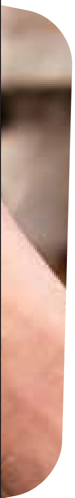
Unilever Pakistan Limited

ANNUAL REPORT 2012



Creating a better future every day

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

Examples of Our Brands Delivering Sustainable Growth

Lifebuoy

Aims to change the hygiene behaviour of consumers by promoting the benefits of handwashing with soap on 5 key occasions during the day.

Brooke Bond

Educates consumers about the health benefits of Supreme tea, a natural beverage that not only tastes great but is also healthy as it is rich in Flavonoids.

Guddi Baji

Creates livelihood opportunities for rural women through vocational training and employs them as Unilever Brand Ambassadors for Fair & Lovely, Lux and Sunsilk in their communities.

Contents

Vision

"We work to create
a better future every day."

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

Core Values

Impeccable **Integrity**

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

Demonstrating a **Passion for Winning**

We deliver what we promise.

Wowing our **Consumers & Customers**

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

Bringing out the **Best in All of Us**

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

Living an **Enterprise Culture**

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

Making a **Better World**

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

Company Information

Board of Directors

Mr. Ehsan A. Malik
Chairman & Chief Executive

Mr. Imran Husain
Director / Chief Financial Officer

Ms. Shazia Syed
Executive Director

Mr. Amir R. Paracha
Executive Director

Ms. Fariyha Subhani
Executive Director

Mr. Faheem Ahmed Khan
Executive Director

Mr. Zaffar A. Khan
Independent Non-Executive Director

Mr. Khalid Rafi
Non-Executive Director

Company Secretary

Mr. Amar Naseer

Audit Committee

Mr. Khalid Rafi
Chairman

Mr. Zaffar A. Khan
Member

Mr. Faheem Ahmed Khan
Member

Mr. Azhar Shahid
Secretary & Head of Internal Audit

Auditors

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

Registered Office

Avari Plaza
Fatima Jinnah Road
Karachi - 75530

Share Registration Office

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

Website Address

www.unileverpakistan.com.pk

Directors' Profile

1 Ehsan A. Malik
Chairman & CEO

Ehsan joined the Board on September 01, 2006 and is also the Chairman of Unilever Pakistan Foods Limited. Prior to this, Ehsan was Chairman and CEO of Unilever Sri Lanka Limited. His earlier international appointments covered Unilever's regional business in Egypt, Lebanon, Jordan, Syria and Sudan as well as Unilever's Head Office in the UK. Ehsan is a Fellow of the Institute of Chartered Accountants in England and Wales and alumni of the Wharton and Harvard Business Schools.

2 Imran Husain
CFO

Imran joined the Board on April 19, 2008 and is currently Vice President (VP) Finance and Chief Financial Officer of Unilever Pakistan Limited and Unilever Pakistan Foods Limited. He also holds Directorships in Lever Chemicals (Private) Limited, Lever Associated Pakistan Trust (Private) Limited and Unilever Birds Eye Foods Pakistan (Private) Limited. Previously Imran has served as Corporate Finance Head, Treasurer and Commercial Manager for the Ice Cream business.

3 Shazia Syed

Shazia joined the Board on April 19, 2008 and is also a Director of Unilever Pakistan Foods Limited. During her tenure in Unilever she was seconded to Vietnam in December 2000 for three years where she worked as a Business Unit Leader in the Personal Care Unit. In 2004, she returned to Pakistan as VP Home and Personal Care, before she took up her current position as VP Customer Development in 2009.

4 Amir Paracha

Amir, Vice President Marketing Home and Personal Care, joined the Board on January 21, 2010. He began his career with Shell Pakistan and joined Unilever Pakistan in 2000 as an Assistant Brand Manager. Amir was assigned the role of Marketing Director, Mass Skin and Deodorants at Unilever North Africa Middle East in 2006 and returned to Pakistan 3 years later as Marketing Director, Home and Personal Care.

5 Fariyha Subhani

Fariyha joined the Board on April 19, 2011 as a Director of the Company. She is also the Chief Executive Officer of Unilever Pakistan Foods Limited. Fariyha joined Unilever as a management trainee in 1989 and later worked with several Home and Personal Care categories. Before she was deputed as Marketing Director Foods Including Beverages and Ice Cream, she spent 4 years in Bangkok working for Unilever Asia.

6 Faheem A. Khan

Faheem joined the Board in June 2012 as the Customer Services Director. His career at Unilever Pakistan started in 1999 and he has held several positions since then including Supply Planner for various categories and Corporate Planner for Unilever Pakistan. He spent 3 years in Singapore as Regional Supply Chain Director before returning to Pakistan in 2011.

7 Zaffar A. Khan

Zaffar is an Independent Non-Executive Director since April 19, 2005. Zaffar serves on the Boards of Shell Pakistan Limited, International Industries Limited, Acumen Fund Pakistan and Pakistan Centre for Philanthropy. He is also an Adjunct Professor at Institute of Business Administration, Karachi. Zaffar is the former CEO of Engro Chemical and is a recipient of Sitara-e-Imtiaz.

8 Khalid Rafi

Khalid joined the Board as a Non-Executive Director on April 19, 2008. He was a Senior Partner of A.F. Ferguson & Co., a member firm of PricewaterhouseCoopers LLP. He was also the President of the Institute of Chartered Accountants of Pakistan and of the Management Association of Pakistan. Currently he is the Chairman of Famco Associates (Private) Limited.

Major Events & Launches

Magnum

Magnum brought to life Pakistan's first chocolate party in June 2012. The glamorous event was held to introduce the new Magnum with Belgian Chocolate, the most premium chocolate in the World. The latest range also marks the addition of a new flavor, Truffle, over its existing successful offerings of Classic and Almond Magnum. It was an indulgent experience with a live musical show. Other highlights included unveiling of Magnum's brand council which consists of top celebrities and key opinion formers from the lifestyle and fashion industry.

Lifebuoy

For the Global Handwashing Day (GHD) in 2012, 614 Unilever employees visited schools nationally to promote the lifesaving message of washing hands with soap. Every year 2.1 million children die before the age of 5 due to diarrhoea and pneumonia. These deaths can be prevented by the simple habit of washing hands with soap. Lifebuoy Pakistan led the 360 degree campaign incorporating media, activation, PR & Advocacy whilst also spreading the message to more than 900,000 children in 93 towns and cities across the country through partner NGOs. The initiative won the Unilever Global Award for the best campaign deployed for GHD amongst all the Lifebuoy countries.

Fair & Lovely

Staying true to its vision of 'empowering women and helping them realize their potential to become an expert', in 2012 Fair & Lovely teamed up with the famous Beautician and Cosmetologist Musarrat Misbah, to initiate the Fair & Lovely Fairness Expert Salon Program. A series of workshops were held in 5 different cities across Pakistan, enhancing the skills of 500 young salon owners, from diverse backgrounds. Fair & Lovely takes pride in inspiring Pakistani women. By enriching their lives through the Salon Program and improving their skill-sets, the Program hopes to enable them to earn better from their professions.

Sunsilk

In 2012, Sunsilk wanted to bring its hair experts to the consumer's door step while simultaneously embracing the persona of the Sunsilk Girl in its campaign. This was done through the Expert Studio in which Mahira Khan, a popular local celebrity, visited colleges across Pakistan and discussed hair related problems. The campaign utilized all relevant touch points to successfully increase market share, grow Sunsilk's fan base on digital media, strengthen brand equity and bring Sunsilk's Expert Studio message to life to its consumers.

Pepsodent

Pepsodent was launched in January 2012 with the mission of improving the oral hygiene in Pakistan. This is why Pepsodent led an on ground awareness campaign in 2012 touching 15,000 households in Pakistan through a partner NGO and teaching them the proper way of brushing and other oral hygiene habits. Pepsodent knows that brushing twice a day is critical to staying healthy and prevents oral diseases. Pepsodent toothpaste fights germs to protect teeth against cavities and gives strong teeth, fresh breath and healthy gums.

Domex

Domex Toilet Bleach was launched under the banner of toilet hygiene and sanitation in Pakistan in March 2012. Within just 10 months of launch, Domex has gained significant value share in the toilet care market through its distinct hygiene communication, consumer hygiene awareness through direct interception and clutter breaking in-store execution.

Major Events & Launches

Blue Band

Over the past few years, Blue Band Margarine has successfully continued to grow share and volume by recruiting new users into the branded spreads category. In 2012, Blue Band took the first step to grow household consumption by launching a successful campaign during Ramadan. The brand stood out by deploying outdoor and in-store visibility in key cluster markets and also via content integration in cooking shows.

Lipton

The Danedar segment of the tea market was a huge white space in which Lipton did not operate. In 2012, Lipton launched its own danedar blend by the name of 'Mega Daane'. A complete 360 degree campaign was deployed for this launch to raise awareness amongst danedar tea lovers. All this made the launch a very successful one in 2012.

Lux

The Lux Style Awards, now in its 12th year, are Pakistan's premiere Fashion and Entertainment Awards. This Annual event is a night of scintillating glamour and exhilarating on stage performances by the most promising and exalted performers that year. The event is noted for its determination to keep the ethos and talent for Pakistan, by Pakistan. Twenty nine awards are given out in fields of Film, Music, TV and Fashion. The Awards are recorded and telecast on national television each year.

Surf Excel

In 2012, Surf Excel announced the arrival of a new and improved formulation through the launch of its 'Power of Three' campaign. The campaign aimed to reinforce belief in Surf Excel's stain removal ability and further strengthen it as the number one washing powder in Pakistan.

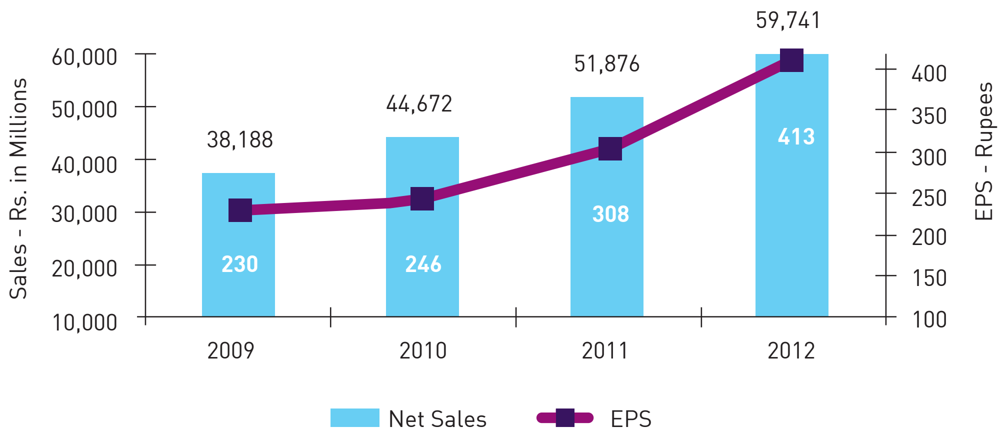
Directors' Report

Winning with Brands and Innovations

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

Operational Highlights

Sales and EPS trend



Key Financial Indicators

Financial Headlines

- Turnover up by Rs. 7.9 billion
- Profit from operations up by 38%
- Earnings per share of Rs. 413 up by 34%

Underlying sales growth
15%

Gross margin **UP** by
141 bps

Operating profit **UP** by
38%

Earnings per share **UP** by
34%

Key Non-financial Indicators

Total recoverable accident frequency rate (per 1m worked)
0.21
2011: 0.48

Sulphur oxides per ton of production (Kg)
0.22
2011: 0.32

Energy per ton of production
2.23
2011: 2.48

Waste per ton of production (Kg)
0.41
2011: 0.91

Water consumption (cubic meter per ton)
2.89
2011: 3.30

Unilever Sustainable Living Plan

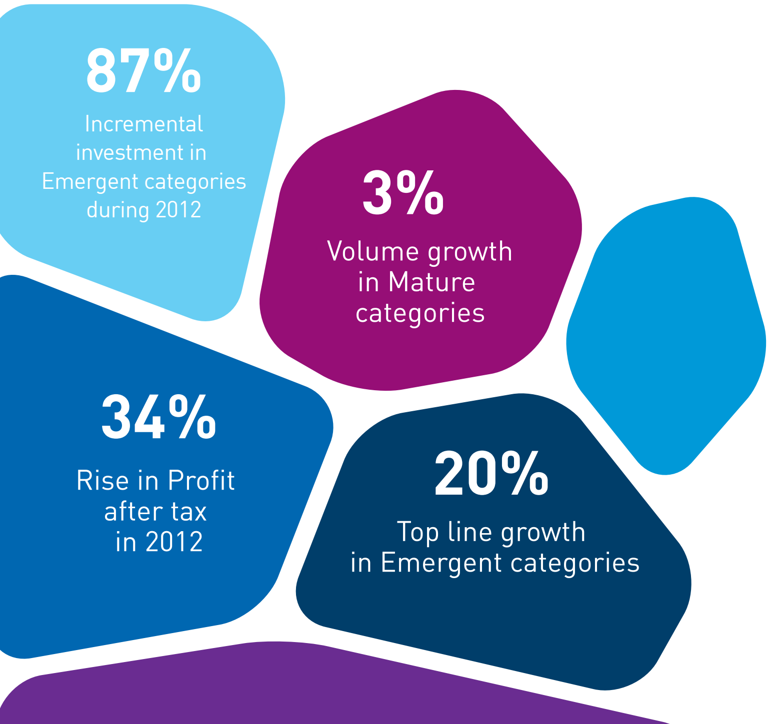
- Help people to improve their health and well-being
- Halve the environmental impact from make and use of our products
- Enhance the livelihood of thousands of people in our supply chain

Summary of Business Performance

The Directors present the 2012 Annual Report together with audited financial statements of the Company for the year ended December 31, 2012.

Sales growth in 2012 slowed to 15%, the lowest in the last three years, with volume growth contributing to a third. Volume growth in the more mature categories – tea, soaps and detergents, which together represent two-thirds of the business, grew at a low 3%. In pursuit of reshaping the business, the focus is on growing the emerging categories which presently represent a third of our business. In 2012 these grew by 20% in sales with nearly half through volume. Since 2011 we have launched nine new brands and five fresh formats. 87% of incremental investment in 2012 on advertising and promotion was behind these. Disproportionate investment in categories of the future is likely to continue with consequent impact on profit. Success of this strategy is contingent upon reasonable economic growth, resolution of energy shortages, low inflation and good law and order conditions. To support our growth ambition, we have added thousands of retail outlets to coverage, improved merchandising, sharpened channel focus and deepened our reach in rural Pakistan. The latter is also aligned with Unilever Sustainable Living Plan, in particular through generation of employment opportunities within the extended value chain.

Partly due to one-off reversals of prior year restructuring charges and profit on disposal of fixed assets, but also due to positive change in mix, higher scale and therefore better cost absorption, profit after tax in 2012 rose by 34%.



Without benefit of one-off adjustments, profit after tax growth would have been 24%. Profit growth in the second half of the year slowed as we stepped up advertising to counter aggressive competitor spends. Some competitors with smaller market shares match or outspend us on advertising. Competitive intensity in the FMCG market is at a record high.

Home and Personal Care segment delivered top line growth of 18%, with volume contributing to 9.4% of this growth. All the key categories i.e. Laundry, Hair Care, Skin Cleansing and Skin Care contributed to sales growth. Product innovations and focused market activations continue to be the key drivers for the business. Unilever was the first to pass on the FED reduction benefit on Skin Care and Hair Care products to consumers.

The Beverages segment posted a 13% sales growth, 13.1% of which was through price growth, with volume declining by 0.1%. In June, the government reduced GST on black tea from 16% to 5%. This was intended to level the playing field between the formal and the informal sectors, since more than half the tea consumed in the country was smuggled. We were the first to pass on the benefit of the GST reduction to consumers. However, in February 2013, the government reversed the decision and increased sales tax back to 16%. Not only will cost of tea increase for consumers, the likelihood of creating a level playing field by lowering the incentive to evade will be lost. Physical checks on smuggling remain ineffective and the Afghan Pakistan Transit Trade Agreement continues to provide a conduit for evasion.

Ice Cream segment delivered top line growth of 10% and a negative bottom line change. The major external challenges for this business are energy crises and fuel price increases. Key innovations of the year were: Cornetto Fruity-Yo, Magnum Royal and Premium In-home. We continue to reshape the business towards a more value-added and premium mix, leveraging on Unilever's unique innovation funnel.

The Spreads segment delivered a top line growth of 12%. This is lower than last year. Penetration, availability, visibility, advertising and promotional campaigns are planned to accelerate growth in coming years.

Dividend

The Board of Directors has recommended a final cash dividend of Rs. 283 per share. With the interim dividend of Rs.130 per share already paid during the year, the total dividend for the year 2012 amounts to Rs. 413 (2011: Rs 307) per ordinary share of Rs.50 each. Total profit distributed by way of dividend amounts to 100% (2011:99.9%).

Key Business Milestones

Home and Personal Care (HPC)

HPC's sales grew by 18% in 2012. This was backed by re-launches across key brands and launch of two new brands, namely Pepsodent and Domex, following on from 7 new launches in 2011. Margins remained under pressure from rising commodity costs and currency devaluation. A combination of savings, mix improvement, cost absorption and timely price corrections helped manage profitability for the business. Post FED reduction, immediate price cuts were taken on Hair and Skin Care portfolios to pass on the maximum benefit to consumers.

Key brand highlights were:

Fair & Lovely delivered a double digit growth derived from both volume and price. With its re-launch in 2012 the brand underwent a fundamental shift with product and packaging change. Sustained advertisement and promotion spends alongside effective marketing campaigns helped in delivering growth.

Lux continued to register double digit growth on the back of its brand equity and re-launch with a new marketing campaign. Further, a new variant was also added to the portfolio to enhance equity scores.

Sunsilk shampoo delivered top line growth backed by strong volume delivery. A consumer relevant decision was taken to immediately pass on the benefit to consumers post FED reduction. This, along with a packaging re-launch, resulted in further accelerating growth momentum for the brand.

Lifebuoy shampoo delivered a double digit growth due to its brand equity and consumer relevant proposition. The brand also benefited from price cuts post FED reduction thereby ensuring that the consumers benefit from this regulatory change.

Sunlight witnessed a good year after having been launched in 2011.

Surf Excel is the largest brand. Despite tough competition, it holds the fort in the laundry segment. Grammage of low-unit-price packs was reduced to manage margins. This affected sales growth.

In 2012
HPC sales grew by
18%

The beverages category registered a top line growth of

13%

10%

Top line growth in Ice Cream segment

Spreads grew by

12%

Key Business Milestones

Beverages

The beverages category registered a top line growth of 13%. The growth mainly comes from price increases to offset material inflation.

Lipton, delivered a top line growth of 18% backed by a volume growth of 5%. Investment behind campaigns like "Sip of Inspiration" and "Jugni" continue to build on the equity for the brand. This year, the brand filled in a white space by launching Lipton Mega Daane nationwide. The launch has not only helped in gaining volumes, but also market share within a short span of six months.

Brooke Bond Supreme registered a double digit growth during 2012. The brand continues to build its image by establishing its credentials on the health platform through sustained investment in promotions.

Ice Cream

Wall's delivered double digit top line growth in 2012. Volume declined in line with strategy to drive mix and margin. Magnum was relaunched. Cornetto and Premium In-home continue to drive growth with market share growth accelerating in the second half of 2012. This was supported by increased spend on advertisement and promotion. However, due to significant challenges of electricity shortages and high food inflation, volume growth remained under pressure. Lower cost absorption resulted in lower profitability for the business.

Spreads

Blue Band is a renowned margarine brand that was launched in Pakistan more than 20 years ago. It showed relatively milder growth in 2012 as compared to previous years. Key campaign in 2012 focused on the nutrition it provides in the mental development of children. The brand has a strong positioning as being a source of essential vitamins for growing children. Spreads grew by 12% with growth balanced between price and volume.

Winning with People

Unilever Pakistan Limited takes pride in the courage and ability of our people to deliver ambitious results, in a sustainable fashion under challenging conditions. The Company continues to hold the employer of choice position for 5 years consecutively.

The Standards of Leadership (SOL) of the Company, i.e. a set of behaviours that are deemed vital to be a good leader, are ingrained strongly in our people. Personal development is facilitated through empowering the people with bigger as well as challenging assignments, coaching, mentoring and the appraisal system. This investment in our people is what will set us apart in the industry and drive us towards our goals with the right people on board.

The Company encourages its employees to work in an agile manner and offers flexi-work hours. Diversity is at the heart of our agenda with more than 200 females performing various roles across the functions in the Company. In order to cater to the needs of the female employees, the Unilever Day Care Centre, started in 2003 and is now also used by male employees, whose spouses work elsewhere.

There is continued focus on encouraging healthy work life balance among the employees. The Company has taken several initiatives in this regard, some examples of which are: Vitality Health Passport requiring annual medical checkups with follow-up consultation, a gym facility and healthy eating options in the cafeteria.

Unilever Pakistan Limited is a learning organization where employees are continuously groomed to challenge themselves and make real time decisions. The Company leverages the global Unilever Network to develop talent in Marketing, Sales, Supply Chain, Finance and Human Resource Management through our E-learning programmes.

Community Involvement

Unilever is a multi-local multinational which believes that the highest standards of corporate behaviour are essential to long term success. To achieve our sustainability targets we launched the Unilever Foundation in 2012, which has been working alongside the Unilever Sustainable Living Plan launched in 2011. The Unilever Foundation is a key action we are taking to help meet our ambitious goal of helping more than one billion people improve their health and well-being and, in turn, create a sustainable future with our 5 global partners; Unicef, United Nations World Food Programme, Save the Children, Population Services International and Oxfam. Unilever Pakistan partners with both local and global partners in order to execute its sustainability agenda.

During 2012, our main initiatives included:

i. Corporate Philanthropy: Rs. 29.2 million

a. Making quality primary education available to the lesser privileged - working with:

- The Citizen's Foundation (TCF) in its schools programme.
- Supporting government schools through Public Private Partnerships.

b. Supporting health care organizations such as Layton Rehmatullah Benevolent Trust (LRBT), The Kidney Centre Postgraduate Training Institute and SIUT.

c. Unilever Pakistan also supported 'Save the Children' health care programmes and Unicef's "Wash Programme" through the Unilever Foundation.

ii. Energy Conservation:

The Company Head Office achieved 'WWF Green Office' certification based on its sustainability initiatives through a structured program of measuring, monitoring and reducing energy, paper consumption and waste segregation. The program delivered 24% energy reduction in 2012 as compared to last year.

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

a. Steam consumption optimisation in soap manufacturing process.

b. Waste heat recovery through condensate utilisation.

c. Balancing air conditioning load in offices.

d. Reverse Osmosis plant installation at Ice Cream factory for improving boiler efficiency .

e. Engineering improvements in manufacturing for reducing energy waste.

f. Smart production scheduling and taking shut down at ice cream Plant in winter season.

g. Temperature optimisation in compressors.

h. Department wise energy measurement and using day light in production halls and warehouses.

i. Phasing out window air conditioners and use of eco-efficient lighting at the offices.

iii. Environmental Protection Measures:

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

Unilever Sustainable Living Plan (USLP), launched in 2011, has been a key enabler across the entire value chain for pursuing Company's audacious growth ambition in an environmentally responsible manner.

The key environmental protection initiatives include:

a. Recycling treated water for watering factory green belts at Rahim Yar Khan Factory.

b. CIP optimisation, vacuum pump water recirculation, installation of RO plant and water recycling from sauce plant at Ice cream factory.

c. Installation of water guns and water meters.

d. Distribution centre rationalization and cross docking.

e. Using the 'right sized' vehicles for each route.

f. Optimization of vehicle routes as per vehicle load.

g. Reducing travel related environmental footprint by investment in technology (teleconferencing, live meetings and Skype etc.)

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

i. Eliminating 170 tons packaging material through structure optimisation and right sizing of packs.

Alongside all this, the Company is also investing in the infrastructure and capability building in the areas of eco-efficient practices. Workshops and training have been conducted to engage young managers and factory leaders on tools and techniques for replication of regional / industry best practices on environmental conservation.

iv. Community Investment and Welfare Schemes: Rs.128.7 million

a. The Lifebuoy brand partnered with Idara-e-Taleem-o-Aagahi (ITA) for school going children on handwashing activity across the country. Lifebuoy also partnered with TCF and Sindh Education Foundation to hold activities across Pakistan for Global Handwashing Day.

b. Close Up and Pepsodent partnered with Population Services International (PSI), Green Star and FDI to educate communities about the importance of brushing teeth twice a day.

c. Ponds partnered with Shaukat Khanum Hospital to raise awareness about Breast Cancer.

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

e. Lifebuoy Shampoo partnered with ITA to educate school children on basic personal hygiene including hair care.

f. Supreme Tea partnered with PSI Green Star to create awareness about the health benefits of tea, whilst the Brooke Bond Tea Council remained active in spreading the message through their forum. The brand also engaged with multiple doctors to facilitate the awareness building campaign and set up a dispensary in Khanewal for community health care.

g. Blue Band initiated a school programme to educate students on healthy eating habits across Pakistan.

h. Fair & Lovely partnered with Depilex and trained small salon owners to improve their services and standards ensuring better entrepreneurial growth.

i. Fair & Lovely, Sunsilk and Lux continued to provide rural women with vocational training and basic management skills. The programme, called Guddi Baji also engaged these women as Unilever Brand Ambassadors in their towns and villages.

j. Rahbar, started in 2011, is a programme that engages men in small towns and villages to become part of the Unilever distribution channel. This channel continues to grow in 2012.

k. Vim initiated a behavioural change consumer programme to minimize water usage in an effort towards water conservation.

l. Another initiative in partnership with Umeed was started to help small retailers in rural Pakistan grow their businesses through basic management training in sales and book keeping.

v. Consumer Protection Measures:

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

vi. Employment of Special Persons:

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

vii. Occupational Safety and Health:

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

The management has instituted Central Safety Health & Environment Committee (CSHEC) structure, represented by all MC members, to review performance and provide policy guidelines.

Key initiatives are "Safety Programmes for Transport and Market Activation Service Providers" & "SEDEX" certification audits for key suppliers and co packers. Internally it also initiated the motivational drives, i.e. "Family Safety Mela", "Safety Week" and the "Wellness Week" for employee engagement and to raise awareness of key issues.

Road Safety remains a key pillar of Company's safety systems. Initiatives of "Defensive Driving", "Behavioural Risk Assessment" and "Route Risk Assessments" were the key building blocks to pro-actively identify and manage driving-related risks. Based on these initiatives, Pakistan was given a leadership role to drive Unilever's "Safe Travel Programme" across South Asia.

All above initiatives are paying dividends; the Company has been a significant contributor in the South Asia cluster by achieving 56% reduction in injury rate in 2012 as compared to 2011, and achieved the best safety performance for the second consecutive year in the cluster.

viii. Business Ethics and Anti-Corruption Measures:

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

ix. National Cause Donations: Rs. 12 million

Lifebuoy Shampoo contributed towards relief efforts with ITA through in-kind donations during the year.

x. Contribution to National Exchequer:

The Company contributed Rs. 20.9 billion (2011: Rs. 17.02 billion) of its value added to the national exchequer by way of import duties, general sales tax, income tax and other government levies.

Employee Involvement:

Our people share the Company's passion towards sustainable development which is encouraged by volunteer programmes. Employees contribute to various organizations throughout the year in the form of monetary support and skill development. Contributions through the payroll programme for Aga Khan University Hospital, The Citizens Foundation and UN World Food Programme resulted in a collection of over Rs. 2 million. Employees also participated in an internal campaign called 'Red Balloon Day' to support child health care programmes run by Save the Children and raised Rs. 300,000 in a day. Additionally our employees also spent time with TCF students to educate them about handwashing on 'Global Handwashing Day' and other TCF volunteer programmes. Over 400 employees participated in one or more activities during the year.

Investment in Retirement Benefits

The investments made by the staff retirement funds operated by the Company as per their financial statements at December 31, 2012 are as follows:

	Rs in million
The Union Pakistan Provident Fund	1,007
DC Pension Fund	369
Unilever Pension Plan	1,667
Unilever Gratuity Plan	9
Unilever Non Management Staff Gratuity Fund	46
Total	**3,098**
Total – 2011	2,710

Code of Corporate Governance

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

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the listed Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee includes 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 included in this annual report:
  - Number of Board meetings held and attendance by directors.
  - Key financial data for the last six years.
  - Pattern of shareholding.

Directors

The election of directors was held in AGM of 2011. During the year 2012, Mr. M. Qaysar Alam retired and Mr. Faheem Ahmed Khan had been appointed in his place. The term of present directors will expire on April 19th, 2014.

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 Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

Reserve appropriations

	Reserves (Rs. in thousands)			
	Capital		Revenue	Total
	Arising under schemes of arrangements for amalgamations	Contingency	Unappropriated profit	
Balance as at December 31, 2011	70,929	321,471	3,110,089	3,502,489
Total comprehensive income for the year	-	-	5,491,255	5,491,255
Dividends for the year ended December 31, 2011 - On cumulative preference shares @ 5% per share	-	-	(239)	(239)
-Final dividend on ordinary shares @ Rs 202 per share	-	-	(2,685,362)	(2,685,362)
For the year ended December 31, 2012 - 1st Interim dividend on ordinary shares @ Rs 65 per share	-	-	(864,101)	(864,101)
-2nd Interim dividend on ordinay shares @ Rs 65 per share	-	-	(864,101)	(864,101)
Balance as at December 31, 2012	**70,929**	**321,471**	**4,187,541**	**4,579,941**

Business Risk and Future Outlook

Profitable, consistent and competitive growth requires reshaping the business. Addition of new categories and brands will entail a period of sustained investment with consequent impact on profit. Growth of both, new and existing categories is impacted by inflationary pressure, economic and political uncertainty, power shortages and volatile law and order conditions. The highly competitive nature of the FMCG business will require higher advertising spends than hitherto. Counterfeiting remains a challenge as brands become more popular. Evasion of taxes in tea, which represents a third of our business, remains an issue particularly with the increase in sales tax in February 2013.

Faced with these challenges, we continue to focus on our agenda of strengthening our market leadership through continuous innovations, increased consumer focus, deepening the distribution and a strong performance culture within the organization. Our people remain crucial for the continued growth of the business.

Delisting

The majority shareholder of the Company, Unilever Overseas Holdings Limited (UOHL) made an announcement on November 28, 2012 of its intention to acquire all of the ordinary shares held by the other shareholders of the Company at a proposed share price of Rs 9,700 per ordinary share, and to seek the delisting of the shares of the Company from the stock exchanges in Pakistan, in accordance with the voluntary delisting provisions of the Listing Regulations. Consequently, the Board of Directors of the Company at their meeting held on December 3, 2012 considered and resolved to accept the proposal made by the majority shareholder.

Thereafter the Company submitted the formal application for delisting and the required information to the stock exchanges vide its letter dated January 24, 2013 and February 13, 2013. The said delisting application is currently under consideration with the Karachi, Lahore and Islamabad Stock Exchanges.

Thanking you all

On behalf of the Board

Ehsan A. Malik
Chairman and Chief Executive

Karachi
February 26, 2013

Board Meetings' Attendance

During the year 2012, five Board Meetings were held and the attendance of each director is given below:

Directors	No. of Meetings Held *	No. of Meetings attended
Mr. Ehsan A. Malik	5	5
Mr. Imran Husain	5	5
Mr. Zaffar A. Khan	5	5
Mr. Khalid Rafi	5	5
Mr. M. Qaysar Alam **	2	2
Ms. Shazia Syed	5	5
Mr. Amir R. Paracha	5	5
Ms. Fariyha Subhani	5	4
Mr. Faheem Ahmed Khan ***	3	3

Notes :

* Meetings held during the period when concerned Director was on the Board.
** Resigned in May 2012.
*** Appointed in June 2012, against casual vacancy on the Board.

Board Committees

Audit Committee

Name of Member	Total No. of Meetings Held *	No. of Meetings Attended
Mr. Khalid Rafi Chairman	5	5
Mr. Zaffar A. Khan Member	5	4
Mr. M. Qaysar Alam** Member	3	3
Mr. Faheem A. Khan*** Member	2	1
Mr. Azhar Shahid Secretary	5	5

Notes:
* Meetings held during the period when concerned Member was in the Committee.
** Resigned in May 2012.
*** Appointed in June 2012.

Terms of Reference

Committee has been constituted by the Board in compliance with Listing Regulations. The Committee oversees the internal audit function, and also reviews audit plans and reports. The Committee conducts its meetings as and when required. The Committee appraises the Board about the significant discussions and decisions at its meetings and recommendations in respect of Company's operations and financial results.

The Committee includes one independent non-executive director and one non-executive director of the Board. All employees of the Company have access to the Committee. The Committee met five times during 2012. Minutes of the meetings are drawn up expeditiously and circulated for the information and consideration of the Board.

Committee of Directors

Name of Member	Total No. of Meetings Held *	No. of Meetings Attended
Mr. Ehsan A. Malik Chairman	11	9
Mr. Imran Husain Member	11	11
Mr. M. Qaysar Alam ** Member	4	3
Ms. Shazia Syed Member	11	11
Mr. Faheem A. Khan** Member	7	7
Mr. Amar Naseer Secretary	11	11

Notes:
* Meetings held during the period when concerned Member was in the Committee.
** During the year, Mr. Faheem Ahmed Khan has been appointed in place of Mr. M. Qaysar Alam.

Terms of Reference

The Committee comprises of four members including the Chairman. Periodic meetings are held to facilitate handling of operational matters, share transfer and any other significant matters arising during the normal course of business operations.

Human Resource and Remuneration Committee

Name of Member	Total No. of Meetings Held *	No. of Meetings Attended
Mr. Zaffar A. Khan Chairman	1	1
Mr. Khalid Rafi Member	1	1
Mr. Ehsan A. Malik Member	1	1
Mr. Amar Naseer Secretary	1	1

Notes:
* Meeting held subsequently, prior to the Meeting of the Board of Directors.

Terms of Reference

The Committee has been constituted by the Board to recommend human resource management policies to the Board and fulfill the requirements of the Code of Corporate Governance. It comprises of three members of whom one is an independent non-executive director and one is a non-executive director. The CEO is also a member of the Committee.

Performance Indicators for 6 years

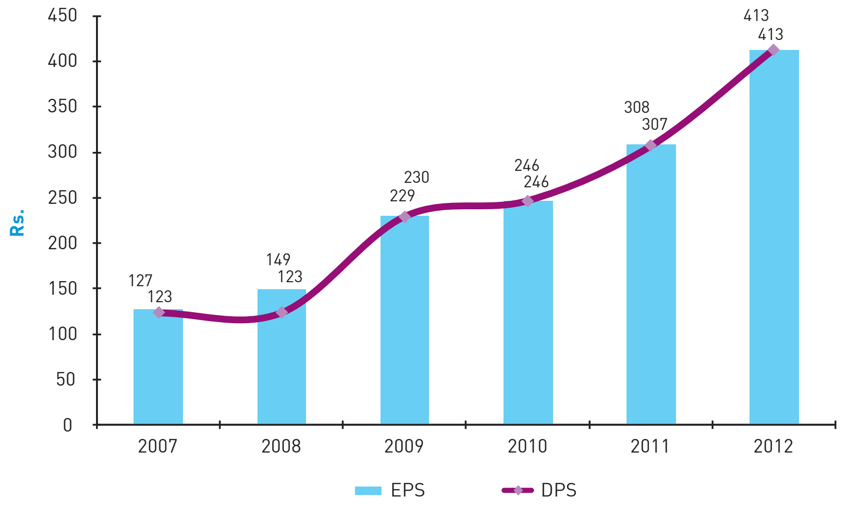
	2012	2011	2010	2009	2008	2007
	(Rupees in million)					
FINANCIAL POSITION						
Balance sheet						
Property, plant and equipment	7,226	5,717	4,897	4,737	4,428	3,531
Other non-current assets	1,290	1,640	1,177	1,132	1,110	478
Current assets	9,855	8,619	7,427	5,557	5,848	4,075
Total assets	18,371	15,976	13,501	11,426	11,386	8,084
Share capital - ordinary	664	664	664	664	664	664
Preference share capital	5	5	5	5	5	5
Reserves	4,580	3,502	2,891	2,622	1,547	1,311
Total equity	5,249	4,171	3,560	3,291	2,216	1,980
Surplus on revaluation of fixed assets	-	12	12	13	13	14
Non-current liabilities	1,055	847	955	1,020	687	502
Current liabilities	12,067	10,946	8,974	7,102	8,470	5,588
Total liabilities	13,122	11,792	9,929	8,122	9,157	6,090
Total equity and liabilities	18,371	15,976	13,501	11,426	11,386	8,084
Net current (liabilities) / assets	(2,212)	(2,327)	(1,547)	(1,546)	(2,622)	(1,513)
OPERATING AND FINANCIAL TRENDS						
Profit and loss						
Net sales	59,741	51,876	44,672	38,188	30,957	23,332
Cost of sales	(38,071)	(33,792)	(30,094)	(24,853)	(20,219)	(14,249)
Gross profit	21,670	18,084	14,577	13,335	10,738	9,083
Operating profit	8,478	6,456	5,060	4,943	3,391	2,639
Profit before tax	8,049	5,925	4,780	4,516	2,925	2,530
Profit after tax	5,491	4,094	3,273	3,056	1,984	1,687
Cash ordinary dividends	5,491	4,081	3,270	3,044	1,635	1,635
Capital expenditure	2,190	2,023	921	872	1,369	1,714
Cash flows						
Operating activities	6,338	4,659	6,182	5,216	97	2,406
Investing activities	(2,028)	(1,948)	(885)	(878)	(1,246)	(1,656)
Financing activities	(4,390)	(3,507)	(3,038)	(2,011)	(1,742)	(1,570)
Cash and cash equivalents at the end of the year	586	665	1,461	(798)	(3,126)	(235)

Performance Indicators for 6 years

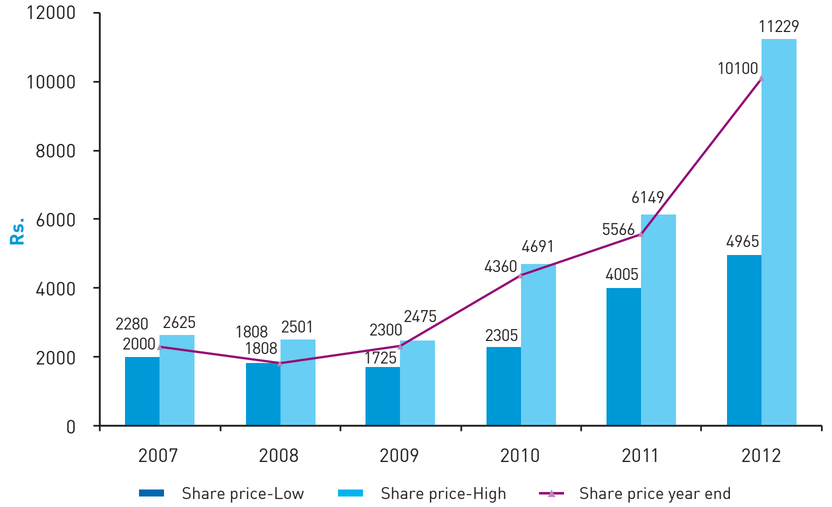
	Unit	2012	2011	2010	2009	2008	2007
FINANCIAL RATIOS							
Profitability Ratios							
Gross profit ratio	%	**36**	35	33	35	35	39
Net profit to sales	%	**9**	8	7	8	6	7
EBITDA Margin to sales	%	**15**	13	12	14	11	13
Operating leverage ratio	Times	**2.36**	1.32	0.21	2.30	0.64	0.23
Pre tax return on equity	%	**153**	142	134	137	132	128
Post tax return on equity	%	**105**	98	92	93	90	85
Return on capital employed	%	**116**	102	80	62	49	77
Liquidity Ratios							
Current ratio	Times	**0.82**	0.79	0.83	0.78	0.69	0.73
Quick / Acid test ratio	Times	**0.30**	0.30	0.40	0.27	0.19	0.24
Cash to current liabilities	Times	**0.05**	0.09	0.20	0.03	0.01	0.03
Cash flow from operations to sales	Times	**0.11**	0.09	0.14	0.13	0.00	0.10
Activity / Operating Performance Ratios							
Inventory turnover ratio	Days	**59**	49	46	58	64	63
Debtor turnover ratio	Days	**6**	5	4	4	3	3
Creditor turnover ratio	Days	**(108)**	(98)	(84)	(75)	(83)	(110)
Total assets turnover ratio	Times	**325**	325	331	334	272	289
Property, plant and equipment turnover ratio	Times	**8**	9	9	8	7	7
Operating cycle	Days	**(43)**	(44)	(34)	(13)	(16)	(45)
Investment / Market Ratios							
Earnings per share (EPS)	Rs.	**413**	308	246	230	149	127
Price earning ratio	Times	**24**	18	18	10	12	18
Dividend yield ratio	Times	**0.04**	0.06	0.06	0.10	0.07	0.05
Dividend payout ratio - earnings	Times	**1.00**	1.00	1.00	1.00	0.83	0.97
Dividend payout ratio - par value	Times	**8.26**	6.14	4.92	4.58	2.46	2.46
Dividend cover ratio	Times	**1.00**	1.00	1.00	1.00	1.21	1.03
Cash dividend	Rs.	**413**	307	246	229	123	123
Market value - low	Rs.	**4,965**	4,005	2,305	1,725	1,808	2,000
Market value - high	Rs.	**11,229**	6,149	4,691	2,475	2,501	2,625
Market value - year end	Rs.	**10,100**	5,566	4,360	2,300	1,808	2,280
Breakup value without surplus on revaluation of fixed assets	Rs.	**395**	314	268	248	167	149
Breakup value with surplus on revaluation	Rs.	**395**	315	269	249	168	150
Capital Structure Ratios							
Financial leverage ratio	Times	**-**	0.07	0.09	0.32	1.48	0.21
Interest cover ratio	Times	**130**	124	34	20	18	84

Performance Indicators for 6 years

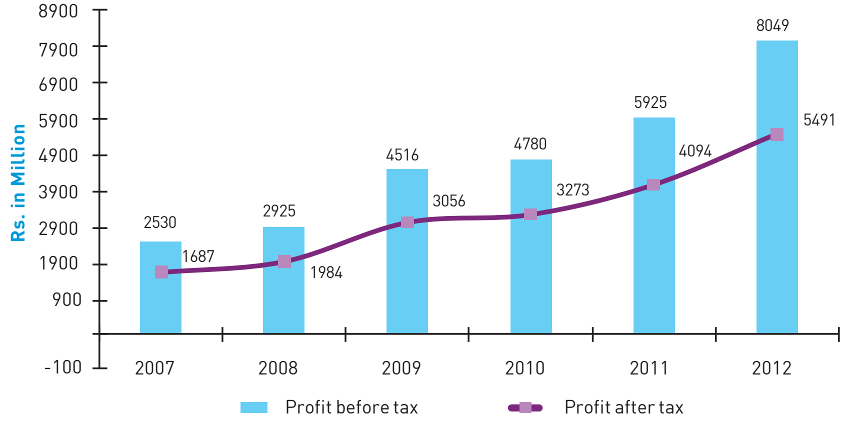
Comparison of EPS and DPS



Share Price Trend



Comparison of PBT and PAT

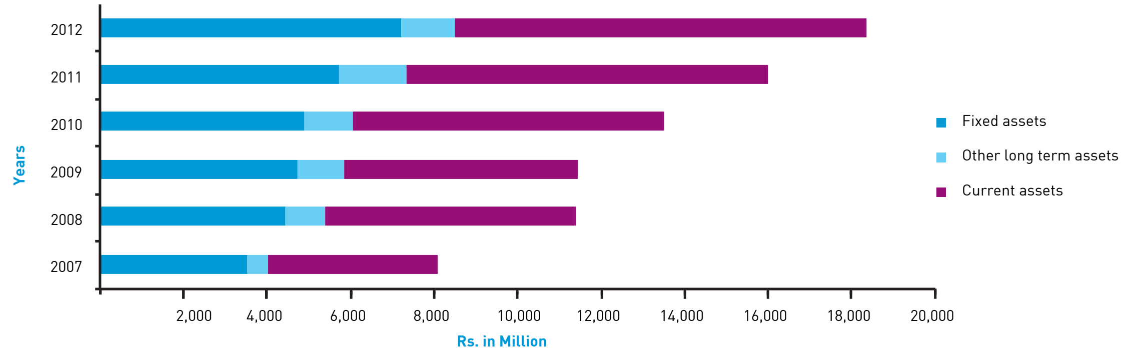


Balance Sheet Horizontal Analysis for 6 years

(Rs. in thousand)

	2012 Rs.	12 Vs.11 %	2011 Rs.	11 Vs.10 %	2010 Rs.	10 Vs.09 %	2009 Rs.	09 Vs.08 %	2008 Rs.	08 Vs.07 %	2007 Rs.	07 Vs.06 %
Assets												
Non-current assets												
Property, plant and equipment	7,225,779	26.39	5,717,231	16.75	4,897,171	3.39	4,736,619	6.96	4,428,278	25.43	3,530,572	65.18
Intangibles	936,797	(27.31)	1,288,730	56.95	821,086	129.64	357,556	4,796.02	7,303	(40.01)	12,173	(28.57)
Long term investments	95,202	-	95,202	-	95,202	-	95,202	-	95,202	-	95,202	-
Long term loans	135,586	17.64	115,256	37.39	83,887	(14.50)	98,117	(18.61)	120,545	4.47	115,388	19.68
Long term deposits and prepayments	20,070	(22.09)	25,761	(7.99)	27,997	(92.87)	392,896	(27.25)	540,027	10,876.16	4,920	(80.60)
Retirement benefits - prepayments	102,769	(10.54)	114,877	(22.80)	148,800	(20.87)	188,054	(8.42)	205,355	(18.15)	250,878	(32.68)
	8,516,203	15.76	7,357,057	21.12	6,074,143	3.51	5,868,444	8.74	5,396,710	34.61	4,009,133	46.11
Current assets												
Stores and spares	421,656	21.33	347,520	(2.75)	357,338	34.63	265,420	9.79	241,753	48.06	163,282	(20.74)
Stock in trade	6,244,203	19.98	5,204,390	34.10	3,881,007	6.36	3,649,070	(14.18)	4,251,914	55.97	2,726,064	26.41
Trade debts	1,018,561	22.25	833,179	59.37	522,795	3.25	506,357	121.35	228,763	(4.41)	239,313	36.97
Loans and advances	181,003	12.99	160,194	26.44	126,699	(3.91)	131,852	6.41	123,904	0.83	122,888	(29.36)
Accrued interest / mark up	-	-	-	-	-	-	-	-	-	-	1,115	(75.79)
Trade deposits and short term prepayments	547,671	(4.62)	574,205	135.66	243,661	(25.67)	327,826	(36.52)	516,443	118.77	236,064	132.16
Other receivables	108,680	(26.36)	147,583	107.98	70,960	(13.61)	82,141	(62.38)	218,329	(12.37)	249,139	158.89
Tax refunds due from the Government	748,493	89.63	394,715	(15.37)	466,394	31.36	355,052	17.64	301,813	103.25	148,496	(20.29)
Cash and bank balances	584,546	(38.95)	957,459	(45.54)	1,758,110	633.91	239,553	124.32	106,789	(43.40)	188,682	(67.79)
	9,854,813	14.33	8,619,245	16.05	7,426,964	33.64	5,557,271	(7.22)	5,989,708	46.99	4,075,043	10.56
Total assets	18,371,016	14.99	15,976,302	18.33	13,501,107	18.16	11,425,715	0.35	11,386,418	40.85	8,084,176	25.73
Equity and Liabilities												
Capital and reserves												
Share capital	669,477	-	669,477	-	669,477	-	669,477	-	669,477	-	669,477	-
Reserves	4,579,941	30.76	3,502,489	21.16	2,890,841	10.27	2,621,643	69.55	1,546,281	18.01	1,310,350	12.89
	5,249,418	25.83	4,171,966	17.18	3,560,318	8.18	3,291,120	48.53	2,215,758	11.92	1,979,827	8.18
Surplus on revaluation of fixed assets	-	(100.00)	11,669	(5.26)	12,317	(5.00)	12,965	(4.76)	13,613	(4.54)	14,261	(4.35)
Liabilities												
Non-current liabilities												
Liabilities against assets subject to finance leases	-	(100.00)	3,291	(83.39)	19,818	(65.09)	56,762	(26.59)	77,327	46.09	52,932	270.85
Deferred taxation	676,720	77.59	381,064	(33.86)	576,143	(9.43)	636,130	72.09	369,653	19.61	309,044	51.79
Retirement benefits - obligations	378,355	(18.12)	462,106	28.79	358,802	9.71	327,060	36.39	239,794	70.72	140,463	8.22
	1,055,075	24.65	846,461	(11.34)	954,763	(6.39)	1,019,952	48.51	686,774	36.69	502,439	44.52
Current liabilities												
Trade and other payables	11,444,514	13.35	10,096,698	22.63	8,233,705	42.31	5,785,776	27.22	4,547,794	(4.27)	4,750,490	19.14
Taxation - provisions less payments	-	-	-	-	-	-	-	-	-	-	21,633	(82.06)
Accrued interest / mark up	7,003	(27.28)	9,630	(40.50)	16,184	(43.98)	28,892	(54.91)	64,075	1,646.39	3,669	93.31
Short term borrowings	-	(100.00)	292,534	(1.55)	297,143	(71.37)	1,037,911	(67.89)	3,232,523	663.18	423,557	211,678.50
Current maturity of liabilities against assets subject to finance leases	-	(100.00)	13,229	(54.19)	28,877	1.61	28,419	(12.08)	32,322	87.12	17,273	1.83
Provisions	615,006	15.14	534,115	34.27	397,800	80.26	220,680	(62.82)	593,559	59.98	371,027	237.30
	12,066,523	10.23	10,946,206	21.98	8,973,709	26.36	7,101,678	(16.16)	8,470,273	51.59	5,587,649	31.87
Total liabilities	13,121,598	11.27	11,792,667	18.78	9,928,472	22.25	8,121,630	(11.31)	9,157,047	50.36	6,090,088	32.83
Total equity and liabilities	18,371,016	14.99	15,976,302	18.33	13,501,107	18.16	11,425,715	0.35	11,386,418	40.85	8,084,176	25.73

Balance Sheet Analysis - Assets

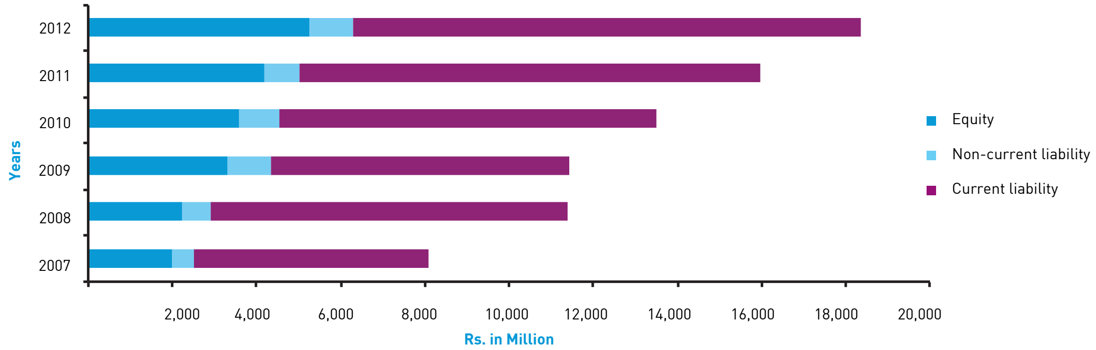


Balance Sheet Vertical Analysis for 6 years

(Rs. in thousand)

	2012		2011		2010		2009		2008		2007	
Assets	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Non-current assets												
Property, plant and equipment	7,225,779	39.33	5,717,231	35.79	4,897,171	36.27	4,736,619	41.46	4,428,278	38.89	3,530,572	43.67
Intangibles	936,797	5.10	1,288,730	8.07	821,086	6.08	357,556	3.13	7,303	0.06	12,173	0.15
Long term investments	95,202	0.52	95,202	0.60	95,202	0.71	95,202	0.83	95,202	0.84	95,202	1.18
Long term loans	135,586	0.74	115,256	0.72	83,887	0.62	98,117	0.86	120,545	1.06	115,388	1.43
Long term deposits and prepayments	20,070	0.11	25,761	0.16	27,997	0.21	392,896	3.44	540,027	4.74	4,920	0.06
Retirement benefits - prepayments	102,769	0.56	114,877	0.72	148,800	1.10	188,054	1.65	205,355	1.80	250,878	3.10
	8,516,203	46.36	7,357,057	46.05	6,074,143	44.99	5,868,444	51.36	5,396,710	47.40	4,009,133	49.59
Current assets												
Stores and spares	421,656	2.30	347,520	2.18	357,338	2.65	265,420	2.32	241,753	2.12	163,282	2.02
Stock in trade	6,244,203	33.99	5,204,390	32.58	3,881,007	28.75	3,649,070	31.94	4,251,914	37.34	2,726,064	33.72
Trade debts	1,018,561	5.54	833,179	5.22	522,795	3.87	506,357	4.43	228,763	2.01	239,313	2.96
Loans and advances	181,003	0.99	160,194	1.00	126,699	0.94	131,852	1.15	123,904	1.09	122,888	1.52
Accrued interest / mark up	-	-	-	-	-	-	-	-	-	-	1,115	0.01
Trade deposits and short term prepayments	547,671	2.98	574,205	3.59	243,661	1.80	327,826	2.87	516,443	4.54	236,064	2.92
Other receivables	108,680	0.59	147,583	0.92	70,960	0.53	82,141	0.72	218,329	1.92	249,139	3.08
Tax refunds due from the Government	748,493	4.07	394,715	2.47	466,394	3.45	355,052	3.11	301,813	2.65	148,496	1.84
Cash and bank balances	584,546	3.18	957,459	5.99	1,758,110	13.02	239,553	2.10	106,789	0.94	188,682	2.33
	9,854,813	53.64	8,619,245	53.95	7,426,964	55.01	5,557,271	48.64	5,989,708	52.60	4,075,043	50.41
Total assets	18,371,016	100.00	15,976,302	100.00	13,501,107	100.00	11,425,715	100.00	11,386,418	100.00	8,084,176	100.00
Equity and Liabilities												
Capital and reserves												
Share capital	669,477	3.64	669,477	4.19	669,477	4.96	669,477	5.86	669,477	5.88	669,477	8.28
Reserves	4,579,941	24.93	3,502,489	21.92	2,890,841	21.41	2,621,643	22.95	1,546,281	13.58	1,310,350	16.21
	5,249,418	28.57	4,171,966	26.11	3,560,318	26.37	3,291,120	28.80	2,215,758	19.46	1,979,827	24.49
Surplus on revaluation of fixed assets	-	-	11,669	0.07	12,317	0.09	12,965	0.11	13,613	0.12	14,261	0.18
Liabilities												
Non-current liabilities												
Liabilities against assets subject to finance leases	-	-	3,291	0.02	19,818	0.15	56,762	0.50	77,327	0.68	52,932	0.65
Deferred taxation	676,720	3.68	381,064	2.39	576,143	4.27	636,130	5.57	369,653	3.25	309,044	3.82
Retirement benefits - obligations	378,355	2.06	462,106	2.89	358,802	2.66	327,060	2.86	239,794	2.11	140,463	1.74
	1,055,075	5.74	846,461	5.30	954,763	7.07	1,019,952	8.93	686,774	6.03	502,439	6.22
Current liabilities												
Trade and other payables	11,444,514	62.30	10,096,698	63.20	8,233,705	60.99	5,785,776	50.64	4,547,794	39.94	4,750,490	58.76
Taxation - provisions less payments	-	-	-	-	-	-	-	-	-	-	21,633	0.27
Accrued interest / mark up	7,003	0.04	9,630	0.06	16,184	0.12	28,892	0.25	64,075	0.56	3,669	0.05
Short term borrowings	-	-	292,534	1.83	297,143	2.20	1,037,911	9.08	3,232,523	28.39	423,557	5.24
Current maturity of liabilities against assets subject to finance leases	-	-	13,229	0.08	28,877	0.21	28,419	0.25	32,322	0.28	17,273	0.21
Provisions	615,006	3.35	534,115	3.34	397,800	2.95	220,680	1.93	593,559	5.21	371,027	4.59
	12,066,523	65.68	10,946,206	68.52	8,973,709	66.47	7,101,678	62.16	8,470,273	74.39	5,587,649	69.12
Total liabilities	13,121,598	71.43	11,792,667	73.81	9,928,472	73.54	8,121,630	71.08	9,157,047	80.42	6,090,088	75.33
Total equity and liabilities	18,371,016	100.00	15,976,302	100.00	13,501,107	100.00	11,425,715	100.00	11,386,418	100.00	8,084,176	100.00

Balance Sheet Analysis - Equity & Liabilities



Profit and Loss Account

Horizontal Analysis for 6 years

(Rs. in thousand)

	2012 Rs.	12 Vs.11 %	2011 Rs.	11 Vs.10 %	2010 Rs.	10 Vs.09 %	2009 Rs.	09 Vs.08 %	2008 Rs.	08 Vs.07 %	2007 Rs.	07 Vs.06 %
Sales	59,740,969	15.16	51,875,986	16.13	44,671,507	16.98	38,187,582	23.36	30,956,839	32.68	23,331,666	11.17
Cost of sales	(38,070,993)	12.66	(33,792,460)	12.29	(30,094,225)	21.09	(24,852,625)	22.92	(20,219,184)	41.90	(14,248,581)	7.58
Gross profit	21,669,976	19.83	18,083,526	24.05	14,577,282	9.32	13,334,957	24.19	10,737,655	18.22	9,083,085	17.30
Distribution cost	(11,149,177)	13.68	(9,807,202)	22.08	(8,033,561)	11.89	(7,179,694)	22.78	(5,847,845)	16.46	(5,021,177)	20.90
Administrative expenses	(1,989,175)	22.11	(1,628,964)	33.53	(1,219,935)	18.39	(1,030,478)	2.82	(1,002,214)	(1.97)	(1,022,326)	13.13
Other operating expenses	(614,929)	14.33	(537,831)	38.60	(388,051)	3.82	(373,785)	51.17	(247,266)	12.84	(219,130)	(4.59)
Other operating income	561,377	61.87	346,797	179.35	124,146	(35.45)	192,313	(19.84)	239,918	25.88	190,588	(6.08)
	8,478,072	31.31	6,456,326	27.60	5,059,881	2.36	4,943,313	27.40	3,880,248	28.87	3,011,040	13.21
Restructuring cost	-	(100.00)	(306,407)	240.45	(90,000)	100.00	-	(100.00)	(489,280)	31.44	(372,234)	238.39
Profit from operations	8,478,072	37.86	6,149,919	23.74	4,969,881	0.54	4,943,313	45.78	3,390,968	28.50	2,638,806	3.50
Finance cost	(429,474)	91.11	(224,722)	18.53	(189,583)	(55.67)	(427,708)	(8.25)	(466,166)	326.86	(109,208)	70.78
Profit before taxation	8,048,598	35.84	5,925,197	23.95	4,780,298	5.86	4,515,605	54.39	2,924,802	15.62	2,529,598	1.76
Taxation	(2,557,343)	39.67	(1,830,965)	21.49	(1,507,096)	3.24	(1,459,865)	55.23	(940,476)	11.66	(842,240)	(1.29)
Profit after taxation	5,491,255	34.12	4,094,232	25.08	3,273,202	7.12	3,055,740	53.99	1,984,326	17.60	1,687,358	3.36
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	5,491,255	34.12	4,094,232	25.08	3,273,202	7.12	3,055,740	53.99	1,984,326	17.60	1,687,358	3.36

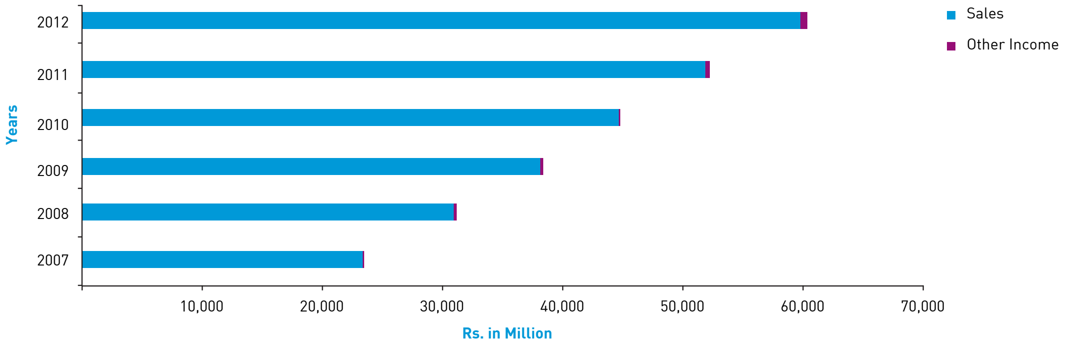
Vertical Analysis for 6 years

(Rs. in thousand)

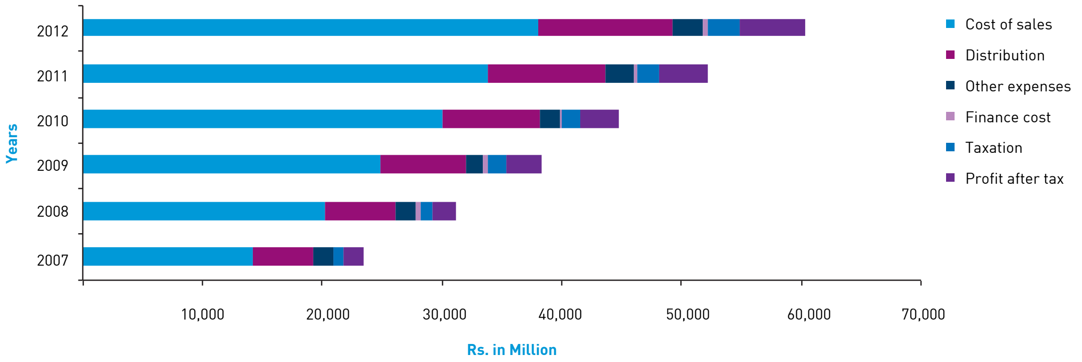
	2012		2011		2010		2009		2008		2007	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	59,740,969	100.00	51,875,986	100.00	44,671,507	100.00	38,187,582	100.00	30,956,839	100.00	23,331,666	100.00
Cost of sales	(38,070,993)	-63.73	(33,792,460)	-65.14	(30,094,225)	-67.37	(24,852,625)	-65.08	(20,219,184)	-65.31	(14,248,581)	-61.07
Gross profit	21,669,976	36.27	18,083,526	34.86	14,577,282	32.63	13,334,957	34.92	10,737,655	34.69	9,083,085	38.93
Distribution cost	(11,149,177)	-18.66	(9,807,202)	-18.91	(8,033,561)	-17.98	(7,179,694)	-18.80	(5,847,845)	-18.89	(5,021,177)	-21.52
Administrative expenses	(1,989,175)	-3.33	(1,628,964)	-3.14	(1,219,935)	-2.73	(1,030,478)	-2.70	(1,002,214)	-3.24	(1,022,326)	-4.38
Other operating expenses	(614,929)	-1.03	(537,831)	-1.04	(388,051)	-0.87	(373,785)	-0.98	(247,266)	-0.80	(219,130)	-0.94
Other operating income	561,377	0.94	346,797	0.67	124,146	0.28	192,313	0.50	239,918	0.78	190,588	0.82
	8,478,072	14.19	6,456,326	12.45	5,059,881	11.33	4,943,313	12.94	3,880,248	12.53	3,011,040	12.91
Restructuring cost	-	0.00	(306,407)	-0.59	(90,000)	-0.20	-	0.00	(489,280)	-1.58	(372,234)	-1.60
Profit from operations	8,478,072	14.19	6,149,919	11.86	4,969,881	11.13	4,943,313	12.94	3,390,968	10.95	2,638,806	11.31
Finance cost	(429,474)	-0.72	(224,722)	-0.43	(189,583)	-0.42	(427,708)	-1.12	(466,166)	-1.51	(109,208)	-0.47
Profit before taxation	8,048,598	13.47	5,925,197	11.42	4,780,298	10.70	4,515,605	11.82	2,924,802	9.45	2,529,598	10.84
Taxation	(2,557,343)	-4.28	(1,830,965)	-3.53	(1,507,096)	-3.37	(1,459,865)	-3.82	(940,476)	-3.04	(842,240)	-3.61
Profit after taxation	5,491,255	9.19	4,094,232	7.89	3,273,202	7.33	3,055,740	8.00	1,984,326	6.41	1,687,358	7.23
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	5,491,255	9.19	4,094,232	7.89	3,273,202	7.33	3,055,740	8.00	1,984,326	6.41	1,687,358	7.23

Graphical Analysis

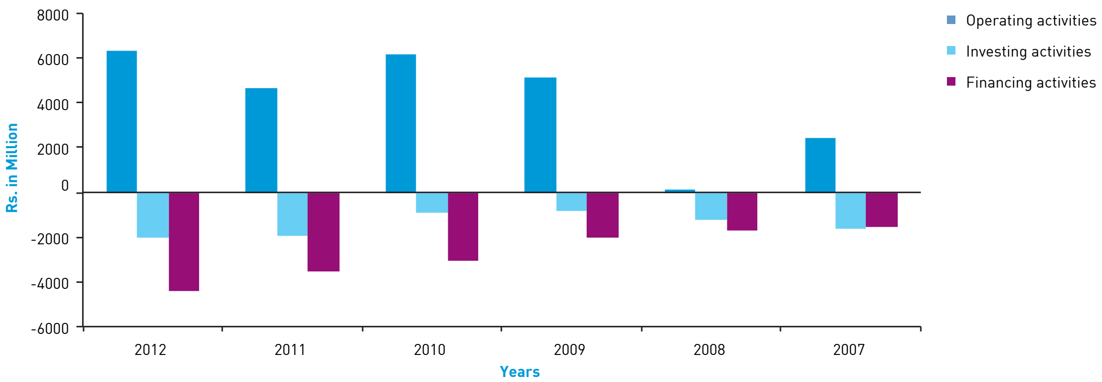
Profit and Loss Analysis - Sales & Other Income



Profit and Loss Analysis - Expenses



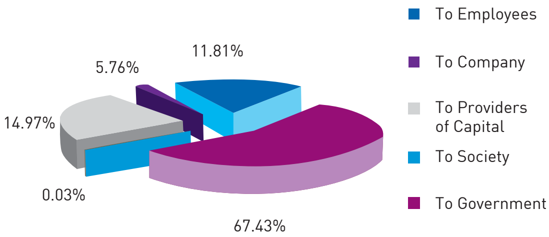
Cash Flow Analysis



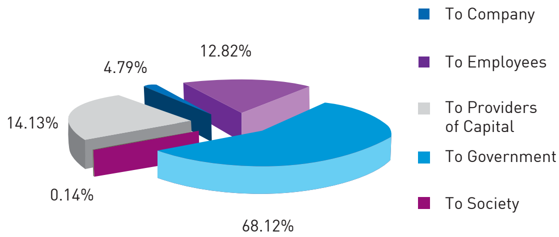
Statement of Value Addition and its Distribution

	2012 Rs. in '000	%	2011 Rs. in '000	%
Wealth Generated				
Total revenue inclusive of sales tax and other income	71,002,351		64,188,244	
Bought-in material and services	(41,087,990)		(39,195,939)	
	29,914,361	100	24,992,305	100
Wealth Distribution				
To Employees				
Salaries, benefits and other costs	3,532,149	11.81	2,897,249	11.59
Restructuring Cost	-		306,407	1.23
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	20,171,198	67.43	17,025,145	68.12
To Society				
Donation towards education, health and environment	9,121	0.03	34,273	0.14
To Providers of Capital				
Dividend to shareholders	4,413,564	14.75	3,482,993	13.94
Mark-up/ interest expenses on borrowed funds	65,260	0.22	48,125	0.19
To Company				
Depreciation, amortization & retained profit	1,723,069	5.76	1,198,113	4.79
	29,914,361	100	24,992,305	100

Wealth Distribution 2012



Wealth Distribution 2011



Pattern of Shareholding
As at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held *
2,612	1	100	77,366
726	101	500	165,463
149	501	1,000	107,591
145	1,001	5,000	288,435
18	5,001	10,000	139,256
5	10,001	15,000	44,935
3	15,001	20,000	52,423
2	20,001	25,000	43,662
2	25,001	30,000	50,185
3	30,001	35,000	65,657
3	40,001	45,000	125,199
1	50,001	55,000	54,541
1	75,001	80,000	79,200
1	80,001	85,000	84,400
1	85,001	90,000	89,600
1	90,001	95,000	91,333
1	110,001	115,000	111,589
2	115,001	120,000	236,000
1	215,001	220,000	217,425
1	420,001	425,000	423,402
1	775,001	780,000	778,890
1	10,015,001	10,020,000	10,015,152
3,680			13,341,704

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage %
Associated Companies, Undertakings and Related Parties *	1	10,015,152	75.07
Directors, CEO and their spouses and minor children	2	1,021	0.01
Executives	2	65	0.00
NIT and ICP *	4	111,772	0.84
Banks, Development Finance Institutions, Non-Banking Finance Institutions	9	98,617	0.74
Insurance Companies	6	492,411	3.69
Modarabas and Mutual Funds	18	22,936	0.17
General Public			
a. Local *	3,518	714,607	5.35
b. Foreign	6	2,205	0.02
Others *	114	1,882,918	14.11
	3,680	13,341,704	100.00

Shareholders holding 5% or more voting rights :

Unilever Overseas Holdings Ltd.	1	10,015,152	75.07
Arisaig India Fund Limited	1	778,890	5.84

* Includes Voting Preference Shares.

Pattern of Shareholding Additional Information
As at December 31, 2012

Information on shareholding required under reporting framework of the Code of Corporate Governance is as follows:

Shareholders' Category		Number of Shareholders	Number of Shares Held
i)	Associated Companies, Undertakings and Related Parties (name wise details)		
	UNILEVER OVERSEAS HOLDINGS LIMITED	1	10,015,152
ii)	Mutual Funds (name wise details)		
	CDC - TRUSTEE ABL STOCK FUND	1	1,680
	CDC - TRUSTEE AKD INDEX TRACKER FUND	1	672
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	1,630
	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	2,132
	CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	1	300
	CDC - TRUSTEE MEEZAN BALANCED FUND	1	750
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	6,806
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	526
	CDC - TRUSTEE NAFA ISLAMIC MULTI ASSET FUND	1	689
	CDC - TRUSTEE UBL SHARIA STOCK FUND	1	800
	CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	1	15
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	1,620
	MC FSL - TRUSTEE JS KSE-30 INDEX FUND	1	142
	MCBFSL-TRUSTEE UIRSF-EQUITY SUB FUND	1	139
	MCBFSL-TRUSTEE URSF-EQUITY SUB FUND	1	200
	TRUSTEE - PAKISTAN ISLAMIC PENSION FUND - EQUITY SUB FUND	1	5
iii)	Directors and their spouse(s) and minor children (name wise details)		
	Mr. Zaffar A. Khan	1	1020
	Mr. Khalid Rafi	1	1
iv)	Executives	2	65
v)	Public Sector Companies & Corporation	1	423,402
vi)	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	19	184,157
vii)	Shareholders holding 5% or more voting rights (name wise details)		
	UNILEVER OVERSEAS HOLDINGS LTD.	1	10,015,152
	ARISAIG INDIA FUND LIMITED	1	778,890

Statement of Compliance with the Code of Corporate Governance

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director and one non-executive director.

Category	Names
Independent Non -Executive Director	1- Mr. Zaffar A. Khan
Non -Executive Director	1- Mr. Khalid Rafi
Executive Directors	1- Mr. Ehsan A. Malik 2- Mr. Imran Husain 3- Ms. Shazia Syed 4- Mr. Amir R. Paracha 5- Ms. Fariyha Subhani 6- Mr. Faheem A. Khan

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

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

4. A casual vacancy in the Board of Directors occurred on May 31, 2012, which was filled up by the Directors within 7 days.

5. The Company has adopted a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

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

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated atleast 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All the Directors of the Company have completed certification program under the Directors' Training Program.

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 one is an independent non-executive director and one is a non-executive director. During the year Chairman of the Audit Committee has been changed by rotation.

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 Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of three members, of whom one is an independent non-executive director and one is a non-executive director. The CEO is also the member of the Committee. The Chairman of the Committee is a non-executive director.

17. The Board has set up 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.

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 "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's Securities, was determined and intimated to directors, employees and Stock Exchanges.

21. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

22. The related party transactions have been placed before the audit committee and approved by the Board of Directors.

23. We confirm that all material principles enshrined in the Code have been complied with except for any exception already disclosed hereinabove.

Ehsan A. Malik
Chairman & Chief Executive

Karachi
February 26, 2013

Auditors' Review Report

Review report to the members on statement of compliance with the Code of Corporate Governance

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, 2012.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 12, 2013

Financial Statements 2012

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Limited as at December 31, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 12, 2013
Name of Engagement Partner: Farrukh Rehman

Balance Sheet

as at December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**7,225,779**	5,717,231
Intangible - computer software	5	**936,797**	1,288,730
Long term investments	6	**95,202**	95,202
Long term loans	7	**135,586**	115,256
Long term deposits and prepayments	8	**20,070**	25,761
Retirement benefits - prepayments	9	**102,769**	114,877
		8,516,203	7,357,057
Current assets			
Stores and spares	10	**421,656**	347,520
Stock in trade	11	**6,244,203**	5,204,390
Trade debts	12	**1,018,561**	833,179
Loans and advances	13	**181,003**	160,194
Trade deposits and short term prepayments	14	**547,671**	574,205
Other receivables	15	**108,680**	147,583
Tax refunds due from the Government	16	**748,493**	394,715
Cash and bank balances	17	**584,546**	957,459
		9,854,813	8,619,245
Total assets		**18,371,016**	15,976,302

Balance Sheet

as at December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	669,477	669,477
Reserves	19	4,579,941	3,502,489
		5,249,418	4,171,966
Surplus on revaluation of fixed assets		-	11,669
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance leases		-	3,291
Deferred taxation	20	676,720	381,064
Retirement benefits - obligations	9	378,355	462,106
		1,055,075	846,461
Current liabilities			
Trade and other payables	21	11,444,514	10,096,698
Accrued interest / mark up		7,003	9,630
Short term borrowings	22	-	292,534
Current maturity of liabilities against assets subject to finance leases		-	13,229
Provisions	23	615,006	534,115
		12,066,523	10,946,206
Total liabilities		13,121,598	11,792,667
Contingencies and commitments	24		
Total equity and liabilities		18,371,016	15,976,302

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Profit and Loss Account

for the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	25	**59,740,969**	51,875,986
Cost of sales	26	**(38,070,993)**	(33,792,460)
Gross profit		**21,669,976**	18,083,526
Distribution costs	27	**(11,149,177)**	(9,807,202)
Administrative expenses	28	**(1,989,175)**	(1,628,964)
Other operating expenses	29	**(614,929)**	(537,831)
Other operating income	30	**561,377**	346,797
		8,478,072	6,456,326
Restructuring cost		**-**	(306,407)
Profit from operations		**8,478,072**	6,149,919
Finance cost	31	**(429,474)**	(224,722)
Profit before taxation		**8,048,598**	5,925,197
Taxation	32	**(2,557,343)**	(1,830,965)
Profit after taxation		**5,491,255**	4,094,232
Other comprehensive income		**-**	-
Total comprehensive income		**5,491,255**	4,094,232
Basic and diluted earnings per share (Rupees)	33	**413**	308

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Cash Flow Statement

for the year ended December 31, 2012

	2012	2011
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	**8,048,598**	5,925,197
Adjustments for non-cash charges and other items		
Depreciation	**645,378**	586,874
Amortisation of intangible - computer software	**249,055**	56,076
(Gain) / loss on disposal of property, plant and equipment	**(104,944)**	53,260
Dividend income	**(12)**	(12)
Mark-up on short term borrowings	**64,991**	44,087
Finance charge on finance leases	**269**	4,038
Provision for staff retirement benefits	**180,923**	238,841
Return on savings accounts	**(23,410)**	(14,868)
Income on term deposit accounts	**(8,862)**	(20,544)
	1,003,388	947,752
	9,051,986	6,872,949
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(74,136)**	9,818
Stock in trade	**(1,039,813)**	(1,323,383)
Trade debts	**(185,382)**	(310,384)
Loans and advances	**(20,809)**	(33,495)
Trade deposits and short term prepayments	**26,534**	(330,544)
Other receivables	**38,903**	(76,623)
	(1,254,703)	(2,064,611)
Increase in current liabilities		
Trade and other payables	**1,410,023**	1,850,385
Provisions	**80,891**	136,315
	1,490,914	1,986,700
	236,211	(77,911)
Cash generated from operations (carried forward)	**9,288,197**	6,795,038

Cash Flow Statement

for the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash generated from operations (brought forward)		9,288,197	6,795,038
Mark-up on short term borrowings		(67,618)	(50,641)
Taxes paid		(2,615,465)	(1,954,365)
Retirement benefits obligations paid		(252,566)	(101,614)
Increase in long term loans		(20,330)	(31,369)
Decrease in long term deposits and prepayments		5,691	2,236
Net cash from operating activities		6,337,909	4,659,285
Cash used in investing activities			
Purchase of property, plant and equipment		(2,189,886)	(1,498,928)
Payment for intangible - computer software		-	(523,720)
Sale proceeds on disposal of property, plant and equipment		129,235	38,734
Return received on savings accounts and deposit accounts		32,272	35,412
Dividend received		12	12
Net cash used in investing activities		(2,028,367)	(1,948,490)
Cash used in financing activities			
Dividends paid		(4,373,132)	(3,470,624)
Finance lease obligation paid		(16,789)	(36,213)
Net cash used in financing activities		(4,389,921)	(3,506,837)
Net increase / (decrease) in cash and cash equivalents		(80,379)	(796,042)
Cash and cash equivalents at the beginning of the year		664,925	1,460,967
Cash and cash equivalents at the end of the year	34	584,546	664,925

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Statement of Changes in Equity

for the year ended December 31, 2012

	SHARE CAPITAL	RESERVES				TOTAL
		CAPITAL		REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Unappropriated profit		
	(Rupees in thousand)					
Balance as at January 1, 2011	669,477	70,929	321,471	2,498,441	2,890,841	3,560,318
Total comprehensive income for the year	-	-	-	4,094,232	4,094,232	4,094,232
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, 2010						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 157 per share	-	-	-	(2,087,137)	(2,087,137)	(2,087,137)
For the year ended December 31, 2011						
- Interim dividend on ordinary shares @ Rs 105 per share	-	-	-	(1,395,856)	(1,395,856)	(1,395,856)
Balance as at December 31, 2011	**669,477**	**70,929**	**321,471**	**3,110,089**	**3,502,489**	**4,171,966**
Total comprehensive income for the year	-	-	-	5,491,255	5,491,255	5,491,255
Dividends						
For the year ended December 31, 2011						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 202 per share	-	-	-	(2,685,362)	(2,685,362)	(2,685,362)
For the year ended December 31, 2012						
- First interim dividend on ordinary shares @ Rs 65 per share	-	-	-	(864,101)	(864,101)	(864,101)
- Second interim dividend on ordinary shares @ Rs 65 per share	-	-	-	(864,101)	(864,101)	(864,101)
Balance as at December 31, 2012	**669,477**	**70,929**	**321,471**	**4,187,541**	**4,579,941**	**5,249,418**

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2012

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.

The Board of Directors of the Company have, in their meeting held on December 3, 2012, considered and accepted the proposal made by the majority shareholder (Unilever Overseas Holdings Limited) to de-list the shares of the Company from the Karachi, Lahore and Islamabad Stock Exchanges in accordance with the Voluntary De-Listing provisions of their respective Listing Regulations and to seek the revocation of the CDS Eligibility of the shares of the Company. On January 28, 2013, the Company has also filed a formal application for De-Listing with the respective stock exchanges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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.

The preparation of financial statements in conformity with IFRS 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 disclosed in note 3.

2.1.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2012 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

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

IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The change is not expected to have 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 and depreciation

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

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

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

Maintenance and normal repairs are charged to income as and when incurred; also individual assets costing up to Rs. 10,000 are charged to income. Major renewals and improvements are capitalised only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are recognised in the profit and loss account.

2.4 Intangible assets and amortisation

Intangible assets having definite useful life are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

2.6.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any, or one-half percent of turnover, whichever is higher. The charge for current tax includes adjustments to charge for prior years, if any.

2.6.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit at the time of the transaction. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.7 Staff retirement benefits

2.7.1 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 and 10% of basic salary plus cost of living allowance in respect of management employees and unionised staff respectively. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

ii) DC Pension fund

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

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

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

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

2.7.2 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, 2012, using the 'Projected Unit Credit Method'.

ii) Funded gratuity 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, 2012, using the 'Projected Unit Credit Method'.

iii) Funded gratuity scheme for 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, 2012, using the 'Projected Unit Credit Method'.

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

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

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

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

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

2.10 Trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Impairment

2.12.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivable and other financial assets at specific asset levels. Losses are recognised as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

2.12.2 Non-financial assets

The carrying amounts of non-financial assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 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 / Ijarah contracts are charged to profit and loss on a straight-line basis over the period of the lease.

2.14 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.

2.15 Borrowings and their cost

Borrowings are recorded initially at fair value, net of transaction cost incurred.

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.

2.16 Provisions

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

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.

2.17 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.

2.18 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

2.19 Foreign currency transactions and translation

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

2.20 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousands of Rupees.

2.21 Revenue recognition

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

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

2.22 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividend is approved.

2.23 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company who makes strategic decisions.

2.24 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 liability created is reflected in the trade and other payables.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

ii) Defined benefit plans

Significant estimates relating to post employment benefits are disclosed in note 9.

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.

3.1 No critical judgement has been used in applying accounting policies.

4. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	(Rupees in thousand)	
Operating assets - at net book value - note 4.1	**6,029,015**	4,526,190
Capital work in progress - at cost - note 4.3	**1,196,764**	1,191,041
	7,225,779	5,717,231

4.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousand)									
Net carrying value basis										
Year ended December 31, 2012										
Opening net book value (NBV)	25,575	225	588,615	18,954	3,520,117	325,705	23,564	14,539	8,896	4,526,190
Additions (at cost)	-	-	10,864	6,770	1,946,118	145,676	3,435	71,300	-	2,184,163
Disposals (at NBV)	-	-	-	-	(23,962)	(65)	-	(264)	-	(24,291)
Transfers (at NBV)	-	-	-	-	-	-	-	8,896	(8,896)	-
Reversal of surplus on revaluation of fixed assets - note 4.2	-	-	-	-	(11,669)	-	-	-	-	(11,669)
Depreciation charge	-	(4)	(19,670)	(547)	(587,669)	(22,082)	(2,762)	(12,644)	-	(645,378)
Closing net book value (NBV)	25,575	221	579,809	25,177	4,842,935	449,234	24,237	81,827	-	6,029,015
Gross carrying value basis										
At December 31, 2012										
Cost	25,575	529	782,273	87,693	8,032,720	850,780	51,481	143,197	-	9,974,248
Reversal of surplus on revaluation of fixed assets - note 4.2	-	-	-	-	(11,669)	-	-	-	-	(11,669)
Accumulated depreciation	-	(308)	(202,464)	(62,516)	(3,178,116)	(401,546)	(27,244)	(61,370)	-	(3,933,564)
Net book value (NBV)	25,575	221	579,809	25,177	4,842,935	449,234	24,237	81,827	-	6,029,015
Net carrying value basis										
Year ended December 31, 2011										
Opening net book value (NBV)	25,575	229	593,997	19,773	3,565,948	321,011	22,880	2,308	36,469	4,588,190
Additions (at cost)	-	-	16,510	-	533,736	48,116	4,520	13,986	-	616,868
Disposals (at NBV)	-	-	(4,170)	-	(81,040)	(3,384)	(818)	-	(2,582)	(91,994)
Depreciation charge	-	(4)	(17,722)	(819)	(498,527)	(40,038)	(3,018)	(1,755)	(24,991)	(586,874)
Closing net book value (NBV)	**25,575**	**225**	**588,615**	**18,954**	**3,520,117**	**325,705**	**23,564**	**14,539**	**8,896**	**4,526,190**
Gross carrying value basis										
At December 31, 2011										
Cost	25,575	529	771,409	80,923	6,242,003	720,469	48,714	106,370	75,074	8,071,066
Accumulated depreciation	-	(304)	(182,794)	(61,969)	(2,721,886)	(394,764)	(25,150)	(91,831)	(66,178)	(3,544,876)
Net book value (NBV)	**25,575**	**225**	**588,615**	**18,954**	**3,520,117**	**325,705**	**23,564**	**14,539**	**8,896**	**4,526,190**
Depreciation rate % per annum	-	1.05	2.5	2.5	7 to 33	7 to 25	7	20 to 25	20 to 25	

4.2 As the Company is following cost model of property, plant and equipment, revaluation surplus has been reversed.

4.3 Capital Work In Progress – at cost

	2012	2011
	(Rupees in thousand)	
Civil works	24,912	5,187
Plant and machinery	1,171,852	1,185,854
	1,196,764	1,191,041

4.4 Details of property, plant and equipment disposed of during the year are given in note 41.

5. INTANGIBLES - Computer Software

	2012	2011
	(Rupees in thousand)	
Net carrying value basis		
Opening net book value (NBV)	1,288,730	-
Additions during the year (at cost)	-	1,344,806
Amortisation charge	(249,055)	(56,076)
Reversal - note 5.1	(102,878)	-
Closing net book value (NBV)	936,797	1,288,730
Gross carrying value basis		
Cost	1,369,154	1,369,154
Accumulated amortisation	(329,479)	(80,424)
Reversal - note 5.1	(102,878)	-
Net book value (NBV)	936,797	1,288,730
Remaining useful life in years	3.75	4.75

5.1 This represents amount reversed during the period in respect of invoices which are no more payable by the Company.

6. LONG TERM INVESTMENTS

	2012	2011
	(Rupees in thousand)	
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

7. LONG TERM LOANS - considered good

		2012	2011
Related Party			
Chief Executive	Note 7.1, 7.2 and 7.3	-	2,289
Others			
Executives		160,908	120,760
Other employees		35,354	38,289
		196,262	159,049
		196,262	161,338
Recoverable within one year - note 13		(60,676)	(46,082)
Long term portion		135,586	115,256

7.1 Reconciliation of carrying amount of loans to Chief Executive and Executives:

	CHIEF EXECUTIVE		EXECUTIVES	
	2012	2011	2012	2011
	(Rupees in thousand)			
Balance as at January 1	2,289	5,344	120,760	114,667
Loans granted during the year	-	-	117,130	66,959
Recoveries	(2,289)	(3,055)	(76,982)	(60,866)
	-	2,289	160,908	120,760

7.2 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.

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

	2012	2011
	(Rupees in thousand)	
Director	-	430
Chief Executive	2,035	5,344
Executives	191,507	132,565

8. LONG TERM DEPOSITS AND PREPAYMENTS

	2012	2011
Security deposits	14,492	4,827
Prepaid rent	8,503	23,859
	22,995	28,686
Less: Provision for doubtful deposits	(2,925)	(2,925)
	20,070	25,761

9. RETIREMENT BENEFITS

9.1 The disclosures made in notes 9.2 to 9.10 are based on the information included in the actuarial valuation as of December 31, 2012.

	Pension Fund		Gratuity Funds		Pensioners' Medical Plan	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
9.2 Balance Sheet Reconciliation						
Fair value of plan assets	1,875,133	1,686,778	74,157	61,413	-	-
Present value of defined benefit obligations	(1,706,321)	(1,681,689)	(242,890)	(348,990)	(233,236)	(216,324)
Funded status	168,812	5,089	(168,733)	(287,577)	(233,236)	(216,324)
Unrecognised net actuarial (gain) / loss	(66,043)	109,788	(8,410)	11,462	32,024	30,333
Recognised asset / (liability)	102,769	114,877	(177,143)	(276,115)	(201,212)	(185,991)
9.3 Movement in the fair value of plan assets						
Fair value as at January 1	1,686,778	1,628,771	61,413	62,771		
Expected return on plan assets	216,297	214,787	8,070	6,386		
Actuarial gains / (loss)	160,824	21,093	(2,363)	1,774		
Employer contributions	-	-	237,049	86,329		
Benefits paid	(188,766)	(177,873)	(230,012)	(95,847)		
Fair value as at December 31	1,875,133	1,686,778	74,157	61,413		
9.4 Movement in the defined benefit obligations						
Obligation as at January 1	1,681,689	1,630,220	348,990	266,027	216,324	203,261
Service cost	9,373	12,310	13,350	14,524	635	813
Interest cost	207,098	220,416	33,384	36,186	27,008	27,827
Settlement and curtailment	-	-	97,981	126,603	-	-
Actuarial (gains) / losses	(3,073)	(3,384)	(20,803)	1,497	4,786	(292)
Benefits paid	(188,766)	(177,873)	(230,012)	(95,847)	(15,517)	(15,285)
Obligation as at December 31	1,706,321	1,681,689	242,890	348,990	233,236	216,324
9.5 Cost						
Current service cost	9,373	12,310	13,350	14,524	635	813
Interest cost	207,098	220,416	33,384	36,186	27,008	27,827
Expected return on plan assets	(216,297)	(214,787)	(8,070)	(6,386)	-	-
Settlement and curtailment	-	-	97,981	126,603	-	-
Recognition of actuarial loss	11,934	15,984	1,432	1,948	3,095	3,403
Expense	12,108	33,923	138,077	172,875	30,738	32,043
Actual return on plan assets	377,121	235,880	5,707	8,160		

9.6 Principal actuarial assumptions used are as follows:

	2012	2011
Discount rate & expected return on plan assets	**11.50%**	13.00%
Future salary increases	**9.00%**	10.75%
Future pension increases	**5.75%**	7.25%
Medical cost trend rates	**6.25%**	7.50%

Expected contributions to retirement benefit plans for the year ending December 31, 2013 are Rs. 113 million (2012: Rs. 182 million).

9.7 Comparison for five years:

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	**1,949,290**	1,748,191	1,691,542	1,520,562	1,802,804
Present value of defined benefit obligations	**(2,182,447)**	(2,247,003)	(2,099,508)	(2,002,877)	(2,048,323)
(Deficit)	**(233,157)**	(498,812)	(407,966)	(482,315)	(245,519)
Experience adjustments					
Gain / (Loss) on plan assets (as percentage of plan assets)	**8.0%**	1.3%	6.6%	(0.3)%	0.2 %
(Gain) / Loss on obligations (as percentage of plan obligations)	**(0.9)%**	(0.1)%	(0.03)%	9.7 %	(1.2)%

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

	Increase	Decrease
	(Rupees in thousand)	
Effect on the aggregate of current service and interest costs	2,851	2,460
Effect on the defined benefit obligations	23,481	20,330

9.9 Plan assets comprise of the following:

	2012 (Rupees in thousand)	2012 %	2011 (Rupees in thousand)	2011 %
Equity	230,982	11.8	206,369	11.8
Debt	1,663,768	85.4	1,521,301	87.0
Others (include cash and bank balances)	54,540	2.8	20,521	1.2
	1,949,290	100.0	1,748,191	100.0

9.10 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.

9.11 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.

9.12 Based on the above actuarial valuation the retirement benefits - asset amounts to Rs. 102.8 million (2011: Rs. 114.9 million) and retirement benefits - liability amounts to Rs. 378.4 million (2011: Rs. 462.1 million).

9.13 During the year the Company contributed Rs. 73.52 million (2011: Rs. 65.47 million) to the provident fund and Rs. 54.02 million (2011: Rs. 59.26 million) to the DC pension fund.

10. STORES AND SPARES

	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Stores (including in transit nil; 2011: Rs. 8.71 million)	115,096	92,154
Spares (including in transit nil; 2011: Rs. 1.76 million)	346,174	300,507
	461,270	392,661
Provision for slow moving and obsolete stores and spares	(39,614)	(45,141)
	421,656	347,520

10.1 The Company has reversed provision of Rs. 5.53 million (2011: charge of Rs. 6.27 million) for obsolescence and has written off stores and spares amounting to nil (2011: Rs. 3.96 million).

11. STOCK IN TRADE

	2012	2011
	(Rupees in thousand)	
Raw and packing materials at cost (including in transit Rs. 779 million; 2011: Rs. 654 million)	3,433,135	2,926,886
Provision for obsolescence	(135,421)	(162,206)
	3,297,714	2,764,680
Work in process	321,999	291,891
Finished goods (including in transit Rs. 326 million; 2011: Rs. 0.2 million)	2,692,442	2,198,567
Provision for obsolescence	(67,952)	(50,748)
	2,624,490	2,147,819
	6,244,203	5,204,390

11.1 Stock in trade includes Rs. 1.40 billion (2011: Rs. 1.17 billion) held with third parties.

11.2 The above balances include items costing Rs. 431.11 million (2011: Rs. 194.27 million) valued at net realisable value of Rs. 227.73 million (2011: Rs. 36.67 million).

11.3 The Company made a provision of Rs. 133.15 million for obsolescence (2011: Rs. 202.71 million) and has written off inventory amounting to Rs. 142.73 million (2011: Rs. 127.35 million) by utilising the provision during the year.

12. TRADE DEBTS

	2012	2011
	(Rupees in thousand)	
Considered good	1,018,561	833,179
Considered doubtful	33,464	37,164
	1,052,025	870,343
Provision for doubtful debts - note 12.1	(33,464)	(37,164)
	1,018,561	833,179

12.1 The Company made a provision of Rs. 5.89 million (2011: reversal of Rs. 3.78 million) and has written off debts by utilising the provision amounting to Rs. 9.59 million (2011: Rs. 1.07 million) during the year.

12.2 As of December 31, 2012 trade debts of Rs. 48.72 million (2011: Rs. 392.97 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:

	2012	2011
	(Rupees in thousand)	
Up to 3 months	**42,977**	246,274
3 to 6 months	**1,544**	73,013
More than 6 months	**4,204**	73,683
	48,725	392,970

13 LOANS AND ADVANCES

	2012	2011
Considered good		
Current portion of loans to employees - note 7	**60,676**	46,082
Advances to:		
Executives - note 13.1	**56,198**	55,325
Suppliers and others	**64,129**	58,787
	181,003	160,194
Considered doubtful		
Advances to suppliers and others	**2,588**	5,516
	183,591	165,710
Provision for doubtful advances to suppliers and others	**(2,588)**	(5,516)
	181,003	160,194

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

	2012	2011
	(Rupees in thousand)	

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2012	2011
Trade and margin deposits	31,290	27,029
Prepayments		
- Rent	20,678	23,597
- Advertisement	366,268	396,048
- Others	129,435	127,531
	547,671	574,205

15. OTHER RECEIVABLES

	2012	2011
Receivable from related parties		
Defined contribution plans	14,569	-
Defined benefit plans	8,408	-
Associated undertakings	41,791	49,034
Workers' Profits Participation Fund - note 15.1	7,280	31,294
Others	50,566	81,189
	122,614	161,517
Provision for doubtful receivables	(13,934)	(13,934)
	108,680	147,583

15.1 Workers' Profits Participation Fund

	2012	2011
Balance as at January 1	31,294	(1,657)
Allocation for the year	(432,720)	(318,777)
	(401,426)	(320,434)
Amount paid to the trustees	408,706	351,728
Balance as at December 31	7,280	31,294

16. TAX REFUNDS DUE FROM THE GOVERNMENT

	2012	2011
Sales tax refundable - amounts paid under protest - note 16.1	91,897	114,187
Taxation - payments less provision	656,596	280,528
	748,493	394,715

16.1 This includes a sum of Rs. 35.4 million (originally Rs. 90 million paid under protest in 1999) which is being adjusted in the monthly sales tax return pertaining to one of the Company's toll manufacturers consequent to favourable decision of Alternate Dispute Resolution Committee of Federal Board of Revenue in 2011.

17. CASH AND BANK BALANCES

	2012	2011
	(Rupees in thousand)	
With banks on:		
current accounts	4,163	1,039
savings accounts - note17.1	579,602	956,271
In hand:		
cash	781	149
	584,546	957,459

17.1 Mark-up on savings accounts was at the rates ranging from 5% to 10.2% (2011: 5% to 9.58%) per annum.

18. SHARE CAPITAL

		2012	2011
		(Rupees in thousand)	
Authorised share capital			
47,835	5% cumulative preference shares of Rs. 100 each	4,783	4,783
15,904,330	Ordinary shares of Rs. 50 each	795,217	795,217
		800,000	800,000
Issued, subscribed and paid up capital			
5% cumulative preference shares of Rs. 100 each			
	Shares allotted:		
43,835	for consideration paid in cash	4,383	4,383
4,000	for acquisition of an undertaking	400	400
47,835		4,783	4,783
Ordinary shares of Rs. 50 each			
	Shares allotted:		
467,704	for consideration paid in cash	23,385	23,385
4,979,208	for consideration other than cash under schemes of arrangements for amalgamations	248,961	248,961
7,846,957	as bonus shares	392,348	392,348
13,293,869		664,694	664,694
		669,477	669,477

At December 31, 2012 and 2011 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK held 9,981,417 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited.

19. RESERVES

	2012	2011
	(Rupees in thousand)	
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 19.1	70,929	70,929
Contingency - note 24.1.1	321,471	321,471
	392,400	392,400
Revenue reserve		
Unappropriated profit	4,187,541	3,110,089
	4,579,941	3,502,489

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

20. DEFERRED TAXATION

	2012	2011
	(Rupees in thousand)	
Credit balance arising in respect of:		
- accelerated tax depreciation allowances	1,230,913	903,783
- surplus on revaluation of fixed assets	-	6,082
	1,230,913	909,865
Debit balance arising in respect of:		
- provision for retirement benefits	(96,455)	(117,633)
- share-based compensation	(42,501)	(31,281)
- provision for stock in trade and stores and spares	(84,027)	(87,437)
- provision for doubtful debts, advances and other receivables	(17,495)	(12,905)
- provision for restructuring	(31,432)	(76,518)
- provision for cess and marking fee	(262,509)	(182,875)
- others	(19,774)	(20,152)
	(554,193)	(528,801)
	676,720	381,064

21. TRADE AND OTHER PAYABLES

	2012	2011
	(Rupees in thousand)	
Creditors	**845,315**	639,187
Bills payable - note 21.1	**3,932,855**	3,253,231
Accrued liabilities	**5,295,807**	4,820,366
Royalty and technical services fee	**501,377**	470,297
Advance payment from customers	**144,826**	155,677
Sales tax payable	**159,224**	259,651
Excise duty payable	**49,853**	86,268
Workers' Welfare Fund	**173,088**	131,521
Security deposits from dealers - note 21.2	**24,217**	24,554
Unclaimed dividend	**183,105**	142,434
Liability for share-based compensation plans - note 21.4	**122,903**	92,336
Others	**11,944**	21,176
	11,444,514	10,096,698

21.1 Bills payable includes Rs. 1.96 billion (2011: Rs. 1.89 billion) in relation to inland letters of credit under vendor financing arrangements which includes interest cost as per Company's negotiated rates.

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

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

	2012	2011
	(Rupees in thousand)	
Ultimate parent company	**459,233**	406,979
Associated companies	**1,502,826**	1,873,890
Subsidiaries	**2**	2
Company in which close family member of a Director is holding directorship	**64,122**	126,651

21.4 Share-based compensation plans

As at December 31, 2012 Company had share-based compensation plans in the form of performance shares.

Performance share awards are made under the Management Co-Investment Plan (MCIP) and the Global Share Incentive Plan (GSIP). The MCIP allows Company's eligible managers to invest up to 60% of their annual bonus in shares in Unilever NV and Unilever PLC and to receive a corresponding award of performance-related shares. Under GSIP, the Company's eligible managers receive annual awards of Unilever NV and Unilever PLC shares. The awards of both plans will vest after three years depending on the satisfaction of performance conditions.

The performance conditions of both MCIP and GSIP are underlying sales growth, operating cash flow and underlying operating margin improvement.

A summary of the status of the Performance Share Plans as at December 31, 2012 and 2011 and changes during the years ended on these dates is presented below:

	2012	2011
	(Rupees in thousand)	
Outstanding at January 1	49,920	36,926
Awarded	27,101	21,146
Vested	(12,732)	(7,475)
Forfeited	(3,815)	(677)
Outstanding at December 31	60,474	49,920
Share price at grant date		
Unilever NV	€ 28.86	€ 21.59
Unilever PLC	£ 23.88	£ 18.35

The Company has treated these share-based plans as cash settled in view of obligation of the Company.

22. SHORT TERM BORROWINGS

Running finance under mark-up arrangements - secured

The facilities for running finance available from various banks amount to Rs. 9.625 billion (2011: Rs. 10.50 billion). The rates of mark-up range between KIBOR to KIBOR + 1% per annum (2011: KIBOR to KIBOR + 1% 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, 2012 amounted to Rs. 15.89 billion (2011: Rs. 11.10 billion), of which the amount remaining unutilised at the year end was Rs. 8.81 billion (2011: Rs. 6.3 billion).

	2012	2011
	(Rupees in thousand)	

23. PROVISIONS

Sindh Infrastructure Cess - note 23.2 & note 24.1.1	**487,564**	287,667
PSI marking fee - note 23.2	**36,547**	20,584
Restructuring - note 23.1	**90,895**	225,864
	615,006	534,115

23.1 Restructuring

Balance as at January 1	**225,864**	45,956
(Reversal) / Provision during the year	**(18,349)**	306,407
Utilised during the year	**(116,620)**	(126,499)
Balance as at December 31	**90,895**	225,864

23.2 The change in amount of these provisions represent provision made during the year.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 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 infractuous and a fresh suit was filed by Unilever to challenge the levy. A stay against recovery of the aforesaid levy of Cess was also obtained from the Court. In 2003 the High Court decided the issue against the 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 filed appeals in the Supreme Court against the said order. The appeals were heard by the Supreme Court in May 2011, and it was noted that the Government of Sindh had again enacted Infrastructure Fee through Act of 2009 with retrospective effect which had not been challenged in the last appeals. Accordingly, the Supreme Court allowed the petitioners to file fresh petitions at the High Court. Accordingly, fresh petition was filed by the Company in the High Court in May 2011. A provision amounting to Rs. 733.55 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. 245.99 million under protest against the said order.

As a matter of prudence, a total of Rs. 321.47 million as at December 31, 2012 (2011: Rs. 321.47 million) out of the revenue reserves has been earmarked as contingency reserve for the levy uptill December 2006.

24.1.2 The Officer of Inland Revenue while finalising the re-assessments for the tax years 2006, 2007 and 2009, passed amended assessment orders enhancing the tax liability for these years by approximately Rs. 400 million in respect of certain disallowances.

The Company has filed appeals before the Commissioner of Inland Revenue - Appeals (CIRA). However, the same were decided against it. The Company has filed appeals before the Appellate Tribunal Inland Revenue.

Further, the Additional Commissioner of Inland Revenue amended the assessments for the tax years 2008, 2010 and 2011, enhancing the tax liability by approximately Rs. 315.55 million. The Company has filed appeals before the CIRA and the same have been heard. The appellate orders are awaited.

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

24.2 Commitments

24.2.1 Aggregate commitments outstanding for capital expenditures as at December 31, 2012 amounted to Rs. 701.11 million (2011: Rs. 845.96 million).

24.2.2 Commitments for rentals under operating lease agreements / Ijarah contracts as at December 31, 2012 are as follows:

	2012	2011
	(Rupees in thousand)	
Not later than one year	**213,309**	120,897
Over one year to five years	**482,843**	311,615
	696,152	432,512

25. SALES

	2012	2011
Manufactured goods		
Gross sales	**72,433,801**	65,925,866
Sales tax	**(9,999,078)**	(10,193,721)
Excise duty	**(499,767)**	(1,674,647)
	61,934,956	54,057,498
Rebates, returns and allowances	**(3,371,230)**	(3,059,170)
	58,563,726	50,998,328
Imported goods		
Gross sales	**1,446,171**	1,027,398
Sales tax	**(191,584)**	(91,953)
Excise duty	**(9,576)**	(5,140)
	1,245,011	930,305
Rebates, returns and allowances	**(67,768)**	(52,647)
	1,177,243	877,658
	59,740,969	51,875,986

26. COST OF SALES

	2012	2011
	(Rupees in thousand)	
Raw and packing materials consumed	**32,175,978**	29,582,667
Manufacturing charges paid to third parties	**1,024,649**	931,518
Stores and spares consumed	**240,158**	213,878
Staff costs - note 26.1	**1,873,273**	1,547,964
Utilities	**762,951**	733,491
Depreciation	**595,485**	509,825
Repairs and maintenance	**367,698**	346,887
Rent, rates and taxes	**40,172**	39,190
Ujrah payments	**23,710**	23,320
Amortisation of computer software	**133,992**	30,169
Travelling and entertainment	**58,289**	62,441
Stationery and office expenses	**48,602**	37,529
Expenses on information technology	**2,550**	1,120
Other expenses	**102,655**	88,242
Charges by related party	**5,879**	4,119
	37,456,041	34,152,360
Opening work in process	**291,891**	126,457
	37,747,932	34,278,817
Closing work in process	**(321,999)**	(291,891)
Cost of goods manufactured	**37,425,933**	33,986,926
Opening stock of finished goods	**1,952,457**	1,153,124
Closing stock of finished goods	**(2,075,489)**	(1,952,457)
	37,302,901	33,187,593
Imported goods		
Opening stock	**195,362**	66,705
Purchases	**1,121,731**	733,524
	1,317,093	800,229
Closing stock	**(549,001)**	(195,362)
	768,092	604,867
	38,070,993	33,792,460

	2012	2011
	(Rupees in thousand)	

26.1 Staff costs

	2012	2011
Salaries and wages	1,801,858	1,480,705
Medical	33,113	22,166
Pension costs - defined benefit plan	2,387	6,688
Gratuity costs - defined benefit plan	12,654	14,605
Pensioners' medical plan	6,068	6,325
Provident fund cost - defined contribution plan	6,712	5,979
Pension fund cost - defined contribution plan	10,481	11,496
	1,873,273	1,547,964

27. DISTRIBUTION COSTS

	2012	2011
Staff costs - note 27.1	1,021,658	833,161
Advertisement and sales promotion	5,408,860	4,874,769
Outward freight and handling	1,904,684	1,619,127
Royalty, technical fee and related duties	2,120,007	1,849,584
Utilities	48,212	32,633
Depreciation	25,054	43,147
Repairs and maintenance	38,097	33,720
Rent, rates and taxes	97,702	84,533
Ujrah payments	145,222	123,288
Amortisation of computer software	54,043	12,168
Travelling and entertainment	109,474	101,394
Stationery and office expenses	45,168	54,094
Expenses on information technology	113	3,743
Provision for doubtful debts - trade	4,006	-
Other expenses	112,758	96,114
Charges by related party	14,119	45,727
	11,149,177	9,807,202

27.1 Staff costs

	2012	2011
Salaries and wages	859,290	668,908
Medical	113	77
Share based compensation	46,920	35,652
Pension costs - defined benefit plan	6,511	18,243
Gratuity costs - defined benefit plan	18,379	21,211
Pensioners' medical plan	16,525	17,227
Provident fund cost - defined contribution plan	44,752	39,849
Pension fund cost - defined contribution plan	29,168	31,994
	1,021,658	833,161

28. ADMINISTRATIVE EXPENSES

	2012	2011
	(Rupees in thousand)	
Staff costs - note 28.1	**637,218**	516,124
Utilities	**53,886**	47,338
Depreciation	**24,839**	33,902
Repairs and maintenance	**39,170**	32,709
Rent, rates and taxes	**220,898**	213,764
Ujrah payments	**38,529**	37,896
Amortisation of computer software	**61,020**	13,739
Travelling and entertainment	**59,886**	76,437
Stationery and office expenses	**76,221**	79,499
Expenses on information technology	**512,553**	360,497
Legal, professional and other consultancy charges	**120,893**	86,717
Auditors' remuneration - note 28.2	**14,861**	12,894
Other expenses	**126,818**	108,446
Charges by related party	**2,383**	9,002
	1,989,175	1,628,964

28.1 Staff costs

Salaries and wages	**515,326**	407,142
Medical	**41,912**	28,058
Share based compensation	**23,131**	17,572
Pension costs - defined benefit plan	**3,210**	8,992
Gratuity costs - defined benefit plan	**9,063**	10,456
Pensioners' medical plan	**8,145**	8,491
Provident fund cost - defined contribution plan	**22,056**	19,643
Pension fund cost - defined contribution plan	**14,375**	15,770
	637,218	516,124

28.2 Auditors' remuneration

Audit fee	**5,450**	5,450
Taxation services	**3,650**	3,500
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	**4,511**	3,194
Out of pocket expenses	**1,250**	750
	14,861	12,894

29. OTHER OPERATING EXPENSES

	2012 (Rupees in thousand)	2011
Donations	9,121	34,273
Workers' Profits Participation Fund - note 15.1	432,720	318,777
Workers' Welfare Fund	173,088	131,521
Loss on disposal of property, plant and equipment	-	53,260
	614,929	537,831

30. OTHER OPERATING INCOME

	2012	2011
Income from financial assets		
Dividend income	12	12
Return on savings accounts	23,410	14,868
Income on term deposit accounts	8,862	20,544
Income from non-financial assets		
Scrap sales	118,324	48,345
Profit on disposal of property, plant and equipment	104,944	-
Sundries	5,339	48,741
Others		
Service fee from related parties - note 30.1	282,137	175,528
Provision for doubtful trade debts written back	-	3,779
Liabilities no longer payable written back	18,349	34,980
	561,377	346,797

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

31. FINANCE COST

	2012 (Rupees in thousand)	2011
Mark-up on short term borrowings	64,991	44,087
Bank charges	60,589	49,938
Exchange loss	303,625	126,659
Finance charge on finance leases	269	4,038
	429,474	224,722

32. TAXATION

	2012	2011
Current - for the year		
Pakistan	2,219,493	1,990,310
Azad Kashmir	42,194	35,734
	2,261,687	2,026,044
Deferred tax - charge / (credit)	295,656	(195,079)
	2,557,343	1,830,965

	2012	2011
	(Rupees in thousand)	

32.1 Relationship between tax expense and accounting profit

	2012	2011
Accounting profit before tax	8,048,598	5,925,197
Tax at the applicable tax rate of 35%	2,817,009	2,073,819
Tax effect of permanent differences	58,693	16,862
Tax effect of credits	(260,533)	(89,031)
Tax effect of final tax	(57,826)	(170,685)
Tax expense for the year	2,557,343	1,830,965

33. BASIC AND DILUTED EARNINGS PER SHARE

	2012	2011
Profit after tax	5,491,255	4,094,232
Preference dividend on cumulative preference shares	(239)	(239)
Profit after taxation attributable to ordinary shareholders	5,491,016	4,093,993
Weighted average number of shares in issue during the year (in thousands)	13,294	13,294
Basic earnings per share (Rupees)	413	308

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

34. CASH AND CASH EQUIVALENTS

	2012	2011
	(Rupees in thousand)	
Cash and bank balances	584,546	957,459
Short term borrowings - running finance under mark-up arrangements	-	(292,534)
	584,546	664,925

35. 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 Operating Decision Maker i.e. 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 the government and cash and bank balances.

35.1 Segment analysis

The segment information for the reportable segments for the year ended December 31, 2012 is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2012					
Revenue	**34,359,843**	**16,881,909**	**6,723,741**	**1,775,476**	**59,740,969**
Segment results	**6,130,844**	**2,060,715**	**37,495**	**302,570**	**8,531,624**
Year ended December 31, 2011					
Revenue	29,190,384	14,934,620	6,161,474	1,589,508	51,875,986
Segment results	4,603,793	1,458,988	390,079	194,500	6,647,360

Reconciliation of segment results with profit from operations:

	2012	2011
	(Rupees in thousand)	
Total results for reportable segments	**8,531,624**	6,647,360
Restructuring costs	**-**	(306,407)
Other operating expenses	**(614,929)**	(537,831)
Other operating income	**561,377**	346,797
Finance cost	**(429,474)**	(224,722)
Profit before tax	**8,048,598**	5,925,197

Assets and liabilities by segments are as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
As at December 31, 2012					
Segment assets	**7,934,868**	**2,855,266**	**4,496,453**	**200,335**	**15,486,922**
Segment liabilities	**5,117,510**	**2,514,369**	**1,001,425**	**264,437**	**8,897,741**
As at December 31, 2011					
Segment assets	5,543,362	2,169,913	3,687,574	197,067	11,597,916
Segment liabilities	4,468,083	1,559,948	919,918	211,571	7,159,520

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

	As at December 31, 2012		As at December 31, 2011	
	Assets	**Liabilities**	Assets	Liabilities
	(Rupees in thousand)			
Total for reportable segments	**15,486,922**	**8,897,741**	11,597,916	7,159,520
Unallocated assets / liabilities	**2,884,094**	**4,223,857**	4,378,386	4,633,147
Total as per balance sheet	**18,371,016**	**13,121,598**	15,976,302	11,792,667

Other segment information is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2012					
Staff costs	**1,841,131**	**961,663**	**683,588**	**45,767**	**3,532,149**
Advertisement and sales promotion	**3,824,155**	**658,412**	**749,942**	**176,351**	**5,408,860**
Outward freight and handling	**990,270**	**233,495**	**655,892**	**25,027**	**1,904,684**
Royalty and technical fee	**1,273,655**	**531,057**	**251,442**	**63,853**	**2,120,007**
Depreciation	**275,262**	**55,867**	**298,378**	**15,871**	**645,378**
Year ended December 31, 2011					
Staff costs	1,449,657	861,750	545,761	40,081	2,897,249
Advertisement and sales promotion	3,346,171	612,871	709,806	205,921	4,874,769
Outward freight and handling	930,971	228,797	436,030	23,329	1,619,127
Royalty and technical fee	1,088,365	469,912	232,116	59,191	1,849,584
Depreciation	238,131	51,693	281,452	15,598	586,874

35.2 Sales to domestic customers in Pakistan are 99.35% (2011: 98.9%) and to customers outside Pakistan are 0.65% (2011: 1.1%) of the revenue during the year.

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

36 RELATED PARTY TRANSACTIONS

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

	Relationship with the Company	Nature of transactions	2012	2011
			(Rupees in thousand)	
i.	Ultimate parent company	Royalty and technical fee	**1,681,377**	1,453,609
ii.	Associated companies	Purchase of goods	**13,869,846**	13,058,816
		Sale of goods	**4,163**	6,055
		Fee for receiving of services from related party	**22,381**	59,743
		Payment to related parties for intangible asset	**-**	415,625
		Payment made on behalf of related party	**11,986**	-
		Fee for providing of services to related party	**282,137**	175,528
		Contribution to :		
		- Defined Contribution plans	**127,544**	124,731
		- Defined Benefit plans	**237,049**	86,329
		Settlement on behalf of:		
		- Defined Contribution plans	**122,379**	271,698
		- Defined Benefit plans	**191,448**	219,045
iii.	Key management personnel	Salaries and other short-term employee benefits	**210,137**	163,447
		Post-employment benefits	**8,199**	10,014
iv.	Others	Donations	**-**	280

Royalty and technical fee are paid in accordance with the agreements duly acknowledged by the State Bank of Pakistan. The purchase of goods and services from related parties are made on agreed terms and conditions.

The Company has entered into agreements with its associate, Unilever Pakistan Foods Limited to share various administrative and other resources. The charges by and service fee from the associate have been disclosed in notes 26, 27, 28 and 30.

The related party status of outstanding balances as at December 31, 2012 is included in other receivables and trade and other payables respectively. These are settled in the ordinary course of business.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in note 21.4.

37. 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	
	2012	2011	2012	2011*	2012	2011
	(Rupees in thousand)					
Managerial remuneration and allowances	52,551	47,698	37,650	39,422	1,143,384	967,796
Share based compensation	18,240	13,000	39,914	25,152	11,897	15,072
Retirement benefits **	6,076	5,663	3,118	2,835	135,914	116,520
Medical expenses	573	413	289	309	19,958	12,508
Other expenses	5,444	-	-	-	23,506	5,213
	82,884	66,774	80,971	67,718	1,334,659	1,117,109
Number of persons	6	5	1	1	842	663

In addition to this, a lump sum amount of Rs. 347.765 million (2011: Rs. 153.67 million) on account of variable pay has been accounted for in the financial statements for the current year payable in 2013 after verification of target achievement.

Out of the variable pay recognised for 2011 and 2010 following payments were made:

	Paid in 2012 relating to 2011	Paid in 2011 relating to 2010
	(Rupees in thousand)	
Executive Directors	11,950	10,156
Chief Executive	11,226	9,476
Executives	120,651	117,908
Other employees	11,014	11,540
	154,841	149,080

* 2011 information has been restated to enable like for like comparison as all perquisites and benefits in kind (except participation in shares scheme, retirement benefits and medical) have been cashed out in 2012 as per revision in the salary structure. The weightage of managerial remuneration and allowances in the package has changed, post the conversion of payout on cash basis.

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

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

Aggregate amount charged in these financial statements for the year for fee to 2 non-executive directors was Rs. 500 thousand (2011: 2 non-executive directors Rs. 450 thousand).

38. CAPACITY

	Annual Capacity		Actual Production	
	2012	2011	2012	2011
	Metric Tons			
Own manufacture				
Home and Personal Care	69,200	60,446	53,476	48,313
Beverages	62,377	62,377	31,691	28,909
	Million Litres			
Ice Cream	67.5	77	39.6	43

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 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.

39.2 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	-	-	-	60,676	135,586	196,262	196,262
Deposits	-	-	-	31,290	11,567	42,857	42,857
Trade debts	-	-	-	1,018,561	-	1,018,561	1,018,561
Other receivables	-	-	-	101,400	-	101,400	101,400
Cash and bank balances	579,602	-	579,602	4,944	-	4,944	584,546
Long term investments at cost	-	-	-	-	95,202	95,202	95,202
December 31, 2012	**579,602**	**-**	**579,602**	**1,216,871**	**242,355**	**1,459,226**	**2,038,828**
December 31, 2011	956,271	-	956,271	1,023,767	212,360	1,236,127	2,192,398
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	1,960,935	-	1,960,935	8,956,588	-	8,956,588	10,917,523
Accrued interest / mark-up	-	-	-	7,003	-	7,003	7,003
December 31, 2012	**1,960,935**	**-**	**1,960,935**	**8,963,591**	**-**	**8,963,591**	**10,924,526**
December 31, 2011	2,197,012	3,291	2,200,303	7,581,962	-	7,581,962	9,782,265
ON BALANCE SHEET GAP							
December 31, 2012	**(1,381,333)**	**-**	**(1,381,333)**	**(7,746,720)**	**242,355**	**(7,504,365)**	**(8,885,698)**
December 31, 2011	(1,240,741)	(3,291)	(1,244,032)	(6,558,195)	212,360	(6,345,835)	(7,589,867)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantees							
December 31, 2012							**7,076,099**
December 31, 2011							4,796,074

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

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 2.04 billion (2011: Rs. 2.19 billion) the financial assets that are subject to credit risk amounted to Rs. 1.02 billion.

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, 2012 trade debts of Rs. 48.72 million (2011: Rs.392.97 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, 2012, financial assets of Rs. 114.39 million (2011: Rs. 25.16 million) and financial liabilities of Rs. 2.52 billion (2011: Rs. 2.76 billion) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2012, if the Pak Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 173.11 million (2011: Rs. 174.35 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

As at December 31, 2012, if the Pak Rupee had weakened / strengthened by 8% against Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 10.68 million (2011: Rs. 9.17 million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

As at December 31, 2012, if the Pak Rupee had weakened / strengthened by 5% against Pound Sterling with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 28.74 million (2011: Rs. 155.92 million), mainly as a result of foreign exchange losses / gains on translation of Pound Sterling 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

Interest rate risk arises due to changes in market interest rates that results in fluctuation in fair value or future cash flows of a financial instrument. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At December 31, 2012, the Company had variable interest bearing financial assets of Rs. 579.6 million (2011: Rs. 956.3 million) and financial liabilities of Rs. 1.96 billion (2011: Rs. 2.2 billion). 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. 27.63 million (2011: Rs. 24.88 million) lower / higher, mainly as a result of higher / lower interest expense.

40. 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.

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. As at December 31, 2012, the Company had no debt.

41. 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	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant & Machinery						
	78,292	59,031	19,261	19,006	Open Bidding	M/s. Mehboob Brothers, Chak # 20/ GD, Post Office Chak No. 24/ GD, Okara.
	66,714	62,333	4,381	29,661	Open Bidding	Mushtaq Ahmed & Sons, Shahbazpur Road, Near Sabzi Mandi, Rahim Yar Khan.
	145,006	121,364	23,642	48,667		
Motor Vehicles	1,269	1,190	79	634	Company policy	Mr. Qazi Adnan Aman - Executive
	146	46	100	353	Auction	Mr. Ali Akber Khan House No. A-895/12, Gulberg, F.B.Area, Karachi.
	1,415	1,236	179	987		
Assets having book value less than Rs. 50,000 each						
Motor vehicles	108,132	108,047	85	78,829		
Furniture and Fittings	668	668	-	111		
Electrical, mechanical and office equipment	724	724	-	641		
Assets written off						
Plant and Machinery	10,395	10,075	320	-		
Electrical, mechanical and office equipment	14,641	14,576	65	-		
	280,981	256,690	24,291	129,235		

42. MONOPOLY CONTROL AUTHORITY ORDER

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

43. PROPOSED AND DECLARED DIVIDENDS

On 5% cumulative preference shares

At the Board meeting held on February 26, 2013, dividend in respect of 2012 of Rs. 239 thousand has been declared (2011: Rs. 239 thousand).

On ordinary shares

At the Board meeting held on February 26, 2013, a final dividend in respect of 2012 of Rs. 283 per share amounting to a total dividend of Rs. 3.76 billion is proposed (2011: Rs. 202 per share amounting to a total dividend of Rs. 2.69 billion).

Interim dividend declared and already paid in respect of half year ended June 30, 2012 was Rs. 65 per share amounting to Rs. 864.1 million (Half year ended June 30, 2011: Rs. 105 per share amounting to Rs. 1.396 billion) in addition to first interim cash dividend declared and already paid in respect of quarter ended March 31, 2012 of Rs. 65 per share amounting to Rs. 864.1 million (Quarter ended March 31, 2011: nil).

These financial statements do not reflect the proposed final dividend on ordinary shares and the dividend declared on cumulative preference shares as payable, which will be accounted for in the statements of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2013.

44. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 26, 2013 by the Board of Directors of the Company.

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

Consolidated Financial Statements 2012

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Unilever Pakistan Limited (the Holding Company) and its subsidiary companies Lever Chemicals (Private) Limited, Levers Associated Pakistan Trust (Private) Limited and Sadiq (Private) Limited as at December 31, 2012 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Unilever Pakistan Limited and its subsidiary companies. These financial statements are the responsibility of the Holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Unilever Pakistan Limited and its subsidiary companies as at December 31, 2012 and the results of their operations for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 12, 2013
Name of Engagement Partner: Farrukh Rehman

Consolidated Balance Sheet

as at December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,225,779	5,717,231
Intangible - computer software	5	936,797	1,288,730
Long term investments	6	200	200
Long term loans	7	135,586	115,256
Long term deposits and prepayments	8	20,070	25,761
Retirement benefits - prepayments	9	102,769	114,877
		8,421,201	7,262,055
Current assets			
Stores and spares	10	421,656	347,520
Stock in trade	11	6,244,203	5,204,390
Trade debts	12	1,018,561	833,179
Loans and advances	13	181,003	160,194
Trade deposits and short term prepayments	14	547,671	574,205
Other receivables	15	108,680	147,583
Tax refunds due from the Government	16	748,622	393,662
Investment - held to maturity		-	155,935
Cash and bank balances	17	751,129	962,086
		10,021,525	8,778,754
Total assets		18,442,726	16,040,809

Consolidated Balance Sheet

as at December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	669,477	669,477
Reserves	19	4,651,562	3,565,319
		5,321,039	4,234,796
Surplus on revaluation of fixed assets		-	11,669
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance leases		-	3,291
Deferred taxation	20	676,720	381,064
Retirement benefits - obligations	9	378,355	462,106
		1,055,075	846,461
Current liabilities			
Trade and other payables	21	11,444,900	10,098,375
Accrued interest / mark up		6,706	9,630
Short term borrowings	22	-	292,534
Current maturity of liabilities against assets subject to finance leases		-	13,229
Provisions	23	615,006	534,115
		12,066,612	10,947,883
Total liabilities		13,121,687	11,794,344
Contingencies and commitments	24		
Total equity and liabilities		18,442,726	16,040,809

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Consolidated Profit and Loss Account

for the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	25	**59,740,969**	51,875,986
Cost of sales	26	**(38,070,993)**	(33,792,460)
Gross profit		**21,669,976**	18,083,526
Distribution costs	27	**(11,149,177)**	(9,807,202)
Administrative expenses	28	**(1,989,225)**	(1,629,089)
Other operating expenses	29	**(614,929)**	(537,831)
Other operating income	30	**574,952**	364,792
		8,491,597	6,474,196
Restructuring cost		**-**	(306,407)
Profit from operations		**8,491,597**	6,167,789
Finance cost	31	**(429,474)**	(224,723)
Profit before taxation		**8,062,123**	5,943,066
Taxation	32	**(2,562,077)**	(1,837,219)
Profit after taxation		**5,500,046**	4,105,847
Other comprehensive income		**-**	-
Total comprehensive income		**5,500,046**	4,105,847
Basic and diluted earnings per share (Rupees)	33	**414**	309

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Consolidated Cash Flow Statement

for the year ended December 31, 2012

	2012	2011
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	8,062,123	5,943,066
Adjustments for non-cash charges and other items		
Depreciation	645,378	586,874
Amortisation of intangible - computer software	249,055	56,076
(Gain) / loss on disposal of property, plant and equipment	(104,944)	53,260
Dividend income	(12)	(12)
Mark-up on short term borrowings	64,991	44,087
Finance charge on finance leases	269	4,038
Provision for staff retirement benefits	180,923	238,841
Return on savings accounts and deposit accounts	(39,196)	(38,750)
Return on investment - held to maturity	(6,651)	(14,657)
	989,813	929,757
	9,051,936	6,872,823
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(74,136)	9,818
Stock in trade	(1,039,813)	(1,323,383)
Trade debts	(185,382)	(310,384)
Loans and advances	(20,809)	(33,495)
Trade deposits and short term prepayments	26,534	(330,544)
Other receivables	38,903	(76,623)
	(1,254,703)	(2,064,611)
Increase in current liabilities		
Trade and other payables	1,408,732	1,850,421
Provisions	80,891	136,315
	1,489,623	1,986,736
	234,920	(77,875)
Cash generated from operations (carried forward)	9,286,856	6,794,948

Consolidated Cash Flow Statement

for the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash generated from operations (brought forward)		9,286,856	6,794,948
Mark-up on short term borrowings		(67,618)	(50,641)
Taxes paid		(2,621,381)	(1,959,637)
Retirement benefits obligations paid		(252,566)	(101,614)
Increase in long term loans		(20,330)	(31,369)
Decrease in long term deposits and prepayments		5,691	2,236
Net cash from operating activities		6,330,652	4,653,923
Cash used in investing activities			
Purchase of property, plant and equipment		(2,189,886)	(1,498,928)
Payment for intangible - computer software		-	(523,720)
Sale proceeds on disposal of property, plant and equipment		129,235	38,734
Return received on savings accounts and deposit accounts		39,196	38,785
Investment in treasury bills		162,289	2,076
Investment in term deposits		(160,000)	-
Dividend received		12	12
Net cash used in investing activities		(2,019,154)	(1,943,041)
Cash used in financing activities			
Dividends paid		(4,373,132)	(3,470,624)
Finance lease obligation paid		(16,789)	(36,213)
Net cash used in financing activities		(4,389,921)	(3,506,837)
Net increase / (decrease) in cash and cash equivalents		(78,423)	(795,955)
Cash and cash equivalents at the beginning of the year		669,552	1,465,507
Cash and cash equivalents at the end of the year	34	591,129	669,552

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended December 31, 2012

	SHARE CAPITAL	RESERVES				TOTAL
		CAPITAL		REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Unappropriated profit		
	(Rupees in thousand)					
Balance as at January 1, 2011	669,477	70,929	321,471	2,549,656	2,942,056	3,611,533
Total comprehensive income for the year	-	-	-	4,105,847	4,105,847	4,105,847
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, 2010						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 157 per share	-	-	-	(2,087,137)	(2,087,137)	(2,087,137)
For the year ended December 31, 2011						
- Interim dividend on ordinary shares @ Rs. 105 per share	-	-	-	(1,395,856)	(1,395,856)	(1,395,856)
Balance as at December 31, 2011	**669,477**	**70,929**	**321,471**	**3,172,919**	**3,565,319**	**4,234,796**
Total comprehensive income for the year	-	-	-	5,500,046	5,500,046	5,500,046
Dividends						
For the year ended December 31, 2011						
- On cumulative preference shares @ 5% per share	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs. 202 per share	-	-	-	(2,685,362)	(2,685,362)	(2,685,362)
For the year ended December 31, 2012						
- First interim dividend on ordinary shares @ Rs. 65 per share	-	-	-	(864,101)	(864,101)	(864,101)
- Second interim dividend on ordinary shares @ Rs. 65 per share	-	-	-	(864,101)	(864,101)	(864,101)
Balance as at December 31, 2012	**669,477**	**70,929**	**321,471**	**4,259,162**	**4,651,562**	**5,321,039**

The annexed notes 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:

i) Unilever Pakistan Limited (the "Company")
ii) Lever Chemicals (Private) Limited
iii) Levers Associated Pakistan Trust (Private) Limited
iv) Sadiq (Private) Limited

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

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

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

The Board of Directors of Unilever Pakistan Limited have, in their meeting held on December 3, 2012, considered and accepted the proposal made by the majority shareholder (Unilever Overseas Holdings Limited) to de-list the shares of the company from the Karachi, Lahore and Islamabad Stock Exchanges in accordance with the Voluntary De-Listing provisions of their respective Listing Regulations and to seek the revocation of the CDS Eligibility of the shares of the Company. On January 28, 2012, the Company has also filed a formal application for De-Listing with the respective stock exchanges.

1.2 Basis of consolidation

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

All inter-company balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the group.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2012 are considered not to be relevant for the group's financial statements and hence have not been detailed here.

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

IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The change is not expected to have material impact on the group's financial statements.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment and depreciation

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

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

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

Maintenance and normal repairs are charged to income as and when incurred; also individual assets costing up to Rs. 10,000 are charged to income. Major renewals and improvements are capitalised only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are recognised in the profit and loss account.

2.4 Intangible assets and amortisation

Intangible assets having definite useful life are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.5 Investments

i. In unlisted entity not being subsidiary

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

ii. Investment - held to maturity

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

2.6 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

2.6.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any, or one-half percent of turnover, whichever is higher. The charge for current tax includes adjustments to charge for prior years, if any.

2.6.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit at the time of the transaction. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.7 Staff retirement benefits

2.7.1 Defined contribution plans

i) Provident fund

The group operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the group and the employees, to the fund at the rate of 6% per annum of the base salary and 10% of basic salary plus cost of living allowance in respect of management employees and unionised staff respectively. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

ii) DC Pension fund

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

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

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

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

2.7.2 Defined benefit plans

The group operates the following schemes:

i) Funded pension scheme for management employees of the group. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2012, using the 'Projected Unit Credit Method'.

ii) Funded gratuity scheme for management employees of the group. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2012, using the 'Projected Unit Credit Method'.

iii) Funded gratuity scheme for non-management employees of the group. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2012, using the 'Projected Unit Credit Method'.

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

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

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

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

2.8 Stores and spares

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

2.9 Stock in trade

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

2.10 Trade and other receivables

Trade and other receivables 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 in current and savings accounts, deposit accounts with maturities of three months or less and short term finance.

2.12 Impairment

2.12.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The group considers evidence of impairment for receivables and other financial assets at specific asset levels. Losses are recognised as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

2.12.2 Non-financial assets

The carrying amounts of non-financial assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 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 / Ijarah contracts are charged to profit and loss on a straight-line basis over the period of the lease.

2.14 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.

2.15 Borrowings and their cost

Borrowings are recorded initially at fair value, net of transaction cost incurred.

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.

2.16 Provisions

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

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

2.17 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.

2.18 Earnings per share

The group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the period.

2.19 Foreign currency transactions and translation

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

2.20 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the group and figures are rounded off to the nearest thousands of Rupees.

2.21 Revenue recognition

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

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

- dividend income is recognised when the group's right to receive the payment is established; and

- return on savings accounts and deposit accounts is recognised using the effective interest rate method.

2.22 Dividend

Dividend distribution to the group's shareholders is recognised as a liability in the period in which the dividend is approved.

2.23 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the group who makes strategic decisions.

2.24 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 liability created is reflected in the trade and other payables.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) Income taxes

In making the estimates for income taxes, the group takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the group's view differs with the view taken by the income tax department at the assessment stage and where the group considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

ii) Defined benefit plans

Significant estimates relating to post employment benefits are disclosed in note 9.

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.

3.1 No critical judgement has been used in applying accounting policies.

4. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	(Rupees in thousand)	
Operating assets - at net book value - note 4.1	**6,029,015**	4,526,190
Capital work in progress - at cost - note 4.3	**1,196,764**	1,191,041
	7,225,779	5,717,231

4.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousand)									
Net carrying value basis										
Year ended December 31, 2012										
Opening net book value (NBV)	25,575	225	588,615	18,954	3,520,117	325,705	23,564	14,539	8,896	4,526,190
Additions (at cost)	-	-	10,864	6,770	1,946,118	145,676	3,435	71,300	-	2,184,163
Disposals (at NBV)	-	-	-	-	(23,962)	(65)	-	(264)	-	(24,291)
Transfers (at NBV)	-	-	-	-	-	-	-	8,896	(8,896)	-
Reversal of surplus on revaluation of fixed assets - note 4.2	-	-	-	-	(11,669)	-	-	-	-	(11,669)
Depreciation charge	-	(4)	(19,670)	(547)	(587,669)	(22,082)	(2,762)	(12,644)	-	(645,378)
Closing net book value (NBV)	25,575	221	579,809	25,177	4,842,935	449,234	24,237	81,827	-	6,029,015
Gross carrying value basis										
At December 31, 2012										
Cost	25,575	529	782,273	87,693	8,032,720	850,780	51,481	143,197	-	9,974,248
Reversal of surplus on revaluation of fixed assets - note 4.2	-	-	-	-	(11,669)	-	-	-	-	(11,669)
Accumulated depreciation	-	(308)	(202,464)	(62,516)	(3,178,116)	(401,546)	(27,244)	(61,370)	-	(3,933,564)
Net book value (NBV)	25,575	221	579,809	25,177	4,842,935	449,234	24,237	81,827	-	6,029,015
Net carrying value basis										
Year ended December 31, 2011										
Opening net book value (NBV)	25,575	229	593,997	19,773	3,565,948	321,011	22,880	2,308	36,469	4,588,190
Additions (at cost)	-	-	16,510	-	533,736	48,116	4,520	13,986	-	616,868
Disposals (at NBV)	-	-	(4,170)	-	(81,040)	(3,384)	(818)	-	(2,582)	(91,994)
Depreciation charge	-	(4)	(17,722)	(819)	(498,527)	(40,038)	(3,018)	(1,755)	(24,991)	(586,874)
Closing net book value (NBV)	**25,575**	**225**	**588,615**	**18,954**	**3,520,117**	**325,705**	**23,564**	**14,539**	**8,896**	**4,526,190**
Gross carrying value basis										
At December 31, 2011										
Cost	25,575	529	771,409	80,923	6,242,003	720,469	48,714	106,370	75,074	8,071,066
Accumulated depreciation	-	(304)	(182,794)	(61,969)	(2,721,886)	(394,764)	(25,150)	(91,831)	(66,178)	(3,544,876)
Net book value (NBV)	**25,575**	**225**	**588,615**	**18,954**	**3,520,117**	**325,705**	**23,564**	**14,539**	**8,896**	**4,526,190**
Depreciation rate % per annum	-	1.05	2.5	2.5	7 to 33	7 to 25	7	20 to 25	20 to 25	

4.2 As the group is following cost model of property, plant and equipment, revaluation surplus has been reversed.

4.3 Capital Work In Progress – at cost

	2012	2011
	(Rupees in thousand)	
Civil works	24,912	5,187
Plant and machinery	1,171,852	1,185,854
	1,196,764	1,191,041

4.4 Details of property, plant and equipment disposed of during the year are given in note 41.

5. INTANGIBLES - Computer Software

	2012	2011
	(Rupees in thousand)	
Net carrying value basis		
Opening net book value (NBV)	1,288,730	-
Additions during the year (at cost)	-	1,344,806
Amortisation charge	(249,055)	(56,076)
Reversal - note 5.1	(102,878)	-
Closing net book value (NBV)	936,797	1,288,730
Gross carrying value basis		
Cost	1,369,154	1,369,154
Accumulated amortisation	(329,479)	(80,424)
Reversal - note 5.1	(102,878)	-
Net book value (NBV)	936,797	1,288,730
Remaining useful life in years	3.75	4.75

5.1 This represents amount reversed during the period in respect of invoices which are no more payable by the group.

6. LONG TERM INVESTMENTS

	2012	2011
	(Rupees in thousand)	
Investment available for sale - at cost		
Futehally Chemicals (Private) Limited		
2,000 6% redeemable cumulative preference shares of Rs. 100 each	200	200

7. LONG TERM LOANS - considered good

		2012	2011
		(Rupees in thousand)	
Related Party	Note 7.1, 7.2 and 7.3		
Chief Executive		**-**	2,289
Others			
Executives		**160,908**	120,760
Other employees		**35,354**	38,289
		196,262	159,049
		196,262	161,338
Recoverable within one year - note 13		**(60,676)**	(46,082)
Long term portion		**135,586**	115,256

7.1 Reconciliation of carrying amount of loans to Chief Executive and Executives:

	CHIEF EXECUTIVE		EXECUTIVES	
	2012	2011	2012	2011
	(Rupees in thousand)			
Balance as at January 1	**2,289**	5,344	**120,760**	114,667
Loans granted during the year	**-**	-	**117,130**	66,959
Recoveries	**(2,289)**	(3,055)	**(76,982)**	(60,866)
	-	2,289	**160,908**	120,760

7.2 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.

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

	2012	2011
	(Rupees in thousand)	
Director	**-**	430
Chief Executive	**2,035**	5,344
Executives	**191,507**	132,565

8. LONG TERM DEPOSITS AND PREPAYMENTS

	2012	2011
Security deposits	**14,492**	4,827
Prepaid rent	**8,503**	23,859
	22,995	28,686
Less: Provision for doubtful deposits	**(2,925)**	(2,925)
	20,070	25,761

9. RETIREMENT BENEFITS

9.1 The disclosures made in notes 9.2 to 9.10 are based on the information included in the actuarial valuation as of December 31, 2012.

	Pension Fund		Gratuity Funds		Pensioners' Medical Plan	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
9.2 Balance Sheet Reconciliation						
Fair value of plan assets	1,875,133	1,686,778	74,157	61,413	-	-
Present value of defined benefit obligations	(1,706,321)	(1,681,689)	(242,890)	(348,990)	(233,236)	(216,324)
Funded status	168,812	5,089	(168,733)	(287,577)	(233,236)	(216,324)
Unrecognised net actuarial (gain) / loss	(66,043)	109,788	(8,410)	11,462	32,024	30,333
Recognised asset / (liability)	102,769	114,877	(177,143)	(276,115)	(201,212)	(185,991)
9.3 Movement in the fair value of plan assets						
Fair value as at January 1	1,686,778	1,628,771	61,413	62,771		
Expected return on plan assets	216,297	214,787	8,070	6,386		
Actuarial gains / (loss)	160,824	21,093	(2,363)	1,774		
Employer contributions	-	-	237,049	86,329		
Benefits paid	(188,766)	(177,873)	(230,012)	(95,847)		
Fair value as at December 31	1,875,133	1,686,778	74,157	61,413		
9.4 Movement in the defined benefit obligations						
Obligation as at January 1	1,681,689	1,630,220	348,990	266,027	216,324	203,261
Service cost	9,373	12,310	13,350	14,524	635	813
Interest cost	207,098	220,416	33,384	36,186	27,008	27,827
Settlement and curtailment	-	-	97,981	126,603	-	-
Actuarial (gains) / losses	(3,073)	(3,384)	(20,803)	1,497	4,786	(292)
Benefits paid	(188,766)	(177,873)	(230,012)	(95,847)	(15,517)	(15,285)
Obligation as at December 31	1,706,321	1,681,689	242,890	348,990	233,236	216,324
9.5 Cost						
Current service cost	9,373	12,310	13,350	14,524	635	813
Interest cost	207,098	220,416	33,384	36,186	27,008	27,827
Expected return on plan assets	(216,297)	(214,787)	(8,070)	(6,386)	-	-
Settlement and curtailment	-	-	97,981	126,603	-	-
Recognition of actuarial loss	11,934	15,984	1,432	1,948	3,095	3,403
Expense	12,108	33,923	138,077	172,875	30,738	32,043
Actual return on plan assets	377,121	235,880	5,707	8,160		

	2012	2011
9.6 Principal actuarial assumptions used are as follows:		
Discount rate & expected return on plan assets	**11.50%**	13.00%
Future salary increases	**9.00%**	10.75%
Future pension increases	**5.75%**	7.25%
Medical cost trend rates	**6.25%**	7.50%

Expected contributions to retirement benefit plans for the year ending December 31, 2013 are Rs. 113 million (2012: Rs. 182 million).

9.7 Comparison for five years:

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	**1,949,290**	1,748,191	1,691,542	1,520,562	1,802,804
Present value of defined benefit obligations	**(2,182,447)**	(2,247,003)	(2,099,508)	(2,002,877)	(2,048,323)
(Deficit)	**(233,157)**	(498,812)	(407,966)	(482,315)	(245,519)

Experience adjustments

	2012	2011	2010	2009	2008
Gain / (Loss) on plan assets (as percentage of plan assets)	**8.0%**	1.3%	6.6 %	(0.3)%	0.2 %
(Gain) / Loss on obligations (as percentage of plan obligations)	**(0.9)%**	(0.1)%	(0.03)%	9.7 %	(1.2)%

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

	Increase	Decrease
	(Rupees in thousand)	
Effect on the aggregate of current service and interest costs	2,851	2,460
Effect on the defined benefit obligations	23,481	20,330

9.9 Plan assets comprise of the following:

	2012		2011	
	Rupees in thousand	%	Rupees in thousand	%
Equity	**230,982**	**11.8**	206,369	11.8
Debt	**1,663,768**	**85.4**	1,521,301	87.0
Others (include cash and bank balances)	**54,540**	**2.8**	20,521	1.2
	1,949,290	**100.0**	1,748,191	100.0

9.10 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.

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

9.12 Based on the above actuarial valuation the retirement benefits - asset amounts to Rs. 102.8 million (2011: Rs. 114.9 million) and retirement benefits - liability amounts to Rs. 378.4 million (2011: Rs. 462.1 million).

9.13 During the year the group contributed Rs. 73.52 million (2011: Rs. 65.47 million) to the provident fund and Rs. 54.02 million (2011: 59.26 million) to the DC pension fund.

10. STORES AND SPARES

	2012	2011
	(Rupees in thousand)	
Stores (including in transit nil; 2011: Rs. 8.71 million)	**115,096**	92,154
Spares (including in transit nil; 2011: Rs. 1.76 million)	**346,174**	300,507
	461,270	392,661
Provision for slow moving and obsolete stores and spares	**(39,614)**	(45,141)
	421,656	347,520

10.1 The group has reversed provision of Rs. 5.53 million (2011: charge of Rs. 6.27 million) for obsolescence and has written off stores and spares amounting to nil (2011: Rs. 3.96 million).

11. STOCK IN TRADE

	2012	2011
	(Rupees in thousand)	
Raw and packing materials at cost (including in transit Rs. 779 million; 2011: Rs. 654 million)	**3,433,135**	2,926,886
Provision for obsolescence	**(135,421)**	(162,206)
	3,297,714	2,764,680
Work in process	**321,999**	291,891
Finished goods (including in transit Rs. 326 million; 2011: Rs. 0.2 million)	**2,692,442**	2,198,567
Provision for obsolescence	**(67,952)**	(50,748)
	2,624,490	2,147,819
	6,244,203	5,204,390

11.1 Stock in trade includes Rs. 1.40 billion (2011: Rs. 1.17 billion) held with third parties.

11.2 The above balances include items costing Rs. 431.11 million (2011: Rs. 194.27 million) valued at net realisable value of Rs. 227.73 million (2011: Rs. 36.67 million).

11.3 The group made a provision of Rs. 133.15 million for obsolescence (2011: Rs. 202.71 million) and has written off inventory amounting to Rs. 142.73 million (2011: Rs. 127.35 million) by utilising the provision during the year.

12. TRADE DEBTS

	2012	2011
	(Rupees in thousand)	
Considered good	**1,018,561**	833,179
Considered doubtful	**33,464**	37,164
	1,052,025	870,343
Provision for doubtful debts - note 12.1	**(33,464)**	(37,164)
	1,018,561	833,179

12.1 The group made a provision of Rs. 5.89 million (2011: reversal of Rs. 3.78 million) and has written off debts by utilising the provision amounting to Rs. 9.59 million (2011: Rs. 1.07 million) during the year.

12.2 As of December 31, 2012 trade debts of Rs. 48.72 million (2011: Rs. 392.97 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:

	2012	2011
	(Rupees in thousand)	
Up to 3 months	**42,977**	246,274
3 to 6 months	**1,544**	73,013
More than 6 months	**4,204**	73,683
	48,725	392,970

13. LOANS AND ADVANCES

Considered good		
Current portion of loans to employees - note 7	**60,676**	46,082
Advances to:		
Executives - note 13.1	**56,198**	55,325
Suppliers and others	**64,129**	58,787
	181,003	160,194
Considered doubtful		
Advances to suppliers and others	**2,588**	5,516
	183,591	165,710
Provision for doubtful advances to suppliers and others	**(2,588)**	(5,516)
	181,003	160,194

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

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2012	2011
	(Rupees in thousand)	
Trade and margin deposits	**31,290**	27,029
Prepayments		
- Rent	**20,678**	23,597
- Advertisement	**366,268**	396,048
- Others	**129,435**	127,531
	547,671	574,205

15. OTHER RECEIVABLES

	2012	2011
Receivable from related parties		
Defined contribution plans	**14,569**	-
Defined benefit plans	**8,408**	-
Associated undertakings	**41,791**	49,034
Workers' Profits Participation Fund - note 15.1	**7,280**	31,294
Others	**50,566**	81,189
	122,614	161,517
Provision for doubtful receivables	**(13,934)**	(13,934)
	108,680	147,583

15.1 Workers' Profits Participation Fund

	2012	2011
Balance as at January 1	**31,294**	(1,657)
Allocation for the year	**(432,720)**	(318,777)
	(401,426)	(320,434)
Amount paid to the trustees	**408,706**	351,728
Balance as at December 31	**7,280**	31,294

16. TAX REFUNDS DUE FROM THE GOVERNMENT

	2012	2011
	(Rupees in thousand)	
Sales tax refundable - amounts paid under protest - note 16.1	**91,897**	114,187
Taxation - payments less provision	**656,725**	279,475
	748,622	393,662

16.1 This includes a sum of Rs. 35.4 million (originally Rs. 90 million paid under protest in 1999) which is being adjusted in the monthly sales tax return pertaining to one of the group's toll manufacturers consequent to favourable decision of Alternate Dispute Resolution Committee of Federal Board of Revenue in 2011.

17. CASH AND BANK BALANCES

	2012	2011
	(Rupees in thousand)	
With banks on:		
Current accounts	**9,752**	1,837
Savings accounts - note17.1	**580,596**	960,100
Deposit account - note17.2	**160,000**	-
In hand:		
Cash	**781**	149
	751,129	962,086

17.1 Mark-up on savings accounts was at the rates ranging from 5% to 10.2% (2011: 5% to 9.58%) per annum.

17.2 Term deposits carry mark-up @ 8.5% per annum and are expected to realise by June 2013.

18. SHARE CAPITAL

		2012	2011
		(Rupees in thousand)	
Authorised share capital			
47,835	5% cumulative preference shares of Rs. 100 each	**4,783**	4,783
15,904,330	Ordinary shares of Rs. 50 each	**795,217**	795,217
		800,000	800,000
Issued, subscribed and paid up capital			
5% cumulative preference shares of Rs. 100 each			
	Shares allotted:		
43,835	for consideration paid in cash	**4,383**	4,383
4,000	for acquisition of an undertaking	**400**	400
47,835		**4,783**	4,783
Ordinary shares of Rs. 50 each			
	Shares allotted:		
467,704	for consideration paid in cash	**23,385**	23,385
4,979,208	for consideration other than cash under schemes of arrangements for amalgamations	**248,961**	248,961
7,846,957	as bonus shares	**392,348**	392,348
13,293,869		**664,694**	664,694
		669,477	669,477

At December 31, 2012 and 2011 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK held 9,981,417 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited.

19. RESERVES

	2012	2011
	(Rupees in thousand)	
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 19.1	70,929	70,929
Contingency - note 24.1.1	321,471	321,471
	392,400	392,400
Revenue reserve		
Unappropriated profit	4,259,162	3,172,919
	4,651,562	3,565,319

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

20. DEFERRED TAXATION

	2012	2011
	(Rupees in thousand)	
Credit balance arising in respect of:		
- accelerated tax depreciation allowances	1,230,913	903,783
- surplus on revaluation of fixed assets	-	6,082
	1,230,913	909,865
Debit balance arising in respect of:		
- provision for retirement benefits	(96,455)	(117,633)
- share-based compensation	(42,501)	(31,281)
- provision for stock in trade and stores and spares	(84,027)	(87,437)
- provision for doubtful debts, advances and other receivables	(17,495)	(12,905)
- provision for restructuring	(31,432)	(76,518)
- provision for cess and marking fee	(262,509)	(182,875)
- others	(19,774)	(20,152)
	(554,193)	(528,801)
	676,720	381,064

21. TRADE AND OTHER PAYABLES

	2012	2011
	(Rupees in thousand)	
Creditors	845,315	639,187
Bills payable - note 21.1	3,932,855	3,253,231
Accrued liabilities	5,296,193	4,822,043
Royalty and technical services fee	501,377	470,297
Advance payment from customers	144,826	155,677
Sales tax payable	159,224	259,651
Excise duty payable	49,853	86,268
Workers' Welfare Fund	173,088	131,521
Security deposits from dealers - note 21.2	24,217	24,554
Unclaimed dividend	183,105	142,434
Liability for share-based compensation plans - note 21.4	122,903	92,336
Others	11,944	21,176
	11,444,900	10,098,375

21.1 Bills payable includes Rs. 1.96 billion (2011: Rs. 1.89 billion) in relation to inland letters of credit under vendor financing arrangements which includes interest cost as per group's negotiated rates.

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

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

	2012	2011
	(Rupees in thousand)	
Ultimate parent company	459,233	406,979
Associated companies	1,502,826	1,873,890
Company in which close family member of a Director is holding directorship	64,122	126,651

21.4 Share-based compensation plans

As at December 31, 2012 group had share-based compensation plans in the form of performance shares.

Performance share awards are made under the Management Co-Investment Plan (MCIP) and the Global Share Incentive Plan (GSIP). The MCIP allows group's eligible managers to invest up to 60% of their annual bonus in shares in Unilever NV and Unilever PLC and to receive a corresponding award of performance-related shares. Under GSIP, the group's eligible managers receive annual awards of Unilever NV and Unilever PLC shares. The awards of both plans will vest after three years depending on the satisfaction of performance conditions.

The performance conditions of both MCIP and GSIP are underlying sales growth, operating cash flow and underlying operating margin improvement.

A summary of the status of the Performance Share Plans as at December 31, 2012 and 2011and changes during the years ended on these dates is presented below:

	2012	2011
	(Number of shares)	
Outstanding at January 1	**49,920**	36,926
Awarded	**27,101**	21,146
Vested	**(12,732)**	(7,475)
Forfeited	**(3,815)**	(677)
Outstanding at December 31	**60,474**	49,920
Share price at grant date		
Unilever NV	**€ 28.86**	€ 21.59
Unilever PLC	**£ 23.88**	£ 18.35

The group has treated these share-based plans as cash settled in view of obligation of the group.

22. SHORT TERM BORROWINGS

Running finance under mark-up arrangements - secured

The facilities for running finance available from various banks amount to Rs. 9.625 billion (2011: Rs. 10.50 billion). The rates of mark-up range between KIBOR to KIBOR + 1% per annum (2011: KIBOR to KIBOR + 1% per annum).

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

The facilities for opening letters of credit and guarantees as at December 31, 2012 amounted to Rs. 15.89 billion (2011: Rs. 11.10 billion), of which the amount remaining unutilised at the year end was Rs. 8.81 billion (2011: Rs. 6.3 billion).

23. PROVISIONS

	2012	2011
	(Rupees in thousand)	
Sindh Infrastructure Cess - note 23.2 & note 24.1.1	**487,564**	287,667
PSI marking fee - note 23.2	**36,547**	20,584
Restructuring - note 23.1	**90,895**	225,864
	615,006	534,115

23.1 Restructuring	2012 (Rupees in thousand)	2011
Balance as at January 1	**225,864**	45,956
(Reversal) / Provision during the year	**(18,349)**	306,407
Utilised during the year	**(116,620)**	(126,499)
Balance as at December 31	**90,895**	225,864

23.2 The change in amount of these provisions represent provision made during the year.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 Government of Sindh through Finance Act, 1994 levied fee for services rendered in respect of development and maintenance of infrastructure on the import and export of goods. However, the group filed a constitutional petition against the levy of such fee in the High Court of Sindh and the Court granted stay for the payment of the fee. During the year 2001, the Government of Sindh introduced Cess in place of infrastructure fee with retrospective effect. As a result, Unilever's petition became infractuous and a fresh suit was filed by Unilever to challenge the levy. A stay against recovery of the aforesaid levy of Cess was also obtained from the Court. In 2003 the High Court decided the issue against the group. Against this order an intra court appeal was filed with the High Court. The appeal was disposed of in August 2008, whereby the levy imposed and collected with effect from December 28, 2006 was declared valid and all imposition and collection before such date as invalid. The Court further ordered that all bank guarantees / securities furnished for transactions before December 28, 2006 stand discharged and are liable to be returned back and those furnished in respect of transactions after December 28, 2006 are liable to be encashed. The group as well as the Government of Sindh filed appeals in the Supreme Court against the said order. The appeals were heard by the Supreme Court in May 2011, and it was noted that the Government of Sindh had again enacted Infrastructure Fee through Act of 2009 with retrospective effect which had not been challenged in the last appeals. Accordingly, the Supreme Court allowed the petitioners to file fresh petitions at the High Court. Accordingly, fresh petition was filed by the group in the High Court in May 2011. A provision amounting to Rs. 733.55 million concerning the levy with respect from December 28, 2006 has been recognised in the financial statements. Moreover, the group has paid an amount of Rs. 245.99 million under protest against the said order.

As a matter of prudence, a total of Rs 321.47 million as at December 31, 2012 (2011: Rs 321.47 million) out of the revenue reserves has been earmarked as contingency reserve for the levy uptill December 2006.

24.1.2 The Officer of Inland Revenue while finalising the re-assessments for the tax years 2006, 2007 and 2009, passed amended assessment orders enhancing the tax liability for these years by approximately Rs. 400 million in respect of certain disallowances.

The group has filed appeals before the Commissioner of Inland Revenue - Appeals (CIRA). However, the same were decided against it. The group has filed appeals before the Appellate Tribunal Inland Revenue.

Further, the Additional Commissioner of Inland Revenue amended the assessments for the tax years 2008, 2010 and 2011, enhancing the tax liability by approximately Rs. 315.55 million. The group has filed appeals before the CIRA and the same have been heard. The appellate orders are awaited.

The group's management is of the view that the disallowances were erroneous and, therefore, the ultimate decision in appeals will likely be in the group's favour. No provision has, therefore, been made in the financial statements.

24.2 Commitments

24.2.1 Aggregate commitments outstanding for capital expenditures as at December 31, 2012 amounted to Rs. 701.11 million (2011: Rs. 845.96 million).

24.2.2 Commitments for rentals under operating lease agreements / Ijarah contracts as at December 31, 2012 are as follows:

	2012	2011
	(Rupees in thousand)	
Not later than one year	213,309	120,897
Over one year to five years	482,843	311,615
	696,152	432,512

25. SALES

	2012	2011
Manufactured goods		
Gross sales	72,433,801	65,925,866
Sales tax	(9,999,078)	(10,193,721)
Excise duty	(499,767)	(1,674,647)
	61,934,956	54,057,498
Rebates, returns and allowances	(3,371,230)	(3,059,170)
	58,563,726	50,998,328
Imported goods		
Gross sales	1,446,171	1,027,398
Sales tax	(191,584)	(91,953)
Excise duty	(9,576)	(5,140)
	1,245,011	930,305
Rebates, returns and allowances	(67,768)	(52,647)
	1,177,243	877,658
	59,740,969	51,875,986

26. COST OF SALES

	2012	2011
	(Rupees in thousand)	
Raw and packing materials consumed	32,175,978	29,582,667
Manufacturing charges paid to third parties	1,024,649	931,518
Stores and spares consumed	240,158	213,878
Staff costs - note 26.1	1,873,273	1,547,964
Utilities	762,951	733,491
Depreciation	595,485	509,825
Repairs and maintenance	367,698	346,887
Rent, rates and taxes	40,172	39,190
Ujrah payments	23,710	23,320
Amortisation of computer software	133,992	30,169
Travelling and entertainment	58,289	62,441
Stationery and office expenses	48,602	37,529
Expenses on information technology	2,550	1,120
Other expenses	102,655	88,242
Charges by related party	5,879	4,119
	37,456,041	34,152,360
Opening work in process	291,891	126,457
	37,747,932	34,278,817
Closing work in process	(321,999)	(291,891)
Cost of goods manufactured	37,425,933	33,986,926
Opening stock of finished goods	1,952,457	1,153,124
Closing stock of finished goods	(2,075,489)	(1,952,457)
	37,302,901	33,187,593
Imported goods		
Opening stock	195,362	66,705
Purchases	1,121,731	733,524
	1,317,093	800,229
Closing stock	(549,001)	(195,362)
	768,092	604,867
	38,070,993	33,792,460

26.1 Staff costs

	2012	2011
Salaries and wages	1,801,858	1,480,705
Medical	33,113	22,166
Pension costs - defined benefit plan	2,387	6,688
Gratuity costs - defined benefit plan	12,654	14,605
Pensioners' medical plan	6,068	6,325
Provident fund cost - defined contribution plan	6,712	5,979
Pension fund cost - defined contribution plan	10,481	11,496
	1,873,273	1,547,964

27. DISTRIBUTION COSTS

	2012	2011
	(Rupees in thousand)	
Staff costs - note 27.1	1,021,658	833,161
Advertisement and sales promotion	5,408,860	4,874,769
Outward freight and handling	1,904,684	1,619,127
Royalty, technical fee and related duties	2,120,007	1,849,584
Utilities	48,212	32,633
Depreciation	25,054	43,147
Repairs and maintenance	38,097	33,720
Rent, rates and taxes	97,702	84,533
Ujrah payments	145,222	123,288
Amortisation of computer software	54,043	12,168
Travelling and entertainment	109,474	101,394
Stationery and office expenses	45,168	54,094
Expenses on information technology	113	3,743
Provision for doubtful debts - trade	4,006	-
Other expenses	112,758	96,114
Charges by related party	14,119	45,727
	11,149,177	9,807,202

27.1 Staff costs

	2012	2011
Salaries and wages	859,290	668,908
Medical	113	77
Share based compensation	46,920	35,652
Pension costs - defined benefit plan	6,511	18,243
Gratuity costs - defined benefit plan	18,379	21,211
Pensioners' medical plan	16,525	17,227
Provident fund cost - defined contribution plan	44,752	39,849
Pension fund cost - defined contribution plan	29,168	31,994
	1,021,658	833,161

	2012	2011
	(Rupees in thousand)	

28. ADMINISTRATIVE EXPENSES

Staff costs - note 28.1	**637,218**	516,124
Utilities	**53,886**	47,338
Depreciation	**24,839**	33,902
Repairs and maintenance	**39,170**	32,709
Rent, rates and taxes	**220,898**	213,764
Ujrah payments	**38,529**	37,896
Amortisation of computer software	**61,020**	13,739
Travelling and entertainment	**59,886**	76,437
Stationery and office expenses	**76,221**	79,499
Expenses on information technology	**512,553**	360,497
Legal, professional and other consultancy charges	**120,893**	86,792
Auditors' remuneration - note 28.2	**14,911**	12,944
Other expenses	**126,818**	108,446
Charges by related party	**2,383**	9,002
	1,989,225	1,629,089

28.1 Staff costs

Salaries and wages	**515,326**	407,142
Medical	**41,912**	28,058
Share based compensation	**23,131**	17,572
Pension costs - defined benefit plan	**3,210**	8,992
Gratuity costs - defined benefit plan	**9,063**	10,456
Pensioners' medical plan	**8,145**	8,491
Provident fund cost - defined contribution plan	**22,056**	19,643
Pension fund cost - defined contribution plan	**14,375**	15,770
	637,218	516,124

28.2 Auditors' remuneration

Audit fee	**5,500**	5,500
Taxation services	**3,650**	3,500
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	**4,511**	3,194
Out of pocket expenses	**1,250**	750
	14,911	12,944

	2012	2011
	(Rupees in thousand)	

29. OTHER OPERATING EXPENSES

	2012	2011
Donations	9,121	34,273
Workers' Profits Participation Fund - note 15.1	432,720	318,777
Workers' Welfare Fund	173,088	131,521
Loss on disposal of property, plant and equipment	-	53,260
	614,929	537,831

30. OTHER OPERATING INCOME

	2012	2011
Income from financial assets		
Dividend income	12	12
Return on savings accounts and deposit accounts	39,196	38,750
Return on investment - held to maturity	6,651	14,657
Income from non-financial assets		
Scrap sales	118,324	48,345
Profit on disposal of property, plant and equipment	104,944	-
Sundries	5,339	48,741
Others		
Service fee from related parties - note 30.1	282,137	175,528
Provision for doubtful trade debts written back	-	3,779
Liabilities no longer payable written back	18,349	34,980
	574,952	364,792

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

31. FINANCE COST

	2012	2011
	(Rupees in thousand)	
Mark-up on short term borrowings	**64,991**	44,087
Bank charges	**60,589**	49,939
Exchange loss	**303,625**	126,659
Finance charge on finance leases	**269**	4,038
	429,474	224,723

32. TAXATION

	2012	2011
Current - for the year		
Pakistan	**2,224,227**	1,996,564
Azad Kashmir	**42,194**	35,734
	2,266,421	2,032,298
Deferred tax - charge / (credit)	**295,656**	(195,079)
	2,562,077	1,837,219

32.1 Relationship between tax expense and accounting profit

	2012	2011
Accounting profit before tax	**8,062,123**	5,943,066
Tax at the applicable tax rate of 35%	**2,821,743**	2,080,073
Tax effect of permanent differences	**58,693**	16,862
Tax effect of credits	**(260,533)**	(89,031)
Tax effect of final tax	**(57,826)**	(170,685)
Tax expense for the year	**2,562,077**	1,837,219

33. BASIC AND DILUTED EARNINGS PER SHARE

	2012	2011
Profit after tax	**5,500,046**	4,105,847
Preference dividend on cumulative preference shares	**(239)**	(239)
Profit after taxation attributable to ordinary shareholders	**5,499,807**	4,105,608
Weighted average number of shares in issue during the year (in thousands)	**13,294**	13,294
Basic earnings per share (Rupees)	**414**	309

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

	2012	2011
	(Rupees in thousand)	

34. CASH AND CASH EQUIVALENTS

	2012	2011
Cash and bank balances	591,129	962,086
Short term borrowings - running finance under mark-up arrangements	-	(292,534)
	591,129	669,552

35. 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 Operating Decision Maker i.e. Chief Executive Officer of the group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the group is organised into the following four operating segments:

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

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

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

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

35.1 Segment analysis

The segment information for the reportable segments for the year ended December 31, 2012 is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2012					
Revenue	**34,359,843**	**16,881,909**	**6,723,741**	**1,775,476**	**59,740,969**
Segment results	**6,130,815**	**2,060,701**	**37,490**	**302,568**	**8,531,574**
Year ended December 31, 2011					
Revenue	29,190,384	14,934,620	6,161,474	1,589,508	51,875,986
Segment results	4,603,723	1,458,952	390,064	194,496	6,647,235

Reconciliation of segment results with profit from operations:

	2012	2011
	(Rupees in thousand)	
Total results for reportable segments	**8,531,574**	6,647,235
Restructuring costs	**-**	(306,407)
Other operating expenses	**(614,929)**	(537,831)
Other operating income	**574,952**	364,792
Finance cost	**(429,474)**	(224,723)
Profit before tax	**8,062,123**	5,943,066

Assets and liabilities by segments are as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
As at December 31, 2012					
Segment assets	**7,934,868**	**2,855,266**	**4,496,453**	**200,335**	**15,486,922**
Segment liabilities	**5,117,510**	**2,514,369**	**1,001,425**	**264,437**	**8,897,741**
As at December 31, 2011					
Segment assets	5,543,362	2,169,913	3,687,574	197,067	11,597,916
Segment liabilities	4,468,083	1,559,948	919,918	211,571	7,159,520

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

	As at December 31, 2012		As at December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
	(Rupees in thousand)			
Total for reportable segments	15,486,922	8,897,741	11,597,916	7,159,520
Unallocated assets / liabilities	2,955,804	4,223,946	4,442,893	4,634,824
Total as per balance sheet	18,442,726	13,121,687	16,040,809	11,794,344

Other segment information is as follows:

	Home and Personal Care	Beverages	Ice Cream	Spreads	Total
	(Rupees in thousand)				
Year ended December 31, 2012					
Staff costs	1,841,131	961,663	683,588	45,767	3,532,149
Advertisement and sales promotion	3,824,155	658,412	749,942	176,351	5,408,860
Outward freight and handling	990,270	233,495	655,892	25,027	1,904,684
Royalty and technical fee	1,273,655	531,057	251,442	63,853	2,120,007
Depreciation	275,262	55,867	298,378	15,871	645,378
Year ended December 31, 2011					
Staff costs	1,449,657	861,750	545,761	40,081	2,897,249
Advertisement and sales promotion	3,346,171	612,871	709,806	205,921	4,874,769
Outward freight and handling	930,971	228,797	436,030	23,329	1,619,127
Royalty and technical fee	1,088,365	469,912	232,116	59,191	1,849,584
Depreciation	238,131	51,693	281,452	15,598	586,874

35.2 Sales to domestic customers in Pakistan are 99.35% (2011: 98.9%) and to customers outside Pakistan are 0.65% (2011: 1.1%) of the revenue during the year.

35.3 The group's customer base is diverse with no single customer accounting for more than 10% of net revenue.

36. RELATED PARTY TRANSACTIONS

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

	Relationship with the Company	Nature of transactions	2012	2011
			(Rupees in thousand)	
i.	Ultimate parent company	Royalty and technical fee	**1,681,377**	1,453,609
ii.	Associated companies	Purchase of goods	**13,869,846**	13,058,816
		Sale of goods	**4,163**	6,055
		Fee for receiving of services from related party	**22,381**	59,743
		Payment to related parties for intangible asset	**-**	415,625
		Payment made on behalf of related party	**11,986**	-
		Fee for providing of services to related party	**282,137**	175,528
		Contribution to :		
		- Defined Contribution plans	**127,544**	124,731
		- Defined Benefit plans	**237,049**	86,329
		Settlement on behalf of:		
		- Defined Contribution plans	**122,379**	271,698
		- Defined Benefit plans	**191,448**	219,045
iii.	Key management personnel	Salaries and other short-term employee benefits	**210,137**	163,447
		Post-employment benefits	**8,199**	10,014
iv.	Others	Donations	**-**	280

Royalty and technical fee are paid in accordance with the agreements duly acknowledged by the State Bank of Pakistan. The purchase of goods and services from related parties are made on agreed terms and conditions.

The group has entered into agreements with its associate, Unilever Pakistan Foods Limited to share various administrative and other resources. The charges by and service fee from the associate have been disclosed in notes 26, 27, 28 and 30.

The related party status of outstanding balances as at December 31, 2012 is included in other receivables and trade and other payables respectively. These are settled in the ordinary course of business.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in note 21.4.

37. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	EXECUTIVE DIRECTORS		CHIEF EXECUTIVE		EXECUTIVES	
	2012	2011	2012	2011*	2012	2011
	(Rupees in thousand)					
Managerial remuneration and allowances	52,551	47,698	37,650	39,422	1,143,384	967,796
Share based compensation	18,240	13,000	39,914	25,152	11,897	15,072
Retirement benefits **	6,076	5,663	3,118	2,835	135,914	116,520
Medical expenses	573	413	289	309	19,958	12,508
Other expenses	5,444	-	-	-	23,506	5,213
	82,884	66,774	80,971	67,718	1,334,659	1,117,109
Number of persons	6	5	1	1	842	663

In addition to this, a lump sum amount of Rs. 347.765 million (2011: Rs. 153.67 million) on account of variable pay has been accounted for in the financial statements for the current year payable in 2013 after verification of target achievement.

Out of the variable pay recognised for 2011 and 2010 following payments were made:

	Paid in 2012 relating to 2011	Paid in 2011 relating to 2010
	(Rupees in thousand)	
Executive Directors	11,950	10,156
Chief Executive	11,226	9,476
Executives	120,651	117,908
Other employees	11,014	11,540
	154,841	149,080

* 2011 information has been restated to enable like for like comparison as all perquisites and benefits in kind (except participation in shares scheme, retirement benefits and medical) have been cashed out in 2012 as per revision in the salary structure. The weightage of managerial remuneration and allowances in the package has changed, post the conversion of payout on cash basis.

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

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

Aggregate amount charged in these financial statements for the year for fee to 2 non-executive directors was Rs. 500 thousand (2011: 2 non-executive directors Rs. 450 thousand).

38. CAPACITY

	Annual Capacity		Actual Production	
	2012	2011	2012	2011
	Metric Tons			
Own manufacture				
Home and Personal Care	69,200	60,446	53,476	48,313
Beverages	62,377	62,377	31,691	28,909
	Million Litres			
Ice Cream	67.5	77	39.6	43

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Financial risk factors

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

39.2 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	-	-	-	60,676	135,586	196,262	196,262
Deposits	-	-	-	31,290	11,567	42,857	42,857
Trade debts	-	-	-	1,018,561	-	1,018,561	1,018,561
Other receivables	-	-	-	101,400	-	101,400	101,400
Cash and bank balances	740,596	-	740,596	10,533	-	10,533	751,129
Long term investments at cost	-	-	-	-	200	200	200
December 31, 2012	**740,596**	**-**	**740,596**	**1,222,460**	**147,353**	**1,369,813**	**2,110,409**
December 31, 2011	1,116,035	-	1,116,035	1,024,565	117,358	1,141,923	2,257,958
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	1,960,935	-	1,960,935	8,956,974	-	8,956,974	10,917,909
Accrued interest / mark-up	-	-	-	6,706	-	6,706	6,706
December 31, 2012	**1,960,935**	**-**	**1,960,935**	**8,963,680**	**-**	**8,963,680**	**10,924,615**
December 31, 2011	2,197,012	3,291	2,200,303	7,583,639	-	7,583,639	9,783,942
ON BALANCE SHEET GAP							
December 31, 2012	**(1,220,339)**	**-**	**(1,220,339)**	**(7,741,220)**	**147,353**	**(7,593,867)**	**(8,814,206)**
December 31, 2011	(1,080,977)	(3,291)	(1,084,268)	(6,559,074)	117,358	(6,441,716)	(7,525,984)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantees							
December 31, 2012							**7,076,099**
December 31, 2011							4,796,074

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

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 2.11 billion (2011: Rs. 2.26 billion) the financial assets that are subject to credit risk amounted to Rs. 1.02 billion.

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, 2012 trade debts of Rs. 48.72 million (2011: Rs.392.97 million) were past due but not impaired. The carrying amount of trade debts relates to a number of independent customers for whom there is no recent history of default.

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

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

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

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

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

(ii) Liquidity risk

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

(iii) Market risk

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at December 31, 2012, financial assets of Rs. 114.39 million (2011: Rs. 25.16 million) and financial liabilities of Rs. 2.52 billion (2011: Rs. 2.76 billion) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2012, if the Pakistan Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 173.11 million (2011: Rs. 174.35 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

As at December 31, 2012, if the Pakistan Rupee had weakened / strengthened by 8% against Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 10.68 million (2011: Rs. 9.17 million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

As at December 31, 2012, if the Pakistan Rupee had weakened / strengthened by 5% against Pound Sterling with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 28.74 million (2011: Rs. 155.92 million), mainly as a result of foreign exchange losses / gains on translation of Pound Sterling denominated financial assets and liabilities.

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

b) Interest rate risk

Interest rate risk arises due to changes in market interest rates that results in fluctuation in fair value or future cash flows of a financial instrument. Borrowings obtained at variable rates expose the group to cash flow interest rate risk.

At December 31, 2012, the group had variable interest bearing financial assets of Rs. 740.6 million (2011: Rs. 1.12 billion) and financial liabilities of Rs. 1.96 billion (2011: Rs. 2.2 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. 24.41 million (2011: Rs. 21.68 million) lower / higher, mainly as a result of higher / lower interest expense.

40. CAPITAL RISK MANAGEMENT

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

The group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance. As at December 31, 2012, the group had no debt.

41. 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	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant & Machinery						
	78,292	59,031	19,261	19,006	Open Bidding	M/s. Mehboob Brothers, Chak # 20/ GD, Post Office Chak No. 24/ GD, Okara.
	66,714	62,333	4,381	29,661	Open Bidding	Mushtaq Ahmed & Sons, Shahbazpur Road, Near Sabzi Mandi, Rahim Yar Khan.
	145,006	121,364	23,642	48,667		
Motor Vehicles	1,269	1,190	79	634	Company policy	Mr. Qazi Adnan Aman - Executive
	146	46	100	353	Auction	Mr. Ali Akber Khan House No. A-895/12, Gulberg, F.B. Area, Karachi.
	1,415	1,236	179	987		
Assets having book value less than Rs. 50,000 each						
Motor vehicles	108,132	108,047	85	78,829		
Furniture and Fittings	668	668	-	111		
Electrical, mechanical and office equipment	724	724	-	641		
Assets written off						
Plant and Machinery	10,395	10,075	320	-		
Electrical, mechanical and office equipment	14,641	14,576	65	-		
	280,981	256,690	24,291	129,235		

42. MONOPOLY CONTROL AUTHORITY ORDER

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

43. PROPOSED AND DECLARED DIVIDENDS

On 5% cumulative preference shares

At the Board meeting held on February 26, 2013, dividend in respect of 2012 of Rs. 239 thousand has been declared (2011: Rs. 239 thousand).

On ordinary shares

At the Board meeting held on February 26, 2013, a final dividend in respect of 2012 of Rs. 283 per share amounting to a total dividend of Rs. 3.76 billion is proposed (2011: Rs. 202 per share amounting to a total dividend of Rs. 2.69 billion).

Interim dividend declared and already paid in respect of half year ended June 30, 2012 was Rs. 65 per share amounting to Rs. 864.1 million (Half year ended June 30, 2011: Rs. 105 per share amounting to Rs. 1.396 billion) in addition to first interim cash dividend declared and already paid in respect of quarter ended March 31, 2012 of Rs. 65 per share amounting to Rs. 864.1 million (Quarter ended March 31, 2011: nil).

These financial statements do not reflect the proposed final dividend on ordinary shares and the dividend declared on cumulative preference shares as payable, which will be accounted for in the statements of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2013.

44. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 26, 2013 by the Board of Directors of the group.

Ehsan A. Malik
Chairman and Chief Executive

Imran Husain
Director and Chief Financial Officer

Notice of Annual General Meeting

Notice is hereby given that the 64th Annual General Meeting of Unilever Pakistan Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Tuesday, April 16, 2013, at 11:00 a.m. to transact the following business:

A. Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended December 31, 2012, together with the Reports of the Auditors and Directors thereon.

2. To approve and declare dividend (2012) on the Ordinary Shares of the Company.
   The Directors have recommended a final cash dividend of 566% (or Rs.283.00 per share) on the Ordinary Shares. Together with the first interim dividend of 130% (or Rs.65.00 per ordinary share) and second interim dividend of 130% (or Rs.65.00 per ordinary share) already paid, the total dividend for 2012 will thus amount to 826% (or Rs.413.00 per ordinary share).

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

B. Special Business

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

By Order of the Board

Amar Naseer
Company Secretary

Karachi
March 20, 2013

Notes:

1. The Individual Members who have not yet submitted photocopy of their valid Computerised National Identity Card (CNIC) to the Company/Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, Famco Associates (Private) Limited, State Life Building, 1-A, 1st Floor, I.I. Chundrigar Road, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or the authorised person, except in case of minor(s) and corporate members.

2. Share Transfer Books will be closed from April 10, 2013 to April 16, 2013 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's Share Registrar M/s Famco Associates (Private) Limited, 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi-74000 by the close of the Business on April 09, 2013 will be treated in time for the purpose of payment of Final Dividend to the transferees.

3. All Members/Shareholders (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.

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

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

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

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her 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 (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

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

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

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

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

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, 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 64th Annual General Meeting and the proposed Resolution related thereto:

Item 4 of the Agenda – Remuneration of Executive Directors including Chief Executive

For the year 2012: Rs.94.8 million to the Executive Directors, and Rs.92.2 million to the Chief Executive.

Estimated for the year 2013: Rs.108.7 million to the Executive Directors, and Rs.120.8 million to the Chief Executive, as under:

	Chief Executive	Executive Directors*
	(Rs. in million)	
Managerial Remuneration & Allowances	66.2	71.0
Retirement Benefits	4.0	6.0
Medical	0.3	0.5
Other Expenses	-	6.2
	70.5	83.7
Parent Co.'s Share Based Remuneration **	50.3	25.0
	120.8	108.7

* Executive Directors are entitled to use Company maintained car.

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

Estimated for January 2014 to March 2014: Rs.16.2 million for Executive Directors and Rs.12.3 million for Chief Executive.

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

"RESOLVED THAT approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Directors including the Chairman/Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service arrangements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs.187.0 million approximately, actual for the year January-December 2012; Rs.229.5 million approximately estimated for January to December 2013 which includes variable pay for the year 2012 and Rs.28.5 million approximately estimated for January to March 2014."

Form of Proxy

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

I/ We ______________________son/ daughter/ wife of ______________ shareholder of Unilever Pakistan Limited, holding ____________ordinary / preference shares hereby appoint ____________________________who is my _________________ [state relationship (if any) with the proxy; required by Government regulations] and the son / daughter/ wife of ________________, (holding _______________ordinary / preference shares in the Company under Folio No. _______________) [required by Government; delete if proxy is not the Company's shareholder] as my / our proxy, to attend and vote for me / us and on my / our behalf at the 64th Annual General Meeting of the Company to be held on April 16, 2013 and / or any adjournment thereof.

Signed this ________ day of ______________ 2013.

Witness 1:

Signature: ________________

Name: ________________

CNIC #: ________________

Address : ________________

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

Sign across Rs. 5/- Revenue Stamp

Signature of Member(s)

Witness 2:

Signature: ________________

Name: ________________

CNIC #: ________________

Address : ________________

Shareholder's Folio No.: ________________

and / or CDC Participant I.D. No.: ________________

and Sub- Account No.: ________________

Shareholder's CNIC #: ________________

Note:

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) to write down his/her Folio Number.
   (d) to attach an attested photocopy of their valid Computerised National Identity Card / Passport / Board Resolution and the copy of CNIC of the proxy, with this proxy form before submission.

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

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

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