





Front cover:

Child of an employee sharing moments of joy at the Wall's ice cream parlour at 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.unileverpakistan.com.pk

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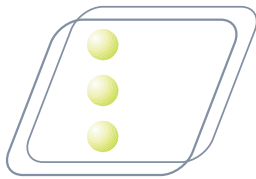


VISION

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.

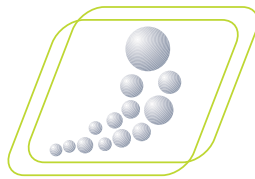


core values



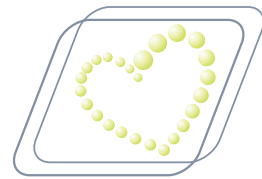
Impeccable Integrity

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



Demonstrating a Passion for Winning

We deliver what we promise.



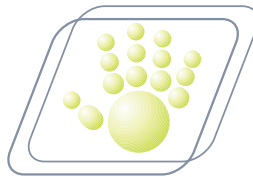
Wowing our Consumers & Customers

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



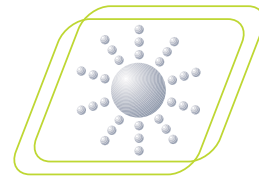
Bringing out the Best in All of Us

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 & Chief Executive

Mr. Imran Husain
Executive Director / CFO

Mr. M. Qaysar Alam
Executive Director

Ms. Shazia Syed
Executive Director

Mr. Amir R. Paracha
Executive Director

Mr. Zaffar A. Khan
Non - Executive Director

Mr. Khalid Rafi
Non - Executive Director

COMPANY SECRETARY

Mr. Amar Naseer

AUDIT COMMITTEE

Mr. Zaffar A. Khan
Chairman

Mr. Khalid Rafi
Member

Mr. M. Qaysar Alam
Member

Mr. Imtiaz Jaleel
Head of Internal Audit & Secretary

AUDITORS

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

REGISTERED OFFICE

Avari Plaza
Fatima Jinnah Road
Karachi - 75530

SHARE REGISTRATION OFFICE

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

WEBSITE ADDRESS

www.unileverpakistan.com.pk

Notice of Annual General Meeting

Notice is hereby given that the 61st Annual General Meeting of Unilever Pakistan Limited will be held at Hotel Sheraton, Club Road, Karachi, on Monday, April 19, 2010, at 10:30 a.m. to transact the following business:

A. Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended December 31, 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 274% (or Rs.137.00 per share) on the Ordinary Shares. Together with the interim dividend of 184% (or Rs.92.00 per share) already paid, the total dividend for 2009 will thus amount to 458% (or Rs.229.00 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 19, 2010

Amar Naseer
Company Secretary





Notice of Annual General Meeting

Notes:

1. Share Transfer Books will be closed from April 13, 2010 to April 19, 2010 (both days inclusive).
2. All Members (whether holding Preference or Ordinary Shares) are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.
3. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (1st Floor, Avari Plaza, Fatima Jinnah Road, Karachi) at least 48 hours before the time of the meeting.
4. Any change of address of Members should be immediately notified to the Company's Share Registrars, Famco Associates (Private) Limited, State Life Building 1-A (1st Floor), I. I. Chundrigar Road, Karachi.

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

- A. For Attending the Meeting:
 - i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

Notice of Annual General Meeting

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

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

Statement in respect of Special Business and related Draft Resolution

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

Item 4 of the Agenda - Remuneration of Executive Directors including Chief Executive.

For the year 2009: Rs. 41.3 million to Executive Directors, and Rs. 27.2 million to Chief Executive.



Notice of Annual General Meeting

Estimated for the year 2010: Rs. 62.6 million for Executive Directors, and Rs. 44.5 million for Chief Executive, as under:

	Chief Executive	Executive Directors
	(Rs in million)	
Managerial Remuneration & Allowances	26.2	43.3
Retirement Benefits	2.3	4.1
Rent & Allowances	0.9	-
Medical	0.2	0.4
Other Expenses	2.8	3.2
	<u>32.4</u>	<u>51.0</u>
Parent Co.'s Share Based Remuneration *	12.1	11.6
	<u>44.5</u>	<u>62.6</u>

* Estimated Charge for performance based remuneration in the shape of Parent Company's shares to the executives of the Company.

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

Estimated for January 2011 to March 2011: Rs.12.9 million for Executive Directors and Rs.13.0 million for Chief Executive.

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

Notice of Annual General Meeting

“RESOLVED THAT approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Directors including the Chairman / Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service agreements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs.68.5 million approximately, actual for the year January-December 2009; Rs.107.1 million approximately estimated for January to December 2010 which includes variable pay for the year 2009 and Rs. 25.9 million approximately estimated for January to March 2011.”



Directors'

Report

Unilever Pakistan Limited

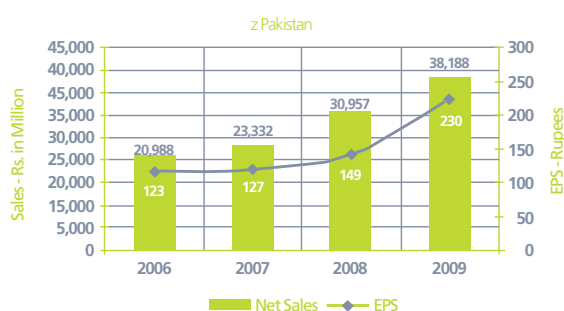




Directors' Report

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

In addition to the generally difficult operating environment that impacted all businesses in 2009, rampant smuggling of tea affected the growth and profitability of our business. Despite this the Company delivered 54% higher profit after tax on the back of strong and competitive 23.4% growth in sales. Sharper focus on enhancing consumer value in inflationary times, more impactful advertising and innovation, deeper and wider reach through improved customer connectivity and a continuing quest to find new ways of doing business have resulted in near doubling of turnover and profit over the last three years. This demonstrates the resilience of our Company's portfolio, the power of its brands, the effectiveness of its distribution, the validity of locally manufacturing over 95% of what we sell, and last but not the least, the quality of its people.



Pakistan faced multiple challenges during 2009. Low GDP growth, double digit inflation, deteriorating security environment, continuing devaluation of the Rupee and debilitating power cuts impacted business in general. Our Tea business which represents 30.6% of

turnover suffered due to rampant misuse of the Afghanistan Transit Treaty. Smuggled tea now represents nearly half the 170,000 tons of tea consumed in Pakistan. Less than 100,000 tons are imported by legitimate operators. The annual loss of import duty and GST to Government of Pakistan is estimated at Rs. 7 billion. Our Company has been lobbying for change in tariffs to reduce the incentive to smuggle. This will also result in lower consumer price of what is the common man's beverage. Failing change in tariffs, it is proposed that quantitative and qualitative limits be placed on tea imported under Afghan transit treaty in line with that country's population and consumption habit. Afghans drink green tea, yet the vast majority of what is imported ostensibly for Afghanistan is black tea, the type consumed in (and smuggled into) Pakistan.

Home & Personal Care continues to grow profitably and competitively. 27% growth in HPC was broad-based with each of the principal categories - laundry, hair care and skin recording impressive growth. New launches, product innovations and market activations continue to be the drivers behind growth. The Company is continuously exploring new avenues to make offerings more affordable for the common man. Despite nearly half the national consumption now reliant on smuggled tea, our Beverages business registered a turnover growth of 21.9% on the back of higher prices but lower volume. Sharply higher raw tea costs also resulted in reduced margins. Ice Cream turnover grew by 8.9% despite power cuts and an unfavourable economic and security environment, the latter impacting sales of impulse products.

Our brand portfolio stretches across the socio-economic pyramid and our aim is to improve the quality of life of all sections of society. Our price positioning enables us to cushion against consumer down trading. This together with a deep distribution reach and sustained brand investment enabled us to grow in these difficult times.

Overall operating profit increased by 45.8%, whereas profit after tax and earnings per share rose sharply by 54%. Higher volumes and a favourable change in mix resulted in a Gross Margin improvement of 23 basis points. Operational efficiencies improved the Operating Margin by a significant 200 bps.

Summary of Financial Performance

	2009 (Rs. Million)	2008 (Rs. Million)
Sales	38,188	30,957
Gross Profit	13,335	10,738
Gross Profit as a % of sales	34.92	34.69
Profit from Operations	4,943	3,391
Profit from Operations % sales	12.94	10.95
Profit before tax	4,516	2,925
Profit after tax	3,056	1,984
EPS (Rs)	230	149

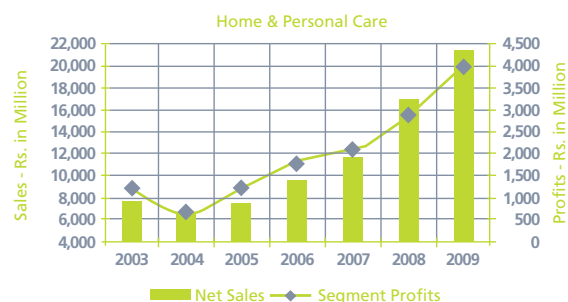
Dividend

The Board of Directors has recommended final cash dividend of Rs 137 per share. With the interim dividend of Rs 92 per share already paid during the year, the total dividend for the year 2009 amounts to Rs 229 (2008: Rs 123) per ordinary share of Rs 50 each. Total profit distributed by way of dividend amounts to 99.6% (2008 82.4%).

The key business milestones were:

Home and Personal Care

The Home and Personal Care business grew by 27% on account of robust performance in the key categories. In three years this business has more than doubled in size. In 2009, the business saw overall reduction in material cost, benefit of which was shared with consumers. As a result, gross margin improved from last year. With improved advertising effectiveness, the business selectively invested behind innovations and on-ground activations. Optimal advertising and lower operating costs led to operating profit growth of 37.4%.



Key brand highlights were:

Surf Excel grew impressively. Two campaigns - the emotionally linked "Dirt is Good" and the efficacy-led "Khara Paani Meetha Paani" improved the brand equity, setting it apart from any brand in the market.

Sunsilk also grew on the back of affordable packs. Marketing campaigns on Conditioners and new variants were also key sources of growth.

Lifebuoy shampoo's success was a result of consumer down-trading in the current inflationary environment, coupled with a new "Hair Fall" variant.

Lux remained under pressure due to consumer down-trading. However, a mega price-off consumer promotion followed by price reduction helped in arresting declining sales.

Lifebuoy successfully transformed into a new range, endorsing the patriotic message of "Healthy Hoga Pakistan". Other parallel campaigns were Global Hand Washing Day and Swine Flu. Lifebuoy also benefited from consumer down-trading in the current inflationary environment.

Fair & Lovely delivered its 6th year of double digit turnover growth with strong communication on its low unit priced sachets as well as thematic interpretation of "women's empowerment".

Ponds transformed its imagery with "Anti-Aging" cream launch, which has been very well-received by consumers.

Sales growth was 21.9% which was mainly price led. Free availability of smuggled tea through Afghan Trade remained a point of concern for all local branded players. Gross Margins were under pressure during the year as tea prices hit record high due to drought in Kenya and currency devaluation.

Lipton with a blend of best teas from various tea gardens around the world brings vitality, quality and natural goodness into our life. Lipton Yellow Label, our flagship brand is synonymous with consistently good taste and healthy goodness. This was strengthened through the "Theanine" campaign. The brand continues to lead the tea based beverage market. The riddles consumer activation and aggressive sampling of tea bags were growth drivers.

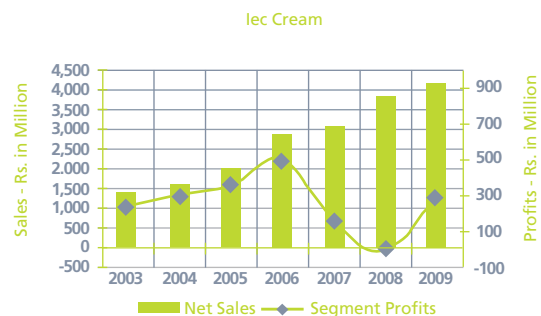
Brooke Bond Supreme Pakistan's largest tea brand faced stiff competition from mushroom brands due to unchecked smuggling of Kenyan tea into the market. Supreme continued to deliver its promise of family togetherness through its "Chaskey Zindagi Ke" campaign. Supreme also ventured into fast growing Rs. 10 sachet segment in the fourth quarter.

Pearl Dust after experiencing a tough 1st half, recovered in the 2nd through the launch of its "Teen Jo Kamal" campaign. The brand created big news about its superior dust blend.

Beverages



Ice Cream



Wall's continued its journey towards habit building and making ice cream and frozen dessert consumption an inherent part of occasions and celebrations. Despite severe electricity crisis in the summer season, Wall's delivered a growth of 8.9% in 2009. This was achieved by correcting the price value equation across the portfolio and building consumer pull through exciting innovations like Purrata (Paddle Pop), Moo Cone, 2 in1 and Ramadan Tubs. Fuel generated through margin improvement was partially ploughed back into business in the form of advertising & promotion. Profitability has been restored in the Ice Cream business.

Spreads

Spreads category grew by 28.4% driven by a healthy volume growth.

Blue Band Margarine embarked upon increasing its base by driving penetration outside Karachi. This was done by focusing on the Rs. 10 pack economic offering, increasing availability by inducting visi-coolers and by creating outstanding outdoor visibility. Further, the overall Brand Communication on "Growth Meter" helped established the child growth message and gained market share.

Our People

Unilever takes pride in its people. The performance of the business in such difficult times demonstrates the calibre, resilience and commitment of our people to grow. There is a focused approach to talent management and developing leadership skills.

Our personal vitality health passport initiative has consistently been delivering results in terms of employee well-being. Initiatives like the gym facility and healthy eating options through a vitality menu at our cafeteria, have all along been key contributors in strengthening wellness of our people. Further, we continue to place emphasis on work life balance. Together with the Day Care Centre-a facility fully utilised by working mothers as

well as managers whose wives are also working, flexi working hours introduced in 2009 and sports activities have helped in generating positive energy in the business which acts as an important catalyst for growth.

We believe that continuous and consistent communication is vital for engaging our people. Two Global Unilever Pulse surveys - one conducted in April and the other in November, together with two in-house pulse surveys helped in engaging people. Further in the Unilever Global People Survey of November, in 9 of the 13 dimensions on which feedback was sought, Pakistan scored higher than Unilever's Asia Africa Central Eastern Europe (AAC) region to which we belong. High levels of positive scores were registered in the areas of pride, satisfaction and passion for working for Unilever. The Chairman's quarterly web cast remains an important platform to engage employees, share business initiatives, performance and to reiterate our vision. This is re-enforced each Monday in the Values meetings.

Unilever Standards of Leadership (SOL), a set of behaviours that are deemed vital in developing good leaders are well embedded. We have taken personal development to another level of excellence, through coaching, mentoring and the appraisal system we call 'Performance Development Planning'.

We continue to leverage our parent company's wealth of knowledge to develop talent in leading edge marketing, sales, supply chain, finance and human resource management. Unilever globally has transitioned training from classroom to virtual. E-Learning provides latest international training modules on-line. This has also helped to reduce travel costs. We have kept talent retention as a top priority and with less than 1% regretted loss rate, our efforts will be focused on sustaining it in 2010.

Community Involvement

Unilever Pakistan is part of the multinational Unilever which operates in 100 countries with strong local roots in each. We contribute to





environmental and social agendas 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 everyday need. We also strive to uplift communities in which our consumers reside. Unilever believes that the highest standards of corporate behaviour are essential to success. Doing well by doing good is a constant theme that underlines our actions.

During 2009, our main initiatives included;

i. Corporate Philanthropy: Rs. 25.96 million

- a. Making quality primary education available to the lesser privileged - working with
 - The Citizens Foundation (TCF) in its school programme
 - Supporting government schools through Public Private Partnerships
- b. Economic empowerment through education - Partnerships with Lahore University of Management Sciences (LUMS), Ghulam Ishaq Khan Institute of Technology and the Beaconhouse National University.
- c. Supporting health care organizations such as Layton Rahmatullah Benevolent Trust (LRBT), The Aga Khan University and Hospital, The Kidney Centre Postgraduate Training Institute and Marie-Adelaide Leprosy Centre.

ii. Energy Conservation:

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

- a. Engineering improvements in manufacturing.
- b. Reducing road mileage in logistics through cross-docking and route rationalization.
- c. Balancing air conditioning load and use of eco-efficient lighting at the offices.

These initiatives have resulted in the reduction of energy consumption by 3.5 million kWh, generating savings worth of Rs. 32 million.

iii. Environmental Protection Measures:

Unilever constantly innovates in products and processes to reduce the environmental impact. Examples are environmentally friendly raw materials and packaging and eco-efficient technologies. Unilever Pakistan invested Rs. 33 million in expanding its effluent treatment plant at the Ice cream factory. At the same time, the Company spent Rs. 3.5 million in solid waste recycling. The company also extended its initiative to employees who are actively involved with tree plantation within the factory sites.

iv. Community Investment and Welfare Schemes: Rs.22.99 million

- a) Unilever contributes to multiple community projects through the Unilever Annual Grant Scheme. Four projects in health and education were selected for funding under this grant scheme.
- b) Lifebuoy partnered with USAID in the Safe Drinking Water project. The brand also worked with Pakistan Poverty Alleviation Fund in raising awareness of hygiene. It is a sponsor of the Friendship Hospital which operates mobile clinics in NWFP and has been assisting IDPs.
- c) The brand Surf through the "Every Child Has the Right Campaign" partnered with Idara-e-Taleem-O-Aaghai for training teachers in the Early Childhood curriculum. It also set up play areas in

public parks and organised a national art competition for children to encourage experiential learning.

d) For the third year, Blue Band worked with the UN World Food Programme in the rural school feeding initiative. Our employees are also voluntarily donating through a payroll deduction system for the WFP hunger campaign.

v. Consumer Protection Measures:

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

vi. Employment of Special Persons:

The Company believes in equal opportunity hiring. Unilever has built ramps in the head office this year to facilitate a new employee who uses a wheel chair.

vii. Occupational Safety and Health:

Occupational safety & health continues to be among the company's top priorities. Unilever Pakistan's management has been persistent in pursuing the journey of achieving excellence in Safety, Health & Environment (SHE) in 2009 taking cognizance of the adverse external factors in Pakistan. The management continues to review and provide policy guidelines to all business units.

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

In 2009, the Company invested more than Rs. 50 million in infrastructure, equipment and skill development with the aim of making business operations significantly safer.

In line with Unilever's mission to Add Vitality to Life, it places SHE at the heart of its business

agenda. Unilever has taken strides to engage other companies and its business partners through external SHE networks. Internally it initiated the 'Safety Week' and the 'Wellness Week' to raise awareness of key issues.

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

viii. Business Ethics and Anti-Corruption Measures:

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

ix. National Cause Donations: Rs. 7 million

Unilever has supported the Internally Displaced Persons in 2009 through monetary and product donations channelled through partners such as Oxfam. The employees also extended their support through personal donations which were matched by the company. Additionally our brand Lifebuoy ran messages in media requesting the public to contribute to this worthwhile cause by donating to organisations of their choice.

x. Contribution to National Exchequer: Rs. 10,952 million

The Company contributed 64.69% (2008 62.83%) of its value added to the national exchequer by way of import duties, general sales tax, income tax and other government levies.



Employee Involvement

Community and environment support at Unilever Pakistan is extended beyond Company initiatives to its "people". Our employees work with various organizations giving monetary as well as skill support: The Citizens' Foundation, Acumen, WWF Pakistan, The Kidney Centre, Layton Rahmatullah Benevolent Trust, World Food Programme, Pleasures and Sehat First.

Recognition Awards

Surf, Unilever Pakistan's leading laundry brand won the Unilever 'Dirt Is Good Challenge 2009' award for its 'Every Child Has the Right' campaign launched under the "Dirt is Good" platform. We are proud that our campaign in Pakistan was rated the best amongst several leading ones in Unilever's global operations.

Investment in Retirement Benefits

The cost of investments made by the staff retirement funds operated by the Company as per their financial statements at December 31, 2009 are as follows:

	Rs million
The Union Pakistan Provident Fund	806
DC Pension Fund	241
Unilever Pension Plan	1,473
Unilever Gratuity Plan	41
Unilever Non Management Staff Gratuity Fund	10
Total	2,571
Total – 2008	2,577

Code of Corporate Governance

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

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the listed Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as stated in note 2.1.3 of the financial statement 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 two 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.
- Casual vacancy due to resignation of one executive director was filled by the Board of Directors within 30 days.
- Amir R. Paracha appointed on 21.01.10 to replace Noeman Shirazi

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

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

Subsidiary Companies and Consolidated Financial Statements

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

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

Holding Company

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

Auditors

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



Reserve appropriations

	RESERVES (Rs in thousands)				TOTAL
	CAPITAL		REVENUE		
	Arising under schemes of arrangements for amalgamations	Contingency	Others	Unappropriated profit	
Balance as at December 31, 2008	70,929	321,471	-	1,153,881	1,546,281
Net profit for the year	-	-	-	3,055,740	3,055,740
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the year	-	-	-	648	648
Dividends					
For the year ended December 31, 2008					
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)
- Final dividend on ordinary shares @ Rs 57 per share	-	-	-	(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)
Balance as at December 31, 2009	<u>70,929</u>	<u>321,471</u>	<u>-</u>	<u>2,229,243</u>	<u>2,621,643</u>

Business Risks and Future Outlook

After some respite, there is a growing fear that with the surge in price of oil, sugar, tea and other food items, inflation will increase. Continuing rupee devaluation, down trading of consumers due to lower disposable income and increase in acts of terrorism will put pressure on business performance.

Smuggling of black tea through Afghan transit trade is an ongoing threat to the tea category. Counterfeiting of our popular brands continues to impact results generally.

With no reprieve in the ongoing electricity crisis, the ice cream and spreads businesses are likely to come under pressure.

On behalf of the Board

Ehsan A. Malik
Chairman & Chief Executive

Karachi
March 2, 2010

Board Meetings Attendance

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

Directors	No. of Meetings attended
Mr. Ehsan A. Malik	6
Mr. Imran Husain	6
Mr. Zaffar A. Khan	6
Mr. M. Qaysar Alam	5
Mr. Khalid Rafi	5
Ms. Shazia Syed	4
Mr. Noeman Shirazi	3



Operating and Financial Highlights

	Unit	2009	2008	2007	2006	2005	2004
FINANCIAL POSITION							
Balance sheet							
Property, plant and equipment	Rs in M	4,737	4,428	3,531	2,137	1,761	1,524
Other non-current assets	Rs in M	777	969	479	607	609	615
Current assets	Rs in M	5,912	5,989	4,075	3,686	3,437	3,753
Total assets	Rs in M	11,426	11,386	8,084	6,430	5,807	5,892
Ordinary share capital	Rs in M	664	664	664	664	664	664
Preference share capital	Rs in M	5	5	5	5	5	5
Reserves	Rs in M	2,622	1,547	1,311	1,161	1,178	1,437
Total equity	Rs in M	3,291	2,216	1,980	1,830	1,847	2,106
Surplus on revaluation of fixed assets	Rs in M	13	13	14	15	16	16
Non-current liabilities	Rs in M	1,020	687	502	348	369	90
Current liabilities	Rs in M	7,102	8,470	5,588	4,237	3,575	3,680
Total liabilities	Rs in M	8,122	9,157	6,090	4,585	3,944	3,770
Total equity and liabilities	Rs in M	11,426	11,386	8,084	6,430	5,807	5,892
Net current (liabilities) / assets	Rs in M	(1,190)	(2,481)	(1,513)	(551)	(138)	73
OPERATING AND FINANCIAL TRENDS							
Profit and loss							
Net sales	Rs in M	38,188	30,957	23,332	20,988	17,671	18,238
Gross profit	Rs in M	13,335	10,738	9,083	7,743	6,854	5,559
Operating profit	Rs in M	4,943	3,391	2,639	2,550	2,559	2,242
Profit before tax	Rs in M	4,516	2,925	2,530	2,486	2,482	2,167
Profit after tax	Rs in M	3,056	1,984	1,687	1,632	1,602	1,725
Ordinary cash dividends	Rs in M	3,044	1,635	1,635	1,622	1,595	1,795
Capital expenditure	Rs in M	872	1,369	1,714	684	510	479
Cash flows							
Operating activities	Rs in M	5,138	97	2,406	2,431	1,901	259
Investing activities	Rs in M	(809)	(1,246)	(1,656)	(534)	(433)	1,173
Financing activities	Rs in M	(2,001)	(1,742)	(1,570)	(1,675)	(1,862)	(1,833)
Cash and cash equivalents at the end of the year	Rs in M	(798)	(3,126)	(235)	586	365	759

Operating and Financial Highlights -continued

	Unit	2009	2008	2007	2006	2005	2004
FINANCIAL RATIOS							
Rate of return							
Pre tax return on equity	%	137	132	128	136	134	103
Post tax return on equity	%	93	90	85	89	87	82
Return on average capital employed	%	63	49	77	82	72	75
Interest cover	times	20	18	84	223	141	107
Profitability							
Gross profit margin	%	35	35	39	37	38	30
Pre tax profit to sales	%	12	9	11	12	14	12
Post tax profit to sales	%	8	6	7	8	9	9
Liquidity							
Current ratio		0.8	0.7	0.7	0.9	1.0	1.0
Quick ratio		0.3	0.2	0.2	0.4	0.5	0.5
Financial gearing							
Debt equity ratio		0.2	0.6	0.1	-	-	-
Total debt ratio		0.1	0.3	0.1	-	-	0.1
Capital efficiency							
Debtors turnover	days	4	3	3	2	2	6
Inventory turnover	days	58	64	63	54	59	64
Total assets turnover	times	3	3	3	3	3	3
Property, plant and equipment turnover	times	8	7	7	10	10	12
Investment measures per ordinary share							
Earnings	Rs	230	149	127	123	120	130
Dividend payout (including proposed)	Rs	229	123	123	122	120	135
Dividend payout ratio - earnings	%	100	83	97	99	100	104
Dividend payout ratio - par value	%	458	246	246	244	240	270
Dividend yield	%	10	7	5	6	7	9
Price earning ratio	times	10	12	18	16	15	11
Breakup value without surplus on revaluation	Rs	248	167	149	138	139	158
Breakup value with surplus on revaluation	Rs	249	168	150	139	140	160
Market value - low	Rs	1,725	1,808	2,000	1,760	1,280	1,400
Market value - high	Rs	2,475	2,501	2,625	2,060	1,775	1,635
Market value - average	Rs	2,100	2,154	2,286	1,910	1,528	1,518
Market value - year end	Rs	2,300	1,808	2,280	2,000	1,775	1,475
Market capitalisation - year end	Rs in M	30,576	24,032	30,310	26,588	23,597	19,609
Ordinary shares of Rs 50 each	No. in thousand	13,294	13,294	13,294	13,294	13,294	13,294

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

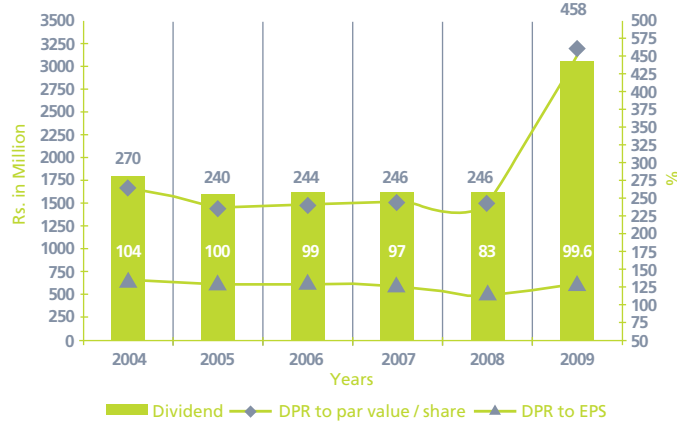


Operating and Financial Highlights

Profit before tax and as % of sales



Ordinary dividend payout



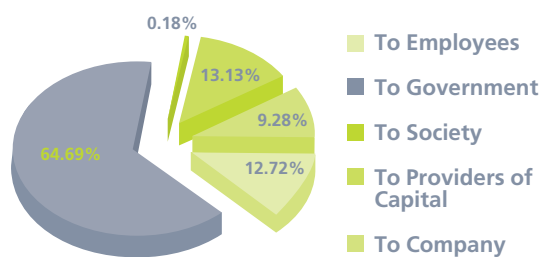
Earning per share



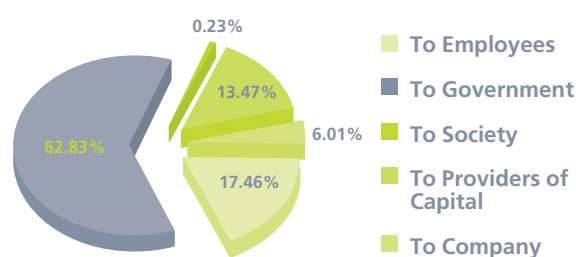
Statement of Value Addition & its Distribution

	2009 Rs in '000	%	2008 Rs in '000	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	46,861,851		37,766,686	
Bought-in material and services	(29,930,364)		(24,350,366)	
	<u>16,931,487</u>	<u>100%</u>	<u>13,416,320</u>	<u>100%</u>
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	2,153,205	12.72%	1,852,630	13.81%
Restructuring Cost		0.00%	489,280	3.65%
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	10,952,390	64.69%	8,429,862	62.83%
To Society				
Donation towards education, health and environment	30,215	0.18%	30,498	0.23%
To Providers of Capital				
Dividend to shareholders	1,980,787	11.70%	1,635,385	12.19%
Mark-up/ interest expenses on borrowed funds	243,070	1.43%	171,183	1.28%
To Company				
Depreciation, amortization & retained profit	1,571,820	9.28%	807,482	6.01%
Contingency Reserve		0.00%	-	0.00%
	<u>16,931,487</u>	<u>100%</u>	<u>13,416,320</u>	<u>100%</u>

WEALTH DISTRIBUTION 2009



WEALTH DISTRIBUTION 2008



Pattern of Shareholding

as at December 31, 2009

Number of Shareholders	From	Shareholding To	Total Number of Shares Held*
2,728	1	100	82,563
803	101	500	182,200
160	501	1,000	116,148
157	1,001	5,000	309,470
16	5,001	10,000	106,915
4	10,001	15,000	48,375
5	15,001	20,000	90,871
3	20,001	25,000	69,322
2	25,001	30,000	52,014
3	30,001	35,000	99,417
2	40,001	45,000	83,341
1	45,001	50,000	45,040
1	50,001	55,000	54,541
1	80,001	85,000	84,400
1	95,001	100,000	100,000
2	110,001	115,000	226,536
1	205,001	210,000	209,652
1	575,001	580,000	576,080
1	820,001	825,000	823,402
1	9,980,001	9,985,000	9,981,417
3,893			13,341,704

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage %
Associated Co., Undertakings *	1	10,015,152	75.07
NIT and ICP *	5	226,848	1.70
Directors, CEO	2	1,120	0.01
Executives	2	66	0.00
Public Sector Co. and Corporation	1	823,402	6.17
Banks, DFI, NBFIs	7	136,671	1.02
Modarabas and Mutual Funds	6	12,984	0.10
Insurance Companies	7	78,562	0.59
Others	87	1,260,816	9.45
Individuals *	3,775	786,083	6.15
	3,893	13,341,704	100.00

* Includes Voting Preference Shares.

Pattern of Shareholding - Additional Information as at December 31, 2009

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies (name wise details)		
Unilever Overseas Holdings Ltd.	1	10,015,152
NIT & ICP (name wise details)		
Investment Corporation of Pakistan	1	2
National Bank of Pakistan, Trustee Deptt.	1	226,846
Directors, CEO and their spouses and minor children (name wise details)		
Mr. Zaffar A. Khan	1	1020
Mr. M. Qaysar Alam	1	100
Executives		
Mr. Amar Naseer	1	6
Mrs. Mahvash Imad W/O. Syed Imad Mashhadi (Unilever Employee)	1	60
Public Sector Companies & Corporation		
	1	823,402
Banks, Development Finance Institutions Non-Banking Finance Institutions		
	7	136,671
Modarabas and Mutual Funds		
	6	12,984
Insurance Companies		
	7	78,562
Others		
	87	1,260,816
Shareholders holding 10% or more voting interest (name wise details)		
Unilever Overseas Holdings Ltd.	1	10,015,152





Statement of Compliance with the Code of Corporate Governance

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFIs 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 December 31, 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 in agreement with the Board. The Board considers any significant amendments to the policies, as and when required. However, a complete record of particulars of significant policies along with the dates on which these were enacted has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, based on the significance of the matters involved, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranges orientation courses / meetings for its directors.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises of three members, of whom at least two are non-executive directors including the chairman of the committee.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.
17. The Company has an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International





Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

Karachi
March 2, 2010

Ehsan A. Malik
Chairman & Chief Executive

Auditors' Review Report

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Unilever Pakistan Limited to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, Lahore and Islamabad 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 2, 2010



Financial

Statements 2009

Unilever Pakistan Limited







Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan 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 accounts 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 2, 2010

Name of Engagement Partner: Ali Muhammad Mesia

Balance Sheet

as at December 31, 2009

	Note	2009 (Rupees in thousand)	2008
ASSETS			
Non-current assets			
Property, plant and equipment	3	4,736,619	4,428,278
Intangibles	4	2,433	7,303
Long term investments	5	95,202	95,202
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
		5,513,321	5,396,710
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
Trade deposits and short term prepayments	13	682,949	516,443
Other receivables	14	82,141	218,329
Tax refunds due from the Government	15	355,052	301,813
Cash and bank balances	16	239,553	106,789
		5,912,394	5,989,708
Total assets		11,425,715	11,386,418



EQUITY AND LIABILITIES**Capital and reserves**

	Note	2009 (Rupees in thousand)	2008
Share capital	17	669,477	669,477
Reserves	18	2,621,643	1,546,281
		3,291,120	2,215,758
Surplus on revaluation of fixed assets	19	12,965	13,613
Liabilities			
Non-current liabilities			
Liabilities against assets subject to finance leases	20	56,762	77,327
Deferred taxation	21	636,130	369,653
Retirement benefits obligations	8	327,060	239,794
		1,019,952	686,774
Current liabilities			
Trade and other payables	22	5,785,776	4,547,794
Accrued interest / mark up		28,892	64,075
Short term borrowings	23	1,037,911	3,232,523
Current maturity of liabilities against assets subject to finance leases	20	28,419	32,322
Provisions	24	220,680	593,559
		7,101,678	8,470,273
Total liabilities		8,121,630	9,157,047
Contingencies and commitments	25		
Total equity and liabilities		11,425,715	11,386,418

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

Profit and Loss Account

for the year ended December 31, 2009

	Note	2009 (Rupees in thousand)	2008
Sales	26	38,187,582	30,956,839
Cost of sales	27	(24,852,625)	(20,219,184)
Gross profit		13,334,957	10,737,655
Distribution costs	28	(7,179,694)	(5,847,845)
Administrative expenses	29	(1,030,478)	(1,002,214)
Other operating expenses	30	(373,785)	(247,266)
Other operating income	31	192,313	239,918
		4,943,313	3,880,248
Restructuring cost			(489,280)
Profit from operations		4,943,313	3,390,968
Finance costs	32	(427,708)	(466,166)
Profit before taxation		4,515,605	2,924,802
Taxation	33	(1,459,865)	(940,476)
Profit after taxation		3,055,740	1,984,326
Earnings per share (Rupees)	34	230	149

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer



Cash Flow Statement

for the year ended December 31, 2009

	2009	2008
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	4,515,605	2,924,802
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	427,708	466,166
Provision for staff retirement benefits	523,039	449,772
Return on savings accounts	(993)	(1,065)
	<u>1,460,380</u>	<u>1,343,597</u>
Profit before working capital changes	5,975,985	4,268,399
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	136,188	30,810
Sales tax refundable		11,457
	<u>263,317</u>	<u>(1,832,899)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	1,264,662	(243,457)
Provisions	(372,879)	222,532
	<u>891,783</u>	<u>(20,925)</u>
	<u>1,155,100</u>	<u>(1,853,824)</u>
Cash generated from operations (carried forward)	<u>7,131,085</u>	<u>2,414,575</u>

Cash Flow Statement - Continued

for the year ended December 31, 2009

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Cash generated from operations (brought forward)		7,131,085	2,414,575
Finance costs paid		(462,891)	(405,760)
Income tax paid		(1,281,629)	(1,066,274)
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		5,137,652	97,359
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		993	2,180
Dividend received		12	12
Net cash used in investing activities		(809,151)	(1,246,566)
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		2,327,376	(2,890,859)
Cash and cash equivalents at the beginning of the year		(3,125,734)	(234,875)
Cash and cash equivalents at the end of the year	35	(798,358)	(3,125,734)

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer



Statement of Changes in Equity

for the year ended December 31, 2009

	SHARE CAPITAL	RESERVES				TOTAL	
		CAPITAL		Other -	REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency		Unappropriated profit		
(Rupees in thousand)							
Balance as at January 1, 2008	669,477	70,929	363,106	33,895	842,420	1,310,350	1,979,827
Net profit for the year	-	-	-	-	1,984,326	1,984,326	1,984,326
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 25.1.1	-	-	(41,635)	-	41,635	-	-
Reclassification of Share-based Payment as liability - Note 22.3	-	-	-	(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	-	1,153,881	1,546,281	2,215,758
Net profit for the year	-	-	-	-	3,055,740	3,055,740	3,055,740
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the year	-	-	-	-	648	648	648
Dividends							
For the year ended December 31, 2008							
- On cumulative preference shares @ 5% per share	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 57 per share	-	-	-	-	(757,751)	(757,751)	(757,751)
For the year ended December 31, 2009							
- Interim dividend on ordinary shares @ Rs 92 per share	-	-	-	-	(1,223,036)	(1,223,036)	(1,223,036)
Balance as at December 31, 2009	669,477	70,929	321,471		2,229,243	2,621,643	3,291,120

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are the same as those applied for the previous financial year 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 8.

iii. Provisions

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

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

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

2.1.3 Changes in accounting 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 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 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

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 Company'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 Company'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 Company's financial statements.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

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

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

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

Maintenance and normal repairs are charged to income as and when incurred; also individual assets costing up to Rs. 10,000 are charged to income. Major renewals and



improvements are capitalised and assets so replaced, if any, are retired. Gains and losses on disposal of property, plant and equipment are recognised in the profit and loss account.

2.4 Intangibles

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

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

2.5 Investments

i. In subsidiaries

These are stated at cost.

ii. In unlisted entity not being subsidiary

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

2.6 Taxation

i. Current

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

ii. Deferred

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

i) Provident fund

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

ii) DC Pension fund

The Company has established a defined contribution plan - DC Pension Fund 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 Company'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 Company to the plan at the rate of 9% per annum of the gross salary. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

Defined benefit plans

The Company operates the following schemes:

- i) Funded pension scheme for management employees of the Company. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 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'.
- iii) Pensioners' medical plan, which is a book reserve plan. The plan reimburses actual medical expenses as defined in the plan.

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

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

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

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

2.16 Financial assets and liabilities

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

2.17 Foreign currency transactions and translation

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

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

2.18 Revenue recognition

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

- sale is recognised when the product is despatched to customers;
- dividend income is recognised when the Company's right to receive the payment is established; and
- return on savings accounts and deposits 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.

2009
2008
(Rupees in thousand)

3. PROPERTY, PLANT AND EQUIPMENT

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 thousands									
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	1.5 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 (Rupees in thousand)	2008 (Rupees in thousand)
Civil works	12,147	25,600
Plant and machinery	161,424	414,462
	<u>173,571</u>	<u>440,062</u>

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

4. INTANGIBLES - computer software

Net carrying value basis

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Opening net book value	7,303	12,173
Amortisation charge	(4,870)	(4,870)
Closing net book value	<u>2,433</u>	<u>7,303</u>

Gross carrying value basis

Cost	24,348	24,348
Accumulated amortisation	(21,915)	(17,045)
Net book value	<u>2,433</u>	<u>7,303</u>
Remaining useful life in years	0.50	1.50



2009
2008
(Rupees in thousand)

5. LONG TERM INVESTMENTS

Investments in related parties

In unquoted wholly owned subsidiary companies - at cost

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

6. LONG TERM LOANS - considered good

Related Parties		
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

note 6.1, 6.2
and 6.3

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 Thousands →							
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)
	<u>1,462</u>	<u>8,128</u>	<u>8,399</u>	<u>11,454</u>		<u>1,859</u>	<u>96,708</u>	<u>122,602</u>

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

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

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)	(155,722)	(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 / (gain)	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:

	2009	2008	2007	2006	2005
	(Rupees in thousand)				
As at December 31					
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 (Rupees in thousand)	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
	<u>1,520,562</u>	<u>100.0</u>	<u>1,802,804</u>	<u>100.0</u>

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

- 8.11 The actuary conducts separate valuations for calculating contribution rates and the Company contributes to the pension and gratuity funds according to the actuary's advice. Expense of the defined benefit plans is calculated by the actuary.
- 8.12 Based on the above actuarial valuation the retirement benefits - asset amounts to Rs. 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 Company 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 (Rupees in thousand)	2008
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 Company 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 (Rupees in thousand)	2008
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 Company 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 (Rupees in thousand)	2008
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 Company 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 (Rupees in thousand)	2008
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

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.

2009 2008
(Rupees in thousand)

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

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 Company under the following share-based compensation plan.

Variable Pay in Shares (VPIS):

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

		VPIS	
		Unilever PLC	Unilever NV
Date of grant		March 20, 2008	March 20, 2008
		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

2009
(Rupees in thousand)

2008

14. OTHER RECEIVABLES

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	40,815	28,331
	96,075	227,047

Provision for doubtful receivables

	(13,934)	(8,718)
	82,141	218,329

14.1 Workers' Profits Participation Fund

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

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 Company's name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Company would reimburse the tax. The Company's management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Company has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.



	2009 (Rupees in thousand)	2008
16. CASH AND BANK BALANCES		
With banks on:		
current accounts	238,365	104,988
savings accounts	444	-
In hand:		
cash	744	1,801
	<u>239,553</u>	<u>106,789</u>

17. SHARE CAPITAL

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
		<u>800,000</u>	<u>800,000</u>

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
<u>47,835</u>		<u>4,783</u>	<u>4,783</u>

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
<u>13,293,869</u>		<u>664,694</u>	<u>664,694</u>
		<u>669,477</u>	<u>669,477</u>

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).

18. RESERVES

Capital reserves

Arising under schemes of arrangements
for amalgamations - note 18.1
Contingency - note 25.1.1

2009
(Rupees in thousand)

70,929
321,471
392,400

70,929
321,471
392,400

Revenue reserves

Unappropriated profit

2,229,243
2,621,643

1,153,881
1,546,281

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

19. SURPLUS ON REVALUATION OF FIXED ASSETS

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

2009
(Rupees in thousand)

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



20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

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

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

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.

21. DEFERRED TAXATION

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Credit balance arising in respect of:		
- accelerated tax depreciation allowances	874,445	713,527
- surplus on revaluation of fixed assets	6,761	6,985
	<u>881,206</u>	<u>720,512</u>
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)
	<u>(245,076)</u>	<u>(350,859)</u>
	<u>636,130</u>	<u>369,653</u>



	2009 (Rupees in thousand)	2008
22. TRADE AND OTHER PAYABLES		
Creditors	866,814	701,789
Bills payable	264,784	412,345
Accrued liabilities	3,599,177	2,627,780
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 22.1	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 22.3	48,130	35,953
Others	15,968	13,255
	5,785,776	4,547,794

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

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

	2009 (Rupees in thousand)	2008
Ultimate parent company	291,852	246,507
Associated companies	918,508	847,651
Subsidiaries	2	2
Company in which close family member of a Director is holding directorship	33,551	28,418

22.3 Share-based compensation plans

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

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

Under the plans, employees eligible as per policy can be awarded conditional shares of Unilever PLC or Unilever NV which will vest three years later depending on Unilever's achievement of set targets for Underlying Sales Growth (USG), Ungearing 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	
		Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Shares of					
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.

22.3.1 Details of plan that vested during the year are:

		GPSP		LPSP	
		Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Shares of					
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 Company has treated these share-based plans as liability.

23. 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 Company'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).

24. PROVISIONS

Provision for cess less payments - note 25.1

2009
(Rupees in thousand)

2008

(Rupees in thousand)

Restructuring

Balance as at January 1
Provision during the year
Reversal during the year
Utilised during the year
Balance as at December 31

211,415	108,341
485,218	371,027
(25,719)	489,280
(450,234)	-
9,265	(375,089)
220,680	485,218
	593,559



25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

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

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

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

25.2 Commitments

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

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

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

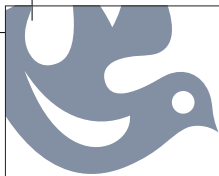
26. SALES

	2009 (Rupees in thousand)	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)
	<u>39,349,365</u>	<u>31,015,580</u>
Imported goods		
Gross sales	1,298,391	1,540,705
Sales tax	(23,596)	(59,374)
Excise duty	(417)	(9,668)
	<u>1,274,378</u>	<u>1,471,663</u>
Rebates and allowances	(2,436,161)	(1,530,404)
	<u>38,187,582</u>	<u>30,956,839</u>

27. COST OF SALES

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 27.1	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)
	<u>23,785,363</u>	<u>19,871,465</u>
Opening work in process	102,466	66,192
	<u>23,887,829</u>	<u>19,937,657</u>
Closing work in process	(72,736)	(102,466)
Cost of goods manufactured	<u>23,815,093</u>	<u>19,835,191</u>
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)
	<u>24,019,066</u>	<u>19,350,219</u>
Imported goods		
Opening stock	73,170	71,557
Purchases	804,710	870,578
	<u>877,880</u>	<u>942,135</u>
Closing stock	(44,321)	(73,170)
	<u>833,559</u>	<u>868,965</u>
	<u>24,852,625</u>	<u>20,219,184</u>





	2009	2008
	(Rupees in thousand)	
27.1 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

28. DISTRIBUTION COSTS

Staff costs - note 28.1	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 other consultancy charges	7,553	21,198
Other expenses	48,325	86,943
Charges by related party	54,600	34,563
Recovery of charges from related party	(98,659)	(62,613)
	7,179,694	5,847,845

28.1 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)

29. ADMINISTRATIVE EXPENSES

Staff costs - note 29.1	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 other consultancy charges	62,739	73,820
Auditors' remuneration - note 29.2	12,718	11,976
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)
	<u>1,030,478</u>	<u>1,002,214</u>

29.1 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	-
	<u>349,609</u>	<u>330,370</u>

29.2 Auditors' remuneration

Audit fee	3,700	3,100
Taxation services	5,500	4,026
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
	<u>12,718</u>	<u>11,976</u>





	2009	2008
	(Rupees in thousand)	
30. OTHER OPERATING EXPENSES		
Donations and Corporate Social Responsibility - note 30.1	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

30.1 Donations and corporate social responsibility

Donations include the following in whom a director is interested:

	2009	2008	
	(Rupees in thousand)		
Name of Director(s)	Interest in Donee	Name and address of Donee	
1. Ehsan A. Malik	Board member	The Kidney Centre 172/R, Rafiqi 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 Ferozpur Road, Lahore	
		150	-
	2009	2008	
	(Rupees in thousand)		

31. OTHER OPERATING INCOME

Income from financial assets

Dividend income	12	12
Return on savings accounts - note 31.1	993	1,065

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 31.2	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
	192,313	239,918



31.1 Mark-up on saving accounts was earned at the rates ranging from 5% to 9% per annum (2008: 5% to 8.5%).

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

32. FINANCE COST

2009 2008
(Rupees in thousand)

Mark-up on short term borrowings	229,009	138,705
Bank charges	29,194	36,780
Exchange loss	155,444	258,203
Finance charge on finance leases	13,474	12,814
Others	587	193
	<u>427,708</u>	<u>446,695</u>
Interest on loan from related party		
Interest on short term loan		19,471
	<u>427,708</u>	<u>466,166</u>

33. TAXATION

Current - for the year		
Pakistan	1,170,027	859,002
Azad Kashmir	23,361	20,865
	<u>1,193,388</u>	<u>879,867</u>
Deferred tax charge	266,477	60,609
	<u>1,459,865</u>	<u>940,476</u>

33.1 Relationship between tax expense and accounting profit

Accounting profit before tax	4,515,605	2,924,802
Tax at the applicable tax rate of 35%	1,580,462	1,023,681
Tax effect of permanent differences	(648)	5,083
Tax effect of final tax regime	(119,949)	(88,288)
Tax expense for the year	<u>1,459,865</u>	<u>940,476</u>





	2009	2008
	(Rupees in thousand)	
34. EARNINGS PER SHARE		
Profit after tax	3,055,740	1,984,326
Preference dividend on cumulative preference shares	(239)	(239)
Profit after taxation attributable to ordinary shareholders	<u>3,055,501</u>	<u>1,984,087</u>
Weighted average number of shares in issue during the year (in thousands)	<u>13,294</u>	<u>13,294</u>
Earnings per share (Rupees)	<u>230</u>	<u>149</u>

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

	2009	2008
	(Rupees in thousand)	
35. CASH AND CASH EQUIVALENTS		
Cash and bank balances	239,553	106,789
Short term borrowings - running finance under markup arrangements	(1,037,911)	(3,232,523)
	<u>(798,358)</u>	<u>(3,125,734)</u>

36. SEGMENT INFORMATION

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

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

Management monitors the operating results of 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 Company level. Further, unallocated assets include long term investments, long term loans and advances, long term deposits and prepayments, loans and advances, accrued interest, trade deposits and short term prepayments, other receivables, tax refunds due from Government and cash and bank balances.

36.1 Segment analysis

The segment information for the reportable segments for the year ended December 31, 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	128,894	5,124,785
Year ended December 31, 2008					
Revenue	16,808,870	9,591,663	3,824,605	731,701	30,956,839
Segment results	2,955,571	659,103	(13,147)	(37,988)	3,563,539

Reconciliation of segment results with profit from operations:

	2009	2008
(Rupees in thousand)		
Total results for reportable segments	5,124,785	3,563,539
Restructuring costs		(165,223)
Other operating expenses	(373,785)	(247,266)
Other operating income	192,313	239,918
Finance cost	(427,708)	(466,166)
Profit from operations	4,515,605	2,924,802

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 (Rupees in thousand)	Assets	Liabilities
Total for reportable segments	9,122,495	3,555,350	8,763,932	3,000,001
Unallocated assets / liabilities	2,303,220	4,566,280	2,622,486	6,157,046
Total as per balance sheet	11,425,715	8,121,630	11,386,418	9,157,047

Other segment information is as follows:

	Home and Personal Care	Beverages	Ice Cream	Other	Total
	(Rupees in thousand)				
Year ended December 31, 2009					
Staff costs	1,083,836	666,237	371,821	31,311	2,153,205
Advertisement and sales promotion	2,629,760	555,718	487,894	145,787	3,819,159
Outward freight and handling	601,881	135,873	228,834	20,026	986,614
Royalty and technical fee	762,449	341,685	156,717	31,257	1,292,108
Depreciation	163,691	44,064	279,932	9,180	496,867
Year ended December 31, 2008					
Staff costs	839,292	594,659	413,557	32,598	1,880,106
Advertisement and sales 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

36.2 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.

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

37. RELATED PARTY TRANSACTIONS

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

Relationship with the Company	Nature of transactions	2009 (Rupees in thousand)	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 expenses from related party	121,063	79,718
	Fee for providing of services to related party	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 Company has entered into agreements with its associate, Unilever Pakistan Foods Limited to share various administrative and other resources. The charges by and recovery of costs from the associate have been disclosed in notes 27, 28 and 29.

The related party status of outstanding balances as at December 31, 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 13.1 and 22.3.



38. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Directors		Chief Executive		Executives	
	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 Company are provided with free use of cars and household equipments.

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

39. CAPACITY	Annual Capacity		Actual Production	
	2009	2008	2009	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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial risk factors

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

40.2 Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances to employees	-	-	-	48,998	98,117	147,115	147,115
Deposits	-	-	-	16,192	1,702	17,894	17,894
Trade debts	-	-	-	506,357	-	506,357	506,357
Other receivables	-	-	-	73,181	-	73,181	73,181
Cash and bank balances	444	-	444	239,109	-	239,109	239,553
Long term investments at cost	-	-	-	-	95,202	95,202	95,202
December 31, 2009	444	-	444	883,837	195,021	1,078,858	1,079,302
December 31, 2008	-	-	-	686,239	220,227	906,466	906,466
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	5,218,655	-	5,218,655	5,218,655
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	5,247,547	-	5,247,547	6,370,639
December 31, 2008	3,264,845	77,327	3,342,172	4,249,238	-	4,249,238	7,591,410
ON BALANCE SHEET GAP							
December 31, 2009	(1,065,886)	(56,762)	(1,122,648)	(4,363,710)	195,021	(4,168,689)	(5,291,337)
December 31, 2008	(3,264,845)	(77,327)	(3,342,172)	(3,562,999)	220,227	(3,342,772)	(6,684,944)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantees							334,600
December 31, 2008							1,029,967



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

i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 1.08 billion the financial assets that are subject to credit risk amounted to Rs. 506 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 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. 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 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 obtained 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. 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.

41. CAPITAL RISK MANAGEMENT

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

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

	2009 (Rupees in thousand)	2008
Total borrowings	1,123,092	3,342,172
Cash and bank	(239,553)	(106,789)
Net debt	<u>883,539</u>	<u>3,235,383</u>
Total equity	<u>3,291,120</u>	<u>2,215,758</u>
Total equity and debt	<u>4,174,659</u>	<u>5,451,141</u>
Gearing ratio	21%	59%

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



42. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

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

	Cost	Accumulated Depreciation / Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	← (Rupees in thousand) →					
Plant and Machinery	1,514	411	1,103	112	Open bidding	Mahboob Brothers, 587/11 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 Furrugh - Ex-executive
	1,198	674	524	339	"	Mr. Noshewan - 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 Manzoor - 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	-	-		
	<u>246,866</u>	<u>175,810</u>	<u>71,056</u>	<u>62,155</u>		

43. MONOPOLY CONTROL AUTHORITY ORDER

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

44. CORRESPONDING FIGURES

Prior year's figures have been reclassified for the purpose of better presentation. Significant 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 - staff costs	Cost of sales - 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



45. 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.

46. DATE OF AUTHORISATION

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director & Chief Financial Officer

