Unilever Pakistan Foods Limited

ANNUAL REPORT 2009

Front cover:

An employee sharing Rafhan dessert at lunch with his son, at the day care centre in the company's office. Day care facilities are provided to all Unilever employees at the head office.

Back cover:

The power of teams & diversity - Unilever managers taking a break at the *chai khana* in the head office. This is also used for small meetings.

At Unilever all business activities are carried out in a socially and environmentally responsible manner. To promote a greener Pakistan and as tangible demonstration of its Corporate & Social Responsibility, Unilever's annual report has been printed on 100% recycled paper.

Further information on our brands, business and Corporate & Social Responsibility initiatives is available on our website: www.unileverpakistanfoods.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 that will allow us to double 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

Ms. Fariyha Subhani
Chief Executive

Mr. Abdul Rab
Director & CFO

Mian Zulfikar H. Mannoo
Director

Mian M. Adil Mannoo
Director

Mr. Kamal Monnoo
Director

Mr. Badaruddin F. Vellani
Director

Mr. Imran Husain
Director

Mr. M. Qaysar Alam
Director

Ms. Shazia Syed
Director

Company Secretary

Mr. Amar Naseer

Audit Committee

Mr. Imran Husain
Chairman

Mr. M. Qaysar Alam
Member

Mian Zulfikar H. Mannoo
Member

Mr. Imtiaz Jaleel
Secretary & Head of Internal Audit

Auditors

Messers 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.

Web Site Address

www.unileverpakistan.com.pk
www.unileverpakistanfood.com.pk

Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of Unilever Pakistan Foods Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Thursday, April 22, 2010, at 14:30 Hrs. to transact the following business:

A. Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended 31 December 2009, together with the Reports of the Auditors and Directors thereon.

2. To approve and declare dividend (2009) on the Ordinary Shares of the Company. The Directors have recommended final dividend of 140% (or Rs.14.00 per share) on the Ordinary Shares. Together with the interim dividend of 200% (or Rs. 20.00 per share) already paid, the total dividend for 2009 will thus amount to 340% (or Rs. 34.00 per share).

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

B. Special Business

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

By Order of the Board

Karachi
March 22, 2010

Amar Naseer
Company Secretary

Notice of Annual General Meeting

Notes:

1. Share Transfer Books will be closed from 16th April 2010 to 22nd April 2010 (both days inclusive).

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

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.

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

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

For the year 2009: Rs. 4.53 million for the Chief Executive, and Rs. 1.03 million for the Executive Director as remuneration for the services.

Estimated for the year 2010: Rs. 2.25 million for the Chief Executive and Rs. 1.20 million for the Executive Director as remuneration for the services.

Estimated for January 2011 to March 2011: Rs. 0.53 million for the Chief Executive and Rs. 0.30 million for the Executive Director as remuneration for the services.

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

"RESOLVED THAT approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Director and the Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service agreements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs. 5.56 million approximately, actual for the year January-December 2009; Rs. 3.45 million approximately estimated for January to December 2010 which includes variable pay for the year 2009; and Rs. 0.83 million approximately estimated for January to March 2011."

Directors' Report

Unilever Pakistan Foods Limited

Directors' Report

The Directors are pleased to present the Annual Report together with Company's audited financial statements for the year ended December 31, 2009.

Business Review:

The Company managed to grow despite adverse economic conditions. Sales for the year 2009 grew by 9.6%; the growth momentum increased in the 2nd half with sales growth of 12.2% as compared to 7.4% in the first half. All major categories contributed positively to delivering growth. Persuasive marketing campaigns coupled with strong innovations have contributed strongly to business growth. An exciting range of 'Pakistani Meal Maker' was launched along with two new variants of noodles and both were well received by consumers.

Gross margin remained under pressure due to rising input material costs and rupee depreciation. Whilst cost inflation was partly offset by saving initiatives, price increases were made selectively to maintain competitiveness. A one-time write-off of intangible assets relating to the Glaxose-D brand (note 4.3 of the financial statements) impacted profit from operations by Rs. 99.5 million, resulting in lower operating margin, and EPS.

Summary of Financial Performance

	2009	2008
	Rs. in million	
Sales	**3,377**	3,082
Gross Profit	**1,254**	1,207
Profit from Operations	**264**	553
Profit before tax	**242**	530
Profit after tax	**177**	349
EPS-basic (Rs.)	**28.71**	**56.60**

Dividends

Your director's had declared an interim cash dividend of Rs. 20.00 per share on August 17, 2009 and recommend a further dividend of Rs. 14.00 per share, which makes a total of Rs. 34.00 per share for the year 2009.

Our Mission and Strategy

Our mission is to 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 offer food and drinks for in-home and out-of-home consumption. Our retail brands are Knorr, Rafhan, Energile and Glaxose-D. Our food service business is called Unilever Foodsolutions.

Knorr is a leader in the savoury category. The portfolio includes noodles, bouillon cubes, soups, meal makers, sauces and ketchup. Although all categories under Knorr registered growth, noodles and meal makers were the star performers. 'Pakistani Meal Maker' was launched this year to bring Knorr to the 'centre of the plate'. With well executed on ground activation, door to door sampling and media campaign this launch delivered encouraging results. Noodles maintained its growth momentum with a strong 360 degree campaign to support the launch of two new variants.

Energile is a dextrose based flavoured energy drink. The brand remained under pressure as the powder drinks category declined during the year. 360 degree marketing campaign using football as the communication platform particularly targeting the young, was employed to arrest the decline. Comparative advertising was also used to highlight its unique benefits against other carbonated soft drinks. The launch of Rs. 10 pack, to drive penetration, was met with reasonable success.

Glaxose-D is a dextrose based drink positioned on health and wellness segment. It registered nominal growth during the year.

Rafhan continues to be a major player in the packaged desserts category. This brand also remained under pressure in 2009 due to high prices of sugar and milk. The brand was relaunched with a new look and this helped in retaining the user base.

Unilever Foodsolutions, a leading food service provider in Pakistan, continues its strong relationship with all major professional food customers. The business has partnered well with the modern trade customers and continues its growth momentum in this channel.

The Export business is based on the ethnic taste and Halal platforms, targeting customers in Asia and Europe. This segment continues to build on the strong growth registered last year.

Corporate Social Responsibility (CSR)

The Company, while being a part of the global Unilever business, has strong local roots. The Company contributes to environmental and social causes through our own actions and by working with reliable local, national and international partners. The aim is to provide consumers with better, healthier and environmentally friendly products which meet their every day needs. By doing so the Company plays a meaningful role in uplifting communities in which our consumers reside. The Company believes that the highest standards of corporate behaviour towards society are essential to success.

During 2009, our main initiatives included:

i. Corporate Philanthropy: Rs. 1.1 million

Making quality primary education available to the lesser privileged - working with The Citizens Foundation school programme by supporting the Energile Campus in Lahore.

ii. Energy Conservation:

The Company has initiated an internal programme to reduce energy consumption. A number of initiatives have been taken in factories, depots and in transportation to conserve energy.

iii. Environmental Protection Measures:

Unilever continuously strives to innovate its processes and systems to reduce the environmental impact, for example, by using better raw materials and environment friendly packaging. The Company has also extended its initiative to its employees who are actively involved with tree plantation activities within the factory sites and Karachi wetlands with WWF Pakistan.

iv. Consumer Protection Measures:

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

v. Occupational Safety and Health:

Unilever's global safety standards are applied in Pakistan. The Company keeps Safety and Health Care at the heart of its day to day business operations. Top management continues to review and provide policy guidelines. Initiatives taken include 'Safety Week' and 'Wellness Week' to educate the employees about the safety and health measures that one needs to take in their daily lives.

The Company is fully committed to continue this journey in making business operations Safer, Cleaner and Greener.

vi. Business Ethics and Anti-Corruption Measures:

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

Contribution to National Exchequer Rs. 727.7 million

The Company contributed Rs. 727.7 million to the national exchequer by way of import duties, general sales tax, income tax and other Government levies.

Value of investments in employee retirement funds

The Company contributed Rs. 13 million to the staff retirement funds during the year. The cost of investments made by the staff retirement funds operated by the Company as at December 31, 2009 are as follows:

	Rs. in million
Provident Fund	75.85
Gratuity Fund	35.14
Superannuation Fund	48.50

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 except for the changes in note 2.1.3 of the financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee comprises of 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.
    - Trading in shares of the Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

Reserve Appropriations

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL		REVENUE		SUB	
		Share Premium	Special	General	Unappropriated Profit	TOTAL	
	(Rupees in thousand)						
Balance as at January 1, 2009	61,576	24,630	628	138	214,251	239,647	301,223
Net profit for the year	-	-	-	-	176,792	176,792	176,792
Final dividend for the year ended December 31, 2008 @ Rs. 14 per share	-	-	-	-	(86,207)	(86,207)	(86,207)
Interim dividend for the year ended December 31, 2009 @ Rs. 20 per share	-	-	-	-	(123,152)	(123,152)	(123,152)
Balance as at December 31, 2009	**61,576**	**24,630**	**628**	**138**	**181,684**	**207,080**	**268,656**

Directors

The Board of Directors comprises of two executive directors and eight non-executive directors. Since the last report, a casual vacancy occurring on the Board due to the resignation of a Director was filled by the Board of Directors within 30 days:

- Ms. Shazia Syed was appointed as a Director on January 21, 2010 to replace Mr. Noeman Shirazi

The Board records its appreciation for the valuable services rendered to the Company by the outgoing Director.

Auditors

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

Audit Committee

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

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

Holding Company

Through its wholly owned subsidiary Conopco Inc. USA, Unilever N.V., a Company incorporated in Holland, holds 75.85% of the total issued shares in Unilever Pakistan Foods Limited.

Acknowledgement

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

Future Outlook

Continued inflationary pressure, combined with weakening Rupee and deteriorating economic and operating conditions is impacting consumer off-take of discretionary food categories, particularly in the out-of-home sector. The business environment is expected to remain challenging in 2010. To meet this challenge our priority is to build strong brands that deliver exceptional value to our consumers, customers and shareholders.

We will continue to provide consumers with best value for money solutions, through our strong brand equity, consumer and customer focused approach and bigger, better and faster innovations. However, much will depend on the prevailing economic and security situation in the country.

On behalf of the Board

Fariyha Subhani
Chief Executive

Karachi
March 4, 2010

Board Meetings Attendance 2009

During the year 2009, four Board Meetings were held and were attended as follows:

Directors	No. of Meetings attended
Mr. Ehsan A. Malik	4
Ms. Fariyha Subhani	4
Mr. Abdul Rab	4
Mian Zulfikar H. Mannoo	4
Mr. Imran Husain	4
Mr. M. Qaysar Alam	4
Mian M. Adil Mannoo	3
Mr. Kamal Monnoo	3
Mr. Badaruddin F. Vellani	3
Syed Noeman Shirazi	2

Operating and Financial Highlights

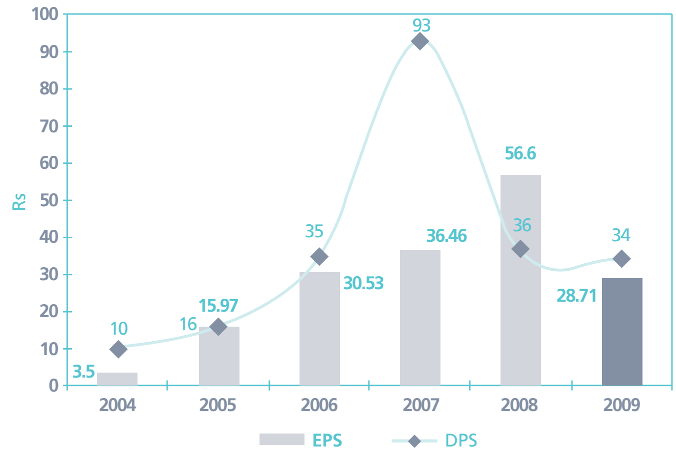
	2009	2008	2007	2006	2005	2004
	(Rupees in thousand)					
FINANCIAL POSITION						
Balance sheet						
Property, plant and equipment	288,872	307,707	196,350	102,310	103,067	117,971
Other non-current assets	85,281	191,469	197,780	187,126	212,874	216,737
Current assets	600,683	516,437	552,418	597,016	426,277	400,560
Total assets	974,836	1,015,613	946,548	886,452	742,218	735,268
Share capital - ordinary	61,576	61,576	61,576	61,576	61,576	61,576
Reserves	207,080	239,647	137,406	497,888	463,849	433,213
Total equity	268,656	301,223	198,982	559,464	525,425	494,789
Non-current liabilities	25,497	42,079	13,926	12,606	8,248	8,124
Current liabilities	680,683	672,311	733,640	314,382	208,545	232,355
Total liabilities	706,180	714,390	747,566	326,988	216,793	240,479
Total equity and liabilities	974,836	1,015,613	946,548	886,452	742,218	735,268
Net current (liabilities) / assets	(80,000)	(155,874)	(181,222)	282,634	217,732	168,205
OPERATING AND FINANCIAL TRENDS						
Profit and loss						
Net sales	3,376,511	3,081,879	2,376,408	1,939,515	1,489,952	1,217,507
Cost of Sales	2,122,144	1,874,921	1,489,985	1,208,264	964,296	874,068
Gross profit	1,254,367	1,206,958	886,423	731,251	525,656	343,439
Operating profit	264,173	552,544	352,872	294,461	167,017	42,540
Profit before tax	241,656	530,311	346,074	290,116	160,906	36,746
Profit after tax	176,792	348,546	224,492	187,979	98,370	21,531
Cash ordinary dividends	208,610	246,250	584,295	153,940	67,734	61,576
Capital expenditure	22,114	142,439	116,852	23,368	12,799	6,503
Cash flows						
Operating activities	351,377	483,313	167,192	236,291	259,837	96,329
Investing activities	(16,277)	(125,416)	(100,579)	(11,257)	(7,388)	(531)
Financing activities	(208,610)	(246,250)	(584,925)	(153,772)	(67,684)	(30,788)
Cash and cash equivalents at the end of the year	(108,079)	(234,569)	(346,216)	172,096	100,834	(83,931)

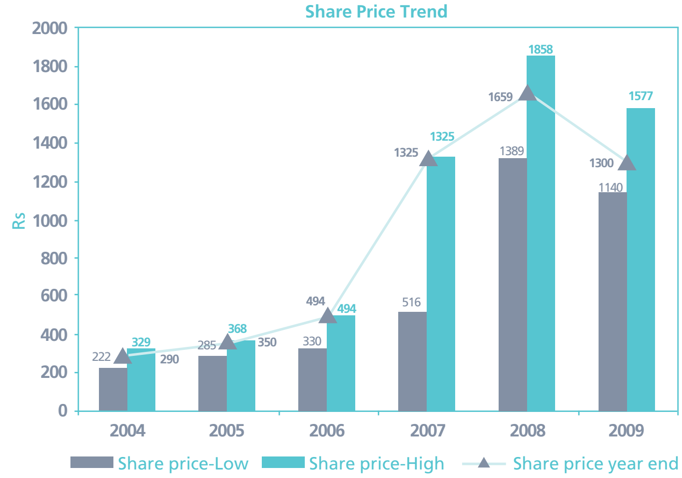
Operating and Financial Highlights - continued

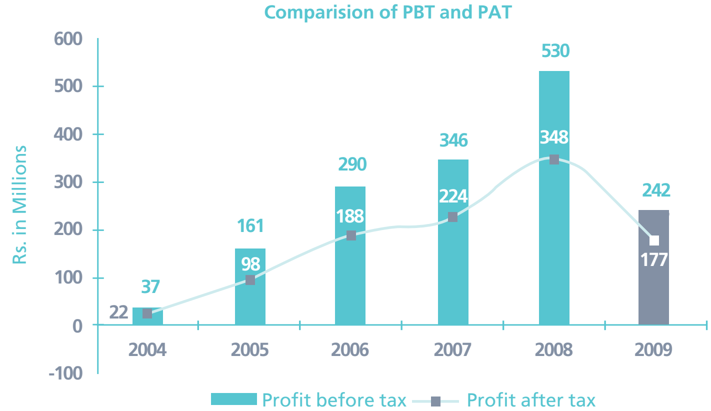
	Unit	2009	2008	2007	2006	2005	2004
FINANCIAL RATIOS							
Rate of return							
Pre tax return on equity	%	90	176	174	52	31	7
Post tax return on equity	%	66	116	113	34	19	4
Return on average capital employed	%	37	63	40	34	17	3
Interest cover	times	13	30	70	352	50	10
Profitability							
Gross profit margin	%	37	39	37	38	35	28
Pre tax profit to sales	%	7	17	15	15	11	3
Post tax profit to sales	%	5	11	9	10	7	2
Liquidity							
Current ratio		0.88	0.77	0.75	1.90	2.04	1.72
Quick ratio		0.37	0.22	0.22	0.98	1.29	0.95
Financial gearing							
Debt equity ratio	%	29	44	64	-	-	15
Total debt ratio	%	11	23	37	-	-	11
Capital efficiency							
Debtors turnover	days	7	8	12	13	17	27
Inventory turnover	days	59	71	81	65	60	86
Total assets turnover	times	3	3	3	2	2	2
Property, plant and equipment turnover	times	12	10	12	19	14	10
Investment measures per ordinary share							
Earnings per share	Rs	28.71	56.60	36.46	30.53	15.97	3.50
Dividend payout (including proposed)	Rs	34	36	93	35	16	10
Dividend payout ratio - earnings	%	118	64	255	115	100	286
Dividend payout ratio - par value	%	340	360	930	350	160	100
Dividend yield	%	2.62	2.17	7.02	7.09	4.57	3.45
Price earning ratio	times	45.28	29.31	36.34	16.16	21.92	82.86
Breakup value	Rs	43.63	48.92	32.31	90.86	85.33	80.35
Market value - low	Rs	1,140	1,389	516	330	285	222
Market value - high	Rs	1,577	1,858	1,325	494	368	329
Market value - average	Rs	1,359	1,624	921	414	326	275
Market value - year end	Rs	1,300	1,659	1,325	494	350	290
Market capitalisation - year end	Rs in M	8,005	10,216	8,159	3,039	2,155	1,786
Ordinary shares of Rs. 10 each	No. in thousand	6,158	6,158	6,158	6,158	6,158	6,158

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

Operating and Financial Highlights - continued





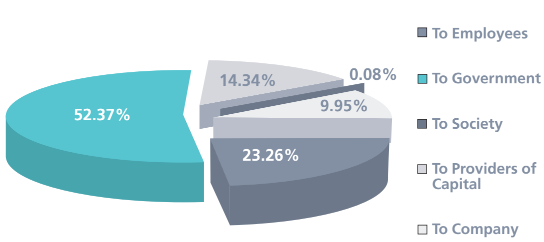


Statement of Value Addition & its Distribution

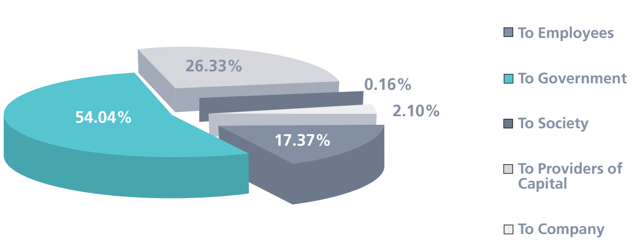
for the year ended December 31, 2009

	2009 Rs in '000	%	2008 Rs in '000	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	3,999,963		3,611,075	
Bought-in -material and services	(2,610,519)		(2,202,970)	
	1,389,444	100	1,408,105	100
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	323,056	23.26	244,392	17.37
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	727,680	52.37	761,002	54.04
To Society				
Donation towards education, health and environment	1,100	0.08	2,299	0.16
To Providers of Capital				
Dividend to shareholders	176,792	12.72	348,546	24.75
Mark-up/ interest expenses on borrowed funds	22,517	1.62	22,233	1.58
To Company				
Depreciation, amortization & retained profit	138,299	9.95	29,633	2.10
	1,389,444	100	1,408,105	100

WEALTH DISTRIBUTION 2009



WEALTH DISTRIBUTION 2008



Pattern of Shareholding
as at December 31, 2009

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, Undertakings and Related Parties (name wise details)		
Conopco Inc.	1	4,670,261
NIT & ICP (name wise details)		
Investment Corporation Of Pakistan	1	40
Directors, CEO and their spouses and minor children (name wise details)		
Mr. Badaruddin F. Vellani	1	101
Mr. Ehsan A. Malik	1	1
Mian. M. Adil Mannoo	1	96,246
Mr. M. Qaysar Alam	1	1
Mr. Imran Husain	1	1
Mr. Abdul Rab	1	1
Mian. Zulfikar Hanif Mannoo	1	153,828
Syed Noeman Shirazi	1	1
Mrs. Sarwat Zulfikar W/O Zulfikar H. Mannoo	1	5,430
Mr. Kamal Monnoo	1	114,060
Ms. Fariyha Subhani	1	1
Executives		
Mr. Naveed Ahmed Zafar	1	1
Ms. Zarin Riaz Khwaja	1	1
Mr. Amar Naseer	1	1
Modarabas and Mutual Funds	2	2,252
Others	12	1,504
Shareholders holding 10% or more voting interest (name wise details)		
Conopco Inc.	1	4,670,261

Pattern of Shareholding

as at December 31, 2009

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held
588	1	100	22,973
100	101	500	19,999
17	501	1,000	10,615
8	1,001	5,000	19,862
1	25,001	30,000	28,760
1	35,001	40,000	37,080
4	40,001	45,000	176,054
1	60,001	65,000	61,670
1	65,001	70,000	67,180
2	75,001	80,000	153,573
1	90,001	95,000	94,344
2	95,001	100,000	191,847
1	110,001	115,000	113,860
1	130,001	135,000	134,865
1	150,001	155,000	153,728
1	200,001	205,000	200,947
1	4,670,001	4,675,000	4,670,261
731			6,157,618

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage %
Associated Companies, Undertakings and Related Parties	1	4,670,261	75.85
NIT and ICP	1	40	0.00
Directors, CEO and their spouses and minor Children	17	369,671	6.00
Executives	3	3	0.00
Modarabas and Mutual Funds	2	2,252	0.04
Others	12	1,504	0.02
Individuals	695	1,113,887	18.09
	731	6,157,618	100.00

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

During 01-01-2009 to 31-12-2009

S. No.	Name	Acquired during the year
1	Ms. Fariyha Subhani	1

S. No.	Name	Transferred during the year
1	Mr. Jamal Mustafa Siddique	1

Statement of Compliance with the Code of Corporate Governance

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

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

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

4. Casual vacancy on the Board of Directors occurred on 31 December 2009 which was duly filled.

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 Mission Statement, and has also defined Strategic Thrusts. The Company, traditionally, maintains and follows policies designed to align with the Unilever group of companies and global best practices. The Board considers any significant amendments to the policies, as and when required.

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 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 non-executive directors.

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

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.

Fariyha Subhani
Chief Executive

Karachi
March 4 , 2010

Auditors' Review Report

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Unilever Pakistan Foods Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of Lahore Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2009.

A.F. Ferguson & Co.
Chartered Accountants

Karachi
March 4 , 2010

Financial Statements 2009

Unilever Pakistan Foods Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Foods Limited as at December 31, 2009 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 account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.1.3, with which we concur;

  (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, 2009 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
March 4, 2010

Name of the Engagement Partner: Ali Muhammad Mesia

Balance Sheet
as at December 31, 2009

	Note	2009	2008
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	3	288,872	307,707
Intangible assets	4	81,637	181,145
Long term loans	5	3,289	4,836
Long term prepayment	6	355	5,488
		374,153	499,176
Current assets			
Stores and spares	7	14,636	13,804
Stock in trade	8	333,840	352,394
Trade debts	9	79,649	49,976
Loans and advances	10	11,963	18,897
Trade deposits and short term prepayments	11	18,039	34,132
Other receivables	12	15,287	2,519
Taxation - payments less provision		86,573	36,693
Cash and bank balances	13	40,696	8,022
		600,683	516,437
Total assets		974,836	1,015,613

	Note	2009	2008
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	61,576	61,576
Reserves	15	207,080	239,647
		268,656	301,223
Liabilities			
Non-current liabilities			
Retirement benefits - obligation	16	7,994	4,889
Deferred taxation	17	17,503	37,190
Current liabilities			
Trade and other payables	18	512,182	415,673
Accrued interest / mark up	19	948	7,318
Sales tax payable	20	18,778	6,729
Short term borrowings	21	148,775	242,591
		680,683	672,311
Total liabilities		706,180	714,390
Commitments	22		
Total equity and liabilities		974,836	1,015,613

The annexed notes 1 to 42 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and Chief Financial Officer

Profit and Loss Account
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees in thousand)	
Sales	23	3,376,511	3,081,879
Cost of sales	24	(2,122,144)	(1,874,921)
Gross profit		1,254,367	1,206,958
Distribution cost	25	(797,304)	(575,726)
Administrative expenses	26	(50,219)	(58,021)
Other operating expenses	27	(120,275)	(41,603)
Other operating income	28	30,161	20,936
		316,730	552,544
Restructuring cost	29	(52,557)	-
Profit from operations		264,173	552,544
Finance cost	30	(22,517)	(22,233)
Profit before taxation		241,656	530,311
Taxation	31	(64,864)	(181,765)
Profit after taxation		176,792	348,546
Earnings per share - Rupees	32	28.71	56.60

The annexed notes 1 to 42 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and Chief Financial Officer

Cash Flow Statement
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	515,561	701,226
Finance cost paid		(28,887)	(22,129)
Income tax paid		(134,431)	(190,035)
Retirement benefits - obligation paid		(7,546)	(9,480)
Decrease in long term loans		1,547	1,133
Decrease in long term prepayment		5,133	2,598
Net cash from operating activities		351,377	483,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(22,114)	(142,439)
Sale proceeds of property, plant and equipment		5,682	8,631
Return received on savings accounts		155	8,392
Net cash used in investing activities		(16,277)	(125,416)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		(208,610)	(246,250)
Net increase in cash and cash equivalents		126,490	111,647
Cash and cash equivalents at the beginning of the year		(234,569)	(346,216)
Cash and cash equivalents at the end of the year	39	(108,079)	(234,569)

The annexed notes 1 to 42 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and Chief Financial Officer

Statement of Changes in Equity
for the year ended December 31, 2009

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL		REVENUE		SUB TOTAL	
		Share Premium	Special	General	Unappropriated Profit		
	Rupees in thousand						
Balance as at January 1, 2008	61,576	24,630	628	138	112,010	137,406	198,982
Net profit for the year	-	-	-	-	348,546	348,546	348,546
Final dividend for the year ended December 31, 2007 @ Rs. 18 per share	-	-	-	-	(110,837)	(110,837)	(110,837)
Interim dividend for the year ended December 31, 2008 @ Rs. 22 per share	-	-	-	-	(135,468)	(135,468)	(135,468)
Balance as at December 31, 2008	61,576	24,630	628	138	214,251	239,647	301,223
Net profit for the year	-	-	-	-	176,792	176,792	176,792
Final dividend for the year ended December 31, 2008 @ Rs. 14 per share	-	-	-	-	(86,207)	(86,207)	(86,207)
Interim dividend for the year ended December 31, 2009 @ Rs. 20 per share	-	-	-	-	(123,152)	(123,152)	(123,152)
Balance as at December 31, 2009	**61,576**	**24,630**	**628**	**138**	**181,684**	**207,080**	**268,656**

The annexed notes 1 to 42 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and Chief Financial Officer

Notes to and Forming Part of the Financial Statements for the year ended December 31, 2009

1. THE COMPANY AND ITS OPERATIONS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are the same as those applied for the previous financial year except for the changes as disclosed in note 2.1.3 below:

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Critical accounting estimates and judgements

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

i. Taxation

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

ii. Post employment benefits

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

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

There have been no critical 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 policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

i. IAS 1 (Revised) 'Presentation of financial statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. There are no items for other comprehensive income, therefore no impact on the Company's financial statements.

ii. IAS 23 (Amendment) 'Borrowing costs' requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. There is no material impact on the Company's financial statements due to change in the interest calculation method.

iii. IFRS 7 'Financial Instruments: Disclosures' introduces new disclosures relating to financial instruments. Adoption of the standard has extended the disclosures presented in note 36 to the financial statements.

iv. IFRS 8 'Operating segments' replaces IAS 14 and requires an entity to determine and present operating segments based on the information that is provided internally to the Chief Operating Decision Maker who is responsible for allocation of resources and assessing performance of the operating segments. There are no reportable segments of the Company under IFRS 8. However, certain disclosures as required under IFRS 8 have been included in note 23 of these financial statements.

v. IFRIC 13 'Customer loyalty programmes' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. There is no significant impact of its application.

2.1.4 Standards, interpretations and amendments to published approved accounting standards effective in 2009 but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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.

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

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

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

2.4 Intangible assets

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

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

2.5 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 bases 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.

2.6 Retirement benefits

Defined contribution plan - Provident Fund

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

Defined benefit plans

The Company operates the following schemes:

i) Funded pension scheme for management employees of the Company. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2009, 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, 2009, using the 'Projected Unit Credit Method'.

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

Amounts recognised in the balance sheet represent the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, if any, and as reduced by the fair value of plan assets. Any 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.

2.7 Stores and spares

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

2.8 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.

2.9 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.

2.10 Cash and cash equivalents

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

2.11 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.

2.12 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.

2.13 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.

2.14 Provisions

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

2.15 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.

2.16 Foreign currency transactions and translation

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

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

2.17 Revenue recognition

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

- sale is recognised when the product is despatched to customers; and

- return on savings account is recognised on accrual basis.

2.18 Dividends

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

3. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	(Rupees in thousand)	
Operating assets - note 3.1	288,672	296,030
Capital work in progress - note 3.3	200	11,677
	288,872	307,707

3.1 Operating assets

	Freehold land	Building on freehold land	Leasehold improve-ments	Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles	Total
	(Rupees in thousand)							
Net carrying value basis Year ended December 31, 2009								
Opening Net Book Value (NBV)	8,179	49,239		181,994	26,771	326	29,521	296,030
Additions (at cost)		2,495		17,773	9,842	2,212	1,269	33,591
Disposals (at NBV)		(5)		(51)	(5)		(2,097)	(2,158)
Depreciation charge		(1,368)		(23,913)	(5,077)	(69)	(8,364)	(38,791)
Closing NBV	8,179	50,361		175,803	31,531	2,469	20,329	288,672
Gross carrying value basis At December 31, 2009								
Cost	8,179	141,796	14,918	410,497	100,159	16,855	45,166	737,570
Accumulated depreciation and impairment		(91,435)	(14,918)	(234,694)	(68,628)	(14,386)	(24,837)	(448,898)
NBV	8,179	50,361		175,803	31,531	2,469	20,329	288,672
Net carrying value basis Year ended December 31, 2008								
Opening NBV	8,179	17,695	1	48,325	10,171	337	24,196	108,904
Additions (at cost)	-	32,449	-	151,017	19,421	72	15,249	218,208
Disposals (at NBV)	-	-	-	(556)	-	-	(893)	(1,449)
Depreciation charge	-	(905)	(1)	(16,792)	(2,821)	(83)	(9,031)	(29,633)
Closing NBV	8,179	49,239	-	181,994	26,771	326	29,521	296,030
Gross carrying value basis At December 31, 2008								
Cost	8,179	139,391	14,918	393,133	92,764	15,195	55,858	719,438
Accumulated depreciation and impairment	-	(90,152)	(14,918)	(211,139)	(65,993)	(14,869)	(26,337)	(423,408)
NBV	8,179	49,239	-	181,994	26,771	326	29,521	296,030
Depreciation rate % per annum		2.5	25	10	10 to 25	20	20	

3.2 Details of operating assets disposed off during the year

The details of fixed assets disposed off, having net book value in excess of Rs. 50,000 are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Building on freehold land	90	85	5		Open bidding	Mr. Ghazanfar Ullah Khan, 82 A, Officer Colony No.1, Sosan Road, Madina Town, Faisalabad.
Plant and machinery	408	357	51			
Electrical, mechanical and office equipment	2,448	2,443	5	379		
Furniture and fittings	552	552	-			
Motor vehicle	422	422	-			
	3,920	3,859	61			
Motor vehicles	1,376	550	826	671	Company policy	Mr. Jamal Mustafa Siddiqui - Ex - Chief Executive
	849	509	340	531	"	Mr. Mohammad Ahmed - Ex - Executive
	1,060	212	848	804	"	Mr. Pervaiz Iqbal - Ex - Executive
	835	751	84	125	"	Mr. Masood A Khan - Ex - Executive

	2009	2008
	(Rupees in thousand)	
3.3 Capital work in progress – at cost		
Civil work	200	4,511
Plant and machinery		7,166
	200	11,677

4. INTANGIBLE ASSETS

4.1 Net carrying value basis

	2009	2008
Opening net book value	181,145	181,145
Impairment loss	(99,508)	-
Closing net book value	81,637	181,145

4.2 Gross carrying value basis

	2009	2008
Cost		
- Goodwill	94,578	94,578
- Agreement in restraint of trade	139,661	139,661
- Trademark	20,000	20,000
	254,239	254,239
Accumulated amortisation and impairment	(172,602)	(73,094)
Net book value	81,637	181,145

4.3 While reassessing the net carrying value of Rs. 99.508 million (cost: Rs. 139.661 million) of the intangible asset under the head "agreement in restraint of trade" at the balance sheet date, the management considers that it is now unlikely that the carrying value of the asset would be recoverable and accordingly as a matter of prudence the net book value of that asset has been recognised as an impairment loss in these financial statements.

5. LONG TERM LOANS - considered good

	2009	2008
	(Rupees in thousand)	
Executives	1,936	2,442
Other employees	4,998	5,294
	6,934	7,736
Recoverable within one year - note 10	(3,645)	(2,900)
	3,289	4,836

5.1 Reconciliation of carrying amount of loans to executives:

	2009	2008
- opening balances	2,442	1,456
- disbursements	750	1,818
- repayments	(1,256)	(832)
	1,936	2,442

5.2 Loans to employees have been provided to facilitate purchase of houses, vehicles and computers in accordance with the Company's policy and are repayable over a period of five years. These loans are secured against retirement benefits of the employees. Loans to employees are interest free, except for house building loan which carries interest at 10% per annum.

5.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 2.36 million (2008: Rs. 3.01 million).

6. LONG TERM PREPAYMENT

	2009	2008
	(Rupees in thousand)	
Prepaid rent	4,041	9,276
Current portion - note 11	(3,686)	(3,788)
	355	5,488

7. STORES AND SPARES

	2009	2008
	(Rupees in thousand)	
Stores	9,930	9,369
Spares (including in transit - Nil; 2008: Rs. 122 thousand)	5,550	5,279
	15,480	14,648
Provision for obsolescence	(844)	(844)
	14,636	13,804

8. STOCK IN TRADE

	2009	2008
Raw and packing materials (including in transit Rs. 49.17 million; 2008: Rs. 56.18 million)	214,080	269,926
Provision for obsolescence	(25,708)	(34,641)
	188,372	235,285
Work in process	4,489	4,644
Provision for obsolescence		(39)
	4,489	4,605
Finished goods	160,461	127,710
Provision for obsolescence	(19,482)	(15,206)
	140,979	112,504
	333,840	352,394

8.1 Stock in trade includes Rs. 188.43 million (2008: Rs. 207.55 million) held with third parties.

8.2 The Company made a provision of Rs. 21.21 million (2008: Rs. 48.38 million) for obsolescence and has written off inventory of Rs. 25.90 million (2008: Rs. 14.71 million) by utilising the provision during the year.

8.3 The above balances include items costing Rs. 129.24 million (2008: Rs. 141.50 million) valued at net realisable value of Rs. 84.05 million (2008: Rs. 91.62 million).

9. TRADE DEBTS

	2009	2008
	(Rupees in thousand)	
Considered good	79,649	49,976
Considered doubtful	12,895	13,801
	92,544	63,777
Provision for doubtful debts - note 9.1	(12,895)	(13,801)
	79,649	49,976

9.1 The Company has reversed a net provision of Rs. 0.91 million (2008: recognised a provision of Rs. 1.31 million).

9.2 As of December 31, 2009, trade debts of Rs. 18.23 million (2008: Rs. 6.00 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:

	2009	2008
	(Rupees in thousand)	
Up to 3 months	17,189	2,445
3 to 6 months	820	3,237
More than 6 months	224	316
	18,233	5,998

10. LOANS AND ADVANCES - considered good

Current portion of loans to employees - note 5	3,645	2,900
Advances to:		
executives - note 10.1	729	2,946
other employees	2,258	1,241
suppliers and others	5,331	11,810
	8,318	15,997
	11,963	18,897

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

11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2009	2008
	(Rupees in thousand)	
Trade deposits	2,031	1,605
Prepayments	12,322	28,739
Current portion of prepaid rent - note 6	3,686	3,788
	18,039	34,132

		2009	2008
		(Rupees in thousand)	
12.	**OTHER RECEIVABLES**		
	Due from associated undertakings	3,452	-
	Workers' Profits Participation Fund - note 12.1	11,826	2,352
	Receivable from Rafhan Best Foods Pension Fund - unsecured		156
	Others	9	11
		15,287	2,519
12.1	**Workers' Profits Participation Fund**		
	Balance as at January 1	2,352	2,312
	Allocation for the year	(13,066)	(28,481)
		(10,714)	(26,169)
	Paid to trustees of the fund	22,540	28,521
	Balance as at December 31	11,826	2,352
13.	**CASH AND BANK BALANCES**		
	With banks on:		
	savings accounts - note 13.1	472	840
	current accounts	40,123	7,026
		40,595	7,866
	Cash in hand	101	156
		40,696	8,022

13.1 At December 31, 2009 the mark up rate on savings account is 5% per annum (2008: from 5.0% to 8.5% per annum).

		2009	2008
		(Rupees in thousand)	

14. SHARE CAPITAL

Authorised share capital

Number of shares		2009	2008
20,000,000	Ordinary shares of Rs. 10 each	200,000	200,000

Issued, subscribed and paid up capital

Number of shares		2009	2008
	Ordinary shares of Rs. 10 each allotted:		
1,239,327	for consideration paid in cash	12,393	12,393
24,196	for consideration other than cash	242	242
4,894,095	as bonus shares	48,941	48,941
6,157,618		61,576	61,576

14.1 As at December 31, 2009 Conopco Inc. USA, subsidiary of Unilever N.V. Holland, held 4,670,271 (December 31, 2008: 4,554,271) ordinary shares of Rs. 10 each.

15. RESERVES

	2009	2008
	(Rupees in thousand)	
Capital reserves		
Share premium	24,630	24,630
Special	628	628
	25,258	25,258
Revenue reserves		
General	138	138
Unappropriated profit	181,684	214,251
	181,822	214,389
	207,080	239,647

16. RETIREMENT BENEFITS - OBLIGATION

16.1 The disclosures made in notes 16.2 to 16.7 and 16.10 to 16.12 are based on the information included in the actuarial valuation as of December 31, 2009.

	Pension Fund 2009	Pension Fund 2008	Gratuity Fund 2009	Gratuity Fund 2008
	(Rupees in thousand)			
16.2 Balance Sheet Reconciliation				
Fair value of plan assets	50,682	42,731	42,686	64,524
Present value of defined benefit obligations	(59,235)	(49,559)	(55,249)	(72,390)
Funded status	(8,553)	(6,828)	(12,563)	(7,866)
Unrecognised net actuarial loss	3,039	2,252	10,083	7,553
Recognised liability	(5,514)	(4,576)	(2,480)	(313)
Actual return on plan assets	6,948	1,385	7,483	17,363
16.3 Movement in the fair value of plan assets				
Fair value as at January 1	42,731	39,348	64,524	44,618
Expected return on plan assets	6,618	3,841	7,453	4,716
Actuarial (losses) / gains	330	(2,456)	30	12,647
Employer contributions	3,128	4,028	4,418	5,451
Benefits paid	(2,125)	(2,030)	(33,739)	(2,908)
Fair value as at December 31	50,682	42,731	42,686	64,524
16.4 Movement in the defined benefit obligation				
Obligation as at January 1	49,559	38,982	72,390	59,521
Service cost	2,583	2,667	3,885	5,608
Interest cost	7,991	4,332	9,783	6,578
Actuarial losses	1,227	5,608	2,930	3,591
Benefits paid	(2,125)	(2,030)	(33,739)	(2,908)
Obligation as at December 31	59,235	49,559	55,249	72,390
16.5 Cost				
Current service cost	2,583	2,667	3,885	5,608
Interest cost	7,991	4,332	9,783	6,578
Expected return on plan assets	(6,618)	(3,841)	(7,453)	(4,716)
Recognition of actuarial (gain) / loss	110	(304)	370	874
Expense	4,066	2,854	6,585	8,344

16.6 Principal actuarial assumptions used are as follows:

	2009	2008
Discount rate & expected return on plan assets	12.75%	16.00%
Future salary increases	10.60%	13.79%
Future pension increases	6.66%	7.41%

16.7 Comparison for five years:

As at December 31	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Fair value of plan assets	93,368	107,255	83,966	74,746	77,790
Present value of defined benefit obligation	(114,484)	(121,949)	(98,503)	(90,641)	(88,755)
Deficit	(21,116)	(14,694)	(14,537)	(15,895)	(10,965)
Experience adjustments					
(Loss) / Gain on plan assets - as percentage of plan assets	0.4%	9.5%	(0.2%)	(9.0%)	(11.0%)
(Gain) / Loss on obligations - as percentage of obligations	3.6%	7.5%	(2.2%)	(2.0%)	(8.0%)

16.8 Plan assets are comprised as follows:

	2009		2008	
	Rupees in thousand	%	Rupees in thousand	%
Fixed interest bonds	62,282	67	4,169	4
Others (include cash and bank balances)	31,086	33	103,086	96
	93,368	100	107,255	100

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

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

16.11 Expected contribution to retirement benefit plans for the year ending December 31, 2010 are Rs. 22.3 million (2009: Rs. 14.2 million).

16.12 During the year the Company contributed Rs. 5.5 million (2008: Rs. 5.8 million) to the provident fund.

	2009	2008
	(Rupees in thousand)	

17. DEFERRED TAXATION

	2009	2008
Credit balance arising in respect of:		
- accelerated tax depreciation allowance	30,849	26,891
- amortisation of intangible assets	12,532	34,828
	43,381	61,719
Debit balance arising in respect of:		
- provision for retirement benefits	(2,798)	(1,711)
- provision for stock in trade	(15,817)	(17,460)
- provision for stores and spares	(295)	(295)
- provision for doubtful debts	(4,513)	(4,830)
- other provisions	(2,455)	(233)
	(25,878)	(24,529)
	17,503	37,190

18. TRADE AND OTHER PAYABLES

	2009	2008
Creditors	60,299	24,802
Accrued liabilities	385,411	314,974
Royalty and technology fee	14,144	27,068
Advances from customers	28,524	22,902
Income tax deducted at source	8,425	1,749
Due to Rafhan Best Foods Provident Fund		1,657
Workers' Welfare Fund	6,601	13,814
Unclaimed dividend	1,356	607
Others	7,422	8,100
	512,182	415,673

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

	2009	2008
	(Rupees in thousand)	
Ultimate Parent Company	8,076	17,824
Holding Company	6,127	9,244
Associated Companies	28,229	78,940
Defined contribution plan		1,657

	2009	2008
	(Rupees in thousand)	

19. ACCRUED INTEREST / MARK UP

	2009	2008
On running finance under mark up arrangements	948	4,577
On balance payable pension fund		2,741
	948	7,318

20. SALES TAX PAYABLE

This includes provision for doubtful sales tax refund amounting to Rs. 2.6 million (2008: Nil).

21. SHORT TERM BORROWINGS

Running finance under mark up arrangements - secured

The facilities for running finance available from various banks amount to Rs. 946 million (2008: Rs. 750 million). The rates of mark up range between 12.14% to 16.5% per annum (2008: 14.74% to 16.26% per annum).

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

The facilities for opening letters of credit and guarantees as at December 31, 2009 amounted to Rs. 536.5 million (2008: Rs. 430 million) of which the amount remaining unutilised at year end was Rs. 496.02 million (2008: Rs. 384.75 million).

22. COMMITMENTS

22.1 Aggregate commitments outstanding for capital expenditure as at December 31, 2009 amounted to Rs. 3.17 million (2008: Rs. 5.86 million).

22.2 Aggregate commitments for operating lease rentals as at December 31, 2009 are as follows:

	2009	2008
	(Rupees in thousand)	
Not later than one year	1,135	-
Over one year to five years	4,255	-
	5,390	-

23. SALES

	2009	2008
	(Rupees in thousand)	
Gross Sales	4,238,621	3,748,416
Sales tax	(564,636)	(483,866)
Excise duty	(28,655)	(24,394)
	(593,291)	(508,260)
	3,645,330	3,240,156
Rebates and allowances	(268,819)	(158,277)
	3,376,511	3,081,879

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

	2009	2008
	(Rupees in thousand)	
Products used by end consumers	2,792,156	2,555,740
Products used by entities	584,355	526,139
	3,376,511	3,081,879

23.2 Sales to domestic customers in Pakistan are 98.4% (2008: 98.2%) and to customers outside Pakistan are 1.6% (2008: 1.8%) of the revenue during the year.

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

	2009	2008
	(Rupees in thousand)	

24. COST OF SALES

	2009	2008
Raw and packing materials consumed	1,843,781	1,596,320
Manufacturing charges paid to third party	27,279	21,967
Stores and spares consumed	19,487	24,788
Staff costs - note 24.1	154,717	141,779
Utilities	33,066	42,224
Depreciation	37,665	28,908
Repairs and maintenance	18,952	2,827
Rent, rates and taxes	4,357	5,496
Travelling and entertainment	1,296	1,562
Insurance	1,628	1,986
Stationery and office expenses	2,411	1,207
Other expenses	6,865	4,099
Charges by related party	2,095	2,889
Recovery of charges from related party	(3,096)	(2,081)
	2,150,503	1,873,971
Opening work in process	4,605	1,221
	2,155,108	1,875,192
Closing work in process	(4,489)	(4,605)
Cost of goods manufactured	2,150,619	1,870,587
Opening stock of finished goods	112,504	116,838
Closing stock of finished goods	(140,979)	(112,504)
	2,122,144	1,874,921

24.1 Staff costs

	2009	2008
	(Rupees in thousand)	
Salaries and wages	149,694	136,159
Medical expenses	743	314
Pension cost - defined benefit plan	1,149	958
Gratuity cost - defined benefit plan	1,865	2,806
Provident fund cost - defined contribution plan	1,266	1,542
	154,717	141,779

25. DISTRIBUTION COST

	2009	2008
Staff costs - note 25.1	109,679	98,495
Advertisement and sales promotion	436,423	270,563
Outward freight and handling	114,586	106,554
Royalty and technology fee	52,765	29,775
Travelling and entertainment	21,906	28,686
Rent, rates and taxes	4,956	4,045
Depreciation	843	422
Repairs and maintenance	1,113	445
Stationery and office expenses	5,298	2,571
Other expenses	5,676	6,120
Charges by related party	98,659	62,613
Recovery of charges from related party	(54,600)	(34,563)
	797,304	575,726

	2009	2008
	(Rupees in thousand)	

25.1 Staff costs

	2009	2008
Salaries and wages	96,811	85,220
Medical expenses	1,360	2,210
Pension cost - defined benefit plan	2,833	1,845
Gratuity cost - defined benefit plan	4,583	5,388
Provident fund cost - defined contribution plan	4,092	3,832
	109,679	98,495

26. ADMINISTRATIVE EXPENSES

	2009	2008
Staff costs - note 26.1	6,103	12,012
Rent, rates and taxes	417	446
Depreciation	283	303
Travelling and entertainment	516	923
Insurance	2,220	1,518
Auditors' remuneration - note 26.2	1,413	1,023
Provision for doubtful debts		1,314
Provision for doubtful sales tax refund	2,594	-
Legal and professional charges	1,820	5,283
Other expenses	1,344	3,936
Service fee to related party - note 26.3	16,971	19,543
Charges by related party	20,309	14,216
Recovery of charges from related party	(3,771)	(2,496)
	50,219	58,021

	2009	2008
	(Rupees in thousand)	
26.1 Staff costs		
Salaries and wages	5,694	11,702
Medical expenses		8
Pension cost - defined benefit plan	84	51
Gratuity cost - defined benefit plan	137	150
Provident fund cost - defined contribution plan	188	101
	6,103	12,012
26.2 Auditors' remuneration		
Audit fee	750	400
Limited review, audit of pension, provident and gratuity funds, certification for regulatory authorities and others	538	524
Out of pocket expenses	125	99
	1,413	1,023

26.3 This represents amount charged to the Company for certain management and other services received from its associated undertaking - Unilever Pakistan Limited, in accordance with the Service Agreement between the two companies.

	2009	2008
	(Rupees in thousand)	
27. OTHER OPERATING EXPENSES		
Donations - note 27.1	1,100	2,299
Impairment loss - note 4.3	99,508	-
Workers' Profits Participation Fund - note 12.1	13,066	28,481
Workers' Welfare Fund	6,601	10,823
	120,275	41,603

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

28. OTHER OPERATING INCOME

	2009	2008
	(Rupees in thousand)	
Income from financial assets		
Return on savings accounts	155	398
Income from non-financial assets		
Scrap sales	11,036	9,434
Gain on disposal of property, plant and equipment	3,524	7,182
Sundries	2,311	907
	16,871	17,523
Others		
Liabilities no longer payable written back	12,229	3,015
Provision for doubtful trade debts written back	906	-
	30,161	20,936

29. RESTRUCTURING COST

This represents severance cost paid to certain outgoing employees whose employment was ended consequent to restructuring.

30. FINANCE COST

	2009	2008
	(Rupees in thousand)	
Mark up on short term borrowings	20,854	18,196
Bank charges	1,663	4,037
	22,517	22,233

31. TAXATION - charge

	2009	2008
Current - for the year	104,601	152,750
- for prior years	(20,050)	-
Deferred	(19,687)	29,015
	64,864	181,765

31.1 Reconciliation between effective tax rate and applicable tax rate:

	2009 %	2008 %
Applicable tax rate	35.00	35.00
Net tax effect of admissibility of expenses for tax purposes	(0.45)	(0.30)
Effect of income under Final Tax Regime	(2.94)	(0.42)
Effect of prior periods	(4.77)	-
Effective tax rate	26.84	34.28

32. EARNINGS PER SHARE

	2009	2008
Profit after taxation attributable to ordinary shareholders	176,792	348,546
Weighted average number of shares in issue during the year - in thousand	6,158	6,158
Earnings per share - Rupees	28.71	56.60

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

33. RELATED PARTY DISCLOSURES

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

	Relationship with the Company	Nature of transactions	2009 (Rupees in thousand)	2008 (Rupees in thousand)
i)	Ultimate parent company	Technical fee	20,110	19,607
ii)	Holding company	Royalty	24,749	10,168
iii)	Other related parties	Purchase of goods	758,387	731,048
		Sale of goods	27,065	28,479
		Purchase of property, plant and equipment		19,053
		Reimbursement of expenses to related party	121,063	79,718
		Recovery of expenses from related party	61,467	39,140
		Fee for receiving of services from related parties	17,113	19,543
vi)	Key management personnel	Salaries and other short-term employee benefits	5,690	4,031

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

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

The related party status of outstanding balances as at December 31, 2009 is included in trade debts, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

34. REMUNERATION OF DIRECTOR, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Director		Chief Executive		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)					
Managerial remuneration and allowances	1,031	1,026	4,531	4,080	36,382	35,356
Retirement benefits - note 34.1		-		-	6,257	6,998
Rent and utilities		-		-	12,483	13,404
Medical expenses		-		-	670	639
	1,031	1,026	4,531	4,080	55,792	56,397
Number of persons	1	1	1 *	1	36	39

*During the year, Ms. Fariyha Subhani was appointed chief executive with effect from January 31, 2009 in place of Mr. Jamal Mustafa Siddiqui who resigned on January 30, 2009. The charge reflects the respective period of office of chief executive held by them.

In addition to this, a lump sum amount of Rs. 26.98 million (2008: Rs. 20.38 million) on account of variable pay has been accounted for in financial statements for the current year payable in 2010 after verification of target achievement.

Out of the variable pay recognised for 2008 and 2007 following payments were made:

	Paid in 2009 relating to 2008	Paid in 2008 relating to 2007
	(Rupees in thousand)	
Executive Director	363	302
Chief Executive	1,671	678
Executives	8,754	8,981
Other employees	8,675	4,658
	19,463	14,619

Aggregate amount charged in these financial statements for the year for fee to four non-executive directors was Rs. 127.5 thousand (2008: four non-executive directors Rs. 135 thousand).

The Chief Executive and certain executives of the Company are also provided with the Company maintained cars.

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

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs. 5.69 million (2008: Rs. 1.85 million).

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

35. PLANT CAPACITY AND PRODUCTION

	2009	2008
Actual production of the plant in metric tons	17,200	17,314

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 Financial risk factors

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

Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	Rupees in thousand						
FINANCIAL ASSETS							
Loans and advances	-	-	-	11,963	3,289	15,252	15,252
Trade debts	-	-	-	79,649	-	79,649	79,649
Trade deposits	-	-	-	2,031	-	2,031	2,031
Other receivables	-	-	-	3,461	-	3,461	3,461
Cash and bank balances	472	-	472	40,224	-	40,224	40,696
December 31, 2009	**472**		**472**	**137,328**	**3,289**	**140,617**	**141,089**
December 31, 2008	840	-	840	66,017	4,836	70,853	71,693
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	468,632	-	468,632	468,632
Short term borrowings	148,775	-	148,775	-	-	-	148,775
Accrued interest / mark up	-	-	-	948	-	948	948
December 31, 2009	**148,775**		**148,775**	**469,580**		**469,580**	**618,355**
December 31, 2008	242,591	-	242,591	307,000	-	307,000	549,591
ON BALANCE SHEET GAP							
December 31, 2009	**(148,303)**		**(148,303)**	**(332,252)**	**3,289**	**(328,963)**	**(477,266)**
December 31, 2008	(241,751)	-	(241,751)	(240,983)	4,836	(236,147)	(477,898)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantee:							
December 31, 2009							**40,477**
December 31, 2008							45,250

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

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of total financial assets of Rs. 141.09 million (2008: Rs. 71.69 million), the financial assets which are subject to credit risk amounted to Rs. 79.65 million (2008: Rs. 49.98 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, 2009 trade debts of Rs. 18.23 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, 2009, financial assets of Rs. 2.54 million (2008: Nil) and financial liabilities of Rs. 37.37 million (2008: Rs. 36.54 million) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2009, if the Pakistan Rupee had weakened / strengthened by 10% against Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 3.12 million (2008: Rs. 2.96 million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

As at December 31, 2009, 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. 0.30 million (2008: Rs. 0.67 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

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

b) Interest rate risk

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

At December 31, 2009, the Company had variable interest bearing financial liabilities of Rs. 148.78 million (2008: Rs. 242.59 million), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately Rs. 2.98 million (2008: Rs. 4.85 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

37. 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 2009 the Company's strategy was to maintain leveraged gearing. The gearing ratio as at December 31, 2009 and 2008 were as follows:

	2009	2008
	(Rupees in thousand)	
Total borrowings	148,775	242,591
Cash and bank	(40,696)	(8,022)
Net debt	108,079	234,569
Total equity	268,656	301,223
Total capital	376,735	535,792
Gearing ratio	29%	44%

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.

	2009	2008
	(Rupees in thousand)	

38. CASH GENERATED FROM OPERATIONS

	2009	2008
Profit before taxation	241,656	530,311
Adjustments for non-cash charges and other items		
Depreciation	38,791	29,633
Gain on disposal of property, plant and equipment	(3,524)	(7,182)
Provision for retirement benefits - obligation	10,651	11,198
Impairment loss	99,508	-
Finance cost	22,517	22,233
Return on savings accounts	(155)	(398)
	167,788	55,484
Profit before working capital changes	409,444	585,795

Effect on cash flows due to working capital changes

	2009	2008
Decrease / (Increase) in current assets		
Stores and spares	(832)	(3,779)
Stock in trade	18,554	25,608
Trade debts	(29,673)	38,125
Loans and advances	6,934	(3,629)
Trade deposits and short term prepayments	16,093	(18,818)
Other receivables	(12,768)	6,899
	(1,692)	44,406
Increase in current liabilities		
Trade and other payables	95,760	52,151
Sales tax payable	12,049	18,874
	107,809	71,025
	515,561	701,226

39. CASH AND CASH EQUIVALENTS

	2009	2008
Cash and bank balances	40,696	8,022
Short term borrowings - running finance under mark up arrangements	(148,775)	(242,591)
	(108,079)	(234,569)

40. CORRESPONDING FIGURES

Prior year's figures have been reclassified for the purpose of better presentation and comparison. Significant reclassifications made during the year are as follows:

Reclassification from component	Reclassification to component	Rupees in thousand
Other operating expenses	**Administrative expenses**	
- Auditors' remuneration	- Auditors' remuneration	1,023
- Provision for doubtful debts	- Provision for doubtful debts	1,314
Cost of sales	**Distribution expenses**	
- Raw and packing material consumed	- Outward freight and handling	49,845

41. PROPOSED AND DECLARED DIVIDENDS

At the Board of Directors' meeting held on March 4 , 2010, a final dividend in respect of 2009 of Rs. 14 per share amounting to a total dividend of Rs. 86.21 million is proposed (2008: Rs. 14 per share amounting to a total dividend of Rs. 86.21 million).

These financial statements do not reflect the proposed final dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2010.

Interim dividend declared and already paid in respect of 2009 was Rs. 20 per share amounting to a total dividend of Rs. 123.15 million (2008: Rs. 22 per share amounting to a total dividend of Rs. 135.47 million).

42. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 4, 2010 by the Board of Directors of the Company.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and Chief Financial Officer

Form of Proxy
Twelfth Annual General Meeting

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

I/ We ________________________________son/ daughter/ wife of _____________________ , shareholder(s) of Unilever Pakistan Foods Limited, holding _______________ordinary shares hereby appoint _______________who is my _____________________[state relationship (if any) with the proxy; required by Government regulations] and the son / daughter/ wife of ___________________, (holding ____________________ordinary shares in the Company under Folio No. __________________) [required by Government; delete if proxy is not the Company's shareholder] as my / our proxy, to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on April 22, 2010 and / or any adjournment thereof.

Signed this _________ day of ________ 2010.

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

Witness 1 :

Signature_________________

Name _________________

CNIC # _________________

Sign across Rs. 5/-
Revenue Stamp

Signature of Member(s)

Witness 2 :

Signature_________________

Name _________________

CNIC # _________________

Shareholder's Folio No.____________________

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

and Sub- Account No.______________________

Note:

1. The Member is requested:

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

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

   (c) to write down his Folio Number.

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

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

Unilever Pakistan Foods Limited

Avari Plaza, Fatima Jinnah Road, Karachi-75530

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

www.unileverpakistanfoods.com.pk

JWT