



Unilever Pakistan Foods Limited

annual report

2010



Front cover:

**Creating a better future every day.
A consumer buying Knorr Ready to
Cook, launched in April 2009.**

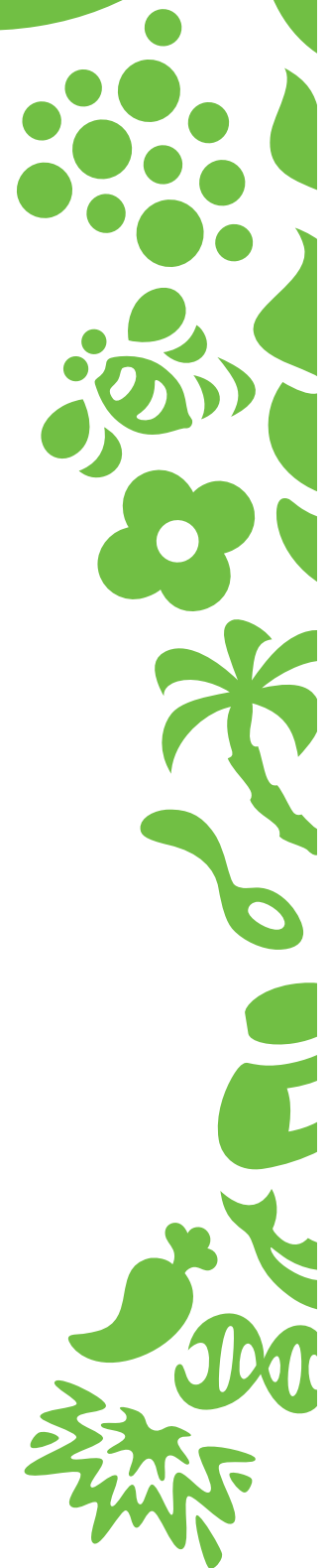




At Unilever all business activities are carried out in a socially & environmentally responsible manner. To promote a greener Pakistan and as a tangible demonstration of our commitment, this annual report has been printed on 100% recycled paper and information has been limited to financial statements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



contents



Vision	03
Core Values	04
Company Information	05
Notice of Annual General Meeting	06
Directors' Report	11
Board Meetings' Attendance	20
Operating & Financial Highlights	21
Statement of Value Addition & its Distribution	24
Pattern of Shareholding	25
Statement of Compliance with the Code of Corporate Governance	28
Auditors' Review Report	30
Financial Statements	31
Form of Proxy	



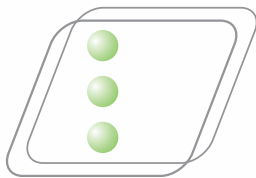
.. vision

**WE WORK TO CREATE A BETTER
FUTURE EVERY DAY.**

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

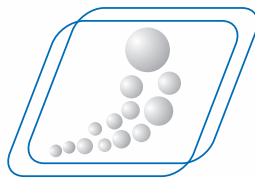


core values



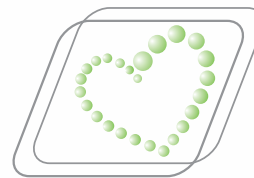
Impeccable Integrity

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



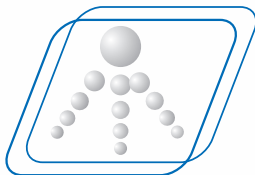
Demonstrating a Passion for Winning

We deliver what we promise.



Wowing our Consumers & Customers

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



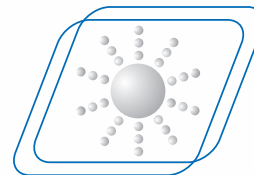
Bringing out the Best in All of Us

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



Living an Enterprise Culture

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



Making a Better World

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



Company information

Board of Directors

Mr. Ehsan A. Malik
Chairman

Ms. Fariyha Subhani
Chief Executive

Mr. Imran Husain
Director / CFO

Mian Zulfikar H. Mannoo
Director

Mian M. Adil Mannoo
Director

Mr. Kamal Monnoo
Director

Mr. Badaruddin F. Vellani
Director

Mr. M. Qaysar Alam
Director

Ms. Shazia Syed
Director

Mr. Amar Naseer
Director

Company Secretary

Mr. Amar Naseer

Audit Committee

Mian Zulfikar H. Mannoo
Chairman

Mian M. Adil Mannoo
Member

Mr. M. Qaysar Alam
Member

Mr. Imtiaz Jaleel
Secretary & Head of Internal Audit

Auditors

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

Registered Office

Avari Plaza
Fatima Jinnah Road
Karachi - 75530.

Share Registration Office

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

Website Address

www.unileverpakistan.com.pk
www.unileverpakistanfoods.com.pk

Notice of Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of Unilever Pakistan Foods Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Thursday, March 31, 2011, at 1430 Hrs. to transact the following business:

A. Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended December 31, 2010, together with the Reports of the Auditors and Directors thereon.
2. To approve and declare dividend (2010) on the Ordinary Shares of the Company. The Directors have recommended final dividend of 360% (or Rs. 36.00 per share) on the Ordinary Shares. Together with the interim dividend of 350% (or Rs. 35.00 per share) already paid, the total dividend for 2010 will thus amount to 710% (or Rs. 71.00 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).
4. To elect directors of the Company for a three years term. The Board of Directors in the meeting held on February 17, 2011, fixed the number of Directors at nine (9). The term of office of the following ten (10) directors will expire on April 19, 2011:

- | | |
|------------------------------|----------------------------|
| 1. Mr. Ehsan A. Malik | 2. Ms. Fariyha Subhani |
| 3. Mr. Imran Husain | 4. Mian Zulfikar H. Mannoo |
| 5. Mian M. Adil Mannoo | 6. Mr. Kamal Monnoo |
| 7. Mr. Badaruddin F. Vellani | 8. Mr. M. Qaysar Alam |
| 9. Ms. Shazia Syed | 10. Mr. Amar Naseer |

B. Special Business

5. To approve the remuneration of Executive Director including the Chief Executive.

By Order of the Board

Karachi.
Dated: March 07, 2011

Amar Naseer
Company Secretary



Notice of Annual General Meeting



Notes:

1. Share Transfer Books will be closed from March 25, 2011 to March 31, 2011 (both days inclusive).
2. All Members/Shareholders are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.
3. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (1st Floor, Avari Plaza, Fatima Jinnah Road, Karachi) at least 48 hours before the time of the meeting.
4. Any change of address of Members should be immediately notified to the Company's Share Registrars, Famco Associates (Private) Limited, State Life Building 1-A (1st Floor), I. I. Chundrigar Road, Karachi.

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

A. For Attending the Meeting:

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

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owner and the proxy shall be furnished with the proxy form.

Notice of Annual General Meeting

- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the Company.

C. Election of Directors:

The number of Directors to be elected at the Annual General Meeting has been fixed by the Board of Directors at nine (9). The Board has reduced the number of Directors from ten (10) to nine (9) at its meeting held on February 17, 2011.

Any person who seeks to contest election for directorship of the Company shall file with the Company at its registered office:

- i) A Notice of his/her intention to offer himself for election 14 days before the date of the above said Annual General Meeting, in terms of Section 178(3) of the Companies Ordinance, 1984;
- ii) Form 28 (consent to Act as Director) prescribed under the Companies Ordinance, 1984;
- iii) A Declaration with Consent to act as Director in the prescribed form under clause (ii) of the Code of Corporate Governance to the effect that he/she is aware of duties and powers of Directors as mentioned in the Companies Ordinance, 1984, the Memorandum and Articles of the Company and the listing Regulations of the Karachi & Lahore Stock Exchanges and has read the relevant provisions contained therein;
- iv) A Declaration in terms of the Code of Corporate Governance to the effect that he/she is not serving as a Director of more than ten other listed companies, and he/she is a registered National Tax Payer (except where he/she is a non-resident); that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution; that he/she or their spouse are not engaged in the business of Stock Brokerage (unless specifically exempted by the Securities and Exchange Commission of Pakistan);
- v) Attested copy of CNIC / NTN.



Notice of Annual General Meeting



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

Statement in respect of Special Business and related Draft Resolution

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

Item 5 of the Agenda - Remuneration of Executive Director and Chief Executive

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

For the year 2010: Rs.1.90 million to the Chief Executive, and Rs.1.02 million to the Executive Director as remuneration for the services.

Estimated for the year 2011: Rs.2.40 million to the Chief Executive and Rs.1.40 million to the Executive Director as remuneration for the services.

Estimated for January 2012 to March 2012: Rs.0.70 million to the Chief Executive and Rs.0.20 million to the Executive Director as remuneration for the services.

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

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

“RESOLVED THAT approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Director and the Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service agreements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs.2.92 million approximately, actual for the year January-December 2010; Rs.3.80 million approximately estimated for January to December 2011 which includes variable pay for the year 2010; and Rs.0.90 million approximately estimated for January to March 2012.”

Notice of Annual General Meeting

Procedure for Election of Directors:

According to the Company's Articles of Association, the Companies Ordinance, 1984, and the Code of Corporate Governance, the following procedure is to be followed for nomination and election of Directors:

1. The election of nine (9) Directors will be for a term of three years, commencing from April 20, 2011.
2. The Directors shall be elected from persons who offer themselves for election and are not ineligible under Section 187 of the Companies Ordinance, 1984.
3. Any person wishing to stand for election (including a retiring Director) is required to file with the Company (not later than 14 days before the election date), a notice of his intention to stand for election, along with duly completed and signed Form 28 giving his consent to act as Director of the Company if elected, and certify that he is not ineligible to become a Director and fulfills the requirements of the Code of Corporate Governance.
4. The Company will file the candidates' consents with the Registrar of Companies and notify their names in the Press.
5. A person may withdraw his candidature any time before the election is held.
6. If the number of candidates equals the number of vacancies, no voting will take place and all the candidates will be deemed to have been elected.
7. In case of voting, a Member shall have votes equal to the number of shares held by him multiplied by nine (i.e. the number of Directors to be elected).
8. A Member may cast vote/s in favour of a single candidate or for as many of the candidates and in such proportion as the Member may choose.
9. The person receiving the highest number of votes will be declared elected, followed by the next highest, and so on, till all the vacancies are filled.



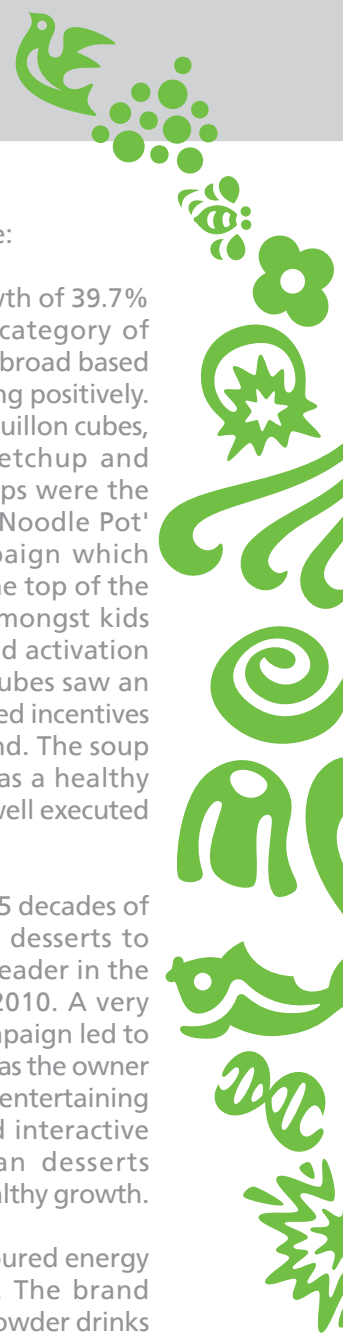


Directors' Report

Unilever Pakistan Foods Limited



Directors' Report



The Directors are pleased to present the Annual Report together with the Company's audited financial statements for the year ended December 31, 2010.

Business Review:

The Company achieved a robust 19.6% growth despite challenging economic conditions. All major categories contributed to this growth. The year saw an exciting 'Quest for the Noodle Pot' campaign for Knorr Noodles.

Rising input costs were partially offset by cost savings initiatives. Price increases were taken selectively to maintain competitiveness. Strong volume and value growth resulted in improved gross margin and 147% higher profit after tax and earnings per share.

Summary of Financial Performance

	2010	2009
	Rupees in million	
Sales	4,041	3,377
Gross Profit	1,535	1,254
Profit from Operations	658	264
Profit before tax	646	242
Profit after tax	437	177
EPS-basic (Rs.)	71.04	28.71

Dividends

The Board of Directors has recommended a final cash dividend of Rs. 36 per share. With the interim dividend of Rs. 35 per share already paid during the year, the total dividend for the year 2010 amounts to Rs. 71 (2009: Rs. 34) per ordinary share of Rs. 10 each.

The key business milestones were:

Knorr posted a robust value growth of 39.7% making it the fastest growing category of Unilever in Pakistan. Growth was broad based with all sub-categories contributing positively. The portfolio includes noodles, bouillon cubes, soups, meal makers, sauces, ketchup and yakhni. Noodles, Cubes and Soups were the star performers. 'Quest for the Noodle Pot' was a strong 360 degree campaign which helped bring Knorr noodles to the top of the mind and created excitement amongst kids through well executed on ground activation at key consumer touch points. Cubes saw an upsurge in offtake and the trade led incentives helped meet the growing demand. The soup category was relaunched in Q4 as a healthy snack between meals, through a well executed media and on ground campaign.

Rafhan, with a history of around 5 decades of providing quality and delicious desserts to consumers, became the market leader in the packaged desserts category in 2010. A very successful 'Birthday Bonanza' campaign led to further entrenching of its position as the owner of the Birthday platform. With an entertaining and catchy media campaign and interactive on ground activations, Rafhan desserts delivered another solid year of healthy growth.

Energile is a dextrose based, flavoured energy drink which targets the youth. The brand remained under pressure as the powder drinks category continued to decline during the year.

Glaxose-D is also a dextrose based drink, positioned towards the health and wellness segment providing instant energy to consumers. It registered 11% growth during the year while maintaining its volumes.

Unilever Foodsolutions, the leading food service provider in Pakistan, continues its strong relationship with all major key international food customers. It saw some major innovations

in the year to provide solutions in its savoury and desserts range. The business has partnered well with the modern trade customers and continues its growth momentum in this channel.

The Export business caters to the categories of ethnic taste and 'Halal' food, targeting customers in Asia and Europe. This segment continues to build on the strong growth registered last year.

Corporate Social Responsibility (CSR)

Unilever is a multi-local multinational with strong local roots. We believe that the highest standards of corporate behaviour in our society are essential to our long term success. We contribute to economic, environmental and social agendas through our actions and by working with reliable local, national and global partners. We aim to provide consumers with better, healthier and environmentally friendly products which meet their everyday needs. We have a strong, long-standing commitment to our communities and 'Doing Well by Doing Good' is a constant theme that underlines our actions.

During 2010, our main initiatives included:

i. Corporate Philanthropy: Rs. 3.9 million (In addition Unilever, our ultimate parent, contributed Rs. 113 million towards flood relief and rehabilitation)

Unilever Pakistan Foods Ltd. worked with its global and local partners for flood relief and rehabilitation. Our partners include Oxfam, UN World Food Programme, Save the Children, PSI Greenstar Social Marketing Pakistan, UNICEF, Idara-e-Taleem-O-Aagahi, The Citizens Foundation and the local governments in Rahim Yar Khan and Khanewal.

Unilever employees in Pakistan and other countries also donated towards the cause. The amount of the local employee contributions was matched by the Company and donated to The Citizens Foundation for their school rehabilitation programme.

ii. Energy Conservation:

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

- a. WWF Green Office Program for Head Office,
- b. Engineering improvements in manufacturing,
- c. Balancing air conditioning load and use of eco-efficient lighting at the offices.

iii. Environmental Protection Measures:

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

- 1. Distribution centre rationalisation & cross docking:
Using 'right sized' vehicles for each route and optimization of vehicle routes as per vehicle loads.





2. Logistics Joint Initiatives: Utilization of vehicles on return trip, in collaboration with other non-competitor companies. This helps share the footprint on roundtrip.
3. Water filtration projects as part of the CSR program.

Alongside this, Unilever Pakistan Foods Ltd. is also investing in the resource and capability building areas of eco-efficient practices. Workshops and trainings have been conducted to educate young managers and factory leaders on Environment Management Tools.

iv. Community Investment and Welfare Schemes: Rs. 1.6 million

- a. Knorr partnered with Zindagi Trust to set up a play area at the SMB Fatimah Jinnah School. They also premiered their first episode of 'Knorr Quest for the Noodle Pot' at the same school and provided free noodles worth Rs. 600,000 to the children.
- b. Unilever Pakistan Foods Limited factory started a Rs. 5 million safe drinking water project in partnership with Pakistan Poverty Alleviation Funds in Purnawan, Bhai Pheru (Rs. 1 million contributed in 2010).
- c. UPFL employees along with UPL's contributed to providing over 82,604 meals funded through internal events and employees' voluntary donations through a payroll deduction system.

v. Consumer Protection Measures:

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

vi. Occupational Safety and Health:

Occupational safety & health continues to be amongst the Company's top priorities. Unilever Pakistan Foods Ltd's management has been persistent in pursuing the journey of achieving excellence in Safety, Health & Environment (SHE). The management continues to review and provide policy guidelines to all business units.

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

In line with Unilever's mission to add vitality to life, it places SHE at the heart of its business agenda. The Company has taken strides to engage other companies and its business partners through external Industrial HSE Networks (IHSEN). Internally, it initiated the 'Safety Week' and the 'Wellness Week' to raise awareness of key issues.

Unilever Pakistan Foods Ltd. continues to excel in 'Safe Travel' by pursuing some leading edge initiatives such as 'defensive driving', 'behavioural risk assessments' and 'route risk assessments' to pro-actively identify and manage driving-related risks.

A major area of focus has also been on 'Off-the-job Safety', addressed by conducting learning and awareness programmes for employees' families. A separate committee, being headed by a MC Member, is working on this behalf.

vii. Business Ethics and Anti-Corruption Measures:

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

viii. Contribution to National Exchequer:

The Company contributed Rs. 1,007 million (2009: Rs. 727.7 million) of its value added to the national exchequer by way of import duties, general sales tax, income tax and other government levies.

Employee Involvement

Community and environment support at Unilever Pakistan Foods Limited is extended through Company initiatives, to its 'people'. Our employees work with various organizations giving monetary as well as skill support: UN World Food Programme, Pleasures, Karachi Vocational Training Centre, The Citizens Foundation, WWF Pakistan, Layton Rehmatullah Benevolent Trust and The Kidney Centre.

Value of investments of employees in retirement funds

Our Company contributed Rs. 14.06 million to the staff retirement funds during the year. The cost of investments made by the staff

retirement funds operated by the Company as at December 31, 2010 is as follows:

	Rupees in million
Provident Fund	80.69
Gratuity Fund	36.56
Superannuation Fund	55.37

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 three directors including two non-executive directors representing minority interest.



- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.
- Statements regarding the following are annexed or are disclosed in the notes to the financial statements.
 - Number of Board meetings held and attended by directors.
 - Key financial data for the last six years.
 - Pattern of shareholding.
 - Dealing in shares of the Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

Directors

The Board of Directors comprises three executive directors and seven non-executive directors. Since the last report, a casual vacancy occurring on the Board due to the resignation of a Director was filled by the Board of directors within 30 days:

- Mr. Amar Naseer was appointed as a Director on February 08, 2011 to replace Mr. Abdul Rab.

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

The three years term of office of the present Directors expires on 19.04.2011.

Auditors

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

Audit Committee

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

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

Holding Company

Through its wholly owned subsidiary M/s Conopco Inc. USA, Unilever N.V., a Company incorporated in Holland, has a holding of 75.85% of the shares in Unilever Pakistan Foods Limited.



Reserve Appropriations

	SHARE	CAPITAL		RESERVES		SUB	TOTAL
	CAPITAL	Share	Special	General	REVENUE	TOTAL	
		Premium			Unappropriated		
					Profit		
	← (Rupees in thousand) →						
Balance as at January 01, 2010	61,576	24,630	628	138	181,684	207,080	268,656
Net profit for the year	-	-	-	-	437,463	437,463	437,463
Final dividend for the year ended December 31, 2009 @ Rs. 14 per share	-	-	-	-	(86,207)	(86,207)	(86,207)
Interim dividend for the year ended December 31, 2010 @ Rs. 35 per share	-	-	-	-	(215,517)	(215,517)	(215,517)
Balance as at December 31, 2010	<u>61,576</u>	<u>24,630</u>	<u>628</u>	<u>138</u>	<u>317,423</u>	<u>342,819</u>	<u>404,395</u>





Acknowledgement

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

Future Outlook

In the aftermath of devastating floods and increasing fiscal weakness, economic recovery will be a challenge. Growing inflationary pressure from rising commodity costs, a weakening Rupee and deteriorating economic and operating conditions will impact consumer off-take of discretionary food categories, particularly in the out-of-home sector.

The Company has access to Unilever's know-how and R&D, with a constant stream of innovation and customer-related improvements. We are committed to face this challenge by providing consumers with better value products, driven by strong brand equity, consumer and customer-centric approach. Foremost, we are able to attract, develop and retain the best talent in the country. This is the basis of our long term confidence.

Thanking you all.

On behalf of the Board

Fariyha Subhani
Chief Executive

Karachi
February 17, 2011

Board Meetings' Attendance

During the year 2010, four Board Meetings were held and were attended as follows:

Directors	No. of Meetings attended
Mr. Ehsan A. Malik	3
Ms. Fariyha Subhani	4
Mr. Imran Husain	4
Mr. Abdul Rab	4
Mian Zulfikar H. Mannoo	4
Mian M. Adil Mannoo	4
Mr. Kamal Monnoo	4
Ms. Shazia Syed	4
Mr. M. Qaysar Alam	3
Mr. Badaruddin F. Vellani	2
Mr. Amar Naseer *	-

* Appointed against casual vacancy, in February, 2011.



Operating and Financial Highlights



	2010	2009	2008	2007	2006	2005
	(Rupees in thousand)					
FINANCIAL POSITION						
Balance sheet						
Property, plant and equipment	300,726	288,872	307,707	196,350	102,310	103,067
Other non-current assets	83,922	85,281	191,469	197,780	187,126	212,874
Current assets	704,825	600,683	516,437	552,418	597,016	426,277
Total assets	1,089,473	974,836	1,015,613	946,548	886,452	742,218
Share capital - ordinary	61,576	61,576	61,576	61,576	61,576	61,576
Reserves	342,819	207,080	239,647	137,406	497,888	463,849
Total equity	404,395	268,656	301,223	198,982	559,464	525,425
Non-current liabilities	38,182	25,497	42,079	13,926	12,606	8,248
Current liabilities	646,896	680,683	672,311	733,640	314,382	208,545
Total liabilities	685,078	706,180	714,390	747,566	326,988	216,793
Total equity and liabilities	1,089,473	974,836	1,015,613	946,548	886,452	742,218
Net current assets / (liabilities)	57,929	(80,000)	(155,874)	(181,222)	282,634	217,732
OPERATING AND FINANCIAL TRENDS						
Profit and loss						
Net sales	4,040,887	3,376,511	3,081,879	2,376,408	1,939,515	1,489,952
Cost of Sales	2,506,003	2,122,144	1,874,921	1,489,985	1,208,264	964,296
Gross profit	1,534,884	1,254,367	1,206,958	886,423	731,251	525,656
Operating profit	658,308	264,173	552,544	352,872	294,461	167,017
Profit before tax	645,859	241,656	530,311	346,074	290,116	160,906
Profit after tax	437,463	176,792	348,546	224,492	187,979	98,370
Cash ordinary dividends	301,517	208,610	246,250	584,295	153,940	67,734
Capital expenditure	51,455	22,114	142,439	116,852	23,368	12,799
Cash flows						
Operating activities	368,273	351,377	483,313	167,192	236,291	259,837
Investing activities	(48,445)	(16,277)	(125,416)	(100,579)	(11,257)	(7,388)
Financing activities	(301,517)	(208,610)	(246,250)	(584,925)	(153,772)	(67,684)
Cash and cash equivalents at the end of the year	(89,768)	(108,079)	(234,569)	(346,216)	172,096	100,834

Operating and Financial Highlights

- continued

	Unit	2010	2009	2008	2007	2006	2005
FINANCIAL RATIOS							
Rate of return							
Pre tax return on equity	%	160	90	176	174	52	31
Post tax return on equity	%	108	66	116	113	34	19
Return on average capital employed	%	88	37	63	40	34	17
Interest cover	times	71	13	30	70	352	50
Profitability							
Gross profit margin	%	38	37	39	37	38	35
Pre tax profit to sales	%	16	7	17	15	15	11
Post tax profit to sales	%	11	5	11	9	10	7
Liquidity							
Current ratio		1.09	0.88	0.77	0.75	1.90	2.04
Quick ratio		0.51	0.37	0.22	0.22	0.98	1.29
Financial gearing							
Debt equity ratio	%	18	29	44	64	-	-
Total debt ratio	%	8	11	23	37	-	-
Capital efficiency							
Debtors turnover	days	8	7	8	12	13	17
Inventory turnover	days	50	59	71	81	65	60
Total assets turnover	times	4	3	3	3	2	2
Property, plant and equipment turnover	times	13	12	10	12	19	14
Investment measures per ordinary share							
Earnings per share	Rs	71.04	28.71	56.60	36.46	30.53	15.97
Dividend payout (including proposed)	Rs	71	34	36	93	35	16
Dividend payout ratio - earnings	%	100	118	64	255	115	100
Dividend payout ratio - par value	%	710	340	360	930	350	160
Dividend yield	%	6.43	2.62	2.17	7.02	7.09	4.57
Price earning ratio	times	15.56	45.28	29.31	36.34	16.16	21.92
Breakup value	Rs	65.67	43.63	48.92	32.31	90.86	85.33
Market value - low	Rs	816	1,140	1,389	516	330	285
Market value - high	Rs	1,484	1,577	1,858	1,325	494	368
Market value - average	Rs	1,054	1,359	1,624	921	414	326
Market value - year end	Rs	1,105	1,300	1,659	1,325	494	350
Market capitalisation - year end	Rs in M	6,805	8,005	10,216	8,159	3,039	2,155
Ordinary shares of Rs. 10 each	No. in thousand	6,158	6,158	6,158	6,158	6,158	6,158

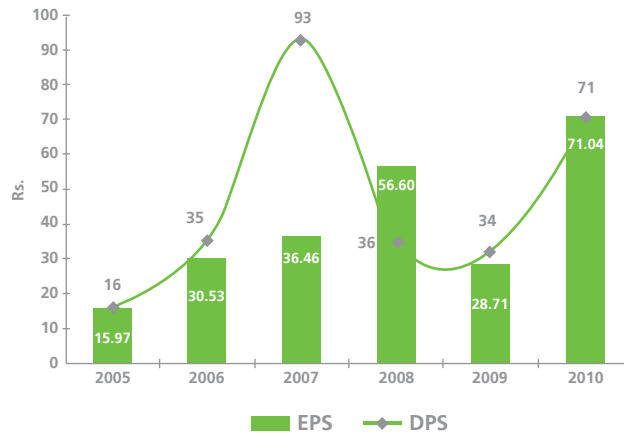


Operating and Financial Highlights

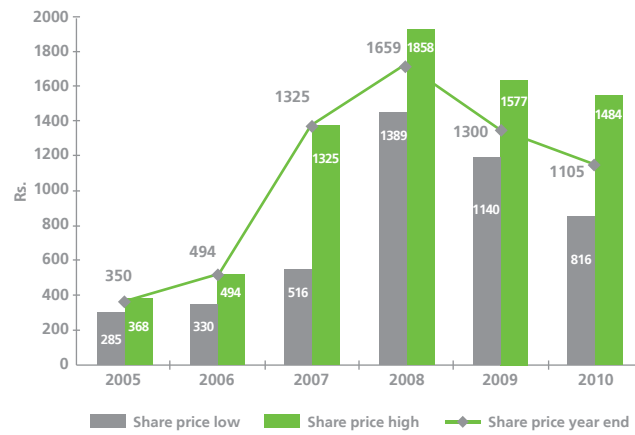
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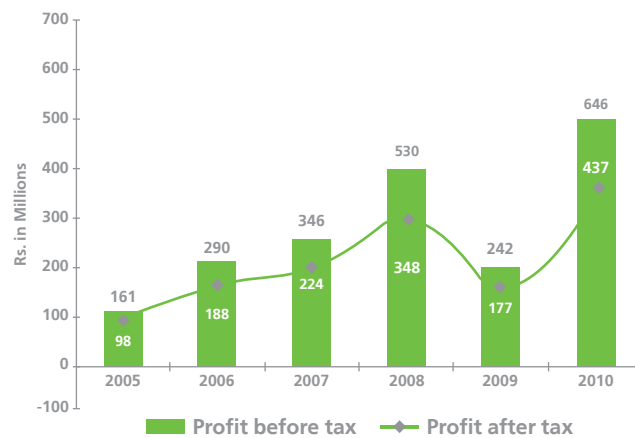
Comparison EPS and DPS



Share Price Trend



Comparison of PBT and PAT

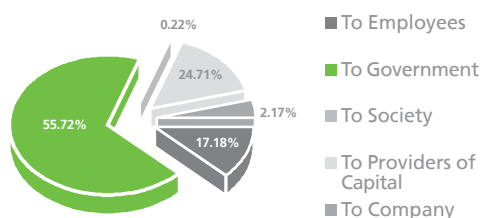


Statement of Value Addition & its Distribution

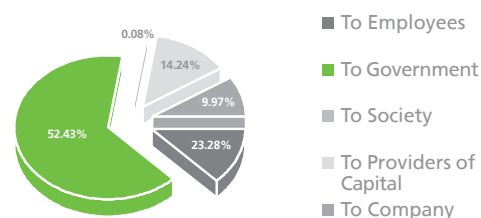
for the year ended December 31, 2010

	2010 Rs. in '000	%	2009 Rs. in '000	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	4,762,908		3,999,963	
Bought-in-material and services	(2,955,552)		(2,612,182)	
	<u>1,807,356</u>	<u>100</u>	<u>1,387,781</u>	<u>100</u>
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	310,607	17.18	323,056	23.28
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	1,006,991	55.72	727,680	52.43
To Society				
Donation towards education, health and environment	3,943	0.22	1,100	0.08
To Providers of Capital				
Dividend to shareholders	437,463	24.20	176,792	12.74
Mark-up/ interest expenses on borrowed funds	9,166	0.51	20,854	1.50
To Company				
Depreciation, amortization & retained profit	39,186	2.17	138,299	9.97
	<u>1,807,356</u>	<u>100</u>	<u>1,387,781</u>	<u>100</u>

WEALTH DISTRIBUTION 2010



WEALTH DISTRIBUTION 2009



Note: Previous year's figures have been restated in accordance with audited financial statements.



Pattern of Shareholding

as at December 31, 2010



Number of Shareholders	Shareholding		Total Number of Shares Held
	From	To	
633	1	100	23,082
102	101	500	19,844
17	501	1,000	10,667
8	1,001	5,000	19,862
1	25,001	30,000	28,760
1	35,001	40,000	37,080
4	40,001	45,000	176,054
1	60,001	65,000	61,670
1	65,001	70,000	67,180
2	75,001	80,000	153,573
1	90,001	95,000	94,344
2	95,001	100,000	191,847
1	110,001	115,000	113,860
1	130,001	135,000	134,865
1	150,001	155,000	153,728
1	200,001	205,000	200,947
1	4,670,001	4,675,000	4,670,255
<u>778</u>			<u>6,157,618</u>

Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage %
Associated Companies, Undertakings and Related Parties	1	4,670,255	75.85
Directors, CEO and their spouses and minor children	17	369,671	6.00
Executives	9	9	0.00
Modarabas and Mutual Funds	3	2,652	0.04
Others	15	2,336	0.04
Individuals	733	1,112,695	18.07
	<u>778</u>	<u>6,157,618</u>	<u>100.00</u>

Pattern of Shareholding - Additional Information

as at December 31, 2010

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies , Undertakings and Related Parties (name wise details)		
Conopco Inc.	1	4,670,255
Directors, CEO and their spouses and minor children (name wise details)		
Mr. Badaruddin F. Vellani	1	101
Mr. Ehsan A. Malik	1	1
Mr. M. Adil Mannoo	1	96,246
Mr. M. Qaysar Alam	1	1
Mr. Imran Husain	1	1
Mr. Abdul Rab	1	1
Mr. Zulfikar H. Mannoo	1	153,828
Mrs. Sarwat Zulfikar W/o Zulfikar H. Mannoo	1	5,430
Mr. Kamal Monnoo	1	114,060
Ms. Fariyha Subhani	1	1
Ms. Shazia Syed	1	1
Executives		
Mr. Amar Naseer	1	1
Ms. Zarin Riaz Khwaja	1	1
Mr. Sohail Hanif Baig	1	1
Mr. Mohammad Aslam	1	1
Mr. Aman Ghanchi	1	1
Ms. Noureen A. Merchant	1	1
Mr. Ali Arshad	1	1
Mr. Shariq Ashraf	1	1
Mr. Tariq Anjum	1	1
Modarabas and Mutual Funds	3	2,652
Others	15	2,336
Shareholders holding 10% or more voting interest (name wise details)		
Conopco Inc.	1	4,670,255



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

During 01-01-2010 to 31-12-2010

S. No.	Name	Acquired during the year
1	Ms. Shazia Syed	1

S. No.	Name	Transferred during the year
1	Mr. Noeman Shirazi	1


Statement of Compliance with the Code of Corporate Governance

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

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

1. The Company encourages representation of directors representing minority interests on its Board of Directors. At present, the Board includes, three non-executive directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies in the Board of Directors occurred on December 31, 2009 and January 31, 2011, which were duly filled.
5. The Company had already adopted and circulated a 'Code of Business Principles', which has been signed by all the directors and employees of the Company.
6. The Company has a Vision Statement. The Company, traditionally, maintains and follows policies designed to align with the Unilever group of companies and global best practices. The Board considers any significant amendments to the policies, as and when required.
7. All the powers of the Board have been duly exercised and decisions on material transactions, based on the significance of the matters involved, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 Board has approved appointment of new Chief Financial Officer w.e.f. February 08, 2011.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.



- 
15. The Board has formed an audit committee. It comprises three directors including, two non-executive directors representing minority interest.
 16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
 17. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.
 18. The Company has outsourced its internal audit function to Unilever Pakistan Limited (an associated Company), which has employed suitably qualified and experienced audit staff for the purpose. The said audit staff are conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.
 19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 20. 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.
 21. The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

Fariyha Subhani
Chief Executive

Karachi
February 17, 2011

Auditors' Review Report

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

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

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2010.

A.F.Ferguson & Co.
Chartered Accountants

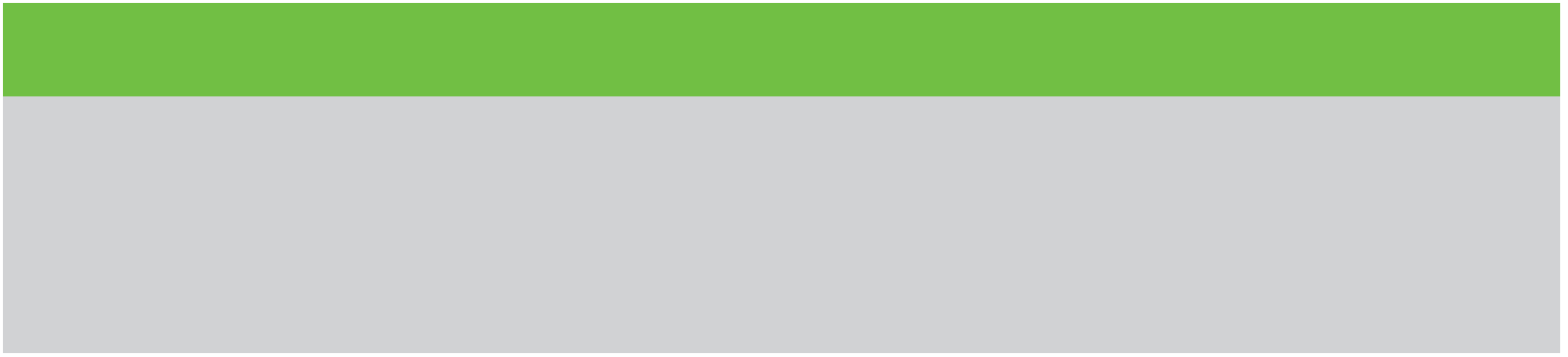
Karachi
Dated: February 21, 2011



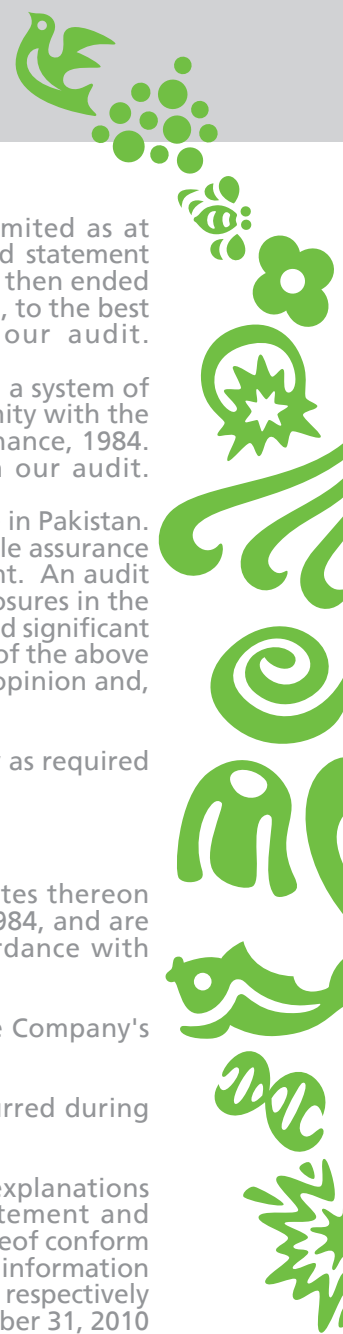


Financial Statements 2010

Unilever Pakistan Foods Limited



Auditors' Report to the Members



We have audited the annexed balance sheet of Unilever Pakistan Foods Limited as at December 31, 2010 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, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F.Ferguson & Co.
Chartered Accountants

Karachi
Dated: February 21, 2011

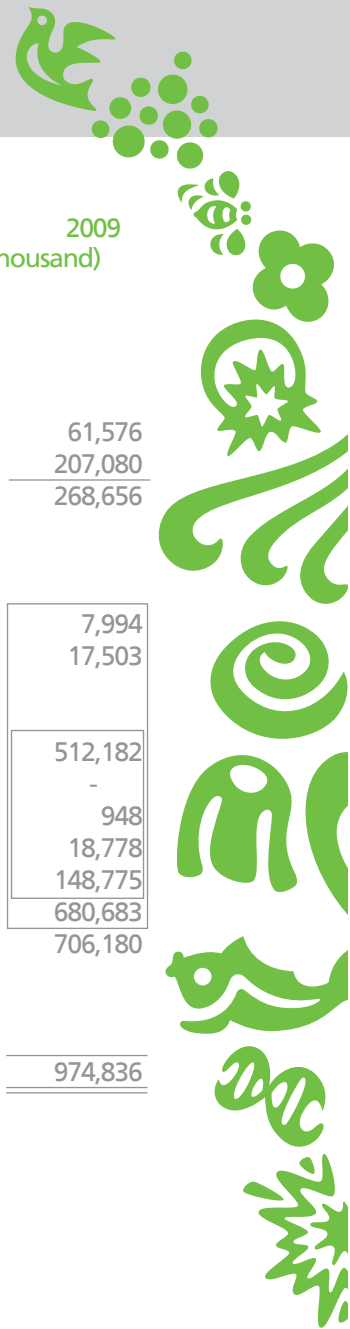
Name of Engagement Partner: Ali Muhammad Mesia

Balance Sheet

as at December 31, 2010

	Note	2010 (Rupees in thousand)	2009
ASSETS			
Non-current assets			
Property, plant and equipment	3	300,726	288,872
Intangible assets	4	81,637	81,637
Long term loans	5	2,157	3,289
Long term prepayment	6	128	355
		384,648	374,153
Current assets			
Stores and spares	7	17,458	14,636
Stock in trade	8	358,094	333,840
Trade debts	9	96,606	79,649
Loans and advances	10	14,709	11,963
Trade deposits and short term prepayments	11	20,230	18,039
Other receivables	12	9,638	15,287
Taxation - payments less provision		107,654	86,573
Cash and bank balances	13	80,436	40,696
		704,825	600,683
Total assets		1,089,473	974,836





	Note	2010 (Rupees in thousand)	2009 (Rupees in thousand)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	61,576	61,576
Reserves	15	342,819	207,080
		404,395	268,656
Liabilities			
Non-current liabilities			
Retirement benefits - obligation	16	8,939	7,994
Deferred taxation	17	29,243	17,503
Current liabilities			
Trade and other payables	18	433,047	512,182
Provision	19	10,000	-
Accrued interest / mark-up		2,020	948
Sales tax payable	20	31,625	18,778
Short term borrowings	21	170,204	148,775
		646,896	680,683
Total liabilities		685,078	706,180
Commitments	22		
Total equity and liabilities		1,089,473	974,836

The annexed notes 1 to 41 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

Profit and Loss Account

for the year ended December 31, 2010

	Note	2010 (Rupees in thousand)	2009
Sales	23	4,040,887	3,376,511
Cost of sales	24	(2,506,003)	(2,122,144)
Gross profit		1,534,884	1,254,367
Distribution cost	25	(786,593)	(797,304)
Administrative expenses	26	(51,547)	(50,219)
Other operating expenses	27	(51,810)	(120,275)
Other operating income	28	23,576	30,161
		668,510	316,730
Restructuring cost		(10,202)	(52,557)
Profit from operations		658,308	264,173
Finance cost	29	(12,449)	(22,517)
Profit before taxation		645,859	241,656
Taxation	30	(208,396)	(64,864)
Profit after taxation		437,463	176,792
Earnings per share - Rupees	31	71.04	28.71

The annexed notes 1 to 41 form an integral part of these financial statements.

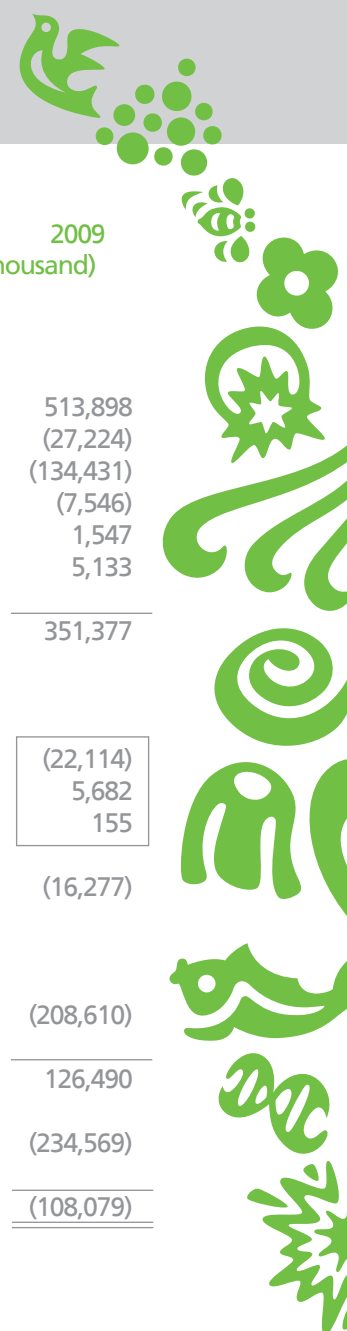
Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer



Cash Flow Statement

for the year ended December 31, 2010



	Note	2010 (Rupees in thousand)	2009
Cash flows from operating activities			
Cash generated from operations	37	601,100	513,898
Mark-up paid		(8,094)	(27,224)
Income tax paid		(217,737)	(134,431)
Retirement benefits - obligation paid		(8,355)	(7,546)
Decrease in long term loans		1,132	1,547
Decrease in long term prepayment		227	5,133
Net cash from operating activities		368,273	351,377
Cash used in investing activities			
Purchase of property, plant and equipment		(51,455)	(22,114)
Sale proceeds on property, plant and equipment		2,974	5,682
Return received on savings accounts		36	155
Net cash used in investing activities		(48,445)	(16,277)
Cash used in financing activities			
Dividends paid		(301,517)	(208,610)
Net increase in cash and cash equivalents		18,311	126,490
Cash and cash equivalents at the beginning of the year		(108,079)	(234,569)
Cash and cash equivalents at the end of the year	38	(89,768)	(108,079)

The annexed notes 1 to 41 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer

Statement of Changes in Equity

for the year ended December 31, 2010

	SHARE CAPITAL	CAPITAL		RESERVES		SUB TOTAL	TOTAL
		Share Premium	Special	General	REVENUE Unappropriated Profit		
← Rupees in thousand →							
Balance as at January 01, 2009	61,576	24,630	628	138	214,251	239,647	301,223
Net profit for the year	-	-	-	-	176,792	176,792	176,792
Final dividend for the year ended December 31, 2008 @ Rs. 14 per share	-	-	-	-	(86,207)	(86,207)	(86,207)
Interim dividend for the year ended December 31, 2009 @ Rs. 20 per share	-	-	-	-	(123,152)	(123,152)	(123,152)
Balance as at December 31, 2009	61,576	24,630	628	138	181,684	207,080	268,656
Net profit for the year	-	-	-	-	437,463	437,463	437,463
Final dividend for the year ended December 31, 2009 @ Rs. 14 per share	-	-	-	-	(86,207)	(86,207)	(86,207)
Interim dividend for the year ended December 31, 2010 @ Rs. 35 per share	-	-	-	-	(215,517)	(215,517)	(215,517)
Balance as at December 31, 2010	61,576	24,630	628	138	317,423	342,819	404,395

The annexed notes 1 to 41 form an integral part of these financial statements.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer



Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2010



1. THE COMPANY AND ITS OPERATIONS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Critical accounting estimates and judgements

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

i. Taxation

The Company accounts for provision for income tax based on current best estimates. However, where the final tax outcome is different from the amounts that were initially recorded, such differences impact the income tax provision in the period in which such determination is made.

ii. Post employment benefits

Significant estimates relating to post employment benefits are disclosed in note 16.

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

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



2.1.3 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards effective in 2010 but not relevant

Certain standards, amendments and new interpretations to existing approved accounting standards are effective from the current year. However, these did not affect the financial statements, therefore, these have not been detailed here.

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

- i. IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after January 01, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. There are no items of other comprehensive income, therefore, no impact is expected on the Company's financial statements.
- ii. IAS 24 (Revised), 'Related Party Disclosures', is effective for the accounting periods beginning on or after January 01, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have a material impact on the Company's financial statements.
- iii. IFRS 7 (Amendment), 'Financial Instruments: Disclosures', is effective for the accounting periods beginning on or after January 01, 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the financial instrument disclosures in the Company's financial statements.
- iv. IFRIC 14 (Amendment), 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction', is effective for the accounting periods beginning on or after January 01, 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

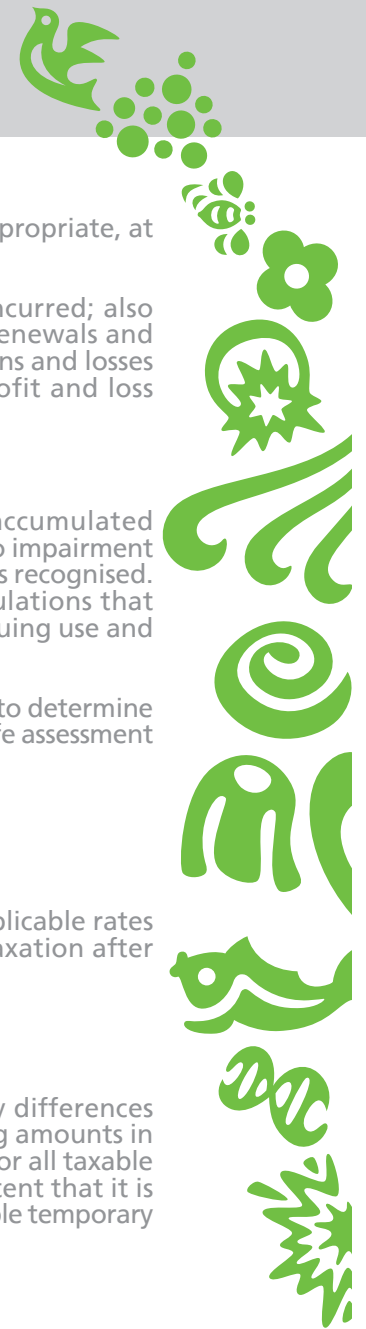
2.2 Overall valuation policy

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

2.3 Property, plant and equipment

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

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



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

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

2.4 Intangible assets

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

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

2.5 Taxation

i. Current

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

ii. Deferred

Deferred tax is provided using the liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

2.6 Retirement benefits

Defined contribution plan - Provident Fund

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

Defined benefit plans

The Company operates the following schemes:

- i) Funded pension scheme for management employees of the Company. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2010, using the 'Projected Unit Credit Method'.

- ii) Funded gratuity scheme for management and non-management employees of the Company. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2010, using the 'Projected Unit Credit Method'.

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

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

2.7 Stores and spares

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

2.8 Stock in trade

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

2.9 Trade and other debts

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

2.10 Cash and cash equivalents

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

2.11 Operating leases

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





2.12 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.

2.13 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.

2.14 Provisions

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

2.15 Financial assets and liabilities

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

2.16 Foreign currency transactions and translation

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are taken to income.

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

2.17 Revenue recognition

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

- sale is recognised when the product is despatched to customers; and
- return on savings account is recognised on accrual basis.

2.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3. PROPERTY, PLANT AND EQUIPMENT

2010
(Rupees in thousand)

Operating assets - note 3.1	297,151	288,672
Capital work in progress - note 3.3	3,575	200
	<u>300,726</u>	<u>288,872</u>

3.1 Operating assets

	Freehold land	Building on freehold land	Leasehold improvements	Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles	Total
	(Rupees in thousand)							
Net carrying value basis								
Year ended December 31, 2010								
Opening Net Book Value (NBV)	8,179	50,361	-	175,803	31,531	2,469	20,329	288,672
Additions (at cost)	-	2,045	-	16,958	28,268	809	-	48,080
Disposals (at NBV)	-	-	-	-	-	-	(415)	(415)
Depreciation charge	-	(1,425)	-	(23,542)	(6,632)	(465)	(7,122)	(39,186)
Closing NBV	<u>8,179</u>	<u>50,981</u>	<u>-</u>	<u>169,219</u>	<u>53,167</u>	<u>2,813</u>	<u>12,792</u>	<u>297,151</u>
Gross carrying value basis								
At December 31, 2010								
Cost	8,179	143,841	14,918	427,455	128,427	17,664	40,072	780,556
Accumulated depreciation and impairment	-	(92,860)	(14,918)	(258,236)	(75,260)	(14,851)	(27,280)	(483,405)
NBV	<u>8,179</u>	<u>50,981</u>	<u>-</u>	<u>169,219</u>	<u>53,167</u>	<u>2,813</u>	<u>12,792</u>	<u>297,151</u>
Net carrying value basis								
Year ended December 31, 2009								
Opening NBV	8,179	49,239	-	181,994	26,771	326	29,521	296,030
Additions (at cost)	-	2,495	-	17,773	9,842	2,212	1,269	33,591
Disposals (at NBV)	-	(5)	-	(51)	(5)	-	(2,097)	(2,158)
Depreciation charge	-	(1,368)	-	(23,913)	(5,077)	(69)	(8,364)	(38,791)
Closing NBV	<u>8,179</u>	<u>50,361</u>	<u>-</u>	<u>175,803</u>	<u>31,531</u>	<u>2,469</u>	<u>20,329</u>	<u>288,672</u>
Gross carrying value basis								
At December 31, 2009								
Cost	8,179	141,796	14,918	410,497	100,159	16,855	45,166	737,570
Accumulated depreciation and impairment	-	(91,435)	(14,918)	(234,694)	(68,628)	(14,386)	(24,837)	(448,898)
NBV	<u>8,179</u>	<u>50,361</u>	<u>-</u>	<u>175,803</u>	<u>31,531</u>	<u>2,469</u>	<u>20,329</u>	<u>288,672</u>
Depreciation rate % per annum	-	2.5	25	10	10 to 25	20	20	



3.2 Details of operating assets disposed off during the year

The details of fixed assets disposed off during the year are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	← Rupees in thousand →					
Motor Vehicles	424	148	276	425	Insurance claim	New Jubilee Insurance Company Ltd. NJI House, I.I. Chundrigar Road, Karachi.
	560	476	84	215	Company policy	Syed Zain Abbas - Executive
	365	311	54	146	"	Mr. Muhammed Rashid Tanvir - Executive
Assets having book value of less than Rs. 50,000 each						
Motor Vehicles	3,745	3,744	1	2,188		

3.3 Capital work in progress – at cost

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Civil work	562	200
Plant and machinery	3,013	-
	<u>3,575</u>	<u>200</u>

4. INTANGIBLE ASSETS

4.1 Net carrying value basis

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Opening net book value	81,637	181,145
Impairment loss	-	(99,508)
Closing net book value	<u>81,637</u>	<u>81,637</u>

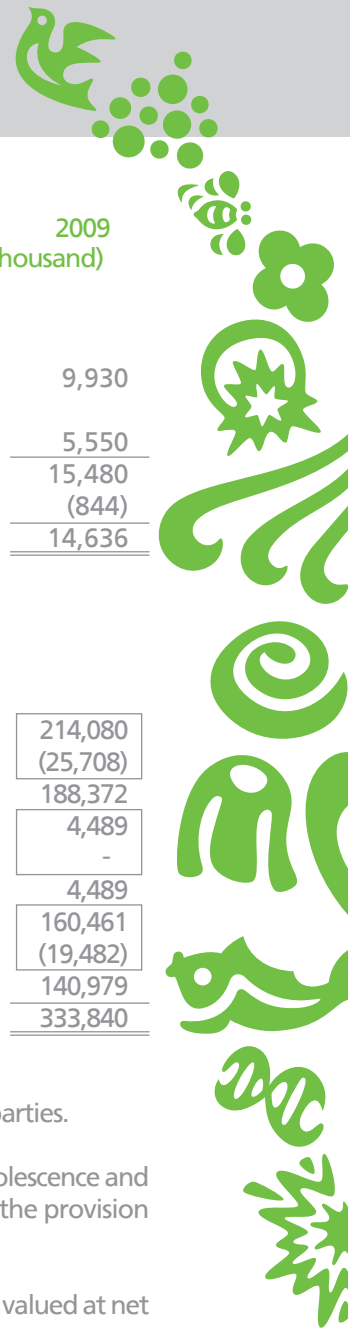
4.2 Gross carrying value basis

Cost - note 4.3		
- Goodwill	94,578	94,578
- Agreement in restraint of trade	139,661	139,661
- Trademark	20,000	20,000
	<u>254,239</u>	<u>254,239</u>
Accumulated amortisation and impairment	(172,602)	(172,602)
Net book value	<u>81,637</u>	<u>81,637</u>

4.3 This represents amount paid for the acquisition of Glaxose-D in 1999 to Glaxo Wellcome Pakistan Limited (now GlaxoSmithKline Pakistan Limited).



	2010 (Rupees in thousand)	2009
5. LONG TERM LOANS - considered good		
Executives	2,621	1,936
Other employees	1,545	4,998
	4,166	6,934
Recoverable within one year - note 10	(2,009)	(3,645)
	<u>2,157</u>	<u>3,289</u>
5.1 Reconciliation of carrying amount of loans to executives:		
- opening balances	1,936	2,442
- transfers	1,018	-
- disbursements	1,100	750
- repayments	(1,433)	(1,256)
	<u>2,621</u>	<u>1,936</u>
5.2	Loans to employees have been provided to facilitate purchase of houses, vehicles and computers in accordance with the Company's policy and are repayable over a period of five years. These loans are secured against retirement benefits of the employees. Loans to employees are interest free, except for house building loan which carries interest at 10% per annum.	
5.3	The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 3.06 million (2009: Rs. 2.36 million).	
	2010 (Rupees in thousand)	2009
6. LONG TERM PREPAYMENT		
Prepaid rent	1,341	4,041
Current portion - note 11	(1,213)	(3,686)
	<u>128</u>	<u>355</u>



	2010 (Rupees in thousand)	2009 (Rupees in thousand)
7. STORES AND SPARES		
Stores	10,168	9,930
Spares (including in transit - Rs. 1.62 million; 2009: Nil)	8,449	5,550
	<u>18,617</u>	<u>15,480</u>
Provision for obsolescence	<u>(1,159)</u>	<u>(844)</u>
	<u>17,458</u>	<u>14,636</u>

8. STOCK IN TRADE		
Raw and packing materials (including in transit Rs. 30.81 million; 2009: Rs. 49.17 million)	240,718	214,080
Provision for obsolescence	(14,158)	(25,708)
	<u>226,560</u>	<u>188,372</u>
Work in process	2,906	4,489
Provision for obsolescence	(1,114)	-
	<u>1,792</u>	<u>4,489</u>
Finished goods	136,665	160,461
Provision for obsolescence	(6,923)	(19,482)
	<u>129,742</u>	<u>140,979</u>
	<u>358,094</u>	<u>333,840</u>

8.1 Stock in trade includes Rs. 199.31 million (2009: Rs. 188.43 million) held with third parties.

8.2 The Company made a provision of Rs. 13.97 million (2009: Rs. 21.21 million) for obsolescence and has written off inventory of Rs. 36.96 million (2009: Rs. 25.90 million) by utilising the provision during the year.

8.3 The above balances include items costing Rs. 38.26 million (2009: Rs. 129.24 million) valued at net realisable value of Rs. 16.07 million (2009: Rs. 84.05 million).

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
9. TRADE DEBTS		
Considered good	96,606	79,649
Considered doubtful	12,933	12,895
	<u>109,539</u>	<u>92,544</u>
Provision for doubtful debts - note 9.1	<u>(12,933)</u>	<u>(12,895)</u>
	<u>96,606</u>	<u>79,649</u>

9.1 The Company has recognised a provision of Rs. 0.47 million (2009: reversed a net provision of Rs. 0.91 million) and has written off debts by utilising the provision amounting to Rs. 0.43 million (2009: Nil)

9.2 As of December 31, 2010, trade debts of Rs. 28.25 million (2009: Rs. 18.23 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2010 (Rupees in thousand)	2009
Up to 3 months	21,179	17,189
3 to 6 months	6,355	820
More than 6 months	716	224
	<u>28,250</u>	<u>18,233</u>

10. LOANS AND ADVANCES - considered good

Current portion of loans to employees - note 5

Advances to:

executives - note 10.1
other employees
suppliers and others

2,009	3,645
2,496	729
1,448	2,258
8,756	5,331
12,700	8,318
<u>14,709</u>	<u>11,963</u>

10.1 The advances to executives are given to meet business expenses and are settled as and when the expenses are incurred. Further, the Company provides advance house rent to its employees.

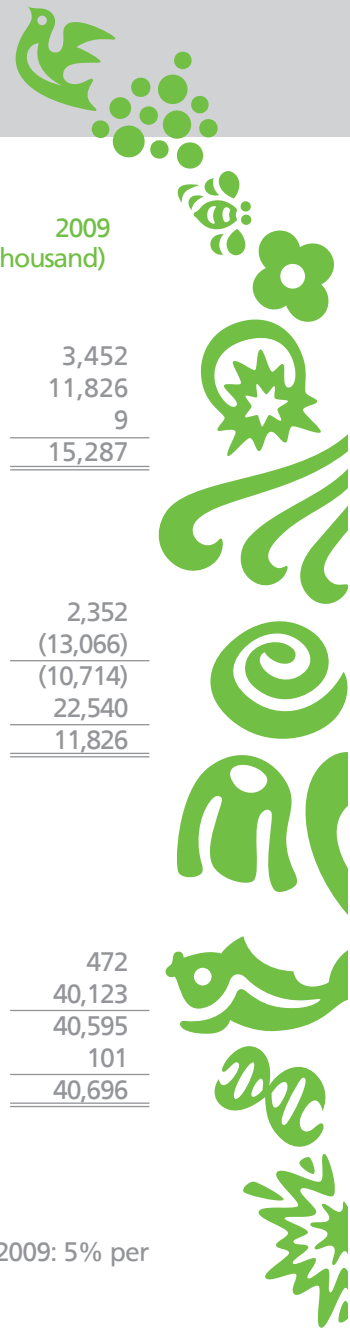
2010
(Rupees in thousand)

11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits
Prepayments
Current portion of prepaid rent - note 6

1,938	2,031
17,079	12,322
1,213	3,686
<u>20,230</u>	<u>18,039</u>





	2010 (Rupees in thousand)	2009
12. OTHER RECEIVABLES		
Due from associated undertakings	3,644	3,452
Workers' Profits Participation Fund - note 12.1	5,124	11,826
Others	870	9
	9,638	15,287
12.1 Workers' Profits Participation Fund		
Balance as at January 1	11,826	2,352
Allocation for the year	(34,686)	(13,066)
	(22,860)	(10,714)
Paid to trustees of the fund	27,984	22,540
Balance as at December 31	5,124	11,826
13. CASH AND BANK BALANCES		
With banks on:		
savings accounts - note 13.1	31,460	472
current accounts	48,856	40,123
	80,316	40,595
Cash in hand	120	101
	80,436	40,696

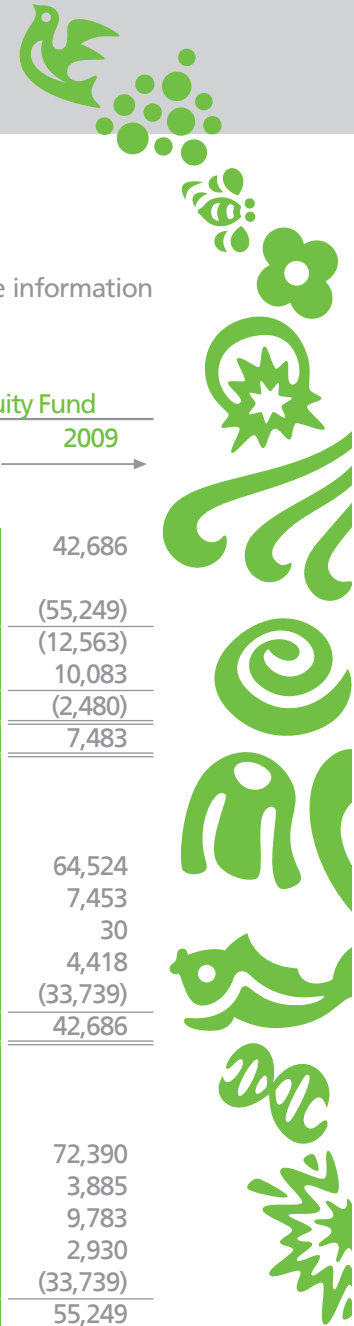
13.1 At December 31, 2010 the mark-up rate on savings accounts is 5% per annum (2009: 5% per annum).



		2010	2009
		(Rupees in thousand)	
14. SHARE CAPITAL			
Authorised share capital			
Number of shares			
<u>20,000,000</u>	Ordinary shares of Rs. 10 each	<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid up capital			
Number of shares			
Ordinary shares of Rs. 10 each allotted:			
1,239,327	for consideration paid in cash	12,393	12,393
24,196	for consideration other than cash	242	242
4,894,095	as bonus shares	48,941	48,941
<u>6,157,618</u>		<u>61,576</u>	<u>61,576</u>

14.1 As at December 31, 2010 Conopco Inc. USA, subsidiary of Unilever N.V. Holland, held 4,670,271 (December 31, 2009: 4,670,271) ordinary shares of Rs. 10 each.

		2010	2009
		(Rupees in thousand)	
15. RESERVES			
Capital reserves			
	Share premium	24,630	24,630
	Special	628	628
		<u>25,258</u>	<u>25,258</u>
Revenue reserves			
	General	138	138
	Unappropriated profit	317,423	181,684
		<u>317,561</u>	<u>181,822</u>
		<u>342,819</u>	<u>207,080</u>



16. RETIREMENT BENEFITS - OBLIGATION

16.1 The disclosures made in notes 16.2 to 16.7 and 16.10 to 16.12 are based on the information included in the actuarial valuation as of December 31, 2010.

	Pension Fund		Gratuity Fund	
	2010	2009	2010	2009
	(Rupees in thousand)			
16.2 Balance Sheet Reconciliation				
Fair value of plan assets	62,272	50,682	45,301	42,686
Present value of defined benefit obligations	(67,097)	(59,235)	(69,277)	(55,249)
Funded status	(4,825)	(8,553)	(23,976)	(12,563)
Unrecognised net actuarial (gain) / loss	(1,070)	3,039	20,932	10,083
Recognised liability	(5,895)	(5,514)	(3,044)	(2,480)
Actual return on plan assets	10,208	6,948	3,160	7,483
16.3 Movement in the fair value of plan assets				
Fair value as at January 1	50,682	42,731	42,686	64,524
Expected return on plan assets	6,660	6,618	5,832	7,453
Actuarial gains / (losses)	3,548	330	(2,672)	30
Employer contributions	3,846	3,128	4,509	4,418
Benefits paid	(2,464)	(2,125)	(5,054)	(33,739)
Fair value as at December 31	62,272	50,682	45,301	42,686
16.4 Movement in the defined benefit obligation				
Obligation as at January 1	59,235	49,559	55,249	72,390
Service cost	3,147	2,583	3,284	3,885
Interest cost	7,595	7,991	7,134	9,783
Actuarial (gain) / loss	(416)	1,227	8,664	2,930
Benefits paid	(2,464)	(2,125)	(5,054)	(33,739)
Obligation as at December 31	67,097	59,235	69,277	55,249
16.5 Cost				
Current service cost	3,147	2,583	3,284	3,885
Interest cost	7,595	7,991	7,134	9,783
Expected return on plan assets	(6,660)	(6,618)	(5,832)	(7,453)
Recognition of actuarial loss	145	110	487	370
Expense	4,227	4,066	5,073	6,585

16.6 Principal actuarial assumptions used are as follows:

	2010	2009
Discount rate & expected return on plan assets	14.25%	12.75%
Future salary increases	12.00%	10.60%
Future pension increases	8.00%	6.66%

16.7 Comparison for five years:

	2010	2009	2008	2007	2006
As at December 31	← (Rupees in thousand) →				
Fair value of plan assets	107,573	93,368	107,255	83,966	74,746
Present value of defined benefit obligation	(136,374)	(114,484)	(121,949)	(98,503)	(90,641)
Deficit	(28,801)	(21,116)	(14,694)	(14,537)	(15,895)
Experience adjustments					
Gain / (Loss) on plan assets - as percentage of plan assets	0.8%	0.4%	9.5%	(0.2%)	(9.0%)
Loss / (Gain) on obligations - as percentage of obligations	6.0%	3.6%	7.5%	(2.2%)	(2.0%)

16.8 Plan assets are comprised as follows:

	2010		2009	
	Rupees in thousand	%	Rupees in thousand	%
Fixed interest bonds	77,911	72	62,282	67
Others (include cash and bank balances)	29,662	28	31,086	33
	107,573	100	93,368	100

16.9 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.

16.10 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.

16.11 Expected contribution to retirement benefit plans for the year ending December 31, 2011 are Rs. 13.4 million (2010: Rs. 22.3 million).

16.12 During the year the Company contributed Rs. 5.7 million (2009: Rs. 5.5 million) to the provident fund.





17. DEFERRED TAXATION

Credit balance arising in respect of:

- accelerated tax depreciation allowance
- amortisation of intangible assets

2010
(Rupees in thousand)

2009

35,883
16,541
52,424

30,849
12,532
43,381

Debit balance arising in respect of:

- provision for retirement benefits
- provision for stock in trade
- provision for stores and spares
- provision for doubtful debts
- provision for restructuring
- other provisions

(3,129)
(7,768)
(406)
(4,527)
(3,500)
(3,851)
(23,181)
29,243

(2,798)
(15,817)
(295)
(4,513)
-
(2,455)
(25,878)
17,503

18. TRADE AND OTHER PAYABLES

Creditors
Accrued liabilities
Royalty and technology fee
Advances from customers
Income tax deducted at source
Workers' Welfare Fund
Unclaimed dividend
Others

37,271
327,384
18,574
23,033
3,566
13,181
1,563
8,475
433,047

60,299
385,411
14,144
28,524
8,425
6,601
1,356
7,422
512,182

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

2010
(Rupees in thousand)

2009

Holding Company
Other related parties

8,058
28,550

6,127
36,305

19. PROVISION

During the year, the Company made a provision for restructuring amounting to Rs. 10.2 million (2009: Rs. 52.56 million) out of which a sum of Rs. 0.20 million (2009: Rs. 52.56 million) has been paid to staff.

20. SALES TAX PAYABLE

This includes provision for doubtful sales tax refund amounting to Rs. 2.6 million (2009: Rs. 2.6 million).

21. SHORT TERM BORROWINGS

Running finance under mark-up arrangements - secured

The facilities for running finance available from various banks amount to Rs. 1.05 billion (2009: Rs. 946 million). The rates of mark-up range between KIBOR to KIBOR + 4.2% per annum (2009: KIBOR + 0.25% to KIBOR + 2.11% per annum).

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

The facilities for opening letters of credit and guarantees as at December 31, 2010 amounted to Rs. 1.05 billion (2009: Rs. 536.5 million) of which the amount remained unutilised at year end was Rs. 1.01 billion (2009: Rs. 496.02 million).

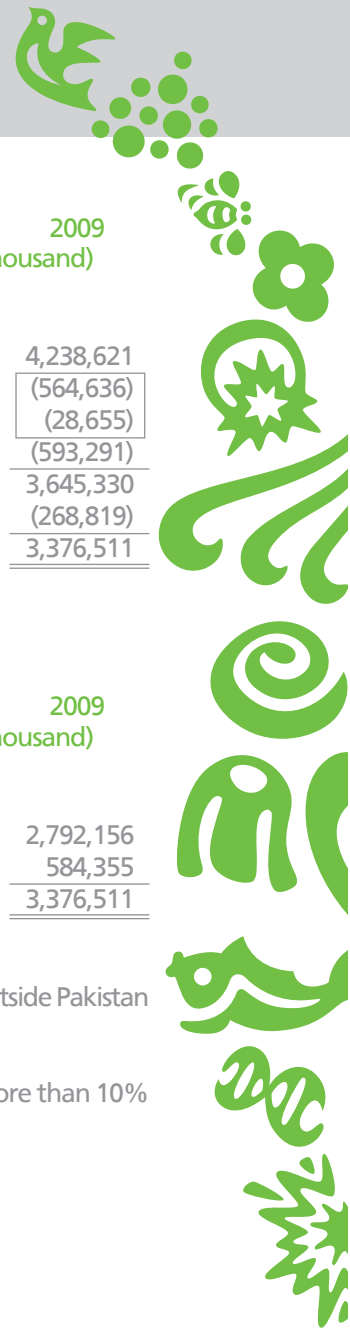
22. COMMITMENTS

22.1 There were no commitments outstanding for capital expenditure as at December 31, 2010 (2009: Rs. 3.17 million).

22.2 Aggregate commitments for rentals payable under lease agreements as at December 31, 2010 are as follows:

	2010 (Rupees in thousand)	2009
Not later than one year	1,157	1,135
Over one year to five years	3,471	4,255
	<u>4,628</u>	<u>5,390</u>





23. SALES	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Gross sales	4,931,816	4,238,621
Sales tax	(664,221)	(564,636)
Excise duty	(34,224)	(28,655)
	(698,445)	(593,291)
	4,233,371	3,645,330
Rebates and allowances	(192,484)	(268,819)
	4,040,887	<u>3,376,511</u>

23.1 The Company analyses its net revenue by the following product groups:

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Products used by end consumers	3,365,663	2,792,156
Products used by entities	675,224	584,355
	4,040,887	<u>3,376,511</u>

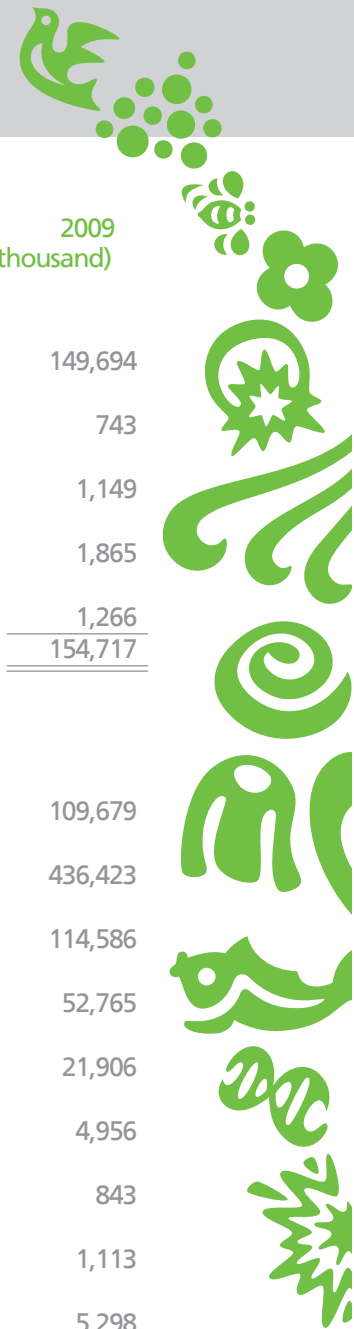
23.2 Sales to domestic customers in Pakistan are 97.1% (2009: 98.4%) and to customers outside Pakistan are 2.9% (2009: 1.6%) of the revenue during the year.

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



24. COST OF SALES

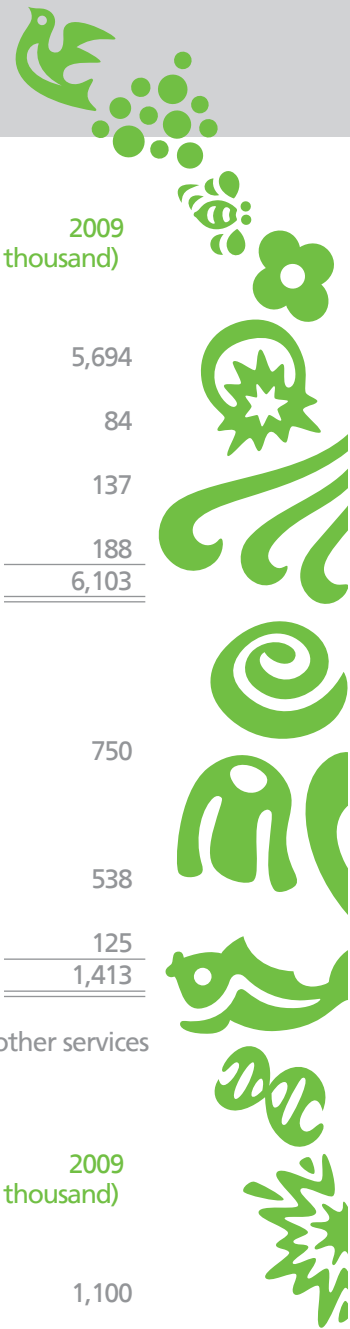
	2010 (Rupees in thousand)	2009
Raw and packing materials consumed	2,115,987	1,843,781
Manufacturing charges paid to third party	40,446	27,279
Stores and spares consumed	27,028	19,487
Staff costs - note 24.1	175,045	154,717
Utilities	47,804	33,066
Depreciation	38,156	37,665
Repairs and maintenance	26,429	18,952
Rent, rates and taxes	4,045	4,357
Travelling and entertainment	1,441	1,296
Insurance	1,265	1,628
Stationery and office expenses	4,979	2,411
Other expenses	7,237	6,865
Charges by related party	5,027	2,095
Recovery of charges from related party	(2,820)	(3,096)
	<u>2,492,069</u>	<u>2,150,503</u>
Opening work in process	4,489	4,605
Closing work in process	(1,792)	(4,489)
Cost of goods manufactured	2,494,766	2,150,619
Opening stock of finished goods	140,979	112,504
Closing stock of finished goods	(129,742)	(140,979)
	<u>2,506,003</u>	<u>2,122,144</u>



	2010 (Rupees in thousand)	2009
24.1 Staff costs		
Salaries and wages	169,667	149,694
Medical expenses	1,392	743
Pension cost - defined benefit plan	1,194	1,149
Gratuity cost - defined benefit plan	1,437	1,865
Provident fund cost - defined contribution plan	1,355	1,266
	<u>175,045</u>	<u>154,717</u>
25. DISTRIBUTION COST		
Staff costs - note 25.1	118,344	109,679
Advertisement and sales promotion	405,129	436,423
Outward freight and handling	103,289	114,586
Royalty and technology fee	75,524	52,765
Travelling and entertainment	24,180	21,906
Rent, rates and taxes	6,212	4,956
Depreciation	818	843
Repairs and maintenance	1,191	1,113
Stationery and office expenses	3,473	5,298
Other expenses	3,342	5,676
Charges by related party	100,138	98,659
Recovery of charges from related party	(55,047)	(54,600)
	<u>786,593</u>	<u>797,304</u>



	2010	2009
	(Rupees in thousand)	
25.1 Staff costs		
Salaries and wages	105,967	96,811
Medical expenses	1,707	1,360
Pension cost - defined benefit plan	2,945	2,833
Gratuity cost - defined benefit plan	3,530	4,583
Provident fund cost - defined contribution plan	4,195	4,092
	<u>118,344</u>	<u>109,679</u>
26. ADMINISTRATIVE EXPENSES		
Staff costs - note 26.1	7,016	6,103
Rent, rates and taxes	81	417
Depreciation	212	283
Travelling and entertainment	1,669	516
Insurance	2,302	2,220
Auditors' remuneration - note 26.2	1,423	1,413
Provision for doubtful debts	471	-
Provision for doubtful sales tax refund	-	2,594
Legal and professional charges	2,281	1,820
Other expenses	4,298	1,344
Service fee to related party - note 26.3	18,843	16,971
Charges by related party	17,408	20,309
Recovery of charges from related party	(4,457)	(3,771)
	<u>51,547</u>	<u>50,219</u>



	2010 (Rupees in thousand)	2009 (Rupees in thousand)
26.1 Staff costs		
Salaries and wages	6,653	5,694
Pension cost - defined benefit plan	88	84
Gratuity cost - defined benefit plan	106	137
Provident fund cost - defined contribution plan	169	188
	<u>7,016</u>	<u>6,103</u>
26.2 Auditors' remuneration		
Audit fee	750	750
Limited review, audit of pension, provident and gratuity funds, certification for regulatory authorities and others	548	538
Out of pocket expenses	125	125
	<u>1,423</u>	<u>1,413</u>
26.3 This represents amount charged to the Company for certain management and other services received from its associated undertaking - Unilever Pakistan Limited.		
	2010 (Rupees in thousand)	2009 (Rupees in thousand)
27. OTHER OPERATING EXPENSES		
Donations - note 27.1	3,943	1,100
Impairment loss	-	99,508
Workers' Profits Participation Fund - note 12.1	34,686	13,066
Workers' Welfare Fund	13,181	6,601
	<u>51,810</u>	<u>120,275</u>
27.1 None of the directors or their spouse had any interest in the donee.		



2010
2009
(Rupees in thousand)

28. OTHER OPERATING INCOME

Income from financial assets

Return on savings accounts

36 155

Income from non-financial assets

Scrap sales

11,134 11,036

Gain on disposal of property, plant and equipment

2,559 3,524

Sundries

1,082 2,311

14,775 16,871

Others

Liabilities no longer payable written back

8,765 12,229

Provision for doubtful trade debts written back

- 906

23,576 30,161

29. FINANCE COST

Mark-up on short term borrowings

9,166 20,854

Bank charges

3,283 1,663

12,449 22,517

30. TAXATION - charge

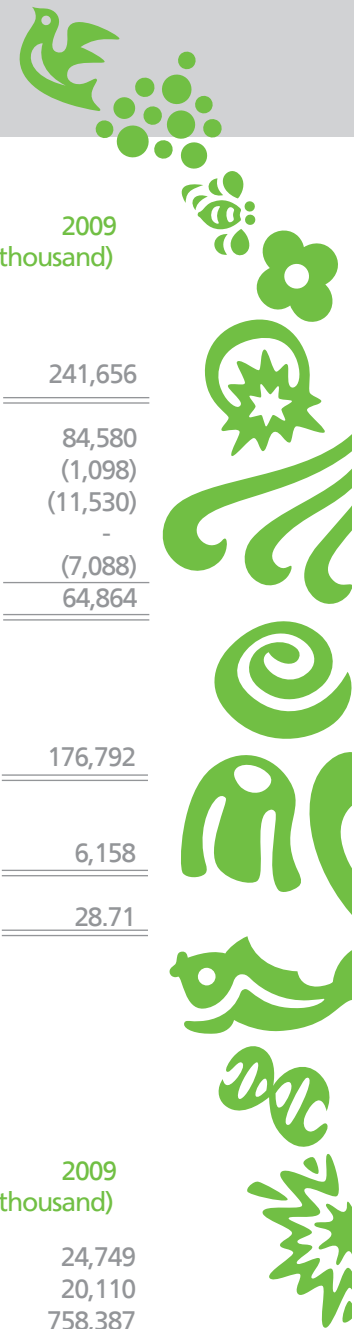
Current - for the year
- for prior years

191,656 104,601
5,000 (20,050)

Deferred

11,740 (19,687)

208,396 64,864



	2010 (Rupees in thousand)	2009 (Rupees in thousand)
30.1 Reconciliation between tax expense and accounting profit		
Accounting profit before tax	645,859	241,656
Tax at the applicable tax rate of 35%	226,051	84,580
Tax effect of permanent differences	(766)	(1,098)
Tax effect of prior periods	5,000	(11,530)
Tax effect of credits	(8,033)	-
Tax effect of final tax	(13,856)	(7,088)
Tax expense for the year	208,396	64,864

31. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders	437,463	176,792
Weighted average number of shares in issue during the year - in thousand	6,158	6,158
Earnings per share - Rupees	71.04	28.71

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

32. RELATED PARTY DISCLOSURES

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

Relationship with the Company	Nature of transactions	2010 (Rupees in thousand)	2009 (Rupees in thousand)
i) Holding company	Royalty	31,718	24,749
ii) Other related parties	Technology fee	36,940	20,110
	Purchase of goods	909,079	758,387
	Sale of goods	62,104	27,065
	Reimbursement of expenses to related party	122,573	121,063
	Recovery of expenses from related party	62,324	61,467
	Fee for receiving of services from related parties	18,857	17,113
iii) Key management personnel	Salaries and other short-term employee benefits	3,052	5,690

Royalty and technology fee are paid in accordance with the agreements duly acknowledged by the State Bank of Pakistan.

The Company has entered into agreements with its associate, Unilever Pakistan Limited to share various administrative and other resources. The charges by and recovery of costs from the associate have been disclosed in notes 24, 25 and 26.

The related party status of outstanding balances as at December 31, 2010 are included in other receivables and trade and other payables respectively. These are settled in ordinary course of business.

33. REMUNERATION OF DIRECTOR, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Director		Chief Executive		Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Managerial remuneration and allowances	741	668	1,311	2,860	72,591	36,382
Retirement benefits - note 33.1	-	-	-	-	11,572	6,257
Rent and utilities	-	-	-	-	11,332	12,483
Medical expenses	-	-	-	-	1,535	670
Other expenses	-	-	-	-	1,129	1,045
	<u>741</u>	<u>668</u>	<u>1,311</u>	<u>2,860</u>	<u>98,159</u>	<u>56,837</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>83</u>	<u>36</u>

In addition to this, a lump sum amount of Rs. 20.93 million (2009: Rs. 26.98 million) on account of variable pay has been accounted for in financial statements for the current year payable in 2011 after verification of target achievement.

Out of the variable pay recognised for 2009 and 2008 following payments were made:

	Paid in 2010 relating to 2009	Paid in 2009 relating to 2008
	(Rupees in thousand)	
Executive Director	275	363
Chief Executive	590	1,671
Executives	14,673	8,754
Other employees	1,540	8,675
	<u>17,078</u>	<u>19,463</u>





Aggregate amount charged in these financial statements for the year for fee to four non-executive directors was Rs. 135 thousand (2009: four non-executive directors Rs. 127.5 thousand).

Certain executives of the Company are also provided with the Company maintained cars.

In respect of full time working Director, Chief Executive and Company Secretary, the Company is charged monthly by an associated undertaking (Unilever Pakistan Limited) on agreed basis.

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs. 3.05 million (2009: Rs. 5.69 million).

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

34. PLANT CAPACITY AND PRODUCTION

	2010	2009
Actual production of the plant in metric tons	<u>18,625</u>	<u>17,200</u>

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Financial risk factors

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

Financial assets and liabilities by category and their respective maturities

	Interest / Mark-up bearing			Non-interest / Non-mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
FINANCIAL ASSETS							
Loans and advances	-	-	-	14,709	2,157	16,866	16,866
Trade debts	-	-	-	96,606	-	96,606	96,606
Trade deposits	-	-	-	1,938	-	1,938	1,938
Other receivables	-	-	-	4,514	-	4,514	4,514
Cash and bank balances	31,460	-	31,460	48,976	-	48,976	80,436
December 31, 2010	31,460	-	31,460	166,743	2,157	168,900	200,360
December 31, 2009	472	-	472	137,328	3,289	140,617	141,089
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	393,267	-	393,267	393,267
Short term borrowings	170,204	-	170,204	-	-	-	170,204
Accrued interest / mark-up	-	-	-	2,020	-	2,020	2,020
December 31, 2010	170,204	-	170,204	395,287	-	395,287	565,491
December 31, 2009	148,775	-	148,775	469,580	-	469,580	618,355
ON BALANCE SHEET GAP							
December 31, 2010	(138,744)	-	(138,744)	(228,544)	2,157	(226,387)	(365,131)
December 31, 2009	(148,303)	-	(148,303)	(332,252)	3,289	(328,963)	(477,266)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantee:							
December 31, 2010							37,741
December 31, 2009							40,477

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

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of total financial assets of Rs. 200.36 million (2009: Rs. 141.09 million), the financial assets which are subject to credit risk amounted to Rs. 96.61 million (2009: Rs. 79.65 million).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of December 31, 2010 trade debts of Rs. 28.25 million were past due but not impaired. The carrying amount of trade debts relates to a number of independent customers for whom there is no recent history of default.





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

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

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

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

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

(ii) Liquidity risk

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

(iii) Market risk

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at December 31, 2010, financial assets of Rs. 3.63 million (2009: Rs. 2.54 million) and financial liabilities of Rs. 33.72 million (2009: Rs. 37.37 million) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2010, if the Pakistan Rupee had weakened / strengthened by 11% against Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 1.97 million (2009: Rs. 3.43 million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

As at December 31, 2010, if the Pakistan Rupee had weakened / strengthened by 8% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 0.89 million (2009: Rs. 0.30 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

As at December 31, 2010, if the Pakistan Rupee had weakened / strengthened by 17% against Japanese Yen with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 0.17 million (2009: Nil), mainly as a result of foreign exchange losses / gains on translation of Japanese Yen denominated financial assets and liabilities.

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

b) Interest rate risk

The Company's interest rate risk arises from borrowings as the Company has no significant interest-bearing assets. Borrowings availed at variable rates expose the Company to cash flow interest rate risk.

At December 31, 2010, the Company had variable interest bearing financial liabilities of Rs. 170.2 million (2009: Rs. 148.78 million), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately Rs. 3.4 million (2009: Rs. 2.98 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

36. CAPITAL RISK MANAGEMENT

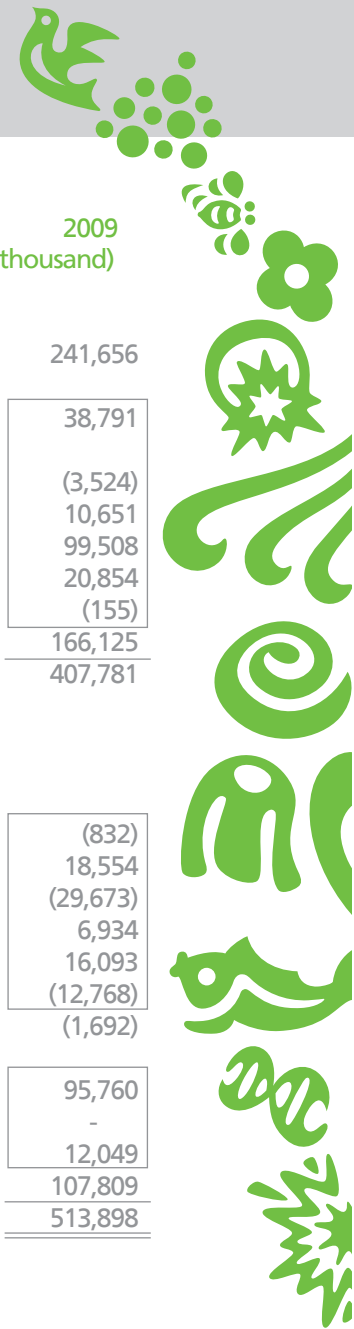
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2010 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2010 and 2009 were as follows:

	2010 (Rupees in thousand)	2009
Total borrowings	170,204	148,775
Cash and bank	(80,436)	(40,696)
Net debt	89,768	108,079
Total equity	404,395	268,656
Total capital	494,163	376,735
Gearing ratio	18%	29%

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.





	2010 (Rupees in thousand)	2009
37. CASH GENERATED FROM OPERATIONS		
Profit before taxation	645,859	241,656
Adjustments for non-cash charges and other items		
Depreciation	39,186	38,791
Gain on disposal of property, plant and equipment	(2,559)	(3,524)
Provision for retirement benefits - obligation	9,300	10,651
Impairment loss	-	99,508
Mark-up on short term borrowings	9,166	20,854
Return on savings accounts	(36)	(155)
	55,057	166,125
	700,916	407,781
Effect on cash flows due to working capital changes		
(Increase) / Decrease in current assets		
Stores and spares	(2,822)	(832)
Stock in trade	(24,254)	18,554
Trade debts	(16,957)	(29,673)
Loans and advances	(2,746)	6,934
Trade deposits and short term prepayments	(2,191)	16,093
Other receivables	5,649	(12,768)
	(43,321)	(1,692)
(Decrease) / Increase in current liabilities		
Trade and other payables	(79,342)	95,760
Provision	10,000	-
Sales tax payable	12,847	12,049
	(56,495)	107,809
	601,100	513,898
38. CASH AND CASH EQUIVALENTS		
Cash and bank balances	80,436	40,696
Short term borrowings - running finance under mark-up arrangements	(170,204)	(148,775)
	(89,768)	(108,079)

39. PROPOSED AND DECLARED DIVIDENDS

At the Board of Directors' meeting held on February 17, 2011, a final dividend in respect of 2010 of Rs. 36 per share amounting to a total dividend of Rs. 221.67 million is proposed (2009: Rs. 14 per share amounting to a total dividend of Rs. 86.21 million).

These financial statements do not reflect the proposed final dividend 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, 2011.

Interim dividend declared and already paid in respect of 2010 was Rs. 35 per share amounting to a total dividend of Rs. 215.52 million (2009: Rs. 20 per share amounting to a total dividend of Rs. 123.15 million).

40. CORRESPONDING FIGURES

There has been no significant reclassification made in these financial statements.

41. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 17, 2011, by the Board of Directors of the Company.

Fariyha Subhani
Chief Executive

Imran Husain
Director and Chief Financial Officer



Form of Proxy

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

I / We _____ son/ daughter/ wife of _____ ,
shareholder of Unilever Pakistan Foods Limited, holding _____ ordinary shares hereby
appoint _____ who is my _____ [state relationship (if
any) with the proxy; required by Government regulations] and the son / daughter/ wife of
_____, (holding _____ ordinary shares in the Company under
Folio No. _____) [required by Government; delete if proxy is not the Company's
shareholder] as my / our proxy, to attend and vote for me / us and on my / our behalf at the
Annual General Meeting of the Company to be held on March 31, 2011 and / or any adjournment
thereof.

Signed this _____ day of _____ 2011.

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

Witness 1 :

Signature _____

Name _____

CNIC # _____

**Sign across Rs. 5/-
Revenue Stamp**

Signature of Member(s)

Witness 2 :

Signature _____

Name _____

CNIC # _____

Shareholder's Folio No. _____

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

and Sub- Account No. _____

Note:

- The Member is requested:
 - to affix Revenue Stamp of Rs. 5/- at the place indicated above.
 - to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
 - to write down his Folio Number.
- 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.
- CDC Shareholders or their Proxies should bring their original Computerized National Identity Card or original Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the Notes to the Notice of AGM.



Unilever

Unilever Pakistan Foods Limited

Avari Plaza, Fatima Jinnah Road, Karachi-75530

Telephones: +92-21-35660062-9 Facsimile: +92-21-35681705

www.unileverpakistanfoods.com.pk

