Lever Brothers Pakistan Limited

Annual Report 2000

Contents

Board of Directors

Mr. Jean-Marc Delpon de Vaux
Chairman & Chief Executive

Mr. Robert Zoon
Mr. Perwaiz Hasan Khan
Mr. Syed Baber Ali
Mr. Fatehali W. Vellani
Mr. Irtiza Husain
Mr. Pervaiz Mahboob Malik
Mr. Soomro Mohammad Ibrahim
Mr. Omar H. Karim

Company Secretary
Mr. Amar Naseer

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

Notice of Annual General Meeting

Notice is hereby given that the 52nd Annual General Meeting of Lever Brothers Pakistan Limited will be held at Darbar Hall 'C' Hotel Sheraton, Club Road, Karachi, on Tuesday, 15th May 2001 at 11.00 a.m. to transact the following business:

Ordinary Business

1. To receive and consider the Company's Accounts for the year ended 31 December 2000, together with the Reports of the Auditors and Directors.

2. To declare the final dividend on the Ordinary shares of the Company.
The Directors recommend a final dividend of 166% (or Rs. 83 per share). With the interim dividend of 66% (or Rs. 33 per share) already paid, the total dividend for 2000 will thus amount to 232% (or Rs. 116 per share).

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

Special Business*

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

5. To approve increase in borrowing limit of the company.
By order of the Board

Karachi
18 April 2001

AMAR NASEER
Company Secretary

Notes:

1. Share Transfer Books will be closed from 8 to 15 May 2001 (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. The instrument appointing the proxy and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office at least 48 hours before the time of the Meeting.

4. Any change of address should be notified immediately to the Company's Share Registrars, Fergusons Associates (Pvt) Ltd, State Life Building l-A, I.I. Chundrigar Road, Karachi.
CDC Account Holders will further have to follow the undermentioned 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 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 (unless it has been provided earlier) at the time of the meeting.

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

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 original NIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

*[A Statement in respect of the Special Business to be transacted at the AGM is attached].

Statement in respect of Special Business and related Draft Resolution

Material facts concerning the Special Business to be transacted at the Annual General Meeting and the proposed Resolutions related thereto are given below.

Item 4 of the Agenda - Remuneration of Executive Directors including the Chief Executive
According to law, it is necessary to obtain Shareholders' approval for the holding of office of profit by any of the Directors as well as of their remuneration. It is therefore proposed to pass the following as an Ordinary Resolution.

Resolved that approval is hereby granted for the holding of office of profit with the Company by the Executive Directors including the Chief Executive, and for 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. 28 million actuals for the year January - December 2000, and Rs. 35.6 million estimated for 1 January to 31 December 2001.

[The Executive Directors, namely, Messrs. Jean-Marc Delpon de Vaux, Robert Zoon and Perwaiz Hasan Khan, are interested to the extent of the remuneration payable to them individually].

Item 5 of the Agenda - Increase in Borrowing Limit

Shareholders of the Company had approved the Company's borrowing limit upto Rs. five billion in the E.G.M. held on 26 August 1998. In view of expansion in Company's business over years coupled with continued inflation and decline in Rupee value, the Company's finance requirements have increased considerably.

In order to be able to arrange adequate finances for the business as and when required, it is proposed that the total borrowing limit be increased from Rupees five billion to Rupees seven billion, to be exercised by the Directors on behalf of the Company. For this purpose the following Ordinary Resolution is proposed to be passed at the Annual General Meeting.

Resolved that under Article 71(1) of the Company's Articles of Association, the total limit of the amount remaining undischarged in respect of moneys raised or securities provided by the Company is hereby raised to Rs.7 billion (Rupees seven thousand million only) [subject to any restrictions under the Government regulations], to be obtained, as and when required, from the Company's bankers for the time being, the financial institutions, and / or other sources, as may be determined by the Company's Board of Directors from time to time, upon such terms and conditions and with such securities or charges, including hypothecation or mortgages over all or any of the Company's assets, as may be agreed with the lenders.

Report of the Directors

The Directors have pleasure in presenting their Annual Report together with the Company's audited accounts for the year ended December 31, 2000.

Results and Dividends

	Jan. 2000 - Dec. 2000 **Rs' 000**	***Jan 1999 - Dec. 1999*** **Rs' 000**
Profit after taxation	1,339,114	763,960
Unappropriated profit brought forward	358,071	259,044
	-----------	-----------
	1,697,185	1,023,004
	-----------	-----------
Appropriations:		
Dividends:		
On 5% Cumulative Preference shares	478	239
On Ordinary Shares		
- Interim Dividend of Rs.33 (1999:Rs. 25) per share	438,698	332,347
- Final Dividend of Rs. 83 (1999 :Rs. 25) per share	1,103,391	332,347
	-----------	-----------
	1,542,567	664,933
	-----------	-----------
Unappropriated profit carried forward	154,618	358,071
	-----------	-----------

The Profit after tax grew by 75% over the previous year to a record Rs 1.3 billion benefiting from sales value growth of 6% and margin improvements as a result of focus on cost reduction. The financial expenses were lower by more than Rs 100 million due to reduction in stock levels by Rs 1500 million over last two years. There were no business restructuring charges during the year (1999: Rs 190 million). The earnings per share increased by 75% to Rs. 100.71 (1999: 57.45).

The Directors propose a final dividend of Rs 83 per share. The Company has already paid an interim dividend of Rs.33 per share for the year 2000.

Detergents & Personal Products

Growth in sales was achieved through robust performance in Detergents and volume increase of 27% in Personal Products. The Laundry business was restructured, focusing on a smaller number of brands. A stream of innovation and successful relaunches of Surf Excel, Vim dish wash bar, Sunsilk, Fair & Lovely and Close Up sachet increased value of our propositions for consumers. The consumer was engaged through home to home sampling, and promotions at point of purchase for generating trials.

During the year a compromise between the company and International Laboratories (Private) Limited (ILL) was reached in the Sindh High Court. Under the terms of the compromise all counter suits have been withdrawn by both the parties, and the company is now free to import, manufacture, market, sell and distribute in Pakistan, any products under any of the trade marks including Pond's, and Vaseline owned by Conopco Inc., USA (formerly Chesebrough Ponds Inc., USA). An amount of Rs. 343 million was paid to ILL during the year in terms of the compromise.

Efficient sourcing, reinforced by a downward trend in international prices of materials and rigorous cost effectiveness programmes contributed towards a substantial growth of 69% in HPC's operating profit over last year. Profitable growth will be sustained through focused brand building, innovation and superior management of the supply chain to achieve cost competitiveness. This will enable the business to expand its share of consumer spending despite the increasing level of competition.

The business continues to deal with an uneven playing field on account of influx of smuggled products in the country. The company will persist in its efforts with the Government for improved business environment and competition from bonafide market players, which will also result in increased realisation of taxes for the exchequer.

Foods

Cooking Fats and Oils showed 5% volume growth as a result of focused marketing activities. Introduction of low unit price pack was a success and contributed significantly to volume growth. However, the sales value dropped due to lower international oil prices. The Operating Margins have improved from 4% in 1999 to 10% in 2000 because of a very aggressive cost effectiveness program and low raw material costs as compared to 1999.

The pressure on consumer disposable income due to economic stagnancy coupled with inflation is the main cause for decline in non-essential foods market. This led to decline in Ice Cream sales revenue; however, the operating margin in 2000 is a healthy 9% compared to -1% in 1999. This turnaround was achieved by carrying out an intensive cost effectiveness programme. The integration of Walls' and Polka has been successfully completed and the synergies from restructuring also had a positive impact on margins.

For 2001, Ice Cream business will focus on growth through strengthening of its distribution network, which will increase market penetration. There will be enhanced support and focus on key brands. A number of new products are planned for launch.

Beverages

The Beverages business grew by 11% in value and maintained its profitability despite a very difficult external environment and severe competition. These good results have been achieved through major efforts to reconnect with consumers, focus on key Brands, improvement in the quality of the products, excelling in communication contents and the use of a broad spectrum of communication channels.

At the same time an intensive cost saving programme has been implemented to cover all aspects from sourcing of tea, processing, packaging and distribution. This has enabled the business to keep the prices competitive, despite rupee devaluation and increased international tea prices due to drought in East Africa.

The business is facing major threat from smuggled tea, counterfeits and infringinement of brands which are on the increase due to high duties / taxes, and lack of effective laws and mechanism to check these nefarious activities.

The tea-growing project is progressing well at Shinkiari despite low rainfall, and the Tea Processing plant is expected to be commissioned in June 2001.

Expansion and Finance
The company has invested Rs 325M in capital assets during the year (1999: Rs 259M), which includes expenditure on modernising the production and IT facilities. The capital expenditure has been incurred keeping in view product innovations and expansion in the business.

Prospects
The company is committed to achieving growth in its core business by offering improved value and product innovations to meet the changing needs of consumers as well as venturing in new business that compliments in its core business strength. The continuing drive for cost effectiveness is aimed at sustaining competitive edge in the market.

Staff Relations
The company is committed to building a high performance team with a passion for winning by providing an enterprise culture, and recognition of talent and performance. The company continues to benefit from the efforts and dedication of all its employees, and the directors are once more pleased to record their appreciation in this respect.

Directors
Since the last Report, the following changes have taken place in the Board of Directors.

Mr. Rai Ijaz Ali Zaigam, the Punjab Government nominee was replaced by Mr. Pervaiz Mehboob Malik on the Board. The Board wishes to place on record its appreciation of the valuable services rendered to the Company by Mr. Rai Ijaz Ali Zaigam.

The term of office of present directors will expire on 28.06.2002.

Holding Company
Through its wholly-owned subsidiary, Unilever Overseas Holdings, U.K., Unilever PLC, a company incorporated in the United Kingdom, is the ultimate holding company of Lever Brothers 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.

On behalf of the Board

Karachi:

Jean-MarcDelpon de Vaux

20March, 2001 Chairman & Chief Executive

A GOOD CORPORATED CITIZEN

As part of its commitment to society, Lever Brothers regularly contributes to social and charitable activities. During the year 2000, substantial product donations were given for the drought affected people. Contributions were also extended to Marie Adelaide Leprosy Centre, IBP-School of Special Education, Layton Rahmatullah Benevolent Trust, Kidney Centre, and others.

LOCAL PRODUCTION OF TEA

The foundation stone of the first ever tea-processing plant was laid by the Minister of Commerce and Industries, NWFP in 2000. The tea processing plant is part of the tea growing project being sponsored by Lever Brothers. Local production of tea will ease import burden for the country. The project also supports the local agrarian community.

CONTINUED INVESTMENT IN PAKISTAN

Lever Brothers is committed to investment in modern production facilities thereby contributing to economic growth and employment opportunities. A new production line was recently added to the Walls factory near Lahore, which was inaugurated by the Governor of Punjab. The move also signifies Lever Brothers' efforts to produce world-renowned products locally.

PEPSODENT SCHOOL HEALTH PROGRAMME

In order to enhance awareness regarding dental health and hygiene, Lever Brothers in collaboration with Pakistan Dental Association initiated a School Health Programme. Over a period of two years, 400,000 school children benefited from the programme.

SURF CLOTHS BANK

Recently, a Clothes Bank, the first of its kind, was jointly launched by Lever Brothers and Edhi Trust. The Clothes Bank operates to collect, wash and redo used clothes. A warm response was received from all sections of the society, especially school children.

LIFE BUOY AT THE CENTER OF SOCIAL PROGRAMS

Lifebouy Karachi to Khyber (K2K) Rural Drive Programme targeted 1 million children nationwide. This drive organized specialised Health Education Programme for schools in rural areas.
Lever Brothers also organized the Lifebouy Gold Hospital Programme.

SAFER AND GREENER ENVIRONMENT

Committed towards a safer and greener environment, Lever Brothers invested over Rs 100 million for effluent facilities and environmental upgradation. The Company is among the first group of volunteers for the self-monitoring programme sponsored by Environment Protection Agency of Pakistan.

AWARDS FOR LEVER BROTHERS

Lever Brothers was the recipient of Management Association of Pakistan (MAP) and Karachi Stock Exchange Awards, in recognition of its performance. For the purpose of MAP Award it was judged the best among the companies that have performed well in the areas of financial discipline, management practices such as Risk Management, Corporate Governance, Social Responsibility, and Research and Development.

Accounts
LEVER BROTHERS PAKISTAN LIMITED

Auditors' Report to the Members

We have audited the annexed balance sheet of Lever Brothers Pakistan Limited as at December 31, 2000 and the related profit and loss account, statement of changes in equity and cash flow statement 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 account 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, statement of changes in equity and cash flow statement 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, 2000 and of the profit, changes in equity and its cash flows 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. E FERGUSON & CO.
Chartered Accountants

Karachi: 20 March 2001

Balance Sheet
as at December 31, 2000

	Note	2000	1999

		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised	3	800,000	800,000
		==========	==========
Issued, subscribed and paid up capital	4	669,477	669,477
Reserves	5	434,507	433,124
Unappropriated profit		154,618	358,071
		-----------	-----------
		1,258,602	1,460,672
SURPLUS ON REVALUATION OF FIXED ASSETS	6	103,325	104,708
REDEEMABLE CAPITAL			
Long term finance under mark-up arrangements - secured	7	1,000,000	300,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	8	--	2,870
DEFERRED LIABILITIES			
Deferred taxation	9	92,493	65,394
Staff retirement benefits		56,376	89,164
		148,869	154,558
CURRENT LIABILITIES			
Current maturity of redeemable capital	7	300,000	--
Current maturity of liabilities against assets subject to finance lease	8	2,371	3,796
Finance under mark-up arrangements	10	194,062	626,399
Creditors, accrued and other liabilities	11	2,352,947	3,555,605
Dividends	12	1,142,906	355,438
		-----------	-----------
		3,992,286	4,541,238
CONTINGENCY AND COMMITMENTS	13		
		-----------	-----------
		6,503,082	6,564,046
		==========	==========
TANGIBLE FIXED ASSETS			
Operating assets	14	1,753,313	1,726,334
Capital work-in-progress- at cost	15	35,837	101,209
		-----------	-----------
		1,789,150	1,827,543
INTANGIBLE FIXED ASSETS			
Trade marks		34	34
LONG TERM INVESTMENTS - at cost	16	95,202	95,202
LONG TERM LOANS	17	30,161	32,800
LONG TERM DEPOSITS AND PREPAYMENTS	18	214,629	81,031
DEFERRED COST	19	343,000	--
CURRENT ASSETS			
Stores and spares	20	177,273	187,486

Stock-in-trade	21	2,331,757	2,843,762
Trade debts	22	253,041	217,501
Loans and advances	23	68,659	89,914
Trade deposits and short-term prepayments	24	93,322	312,643
Other receivables	25	216,870	187,240
Taxation - payments less provisions		393,173	619,381
Cash and bank balances	26	496,811	69,509
		-----------	-----------
		4,030,906	4,527,436
		-----------	-----------
		6,503,082	6,564,046
		==========	==========

The annexed notes form an integral part of these accounts.

JEAN-MARC DELPON DE VAUX
Chairman & Chief Executive

IRTIZA HUSAIN
Director

Profit and Loss Account
for the year ended December 31, 2000

	Note	*2000*	*1999*
		(Rupees in thousand)	
Sales	27	20,508,216	19,366,254
Cost of goods sold	28	15,390,723	15,001,028
		-----------	-----------
Trading profit		5,117,493	4,365,226
Administration and selling expenses	29	2,721,116	2,705,767
		-----------	-----------
Operating profit		2,396,377	1,659,459
Other income	30	44,306	35,885
		-----------	-----------
		2,440,683	1,695,344
Financial expenses	31	141,660	247,135
Auditors' remuneration	32	8,154	6,230
Workers' welfare fund		43,620	23,322
Workers' profits participation fund		114,790	62,816
		-----------	-----------
		308,224	339,503
		-----------	-----------
Profit before taxation and restructuring costs		2,132,459	1,355,841
Restructuring costs	33	--	190,000
		-----------	-----------
Profit before taxation and after restructuring costs		2,132,459	1,165,841
Taxation	34	793,345	401,881
		-----------	-----------
Profit after taxation		1,339,114	763,960
Unappropriated profit brought forward		358,071	259,044
		-----------	-----------
		1,697,185	1,023,004
Appropriations			
On cumulative preference shares		478	239

Interim dividend on ordinary shares @ Rs. 33 per share (1999: Rs. 25 per share)		438,698	332,347
Proposed final dividend @ Rs. 83 per share (1999: Rs. 25 per share)		1,103,391	332,347
		-----------	-----------
		1,542,567	664,933
		-----------	-----------
Unappropriated profit carried forward		154,618	358,071
		==========	==========
Basic earnings per share	35	Rs. 100.71	Rs. 57.45
		==========	==========

The annexed notes form an integral part of these accounts.

JEAN-MARC DELPON DE VAUX
Chairman & Chief Executive

IRTIZA HUSAIN
Director

Statement of Changes in Equity
for the year ended December 31, 2000

	Share Capital	*Reserves Capital*	*Revenue*	*Unappropriated Profit*	*Total*
	--------------------------------(Rupees in thousand)--------------------------------				
Balance as at December 31, 1998	669,477	104,734	324,179	259,044	1,357,434
Net profit for the year	--	--	--	763,960	763,960
Transferred from Surplus on Revaluation of Fixed Assets	--	4,211	--	--	4,211
Dividends	--	--	--	(664,933)	(664,933)
	------------	------------	------------	------------	------------
Balance as at December 31, 1999	669,477	108,945	324,179	358,071	1,460,672
Net profit for the year	--	--	--	1,339,114	1,339,114
Transferred from Surplus on Revaluation of Fixed Assets	--	1,383	--	--	1,383
Dividends	--	--	--	(1,542,567)	(1,542,567)
	------------	------------	------------	------------	------------
Balance as at December 31, 2000	669,477	110,328	324,179	154,618	1,258,602
	==========	==========	==========	==========	==========

The annexed notes form an integral part of these accounts

JEAN-MARC DELPON DE VAUX
Chairman & Chief Executive

IRTIZA HUSAIN
Director

Cash Flow Statement
for the year ended December 31, 2000

	Note	*2000*	*1999*
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generate	40	2,062,449	3,187,993

Financial expenses paid		(124,572)	(281,709)
Taxes paid		(540,038)	(491,264)
Staff retirement benefits paid		(82,863)	(103,055)
Long Term Loans (net)		2,639	(6,515)
Long-term deposits and prepayments (net)		(133,598)	20,131
Deferred cost		(343,000)	--
		-----------	-----------
Net cash inflow from operating activities		841,017	2,325,581
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(259,370)	(290,973)
Sale proceeds of fixed assets		33,659	24,956
Return received on deposits		3,715	4,088!
Dividend received		12	12
		-----------	-----------
Net cash outflow from investing activities		(221,984)	(261,917)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable capital		1,000,000	300,000
Liabilities against assets subject to finance lease (net)		(4,295)	(2,576)
Repayment of short term loans		--	(68,000)
Dividends paid		(755,099)	(858,719)
		-----------	-----------
Net cash inflow/(outflow) from financing activities		240,606	(629,295)
		-----------	-----------
Net increase in cash and cash equivalents		859,639	1,434,369
Cash and cash equivalents at the beginning of the year	41	(556,890)	(1,991,259)
		-----------	-----------
Cash and cash equivalents at the end of the year	41	302,749	(556,890)
		==========	==========

The annexed notes form an integral part of these accounts.

JEAN-MARC DELPON DE VAUX
Chairman & Chief Executive

IRTIZA HUSAIN
Director

Notes to the Accounts
for the year ended December 31, 2000

1. THE COMPANY AND ITS OPERATIONS

The company is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. It manufactures and markets foods, beverages and detergents & personal products.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

b) Overall valuation policy

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revaluation referred to in sub-paragraph (e) below.

c) Staff retirement benefits

The Company's retirement plan comprises provident funds, gratuity plans, a pension plan and a post-retirement medical plan. These include benefit plans for employees of merged companies. The gratuities promised to Polka employees and the post-retirement medical plan are book reserve plans. All other plans are funded through approved trust funds.

Provident funds are defined contribution plans. All other plans are defined benefit plans. The gratuity plans and the pension plan are final salary plans. The post-retirement medical plan reimburses medical expenses to pensioners.

Actuarial valuations are conducted annually and the last valuation is conducted at the balance sheet date (December 31, 2000). The net liability of the Company for retirement and post-retirement benefits is Rs. 56 million.

During 2000, the Company contributed Rs. 33 million to the provident funds. Expense movement for the defined benefit plans are as follows.

	Pension Fund	*Gratuity Funds*	*Unfunded Plans*
	------------(Rupees in thousand)---------------		
Cost for 2000			
Current service cost	22.400	19.262	1.893
Interest cost	109.133	48.588	9.253
Expected return on assets	(125.563)	(37.878)	--
Transition cost	--	--	7.286
Prior service cost	(2.752)	2.673	--
Recognition of (gain) / loss	(2.612)	(1.596)	(0.012)
	-----------	-----------	-----------
Expense	0.606	31.049	18.420
	==========	==========	==========
Prepayment or (Liability) in 2000			
Prepayment at January 1	38.120	(90.304)	(36.773)
Expense	(0.606)	(31.049)	(18.420)
Contributions	50.481	26.528	5.647
	-----------	-----------	-----------
Prepayment at December 31	87.995	(94.825)	(49.546)
	==========	==========	==========
Balance Sheet Reconciliation at December 31, 2000			
Fair value of assets	939.785	285.690	--
Defined benefit obligation	(834.759)	(391.930)	(66.862)
	-----------	-----------	-----------
Funded status	105.026	(106.240)	(66.862)
Unrecognised transition cost	--	--	20.530

Unrecognised prior service cost	(8.258)	8.019	--
Unrecognised net (gain) or loss	(8.773)	3.396	(3.214)
	-----------	-----------	-----------
Recognised asset/(liability)	87.995	(94.825)	(49.546)
	==========	==========	==========

Actuarial gains and losses are amortized over the expected future service of current members.

The Projected Unit Credit Method was used to generate actuarial values, as specified by IAS 19. The rate of return on assets and the discount rate were taken as 15.5%. Salary increases were assumed to average 13.2%. Pension increases and medical cost trends were taken as 9.2%.

Actual return on the funds' assets during 2000 was Rs. 141 million.

d) Taxation

The provision for current taxation is based on taxable income at the current rates of taxation. The company accounts for deferred taxation using the liability method on all significant timing differences.

e) Fixed assets

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, additions subsequent to that date are at cost. All other assets are stated at cost.

Depreciation is charged on the straight-line method on all assets in use at the beginning of each quarter.

During the year the company revised the estimate of useful life of Computers, classified under "Electrical and mechanical equipment", from 5 years to 3 years. Had the estimate not been revised, the depreciation charge for the year would have been lower by Rs. 11.45 million.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any are retired.

Profit and loss on sale or retirement of fixed assets is included in income currently.

f) Investments

These are stated at cost.

g) Stores and spares

These are valued at average cost less provision for obsolescence.

h) Stock-in-trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by 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, production overheads, excise duty and sales tax, if applicable, paid thereon. Net realisable value signifies 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.

i) Trade debts
Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

j) Rates of exchange
Assets and liabilities in foreign currencies are translated at the rate of exchange which approximate to those prevalent on the balance sheet date except where forward exchange purchases have been made for payment of liabilities, in which case the contracted rates are applied. Exchange gains and losses on translation are included in income currently.

k) Revenue recognition
Sales are recorded on despatch of goods.

		2000	*1999*
		(Rupees in thousand)	
3. 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
		==========	==========
4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
	5% cumulative preference shares of Rs. 100 each		
43,835	fully paid in cash	4,383	4,383
4,000	issued for consideration other than cash	400	400
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47,835		4,783	4,783
	Ordinary shares of Rs 50 each		
467,704	fully paid in cash	23,385	23,385
4,979,208	issued for consideration other than cash	248,961	248,961
7,846,957	issued as fully paid bonus shares	392,348	392,348
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13,293,869		664,694	664,694
		-----------	-----------
		669,477	669,477