Unilever

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

Further information on our brands, business and Corporate social responsibility initiatives is available on our website, www.unileverpakistanfoods.com.pk

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mission

Unilever's mission is to add vitality to life. We meet everyday needs for nutrition with brands that help people feel good, look good and get more out of life.

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

Ehsan Ali Malik
Chairman

Fariyha Subhani
Chief Executive

Abdul Rab
Director & CFO

Mian Zulfikar H. Mannoo
Director

Mian M. Adil Mannoo
Director

Kamal Mannoo
Director

Badaruddin F. Vellani
Director

Imran Husain
Director

Mohammad Qayser Alam
Director

Syed Noeman Shirazi
Director

COMPANY SECRETARY

Amar Naseer

AUDIT COMMITTEE

Imran Husain
Chairman

Mohammad Qayser Alam
Member

Mian Zulfikar H. Mannoo
Member

Imtiaz Jaleel
Secretary & Head of Internal Audit

AUDITORS

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

REGISTERED OFFICE

52-KM, Multan Road,
Pernawan Bhai Pheru, Distt. Kasur.
Tel: 049 - 4510376-79
Fax: 0303 - 7355366

HEAD OFFICE

Avari Plaza,
Fatima Jinnah Road,
Karachi.
Tel: 021 - 5660062
Fax: 021 - 5674971

FACTORY

52-KM, Multan Road,
Pernawan Bhai Pheru, Distt. Kasur.
Tel: 049 - 4510376-79
Fax: 0303 - 7355366

SHARE REGISTRATION OFFICE

C/o Famco Associates (Pvt) Ltd.
[(Formerly Ferguson Associates
(Pvt.) Ltd.)], State Life building
No. 2-A, I.I. Chundrigar Road,
Karachi.

Notice of Annual General Meeting

Notice is hereby given that the 11th Annual General Meeting of Shareholders of Unilever Pakistan Foods Limited will be held on Thursday, April 02, 2009 at 1200 hrs. at the Company's registered office, 52-KM, Multan Road, Pernawan Bhai Pheru, District Kasur, to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2008 together with the Reports of the Auditors and Directors thereon.

2. To approve and declare Dividend-2008 on the Ordinary Shares of the Company.

   The directors have recommended a final cash dividend of 140% (or Rs.14.00 per share) on the Ordinary Shares. Together with the interim cash dividend of 220% (or Rs.22.00 per share) already paid, the total dividend for 2008 will thus amount to 360% (or Rs.36.00 per share).

3. To appoint Auditors for the ensuing year and to fix their remuneration.

   (Messrs. A. F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment).

Special Business*

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

5. To change the Registered Office of the Company from the Province of Punjab to Province of Sindh, for which purpose it is proposed that the following resolution be passed as and by way of Special Resolution.

   "RESOLVED THAT Clause II of the Memorandum of Association of the Company be and is hereby amended by substitution of the name "PUNJAB" in the second line by the name "SINDH" subject to the approval of the Securities and Exchange Commission of Pakistan; and that the Company Secretary be and is hereby directed and authorised to take all necessary and appropriate actions to effect the change in the Memorandum of the Company."

Notice of Annual General Meeting

6. To authorise the Company, subject to the approval of Securities & Exchange Commission of Pakistan, to transmit its quarterly accounts (financial statements) by placing the same on the Company website, as and by way of passing the following Ordinary Resolution.

   "RESOLVED THAT, subject to the approval of the Securities & Exchange Commission of Pakistan, the Company be and is hereby authorised to transmit its quarterly accounts by placing the same on the Company's website."

   *** [Notice of the AGM together with the Statement as required by Section 160(1)(b) of the Companies Ordinance, 1984 in respect of the Special Business to be considered at the meeting is being sent to members along with Annual Report and Financial Statements 2008].**

By the Order of the Board

Karachi
March 10, 2009

Amar Naseer
Company Secretary

Notes:

1. Share Transfer Books will be closed from March 27, 2009 to April 02, 2009 (both days inclusive).

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

3. The instrument appointing the proxy, and other authority under which it is signed or a notarially certified copy thereof, must be lodged at the Company's Registered Office (52-KM Multan Road, Pernawan Bhai Pheru, district Kasur) at least 48 hours before the time of the meeting.

4. Any change of address of Members should be immediately notified to the Company's Share Registrars, M/s. Famco Associates (Pvt.) Limited (Formerly Ferguson Associates (Pvt.) Ltd.), State Life Building 2-A, I.I. Chundrigar Road, Karachi.

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

Notice of Annual General Meeting

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For Appointing Proxies:

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

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

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

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

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

Notice of Annual General Meeting

STATEMENT IN RESPECT OF SPECIAL BUSINESS UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984.

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

(A) Item 5 of the Agenda - Remuneration of the Executive Director and Chief Executive.

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

For the year 2008: Rs 4.080 Million for the Chief Executive and Rs 1.026 Million for the Executive Director as remuneration for the services.

Estimated for the year 2009: Rs 6.500 Million for the Chief Executive and Rs 1.100 Million for the Executive Director as remuneration for the services.

Estimated for January 2010 to March 2010: Rs 1.600 Million for the Chief Executive and Rs 0.300 Million for the Executive Director as remuneration for the services.

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

"Resolved THAT approval be and is hereby granted for the holding of offices of profit in the company by the Executive Director and the Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service agreements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs 5.106 Million actual for the year January-December 2008; and Rs 7.600 Million approximately estimated for January to December 2009; and Rs 1.900 Million approximately estimated for January to March, 2010 which includes variable pay for the year 2008".

(B) Item 6 of the Agenda - Change of Registered Office

The shareholders will be requested to approve change of the Company's

Registered Office from Bhai Pheru, Kasur in the Province of PUNJAB, to Karachi in the Province of SINDH.

The Company's Head Office is located at Avari Plaza, Fatima Jinnah Road, Karachi (Sindh) and the senior management including the executive directors are based at the Head Office in Karachi. The Board of Directors also hold their meetings in Karachi. Therefore, the Management of the Company believes that affairs of the Company can be run more economically and efficiently if the Registered Office of the Company is moved to Karachi (Sindh).

The resolution required for the above purpose is set forth in the Notice convening the Annual General Meeting and that Resolution will be proposed and passed as a "Special Resolution".

(C) Item 7 to the Agenda - Transmission of Quarterly Accounts through Website

The Board of Directors have recommended for Shareholders' approval that, the Quarterly Accounts (Financial Statements) of Unilever Pakistan Foods Limited be transmitted to the members / shareholders by placing the same on the suitable Company Website in accordance with the requirements of Circular No.19 of 2004, dated 14th April 2004, issued by the Securities & Exchange Commission of Pakistan; which transmittal will be treated as full compliance of Section 245 of the Companies Ordinance, 1984. Currently, the Company intends to use the website **"www.unileverpakistan.com.pk"** for transmittal of the Quarterly Accounts (financial statements) to its members / shareholders.

The transmittal of the Quarterly Accounts, subject to the approval of the Shareholders and Securities and Exchange Commission of Pakistan, will result in prompt disclosure and availability of financial information to the stakeholders including the Shareholders. It will also save compilation, printing and despatch costs each quarter. However, the Company will continue to supply copies of Accounts to the Stock Exchanges in accordance with the relevant listing regulations, and on demand to shareholders / members at their registered address free of charge.

The resolution required for the above purpose is set forth in the Notice convening the Annual General Meeting and that Resolution will be proposed and passed as an ordinary resolution.

Directors' Report

Directors' Report

The Directors are pleased to present the Annual Report together with the Company's audited financial statements for the year ended December 31, 2008.

Business Review

Despite a challenging year, the Company managed to grow profitably. Total sales grew by 30% in 2008, 36% in first half and 23% in second half. All categories have contributed positively in delivering growth. Two new variants of Knorr noodles and the Energile range were re-launched during the year. The new innovations, activations and campaigns have successfully contributed to generating value.

Gross margins remained under pressure due to high cost push inflation fuelled by higher material and energy costs and rupee depreciation. However well managed pricing decisions and cost saving initiatives helped to improve gross margin by 25bps and deliver 57% increase in operating profit.

Summary of financial performance

	2008	**2007**
	Rs in million	
Sales	**3,082**	2,376
Gross Profit	**1,157**	886
Profit from Operations	**553**	353
Profit before tax	**530**	346
Profit after tax	**349**	224
EPS – basic (Rs)	**56.60**	36.46

Dividends

Your Director's had declared an interim cash dividend of Rs 22.00 per share on August 8, 2008 and recommend a further dividend of Rs 14.00 per share, which makes a total of Rs 36.00 per share for the year 2008.

Our Mission and Strategy

Our Mission of **"Adding Vitality to Life"** is the core to our business strategy. Our business serves consumers food and drink products for in-home consumption, hotels and restaurants. Our brands are Knorr, Rafhan, Energile, Glaxose-D and Unilever Foodsolutions.

Knorr is a global leader in the savoury category. Our portfolio includes instant noodles, chicken cubes, soups, meal makers, sauces and ketchup. The Knorr range has shown strong growth in 2008 specially noodles range remained a star performer with brilliantly executed on ground school activation, media campaign and launch of two new variants during the year.

Energile is dextrose based flavoured energy drink. Brand was re-launched in the early part of 2008 with new modern packaging and communication, and positioned as an instant energy drink. The communication based on football was well received by the consumers.

Glaxose-D is dextrose based drink positioned on health and wellness segment maintained its growth trend in 2008.

Rafhan has shown healthy growth across the range. Rafhan desserts maintained its market leadership position whilst corn oil continues to be the choice for health conscious consumers.

Unilever Foodsolutions, the leading foodservice provider in Pakistan, continued its strong relationship with all major professional food customers. The emerging international modern trade market offers great potential. The business has established successful relationship with Cash n Carry players.

The Export business is based on the traditional taste and Halal platform targeting customers in Asia and Europe. This segment registered strong growth in the current year as sales revenue more than doubled from the previous year.

Safety and Health

Safety is a priority among business objectives and safety values are demonstrated in our day to day activities. In order to bring out the real enthusiasm and zeal to the fullest level "Safety Week" was organised and celebrated to live by safety values and social importance. Apart from that various safety courses have been made mandatory for all employees so that they can make their contribution as safety conscious citizens.

Corporate Social Responsibility (CSR)

Unilever's mission is to add vitality to life and it is the Company's belief that CSR goes beyond charity. "Making a better world" is a core belief and it is reflected in the way we conduct business, in our brands and through our people.

For a community to be healthy, all of its members must have opportunities – opportunity to get a good education and earn a living. The link therefore between an organization's well-being and the well-being of the community it operates in is strong, and the businesses need to manage their relationship with the wider society.

I) Deeper Roots within the Community

We work towards sustainable community involvement and relationships with those that are economically challenged.

a) Making quality primary education available to the lesser privileged working with The Citizen's Foundation (TCF) to provide basic education facilities to the deserving segment of society.

b) Economic Empowerment through Education - Partnerships with LUMS, GIKI and HEJ-Karachi University.

II) Generation to Generation

Brands and CSR linkages between community development and Unilever brands helps sustain social development and fuels economic growth over generations. We work diligently towards pre-empting the needs of society and developing the market via many brand led initiatives. The Energile Youth Football Championship (EYFC) event was one such event where the importance of healthy sports was highlighted amongst the youth and helped them to develop proper infrastructure. For this very purpose Khayban-e- Rahat Football ground was equipped with proper stands, chairs etc.

III) Employee Involvement

Community and environment support is more than just a Company initiative, it is also supported by its "people". Our employees work with various organizations giving monetary as well as skill support: TCF, Micro Drip, Acumen and Sehat First programmes are some initiatives.

Code of Business Principles

The Code of Business Principles is fundamental to our business operations. We take pride in the good corporate reputation, and are responsible for protecting and enhancing its reputation. Our Code of Business Principles is understood by all people associated with the Company and we take it to our hearts and actively live by it each and every day.

Contribution to National Exchequer

Our Company has contributed Rs 761 million during the year 2008 to the national exchequer on payment towards income tax, custom duties, sales tax and other statutory levies.

Value of Investments of employees retirement benefit funds

Our Company contributed Rs 15.3 M to the staff retirement funds during the year. The cost of investments made by the staff retirement funds operated by the Company as at December 31, 2008 is as follows:

	Rs in '000
Provident Fund	72,440
Gratuity Fund	54,815
Superannuation Fund	40,550

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 judgment.
- International Financial Reporting Standards have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee comprises of non-executive directors.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.
- Statements regarding the following are annexed or are disclosed in the notes to the financial statements.
- Number of Board meetings held and attended by the directors.
- Key financial data for the last six years.
- Pattern of shareholding.
- Trading in shares of the Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

Directors

The Board of Directors comprises of two executive directors and eight non-executive directors. Since the last Report, casual vacancies occurring on the Board due to resignation of Chief Executive and one executive director were filled by the Board of directors within 30 days.

- Ms. Fariyha Subhani was appointed Chief Executive on January 31, 2009 to replace Mr. Jamal Mustafa Siddiqui.
- Mr. Abdul Rab was appointed Chief Financial Officer on October 20, 2008 to replace Mr. Syed Khalid Noor.

Auditors

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

Audit Committee

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

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

Holding Company:

Through its wholly owned subsidiary M/s. Conopco Inc. USA, Unilever N.V., a company incorporated in Holland, is the holding company of 74% of the shares in Unilever Pakistan Foods Limited.

Reserves Appropriations

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

Acknowledgement

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

Future Outlook

Globally recession has set in. Pakistan is yet to feel the full impact of it. Consumer disposable income will remain under pressure making consumers more discerning.

We are confident that through our strong brand equity, our ability to understand and serve consumers better and above all our commitment to live by our vitality mission through our new innovations, we will continue to provide consumers with best value for money solutions; however margins will remain under pressure due to higher input costs.

Thanking you all.

On behalf of the Board

Fariyha Subhani
Chief Executive

Karachi
February 4, 2009

Board Meetings' Attendance 2008

During the year 2008, four Board meeting were held and were attended as follows:

Directors	No. of Meetings attended
Ehsan A. Malik	04
Jamal Mustafa Siddiqui	04
Syed Khalid Noor	03
Abdul Rab	01
Mian Zulfikar H. Mannoo	04
Mian M. Adil Mannoo	03
Kamal Mannoo	04
Badaruddin F. Vellani	03
Imran Husain	03
Mohammad Qaysar Alam	03
Syed Noeman Shirazi	03
Peter I. Harvey	01

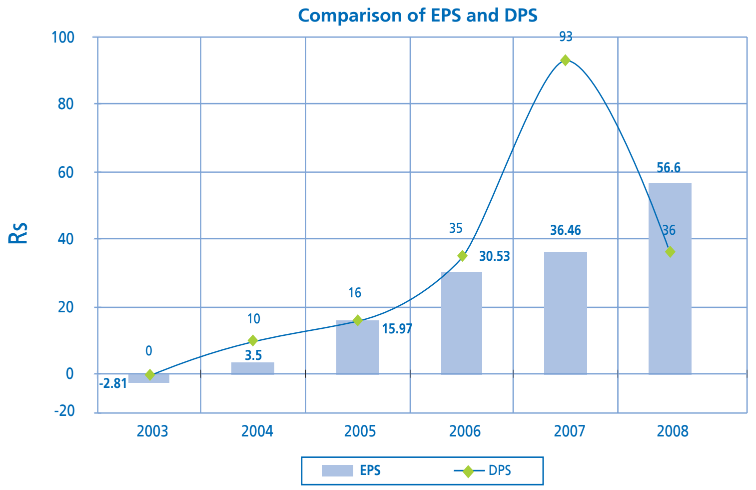
Operating and Financial Highlights

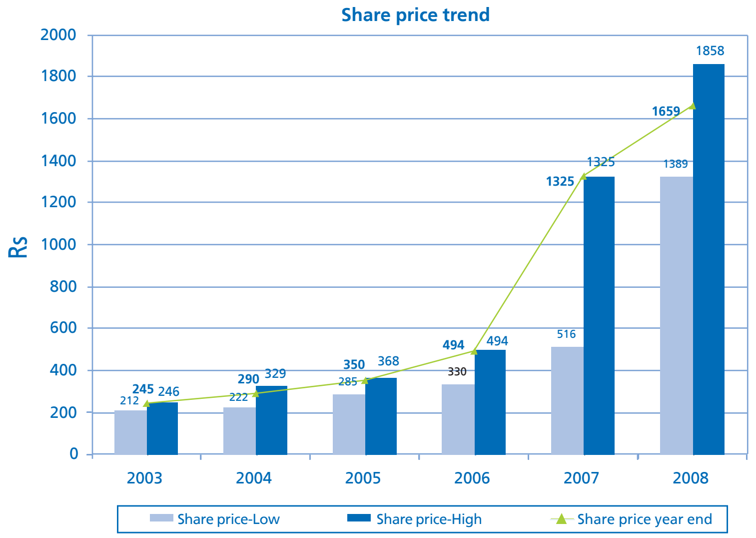
	2008	2007	2006	2005	2004	2003
	(Rupees in thousand)					
FINANCIAL POSITION						
Balance sheet						
Property, plant and equipment	**307,707**	196,350	102,310	103,067	117,971	152,516
Other non-current assets	**191,469**	197,780	187,126	212,874	216,737	204,809
Current assets	**516,437**	552,418	597,016	426,277	400,560	641,991
Total assets	**1,015,613**	946,548	886,452	742,218	735,268	999,316
Share capital - ordinary	**61,576**	61,576	61,576	61,576	61,576	61,576
Reserves	**239,647**	137,406	497,888	463,849	433,213	442,470
Total equity	**301,223**	198,982	559,464	525,425	494,789	504,046
Non-current liabilities	**42,079**	13,926	12,606	8,248	8,124	14,984
Current liabilities	**672,311**	733,640	314,382	208,545	232,355	480,286
Total liabilities	**714,390**	747,566	326,988	216,793	240,479	495,270
Total equity and liabilities	**1,015,613**	946,548	886,452	742,218	735,268	999,316
Net current (liabilities) assets	**(155,874)**	(181,222)	282,634	217,732	168,205	161,705
OPERATING AND FINANCIAL TRENDS						
Profit and loss						
Net Sales	**3,081,879**	2,376,408	1,939,515	1,489,952	1,217,507	1,556,623
Cost of Sales	**1,924,766**	1,489,985	1,208,264	964,296	874,068	1,124,273
Gross profit	**1,157,113**	886,423	731,251	525,656	343,439	429,350
Operating profit (loss)	**552,544**	352,872	294,461	167,017	42,540	(5,290)
Profit (loss) before tax	**530,311**	346,074	290,116	160,906	36,746	(21,568)
Profit (loss) after tax	**348,546**	224,492	187,979	98,370	21,531	(17,318)
Cash ordinary dividends	**246,250**	584,295	153,940	67,734	61,576	-
Capital expenditure	**218,208**	29,406	28,008	12,799	6,503	25,859
Cash flows						
- Operating activities	**483,313**	167,192	236,291	259,837	96,329	42,982
- Investing activities	**(125,416)**	(100,579)	(11,257)	(7,388)	(531)	(18,837)
- Financing activities	**(246,250)**	(584,925)	(153,772)	(67,684)	(30,788)	(88,469)
Cash and cash equivalents at the end of the year	**(234,569)**	(346,216)	172,096	100,834	(83,931)	(148,941)

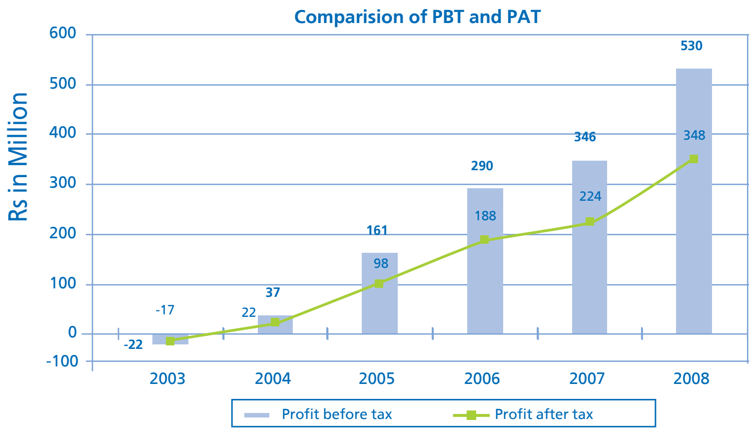
Operating and Financial Highlights-continued

	Unit	2008	2007	2006	2005	2004	2003
FINANCIAL RATIOS							
Rate of return							
Pre tax return on equity	%	**176**	174	52	31	7	(4)
Post tax return on equity	%	**116**	113	34	19	4	(3)
Return on average capital employed	%	**63**	57	34	19	4	(3)
Interest cover	times	**30**	70	352	50	10	(1)
Profitability							
Gross profit margin	%	**38**	37	38	35	28	28
Pre tax profit to sales	%	**17**	15	15	11	3	(1)
Post tax profit to sales	%	**11**	9	10	7	2	(1)
Liquidity							
Current ratio		**1**	1	2	2	2	1
Quick ratio		**0.22**	0.22	1	1	1	1
Financial gearing							
Debt equity ratio	%	**44**	64	-	-	-	-
Total debt ratio	%	**56**	37	-	-	-	-
Capital efficiency							
Debtors turnover	days	**8**	12	13	17	27	36
Inventory turnover	days	**69**	81	65	60	86	67
Total assets turnover	times	**3**	3	2	2	2	2
Property, plant and equipment turnover	times	**10**	12	19	14	10	10
Investment measures per ordinary share							
Earnings per share	Rs	**56.60**	36.46	30.53	15.97	3.50	(2.81)
Dividend payout (including proposed)	Rs	**36**	93	35	16	10	-
Dividend payout ratio - earnings	%	**64**	255	115	100	286	-
Dividend payout ratio - par value	%	**360**	930	350	160	100	-
Dividend yield	%	**2.14**	7.02	7.09	4.57	3.45	-
Price earning ratio	times	**29.71**	36.34	16.16	21.92	82.86	(87.28)
Breakup value	Rs	**48.92**	32.31	90.86	85.33	80.35	81.86
Market value - low	Rs	**1,389**	516	330	285	222	212
Market value - high	Rs	**1,858**	1,325	494	368	329	246
Market value - average	Rs	**1,624**	921	414	326	275	229
Market value - year end	Rs	**1,659**	1,325	494	350	290	245
Market capitalisation - year end	Rs M	**10,216**	8,159	3,039	2,155	1,786	1,510
Ordinary shares of Rs 10 each	No. in thousand	**6,158**	6,158	6,158	6,158	6,158	6,158

Operating and Financial Highlights - continued





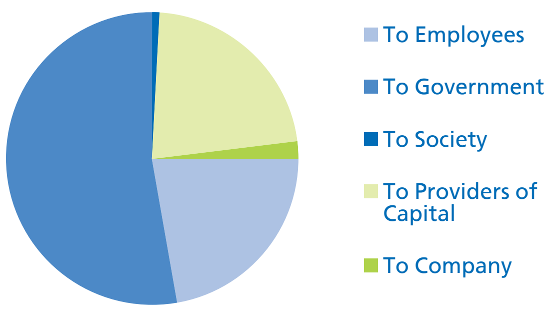


Statement of Value Addition and its Distribution

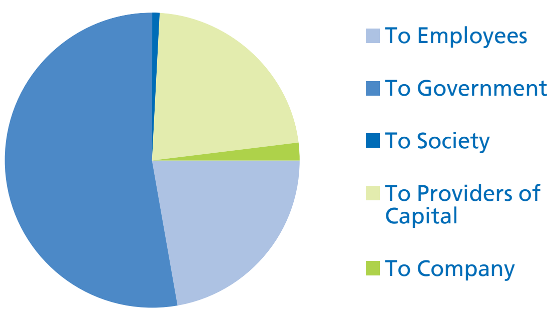
for the year ended 31 December 2008

	2008 Rupees in '000	2008 %	2007 Rupees in '000	2007 %
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	3,611,075		2,773,798	
Bought-in-Material and services	(2,202,970)		(1,710,338)	
	1,408,105	**100**	**1,063,460**	**100**
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	244,392	17.36	237,081	22.29
To Government				
Income tax, sales tax, excise duty custom duty, WPPF and WWF	761,002	54.05	571,652	53.75
To Society				
Donation towards education, health and environment	2,299	0.16	2,012	0.19
To Providers of Capital				
Dividend to shareholders	348,546	24.75	224,492	21.11
Mark-up / interest expenses on borrowed funds	22,233	1.58	6,798	0.64
To Company				
Depreciation and amortization	29,633	2.10	21,425	2.01
	1,408,105	**100**	**1,063,460**	**100**

WEALTH DISTRIBUTION 2008



WEALTH DISTRIBUTION 2007



Pattern of Shareholding

as at December 31 2008

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies , Undertakings and Related Parties (name wise details)		
Conopco Inc.	1	4,554,261
NIT & ICP (name wise details)		
Investment Corporation of Pakistan	1	40
Directors, CEO and their spouse and minor children (name wise details)		
Mr. Badaruddin F. Vellani	1	101
Mr. Ehsan Ali Malik	1	1
Mr. Jamal Mustafa Siddiqui	1	1
Mr. Mohammad Adil Mannoo	1	96,246
Mr. Mohammad Qaysar Alam	1	1
Mr. Imran Husain	1	1
Mr. Abdul Rab	1	1
Mr. Zulfikar Hanif Mannoo	1	153,828
Syed Noeman Shirazi	1	1
Mrs. Sarwat Zulfikar w/o Zulfiqar H. Mannoo	1	5,430
Mr. Kamal Mannoo	1	114,060
Executives		
Ms. Zarin Riaz Khwaja	1	1
Mr. Naveed Ahmed Zafar	1	1
Mr. Amar Naseer	1	1
Modarabas and Mutual Funds	2	2,252
Others	11	1,474
Shareholders holding 10% or more voting interest (name wise details)		
Conopco Inc.	1	4,554,261

Pattern of Shareholding

as at December 31 2008

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
571	1	-	100	23,309
103	101	-	500	19,853
17	501	-	1,000	11,065
9	1,001	-	5,000	21,362
1	25,001	-	30,000	28,760
1	35,001	-	40,000	37,080
4	40,001	-	45,000	176,054
1	60,001	-	65,000	61,670
1	65,001	-	70,000	67,180
2	75,001	-	80,000	153,573
1	90,001	-	95,000	94,344
2	95,001	-	100,000	191,847
2	110,001	-	115,000	227,720
1	130,001	-	135,000	134,865
1	150,001	-	155,000	153,728
1	200,001	-	205,000	200,947
1	4,550,001	-	4,555,000	4,554,261
719				6,157,618

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage %
Associated Companies, Undertakings related Parties	1	4,554,261	73.96
NIT and ICP	1	40	0.00
Directors, CEO and their spouse and minor Childrens	17	369,671	6.00
Executives	3	3	0.00
Modarabas and Mutual Funds	2	2,252	0.04
Others	11	1,474	0.02
Individuals	684	1,229,917	19.97
	719	6,157,618	100.00

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

During 01-01-2008 to 31-12-2008

S. No.	NAME	Acquired / Purchases during year
1	MS. ZARIN KHAWAJA	1
2	MR. IMRAN HUSAIN	1
3	MR. ABDUL RAB	1
4	MR. KAMAL MANNOO	100

S. No.	NAME	Sales during year
1	MR. LIAQUAT ALI RANA	1
2	MR. PETER I. HARVEY	1
3	MR. SYED KHALID NOOR	1

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

4. Casual vacancies on the board of Directors occurred on 19 October 2008 and 30 January 2009 which were duly filled.

5. The Company has adopted and circulated a "Code of Business Principles", which has been signed by all the directors and employees of the Company.

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

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

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

9. All the directors on the board are fully conversant with their duties and resposibilities as directors of corporate bodies. The board had previously arranged an orientation course of the Code of Corporate Governance for its directors to appraise them of their roles and responsibilities.

10. The Board has approved appointment a new Chief Financial Officer w.e.f. 20 October 2008. The new Chief Executive was also appointed by the Board w.e.f. 31 Janaury 2009.

11. 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.

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

13. 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.

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

15. The Board has formed an audit committee. It comprises of three non-executive directors, including the chairman of the committee.

16. 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.

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

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

Fariyha Subhani
Chief Executive

Karachi
February 4, 2009

Auditors' Review Report

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

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

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

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

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, 2008.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
February 4, 2009

Financial Statements

Unilever Pakistan Foods Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Foods Limited as at December 31, 2008 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 conduct 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, 2008 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
February 4, 2009

Balance Sheet

as at December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	3	**307, 707**	196,350
Intangibles	4	**181,145**	181,145
Long term loans	5	**4,836**	5,969
Long term prepayment	6	**5,488**	8,086
Retirement benefit - prepayment	7	**-**	2,580
		499,176	394,130
Current assets			
Stores and spares	8	**13,804**	10,025
Stock in trade	9	**352,394**	378,002
Trade debts	10	**49,976**	88,101
Loans and advances	11	**18,897**	15,268
Accrued interest / mark up	12	**-**	7,994
Trade deposits and short term prepayments	13	**34,132**	15,314
Other receivables	14	**2,519**	9,418
Taxation - payments less provision		**36,693**	-
Sales tax refundable		**-**	12,145
Cash and bank balances	15	**8,022**	16,151
		516,437	552,418
Total assets		**1,015,613**	946,548

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	**61,576**	61,576
Reserves	17	**239,647**	137,406
		301,223	198,982
LIABILITIES			
Non-current liabilities			
Retirement benefit - obligation	7	**4,889**	5,751
Deferred taxation	18	**37,190**	8,175
Current liabilities			
Trade and other payables	19	**415,673**	363,467
Accrued interest / mark up	20	**7,318**	7,214
Taxation - provision less payments		**-**	592
Sales tax payable		**6,729**	-
Short term borrowings	21	**242,591**	362,367
		672,311	733,640
Total liabilities		**714,390**	747,566
Commitments	22		
Total equity and liabilities		**1,015,613**	946,548

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and CFO

Profit and Loss Account

for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
Sales	23	**3,081,879**	2,376,408
Cost of sales	24	**(1,924,766)**	(1,489,985)
Gross profit		**1,157,113**	886,423
Distribution costs	24	**(536,144)**	(477,416)
Administrative expenses	24	**(45,421)**	(47,004)
Other operating expenses	25	**(43,940)**	(28,873)
Other operating income	26	**20,936**	19,742
Profit from operations		**552,544**	352,872
Finance costs	27	**(22,233)**	(6,798)
Profit before taxation		**530,311**	346,074
Taxation	28	**(181,765)**	(121,582)
Profit after taxation		**348,546**	224,492
Earnings per share - (Rupees)	29	**56.60**	36.46

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and CFO

Cash Flow Statement

for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**701,226**	330,005
Finance costs paid		**(22,129)**	(2,426)
Income tax paid		**(190,035)**	(138,260)
Retirement benefit obligations paid		**(9,480)**	(8,817)
Long term loans (net)		**1,133**	(5,881)
Long term prepayment (net)		**2,598**	(7,429)
Net cash from operating activities		**483,313**	167,192
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(142,439)**	(116,852)
Sale proceeds of property, plant and equipment on disposal		**8,631**	2,092
Return received on savings accounts and term deposits		**8,392**	10,844
Return received on balances receivable from funds		**-**	3,337
Net cash used in investing activities		**(125,416)**	(100,579)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(246,250)**	(584,925)
Net increase / (decrease) in cash and cash equivalents		**111,647**	(518,312)
Cash and cash equivalents at the beginning of the year		**(346,216)**	172,096
Cash and cash equivalents at the end of the year	35	**(234,569)**	(346,216)

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and CFO

Statement of Changes in Equity

for the year ended December 31, 2008

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL		REVENUE		SUB TOTAL	
		Share Premium	Special	General	Unappropriated Profit		
	(Rupees in thousand)						
Balance as at January 1, 2007	61,576	24,630	628	138	472,492	497,888	559,464
Net profit for the year	-	-	-	-	224,492	224,492	224,492
Final dividend for the year ended December 31, 2006 @ Rs 20 per share	-	-	-	-	(123,153)	(123,153)	(123,153)
Interim dividend for the year ended December 31, 2007 @ Rs 75 per share	-	-	-	-	(461,821)	(461,821)	(461,821)
Balance as at December 31, 2007	61,576	24,630	628	138	112,010	137,406	198,982
Net profit for the year	-	-	-	-	348,546	348,546	348,546
Final dividend for the year ended December 31, 2007 @ Rs 18 per share	-	-	-	-	(110,837)	(110,837)	(110,837)
Interim dividend for the year ended December 31, 2008 @ Rs 22 per share	-	-	-	-	(135,468)	(135,468)	(135,468)
Balance as at December 31, 2008	**61,576**	**24,630**	**628**	**138**	**214,251**	**239,647**	**301,223**

The annexed notes 1 to 39 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and CFO

Notes to and Forming Part of Financial Statements

for the year ended December 31, 2008

1. THE COMPANY AND ITS OPERATIONS

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

The registered office is at 52-KM, Multan Road, Pernawan Bhai Pheru, Distt. Kasur and the principal place of Company's business is Avari Plaza, Fatima Jinnah Road, Karachi.

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

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

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

2.1 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of 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.

Critical accounting estimates and judgements

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

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

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

Recent accounting developments

- **Amendments to published standards, new standards and interpretations not yet effective but relevant**

  Following amendments to existing approved accounting standards have been published that are mandatory for the Company's accounting periods beginning on the dates mentioned below:

I. IAS 1 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income statement. The revised standard will be effective from January 1, 2009. Adoption of this standard will only impact the presentation of the financial statements.

II. IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn. Moreover, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The withdrawal of the option to expense out borrowing costs will have no impact. The management has assessed that the change in interest calculation method would not have a material impact on the Company's financial statements.

III. IFRS 8 'Operating segments' (effective from January 1, 2009). IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management is reviewing the implications on the Company's financial statements' presentation.

iv. IFRIC 13 'Customer loyalty programmes' (effective from July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free product). the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. There will be no significant impact on its implementation.

- **Amendments to published standards, new standards and interpretations effective in 2008 but not relevant.**

There are other accounting standards, new interpretations that are mandatory for accounting periods beginning on or after January 1, 2008 but are considered not to be relevant or have any significant effect to the Company's operations and are therefore not detailed in these financial statements.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and impairment 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.

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

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

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

2.4 Intangibles

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

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

2.5 Taxation

i. Current

The provision for current taxation is based on taxable income at the current rates of taxation.

ii. Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.6 Retirement benefits

The charge is based on actuarial valuations that are conducted annually. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

2.7 Stores and spares

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

2.8 Stock in trade

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

2.9 Trade and other debts

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

2.10 Cash and cash equivalents

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

2.11 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.

2.12 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.13 Provisions

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

2.14 Financial instruments

Financial instruments include loans and advances, trade and other debts, accrued interest / mark up and cash and bank balances, borrowings, and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.15 Foreign currency transactions and translation

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

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

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria has been met for each of the Company's activities as described below:

i. Sale of goods

Revenue from sale of goods is recognised on dispatch of goods to customers. Rebates and allowances are deducted from revenue and include rebates, price reductions and incentives given to distributors / customers, promotional campaigns and trade communication costs.

ii. Interest / Mark up income

Interest / mark up is recognised on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.17 Dividends

Dividends distribution to the Company's shareholders is recognised as liability at the time of their approval - interim dividend on declaration by Board of Directors and final dividend on approval in Annual General Meeting.

3. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
	(Rupees in thousand)	
Operating assets - note 3.1	**296,030**	108,904
Capital work in progress - note 3.2	**11,677**	87,446
	307,707	196,350

3.1 Operating assets

	Freehold land	Building on freehold land	Leasehold improve-ments	Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles	Total
	(Rupees in thousand)							
Net carrying value basis Year ended December 31, 2008								
Opening Net Book Value (NBV)	8,179	17,695	1	48,325	10,171	337	24,196	108,904
Additions (at cost)	-	32,449	-	151,017	19,421	72	15,249	218,208
Disposals (at NBV)	-	-	-	(556)	-	-	(893)	(1,449)
Depreciation charge	-	(905)	(1)	(16,792)	(2,821)	(83)	(9,031)	(29,633)
Closing NBV	**8,179**	**49,239**	**-**	**181,994**	**26,771**	**326**	**29,521**	**296,030**
Gross carrying value basis At December 31, 2008								
Cost	8,179	139,391	14,918	393,133	92,764	15,195	55,858	719,438
Accumulated depreciation and impairment	-	(90,152)	(14,918)	(211,139)	(65,993)	(14,869)	(26,337)	(423,408)
NBV	**8,179**	**49,239**	**-**	**181,994**	**26,771**	**326**	**29,521**	**296,030**
Net carrying value basis Year ended December 31, 2007								
Opening NBV	8,179	14,170	2	47,620	9,066	411	22,862	102,310
Additions (at cost)	-	3,983	-	12,352	2,830	-	10,241	29,406
Disposals (at NBV)	-	-	-	(1,489)	(110)	(1)	(6,76)	(2,276)
Depreciation charge	-	(458)	(1)	(11,047)	(1,615)	(73)	(8,231)	(21,425)
Impairment reversal	-	-	-	889	-	-	-	889
Closing NBV	**8,179**	**17,695**	**1**	**48,325**	**10,171**	**337**	**24,196**	**108,904**
Gross carrying value basis At December 31, 2007								
Cost	8,179	106,942	14,918	247,732	77,015	15,229	57,297	527,312
Accumulated depreciation and impairment	-	(89,247)	(14,917)	(199,407)	(66,844)	(14,892)	(33,101)	(418,408)
NBV	8,179	17,695	1	48,325	10,171	337	24,196	108,904
Depreciation rate % per annum	-	**2.5**	**25**	**10**	**10 to 25**	**20**	**20**	

Details of operating assets sold are given in note 36.

	2008	2007
	(Rupees in thousand)	

3.2 Capital Work in Progress - at cost

	2008	2007
Civil work in progress	**4,511**	13,499
Plant and machinery	**7,166**	73,947
	11,677	87,446

4. INTANGIBLES

	2008	2007
Gross carrying value basis		
Cost		
- Goodwill	**94,578**	94,578
- Agreement in restraint of trade	**139,661**	139,661
- Trademark	**20,000**	20,000
	254,239	254,239
Accumulated amortisation and impairment	**(73,094)**	(73,094)
Net book value	**181,145**	181,145

The above represent amount paid for the acquisition of Glaxose-D in 1999 to Glaxo Wellcome Pakistan Limited (now GlaxoSmithKline Pakistan Limited). The acquisition is considered to have an indefinite useful life as at present there is no foreseeable limit to the period over which the sales of Glaxose-D is expected to generate cash inflows.

5. LONG TERM LOANS - considered good

	2008	2007
	(Rupees in thousand)	
Executives	**2,442**	1,456
Other employees	**5,294**	6,738
	7,736	8,194
Current portion - note 11	**(2,900)**	(2,225)
	4,836	5,969

5.1 Reconciliation of carrying amount of loans to executives:

	2008	2007
Opening balances	**1,456**	-
Disbursements	**1,818**	1,725
Repayments	**(832)**	(269)
	2,442	1,456

5.2 Loans to employees have been provided to facilitate purchase of houses, vehicles and computers in accordance with the Company's policy and are repayable over a period of five years. These loans are secured against the employees provident fund and retirement gratuity balances. Loans to employees carry no mark up.

5.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs 3.01 million (2007: Rs 1.6 million).

	2008	2007
	(Rupees in thousand)	

6. LONG TERM PREPAYMENT

	2008	2007
Prepaid rent	**9,276**	12,031
Current portion - note 13	**(3,788)**	(3,945)
	5,488	8,086

7. RETIREMENT BENEFITS

The Company operates a provident fund, a pension plan, and gratuity plan for its employees. Plans are invested through exempt approved trust funds. The provident fund is a defined contribution plan. The pension and gratuity plans are defined benefits final salary plans.

The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2008 using the projected unit credit method. Details of the defined benefit plans are:

	Pension Fund		Gratuity Fund	
	2008	2007	2008	2007
	(Rupees in thousand)			
Cost				
Current service cost	**2,667**	2,547	**5,608**	5,620
Interest cost	**4,332**	3,882	**6,578**	5,676
Expected return on plan assets	**(3,841)**	(3,806)	**(4,716)**	(4,476)
Recognition of actuarial (gain) / loss	**(304)**	(220)	**874**	913
Expense	**2,854**	2,403	**8,344**	7,733
Balance sheet reconciliation				
Fair value of plan assets	**42,731**	39,348	**64,524**	44,618
Present value of defined benefit obligations	**(49,559)**	(38,982)	**(72,390)**	(59,521)
Funded status	**(6,828)**	366	**(7,866)**	(14,903)
Unrecognised net actuarial (gain) / loss	**2,252**	(6,117)	**7,553**	17,483
Recognised (liability) / asset	**(4,576)**	(5,751)	**(313)**	2,580
Actual return on plan assets	**1,385**	3,468	**17,363**	4,637
Movement in the fair value of plan assets				
Fair value as at January 1	**39,348**	33,378	**44,618**	41,368
Expected return on plan assets	**3,841**	3,806	**4,716**	4,476
Actuarial (losses) / gains	**(2,456)**	(338)	**12,647**	161
Employer contributions	**4,028**	3,740	**5,451**	5,077
Benefits paid	**(2,030)**	(1,238)	**(2,908)**	(6,464)
Fair value as at December 31	**42,731**	39,348	**64,524**	44,618
Movement in the defined benefit obligation				
Obligation as at January 1	**38,982**	35,890	**59,521**	54,751
Service cost	**2,667**	2,547	**5,608**	5,620
Interest cost	**4,332**	3,882	**6,578**	5,676
Actuarial (gains) / losses	**5,608**	(2,099)	**3,591**	(62)
Benefits paid	**(2,030)**	(1,238)	**(2,908)**	(6,464)
Obligation as at December 31	**49,559**	38,982	**72,390**	59,521

Principal actuarial assumptions used are as follows:

	2008	2007
Discount rate & expected return on plan assets	**16.00%**	11.00%
Future salary increases	**13.79%**	8.90%
Future pension increases	**7.41%**	2.80%

Comparison for five years:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	**107,255**	83,966	74,746	77,790	75,747
Present value of defined benefit obligation	**(121,949)**	(98,503)	(90,641)	(88,755)	(84,989)
(Deficit) / surplus	**(14,694)**	(14,537)	(15,895)	(10,965)	(9,242)
Experience adjustments					
(Loss) / gain on plan assets (as percentage of plan assets)	**9.5%**	(0.2%)	(9.0%)	(11.0%)	(2.0%)
(Gain) / loss on obligations (as percentage of obligation)	**7.5%**	(2.2%)	(2.0%)	(8.0%)	(4.0%)

Plan assets comprise of the following:

	2008 Rupees in thousand	**2008** %	2007 Rupees in thousand	2007 %
Fixed interest bonds	**4,169**	**4**	30,663	37
Others (include cash and bank balances)	**103,086**	**96**	53,303	63
	107,255	**100**	83,966	100

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.

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.

During the year the Company contributed Rs 5.8 million (2007: Rs 5.5 million) to the provident fund.

As per actuary advice, the Company is expected to contribute Rs 14.2 million towards retirement benefit funds in 2009 (2008: Rs 9.57 million).

8. STORES AND SPARES

	2008	2007
	(Rupees in thousand)	
Stores	**9,369**	6,820
Spares (including in transit Rs 122 thousand; 2007: Rs 133 thousand)	**5,279**	4,041
Others	**-**	90
	14,648	10,951
Provision for obsolescence	**(844)**	(926)
	13,804	10,025

The Company has recognised a provision of Rs 0.29 million (2007: Rs 0.13 million) for obsolescence and has written off inventory amounting to Rs 0.37 million (2007: Rs 1.93 million) by utilising the provision during the year ended December 31, 2008.

9. STOCK IN TRADE

	2008	2007
	(Rupees in thousand)	
Raw and packing materials (including in transit Rs 56.18 million; 2007: Rs 48.65 million)	**269,926**	269,516
Provision for obsolescence	**(34,641)**	(9,573)
	235,285	259,943
Work in process	**4,644**	1,260
Provision for obsolescence	**(39)**	(39)
	4,605	1,221
Finished goods	**127,710**	123,446
Provision for obsolescence	**(15,206)**	(6,608)
	112,504	116,838
	352,394	378,002

The Company has recognised a provision of Rs 48.38 million (2007: Rs 9.72 million) for obsolescence and has written off inventory amounting to Rs 14.71 million (2007: Rs 1.30 million) by utilising the provision during the year ended December 31, 2008.

The above balances include items costing Rs 141.50 million (2007: Rs 98.97 million) valued at net realisable value of Rs 91.62 million (2007: Rs 82.7 million).

	2008	2007
	(Rupees in thousand)	

10. TRADE DEBTS

	2008	2007
Considered good		
Unsecured		
Related party - Unilever Pakistan Limited	-	1,442
Others	49,971	83,920
	49,971	85,362
Secured		
Related party - Unilever Bangladesh Limited	-	1,338
Against letters of credit	5	1,401
	5	2,739
Considered doubtful - others	13,801	12,487
	63,777	100,588
Provision for doubtful debts	(13,801)	(12,487)
	49,976	88,101

The Company has recognised a provision of Rs 1.31 million (2007: reversed a provision of Rs 0.21 million) and has written off debts amounting to NIL (2007: Rs 16.31 million by utilising the provision during the year ended December 31, 2007).

	2008	2007
	(Rupees in thousand)	

11. LOANS AND ADVANCES - considered good

	2008	2007
Current portion of loans to employees - note 5	2,900	2,225
Advances to:		
executives - note 11.1	2,946	789
other employees	1,241	1,514
suppliers and others	11,810	10,740
	15,997	13,043
	18,897	15,268

11.1 The advances to executives are given to meet business expenses and are settled as and when the expenses are incurred. Further, the Company provides advance rent to executives to enter into lease agreements.

	2008	2007
	(Rupees in thousand)	

12. ACCRUED INTEREST / MARK UP

	2008	2007
On balances receivable from:		
provident fund	-	2,284
gratuity fund	-	5,710
	-	7,994

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2008	2007
Current portion of long term rent - note 6	**3,788**	3,945
Trade deposits	**1,605**	3,790
Prepayments	**28,739**	7,579
	34,132	15,314

14. OTHER RECEIVABLES

	2008	2007
Receivable from related parties - unsecured		
Rafhan Best Foods Provident Fund	-	2,098
Rafhan Best Foods Pension Fund	**156**	638
Rafhan Best Foods Gratuity Fund	-	4,269
Workers' profits participation fund - note 14.1	**2,352**	2,312
Others	**11**	101
	2,519	9,418

14.1 Workers' profits participation fund

	2008	2007
Balance as at January 1 - receivable / (payable)	**2,312**	(1,573)
Allocation for the year	**(28,481)**	(18,591)
	(26,169)	(20,164)
Interest on funds utilised in Company's business	-	(89)
	(26,169)	(20,253)
Paid to trustees of the fund	**28,521**	22,565
Balance as at December 31 - receivable	**2,352**	2,312

	2008	2007
	(Rupees in thousand)	

15. CASH AND BANK BALANCES

With banks on:		
savings accounts - note 15.1	**840**	12,469
current accounts	**7,026**	3,600
	7,866	16,069
Cash in hand	**156**	82
	8,022	16,151

15.1 At December 31, 2008 the fixed mark up rates on savings accounts from 5.0% to 8.5% per annum (2007: 0.1% to 4.5% per annum).

	2008	2007
	(Rupees in thousand)	

16. SHARE CAPITAL

Authorised share capital

Number of shares			
20,000,000	Ordinary shares of Rs 10 each	**200,000**	200,000

Issued, subscribed and paid up capital

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

16.1 As at December 31, 2008 and 2007, Conopco Inc. USA, subsidiary of Unilever N.V. Holland held 4,554,271 ordinary shares of Rs 10 each.

	2008	2007
	(Rupees in thousand)	

17. RESERVES

	2008	2007
Capital reserves		
Share premium	**24,630**	24,630
Special	**628**	628
	25,258	25,258
Revenue reserves		
General	**138**	138
Unappropriated profit	**214,251**	112,010
	214,389	112,148
	239,647	137,406

18. DEFERRED TAXATION

	2007 Opening	Charge / (reversal)	2008 Closing
		Rupees in thousand	
(Debit) / credit balance arising in respect of:			
accelerated tax depreciation allowance	(13,891)	40,782	26,891
amortisation of intangible	34,828	-	34,828
provision for retirement benefits	-	(1,711)	(1,711)
provision for stock in trade	(5,677)	(11,783)	(17,460)
provision for stores and spares	(324)	29	(295)
provision for doubtful debts	(4,370)	(460)	(4,830)
provision for impairment of property, plant and equipment	(233)	-	(233)
other provisions	(2,158)	2,158	-
	8,175	29,015	37,190

	2008	2007
	(Rupees in thousand)	

19. TRADE AND OTHER PAYABLES

	2008	2007
Creditors	24,802	50,965
Accrued liabilities	314,974	270,532
Royalty and technical services fee	27,068	-
Advance payment from customers	22,902	26,970
Payable to Rafhan Best Foods Provident Fund	1,657	-
Workers' welfare fund	13,814	9,323
Unclaimed dividends	607	552
Others	9,849	5,125
	415,673	363,467

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

	2008	2007
	(Rupees in thousand)	
Ultimate Parent Company	17,824	-
Holding Company	9,244	-
Associated Companies	64,908	23,202
Entity on whom the Company is dependent for purchase of raw material	14,032	14,551
Defined contribution plan	1,657	-

These amounts mainly arise from purchase transactions, services received and royalty and technical services fee which are payable in the ordinary course of business subject to finalisation of contracts and required regulatory approvals.

20. ACCRUED INTEREST / MARK UP

	2008	2007
	(Rupees in thousand)	
On running finance under mark up arrangements	4,577	4,473
On balance payable to retirement benefit fund - pension	2,741	2,741
	7,318	7,214

21. SHORT TERM BORROWINGS

Short term running finance - secured

The facilities for running finance available from various banks amounts to Rs 750 million (2007: Rs 850 million). The rates of mark up charged during the year range between 14.74% to 16.26% per annum (2007: 9.62% to 10.14% per annum).

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

The facilities of opening letters of credit and guarantees as at December 31, 2008 amounted to Rs 430 million (2007: Rs 437.50 million) of which the amount remained unutilised at year end was Rs 384.75 million (2007: Rs 370.80 million).

22. COMMITMENTS

Aggregate commitments for capital expenditure as at December 31, 2008 amounted to Rs 5.86 million (2007: Rs 2.50 million).

23. SALES

	2008	2007
	(Rupees in thousand)	
Gross Sales	3,748,416	2,916,978
Sales tax	(483,866)	(368,868)
Federal excise duty	(24,394)	(8,780)
	(508,260)	(377,648)
Sales exclusive of sales tax and federal excise duty	3,240,156	2,539,330
Rebates and allowances	(158,277)	(162,922)
	3,081,879	2,376,408

24. OPERATING COSTS

	Cost of sales 2008	Cost of sales 2007	Distribution costs 2008	Distribution costs 2007	Administrative expenses 2008	Administrative expenses 2007	Total 2008	Total 2007
	(Rupees in thousand)							
Raw and packing material consumed	1,646,165	1,258,108	-	-	-	-	1,646,165	1,258,108
Third party manufacturing charges	21,967	25,478	-	-	-	-	21,967	25,478
Stores and spares consumed	24,788	16,851	-	-	-	-	24,788	16,851
Advertising and sales promotion	-	-	270,563	288,778	-	-	270,563	288,778
Outward freight and handling	-	-	56,709	42,329	-	-	56,709	42,329
Royalty and technical services fee - note 24.1	-	-	29,775	-	-	-	29,775	-
Staff costs - note 24.2	142,587	130,996	88,336	90,846	13,469	15,239	244,392	237,081
Fuel and power	42,224	28,008	-	-	-	-	42,224	28,008
Rentals	5,496	5,285	4,045	4,096	446	322	9,987	9,703
Depreciation	28,908	20,654	422	399	303	372	29,633	21,425
Travelling	1,562	3,353	28,686	27,152	923	2,396	31,171	32,901
Service fee to related party - note 24.3	-	-	48,472	6,000	19,543	17,000	68,015	23,000
Other expenses	10,119	8,013	9,136	17,816	10,737	11,675	29,992	37,504
	1,923,816	1,496,746	536,144	477,416	45,421	47,004	2,505,381	2,021,166
Opening work in process	1,221	1,345						
Closing work in process	(4,605)	(1,221)						
Cost of goods manufactured	1,920,432	1,496,870						
Opening stock of finished goods	116,838	109,953						
Closing stock of finished goods	(112,504)	(116,838)						
	1,924,766	1,489,985						

24.1 This represents royalty and technical services fee charged with effect from July 1, 2008 based on separate understandings with Conopco Inc. USA and Unilever N.V. Holland respectively. The Company is in the process of taking approval from the State Bank of Pakistan in this regard.

24.2 Staff costs

	Cost of sales 2008	Cost of sales 2007	Distribution costs 2008	Distribution costs 2007	Administrative expenses 2008	Administrative expenses 2007	Total 2008	Total 2007
	(Rupees in thousand)							
Salaries and wages	136,967	120,969	75,061	82,719	13,159	15,062	225,187	218,750
Medical	314	849	2,210	1,945	8	-	2,532	2,794
Pension costs - defined benefit plan	958	1,724	1,845	658	51	21	2,854	2,403
Gratuity costs - defined benefit plan	2,806	5,550	5,388	2,118	150	65	8,344	7,733
Provident fund cost - defined contribution plan	1,542	1,904	3,832	3,406	101	91	5,475	5,401
	142,587	130,996	88,336	90,846	13,469	15,239	244,392	237,081

24.3 This represents certain management and other services received from its associated undertaking - Unilever Pakistan Limited.

25. OTHER OPERATING EXPENSES

	2008	2007
	(Rupees in thousand)	
Auditors' remuneration - note 25.1	**1,023**	1,023
Donations - note 25.2	**2,299**	2,012
Loss on disposal of property, plant and equipment	**-**	184
Provision for doubtful debts - trade	**1,314**	-
Workers' profits participation fund	**28,481**	18,591
Workers' welfare fund	**10,823**	7,063
	43,940	28,873

25.1 Auditors' remuneration

Audit fee	**400**	375
Limited review, group reporting and certification for regulatory authorities	**524**	529
Out of pocket expenses	**99**	119
	1,023	1,023

25.2 None of the directors or their spouses have interest in the donee.

26. OTHER OPERATING INCOME

	2008	2007
	(Rupees in thousand)	
Interest / mark up income		
Return on savings accounts and term deposits	**398**	11,426
Interest on balances receivable from retirement benefit funds	**-**	583
	398	12,009
Income from non-financial assets		
Salvage sales	**10,341**	6,571
Gain on disposal of property, plant and equipment	**7,182**	-
	17,523	6,571
Others		
Reversal of provision for doubtful debts - trade	**-**	210
Impairment reversal on property, plant and equipment	**-**	889
Liabilities no longer payable written back	**3,015**	63
	20,936	19,742

27. FINANCE COSTS

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Interest on workers' profits participation fund	-	89
Mark up on short term borrowings	**18,196**	4,993
Mark up on balances payable to funds	-	225
Bank charges	**4,037**	1,491
	22,233	6,798

28. TAXATION - charge

	2008	2007
Current - for the year	**152,750**	118,925
Deferred	**29,015**	2,657
	181,765	121,582

28.1 Reconciliation between effective tax rate and applicable tax rate:

	2008 %	2007 %
Applicable tax rate	**35.00**	35.00
Net tax effect of admissibility of expenses for tax purposes	**(0.30)**	0.39
Effect of income under Final Tax Regime	**(0.42)**	(0.26)
Effective tax rate	**34.28**	35.13

29. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Profit after taxation attributable to ordinary shareholders	**348,546**	224,492
Weighted average number of shares in issue during the year (in thousand)	**6,158**	6,158
Earnings per share - (Rupees)	**56.60**	36.46

30. RELATED PARTY DISCLOSURES

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

	Relationship with the Company	Nature of transactions	2008	2007
			(Rupees in thousand)	
i)	Ultimate parent company	Technical fee	19,607	-
ii)	Holding company	Royalty	10,168	-
iii)	Associated Companies	Purchase of goods	21,216	5,335
		Purchase of services	88,998	59,908
		Purchase of fixed assets	19,053	1,652
		Sales of goods	28,479	22,890
		Reciprocal arrangements for sharing of premises	10,263	7,494
		Sale of services	28,877	14,985
iv)	Entity on whom the Company is dependant for purchase of raw material	Purchase of goods	709,832	540,991
v)	Post-employment benefit plans	Markup / Interest charged / incurred - net	-	358
vi)	Key management personnel	Salaries and other short-term employee benefits	4,031	5,842

Transactions with related parties are carried out on commercial terms.

The related party status of outstanding balances as at December 31, 2008 is included in trade debts, accrued markup/interest, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

31. REMUNERATION OF DIRECTOR, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Director		Chief Executive		Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)					
Managerial remuneration and allowances	1,026	1,609	4,080	2,715	35,356	29,714
Retirement benefits - note 31.1	-	-	-	-	6,998	5,773
Rent and utilities	-	-	-	-	13,404	10,775
Medical expenses	-	-	-	-	639	723
Other expenses	-	-	-	-	-	250
	1,026	1,609	4,080	2,715	56,397	47,235
Number of persons	1*	1	1	1	39	31

* During the year, Mr. Abdul Rab was appointed director with effect form October 13, 2008 in place of Mr. Khalid Noor who resigned on September 30, 2008. The charge reflects the respective period of executive directorship held by them.

In addition to this, a lump sum amount of Rs 20.38 million (2007: Rs 17.19 million) has been provided in financial statements on account of variable pay for the current year payable in 2009 after verification of target achievement.

Out of the variable pay recognised for 2007 and 2006 following payments were made:

	Paid in 2008 relating to 2007	Paid in 2007 relating to 2006
	(Rupees in thousand)	
Executive Director	**302**	442
Chief Executive	**678**	1,076
Executives	**8,981**	8,371
Other employees	**4,658**	7,987
	14,619	17,876

Aggregate amount charged in these financial statements for the year for fee to four non-executive directors was Rs 135 thousand (2007 four non-executive directors Rs. 180 thousand).

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

In respect of full time working Director, Chief Executive and Company Secretary, Company receives monthly charge from an associated undertaking (Unilever Pakistan Limited) on agreed basis.

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs 1.85 million (2007: Rs 2.17 million).

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

32. PLANT CAPACITY AND PRODUCTION

	2008	2007
Actual production in metric tons	**17,314**	16,218

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

33. FINANCIAL INSTRUMENTS

	Interest / Mark up bearing			Non-interest / Non-mark up 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 advances	-	-	-	7,087	4,836	11,923	11,923
Trade debts	-	-	-	49,976	-	49,976	49,976
Trade deposits	-	-	-	1,605	-	1,605	1,605
Other receivables	-	-	-	167	-	167	167
Cash and bank balances	840	-	840	7,182	-	7,182	8,022
	840	-	840	66,017	4,836	70,853	71,693
December 31, 2007	19,474	-	19,474	108,196	5,969	114,165	133,639
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	299,682	-	299,682	299,682
Short term borrowings	242,591	-	242,591	-	-	-	242,591
Accrued interest / mark up	-	-	-	7,318	-	7,318	7,318
	242,591	-	242,591	307,000	-	307,000	549,591
December 31, 2007	362,367	-	362,367	329,808	-	329,808	692,175
OFF BALANCE SHEET ITEMS							
Financial commitments							
Open letters of credit	-	-	-	45,250	-	45,250	45,250
	-	-	-	45,250	-	45,250	45,250
December 31, 2007	-	-	-	66,700	-	66,700	66,700

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

Financial risk management objectives and policies

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

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

	2008	2007
	(Rupees in thousand)	
Total borrowings	**242,591**	362,367
Cash and bank	**(8,022)**	(16,151)
Net debt	**234,569**	346,216
Total equity	**301,223**	198,982
Total capital	**535,792**	545,198
Gearing ratio	**44%**	64%

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 to minimise risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

i) Interest / mark-up rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest bearing assets. The Company's liabilities against short term borrowings are at variable rates.

ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs 71.69 million (2007: Rs 133.64 million), the financial assets which are subject to credit risk amounted to Rs 49.98 million (2007: Rs 88.1 million). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to their customers and also obtains collateral.

iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

iv) Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings, specially associated companies. Payables are exposed to foreign currency risks as currently forward contracts are not available to hedge the Company's foreign currency exposure.

v) Fair values of financial assets and liabilities

The major portion of the Company's financial instruments are of a short term nature and would be settled in the near future. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	2008	2007
	(Rupees in thousand)	

34. CASH GENERATED FROM OPERATIONS

	2008	2007
Profit before taxation	**530,311**	346,074
Adjustments for non-cash charges and other items		
Depreciation	**29,633**	21,425
Impairment reversal on property, plant and equipment	**-**	(889)
(Gain) / Loss on disposal of property, plant and equipment	**(7,182)**	184
Provision for retirement benefit obligations	**11,198**	10,136
Finance costs	**22,233**	6.798
Return on savings accounts and term deposits	**(398)**	(11,426)
Interest on balances receivable from retirement benefit funds	**-**	(583)
	55,484	25.645
Profit before working capital changes	**585,795**	371,719
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores and spares	**(3,779)**	(180)
Stock in trade	**25,608**	(98,143)
Trade debts	**38,125**	(23,822)
Loans and advances	**(3,629)**	(1,440)
Trade deposits and short term prepayments	**(18,818)**	(2,872)
Other receivables	**6,899**	18,018
Sales tax refundable	**18,874**	(5,080)
	63,280	(113,519)
Increase in current liabilities		
Trade and other payables	**52,151**	71,805
	701,226	330,005

35. CASH AND CASH EQUIVALENTS

	2008	2007
Cash and bank balances	**8,022**	16,151
Short term borrowings - running finance under mark up arrangements	**(242,591)**	(362,367)
	(234,569)	(346,216)

36. DETAILS OF OPERATING ASSETS SOLD

The details of operating assets sold, having net book value in excess of Rs 50,000 are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant and machinery	910	850	60	75	Open bidding	Khan Shahzad Scrap Dealer Chak # 186 / 9 - L District Sahiwal
	145	69	76	59	Open bidding	Khan Shahzad Scrap Dealer Chak # 186 / 9 - L District Sahiwal
	2,003	1,619	384	343	Open bidding	Khan Shahzad Scrap Dealer Chak # 186 / 9 - L District Sahiwal
Motor Vehicles	1,283	704	579	625	Auction	Mr. Zahid Qadri House No. R - 536, 15A / 4 Buffer Zone, North Karachi
	739	667	72	457	Auction	Mr. Zahid Qadri House No. R - 536, 15A / 4 Buffer Zone, North Karachi

37. PROPOSED AND DECLARED DIVIDENDS

At the board meeting on February 4, 2009, a final dividend in respect of 2008 of Rs 14 per share amounting to a total dividend of Rs 86.21 million is proposed (2007: Rs 18 per share amounting to a total dividend of Rs 110.84 million).

The interim dividend declared and already paid in respect of 2008 was Rs 22 per share amounting to a total dividend of Rs 135.47 million (2007: Rs 75 per share amounting to a total dividend of Rs 461.82 million).

38. CORRESPONDING FIGURES

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

Reclassification from component	Reclassification to component	Amount (Rupees in thousand)
Capital work in progress		
Plant and machinery	Civil works	12,783
Trade and other payables		
Creditors	Accrued liabilities	34,917
Bills payable	Accrued liabilities	21,568
Finance costs		
Exchange loss	Raw and packing material consumed	1,912

39. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 04, 2009 by the Board of Directors of the Company.

Fariyha Subhani
Chief Executive

Abdul Rab
Director and CFO

PROXY FORM
ELEVENTH ANNUAL GENERAL MEETING

The Company Secretary
Unilever Pakistan Foods Limited
52-KM, Multan Road,
Pernawan Bhai Pheru
Distt. Kasur, Pakistan.

I/We ______________________________

son/daughter/wife of ______________________________

shareholder(s) of Unilever Pakistan Foods Limited, holding ______________________________

ordinary shares hereby appoint ______________ who is my ________ [state relationship (if any) with the proxy; required **by Government regulations]** and the son / daughter / wife of ______________ (holding ____________ ordinary shares in the company under folio No.) ____ **[required by Government regulations; delete if proxy is not the Company's shareholder]** as my / our Proxy, to attend and vote for me / us and on my/ our behalf at the Annual General Meeting of the Company to be held on April 02, 2009 and any adjournment thereof.

Signed this ______________ day of ______________ , 2009

Witness 1 :

Signature ______________________________

Name ______________________________

N.I.C. # ______________________________

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 ______________________________

N.I.C. # ______________________________

Address ______________________________

Shareholder's Folio No. ______________

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

and Sub Account No. ______________

1. The Member is requested:

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

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

   (c) to write down his Folio Number.

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary
Unilever Pakistan Foods Limited
52-KM, Multan Road,
Pernawan Bhai Pheru
Distt. Kasur, Pakistan.