Unilever

Unilever Pakistan Limited

annual report 2010

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.unileverpakistan.com.pk

contents

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.

Company information

BOARD OF DIRECTORS

Mr. Ehsan A. Malik
Chairman & Chief Executive

Mr. Imran Husain
Executive Director / CFO

Mr. M. Qaysar Alam
Executive Director

Ms. Shazia Syed
Executive Director

Mr. Amir R. Paracha
Executive Director

Mr. Zaffar A. Khan
Non - Executive Director

Mr. Khalid Rafi
Non - Executive Director

COMPANY SECRETARY

Mr. Amar Naseer

AUDIT COMMITTEE

Mr. Zaffar A. Khan
Chairman

Mr. Khalid Rafi
Member

Mr. M. Qaysar Alam
Member

Mr. Imtiaz Jaleel
Head of Internal Audit & Secretary

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

Notice of Annual General Meeting

Notice is hereby given that the 62nd Annual General Meeting of Unilever Pakistan Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Tuesday, March 29, 2011, at 11:00 a.m. to transact the following business:

A. Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended December 31, 2010, together with the Reports of the Auditors and Directors thereon.

2. To approve and declare dividend (2010) on the Ordinary Shares of the Company. The Directors have recommended final dividend of 314% (or Rs.157.00 per share) on the Ordinary Shares. Together with the interim dividend of 178% (or Rs.89.00 per ordinary share) already paid, the total dividend for 2010 will thus amount to 492% (or Rs.246.00 per ordinary 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).

4. To elect directors of the Company for a three years term. The Board of Directors in the meeting held on February 14, 2011, fixed the number of Directors at eight (8). The term of office of the following seven (7) directors will expire on April 18, 2011:

    1. Mr. Ehsan A. Malik
    2. Mr. Imran Husain
    3. Mr. M. Qaysar Alam
    4. Ms. Shazia Syed
    5. Mr. Amir R. Paracha
    6. Mr. Zaffar A. Khan
    7. Mr. Khalid Rafi

B. Special Business

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

By Order of the Board

Karachi
March 04, 2011

Amar Naseer
Company Secretary

Notice of Annual General Meeting

Notes:

1. Share Transfer Books will be closed from March 22, 2011 to March 29, 2011 (both days inclusive).

2. All Members (whether holding Preference or Ordinary Shares) are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.

3. 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.

4. 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.

C. Election of Directors:

The number of Directors to be elected at the Annual General Meeting has been fixed by the Board of Directors at eight. The Board has increased the number of Directors from seven (7) to eight (8) at its meeting held on February 14, 2011.

Any person who seeks to contest election for directorship of the Company shall file with the Company at its registered office:

i) A notice of his/her intention to offer himself for election 14 days before the date of the above said Annual General Meeting, in terms of Section 178(3) of the Companies Ordinance 1984;

ii) Form 28 (consent to Act as Director) prescribed under Companies Ordinance 1984;

iii) A declaration with consent to act as Director in the prescribed form under clause (ii) of the Code of Corporate Governance to the effect that he/she is aware of duties and powers of Directors as mentioned in Companies Ordinance 1984, the Memorandum and Articles of the Company and the listing Regulations of the Karachi/Lahore/Islamabad Stock Exchanges and has read the relevant provisions contained therein;

iv) A declaration in terms of the Code of Corporate Governance to the effect that he/she is not serving as a Director of more than ten other listed companies, and he/she is a registered National Tax Payer (except where he/she is a non-resident); that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution; that he/she or their spouse are not engaged in the business of Stock Brokerage (unless specifically exempted by the Securities and Exchange Commission of Pakistan);

v) Attested copy of CNIC / NTN.

Notice of Annual General Meeting

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:

Item 5 of the Agenda – Remuneration of Executive Directors including Chief Executive

For the year 2010 Rs. 59.9 million to the Executive Directors, and Rs. 45.7 million to the Chief Executive.

Estimated for the year 2011: Rs. 81.4 million to the Executive Directors, and Rs. 60.6 million to the Chief Executive, as under:

	Chief Executive	Executive Directors
	(Rs. in million)	
Managerial Remuneration & Allowances	36.8	57.1
Retirement Benefits	2.9	5.5
Medical	0.2	0.5
Other Expenses	3.1	2.7
	43.0	65.8
Parent Co.'s Share Based Remuneration *	17.6	15.6
	60.6	81.4

* Estimated Charge for performance based remuneration in the shape of Parent Company's shares to the executives of the Company. Executive Directors and CEO are also entitled to use Company car.

Estimated for January 2012 to March 2012: Rs. 11.6 million for Executive Directors and Rs. 9.1 million for Chief Executive.

Approval of the Members is required for remuneration for holding their respective office of profit in respect of the Executive Directors. 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 Directors including the Chairman / Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service agreements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs. 105.6 million approximately, actual for the year January-December 2010;

Notice of Annual General Meeting

Rs. 142.0 million approximately estimated for January to December 2011 which includes variable pay for the year 2010 and Rs. 20.7 million approximately estimated for January to March 2012."

Procedure for Election of Directors:

According to the Company's Articles of Association, the Companies Ordinance 1984, and the Code of Corporate Governance, the following procedure is to be followed for nomination and election of Directors:

1. The election of eight (8) Directors will be for a term of three years, commencing from April 19, 2011.

2. The Directors shall be elected from persons who offer themselves for election and are not ineligible under Section 187 of the Companies Ordinance 1984.

3. Any person wishing to stand for election (including a retiring Director) is required to file with the Company (not later than 14 days before the election date), a notice of his intention to stand for election, along with duly completed and signed Form 28 giving his consent to act as Director of the Company if elected, and certify that he is not ineligible to become a Director and fulfills the requirements of Code of Corporate Governance.

4. The Company will file the candidates' consents with the Registrar of Companies and notify their names in the press.

5. A person may withdraw his candidature any time before the election is held.

6. If the number of candidates equals the number of vacancies, no voting will take place and all the candidates will be deemed to have been elected.

7. In case of voting, a Member shall have votes equal to the number of shares held by him multiplied by eight (i.e. the number of Directors to be elected).

8. A Member may cast vote/s in favour of a single candidate or for as many of the candidates and in such proportion as the Member may choose.

9. The person receiving the highest number of votes will be declared elected, followed by the next highest, and so on, till all the vacancies are filled.

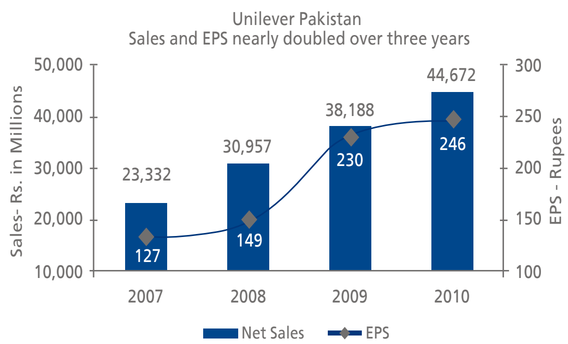
Directors' Report

Unilever Pakistan Limited

Directors' Report

The Directors are pleased to present the 2010 Annual Report together with the audited financial statements of the Company for the year ended December 31, 2010.

On top of factors like floods, low GDP growth, double digit inflation, deteriorating security environment and debilitating power cuts which impacted businesses in Pakistan in 2010, Unilever Pakistan also suffered due to rampant smuggling of tea. Despite this challenging environment, the Company registered a robust top-line growth of 17%. Turnover was fuelled by strong volume gains in Home and Personal Care, Ice Cream and Spreads. Impactful innovation, effective communication, bold market place activities and increased advertising contributed to impressive double digit growth.



Growth of the Tea business which represents 29.7% of our sales was affected by smuggling, as only half the 180,000 tons of tea consumed in Pakistan is officially imported. More alarmingly, the incentive to smuggle is growing with the sharp increase in raw tea prices in the international markets. Along with the Pakistan Tea Association, we have proposed to the government to reduce the combined impact of import duty and sales tax to bring smuggled tea into the official net. This will result in lower prices for consumers for whom tea is the drink of choice, assure the government of its current tax revenue, promote transparency and create a level playing field for legitimate operators.

Improved controls over the movement of tea in transit to Afghanistan would help the matter to an extent, but is not in its self sufficient to curb smuggling. Without reduction in taxes and therefore the incentive to evade, tea will be smuggled into Pakistan through the Iran/Afghanistan route.

Home & Personal Care continues to deliver robust double digit sales growth on the back of strong volume and share gains in key categories - laundry, hair care and skin care. Fuelling this are bigger, better and faster innovations and more focused advertising.

Despite frequent power outages the Ice Cream business, fuelled by strong innovation, achieved 33% growth; virtually all from volume.

The Spreads business achieved double digit volume-led growth as a result of improved visibility, penetration, trial and promotional campaigns.

Rising input costs which were not entirely passed on to consumers, coupled with strategic investment behind brands, impacted Gross and Operating Margins by 229 bps and 181 bps, respectively. Strong volume and value growth resulted in 7.1% higher Profit after Tax and Earnings Per Share (EPS). Over the three years to 2010, Sales and EPS have nearly doubled.

Summary of Financial Performance

	2010	2009
	(Rs. Million)	
Sales	**44,672**	38,188
Gross Profit	**14,577**	13,335
Gross Profit as a % of sales	**32.63**	34.92
Profit from Operations	**4,970**	4,943
Profit from Operations % sales	**11.13**	12.94
Profit before tax	**4,780**	4,516
Profit after tax	**3,273**	3,056
EPS (Rs)	**246**	230

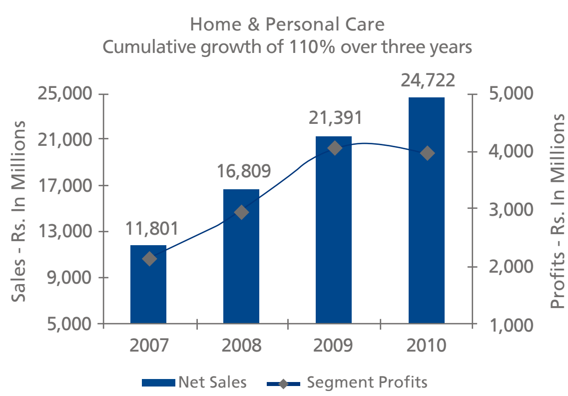
Dividend

The Board of Directors has recommended a final cash dividend of Rs. 157 per ordinary share. With the interim dividend of Rs. 89 per share already paid during the year, the total dividend for the year 2010 amounts to Rs. 246 (2009: Rs. 229) per ordinary share of Rs. 50 each. Total profit distributed by way of dividend amounts to 99.9% (2009: 99.6%).

The key business milestones were:

Home and Personal Care

Sales grew by more than 15% on account of robust volume growth. Cumulative growth over three years stands at 110%. In 2010, the business saw an increase in material cost, the adverse effects of which were not fully passed on to consumers. This, together with some volume loss on account of floods, resulted in a decline in gross margin. Competitive heat in 2010 was significant. This was partly offset by more effective advertising which, together with lower operating costs, partially mitigated the margin decline. The business delivered an operating margin of 16.1% for the year.



Key brand highlights were:

Surf Excel continued to register double digit growth. The brand was re-launched with the "one minute" campaign which, along with powerful consumer promotions, helped improve the brand equity.

Sunsilk was re-launched under the "Co-Creation" theme which, along with affordable packs, helped the brand achieve double digit growth.

Lifebuoy shampoo successfully delivered double digit growth on the back of a new, animated market development campaign which supported the brand re-launch.

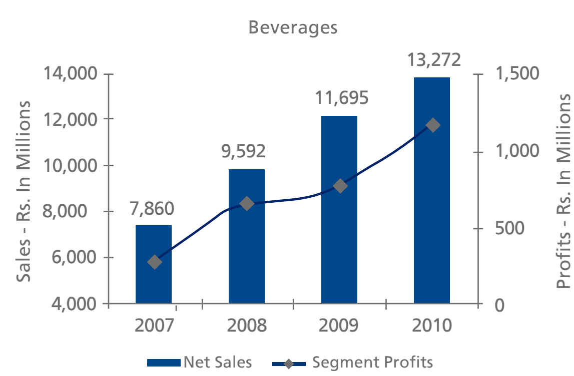
Lux recorded double digit growth largely led by volume. The brand gained market share based on an improved product and a more effective campaign.

Lifebuoy's skin cleansing range was augmented with liquid hand and body wash. The brand grew by more than 23% based on its message of "Healthy Hoga Pakistan".

Fair & Lovely delivered its 7th year of double digit turnover growth. Its re-launch and new packaging yielded immediate results, and continues to strengthen the brand equity.

Pond's continued its image transformation with the premium "Anti-Aging" and "White Beauty" creams gaining ground. A strategic price correction during the year yielded positive results.

Beverages



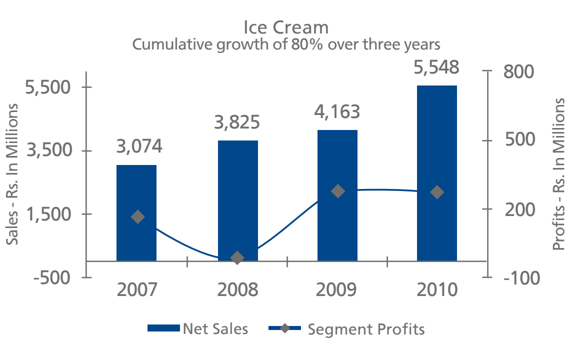
Sales grew by 13.5% mainly through price increases. Free availability of smuggled tea remained a major point of concern for all local branded players. Gross Margins were under pressure during the year as tea prices hit record high due to an upsurge in global demand, stagnant supply and currency devaluation.

Lipton, our flagship brand, represents good taste and is a blend of best teas from around the world. Lipton strengthened its positioning and continued the growth momentum through "Theanine" and "Strong" campaigns.

Brooke Bond Supreme had a challenging year, due to unprecedented levels of smuggled Kenyan tea in the country. However, sustained airing of the "Chaske Zindagi Kay" campaign, engaging consumer activation and a successful consumer promotion helped in ensuring that Supreme stayed resilient to market changes. In December, Supreme broke with the "Tandrust Rahein, Mast Rahein" campaign to remind consumers of the health benefits of tea.

Pearl Dust had a tough year as Dust tea prices rose to unprecedented levels. The highlight of the year was the successful "Quality Jo Challenge" campaign in which 81% of consumers preferred Pearl Dust over its competition in blind test and helped the brand gain significant momentum heading into 2011.

Ice cream



Wall's continued its growth journey in 2010, overcoming severe electricity crisis in the summer season, to deliver robust top line growth of 33.3%, virtually all from volume. This was achieved by building consumer pull through exciting innovations like "Badami" and "Cornetto Double Chocolate" and by correcting the price equation across the portfolio. The latter was made possible through extensive cost rationalization programmes, improvement of cabinet throughput and restructuring of distribution operations. The cumulative growth over the last three years has been 80%.

Spreads

Spreads category grew by 20.2% on the back of robust volume growth.

Blue Band Margarine continued to grow by building relevance and accessibility. It further strengthened its base by driving penetration outside Karachi into new geographies and channels. This was achieved by focusing on the Rs.10 low unit price pack, increasing availability and visibility through visi-coolers and outstanding outdoor advertising. Further, the overall brand communication on the "growth meter" helped establish the child growth message and gain market share.

Our People

Unilever takes pride in its people. The operating environment in Pakistan continues to be challenging, with deteriorating economic and security conditions. In 2010, these challenges grew because of the devastating floods. The continued good performance of the business in the midst of such an environment demonstrates the calibre, resilience and commitment of our people.

Our personal vitality "health passport" initiative has consistently been delivering results in terms of employee well-being. Initiatives like the gym facility and healthy eating options through a "vitality menu" at our cafeteria have all along been key contributors in improving the health of our people. Further, we continue to place emphasis on work life balance. Our initiatives including a Day Care Centre - a facility fully utilised by working mothers as well as managers whose wives work elsewhere, flexi working hours introduced in 2009, Agile working programme introduced in 2010 which facilitates managers to operate one day in a week out of home, as well as sports activities, have helped in generating positive energy in the business which acts as an important catalyst for growth.

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.

Continuous and consistent communication is vital for engaging our people. In-house communication initiatives such as Daily Digest, U Connect, monthly Functional HR Updates and institutionalising Functional Resource Committees, helped in engaging people. In 13 of the 16 dimensions on which feedback was sought in the Unilever Global People Survey of June 2010, Unilever Pakistan scored higher than Unilever's Asia Africa Central Eastern Europe (AAC) region to which we belong. High levels of positive scores were registered in the areas of Employee Engagement, belief in the Company Leadership, Growth Mindset, Diversity, Teamwork and Consumer & Customer Focus. 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 reinforced each Monday in the departmental Values meetings.

Unilever Pakistan 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. Unilever globally has transitioned from classroom training to virtual E-Learning in 2009 by providing latest international training modules online. This not only has helped in taking our capability building to a higher level, but has also contributed in reducing travel costs.

Unilever has kept talent retention as a top priority with 1% regretted loss rate. Our efforts will be focused on sustaining it in 2011.

Community Involvement

Unilever Pakistan is a multi-local multinational with strong local roots. We believe that the highest standards of corporate behaviour in our society are essential to our long term success. We contribute to economic, environmental and social agendas through our actions. By working with reliable local, national and global partners, we aim to provide consumers with better, healthier and environmentally friendly products which meet their everyday needs. We have a strong, long-standing commitment to our communities and "doing well by doing good" is a constant theme that underlines our actions.

During 2010, our main initiatives included:

i. Corporate Philanthropy: Rs. 21.0 million

a) Making quality primary education available to the lesser privileged working with:
- The Citizens Foundation (TCF) in its schools programme
- Supporting government schools through Public Private Partnerships

b) Economic empowerment through partnerships with Beaconhouse National University and Ghulam Ishaq Khan Institute of Engineering Sciences and Technology

c) Supporting health care organizations such as Layton Rehmatullah Benevolent Trust (LRBT), The Aga Khan University and Hospital and The Kidney Centre Postgraduate Training Institute.

ii. Energy Conservation:

Unilever has initiated an internal programme to reduce energy consumption by encouraging employees to switch off lights, computer monitors and other electronic equipment when not required. Additionally, a number of initiatives have been taken in factories, depots and transportation to conserve energy. Some of these are:

a) WWF Green Office Program for Head Office.
b) Engineering improvements in manufacturing.
c) Balancing air conditioning load and use of eco-efficient lighting at the offices.
d) Lux process modification - project SWING (Soap with Inclusion of Glycerine), simplifying soap manufacturing process resulting in energy saving and reduction of waste and water consumption.

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. Key initiatives include:

a) Distribution Centre rationalization & cross docking:
Using the "right sized" vehicles for each route and optimization of vehicle routes as per vehicles loads.

b) Logistics joint initiatives:
Utilization of vehicles on return trip, collaborating with non competitors. This helps share the carbon footprint on round trip.

c) Sustainable packaging through PVC removal in HPC (Hair Care) packaging.

Along side this, Unilever Pakistan is also investing in the resource and capability building areas of eco-efficient practices. Workshops and trainings have been conducted to educate young managers and factory leaders on Environment Management Tools.

iv. Community Investment and Welfare Schemes: Rs.35.6 million

a) Unilever contributes to multiple community projects through the Unilever Annual Grant Scheme. Two projects based on setting up hand pumps and basic health facilities were selected for assistance under this grant scheme.

b) The Lifebuoy brand partnered with Idara-e-Taleem-o-Aagahi, Care 'n' Cure, for hand washing activities across the country. The brand also carried out a campaign on print and TV for Swine Flu earlier in the year.

c) The brand Surf through the "Every Child Has the Right Campaign" expanded its work with Idara-e Taleem-o-Aagahi, integrating experiential learning into Government curriculum and training teachers. It also supported the nationwide event "Design for Change".

d) For the fourth year, the Blue Band margarine brand worked with the UN World Food Programme in contributing over 82,604 meals, the funds for which were raised through internal events and voluntary donations from employees through a payroll deduction system.

e) Fair & Lovely worked towards women empowerment and sponsored 11 students at Beaconhouse National University and the Institute of Professional Learning.

f) Lux sponsored students from four fashion institutes in Pakistan through the Lux Style Awards platform.

g) Wall's Ice Cream Factory in Lahore set up a free dispensary for the community members around the factory premises.

v. Consumer Protection Measures:

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

vi. Employment of Special Persons:

The Company believes in equal opportunity hiring. Unilever facilitates and accommodates the special needs of its employees.

vii. Occupational Safety and Health:

Occupational health & safety continues to be among the Company's top priorities. Unilever Pakistan's management has been persistent in pursuing the journey of achieving excellence in Safety, Health & Environment (SHE).

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

In line with Unilever's mission of creating a better future every day, it places SHE at the heart of its business agenda. The company has taken strides to engage other companies and its business partners, through external Industrial HSE Networks (IHSEN). Internally, Safety and Wellness Weeks have been initiated to raise awareness of key issues.

Unilever Pakistan continues to excel in safe travel by pursuing some leading edge initiatives such as "defensive driving", "behavioural risk assessment" and "route risk assessments" to pro-actively identify and manage driving-related risks.

Major focus has also been on off-the-job safety, by conducting learning and awareness programmes for employees' families.

viii. **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.

ix. **National Cause Donations: Rs. 9.3 million** (in addition to Rs. 113 million donated by our parent company)

In addition to the Rs. 113 million donated by our parent company, Unilever Pakistan worked with its employees; sales and distribution teams and global and local partners for flood relief and rehabilitation. Our partners include Oxfam, UN World Food Programme, Save the Children, PSI Greenstar Social Marketing Pakistan, UNICEF, Idara-e-Taleem-o-Aagahi and the local governments in Rahim Yar Khan and Khanewal. Unilever also made donations to its distributor sales representatives who were affected by the floods.

Unilever Brands also generously supported the cause through product donations. Lifebuoy ran a campaign for a call-to-action on TV for the flood relief work.

Unilever employees in Pakistan and other countries also donated towards the cause. The amount of the local employee contributions was matched by the Company and donated to The Citizens Foundation for their school rehabilitation programme.

x. **Contribution to National Exchequer:**

The Company contributed Rs. 13.8 billion or 68.06% (2009 Rs. 10.9 billion - 64.69%) 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 Unilever Pakistan Limited is extended beyond Company initiatives to its people. Our employees provide monetary as well as skill support to various organizations such as UN World Food Programme, Pleasures, Karachi Vocational Training Centre, The Citizens Foundation, WWF Pakistan, Layton Rehmatullah Benevolent Trust and The Kidney Centre.

Investment in Retirement Benefits

The investments made by the staff retirement funds operated by the Company as per their financial statements at December 31, 2010 are as follows:

	(Rs. Million)
The Union Pakistan Provident Fund	850
DC Pension Fund	288
Unilever Pension Plan	1,475
Unilever Gratuity Plan	36
Unilever Non Management Staff Gratuity Fund	22
Total	**2,671**
Total – 2009	2,571

Code of 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 account 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 therefrom 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 members, of whom two are non-executive directors including the chairman of the committee.

- 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 or are disclosed in the notes to the financial statements:

    - Number of Board meetings held and attendance by 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 and Company Secretary and their spouses and minor children.

The three years term of office of the present Directors expires on April 18, 2011.

Subsidiary Companies and Consolidated Financial Statements

The financial statements of the under mentioned subsidiaries of Unilever Pakistan Limited are included in the consolidated financial statements. None had any significant or material business transactions during the year.

- Lever Chemicals (Private) Limited
- Levers Associated Pakistan Trust (Private) Limited
- Sadiq (Private) Limited

Holding Company

Through its wholly owned subsidiary, Unilever Overseas Holdings Limited (UOHL), UK, Unilever PLC, a company incorporated in the United Kingdom, is the holding company, owning 75.07% of the shares in Unilever Pakistan Limited.

Auditors

The Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the meeting. Being eligible, they have offered themselves for re-appointment.

Reserve Appropriations

	RESERVES (Rs in thousands)			
	CAPITAL		REVENUE	TOTAL
	Arising under schemes of arrangements for amalgamations	Contingency	Unappropriated profit	
Balance as at January 1, 2010	70,929	321,471	2,229,243	2,621,643
Net profit for the year	-	-	3,273,202	3,273,202
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:				
- incremental depreciation for the year	-	-	648	648
Dividends				
For the year ended December 31, 2009				
- On cumulative preference shares @ 5% per share	-	-	(239)	(239)
- Final dividend on ordinary shares @ Rs 137 per share	-	-	(1,821,260)	(1,821,260)
For the year ended December 31, 2010				
- Interim dividend on ordinary shares @ Rs 89 per share	-	-	(1,183,153)	(1,183,153)
Balance as at December 31, 2010	**70,929**	**321,471**	**2,498,441**	**2,890,841**

Business Risks and Future Outlook

In the aftermath of devastating floods and increasing fiscal weakness, economic recovery will be a challenge. Growing inflationary pressure from rising commodity costs; smuggling of tea; volatility in raw tea prices; security environment and the ongoing gas and electricity shortages will continue to put pressure on business performance. Counterfeiting of our popular brands continues to have a negative impact on results.

Despite economic difficulties, the country provides immense opportunities for growth due to increasing population, growing middle-class, relative increase in affluence and awareness in rural areas and significant disparity in per capita consumption relative to other markets in which Unilever operates. The Company plans strategic investments in brands, distribution and infrastructure to tap into this potential. This could impact near-term profitability.

We have access to Unilever's know-how and R&D, with a constant stream of innovation and customer-related improvements. We also have a strong network, leveraging scale for sourcing raw materials and finished products. Our capabilities continue to improve in many areas including marketing, customer development and supply chain. Foremost, we are able to attract, develop and retain the best talent in the country. This is the basis of our long term confidence.

Thanking you all

On behalf of the Board

Ehsan A. Malik
Chairman & Chief Executive

Karachi
February 14, 2011

Board Meetings' Attendance

During the year 2010, five Board Meetings were held and were attended as follows:

Directors	No. of Meetings attended
Mr. Ehsan A. Malik	4
Mr. Imran Husain	5
Mr. Zaffar A. Khan	5
Mr. Khalid Rafi	5
Ms. Shazia Syed	5
Mr. M. Qaysar Alam	4
Mr. Amir R. Paracha	3

Operating and Financial Highlights

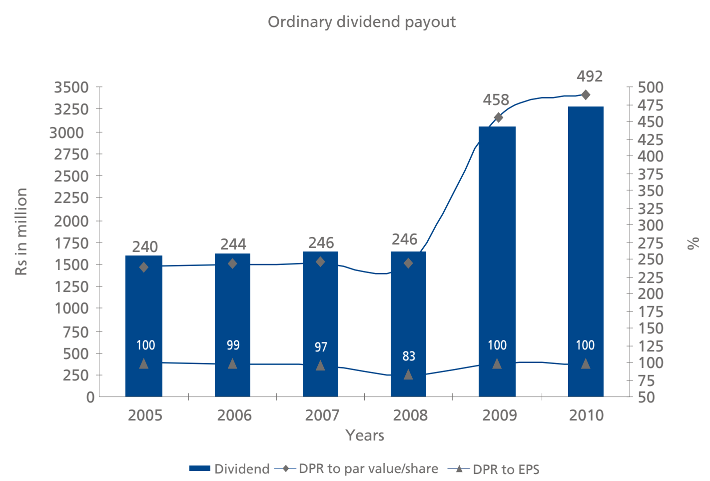
	Unit	2010	2009	2008	2007	2006	2005
FINANCIAL POSITION							
Balance sheet							
Property, plant and equipment	Rs in M	4,897	4,737	4,428	3,531	2,137	1,761
Other non-current assets	Rs in M	1,177	1,132	1,110	479	607	609
Current assets	Rs in M	7,427	5,557	5,848	4,075	3,686	3,437
Total assets	Rs in M	13,501	11,426	11,386	8,084	6,430	5,807
Ordinary share capital	Rs in M	664	664	664	664	664	664
Preference share capital	Rs in M	5	5	5	5	5	5
Reserves	Rs in M	2,891	2,622	1,547	1,311	1,161	1,178
Total equity	Rs in M	3,560	3,291	2,216	1,980	1,830	1,847
Surplus on revaluation of fixed assets	Rs in M	12	13	13	14	15	16
Non-current liabilities	Rs in M	955	1,020	687	502	348	369
Current liabilities	Rs in M	8,974	7,102	8,470	5,588	4,237	3,575
Total liabilities	Rs in M	9,929	8,122	9,157	6,090	4,585	3,944
Total equity and liabilities	Rs in M	13,501	11,426	11,386	8,084	6,430	5,807
Net current (liabilities) / assets	Rs in M	(1,547)	(1,190)	(2,481)	(1,513)	(551)	(138)
OPERATING AND FINANCIAL TRENDS							
Profit and loss							
Net sales	Rs in M	44,672	38,188	30,957	23,332	20,988	17,671
Gross profit	Rs in M	14,577	13,335	10,738	9,083	7,743	6,854
Operating profit	Rs in M	5,060	4,943	3,391	2,639	2,550	2,559
Profit before tax	Rs in M	4,780	4,516	2,925	2,530	2,486	2,482
Profit after tax	Rs in M	3,273	3,056	1,984	1,687	1,632	1,602
Ordinary cash dividends	Rs in M	3,270	3,044	1,635	1,635	1,622	1,595
Capital expenditure	Rs in M	921	872	1,369	1,714	684	510
Cash flows							
Operating activities	Rs in M	6,182	5,216	97	2,406	2,431	1,901
Investing activities	Rs in M	(885)	(878)	(1,246)	(1,656)	(534)	(433)
Financing activities	Rs in M	(3,038)	(2,011)	(1,742)	(1,570)	(1,675)	(1,862)
Cash and cash equivalents at the end of the year	Rs in M	1,461	(798)	(3,126)	(235)	586	365

Operating and Financial Highlights - continued

	Unit	2010	2009	2008	2007	2006	2005
FINANCIAL RATIOS							
Rate of return							
Pre tax return on equity	%	134	137	132	128	136	134
Post tax return on equity	%	92	93	90	85	89	87
Return on average capital employed	%	80	62	49	77	82	72
Interest cover	times	34	20	18	84	223	141
Profitability							
Gross profit margin	%	33	35	35	39	37	38
Pre tax profit to sales	%	11	12	9	11	12	14
Post tax profit to sales	%	7	8	6	7	8	9
Liquidity							
Current ratio		0.8	0.8	0.7	0.7	0.9	1.0
Quick ratio		0.4	0.3	0.2	0.2	0.4	0.5
Financial gearing							
Debt equity ratio			0.2	0.6	0.1	-	-
Total debt ratio		0.02	0.1	0.3	0.1	-	-
Capital efficiency							
Debtors turnover	days	4	4	3	3	2	2
Inventory turnover	days	46	58	64	63	54	59
Total assets turnover	times	3	3	3	3	3	3
Property, plant and equipment turnover	times	9	8	7	7	10	10
Investment measures per ordinary share							
Earnings	Rs	246	230	149	127	123	120
Dividend payout (including proposed)	Rs	246	229	123	123	122	120
Dividend payout ratio - earnings	%	100	100	83	97	99	100
Dividend payout ratio - par value	%	492	458	246	246	244	240
Dividend yield	%	6	10	7	5	6	7
Price earning ratio	times	18	10	12	18	16	15
Breakup value without surplus on revaluation	Rs	268	248	167	149	138	139
Breakup value with surplus on revaluation	Rs	269	249	168	150	139	140
Market value - low	Rs	2,305	1,725	1,808	2,000	1,760	1,280
Market value - high	Rs	4,691	2,475	2,501	2,625	2,060	1,775
Market value - average	Rs	3,712	2,100	2,154	2,286	1,910	1,528
Market value - year end	Rs	4,360	2,300	1,808	2,280	2,000	1,775
Market capitalisation - year end	Rs in M	57,964	30,576	24,032	30,310	26,588	23,597
Ordinary shares of Rs 50 each	No. in thousand	13,294	13,294	13,294	13,294	13,294	13,294

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


Profit before tax and as % of sales
Rs in million
% of sales
14
12
11
9
12
11
2005 2006 2007 2008 2009 2010
Years
Profit before tax
Profit beore tax as % of sales

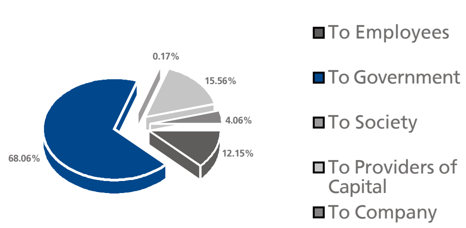

Ordinary dividend payout
Rs in million
%
240
244
246
246
458
492
100
99
97
83
100
100
2005 2006 2007 2008 2009 2010
Years
Dividend
DPR to par value/share
DPR to EPS


Earnings per share
Rupees
120
123
127
149
230
246
2005 2006 2007 2008 2009 2010
Years

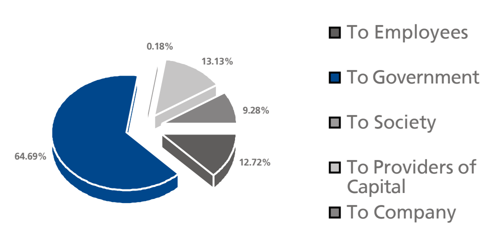
Statement of Value Addition & its Distribution

	2010 Rs in '000	%	2009 Rs in '000	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	55,136,743		46,861,852	
Bought-in material and services	(34,905,906)		(29,930,364)	
	20,230,837	100%	16,931,488	100%
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	2,367,174	11.70%	2,153,205	12.72%
Restructuring Cost	90,000	0.44%	-	0.00%
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	13,769,607	68.06%	10,952,391	64.69%
To Society				
Donation towards education, health and environment	33,780	0.17%	30,215	0.18%
To Providers of Capital				
Dividend to shareholders	3,004,413	14.85%	1,980,787	11.70%
Mark-up/ interest expenses on borrowed funds	144,068	0.71%	243,070	1.44%
To Company				
Depreciation, amortization & retained profit	821,795	4.06%	1,571,820	9.28%
Contingency Reserve		0.00%	-	0.00%
	20,230,837	100%	16,931,488	100%

WEALTH DISTRIBUTION 2010



WEALTH DISTRIBUTION 2009



Pattern of Shareholding
as at December 31, 2010

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held*
2,705	1	100	79,397
762	101	500	172,846
158	501	1,000	116,376
151	1,001	5,000	300,810
16	5,001	10,000	111,985
4	10,001	15,000	44,378
3	15,001	20,000	52,423
1	20,001	25,000	20,042
3	25,001	30,000	76,521
2	30,001	35,000	64,481
1	35,001	40,000	36,000
3	40,001	45,000	126,888
1	45,001	50,000	95,249
1	50,001	55,000	54,541
1	80,001	85,000	84,400
1	90,001	95,000	90,987
1	110,001	115,000	111,589
1	420,001	425,000	423,402
1	585,001	590,000	585,025
1	710,001	715,000	712,947
1	9,980,001	9,985,000	9,981,417
3,818			**13,341,704**

Shareholders' Category	Number of Share-holders	Number of Shares Held	Percentage %
Associated Co., Undertakings *	1	10,015,152	75.07
NIT and ICP *	3	111,899	0.84
Directors, CEO	3	1,121	0.01
Executives	2	65	0.00
Public Sector Co. and Corporation	1	423,402	3.17
Banks, DFI, NBFI's	10	58,304	0.44
Modarabas and Mutual Funds	5	8,893	0.06
Insurance Companies	6	68,489	0.51
Others *	98	1,902,551	14.26
Individuals *	3,689	751,828	5.64
	3,818	**13,341,704**	**100.00**

* Includes Voting Preference Shares.

Pattern of Shareholding - Additional Information

as at December 31, 2010

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies (name wise details)		
Unilever Overseas Holdings Ltd.	1	10,015,152
NIT & ICP (name wise details)		
National Bank of Pakistan, Trustee Deptt.	1	111,899
Directors,CEO and their spouses and minor children (name wise details)		
Mr. Zaffar A. Khan	1	1,020
Mr. Khalid Rafi	1	1
Mr. M. Qaysar Alam	1	100
Executives		
Mr. Amar Naseer	1	5
Mrs. Mahvash Imad W/o Syed Imad Mashhadi (Unilever Employee)	1	60
Public Sector Companies & Corporation	1	423,402
Banks, Development Finance Institutions Non-Banking Finance Institutions	10	58,304
Modarabas and Mutual Funds	5	8,893
Insurance Companies	6	68,489
Others	98	1,902,551
Shareholders holding 10% or more voting interest (name wise details)		
Unilever Overseas Holdings Ltd.	1	10,015,152

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

During 01-01-2010 to 31-12-2010

S.No.	Name	Acquired during the year
1	Mr. Khalid Rafi	1

S.No.	Name	Transferred during the year
1	Mr. Amar Naseer	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 independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two independent non-executive directors.

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 A casual vacancy on the Board of Directors occurred on December 31, 2009 which was duly filled during the year.

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 in agreement with the Board. 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 directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 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.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. 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.

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

14. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.

15. 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.

16. 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.

17. The Company has an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

18. 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.

19. 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.

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

Karachi
February 14, 2011

Ehsan A. Malik
Chairman & Chief Executive

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 Limited to comply with the Listing Regulation no. 35 of the Karachi, Lahore and Islamabad 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 are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of 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, 2010.

A.F.Ferguson & Co.
Chartered Accountants

Karachi
February 18, 2011

Financial Statements 2010

Unilever Pakistan Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Limited as at December 31, 2010 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, 2010 and of the profit, 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 18, 2011
Name of Engagement Partner: Ali Muhammad Mesia

Balance Sheet
as at December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	3	4,897,171	4,736,619
Intangibles	4	821,086	357,556
Long term investments	5	95,202	95,202
Long term loans	6	83,887	98,117
Long term deposits and prepayments	7	27,997	392,896
Retirement benefits - prepayments	8	148,800	188,054
		6,074,143	5,868,444
Current assets			
Stores and spares	9	357,338	265,420
Stock in trade	10	3,881,007	3,649,070
Trade debts	11	522,795	506,357
Loans and advances	12	126,699	131,852
Trade deposits and short term prepayments	13	243,661	327,826
Other receivables	14	70,960	82,141
Tax refunds due from the Government	15	466,394	355,052
Cash and bank balances	16	1,758,110	239,553
		7,426,964	5,557,271
Total assets		13,501,107	11,425,715

	Note	2010	2009
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	669,477	669,477
Reserves	18	2,890,841	2,621,643
		3,560,318	3,291,120
Surplus on revaluation of fixed assets	19	12,317	12,965
Liabilities			
Non-current liabilities			
Liabilities against assets subject to finance leases	20	19,818	56,762
Deferred taxation	21	576,143	636,130
Retirement benefits obligations	8	358,802	327,060
		954,763	1,019,952
Current liabilities			
Trade and other payables	22	8,233,705	5,785,776
Accrued interest / mark-up		16,184	28,892
Short term borrowings	23	297,143	1,037,911
Current maturity of liabilities against assets subject to finance leases	20	28,877	28,419
Provisions	24	397,800	220,680
		8,973,709	7,101,678
Total liabilities		9,928,472	8,121,630
Contingencies and commitments	25		
Total equity and liabilities		13,501,107	11,425,715

The annexed notes 1 to 46 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Profit and Loss Account
for the year ended December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Sales	26	**44,671,507**	38,187,582
Cost of sales	27	**(30,094,225)**	(24,852,625)
Gross profit		**14,577,282**	13,334,957
Distribution costs	28	**(8,033,561)**	(7,179,694)
Administrative expenses	29	**(1,219,935)**	(1,030,478)
Other operating expenses	30	**(388,051)**	(373,785)
Other operating income	31	**124,146**	192,313
		5,059,881	4,943,313
Restructuring cost		**(90,000)**	-
Profit from operations		**4,969,881**	4,943,313
Finance costs	32	**(189,583)**	(427,708)
Profit before taxation		**4,780,298**	4,515,605
Taxation	33	**(1,507,096)**	(1,459,865)
Profit after taxation		**3,273,202**	3,055,740
Earnings per share (Rupees)	34	**246**	230

The annexed notes 1 to 46 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Cash Flow Statement
for the year ended December 31, 2010

	2010	2009
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	4,780,298	4,515,605
Adjustments for non-cash charges and other items		
Depreciation	553,006	496,867
Amortisation of software	2,433	4,870
(Gain) / Loss on disposal of property, plant and equipment	(24,054)	8,901
Dividend income	(12)	(12)
Mark-up on short term borrowings	132,631	229,009
Finance charge on finance leases	11,437	13,474
Provision for staff retirement benefits	153,357	523,039
Return on savings accounts	(1,918)	(993)
Income on deposit accounts	(1,942)	-
	824,938	1,275,155
	5,605,236	5,790,760
Effect on cash flows due to working capital changes		
(Increase) / Decrease in current assets		
Stores and spares	(91,918)	(23,667)
Stock in trade	(231,937)	602,844
Trade debts	(16,438)	(277,594)
Loans and advances	5,153	(7,948)
Trade deposits and short term prepayments	84,165	(166,506)
Other receivables	11,181	136,188
	(239,794)	263,317
Increase / (Decrease) in current liabilities		
Trade and other payables	2,166,529	1,329,244
Provisions	177,120	(372,879)
	2,343,649	956,365
	2,103,855	1,219,682
Cash generated from operations (carried forward)	7,709,091	7,010,442

Cash Flow Statement - continued
for the year ended December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash generated from operations (brought forward)		7,709,091	7,010,442
Mark-up on short term borrowings paid		(145,339)	(264,192)
Income tax paid		(1,678,425)	(1,281,629)
Retirement benefits obligations paid		(82,361)	(418,472)
Decrease in long term loans		14,230	22,428
Decrease in long term deposits and prepayments		364,899	147,131
Net cash from operating activities		6,182,095	5,215,708
Cash flows from investing activities			
Purchase of property, plant and equipment		(721,787)	(872,311)
Payment for intangible asset under development		(199,596)	(68,535)
Sale proceeds on disposal of property, plant and equipment		32,283	62,155
Return received on savings accounts and deposit accounts		3,860	993
Dividend received		12	12
Net cash used in investing activities		(885,228)	(877,686)
Cash flows from financing activities			
Dividends paid		(2,989,619)	(1,972,704)
Finance lease obligation paid		(47,923)	(37,942)
Net cash used in financing activities		(3,037,542)	(2,010,646)
Net increase in cash and cash equivalents		2,259,325	2,327,376
Cash and cash equivalents at the beginning of the year		(798,358)	(3,125,734)
Cash and cash equivalents at the end of the year	35	1,460,967	(798,358)

The annexed notes 1 to 46 form an integral part of these financial statements.

Ehsan A. Malik	**Imran Husain**
Chairman & Chief Executive	Director & Chief Financial Officer

Statement of Changes in Equity
for the year ended December 31, 2010

	SHARE CAPITAL	RESERVES				TOTAL
		CAPITAL		REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Unappropriated profit		
	(Rupees in thousand)					
Balance as at January 1, 2009	669,477	70,929	321,471	1,153,881	1,546,281	2,215,758
Net profit for the year	-	-	-	3,055,740	3,055,740	3,055,740
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:						
- incremental depreciation for the year	-	-	-	648	648	648
Dividends						
For the year ended December 31, 2008						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 57 per share	-	-	-	(757,751)	(757,751)	(757,751)
For the year ended December 31, 2009						
- Interim dividend on ordinary shares @ Rs. 92 per share	-	-	-	(1,223,036)	(1,223,036)	(1,223,036)
Balance as at December 31, 2009	669,477	70,929	321,471	2,229,243	2,621,643	3,291,120
Net profit for the year	-	-	-	3,273,202	3,273,202	3,273,202
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:						
- incremental depreciation for the year	-	-	-	648	648	648
Dividends						
For the year ended December 31, 2009						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 137 per share	-	-	-	(1,821,260)	(1,821,260)	(1,821,260)
For the year ended December 31, 2010						
- Interim dividend on ordinary shares @ Rs. 89 per share	-	-	-	(1,183,153)	(1,183,153)	(1,183,153)
Balance as at December 31, 2010	669,477	70,929	321,471	2,498,441	2,890,841	3,560,318

The annexed notes 1 to 46 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & 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, Lahore and Islamabad Stock Exchanges. It manufactures and markets home and personal care products, beverages, ice cream and spreads. The registered office of the Company is situated at Avari Plaza, Fatima Jinnah Road, Karachi.

The Company is a subsidiary of Unilever Overseas Holdings Limited, UK, whereas its ultimate parent company is Unilever PLC, UK.

2. SUMMARY OF 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 8.

(iii) Provisions

Provisions are considered, among others, for legal matters, disputed indirect taxes, employee termination cost and restructuring where a legal or constructive obligation exists at the balance sheet date and reliable estimate can be made of the likely outcome. The nature of these costs is such that judgement is involved in estimating the timing and amount of cash flows.

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 judgements made by the Company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.1.3 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

(i) IFRS 2 (Amendments), 'Group cash-settled share-based payment transactions', incorporates the guidance contained in IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions' and further expands on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. There is no effect of the new amendment on the Company's financial statements.

(ii) IFRS 8 (Amendment) ,'Disclosure of information about segment assets', clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the Chief Operating Decision-maker. The segment assets are reported regularly to the Company's Chief Operating Decision-maker, therefore the adoption of this amendment has no effect on the disclosures of Operating Segments presented in note 36 to the financial statements.

b) Standards, interpretations and amendments to published approved accounting standards effective in 2010 but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

(i) IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after January 01, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Company's financial statements.

(ii) IAS 24 (Revised), 'Related Party Disclosures', is effective for the accounting periods beginning on or after January 01, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have a material impact on the Company's financial statements.

(iii) IFRS 7 (Amendment),'Financial Instruments: Disclosures', is effective for the accounting periods beginning on or after January 01, 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the financial instrument disclosures in the Company's financial statements.

(iv) IFRIC 13 (Amendment),'Customer Loyalty Programmes', is effective for the accounting periods beginning on or after January 01, 2011. It clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes. The new amendment is not expected to have a material impact on the Company's financial statements.

(v) IFRIC 14 (Amendment),'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction', is effective for the accounting periods beginning on or after January 01, 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

2.2 Overall valuation policy

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

2.3 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.

Certain land, buildings and plant and machinery were revalued in 1973, 1975, 1978 and 1981 by independent valuers, which are shown at such revalued figures. In compliance with the revised International Accounting Standard No. 16, "Property, Plant and Equipment", the Company adopted cost model for its property, plant and equipment and the revalued figures were treated as deemed costs. The surplus on revaluation of these assets, however, is recognised in accordance with section 235 of the Companies Ordinance, 1984.

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

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.

2.4 Intangibles

Intangibles are stated at cost less amortisation. Major computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years using the straight-line method.

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

2.5 Investments

(i) In subsidiaries

These are stated at cost.

(ii) In unlisted entity not being subsidiary

These are valued at cost and are classified under investment available-for-sale.

2.6 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.

2.7 Retirement benefits

Defined contribution plans

(i) 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.

(ii) DC Pension fund

The Company has established a defined contribution plan - DC Pension Fund for the following management employees:

a) permanent employees who joined on or after January 1, 2009; and

b) permanent employees who joined on or before December 31, 2008 and opted for DC Pension plan in lieu of future benefits under the existing pension, management gratuity and pensioners' medical plans.

Contributions are made by the Company to the plan at the rate of 9% 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, 2010, 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, 2010, using the 'Projected Unit Credit Method'.

iii) Pensioners' medical plan, which is a book reserve plan. The plan reimburses actual medical expenses as defined in the plan.

The above defined benefit plans are available only to those management employees who joined on or before December 31, 2008 and not opted for DC Pension scheme.

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 assets 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.

2.8 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 value plus other charges incurred thereon.

2.9 Stock in trade

This is stated at the lower of cost and estimated 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 includes direct cost of materials whereas that of finished goods also includes direct cost of labour and 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.

By-product (glycerine) is valued at estimated cost except for the stock covered by a firm forward sale contract, which is valued at the contracted price.

2.10 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.

2.11 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, deposit accounts with maturities of three months or less and short term finance.

2.12 Leases

(i) Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance costs.

(ii) 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.

2.13 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.

2.14 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.

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Restructuring cost provisions comprise staff redundancy payments, relocation and dismantling of factory, and are recognised in the period in which the Company becomes legally or constructively committed to incur.

2.16 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.

2.17 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. Exchange gains and losses are recognised in the profit and loss account.

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

2.18 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;
- dividend income is recognised when the Company's right to receive the payment is established; and
- return on savings accounts and deposit accounts is recognised using the effective interest rate method.

2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting.

2.20 Dividend and appropriation to reserves

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

2.21 Share based payment

The cost of awarding shares of Group companies to employees is reflected by recording a charge in the profit and loss account equivalent to the fair value of shares over the vesting period, corresponding provision created is reflected in the liability.

	2010	2009
	(Rupees in thousand)	

3. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
Operating assets - note 3.1	4,588,190	4,563,048
Capital work in progress - at cost - note 3.2	308,981	173,571
	4,897,171	4,736,619

3.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousands)									
Net carrying value basis										
Year ended December 31, 2010										
Opening net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Additions (at cost)			22,463		485,934	72,683	5,297			586,377
Disposals (at NBV)					(7,054)			(35)	(1,140)	(8,229)
Depreciation charge		(5)	(18,272)	(1,075)	(444,432)	(39,312)	(2,643)	(2,269)	(44,998)	(553,006)
Closing net book value (NBV)	25,575	229	593,997	19,773	3,565,948	321,011	22,880	2,308	36,469	4,588,190
Gross carrying value basis										
At December 31, 2010										
Cost	25,575	529	775,875	80,923	5,996,681	758,567	46,341	92,384	141,556	7,918,431
Accumulated depreciation		(300)	(181,878)	(61,150)	(2,430,733)	(437,556)	(23,461)	(90,076)	(105,087)	(3,330,241)
Net book value (NBV)	25,575	229	593,997	19,773	3,565,948	321,011	22,880	2,308	36,469	4,588,190
Net carrying value basis										
Year ended December 31, 2009										
Opening net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Additions (at cost)	-	-	90,693	2,359	875,108	162,144	5,797	2,701	3,953	1,142,755
Disposals (at NBV)	-	(181)	-	-	(60,045)	(497)	(310)	(8,804)	(1,219)	(71,056)
Depreciation charge	-	(6)	(15,773)	(898)	(384,656)	(31,359)	(2,309)	(24,067)	(37,799)	(496,867)
Closing net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Gross carrying value basis										
At December 31, 2009										
Cost	25,575	529	753,412	80,923	5,540,930	692,172	41,044	117,029	168,799	7,420,413
Accumulated depreciation	-	(295)	(163,606)	(60,075)	(2,009,430)	(404,532)	(20,818)	(112,417)	(86,192)	(2,857,365)
Net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Depreciation rate % per annum		1.05	1.5 to 2.5	1.5 to 2	8 to 20	8 to 20	8 to 14	25	25	

	2010	2009
	(Rupees in thousand)	

3.2 Capital Work in Progress – at cost

	2010	2009
Civil works	8,075	12,147
Plant and machinery	300,906	161,424
	308,981	173,571

3.3 Details of property, plant and equipment disposed off during the year are given in note 42.

	2010	2009
	(Rupees in thousand)	

4. INTANGIBLES

	2010	2009
Computer Software - note 4.1		2,433
Intangible asset under development - note 4.2	821,086	355,123
	821,086	357,556

4.1 Computer Software

Net carrying value basis

	2010	2009
Opening net book value	2,433	7,303
Amortisation charge	(2,433)	(4,870)
Closing net book value		2,433

Gross carrying value basis

	2010	2009
Cost	24,348	24,348
Accumulated amortisation	(24,348)	(21,915)
Net book value		2,433
Remaining useful life in years		0.5

4.2 This represents license and consultation fee for the implementation of SAP Enterprise Resource Planning (ERP) System Solution.

	2010	2009
	(Rupees in thousand)	

5. LONG TERM INVESTMENTS

Investments in related parties

In unquoted wholly owned subsidiary companies - at cost

	2010	2009
Lever Chemicals (Private) Limited 9,500,000 fully paid ordinary shares of Rs. 10 each	95,000	95,000
Levers Associated Pakistan Trust (Private) Limited 100 fully paid ordinary shares of Rs. 10 each	1	1
Sadiq (Private) Limited 100 fully paid ordinary shares of Rs. 10 each	1	1
Investment available for sale - at cost		
Futehally Chemicals (Private) Limited 2,000 6% redeemable cumulative preference shares of Rs. 100 each	200	200
	95,202	95,202

6. LONG TERM LOANS - considered good

		2010	2009
Related Parties	note 6.1, 6.2 and 6.3		
Director		430	1,462
Chief Executive		5,344	8,399
		5,774	9,861
Others			
Executives		114,667	96,708
Other employees		11,757	40,546
		126,424	137,254
		132,198	147,115
Recoverable within one year - note 12		(48,311)	(48,998)
Long term portion		83,887	98,117

6.1 Reconciliation of carrying amount of loans to Director, Chief Executive and Executives:

	Director		Chief Executive		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	(Rupees in thousand)					
Balance as at January 1	**1,462**	8,128	**8,399**	11,454	**96,708**	122,602
Loans granted during the year		-		-	**44,857**	29,691
Transfers		-		-	**17,786**	-
Recoveries	**(1,032)**	(6,666)	**(3,055)**	(3,055)	**(44,684)**	(55,585)
	430	1,462	**5,344**	8,399	**114,667**	96,708

6.2 The above loans under the terms of employment have been given interest free to facilitate purchase of houses, vehicles and computers repayable in monthly installments over a period of three to five years.

These loans are secured against retirement benefits of the employees.

6.3 The maximum aggregate amount of loans due at the end of any month during the year was:

	2010	2009
	(Rupees in thousand)	
Director	**1,376**	2,523
Chief Executive	**8,144**	11,199
Executives	**151,211**	100,725

7. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits	**4,827**	4,627
Prepaid rent	**6,037**	368,064
Others	**20,058**	23,130
	30,922	395,821
Less: Provision for doubtful deposits	**(2,925)**	(2,925)
	27,997	392,896

8. RETIREMENT BENEFITS

8.1 The disclosures made in notes 8.2 to 8.8 and 8.11 to 8.13 are based on the information included in the actuarial valuation as of December 31, 2010.

		Pension Fund		Gratuity Funds		Pensioners' Medical Plan	
		2010	2009	2010	2009	2010	2009
		(Rupees in thousand)					
8.2	**Balance Sheet Reconciliation**						
	Fair value of plan assets	**1,628,771**	1,484,380	**62,771**	36,182		-
	Present value of defined benefit obligations	**(1,630,220)**	(1,563,709)	**(266,027)**	(246,505)	**(203,261)**	(192,663)
	Funded status	**(1,449)**	(79,329)	**(203,256)**	(210,323)	**(203,261)**	(192,663)
	Unrecognised net actuarial loss	**150,249**	267,383	**13,687**	38,990	**34,028**	36,936
	Recognised asset / (liability)	**148,800**	188,054	**(189,569)**	(171,333)	**(169,233)**	(155,727)
8.3	**Movement in the fair value of plan assets**						
	Fair value as at January 1	**1,484,380**	1,571,499	**36,182**	231,305		
	Expected return on plan assets	**178,463**	186,586	**4,154**	8,352		
	Actuarial gains / (losses)	**97,211**	(15,202)	**14,039**	10,274		
	Employer contributions	**12,809**	-	**55,331**	428,302		
	Settlement and curtailment		(113,700)		(107,253)		
	Benefits paid	**(144,092)**	(144,803)	**(46,935)**	(534,798)		
	Fair value as at December 31	**1,628,771**	1,484,380	**62,771**	36,182		
8.4	**Movement in the defined benefit obligations**						
	Obligation as at January 1	**1,563,709**	1,468,346	**246,505**	416,803	**192,663**	163,174
	Service cost	**12,666**	9,716	**13,544**	11,498	**717**	834
	Interest cost	**191,387**	205,222	**31,890**	38,577	**23,590**	24,222
	Settlement and curtailment		(143,412)	**28,709**	310,502		(7,070)
	Actuarial losses / (gains)	**6,550**	168,640	**(7,686)**	3,923	**512**	21,676
	Benefits paid	**(144,092)**	(144,803)	**(46,935)**	(534,798)	**(14,221)**	(10,173)
	Obligation as at December 31	**1,630,220**	1,563,709	**266,027**	246,505	**203,261**	192,663
8.5	**Cost**						
	Current service cost	**12,666**	9,716	**13,544**	11,498	**717**	834
	Interest cost	**191,387**	205,222	**31,890**	38,577	**23,590**	24,222
	Expected return on plan assets	**(178,463)**	(186,586)	**(4,154)**	(8,352)		-
	Settlement and curtailment		(29,712)	**28,709**	417,755		(7,070)
	Recognition of actuarial loss	**26,473**	18,661	**3,578**	45,514	**3,420**	2,763
	Expense	**52,063**	17,301	**73,567**	504,992	**27,727**	20,749
	Actual return on plan assets	**275,674**	171,384	**18,193**	18,626		

8.6 Principal actuarial assumptions used are as follows:

	2010	2009
Discount rate & expected return on plan assets	**14.25%**	12.75%
Future salary increases	**12.00%**	10.60%
Future pension increases	**8.00%**	6.66%
Medical cost trend rates	**8.75%**	7.38%

Expected contributions to retirement benefit plans for the year ending December 31, 2011 are Rs. 131 million (2010: Rs. 148 million).

8.7 Comparison for five years:

	2010	2009	2008	2007	2006
			(Rupees in thousand)		
As at December 31					
Fair value of plan assets	1,691,542	1,520,562	1,802,804	1,891,499	1,933,581
Present value of defined benefit obligations	(2,099,508)	(2,002,877)	(2,048,323)	(2,034,192)	(1,984,522)
(Deficit)	(407,966)	(482,315)	(245,519)	(142,693)	(50,941)
Experience adjustments					
Gain / (Loss) on plan assets (as percentage of plan assets)	6.6%	(0.3)%	0.2%	(0.7)%	0.3%
(Gain) / Loss on obligations (as percentage of plan obligations)	(0.03)%	9.7%	(1.2)%	(1.2)%	7.5%

8.8 The effects of a 1% movement in the assumed medical cost trend rate are as follows:

	Increase	Decrease
	(Rupees in thousand)	
Effect on the aggregate of current service and interest costs	2,811	2,403
Effect on the defined benefit obligations	21,137	18,240

8.9 Plan assets comprise of the following:

	2010		2009	
	Rupees in thousand	%	Rupees in thousand	%
Equity	197,645	11.7	147,552	9.7
Debt	1,485,797	87.8	897,310	59.0
Others (include cash and bank balances)	8,100	0.5	475,700	31.3
	1,691,542	100.0	1,520,562	100.0

8.10 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.

8.11 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.

8.12 Based on the above actuarial valuation the retirement benefits - asset amounts to Rs. 148.8 million (2009: Rs. 188.05 million) and retirement benefits - liability amounts to Rs. 358.8 million (2009: Rs. 327.06 million).

8.13 During the year the Company contributed Rs. 53.79 million (2009: Rs. 52.77 million) to the provident fund and Rs. 45.70 million (2009: Rs. 48.26 million) to the DC pension fund.

9. STORES AND SPARES

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Stores (including in transit Rs. 20.88 million; 2009: Rs. 19.10 million)	169,893	80,825
Spares (including in transit Rs. 10.49 million; 2009: Rs. 10.15 million)	226,090	219,657
Others	4,194	3,595
	400,177	304,077
Provision for slow moving and obsolete stores and spares	(42,839)	(38,657)
	357,338	265,420

9.1 The Company has made a provision during the year of Rs. 4.18 million (2009: Rs. 8.31 million) for obsolescence.

10. STOCK IN TRADE

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Raw and packing materials at cost (including in transit Rs. 662 million; 2009: Rs. 868 million)	2,626,174	2,416,934
Provision for obsolescence	(91,453)	(95,007)
	2,534,721	2,321,927
Work in process	126,457	72,736
Finished goods (including in transit Rs. 68 million; 2009: Rs. 181 million)	1,264,130	1,293,954
By-product - glycerine	1,846	11,500
	1,265,976	1,305,454
Provision for obsolescence	(46,147)	(51,047)
	1,219,829	1,254,407
	3,881,007	3,649,070

10.1 Stock in trade includes Rs. 1.66 billion (2009: Rs. 1.79 billion) held with third parties.

10.2 The above balances include items costing Rs. 148.28 million (2009: Rs. 238.13 million) valued at net realisable value of Rs. 10.68 million (2009: Rs. 92.07 million).

10.3 The Company made a provision of Rs. 79.06 million for obsolescence (2009: Rs. 109.19 million) and has written off inventory amounting to Rs. 87.51 million (2009: Rs. 185.45 million) by utilising the provision during the year.

11. TRADE DEBTS

	2010	2009
	(Rupees in thousand)	
Considered good	522,795	506,357
Considered doubtful	42,016	43,402
	564,811	549,759
Provision for doubtful debts - note 11.1	(42,016)	(43,402)
	522,795	506,357

11.1 The Company has reversed provision of Rs. 3.24 million (2009: Rs. 2.04 million) and has written off debts by utilising the provision amounting to Rs. 0.46 million (2009: Rs. 2.05 million) during the year.

11.2 As of December 31, 2010 trade debts of Rs. 155.71 million (2009: Rs. 42.87 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:

	2010	2009
	(Rupees in thousand)	
Up to 3 months	138,216	35,962
3 to 6 months	7,533	5,559
More than 6 months	9,959	1,345
	155,708	42,866

12. LOANS AND ADVANCES

	2010	2009
Considered good		
Current portion of loans to employees - note 6	48,311	48,998
Advances to:		
Executives - note 12.1	54,239	12,435
Suppliers and others	24,149	70,419
	126,699	131,852
Considered doubtful		
Advances to suppliers and others	6,230	6,244
	132,929	138,096
Provision for doubtful advances to suppliers and others	(6,230)	(6,244)
	126,699	131,852

12.1 The advances to executives are given to meet business expenses and are settled as and when the expenses are incurred.

	2010	2009
	(Rupees in thousand)	

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2010	2009
Trade and margin deposits	20,617	16,192
Prepayments		
Rent	18,175	151,155
Others - note 13.1	204,869	160,479
	243,661	327,826

13.1 This includes prepayment of Rs. 3.70 million in respect of shares matched by the Company under the following share-based compensation plan.

Variable Pay In Shares (VPIS):

Under this plan, employees eligible as per policy can choose to take between 10% and 25%, or none at all, of their gross variable pay in shares of Unilever PLC or Unilever NV. If the employee opts for the shares, Unilever PLC and Unilever NV will grant matching shares, on the condition that the employee stays with the Company and holds these shares for at least three years.

		VPIS	
Shares of		Unilever PLC	Unilever NV
Date of grant	2008	March 20, 2008	March 20, 2008
	2009	March 19, 2009	March 19, 2009
Total number of shares granted	2008	1,532	1,539
	2009	2,195	2,136
Fair value / Share price on grant date	2008	£16.72	¤ 21.30
	2009	£12.46	¤ 13.95
Contractual life (years)		3	3
Vesting conditions		Service conditions	Service conditions
Settlement		Shares	Shares
Expected lapse per year		20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2008	by March 20, 2011	by March 20, 2011
	2009	by March 19, 2012	by March 19, 2012

14. OTHER RECEIVABLES

	2010	2009
	(Rupees in thousand)	
Receivable from related parties		
Unilever Gratuity Fund	9,723	32,985
Associated undertakings	30,777	13,315
Workers' Profits Participation Fund - note 22.1		8,960
Others	44,394	40,815
	84,894	96,075
Provision for doubtful receivables	(13,934)	(13,934)
	70,960	82,141

15. TAX REFUNDS DUE FROM THE GOVERNMENT

	2010	2009
Sales tax refundable - amounts paid under protest - note 15.1	137,012	137,012
Taxation - payments less provision	329,355	218,013
Others	27	27
	466,394	355,052

15.1 This includes a sum of Rs. 131 million (2009: Rs. 131 million) paid by way of abundant caution under the Amnesty Scheme, to avoid additional Sales Tax and Surcharge being levied in the event of unfavourable decisions of the appeals pending in the High Courts. These appeals were filed by third party manufacturers in respect of disallowance of input tax claimed by them on the ground that tax invoices and bills of entry were in the Company's name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Company would reimburse the tax. The Company's management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Company has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.

16. CASH AND BANK BALANCES

	2010	2009
	(Rupees in thousand)	
With banks on:		
current accounts	658,090	238,365
savings accounts - note16.1	298,509	444
deposit account - note16.2	800,000	-
In hand:		
cash	1,511	744
	1,758,110	239,553

16.1 Mark-up on savings accounts was earned at the rates ranging from 5% to 9% (2009: 5% to 9%) per annum.

16.2 The deposit account carries mark-up at the rate of 11.75 % per annum and will mature in the year 2011.

17. SHARE CAPITAL

		2010	2009
		(Rupees in thousand)	
Authorised share capital			
47,835	5% cumulative preference shares of Rs. 100 each	4,783	4,783
15,904,330	Ordinary shares of Rs. 50 each	795,217	795,217
		800,000	800,000
Issued, subscribed and paid up capital			
5% cumulative preference shares of Rs. 100 each			
	Shares allotted:		
43,835	for consideration paid in cash	4,383	4,383
4,000	for acquisition of an undertaking	400	400
47,835		4,783	4,783
Ordinary shares of Rs. 50 each			
	Shares allotted:		
467,704	for consideration paid in cash	23,385	23,385
4,979,208	for consideration other than cash under schemes of arrangements for amalgamations	248,961	248,961
7,846,957	as bonus shares	392,348	392,348
13,293,869		664,694	664,694
		669,477	669,477

At December 31, 2010 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK holds 9,981,417 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited (December 31, 2009: 9,981,417 ordinary shares and 33,735 preference shares).

18. RESERVES

	2010	2009
	(Rupees in thousand)	
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 18.1	70,929	70,929
Contingency - note 25.1.1	321,471	321,471
	392,400	392,400
Revenue reserve		
Unappropriated profit	2,498,441	2,229,243
	2,890,841	2,621,643

18.1 This represents amounts of Rs. 18.36 million and Rs. 52.57 million that arose under schemes of arrangement for amalgamations of former Mehran International (Private) Limited, former Ambrosia International Limited and former Pakistan Industrial Promoters (Private) Limited with the Company.

19. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluations of property, plant and equipment carried out in 1973, 1975, 1978 and 1981, adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	2010	2009
	(Rupees in thousand)	
Balance as at January 1	12,965	13,613
Transferred to unappropriated profit - net of deferred taxation:		
incremental depreciation for the year	(648)	(648)
Balance as at December 31	12,317	12,965

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Present value of minimum lease payments	48,695	85,181
Current maturity shown under current liabilities	(28,877)	(28,419)
	19,818	56,762
Minimum lease payments		
Not later than one year	38,549	45,099
Later than one year and not later than five years	20,731	48,708
	59,280	93,807
Finance charges not yet due	(10,585)	(8,626)
Present value of finance lease liabilities	48,695	85,181
Present value of finance lease liabilities		
Not later than one year	28,877	28,419
Later than one year and not later than five years	19,818	56,762
	48,695	85,181

The above represents finance leases entered into with modarabas for motor vehicles. The liability is payable by January 2013 in semi-annual and quarterly installments.

Lease payments bearing variable mark-up rates include finance charge at KIBOR + 0.85% to KIBOR + 1.9% per annum. KIBOR is determined on semi-annual basis for next two quarterly and semi-annual rentals.

21. DEFERRED TAXATION

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Credit balance arising in respect of:		
- accelerated tax depreciation allowances	905,375	874,445
- surplus on revaluation of fixed assets	6,466	6,761
	911,841	881,206
Debit balance arising in respect of:		
- provision for retirement benefits	(71,163)	(47,069)
- share-based compensation	(18,017)	(16,292)
- provision for stock in trade and stores and spares	(61,409)	(62,962)
- provision for doubtful debts, advances and other receivables	(35,143)	(36,010)
- provision for restructuring	(15,574)	(3,138)
- others	(134,392)	(79,605)
	(335,698)	(245,076)
	576,143	636,130

	2010	2009
	(Rupees in thousand)	

22. TRADE AND OTHER PAYABLES

Creditors	1,307,837	866,814
Bills payable	1,372,999	264,784
Accrued liabilities	4,254,410	3,599,177
Royalty and technical services fee	357,525	291,852
Advance payment from customers	128,767	144,122
Sales tax payable	363,508	216,400
Excise duty payable	120,072	114,444
Workers' Welfare Fund	99,386	92,155
Workers' Profits Participation Fund - note 22.1	1,657	-
Security deposits from dealers - note 22.2	17,129	17,137
Unclaimed dividend	129,826	114,793
Liability for share-based compensation plans - note 22.4	53,166	48,130
Others	27,423	15,968
	8,233,705	5,785,776

22.1 Workers' Profits Participation Fund

Balance as at January 1	(8,960)	(55,571)
Allocation for the year	256,728	242,514
	247,768	186,943
Amount paid to the trustees	(246,111)	(195,903)
Balance as at December 31	1,657	(8,960)

22.2 This represents security deposits obtained by former Pakistan Industrial Promoters (Private) Limited against freezer cabinets placed with dealers.

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

	2010	2009
	(Rupees in thousand)	
Ultimate parent company	357,525	291,852
Associated companies	1,675,238	918,508
Subsidiaries	2	2
Company in which close family member of a Director is holding directorship	20,855	33,551

22.4 Share-based compensation plans

As at December 31, 2010 share-based compensation plans of the Company include:

Global Performance Share Plan (GPSP) and Leadership Performance Share Plan (LPSP):

Under the plans, employees eligible as per policy can be awarded conditional shares of Unilever PLC or Unilever NV which will vest three years later depending on Unilever's achievement of set targets for Underlying Sales Growth (USG), Ungeared Free Cash Flow (UFCF) and Total Shareholder Return (TSR) ranking over the three-year performance period.

The details of the arrangements are as follows:

		GPSP	LPSP	
Shares of		Unilever PLC	Unilever PLC	Unilever NV
Date of grant	2008	March 21, 2008	March 20, 2008	March 20, 2008
	2009	March 19, 2009	March 19, 2009	March 19, 2009
	2010	March 18, 2010	March 18, 2010	March 18, 2010
Total number of shares granted				
	2008	6,494	1,225	1,225
	2009	9,965	1,962	1,962
	2010	6,190	4,375	4,375
		22,649	7,562	7,562
Fair value / Share price on grant date	2008	£ 16.72	£ 16.72	¤ 21.27
	2009	£ 12.46	£ 12.46	¤ 13.22
	2010	£ 19.44	£ 19.44	¤ 22.53
Contractual life (years)		3	3	3
Vesting conditions		Performance conditions	Performance and market conditions	Performance and market conditions
Settlement		Shares	Shares	Shares
Expected lapse per year		20%	20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2008	by March 20, 2011	by March 20, 2011	by March 20, 2011
	2009	by March 19, 2012	by March 19, 2012	by March 19, 2012
	2010	by March 18, 2013	by March 18, 2013	by March 18, 2013

No dividend payments were expected; consequently, the measurement of the fair value did not consider dividends.

22.4.1 Details of plan that vested during the year are:

	GPSP		LPSP	
Shares of	Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	March 21, 2007	March 21, 2007	May 22, 2007	May 22, 2007
Vesting date	March 21, 2010	March 21, 2010	May 22, 2010	May 22, 2010
Fair value / Share price on grant date	£14.88	¤ 21.33	£15.82	¤ 22.20
Fair value / Share price on vesting date	£19.45	¤ 22.28	£19.45	¤ 22.24
Difference of grant date and settlement date fair value	£ 4.57	¤ 0.95	£ 3.63	¤ 0.04
Contractual life (years)	3	3	3	3
Vesting conditions	Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement	Shares	Shares	Shares	Shares

The Company has treated these share-based plans as liability.

23. SHORT TERM BORROWINGS

	2010	2009
	(Rupees in thousand)	
Short term borrowing		300,000
Short term running finance - note 23.1	297,143	737,911
	297,143	1,037,911

23.1 Short term running finance - secured

The facilities for running finance available from various banks amount to Rs. 10.78 billion (2009: Rs. 6.67 billion). The rates of mark-up range between KIBOR to KIBOR + 1% per annum (2009: KIBOR + 0.2% to KIBOR + 1.5% per annum).

The arrangements are secured by way of pari-passu charge against hypothecation of Company's stock in trade.

The facilities for opening letters of credit and guarantees as at December 31, 2010 amounted to Rs. 10.8 billion (2009: Rs. 4.63 billion), of which the amount remaining unutilised at the year end was Rs. 9.02 billion (2009: Rs. 4.29 billion).

24. PROVISIONS

	2010	2009
	(Rupees in thousand)	
Provision for cess less payments - note 25.1.1	338,910	211,415
Provision for marking fee less payment	12,934	-
Restructuring		
Balance as at January 1	9,265	485,218
Provision during the year	90,000	-
Reversal during the year		(25,719)
Utilised during the year	(53,309)	(450,234)
Balance as at December 31	45,956	9,265
	397,800	220,680

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 Government of Sindh through Finance Act, 1994 levied fee for services rendered in respect of development and maintenance of infrastructure on the import and export of goods. However, the Company filed a constitutional petition against the levy of such fee in the High Court of Sindh and the Court granted stay for the payment of the fee. During the year 2001, the Government of Sindh introduced Cess in place of infrastructure fee with retrospective effect. As a result, Unilever's petition became anfractuous and a fresh suit was filed by Unilever to challenge the levy. A stay against recovery of the aforesaid levy of Cess was also obtained from the Court. In 2003 the High Court decided the issue against the Company. Against this order an intra court appeal was filed with the High Court. The appeal was disposed of in August 2008, whereby the levy imposed and collected with effect from December 28, 2006 was declared valid and all imposition and collection before such date as invalid. The Court further ordered that all bank guarantees / securities furnished for transactions before December 28, 2006 stand discharged and are liable to be returned back and those furnished in respect of transactions after December 28, 2006 are liable to be encashed. The Company as well as the Government of Sindh have filed appeals in the Supreme Court against the said order. A provision amounting to Rs. 373.4 million concerning the levy with respect from December 28, 2006 has been recognised in the financial statements. Moreover, the Company has paid an amount of Rs. 34.49 million under protest against the said order.

As a matter of prudence, a total of Rs. 321.47 million as at December 31, 2010 (2009: Rs. 321.47 million) out of the revenue reserves has been earmarked as contingency reserve for the levy uptill December 2006.

25.1.2 The Officer of Inland Revenue (OIR) while finalising the re-assessment for the assessment years 2006, 2007 and 2009 passed amended assessment orders enhancing income tax liability by Rs. 421 million in respect of certain disallowances.

The Company has filed appeals before the Commissioner of Inland Revenue (Appeals) and the same has been heard. The appellate order is awaited.

Subsequent to the year end the OIR amended the assessment for tax year 2008 enhancing tax liability by Rs. 69 million. The Company intends to file appeal against this order.

The management of the Company is of the view that the disallowances have been made erroneously and, therefore, the ultimate decision in appeal will be in Company's favour. No provision has, therefore, been made in the financial statements.

25.2 Commitments

25.2.1 Aggregate commitments outstanding for capital expenditures as at December 31, 2010 amounted to Rs. 392.95 million (2009: Rs. 36.66 million).

25.2.2 Aggregate commitments for operating lease rentals as at December 31, are as follows:

	2010	2009
	(Rupees in thousand)	
Not later than one year	79,976	42,360
Over one year to five years	230,504	147,485
	310,480	189,845

26. SALES

	2010	2009
Manufactured goods		
Gross sales	56,528,071	47,807,308
Sales tax	(8,816,369)	(7,219,672)
Excise duty	(1,472,618)	(1,238,271)
	46,239,084	39,349,365
Imported goods		
Gross sales	1,078,341	1,298,391
Sales tax	(49,933)	(23,596)
Excise duty	(2,170)	(417)
	1,026,238	1,274,378
Rebates and allowances	(2,593,815)	(2,436,161)
	44,671,507	38,187,582

27. COST OF SALES

	2010	2009
	(Rupees in thousand)	
Raw and packing materials consumed	25,633,234	20,593,398
Manufacturing charges paid to third parties	769,558	686,529
Stores and spares consumed	179,619	141,308
Staff costs - note 27.1	1,236,555	1,077,303
Utilities	685,492	471,273
Depreciation	480,316	412,764
Repairs and maintenance	258,240	208,631
Rent, rates and taxes	26,939	56,242
Travelling and entertainment	58,733	49,835
Stationery and office expenses	54,105	35,776
Expenses on information technology	674	3,985
Other expenses	73,913	47,318
Charges by related party	2,820	3,096
Recovery of charges from related party	(5,027)	(2,095)
	29,455,171	23,785,363
Opening work in process	72,736	102,466
	29,527,907	23,887,829
Closing work in process	(126,457)	(72,736)
Cost of goods manufactured	29,401,450	23,815,093
Opening stock of finished goods including by-product glycerine	1,210,086	1,414,059
Closing stock of finished goods including by-product glycerine	(1,153,124)	(1,210,086)
	29,458,412	24,019,066
Imported goods		
Opening stock	44,321	73,170
Purchases	658,197	804,710
	702,518	877,880
Closing stock	(66,705)	(44,321)
	635,813	833,559
	30,094,225	24,852,625

27.1 Staff costs

	2010	2009
Salaries and wages	1,174,238	1,019,000
Medical	19,268	17,184
Pension costs - defined benefit plan	10,264	9,051
Gratuity costs - defined benefit plan	14,159	18,720
Pensioners' medical plan	5,473	3,801
Provident fund cost - defined contribution plan	4,913	3,915
Pension fund cost - defined contribution plan	8,240	5,632
	1,236,555	1,077,303

		2010	2009
		(Rupees in thousand)	
28.	**DISTRIBUTION COSTS**		
	Staff costs - note 28.1	733,944	726,293
	Advertisement and sales promotion	4,039,804	3,819,159
	Outward freight and handling	1,278,838	986,614
	Royalty and technical fee	1,564,214	1,292,108
	Utilities	11,499	7,625
	Depreciation	40,706	47,098
	Repairs and maintenance	28,045	21,444
	Rent, rates and taxes	168,212	127,575
	Amortisation of computer software	1,361	2,727
	Travelling and entertainment	93,053	70,048
	Stationery and office expenses	55,301	63,555
	Expenses on information technology	1,072	3,629
	Legal, professional and other consultancy charges		7,553
	Other expenses	62,603	48,325
	Charges by related party	55,047	54,600
	Recovery of charges from related party	(100,138)	(98,659)
		8,033,561	7,179,694
28.1	**Staff costs**		
	Salaries and wages	587,272	619,114
	Medical	67	17
	Share based compensation	27,463	20,400
	Pension costs - defined benefit plan	27,998	1,808
	Gratuity costs - defined benefit plan	20,563	19,026
	Pensioners' medical plan	14,907	4,865
	Provident fund cost - defined contribution plan	32,741	30,203
	Pension fund cost - defined contribution plan	22,933	30,860
		733,944	726,293

29. ADMINISTRATIVE EXPENSES

	2010	2009
	(Rupees in thousand)	
Staff costs - note 29.1	396,675	349,609
Utilities	36,914	33,847
Depreciation	31,984	37,005
Repairs and maintenance	28,993	13,752
Rent, rates and taxes	178,333	159,322
Amortisation of computer software	1,072	2,143
Travelling and entertainment	91,437	30,859
Stationery and office expenses	69,881	56,729
Expenses on information technology	218,959	230,892
Legal, professional and other consultancy charges	71,339	62,739
Auditors' remuneration - note 29.2	12,495	12,718
Other expenses	94,804	57,401
Charges by related party	4,457	3,771
Recovery of charges from related party	(17,408)	(20,309)
	1,219,935	1,030,478

29.1 Staff costs

	2010	2009
Salaries and wages	300,022	233,899
Medical	24,390	25,912
Share based compensation	13,536	8,826
Pension costs - defined benefit plan	13,801	4,179
Gratuity costs - defined benefit plan	10,136	43,974
Pensioners' medical plan	7,347	11,245
Provident fund cost - defined contribution plan	16,139	13,068
Pension fund cost - defined contribution plan	11,304	8,506
	396,675	349,609

29.2 Auditors' remuneration

	2010	2009
Audit fee	3,900	3,700
Taxation services	3,780	5,500
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	4,119	3,068
Out of pocket expenses	696	450
	12,495	12,718

30. OTHER OPERATING EXPENSES

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Donations - note 30.1	33,780	30,215
Workers' Profits Participation Fund - note 22.1	256,728	242,514
Workers' Welfare Fund	97,543	92,155
Loss on disposal of property, plant and equipment		8,901
	388,051	373,785

30.1 Donations

Donations include the following in whom a director is interested:

Name of Director	Interest in Donee	Name and address of Donee	2010 (Rupees in thousand)	2009 (Rupees in thousand)
1. Ehsan A. Malik	Member	AIESEC in Pakistan 201, 2nd Floor, Cotton Exchange Building, I.I.Chundrigar Road, Karachi.	100	-
	Trustee	The Duke of Edinburgh Awards Pakistan	80	25
	Chairman, Annual Giving Committee; Member, Resource Development; and Member, Health Science Committee.	Aga Khan University	1,000	-
	Board Member Pro-Chancellor	Lahore University of Management Sciences DHA, Lahore		2,161
	Corporate Member President-Emeritus	World Wide Fund for Nature, Ferozepur Road, Lahore	15	150

31. OTHER OPERATING INCOME

	2010	2009
	(Rupees in thousand)	
Income from financial assets		
Dividend income	12	12
Return on savings accounts	1,918	993
Income on deposit accounts	1,942	-
Income from non-financial assets		
Scrap sales	15,797	22,422
Profit on disposal of property, plant and equipment	24,054	-
Sundries	40,714	66,614
Others		
Service fee from related parties - note 31.1	36,073	37,420
Provision for doubtful trade debts written back	3,236	2,036
Provision no longer required written back		25,719
Liabilities no longer payable written back	400	37,097
	124,146	192,313

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

32. FINANCE COST

	2010	2009
	(Rupees in thousand)	
Mark-up on short term borrowings	132,631	229,009
Bank charges	23,429	29,194
Exchange loss	22,086	155,444
Finance charge on finance leases	11,437	13,474
Others		587
	189,583	427,708

33. TAXATION

	2010	2009
Current - for the year		
Pakistan	1,536,674	1,170,027
Azad Kashmir	30,409	23,361
	1,567,083	1,193,388
Deferred tax - (credit) / charge	(59,987)	266,477
	1,507,096	1,459,865

33.1 Relationship between tax expense and accounting profit

	2010	2009
	(Rupees in thousand)	
Accounting profit before tax	4,780,298	4,515,605
Tax at the applicable tax rate of 35%	1,673,104	1,580,462
Tax effect of permanent differences	6,631	(648)
Tax effect of credits	(54,976)	-
Tax effect of final tax	(117,663)	(119,949)
Tax expense for the year	1,507,096	1,459,865

34. EARNINGS PER SHARE

	2010	2009
Profit after tax	3,273,202	3,055,740
Preference dividend on cumulative preference shares	(239)	(239)
Profit after taxation attributable to ordinary shareholders	3,272,963	3,055,501
Weighted average number of shares in issue during the year (in thousands)	13,294	13,294
Earnings per share (Rupees)	246	230

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

35. CASH AND CASH EQUIVALENTS

	2010	2009
	(Rupees in thousand)	
Cash and bank balances	1,758,110	239,553
Short term borrowings - running finance under mark-up arrangements	(297,143)	(1,037,911)
	1,460,967	(798,358)

36. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Executive Officer of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Company is organised into the following four operating segments:

- Home and Personal Care
- Beverages - tea
- Ice Cream
- Spreads

Management monitors the operating results of abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Finance cost, restructuring cost, other operating income and expenses, and taxation are managed at Company level. Further, unallocated assets include long term investments, long term loans and advances, long term deposits and prepayments, loans and advances, accrued interest, trade deposits and short term prepayments, other receivables, tax refunds due from government and cash and bank balances.

36.1 Segment analysis

The segment information for the reportable segments for the year ended December 31, 2010 is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2010					
Revenue	24,722,472	13,272,286	5,548,024	1,128,725	44,671,507
Segment results	3,979,837	960,898	269,108	113,943	5,323,786
Year ended December 31, 2009					
Revenue	21,390,814	11,694,926	4,162,718	939,124	38,187,582
Segment results	4,060,076	659,183	276,632	128,894	5,124,785

Reconciliation of segment results with profit from operations:

	2010	2009
	(Rupees in thousand)	
Total results for reportable segments	5,323,786	5,124,785
Restructuring costs	(90,000)	-
Other operating expenses	(388,051)	(373,785)
Other operating income	124,146	192,313
Finance cost	(189,583)	(427,708)
Profit before tax	4,780,298	4,515,605

Information on assets and liabilities by segment is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
As at December 31, 2010					
Segment assets	4,195,315	3,165,263	3,440,133	142,138	10,942,849
Segment liabilities	3,212,225	1,277,478	537,784	267,331	5,294,818
As at December 31, 2009					
Segment assets	3,840,917	2,136,525	3,017,197	127,856	9,122,495
Segment liabilities	2,022,647	835,801	509,326	187,576	3,555,350

Reconciliation of segments' assets and liabilities with totals in the balance sheet is as follows:

	As at December 31, 2010		As at December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
	(Rupees in thousand)			
Total for reportable segments	10,942,849	5,294,818	9,122,495	3,555,350
Unallocated assets / liabilities	2,558,258	4,633,654	2,303,220	4,566,280
Total as per balance sheet	13,501,107	9,928,472	11,425,715	8,121,630

Other segment information is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2010					
Staff costs	1,135,273	728,521	470,615	32,765	2,367,174
Advertisement and sales promotion	2,771,463	599,573	478,843	189,925	4,039,804
Outward freight and handling	776,708	181,864	295,028	25,238	1,278,838
Royalty and technical fee	910,533	402,036	212,593	39,052	1,564,214
Depreciation	211,208	44,254	287,112	10,432	553,006
Year ended December 31, 2009					
Staff costs	1,083,836	666,237	371,821	31,311	2,153,205
Advertisement and sales promotion	2,629,760	555,718	487,894	145,787	3,819,159
Outward freight and handling	601,881	135,873	228,834	20,026	986,614
Royalty and technical fee	762,449	341,685	156,717	31,257	1,292,108
Depreciation	163,691	44,064	279,932	9,180	496,867

36.2 Sales to domestic customers in Pakistan are 98.3% (2009: 97.40%) and to customers outside Pakistan are 1.7% (2009: 2.60%) of the revenue during the year.

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

37. RELATED PARTY TRANSACTIONS

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

Relationship with the Company	Nature of transactions	2010 (Rupees in thousand)	2009
i. Ultimate parent company			
	Royalty and technical fee	1,564,214	1,292,108
ii. Associated companies			
	Purchase of goods	10,877,473	8,326,205
	Sale of goods	2,078	610
	Fee for receiving of services from related party	1,502	1,041
	Payment to related parties for intangible asset	126,161	-
	Reimbursement of expenses to related party	62,324	61,467
	Recovery of expenses from related party	122,573	121,063
	Fee for providing of services to related party	36,073	37,420
	Contribution to :		
	-Defined Contribution plans	99,495	101,034
	-Defined Benefit plans	68,140	428,302
	Settlement on behalf of :		
	-Defined Contribution plans	245,983	435,755
	-Defined Benefit plans	189,731	679,605
	Purchase of operating assets		31,329
iii. Key management personnel			
	Salaries and other short-term employee benefits	101,553	91,734
	Post-employment benefits	7,943	7,690
	Consideration received for vehicles sold	1,165	37
iv. Others	Donations	1,195	2,486

Royalty and technical fee are paid in accordance with the agreements duly acknowledged by the State Bank of Pakistan. Other transactions with related parties are settled in the ordinary course of business.

The Company has entered into agreements with its associate, Unilever Pakistan Foods Limited to share various administrative and other resources. The charges by and recovery of costs from the associate have been disclosed in notes 27, 28 and 29.

The related party status of outstanding balances as at December 31, 2010 is included in other receivables and trade and other payables respectively.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in notes 13.1 and 22.4.

38. 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 Directors		Chief Executive		Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Managerial remuneration and allowances	28,006	24,757	14,830	13,550	600,967	362,612
Share based compensation	9,830	8,857	19,710	7,958	11,459	12,411
Retirement benefits *	4,122	3,874	2,334	1,942	92,827	64,801
Rent and utilities	1,694	3,544	810	1,535	84,102	118,511
Medical expenses	379	311	174	115	10,554	7,548
Other expenses		-	2,770	2,106	9,510	6,122
	44,031	41,343	40,628	27,206	809,419	572,005
Number of persons	4	5	1	1	550	325

In addition to this, a lump sum amount of Rs. 251.30 million (2009: Rs. 246.14 million) on account of variable pay has been accounted for in the financial statements for the current year payable in 2011 after verification of target achievement.

Out of the variable pay recognised for 2009 and 2008 following payments were made:

	Paid in 2010 relating to 2009	Paid in 2009 relating to 2008
	(Rupees in thousand)	
Executive Directors	15,925	11,652
Chief Executive	5,138	6,433
Executives	142,470	93,135
Other employees	27,885	45,797
	191,418	157,017

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

The executive directors, chief executive and certain executives of the Company are provided with free use of cars and household equipments.

Aggregate amount charged in these financial statements for the year for fee to 2 non- executive directors was Rs. 270 thousand (2009: 2 non-executive directors Rs. 300 thousand).

39. CAPACITY

	Annual Capacity		Actual Production	
	2010	2009	**2010**	2009
	Metric Tons			
Own manufacture				
Home and Personal Care	**60,385**	58,883	**51,429**	46,299
Beverages	**62,377**	58,587	**33,861**	34,240
	Million Litres			
Ice Cream	**77**	77	**49**	37

Annual capacity of Beverages and Home and Personal Care was increased in lieu of higher anticipated sales in future. The current capacity was under utilised on account of lower demand.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 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.

40.2 Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances to employees	-	-	-	48,311	83,887	132,198	132,198
Deposits	-	-	-	20,617	1,902	22,519	22,519
Trade debts	-	-	-	522,795	-	522,795	522,795
Other receivables	-	-	-	70,960	-	70,960	70,960
Cash and bank balances	1,098,509	-	1,098,509	659,601	-	659,601	1,758,110
Long term investments at cost	-	-	-	-	95,202	95,202	95,202
December 31, 2010	**1,098,509**		**1,098,509**	**1,322,284**	**180,991**	**1,503,275**	**2,601,784**
December 31, 2009	444	-	444	883,837	195,021	1,078,858	1,079,302
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	7,520,315	-	7,520,315	7,520,315
Accrued interest / mark-up	-	-	-	16,184	-	16,184	16,184
Liabilities against assets subject to finance leases	28,877	19,818	48,695	-	-	-	48,695
Short term borrowings	297,143	-	297,143	-	-	-	297,143
December 31, 2010	**326,020**	**19,818**	**345,838**	**7,536,499**		**7,536,499**	**7,882,337**
December 31, 2009	1,066,330	56,762	1,123,092	5,247,547	-	5,247,547	6,370,639
ON BALANCE SHEET GAP							
December 31, 2010	**772,489**	**(19,818)**	**752,671**	**(6,214,215)**	**180,991**	**(6,033,224)**	**(5,280,553)**
December 31, 2009	(1,065,886)	(56,762)	(1,122,648)	(4,363,710)	195,021	(4,168,689)	(5,291,337)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantees							**1,781,822**
December 31, 2009							334,600

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 to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 2.6 billion the financial assets that are subject to credit risk amounted to Rs. 522.8 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, 2010 trade debts of Rs. 155.71 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, 2010, financial assets of Rs. 30.78 million (2009: Rs. 13.32 million) and financial liabilities of Rs. 2.34 billion (2009: Rs. 1.20 billion) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2010, 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. 11.39 million (2009: Rs. 3.46 million), mainly as a result of foreign exchange losses/ gains on translation of US Dollar denominated financial assets and liabilities.

As at December 31, 2010, if the Pakistan Rupee had weakened / strengthened by 11% against Euro with all other variables held constant, profit before tax for the year would have been lower/ higher by Rs. 242.64 million (2009: Rs. 119.72 million), mainly as a result of foreign exchange losses / gains on translation of Euro 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 variable interest-bearing assets. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At December 31, 2010, the Company had variable interest bearing financial liabilities of Rs. 345.84 million (2009: Rs. 1.12 billion), 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. 6.91 million (2009: Rs. 22.46 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

41. 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 2010 the Company's strategy was to maintain leveraged gearing. The net debt to equity ratios as at December 31, 2010 and 2009 were as follows:

	2010	2009
	(Rupees in thousand)	
Total borrowings	345,838	1,123,092
Cash and bank	(1,758,110)	(239,553)
Net (surplus cash) / debt	(1,412,272)	883,539
Total equity	3,560,318	3,291,120
Total equity and debt	3,560,318	4,174,659
Net debt to equity ratio		21%

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.

42. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

The details of property, plant and equipment disposed of during the year are given below:

	Cost	Accumulated Depreciation / Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Motor Vehicles						
	409	230	179	302	Company	Mr. Haseeb Siddiqui - Executive
	631	395	236	450	"	Mr. Ahsan Saleem - Executive
	631	395	236	466	"	Mr. Zunair Hussain Khan - Executive
	377	259	118	240	"	Mr. Talha Tariq - Executive
	409	256	153	286	"	Mr. Adil Tahir - Executive
	408	281	127	276	"	Mr. Amin Khalique - Executive
	2,865	1,816	1,049	2,020		
Assets having book value less than Rs. 50,000 each						
Motor vehicles	49,023	48,897	126	23,385		
Electrical and mechanical	6,288	6,288		139		
Plant and Machinery	30,183	23,129	7,054	6,739		
	88,359	80,130	8,229	32,283		

43. MONOPOLY CONTROL AUTHORITY ORDER

With respect to the Monopoly Control Authority (MCA) Order dated December 19, 2006, terminating the non-competition agreement and requiring the Company to refund the amount of Rs. 250 million to Dalda Foods (Private) Limited (DFL) within fifteen days of receipt of the Order, the management, based on legal advice, is of the view that the agreement between the Company and DFL is not in violation of Monopolies and Restrictive Trade Practices Ordinance, 1970. The Company filed an appeal in the High Court of Sindh against the Order which was admitted and the operation of MCA's order was stayed. At present, the appeal is pending for hearing.

44. CORRESPONDING FIGURES

The following prior year figure has been reclassified for the purpose of appropriate presentation.

Reclassification from	Reclassification to	Rupees in thousand
Trade deposits and short term prepayments	Intangible asset under development	355,123

As the reclassification is considered not to be material in the overall context of the balance sheet and does not have any significant impact on the financial statements for the year ended December 31, 2008, therefore, the Company has not presented the balance sheet as at the beginning of the earliest comparative period presented (i.e. December 31, 2009) and the related notes have also not been presented as of the beginning of that earliest period presented. The related figure for reclassification in 2008 is Rs. 141.27 million. The aforesaid reclassification has not had any impact on the figures of total assets as of December 31, 2008 and 2009.

45. PROPOSED AND DECLARED DIVIDENDS

On 5% cumulative preference shares

At the Board meeting held on February 14, 2011, dividend in respect of 2010 of Rs. 239 thousand has been declared (2009: Rs. 239 thousand).

On ordinary shares

At the Board meeting held on February 14, 2011, a final dividend in respect of 2010 of Rs. 157 per share amounting to a total dividend of Rs. 2.09 billion is proposed (2009: Rs. 137 per share amounting to a total dividend of Rs. 1.82 billion).

The interim dividend declared and already paid in respect of 2010 was Rs. 89 per share amounting to a total dividend of Rs. 1.18 billion (2009: Rs. 92 per share amounting to a total dividend of Rs. 1.22 billion).

These financial statements do not reflect the proposed final dividend on ordinary shares and the dividend declared on cumulative preference shares 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, 2011.

46. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 14, 2011, by the Board of Directors of the Company.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Consolidated Financial Statements 2010

Unilever Pakistan Limited

and its subsidiary companies

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Unilever Pakistan Limited (the Holding Company) and its subsidiary companies Lever Chemicals (Private) Limited, Levers Associated Pakistan Trust (Private) Limited and Sadiq (Private) Limited** as at December 31, 2010 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Unilever Pakistan Limited and its subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of Unilever Pakistan Limited and its subsidiary companies as at December 31, 2010 and the results of their operations for the year then ended.

A.F.Ferguson & Co.
Chartered Accountants

Karachi
Dated: February 18, 2011
Name of Engagement Partner: Ali Muhammad Mesia

Consolidated Balance Sheet
as at December 31, 2010

ASSETS	Note	2010	2009
		(Rupees in thousand)	
Non-current assets			
Property, plant and equipment	3	4,897,171	4,736,619
Intangibles	4	821,086	357,556
Long term investments	5	200	200
Long term loans	6	83,887	98,117
Long term deposits and prepayments	7	27,997	392,896
Retirement benefits - prepayments	8	148,800	188,054
		5,979,141	5,773,442
Current assets			
Stores and spares	9	357,338	265,420
Stock in trade	10	3,881,007	3,649,070
Trade debts	11	522,795	506,357
Loans and advances	12	126,699	131,852
Accrued interest / mark up		35	97
Trade deposits and short term prepayments	13	243,661	327,826
Other receivables	14	70,960	82,143
Tax refunds due from the Government	15	466,394	355,052
Investment - held to maturity	16	143,354	102,189
Cash and bank balances	17	1,762,650	278,644
		7,574,893	5,698,650
Total assets		13,554,034	11,472,092

	Note	2010	2009
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	669,477	669,477
Reserves	19	2,942,056	2,662,229
		3,611,533	3,331,706
Surplus on revaluation of fixed assets	20	12,317	12,965
Liabilities			
Non-current liabilities			
Liabilities against assets subject to finance leases	21	19,818	56,762
Deferred taxation	22	576,143	636,130
Retirement benefits obligations	8	358,802	327,060
		954,763	1,019,952
Current liabilities			
Trade and other payables	23	8,235,346	5,787,366
Taxation - provisions less payments		71	4,201
Accrued interest / mark-up		16,184	28,892
Short term borrowings	24	297,143	1,037,911
Current maturity of liabilities against assets subject to finance leases	21	28,877	28,419
Provisions	25	397,800	220,680
		8,975,421	7,107,469
Total liabilities		9,930,184	8,127,421
Contingencies and commitments	26		
Total equity and liabilities		13,554,034	11,472,092

The annexed notes 1 to 47 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Consolidated Profit and Loss Account

for the year ended December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Sales	27	44,671,507	38,187,582
Cost of sales	28	(30,094,225)	(24,852,625)
Gross profit		14,577,282	13,334,957
Distribution costs	29	(8,033,561)	(7,179,694)
Administrative expenses	30	(1,219,985)	(1,030,528)
Other operating expenses	31	(388,051)	(373,785)
Other operating income	32	140,623	209,638
		5,076,308	4,960,588
Restructuring cost		(90,000)	-
Profit from operations		4,986,308	4,960,588
Finance cost	33	(189,657)	(427,709)
Profit before taxation		4,796,651	4,532,879
Taxation	34	(1,512,820)	(1,465,915)
Profit after taxation		3,283,831	3,066,964
Earnings per share (Rupees)	35	247	231

The annexed notes 1 to 47 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Consolidated Cash Flow Statement
for the year ended December 31, 2010

	2010	2009
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	4,796,651	4,532,879
Adjustments for non-cash charges and other items		
Depreciation	553,006	496,867
Amortisation of software	2,433	4,870
(Gain) / Loss on disposal of property, plant and equipment	(24,054)	8,901
Dividend income	(12)	(12)
Mark-up on short term borrowings	132,631	229,009
Finance charge on finance leases	11,437	13,474
Provision for staff retirement benefits	153,357	523,039
Return on savings accounts and deposit accounts	(10,236)	(16,126)
Return on investment - held to maturity	(10,101)	(2,192)
	808,461	1,257,830
	5,605,112	5,790,709
Effect on cash flows due to working capital changes		
(Increase) / Decrease in current assets		
Stores and spares	(91,918)	(23,667)
Stock in trade	(231,937)	602,844
Trade debts	(16,438)	(277,594)
Loans and advances	5,153	(7,948)
Trade deposits and short term prepayments	84,165	(166,506)
Other receivables	11,183	136,115
	(239,792)	263,244
Increase / (Decrease) in current liabilities		
Trade and other payables	2,166,580	1,329,194
Provisions	177,120	(372,879)
	2,343,700	956,315
	2,103,908	1,219,559
Cash generated from operations (carried forward)	7,709,020	7,010,268

Consolidated Cash Flow Statement - Continued
for the year ended December 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash generated from operations (brought forward)		7,709,020	7,010,268
Mark-up on short term borrowings paid		(145,339)	(264,192)
Income tax paid		(1,688,279)	(1,284,497)
Retirement benefits obligations paid		(82,361)	(418,472)
Decrease in long term loans		14,230	22,428
Decrease in long term deposits and prepayments		364,899	147,131
Net cash from operating activities		6,172,170	5,212,666
Cash flows from investing activities			
Purchase of property, plant and equipment		(721,787)	(872,311)
Payment for intangible asset under development		(199,596)	(68,535)
Sale proceeds on disposal of property, plant and equipment		32,283	62,155
Return received on savings accounts and deposit accounts		10,298	19,903
Investment in treasury bills		(31,064)	(99,997)
Dividend received		12	12
Net cash used in investing activities		(909,854)	(958,773)
Cash flows from financing activities			
Dividends paid		(2,989,619)	(1,972,704)
Finance lease obligation paid		(47,923)	(37,942)
Net cash used in financing activities		(3,037,542)	(2,010,646)
Net increase in cash and cash equivalents		2,224,774	2,243,247
Cash and cash equivalents at the beginning of the year		(759,267)	(3,002,514)
Cash and cash equivalents at the end of the year	36	1,465,507	(759,267)

The annexed notes 1 to 47 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended December 31, 2010

	SHARE CAPITAL	RESERVES				TOTAL
		CAPITAL		REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Unappropriated profit		
	(Rupees in thousand)					
Balance as at January 1, 2009	669,477	70,929	321,471	1,183,243	1,575,643	2,245,120
Net profit for the year	-	-	-	3,066,964	3,066,964	3,066,964
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:						
- incremental depreciation for the year	-	-	-	648	648	648
Dividends						
For the year ended December 31, 2008						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 57 per share	-	-	-	(757,751)	(757,751)	(757,751)
For the year ended December 31, 2009						
- Interim dividend on ordinary shares @ Rs. 92 per share	-	-	-	(1,223,036)	(1,223,036)	(1,223,036)
Balance as at December 31, 2009	669,477	70,929	321,471	2,269,829	2,662,229	3,331,706
Net profit for the year	-	-	-	3,283,831	3,283,831	3,283,831
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:						
- incremental depreciation for the year	-	-	-	648	648	648
Dividends						
For the year ended December 31, 2009						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 137 per share	-	-	-	(1,821,260)	(1,821,260)	(1,821,260)
For the year ended December 31, 2010						
- Interim dividend on ordinary shares @ Rs. 89 per share	-	-	-	(1,183,153)	(1,183,153)	(1,183,153)
Balance as at December 31, 2010	**669,477**	**70,929**	**321,471**	**2,549,656**	**2,942,056**	**3,611,533**

The annexed notes 1 to 47 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended December 31, 2010

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of:

I) Unilever Pakistan Limited (the "Company")
II) Levers Chemicals (Private) Limited
III) Levers Associated Pakistan Trust (Private) Limited
IV) Sadiq (Private) Limited

Levers Chemicals (Private) Limited, Levers Associated Pakistan Trust (Private) Limited and Sadiq (Private) Limited are wholly owned subsidiaries of Unilever Pakistan Limited. The parent company of the Group is Unilever Overseas Holdings Limited, UK whereas its ultimate parent company is Unilever PLC, UK.

Unilever Pakistan Limited is a limited liability company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. It manufactures and markets home and personal care products, beverages, ice cream and spreads. Levers Chemicals (Private) Limited used to manufacture and sell Sulphonic Acid. Levers Associated Pakistan Trust (Private) Limited and Sadiq (Private) Limited act as trustees of Union Pakistan Provident Fund (Unilever Provident Fund). All subsidiary companies are incorporated in Pakistan.

Levers Chemicals (Private) Limited (LCL) is not carrying on any business operations.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of Unilever Pakistan Limited, Levers Chemicals (Private) Limited, Levers Associated Pakistan Trust (Private) Limited and Sadiq (Private) Limited. The financial statements of the subsidiary companies have been consolidated on a line by line basis.

All intercompany balances and transactions have been eliminated.

2. SUMMARY OF 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 Group'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 Group 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 8.

(iii) Provisions

Provisions are considered, among others, for legal matters, disputed indirect taxes, employee termination cost and restructuring where a legal or constructive obligation exists at the balance sheet date and reliable estimate can be made of the likely outcome. The nature of these costs is such that judgement is involved in estimating the timing and amount of cash flows.

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 judgements made by the Group's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.1.3 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

(i) IFRS 2 (Amendments), 'Group cash-settled share-based payment transactions', incorporates the guidance contained in IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions' and further expands on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. There is no effect of the new amendment on the Group's financial statements.

(ii) IFRS 8 (Amendment), 'Disclosure of information about segment assets', clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the Chief Operating Decision-maker. The segment assets are reported regularly to the Group's Chief Operating Decision-maker, therefore the adoption of this amendment has no effect on the disclosures of Operating Segments presented in note 37 to the financial statements.

b) Standards, interpretations and amendments to published approved accounting standards effective in 2010 but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01, 2010 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

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

(i) IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after January 01, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Group's financial statements.

(ii) IAS 24 (Revised), 'Related Party Disclosures', is effective for the accounting periods beginning on or after January 01, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have a material impact on the Group's financial statements.

(iii) IFRS 7 (Amendment), 'Financial Instruments: Disclosures', is effective for the accounting periods beginning on or after January 01, 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the financial instrument disclosures in the Group's financial statements.

(iv) IFRIC 13 (Amendment), 'Customer Loyalty Programmes', is effective for the accounting periods beginning on or after January 01, 2011. It clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes. The new amendment is not expected to have a material impact on the Group's financial statements.

(v) IFRIC 14 (Amendment), 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction', is effective for the accounting periods beginning on or after January 01, 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Group's financial statements.

2.2 Overall valuation policy

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

2.3 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.

Certain land, buildings and plant and machinery were revalued in 1973, 1975, 1978 and 1981 by independent valuers, which are shown at such revalued figures. In compliance with the revised International Accounting Standard No. 16, "Property, Plant and Equipment", the Group adopted cost model for its property, plant and equipment and the revalued figures were treated as deemed costs. The surplus on revaluation of these assets, however, is recognised in accordance with section 235 of the Companies Ordinance, 1984.

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

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.

2.4 Intangibles

Intangibles are stated at cost less amortisation. Major computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years using the straight-line method.

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

2.5 Investments

(i) In unlisted entity not being subsidiary

These are valued at cost and are classified under investment available-for-sale.

(ii) Investment - held to maturity

These are investments with fixed or determinable payments and fixed maturity with the Group having positive intent and ability to hold till maturity. These are stated at amortised cost.

2.6 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.

2.7 Retirement benefits

Defined contribution plans

(i) Provident fund

The Group operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Group 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.

(ii) DC Pension fund

The Group has established a defined contribution plan - DC Pension Fund for the following management employees:

a) permanent employees who joined on or after January 01, 2009; and

b) permanent employees who joined on or before December 31, 2008 and opted for DC Pension plan in lieu of future benefits under the existing pension, management gratuity and pensioners' medical plans.

Contributions are made by the Group to the plan at the rate of 9% 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 Group operates the following schemes:

i) Funded pension scheme for management employees of the Group. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2010, using the 'Projected Unit Credit Method'.

ii) Funded gratuity scheme for management and non-management employees of the Group. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2010, using the 'Projected Unit Credit Method'.

iii) Pensioners' medical plan, which is a book reserve plan. The plan reimburses actual medical expenses as defined in the plan.

The above defined benefit plans are available only to those management employees who joined on or before December 31, 2008 and not opted for DC Pension scheme.

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 Group 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 assets 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.

2.8 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 value plus other charges incurred thereon.

2.9 Stock in trade

This is stated at the lower of cost and estimated 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 includes direct cost of materials whereas that of finished goods also includes direct cost of labour and 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.

By-product (glycerine) is valued at estimated cost except for the stock covered by a firm forward sale contract, which is valued at the contracted price.

2.10 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.

2.11 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, deposit accounts with maturities of three months or less and short term finance.

2.12 Leases

(i) Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance cost.

(ii) 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.

2.13 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.

2.14 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.

2.15 Provisions

Provisions are recognised when the Group 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.

Restructuring cost provisions comprise staff redundancy payments, relocation and dismantling of factory, and are recognised in the period in which the Group becomes legally or constructively committed to incur.

2.16 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.

2.17 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. Exchange gains and losses are recognised in the profit and loss account.

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

2.18 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group 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;
- dividend income is recognised when the Group's right to receive the payment is established; and
- return on savings accounts and deposit accounts is recognised using the effective interest rate method.

2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting.

2.20 Dividend and appropriation to reserves

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

2.21 Share based payment

The cost of awarding shares of Group companies to employees is reflected by recording a charge in the profit and loss account equivalent to the fair value of shares over the vesting period, corresponding provision created is reflected in the liability.

3. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	(Rupees in thousand)	
Operating assets - note 3.1	4,588,190	4,563,048
Capital work in progress - at cost - note 3.2	308,981	173,571
	4,897,171	4,736,619

3.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousand)									
Net carrying value basis										
Year ended December 31, 2010										
Opening net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Additions (at cost)			22,463		485,934	72,683	5,297			586,377
Disposals (at NBV)					(7,054)			(35)	(1,140)	(8,229)
Depreciation charge		(5)	(18,272)	(1,075)	(444,432)	(39,312)	(2,643)	(2,269)	(44,998)	(553,006)
Closing net book value (NBV)	25,575	229	593,997	19,773	3,565,948	321,011	22,880	2,308	36,469	4,588,190
Gross carrying value basis										
At December 31, 2010										
Cost	25,575	529	775,875	80,923	5,996,681	758,567	46,341	92,384	141,556	7,918,431
Accumulated depreciation		(300)	(181,878)	(61,150)	(2,430,733)	(437,556)	(23,461)	(90,076)	(105,087)	(3,330,241)
Net book value (NBV)	25,575	229	593,997	19,773	3,565,948	321,011	22,880	2,308	36,469	4,588,190
Net carrying value basis										
Year ended December 31, 2009										
Opening net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Additions (at cost)	-	-	90,693	2,359	875,108	162,144	5,797	2,701	3,953	1,142,755
Disposals (at NBV)	-	(181)	-	-	(60,045)	(497)	(310)	(8,804)	(1,219)	(71,056)
Depreciation charge	-	(6)	(15,773)	(898)	(384,656)	(31,359)	(2,309)	(24,067)	(37,799)	(496,867)
Closing net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Gross carrying value basis										
At December 31, 2009										
Cost	25,575	529	753,412	80,923	5,540,930	692,172	41,044	117,029	168,799	7,420,413
Accumulated depreciation	-	(295)	(163,606)	(60,075)	(2,009,430)	(404,532)	(20,818)	(112,417)	(86,192)	(2,857,365)
Net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Depreciation rate % per annum		1.05	1.5 to 2.5	1.5 to 2	8 to 20	8 to 20	8 to 14	25	25	

		2010	2009
		(Rupees in thousand)	
3.2	**Capital Work in Progress - at cost**		
	Civil works	8,075	12,147
	Plant and machinery	300,906	161,424
		308,981	173,571

3.3 Details of property, plant and equipment disposed off during the year are given in note 43.

		2010	2009
		(Rupees in thousand)	
4.	**INTANGIBLES**		
	Computer Software - note 4.1		2,433
	Intangible asset under development - note 4.2	821,086	355,123
		821,086	357,556
4.1	**Computer Software**		
	Net carrying value basis		
	Opening net book value	2,433	7,303
	Amortisation charge	(2,433)	(4,870)
	Closing net book value		2,433
	Gross carrying value basis		
	Cost	24,348	24,348
	Accumulated amortisation	(24,348)	(21,915)
	Net book value		2,433
	Remaining useful life in years	-	0.5

4.2 This represents license and consultation fee for the implementation of SAP Enterprise Resource Planning System (ERP) Solution.

		2010	2009
		(Rupees in thousand)	
5.	**LONG TERM INVESTMENTS**		
	Investment available for sale - at cost		
	Futehally Chemicals (Private) Limited		
	2,000 6% redeemable cumulative preference shares of Rs. 100 each	200	200
		200	200

6. LONG TERM LOANS - considered good

		2010	2009
		(Rupees in thousand)	
Related Parties	note 6.1, 6.2 and 6.3		
Director		430	1,462
Chief Executive		5,344	8,399
		5,774	9,861
Others			
Executives		114,667	96,708
Other employees		11,757	40,546
		126,424	137,254
		132,198	147,115
Recoverable within one year - note 12		(48,311)	(48,998)
Long term portion		83,887	98,117

6.1 Reconciliation of carrying amount of loans to Director, Chief Executive and Executives:

	Director		Chief Executive		Executive	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Balance as at January 1,	1,462	8,128	8,399	11,454	96,708	122,602
Loans granted during the year		-		-	44,857	29,691
Transfers		-		-	17,786	-
Recoveries	(1,032)	(6,666)	(3,055)	(3,055)	(44,684)	(55,585)
	430	1,462	5,344	8,399	114,667	96,708

6.2 The above loans under the terms of employment have been given interest free to facilitate purchase of houses, vehicles and computers repayable in monthly installments over a period of three to five years.

These loans are secured against retirement benefits of the employees.

6.3 The maximum aggregate amount of loans due at the end of any month during the year was:

	2010	2009
	(Rupees in thousand)	
Director	1,376	2,523
Chief Executive	8,144	11,199
Executives	151,211	100,725

7. LONG TERM DEPOSITS AND PREPAYMENTS

	2010	2009
	(Rupees in thousand)	
Security deposits	4,827	4,627
Prepaid rent	6,037	368,064
Others	20,058	23,130
	30,922	395,821
Less: Provision for doubtful deposits	(2,925)	(2,925)
	27,997	392,896

8. RETIREMENT BENEFITS

8.1 The disclosures made in notes 8.2 to 8.8 and 8.11 to 8.13 are based on the information included in the actuarial valuation as of December 31, 2010.

		Pension Fund		Gratuity Funds		Pensioners' Medical Plan	
		2010	2009	2010	2009	2010	2009
		(Rupees in thousand)					
8.2	**Balance Sheet Reconciliation**						
	Fair value of plan assets	1,628,771	1,484,380	62,771	36,182		-
	Present value of defined benefit obligations	(1,630,220)	(1,563,709)	(266,027)	(246,505)	(203,261)	(192,663)
	Funded status	(1,449)	(79,329)	(203,256)	(210,323)	(203,261)	(192,663)
	Unrecognised net actuarial loss	150,249	267,383	13,687	38,990	34,028	36,936
	Recognised asset / (liability)	148,800	188,054	(189,569)	(171,333)	(169,233)	(155,727)
8.3	**Movement in the fair value of plan assets**						
	Fair value as at January 1	1,484,380	1,571,499	36,182	231,305		
	Expected return on plan assets	178,463	186,586	4,154	8,352		
	Actuarial gains / (losses)	97,211	(15,202)	14,039	10,274		
	Employer contributions	12,809	-	55,331	428,302		
	Settlement and curtailment		(113,700)		(107,253)		
	Benefits paid	(144,092)	(144,803)	(46,935)	(534,798)		
	Fair value as at December 31	1,628,771	1,484,380	62,771	36,182		
8.4	**Movement in the defined benefit obligations**						
	Obligation as at January 1	1,563,709	1,468,346	246,505	416,803	192,663	163,174
	Service cost	12,666	9,716	13,544	11,498	717	834
	Interest cost	191,387	205,222	31,890	38,577	23,590	24,222
	Settlement and curtailment		(143,412)	28,709	310,502		(7,070)
	Actuarial losses / (gains)	6,550	168,640	(7,686)	3,923	512	21,676
	Benefits paid	(144,092)	(144,803)	(46,935)	(534,798)	(14,221)	(10,173)
	Obligation as at December 31	1,630,220	1,563,709	266,027	246,505	203,261	192,663
8.5	**Cost**						
	Current service cost	12,666	9,716	13,544	11,498	717	834
	Interest cost	191,387	205,222	31,890	38,577	23,590	24,222
	Expected return on plan assets	(178,463)	(186,586)	(4,154)	(8,352)		-
	Settlement and curtailment		(29,712)	28,709	417,755		(7,070)
	Recognition of actuarial loss	26,473	18,661	3,578	45,514	3,420	2,763
	Expense	52,063	17,301	73,567	504,992	27,727	20,749
	Actual return on plan assets	275,674	171,384	18,193	18,626		

8.6 Principal actuarial assumptions used are as follows:

	2010	2009
Discount rate & expected return on plan assets	14.25%	12.75%
Future salary increases	12.00%	10.60%
Future pension increases	8.00%	6.66%
Medical cost trend rates	8.75%	7.38%

Expected contributions to retirement benefit plans for the year ending December 31, 2011 are Rs. 131 million (2010: Rs. 148 million).

8.7 Comparison for five years:

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	1,691,542	1,520,562	1,802,804	1,891,499	1,933,581
Present value of defined benefit obligations	(2,099,508)	(2,002,877)	(2,048,323)	(2,034,192)	(1,984,522)
(Deficit)	(407,966)	(482,315)	(245,519)	(142,693)	(50,941)
Experience adjustments					
Gain / (Loss) on plan assets (as percentage of plan assets)	6.6%	(0.3%)	0.2 %	(0.7%)	0.3 %
(Gain) / Loss on obligations (as percentage of plan obligations)	(0.03)%	9.7 %	(1.2%)	(1.2%)	7.5 %

8.8 The effects of a 1% movement in the assumed medical cost trend rate are as follows:

	Increase	Decrease
	(Rupees in thousand)	
Effect on the aggregate of current service and interest costs	2,811	2,403
Effect on the defined benefit obligations	21,137	18,240

8.9 Plan assets comprise of the following:

	2010		2009	
	Rupees in thousand	%	Rupees in thousand	%
Equity	197,645	11.7	147,552	9.7
Debt	1,485,797	87.8	897,310	59.0
Others (include cash and bank balances)	8,100	0.5	475,700	31.3
	1,691,542	100.0	1,520,562	100.0

8.10 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.

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

8.12 Based on the above actuarial valuation the retirement benefits - asset amounts to Rs. 148.8 million (2009: Rs. 188.05 million) and retirement benefits - liability amounts to Rs. 358.8 million (2009 Rs. 327.06 million).

8.13 During the year the Group contributed Rs. 53.79 million (2009: Rs. 52.77 million) to the provident fund and Rs. 45.70 million (2009: 48.26 million) to the DC pension fund.

9. STORES AND SPARES

	2010	2009
	(Rupees in thousand)	
Stores (including in transit Rs. 20.88 million; 2009: Rs. 19.10 million)	169,893	80,825
Spares (including in transit Rs. 10.49 million; 2009: Rs. 10.15 million)	226,090	219,657
Others	4,194	3,595
	400,177	304,077
Provision for slow moving and obsolete stores and spares	(42,839)	(38,657)
	357,338	265,420

9.1 The Group has made a provision during the year of Rs. 4.18 million (2009: Rs. 8.31 million) for obsolescence.

10. STOCK IN TRADE

	2010	2009
	(Rupees in thousand)	
Raw and packing materials at cost (including in transit Rs. 662 million; 2009: Rs. 868 million)	2,626,174	2,416,934
Provision for obsolescence	(91,453)	(95,007)
	2,534,721	2,321,927
Work in process	126,457	72,736
Finished goods (including in transit Rs. 68 million; 2009: Rs. 181 million)	1,264,130	1,293,954
By product - glycerine	1,846	11,500
	1,265,976	1,305,454
Provision for obsolescence	(46,147)	(51,047)
	1,219,829	1,254,407
	3,881,007	3,649,070

10.1 Stock in trade includes Rs. 1.66 billion (2009: Rs. 1.79 billion) held with third parties.

10.2 The above balances include items costing Rs. 148.28 million (2009: Rs. 238.13 million) valued at net realisable value of Rs. 10.68 million (2009: Rs. 92.07 million).

10.3 The Group made a provision of Rs. 79.06 million for obsolescence (2009: Rs. 109.19 million) and has written off inventory amounting to Rs. 87.51 million (2009: Rs. 185.45 million) by utilising the provision during the year.

11. TRADE DEBTS

	2010	2009
	(Rupees in thousand)	
Considered good	522,795	506,357
Considered doubtful	42,016	43,402
	564,811	549,759
Provision for doubtful debts - note 11.1	(42,016)	(43,402)
	522,795	506,357

11.1 The Group has reversed provision of Rs. 3.24 million (2009: Rs. 2.04 million) and has written off debts by utilising the provision amounting to Rs. 0.46 million (2009: Rs. 2.05 million) during the year.

11.2 As of December 31, 2010 trade debts of Rs. 155.71 million (2009: Rs. 42.87 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:

	2010	2009
	(Rupees in thousand)	
Up to 3 months	138,216	35,962
3 to 6 months	7,533	5,559
More than 6 months	9,959	1,345
	155,708	42,866

12. LOANS AND ADVANCES

	2010	2009
Considered good		
Current portion of loans to employees - note 6	48,311	48,998
Advances to:		
Executives - note 12.1	54,239	12,435
Suppliers and others	24,149	70,419
	126,699	131,852
Considered doubtful		
Advances to suppliers and others	6,230	6,244
	132,929	138,096
Provision for doubtful advances to suppliers and others	(6,230)	(6,244)
	126,699	131,852

12.1 The advances to executives are given to meet business expenses and are settled as and when the expenses are incurred.

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2010	2009
	(Rupees in thousand)	
Trade and margin deposits	20,617	16,192
Prepayments		
Rent	18,175	151,155
Others - note 13.1	204,869	160,479
	243,661	327,826

13.1 This includes prepayment of Rs. 3.70 million in respect of shares matched by the Group under the following share-based compensation plan.

Variable Pay In Shares (VPIS):

Under this plan, employees eligible as per policy can choose to take between 10% and 25%, or none at all, of their gross variable pay in shares of Unilever PLC or Unilever NV. If the employee opts for the shares, Unilever PLC and Unilever NV will grant matching shares, on the condition that the employee stays with the Group and holds these shares for at least three years.

		VPIS	
Shares of		Unilever PLC	Unilever NV
Date of grant	2008	March 20, 2008	March 20, 2008
	2009	March 19, 2009	March 19, 2009
Total number of shares granted	2008	1,532	1,539
	2009	2,195	2,136
Fair value / Share price on grant date	2008	£16.72	¤21.30
	2009	£12.46	¤13.95
Contractual life (years)		3	3
Vesting conditions		Service conditions	Service conditions
Settlement		Shares	Shares
Expected lapse per year		20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2008	by March 20, 2011	by March 20, 2011
	2009	by March 19, 2012	by March 19, 2012

14. OTHER RECEIVABLES

	2010	2009
	(Rupees in thousand)	
Receivable from related parties		
Unilever Gratuity Fund	9,723	32,985
Associated undertakings	30,777	13,315
Workers' Profits Participation Fund - note 23.1		8,960
Others	44,394	40,817
	84,894	96,077
Provision for doubtful receivables	(13,934)	(13,934)
	70,960	82,143

15. TAX REFUNDS DUE FROM THE GOVERNMENT

	2010	2009
Sales tax refundable - amounts paid under protest - note 15.1	137,012	137,012
Taxation - payments less provision	329,355	218,013
Others	27	27
	466,394	355,052

15.1 This includes a sum of Rs. 131 million (2009: Rs. 131 million) paid by way of abundant caution under the Amnesty Scheme, to avoid additional Sales Tax and Surcharge being levied in the event of unfavourable decisions of the appeals pending in the High Courts. These appeals were filed by third party manufacturers in respect of disallowance of input tax claimed by them on the ground that tax invoices and bills of entry were in the Group's name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Group would reimburse the tax. The Group's management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Group has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.

16. INVESTMENT - held to maturity

This represents investment in Treasury Bills. They carry mark-up at 12.65% and 13.15% per annum and will realise latest by March 2011.

17. CASH AND BANK BALANCES

	2010	2009
	(Rupees in thousand)	
With banks on:		
current accounts	660,204	238,365
savings accounts - note 17.1	300,935	620
deposits account - note 17.2	800,000	38,915
In hand:		
cash	1,511	744
	1,762,650	278,644

17.1 Mark-up on savings accounts was earned at the rates ranging from 5% to 9% (2009: 1% to 9%) per annum.

17.2 The deposit account carries mark-up at the rate of 11.75 % per annum (2009: 11.95% per annum) and will mature in the year 2011.

18. SHARE CAPITAL

		2010	2009
		(Rupees in thousand)	
Authorised share capital			
47,835	5% cumulative preference shares of Rs. 100 each	4,783	4,783
15,904,330	Ordinary shares of Rs. 50 each	795,217	795,217
		800,000	800,000
Issued, subscribed and paid up capital			
5% cumulative preference shares of Rs. 100 each			
	Shares allotted:		
43,835	for consideration paid in cash	4,383	4,383
4,000	for acquisition of an undertaking	400	400
47,835		4,783	4,783
Ordinary shares of Rs. 50 each			
	Shares allotted:		
467,704	for consideration paid in cash	23,385	23,385
4,979,208	for consideration other than cash under schemes of arrangements for amalgamations	248,961	248,961
7,846,957	as bonus shares	392,348	392,348
13,293,869		664,694	664,694
		669,477	669,477

At December 31, 2010 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK holds 9,981,417 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited (December 31, 2009: 9,981,417 ordinary shares and 33,735 preference shares).

		2010	2009
19.	**RESERVES**	(Rupees in thousand)	
	Capital reserves		
	Arising under schemes of arrangements for amalgamations - note 19.1	70,929	70,929
	Contingency - note 26.1.1	321,471	321,471
		392,400	392,400
	Revenue reserve		
	Unappropriated profit	2,549,656	2,269,829
		2,942,056	2,662,229

19.1 This represents amounts of Rs. 18.36 million and Rs. 52.57 million that arose under schemes of arrangement for amalgamations of former Mehran International (Private) Limited, former Ambrosia International Limited and former Pakistan Industrial Promoters (Private) Limited with the Group.

20. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluations of property, plant and equipment carried out in 1973, 1975, 1978 and 1981, adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

	2010	2009
	(Rupees in thousand)	
Balance as at January 1	12,965	13,613
Transferred to unappropriated profit net of deferred taxation: incremental depreciation for the year	(648)	(648)
Balance as at December 31	12,317	12,965

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2010	2009
Present value of minimum lease payments	48,695	85,181
Current maturity shown under current liabilities	(28,877)	(28,419)
	19,818	56,762
Minimum lease payments		
Not later than 1 year	38,549	45,099
Later than one year and not later than 5 years	20,731	48,708
	59,280	93,807
Finance charges not yet due	(10,585)	(8,626)
Present value of finance lease liabilities	48,695	85,181

	2010	2009
	(Rupees in thousand)	
Present value of finance lease liabilities		
Not later than 1 year	28,877	28,419
Later than one year and not later than 5 years	19,818	56,762
	48,695	85,181

The above represents finance leases entered into with modarabas for motor vehicles. The liability is payable by January 2013 in semi annual and quarterly installments.

Lease payments bearing variable mark-up rates include finance charge at KIBOR + 0.85% to KIBOR + 1.9% per annum. KIBOR is determined on semi-annual basis for next two quarterly and semi annual rentals.

22. DEFERRED TAXATION

	2010	2009
	(Rupees in thousand)	
Credit balance arising in respect of:		
- accelerated tax depreciation allowances	905,375	874,445
- surplus on revaluation of fixed assets	6,466	6,761
	911,841	881,206
Debit balance arising in respect of:		
- provision for retirement benefits	(71,163)	(47,069)
- share-based compensation	(18,017)	(16,292)
- provision for stock in trade and stores and spares	(61,409)	(62,962)
- provision for doubtful debts, advances and other receivables	(35,143)	(36,010)
- provision for restructuring	(15,574)	(3,138)
- others	(134,392)	(79,605)
	(335,698)	(245,076)
	576,143	636,130

	2010	2009
	(Rupees in thousand)	

23. TRADE AND OTHER PAYABLES

Creditors	1,307,837	866,814
Bills payable	1,372,999	264,784
Accrued liabilities	4,256,051	3,600,767
Royalty and technical services fee	357,525	291,852
Advance payment from customers	128,767	144,122
Sales tax payable	363,508	216,400
Excise duty payable	120,072	114,444
Workers' Welfare Fund	99,386	92,155
Workers' Profits Participation Fund - note 23.1	1,657	-
Security deposits from dealers - note 23.2	17,129	17,137
Unclaimed dividend	129,826	114,793
Liability for share-based compensation plans - note 23.4	53,166	48,130
Others	27,423	15,968
	8,235,346	5,787,366

23.1 Workers' Profits Participation Fund

Balance as at January 1	(8,960)	(55,571)
Allocation for the year	256,728	242,514
	247,768	186,943
Amount paid to the trustees	(246,111)	(195,903)
Balance as at December 31	1,657	(8,960)

23.2 This represents security deposits obtained by former Pakistan Industrial Promoters (Private) Limited against freezer cabinets placed with dealers.

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

	2010	2009
	(Rupees in thousand)	
Ultimate parent company	375,525	291,852
Associated companies	1,675,238	918,508
Company in which close family member of a Director is holding directorship	20,855	33,551

23.4 Share-based compensation plans

As at December 31, 2010 share-based compensation plans of the Group include:

Global Performance Share Plan (GPSP) and Leadership Performance Share Plan (LPSP):

Under the plans, employees eligible as per policy can be awarded conditional shares of Unilever PLC or Unilever NV which will vest three years later depending on Unilever's achievement of set targets for Underlying Sales Growth (USG), Ungeared Free Cash Flow (UFCF) and Total Shareholder Return (TSR) ranking over the three year performance period.

The details of the arrangements are as follows:

		GPSP	LPSP	
Shares of		Unilever PLC	Unilever PLC	Unilever NV
Date of grant	2008	March 21, 2008	March 20, 2008	March 20, 2008
	2009	March 19, 2009	March 19, 2009	March 19, 2009
	2010	March 18, 2010	March 18, 2010	March 18, 2010
Total number of shares granted	2008	6,494	1,225	1,225
	2009	9,965	1,962	1,962
	2010	6,190	4,375	4,375
		22,649	7,562	7,562
Fair value / Share price on grant date	2008	£ 16.72	£16.72	¤ 21.27
	2009	£ 12.46	£12.46	¤13.22
	2010	£ 19.44	£19.44	¤ 22.53
Contractual life (years)		3	3	3
Vesting conditions		Performance conditions	Performance and market conditions	Performance and market conditions
Settlement		Shares	Shares	Shares
Expected lapse per year		20%	20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2008	by March 20, 2011	by March 20, 2011	by March 20, 2011
	2009	by March 19, 2012	by March 19, 2012	by March 19, 2012
	2010	by March 18, 2013	by March 18, 2013	by March 18, 2013

No dividend payments were expected; consequently, the measurement of the fair value did not consider dividends.

23.4.1 Details of plan that vested during the year are:

	GPSP		LPSP	
Shares of	Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	March 21, 2007	March 21, 2007	May 22, 2007	May 22, 2007
Vesting date	March 21, 2010	March 21, 2010	May 22, 2010	May 22, 2010
Fair value / Share price on grant date	£14.88	¤ 21.33	£15.82	¤ 22.20
Fair value / Share price on vesting date	£19.45	¤ 22.28	£19.45	¤ 22.24
Difference of grant date and settlement date fair value	£ 4.57	¤ 0.95	£ 3.63	¤ 0.04
Contractual life (years)	3	3	3	3
Vesting conditions	Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement	Shares	Shares	Shares	Shares

The Group has treated these share-based plans as liability.

24. SHORT TERM BORROWINGS

	2010	2009
	(Rupees in thousand)	
Short term borrowing		300,000
Short term running finance - note 24.1	297,143	737,911
	297,143	1,037,911

24.1 Short term running finance - secured

The facilities for running finance available from various banks amount to Rs. 10.78 billion (2009: Rs. 6.67 billion). The rates of mark-up range between KIBOR to KIBOR + 1% per annum (2009: KIBOR + 0.2% to KIBOR + 1.5% per annum).

The arrangements are secured by way of pari-passu charge against hypothecation of Group's stock in trade.

The facilities for opening letters of credit and guarantees as at December 31, 2010 amounted to Rs. 10.8 billion (2009: Rs. 4.63 billion), of which the amount remaining unutilised at the year end was Rs. 9.02 billion (2009: Rs. 4.29 billion).

	2010	2009
	(Rupees in thousand)	

25. PROVISIONS

	2010	2009
Provision for cess less payments - note 26.1.1	338,910	211,415
Provision for marking fee less payment	12,934	-
Restructuring		
Balance as at January 1	9,265	485,218
Provision during the year	90,000	-
Reversal during the year		(25,719)
Utilised during the year	(53,309)	(450,234)
Balance as at December 31	45,956	9,265
	397,800	220,680

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Government of Sindh through Finance Act, 1994 levied fee for services rendered in respect of development and maintenance of infrastructure on the import and export of goods. However, the Group filed a constitutional petition against the levy of such fee in the High Court of Sindh and the Court granted stay for the payment of the fee. During the year 2001, the Government of Sindh introduced Cess in place of infrastructure fee with retrospective effect. As a result, Unilever's petition became anfractuous and a fresh suit was filed by Unilever to challenge the levy. A stay against recovery of the aforesaid levy of Cess was also obtained from the Court. In 2003 the High Court decided the issue against the Group. Against this order an intra court appeal was filed with the High Court. The appeal was disposed of in August 2008, whereby the levy imposed and collected with effect from December 28, 2006 was declared valid and all imposition and collection before such date as invalid. The Court further ordered that all bank guarantees / securities furnished for transactions before December 28, 2006 stand discharged and are liable to be returned back and those furnished in respect of transactions after December 28, 2006 are liable to be encashed. The Group as well as the Government of Sindh have filed appeals in the Supreme Court against the said order. A provision amounting to Rs. 373.4 million concerning the levy with respect from December 28, 2006 has been recognised in the financial statements. Moreover, the Group has paid an amount of Rs. 34.49 million under protest against the said order.

As a matter of prudence, a total of Rs 321.47 million as at December 31, 2010 (2009: Rs 321.47 million) out of the revenue reserves has been earmarked as contingency reserve for the levy uptill December 2006.

26.1.2 The Officer of Inland Revenue (OIR) while finalising the re-assessment for the assessment years 2006, 2007 and 2009 passed amended assessment orders enhancing income tax liability by Rs. 421 million in respect of certain disallowances.

The Group has filed appeals before the Commissioner of Inland Revenue (Appeals) and the same has been heard. The appellate order is awaited.

Subsequent to the year end the OIR amended the assessment for tax year 2008 enhancing tax liability by Rs. 69 million. The Group intends to file appeal against this order.

The management of the Group is of the view that the disallowances have been made erroneously and, therefore, the ultimate decision in appeal will be in Group's favour. No provision has, therefore, been made in the financial statements.

26.2 Commitments

26.2.1 Aggregate commitments outstanding for capital expenditures as at December 31, 2010 amounted to Rs. 392.95 million (2009: Rs. 36.66 million).

26.2.2 Aggregate commitments for operating lease rentals as at December 31, are as follows:

	2010	2009
	(Rupees in thousand)	
Not later than one year	79,976	42,360
Over one year to five years	230,504	147,485
	310,480	189,845

27. SALES

	2010	2009
Manufactured goods		
Gross sales	56,528,071	47,807,308
Sales tax	(8,816,369)	(7,219,672)
Excise duty	(1,472,618)	(1,238,271)
	46,239,084	39,349,365
Imported goods		
Gross sales	1,078,341	1,298,391
Sales tax	(49,933)	(23,596)
Excise duty	(2,170)	(417)
	1,026,238	1,274,378
Rebates and allowances	(2,593,815)	(2,436,161)
	44,671,507	38,187,582

28. COST OF SALES

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Raw and packing materials consumed	25,633,234	20,593,398
Manufacturing charges paid to third parties	769,558	686,529
Stores and spares consumed	179,619	141,308
Staff costs - note 28.1	1,236,555	1,077,303
Utilities	685,492	471,273
Depreciation	480,316	412,764
Repairs and maintenance	258,240	208,631
Rent, rates and taxes	26,939	56,242
Travelling and entertainment	58,733	49,835
Stationery and office expenses	54,105	35,776
Expenses on information technology	674	3,985
Other expenses	73,913	47,318
Charges by related party	2,820	3,096
Recovery of charges from related party	(5,027)	(2,095)
	29,455,171	23,785,363
Opening work in process	72,736	102,466
	29,527,907	23,887,829
Closing work in process	(126,457)	(72,736)
Cost of goods manufactured	29,401,450	23,815,093
Opening stock of finished goods including by-product glycerine	1,210,086	1,414,059
Closing stock of finished goods including by-product glycerine	(1,153,124)	(1,210,086)
	29,458,412	24,019,066
Imported goods		
Opening stock	44,321	73,170
Purchases	658,197	804,710
	702,518	877,880
Closing stock	(66,705)	(44,321)
	635,813	833,559
	30,094,225	24,852,625

28.1 Staff costs

	2010	2009
Salaries and wages	1,174,238	1,019,000
Medical	19,268	17,184
Pension costs - defined benefit plan	10,264	9,051
Gratuity costs - defined benefit plan	14,159	18,720
Pensioners' medical plan	5,473	3,801
Provident fund cost - defined contribution plan	4,913	3,915
Pension fund cost - defined contribution plan	8,240	5,632
	1,236,555	1,077,303

	2010	2009
	(Rupees in thousand)	

29. DISTRIBUTION COSTS

	2010	2009
Staff costs - note 29.1	733,944	726,293
Advertisement and sales promotion	4,039,804	3,819,159
Outward freight and handling	1,278,838	986,614
Royalty and technical fee	1,564,214	1,292,108
Utilities	11,499	7,625
Depreciation	40,706	47,098
Repairs and maintenance	28,045	21,444
Rent, rates and taxes	168,212	127,575
Amortisation of computer software	1,361	2,727
Travelling and entertainment	93,053	70,048
Stationery and office expenses	55,301	63,555
Expenses on information technology	1,072	3,629
Legal, professional and other consultancy charges		7,553
Other expenses	62,603	48,325
Charges by related party	55,047	54,600
Recovery of charges from related party	(100,138)	(98,659)
	8,033,561	7,179,694

29.1 Staff costs

	2010	2009
Salaries and wages	587,272	619,114
Medical	67	17
Share based compensation	27,463	20,400
Pension costs - defined benefit plan	27,998	1,808
Gratuity costs - defined benefit plan	20,563	19,026
Pensioners' medical plan	14,907	4,865
Provident fund cost - defined contribution plan	32,741	30,203
Pension fund cost - defined contribution plan	22,933	30,860
	733,944	726,293

30. ADMINISTRATIVE EXPENSES

	2010	2009
	(Rupees in thousand)	
Staff costs - note 30.1	396,675	349,609
Utilities	36,914	33,847
Depreciation	31,984	37,005
Repairs and maintenance	28,993	13,752
Rent, rates and taxes	178,333	159,322
Amortisation of computer software	1,072	2,143
Travelling and entertainment	91,437	30,859
Stationery and office expenses	69,881	56,729
Expenses on information technology	218,959	230,892
Legal, professional and other consultancy charges	71,339	62,739
Auditors' remuneration - note 30.2	12,545	12,768
Other expenses	94,804	57,401
Charges by related party	4,457	3,771
Recovery of charges from related party	(17,408)	(20,309)
	1,219,985	1,030,528

30.1 Staff costs

	2010	2009
Salaries and wages	300,022	233,899
Medical	24,390	25,912
Share based compensation	13,536	8,826
Pension costs - defined benefit plan	13,801	4,179
Gratuity costs - defined benefit plan	10,136	43,974
Pensioners' medical plan	7,347	11,245
Provident fund cost - defined contribution plan	16,139	13,068
Pension fund cost - defined contribution plan	11,304	8,506
	396,675	349,609

30.2 Auditors' remuneration

	2010	2009
Audit fee	3,950	3,750
Taxation services	3,780	5,500
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	4,119	3,068
Out of pocket expenses	696	450
	12,545	12,768

31. OTHER OPERATING EXPENSES

	2010	2009
	(Rupees in thousand)	
Donations - note 31.1	33,780	30,215
Workers' Profits Participation Fund - note 23.1	256,728	242,514
Workers' Welfare Fund	97,543	92,155
Loss on disposal of property, plant and equipment		8,901
	388,051	373,785

31.1 Donations

Donations include the following in whom a director is interested:

Name of Director	Interest in Donee	Name and address of Donee	2010	2009
			(Rupees in thousand)	
1. Ehsan A. Malik	Member	AIESEC in Pakistan 201, 2nd Floor, Cotton Exchange Building, I.I.Chundrigar Road, Karachi.	100	-
	Trustee	The Duke of Edinburgh Awards Pakistan	80	25
	Chairman, Annual Giving Committee; Member, Resource Development; and Member, Health Science Committee.	Aga Khan University	1,000	-
	Board Member Pro-Chancellor	Lahore University of Management Sciences DHA, Lahore		2,161
	Corporate Member President-Emeritus	World Wide Fund for Nature, Ferozepur Road, Lahore	15	150

32. OTHER OPERATING INCOME

	2010	2009
Income from financial assets		
Dividend income	12	12
Return on savings accounts and deposit accounts	10,236	16,126
Return on investment - held to maturity - note 16	10,101	2,192
Income from non-financial assets		
Scrap sales	15,797	22,422
Profit on disposal of property, plant and equipment	24,054	-
Sundries	40,714	66,614
Others		
Service fee from related parties - note 32.1	36,073	37,420
Provision for doubtful trade debts written back	3,236	2,036
Provision no longer required written back		25,719
Liabilities no longer payable written back	400	37,097
	140,623	209,638

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

33. FINANCE COST

	2010	2009
	(Rupees in thousand)	
Mark-up on short term borrowings	132,631	229,009
Bank charges	23,503	29,195
Exchange loss	22,086	155,444
Finance charge on finance leases	11,437	13,474
Others		587
	189,657	427,709

34. TAXATION

	2010	2009
Current - for the year		
Pakistan	1,542,398	1,176,077
Azad Kashmir	30,409	23,361
	1,572,807	1,199,438
Deferred tax - (credit) / charge	(59,987)	266,477
	1,512,820	1,465,915

34.1 Relationship between tax expense and accounting profit

	2010	2009
Accounting profit before tax	4,796,651	4,532,879
Tax at the applicable tax rate of 35%	1,678,828	1,586,508
Tax effect of permanent differences	6,631	(648)
Tax effect of credits	(54,976)	-
Tax effect of final tax	(117,663)	(119,945)
Tax expense for the year	1,512,820	1,465,915

	2010	2009
	(Rupees in thousand)	

35. EARNINGS PER SHARE

	2010	2009
Profit after tax	3,283,831	3,066,964
Preference dividend on cumulative preference shares	(239)	(239)
Profit after taxation attributable to ordinary shareholders	3,283,592	3,066,725
Weighted average number of shares in issue during the year (in thousands)	13,294	13,294
Earnings per share (Rupees)	247	231

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

36. CASH AND CASH EQUIVALENTS

	2010	2009
	(Rupees in thousand)	
Cash and bank balances	1,762,650	278,644
Short term borrowings - running finance under mark-up arrangements	(297,143)	(1,037,911)
	1,465,507	(759,267)

37. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Executive Officer of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into the following four operating segments:

- Home and Personal Care
- Beverages - tea
- Ice Cream
- Spreads

Management monitors the operating results of abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Finance cost, restructuring cost, other operating income and expenses, and taxation are managed at Group level. Further, unallocated assets include long term investments, long term loans and advances, long term deposits and prepayments, loans and advances, accrued interest, trade deposits and short term prepayments, other receivables, tax refunds due from government and cash and bank balances.

37.1 Segment analysis

The segment information for the reportable segments for the year ended December 31, 2010 is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2010					
Revenue	**24,722,472**	**13,272,286**	**5,548,024**	**1,128,725**	**44,671,507**
Segment results	**3,979,810**	**960,883**	**269,102**	**113,941**	**5,323,736**
Year ended December 31, 2009					
Revenue	21,390,814	11,694,926	4,162,718	939,124	38,187,582
Segment results	4,060,076	659,183	276,632	128,844	5,124,735

Reconciliation of segment results with profit from operations:

	2010	2009
	(Rupees in thousand)	
Total results for reportable segments	**5,323,736**	5,124,735
Restructuring costs	**(90,000)**	-
Other operating expenses	**(388,051)**	(373,785)
Other operating income	**140,623**	209,638
Finance cost	**(189,657)**	(427,709)
Profit before tax	**4,796,651**	4,532,879

Information on assets and liabilities by segment is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
As at December 31, 2010					
Segment assets	**4,195,315**	**3,165,263**	**3,440,133**	**142,138**	**10,942,849**
Segment liabilities	**3,212,225**	**1,277,478**	**537,784**	**267,331**	**5,294,818**
As at December 31, 2009					
Segment assets	3,840,917	2,136,525	3,017,197	127,856	9,122,495
Segment liabilities	2,022,647	835,801	509,326	187,576	3,555,350

Reconciliation of segments' assets and liabilities with totals in the balance sheet is as follows:

	As at December 31, 2010		As at December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
	(Rupees in thousand)			
Total for reportable segments	10,942,849	5,294,818	9,122,495	3,555,350
Unallocated assets / liabilities	2,611,185	4,635,366	2,349,597	4,572,071
Total as per balance sheet	13,554,034	9,930,184	11,472,092	8,127,421

Other segment information is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2010					
Staff costs	1,135,273	728,521	470,615	32,765	2,367,174
Advertisement and sales promotion	2,771,463	599,573	478,843	189,925	4,039,804
Outward freight and handling	776,708	181,864	295,028	25,238	1,278,838
Royalty and technical fee	910,533	402,036	212,593	39,052	1,564,214
Depreciation	211,208	44,254	287,112	10,432	553,006
Year ended December 31, 2009					
Staff costs	1,083,836	666,237	371,821	31,311	2,153,205
Advertisement and sales promotion	2,629,760	555,718	487,894	145,787	3,819,159
Outward freight and handling	601,881	135,873	228,834	20,026	986,614
Royalty and technical fee	762,449	341,685	156,717	31,257	1,292,108
Depreciation	163,691	44,064	279,932	9,180	496,867

37.2 Sales to domestic customers in Pakistan are 98.3% (2009: 97.40%) and to customers outside Pakistan are 1.7% (2009: 2.60%) of the revenue during the year.

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

38. RELATED PARTY TRANSACTIONS

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

Relationship with the Company	Nature of transactions	2010	2009
		(Rupees in thousand)	
i. Ultimate parent company			
	Royalty and technical fee	**1,564,214**	1,292,108
ii. Associated companies			
	Purchase of goods	**10,877,473**	8,326,205
	Sale of goods	**2,078**	610
	Fee for receiving of services from related party	**1,502**	1,041
	Payment to related parties for intangible asset	**126,161**	-
	Reimbursement of expenses to related party	**62,324**	61,467
	Recovery of expenses from related party	**122,573**	121,063
	Fee for providing of services to related party	**36,073**	37,420
	Contribution to :		
	-Defined Contribution plans	**99,495**	101,034
	-Defined Benefit plans	**68,140**	428,302
	Settlement on behalf of :		
	-Defined Contribution plans	**245,983**	435,755
	-Defined Benefit plans	**189,731**	679,605
	Purchase of operating assets		31,329
iii. Key management personnel			
	Salaries and other short-term employee benefits	**101,553**	91,734
	Post-employment benefits	**7,943**	7,690
	Consideration received for vehicles sold	**1,165**	37
iv. Others	Donations	**1,195**	2,486

Royalty and technical fee are paid in accordance with the agreements duly acknowledged by the State Bank of Pakistan. Other transactions with related parties are settled in the ordinary course of business.

The Group has entered into agreements with its associate, Unilever Pakistan Foods Limited to share various administrative and other resources. The charges by and recovery of costs from the associate have been disclosed in notes 28, 29 and 30.

The related party status of outstanding balances as at December 31, 2010 is included in other receivables and trade and other payables respectively.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in notes 13.1 and 23.4.

39. 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 Group are as follows:

	Executive Directors		Chief Executive		Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Managerial remuneration and allowances	28,006	24,757	14,830	13,550	600,967	362,612
Share based compensation	9,830	8,857	19,710	7,958	11,459	12,411
Retirement benefits *	4,122	3,874	2,334	1,942	92,827	64,801
Rent and utilities	1,694	3,544	810	1,535	84,102	118,511
Medical expenses	379	311	174	115	10,554	7,548
Other expenses		-	2,770	2,106	9,510	6,122
	44,031	41,343	40,628	27,206	809,419	572,005
Number of persons	4	5	1	1	550	325

In addition to this, a lump sum amount of Rs. 251.295 million (2009: Rs. 246.14 million) on account of variable pay has been accounted for in the financial statements for the current year payable in 2011 after verification of target achievement.

Out of the variable pay recognised for 2009 and 2008 following payments were made:

	Paid in 2010 relating to 2009	Paid in 2009 relating to 2008
	(Rupees in thousand)	
Executive Directors	15,925	11,652
Chief Executive	5,138	6,433
Executives	142,470	93,135
Other employees	27,885	45,797
	191,418	157,017

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

The executive directors, chief executive and certain executives of the Group are provided with free use of cars and household equipments.

Aggregate amount charged in these financial statements for the year for fee to 2 non-executive directors was Rs. 270 thousand (2009: 2 non-executive directors Rs. 300 thousand).

40. CAPACITY

	Annual Capacity		Actual Production	
	2010	2009	2010	2009
	Metric Tons			
Own manufacture				
Home and Personal Care	60,385	58,883	51,429	46,299
Beverages	62,377	58,587	33,861	34,240
	Million Litres			
Ice Cream	77	77	49	37

Annual capacity of Beverages and Home and Personal Care was increased in lieu of higher anticipated sales in future. The current capacity was under utilised on account of lower demand.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

41.1 Financial risk factors

The Group's activities expose it to variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group'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.

41.2 Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances to employees	-	-	-	48,311	83,887	132,198	132,198
Accrued interest / mark up	35	-	35	-	-	-	35
Deposits	-	-	-	20, 617	1,902	22,519	22,519
Trade debts	-	-	-	522,795	-	522,795	522,795
Other receivables	-	-	-	70,960	-	70,960	70,960
Cash and bank balances	1,100,935	-	1,100,935	661,715	-	661,715	1,762,650
Investment - held to maturity	143, 354	-	143, 354	-	-	-	143,354
Long term investments at cost	-	-	-	-	200	200	200
December 31, 2010	1,244,324		1,244,324	1,324,398	85,989	1,410,387	2,654,711
December 31, 2009	141,724	-	141,724	883,936	100,019	983,955	1,125,679
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	7,521,956	-	7,521,956	7,521,956
Accrued interest / mark up	-	-	-	16,184	-	16,184	16,184
Liabilities against assets subject to finance leases	28,877	19,818	48,695	-	-	-	48,695
Short term borrowings	297,143	-	297,143	-	-	-	297,143
December 31, 2010	326,020	19,818	345,838	7,538,140		7,538,140	7,883,978
December 31, 2009	1,066,330	56,762	1,123,092	5,249,137	-	5,249,137	6,372,229
ON BALANCE SHEET GAP							
December 31, 2010	918,304	(19,818)	898,486	(6,213,742)	85,989	(6,127,753)	(5,229,267)
December 31, 2009	(924,606)	(56,762)	(981,368)	(4,365,201)	100,019	(4,265,182)	(5,246,550)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantees							1,781,822
December 31, 2009							334,600

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 to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 2.66 billion the financial assets that are subject to credit risk amounted to Rs. 522.8 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, 2010 trade debts of Rs. 155.71 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 Group's inability in raising funds to meet commitments. The Group 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, 2010, financial assets of Rs. 30.78 million (2009: Rs. 13.32 million) and financial liabilities of Rs. 2.34 billion (2009: Rs. 1.20 billion) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2010, 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. 11.39 million (2009: Rs. 3.46 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

As at December 31, 2010, if the Pakistan Rupee had weakened / strengthened by 11% against Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 242.64 million (2009: Rs. 119.72million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Group 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 Group's interest rate risk arises from borrowings as the Group has no significant variable interest-bearing assets. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

At December 31, 2010, the Group had variable interest bearing financial liabilities of Rs. 345.84 million (2009: Rs. 1.12 billion), 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. 6.913 million (2009: Rs. 22.46 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

42. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group'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 2010 the Group's strategy was to maintain leveraged gearing. The net debt to equity ratios as at December 31, 2010 and 2009 were as follows:

	2010	2009
	(Rupees in thousand)	
Total borrowings	345,838	1,123,092
Cash and bank	(1,762,650)	(278,644)
Net (surplus cash) / debt	(1,416,812)	844,448
Total equity	3,611,533	3,331,706
Total equity and debt	3,611,533	4,176,154
Net debt to equity ratio		20%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance.

43. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

The details of property, plant and equipment disposed of during the year are given below:

	Cost	Accumulated Depreciation / Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Motor Vehicles						
	409	230	179	302	Company policy	Mr. Haseeb Siddiqui - Executive
	631	395	236	450	"	Mr. Ahsan Saleem - Executive
	631	395	236	466	"	Mr. Zunair Hussain Khan - Executive
	377	259	118	240	"	Mr. Talha Tariq - Executive
	409	256	153	286	"	Mr. Adil Tahir - Executive
	408	281	127	276	"	Mr. Amin Khalique - Executive
	2,865	1,816	1,049	2,020		
Assets having book value less than Rs. 50,000 each						
Motor vehicles	49,023	48,897	126	23,385		
Electrical and mechanical	6,288	6,288		139		
Plant and Machinery	30,183	23,129	7,054	6,739		
	88,359	80,130	8,229	32,283		

44. MONOPOLY CONTROL AUTHORITY ORDER

With respect to the Monopoly Control Authority (MCA) Order dated December 19, 2006, terminating the non-competition agreement and requiring the Group to refund the amount of Rs. 250 million to Dalda Foods (Private) Limited (DFL) within fifteen days of receipt of the Order, the management, based on legal advice, is of the view that the agreement between the Group and DFL is not in violation of Monopolies and Restrictive Trade Practices Ordinance 1970. The Group filed an appeal in the High Court of Sindh against the Order which was admitted and the operation of MCA's order was stayed. At present, the appeal is pending for hearing.

45. CORRESPONDING FIGURES

The following prior year figure has been reclassified for the purpose of appropriate presentation.

Reclassification from	Reclassification to	Rupees in thousand
Trade deposits and short term prepayments	Intangible asset under development	355,123

As the reclassification is considered not to be material in the overall context of the balance sheet and does not have any significant impact on the financial statements for the year ended December 31, 2008, therefore, the Group has not presented the balance sheet as at the beginning of the earliest comparative period presented (i.e. December 31, 2009) and the related notes have also not been presented as of the beginning of that earliest period presented. The related figure for reclassification in 2008 is Rs 141.274 million. The aforesaid reclassification has not had any impact on the figures of total assets or net assets as of December 31, 2008 and 2009.

46. PROPOSED AND DECLARED DIVIDENDS

On 5% cumulative preference shares

At the Board meeting held on February 14, 2011, dividend in respect of 2010 of Rs. 239 thousand has been declared (2009: Rs. 239 thousand).

On ordinary shares

At the Board meeting held on February 14, 2011, a final dividend in respect of 2010 of Rs. 157 per share amounting to a total dividend of Rs. 2.09 billion is proposed (2009: Rs. 137 per share amounting to a total dividend of Rs. 1.82 billion).

The interim dividend declared and already paid in respect of 2010 was Rs. 89 per share amounting to a total dividend of Rs. 1.18 billion (2009: Rs. 92 per share amounting to a total dividend of Rs. 1.22 billion).

These financial statements do not reflect the proposed final dividend on ordinary shares and the dividend declared on cumulative preference shares as payable, which will be accounted for in the statements of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2011.

47. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 14, 2011 by the Board of Directors of the Group.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Form of Proxy

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

I / We ________________________________, son / daughter / wife of _____________________, shareholder of Unilever Pakistan Limited, holding __________ordinary / preference 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 / preference shares in the Company under Folio No. _______) [required by Government; delete if proxy is not the Company's shareholders] 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 29, 2011 and / or any adjournment thereof.

Signed this __________ day of _________ 2011.

(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 Computerised 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 Pakistan Limited

Avari Plaza, Fatima Jinnah Road, Karachi-75530

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

www.unileverpakistan.com.pk

JWT