								
Opening Net Book Value (NBV)	8,179	50,981	-	169,219	53,167	2,813	12,792	297,151
Additions (at cost)	-	79,065	-	260,517	1,817	1,706	-	343,105
Disposals (at NBV)	-	-	-	(1,299)	-	-	(3,445)	(4,744)
Depreciation charge	-	(1,607)	-	(28,370)	(5,987)	(773)	(5,227)	(41,964)
Closing NBV	8,179	128,439	-	400,067	48,997	3,746	4,120	593,548
Gross carrying value basis At December 31, 2011								
Cost	8,179	222,906	14,918	681,324	128,595	17,211	27,154	1,100,287
Accumulated depreciation and impairment	-	(94,467)	(14,918)	(281,257)	(79,598)	(13,465)	(23,034)	(506,739)
NBV	8,179	128,439	-	400,067	48,997	3,746	4,120	593,548
Net carrying value basis Year ended December 31, 2010								
Opening NBV	8,179	50,361	-	175,803	31,531	2,469	20,329	288,672
Additions (at cost)	-	2,045	-	16,958	28,268	809	-	48,080
Disposals (at NBV)	-	-	-	-	-	-	(415)	(415)
Depreciation charge	-	(1,425)	-	(23,542)	(6,632)	(465)	(7,122)	(39,186)
Closing NBV	8,179	50,981	-	169,219	53,167	2,813	12,792	297,151
Gross carrying value basis At December 31, 2010								
Cost	8,179	143,841	14,918	427,455	128,427	17,664	40,072	780,556
Accumulated depreciation and impairment	-	(92,860)	(14,918)	(258,236)	(75,260)	(14,851)	(27,280)	(483,405)
NBV	8,179	50,981	-	169,219	53,167	2,813	12,792	297,151
Depreciation rate % per annum	-	2.5	25	10	10 to 25	20	20	

3.2 Details of operating assets disposed off during the year

The details of fixed assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupess in thousand					
Motor Vehicles	424	255	169	440	Insurance claim	New Jubliee Insurance Company Ltd. NJI House, I.I. Chundrigar Road, Karachi.
	1,269	508	761	634	Company policy	Mr. M.Amin - Executive
	1,009	453	556	719	"	Mr. Fawad Arif - Executive
	1,006	654	352	553	"	Mr. Omer Farooq- Executive
	683	444	239	196	"	Mr. Ismail Tahir - Executive
	424	256	168	265	"	Mr. Faisal Mahmood - Executive
	424	276	148	255	"	Mr. Tanveer Ahmed - Executive
	365	291	74	146	"	Mr. Qaiser Chishti - Executive
	365	291	74	146	"	Mr. Khurram Irshad - Executive
	365	291	74	146	"	Mr. Hammad Mujeeb Akhter - Executive
	365	291	74	146	"	Mr. Hasan Iqbal - Executive
	365	291	74	146	"	Mr. Masood Ahmed Khan - Executive
	317	254	63	159	"	Mr. Imran Muslim Zaidi - Executive
	317	254	63	146	"	Mr. Imran Kazmi - Executive
	317	254	63	127	"	Mr. Masood Rahman - Executive
	317	254	63	127	"	Mr. M. Khalid Jawed - Executive
	317	254	63	127	"	Mr. Amin Khan - Executive
	317	254	63	127	"	Mr. Amjad Ali Khan - Executive
	317	254	63	127	"	Mr. Ilyas Mian - Executive
	317	254	63	127	"	Mr. Atiq-ur-Rehman - Executive
	317	254	63	146	"	Mr. Mudassar Hameed - Executive
	396	336	60	158	"	Mr. Mafia Hayat - Executive
	365	310	55	146	"	Mr. Zafar Chobdar - Executive
	10,678	7,233	3,445	5,309		
Plant and machinery	400	280	120	56	Open bidding	Foji Scrap Dealer Adda Dina Nath near Masjid Allah Wali, Multan Road, Bhai Peru, Lahore

Assets having book value of less than Rs.50,000 each

Electrical, mechanical and office equipment	1,649	1,649	-	30
Plant and machinery	3,489	3,273	216	439
Motor Vehicles	2,240	2,240	-	467
Furniture and fittings	1,900	1,900	-	269
Assets written off				
Plant and machinery	2,759	1,796	963	-
Furniture and fittings	259	259	-	-
	23,374	18,630	4,744	6,570

	2011	2010
	(Rupees in thousand)	

3.3 Capital work in progress – at cost

	2011	2010
Civil work	18,153	562
Plant and machinery	9,001	3,013
	27,154	3,575

4. INTANGIBLE ASSETS

Gross carrying value basis

	2011	2010
Cost		
- Goodwill	94,578	94,578
- Agreement in restraint of trade	139,661	139,661
- Trademark	20,000	20,000
	254,239	254,239
Accumulated amortisation and impairment	(172,602)	(172,602)
Net book value	81,637	81,637

The above represents amount paid for the acquisition of Glaxose-D in 1999 to Glaxo Wellcome Pakistan Limited (now GlaxoSmithKline Pakistan Limited).

5. LONG TERM LOANS - considered good

	2011	2010
	(Rupees in thousand)	
Executives	32,841	2,621
Other employees	469	1,545
	33,310	4,166
Recoverable within one year - note 10	(7,689)	(2,009)
	25,621	2,157

5.1 Reconciliation of carrying amount of loans to executives:

	2011	2010
- opening balances	2,621	1,936
- transfers	274	1,018
- disbursements	34,111	1,100
- repayments	(4,165)	(1,433)
	32,841	2,621

5.2 Loans to employees have been provided to facilitate purchase of houses, vehicles and computers in accordance with the Company's policy and are repayable over a period of five years. These loans are interest free and secured against retirement benefits of the employees.

5.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 32.8 million (2010: Rs. 3.06 million).

	2011	2010
	(Rupees in thousand)	
6. LONG TERM PREPAYMENT		
Prepaid rent	12,865	1,341
Current portion - note 11	(9,971)	(1,213)
	2,894	128
7. STORES AND SPARES		
Stores	7,563	10,168
Spares (In transit - Nil; 2010: Rs. 1.62 million)	10,601	8,449
	18,164	18,617
Provision for obsolescence	(1,464)	(1,159)
	16,700	17,458
8. STOCK IN TRADE		
Raw and packing materials (including in transit Rs. 62.13 million; 2010: Rs. 30.81 million)	405,260	240,718
Provision for obsolescence	(18,715)	(14,158)
	386,545	226,560
Work in process	10,833	2,906
Provision for obsolescence	-	(1,114)
	10,833	1,792
Finished goods	204,850	136,665
Provision for obsolescence	(9,066)	(6,923)
	195,784	129,742
	593,162	358,094

8.1 Stock in trade includes Rs. 202.82 million (2010: Rs. 199.31 million) held with third parties.

8.2 The Company made a provision of Rs. 33.86 million (2010: Rs. 13.97 million) for obsolescence and has written off inventory of Rs. 28.3 million (2010: Rs. 36.96 million) by utilising the provision during the year.

9. TRADE DEBTS

	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Considered good	188,563	96,606
Considered doubtful	14,147	12,933
	202,710	109,539
Provision for doubtful debts - note 9.1	(14,147)	(12,933)
	188,563	96,606

9.1 The Company has recognised a provision of Rs. 1.53 million (2010: Rs. 0.47 million) and has written off debts by utilising the provision amounting to Rs 0.32 million (2010: Rs. 0.43 million)

9.2 As of December 31, 2011 trade debts of Rs. 34.73 million (2010: Rs. 28.25 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 age analysis of these trade debts is as follows:

	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Up to 3 months	14,938	21,179
3 to 6 months	17,257	6,355
More than 6 months	2,531	716
	34,726	28,250

10. LOANS AND ADVANCES - considered good

	2011	2010
Current portion of loans to employees - note 5	7,689	2,009
Advances to:		
executives - note 10.1	3,084	2,496
other employees	626	1,448
suppliers and others	7,967	8,756
	11,677	12,700
	19,366	14,709

10.1 The advances to executives are given to meet business expenses and are settled as and when the expenses are incurred. Further, the Company provides advance house rent to its employees.

	2011	2010
	(Rupees in thousand)	

11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2011	2010
Trade deposits	5,362	1,938
Prepayments	37,460	17,079
Current portion of prepaid rent - note 6	9,971	1,213
	52,793	20,230

12. OTHER RECEIVABLES

	2011	2010
Due from associated undertakings	4,599	3,644
Workers' Profits Participation Fund - note 12.1	16,193	5,124
Rafhan Best Foods Gratuity Fund	4,667	-
Others	3,409	870
	28,868	9,638

12.1 Workers' Profits Participation Fund

	2011	2010
Balance as at January 1	5,124	11,826
Allocation for the year	(48,931)	(34,686)
	(43,807)	(22,860)
Paid to trustees of the fund	60,000	27,984
Balance as at December 31	16,193	5,124

13. CASH AND BANK BALANCES

	2011	2010
With banks on:		
savings accounts - note 13.1	36,917	31,460
current accounts	55,739	48,856
	92,656	80,316
Cash in hand	556	120
	93,212	80,436

13.1 The mark up on savings accounts was at rates ranging from 5% to 9.58% per annum (2010: 5.0% per annum).

14. SHARE CAPITAL

		2011	2010
		(Rupees in thousand)	
Authorised share capital			
Number of shares			
20,000,000	Ordinary shares of Rs. 10 each	200,000	200,000
Issued, subscribed and paid up capital			
Number of shares			
	Ordinary shares of Rs. 10 each allotted:		
1,239,327	for consideration paid in cash	12,393	12,393
24,196	for consideration other than cash	242	242
4,894,095	as bonus shares	48,941	48,941
6,157,618		61,576	61,576

14.1 As at December 31, 2011 and 2010 Conopco Inc. USA, subsidiary of Unilever N.V. Holland, held 4,670,271 ordinary shares of Rs. 10 each.

15. RESERVES

	2011	2010
	(Rupees in thousand)	
Capital reserves		
Share premium	24,630	24,630
Special	628	628
	25,258	25,258
Revenue reserves		
General	138	138
Unappropriated profit	404,563	317,423
	404,701	317,561
	429,959	342,819

16. RETIREMENT BENEFITS - OBLIGATION

16.1 The disclosures made in notes 16.2 to 16.9 and 16.11 are based on the information included in the actuarial valuation as of December 31, 2011.

	Pension Fund		Gratuity Fund	
	2011	2010	**2011**	2010
	(Rupees in thousand)			
16.2 Balance Sheet Reconciliation				
Fair value of plan assets	**70,261**	62,272	**49,963**	45,301
Present value of defined benefit obligations	**(72,935)**	(67,097)	**(79,998)**	(69,277)
Funded status	**(2,674)**	(4,825)	**(30,035)**	(23,976)
Unrecognised net actuarial (gain) / loss	**(4,883)**	(1,070)	**20,073**	20,932
Recognised liability	**(7,557)**	(5,895)	**(9,962)**	(3,044)
Actual return on plan assets	**6,929**	10,208	**5,280**	3,160
16.3 Movement in the fair value of plan assets				
Fair value as at January 1	**62,272**	50,682	**45,301**	42,686
Expected return on plan assets	**7,722**	6,660	**5,956**	5,832
Actuarial (losses) / gains	**(793)**	3,548	**(676)**	(2,672)
Employer contributions	**3,607**	3,846	**8,082**	4,509
Benefits paid	**(2,547)**	(2,464)	**(8,700)**	(5,054)
Fair value as at December 31	**70,261**	62,272	**49,963**	45,301
16.4 Movement in the defined benefit obligation				
Obligation as at January 1	**67,097**	59,235	**69,277**	55,249
Service cost	**3,424**	3,147	**6,038**	3,284
Interest cost	**9,620**	7,595	**9,978**	7,134
Actuarial (gain) / loss	**(4,659)**	(416)	**(494)**	8,664
Settlement and curtailment	**-**	-	**3,899**	-
Benefits paid	**(2,547)**	(2,464)	**(8,700)**	(5,054)
Obligation as at December 31	**72,935**	67,097	**79,998**	69,277
16.5 Cost				
Current service cost	**3,424**	3,147	**6,038**	3,284
Interest cost	**9,620**	7,595	**9,978**	7,134
Expected return on plan assets	**(7,722)**	(6,660)	**(5,956)**	(5,832)
Settlement and curtailment	**-**	-	**3,899**	-
Recognition of actuarial (gain) / loss	**(53)**	145	**1,041**	487
Expense	**5,269**	4,227	**15,000**	5,073

16.6 Principal actuarial assumptions used are as follows:

	2011	2010
Discount rate & expected return on plan assets	13.00%	14.25%
Future salary increases	10.75%	12.00%
Future pension increases	7.25%	8.00%

16.7 Comparison for five years:

As at December 31	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Fair value of plan assets	120,224	107,573	93,368	107,255	83,966
Present value of defined benefit obligation	(152,933)	(136,374)	(114,484)	(121,949)	(98,503)
Deficit	(32,709)	(28,801)	(21,116)	(14,694)	(14,537)
Experience adjustments					
Gain / (Loss) on plan assets - as percentage of plan assets	(1.2%)	0.8%	0.4%	9.5%	(0.2%)
Loss / (Gain) on obligations - as percentage of obligations	(3.4%)	6.0%	3.6%	7.5%	(2.2%)

16.8 Plan assets are comprised as follows:

	2011		2010	
	Rupees in thousand	%	Rupees in thousand	%
Fixed interest bonds	108,202	90	77,911	72
Others (include cash and bank balances)	12,022	10	29,662	28
	120,224	100	107,573	100

16.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

16.10 The actuary conducts separate valuations for calculating contribution rates and the Company contributes to the pension and gratuity funds according to the actuary's advice. Expense of the defined benefit plans is calculated by the actuary.

16.11 Expected contributions to retirement benefit plans for the year ending December 31, 2012 are Rs. 14 million (2011: Rs. 13.4 million).

16.12 During the year the Company contributed Rs. 5.9 million (2010: Rs. 5.7 million) to the provident fund.

	2011	2010
	(Rupees in thousand)	

17. DEFERRED TAXATION

	2011	2010
Credit balance arising in respect of:		
- accelerated tax depreciation allowance	100,754	35,883
- amortisation of intangible assets	20,553	16,541
	121,307	52,424
Debit balance arising in respect of:		
- provision for retirement benefits	(6,132)	(3,129)
- provision for stock in trade	(9,723)	(7,768)
- provision for stores and spares	(512)	(406)
- provision for doubtful debts	(4,951)	(4,527)
- provision for restructuring	(9,036)	(3,500)
- other provisions	(3,943)	(3,851)
	(34,297)	(23,181)
	87,010	29,243

18. TRADE AND OTHER PAYABLES

	2011	2010
Creditors	290,181	37,271
Accrued liabilities	646,668	327,384
Royalty and technology fee	18,814	18,574
Advances from customers	45,433	23,033
Income tax deducted at source	2,041	3,566
Workers' Welfare Fund	19,573	13,181
Unclaimed dividend	1,318	1,563
Others	6,355	8,475
	1,030,383	433,047

18.1 Amounts due to related parties included in trade and other payables are as follows:

	2011	2010
	(Rupees in thousand)	
Holding Company	8,905	8,058
Other related parties	40,119	28,550

19. PROVISION

During the year, the Company made a provision for restructuring amounting to Rs. 30.36 million (2010: Rs. 10.20 million) out of which a sum of Rs. 14.54 million (2010: Rs. 0.20 million) has been paid to staff.

20. SALES TAX PAYABLE

This includes provision for doubtful sales tax refund amounting to Rs. 2.6 million (2010: Rs. 2.6 million).

21. SHORT TERM BORROWINGS

Running finance under mark-up arrangements - secured

The facilities for running finance available from various banks amount to Rs. 950 million (2010: Rs. 1.05 billion). The rates of mark up range between KIBOR to KIBOR + 1% per annum (2010: KIBOR to KIBOR + 4.2% per annum).

The arrangements are secured by way of hypothecation over the Company's current assets.

The facilities for opening letters of credit and guarantees as at December 31, 2011 amounted to Rs. 975 million (2010: Rs. 1.05 billion) of which the amount remained unutilised at year end was Rs. 812.03 million (2010: Rs. 1.01 billion).

22. CONTINGENCIES AND COMMITMENTS

22.1 CONTINGENCIES

During the year, the Deputy Commissioner Inland Revenue while rectifying the assessments of the tax years. 2009 and 2010 disallowed tax payments of Rs. 27.16 million and Rs. 8.57 million for the tax years. 2009 and 2010 respectively. The Company has filed appeals against the orders. before the Commissioner Inland Revenue (Appeals).

22.2 COMMITMENTS

22.2.1 Aggregate commitments outstanding for capital expenditure as at December 31, 2011 amounted to Rs. 27 million (2010: Nil).

22.2.2 Aggregate commitments for rentals payable under lease agreements as at December 31, 2011 are as follows:

	2011	2010
	(Rupees in thousand)	
Not later than one year	1,151	1,157
Over one year to five years	1,727	3,471
	2,878	4,628

23. SALES

	2011	2010
Gross sales	6,173,385	4,931,816
Sales tax	(832,118)	(664,221)
Excise duty	(43,807)	(34,224)
	(875,925)	(698,445)
	5,297,460	4,233,371
Rebates and allowances	(357,209)	(192,484)
	4,940,251	4,040,887

23.1 The Company analyses its net revenue by the following product groups:

	2011	2010
	(Rupees in thousand)	
Products used by end consumers	4,070,149	3,365,663
Products used by entities	870,102	675,224
	4,940,251	4,040,887

23.2 Sales to domestic customers in Pakistan are 97.5% (2010: 97.1%) and to customers outside Pakistan are 2.5% (2010: 2.9%) of the revenue during the year.

23.3 The Company's customer base is diverse with no single customer accounting for more than 10% of net revenues.

	2011	2010
	(Rupees in thousand)	

24. COST OF SALES

Raw and packing materials consumed	2,646,778	2,115,987
Manufacturing charges paid to third party	38,572	40,446
Stores and spares consumed	24,892	27,028
Staff costs - note 24.1	199,103	175,045
Utilities	79,984	47,804
Depreciation	40,861	38,156
Repairs and maintenance	20,046	26,429
Rent, rates and taxes	9,400	4,045
Travelling and entertainment	2,232	1,441
Insurance	1,285	1,265
Stationery and office expenses	4,719	4,979
Other expenses	5,396	7,237
Charges by related party - note 24.2	17,317	5,027
Recovery of charges from related party	-	(2,820)
	3,090,585	2,492,069
Opening work in process	1,792	4,489
Closing work in process	(10,833)	(1,792)
Cost of goods manufactured	3,081,544	2,494,766
Opening stock of finished goods	129,742	140,979
Closing stock of finished goods	(195,784)	(129,742)
	3,015,502	2,506,003

	2011	2010
	(Rupees in thousand)	

24.1 Staff costs

	2011	2010
Salaries and wages	190,072	169,667
Medical expenses	2,996	1,392
Pension cost - defined benefit plan	1,488	1,194
Gratuity cost - defined benefit plan	3,146	1,437
Provident fund cost - defined contribution plan	1,401	1,355
	199,103	175,045

24.2 This represents amount charged to the Company for certain management and other services received from its associated undertaking - Unilever Pakistan Limited.

25. DISTRIBUTION COST

	2011	2010
Staff costs - note 25.1	112,166	118,344
Advertisement and sales promotion	426,058	405,129
Outward freight and handling	142,598	103,289
Royalty and technology fee	86,168	75,524
Travelling and entertainment	19,965	24,180
Rent, rates and taxes	13,506	6,212
Depreciation	876	818
Repairs and maintenance	2,151	1,191
Stationery and office expenses	4,094	3,473
Other expenses	5,264	3,342
Charges by related party - note 25.2	37,166	100,138
Recovery of charges from related party	-	(55,047)
	850,012	786,593

	2011	2010
	(Rupees in thousand)	

25.1 Staff costs

	2011	2010
Salaries and wages	94,968	105,967
Medical expenses	1,464	1,707
Pension cost - defined benefit plan	3,671	2,945
Gratuity cost - defined benefit plan	7,725	3,530
Provident fund cost - defined contribution plan	4,338	4,195
	112,166	118,344

25.2 This represents amount charged to the Company for certain management and other services received from its associated undertaking - Unilever Pakistan Limited

26. ADMINISTRATIVE EXPENSES

	2011	2010
Staff costs - note 26.1	15,286	7,016
Rent, rates and taxes	338	81
Depreciation	227	212
Travelling and entertainment	1,025	1,669
Insurance	1,809	2,302
Auditors' remuneration - note 26.2	1,928	1,423
Provision for doubtful debts	1,534	471
Legal and professional charges	4,305	2,281
Other expenses	2,987	4,298
Charges by related party - note 26.3	109,759	36,251
Recovery of charges from related party	-	(4,457)
	139,198	51,547

	2011	2010
	(Rupees in thousand)	

26.1 Staff costs

Salaries and wages	14,771	6,653
Pension cost - defined benefit plan	110	88
Gratuity cost - defined benefit plan	230	106
Provident fund cost - defined contribution plan	175	169
	15,286	7,016

26.2 Auditors' remuneration

Audit fee	1,000	750
Limited review, audit of pension, provident and gratuity funds, certification for regulatory authorities and others	803	548
Out of pocket expenses	125	125
	1,928	1,423

26.3 This represents amount charged to the Company for certain management and other services received from its associated undertaking - Unilever Pakistan Limited.

	2011	2010
	(Rupees in thousand)	

27. OTHER OPERATING EXPENSES

Donations - note 27.1	2,263	3,943
Workers' Profits Participation Fund - note 12.1	48,931	34,686
Workers' Welfare Fund	19,573	13,181
	70,767	51,810

27.1 None of the directors or their spouse had any interest in the donee.

	2011	2010
	(Rupees in thousand)	

28. OTHER OPERATING INCOME

	2011	2010
Income from financial assets		
Return on savings accounts	14,164	36
Income from non-financial assets		
Scrap sales	5,443	11,134
Gain on disposal of property, plant and equipment	1,826	2,559
Sundries	2,064	1,082
	9,333	14,775
Others		
Service fee related parties - note 28.1	58,848	-
Liabilities no longer payable written back	237	8,765
	82,582	23,576

28.1 This includes amount charged by the Company for certain management and other services rendered to its related party - Unilever Pakistan Limited, in accordance with the Service Agreement between the two companies.

29. FINANCE COST

	2011	2010
	(Rupees in thousand)	
Mark-up on short term borrowings	3,372	9,166
Bank charges	3,491	3,283
	6,863	12,449

30. TAXATION - charge

	2011	2010
Current - for the year	224,670	191,656
- for prior years	11,000	5,000
Deferred	57,767	11,740
	293,437	208,396

30.1 Reconciliation between tax expense and accounting profit

Accounting profit before tax	**910,132**	645,859
Tax at the applicable tax rate of 35%	**318,546**	226,051
Tax effect of permanent differences	**12,079**	(766)
Tax effect of prior periods	**11,000**	5,000
Tax effect of credits	**(32,601)**	(8,033)
Tax effect of final tax	**(15,587)**	(13,856)
Tax expense for the year	**293,437**	208,396

31. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders	**616,695**	437,463
Weighted average number of shares in issue during the year - in thousand	**6,158**	6,158
Earnings per share - Rupees	**100.15**	71.04

There is no dilutive effect on the basic earnings per share of the Company.

32. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties during the year:

Relationship with the Company	Nature of transactions	2011 (Rupees in thousand)	2010
i) Holding Company	Royalty	**36,912**	31,718
ii) Other related parties	Technology fee	**39,714**	36,940
	Purchase of goods	**1,031,079**	909,079
	Sale of goods	**40,457**	62,104
	Reimbursement of expenses to related party	**-**	122,573
	Recovery of expenses from related party	**-**	62,324
	Fee for receiving of services from related parties	**164,254**	18,857
	Fee for providing of services to related parties	**58,848**	-
iii) Key management personnel	Salaries and other short-term employee benefits	**3,968**	3,052

Royalty and technology fee are paid in accordance with the agreements duly acknowledged by the State Bank of Pakistan.

The Company has entered into agreements with its associate, Unilever Pakistan Limited to share various administrative and other resources. The charges by the associate have been disclosed in notes 24, 25 and 26. Service fee from the associate have been disclosed in note 28.

The related party status of outstanding balances as at December 31, 2011 is included in other receivables and trade and other payables respectively. These are settled in ordinary course of business.

33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to directors, chief executive and executives of the Company are as follows:

	Executive Director		Chief Executive		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)					
Managerial remuneration and allowances	978	741	1,762	1,311	105,574	72,591
Retirement benefits - note 33.1	-	-	-	-	17,248	11,572
Rent and utilities	-	-	-	-	-	11,332
Medical expenses	-	-	-	-	1,659	1,535
Other expenses	-	-	-	-	183	1,129
	978	741	1,762	1,311	124,664	98,159
Number of persons	2	1	1	1	91	83

In addition to this, a lump sum amount of Rs 0.82 million (2010: Rs. 20.93 million) on account of variable pay has been accounted for in financial statements for the current year payable in 2012 after verification of target achievement.

Out of the variable pay recognised for 2010 and 2009 following payments were made:

	Paid in 2011 relating to 2010	Paid in 2010 relating to 2009
	(Rupees in thousand)	
Executive Directors	497	275
Chief Executive	581	590
Executives	13,746	14,673
Other employees	661	1,540
	15,485	17,078

Aggregate amount charged in these financial statements for the year for fee to four non-executive directors was Rs. 150 thousand (2010: four Non Executive Directors Rs. 135 thousand).

Certain executives of the Company are also provided with the Company maintained cars.

In respect of full time working Director, Chief Executive and Company Secretary, the Company is charged monthly by an associated undertaking (Unilever Pakistan Limited) on agreed basis.

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs. 3.97 million (2010: Rs. 3.05 million).

33.1 Retirement benefits represent amount contributed towards various retirement benefit plans.

34. PLANT CAPACITY AND PRODUCTION

	2011	2010
Actual production of the plant in metric tons	20,737	18,625

34.1 The capacity of the plant is indeterminable as it is a multiproduct plant capable of producing several interchangeable products.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

Financial assets and liabilities by category and their respective maturities

	Interest / Mark-up bearing			Non-interest / Non-mark-up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and advances	-	-	-	19,366	25,621	44,987	44,987
Trade debts	-	-	-	188,563	-	188,563	188,563
Trade deposits	-	-	-	5,362	-	5,362	5,362
Other receivables	-	-	-	8,008	-	8,008	8,008
Cash and bank balances	36,917	-	36,917	56,295	-	56,295	93,212
December 31, 2011	36,917	-	36,917	277,594	25,621	303,215	340,132
December 31, 2010	31,460	-	31,460	166,743	2,157	168,900	200,360
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	963,336	-	963,336	963,336
Short term borrowings	94,526	-	94,526	-	-	-	94,526
Accrued interest / mark-up	-	-	-	151	-	151	151
December 31, 2011	94,526	-	94,526	963,487	-	963,487	1,058,013
December 31, 2010	170,204	-	170,204	395,287	-	395,287	565,491
ON BALANCE SHEET GAP							
December 31, 2011	(57,609)	-	(57,609)	(685,893)	25,621	(660,272)	(717,881)
December 31, 2010	(138,744)	-	(138,744)	(228,544)	2,157	(226,387)	(365,131)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantee:							
December 31, 2011							162,696
December 31, 2010							37,741

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of total financial assets of Rs. 340.13 million (2010: Rs. 200.36 million), the financial assets which are subject to credit risk amounted to Rs. 188.56 million (2010: Rs. 96.61 million).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of December 31, 2011 trade debts of Rs. 34.73 million (2010: Rs. 28.25 million) were past due but not impaired. The carrying amount of trade debts relates to a number of independent customers. for whom there is no recent history of default.

Deposits have been placed mainly against shipping guarantees and letters of credit, hence exposed to no significant credit risk.

Loans and advances to employees are not exposed to any material credit risk since these are secured against their retirement benefits.

Other receivables constitute mainly receivables from the related parties, therefore, are not exposed to any significant credit risk.

The bank balances represent low credit risk as they are placed with banks having good credit ratings assigned by credit rating agencies.

The management does not expect any losses from non-performance by these counterparties.

(ii) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

(iii) Market risk

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at December 31, 2011, financial assets of Rs. 5.29 million (2010: Rs. 3.63 million) and financial liabilities of Rs. 46.54 million (2010: Rs. 33.72 million) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2011, if the Pakistan Rupee had weakened / strengthened by 9% against Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 1.53 million (2010: Rs. 1.59 million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

As at December 31, 2011, if the Pakistan Rupee had weakened / strengthened by 8% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 2.78 million (2010: Rs. 0.98 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company only as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (5 years) rates have moved on average basis by the mentioned percentages per annum.

b) Interest rate risk

The Company's interest rate risk arises from borrowings as the Company has no significant interest-bearing assets. Borrowings availed at variable rates expose the Company to cash flow interest rate risk.

At December 31, 2011, the Company had variable interest bearing financial liabilities of Rs. 130.4 million (2010: Rs. 170.2 million), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately Rs. 2.6 million (2010: Rs. 3.4 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

36. 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 benefit for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

During 2011 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2011 and 2010 were as follows:

	2011	2010
	(Rupees in thousand)	
Total borrowings	94,526	170,204
Cash and bank	(93,212)	(80,436)
Net debt	1,314	89,768
Total equity	491,535	404,395
Total capital	492,849	494,163
Gearing ratio	0.27%	18.17%

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.

37. CASH AND CASH EQUIVALENTS

	2011	2010
	(Rupees in thousand)	
Cash and bank balances	93,212	80,436
Short term borrowings - running finance under mark-up arrangements	(94,526)	(170,204)
	(1,314)	(89,768)

38. PROPOSED AND DECLARED DIVIDENDS

At the Board of Directors' meeting held on February 3, 2012, a final dividend in respect of 2011 of Rs. 50 per share amounting to a total dividend of Rs. 307.88 million is proposed (2010: Rs. 36 per share amounting to a total dividend of Rs. 221.67 million).

These financial statements do not reflect the proposed final dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2012.

Interim dividend declared and already paid in respect of 2011 was Rs. 50 per share amounting to a total dividend of Rs. 307.88 million (2010: Rs. 35 per share amounting to a total dividend of Rs. 215.52 million).

39. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 3, 2012 by the Board of Directors of the Company.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of Unilever Pakistan Foods Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Monday, March 26, 2012, at 14:30 Hrs. to transact the following business:

A. Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended 31 December 2011, together with the Reports of the Auditors and Directors thereon.

2. To approve and declare dividend (2011) on the Ordinary Shares of the Company. The Directors have recommended a final cash dividend of 500% (or Rs.50.00 per share) on the Ordinary Shares. Together with the interim dividend of 500% (or Rs.50.00 per share) already paid, the total dividend for 2011 will thus amount to 1,000% (or Rs.100.00 per share).

3. To appoint Auditors for the ensuing year, and to fix their remuneration. (Messrs A.F. Ferguson & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment).

B. Special Business

4. To approve the remuneration of Executive Directors including the Chief Executive.

By Order of the Board

Karachi
Dated: March 01, 2012

Amar Naseer
Company Secretary

Notes:

1. **The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company are once again requested to send the same at the earliest directly to Company's Share Registrar, Famco Associates (Private) Limited, State Life Building, 1-A, 1st Floor, I.I. Chundrigar Road, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) notification dated August 18, 2011, SRO 779 (I) 2011, which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.**

2. Share Transfer Books will be closed from March 20, 2012 to March 26, 2012 (both days inclusive).

3. All Members / Shareholders are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.

4. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (1st Floor, Avari Plaza, Fatima Jinnah Road, Karachi) at least 48 hours before the time of the meeting.

5. Any change of address of Members should be immediately notified to the Company's Share Registrars, Famco Associates (Private) Limited, State Life Building 1-A (1st Floor), I. I. Chundrigar Road, Karachi.

   CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

Statement Under Section 160 (1) (b) of the Companies Ordinance, 1984

Statement in respect of Special Business and related Draft Resolution

This Statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting and the proposed Resolution related thereto:

A. Item 4 of the Agenda - Remuneration of Executive Director and Chief Executive

The Chief Executive and the Executive Director are also the employees of Unilever Pakistan Limited and are providing services to the Company under the shared services arrangements between both the Companies.

For the year 2011: Rs.2.34 million to the Chief Executive, and Rs.1.48 million to the Executive Director as remuneration for the services.

Estimated for the year 2012: Rs.2.90 million to the Chief Executive and Rs.1.40 million to the Executive Director as remuneration for the services.

Estimated for January 2013 to March 2013: Rs.0.60 million to the Chief Executive and Rs.0.30 million to the Executive Director as remuneration for the services.

Executive Director and CEO are also entitled to use Company car.

Approval of the Members is required for remuneration for holding their respective office of profit in respect of the CEO and Executive Director. For this purpose it is proposed that, the following resolution be passed as an Ordinary Resolution:

"**RESOLVED THAT** approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Director and the Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service arrangements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs.3.82 million approximately, actual for the year January-December 2011; Rs.4.30 million approximately estimated for January to December 2012 which includes variable pay for the year 2011; and Rs.0.90 million approximately estimated for January to March 2013."

Form of Proxy

The Secretary
Unilever Pakistan Foods Limited
Avari Plaza, Fatima Jinnah Road
Karachi-75530, Pakistan.

I / We ______________________________son/ daughter/ wife of ____________________ , shareholder of Unilever Pakistan Foods Limited, holding ______________ordinary shares hereby appoint _________________________who is my ______________________[state relationship (if any) with the proxy; required by Government regulations] and the son / daughter/ wife of _____________________, (holding ___________________ordinary shares in the Company under Folio No. __________________) [required by Government; delete if proxy is not the Company's shareholder] as my / our proxy, to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on March 26, 2012 and / or any adjournment thereof.

Signed this _________ day of ___________ 2012.

(Signature should agree with the specimen signature registered with the Company)

Witness 1 :

Signature_________________

Name _________________

CNIC # _________________

Sign across Rs. 5/- Revenue Stamp

Signature of Member(s)

Witness 2 :

Signature_________________

Name _________________

CNIC # _________________

Shareholder's Folio No.____________________

and / or CDC Participant I.D. No._____________

and Sub- Account No.____________________

Note:

1. The Member is requested:

   (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.

   (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.

   (c) to write down his Folio Number.

2. In order to be valid, this Proxy must be received at the Registered Office of the Company at least 48 hours before the time fixed for the Meeting, duly completed in all respects.

3. CDC Shareholders or their Proxies should bring their original Computerized National Identity Card or original Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the Notes to the Notice of AGM.

Unilever Food Solutions

Inspiration every day

Rafhan

Knorr

Energile

GLAXOSE-D

GLUCOSE-D

Unilever

Unilever Pakistan Foods Limited

Avari Plaza, Fatima Jinnah Road, Karachi-75530

Telephones: +92-21-35660062-9 Facsimile: +92-21-35681705

www.unileverpakistanfoods.com.pk

JWT