Consolidated Financial Statements 2009

Unilever Pakistan Limited

and its subsidiary companies

Auditors' Report To The Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Unilever Pakistan Limited (the Holding Company) and its subsidiary companies Lever Chemicals (Private) Limited, Levers Associated Pakistan Trust (Private) Limited and Sadiq (Private) Limited** as at December 31, 2009 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Unilever Pakistan Limited and its subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Unilever Pakistan Limited and its subsidiary companies as at December 31, 2009 and the results of their operations for the year then ended.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

March 2, 2010

Name of The Engagement Partner: Ali Muhammad Mesia

Consolidated Balance Sheet
as at December 31, 2009

ASSETS	Note	2009	2008
		(Rupees in thousand)	
Non-current assets			
Property, plant and equipment	3	4,736,619	4,428,278
Intangibles	4	2,433	7,303
Long term investments	5	200	200
Long term loans	6	98,117	120,545
Long term deposits and prepayments	7	392,896	540,027
Retirement benefits - prepayments	8	188,054	205,355
		5,418,319	5,301,708
Current assets			
Stores and spares	9	265,420	241,753
Stock in trade	10	3,649,070	4,251,914
Trade debts	11	506,357	228,763
Loans and advances	12	131,852	123,904
Accrued interest / mark up		97	3,874
Trade deposits and short term prepayments	13	682,949	516,443
Other receivables	14	82,143	218,258
Tax refunds due from the Government	15	355,052	301,813
Investment - held to maturity	16	102,189	-
Cash and bank balances	17	278,644	230,009
		6,053,773	6,116,731
Total assets		11,472,092	11,418,439

	Note	2009	2008
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	669,477	669,477
Reserves	19	2,662,229	1,575,643
		3,331,706	2,245,120
Surplus on revaluation of fixed assets	20	12,965	13,613
Liabilities			
Non-current liabilities			
Liabilities against assets subject to finance leases	21	56,762	77,327
Deferred taxation	22	636,130	369,653
Retirement benefits obligations	8	327,060	239,794
		1,019,952	686,774
Current liabilities			
Trade and other payables	23	5,787,366	4,549,434
Taxation - provisions less payments		4,201	1,019
Accrued interest / mark up		28,892	64,075
Short term borrowings	24	1,037,911	3,232,523
Current maturity of liabilities against assets subject to finance leases	21	28,419	32,322
Provisions	25	220,680	593,559
		7,107,469	8,472,932
Total liabilities		8,127,421	9,159,706
Contingencies and commitments	26		
Total equity and liabilities		11,472,092	11,418,439

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

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

	Note	2009	2008
		(Rupees in thousand)	
Sales	27	38,187,582	30,956,839
Cost of sales	28	(24,852,625)	(20,219,184)
Gross profit		13,334,957	10,737,655
Distribution costs	29	(7,179,694)	(5,847,845)
Administrative expenses	30	(1,030,528)	(1,002,960)
Other operating expenses	31	(373,785)	(247,266)
Other operating income	32	209,638	253,079
		4,960,588	3,892,663
Restructuring cost			(489,280)
Profit from operations		4,960,588	3,403,383
Finance cost	33	(427,709)	(466,166)
Profit before taxation		4,532,879	2,937,217
Taxation	34	(1,465,915)	(944,821)
Profit after taxation		3,066,964	1,992,396
Earnings per share (Rupees)	35	231	150

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Consolidated Cash Flow Statement
for the year ended December 31, 2009

	2009	2008
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	4,532,879	2,937,217
Adjustments for non-cash charges and other items		
Depreciation	496,867	453,671
Amortisation of software	4,870	4,870
Loss / (Gain) on disposal of property, plant and equipment	8,901	(29,805)
Dividend income	(12)	(12)
Finance cost	427,709	466,166
Provision for staff retirement benefits	523,039	449,772
Return on savings accounts	(18,318)	(14,226)
	1,443,056	1,330,436
Profit before working capital changes	5,975,935	4,267,653
Effect on cash flows due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	(23,667)	(78,471)
Stock in trade	602,844	(1,525,850)
Trade debts	(277,594)	10,550
Loans and advances	(7,948)	(1,016)
Trade deposits and short term prepayments	(166,506)	(280,379)
Other receivables	136,115	30,881
Sales tax refundable		11,457
	263,244	(1,832,828)
Increase / (Decrease) in current liabilities		
Trade and other payables	1,264,612	(243,355)
Provisions	(372,879)	222,532
	891,733	(20,823)
	1,154,977	(1,853,651)
Cash generated from operations (carried forward)	7,130,912	2,414,002

Consolidated Cash Flow Statement - Continued
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees in thousand)	
Cash generated from operations (brought forward)		7,130,912	2,414,002
Finance cost paid		(462,892)	(405,760)
Income tax paid		(1,284,497)	(1,070,483)
Retirement benefits obligations paid		(418,472)	(304,918)
Decrease / (Increase) in long term loans		22,428	(5,157)
Decrease / (Increase) in long term deposits and prepayments		147,131	(535,107)
Net cash from operating activities		5,134,610	92,577
Cash flows from investing activities			
Purchase of property, plant and equipment		(872,311)	(1,369,388)
Sale proceeds of property, plant and equipment		62,155	120,630
Return received on savings accounts and term deposits		19,903	13,862
Investment in treasury bills		(99,997)	-
Dividend received		12	12
Net cash used in investing activities		(890,238)	(1,234,884)
Cash flows from financing activities			
Decrease in liabilities against assets subject to finance leases		(28,421)	(33,370)
Dividends paid		(1,972,704)	(1,708,282)
Net cash used in financing activities		(2,001,125)	(1,741,652)
Net increase / (decrease) in cash and cash equivalents		2,243,247	(2,883,959)
Cash and cash equivalents at the beginning of the year		(3,002,514)	(118,555)
Cash and cash equivalents at the end of the year	35	(759,267)	(3,002,514)

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

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

	SHARE CAPITAL	RESERVES — CAPITAL: Arising under schemes of arrangements for amalgamations	RESERVES — CAPITAL: Contingency	RESERVES — CAPITAL: Other	RESERVES — REVENUE: Unappropriated profit	RESERVES — SUB TOTAL	TOTAL
	(Rupees in thousand)						
Balance as at January 1, 2008	669,477	70,929	363,106	33,895	863,712	1,331,642	2,001,119
Net profit for the year	-	-	-	-	1,992,396	1,992,396	1,992,396
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from contingency reserve to unappropriated profit - Note 26.1.1	-	-	(41,635)	-	41,635	-	-
Reclassification of Share-based Payment as liability - Note 23.3	-	-	-	(33,895)	-	(33,895)	(33,895)
Dividends							
For the year ended December 31, 2007							
- On cumulative preference shares @ 5% per share	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 63 per share	-	-	-	-	(837,514)	(837,514)	(837,514)
For the year ended December 31, 2008							
- Interim dividend on ordinary shares @ Rs. 66 per share	-	-	-	-	(877,395)	(877,395)	(877,395)
Balance as at December 31, 2008	669,477	70,929	321,471	-	1,183,243	1,575,643	2,245,120
Net profit for the year	-	-	-	-	3,066,964	3,066,964	3,066,964
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the year	-	-	-	-	648	648	648
Dividends							
For the year ended December 31, 2008							
- On cumulative preference shares @ 5% per share	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 57 per share	-	-	-	-	(757,751)	(757,751)	(757,751)
For the year ended December 31, 2009							
- Interim dividend on ordinary shares @ Rs. 92 per share	-	-	-	-	(1,223,036)	(1,223,036)	(1,223,036)
Balance as at December 31, 2009	**669,477**	**70,929**	**321,471**		**2,269,829**	**2,662,229**	**3,331,706**

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Notes To And Forming Part of The Consolidated Financial Statements
for the year ended December 31, 2009

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of:

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

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

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

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

1.2 Basis of consolidation

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

All intercompany balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are the same as those applied for the previous financial year 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

i. Taxation

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

ii. Post employment benefits

Significant estimates relating to post employment benefits are disclosed in note 8.

iii. Provisions

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

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

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

2.1.3 Changes in accounting policies

a) Changes 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 Group'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 Group'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 40 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 allocating resources and assessing performance of the operating segments. Adoption of this standard has not resulted in any change in the reportable segments.

(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 on its application.

b) Change in presentation

Consolidated cash flow statement has been presented using indirect method as against the direct method in the prior year for the purpose of better presentation. The prior year's figures have been rearranged accordingly.

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 Group's financial reporting and operations.

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

IFRS 2 (Amendments), 'Group cash-settled and share-based payment transactions' is effective for the accounting periods beginning on or after January 1, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

IFRS 8 (Amendment), 'Disclosure of information about segment assets' (effective from January 1, 2010). This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. The new guidance is not expected to have a material impact on the Group's financial statements.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

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

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

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

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

2.4 Intangibles

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

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

2.5 Investments

i. In unlisted entity not being subsidiary

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

ii. Investment - held to maturity

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

2.6 Taxation

i. Current

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

ii. Deferred

Deferred tax is provided using the liability method on all temporary differences arising between the tax 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.

2.7 Retirement benefits

Defined contribution plan

i) Provident fund

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

ii) DC Pension fund

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

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

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

As advised by the Group's actuary present value of the obligations as at December 31, 2008 under existing pension and gratuity funds in respect of the employees who opted for the new scheme has been transferred to the DC Pension Fund.

Contributions are made by the Group to the plan at the rate of 9% per annum of the gross salary. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

Defined benefit plans

The Group operates the following schemes:

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

ii) Funded gratuity scheme for management and non-management employees of the Group. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2009, using the 'Projected Unit Credit Method'.

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

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

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

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

2.8 Stores and spares

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

2.9 Stock in trade

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

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

2.10 Trade and other debts

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

2.11 Cash and cash equivalents

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

2.12 Leases

i. Finance leases

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

ii. Operating leases

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

2.13 Trade and other payables

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

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.15 Provisions

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

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

2.16 Financial assets and liabilities

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

2.17 Foreign currency transactions and translation

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

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

2.18 Revenue recognition

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

- sale is recognised when the product is despatched to customers;
- dividend income is recognised when the Group's right to receive the payment is established; and
- return on savings accounts, deposits and investment is recognised using the effective interest rate method.

2.19 Segment information

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

2.20 Dividend and appropriation to reserves

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

2.21 Share based payment

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

3. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	(Rupees in thousand)	
Operating assets - note 3.1	4,563,048	3,988,216
Capital work in progress - at cost - note 3.2	173,571	440,062
	4,736,619	4,428,278

3.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousand)									
Net carrying value basis										
Year ended December 31, 2009										
Opening net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Additions (at cost)			90,693	2,359	875,108	162,144	5,797	2,701	3,953	1,142,755
Disposals (at NBV)		(181)			(60,045)	(497)	(310)	(8,804)	(1,219)	(71,056)
Depreciation charge		(6)	(15,773)	(898)	(384,656)	(31,359)	(2,309)	(24,067)	(37,799)	(496,867)
Closing net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Gross carrying value basis										
At December 31, 2009										
Cost	25,575	529	753,412	80,923	5,540,930	692,172	41,044	117,029	168,799	7,420,413
Accumulated depreciation		(295)	(163,606)	(60,075)	(2,009,430)	(404,532)	(20,818)	(112,417)	(86,192)	(2,857,365)
Net book value (NBV)	25,575	234	589,806	20,848	3,531,500	287,640	20,226	4,612	82,607	4,563,048
Net carrying value basis										
Year ended December 31, 2008										
Opening net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Additions (at cost)	-	-	93,960	3,651	1,155,323	70,080	3,710	36,053	72,814	1,435,591
Disposals (at NBV)	-	-	-	-	(16,574)	(13,316)	(393)	(58,840)	(1,702)	(90,825)
Depreciation charge	-	(7)	(14,037)	(828)	(317,583)	(33,844)	(2,148)	(51,100)	(34,124)	(453,671)
Closing net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Gross carrying value basis										
At December 31, 2008										
Cost	25,575	716	662,719	78,564	4,810,210	537,470	36,412	194,749	178,107	6,524,522
Accumulated depreciation	-	(295)	(147,833)	(59,177)	(1,709,117)	(380,118)	(19,364)	(159,967)	(60,435)	(2,536,306)
Net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Depreciation rate										
% per annum		1.05	.5 to 2.5	1.5 to 2	8 to 20	8 to 20	8 to 14	25	25	

3.2 Capital Work In Progress - at cost

	2009	2008
	(Rupees in thousand)	
Civil works	12,147	25,600
Plant and machinery	161,424	414,462
	173,571	440,062

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

		2009	2008
		(Rupees in thousand)	

4. INTANGIBLES - computer software

	2009	2008
Net carrying value basis		
Opening net book value	7,303	12,173
Amortisation charge	(4,870)	(4,870)
Closing net book value	2,433	7,303
Gross carrying value basis		
Cost	24,348	24,348
Accumulated amortisation	(21,915)	(17,045)
Net book value	2,433	7,303
Remaining useful life in years	0.50	1.50

5. LONG TERM INVESTMENTS

	2009	2008
Investment available for sale - at cost		
Futehally Chemicals (Private) Limited		
2,000 6% redeemable cumulative preference shares of Rs 100 each	200	200
	200	200

6. LONG TERM LOANS - considered good

		2009	2008
Related Parties	note 6.1, 6.2 and 6.3		
Directors		1,462	8,128
Chief Executive		8,399	11,454
Key management personnel other than Directors and Chief Executive			1,859
		9,861	21,441
Others			
Executives		96,708	122,602
Other employees		40,546	33,623
		137,254	156,225
		147,115	177,666
Recoverable within one year - note 12		(48,998)	(57,121)
Long term portion		98,117	120,545

6.1 Reconciliation of carrying amount of loans to Directors, Chief Executive, other key management personnel and executives:

	Directors		Chief Executive		Other Key Management Personnel		Executives	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)							
Balance as at January 1,	8,128	7,751	11,454	14,509	1,859	5,975	122,602	107,194
Loans granted during the year		-		-		-	29,691	59,184
Transfers		3,215		-		(3,452)		237
Recoveries	(6,666)	(2,838)	(3,055)	(3,055)	(1,859)	(664)	(55,585)	(44,013)
	1,462	8,128	8,399	11,454		1,859	96,708	122,602

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

These loans are secured against retirement benefits of the employees.

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

	2009	2008
	(Rupees in thousand)	
Directors	2,523	9,878
Chief Executive	11,199	14,254
Key management personnel other than Directors and Chief Executive	1,704	6,176
Executives	100,725	126,259

7. LONG TERM DEPOSITS AND PREPAYMENTS

	2009	2008
Security deposits	4,627	4,480
Prepaid rent	368,064	503,548
Others	23,130	31,999
	395,821	540,027
Less: Provision for doubtful deposits	(2,925)	-
	392,896	540,027

8. RETIREMENT BENEFITS

8.1 The disclosures made in notes 8.2 to 8.8 and 8.11 to 8.13 are based on the information included in the actuarial valuation as of December 31, 2009.

		Pension Fund		Gratuity Funds		Pensioners' Medical Plan	
		2009	2008	2009	2008	2009	2008
		(Rupees in thousand)					
8.2	**Balance Sheet Reconciliation**						
	Fair value of plan assets	1,484,380	1,571,499	36,182	231,305		-
	Present value of defined benefit obligations	(1,563,709)	(1,468,346)	(246,505)	(416,803)	(192,663)	(163,174)
	Funded status	(79,329)	103,153	(210,323)	(185,498)	(192,663)	(163,174)
	Unrecognised net actuarial loss	267,383	102,202	38,990	90,855	36,936	18,023
	Recognised asset / (liability)	188,054	205,355	(171,333)	(94,643)	(155,727)	(145,151)
8.3	**Movement in the fair value of plan assets**						
	Fair value as at January 1	1,571,499	1,522,551	231,305	368,948		
	Expected return on plan assets	186,586	137,194	8,352	33,250		
	Actuarial gains / (losses)	(15,202)	19,917	10,274	(15,594)		
	Employer contributions		38,019	428,302	256,409		
	Settlement and curtailment	(113,700)	-	(107,253)	-		
	Benefits paid	(144,803)	(146,182)	(534,798)	(411,708)		
	Fair value as at December 31	1,484,380	1,571,499	36,182	231,305		
8.4	**Movement in the defined benefit obligations**						
	Obligation as at January 1	1,468,346	1,497,882	416,803	404,129	163,174	132,181
	Service cost	9,716	32,410	11,498	31,157	834	1,546
	Interest cost	205,222	145,920	38,577	42,446	24,222	14,052
	Settlement and curtailment	(143,412)	-	310,502	340,286	(7,070)	-
	Actuarial losses / (gains)	168,640	(61,684)	3,923	10,493	21,676	25,885
	Benefits paid	(144,803)	(146,182)	(534,798)	(411,708)	(10,173)	(10,490)
	Obligation as at December 31	1,563,709	1,468,346	246,505	416,803	192,663	163,174
8.5	**Cost**						
	Current service cost	9,716	32,410	11,498	31,157	834	1,546
	Interest cost	205,222	145,920	38,577	42,446	24,222	14,052
	Expected return on plan assets	(186,586)	(137,194)	(8,352)	(33,250)		-
	Settlement and curtailment	(29,712)	-	417,755	340,286	(7,070)	-
	Recognition of actuarial loss	18,661	11,139	45,514	1,680	2,763	(420)
	Expense	17,301	52,275	504,992	382,319	20,749	15,178
	Actual return on plan assets	171,384	157,111	18,626	17,656		

8.6 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%	9.73%
Medical cost trend rates	7.38%	10.48%

Expected contributions to retirement benefit plans for the year ending December 31, 2010 are Rs. 148 million (2009: Rs. 560 million).

8.7 Comparison for five years:

As at December 31	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Fair value of plan assets	1,520,562	1,802,804	1,891,499	1,933,581	1,812,268
Present value of defined benefit obligations	(2,002,877)	(2,048,323)	(2,034,192)	(1,984,522)	(1,750,814)
(Deficit) / surplus	(482,315)	(245,519)	(142,693)	(50,941)	61,454
Experience adjustments					
(Loss) / Gain on plan assets (as percentage of plan assets)	(0.3%)	0.2 %	(0.7%)	0.3 %	(6.5%)
Loss / (Gain) on obligations (as percentage of plan obligations)	9.7 %	(1.2%)	(1.2%)	7.5 %	1.5 %

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

	Increase	Decrease
	(Rupees in thousand)	
Effect on the aggregate of current service and interest costs	3,116	2,586
Effect on the defined benefit obligations	20,819	17,878

8.9 Plan assets comprise of the following:

	2009		2008	
	Rupees in thousand	%	Rupees in thousand	%
Equity	147,552	9.7	23,974	1.3
Debt	897,310	59.0	130,827	7.3
Others (include cash and bank balances)	475,700	31.3	1,648,003	91.4
	1,520,562	100	1,802,804	100.0

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

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

8.12 Based on the above actuarial valuation the retirement benefits - asset amounts to Rs. 188.05 million (2008: Rs. 205.35 million) and retirement benefits - liability amounts to Rs. 327.06 million (2008: Rs. 239.79 million).

8.13 During the year the Group contributed Rs. 52.77 million (2008: Rs. 51.39 million) to the provident fund and Rs. 48.26 million (2008: Nil) to the DC pension fund.

9. STORES AND SPARES

	2009	2008
	(Rupees in thousand)	
Stores (including in transit Rs. 19.10 million; 2008: Rs. 8.80 million)	80,825	78,744
Spares (including in transit Rs. 10.15 million; 2008: Nil)	219,657	194,971
Others	3,595	2,920
	304,077	276,635
Provision for slow moving and obsolete stores and spares	(38,657)	(34,882)
	265,420	241,753

The Group made a provision of Rs. 8.31 million (2008: Rs. 8.63 million) for obsolescence and has written off stores and spares of Rs. 4.54 million (2008: Nil) by utilising the provision during the year.

10. STOCK IN TRADE

	2009	2008
	(Rupees in thousand)	
Raw and packing materials at cost (including in transit Rs. 868 million; 2008: Rs. 565 million)	2,416,934	2,802,659
Provision for obsolescence	(95,007)	(140,440)
	2,321,927	2,662,219
Work in process	72,736	102,466
Finished goods (including in transit Rs. 181 million; 2008: Rs. 264 million)	1,293,954	1,550,391
By product - glycerine	11,500	18,710
	1,305,454	1,569,101
Provision for obsolescence	(51,047)	(81,872)
	1,254,407	1,487,229
	3,649,070	4,251,914

10.1 Stock in trade includes Rs. 1.79 billion (2008: Rs. 1.72 billion) held with third parties.

10.2 The above balances include items costing Rs. 238.13 million (2008: Rs. 337.90 million) valued at net realisable value of Rs. 92.07 million (2008: Rs. 80.70 million).

10.3 The Group made a provision of Rs. 109.19 million for obsolescence (2008: Rs. 196.06 million) and has written off inventory amounting to Rs. 185.45 million (2008: Rs.105.14 million) by utilising the provision during the year.

11. TRADE DEBTS

	2009	2008
	(Rupees in thousand)	
Considered good	506,357	228,763
Considered doubtful	43,402	47,491
	549,759	276,254
Provision for doubtful debts - note 11.1	(43,402)	(47,491)
	506,357	228,763

11.1 The Group has reversed Rs. 2.04 million (2008: recognised a provision of Rs. 3.25 million) and has written off debts amounting to Rs. 2.05 million (2008: Rs. 9.91 million) by utilising the provision during the year.

11.2 As of December 31, 2009 trade debts of Rs. 42.87 million (2008: Rs. 43.96 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	35,962	30,686
3 to 6 months	5,559	4,951
More than 6 months	1,345	8,324
	42,866	43,961

12. LOANS AND ADVANCES

	2009	2008
Considered good		
Current portion of loans to employees - note 6	48,998	57,121
Advances to:		
Executives - note 12.1	12,435	10,374
Suppliers and others	70,419	56,409
	131,852	123,904
Considered doubtful		
Advances to suppliers and others	6,244	6,244
	138,096	130,148
Provision for doubtful advances to suppliers and others	(6,244)	(6,244)
	131,852	123,904

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

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2009	2008
	(Rupees in thousand)	
Trade and margin deposits	16,192	130,808
Prepayments		
ERP implementation	355,123	141,274
Rent	151,155	146,073
Others - note 13.1	160,479	98,288
	682,949	516,443

13.1 This includes prepayment of Rs. 9.54 million in respect of shares matched by the Group under the following share-based compensation plan.

Variable Pay In Shares (VPIS):

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

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

14. OTHER RECEIVABLES

	2009	2008
	(Rupees in thousand)	
Receivable from related parties		
Unilever Pakistan Foods Limited		63,669
Unilever Gratuity Fund	32,985	37,234
Associated undertakings	13,315	20,458
Workers' Profits Participation Fund - note 14.1	8,960	55,571
Others		
Receivable from distributors on account of equipment supply		5,320
Receivable in respect of sale of fixed assets		16,464
Others	40,817	28,260
	96,077	226,976
Provision for doubtful receivables	(13,934)	(8,718)
	82,143	218,258

	2009	2008
	(Rupees in thousand)	

14.1 Workers' Profits Participation Fund

	2009	2008
Balance as at January 1	55,571	9,128
Allocation for the year	(242,514)	(157,078)
	(186,943)	(147,950)
Amount paid to the trustees	195,903	203,521
Balance as at December 31	8,960	55,571

15. TAX REFUNDS DUE FROM THE GOVERNMENT

	2009	2008
Sales tax refundable - amounts paid under protest - note 15.1	137,012	137,012
Taxation - payments less provision	218,013	164,774
Others	27	27
	355,052	301,813

15.1 This includes a sum of Rs. 131 million (2008: Rs. 131 million) paid by way of abundant caution under the Amnesty Scheme, to avoid additional Sales Tax and Surcharge being levied in the event of unfavourable decisions of the appeals pending in the High Courts. These appeals were filed by third party manufacturers in respect of disallowance of input tax claimed by them on the ground that tax invoices and bills of entry were in the Group's name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Group would reimburse the tax. The Group's management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Group has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.

16. INVESTMENT - held to maturity

This represents investment in Treasury Bills. They carry mark-up at 12.50% per annum and will realise by April 2010.

17. CASH AND BANK BALANCES

	2009	2008
	(Rupees in thousand)	
With banks on:		
current accounts	238,365	104,988
savings accounts	620	-
term deposits - having maturity of three months (2008: maturity of three months) - note 17.1	38,915	123,220
In hand:		
cash	744	1,801
	278,644	230,009

17.1 At December 31, 2009 the rates of mark-up on savings accounts and term deposits range from 1% to 11.95% per annum (2008: 1% to 13.8% per annum).

18. SHARE CAPITAL

		2009	2008
		(Rupees in thousand)	
Authorised share capital			
47,835	5% cumulative preference shares of Rs. 100 each	4,783	4,783
15,904,330	Ordinary shares of Rs. 50 each	795,217	795,217
		800,000	800,000
Issued, subscribed and paid up capital			
5% cumulative preference shares of Rs. 100 each			
	Shares allotted:		
43,835	for consideration paid in cash	4,383	4,383
4,000	for acquisition of an undertaking	400	400
47,835		4,783	4,783
Ordinary shares of Rs. 50 each			
	Shares allotted:		
467,704	for consideration paid in cash	23,385	23,385
4,979,208	for consideration other than cash under schemes of arrangements for amalgamations	248,961	248,961
7,846,957	as bonus shares	392,348	392,348
13,293,869		664,694	664,694
		669,477	669,477

At December 31, 2009 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK holds 9,981,417 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited (December 31, 2008: 9,711,293 ordinary shares and 33,735 preference shares).

19. RESERVES

	2009	2008
	(Rupees in thousand)	
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 19.1	70,929	70,929
Contingency - note 26.1.1	321,471	321,471
	392,400	392,400
Revenue reserve		
Unappropriated profit	2,269,829	1,183,243
	2,662,229	1,575,643

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

20. SURPLUS ON REVALUATION OF FIXED ASSETS

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

	2009	2008
	(Rupees in thousand)	
Balance as at January 1	13,613	14,261
Transferred to unappropriated profit net of deferred taxation: incremental depreciation for the year	(648)	(648)
Balance as at December 31	12,965	13,613

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2009	2008
Present value of minimum lease payments	85,181	109,649
Current maturity shown under current liabilities	(28,419)	(32,322)
	56,762	77,327
Minimum lease payments		
Not later than 1 year	45,099	46,297
Later than one year and not later than 5 years	48,708	84,449
	93,807	130,746
Finance charges not yet due	(8,626)	(21,097)
Present value of finance lease liabilities	85,181	109,649
Present value of finance lease liabilities		
Not later than 1 year	28,419	32,322
Later than one year and not later than 5 years	56,762	77,327
	85,181	109,649

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

Lease payments bearing variable markup rates include finance charge at KIBOR + 0.85% to 2% per annum. KIBOR is determined on semi-annual basis for next two quarterly and semi annual rentals.

	2009	2008
	(Rupees in thousand)	

22. DEFERRED TAXATION

	2009	2008
Credit balance arising in respect of:		
accelerated tax depreciation allowances	874,445	713,527
surplus on revaluation of fixed assets	6,761	6,985
	881,206	720,512
Debit balance arising in respect of:		
provision for retirement benefits	(47,069)	(11,476)
share-based compensation	(16,292)	(11,984)
provision for stock in trade and stores and spares	(62,962)	(86,281)
provision for doubtful debts, advances and other receivables	(36,010)	(36,544)
provision for restructuring	(3,138)	(161,737)
others	(79,605)	(42,837)
	(245,076)	(350,859)
	636,130	369,653

23. TRADE AND OTHER PAYABLES

	2009	2008
Creditors	866,814	701,789
Bills payable	264,784	412,345
Accrued liabilities	3,600,767	2,629,422
Royalty and technical services fee	291,852	246,507
Advance payment from customers	144,122	87,011
Sales tax payable	216,400	91,309
Excise duty payable	114,444	90,814
Workers' Welfare Fund	92,155	93,497
Security deposits from dealers - note 23.1	17,137	17,137
Unclaimed dividend	114,793	106,471
Union Pakistan Provident Fund - related party		11,937
Unilever Pension Plan - related party		11,989
Liability for share-based compensation plans - note 23.3	48,130	35,953
Others	15,968	13,253
	5,787,366	4,549,434

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

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

	2009	2008
	(Rupees in thousand)	
Ultimate parent company	291,852	246,507
Associated companies	918,508	847,651
Company in which close family member of a Director is holding directorship	33,551	28,418

23.3 Share-based compensation plans

As at December 31, 2009 share-based compensation plans of the Group include:

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

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

The details of the arrangements are as follows:

		GPSP		LPSP	
Shares of		Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	2007	March 21, 2007	March 21, 2007	May 22, 2007	May 22, 2007
	2008	March 21, 2008	-	March 20, 2008	March 20, 2008
	2009	March 19, 2009	-	March 19, 2009	March 19, 2009
Total number of shares granted	2007	10,480	180	1,530	1,530
	2008	6,494	-	1,225	1,225
	2009	9,965	-	1,962	1,962
		26,939	180	4,717	4,717
Fair value / Share price on grant date	2007	£ 14.88	€ 21.33	£15.82	€ 22.20
	2008	£ 16.72	-	£16.72	€ 21.27
	2009	£ 12.46	-	£12.46	€13.22
Contractual life (years)		3	3	3	3
Vesting conditions		Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement		Shares	Shares	Shares	Shares
Expected lapse per year		20%	20%	20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2007	by March 21, 2010	by March 21, 2010	by May 22, 2010	by May 22, 2010
	2008	by March 20, 2011	-	by March 20, 2011	by March 20, 2011
	2009	by March 19, 2012	-	by March 19, 2012	by March 19, 2012

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

23.3.1 Details of plan that vested during the year are:

	GPSP		LPSP	
Shares of	Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	March 21, 2006	March 21, 2006	March 21, 2006	March 21, 2006
Vesting date	March 21, 2009	March 21, 2009	March 21, 2009	March 21, 2009
Fair value / Share price on grant date	£13.01	€ 19.03	£13.01	€ 19.03
Fair value / Share price on vesting date	£12.45	€ 13.94	£12.45	€ 13.94
Difference of grant date and settlement date fair value	-£ 0.56	-€ 5.09	-£ 0.56	-€ 5.09
Contractual life (years)	3	3	3	3
Vesting conditions	Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement	Cash	Cash	Cash	Cash

In view of recharge arrangements and payments in cash, the Group has treated these share-based plans as liability.

24. SHORT TERM BORROWINGS

Short term running finance - secured

The facilities for running finance available from various banks amount to Rs. 6.67 billion (2008: Rs. 5.99 billion). The rates of markup range between 12.52% to 16.00% per annum (2008: 13.90% to 16.26% per annum).

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

The facilities for opening letters of credit and guarantees as at December 31, 2009 amounted to Rs. 4.63 billion (2008: Rs. 2.37 billion), of which the amount remaining unutilised at the year end was Rs. 4.29 billion (2008: Rs. 1.34 billion).

25. PROVISIONS

	2009	2008
	(Rupees in thousand)	
Provision for cess less payments - note 26.1	211,415	108,341
Restructuring		
Balance as at January 1	485,218	371,027
Provision during the year		489,280
Reversal during the year	(25,719)	-
Utilised during the year	(450,234)	(375,089)
Balance as at December 31	9,265	485,218
	220,680	593,559

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Government of Sindh through Finance Act, 1994 levied fee for services rendered in respect of development and maintenance of infrastructure on the import and export of goods. However, the Group filed a constitutional petition against the levy of such fee in the High Court of Sindh and the Court granted stay for the payment of the fee. During the year 2001, the Government of Sindh introduced Cess in place of infrastructure fee with retrospective effect. As a result, Unilever's petition became infractuous and a fresh suit was filed by Unilever to challenge the levy. A stay against recovery of the aforesaid levy of Cess was also obtained from the Court. In 2003 the High Court decided the issue against the Group. Against this order an intra court appeal was filed with the High Court. The appeal was disposed of in August 2008, whereby the levy imposed and collected with effect from December 28, 2006 was declared valid and all imposition and collection before such date as invalid. The Court further ordered that all bank guarantees / securities furnished for transactions before December 28, 2006 stand discharged and are liable to be returned back and those furnished in respect of transactions after December 28, 2006 are liable to be encashed. The Group as well as the Government of Sindh have filed appeals in the Supreme Court against the said order. A provision amounting to Rs. 235.07 million concerning the levy with respect from December 28, 2006 has been recognised in the financial statements. Moreover, the Group has paid an amount of Rs. 23.65 million under protest against the said order.

As a matter of prudence, a total of Rs. 321.47 million as at December 31, 2009 (Rs. 321.47 million as at December 31, 2008) out of the revenue reserves has been earmarked as contingency reserve for the levy uptill December 2006.

26.1.2 During the year, the Taxation Officer (TO) passed amended assessment orders for tax years 2006 and 2007 enhancing income tax liability by Rs. 286 million and Rs. 78 million respectively, in respect of certain disallowances made by the tax officer while finalising the assessment order.

The Group has already filed an appeal before the Commissioner of Inland Revenue (Appeals) which is expected to be fixed shortly.

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

26.2 Commitments

26.2.1 Aggregate commitments for capital expenditure amounted to Rs. 36.66 million (2008: Rs. 126.23 million).

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

	2009	2008
	(Rupees in thousand)	
Not later than one year	42,360	93,330
Over one year to five years	147,485	107,102
	189,845	200,432

27. SALES

	2009	2008
Manufactured goods		
Gross sales	47,807,308	37,516,467
Sales tax	(7,219,672)	(5,578,696)
Excise duty	(1,238,271)	(922,191)
	39,349,365	31,015,580
Imported goods		
Gross sales	1,298,391	1,540,705
Sales tax	(23,596)	(59,374)
Excise duty	(417)	(9,668)
	1,274,378	1,471,663
Rebates and allowances	(2,436,161)	(1,530,404)
	38,187,582	30,956,839

28. COST OF SALES

	2009	2008
Raw and packing materials consumed	20,593,398	17,151,890
Manufacturing charges paid to third parties	686,529	535,630
Stores and spares consumed	141,308	108,634
Staff costs - note 28.1	1,077,303	949,290
Utilities	471,273	398,084
Repairs and maintenance	208,631	207,902
Rent, rates and taxes	56,242	35,686
Depreciation	412,764	340,681
Travelling and entertainment	49,835	62,850
Stationery and office expenses	35,776	43,599
Expenses on information technology	3,985	1,326
Other expenses	47,318	36,701
Charges by related party	3,096	2,081
Recovery of charges from related party	(2,095)	(2,889)
	23,785,363	19,871,465
Opening work in process	102,466	66,192
	23,887,829	19,937,657
Closing work in process	(72,736)	(102,466)
Cost of goods manufactured	23,815,093	19,835,191
Opening stock of finished goods including by product glycerine	1,414,059	929,087
Closing stock of finished goods including by product glycerine	(1,210,086)	(1,414,059)
	24,019,066	19,350,219
Imported goods		
Opening stock	73,170	71,557
Purchases	804,710	870,578
	877,880	942,135
Closing stock	(44,321)	(73,170)
	833,559	868,965
	24,852,625	20,219,184

	2009	2008
	(Rupees in thousand)	

28.1 Staff costs

Salaries and wages	1,019,000	908,167
Medical	17,184	21,145
Share based compensation		(74)
Pension costs - defined benefit plan	9,051	9,273
Gratuity costs - defined benefit plan	18,720	2,160
Pensioners' medical plan	3,801	2,648
Provident fund cost - defined contribution plan	3,915	5,971
Pension fund cost - defined contribution plan	5,632	-
	1,077,303	949,290

29. DISTRIBUTION COSTS

Staff costs - note 29.1	726,293	600,446
Advertisement and sales promotion	3,819,159	2,889,465
Outward freight and handling	986,614	800,384
Royalty and technical fee	1,292,108	1,096,243
Utilities	7,625	8,367
Repairs and maintenance	21,444	24,854
Rent, rates and taxes	127,575	132,675
Depreciation	47,098	63,275
Amortisation of computer software	2,727	2,727
Travelling and entertainment	70,048	97,648
Stationery and office expenses	63,555	49,783
Expenses on information technology	3,629	1,887
Legal, professional and consultancy charges	7,553	21,198
Other expenses	48,325	86,943
Charges by related party	54,600	34,563
Less: Recovery of charges from related party	(98,659)	(62,613)
	7,179,694	5,847,845

29.1 Staff costs

Salaries and wages	619,114	526,269
Medical	17	243
Share based compensation	20,400	13,209
Pension costs - defined benefit plan	1,808	12,204
Gratuity costs - defined benefit plan	19,026	17,544
Pensioners' medical plan	4,865	5,513
Provident fund cost - defined contribution plan	30,203	25,464
Pension fund cost - defined contribution plan	30,860	-
	726,293	600,446

	2009	2008
	(Rupees in thousand)	

30. ADMINISTRATIVE EXPENSES

Staff costs - note 30.1	349,609	330,370
Utilities	33,847	31,635
Repairs and maintenance	13,752	19,240
Rent, rates and taxes	159,322	103,945
Depreciation	37,005	49,715
Amortisation of computer software	2,143	2,143
Travelling and entertainment	30,859	51,884
Stationery and office expenses	56,729	61,575
Expenses on information technology	230,892	164,572
Legal, professional and consultancy charges	62,739	74,433
Auditors' remuneration - note 30.2	12,768	12,109
Provision for doubtful debts - others		10,000
Provision for doubtful debts - trade		3,247
Other expenses	57,401	99,812
Charges by related party	3,771	2,496
Recovery of charges from related party	(20,309)	(14,216)
	1,030,528	1,002,960

30.1 Staff costs

Salaries and wages	233,899	227,178
Medical	25,912	18,832
Share based compensation	8,826	19,523
Pension costs - defined benefit plan	4,179	15,532
Gratuity costs - defined benefit plan	43,974	22,329
Pensioners' medical plan	11,245	7,017
Provident fund cost - defined contribution plan	13,068	19,959
Pension fund cost - defined contribution plan	8,506	-
	349,609	330,370

30.2 Auditors' remuneration

Audit fee	3,750	3,140
Taxation services	5,500	4,119
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	3,068	4,500
Out of pocket expenses	450	350
	12,768	12,109

	2009	2008
	(Rupees in thousand)	

31. OTHER OPERATING EXPENSES

	2009	2008
Donations and Corporate Social Responsibility - note 31.1	30,215	30,498
Workers' Profits Participation Fund - note 14.1	242,514	157,078
Workers' Welfare Fund	92,155	59,690
Loss on disposal of property, plant and equipment	8,901	-
	373,785	247,266

31.1 Donations and corporate social responsibility

Donations include the following in whom a director is interested:

Name of Director(s)	Interest in Donee	Name and address of Donee	2009 (Rupees in thousand)	2008
1. Ehsan A. Malik	Board member	The Kidney Centre 172/R, Rafiqui Shaheed Road, Karachi	150	2,065
	Trustee	The Duke of Edinburgh Awards Pakistan	25	-
	Board member Pro-Chancellor	Lahore University of Management Sciences, DHA, Lahore	2,161	2,599
	Corporate Member President-Emeritus	World Wide Fund for Nature, Ferozepur Road, Lahore	150	-

	2009	2008
	(Rupees in thousand)	

32. OTHER OPERATING INCOME

	2009	2008
Income from financial assets		
Dividend income	12	12
Return on savings accounts and term deposits - note 32.1	16,126	14,226
Return on investment - held to maturity - note 16	2,192	-
Income from non-financial assets		
Scrap sales	22,422	27,312
Profit on disposal of property, plant and equipment		29,805
Sundries	66,614	36,892
Others		
Service fee from related parties - note 32.2	37,420	40,251
Provision for doubtful trade debts written back	2,036	-
Provision no longer required written back	25,719	-
Liabilities no longer payable written back	37,097	104,581
	209,638	253,079

32.1 Mark-up on savings accounts and term deposits was earned at the rates ranging from 1% to 17% per annum (2008: 1% to 13.8%)

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

33. FINANCE COST

	2009	2008
	(Rupees in thousand)	
Mark-up on short term borrowings	229,009	138,705
Bank charges	29,195	36,780
Exchange loss	155,444	258,203
Finance charge on finance leases	13,474	12,814
Others	587	193
	427,709	446,695
Interest on loan from related party		
Interest on short term loan		19,471
	427,709	466,166

	2009	2008
	(Rupees in thousand)	

34. TAXATION

	2009	2008
Current - for the year		
Pakistan	1,176,077	863,347
Azad Kashmir	23,361	20,865
	1,199,438	884,212
Deferred tax charge	266,477	60,609
	1,465,915	944,821

34.1 Relationship between tax expense and accounting profit

	2009	2008
Accounting profit before tax	4,532,879	2,937,217
Tax at the applicable tax rate of 35%	1,586,508	1,028,026
Tax effect of permanent differences	(648)	5,083
Tax effect of final tax	(119,945)	(88,288)
Tax expense for the year	1,465,915	944,821

35. EARNINGS PER SHARE

	2009	2008
Profit after tax	3,066,964	1,992,396
Preference dividend on cumulative preference shares	(239)	(239)
Profit after taxation attributable to ordinary shareholders	3,066,725	1,992,157
Weighted average number of shares in issue during the year (in thousands)	13,294	13,294
Earnings per share (Rupees)	231	150

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

36. CASH AND CASH EQUIVALENTS

	2009	2008
	(Rupees in thousand)	
Cash and bank balances	278,644	230,009
Short term borrowings - running finance under markup arrangements	(1,037,911)	(3,232,523)
	(759,267)	(3,002,514)

37. SEGMENT INFORMATION

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

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

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

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

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

37.1 Segment analysis

The segment information for the reportable segments for the year ended December 31, 2009 is as follows:

	Home and Personal Care	Beverages	Ice Cream	Other	Total
	(Rupees in thousand)				
Year ended December 31, 2009					
Revenue	21,390,814	11,694,926	4,162,718	939,124	38,187,582
Segment results	4,060,076	659,183	276,632	128,844	5,124,735
Year ended December 31, 2008					
Revenue	16,808,870	9,591,663	3,824,605	731,701	30,956,839
Segment results	2,955,270	658,925	(13,263)	(38,006)	3,562,926

Reconciliation of segment results with profit from operations:

	2009	2008
	(Rupees in thousand)	
Total results for reportable segments	5,124,735	3,562,926
Restructuring costs		(165,223)
Other operating expenses	(373,785)	(247,266)
Other operating income	209,638	253,079
Finance cost	(427,709)	(466,166)
Profit from operations	4,532,879	2,937,350

Information on assets and liabilities by segment is as follows:

	Home and Personal Care	Beverages	Ice Cream	Other	Total
	(Rupees in thousand)				
As at December 31, 2009					
Segment assets	3,840,917	2,136,525	3,017,197	127,856	9,122,495
Segment liabilities	2,022,647	835,801	509,326	187,576	3,555,350
As at December 31, 2008					
Segment assets	3,448,520	1,779,154	3,469,902	66,356	8,763,932
Segment liabilities	1,741,309	735,218	392,298	131,176	3,000,001

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

	As at December 31, 2009		As at December 31, 2008	
	Assets	Liabilities	Assets	Liabilities
	(Rupees in thousand)			
Total for reportable segments	9,122,495	3,555,350	8,763,932	3,000,001
Unallocated assets / liabilities	2,349,597	4,572,071	2,654,507	6,159,705
Total as per balance sheet	11,472,092	8,127,421	11,418,439	9,159,706

Other segment information is as follows:

	Home and Personal Care	Beverages	Ice Cream	Other	Total
Year ended December 31, 2009	(Rupees in thousand)				
Staff costs	1,083,836	666,237	371,821	31,311	2,153,205
Advertisement and sale promotion	2,629,760	555,718	487,894	145,787	3,819,159
Outward freight and handling	601,881	135,873	228,834	20,026	986,614
Royalty and technical fee	762,449	341,685	156,717	31,257	1,292,108
Depreciation	163,691	44,064	279,932	9,180	496,867
Year ended December 31, 2008					
Staff costs	839,292	594,659	413,557	32,598	1,880,106
Advertisement and sale promotion	1,867,571	455,322	409,625	156,947	2,889,465
Outward freight and handling	422,556	147,837	209,391	20,600	800,384
Royalty and technical fee	604,739	318,841	149,980	22,683	1,096,243
Depreciation	128,107	48,657	270,969	5,938	453,671

37.2 Sales to domestic customers in Pakistan are 97.40% (2008: 96.82%) and to customers outside Pakistan are 2.60% (2008: 3.18%) of the revenue during the year.

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

38. RELATED PARTY TRANSACTIONS

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

	Relationship with the Group	Nature of transactions	2009	2008
			(Rupees in thousand)	
i.	Ultimate parent company	Royalty and technical fee	**1,292,108**	1,010,709
ii.	Associated companies	Purchase of goods	**8,326,205**	7,071,870
		Sale of goods	**610**	252
		Fee for receiving of services from related party	**1,041**	670
		Reimbursement of expenses to related parties	**61,467**	39,140
		Recovery of expense from related party	**121,063**	79,718
		Fee for providing of services to related parties	**37,420**	40,251
		Purchase of operating assets	**31,329**	-
		Sale of operating assets		7,674
		Short term loan received		1,023,000
		Short term loan repaid		1,062,600
		Interest on short term loan		19,471
iii.	Key management personnel	Salaries and other short-term employee benefits	**91,734**	75,515
		Post-employment benefits	**7,690**	6,787
		Consideration received for vehicle sold	**37**	773
iv.	Others	Donations	**2,486**	6,565
		Corporate social responsibility		1,174

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

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

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

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in notes 13.1and 23.3.

39. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Directors		Chief Executive		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)					
Managerial remuneration and allowances	24,757	23,230	13,550	12,428	362,612	337,683
Share based compensation	8,857	10,122	7,958	10,550	12,411	11,987
Retirement benefits *	3,874	3,147	1,942	1,773	64,801	57,860
Rent and utilities	3,544	3,857	1,535	1,423	118,511	108,960
Medical expenses	311	462	115	234	7,548	7,099
Other expenses		-	2,106	1,422	6,122	2,448
	41,343	40,818	27,206	27,830	572,005	526,037
Number of persons	5	4	1	1	325	300

In addition to this, a lump sum amount of Rs. 246.14 million (2008: Rs. 157.06 million) on account of variable pay has been accounted for in the 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 Directors	11,652	4,903
Chief Executive	6,433	4,117
Executives	93,135	80,210
Other employees	45,797	24,706
	157,017	113,936

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

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

Aggregate amount charged in these financial statements for the year for fee to 2 non-executive directors was Rs. 300 thousand (2008: 5 non-executive directors Rs. 165 thousand).

40. CAPACITY

	Annual Capacity 2009	Annual Capacity 2008	Actual Production 2009	Actual Production 2008
	Metric Tons			
Own manufacture				
Home and Personal Care	58,883	57,741	46,299	42,175
Beverages	58,587	50,000	34,240	36,687
	Million Litres			
Ice Cream	77	77	37	39

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

41.1 Financial risk factors

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

41.2 Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances to employees	-	-	-	48,998	98,117	147,115	147,115
Accrued interest / mark up	-	-	-	97	-	97	97
Deposits	-	-	-	16,192	1,702	17,894	17,894
Trade debts	-	-	-	506,357	-	506,357	506,357
Other receivables	-	-	-	73,183	-	73,183	73,183
Cash and bank balances	39,535	-	39,535	239,109	-	239,109	278,644
Investment - held to maturity	102,189	-	102,189	-	-	-	102,189
Long term investments at cost	-	-	-	-	200	200	200
December 31, 2009	141,724		141,724	883,936	100,019	983,955	1,125,679
December 31, 2008	123,220	-	123,220	690,042	125,225	815,267	938,487
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	5,220,245	-	5,220,245	5,220,245
Accrued interest / mark up	-	-	-	28,892	-	28,892	28,892
Liabilities against assets subject to finance leases	28,419	56,762	85,181	-	-	-	85,181
Short term borrowings	1,037,911	-	1,037,911	-	-	-	1,037,911
December 31, 2009	1,066,330	56,762	1,123,092	5,249,137		5,249,137	6,372,229
December 31, 2008	3,264,845	77,327	3,342,172	4,250,878	-	4,250,878	7,593,050
ON BALANCE SHEET GAP							
December 31, 2009	(924,606)	(56,762)	(981,368)	(4,365,201)	100,019	(4,265,182)	(5,246,550)
December 31, 2008	(3,141,625)	(77,327)	(3,218,952)	(3,560,836)	125,225	(3,435,611)	(6,654,563)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantees							334,600
December 31, 2008							1,029,967

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

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 1.13 billion the financial assets that are subject to credit risk amounted to Rs. 506.36 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. 42.87 million were past due but not impaired. The carrying amount of trade debts relates to a number of independent customers for whom there is no recent history of default.

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

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

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

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

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

(ii) Liquidity risk

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

(iii) Market risk

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at December 31, 2009, financial assets of Rs. 13.32 million (2008: Rs. 75.41 million) and financial liabilities of Rs. 1.20 billion (2008: Rs. 1.10 billion) were in foreign currency which were exposed to foreign currency risk.

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. 3.46 million (2008: Rs. 7.11 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

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. 119.72 million (2008: Rs. 90.49 million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

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

b) Interest rate risk

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

At December 31, 2009, the Group had variable interest bearing financial liabilities of Rs. 1.12 billion (2008: Rs. 3.34 billion), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately Rs. 22.46 million (2008: Rs. 66.84 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

42. CAPITAL RISK MANAGEMENT

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

During 2009 the Group's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2009 and 2008 were as follows:

	2009	2008
	(Rupees in thousand)	
Total borrowings	1,123,092	3,342,172
Cash and bank	(278,644)	(230,009)
Net debt	844,448	3,112,163
Total equity	3,331,706	2,245,120
Total equity and debt	4,176,154	5,357,283
Gearing ratio	20%	58%

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

43. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

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

	Cost	Accumulated Depreciation / Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant and Machinery	1,514	411	1,103	112	Open bidding	Mahboob Brothers, S87/11 bank Colony, Samanabad, Lahore.
Electrical, mechanical and office equipment	845	523	322	8	Open bidding	Mr. Sufi Shah Mohammad, Opposite Brooke Bond Tea Factory, Khanewal
	182	109	73	37	Company policy	Mr. Jamal Mustafa Siddique - Ex-executive
	1,027	632	395	45		
Furniture and Fittings	136	25	111	112	Company policy	Mr. Viranga - Ex-executive
Motor Vehicles						
	849	530	319	372	Company policy	Mr. Abid Sultan - Ex-executive
	1,350	505	845	929	"	Ms. Asiya Zaidi - Executive
	1,809	224	1,585	1,698	"	Ms. Ayesha Janjua - Executive
	1,376	859	517	603	"	Ms. Farheen - Executive
	1,043	847	196	534	"	Mr. Farooq Kalim - Ex-executive
	1,288	1,045	243	354	"	Mr. Khuram Khan - Ex-executive
	1,279	1,040	239	384	"	Ms. Khursheed Kotwal - Ex-executive
	1,147	1,002	145	315	"	Mr. Masood Khalid - Ex-executive
	847	264	583	744	"	Mr. Muhammad Furrukh - Ex-executive
	1,198	674	524	339	"	Mr. Nosherwan - Executive
	1,102	206	896	965	"	Mr. Omer bin Younus - Executive
	939	645	294	344	"	Mr. Qanit Khalil - Ex-executive
	2,461	1,384	1,077	1,231	"	Mr. Saeed Mustafa - Executive
	981	367	614	675	"	Mr. Sajid Manzor - Executive
	911	341	570	627	"	Mr. Tahir Anis - Ex-executive
	2,278	951	1,327	2,238	Insurance claim	New Jubilee Insurance Company Ltd. NJI House, I.I. Chundrigar Road Karachi
	20,858	10,884	9,974	12,352		
Leasehold land	187	6	181	17,140	Open bidding	Mr. Haroon Rashid s/o Mr. Hafiz Abdul Rashid, resident of B-145, Block A, KDA, Officers Housing Society, Karachi.
Assets having book value less than Rs. 50,000 each						
Electrical, mechanical and office equipment	5,636	5,534	102	195		
Motor Vehicles	72,827	72,778	49	24,852		
Furniture and Fittings	1,029	830	199	254		
Plant and Machinery	54,012	45,610	8,402	7,093		
Assets written off						
Plant and Machinery - freezer cabinets	88,861	38,321	50,540	-		
Electrical, mechanical and office equipment	779	779	-	-		
	246,866	175,810	71,056	62,155		

44. MONOPOLY CONTROL AUTHORITY ORDER

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

45. CORRESPONDING FIGURES

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

Reclassification from component	Reclassification to component	Rupees in thousand
Stock in trade	Stores	9,856
Administrative expenses	Cost of sales	
- staff costs	- staff costs	153,308
- utilities	- utilities	651
- repairs and maintenance	- repairs and maintenance	4,649
- travelling and entertainment	- travelling and entertainment	17,245
- stationery and office expenses	- stationery and office expenses	6,198
- legal, professional and other consultancy charges	- other expenses	10,857
- other expenses	-do-	5,117

46. PROPOSED AND DECLARED DIVIDENDS

On 5% cumulative preference shares

At the Board meeting held on March 2, 2010 dividend in respect of 2009 of Rs. 239 thousand has been declared (2008: Rs. 239 thousand).

On ordinary shares

At the Board meeting held on March 2, 2010 a final dividend in respect of 2009 of Rs. 137 per share amounting to a total dividend of Rs. 1.82 billion is proposed (2008: Rs. 57 per share amounting to a total dividend of Rs. 757.75 million).

The interim dividend declared and already paid in respect of 2009 was Rs. 92 per share amounting to a total dividend of Rs. 1.22 billion (2008: Rs. 66 per share amounting to a total dividend of Rs. 877.40 million).

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

47. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 2, 2010 by the Board of Directors of the Group.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Form of Proxy

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

I/ We ________________________________son/ daughter/ wife of ______________________, shareholder of Unilever Pakistan Limited, holding ______ordinary / preference shares hereby appoint ___________________who is my _____________ [state relationship (if any) with the proxy; required by Government regulations] and the son / daughter/ wife of _________________________, (holding _________ ordinary / preference shares in the Company under Folio No. _______) [required by Government; delete if proxy is not the Company's shareholders] as my / our proxy, to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on
19 April, 2010 and / or any adjournment thereof.

Signed this _________ day of ________ 2010.

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

Witnesses:

1.________________

2.________________

Sign across Rs 5/-
Revenue Stamp

Signature of Member(s)

Shareholders Folio No.______________

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

and Sub- Account No. ______________

Note:

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) to write down his Folio Number.

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

3. CDC Shareholders or their proxies should bring their original computerised National Identity Card or 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

Unilever Pakistan Limited

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