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.unileverpakistan.com.pk

contents

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

Mr. Ehsan A. Malik
Chairman & Chief Executive

Mr. Imran Husain
Executive Director / CFO

Mr. M. Qayser Alam
Executive Director

Mr. Noeman Shirazi
Executive Director

Ms. Shazia Syed
Executive Director

Mr. Zaffar A. Khan
Non- Executive Director

Mr. Khalid Rafi
Non- Executive Director

COMPANY SECRETARY

Mr. Amar Naseer

AUDIT COMMITTEE

Mr. Zaffar A. Khan
Chairman

Mr. Khalid Rafi
Member

Mr. Qayser Alam
Member

Mr. Imtiaz Jaleel
Head of Internal Audit
& Secretary

AUDITORS

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

REGISTERED OFFICE

Avari Plaza
Fatima Jinnah Road
Karachi.

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.

WEBSITE ADDRESS

www.unileverpakistan.com.pk

Notice of Annual General Meeting

Notice is hereby given that the 60th Annual General Meeting of Unilever Pakistan Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Wednesday, 08 April 2009, at 10:00 a.m. to transact the following business:

A. Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended 31 December 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 final dividend of 114% (or Rs 57.00 per share) on the Ordinary Shares. Together with the interim dividend of 132% (or Rs 66.00 per share) already paid, the total dividend for 2008 will thus amount to 246% (or Rs 123.00 per share).

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

B. Special Business

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

By Order of the Board

Karachi
February 6, 2009

Amar Naseer
Company Secretary

Notice of Annual General Meeting

Notes:

1. Share Transfer Books will be closed from April 2, 2009 to April 8, 2009 (both days inclusive).

2. All Members (whether holding Preference or Ordinary Shares) are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.

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

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

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

A. For Attending the Meeting:

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

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

Notice of Annual General Meeting

B. For Appointing Proxies:

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

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

iii) Attested copies of NIC 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 NIC or original passport at the time of meeting.

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

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

Statement in respect of Special Business and related Draft Resolution

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

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

For the year 2008: Rs 40.8 million to Executive Directors, and Rs 27.8 million to Chief Executive.

Notice of Annual General Meeting

Estimated for the year 2009: Rs 53.3 million for Executive Directors, and Rs 34.4 million for Chief Executive, as under:

	Chief Executive	Executive Directors
	(Rs in million)	
Managerial Remuneration & Allowances	22.9	40.1
Retirement Benefits	1.9	3.9
Rent & Allowances	0.9	-
Medical	0.1	0.4
Other Expenses	2.0	1.5
	27.8	45.9
Parent Co's Share Based Remuneration*	6.6	7.4
	34.4	53.3

* Charged for performance based remuneration in the shape of Parent Company's share to the executive of the Company.

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

Estimated for January 2010 to March 2010: Rs 13.3 million for Executive Directors and Rs 8.6 million for Chief Executive.

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

Notice of Annual General Meeting

"RESOLVED THAT approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Directors including the Chairman / Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with their individual contracts and the rules of the Company; amounting in the aggregate to Rs 68.6 million for the year January to December 2008; and Rs 87.7 million approximately estimated for January to December 2009 which includes variable pay for the year 2008."

Directors' Report

Directors' Report

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

The year has been full of challenges for the country with unprecedented commodity cost increases, deteriorating security environment, high borrowing costs, heavy devaluation of the Rupee, pressure on disposable incomes and debilitating power cuts. In this backdrop, Unilever Pakistan Limited was able to achieve a sales growth of 33% over the previous period, up from a growth rate of 11% in 2007. The Company also focused on increasing exports which tripled over the preceding year and crossed Rupees one billion.

Our brand portfolio straddles the socio-economic pyramid and our category footprint covers everyday use consumer goods in Foods, Beverages, Home & Personal Care and Ice Cream. We are also well positioned across a wide price range. This together with a deep distribution reach and sustained brand investment has enabled us to grow in these difficult times. Gross margin, however, declined by 361 basis points as we shielded consumers from the full impact of higher input and conversion costs.

Home & Personal Care continues to deliver double digit growth in our key categories; laundry, hair care and skin care. New launches, product innovations and market activations continue to be the drivers behind growth. The Company is continuously exploring new avenues to make offerings more affordable for the common man. Rin was recently introduced in the market as part of our Home Care portfolio; an affordable detergent aimed at a large section of the population. Beverages registered a turnover growth of 22%. Higher raw tea and conversion costs resulted in reduced margins. Ice Cream grew by 24.5%; however due to the current economic environment and power cuts it did not meet our ambitious growth target. Neither was it able to fully absorb fixed costs.

Operating profit increased by 28%, whereas profit after tax and earnings per share increased by 17% over the previous period.

Summary of Financial Performance

	2008	2007
	Rs in million	
Sales	**30,956**	23,332
Gross Profit	**10,935**	9,083
Gross Profit as a % of sales	**35.32**	38.93
Profit from Operations	**3,391**	2,639
Profit before tax	**2,925**	2,529
Profit after tax	**1,984**	1,687
EPS- basic (Rs)	**149**	127

Dividend

The Board of Directors has recommended final cash dividend of Rs 57 per share. With the interim dividend of Rs 66 per share already paid during the year, the total dividend for the year 2008 amounts to Rs 123 (2007: Rs 123) per ordinary share of Rs 50 each. In arriving at the decision to maintain total dividend at last year's level, the Directors have been mindful of the need to balance shareholders' desire for income and Company's financing requirement for growth.

The key business milestones were:

Home and Personal Care

The Home and Personal Care business grew by 42% on account of both inflationary impact and healthy volume growth. Advertising costs were significantly rationalised and the business selectively invested behind new brands, innovations and on-ground activations. Gross margin was depressed due to unprecedented inflation in international commodity costs, however optimal advertising and lower operating costs led to the profit growth of 38%.

Key brand highlights were:

Surf Excel has grown impressively throughout the year. Two campaigns "Every Child Has The Right" and the efficacy led communication of "Khara Paani Meetha Paani" have created a brand equity that sets Surf Excel apart from any brand in the market.

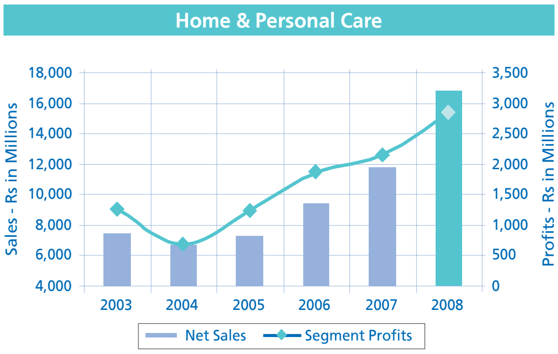
Sunsilk set a high standard in the Pakistani Hair market; and Clear shampoo, launched in 2007 led to incremental turnover in 2008 which continues to make headway in the anti-dandruff market with the first ever male shampoo range.

Lifebuoy shampoo was the fastest growing shampoo brand in rural areas during 2008, a key beneficiary of consumer down trading in the current inflationary environment.

Lux was impacted due to the economic conditions. Lux Style Awards were conducted on a smaller scale but watched by a record audience of over 38 million when aired on TV.

Lifebuoy with its Germ Buster activation was highly successful in improving its "germ kill" equity and is Pakistan's #1 choice for a healthy family. Volumes were sustained despite price increases following unprecedented inflation in input costs.

Fair & Lovely delivered its 5th year of double digit turnover growth with strong communication on its low unit priced sachets as well as thematic interpretation of "women's empowerment". Ponds transformed its imagery with "Anti-Aging" cream launch, which has been very well-received by consumers.

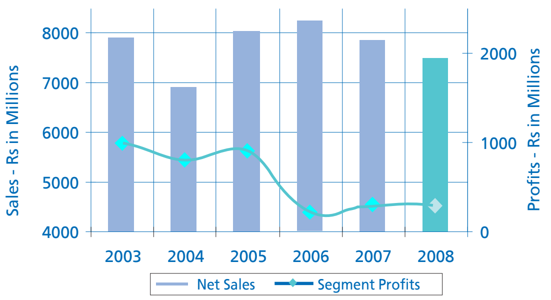


Beverages

Sales growth of 22% was achieved in Beverages. A sharp rise in Kenyan tea prices of 24% as well as currency devaluation resulted in a decline in gross margin.

Lipton with a blend of the best teas from various tea gardens around the world brings vitality, quality and natural goodness into our life. Lipton Yellow Label, our flagship product is synonymous with great consistent taste and healthy goodness, based on the "Theanine" platform. This year the main focus was on Lipton Tea bags which was supported by on-ground activations and successful consumer promotions. Lipton Green Tea was launched with four new flavours strengthening the Lipton health proposition.

Brooke Bond Supreme despite continuous pressure from the myriad of small rural brands and smuggled tea, registered growth. The brand was supported through consumer activation "Chaske Zindagi Kay".



Ice Cream

Walls continued its journey towards habit building and making ice cream / frozen dessert consumption an inherent part of occasions and celebrations. The growth of 24.5% has been derived through innovation. The business introduced products in the price range of Rs 5/- and Rs 10/- to make it affordable for the common man.

The prevailing inflation and worsening electricity crisis impacted the sales of Ice Cream. As a result, fixed factory costs were not fully recovered.

Spreads

Blue Band Margarine's sales grew by 23%. A new Rupee 10 pack was launched with a view to make good nutrition accessible to every child in Pakistan.

The brand also partnered with World Food Programme (WFP) in its "School Feeding Program". These activities have been well appreciated by many loyal consumers across the country.

A new brand "Flora" was introduced to the local market, specifically targeting health conscious individuals. One can cook, spread and even shallow fry with this product.

However, due to high input costs the profitability of the spreads business was adversely affected.

Operating costs

A lot of effort and focus was applied to reduce operating costs and a number of initiatives were taken to reduce travelling, stationary, entertainment and meeting & conference costs.

Re-structuring costs

We are continuously transforming the business to meet the challenges that lie ahead. The previous years' re-structuring projects have started yielding benefits to the Company in reduced costs and greater agility.

Our People

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

Our personal vitality health passport initiative has consistently delivered results in terms of employee well-being. We continue to place emphasis on work life balance and provide gym facility and healthy eating options through a vitality menu at our cafeteria.

We believe that continuous and consistent communication is vital for engaging our people. Two internal pulse surveys conducted in 2008 showed further strengthening of employee engagement reflected in higher level of pride, satisfaction and passion for working for Unilever. The Chairman's quarterly web cast remains an important platform to engage employees, share business initiatives, performance and to reiterate our vision. This is re-enforced each Monday in the values meetings.

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

We continue to leverage our parent company's wealth of knowledge to develop talent in leading edge marketing, sales, supply chain, finance and human resource management. Unilever globally has transitioned training from classroom to virtual. e-Learning provides latest international training modules online. This has also helped to reduce travel costs. We have kept talent retention as a top priority and with less than 2% regretted loss rate, our efforts will be focused on sustaining it in 2009.

Safety and Environment

Unilever global safety standards are applied in Pakistan. Apropos to its mission of adding vitality to life, Unilever Pakistan keeps Safety and Environmental Care at the heart of its day to day business operations. The top management continues to review and provide policy guidelines to all business units.

The Company took a distinctive initiative this year to gather top companies to develop the best practices, sharing culture and to facilitate each other on the common grounds, so that the best Safety, Health and Environment practices are implemented to benefit society.

Unilever Pakistan also continues to excel in Safe Travel. A comprehensive behavioural risk assessment study has been conducted to assess the driving risk profile of the Sales force. Route risk assessments have also been conducted to pro-actively identify and manage driving-related risks. Unilever Pakistan is fully committed to continue this journey in making business operations Safer, Cleaner and Greener.

Community Involvement

As a multilocal, multinational company with strong local roots, we play our part in addressing environmental and social concerns through our own actions and working in partnerships at local, national and international level. We aim to meet our consumer needs and provide them with better, healthier and environmentally friendly products. We aim to retain our strong roots in local markets through first-hand knowledge of the local culture.

"Making a better world" is a core belief in Unilever and it is reflected in the way we conduct business, in our brands and through our people. Unilever believes that the highest standards of corporate behaviour towards society and world in which we live are essential to our success.

During 2008, our main initiatives included;

a) Making quality primary education available to the lesser privileged - working with:
   - The Citizen's Foundation (TCF)
   - Public Private Partnerships – Government schools
   - Aliflaila Book Bus Society; and
   - Unilever International Art Project for schools.

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

c) Support to the community takes the form of institutionalised long term partnerships with health care organisations such as Layton Rehmatullah Benevolent Trust, The Aga Khan Hospital and Marrie-Adelaide.

Brands and Corporate & Social Responsibility (CSR) linkages between community development and Unilever brands help sustain social development and fuels economic growth over generations. We also develop markets in brand led initiatives.

a) Lifebuoy Mahfooz Pakistan - partnerships with USAID Safe Drinking Water and Hygiene Promotion Project & Pakistan Poverty Alleviation Fund.

b) Surf Dirt is Good - Every Child has the Right campaign a partnership with Idara-e-Taleem-O-Aaghai for training of teachers and ECE curriculums.

c) UN World Food & Blue Band partnership – continued their 2nd year of partnership and Unilever contributed over 69,000 meals through programmes. Our employees are voluntarily donating on a monthly basis for the hunger campaign.

Employee Involvement

Community and environment support at Unilever Pakistan, is more than just a Company initiative, it is also supported by its "people". Our employees work with various organisations giving monetary as well as skill support: TCF, Micro Drip, Acumen & Sehat First.

Contribution to National Exchequer

The Company has contributed Rs 8.4 billion towards the national exchequer on account of government levies, taxes and import duties. This is an increase of 23% over 2007 and represents 62.83% of value generated in 2008.

Recognition Awards

The awards and trophies demonstrates that the Company has world class standards in managing the business, delivering outstanding results, and is a learning ground in the country for developing talent of international standards.

- Unilever Pakistan won the two most coveted awards within the Asia Africa Central and Eastern Europe region of Unilever. For quality competitive growth of 33%, it received the "Win Key Markets" award. In addition, your Company also won the "Grow Superior Brands" award for the outstanding growth of 63% by Surf.

- Unilever Pakistan has once again received the Pakistan Society for Human Resource Management's (PSHRM) "Most Preferred Graduate Employer Award 2008" (MPGEA). 1100 graduating MBA, engineering and IT students were polled. Unilever's reputation, the learning and career opportunities it offers, were quoted as the main reasons for selecting Unilever Pakistan as the Most Preferred Graduate Employer 2008.

- Unilever Pakistan has received the coveted Management Reporting Cup and stood first in the entire region for providing quality and accurate financial information with speed. In addition, the finance team has been consistently standing first in the Financial Reporting Award up to 2007.

- Surf Pakistan, the fastest growing Laundry brand in Unilever won the Marketing Excellence Award during 2008.

- Ice Cream Factory Lahore won the 2008 AAMET Regional Safety Award for its exemplary safety management, especially during the factory expansion project.

Investment in Retirement Benefits

The cost of investments made by the staff retirement funds operated by the Company as per their financial statements at December 31, 2008 is as follows:

	Rs million
The Union Pakistan Provident Fund	793
Unilever Pension Plan	1,521
Unilever Gratuity Plan	180
Unilever Non-Management Staff Gratuity Fund	83
Total	**2,577**
Total – 2007	2,414

In 2009 the Company will stop offering Direct Benefit scheme to those qualifying for retirement benefits for the first time. Instead they will be offered a Direct Contribution scheme. Those presently availing the former will be offered a choice to remain or convert to the latter. The objective of switching to the Direct Contribution scheme is to eliminate the uncertainty of retirement cost liability.

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 there from has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee comprises of two non-executive directors including the chairman of the committee.

- There are no significant doubts upon the Company's ability to continue as a going concern.

- There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.

- Statements regarding the following are annexed or are disclosed in the notes to the financial statements.

  - Number of Board meetings held and attendance by directors.

  - Key financial data for the last six years.

  - Pattern of shareholding.

  - Trading in shares of the company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

Directors

The present directors were elected in the AGM in 2008, and the three years term of office of the present Directors expires on April 18, 2011.

Subsidiary Companies and Consolidated Financial Statements

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

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

Holding Company

Through its wholly owned subsidiary, Unilever Overseas Holdings Limited (UOHL), UK, Unilever PLC, a company incorporated in the United Kingdom, is the holding company, owning 73.04% of the shares in Unilever Pakistan Limited.

Auditors

The Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the meeting. Being eligible, they have offered themselves for re-appointment. There will be a change in the engagement partner should Messrs A. F. Ferguson & Co. be re-appointed as auditors.

Reserve Appropriations

Reserves (Rs in thousand)

	CAPITAL			Unappropriated profit	TOTAL
		Contingency	Other		
Balance as at January 1, 2008	70,929	363,106	33,895	842,420	1,310,350
Net profit for the year	-	-	-	1,984,326	1,984,326
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:					
- incremental depreciation for the year	-	-	-	648	648
Transferred from contingency reserve to unappropriated profit	-	(41,635)	-	41,635	-
Reclassification of Share-based Payment as liability	-	-	(33,895)	-	(33,895)
Dividends					
For the year ended December 31, 2007					
- On cumulative preference shares	-	-	-	(239)	(239)
- Final dividend on ordinary shares @ Rs 63 per share	-	-	-	(837,514)	(837,514)
For the year ended December 31, 2008					
- Interim dividend on ordinary shares @ Rs 66 per share	-	-	-	(877,395)	(877,395)
Balance as at December 31, 2008	**70,929**	**321,471**	-	**1,153,881**	**1,546,281**

Business Risks and Future Outlook

High inflation is resulting in lower consumer disposable income. As a result some consumers are down-trading. However, your Company's portfolio is diverse and caters to most segments and socio-economic strata. Strong innovations and optimal investment behind brands will help retain loyalty. Decline in global commodity costs should buffer the impact of devaluation and higher energy costs.

Cost and availability of bank lending may lead to de-stocking by trade. It could also impact the cost of doing business of our suppliers and co-packers.

Smuggling of black tea through Afghan Transit Trade is an ongoing threat to the documented sector in the tea category. Counterfeiting of our popular brands in tea and other categories impacts revenue and could be injurious to public health. We have requested the government to take appropriate measures to curb smuggling and counterfeiting.

The electricity crisis will continue to have a negative impact on frozen dessert distribution and hence availability.

Thanking you all
On behalf of the Board

Ehsan A. Malik
Chairman & Chief Executive
Karachi
February 6, 2009

Board Meetings' Attendance

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

Directors	No. of Meetings attended
Mr. Ehsan A. Malik	4
Mr. M. Qayser Alam	3
Mr. Imran Husain	3
Mr. Noeman Shirazi	3
Ms. Shazia Syed	3
Mr. Zaffar A. khan	4
Mr. Khalid Rafi	3
Mr. Peter Harvey	1
Mr. Syed Babar Ali	1
Mr. Omar H. Karim	1
Mr. Zarrar Haider	1
Mr. Amar Naseer	1

Operating and Financial Highlights

	Unit	2008	2007	2006	2005	2004	2003
				Rupees in million			
FINANCIAL POSITION							
Balance sheet							
Property, plant and equipment	Rs in M	4,428	3,531	2,137	1,761	1,524	1,445
Other non-current assets	Rs in M	969	479	607	609	615	573
Current assets	Rs in M	5,989	4,075	3,686	3,437	3,753	4,803
Total assets	Rs in M	11,386	8,084	6,430	5,807	5,892	6,821
Ordinary share capital	Rs in M	664	664	664	664	664	664
Preference share capital	Rs in M	5	5	5	5	5	5
Reserves	Rs in M	1,547	1,311	1,161	1,178	1,437	1,345
Total equity	Rs in M	2,216	1,980	1,830	1,847	2,106	2,014
Surplus on revaluation of fixed assets	Rs in M	13	14	15	16	16	19
Non-current liabilities	Rs in M	687	502	348	369	90	153
Current liabilities	Rs in M	8,470	5,588	4,237	3,575	3,680	4,635
Total liabilities	Rs in M	9,157	6,090	4,585	3,944	3,770	4,788
Total equity and liabilities	Rs in M	11,386	8,084	6,430	5,807	5,892	6,821
Net current (liabilities) / assets	Rs in M	(2,481)	(1,513)	(551)	(138)	73	168
OPERATING AND FINANCIAL TRENDS							
Profit and loss							
Net sales	Rs in M	30,957	23,332	20,988	17,671	18,238	21,472
Gross profit	Rs in M	10,936	9,083	7,743	6,854	5,559	6,795
Operating profit	Rs in M	3,391	2,639	2,550	2,559	2,242	2,600
Profit before tax	Rs in M	2,925	2,530	2,486	2,482	2,167	2,521
Profit after tax	Rs in M	1,984	1,687	1,632	1,602	1,725	1,599
Ordinary cash dividends	Rs in M	1,635	1,635	1,622	1,595	1,795	1,675
Capital expenditure	Rs in M	1,369	1,714	684	510	479	250
Cash flows							
Operating activities	Rs in M	97	2,406	2,431	1,901	259	1,329
Investing activities	Rs in M	(1,246)	(1,656)	(534)	(433)	1,173	(177)
Financing activities	Rs in M	(1,742)	(1,570)	(1,675)	(1,862)	(1,833)	(2,458)
Cash and cash equivalents at the end of the year	Rs in M	(3,126)	(235)	586	365	759	1,160

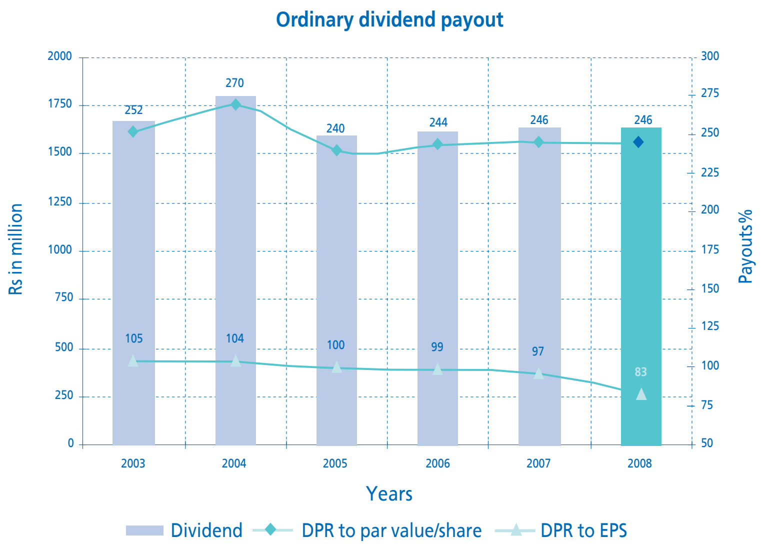
Operating and Financial Highlights

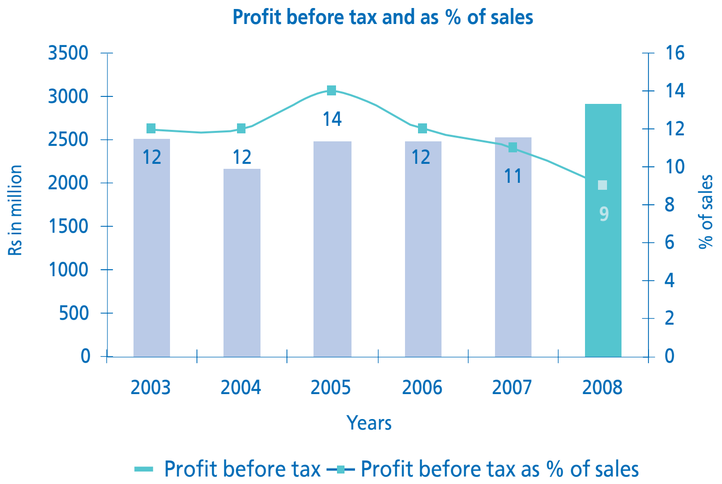
-continued

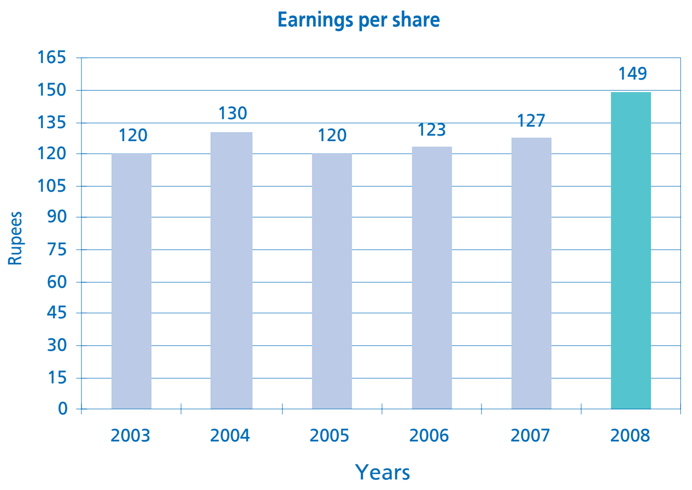
	Unit	**2008**	2007	2006	2005	2004	2003
FINANCIAL RATIOS							
Rate of return							
Pre tax return on equity	%	**132**	128	136	134	103	125
Post tax return on equity	%	**90**	85	89	87	82	79
Return on average capital employed	%	**49**	77	82	72	75	57
Interest cover	times	**18**	84	223	141	107	43
Profitability							
Gross profit margin	%	**35**	39	37	38	30	32
Pre tax profit to sales	%	**9**	11	12	14	12	12
Post tax profit to sales	%	**6**	7	8	9	9	7
Liquidity							
Current ratio		**0.7**	0.7	0.9	1.0	1.0	1.0
Quick ratio		**0.2**	0.2	0.4	0.5	0.5	0.5
Financial gearing							
Debt equity ratio		**0.6**	0.1	-	-	-	-
Total debt ratio		**0.3**	0.1	-	-		- 0.1
Capital efficiency							
Debtors turnover	days	**3**	3	2	2	6	6
Inventory turnover	days	**64**	63	54	59	64	56
Total assets turnover	times	**3**	3	3	3	3	3
Property, plant and equipment turnover	times	**7**	7	10	10	12	15
Investment measures per ordinary share							
Earnings	Rs	**149**	127	123	120	130	120
Dividend payout (including proposed)	Rs	**123**	123	122	120	135	126
Dividend payout ratio - earnings	%	**83**	97	99	100	104	105
Dividend payout ratio - par value	%	**246**	246	244	240	270	252
Dividend yield	%	**7**	5	6	7	9	9
Price earning ratio	times	**12**	18	16	15	11	12
Breakup value without surplus on revaluation	Rs	**167**	149	138	139	158	151
Breakup value with surplus on revaluation	Rs	**168**	150	139	140	160	153
Market value - low	Rs	**1,808**	2,000	1,760	1,280	1,400	1,103
Market value - high	Rs	**2,501**	2,625	2,060	1,775	1,635	1,600
Market value - average	Rs	**2,154**	2,286	1,910	1,528	1,518	1,352
Market value - year end	Rs	**1,808**	2,280	2,000	1,775	1,475	1,450
Market capitalisation - year end	Rs in M	**24,032**	30,310	26,588	23,597	19,609	19,276
Ordinary shares of Rs 50 each	No. in thousand	**13,294**	13,294	13,294	13,294	13,294	13,294

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

Operating and Financial Highlights



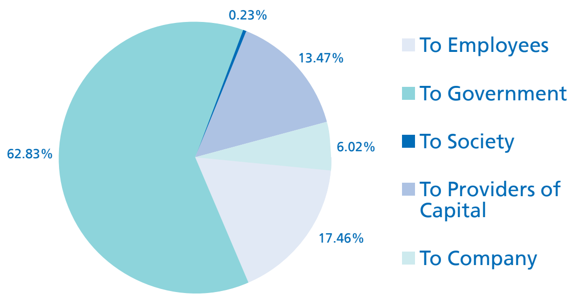




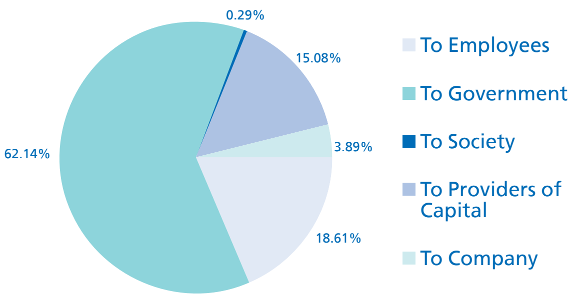
Statement of Value Addition & its Distribution

	2008 Rs in '000	%	2007 Rs in '000	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	37,766,686		28,405,609	
Bought-in -material and services	(24,350,366)		(17,357,696)	
	13,416,320	100%	11,047,913	100%
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	1,852,630	13.81%	1,683,585	15.24%
Restructuring Cost	489,280	3.65%	372,234	3.37%
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	8,429,862	62.83%	6,864,963	62.14%
To Society				
Donation towards education, health and environment	30,498	0.23%	31,513	0.29%
To Providers of Capital				
Dividend to shareholders	1,635,385	12.19%	1,635,384	14.80%
Mark-up/ interest expenses on borrowed funds	171,183	1.28%	30,419	0.28%
To Company				
Depreciation, amortisation & retained profit	807,482	6.02%	388,180	3.51%
Contingency Reserve	-	0.00%	41,635	0.38%
	13,416,320	100%	11,047,913	100%

WEALTH DISTRIBUTION 2008



WEALTH DISTRIBUTION 2007



Pattern of Shareholding as at December 31, 2008

Number of Share-holders	Shareholding From	Shareholding To	Total Number of Shares Held*
2,718	1	100	82,831
842	101	500	191,967
187	501	1,000	141,663
214	1,001	5,000	372,396
19	5,001	10,000	134,385
8	10,001	15,000	97,326
4	15,001	20,000	72,071
2	20,001	25,000	44,222
2	25,001	30,000	52,014
2	30,001	35,000	64,481
2	40,001	45,000	83,341
1	50,001	55,000	54,541
1	65,001	70,000	69,400
2	110,001	115,000	226,536
1	135,001	140,000	139,740
1	180,001	185,000	182,760
1	185,001	190,000	187,520
1	575,001	580,000	576,080
1	820,001	825,000	823,402
1	9,745,001	9,750,000	9,745,028
4,010			**13,341,704**

Shareholders' Category	Number of Share-holders	Number of Shares Held	Percentage %
Associated Co., Undertakings *	1	9,745,028	73.04
NIT and ICP *	2	226,848	1.70
Directors, CEO	2	1,120	0.01
Executives	3	956	0.01
Public Sector Co. and Corporations	1	823,402	6.17
Banks, DFI, NBFI's	5	178,191	1.34
Modarabas and Mutual Funds	2	6,480	0.05
Insurance Companies	8	78,869	0.59
Others	85	1,338,511	10.03
Individuals *	3,901	942,299	7.06
	4,010	**13,341,704**	**100.00**

* Includes Voting Preference Shares.

Pattern of Shareholding Additional Information

as at December 31, 2008

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies (name wise details)		
Unilever Overseas Holdings Ltd.	1	9,745,028
NIT & ICP (name wise details)		
Investment Corporation of Pakistan	1	2
National Bank of Pakistan,Trustee Deptt.	1	226,846
Directors, CEO and their spouse and minor children (name wise details)		
Mr. Zaffar A. Khan	1	1,020
Mr. Qayser Alam	1	100
Executives		
Mr. Amar Naseer	1	6
Mr. Khalid Hussain Khan	1	890
Mrs. Mahvash Imad W/O. Syed Imad Mashhadi (Unilever Employee)	1	60
Public Sector Companies & Corporation	1	823,402
Banks, Development Finance Institutions		
Non-Banking Finance Institutions	9	178,191
Modarabas and Mutual Funds	2	6,480
Insurance Companies	8	78,869
Others	85	1,338,511
Shareholders holding 10% or more voting interest (name wise details)		
Unilever Overseas Holdings Ltd.	1	9,745,028

Statement of Compliance with the Code of Corporate Governance

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

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

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

4. The three years term of office of all the Directors expired on 18-04-2008. The Board has reduced the number of directors from 9 to 7 at its meeting held on12-02-2008. The election was held at the Shareholders' Annual General Meeting held on 27-03-2008. Mr. Ehsan A. Malik, Mr. Imran Husain, Mr. M. Qayser Alam, Mr. Noeman Shirazi, Ms. Shazia Syed, Mr. Zaffar A. Khan and Mr. Khalid Rafi were elected un-opposed for a fresh term of three years commencing from 19-04-2008.

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

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

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

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

9. The Company arranges orientation courses / meetings for its directors.

10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

14. The Board has formed an audit committee. It comprises of three members, of whom at least two are non-executive directors including the chairman of the committee.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Company has an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

17. 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.

18. 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.

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

Karachi
February 6, 2009

Ehsan A. Malik
Chairman & Chief Executive

Auditors' Review Report

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Unilever Pakistan Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of Lahore Stock Exchange and Chapter XI of Islamabad 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 6, 2009

Financial Statements

Unilever Pakistan Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan 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 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, 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 6, 2009

Balance Sheet

as at December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	3	**4,428,278**	3,530,572
Intangibles	4	**7,303**	12,173
Long term investments	5	**95,202**	95,202
Long term loans	6	**120,545**	115,388
Long term deposits and prepayments	7	**540,027**	4,920
Retirement benefits - prepayments	8	**205,355**	250,878
		5,396,710	4,009,133
Current assets			
Stores and spares	9	**231,897**	163,282
Stock in trade	10	**4,261,770**	2,726,064
Trade debts	11	**228,763**	239,313
Loans and advances	12	**123,904**	122,888
Accrued interest / mark up		**-**	1,115
Trade deposits and short term prepayments	13	**516,443**	236,064
Other receivables	14	**218,329**	249,139
Tax refunds due from Government	15	**301,813**	148,496
Cash and bank balances	16	**106,789**	188,682
		5,989,708	4,075,043
Total assets		**11,386,418**	8,084,176

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	**669,477**	669,477
Reserves	18	**1,546,281**	1,310,350
		2,215,758	1,979,827
Surplus on revaluation of fixed assets	19	**13,613**	14,261
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance leases	20	**77,327**	52,932
Deferred taxation	21	**369,653**	309,044
Retirement benefits obligations	8	**239,794**	140,463
		686,774	502,439
Current liabilities			
Trade and other payables	22	**4,547,794**	4,750,490
Taxation - provisions less payments		**-**	21,633
Accrued interest / mark up		**64,075**	3,669
Current maturity of liabilities against assets subject to finance leases	20	**32,322**	17,273
Short term borrowings	23	**3,232,523**	423,557
Provisions	24	**593,559**	371,027
		8,470,273	5,587,649
Total liabilities		**9,157,047**	6,090,088
Contingency and commitments	25		
Total equity and liabilities		**11,386,418**	8,084,176

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Profit and Loss Account
for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
Sales	26	**30,956,839**	23,331,666
Cost of sales	27	**(20,021,159)**	(14,248,581)
Gross profit		**10,935,680**	9,083,085
Distribution costs	27	**(5,837,582)**	(5,021,177)
Administrative expenses	27	**(1,210,502)**	(1,022,326)
Other operating expenses	28	**(247,266)**	(219,130)
Other operating income	29	**239,918**	190,588
		3,880,248	3,011,040
Restructuring cost		**(489,280)**	(372,234)
Profit from operations		**3,390,968**	2,638,806
Finance costs	30	**(466,166)**	(109,208)
Profit before taxation		**2,924,802**	2,529,598
Taxation	31	**(940,476)**	(842,240)
Profit after taxation		**1,984,326**	1,687,358
Earnings per share (Rupees)	32	**149**	127

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Cash Flow Statement
for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**37,549,825**	28,169,417
Cash paid to suppliers / service providers and employees		**(26,727,433)**	(18,049,878)
Payment of indirect taxes and other statutory duties		**(7,427,653)**	(5,992,682)
Payment of royalty and technical services fee		**(980,164)**	(706,806)
Finance costs paid		**(405,760)**	(107,437)
Income tax paid		**(1,066,274)**	(835,769)
Retirement benefits obligations (net)		**(304,918)**	(72,747)
Long term loans (net)		**(5,157)**	(18,971)
Long term deposits and prepayments (net)		**(535,107)**	20,437
Net cash from operating activities		**97,359**	2,405,564
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,369,388)**	(1,713,886)
Sale proceeds of property, plant and equipment on disposal		**120,630**	41,806
Return received on savings accounts, term deposits and balance receivable from provident fund		**2,180**	16,061
Dividend received		**12**	12
Net cash used in investing activities		**(1,246,566)**	(1,656,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance leases (net)		**(33,370)**	(24,085)
Dividends paid		**(1,708,282)**	(1,546,007)
Net cash used in financing activities		**(1,741,652)**	(1,570,092)
Net decrease in cash and cash equivalents		**(2,890,859)**	(820,535)
Cash and cash equivalents at the beginning of the year	38	**(234,875)**	585,660
Cash and cash equivalents at the end of the year	38	**(3,125,734)**	(234,875)

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Statement of Changes in Equity
for the year ended December 31, 2008

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL		REVENUE		SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Other -	Unappropriated profit		
	(Rupees in thousand)						
Balance as at January 1, 2007	669,477	70,929	321,471	16,615	751,670	1,160,685	1,830,162
Net profit for the year	-	-	-	-	1,687,358	1,687,358	1,687,358
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:							
- incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from unappropriated profit to contingency reserve - note 25.1	-	-	41,635	-	(41,635)	-	-
Employee benefits cost under IFRS 2 - "Share-based Payment"	-	-	-	19,392	-	19,392	19,392
Utilisation of share based payment reserve	-	-	-	(2,112)	-	(2,112)	(2,112)
Dividends							
For the year ended December 31, 2006							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 57 per share	-	-	-	-	(757,750)	(757,750)	(757,750)
For the year ended December 31, 2007							
- Interim dividend on ordinary shares @ Rs 60 per share	-	-	-	-	(797,632)	(797,632)	(797,632)
Balance as at December 31, 2007	669,477	70,929	363,106	33,895	842,420	1,310,350	1,979,827
Net profit for the year	-	-	-	-	1,984,326	1,984,326	1,984,326
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:							
- incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from contingency reserve to unappropriated profit - note 25.1	-	-	(41,635)	-	41,635	-	-
Reclassification of Share-based Payment as liability - note 22.3	-	-	-	(33,895)	-	(33,895)	(33,895)
Dividends							
For the year ended December 31, 2007							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 63 per share	-	-	-	-	(837,514)	(837,514)	(837,514)
For the year ended December 31, 2008							
- Interim dividend on ordinary shares @ Rs 66 per share	-	-	-	-	(877,395)	(877,395)	(877,395)
Balance as at December 31, 2008	**669,477**	**70,929**	**321,471**	**-**	**1,153,881**	**1,546,281**	**2,215,758**

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Notes to and Forming Part of the 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, Lahore and Islamabad Stock Exchanges. It manufactures and markets home and personal care products, beverages, ice cream and spreads. The address of its registered office is Avari Plaza, Fatima Jinnah Road, Karachi.

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

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards require 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 matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

i. Taxation

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred tax in the period in which such determination is made.

ii. Post employment benefits

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

iii. **Provisions**

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

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

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

Recent accounting developments

_ **New standard, amendments to published standard and new interpretation effective in 2008 - relevant**

Islamic Financial Accounting Standard 2 – 'Ijarah' is mandatory for the Company's accounting periods beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this date. During the year, the Company had entered into a sale and leaseback (Ijarah) transaction which requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight line basis over the ijarah term. The sale price and the fair value of the assets approximate their book value, hence no profit or loss arose as a result of this transaction.

_ **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.

_ **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 components of 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. The option of immediately expensing borrowing costs has been removed. 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 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 products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. There will be no significant impact on its implementation.

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.

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

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

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

2.4 Intangibles

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

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

2.5 Investments

i. In subsidiaries

These are stated at cost.

ii. In unlisted entity not being subsidiary

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

2.6 Taxation

i. Current

The 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.

2.7 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.

2.8 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 values plus other charges incurred thereon.

2.9 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.

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

2.10 Trade and other debts

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

2.11 Cash and cash equivalents

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

2.12 Leases

i. Finance leases

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

ii. Operating leases

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

2.13 Trade and other payables

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

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.15 Provisions

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

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

2.16 Financial instruments

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

2.17 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.

2.18 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 despatch 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.

iii. Dividend income

Dividend is recognised as income when the right of receipt is established.

2.19 Segment information

Segment information is provided on the basis of product categories.

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.

Common expenses are allocated to business segments based on their respective budgeted revenue.

2.20 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.

2.21 Share based payment

The cost of awarding shares 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. Where awarded shares relate to Group Companies a corresponding provision is created to reflect the liability.

	2008	2007
	(Rupees in thousand)	

3. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
Operating assets - note 3.1	**3,988,216**	3,097,121
Capital work in progress - at cost - note 3.2	**440,062**	433,451
	4,428,278	3,530,572

3.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousand)									
Net carrying value basis										
Year ended December 31, 2008										
Opening net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Additions (at cost)	-	-	93,960	3,651	1,155,323	70,080	3,710	36,053	72,814	1,435,591
Disposals (at NBV)	-	-	-	-	(16,574)	(13,316)	(393)	(58,840)	(1,702)	(90,825)
Depreciation charge	-	(7)	(14,037)	(828)	(317,583)	(33,844)	(2,148)	(51,100)	(34,124)	(453,671)
Closing net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Gross carrying value basis										
At December 31, 2008										
Cost	25,575	716	662,719	78,564	4,810,210	537,470	36,412	194,749	178,107	6,524,522
Accumulated depreciation	-	(295)	(147,833)	(59,177)	(1,709,117)	(380,118)	(19,364)	(159,967)	(60,435)	(2,536,306)
Net book value	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Net carrying value basis										
Year ended December 31, 2007										
Opening net book value (NBV)	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Additions (at cost)	-	-	200,605	6,206	1,243,839	28,819	1,914	34,499	63,055	1,578,937
Disposals (at NBV)	-	-	-	-	(13,382)	(2,333)	(650)	(8,704)	(3,088)	(28,157)
Depreciation charge	-	(7)	(8,771)	(715)	(218,017)	(59,214)	(2,240)	(63,244)	(20,763)	(372,971)
Impairment reversal	-	-	-	-	336	-	-	-	-	336
Closing net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Gross carrying value basis										
At December 31, 2007										
Cost	25,575	716	568,759	74,913	3,779,000	558,447	35,474	304,670	110,067	5,457,621
Accumulated depreciation	-	(288)	(133,796)	(58,349)	(1,499,073)	(424,015)	(19,595)	(196,001)	(29,383)	(2,360,500)
Net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Depreciation rate % per annum	-	1.05	1.5 to 2.5	1.5 to 2	8 to 20	8 to 20	8 to 14	25	25	

	2008	2007
	(Rupees in thousand)	

3.2 Capital Work In Progress – at cost

	2008	2007
Civil works	**25,600**	16,133
Plant and machinery	**414,462**	417,318
	440,062	433,451

Details of property, plant and equipment disposed during the year are given in note 39.

	2008	2007
	(Rupees in thousand)	

4. INTANGIBLES - computer software

Net carrying value basis
Year ended December 31, 2008

	2008	2007
Opening net book value	**12,173**	17,043
Amortisation charge	**(4,870)**	(4,870)
Closing net book value	**7,303**	12,173

Gross carrying value basis
At December 31, 2008

	2008	2007
Cost	**24,348**	24,348
Accumulated amortisation	**(17,045)**	(12,175)
Net book value	**7,303**	12,173
Remaining useful life in years	**1.50**	2.50

	2008	2007
	(Rupees in thousand)	

5. LONG TERM INVESTMENTS

Investments in related parties

In unquoted wholly owned subsidiary companies - at cost

	2008	2007
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
Lever Chemicals (Private) Limited 9,500,000 fully paid ordinary shares of Rs 10 each	95,000	95,000
Investment available for sale - at cost		
Futehally Chemicals (Private) Limited 2,000 6% redeemable cumulative preference shares of Rs 100 each	200	200
	95,202	95,202

6. LONG TERM LOANS - considered good

		2008	2007
Related Parties	note 6.1, 6.2 and 6.3		
Directors		8,128	7,751
Chief Executive		11,454	14,509
Key management personnel other than Directors and Chief Executive		1,859	5,975
		21,441	28,235
Others			
Executives		122,602	107,194
Other employees		33,623	36,211
		156,225	143,405
		177,666	171,640
Recoverable within one year - note 12		(57,121)	(56,252)
Long term portion		120,545	115,388

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

	Directors		Chief Executive		Other Key Management Personnel		Executives	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Opening balance	7,751	541	14,509	-	5,975	4,821	107,194	86,138
Disbursements	-	-	-	15,273	-	11,221	59,184	71,652
Appointment of executives as Directors (net)	(237)	8,690	-	-	-	(8,169)	237	(521)
Appointment of other key management personnel as Directors	3,452	-	-	-	(3,452)	-	-	-
Repayments	(2,838)	(1,480)	(3,055)	(764)	(664)	(1,898)	(44,013)	(50,075)
	8,128	7,751	11,454	14,509	1,859	5,975	122,602	107,194

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

Loans are secured against retirement benefits of the employees.

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

	2008	2007
	(Rupees in thousand)	
Directors	9,878	8,208
Chief Executive	14,254	15,273
Key management personnel other than Directors and Chief Executive	6,176	14,866
Executives	126,259	107,194

7. LONG TERM DEPOSITS AND PREPAYMENTS

	2008	2007
Security deposits	4,480	4,750
Prepaid rent - note 7.1	503,548	170
Others	31,999	-
	540,027	4,920

7.1 During the year, the Company paid rent of head office building amounting to Rs 691.75 million. As at the year end, Rs 500.54 million has been classified as long term and Rs 120.39 million has been classified as short term prepayments.

8. RETIREMENT BENEFITS

8.1 The Company operates a provident fund, a pension plan, management and non-management gratuity plans and a pensioners' medical plan for its employees. The pensioners' medical plan is a book reserve plan while the other 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 pensioners' medical plan reimburses actual medical expense as defined in the plan.

8.2 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 Funds		Pensioners' Medical Plan	
	2008	2007	**2008**	2007	**2008**	2007
	(Rupees in thousand)					
Balance Sheet Reconciliation						
Fair value of plan assets	**1,571,499**	1,522,551	**231,305**	368,948	**-**	-
Present value of defined benefit obligations	**(1,468,346)**	(1,497,882)	**(416,803)**	(404,129)	**(163,174)**	(132,181)
Funded status	**103,153**	24,669	**(185,498)**	(35,181)	**(163,174)**	(132,181)
Unrecognised net actuarial loss / (gain)	**102,202**	194,942	**90,855**	66,448	**18,023**	(8,282)
Recognised asset / (liability)	**205,355**	219,611	**(94,643)**	31,267	**(145,151)**	(140,463)
Movement in the fair value of plan assets						
Fair value as at January 1	**1,522,551**	1,457,991	**368,948**	475,590		
Expected return on plan assets	**137,194**	155,876	**33,250**	51,972		
Actuarial gains / (losses)	**19,917**	(9,012)	**(15,594)**	(3,292)		
Employer contributions	**38,019**	35,385	**256,409**	29,070		
Benefits paid	**(146,182)**	(117,689)	**(411,708)**	(184,392)		
Fair value as at December 31	**1,571,499**	1,522,551	**231,305**	368,948		
Movement in the defined benefit obligations						
Obligation as at January 1	**1,497,882**	1,431,151	**404,129**	408,253	**132,181**	145,118
Service cost	**32,410**	32,696	**31,157**	31,968	**1,546**	1,966
Interest cost	**145,920**	151,029	**42,446**	43,008	**14,052**	15,512
Settlement and Curtailment	**-**	(11,808)	**340,286**	118,534	**-**	688
Actuarial losses / (gains)	**(61,684)**	12,503	**10,493**	(13,242)	**25,885**	(22,811)
Benefits paid	**(146,182)**	(117,689)	**(411,708)**	(184,392)	**(10,490)**	(8,292)
Obligation as at December 31	**1,468,346**	1,497,882	**416,803**	404,129	**163,174**	132,181
Cost						
Current service cost	**32,410**	32,696	**31,157**	31,968	**1,546**	1,966
Interest cost	**145,920**	151,029	**42,446**	43,008	**14,052**	15,512
Expected return on plan assets	**(137,194)**	(155,876)	**(33,250)**	(51,972)	**-**	-
Settlement and curtailment	**-**	(11,808)	**340,286**	118,534	**-**	688
Recognition of actuarial loss	**11,139**	10,839	**1,680**	17,797	**(420)**	790
Expense	**52,275**	26,880	**382,319**	159,335	**15,178**	18,956
Actual return on plan assets	**157,111**	146,864	**17,656**	48,680		

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	**9.73%**	5.70%
Medical cost trend rates	**10.48%**	5.70%

Expected contributions to post employment benefit plans for the year ending December 31, 2009 is Rs 560 million (2008: Rs 200 million).

Comparison for five years:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	**1,802,804**	1,891,499	1,933,581	1,812,268	1,961,540
Present value of defined benefit obligations	**(2,048,323)**	(2,034,192)	(1,984,522)	(1,750,814)	(1,802,140)
(Deficit) / surplus	**(245,519)**	(142,693)	(50,941)	61,454	159,400
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	**0.2 %**	(0.7%)	0.3 %	(6.5%)	(0.9%)
(Gain) / loss on obligations (as percentage of plan obligations)	**(1.2%)**	(1.2%)	7.5 %	1.5 %	5.4 %

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	**2,151**	1,765
Effect on the defined benefit obligations	**17,148**	14,652

Plan assets comprise of the following:

	2008		2007	
	Rupees in thousand	%	Rupees in thousand	%
Equity	**23,974**	**1.3**	-	-
Debt	**130,827**	**7.3**	722,553	38.2
Others (include cash and bank balances)	**1,648,003**	**91.4**	1,168,946	61.8
	1,802,804	**100**	1,891,499	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.

Based on the above actuarial valuation the retirement benefits - asset amounts to Rs 205.35 million (2007: Rs 250.88 million) and retirement benefits - liability amounts to Rs 239.79 million (2007: Rs 140.46 million).

8.3 During the year the Company contributed Rs 51.39 million (2007: Rs 45.43 million) to the provident fund.

9. STORES AND SPARES

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Stores (including in transit Rs 8.80 million; 2007: Rs 7.76 million)	**68,888**	58,531
Spares (including nil in transit; 2007: Rs 0.59 million)	**194,971**	128,879
Others	**2,920**	2,120
	266,779	189,530
Provision for slow moving and obsolete stores and spares	**(34,882)**	(26,248)
	231,897	163,282

The Company has recognised a provision of Rs 8.63 million (2007: Rs 9.2 million) for obsolescence and not written off inventory amounting to Rs nil (2007: Rs 5.19 million) by utilising the provision.

10. STOCK IN TRADE

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Raw and packing materials at cost (including in transit Rs 565 million; 2007: Rs 618 million)	**2,812,515**	1,715,876
Provision for obsolescence	**(140,440)**	(56,649)
	2,672,075	1,659,227
Work in process	**102,466**	66,192
Finished goods (including in transit Rs 264 million; 2007: Rs 208 million)	**1,550,391**	1,073,264
By product - glycerine	**18,710**	2,131
	1,569,101	1,075,395
Provision for obsolescence	**(81,872)**	(74,750)
	1,487,229	1,000,645
	4,261,770	2,726,064

10.1 Stock in trade includes Rs 760 million (2007: Rs 346 million) held with third parties.

10.2 The above balances include items costing Rs 337.9 million (2007: Rs 208.4 million) valued at net realisable value of Rs 80.7 million (2007: Rs 50.7 million)

10.3 The Company has recognised a provision of Rs 196.06 million for obsolescence (2007: Rs 86.06 million) and has written off inventory amounting to Rs 105.14 million (2007: Rs 38.46 million) by utilising the provision during the year ended December 31, 2008.

11. TRADE DEBTS

	2008	2007
	(Rupees in thousand)	
Considered good	**228,763**	239,313
Considered doubtful	**47,491**	54,154
	276,254	293,467
Provision for doubtful debts - note 11.1	**(47,491)**	(54,154)
	228,763	239,313

11.1 The Company has recognised a provision of Rs 3.25 million (2007: reversed a provision of Rs 1.52 million) and has written off debts amounting to Rs 9.91 million (2007: Nil) by utilising the provision during the year ended December 31, 2008.

12. LOANS AND ADVANCES

	2008	2007
	(Rupees in thousand)	
Considered good		
Current portion of loans to employees - note 6	**57,121**	56,252
Advances to:		
Executives - note 12.1	**10,374**	5,110
Suppliers and others	**56,409**	61,526
	123,904	122,888
Considered doubtful		
Advances to suppliers and others	**6,244**	6,244
	130,148	129,132
Provision for doubtful advances to suppliers and others	**(6,244)**	(6,244)
	123,904	122,888

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

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2008	2007
	(Rupees in thousand)	
Trade and margin deposits	**130,808**	71,790
Prepayments		
ERP implementation	**141,274**	41,732
Rent - note 7.1	**146,073**	31,807
Others - note 13.1	**98,288**	90,735
	516,443	236,064

13.1 This includes prepayment in respect of shares matched by the Company under the following share-based compensation plan:

Variable Pay In Shares (VPIS):

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

		VPIS	
Shares of		Unilever PLC	Unilever NV
Date of grant		March 21, 2007 March 20, 2008	March 21, 2007 March 20, 2008
Total number of shares granted	2007	1,525	1,571
	2008	1,532	1,539
	2007	£14.88	£21.33
Fair value / Share price on grant date	2008	£16.72	£21.30
Contractual life (years)		3	3
Vesting conditions		Performance conditions	Performance conditions
Settlement		Shares	Shares
Expected lapse per year		20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2010	by March 21, 2010	by March 21, 2010
	2011	by March 20, 2011	by March 20, 2011

	2008	2007
	(Rupees in thousand)	

14. OTHER RECEIVABLES

	2008	2007
Receivable from related parties		
Unilever Pakistan Foods Limited	63,669	19,410
Union Pakistan Provident Fund	-	31,447
Unilever Gratuity Plan	37,234	123,937
Associated undertakings	20,458	-
Workers' profits participation fund - note 14.1	55,571	9,128
Others		
Export rebate claims receivable	-	2,019
Receivable from distributors on account of equipment supply	5,320	18,827
Receivable from supplier on account of marketing reimbursement	-	18,222
Receivable in respect of sale of fixed assets	16,464	-
Others	28,331	34,867
	227,047	257,857
Provision for doubtful receivables	(8,718)	(8,718)
	218,329	249,139

14.1 Workers' profits participation fund

	2008	2007
Balance as at January 1 - receivable	9,128	52,261
Allocation for the year	(157,078)	(135,861)
	(147,950)	(83,600)
Amount paid to the trustees	203,521	92,728
Balance as at December 31 - receivable	55,571	9,128

15. TAX REFUNDS DUE FROM GOVERNMENT

	2008	2007
Sales tax refundable - amounts paid under protest - note 15.1	137,012	148,469
Taxation - payments less provision	164,774	-
Others	27	27
	301,813	148,496

15.1 This includes a sum of Rs 131 million (2007: Rs 141 million) paid by way of abundant caution under the Amnesty Scheme, to avoid additional Sales Tax and Surcharge being levied in the event of unfavourable decisions of the appeals pending in the High Courts. These appeals were filed by third party manufacturers in respect of disallowance of input tax claimed by them on the ground that tax invoices and bills of entry were in the Company's name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Company would reimburse the tax. The Company's management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Company has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.

	2008	2007
	(Rupees in thousand)	

16. CASH AND BANK BALANCES

	2008	2007
With banks on:		
current accounts	**104,988**	20,166
savings accounts	**-**	167,292
In hand:		
cash	**1,801**	1,224
	106,789	188,682

17. SHARE CAPITAL

		2008	2007
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, 2008 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK holds 9,711,293 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited (December 31, 2007: 9,359,412 ordinary shares and 33,735 preference shares).

18. RESERVES

	2008	2007
	(Rupees in thousand)	
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 18.1	**70,929**	70,929
Contingency - note 25.1	**321,471**	363,106
Other - note 22.3	**-**	33,895
	392,400	467,930
Revenue reserves	**1,153,881**	842,420
Unappropriated profit		
	1,546,281	1,310,350

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

19. SURPLUS ON REVALUATION OF FIXED ASSETS

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

	2008	2007
	(Rupees in thousand)	
Balance as at January 1	**14,261**	14,909
Transferred to unappropriated profit - net of deferred taxation: incremental depreciation for the year	**(648)**	(648)
Balance as at December 31	**13,613**	14,261

	2008	2007
	(Rupees in thousand)	

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Present value of minimum lease payments	**109,649**	70,205
Current maturity shown under current liabilities	**(32,322)**	(17,273)
	77,327	52,932
Minimum lease payments		
Not later than 1 year	**46,297**	24,781
Later than 1 year and not later than 5 years	**84,449**	61,435
	130,746	86,216
Future finance charges on finance leases	**(21,097)**	(16,011)
Present value of finance lease liabilities	**109,649**	70,205
Present value of finance lease liabilities		
Not later than 1 year	**32,322**	17,273
Later than 1 year and not later than 5 years	**77,327**	52,932
	109,649	70,205

The above represents finance leases entered into with leasing companies for motor vehicles. The liability is payable by December 2012 in semi annual and quarterly installments.

Lease payments bearing pre-determined markup rates include finance charge ranging from 6.25% to 8.22% per annum (2007: 8% to 14.75% per annum) which are used as discounting factors.

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

	2007 Opening	Charge / (reversal)	**2008 Closing**
	(Rupees in thousand)		

21. DEFERRED INCOME TAX LIABILITIES / (ASSETS)

	2007 Opening	Charge / (reversal)	**2008 Closing**
Credit / (debit) balance arising in respect of:			
accelerated tax depreciation allowance	509,544	203,983	**713,527**
surplus on revaluation of fixed assets	7,681	(696)	**6,985**
provision for retirement benefits	38,638	(50,114)	**(11,476)**
share-based payments reserve	(11,864)	(120)	**(11,984)**
provision for stock in trade and stores and spares	(55,177)	(31,104)	**(86,281)**
provision for doubtful debts, advances and other receivables	(38,557)	2,013	**(36,544)**
provision for restructuring	(129,859)	(31,878)	**(161,737)**
others	(11,362)	(31,475)	**(42,837)**
	309,044	60,609	**369,653**

22. TRADE AND OTHER PAYABLES

	2008	2007
	(Rupees in thousand)	
Creditors	**430,087**	259,114
Bills payable	**412,345**	1,210,097
Accrued liabilities	**2,899,482**	2,765,829
Royalty and technical services fee	**246,507**	130,428
Advance payment from customers	**87,011**	74,505
Sales tax payable	**91,309**	51,491
Federal excise duty payable	**90,814**	51,771
Workers' welfare fund	**93,497**	75,638
Security deposits from dealers - note 22.1	**17,137**	17,137
Unclaimed dividend	**106,471**	99,605
Union Pakistan Provident Fund - related party	**11,937**	-
Unilever Pension Plan - related party	**11,989**	-
Liability for share-based compensation plans - note 22.3	**35,953**	-
Others	**13,255**	14,875
	4,547,794	4,750,490

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

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

	2008	2007
	(Rupees in thousand)	
Ultimate parent company	**246,507**	130,428
Associated companies	**847,651**	1,430,314
Subsidiaries	**2**	2
Third parties whose manufacturing processes are dependent on Unilever	**74,218**	53,788
Company in which close family member of a Director is holding directorship	**28,418**	62,101

22.3 Share-based compensation plans

As at December 31, 2008 the company had following share-based compensation plans:

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

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

The details of the arrangements are as follows :

		GPSP		LPSP	
Shares of		Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	2006	March 21, 2006	March 21, 2006	March 21, 2006	March 21, 2006
	2007	March 21, 2007	March 21, 2007	May 22, 2007	May 22, 2007
	2008	March 21, 2008	-	March 20, 2008	March 20, 2008
Total number of shares granted	2006	14,978	585	1,447	1,440
	2007	10,480	180	1,530	1,530
	2008	6,494	-	1,225	1,225
		31,952	765	4,202	4,195
Fair value / Share price on grant date	2006	£ 13.01	¤19.03	£ 13.01	¤19.03
	2007	£ 14.88	¤21.33	£15.82	¤22.20
	2008	£ 16.72	-	£16.72	¤21.27
Contractual life (years)		3	3	3	3
Vesting conditions		Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement		Shares	Shares	Shares	Shares
Expected lapse per year		20%	20%	20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2009	by March 21, 2009	by March 21, 2009	by March 21, 2009	by March 21, 2009
	2010	by March 21, 2010	by March 21, 2010	by May 22, 2010	by May 22, 2010
	2011	by March 20, 2011	-	by March 20, 2011	by March 20, 2011

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

22.3.1 Details of plan that vested during the year are:

Shares of	GPSP Unilever PLC	GPSP Unilever NV
Date of grant	May 18, 2005	May 18, 2005
Vesting date	May 18, 2008	May 18, 2008
Fair value / Share price on grant date	£ 11.97	¤ 17.57
Fair value / Share price on vesting date	£ 17.22	¤ 20.99
Difference of grant date and settlement date fair value	£ 15.25	¤ 3.42
Contractual life (years)	3	3
Vesting conditions	Performance conditions	Performance conditions
Settlement	Cash	Cash
Expense arising on settlement	10,106	791

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

23. SHORT TERM BORROWINGS

Short term running finance - secured

The facilities for running finance available from various banks amount to Rs 5.99 billion (2007: Rs 4.42 billion). The rates of markup range between 13.90% to 16.26% per annum (2007: 9.60% to 10.14% 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, 2008 amounted to Rs 2.37 billion (2007: Rs 4.65 billion), of which the amount remaining unutilised at the year end was Rs 1.34 billion (2007: Rs 3.52 billion).

	2008	2007
	(Rupees in thousand)	
24. PROVISIONS		
Provision for cess less payments - note 25.1	**108,341**	-
Restructuring		
Balance as at January 1	**371,027**	110,000
Provision during the year - note 24.1	**489,280**	372,234
Utilised during the year	**(375,089)**	(111,207)
Balance as at December 31	**485,218**	371,027
	593,559	371,027

24.1 The provision booked in 2007 in respect of staff redundancy for beverages business and relocation / dismantling cost of a factory has been fully utilised during the year. Moreover, the Company has also raised provisions for planned staff redundancy for some factory employees and management staff. The full amount of provisions is expected to be utilised during 2009.

25. CONTINGENCY AND COMMITMENTS

25.1 Contingency

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 in August 2008, whereby the levy imposed and collected with effect from December 28, 2006 was declared valid and all imposition and collection before such date as invalid. The Court further ordered that all bank guarantees / securities furnished for transactions before December 28, 2006 stand discharged and are liable to be returned back and those furnished in respect of transactions after December 28, 2006 are liable to be encashed. The Company as well as the Government of Sindh have filed appeals in the Supreme Court against the said order. A provision amounting to Rs 120.98 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 12.64 million under protest against the said order.

As a matter of prudence, a total of Rs 321.47 million as at December 31, 2008 (Rs 363.11 million as at December 31, 2007) out of the revenue reserves has been earmarked as contingency reserve for the levy uptil December 2006.

25.2 Commitments

Aggregate commitments for capital expenditure and forward purchases as at December 31, 2008 amounted to Rs 126.23 million (2007: Rs 607.60 million) and Rs 530.74 million (2007: Rs 867.64 million) respectively.

Aggregate commitments for operating lease rentals as at December 31, 2008 amounts to:

	2008	2007
	(Rupees in thousand)	
Not later than one year	**93,330**	51,701
Over one year to five years	**107,102**	27,539
	200,432	79,240

The above includes ujrah payments for Ijarah financing of motor vehicles bearing a mark up of six months KIBOR + 1.35% for rentals payable semi annually.

26. SEGMENT INFORMATION

Segmental results and other information is provided below on the basis of product categories. These categories are:

Home and Personal Care - represents laundry and a wide range of cleaning, skin cleansing, skin care, hair care, deodorants, oral care and other personal care products

Beverages - represents tea
Ice Cream - represents ice cream
Other - represents margarine

26.1 Segment analysis

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Segment results for the year ended December 31, 2008					
Gross sales	21,524,952	11,715,780	5,058,944	757,496	39,057,172
Sales tax	(3,075,126)	(1,716,655)	(846,289)	-	(5,638,070)
Federal excise duty	(792,974)	(97,559)	(41,326)	-	(931,859)
	(3,868,100)	(1,814,214)	(887,615)	-	(6,569,929)
Sales excluding sales tax and federal excise duty	17,656,852	9,901,566	4,171,329	757,496	32,487,243
		-			
Rebates and allowances	(847,982)	(309,903)	(346,724)	(25,795)	(1,530,404)
	16,808,870	9,591,663	3,824,605	731,701	30,956,839
Cost of sales	(9,632,321)	(7,338,944)	(2,543,683)	(506,211)	(20,021,159)
Gross profit	7,176,549	2,252,719	1,280,922	225,490	10,935,680
Distribution costs	(3,348,899)	(1,191,502)	(1,069,071)	(228,110)	(5,837,582)
Administrative and restructuring cost allocated to segments	(872,079)	(402,114)	(224,998)	(35,368)	(1,534,559)
Segment result	2,955,571	659,103	(13,147)	(37,988)	
					3,563,539
Administrative and restructuring cost unallocated					(165,223)
Other operating expenses					(247,266)
Other operating income					239,918
Profit from operations					3,390,968
Finance costs					(466,166)
Profit before taxation					2,924,802
Taxation					(940,476)
Profit after taxation					1,984,326
Segment results for the year ended December 31, 2007					
Gross sales	15,505,698	9,782,641	3,950,817	615,651	29,854,807
Sales tax	(2,215,743)	(1,402,989)	(646,605)	-	(4,265,337)
Federal excise duty	(570,954)	(33,661)	(13,403)	-	(618,018)
	(2,786,697)	(1,436,650)	(660,008)	-	(4,883,355)
Sales excluding sales tax and federal excise duty	12,719,001	8,345,991	3,290,809	615,651	24,971,452
Rebates and allowances	(917,497)	(485,908)	(217,183)	(19,198)	(1,639,786)
	11,801,504	7,860,083	3,073,626	596,453	23,331,666
Cost of sales	(6,372,477)	(5,636,413)	(1,881,796)	(357,895)	(14,248,581)
Gross profit	5,429,027	2,223,670	1,191,830	238,558	9,083,085
Distribution costs	(2,838,406)	(1,280,563)	(774,824)	(127,384)	(5,021,177)
Administrative and directly attributable restructuring cost	(443,912)	(642,499)	(237,558)	(19,864)	(1,343,833)
Segment result	2,146,709	300,608	179,448	91,310	
					2,718,075
Administrative and restructuring cost not directly related to segments					(50,727)
Other operating expenses					(219,130)
Other operating income					190,588
Profit from operations					2,638,806
Finance costs					(109,208)
Profit before taxation					2,529,598
Taxation					(842,240)
Profit after taxation					1,687,358

26.1 Segment analysis - continued

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Other segment information					
As at December 31, 2008					
Segment assets	3,448,520	1,779,154	3,469,902	66,356	8,763,932
Unallocated assets					2,622,486
					11,386,418
Segment liabilities	1,741,309	735,218	392,298	131,176	3,000,001
Unallocated liabilities					6,157,046
					9,157,047
For the year ended December 31, 2008					
Capital expenditure	366,506	41,841	850,907	35,518	1,294,772
Cost of goods manufactured	9,022,181	7,647,783	2,566,008	401,194	19,637,166
Other segment items					
Staff costs	824,373	586,146	410,162	31,949	1,852,630
Advertising	1,790,033	409,416	379,560	152,200	2,731,209
Marketing and selling	77,538	45,906	30,065	4,747	158,256
Outward freight and handling	422,556	147,837	209,391	20,600	800,384
Royalty and technical services fee	604,739	318,841	149,980	22,683	1,096,243
Depreciation	128,107	48,657	270,969	5,938	453,671
As at December 31, 2007					
Segment assets	2,343,429	1,396,603	2,933,891	63,983	6,737,906
Unallocated assets					1,346,270
					8,084,176
Segment liabilities	1,478,551	1,834,777	292,977	93,407	3,699,712
Unallocated liabilities					2,390,376
					6,090,088
For the year ended December 31, 2007					
Capital expenditure	159,647	104,469	1,505,743	7,082	1,776,941
Cost of goods manufactured	6,085,765	5,711,233	1,876,305	267,715	13,941,018
Other segment items					
Staff costs	716,493	592,190	355,437	19,465	1,683,585
Advertising	1,683,195	567,868	289,608	75,843	2,616,514
Marketing and selling	62,410	51,063	25,531	2,837	141,841
Outward freight and handling	316,404	126,290	121,425	15,032	579,151
Royalty and technical services fee	379,060	210,210	100,750	15,420	705,440
Depreciation	118,633	60,846	190,826	2,666	372,971

Other operating expenses and income represent unallocated corporate expenses and income. Segment assets consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings. Other segment items comprise directly attributable segment costs.

27. OPERATING COSTS

	Cost of Sales		Distribution Costs		Administrative Expenses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Raw and packing material consumed	17,151,890	11,926,041	-	-	-	-	17,151,890	11,926,041
Manufacturing charges paid to third parties	535,630	424,141	-	-	-	-	535,630	424,141
Stores and spares consumed	108,634	95,435	-	-	-	-	108,634	95,435
Advertising	-	-	2,731,209	2,616,514	-	-	2,731,209	2,616,514
Marketing and selling	-	-	158,256	141,841	-	-	158,256	141,841
Outward freight and handling	-	-	800,384	579,151	-	-	800,384	579,151
Royalty and technical services fee	-	-	1,096,243	705,440	-	-	1,096,243	705,440
Staff costs - note 27.1	795,174	710,327	575,235	533,724	482,221	439,534	1,852,630	1,683,585
Utilities	397,433	274,479	8,367	4,868	32,286	30,736	438,086	310,083
Repairs and maintenance	177,264	143,893	24,854	6,986	23,889	20,464	226,007	171,343
Rent, rates and taxes	35,686	25,109	132,675	82,271	103,945	50,673	272,306	158,053
Depreciation	340,681	239,635	63,275	74,668	49,715	58,668	453,671	372,971
Amortisation of computer software	-	-	2,727	2,727	2,143	2,143	4,870	4,870
Travelling and entertainment	45,605	46,965	93,568	124,929	69,129	76,391	208,302	248,285
Stationery and office expenses	37,401	40,916	46,137	45,604	67,773	74,172	151,311	160,692
Expenses on information technology	1,326	55	1,887	308	164,572	121,097	167,785	121,460
Auditors' remuneration - note 27.3	-	-	-	-	11,976	10,924	11,976	10,924
Provision for doubtful debts - others	-	-	-	-	10,000	3,803	10,000	3,803
Provision for doubtful debts - trade	-	-	-	-	3,247	-	3,247	-
Other expenses	46,716	36,536	102,765	102,146	189,606	133,721	339,087	272,403
	19,673,440	13,963,532	5,837,582	5,021,177	1,210,502	1,022,326	26,721,524	20,007,035
Opening work in process	66,192	43,678						
	19,739,632	14,007,210						
Closing work in process	(102,466)	(66,192)						
Cost of goods manufactured	19,637,166	13,941,018						
Opening stock of finished goods including by product glycerine	1,000,644	697,381						
Finished goods purchased	870,578	610,826						
Closing stock of finished goods including by product glycerine	(1,487,229)	(1,000,644)						
	20,021,159	14,248,581						

27.1 Staff costs

	Cost of Sales		Distribution Costs		Administrative Expenses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Salaries and wages	754,084	671,664	501,058	464,398	378,996	341,930	1,634,138	1,477,992
Medical	21,112	22,668	243	53	18,865	20,291	40,220	43,012
Share based payments	(74)	168	13,209	8,933	19,523	10,291	32,658	19,392
Pension costs - defined benefit plan	9,273	5,691	12,204	14,469	15,532	18,528	37,009	38,688
Gratuity costs - defined benefit plan	2,160	345	17,544	17,778	22,329	22,678	42,033	40,801
Pensioner's medical plan	2,648	3,798	5,513	5,983	7,017	8,487	15,178	18,268
Provident fund cost - defined contribution plan	5,971	5,993	25,464	22,110	19,959	17,329	51,394	45,432
	795,174	710,327	575,235	533,724	482,221	439,534	1,852,630	1,683,585

27.2 Lease rentals amounting to Rs 399.55 million (2007: Rs 240.82 million) have been charged in operating cost for arrangements identified as operating leases upon application of IFRIC 4 – “Determining whether an Arrangement contains a Lease”. These arrangements include leases of property including offices, cold storage, depots and other arrangements for use of plant and machinery where fulfillment of the arrangement is dependent on the use of such assets and the arrangement conveys a right to use the asset.

27.3 Auditors' remuneration

	2008	2007
	(Rupees in thousand)	
Audit fee	3,100	3,000
Taxation services	4,026	2,992
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	4,500	4,581
Out of pocket expenses	350	351
	11,976	10,924

28. OTHER OPERATING EXPENSES

	2008	2007
Donations and Corporate Social Responsibility - note 28.1	30,498	31,513
Workers' profits participation fund - note 14.1	157,078	135,861
Workers' welfare fund	59,690	51,756
	247,266	219,130

28.1 Donations and corporate social responsibility

Donations include the following in whom a director is interested:

Name of Director(s)	Interest in Donee	Name and address of Donee	2008 (Rupees in thousand)	2007 (Rupees in thousand)
1. Mr. Ehsan A. Malik	Board Member	The Kidney Centre 172/R, Rafiqui Shaheed Road, Karachi	**2,065**	1,800
2. Mr. Ehsan A. Malik & Syed Babar Ali *	Trustee Pro-Chancellor	Lahore University of Management Sciences, DHA, Lahore	**2,599**	1,166
	Corporate Member President-Emeritus	World Wide Fund for Nature Ferozepur Road, Lahore	-	1,200
3. Syed Babar Ali *	Trustee	The Layton Rahmatullah Benevolent Trust S-16, Phase II DHA, Karachi	**1,900**	1,620

* Syed Babar Ali was a director till April 18, 2008.

29. OTHER OPERATING INCOME

	2008	2007
Income from investment in related party		
Dividend from Futehally Chemicals (Private) Limited	**12**	12
Return from other financial assets		
Return on savings accounts and term deposits - note 29.1	**1,065**	12,571
Income from non-financial assets		
Salvage sales	**27,312**	42,913
Profit on disposal of property, plant and equipment	**29,805**	13,313
Sundry	**40,103**	8,584
Others		
Service fee from related party - note 29.2	**37,040**	30,153
Reversal of impairment loss	-	336
Reversal of provision for doubtful debts - trade	-	1,515
Liabilities no longer payable written back	**104,581**	81,191
	239,918	190,588

29.1 Markup on saving accounts was earned at the rates ranging from 5% to 8.5% per annum (2007: 0.1% to 8%)

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

	2008	2007
	(Rupees in thousand)	

30. FINANCE COSTS

	2008	2007
Interest on loan from related party		
Interest on short term loan - note 30.1	19,471	-
Others		
Mark up on short term borrowings	138,705	23,140
Bank charges	36,780	23,152
Exchange loss	258,203	55,637
Finance charge on finance leases	12,814	7,138
Others	193	141
	446,695	109,208
	466,166	109,208

30.1 During the year, the Company obtained an unsecured loan amounting to USD 15 million borrowed from Unilever Finance International B.V., Rotterdam, Netherlands, an associated undertaking on May 27, 2008, at a markup rate not exceeding six months LIBOR + 1% to meet working capital requirements. The loan was repaid in USD at the end of loan term on November 21, 2008.

	2008	2007
	(Rupees in thousand)	

31. TAXATION

	2008	2007
Current - for the year		
Pakistan	859,002	724,060
Azad Kashmir	20,865	12,731
	879,867	736,791
Deferred tax charge	60,609	105,449
	940,476	842,240

31.1 Relationship between tax expense and accounting profit

	2008	2007
Accounting profit before tax	2,924,802	2,529,598
Tax at the applicable tax rate of 35% (2007: 35%)	1,023,681	885,359
Tax effect on inadmissible expenses and presumptive tax	(83,205)	(43,119)
Tax expense for the year	940,476	842,240

32. EARNINGS PER SHARE

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

	2008	2007
	(Rupees in thousand)	
Profit after tax	**1,984,326**	1,687,358
Preference dividend on cumulative preference shares	**(239)**	(239)
Profit after taxation attributable to ordinary shareholders	**1,984,087**	1,687,119
Weighted average number of shares in issue during the year (in thousands)	**13,294**	13,294
Earnings per share (Rupees)	**149**	127

33. PROPOSED AND DECLARED DIVIDENDS

On ordinary shares

At the Board meeting on February 6, 2009 a final dividend in respect of 2008 of Rs 57 per share amounting to a total dividend of Rs 757.75 million is proposed (2007: Rs 63 per share amounting to a total dividend of Rs 837.51 million).

The interim dividend declared and already paid in respect of 2008 was Rs 66 per share amounting to a total dividend of Rs 877.40 million (2007: Rs 60 per share amounting to a total dividend of Rs 797.63 million).

On cumulative preference shares

At the Board meeting on February 6, 2009 dividend in respect of 2008 of Rs 239 thousand has been declared (2007: Rs 239 thousand).

These financial statements do not reflect the proposed final ordinary dividend and the dividend declared on cumulative preference shares as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2009.

34. RELATED PARTY TRANSACTIONS

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	Royalty and technical services fee	**1,010,709**	705,440
ii. Associated companies	Purchase of goods	**6,297,397**	5,330,422
	Purchase of services	**30,094**	33,125
	Sale of goods	**252**	287
	Reciprocal arrangements for sharing of common costs	**10,263**	9,718
	Sale of services	**88,998**	60,075
	Purchase of fixed assets	**-**	19,854
	Sale of fixed assets	**7,674**	4,115
	Short term loan received	**1,023,000**	-
	Short term loan repaid	**1,062,600**	-
	Interest on short term loan	**19,471**	-
iii. Third parties whose manufacturing processes are dependent on Unilever	Toll manufacturing	**431,526**	371,748
	Purchase of operating assets	**125,974**	-
	Dividend income	**12**	12
iv. Company in which close family member of a Director is holding directorship	Purchase of goods	**774,473**	1,408,568
v. Company in which close family member of a key management personnel holds a key management position	Purchase of services	**-**	19
vi. Key management personnel	Salaries and other short-term employee benefits	**75,515**	66,367
	Post-employment benefits	**6,787**	5,759
	Consideration received for vehicle sold	**773**	-
vii. Others	Donations	**6,565**	5,786
	Corporate & social responsibility	**1,174**	-

Royalty and technical services fee is paid at the rates acknowledged by the State Bank of Pakistan. Other transactions with related parties are carried out on commercial terms, at market prices and are settled in the ordinary course of business.

The related party status of outstanding balances as at December 31, 2008 is included in trade debts, other receivables and trade and other payables respectively.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in note 13.1 and note 22.3.

35. 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	
	2008	2007	**2008**	2007	**2008**	2007
	(Rupees in thousand)					
Managerial remuneration and allowances	**23,230**	20,650	**12,428**	11,605	**337,683**	325,415
Share based compensation	**10,122**	4,086	**10,550**	1,401	**11,987**	13,905
Retirement benefits *	**3,147**	1,215	**1,773**	1,657	**57,860**	57,575
Rent and utilities	**3,857**	4,209	**1,423**	1,340	**108,960**	101,241
Medical expenses	**462**	134	**234**	366	**7,099**	7,554
Other expenses	**-**	-	**1,422**	1,398	**2,448**	5,650
	40,818	30,294	**27,830**	17,767	**526,037**	511,340
Number of persons	**4 ****	4	**1**	1	**300**	268

** During the year, Mr. Imran Husain and Ms. Shazia Syed were appointed as directors with effect from April 1, 2008 and April 19, 2008 respectively in place of Mr. Peter Harvey and Mr. Amar Naseer. The charge reflects the respective period of executive directorship held by them.

In addition to this, a lump sum amount of Rs 157.06 million (2007: Rs 140.10 million) on account of variable pay has been recognised in the financial statements 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 Directors	**4,903**	4,295
Chief Executive	**4,117**	5,486
Executives	**80,210**	105,640
Other employees	**24,706**	35,215
	113,936	150,636

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

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

Aggregate amount charged in these financial statements for the year for fee to 5 non-executive directors was Rs 165 thousand (2007: 6 non-executive directors Rs 255 thousand).

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs 40.98 million (2007: Rs 30.55 million).

36. CAPACITY

	Annual Capacity		Actual Production	
	2008	2007	**2008**	2007
	Metric Tons			
Own manufacture				
Home and Personal Care	**57,741**	57,913	**42,175**	41,496
Beverages	**50,000**	78,222	**36,687**	37,876
	Million Litres			
Ice Cream	**77**	69	**39**	34

Annual capacity of Beverages was reduced due to shut down of the Karachi Tea Factory. The current capacity was still under utilised as the production was 36.69 metric tons on account of lower demand.

Whereas the production capacity of Ice Cream Factory was increased due to anticipated higher sales in the subsequent years. Actual production was 39 million litres only due to lower demand.

37. FINANCIAL INSTRUMENTS

Financial assets and liabilities:

	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							
Investments	-	-	-	-	95,202	95,202	95,202
Loans and advances to employees	-	-	-	57,121	120,545	177,666	177,666
Deposits	-	-	-	130,808	4,480	135,288	135,288
Trade debts	-	-	-	228,763	-	228,763	228,763
Other receivables	-	-	-	162,758	-	162,758	162,758
Cash and bank balances	-	-	-	106,789	-	106,789	106,789
	-	-	-	686,239	220,227	906,466	906,466
December 31, 2007	167,292	-	167,292	574,937	215,340	790,277	957,569
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	4,185,163	-	4,185,163	4,185,163
Accrued interest / mark up	-	-	-	64,075	-	64,075	64,075
Liabilities against assets subject to finance leases	32,322	77,327	109,649	-	-	-	109,649
Short term borrowings	3,232,523	-	3,232,523	-	-	-	3,232,523
	3,264,845	77,327	3,342,172	4,249,238	-	4,249,238	7,591,410
December 31, 2007	440,830	52,932	493,762	4,500,754	-	4,500,754	4,994,516
OFF BALANCE SHEET ITEMS							
Financial Commitments:							
Open letters of credit / guarantee	-	-	-	1,029,967	-	1,029,967	1,029,967
	-	-	-	1,029,967	-	1,029,967	1,029,967
December 31, 2007	-	-	-	1,130,000	-	1,130,000	1,130,000

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

Capital Risk Management

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

During 2008 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2008 and 2007 were as follows:

	2008	2007
	(Rupees in thousand)	
Total borrowings	**3,342,172**	493,762
Cash and bank	**(106,789)**	(188,682)
Net debt	**3,235,383**	305,080
Total equity	**2,215,758**	1,979,827
Gearing ratio	**59%**	13%

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. In addition the Company has been investing heavily in capital expenditure which has been financed through debt.

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. Company's liabilities against finance leases and short term borrowings are at fixed / 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 to perform as contracted. Out of the total financial assets of Rs 906 million (2007: Rs 958 million), the financial assets that are subject to credit risk amounted to Rs 229 million (2007: Rs 239 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.

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 there is no instrument available in the market to hedge the foreign currency exposure.

v. Fair values of financial assets and liabilities

The major portion of the Company's financial instruments is 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.

38. CASH AND CASH EQUIVALENTS

	2008	2007
	(Rupees in thousand)	
Cash and bank balances	**106,789**	188,682
Short term borrowings - short term running finance	**(3,232,523)**	(423,557)
	(3,125,734)	(234,875)

39. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

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

	Cost	Accumulated Depreciation / Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant and Machinery	8,453	3,944	4,509	7,674	Negotiation	PT Unilever Indonesia, Tbk Graha Unilever, J.I.Jend, Gatot Subroto Kav. 15, Jakarta Indonesia
	75,151	69,106	6,045	490	Open Bidding	Imran Akkhtar Kabaria, Kot Abdul Malik, Lahore Road, Sheikhupura
	10,140	9,533	607	675	"	Mahboob Brothers, Opp. Thana Nawa Kot, Main Dholanwal Bazar, Near Yateem Khana, Lahore
	4,906	4,446	460	317	"	"
	3,820	3,486	334	294	"	Mr Fazal Khan C/o M/S Qadir Khan, Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khyban-e-Sir Syed, Rawalpindi
	3,437	2,872	565	168	"	Naeem Ahmad, Eagel Pak Overseas Motor, House # B/393, Ashraf Nagar, Near Rehmania Masjid, Paposh Nagar, Karachi
	3,315	2,399	916	163	"	"
	2,982	2,840	142	196	"	Mahboob Brothers, Opp. Thana Nawa Kot, Main Dholanwal Bazar, Near Yateem Khana, Lahore
	2,499	2,304	195	192	"	Mr Fazal Khan C/o M/S Qadir Khan, Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khyban-e-Sir Syed, Rawalpindi
	2,382	2,027	355	113	"	Naeem Ahmad, Eagel Pak Overseas Motor, House # B/393, Ashraf Nagar, Near Rehmania Masjid, Paposh Nagar, Karachi
balance carried forward	117,085	102,957	14,128	10,282		

	Cost	Accumulated Depreciation / Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant and Machinery *balance brought forward*	117,085	102,957	14,128	10,282		
	1,843	1,646	197	135	Open Bidding	Mr. Fazal Khan C/o M/S Qadir Khan, Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khayaban-e-Sir Syed, Rawalpindi
	938	938	-	476	"	Sohail Ahmad & Brothers, Godown #273, Darul Ahsan Town, Sammundari Road, Faisalabad
	3,061	920	2,141	2,141	Claim	NPD Frozen Foods, Plot # A-11, S.I.T.E. Super Highway, Karachi
	122,927	106,461	16,466	13,034		
Electrical, mechanical and office equipment	83,352	70,504	12,848	16,464	Negotiation	Hewlett-Packard Pakistan (Private) Limited 64, Nazimuddin Road, F-8, Islamabad
	2,887	2,571	316	19	Open Bidding	Imran Akkhtar Kabaria, Kot Abdul Malik, Lahore Road, Sheikhupura
	86,239	73,075	13,164	16,483		
Furniture and Fittings	244	34	210	210	Company Policy	Mr. Ayendra Jayesinghe - Ex-Executive
Motor Vehicles	68,079	18,842	49,237	49,237	Negotiation	Habib Bank Ltd, I.I.Chundrigar Road, Karachi
	1,799	1,013	786	1,220	Company Policy	Mr. Khan Kashif Khan - Ex-Executive
	1,506	377	1,129	1,205	"	Mr. Nazir Ahmed - Ex-Executive
	1,394	261	1,133	1,233	"	Mr. Ayub Vohra - Ex- Executive
	1,394	87	1,307	1,324	"	Syed Zahid Hussain - Ex-Executive
	1,376	688	688	936	"	Mr. Umar Khalid - Executive
	1,355	84	1,271	1,272	"	Mr. Mustafa A. Khan - Ex-Executive
	1,288	884	404	773	"	Mr. Imran Husain - Executive
	1,279	480	799	960	"	Mr. Zubair Hasnain - Executive
	1,248	1,173	75	460	"	Mr. Raheel Ahmed Qureshi - Executive
	1,219	609	610	651	"	Mr. Zahid Hussain - Ex-Executive
	1,043	586	457	-	"	Ms. Fareena Mahmud-Hameed - Ex-Executive
	997	940	57	450	"	Mr. Amin Razzaq - Executive
	835	626	209	480	"	Mr. Hashim Shouket - Executive
	595	409	186	171	"	Mr. Basharat Ahmad - Ex-Executive
	4,000	2,997	1,003	1,602	Auction	Ahmed Ali Khan - H. No D-8, Block-B, N. Nazimabad, Karachi
	365	23	342	360	Insurance Claim	New Jubilee Insurance Company Ltd. NJI House, I.I. Chundrigar Road Karach
	365	297	68	325	"	"
	409	51	358	409	"	"
	90,546	30,427	60,119	63,068		
Assets having book value less than Rs. 50,000						
Electrical, mechanical and office equipment	3,261	3,233	28	110		
Motor Vehicles	60,202	59,779	423	27,725		
Write off						
Plant and Machinery	1,186	1,078	108	-		
Electrical, mechanical and office equipment	1,557	1,433	124	-		
Furniture and Fittings	2,528	2,345	183	-		
	368,690	277,865	90,825	120,630		

40. MONOPOLY CONTROL AUTHORITY ORDER

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

41. CORRESPONDING FIGURES

41.1 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)
Stores and Spares	Capital work in progress	17,073
Bills payable	Accrued liabilities	408,317
Creditors	Accrued liabilities	117,283
Auditors' remuneration and provision for doubtful debts - trade and others from other operating expenses to administrative expenses		
Auditors' remuneration	Auditors' remuneration	10,924
Provision for doubtful debts - trade and others	Provision for doubtful debts - trade and others	3,803

42. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 6, 2009 by the Board of Directors of the Company.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Consolidated Financial Statements

Unilever Pakistan Limited
and its subsidiary companies

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Unilever Pakistan Limited (the Holding Company) and its subsidiary companies Lever Chemical (Private) Limited, Levers Associated Pakistan Trust (Private) Limited and Sadiq (Private) Limited** as at December 31, 2008 and their 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, 2008 and the results of their operations for the year then ended.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
February 6, 2009

Consolidated Balance Sheet
as at December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	3	**4,428,278**	3,530,572
Intangibles	4	**7,303**	12,173
Long term investments	5	**200**	200
Long term loans	6	**120,545**	115,388
Long term deposits and prepayments	7	**540,027**	4,920
Retirement benefits - prepayments	8	**205,355**	250,878
		5,301,708	3,914,131
Current assets			
Stores and spares	9	**231,897**	163,282
Stock in trade	10	**4,261,770**	2,726,064
Trade debts	11	**228,763**	239,313
Loans and advances	12	**123,904**	122,888
Accrued interest / mark up		**3,874**	3,510
Trade deposits and short term prepayments	13	**516,443**	236,064
Other receivables	14	**218,258**	249,139
Tax refunds due from Government	15	**301,813**	148,496
Cash and bank balances	16	**230,009**	305,002
		6,116,731	4,193,758
Total assets		**11,418,439**	8,107,889

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	**669,477**	669,477
Reserves	18	**1,575,643**	1,331,642
		2,245,120	2,001,119
Surplus on revaluation of fixed assets	19	**13,613**	14,261
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance leases	20	**77,327**	52,932
Deferred taxation	21	**369,653**	309,044
Retirement benefits obligations	8	**239,794**	140,463
		686,774	502,439
Current liabilities			
Trade and other payables	22	**4,549,434**	4,752,028
Taxation - provisions less payments		**1,019**	22,516
Accrued interest / mark up		**64,075**	3,669
Current maturity of liabilities against assets subject to finance leases	20	**32,322**	17,273
Short term borrowings	23	**3,232,523**	423,557
Provisions	24	**593,559**	371,027
		8,472,932	5,590,070
Total liabilities		**9,159,706**	6,092,509
Contingency & commitments	25		
Total equity and liabilities		**11,418,439**	8,107,889

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Consolidated Profit and Loss Account
for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
Sales	26	**30,956,839**	23,331,666
Cost of sales	27	**(20,021,159)**	(14,248,581)
Gross profit		**10,935,680**	9,083,085
Distribution costs	27	**(5,837,582)**	(5,021,177)
Administrative expenses	27	**(1,211,248)**	(1,022,935)
Other operating expenses	28	**(247,266)**	(219,130)
Other operating income	29	**253,079**	206,235
		3,892,663	3,026,078
Restructuring cost		**(489,280)**	(372,234)
Profit from operations		**3,403,383**	2,653,844
Finance costs	30	**(466,166)**	(109,227)
Profit before taxation		**2,937,217**	2,544,617
Taxation	31	**(944,821)**	(846,098)
Profit after taxation		**1,992,396**	1,698,519
Earnings per share (Rupees)	32	**150**	128

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Consolidated Cash Flow Statement
for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**37,549,825**	28,169,417
Cash paid to suppliers / service providers and employees		**(26,728,006)**	(18,050,507)
Payment of indirect taxes and other statutory duties		**(7,427,653)**	(5,988,687)
Payment of royalty and technical services fee		**(980,164)**	(706,806)
Finance costs paid		**(405,760)**	(107,456)
Income tax paid		**(1,070,483)**	(841,219)
Retirement benefits obligations (net)		**(304,918)**	(72,747)
Long term loans (net)		**(5,157)**	(18,971)
Long term deposits and prepayments (net)		**(535,107)**	20,437
Net cash from operating activities		**92,577**	2,403,461
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,369,388)**	(1,713,886)
Sale proceeds of property, plant and equipment on disposal		**120,630**	41,806
Return received on savings accounts, term deposits and balance receivable from provident fund		**13,862**	28,074
Dividend received		**12**	12
Net cash used in investing activities		**(1,234,884)**	(1,643,994)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance leases (net)		**(33,370)**	(24,085)
Dividends paid		**(1,708,282)**	(1,546,007)
Net cash used in financing activities		**(1,741,652)**	(1,570,092)
Net decrease in cash and cash equivalents		**(2,883,959)**	(810,625)
Cash and cash equivalents at the beginning of the year	38	**(118,555)**	692,070
Cash and cash equivalents at the end of the year	38	**(3,002,514)**	(118,555)

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2008

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL			REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Other	Unappropriated profit		
	(Rupees in thousand)						
Balance as at January 1, 2007	669,477	70,929	321,471	16,615	761,801	1,170,816	1,840,293
Net profit for the year	-	-	-	-	1,698,519	1,698,519	1,698,519
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:							
- incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from unappropriated profit to contingency reserve - note 25.1	-	-	41,635	-	(41,635)	-	-
Employee benefits cost under IFRS 2 - "Share-based Payment"	-	-	-	19,392	-	19,392	19,392
Utilisation of share based payment reserve	-	-	-	(2,112)	-	(2,112)	(2,112)
Dividends							
For the year ended December 31, 2006							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 57 per share	-	-	-	-	(757,750)	(757,750)	(757,750)
For the year ended December 31, 2007							
- Interim dividend on ordinary shares @ Rs 60 per share	-	-	-	-	(797,632)	(797,632)	(797,632)
Balance as at December 31, 2007	669,477	70,929	363,106	33,895	863,712	1,331,642	2,001,119
Net profit for the year	-	-	-	-	1,992,396	1,992,396	1,992,396
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:							
- incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from contingency reserve to unappropriated profit - note 25.1	-	-	(41,635)	-	41,635	-	-
Reclassification of Share-based Payment as liability - note 22.3	-	-	-	(33,895)	-	(33,895)	(33,895)
Dividends							
For the year ended December 31, 2007							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 63 per share	-	-	-	-	(837,514)	(837,514)	(837,514)
For the year ended December 31, 2008							
- Interim dividend on ordinary shares @ Rs 66 per share	-	-	-	-	(877,395)	(877,395)	(877,395)
Balance as at December 31, 2008	**669,477**	**70,929**	**321,471**	**-**	**1,183,243**	**1,575,643**	**2,245,120**

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

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended December 31, 2008

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of:

Unilever Pakistan Limited (the "Company")
Lever Chemicals (Private) Limited
Levers Associated Pakistan Trust (Private) Limited
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 out any business operations.

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

1.2 Basis of consolidation

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

All intercompany balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Critical accounting estimates and judgements

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

i. Taxation

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred tax in the period in which such determination is made.

ii. Post employment benefits

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

iii. Provisions

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

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

There have been no critical judgments made by the Group'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

- New standard, amendments to published standard and new interpretation effective in 2008 - relevant

Islamic Financial Accounting Standard 2 - 'Ijarah' is mandatory for the Group's accounting periods beginning on or after July 1, 2007 for those Ijarah agreements which commenced on or after this date. During the year, the Group had entered into a sale and leaseback (Ijarah) transaction which requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight line basis over the ijarah term. The sale price and the fair value of the assets approximate their book value, hence no profit or loss arose as a result of this transaction.

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

There are other accounting standard, 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 Group's operations and are therefore not detailed in these financial statements.

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

Following amendment to existing approved accounting standards have been published that are mandatory for the Group'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 components of 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. The option of immediately expensing borrowing costs has been removed. 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 management has assessed that the change in interest calculation method would not have a material impact on the Group'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 Group'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 products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. There will be no significant impact on its implementation.

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.

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

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

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

2.4 Intangibles

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

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

2.5 Investments

In unlisted entity not being subsidiary

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

2.6 Taxation

i. Current

The 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.

2.7 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.

2.8 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 values plus other charges incurred thereon.

2.9 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.

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

2.10 Trade and other debts

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

2.11 Cash and cash equivalents

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

2.12 Leases

i. Finance leases

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

ii. Operating leases

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

2.13 Trade and other payables

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

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.15 Provisions

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

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

2.16 Financial instruments

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

2.17 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 Group's functional and presentation currency.

2.18 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 Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria has been met for each of the Group'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.

iii. Dividend income

Dividend is recognised as income when the right of receipt is established.

2.19 Segment information

Segment information is provided on the basis of product categories.

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.

Common expenses are allocated to business segments based on their respective budgeted revenue.

2.20 Dividends

Dividends distribution to the Group'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.

2.21 Share based payment

The cost of awarding shares 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. Where awarded shares relate to Group Companies a corresponding provision is created to reflect the liability.

3. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
	(Rupees in thousand)	
Operating assets - note 3.1	**3,988,216**	3,097,121
Capital work in progress - at cost - note 3.2	**440,062**	433,451
	4,428,278	3,530,572

3.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousand)									
Net carrying value basis										
Year ended December 31, 2008										
Opening net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Additions (at cost)	-	-	93,960	3,651	1,155,323	70,080	3,710	36,053	72,814	1,435,591
Disposals (at NBV)	-	-	-	-	(16,574)	(13,316)	(393)	(58,840)	(1,702)	(90,825)
Depreciation charge	-	(7)	(14,037)	(828)	(317,583)	(33,844)	(2,148)	(51,100)	(34,124)	(453,671)
Closing net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Gross carrying value basis										
At December 31, 2008										
Cost	25,575	716	662,719	78,564	4,810,210	537,470	36,412	194,749	178,107	6,524,522
Accumulated depreciation	-	(295)	(147,833)	(59,177)	(1,709,117)	(380,118)	(19,364)	(159,967)	(60,435)	(2,536,306)
Net book value (NBV)	25,575	421	514,886	19,387	3,101,093	157,352	17,048	34,782	117,672	3,988,216
Net carrying value basis										
Year ended December 31, 2007										
Opening net book value (NBV)	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Additions (at cost)	-	-	200,605	6,206	1,243,839	28,819	1,914	34,499	63,055	1,578,937
Disposals (at NBV)	-	-	-	-	(13,382)	(2,333)	(650)	(8,704)	(3,088)	(28,157)
Depreciation charge	-	(7)	(8,771)	(715)	(218,017)	(59,214)	(2,240)	(63,244)	(20,763)	(372,971)
Impairment reversal	-	-	-	-	336	-	-	-	-	336
Closing net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Gross carrying value basis										
At December 31, 2007										
Cost	25,575	716	568,759	74,913	3,779,000	558,447	35,474	304,670	110,067	5,547,621
Accumulated depreciation	-	(288)	(133,796)	(58,349)	(1,499,073)	(424,015)	(19,595)	(196,001)	(29,383)	(2,360,500)
Net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Depreciation rate % per annum	-	1.05	1.5 to 2.5	1.5 to 2	8 to 20	8 to 20	8 to 14	25	25	

	2008	2007
	(Rupees in thousand)	

3.2 Capital Work in Progress - at cost

	2008	2007
Civil works	**25,600**	16,133
Plant and machinery	**414,462**	417,318
	440,062	433,451

Details of property, plant and equipment disposed of during the year are given in note 39.

4. INTANGIBLES - computer software

	2008	2007
	(Rupees in thousand)	
Net carrying value basis Year ended December 31, 2008		
Opening net book value	**12,173**	17,043
Amortisation charge	**(4,870)**	(4,870)
Closing net book value	**7,303**	12,173
Gross carrying value basis At December 31, 2008		
Cost	**24,348**	24,348
Accumulated amortisation	**(17,045)**	(12,175)
Net book value	**7,303**	12,173
Remaining useful life in years	**1.50**	2.50

5. LONG TERM INVESTMENTS

Investments in related parties

Investment available for sale - at cost

	2008	2007
Futehally Chemicals (Private) Limited 2,000 6% redeemable cumulative preference shares of Rs 100 each	**200**	200
	200	200

	2008	2007
	(Rupees in thousand)	

6. LONG TERM LOANS - considered good

		2008	2007
Related Parties	note 6.1, 6.2 and 6.3		
Directors		8,128	7,751
Chief Executive		11,454	14,509
Key management personnel other than Directors and Chief Executive		1,859	5,975
		21,441	28,235
Others			
Executives		122,602	107,194
Other employees		33,623	36,211
		156,225	143,405
		177,666	171,640
Recoverable within one year - note 12		(57,121)	(56,252)
Long term portion		120,545	115,388

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

	Directors		Chief Executive		Other Key Management Personnel		Executives	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Opening balance	7,751	541	14,509	-	5,975	4,821	107,194	86,138
Disbursements	-	-	-	15,273	-	11,221	59,184	71,652
Appointment of Executives as Directors (net)	(237)	8,690	-	-	-	(8,169)	237	(521)
Appointment of other key Management personnel as Directors	3,452	-	-	-	(3,452)	-	-	-
Repayments	(2,838)	(1,480)	(3,055)	(764)	(664)	(1,898)	(44,013)	(50,075)
	8,128	7,751	11,454	14,509	1,859	5,975	122,602	107,194

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

Loans are secured against retirement benefits of the employees.

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

	2008	2007
	(Rupees in thousand)	
Directors	9,878	8,208
Chief Executive	14,254	15,273
Key management personnel other than Directors and Chief Executive	6,176	14,866
Executives	126,259	107,194

	2008	2007
	(Rupees in thousand)	

7 LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits	4,480	4,750
Prepaid rent - note 7.1	503,548	170
Others	31,999	-
	540,027	4,920

7.1 During the year, the Group paid rent of head office building amounting to Rs 691.75 million. As at the year end, Rs 500.54 million has been classified as long term and Rs 120.39 million has been classified as short term prepayments.

8. RETIREMENT BENEFITS

8.1 The Group operates a provident fund, a pension plan, management and non-management gratuity plans and a pensioners' medical plan for its employees. The pensioners' medical plan is a book reserve plan while the other 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 pensioners' medical plan reimburses actual medical expense as defined in the plan.

8.2 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 Funds		Pensioners' Medical Plan	
	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)					
Balance Sheet Reconciliation						
Fair value of plan assets	1,571,499	1,522,551	231,305	368,948	-	-
Present value of defined benefit obligations	(1,468,346)	(1,497,882)	(416,803)	(404,129)	(163,174)	(132,181)
Funded status	103,153	24,669	(185,498)	(35,181)	(163,174)	(132,181)
Unrecognised net actuarial loss / (gain)	102,202	194,942	90,855	66,448	18,023	(8,282)
Recognised asset / (liability)	205,355	219,611	(94,643)	31,267	(145,151)	(140,463)
Movement in the fair value of plan assets						
Fair value as at January 1	1,522,551	1,457,991	368,948	475,590		
Expected return on plan assets	137,194	155,876	33,250	51,972		
Actuarial gains / (losses)	19,917	(9,012)	(15,594)	(3,292)		
Employer contributions	38,019	35,385	256,409	29,070		
Benefits paid	(146,182)	(117,689)	(411,708)	(184,392)		
Fair value as at December 31	1,571,499	1,522,551	231,305	368,948		
Movement in the defined benefit obligation						
Obligation as at January 1	1,497,882	1,431,151	404,129	408,253	132,181	145,118
Service cost	32,410	32,696	31,157	31,968	1,546	1,966
Interest cost	145,920	151,029	42,446	43,008	14,052	15,512
Settlement and curtailment	-	(11,808)	340,286	118,534	-	688
Actuarial losses / (gains)	(61,684)	12,503	10,493	(13,242)	25,885	(22,811)
Benefits paid	(146,182)	(117,689)	(411,708)	(184,392)	(10,490)	(8,292)
Obligation as at December 31	1,468,346	1,497,882	416,803	404,129	163,174	132,181
Cost						
Current service cost	32,410	32,696	31,157	31,968	1,546	1,966
Interest cost	145,920	151,029	42,446	43,008	14,052	15,512
Expected return on plan assets	(137,194)	(155,876)	(33,250)	(51,972)	-	-
Settlement and curtailment	-	(11,808)	340,286	118,534	-	688
Recognition of actuarial loss	11,139	10,839	1,680	17,797	(420)	790
Expense	52,275	26,880	382,319	159,335	15,178	18,956
Actual return on plan assets	157,111	146,864	17,656	48,680		

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	**9.73%**	5.70%
Medical cost trends rates	**10.48%**	5.70%

Expected contributions to post employment benefit plans for the year ending December 31, 2009 is Rs 560 million (2008: Rs 200 million).

Comparison for five years:

	2008	2007	2006	2005	2004
			(Rupees in thousand)		
As at December 31					
Fair value of plan assets	**1,802,804**	1,891,499	1,933,581	1,812,268	1,961,540
Present value of defined benefit obligation	**(2,048,323)**	(2,034,192)	(1,984,522)	(1,750,814)	(1,802,140)
(Deficit) / surplus	**(245,519)**	(142,693)	(50,941)	61,454	159,400
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	**0.2%**	(0.7%)	0.3%	(6.5%)	(0.9%)
(Gain) / loss on obligations (as percentage of plan obligations)	**(1.2%)**	(1.2%)	7.5%	1.5%	5.4%

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	2,151	1,765
Effect on the defined benefit obligations	17,148	14,652

Plan assets comprise of the following:

	2008		2007	
	Rupees in thousand	%	Rupees in thousand	%
Equity	**23,974**	**1.3**	-	-
Debt	**130,827**	**7.3**	722,553	38.2
Others (include cash and bank balances)	**1,648,003**	**91.4**	1,168,946	61.8
	1,802,804	**100**	1,891,499	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 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.

Based on the above actuarial valuation the retirement benefits - asset amounts to Rs 205.35 million (2007: Rs 250.88 million) and retirement benefits - liability amounts to Rs 239.79 million (2007: Rs 140.46 million).

8.3 During the year the Group contributed Rs 51.39 million (2007: Rs 45.43 million) to the provident fund.

9. STORES AND SPARES

	2008	2007
	(Rupees in thousand)	
Stores (including in transit Rs 8.80 million; 2007: Rs 7.76 million)	**68,888**	58,531
Spares (including Nil in transit; 2007: Rs 0.59 million)	**194,971**	128,879
Others	**2,920**	2,120
	266,779	189,530
Provision for slow moving and obsolete stores and spares	**(34,882)**	(26,248)
	231,897	163,282

The Group has recognised a provision of Rs 8.63 million (2007: Rs 9.2 million) for obsolescence and has not written off any inventory during the year (2007: inventory of Rs 5.19 million was written off) by utilising the provision.

10. STOCK IN TRADE

	2008	2007
	(Rupees in thousand)	
Raw and packing materials at cost (including in transit Rs 565 million; 2007: Rs 618 million)	**2,812,515**	1,715,876
Provision for obsolescence	**(140,440)**	(56,649)
	2,672,075	1,659,227
Work in process	**102,466**	66,192
Finished goods (including in transit Rs 264 million; 2007: Rs 208 million)	**1,550,391**	1,073,264
By product - glycerine	**18,710**	2,131
	1,569,101	1,075,395
Provision for obsolescence	**(81,872)**	(74,750)
	1,487,229	1,000,645
	4,261,770	2,726,064

10.1 Stock in trade includes Rs 760 million (2007: Rs 346 million) held with third parties.

10.2 The above balances include items costing Rs 337.9 million (2007: Rs 208.4 million) valued at net realisable value of Rs 80.7 million (2007: Rs 50.7 million)

10.3 The Group has recognised a provision of Rs 196.06 million for obsolescence (2007: Rs 86.06 million) and has written off inventory amounting to Rs 105.14 million (2007: Rs 38.46 million) by utilising the provision during the year ended December 31, 2008.

11. TRADE DEBTS

	2008	2007
	(Rupees in thousand)	
Considered good	**228,763**	239,313
Considered doubtful	**47,491**	54,154
	276,254	293,467
Provision for doubtful debts - note 11.1	**(47,491)**	(54,154)
	228,763	239,313

11.1 The Group has recognised a provision of Rs 3.25 million (2007: reversed a provision of Rs 1.52 million) and has written off debts amounting to Rs 9.91 million (2007: Nil) by utilising the provision during the year ended December 31, 2008.

12. LOANS AND ADVANCES

	2008	2007
	(Rupees in thousand)	
Considered good		
Current portion of loans to employees - note 6	**57,121**	56,252
Advances to:		
Executives - note 12.1	**10,374**	5,110
Suppliers and others	**56,409**	61,526
	123,904	122,888
Considered doubtful		
Advances to suppliers and others	**6,244**	6,244
	130,148	129,132
Provision for doubtful advances to suppliers and others	**(6,244)**	(6,244)
	123,904	122,888

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

	2008	2007
	(Rupees in thousand)	

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2008	2007
Trade and margin deposits	**130,808**	71,790
Prepayments		
ERP implementation	**141,274**	41,732
Rent - note 7.1	**146,073**	31,807
Others - note 13.1	**98,288**	90,735
	516,443	236,064

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

Variable Pay in Shares (VPIS):

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

		VPIS	
Shares of		Unilever PLC	Unilever NV
Date of grant		March 21, 2007 March 20, 2008	March 21, 2007 March 20, 2008
Total number of shares granted	2007	1,525	1,571
	2008	1,532	1,539
Fair value / Share price on grant date	2007	£14.88	¤21.33
	2008	£16.72	¤21.30
Contractual life (years)		3	3
Vesting conditions		Performance conditions	Performance conditions
Settlement		Shares	Shares
Expected lapse per year		20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2010	by March 21, 2010	by March 21, 2010
	2011	by March 20, 2011	by March 20, 2011

14. OTHER RECEIVABLES

	2008	2007
	(Rupees in thousand)	
Receivable from related parties		
Unilever Pakistan Foods Limited	63,669	19,410
Union Pakistan Provident Fund	-	31,447
Unilever Gratuity Plan	37,234	123,937
Associated undertakings	20,458	-
Workers' profits participation fund - note 14.1	55,571	9,128
Others		
Export rebate claims receivable	-	2,019
Receivable from distributors on account of equipment supply	5,320	18,827
Receivable from supplier on account of marketing reimbursement	-	18,222
Receivable in respect of sale of fixed assets	16,464	-
Others	28,620	34,867
	226,976	257,857
Provision for doubtful receivables	(8,718)	(8,718)
	218,258	249,139

14.1 Workers' profits participation fund

	2008	2007
Balance as at January 1 - receivable	9,128	52,261
Allocation for the year	(157,078)	(135,861)
	(147,950)	(83,600)
Amount paid to the trustees	203,521	92,728
Balance as at December 31 - receivable	55,571	9,128

	2008	2007
	(Rupees in thousand)	

15. TAX REFUNDS DUE FROM GOVERNMENT

Sales tax refundable - amounts paid under protest - note 15.1	**137,012**	148,469
Taxation - payments less provision	**164,774**	-
Others	**27**	27
	301,813	148,496

15.1 This includes a sum of Rs 131 million (2007: Rs 141 million) paid by way of abundant caution under the Amnesty Scheme, to avoid additional Sales Tax and Surcharge being levied in the event of unfavourable decisions of the appeals pending in the High Courts. These appeals were filed by third party manufacturers in respect of disallowance of input tax claimed by them on the ground that tax invoices and bills of entry were in the Group's name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Group would reimburse the tax. The Group's management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Group has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.

	2008	2007
	(Rupees in thousand)	

16. CASH AND BANK BALANCES

With banks on:		
current accounts	**104,988**	20,166
savings accounts	**-**	168,612
term deposits - having maturity of three months (2007: maturity of one month)	**123,220**	115,000
In hand:		
cash	**1,801**	1,224
	230,009	305,002

At December 31, 2008 the rates of mark up on savings accounts and term deposits range from 1% to 13.8% per annum (2007: 0.1% to 10% per annum).

		2008	2007
		(Rupees in thousand)	

17. SHARE CAPITAL

		2008	2007
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, 2008 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK holds 9,711,293 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited (December 31, 2007: 9,359,412 ordinary shares and 33,735 preference shares).

18. RESERVES

	2008	2007
	(Rupees in thousand)	
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 18.1	**70,929**	70,929
Contingency - note 25.1	**321,471**	363,106
Other - note 22.3	**-**	33,895
	392,400	467,930
Revenue reserves		
Unappropriated profit	**1,183,243**	863,712
	1,575,643	1,331,642

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

19. SURPLUS ON REVALUATION OF FIXED ASSETS

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

	2008	2007
	(Rupees in thousand)	
Balance as at January 1	**14,261**	14,909
Transferred to unappropriated profit - net of deferred taxation: incremental depreciation for the year	**(648)**	(648)
Balance as at December 31	**13,613**	14,261

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2008	2007
Present value of minimum lease payments	**109,649**	70,205
Current maturity shown under current liabilities	**(32,322)**	(17,273)
	77,327	52,932
Minimum lease payments		
Not later than 1 year	**46,297**	24,781
Later than one year and not later than 5 years	**84,449**	61,435
	130,746	86,216
Future finance charges on finance leases	**(21,097)**	(16,011)
Present value of finance lease liabilities	**109,649**	70,205
Present value of finance lease liabilities		
Not later than 1 year	**32,322**	17,273
Later than one year and not later than 5 years	**77,327**	52,932
	109,649	70,205

The above represents finance leases entered into with leasing companies for motor vehicles. The liability is payable by December 2012 in semi annual and quarterly installments.

Lease payments bearing pre-determined markup rates include finance charge ranging from 6.25% to 8.22% per annum (2007: 8% to 14.75% per annum) which are used as discounting factors.

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

21. DEFERRED INCOME TAX LIABILITIES / (ASSETS)

	2007 opening	Charge / (reversal)	**2008 closing**
	(Rupees in thousand)		
Credit / (debit) balance arising in respect of:			
accelerated tax depreciation allowance	509,544	203,983	**713,527**
surplus on revaluation of fixed assets	7,681	(696)	**6,985**
provision for retirement benefits	38,638	(50,114)	**(11,476)**
shares-based compensation	(11,864)	(120)	**(11,984)**
provision for stock in trade and stores and spares	(55,177)	(31,104)	**(86,281)**
provision for doubtful debts, advances and other receivables	(38,557)	2,013	**(36,544)**
provision for restructuring	(129,859)	(31,878)	**(161,737)**
Others	(11,362)	(31,475)	**(42,837)**
	309,044	60,609	**369,653**

22. TRADE AND OTHER PAYABLES

	2008	2007
	(Rupees in thousand)	
Creditors	**430,087**	259,114
Bills payable	**412,345**	1,210,097
Accrued liabilities	**2,901,124**	2,767,369
Royalty and technical services fee	**246,507**	130,428
Advance payment from customers	**87,011**	74,505
Sales tax payable	**91,309**	51,491
Federal excise duty payable	**90,814**	51,771
Workers' welfare fund	**93,497**	75,638
Security deposits from dealers - note 22.1	**17,137**	17,137
Unclaimed dividend	**106,471**	99,605
Union Pakistan Provident Fund - related party	**11,937**	-
Unilever Pension Plan - related party	**11,989**	-
Liability for share-based compensation plans - note 22.3	**35,953**	-
Others	**13,253**	14,873
	4,549,434	4,752,028

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

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

	2008	2007
	(Rupees in thousand)	
Ultimate parent company	**246,507**	130,428
Associated companies	**847,651**	1,430,314
Third parties whose manufacturing processes are dependent on Unilever	**74,218**	53,788
Company in which close family member of a director is holding directorship	**28,418**	62,101

22.3 Share-based compensation plans

As at December 31, 2008 the Group had following share-based compensation plans:

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

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

The details of the arrangement are as follows :

		GPSP		LPSP	
Share of		Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	2006	March 21, 2006	March 21, 2006	March 21, 2006	March 21, 2006
	2007	March 21, 2007	March 21, 2007	May 22, 2007	May 22, 2007
	2008	March 21, 2008	-	March 20, 2008	March 20, 2008
Total number of shares granted	2006	14,978	585	1,447	1,440
	2007	10,480	180	1,530	1,530
	2008	6,494	-	1,225	1,225
		31,952	765	4,202	4,195
Fair value / Share price on grant date	2006	£13.01	€ 19.03	£ 13.01	€ 19.03
	2007	£14.88	€ 21.33	£ 15.82	€ 22.20
	2008	£16.72	-	£ 16.72	€ 21.27
Contractual life (years)		3	3	3	3
Vesting conditions		Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement		Shares	Shares	Shares	Shares
Expected lapse per year		20%	20%	20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	2009	by March 21, 2009	by March 21, 2009	by March 21, 2009	by March 21, 2009
	2010	by March 21, 2010	by March 21, 2010	by May 22, 2010	by May 22, 2010
	2011	by March 20, 2011	-	by March 20, 2011	by March 20, 2011

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

22.3.1 Details of plan that vested during the year are:

	GPSP	
Share of	Unilever PLC	Unilever NV
Date of grant	May 18, 2005	May 18, 2005
Vesting date	May 18, 2008	May 18, 2008
Fair value / share price on grant date	£ 11.97	€ 17.57
Fair value / share price on vesting date	£ 17.22	€ 20.99
Difference of grant date and settlement date fair value	£ 5.25	€ 3.42
Contractual life (years)	3	3
Vesting conditions	Performance conditions	Performance conditions
Settlement	Cash	Cash
Expense arising on settlement	10,106	791

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

23. SHORT TERM BORROWINGS

Short term running finance - secured

The facilities for running finance available from various banks amount to Rs 5.99 billion (2007: Rs 4.42 billion). The rates of markup range between 13.90% to 16.26% per annum (2007: 9.60% to 10.14% 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, 2008 amounted to Rs 2.37 billion (2007: Rs 4.65 billion), of which the amount remaining unutilised at year end was Rs 1.34 billion (2007: Rs 3.52 billion).

24. PROVISIONS

	2008	2007
	(Rupees in thousand)	
Provision for cess less payments - note 25.1	**108,341**	-
Restructuring		
Balance as at January 1	**371,027**	110,000
Provision during the year - note 24.1	**489,280**	372,234
Utilised during the year	**(375,089)**	(111,207)
Balance as at December 31	**485,218**	371,027
	593,559	371,027

24.1 The provision booked in 2007 in respect of staff redundancy for beverages business and relocation / dismantling cost of a factory has been fully utilised during the year. More over, the Group has also raised provisions for planned staff redundaney for some factory employees and management staff. The full amount of provision is expected to be utilised during 2009.

25. CONTINGENCY AND COMMITMENTS

25.1 Contingency

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 impostion and collection before such date as invalid. The Court further ordered that all bank guarantees / securities furnished for transaction before December 28, 2006 stand discharged and are liable to be returned back and those furnished in respect of transactions after December 28, 2006 are liable to be encashed. The Group as well as the Government of Sindh have filed appeals in the Supreme Court against the said order. A provision amounting to Rs 120.98 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 12.64 million under protest against the said order.

As a matter of prudence, a total of Rs 321.47 million as at December 31, 2008 (Rs 363.11 million as at December 31, 2007) out of the revenue reserves has been earmarked as contingency reserve for the levy uptil December 2006.

25.2 Commitments

Aggregate commitments for capital expenditure and forward purchases as at December 31, 2008 amounted to Rs 126.23 million (2007: Rs 607.60 million) and Rs 530.74 million (2007: Rs 867.64 million) respectively.

Aggregate commitments for operating lease rentals as at December 31, 2008 amounts to:

	2008	2007
	(Rupees in thousand)	
Not later than one year	**93,330**	51,701
Over one year to five years	**107,102**	27,539
	200,432	79,240

The above includes ujrah payments for Ijarah financing of motor vehicles bearing a mark up of six months KIBOR + 1.35% for rentals payable semi annually.

26. SEGMENT INFORMATION

Segmental results and other information is provided below on the basis of product categories. These categories are:

Home and Personal Care	-	represents laundry and a wide range of cleaning, skin cleansing, skin care, hair care, deodorants, oral care and other personal care products
Beverages	-	represents tea
Ice Cream	-	represents ice cream
Other	-	represents margarine

26.1 Segment analysis

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Segment results for the year ended December 31, 2008					
Gross sales	21,524,952	11,715,780	5,058,944	757,496	39,057,172
Sales tax	(3,075,126)	(1,716,655)	(846,289)	-	(5,638,070)
Federal excise duty	(792,974)	(97,559)	(41,326)	-	(931,859)
	(3,868,100)	(1,814,214)	(887,615)	-	(6,569,929)
Sales excluding sales tax and federal excise duty	17,656,852	9,901,566	4,171,329	757,496	32,487,243
Rebates and allowances	(847,982)	(309,903)	(346,724)	(25,795)	(1,530,404)
	16,808,870	9,591,663	3,824,605	731,701	30,956,839
Cost of sales	(9,632,321)	(7,338,944)	(2,543,683)	(506,211)	(20,021,159)
Gross profit	7,176,549	2,252,719	1,280,922	225,490	10,935,680
Distribution costs	(3,348,899)	(1,191,502)	(1,069,071)	(228,110)	(5,837,582)
Administrative and restructuring cost allocated to segments	(872,380)	(402,292)	(225,114)	(35,386)	(1,535,172)
Segment result	2,955,270	658,925	(13,263)	(38,006)	
					3,562,926
Administrative and restructuring cost unallocated					(165,356)
Other operating expenses					(247,266)
Other operating income					253,079
Profit from operations					3,403,383
Finance costs					(466,166)
Profit before taxation					2,937,217
Taxation					(944,821)
Profit after taxation					1,992,396

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
Segment results for the year ended December 31, 2007					
Gross sales	15,505,698	9,782,641	3,950,817	615,651	29,854,807
Sales tax	(2,215,743)	(1,402,989)	(646,605)	-	(4,265,337)
Federal excise duty	(570,954)	(33,661)	(13,403)	-	(618,018)
	(2,786,697)	(1,436,650)	(660,008)	-	(4,883,355)
Sales excluding sales tax and federal excise duty	12,719,001	8,345,991	3,290,809	615,651	24,971,452
Rebates and allowances	(917,497)	(485,908)	(217,183)	(19,198)	(1,639,786)
	11,801,504	7,860,083	3,073,626	596,453	23,331,666
Cost of sales	(6,372,477)	(5,636,413)	(1,881,796)	(357,895)	(14,248,581)
Gross profit	5,429,027	2,223,670	1,191,830	238,558	9,083,085
Distribution costs	(2,838,406)	(1,280,563)	(774,824)	(127,384)	(5,021,177)
Administrative and directly attributable restructuring cost	(444,162)	(642,705)	(237,660)	(19,875)	(1344,402)
Segment result	2,146,459	300,402	179,346	91,299	
					2,717,506
Administrative and restructuring cost not directly related to segments					
Other operating expenses					(50,767)
Other operating income					(219,130)
					206,235
Profit from operations					2,653,844
Finance costs					(109,227)
Profit before taxation					2,544,617
Taxation					(846,098)
Profit after taxation					1,698,519

26.1 Segment analysis - continued

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Other segment information					
As at December 31, 2008					
Segment assets	3,448,520	1,779,154	3,469,902	66,356	8,763,932
Unallocated assets					2,654,507
					11,418,439
Segment liabilities	1,741,309	735,218	392,298	131,176	3,000,001
Unallocated liabilities					6,159,705
					9,159,706
For the year ended December 31, 2008					
Capital expenditure	366,506	41,841	850,907	35,518	1,294,772
Cost of goods manufactured	9,022,181	7,647,783	2,566,008	401,194	19,637,166
Other segment items					
Staff costs	824,373	586,146	410,162	31,949	1,852,630
Advertising	1,790,033	409,416	379,560	152,200	2,731,209
Marketing and selling	77,538	45,906	30,065	4,747	158,256
Outward freight and handling	422,556	147,837	209,391	20,600	800,384
Royalty and technical services fee	604,739	318,841	149,980	22,683	1,096,243
Depreciation	128,107	48,657	270,969	5,938	453,671
As at December 31, 2007					
Segment assets	2,343,429	1,396,603	2,933,891	63,983	6,737,906
Unallocated assets					1,369,983
					8,107,889
Segment liabilities	1,478,551	1,834,777	292,977	93,407	3,699,712
Unallocated liabilities					2,392,797
					6,092,509
For the year ended December 31, 2007					
Capital expenditure	159,647	104,469	1,505,743	7,082	1,776,941
Cost of goods manufactured	6,085,765	5,711,233	1,876,305	267,715	13,941,018
Other segment items					
Staff costs	716,493	592,190	355,437	19,465	1,683,585
Advertising	1,683,195	567,868	289,608	75,843	2,616,514
Marketing and selling	62,410	51,063	25,531	2,837	141,841
Outward freight and handling	316,404	126,290	121,425	15,032	579,151
Royalty and technical services fee	379,060	210,210	100,750	15,420	705,440
Depreciation	118,633	60,846	190,826	2,666	372,971

Other operating expenses and income represent unallocated corporate expenses and income. Segment assets consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings. Other segment items comprise directly attributable segment costs.

27. OPERATING COSTS

	Cost of Sales		Distribution Costs		Administrative Expenses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Raw and packing material consumed	17,151,890	11,926,041	-	-	-	-	17,151,890	11,926,041
Manufacturing charges paid to third parties	535,630	424,141	-	-	-	-	535,630	424,141
Stores and spares consumed	108,634	95,435	-	-	-	-	108,634	95,435
Advertising	-	-	2,731,209	2,616,514	-	-	2,731,209	2,616,514
Marketing and selling	-	-	158,256	141,841	-	-	158,256	141,841
Outward freight and handling	-	-	800,384	579,151	-	-	800,384	579,151
Royalty and technical services fee	-	-	1,096,243	705,440	-	-	1,096,243	705,440
Staff costs - note 27.1	795,174	710,327	575,235	533,724	482,221	439,534	1,852,630	1,683,585
Utilities	397,433	274,479	8,367	4,868	32,286	30,736	438,086	310,083
Repairs and maintenance	177,264	143,893	24,854	6,986	23,889	20,464	226,007	171,343
Rent, rates and taxes	35,686	25,109	132,675	82,271	103,945	50,673	272,306	158,053
Depreciation	340,681	239,635	63,275	74,668	49,715	58,668	453,671	372,971
Amortisation of computer software	-	-	2,727	2,727	2,143	2,143	4,870	4,870
Travelling and entertainment	45,605	46,965	93,568	124,929	69,129	76,391	208,302	248,285
Stationery and office expenses	37,401	40,916	46,137	45,604	67,773	74,172	151,311	160,692
Expenses on information technology	1,326	55	1,887	308	164,572	121,097	167,785	121,460
Auditors' remuneration - note 27.3	-	-	-	-	12,109	10,964	12,109	10,964
Provision for doubtful debts - others	-	-	-	-	10,000	3,803	10,000	3,803
Provision for doubtful debts - trade	-	-	-	-	3,247	-	3,247	-
Other expenses	46,716	36,536	102,765	102,146	190,219	134,290	339,700	272,403
	19,673,440	13,963,532	5,837,582	5,021,177	1,211,248	1,022,935	26,722,270	20,007,075
Opening work in process	66,192	43,678						
	19,739,632	14,007,210						
Closing work in process	(102,466)	(66,192)						
Cost of goods manufactured	19,637,166	13,941,018						
Opening stock of finished goods including by product glycerine	1,000,644	697,381						
Finished goods purchased	870,578	610,826						
Closing stock of finished goods including by product glycerine	(1,487,229)	(1,000,644)						
	20,021,159	14,248,581						

27.1 Staff costs

	Cost of Sales		Distribution Costs		Administrative Expenses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Salaries and wages	754,084	671,664	501,058	464,398	378,996	341,930	1,634,138	1,477,992
Medical	21,112	22,668	243	53	18,865	20,291	40,220	43,012
Share based payments	(74)	168	13,209	8,933	19,523	10,291	32,658	19,392
Pension costs - defined benefit plan	9,273	5,691	12,204	14,469	15,532	18,528	37,009	38,688
Gratuity costs - defined benefit plan	2,160	345	17,544	17,778	22,329	22,678	42,033	40,801
Pensioner's medical plan	2,648	3,798	5,513	5,983	7,017	8,487	15,178	18,268
Provident fund cost - defined contribution plan	5,971	5,993	25,464	22,110	19,959	17,329	51,394	45,432
	795,174	710,327	575,235	533,724	482,221	439,534	1,852,630	1,683,585

27.2 Lease rentals amounting to Rs 399.55 million (2007: Rs 240.82 million) have been charged in operating cost for arrangements identified as operating leases upon application of IFRIC 4 – "Determining whether an Arrangement contains a Lease". These arrangements include leases of property including offices, cold storage, depots and other arrangements for use of plant and machinery where fulfillment of the arrangement is dependent on the use of such assets and the arrangement conveys a right to use the asset.

27.3 Auditors' remuneration

	2008	2007
	(Rupees in thousand)	
Audit fee	3,140	3,040
Taxation services	4,119	2,992
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	4,500	4,581
Out of pocket expenses	350	351
	12,109	10,964

28. OTHER OPERATING EXPENSES

	2008	2007
Donations and Corporate Social Responsibility - note 28.1	30,498	31,513
Workers' profits participation fund - note 14.1	157,078	135,861
Workers' welfare fund	59,690	51,756
	247,266	219,130

28.1 Donations and corporate social responsibility

			2008	2007
			(Rupees in thousand)	

Donations include the following in whom a director is interested:

Name of Director(s)	Interest in Donee	Name and address of Donee	2008	2007
1. Mr. Ehsan A. Malik	Board Member	The Kidney Centre 172 / R, Rafiqui Shaheed Road , Karachi.	2,065	1,800
2. Mr. Ehsan A. Malik & Syed Babar Ali*	Trustee Pro-Chancellor	Lahore University of Management Sciences, DHA, Lahore.	2,599	1,166
	Corporate Member President-Emeritus	World Wide Fund for Nature, Ferozepur Road, Lahore.	-	1,200
3. Syed Babar Ali*	Trustee	The Layton Rahmatullah Benevolent Trust S-16, Phase II, DHA, Karachi.	1,900	1,620

*Syed Babar Ali was a director till April 18, 2008

29. OTHER OPERATING INCOME

	2008	2007
Income from investment in related party		
Dividend from Futehally Chemicals (Private) Limited	12	12
Return from other financial assets		
Return on savings accounts and term deposits - note 29.1	14,226	24,223
Income from non-financial assets		
Salvage sales	27,312	42,913
Profit on disposal of property, plant and equipment	29,805	13,313
Sundry	40,103	8,584
Others		
Service fee from related party - note 29.2	37,040	30,153
Reversal of impairment loss	-	336
Reversal of provision for doubtful debts - trade	-	1,515
Liabilities no longer payable written back	104,581	81,191
Excise duty refund	-	3,995
	253,079	206,235

29.1 Markup on savings accounts and term deposits was earned at the rate ranging from 1% to 13.8% per annum (2007: 0.1% to 10%).

29.2 This includes amount charged by the Group for certain management and other services rendered to its related party - Unilever Pakistan Foods Limited, in accordance with the Service Agreement based on commercial terms between them.

	2008	2007
	(Rupees in thousand)	

30. FINANCE COSTS

	2008	2007
Interest on loan from related party		
Interest on short term loan - note 30.1	19,471	-
Others		
Mark up on short term borrowings	138,705	23,140
Bank charges	36,780	23,171
Exchange loss	258,203	55,637
Finance charge on finance leases	12,814	7,138
Others	193	141
	446,695	109,227
	466,166	109,227

30.1 During the year, the Group obtained an unsecured loan amounting to USD 15 million borrowed from Unilever Finance International B.V., Rotterdam, Netherlands, an associated undertaking on May 27, 2008, at a markup rate not exceeding six months LIBOR + 1% to meet working capital requirements. The loan was repaid in USD at the end of loan term on November 21, 2008.

31. TAXATION

	2008	2007
	(Rupees in thousand)	
Current - for the year		
Pakistan	863,347	727,918
Azad Kashmir	20,865	12,731
	884,212	740,649
Deferred tax charge	60,609	105,449
	944,821	846,098

31.1 Relationship between tax expense and accounting profit

	2008	2007
Accounting profit before tax	2,937,217	2,544,617
Tax at the applicable tax rate of 35% (2007: 35%)	1,028,026	890,616
Tax effect on inadmissible expenses and presumptive tax	(83,205)	(44,518)
Tax expense for the year	944,821	846,098

32. EARNINGS PER SHARE

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

	2008	2007
Profit after tax	1,992,396	1,698,519
Preference dividend on cumulative preference shares	(239)	(239)
Profit after taxation attributable to ordinary shareholders	1,992,157	1,698,280
Weighted average number of shares in issue during the year (in thousands)	13,294	13,294
Earnings per share (Rupees)	150	128

33. PROPOSED AND DECLARED DIVIDENDS

On ordinary shares

At the Board meeting on February 6, 2009 a final dividend in respect of 2008 of Rs 57 per share amounting to a total dividend of Rs 757.75 million is proposed (2007: Rs 63 per share amounting to a total dividend of Rs 837.51 million).

The interim dividend declared and already paid in respect of 2008 was Rs 66 per share amounting to a total dividend of Rs 877.40 million (2007: Rs 60 per share amounting to a total dividend of Rs 797.63 million).

On cumulative preference shares

At the Board meeting on February 6, 2009 dividend in respect of 2008 of Rs 239 thousand has been declared (2007: Rs 239 thousand).

These financial statements do not reflect the proposed final ordinary dividend and the dividend declared on cumulative preference shares as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2009.

34. RELATED PARTY TRANSACTIONS

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

	Relationship with the Group	Nature of transactions	2008 (Rupees in thousand)	2007 (Rupees in thousand)
i.	Ultimate parent company	Royalty and technical services fee	**1,010,709**	705,440
ii.	Associated companies	Purchase of goods	**6,297,397**	5,330,422
		Purchase of services	**30,094**	33,125
		Sale of goods	**252**	287
		Reciprocal arrangements for sharing of common costs	**10,263**	9,718
		Sale of services	**88,998**	60,075
		Purchase of fixed assets	**-**	19,854
		Sales of fixed assets	**7,674**	4,115
		Short term loan received	**1,023,000**	-
		Short term loan repaid	**1,062,600**	-
		Interest on short term loan	**19,471**	-
iii.	Third parties whose manufacturing processes are dependent on Unilever	Toll manufacturing	**431,526**	371,748
		Purchase of operating assets	**125,974**	-
		Dividend income	**12**	12
iv.	Company in which close family member of a Director is holding directorship	Purchase of goods	**774,473**	1,408,568
v.	Company in which close family member of a key management personnel holds a key management position	Purchase of services	**-**	19
vi.	Key management personnel	Salaries and other short-term employee benefits	**75,515**	66,367
		Post-employment benefits	**6,787**	5,759
		Consideration received for vehicle sold	**773**	-
vii.	Others	Donations	**6,565**	5,786
		Corporate & social responsibility	**1,174**	-

Royalty and technical services fee is paid at the rates acknowledged by the State Bank of Pakistan. Other transactions with related parties are carried out on commercial terms, at market prices and are settled in the ordinary course of business.

The related party status of outstanding balances as at December 31, 2008 are included in trade debts, other receivables and trade and other payables respectively.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in note 13.1 and note 22.3.

35. 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	
	2008	2007	**2008**	2007	**2008**	2007
	(Rupees in thousand)					
Managerial remuneration and allowances	**23,230**	20,650	**12,428**	11,605	**337,683**	325,415
Share based compensation	**10,122**	4,086	**10,550**	1,401	**11,987**	13,905
Retirement benefits*	**3,147**	1,215	**1,773**	1,657	**57,860**	57,575
Rent and utilities	**3,857**	4,209	**1,423**	1,340	**108,960**	101,241
Medical expenses	**462**	134	**234**	366	**7,099**	7,554
Other expenses	**-**	-	**1,422**	1,398	**2,448**	5,650
	40,818	30,294	**27,830**	17,767	**526,037**	511,340
Number of persons	**4****	4	**1**	1	**300**	268

** During the year, Mr. Imran Husain and Ms. Shazia Syed were appointed as directors of Unilever Pakistan Limited with effect from April 1, 2008 and April 19, 2008 respectively in place of Mr. Peter Harvey and Mr. Amar Naseer. The charge reflects the respective period of executive directorship held by them.

In addition to this, a lump sum amount of Rs 157.06 million (2007: Rs 140.10 million) on account of variable pay has been recognised in the financial statements 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 Directors	**4,903**	4,295
Chief Executive	**4,117**	5,486
Executives	**80,210**	105,640
Other employees	**24,706**	35,215
	113,936	150,636

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

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

Aggregate amount charged in these financial statements for the year for fee to 5 non-executive directors was Rs 165 thousand (2007: 6 non-executive directors Rs 255 thousand).

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs 40.98 million (2007: Rs 30.55 million).

36. CAPACITY

	Annual Capacity		Actual Production	
	2008	2007	**2008**	2007
	Metric Tons			
Own manufacture				
Home and Personal Care	**57,741**	57,913	**42,175**	41,496
Beverages	**50,000**	78,222	**36,687**	37,876
	Million Litres			
Ice Cream	**77**	69	**39**	34

Annual capacity of beverages was reduced due to shut down of the Karachi Tea Factory. The current capacity was still under utilised as the production was 36.69 metric tons on account of lower demand.

Whereas the production capacity of Ice Cream Factory was increased due to anticipated higher sales in the subsequent years. Actual production was 39 million litres only due to lower demand.

37. FINANCIAL INSTRUMENTS

Financial assets and liabilities:

	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							
Investments	-	-	-	-	200	200	200
Loans and advances to employees	-	-	-	57,121	120,545	177,666	177,666
Deposits	-	-	-	130,808	4,480	135,288	135,288
Trade debts	-	-	-	228,763	-	228,763	228,763
Accrued interest / mark up	-	-	-	3,874	-	3,874	3,874
Other receivables	-	-	-	162,687	-	162,687	162,687
Cash and bank balances	123,220	-	123,220	106,789	-	106,789	230,009
	123,220	-	123,220	690,042	125,225	815,267	938,487
December 31, 2007	283,612	-	283,612	577,332	120,338	697,670	981,282
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	4,186,803	-	4,186,803	4,186,803
Accrued interest / mark up	-	-	-	64,075	-	64,075	64,075
Liabilities against assets subject to finance leases	32,322	77,327	109,649	-	-	-	109,649
Short term borrowings	3,232,523	-	3,232,523	-	-	-	3,232,523
	3,264,845	77,327	3,342,172	4,250,878	-	4,250,878	7,593,050
December 31, 2007	440,830	52,932	493,762	4,502,292	-	4,502,292	4,996,054
OFF BALANCE SHEET ITEMS							
Financial Commitments:							
Open letters of credit / guarantee	-	-	-	1,029,967	-	1,029,967	1,029,967
	-	-	-	1,029,967	-	1,029,967	1,029,967
December 31, 2007	-	-	-	1,130,000	-	1,130,000	1,130,000

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

Capital Risk Management

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

During 2008 the Group's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2008 and 2007 were as follows:

	2008	2007
	(Rupees in thousand)	
Total borrowings	3,342,172	493,762
Cash and Bank	(230,009)	(305,002)
Net debt	3,112,163	188,760
Total equity	2,245,120	2,001,119
Gearing ratio	58%	9%

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. In addition the Group has been investing heavily in capital expenditure which has been financed through debt.

i. Interest / mark up rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest bearing assets. Group's liabilities against finance leases and short term borrowings are at fixed / 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 to perform as contracted. Out of the total financial assets of Rs 938 million (2007: Rs 981 million), the financial assets that are subject to credit risk amounted to Rs 229 million (2007: Rs 239 million). The Group believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Group applies credit limits to their customers.

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. Group 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 there is no instrument available in the market to hedge the foreign currency exposure.

v. **Fair values of financial assets and liabilities**

The major portion of the Group's financial instruments is 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)	
38. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**230,009**	305,002
Short term borrowings - short term running finance	**(3,232,523)**	(423,557)
	(3,002,514)	(118,555)

39. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

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

	Cost	Accumulated Depreciation/ Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant and machinery						
	8,453	3,944	4,509	7,674	Negotiation	PT Unilever Indonesia Tbk Graha Unilever, J.I. Jend Gatot Subroto Kav. 15, Jakarta, Indonesia.
	75,151	69,106	6,045	490	Open Bidding	Imran Akhtar Kabaria Kot Abdul Malik Lahore Road, Sheikhupura.
	10,140	9,533	607	675	"	Mahboob Brothers, Opp. Thana Nawa Kot, Main Dholanwal Bazar, Near Yateem Khana, Lahore.
	4,906	4,446	460	317	"	"
	3,820	3,486	334	294	"	Mr. Fazal Khan C/o M/S Qadir Khan Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khyaban-e-Sir Syed, Rawalpindi
	3,437	2,872	565	168	"	Mr. Naeem Ahmad, Eagel Pak Overseas Motor, House # B/393, Ashraf Nagar, Near Rehmania Masjid, Paposh Nagar, Karachi.
	3,315	2,399	916	163	"	"
	2,982	2,840	142	196	"	Mahboob Brothers, Opp. Thana Nawa Kot, Main Dholanwal Bazar, Near Yateem Khana, Lahore.
	2,499	2,304	195	192	"	Mr. Fazal Khan C/o M/S Qadir Khan Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khyaban-e-Sir Syed, Rawalpindi.
	2,382	2,027	355	113	"	Mr. Naeem Ahmad, Eagel Pak Overseas Motor, House # B/393, Ashraf Nagar, Near Rehmania Masjid, Paposh Nagar, Karachi.
Balance carried forward	117,085	102,957	14,128	10,282		

	Cost	Accumulated Depreciation/ Impairment	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
	←	(Rupees in thousand)		→		
Plant and machinery						
Balance brought forward	117,085	102,957	14,128	10,282		
	1,843	1,646	197	135	Open Bidding	Mr. Fazal Khan C/o M/S Qadir Khan Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khayaban-e-Sir Syed, Rawalpindi
	938	938	-	476	"	Sohail Ahmed & Brothers Godown # 273, Darul Ahsan Town Sammundari Road, Faisalabad.
	3,061	920	2,141	2,141	Claim	NPD Frozen Foods, Plot # A-11 S.I.T.E., Super Highway, Karachi.
	122,927	106,461	16,466	13,034		
Electrical, Mechanical						
and office equipment	83,352	70,504	12,848	16,464	Negotiation	Hewlett-Packard Pakistan (Pvt.) Ltd. 64, Nazimuddin Road, F-8, Islamabad.
	2,887	2,571	316	19	Open Bidding	Imran Akhtar Kabaria Kot Abdul Malik, Lahore Road, Sheikupura.
	86,239	73,075	13,164	16,483		
Furniture and Fittings	244	34	210	210	Company Policy	Mr. Ayendra Jayesinghe - Ex-Excutive
Motor Vehicles	68,079	18,842	49,237	49,237	Negotiation	Habib Bank Limited I.I. Chundrigar Road, Karachi
	1,799	1,013	786	1,220	Company Policy	Mr. Khan Kashif Khan - Ex-Executive
	1,506	377	1,129	1,205	"	Mr. Nazir Ahmed - Ex-Executive
	1,394	261	1,133	1,233	"	Mr. Ayub Vohra - Ex-Executive
	1,394	87	1,307	1,324	"	Syed Zahid Hussain - Ex-Executive
	1,376	688	688	936	"	Mr. Umar Khalid - Executive
	1,355	84	1,271	1,272	"	Mr. Mustafa A. Khan - Ex-Executive
	1,288	884	404	773	"	Mr. Imran Husain - Executive
	1,279	480	799	960	"	Mr. Zubair Hasnain - Executive
	1,248	1,173	75	460	"	Mr. Raheel Ahmed Qureshi-Executive
	1,219	609	610	651	"	Mr. Zahid Hussain - Ex-Executive
	1,043	586	457	-	"	Ms. Fareena Mahmud Hameed - Ex-Executive
	997	940	57	450	"	Mr. Amin Razzaq - Executive
	835	626	209	480	"	Mr. Hashim Shouket - Executive
	595	409	186	171	"	Mr. Basharat Ahmed - Ex Executive
	4,000	2,997	1,003	1,602	Auction	Mr. Ahmed Ali Khan, House # D-8, Block B, North Nazimabad, Karachi
	365	23	342	360	Insurance Claim	New Jubilee Insurance Company Limited NJI House, I.I. Chundrigar Road, Karachi.
	365	297	68	325	"	"
	409	51	358	409	"	"
	90,546	30,427	60,119	63,068		
Assets having book value less than Rs. 50,000						
Electical and Mechanical	3,261	3,233	28	110		
Motor Vehicles	60,202	59,779	423	27,725		
Write off						
Plant and Machinery	1,186	1,078	108	-		
Electrical, mechanical and office equipment	1,557	1,433	124	-		
Furniture and Fittings	2,528	2,345	183	-		
	368,690	277,865	90,825	120,630		

40. MONOPOLY CONTROL AUTHORITY ORDER

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

41. CORRESPONDING FIGURES

41.1 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)
Stores and Spares	Capital work in progress	17,073
Bills payable	Accrued liabilities	408,317
Creditors	Accrued liabilities	117,283

Auditors’ remuneration and provision for doubtful debts - trade and others from other operating expenses to administrative expenses:

Auditors’ remuneration	Auditors’ remuneration	10,964
Provision for doubtful debts - trade and others	Provision for doubtful debts - trade and others	3,803

42. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 6, 2009 by the Board of Directors of the Group.

Ehsan A. Malik
Chairman & Chief Executive

Imran Husain
Director

Form of Proxy

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

I/ We ________________________________son/ daughter/ wife of ____________, shareholder of Unilever Pakistan Limited, holding ______ordinary / preferences shares hereby appoint ___________who is my ____________ [state relationship (if any) with the proxy; required by Government regulations] and the son / daughter/ wife of _______________, (holding __________ ordinary / preference shares in the Company under Folio No. _______) [required by Government; delete if proxy is not the Company's shareholders] as my / our proxy, to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 8 April, 2009 and / or any adjournment thereof.

Signed this __________ day of _________ 2009.

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

Witnesses:

1.__________________

2.__________________

Sign across Rs 5/-
Revenue Stamp

Signature of Member(s)

Shareholders Folio No.________________

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

and Sub- Account No. _______________

Note:

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) to write down his Folio Number.
2. In order to be valid, this proxy must be received at the registered office of the company at least 48 hours before the time fixed for the Meeting, duly completed in all respects.
3. CDC Shareholders or their proxies should bring their original 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.