Unilever Pakistan Limited

Annual Report 2007

vitality... naturally

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

Unilever is also committed to the highest standards of transparency and corporate governance. Its 2006 Annual Report was adjudged the best by Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) & the Institute of Cost and Management Accountants of Pakistan (ICMAP) and also by the South Asian Federation of Accountants (SAFA). Further information on our brands, business and CSR initiatives is available on our website, "www.unileverpakistan.com.pk".

Contents

Mission

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

Core Values

Impeccable Integrity

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

Demonstrating a Passion for Winning

We deliver what we promise.

Wowing our Consumers and 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 and CEO

Mr. Peter Harvey
Director and CFO

Mr. M. Qayser Alam
Director

Mr. Syed Babar Ali
Director

Mr. Omar H. Karim
Director

Mr. Zaffar A. Khan
Director

Mr. Zarrar Haider
Director

Mr. Noeman Shirazi
Director

Mr. Amar Naseer
Director and Company Secretary

AUDIT COMMITTEE

Mr. Zaffar A. Khan
Chairman

Mr. Omar H. Karim
Member

Mr. M. Qayser Alam
Member

Mr. Qanit Khalil
Head of Internal Audit and Secretary

AUDITORS

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
Telephones: +92-21-5660062-9
Facsimile: +92-21-5681705

SHARE REGISTERATION OFFICE

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

WEBSITE ADDRESS

www.unileverpakistan.com.pk

Notice of Annual General Meeting

Notice is hereby given that the 59th Annual General Meeting of Unilever Pakistan Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Thursday, 27 March 2008, at 11.00 a.m. to transact the following business:

A Ordinary Business

1. To receive and consider the Company's Financial Statements for the year ended 31 December 2007, together with the Reports of the Auditors and Directors thereon.

2. To approve and declare dividend (2007) on the Ordinary Shares of the Company. The Directors have recommended final dividend of 126% (or Rs.63.00 per share) on the Ordinary Shares. Together with the interim dividend of 120% (or Rs.60.00 per share) already paid, the total dividend for 2007 will thus amount to 246% (or Rs.123.00 per share).

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

4. To elect seven (7) Directors for a term of three years; in place of the retiring nine (9) Directors viz. Mr. Ehsan A. Malik, Mr. Peter I. Harvey, Mr. M. Qaysar Alam, Mr. Syed Babar Ali, Mr. Omar H. Karim, Mr. Zaffar A. Khan, Mr. Zarar Haidar, Mr. Noeman Shirazi and Mr. Amar Naseer whose term of office expires on 18 April 2008.

B. Special Business

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

6. To approve amendment in Article 94 (Quorum of Directors) of the Articles of Association of the Company to reduce the minimum quorum required for the meetings of the Board of Directors from five (5) to four (4) and for that purpose it is proposed that the following Resolution be passed as and by way of special resolution.

   "**RESOLVED THAT** the Articles of Association of the Company be amended by substituting the word "four" for the word "five" wherever appearing in the Article 94 of the said Articles of the Company and that all necessary procedure and approvals prescribed by law be completed with and secured with a view to making the change of Quorum of Director, resolved by this Special Resolution, complete and effective."

   [Notice of the AGM together with the procedure for election of Directors, and Statement as required by Section 160(1)(b) of the Companies Ordinance 1984 in respect of the special business to be considered at the meeting is being sent to the Members with Annual Report and Financial Statements 2007.]

By order of the Board

Amar Naseer
Director & Company Secretary

Karachi
February 29, 2008

Notice of Annual General Meeting

Notes:

1. Share Transfer Books will be closed from 21 March, 2008 to 27 March, 2008 (both days inclusive).

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

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

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

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

A. For Attending the Meeting:

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

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

B. For Appointing Proxies:

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

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

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

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

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

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 Seven. The Board has reduced the number of Directors from 9 to 7 at its meeting held on 12 February, 2007.

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 Companies Ordinance1984;

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 Companies Ordinance 1984, the Memorandum and Articles of the Company and the listing Regulations of the Karachi/Lahore/Islamabad 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 Payers (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.

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

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

A. Item 5 of the Agenda – Remuneration of Executive Directors including Chief Executive.

Paid during the year 2007: Rs 34.5 million to Executive Directors, and Rs 23.3 million to Chief Executive.

Estimated for the year 2008: Rs 46.3 million for Executive Directors, and Rs 28.9 million for Chief Executive, as under:

	Chief Executive	Executive Directors
	(Rs in million)	
Managerial Remuneration & Allowances	21.5	36.0
Retirement Benefits	1.9	2.9
Rent & Allowances	1.3	0.5
Medical	0.4	0.5
Parent Company's Share Based Remuneration*	3.8	4.9
Others Expenses	-	1.5
	28.9	**46.3**

* Charged for performance based remuneration in the shape of Parent Company's share to the executive of the company.
Executive Directors and CEO are also entitled to use of Company car.

Estimated for January 2009 to March 2009: Rs 7.1million for Executive Directors and Rs 8.2 million for Chief Executive.

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

"**RESOLVED THAT** approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Directors including the Chairman/Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with their individual contracts and the rules of the Company; amounting in the aggregate to Rs 57.8 million approximately actual for the year January-December 2007; and Rs 75.2 million approximately estimated for January to December 2008 which includes variable pay for the year 2007."

B. Item 6 of the Agenda – Amendment in the Articles of Association of the Company:

The Board of Directors has fixed the number of Directors at seven (7) to be elected for a three year term at the AGM scheduled for 27 March 2008 [previously the number of Directors was fixed at nine (9)]. Accordingly, the Board of Directors has recommended that the minimum Quorum required for Meetings of Directors be reduced from five (5) to four (4) by amending Article 94 of the Articles of Association of the Company; for which purpose it is proposed that the following Resolution be passed as and by way of Special Resolution:

"RESOLVED THAT the Articles of Association of the Company be amended by substituting the word "four" for the word "five" wherever appearing in the Article 94 of the said Articles of the Company and that all necessary procedure and approvals prescribed by law be completed with and secured with a view to making the change of Quorum of Directors, resolved by this Special Resolution, complete and effective."

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 seven Directors will be for a term of three years.

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 a Director of the Company if elected, and certify that he is not ineligible to become a Director and fulfills the requirements of 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.

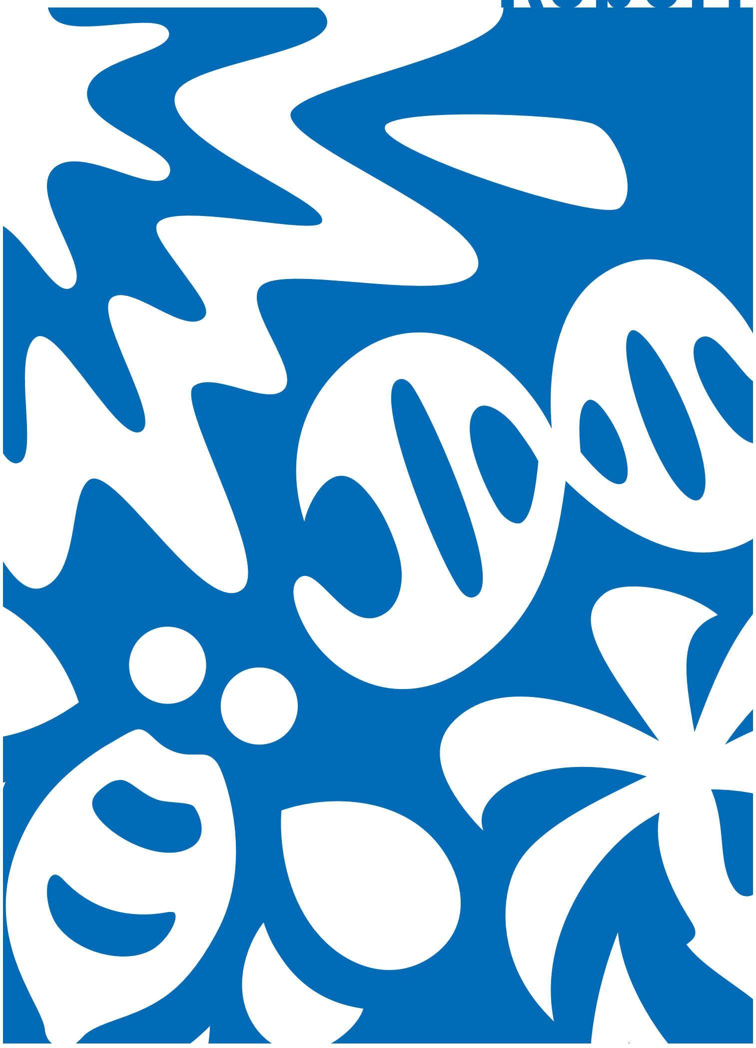
6. If the number of candidates equals the number of vacancies, no voting will take place and all the candidates will be deemed to have been elected.

7. In case of voting, a Member shall have votes equal to the number of shares held by him multiplied by seven (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



Directors' Report

The Directors are pleased to present the 2007 Annual Report together with the audited financial statements of the Company for the year ending December 31, 2007.

2007 sales grew by 11%. Home & Personal Care continues to deliver significant increases in sales in our key categories: - laundry, hair care and skincare. Product and marketplace innovations and strengthening the brand image have been the key drivers behind this growth. Sales of Beverage declined due to a price reduction and the rising volumes of smuggled teas. Ice Cream sales were impacted by unusual weather, erratic power supplies and production problems.

Operating profit increased by 13%. To ensure long-term cost competitiveness the Company took a restructuring charge in December of Rs 372m to further streamline our manufacturing operations and administration. This restricted the growth in profit after tax to 3%.

Summary of Financial Performance

	2007	2006 (Restated)
	Rs in million	
Sales	**23,332**	20,988
Gross Profit	**9,083**	7,743
Profit from Operations	**2,639**	2,550
Profit before tax	**2,529**	2,486
Profit after tax	**1,687**	1,632
EPS- basic (Rs)	**127**	**123**

Dividend

The Board of Directors has recommended a final cash dividend of Rs.63 per share. With the interim dividend of Rs 60 per share already paid during the year, the total dividend for the year 2007 will be Rs 123 (2006: Rs 122) per ordinary share of Rs 50 each.

The key business milestones were:

Home and Personal Care

The Home and Personal Care business delivered impressive turnover growth of 25% mainly attributable to higher volumes and prices in fabric cleaning, hair and skin categories. New launches, innovations and market activations were impressively successful in generating volume and value. We have market leadership in laundry detergent powders, hair and personal wash categories. However, higher material costs specially that of palm oil & tallow and higher advertising costs restricted profit growth to 15%.

Key brand highlights were:

Surf has continued its strong growth and is now clear market leader. Brand activation, Surf Excel 'Games Masti', started last year has been rolled out to more cities and towns. Other on-ground activations such as washing demonstrations have further strengthened the brand identity in households. Surf is now Unilever Pakistan's largest brand.

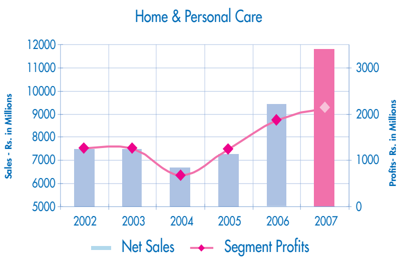
Lux delivered phenomenal growth over last year. New launches like Pinkful and Crystal Shine were very well received in the market. Pakistan's most prestigious fashion and style event 'Lux Style Awards' has continued to be viewed by millions.

Lifebuoy through its "Germ Buster" image built via advertisement and activations has been able to create new customer portfolio. The brand is helping to make health & hygiene more relevant for the masses through its Rural Hygiene Awareness drive.

Fair & Lovely grew as a result of media investments on fairness range and re-launched variant (Herbal) along with fairness meter packs. Rural van selling operations has further strengthened brand's market share.

Sunsilk black shine campaign and successful launches of 'Hair Fall Control' & 'Anti-dandruff' variants continues generating brand growth.

Clear, an international anti dandruff shampoo with distinct variants for women and men was launched in 2007 and is selling well.



Beverages

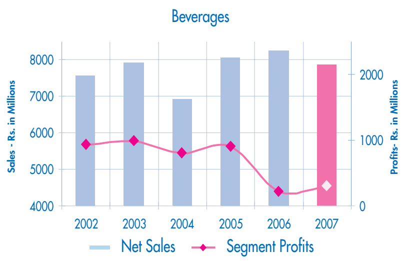
Beverage sales declined by 5%. In April consumer prices were reduced by 5% in line with the fall in tea leaf costs. We are loosing some volume to the many small local brands in rural areas that are using cheap smuggled teas.

Following the normalisation of very high tea prices arising from severe drought conditions in 2006 in Kenya, operating profits for the segment grew by 37%, but it is still below levels recorded before 2006.

Lipton continues to be the star brand with a premium image. Growth came with strong on ground activation and successful consumer promotions such as Lipton Tea Bag mug promotion. Re-launch of Lipton and attractive trade offers have been successful in retaining overall brand value amidst intense competition.

Brooke Bond Supreme re-launch has been appreciated by its many loyal consumers across the country, however, this is the brand that is under attack from the myriad of small rural brands.

We urge the Government to take greater measures to curb smuggling or provide a level playing field for registered manufacturers. About half the tea consumed in Pakistan is presently smuggled because of the high difference between import levies and the cost of evasion. We continue our efforts to stop counterfeits and infringements through market raids and Trade education. Unfortunately light legal punishment does little to deter such damaging activities.

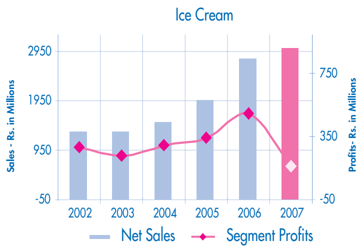


Ice Cream

Walls grew 8%. Volumes were well lower than plan mainly due to unseasonable & extreme weather and production problems. The Lahore factory's capacity was increased by 50% but delays in commissioning resulted in serious supply disruption in Quarter 2. Combined this damaged the Trade's confidence and attention to ice cream sales and it has taken longer than expected to restore it.

To ensure the quality of ice cream and a more efficient network of concessionaires we have leased cold storage facilities in Karachi and Lahore.

Higher distribution and additional factory costs impacted profits.



Spreads

Blue Band Margarine's 23% sales growth is based on a very successful "Good Start" platform. Activation focused on school programmes and trial generation.

Our People

Unilever takes pride in its people. There is a deliberate and proactive approach to talent management and developing leadership talent.

Our practices have been recognised by the industry. Unilever Pakistan has received the 'Most Preferred Graduate Employer Award' for 2007. This honour was awarded to us by Pakistan Society for Human Resource Management, which held a nation wide survey. Our Management Trainee Programme hires top graduates from leading universities in the country through a rigorous process. In 2007, we hired 9 trainees from a pool of 6000 applicants.

Unilever Excellence Award received by our medical team for Best Workplace Practices, at the Asian Corporate Social Responsibility (CSR) Awards. This was awarded for our Personal Vitality Health Passport initiative. The health passport is a system whereby all employees receive a report on their health and this follows by recommendations on how to improve it. In other vitality initiatives we continue to emphasise exercise by providing gym memberships, healthy eating by having a vitality menu at our cafeteria and annual medical check ups for all employees.

We believe that continuous and consistent communication is vital for engaging our people. In an internal Unilever global survey we scored the highest in our region on the aspect of 'Employee Engagement' which indicates pride, satisfaction and passion for working in Unilever. The Chairman's quarterly web cast remains an important platform to engage employees, share business initiatives, performance and to reiterate our vision. This is also done on a more continuous basis in each department and function as part of their Strategy into Action (SIA) review.

Unilever has introduced (SOL), the Standards of Leadership; a set of behaviours that are deemed vital to be a good leader in Unilever. We rolled these out to all our mangers and created the link between these and the way manager's performance will be evaluated and how they can grow as mangers and leaders. Every year we take a step closer to becoming an organisation where we take personal development to another level of excellence through coaching, mentoring and our appraisal system; more appropriately known as 'Performance Development Planning' (PDP). We have transitioned in our training from classroom style to a virtual option called eLearning providing latest international training modules on-line. In addition we continued with local and international training, sending 73 people abroad and hosting 3 regional workshops in Pakistan.

We have kept talent retention as a top priority and this will remain the priority in 2008.

Safety

Safety is a core priority and safety values are demonstrated in our day to day activities through lead-by-example approach. All the key fixed business meetings start with an overview of safety performance.

Unilever Pakistan is considered to be the benchmark in travel safety with in Asia AMET. Unilever ASIA AMET region won the Unilever's Global Vitality Award based on Unilever Pakistan's excellent effort and initiatives taken on improving the travel safety. In the sales force cars have replaced motorbikes. While raising the bar on safety in manufacturing, Karachi tea factory won the Unilever's Global Premier award on implementation of exemplary safety standards.

Community Involvement, Making a Better World

Unilever believes that the highest standards of corporate behaviour in our society are essential to our long term success. We have a strong, long-standing commitment to our communities, to creativity and to education - demonstrating our mission "Adding Vitality to Life."

During 2007, key initiatives were:

- Unilever provides health care support to the underprivileged through long-term institutional partnerships. We have sponsored the treatment of leprosy and tuberculosis at MALC hospitals, renal treatment of eight patients at The Kidney Center and the treatment of two breast cancer patients at Shaukat Khanum Memorial Hospital.

- Lifebuoy has been committed to ensuring a better life through health and hygiene for its consumers. To serve the community, the Lifebuoy team partnered with LEAD Pakistan, installed 20 hand pumps in schools in Khairpur and Sukkur and taught the benefits of hand washing to over 3,300 students and 120 teachers.

- Unilever and the U.N. World Food Programme have joined hands in a three-year global partnership, called 'Together for Child Vitality', aimed at fighting child hunger. Blue Band contributed a total of Rs. 1.8mn from the proceeds of its Ramadan sales to the WFP which runs feeding programs across the nation in over 3000 schools.
- Unilever has made quality education available to the underprivileged by partnering with The Citizen's Foundation (TCF) and government schools, and by awarding need-based scholarships for study at reputable higher education institutions such as LUMS, Beaconhouse National University, Ghulam Ishaaq Khan Institute and Karachi University.

Contribution to National Exchequer

The company has contributed Rs. 6.8 billion towards the national exchequer on account of government levies, taxes and import duties. This is an increase of 11%.

Excellence Awards

- Makro Cash & Carry, the first international retailer in Pakistan awarded UPL, 'Supplier of the Year Award' for 2007. The significance of this award is amplified by the fact that UPL was chosen from a pool of 4 leading contender countries in the region in which Makro currently operates. These countries include China, Indonesia, Philippines and Thailand. This award is a great recognition of the tremendous efforts made by Unilever Pakistan to gear up for the challenge posed by the entry of international customers.

The award was based on the following criteria:

i) Category Thought Leadership
ii) Joint Value Share Target Delivery
iii) Best in class On Shelf Availability

This award gives Unilever Pakistan a significant edge over competition in the emerging Modern Trade channel which will become the largest source of growth for UPL in the years to come.

- The South Asian Federation of Accountants (SAFA) has adjudged Unilever Pakistan Limited the winner in the Best Presented Accounts Awards Competition 2006 in Manufacturing Category. The award has been conferred on the basis of evaluation administered by SAFA's Committee on Improvement, Transparency, Accountability and Governance of the published Annual Reports of entries from South Asian Countries.

- Unilever Pakistan Limited has been awarded both "Overall Best Corporate Report Award" and "Best Corporate Report in Category" by Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP).

- The company has won KSE award nineteenth time in a row. It has been ranked first for two consecutive years 2005 and 2006.

- UPL was the proud winner of the 2006 Management Association of Pakistan Corporate Excellence Award, securing first position in the Foods and Allied Sector.

- This year Unilever Pakistan won Regional Occupational Health Award. This rewards all their efforts to ensure that everyone has regular check-ups, attends disease prevention sessions, and particularly important, is issued with a health passport which advises and guides their staying healthy programme.

Investment in Retirement Benefits

The cost of investments made by the staff retirement funds operated by the Company as per their financial statements at December 31, 2006 is as follows:

	Rs in million
The Union Pakistan Provident Fund	353
Unilever Pension Plan	489
Unilever Gratuity Plan	242
Unilever Non Management Staff Gratuity Fund	36
Total	**1,120**
Total – 2005	989

Code of Corporate Governance

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

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of the listed Company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes arising from interpretations or amendments of applicable accounting standards and accounting estimates are based on reasonable and prudent judgement.

- International Accounting Standards as applicable have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

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

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

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

  - Number of Board meetings held and attendance by directors.
  - Key financial data for the last six years.
  - Pattern of shareholding.
  - Trading in shares of the company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

Since the last Report, casual vacancy occurring on the Board due to sad demise of Fatehali W. Vellani was filled by Mr Amar Naseer on 25.10.2007.

Casual vacancies due to resignation of two non-executive directors were filled by the Board of Directors within 30 days.

- Aftab Khatri appointed on 26.04.07 to replace Syed Hashim Raza Zaidi.

- Noeman Shirazi appointed on 01.08.07 to replace Aftab Khatri.

The Board records its appreciation for the valuable services rendered to the company by the outgoing Directors.

The three years term of office of the present Directors expires on 18.04.2008.

Subsidiary Companies and Consolidated Financial Statements

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

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

Holding Company

Through its wholly owned subsidiary, Unilever Overseas Holdings Limited (UOHL), UK, Unilever PLC, a company incorporated in the United Kingdom, is the holding company of 70.4% of the shares in Unilever Pakistan Limited. In May 2006, UOHL purchased from the Punjab Government their holdings in Unilever Pakistan Limited ordinary and preference shares. This increased the shareholding from 66.8% to 70.4%.

Auditors

The Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the meeting. Being eligible, they have offered themselves for re-appointment.

Reserve Appropriations

	Reserves (Rs in thousand)				
		Capital			
	Difference of capital under schemes of arrangements for amalgamations	Contingency	Other	Unappropriated profit	Total
Balance as at January 1, 2007	70,929	321,471	16,615	751,670	1,160,685
Net profit for the year	-	-	-	1,687,358	1,687,358
Transferred from surplus on revaluation of fixed assets - net of deferred taxation	-	-	-	648	648
Transferered to contingency reserve	-	41,635	-	(41,635)	-
Net Employee benefit cost	-	-	17,280	-	17,280
Dividends					
For the year ended Dec 31, 2006					
- on cumulative preference shares	-	-	-	(239)	(239)
- final dividend on ordinary shares @ Rs 57 per share	-	-	-	(757,750)	(757,750)
For the year ended Dec 31, 2007					
- interim dividend on ordinary shares @ Rs 60 per share	-	-	-	(797,632)	(797,632)
	70,929	**363,106**	**33,895**	**842,420**	**1,310,350**

Business Risks and Future Outlook

We continue the momentum started in 2005, increasing market share in key growing categories, improving our capabilities and streamlining our production activities. We are proud of our people's achievement.

Despite political unrest and areas of tension, economic growth will continue to attract further investment by local and multinational companies. Inflationary pressures will make consumers more discerning, carefully choosing products that deliver exceptional value. Your company is well placed as the Unilever structure provides access to world class resources, research and development, delivering a constant stream of innovation and consumer-relevant improvements to our products. We have a strong regional network leveraging scale for sourcing raw materials and finished products.

We are striving to maintain product affordability for our consumers. Unfortunately, crude oil and edible oils have hit world record prices forcing price increases upon most of our products.

We are very concerned about the rising volumes of smuggled teas and the Government's indifferent attitude to curb it. At the time of writing there is an unstable situation in Kenya leading to reduced supply of tea and higher tea leaf costs.

We will continue to increase the availability of ice cream across the country and to drive per capita consumption. For this we have an exciting range of new product innovations, a large market investment budget and an improved sales information system.

We welcome the arrival of the international wholesalers and retailers to Pakistan. They offer consumers different shopping formats, an extended range of quality products and competitive pricing.

Developing and retaining our talent remains key. Underpinning this is our high profile and solid corporate reputation built over many years. Within the Company there is a strong emphasis on diversity, respect for individuality and pride.

We have strong competitive edge of continuous innovation, global and local scale delivering cost advantages, deep local roots and an environment that inspires our people to contribute. In 2008, our priorities will not change and we will continue to deliver exceptional value to our consumers, customers and shareholders.

Thanking you all.

On behalf of the Board

Ehsan A. Malik
Chairman & Chief Executive

Karachi
February 12, 2008

Board Meetings' Attendance

During the year 2007, five Board Meetings were held and were attended as follows:

Directors	No. of Meetings attended
Mr. Ehsan A. Malik	5
Mr. Peter Harvey	5
Mr. M. Qaysar Alam	5
Mr. Syed Babar Ali	4
Mr. Fatehali W. Vellani	3
Mr. Omar H. Karim	5
Mr. Zaffar A. Khan	4
Mr. Zarar Haider	5
Mr. Noeman Shirazi	1
Mr. Amar Naseer	1
Mr. S. Hashim Raza Zaidi	-
Mr. Aftab Ahmad Khatri	-

Operating and Financial Highlights

	2007	2006	2005	2004	2003	2002
			Rupees in million			
FINANCIAL POSITION						
Balance sheet						
Property, plant and equipment	**3,513**	2,137	1,761	1,524	1,445	1,513
Other non-current assets	**479**	607	609	615	573	563
Current assets	**4,092**	3,686	3,437	3,753	4,803	5,126
Total assets	**8,084**	6,430	5,807	5,892	6,821	7,202
Ordinary share capital	**664**	664	664	664	664	664
Preference share capital	**5**	5	5	5	5	5
Reserves	**1,311**	1,161	1,178	1,437	1,345	1,579
Total equity	**1,980**	1,830	1,847	2,106	2,014	2,248
Surplus on revaluation of fixed assets	**14**	15	16	16	19	20
Non-current liabilities	**502**	348	369	90	153	125
Current liabilities	**5,588**	4,237	3,575	3,680	4,635	4,809
Total liabilities	**6,090**	4,585	3,944	3,770	4,788	4,934
Total equity and liabilities	**8,084**	6,430	5,807	5,892	6,821	7,202
Net current (liabilities) / assets	**(1,496)**	(551)	(138)	73	168	317
OPERATING AND FINANCIAL TRENDS						
Profit and loss						
Net sales	**23,332**	20,988	17,671	18,238	21,472	21,419
Gross profit	**9,083**	7,743	6,854	5,559	6,795	6,735
Operating profit	**2,639**	2,550	2,559	2,242	2,600	2,556
Profit before tax	**2,529**	2,486	2,482	2,167	2,521	2,695
Profit after tax	**1,687**	1,632	1,602	1,725	1,599	1,750
Ordinary cash dividends	**1,635**	1,622	1,595	1,795	1,675	1,835
Capital expenditure	**1,714**	684	510	479	250	219
Cash flows						
Operating activities	**2,405**	2,431	1,901	259	1,329	2,238
Investing activities	**(1,656)**	(534)	(433)	1,173	(177)	(46)
Financing activities	**(1,570)**	(1,675)	(1,862)	(1,833)	(2,458)	(1,919)
Cash and cash equivalents at the end of the year	**(235)**	586	365	759	1,160	2,466

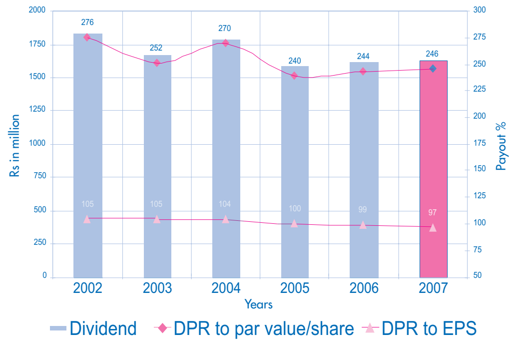
Operating and Financial Highlights
- continued

	Unit	2007	2006	2005	2004	2003	2002
FINANCIAL RATIOS							
Rate of return							
Pre tax return on equity	%	**128**	136	134	103	125	120
Post tax return on equity	%	**85**	89	87	82	79	78
Return on average capital employed	%	**77**	82	72	75	57	53
Interest cover	times	**84**	223	141	107	43	24
Profitability							
Gross profit margin	%	**39**	37	38	30	32	31
Pre tax profit to sales	%	**11**	12	14	12	12	13
Post tax profit to sales	%	**7**	8	9	9	7	8
Liquidity							
Current ratio		**0.7**	0.9	1.0	1.0	1.0	1.1
Quick ratio		**0.2**	0.4	0.5	0.5	0.5	0.7
Financial gearing							
Debt equity ratio		**-**	-	-	-	-	-
Total debt ratio		**0.1**	-	-	0.1	-	0.1
Capital efficiency							
Debtors turnover	days	**2**	2	2	6	6	3
Inventory turnover	days	**63**	54	59	64	56	49
Total assets turnover	times	**3**	3	3	3	3	3
Property, plant and equipment turnover	times	**7**	10	10	12	15	14
Investment measures per ordinary share							
Earnings	Rs	**127**	123	120	130	120	132
Dividend payout (including proposed)	Rs	**123**	122	120	135	126	138
Dividend payout ratio - earnings	%	**97**	99	100	104	105	105
Dividend payout ratio - par value	%	**246**	244	240	270	252	276
Dividend yield	%	**5**	6	7	9	9	11
Price earning ratio	times	**18**	16	15	11	12	9
Breakup value without surplus on revaluation	Rs	**149**	138	139	158	151	169
Breakup value with surplus on revaluation	Rs	**150**	139	140	160	153	171
Market value - low	Rs	**2,000**	1,760	1,280	1,400	1,103	740
Market value - high	Rs	**2,625**	2,060	1,775	1,635	1,600	1,225
Market value - average	Rs	**2,286**	1,910	1,528	1,518	1,352	983
Market value - year end	Rs	**2,280**	2,000	1,775	1,475	1,450	1,210
Market capitalisation - year end	Rs in Mn	**30,310**	26,588	23,597	19,609	19,276	16,086
Ordinary shares of Rs 50 each	No.'000	**13,294**	13,294	13,294	13,294	13,294	13,294

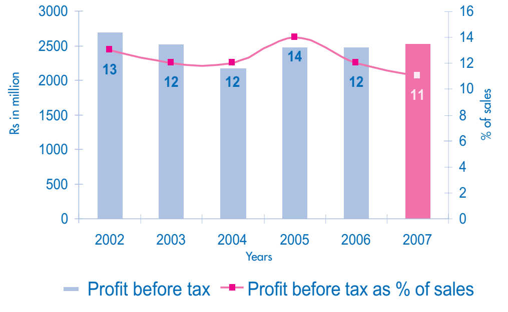
Note: Previous years' figures have been restated in accordance with the audited financial statements.

Operating and Financial Highlights
- continued

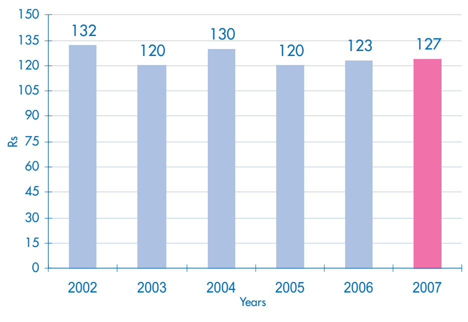
Ordinary dividend payout



Profit before tax and as % of sales



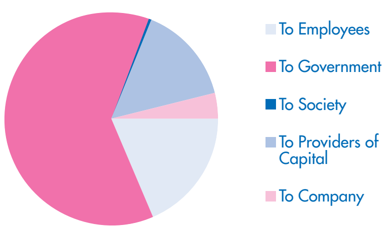
Earnings per share



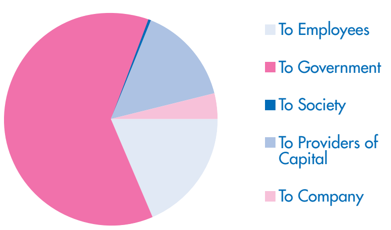
Statement of Value Addition and its Distribution

	2007 Rs in '000	%	2006 Rs in '000	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	28,405,609		25,443,195	
Bought-in -material and services	(17,357,696)		(15,617,195)	
	11,047,913	**100**	**9,826,000**	**100**
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	1,683,585	15.24	1,563,816	15.92
Restructuring Cost	372,234	3.37	110,000	1.12
To Government				
Income tax, sales tax, excise duty and custom duty, WWF, WPPF	6,864,963	62.14	6,189,319	62.99
To Society				
Donation towards education, health and environment	31,513	0.29	27,271	0.28
To Providers of Capital				
Dividend to shareholders	1,635,384	14.80	1,622,090	16.51
Mark-up/ interest expenses on borrowed funds	30,419	0.28	11,201	0.11
To Company				
Depreciation, amortization & retained profit	388,180	3.51	269,291	2.74
Contingency Reserve	41,635	0.38	33,012	0.34
	11,047,913	**100**	**9,826,000**	**100**

WEALTH DISTRIBUTION 2007



WEALTH DISTRIBUTION 2006



Pattern of Shareholding

as at December 31, 2007

Number of Share-holders	Shareholding From	Shareholding To	Total Number of Shares Held*
2,792	1	100	85,989
867	101	500	198,511
211	501	1,000	162,268
248	1,001	5,000	427,776
25	5,001	10,000	173,895
5	10,001	15,000	58,318
4	15,001	20,000	72,071
2	20,001	25,000	44,222
2	25,001	30,000	52,014
2	30,001	35,000	64,481
2	40,001	45,000	83,341
1	50,001	55,000	54,541
1	70,001	75,000	70,500
2	110,001	115,000	226,536
1	135,001	140,000	139,740
1	155,001	160,000	156,920
1	185,001	190,000	187,520
1	290,001	295,000	290,432
1	575,001	580,000	576,080
1	820,001	825,000	823,402
1	9,390,001	9,395,000	9,393,147
4,171			**13,341,704**

Shareholders' Category	Number of Share-holders	Number of Shares Held	Percentage %
Associated Co., Undertakings *	1	9,393,147	70.40
NIT and ICP *	5	226,848	1.70
Directors, CEO	7	15,735	0.12
Executives	4	1,583	0.01
Public Sector Co. and Corporations	2	823,889	6.18
Banks, DFI, NBFI's	13	179,378	1.34
Modarabas and Mutual Funds	6	24,700	0.19
Insurance Companies	8	368,554	2.76
Others	86	1,316,798	9.87
Individuals *	4,039	991,072	7.43
	4,171	**13,341,704**	**100.00**

* Includes Voting Preference Shares.

Pattern of Shareholding Additional Information
as at December 31, 2007

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies (name wise details)		
Unilever Overseas Holdings Ltd	1	9,393,147
NIT & ICP (name wise details)		
Investment Corporation of Pakistan	1	2
National Bank of Pakistan,Trustee Deptt.	1	226,846
Directors,CEO and their spouse and minor children (name wise details)		
Mr. Syed Babar Ali	1	6,743
Mr. Omar Haji Karim	1	4,088
Mr. Zaffar A. Khan	1	1,020
Mr. Qaysar Alam	1	100
Mrs. Farhat W/O. Omar H. Karim	1	3,784
Mr. Amar Naseer	1	6
Executives		
Mr. Samin Ahmad	1	627
Mr. Khalid Hussain Khan	1	890
Mrs. Mahvash Imad W/O. Syed Imad Mashhadi (Unilever Employee)	1	160
Public Sector Companies & Corporation	2	823,889
Banks, Development Finance Institutions Non-Banking Finance Institutions	13	179,378
Modarabas and Mutual Funds	6	24,700
Insurance Companies	8	368,554
Others	86	1,316,798
Shareholders holding 10% or more voting interest (name wise details)		
Unilever Overseas Holdings Ltd	1	9,393,147

Statement of Compliance with the Code of Corporate Governance

For the year ended 31 December, 2007

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

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

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

4. Three casual vacancies occurred in the Board of Directors during the financial year and were filled up by the Directors on 26th April, 1st August and 25th October 2007 respectively, viz Mr. Aftab Ahmed Khatri, Mr. Noeman Shirazi and Mr. Amar Naseer were appointed in place of Mr. Hashim Raza Zaidi, Mr. Aftab Ahmed Khatri and Fatehali W. Vellani (Late), respectively.

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

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

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

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

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

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

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

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

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

14. The Board has formed an audit committee. It comprises of three directors, majority of which are non-executive directors, and the Chairman of the Committee is also a non-executive director.

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

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

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

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

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

Ehsan Malik
Chairman & Chief Executive

Karachi
February 12, 2008

Auditors' Review Report

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2007.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
February 13, 2008

Financial Statements

Unilever Pakistan Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Limited as at December 31, 2007 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 except for the change as stated in note 3 with which we concur;

  (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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
February 13, 2008

Balance Sheet
as at December 31,2007

	Note	2007	2006
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**3,513,499**	2,137,350
Intangibles	5	**12,173**	17,043
Long term investments	6	**95,202**	95,202
Long term loans	7	**115,388**	96,417
Long term deposits and prepayments	8	**4,920**	25,357
Retirement benefits - prepayments	9	**250,878**	372,638
		3,992,060	2,744,007
Current assets			
Stores and spares	10	**180,355**	206,021
Stock in trade	11	**2,726,064**	2,156,472
Trade debts	12	**239,313**	174,722
Loans and advances	13	**122,888**	173,960
Accrued interest / mark up		**1,115**	4,605
Trade deposits and short term prepayments	14	**236,064**	101,680
Other receivables	15	**249,139**	96,232
Tax refunds due from Government	16	**148,496**	186,287
Cash and bank balances	17	**188,682**	585,860
		4,092,116	3,685,839
Total assets		**8,084,176**	6,429,846

	Note	2007	2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	669,477	669,477
Reserves	19	1,310,350	1,160,685
		1,979,827	1,830,162
Surplus on revaluation of fixed assets	20	14,261	14,909
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance leases	21	52,932	14,273
Deferred taxation	22	309,044	203,595
Retirement benefits obligations	9	140,463	129,799
		502,439	347,667
Current liabilities			
Trade and other payables	23	4,750,490	3,987,437
Taxation - provisions less payments		21,633	120,611
Accrued interest / mark up		3,669	1,898
Current maturity of liabilities against assets subject to finance leases	21	17,273	16,962
Short term borrowings	24	423,557	200
Provisions	25	371,027	110,000
		5,587,649	4,237,108
Total liabilities		6,090,088	4,584,775
Contingency & commitments	26		
Total equity and liabilities		8,084,176	6,429,846

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Profit and Loss Account
for the year ended December 31, 2007

	Note	2007	2006 (restated)
		(Rupees in thousand)	
Sales	27	23,331,666	20,987,885
Cost of sales	28	(14,248,581)	(13,244,679)
Gross profit		9,083,085	7,743,206
Distribution costs	28	(5,021,177)	(4,153,147)
Administrative expenses	28	(1,007,599)	(903,646)
Other operating expenses	29	(233,857)	(229,664)
Other operating income	30	190,588	202,923
		3,011,040	2,659,672
Restructuring cost	25	(372,234)	(110,000)
Profit from operations		2,638,806	2,549,672
Finance costs	31	(109,208)	(63,946)
Profit before taxation		2,529,598	2,485,726
Taxation	32	(842,240)	(853,242)
Profit after taxation		1,687,358	1,632,484
Earnings per share (Rupees)	33	127	123

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Cash Flow Statement
for the year ended December 31, 2007

	Note	2007	2006
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**28,169,417**	25,139,272
Cash paid to suppliers / service providers and employees		**(18,157,292)**	(16,263,769)
Payment of indirect taxes and other statutory duties		**(5,992,682)**	(5,266,091)
Payment of royalty and technical services fee		**(706,806)**	(517,647)
Finance costs paid		**(107,437)**	(66,419)
Income tax paid		**(835,769)**	(546,620)
Retirement benefits obligations (net)		**34,667**	(72,369)
Long term loans (net)		**(18,971)**	176
Long term deposits and prepayments (net)		**20,437**	24,207
Net cash from operating activities		**2,405,564**	2,430,740
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,713,886)**	(684,462)
Sale proceeds of property, plant and equipment on disposal		**41,806**	29,114
Return received on savings accounts, term deposits and balance receivable from provident fund		**16,061**	45,008
Dividends received		**12**	76,012
Net cash used in investing activities		**(1,656,007)**	(534,328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance leases (net)		**(24,085)**	(21,054)
Dividends paid		**(1,546,007)**	(1,654,262)
Net cash used in financing activities		**(1,570,092)**	(1,675,316)
Net (decrease) / increase in cash and cash equivalents		**(820,535)**	221,096
Cash and cash equivalents at the beginning of the year	39	**585,660**	364,564
Cash and cash equivalents at the end of the year	39	**(234,875)**	585,660

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Statement of Changes in Equity

for the year ended December 31, 2007

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL			REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Other - note 3.1	Unappropriated profit		
	(Rupees in thousand)						
Balance as at January 1, 2006 as previously reported	669,477	70,929	288,459	-	818,319	1,177,707	1,847,184
Effect of change in accounting policy relating to recognition of employee benefits cost under IFRS 2 - "Share-based Payment" - note 3.1	-	-	-	4,797	(4,797)	-	-
Balance as at January 1, 2006 as restated	669,477	70,929	288,459	4,797	813,522	1,177,707	1,847,184
Net profit for the year - as restated	-	-	-	-	1,632,484	1,632,484	1,632,484
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from unappropriated profit to contingency reserve - note 26.1	-	-	33,012	-	(33,012)	-	-
Employee benefits cost under IFRS 2 - "Share-based Payment" - note 3.1	-	-	-	11,818	-	11,818	11,818
Dividends							
For the year ended December 31, 2005							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 60 per share	-	-	-	-	(797,632)	(797,632)	(797,632)
For the year ended December 31, 2006							
- Interim dividend on ordinary shares @ Rs 65 per share	-	-	-	-	(864,101)	(864,101)	(864,101)
Balance as at December 31, 2006 as restated	669,477	70,929	321,471	16,615	751,670	1,160,685	1,830,162
Net profit for the year	-	-	-	-	1,687,358	1,687,358	1,687,358
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from unappropriated profit to contingency reserve - note 26.1	-	-	41,635	-	(41,635)	-	-
Employee benefits cost under IFRS 2 - "Share-based Payment" - note 3.1	-	-	-	19,392	-	19,392	19,392
Utilisation of share based payment reserve	-	-	-	(2,112)	-	(2,112)	(2,112)
Dividends							
For the year ended December 31, 2006							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 57 per share	-	-	-	-	(757,750)	(757,750)	(757,750)
For the year ended December 31, 2007 - Interim dividend on ordinary shares @ Rs 60 per share	-	-	-	-	(797,632)	(797,632)	(797,632)
Balance as at December 31, 2007	**669,477**	**70,929**	**363,106**	**33,895**	**842,420**	**1,310,350**	**1,979,827**

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Notes To and Forming Part of the Financial Statements

for the year ended December 31, 2007

1. THE COMPANY AND ITS OPERATIONS

The Company is a limited liability company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. It manufactures and markets home and personal care products, beverages, ice cream and spreads. The address of its registered office is Avari Plaza, Fatima Jinnah Road, Karachi.

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

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies adopted are essentially the same as those which applied for the previous financial year. Change arising from interpretation or amendments of applicable accounting standards are set out below under note 3 "Change in Accounting Policy".

2.1 Basis of preparation

Statement of compliance

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

Critical accounting estimates and judgements

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

i. Taxation

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

ii. Post employment benefits

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

iii. Provisions

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

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

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

Recent accounting developments

- **New standard, amendments to published standard and new interpretation effective in 2007 - relevant**

  IAS 1 (Amendment) — 'Presentation of Financial Statements - Capital Disclosures', is mandatory for the Company s accounting periods beginning on or after January 1, 2007. It introduces capital disclosure requirements regarding how the entity manages its capital. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 38 to the financial statements.

  The Securities & Exchange Commission of Pakistan vide S.R.O. 1228(I)/2006 dated December 6, 2006 directed the application of IFRS 2 - "Share-based Payment" issued by the International Accounting Standards Board to be followed with regard to the preparation of financial statements. The effect of adoption of this IFRS on accounting policy of the Company is given in note 3.1.

- **Interpretation early adopted by the Company**

  IFRIC 11 — "IFRS 2 - Group and treasury share transactions", was adopted before its effective date. The interpretation provides guidance on how share-based transactions involving group companies shares are accounted for in the stand alone financials of the subsidiary companies. The impact on adoption of this interpretation is disclosed in note 3 "Change in Accounting Policy".

- **Amendments to published standard, new standard and new interpretations effective in 2007 but not relevant**

  There are other accounting standard, new interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the Company s operations and are therefore not detailed in these financial statements.

- **Standards or interpretations not yet effective but relevant**

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

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

  IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

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

  IFRIC 13 'Customer loyalty programmes' (effective from July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products),the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The management is reviewing the implications.

  IFRIC 14 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not 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 policies below.

2.3 Property, plant and equipment

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

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

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

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

2.4 Intangibles

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

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

2.5 Investments

i. In subsidiaries

These are stated at cost.

ii. In unlisted entity not being subsidiary

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

2.6 Taxation

i. Current

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

ii. Deferred

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

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

2.7 Retirement benefits

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

2.8 Stores and spares

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

2.9 Stock in trade

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

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

2.10 Trade and other debts

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

2.11 Cash and cash equivalents

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

2.12 Leases

i. Finance leases

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

ii. Operating leases

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

2.13 Trade and other payables

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

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.15 Provisions

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

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

2.16 Financial instruments

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

2.17 Foreign currency transactions and translation

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

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

2.18 Revenue recognition

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

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

i. Sale of goods

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

ii. Interest / Mark up income

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

iii. Dividend income

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

2.19 Segment information

Segment information is provided on the basis of product categories.

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments.

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

2.20 Dividends

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

2.21 Share based payment

The economic cost of awarding shares to employees is reflected by recording a charge in the profit and loss account equivalent to the fair value of shares on the grant date over the vesting period. Where awarded shares relate to Group Companies a corresponding reserve is created to reflect the equity component.

3. CHANGE IN ACCOUNTING POLICY

3.1 Shared based compensation

Upon adoption of IFRS 2 - "Share-based Payment" and IFRIC 11 - "IFRS 2 - Group and treasury share transactions" as referred to in note 2.21 above, the Company has adopted accounting policy with respect to recognition of employee benefits cost arising from conditional award of shares of Unilever PLC, UK and Unilever NV, Netherlands. Such cost was not previously recognised.

The change in accounting policy has been applied retrospectively and accordingly comparative amounts in respect of profit for the year and equity have been restated for all the prior periods presented through adjustment to opening balance of unappropriated profit.

Had the accounting policy not been changed, amounts in respect of profit after tax for the year and unappropriated profit would have been higher by Rs 19.39 million and Rs 33.89 million respectively (December 31, 2006: Rs 11.82 million and Rs 16.62 million respectively) and other reserves would have been lower by the amount of unappropriated profit stated above.

4. PROPERTY, PLANT AND EQUIPMENT

	2007	2006
	(Rupees in thousand)	
Operating assets - note 4.1	**3,097,121**	1,918,976
Capital work in progress - at cost - note 4.2	**416,378**	218,374
	3,513,499	2,137,350

4.1 Operating assets

	Land: Freehold	Land: Leasehold	Buildings: On freehold land	Buildings: On leasehold land	Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles: Owned	Motor vehicles: Held under finance leases	TOTAL
	(Rupees in thousand)									
Net carrying value basis Year ended December 31, 2007										
Opening net book value (NBV)	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Additions (at cost)	-	-	200,605	6,206	1,243,839	28,819	1,914	34,499	63,055	1,578937
Disposals (at NBV)	-	-	-	-	(13,382)	(2,333)	(650)	(8,704)	(3,088)	(28,157)
Depreciation charge	-	(7)	(8,771)	(715)	(218,017)	(59,214)	(2,240)	(63,244)	(20,763)	(372,971)
Impairment reversal	-	-	-	-	336	-	-	-	-	336
Closing net book value (NBV)	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Gross carrying value basis At December 31, 2007										
Cost	25,575	716	568,759	74,913	3,779,000	558,447	35,474	304,670	110,067	5,457,621
Accumulated depreciation	-	(288)	(133,796)	(58,349)	(1,499,073)	(424,015)	(19,595)	(196,001)	(29,383)	(2,360,500)
Net book value	25,575	428	434,963	16,564	2,279,927	134,432	15,879	108,669	80,684	3,097,121
Net carrying value basis Year ended December 31, 2006										
Opening net book value (NBV)	25,575	442	231,929	6,970	967,274	173,386	17,280	148,823	22,734	1,594,413
Additions (at cost)	-	-	19,178	4,848	500,396	36,378	1,854	70,190	27,893	660,737
Disposals (at NBV)	-	-	-	-	(1,578)	(1,295)	(9)	(8,511)	(1,087)	(12,480)
Adjustment for input sales tax claimed	-	-	-	-	(30,939)	-	-	-	-	(30,939)
Depreciation charge	-	(7)	(7,978)	(745)	(162,286)	(41,309)	(2,270)	(64,384)	(8,060)	(287,039)
Impairment charge	-	-	-	-	(5,716)	-	-	-	-	(5,716)
Closing net book value (NBV)	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Gross carrying value basis At December 31, 2006										
Cost	25,575	716	368,154	68,707	2,609,058	585,241	36,323	328,663	55,644	4,078,081
Accumulated depreciation	-	(281)	(125,025)	(57,634)	(1,341,907)	(418,081)	(19,468)	(182,545)	(14,164)	(2,159,105)
Net book value	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Depreciation rate % per annum	-	1.05	1.5 to 2.5	1.5 to 2	3 to 10	8 to 20	8 to 14	25	25	

	2007	2006
	(Rupees in thousand)	

4.2 Capital Work In Progress - at cost

	2007	2006
Civil works	16,133	19,693
Plant and machinery	400,245	198,681
	416,378	218,374

4.3 Operating assets having net book value of Rs 53.96 million (2006: Rs 61.03 million) are held with the following third parties for manufacturing of the Company s goods:

	2007	2006
	(Rupees in thousand)	
Futehally Chemicals (Private) Limited	35,082	39,735
United Detergents	13,719	14,876
Ashraf Soap Industries (Private) Limited	1,829	2,544
Dentogene Labs (Private) Limited	3,333	3,877
	53,963	61,032

Details of property, plant and equipment sold are given in note 40.

5. INTANGIBLES - computer software

	2007	2006
Net carrying value basis		
Year ended December 31, 2007		
Opening net book value	17,043	21,913
Amortisation charge	(4,870)	(4,870)
Closing net book value	12,173	17,043
Gross carrying value basis		
At December 31, 2007		
Cost	24,348	24,348
Accumulated amortisation	(12,175)	(7,305)
Net book value	12,173	17,043
Remaining useful life in years	2.50	3.50

		2007	2006
		(Rupees in thousand)	

6. LONG TERM INVESTMENTS

Investments in related parties

In unquoted wholly owned subsidiary companies - at cost

	2007	2006
Levers Associated Pakistan Trust (Private) Limited 100 fully paid ordinary shares of Rs 10 each	1	1
Sadiq (Private) Limited 100 fully paid ordinary shares of Rs 10 each	1	1
Lever Chemicals (Private) Limited 9,500,000 fully paid ordinary shares of Rs 10 each	95,000	95,000
Investment available for sale - at cost		
Futehally Chemicals (Private) Limited 2,000 6% redeemable cumulative preference shares of Rs 100 each	200	200
	95,202	95,202

7. LONG TERM LOANS - considered good

		2007	2006
Related Parties	note 7.1, 7.2 and 7.3		
Directors		7,751	541
Chief Executive		14,509	-
Key management personnel other than Directors and Chief Executive		5,975	4,821
		28,235	5,362
Others			
Executives		107,194	86,138
Other employees		36,211	45,182
		143,405	131,320
		171,640	136,682
Recoverable within one year - note 13		(56,252)	(40,265)
Long term portion		115,388	96,417

7.1 Reconciliation of carrying amount of loans to directors, chief executive, other key management personnel and executives:

	Directors		Chief Executive		Other key management Personnel		Executives	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Rupees in thousand)							
Opening balance	541	1,082	-	4,658	4,821	1,135	86,138	95,739
Disbursements	-	-	15,273	-	11,221	-	71,652	50,964
Appointment of executives as Directors	8,690	-	-	-	(8,169)	-	(521)	-
Appointment of executives on Management Committee	-	-	-	-	-	5,008	-	(5,008)
Repayments	(1,480)	(541)	(764)	(4,658)	(1,898)	(1,322)	(50,075)	(55,557)
	7,751	541	14,509	-	5,975	4,821	107,194	86,138

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

Loans are secured against retirement benefits of the employees.

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

	2007	2006
	(Rupees in thousand)	
Directors	8,208	721
Chief Executive	15,273	4,008
Key management personnel other than Directors and Chief Executive	14,866	5,644
Executives	107,194	89,318

8. LONG TERM DEPOSITS AND PREPAYMENTS

	2007	2006
Security deposits	4,750	8,237
Prepaid rent	170	17,120
	4,920	25,357

9. RETIREMENT BENEFITS

9.1 The Company operates a provident fund, a pension plan, management and non-management gratuity plans and a pensioners medical plan for its employees. The pensioners medical plan is a book reserve plan while the other plans are invested through exempt approved trust funds. The provident fund is a defined contribution plan. The pension and gratuity plans are defined benefits final salary plans. The pensioners' medical plan reimburses actual medical expense as defined in the plan.

9.2 The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2007 using the projected unit credit method. Details of the defined benefit plans are:

	Pension Fund		Gratuity Funds		Pensioners' Medical Plan	
	2007	2006	2007	2006	2007	2006
	(Rupees in thousand)					
Balance Sheet Reconciliation						
Fair value of plan assets	1,522,551	1,457,991	368,948	475,590	-	-
Present value of defined benefit obligations	(1,497,882)	(1,431,151)	(404,129)	(408,253)	(132,181)	(145,118)
Funded status	24,669	26,840	(35,181)	67,337	(132,181)	(145,118)
Unrecognised net actuarial loss / (gain)	194,942	184,266	66,448	94,195	(8,282)	15,319
Recognised asset / (liability)	219,611	211,106	31,267	161,532	(140,463)	(129,799)
Movement in the fair value of plan assets						
Fair value as at January 1	1,457,991	1,385,464	475,590	426,804		
Expected return on plan assets	155,876	145,469	51,972	46,423		
Actuarial gains / (losses)	(9,012)	1,057	(3,292)	5,452		
Employer contributions	35,385	34,833	29,070	28,623		
Benefits paid	(117,689)	(108,832)	(184,392)	(31,712)		
Fair value as at December 31	1,522,551	1,457,991	368,948	475,590		
Movement in the defined benefit obligation						
Obligation as at January 1	1,431,151	1,237,646	408,253	348,382	145,118	164,786
Service cost	32,696	28,886	31,968	27,901	1,966	2,206
Interest cost	151,029	127,705	43,008	36,465	15,512	17,305
Settlement and curtailment	(11,808)	-	118,534	-	688	-
Actuarial losses / (gains)	12,503	145,746	(13,242)	27,216	(22,811)	(30,266)
Benefits paid	(117,689)	(108,832)	(184,392)	(31,711)	(8,292)	(8,913)
Obligation as at December 31	1,497,882	1,431,151	404,129	408,253	132,181	145,118
Cost						
Current service cost	32,696	28,886	31,968	27,901	1,966	2,206
Interest cost	151,029	127,705	43,008	36,465	15,512	17,305
Expected return on plan assets	(155,876)	(145,469)	(51,972)	(46,423)	-	-
Settlement and curtailment	(11,808)*	-	118,534*	-	688*	-
Recognition of actuarial loss	10,839	2,458	17,797	4,430	790	2,477
Expense	26,880	13,580	159,335	22,373	18,956	21,988
Actual return on plan assets	146,864	146,526	48,680	51,875		

* Includes retructuring provision of Rs. 110 million recognised in previous year, however it is shown as the settlement and curtailment carried out during the current year.

Principal actuarial assumptions used are as follows:

	2007	2006
Discount rate & expected return on plan assets	**11.00%**	11.00%
Future salary increases	**8.90%**	8.90%
Future pension increases	**5.70%**	5.70%
Medical cost trend rates	**5.70%**	5.70%

Expected contributions to post employment benefit plans for the year ending December 31, 2008 is Rs 200 million (2007: 69.1 million).

Comparison for five years:

	2007	2006	2005	2004	2003
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	**1,891,499**	1,933,581	1,812,268	1,961,540	1,944,475
Present value of defined benefit obligation	**(2,034,192)**	(1,984,522)	(1,750,814)	(1,802,140)	(1,763,937)
(Deficit) / surplus	**(142,693)**	(50,941)	61,454	159,400	180,538
Experience adjustments					
Loss / (Gain) on plan assets (as percentage of plan assets)	**(0.7%)**	0.3%	(6.5%)	(0.9%)	(0.9%)
(Gain) / Loss on obligations (as percentage of plan obligations)	**(1.2%)**	7.5%	1.5%	5.4%	7.5%

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

	Increase	**Decrease**
	(Rupees in thousand)	
Effect on the aggregate of current service and interest costs	**2,377**	**1,948**
Effect on the defined benefit obligation	**14,863**	**12,596**

Plan assets are comprised as follows:

	2007		2006	
	Rupees in thousand	%	Rupees in thousand	%
Debt	**722,553**	**38.2**	1,525,493	78.9
Others (includes cash and bank balances)	**1,168,946**	**61.8**	408,088	21.1
	1,891,499	**100**	1,933,581	100

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

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

Based on the above actuarial valuation the retirement benefits - liability amounts to Rs 140.46 million (2006: Rs 129.8 million) and retirement benefits - asset amounts to Rs 250.88 million (2006: Rs 372.64 million).

9.3 During the year the Company contributed Rs 45.43 million (2006: Rs 43.21 million) to the provident fund.

10. STORES AND SPARES

	2007	2006
	(Rupees in thousand)	
Stores (including in transit Rs 7.76 million; 2006: 28.12 million)	58,531	53,730
Spares (including in transit Rs 17.66 million; 2006: Rs 48.72 million)	145,952	172,820
Others	2,120	1,712
	206,603	228,262
Provision for slow moving and obsolete stores and spares	(26,248)	(22,241)
	180,355	206,021

The Company has recognised a provision of Rs 9.2 million (2006: Rs 4.95 million) for obsolescence and has written off inventory amounting to Rs. 5.19 million (2006: Nil) by utilising the provision.

11. STOCK IN TRADE

	2007	2006
	(Rupees in thousand)	
Raw and packing materials at cost (including in transit Rs 618.03 million; 2006: Rs 289.26 million)	1,715,876	1,451,638
Provision for obsolescence	(56,649)	(36,226)
	1,659,227	1,415,412
Work in process	66,192	43,679
Finished goods (including in transit Rs 207.51 million; 2006: Rs 37.4 million)	1,073,264	716,417
By product - glycerine	2,131	28,541
	1,075,395	744,958
Provision for obsolescence	(74,750)	(47,577)
	1,000,645	697,381
	2,726,064	2,156,472

The Company has recognised a provision of Rs 86.06 million for obsolescence (2006: Rs 34.43 million) and has written off inventory amounting to Rs 38.46 million (2006: Rs 99.925 million) by utilising the provision during the year ended December 31, 2007.

12. TRADE DEBTS

	2007	2006
	(Rupees in thousand)	
Considered good		
Related Party - Unilever Pakistan Foods Limited	-	1,665
Others	239,313	173,057
Considered doubtful		
Others	54,154	55,669
	293,467	230,391
Provision for doubtful debts - note 12.1	(54,154)	(55,669)
	239,313	174,722

12.1 The Company has reversed a provision of Rs 1.52 million (2006: recognised a provision of Rs 1.52 million) for the doubtful debts.

13. LOANS AND ADVANCES

	2007	2006
	(Rupees in thousand)	
Considered good		
Current portion of loans to employees - note 7	56,252	40,265
Advances to:		
Executives - note 13.1	5,110	13,284
Suppliers and others	61,526	120,411
	122,888	173,960
Considered doubtful		
Advances to suppliers and others	6,244	6,244
	129,132	180,204
Provision for doubtful advances to suppliers and others	(6,244)	(6,244)
	122,888	173,960

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

	2007	2006
	(Rupees in thousand)	
14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits	18,875	7,558
Prepayments	217,189	94,122
	236,064	101,680
15. OTHER RECEIVABLES		
Receivable from related parties		
Unilever Pakistan Foods Limited	19,410	-
Union Pakistan Provident Fund	31,447	-
Unilever Gratuity Plan	123,937	17,759
Workers profits participation fund - note 15.1	9,128	52,261
Others		
Export rebate claims receivable	2,019	300
Receivable from distributors on account of equipment supply	18,827	11,818
Receivable from supplier on account of marketing reimbursement	18,222	-
Others	34,867	22,812
	257,857	104,950
Provision for doubtful receivables	(8,718)	(8,718)
	249,139	96,232

15.1 Workers' profits participation fund

	2007	2006
Balance as at January 1 - receivable	52,261	43,229
Allocation for the year	(135,861)	(134,132)
	(83,600)	(90,903)
Amounts Paid to the trustees	92,728	143,164
Balance as at December 31 - receivable	9,128	52,261

	2007	2006
	(Rupees in thousand)	

16. TAX REFUNDS DUE FROM GOVERNMENT

Sales tax refundable - amounts paid under protest - note 16.1	**148,469**	157,234
Excise duty refundable	**-**	29,026
Other	**27**	27
	148,496	186,287

16.1 This includes a sum of Rs 141 million (2006: Rs 141 million) paid by way of abundant caution under the Amnesty Scheme, to avoid additional Sales Tax and Surcharge being levied in the event of unfavourable decisions of the appeals pending in the High Courts. These appeals were filed by third party manufacturers in respect of disallowance of input tax claimed by them on the ground that tax invoices and bills of entry were in the Company s name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Company would reimburse the tax. The Company s management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Company has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.

	2007	2006
	(Rupees in thousand)	

17. CASH AND BANK BALANCES

With banks on:		
current accounts	**20,166**	77,193
savings accounts	**167,292**	216,401
term deposits (having maturity of one month)	**-**	290,000
In hand:		
cash	**1,224**	2,266
	188,682	585,860

At December 31, 2007 the rates of mark up on savings accounts range from 0.1% to 8% per annum (2006: 0.1% to 13% per annum).

		2007	2006
		(Rupees in thousand)	

18. SHARE CAPITAL

		2007	2006
Authorised share capital			
47,835	5% cumulative preference shares of Rs 100 each	4,783	4,783
15,904,330	Ordinary shares of Rs 50 each	795,217	795,217
		800,000	800,000
Issued, subscribed and paid up capital			
5% cumulative preference shares of Rs 100 each			
	Shares allotted:		
43,835	for consideration paid in cash	4,383	4,383
4,000	for acquisition of an undertaking	400	400
47,835		4,783	4,783
Ordinary shares of Rs 50 each			
	Shares allotted:		
467,704	for consideration paid in cash	23,385	23,385
4,979,208	for consideration other than cash under schemes of arrangements for amalgamations	248,961	248,961
7,846,957	as bonus shares	392,348	392,348
13,293,869		664,694	664,694
		669,477	669,477

At December 31, 2007 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK holds 9,359,412 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited (December 31, 2006: 8,912,382 ordinary shares and NIL preference shares).

19. RESERVES

	2007	2006
	(Rupees in thousand)	
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 19.1	70,929	70,929
Contingency - note 26.1	363,106	321,471
Other - note 19.2	33,895	16,615
	467,930	409,015
Revenue reserves	842,420	751,670
Unappropriated profit	1,310,350	1,160,6855

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

19.2 Share-based compensation plans

As at December 31, 2007 the Company had following equity settled share-based compensation plans:

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

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

Variable Pay In Shares (VPIS):

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

The details of the arrangement are as follows :

	GPSP		VPI		LPSP	
Shares of	Unilever PLC	Unilever NV	Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	May 18, 2005 - March 21, 2007	May 18, 2005 - March 21, 2007	March 21, 2007	March 21, 2007	May 22, 2007	May 22, 2007
Total number of shares granted	39,890	1,920	1,525	1,571	1,530	1,530
Share price on grant date	£11.97 - 14.88	€ 17.57 - 21.33	£ 14.88	€ 21.33	£ 15.82	€ 22.20
Contractual life (years)	3	3	3	3	3	3
Vesting conditions	Performance conditions	Performance conditions	Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement	Shares	Shares	Shares	Shares	Shares	Shares
Expected lapse per year	20%	20%	20%	20%	20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	by May 18, 2008 - March 21, 2010	by May 18, 2008 - March 21, 2010	by March 21, 2010	by March 21, 2010	by May 22, 2010	by May 22, 2010
Fair value of the shares at grant date	£11.97 - 14.88	€ 17.57 - 21.33	£ 14.88	€ 21.33	£ 15.82	€ 22.20

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

20. SURPLUS ON REVALUATION OF FIXED ASSETS

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

	2007	2006
	(Rupees in thousand)	
Balance as at January 1	**14,909**	15,557
Transferred to unappropriated profit - net of deferred taxation: incremental depreciation for the year	**(648)**	(648)
Balance as at December 31	**14,261**	14,909

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2007	2006
Present value of minimum lease payments	**70,205**	31,235
Current maturity shown under current liabilities	**(17,273)**	(16,962)
	52,932	14,273
Minimum lease payments		
Not later than 1 year	**24,781**	19,281
Later than one year and not later than 5 years	**61,435**	16,514
	86,216	35,795
Future finance charges on finance leases	**(16,011)**	(4,560)
Present value of finance lease liabilities	**70,205**	31,235
Present value of finance lease liabilities		
Not later than 1 year	**17,273**	16,962
Later than one year and not later than 5 years	**52,932**	14,273
	70,205	31,235

The above represents finance leases entered into with leasing companies for motor vehicles. The liability is payable by December 2011 in quarterly instalments.

Quarterly payments of leases bearing pre-determined markup rates include finance charge ranging from 8% to 14.75% per annum (2006: 6.25% to 14.75% per annum) which are used as discounting factors.

Quarterly payments of leases bearing variable markup rates include finance charge at KIBOR + 1.9% to KIBOR + 2%. KIBOR is determined on semi-annual basis for next two quarterly rentals.

22. DEFERRED INCOME TAX LIABILITIES / (ASSETS)

	2006 Opening	Charge / (reversal)	2007 Closing
	(Rupees in thousand)		
Credit / (debit) balance arising in respect of:			
accelerated tax depreciation allowance	236,731	272,813	**509,544**
surplus on revaluation of fixed assets	8,028	(347)	**7,681**
provision for retirement benefits	84,994	(46,356)	**38,638**
shares based payments reserve	-	(11,864)	**(11,864)**
provision for stock in trade and stores and spares	(37,115)	(18,062)	**(55,177)**
provision for doubtful debts, advances and other receivables	(39,289)	732	**(38,557)**
provision for restructuring	(38,500)	(91,359)	**(129,859)**
Others	(11,254)	(108)	**(11,362)**
	203,595	105,449	**309,044**

23. TRADE AND OTHER PAYABLES

	2007	2006
	(Rupees in thousand)	
Creditors	**376,397**	249,220
Bills payable	**1,618,414**	1,489,867
Accrued liabilities	**2,240,229**	1,703,222
Royalty and technical services fee	**130,428**	131,794
Advance payment from customers	**74,505**	55,517
Sales tax payable	**51,491**	160,168
Excise duty payable	**51,771**	-
Workers' welfare fund	**75,638**	69,615
Security deposits from dealers - note 23.1	**17,137**	17,147
Unclaimed dividend	**99,605**	89,991
Others	**14,875**	20,896
	4,750,490	3,987,437

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

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

	2007	2006
	(Rupees in thousand)	
Ultimate parent company	**130,428**	131,794
Associated companies	**1,430,314**	1,363,717
Subsidiaries	**2**	2
Third parties whose manufacturing processes are dependent on Unilever	**53,788**	37,349
Company in which close family member of a Director is holding directorship	**62,101**	42,263

24. SHORT TERM BORROWINGS

Short term running finance - secured

The facilities for running finance available from various banks amount to Rs 4.42 billion (2006: Rs 4.36 billion). The rates of mark-up range between 9.6% to 10.14% per annum (2006: 9.4% to 11.78% per annum).

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

The facilities for opening letters of credit and guarantees as at December 31, 2007 amounted to Rs 4.65 billion (2006: Rs 6.26 billion), of which the amount remaining unutilised at year end was Rs 3.52 billion (2006: Rs 4.72 billion).

25. PROVISIONS

Restructuring

	2007	2006
	(Rupees in thousand)	
Balance as at January 1	**110,000**	-
Provision during the year - note 25.1	**372,234**	110,000
Utilised during the year	**(111,207)**	-
Balance as at December 31	**371,027**	110,000

25.1 The provision booked in 2006 in respect of staff redundancy has been fully utilised during the year. The charge booked represents planned staff redundancy in beverages and ice cream businesses and relocation / dismantling cost of a factory. The full amount of the provision is expected to be utilised during 2008.

26. CONTINGENCY AND COMMITMENTS

26.1 Contingency

Government of Sindh through Finance Act, 1994 levied fee for services rendered in respect of development and maintenance of infrastructure on the import and export of goods. However, the Company filed a constitutional petition against the levy of such fee in the High Court of Sindh and the Court granted stay for the payment of the fee. During the year 2001, the Government of Sindh introduced Cess in place of infrastructure fee with retrospective effect. As a result, Unilever s petition became infractuous and a fresh suit was filed by Unilever to challenge the levy. A stay against recovery of the aforesaid levy of Cess was also obtained from the Court. In 2003 the High Court decided the issue against the Company. Against this order an intra court appeal was filed, which is pending. The accumulated levy upto December 31, 2007 amounts to Rs 363.11 million (2006: Rs 321.47 million), out of which Company has furnished bank guarantee of Rs 300 million. No provision has been made in the financial statements against the aforesaid levy based on the strong case the company has; however, reserves have been earmarked to the extent of accumulated levy based on the continuing exposure.

26.2 Commitments

Aggregate commitments for capital expenditure as at December 31, 2007 amounted to Rs 607.60 million (2006: Rs 1.12 billion).

Aggregate commitments for operating lease rentals as at December 31, 2007 amounts to:

	2007	2006
	(Rupees in thousand)	
Not later than one year	**51,701**	54,739
Over one year to five years	**27,539**	27,087
	79,240	81,826

27. SEGMENT INFORMATION

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

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

27.1 Segment analysis

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Segment results for the year ended December 31, 2007					
Gross sales	15,506,698	9,782,641	3,950,817	615,651	29,854,807
Sales tax	(2,215,743)	(1,402,989)	(646,605)	-	(4,265,337)
Federal excise duty	(570,954)	(33,661)	(13,403)	-	(618,018)
	(2,786,697)	(1,436,650)	(660,008)	-	(4,883,355)
Sales excluding sales tax and federal excise duty	12,719,001	8,345,991	3,290,809	615,651	24,971,452
Rebates and allowances	(917,497)	(485,908)	(217,183)	(19,198)	(1,639,786)
	11,801,504	7,860,083	3,073,626	596,453	23,331,666
Cost of sales	(6,372,477)	(5,636,413)	(1,881,796)	(357,895)	(14,248,581)
Gross profit	5,429,027	2,223,670	1,191,830	238,558	9,083,085
Distribution costs	(2,838,406)	(1,280,563)	(774,824)	(127,384)	(5,021,177)
Administrative expenses	(443,912)	(362,499)	(181,324)	(19,864)	(1,007,599)
Segment result before restructuring costs	2,146,709	580,608	235,682	91,310	3,054,309
Other operating expenses	-	-	-	-	(233,857)
Other operating income	-	-	-	-	190,588
Restructuring costs directly related to segments	-	(280,000)	(56,234)	-	(336,234)
Restructuring costs not directly related to segments	-	-	-	-	(36,000)
					(372,234)
Segments result after restructuring costs	2,146,709	300,608	179,448	91,310	
Profit from operations					2,638,806
Finance costs					(109,208)
Profit before taxation					2,529,598
Taxation					(842,240)
Profit after taxation					1,687,358

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
Segment results for the year ended December 31, 2006 - Restated					
Gross sales	12,336,105	10,074,113	3,610,119	516,436	26,536,773
Sales tax	(1,786,385)	(1,438,490)	(591,401)	(20,463)	(3,836,739)
Federal excise duty	(415,648)	-	-	-	(415,648)
	(2,202,033)	(1,438,490)	(591,401)	(20,463)	(4,252,387)
Sales excluding sales tax and federal excise duty	10,134,072	8,635,623	3,018,718	495,973	22,284,386
Rebates and allowances	(729,517)	(390,944)	(166,506)	(9,534)	(1,296,501)
	9,404,555	8,244,679	2,852,212	486,439	20,987,885
Cost of sales	(4,896,226)	(6,472,382)	(1,584,914)	(291,157)	(13,244,679)
Gross profit	4,508,329	1,772,297	1,267,298	195,282	7,743,206
Distribution costs	(2,265,763)	(1,201,148)	(595,811)	(90,425)	(4,153,147)
Administrative expenses	(373,938)	(352,321)	(161,186)	(16,201)	(903,646)
Segment result	1,868,628	218,828	510,301	88,656	2,686,413
Other operating expenses					(229,664)
Other operating income					202,923
					2,659,672
Restructuring costs not directly related to segments					(110,000)
Profit from operations					2,549,672
Finance costs					(63,946)
Profit before taxation					2,485,726
Taxation					(853,242)
Profit after taxation					1,632,484

27.1 Segment analysis - continued

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Other segment information					
As at December 31, 2007					
Segment assets	2,343,429	1,396,603	2,933,891	63,983	6,737,906
Unallocated assets					1,346,270
					8,084,176
Segment liabilities	1,478,551	1,834,777	292,977	93,407	3,699,712
Unallocated liabilities					2,390,376
					6,090,088
For the year ended December 31, 2007					
Capital expenditure	159,647	104,469	1,505,743	7,082	1,776,941
Cost of goods manufactured	6,085,765	5,711,233	1,876,305	267,715	13,941,018
Other segment items					
Staff costs	716,493	592,190	355,437	19,465	1,683,585
Advertising	1,683,195	567,868	289,608	75,843	2,616,514
Marketing and selling	62,410	51,063	25,531	2,837	141,841
Outward freight and handling	316,404	126,290	121,425	15,032	579,151
Royalty and technical services fee	379,060	210,210	100,750	15,420	705,440
Depreciation	118,633	60,846	190,826	2,666	372,971
As at December 31, 2006					
Segment assets	2,055,797	945,048	1,810,006	80,373	4,891,224
Unallocated assets					1,538,622
					6,429,846
Segment liabilities	911,131	2,596,324	216,176	59,862	3,783,493
Unallocated liabilities					801,282
					4,584,775
For the year ended December 31, 2006 - Restated					
Capital expenditure	69,703	24,200	439,167	-	533,070
Cost of goods manufactured	4,899,322	6,412,325	1,622,850	268,575	13,203,072
Other segment items					
Staff costs	666,538	637,610	238,791	20,877	1,563,816
Advertising	1,397,679	503,264	298,214	50,381	2,249,538
Marketing and selling	47,544	51,022	15,075	2,319	115,960
Outward freight and handling	218,327	114,622	96,020	9,046	438,015
Royalty and technical services fee	279,124	185,508	84,059	12,916	561,607
Depreciation	97,265	55,291	132,464	2,019	287,039

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

28. OPERATING COSTS

	Cost of Sales		Distribution Costs		Administrative Expenses		Total	
	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)
	(Rupees in thousand)							
Raw and packing material consumed	11,926,041	11,447,248	-	-	-	-	11,926,041	11,447,248
Manufacturing charges								
paid to third parties	424,141	341,703	-	-	-	-	424,141	341,703
Stores and spares consumed	95,435	78,656	-	-	-	-	95,435	78,656
Advertising	-	-	2,616,514	2,249,538	-	-	2,616,514	2,249,538
Marketing and selling	-	-	141,841	115,960	-	-	141,841	115,960
Outward freight and handling	-	-	579,151	438,015	-	-	579,151	438,015
Royalty and technical services fee	-	-	705,440	561,607	-	-	705,440	561,607
Staff costs - note 28.1	710,327	654,970	533,724	486,723	439,534	422,123	1,683,585	1,563,816
Utilities	274,479	223,891	4,868	4,330	30,736	21,163	310,083	249,384
Repairs and maintenance	143,893	125,909	6,986	9,591	20,464	29,378	171,343	164,878
Rent, rates and taxes	25,109	30,589	82,271	3,456	50,673	53,002	158,053	87,047
Depreciation	239,635	186,085	74,668	56,534	58,668	44,420	372,971	287,039
Amortisation of computer software	-	-	2,727	2,727	2,143	2,143	4,870	4,870
Travelling and entertainment	46,965	44,429	124,929	108,480	76,391	92,135	248,285	245,044
Stationery and office expenses	40,916	31,583	45,604	54,420	74,172	77,651	160,692	163,654
Expenses on information technology	55	205	308	116	121,097	102,931	121,460	103,252
Other expenses	36,536	33,182	102,146	61,650	133,721	58,700	272,403	153,532
	13,963,532	13,198,450	5,021,177	4,153,147	1,007,599	903,646	19,992,308	18,255,243
Opening work in process	43,678	48,300						
	14,007,210	13,246,750						
Closing work in process	(66,192)	(43,678)						
Cost of goods manufactured	13,941,018	13,203,072						
Opening stock of finished								
goods including by product glycerine	697,381	539,085						
Finished goods purchased	610,826	199,903						
Closing stock of finished goods								
including by product glycerine	(1,000,644)	(697,381)						
	14,248,581	13,244,679						

28.1 Staff costs

	Cost of Sales 2007	Cost of Sales 2006 (restated)	Distribution Costs 2007	Distribution Costs 2006 (restated)	Administrative Expenses 2007	Administrative Expenses 2006 (restated)	Total 2007	Total 2006 (restated)
	(Rupees in thousand)							
Salaries and wages	671,664	587,542	464,398	453,372	341,930	362,789	1,477,992	1,403,703
Medical	22,668	23,981	53	264	20,291	22,898	43,012	47,143
Share based payments	168	2,115	8,933	5,263	10,291	4,440	19,392	11,818
Pension costs - defined benefit plan	5,691	2,413	14,469	5,033	18,528	6,135	38,688	13,581
Gratuity costs - defined benefit plan	345	(334)	17,778	10,234	22,678	12,473	40,801	22,373
Pensioner's medical plan	3,798	3,908	5,983	8,149	8,487	9,931	18,268	21,988
Provident fund cost - defined contribution plan	5,993	35,345	22,110	4,408	17,329	3,457	45,432	43,210
	710,327	654,970	533,724	486,723	439,534	422,123	1,683,585	1,563,816

28.2 Lease rentals amounting to Rs 240.82 million (2006: Rs 157.07 million) have been charged in operating cost for arrangements identified as operating leases upon application of IFRIC 4 — Determining whether an Arrangement contains a Lease . These arrangements include leases of property including offices, cold storage, depots and other arrangements for use of plant and machinery where fulfilment of the arrangement is dependant on the use of such assets and the arrangement conveys a right to use the asset.

29. OTHER OPERATING EXPENSES

	2007	2006
	(Rupees in thousand)	
Impairment charge on property, plant and equipment	-	5,716
Auditors' remuneration - note 29.1	10,924	7,496
Donations and Corporate Social Responsibility - note 29.2	31,513	27,271
Provision for doubtful debts — trade	-	1,522
Provision for doubtful debts — others	3,803	2,557
Workers profits participation fund - note 15.1	135,861	134,132
Workers welfare fund	51,756	50,970
	233,857	229,664

29.1 Auditors' remuneration

	2007	2006
Audit fee	3,000	2,800
Taxation services	2,992	2,000
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	4,581	2,152
Out of pocket expenses	351	544
	10,924	7,496

29.2 Donations and corporate social responsibility

Donations include the following in whom a director is interested:

Name of Director(s)	Interest in Donee	Name and address of Donee	2007 (Rupees in thousand)	2006
1. Mr. Ehsan A. Malik	Trustee	Duke of Edinburgh s Award Foundation Rangoonwala Centre, Dhoraji Colony, Karachi	-	25
	Board Member	The Kidney Centre 172/R, Rafiqui Shaheed Road, Karachi	1,800	1,781
2. Mr. Ehsan A. Malik & Syed Babar Ali	Trustee Pro-Chancellor	Lahore University of Management Sciences, DHA, Lahore	1,166	876
	Corporate Member President-Emeritus	World Wide Fund for Nature Ferozepur Road, Lahore	1,200	924
3. Syed Babar Ali	Trustee	The Layton Rahmatullah Benevolent Trust S-16, Phase II, DHA, Karachi	1,620	1,720

30. OTHER OPERATING INCOME

	2007	2006
Income from investment in related party		
Dividend from subsidiary - Lever Chemicals (Private) Limited	-	76,000
Dividend from Futehally Chemicals (Private) Limited	12	12
Return from other financial assets		
Return on savings accounts and term deposits	12,571	25,568
Return on payments made on behalf of provident fund	-	12,208
Income from non-financial assets		
Salvage sales	42,913	39,064
Profit on disposal of property, plant and equipment	13,313	16,634
Sundry	8,584	5,096
Others		
Service fee from related party - note 30.1	30,153	17,700
Reversal of Impairment loss	336	-
Reversal of provision for doubtful debts - trade	1,515	-
Liabilities no longer payable written back	81,191	10,641
	190,588	202,923

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

31. FINANCE COSTS

	2007	2006
	(Rupees in thousand)	
Mark up on short term running finance	**23,140**	7,344
Bank charges	**23,152**	15,844
Exchange loss	**55,637**	36,901
Finance charge on finance leases	**7,138**	3,752
Others	**141**	105
	109,208	63,946

32. TAXATION

	2007	2006
Current - for the year		
Pakistan	**724,060**	855,640
Azad Kashmir	**12,731**	18,526
	736,791	874,166
Deferred tax charge / (reversal)	**105,449**	(20,924)
	842,240	853,242

32.1 Relationship between tax expense and accounting profit

	2007	2006 (restated)
	(Rupees in thousand)	
Accounting profit before tax	**2,529,598**	2,485,726
Tax at the applicable tax rate of 35% (2006: 35%)	**885,359**	870,004
Tax effect on inadmissible expenses and presumptive / minimum tax	**(43,119)**	6,042
Effect of lower tax rates	**-**	(22,804)
Tax expense for the year	**842,240**	853,242

33. EARNINGS PER SHARE

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

	2007	2006 (restated)
	(Rupees in thousand)	
Profit after tax	**1,687,358**	1,632,484
Preference dividend on cumulative preference shares	**(239)**	(239)
Profit after taxation attributable to ordinary shareholders	**1,687,119**	1,632,245
Weighted average number of shares in issue during the year (in thousands)	**13,294**	13,294
Earnings per share (Rupees)	**127**	123

34. PROPOSED AND DECLARED DIVIDENDS

On ordinary shares

At the Board meeting on Feburary 12, 2008, a final dividend in respect of 2007 of Rs 63 per share amounting to a total dividend of Rs 837.51 million is proposed (2006: Rs 57 per share amounting to a total dividend of Rs 757.75 million).

The interim dividend declared and already paid in respect of 2007 was Rs 60 per share amounting to a total dividend of Rs 797.63 million (2006: Rs 65 per share amounting to a total dividend of Rs 864.10 million).

On cumulative preference shares

At the Board meeting on Feburary 12, 2008, dividend in respect of 2007 of Rs 239 thousand has been declared (2006: Rs 239 thousand).

These financial statements do not reflect the proposed final ordinary dividend and the dividend declared on cumulative preference shares as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2008.

35. RELATED PARTY TRANSACTIONS

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

	Relationship with the Company	Nature of transactions	2007 (Rupees in thousand)	2006 (Rupees in thousand)
i.	Ultimate parent company	Royalty and technical services fee	705,440	561,607
ii.	Subsidiary	Dividend income	-	76,000
iii.	Associated companies	Purchase of goods	5,330,422	5,167,399
		Purchase of services	33,125	35,108
		Sale of goods	287	-
		Reciprocal arrangements for sharing of common costs	9,718	7,586
		Sale of services	60,075	42,350
		Purchase of fixed assets	19,854	4,025
		Sale of fixed assets	4,115	-
iv.	Third parties whose manufacturing processes are dependent on Unilever	Toll manufacturing	371,748	299,443
v.	Company in which close family member of a Director is holding directorship	Purchase of goods	1,408,568	910,298
vi.	Company in which close family member of a key management personnel holds a key management position	Purchase of services	19	-
vii.	Key management personnel	Salaries and other short-term employee benefits	66,367	93,642
		Post-employment benefits	5,759	4,889
		Consideration received for vehicle sold	-	2,252
viii.	Others	Donations	5,786	4,651

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

The related party status of outstanding balances as at December 31, 2007 are included in trade debts, other receivables and trade and other payables respectively.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in note 19.2.

36. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Directors		Chief Executive		Executives	
	2007	2006	**2007**	2006	**2007**	2006
	(Rupees in thousand)					
Managerial remuneration and allowances	**20,650**	16,164	**11,605**	11,450	**325,415**	317,025
Share based compensation	**4,086**	1,899	**1,401**	1,540	**13,905**	8,379
Retirement benefits*	**1,215**	687	**1,657**	1,545	**57,575**	53,867
Rent and utilities	**4,209**	3,338	**1,340**	1,309	**101,241**	101,324
Medical expenses	**134**	173	**366**	12	**7,554**	6,400
Other expenses	**-**	-	**1,398**	2,205	**5,650**	3,179
	30,294	22,261	**17,767**	18,061	**511,340**	490,174
Number of persons	**4**	2	**1**	2	**268**	257

In addition to this, a lump sum amount of Rs 140.10 million (2006: Rs 152.35 million) on account of variable pay has been recognised in the financial statements for the current year payable in 2008 after verification of target achievement.

Out of the variable pay recognised for 2006 and 2005 following payments were made:

	Paid in 2007 relating to 2006	Paid in 2006 relating to 2005
	(Rupees in thousand)	
Executive Directors	**4,295**	3,653
Chief Executive	**5,486**	3,480
Executives	**105,640**	98,985
Other employees	**35,215**	11,434
	150,636	117,552

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

The executive directors, chief executive and certain executives of the Company are provided with free use of cars and household equipment. One of the directors has also been provided rent free furnished accommodation.

Aggregate amount charged in these financial statements for the year for fee to 6 non-executive directors was Rs 255 thousand (2006: 7 non-executive directors Rs 277.1 thousand).

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs 30.549 million (2006: Rs 22.538 million).

37. CAPACITY

	Annual Capacity		Actual Production	
	2007	2006	**2007**	2006
	Metric Tons			
Own manufacture				
Home and Personal Care	**57,913**	60,320	**41,496**	44,335
Beverages	**78,222**	74,974	**37,876**	38,954
	Million Litres			
Ice Cream	**69**	36	**34**	35

Annual capacity of Home and Personal Care has been decreased due to average pack size reduction of soap tablet in Personal Wash. Production capacity in Beverages has increased due to addition of machinery.

Capacity enhancement in the ice cream business was completed in the later half of the year, therefore the actual production is lower than capacity available.

Actual production is lower than the capacity on account of lower sales volume.

38. FINANCIAL INSTRUMENTS

Financial assets and liabilities:

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			TOTAL
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
FINANCIAL ASSETS							
Investments	-	-	-	-	95,202	95,202	95,202
Loans and advances to employees	-	-	-	56,252	115,388	171,640	171,640
Deposits	-	-	-	18,875	4,750	23,625	23,625
Trade debts	-	-	-	239,313	-	239,313	239,313
Accrued interest / mark up	-	-	-	1,115	-	1,115	1,115
Other receivables	-	-	-	237,992	-	237,992	237,992
Cash and bank balances	167,292	-	167,292	21,390	-	21,390	188,682
	167,292	**-**	**167,292**	**574,937**	**215,340**	**790,277**	**957,569**
December 31, 2006	506,401	-	506,401	350,580	104,854	455,434	961,835
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	4,497,085	-	4,497,085	4,497,085
Accrued interest / mark up	-	-	-	3,669	-	3,669	3,669
Liabilities against assets subject to finance leases	17,273	52,932	70,205	-	-	-	70,205
Short term borrowings	423,557	-	423,557	-	-	-	423,557
	440,830	**52,932**	**493,762**	**4,500,754**	**-**	**4,500,754**	**4,994,516**
December 31, 2006	17,162	14,273	31,435	3,704,035	-	3,704,035	3,735,470
OFF BALANCE SHEET ITEMS							
Financial Commitments:							
Open letters of credit	-	-	-	3,020,913	-	3,020,913	3,020,913
	-	**-**	**-**	**3,020,913**	**-**	**3,020,913**	**3,020,913**
December 31, 2006	-	-	-	1,537,434	-	1,537,434	1,537,434

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

Financial risk management objectives and policies

Capital Risk Management

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

During 2007 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2007 and 2006 were as follows:

	2007	2006
	(Rupees in thousand)	
Total borrowings	**423,557**	200
Cash and bank	**(188,682)**	(585,860)*
Net debt / (cash)	**234,875**	(585,660)
Total equity	**1,979,827**	1,830,162
Total capital	**2,214,702**	1,244,502
Gearing ratio	**11%**	-

* As the cash balances exceed the borrowings, there is no gearing in 2006.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

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

i. **Concentration of credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs 958 million (2006: Rs 962 million), the financial assets that are subject to credit risk amounted to Rs 239 million (2006: Rs 174.72 million). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to their customers and also obtains collateral.

ii. **Liquidity risk**

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

iii. **Foreign exchange risk management**

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings, specially associated companies. Payables exposed to foreign currency risks are covered through forward foreign exchange contracts.

Fair values of financial assets and liabilities

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

39. CASH AND CASH EQUIVALENTS

	2007	2006
	(Rupees in thousand)	
Cash and bank balances	**188,682**	585,860
Short term borrowings - short term running finance	**(423,557)**	(200)
	(234,875)	585,660

40. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

The details of property, plant and equipment disposals, having net book value in excess of Rs 50,000 are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant and machinery	7,812	5,202	2,610	262	Open Bidding	Imran Akhtar Kabaria, Sheikhupura.
	2,244	942	1,302	127	"	Mahboob Brothers, Opp. Thana Nawa Kot, Main Dholanwal Bazar, Near Yateem Khana, Lahore.
	1,578	699	879	96	"	Mr. Fazal Khan C/o M/S Qadir Khan Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khyban-e-Sir Syed, Rawalpindi.
	3,455	1,604	1,851	160	"	Mr. Naeem Ahmad, Eagel Pak Overseas Motor, House # B/393, Ashraf Nagar, Near Rehmania Masjid, Paposh Nagar, Karachi.
	2,284	597	1,687	1,652	Company Policy	Unilever Pakistan Foods Limited
	4,283	424	3,859	4,378	"	Unilever Gulf FZE P.O. Box 3148 Jabel Ali Dubai UAE.
Motor vehicles	7,902	5,453	2,449	2,525	Auction	Syed Ather Ali, House No. 154 - A, Soldier Bazar, Parsi Colony, Karachi.
	1,108	764	344	683	Company Policy	Mr. Khurram Masood Koraishy - Executive
	1,198	827	371	676	"	Mr. Haseeb -ur- Rehman - Executive
	1,003	626	377	503	"	Mr. Mahmood Iqbal Chaudry - Ex Executive
	939	586	353	485	"	Mr. Kamal Mustafa - Ex Executive
	1,178	1,103	75	303	"	Mr. Asif Nusrat Ansari - Ex Executive
	1,003	689	314	546	"	Mr. Zafar Ullah Khan - Ex Executive
	1,147	573	574	579	"	Ms. Samin Ahmad - Ex Executive
	1,219	228	991	1,086	"	Mr. Khurshid Anwar - Ex Executive
	1,268	1,192	76	446	"	Mr. Liquat Ali Qadri - Ex Executive
	1,108	973	135	368	"	Mr. Arshad Mahmood - Ex Executive
	963	722	241	385	"	Mr. Nasir Hussain Zaidi - Ex Executive
	939	645	294	387	"	Mr. Agha Waqar Khan - Ex Executive
	1,108	761	347	483	"	Mr. M. Khusro Durrani - Ex Executive
	1,187	667	520	660	"	Syed Jaffar Hassan - Ex Executive
	1,506	284	1,222	1,318	"	Mr. Aijaz Mahmood Shaikh - Executive
	1,169	729	440	1,095	Insurance Claim	New Jubilee Insurance Company Ltd. NJI House, I.I. Chundrigar Road Karachi
	1,003	250	753	998	"	"
	365	45	320	360	"	"
	365	137	228	360	"	"
	365	46	319	360	"	"
	365	46	319	360	"	"
	678	254	424	673	"	"
	365	114	251	360	"	"

41. MONOPOLY CONTROL AUTHORITY ORDER

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

42. CORRESPONDING FIGURES

42.1 Prior year's figure has been reclassified for the purpose of better presentation and comparison. Change made during the year is as follows:

Reclassification from component	Reclassification to component	Amount (Rupees in thousand)
Contract personnel expense of factories		
Administrative expenses - Other expense	Cost of sales - Staff Cost	132,881

43. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 12, 2008 by the Board of Directors of the Company.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Consolidated Financial Statements

Unilever Pakistan Limited
and its Subsidiary Companies

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Unilever Pakistan Limited (the Holding Company) and its subsidiary companies Lever Chemicals (Private) Limited, Lever Associated Pakistan Trust (Private) Limited and Sadiq Chemicals (Private) Limited** as at December 31, 2007 and the related consolidated Profit and Loss Account, consolidated Cash Flows Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Unilever Pakistan Limited and its subsidiary companies. These financial statements are the responsibility of the Holding Company s management. Our responsibility is to express as opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the position of Unilever Pakistan Limited and its subsidiary companies as at December 31, 2007 and results of their operations for the year then ended.

A.F Ferguson & Co.
Chartered Accountants

Karachi

February 13, 2008

Consolidated Balance Sheet
as at December 31, 2007

	Note	2007	2006
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**3,513,499**	2,137,350
Intangibles	5	**12,731**	17,043
Long term investments	6	**200**	200
Long term loans	7	**115,388**	96,417
Long term deposits and prepayments	8	**4,920**	25,357
Retirement benefits - prepayments	9	**250,878**	372,638
		3,897,058	2,649,005
Current assets			
Stores and spares	10	**180,355**	206,021
Stock in trade	11	**2,726,064**	2,156,472
Trade debts	12	**239,313**	174,722
Loans and advances	13	**122,888**	173,960
Accrued interest / mark up		**3,510**	7,361
Trade deposits and short term prepayments	14	**236,064**	101,680
Other receivables	15	**249,139**	96,232
Tax refunds due from Government	16	**148,496**	186,287
Cash and bank balances	17	**305,002**	692,270
		4,210,831	3,795,005
Total assets		**8,107,889**	6,444,010

	Note	2007	2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**669,477**	669,477
Reserves	19	**1,331,642**	1,170,816
		2,001,119	1,840,293
Surplus on revaluation of fixed assets	20	**14,261**	14,909
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance leases	21	**52,932**	14,273
Deferred taxation	22	**309,044**	203,595
Retirement benefits obligations	9	**140,463**	129,799
		502,439	347,667
Current liabilities			
Trade and other payables	23	**4,752,028**	3,988,995
Taxation - provisions less payments		**22,516**	123,086
Accrued interest / mark up		**3,669**	1,898
Current maturity of liabilities against assets subject to finance leases	21	**17,273**	16,962
Short term borrowings	24	**423,557**	200
Provisions	25	**371,027**	110,000
		5,590,070	4,241,141
Total liabilities		**6,092,509**	4,588,808
Contingency & commitments	26		
Total equity and liabilities		**8,107,889**	6,444,010

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Consolidated Profit and Loss Account
for the year ended December 31, 2007

	Note	2007	2006 (restated)
		(Rupees in thousand)	
Sales	27	**23,331,666**	20,987,885
Cost of sales	28	**(14,248,581)**	(13,244,679)
Gross profit		**9,083,085**	7,743,206
Distribution costs	28	**(5,021,177)**	(4,153,147)
Administrative expenses	28	**(1,008,168)**	(903,646)
Other operating expenses	29	**(233,897)**	(229,724)
Other operating income	30	**206,235**	139,485
		3,026,078	2,596,174
Restructuring cost	25	**(372,234)**	(110,000)
Profit from operations		**2,653,844**	2,486,174
Finance costs	31	**(109,227)**	(63,946)
Profit before taxation		**2,554,617**	2,422,228
Taxation	32	**(846,098)**	(857,618)
Profit after taxation		**1,698,519**	1,564,610
Earnings per share (Rupees)	33	**128**	118

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Consolidated Cash Flow Statement
for the year ended December 31, 2007

	Note	2007	2006
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**28,169,417**	25,139,272
Cash paid to suppliers / service providers and employees		**(18,157,921)**	(16,263,829)
Payment of indirect taxes and other statutory duties		**(5,988,687)**	(5,266,091)
Payment of royalty and technical services fee		**(706,806)**	(517,647)
Finance costs paid		**(107,456)**	(66,419)
Income tax paid		**(841,219)**	(550,032)
Retirement benefits obligations (net)		**34,667**	(72,369)
Long term loans (net)		**(18,971)**	176
Long term deposits and prepayments (net)		**20,437**	24,207
Net cash from operating activities		**2,403,461**	2,427,268
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,713,886)**	(684,462)
Sale proceeds of property, plant and equipment on disposal		**41,806**	29,114
Return received on savings accounts, term deposits and balance receivable from provident fund		**28,074**	55,184
Dividends received		**12**	12
Net cash used in investing activities		**(1,643,994)**	(600,152)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance leases (net)		**(24,085)**	(21,054)
Dividends paid		**(1,546,007)**	(1,654,262)
Net cash used in financing activities		**(1,570,092)**	(1,675,316)
Net (decrease) / increase in cash and cash equivalents		**(810,625)**	151,800
Cash and cash equivalents at the beginning of the year	39	**692,070**	540,270
Cash and cash equivalents at the end of the year	39	**(118,555)**	692,070

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2007

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL			REVENUE	SUB TOTAL	
		Arising under schemes of arrangements for amalgamations	Contingency	Other - note 3.1	Unappropriated profit		
	(Rupees in thousand)						
Balance as at January 1, 2006 as previously reported	669,477	70,929	288,459	-	896,324	1,255,712	1,925,189
Effect of change in accounting policy relating to recognition of employee benefits cost under IFRS 2 - "Share-based Payment" - note 3.1	-	-	-	4,797	(4,797)	-	-
Balance as at January 1, 2006 as restated	669,477	70,929	288,459	4,797	891,527	1,255,712	1,925,189
Net profit for the year - as restated	-	-	-	-	1,564,610	1,564,610	1,564,610
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:							
- incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from unappropriated profit to contingency reserve - note 26.1	-	-	33,012	-	(33,012)	-	-
Employee benefits cost under IFRS 2 - "Share-based Payment" - note 3.1	-	-	-	11,818	-	11,818	11,818
Dividends							
For the year ended December 31, 2005							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 60 per share	-	-	-	-	(797,632)	(797,632)	(797,632)
For the year ended December 31, 2006							
- Interim dividend on ordinary shares @ Rs 65 per share	-	-	-	-	(864,101)	(864,101)	(864,101)
Balance as at December 31, 2006 as restated	669,477	70,929	321,471	16,615	761,801	1,170,816	1,840,293
Net profit for the year	-	-	-	-	1,698,519	1,698,519	1,698,519
Transferred from surplus on revaluation of fixed assets - net of deferred taxation:							
- incremental depreciation for the year	-	-	-	-	648	648	648
Transferred from unappropriated profit to contingency reserve - note 26.1	-	-	41,635	-	(41,635)	-	-
Employee benefits cost under IFRS 2 - "Share-based Payment" - note 3.1	-	-	-	19,392	-	19,392	19,392
Utilisation of share based payment reserve	-	-	-	(2,112)	-	(2,112)	(2,112)
Dividends							
For the year ended December 31, 2006							
- On cumulative preference shares	-	-	-	-	(239)	(239)	(239)
- Final dividend on ordinary shares @ Rs 57 per share	-	-	-	-	(757,750)	(757,750)	(757,750)
For the year ended December 31, 2007							
- Interim dividend on ordinary shares @ Rs 60 per share	-	-	-	-	(797,632)	(797,632)	(797,632)
Balance as at December 31, 2007	**669,477**	**70,929**	**363,106**	**33,895**	**863,712**	**1,331,642**	**2,001,119**

The annexed notes 1 to 43 form an integral part of these financial statements.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Notes To and Forming Part of the Consolidated Financial Statements
for the year ended December 31, 2007

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of:

Unilever Pakistan Limited (the "Company")
Lever Chemicals (Private) Limited
Levers Associated Pakistan Trust (Private) Limited
Sadiq (Private) Limited

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

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

Lever Chemicals (Private) Limited (LCL) is not carrying out any business operations and the management is considering closure of the company therefore it is no longer considered to be a going concern.

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

1.2 Basis of consolidation

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

All intercompany balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are essentially the same as those which applied for the previous financial year. Change arising from interpretation or amendments of applicable accounting standards are set out below under note 3 "Change in Accounting Policy".

2.1 Basis of preparation

Statement of compliance

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

Critical accounting estimates and judgements

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

i. **Taxation**

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

ii. **Post employment benefits**

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

iii. **Provisions**

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

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

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

Recent accounting developments

- New standard, amendments to published standard and new interpretation effective in 2007 - relevant

IAS 1 (Amendment) – 'Presentation of Financial Statements - Capital Disclosures', is mandatory for the Group's accounting periods beginning on or after January 1, 2007. It introduces capital disclosure requirements regarding how the entity manages its capital. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 38 to the financial statements.

The Securities & Exchange Commission of Pakistan vide S.R.O. 1228(I)/2006 dated December 6, 2006 directed the application of IFRS 2 - "Share-based Payment" issued by the International Accounting Standards Board to be followed with regard to the preparation of financial statements. The effect of adoption of this IFRS on accounting policy of the Group is given in note 3.1.

- Interpretation early adopted by the Group

IFRIC 11 – "IFRS 2 - Group and treasury share transactions", was adopted before its effective date. The interpretation provides guidance on how share-based transactions involving group companies shares are accounted for in the stand alone financials of the subsidiary companies. The impact on adoption of this interpretation is disclosed in note 3 "Change in Accounting Policy".

- Amendments to published standard, new standard and new interpretations effective in 2007 but not relevant

There are other accounting standard, new interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the Group's operations and are therefore not detailed in these financial statements.

- Standards or interpretations not yet effective but relevant

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

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

IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

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

IFRIC 13 'Customer loyalty programmes' (effective from July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The management is reviewing the implications.

IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have a material impact on the Group's financial statements.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

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

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

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

2.4 Intangibles

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

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

2.5 Investments

In unlisted entity not being subsidiary

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

2.6 Taxation

i. Current

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

ii. Deferred

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

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

2.7 Retirement benefits

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

2.8 Stores and spares

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

2.9 Stock in trade

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

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

2.10 Trade and other debts

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

2.11 Cash and cash equivalents

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

2.12 Leases

i. Finance leases

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

ii. Operating leases

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

2.13 Trade and other payables

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

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.15 Provisions

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

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

2.16 Financial instruments

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

2.17 Foreign currency transactions and translation

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

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

2.18 Revenue recognition

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

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

i. Sale of goods

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

ii. Interest / Mark up income

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

iii. Dividend income

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

2.19 Segment information

Segment information is provided on the basis of product categories.

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments.

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

2.20 Dividends

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

2.21 Share based payment

The economic cost of awarding shares to employees is reflected by recording a charge in the profit and loss account equivalent to the fair value of shares on the grant date over the vesting period. Where awarded shares relate to Group Companies a corresponding reserve is created to reflect the equity component.

3. CHANGE IN ACCOUNTING POLICY

3.1 Shared based compensation

Upon adoption of IFRS 2 - "Share-based Payment" and IFRIC 11 - "IFRS 2 - Group and treasury share transactions" as referred to in note 2.21 above, the Group has adopted accounting policy with respect to recognition of employee benefits cost arising from conditional award of shares of Unilever PLC, UK and Unilever NV, Netherlands. Such cost was not previously recognised.

The change in accounting policy has been applied retrospectively and accordingly comparative amounts in respect of profit for the year and equity have been restated for all the prior periods presented through adjustment to opening balance of unappropriated profit.

Had the accounting policy not been changed, amounts in respect of profit after tax for the year and unappropriated profit would have been higher by Rs 19.39 million and Rs 33.89 million respectively (December 31, 2006: Rs 11.82 million and Rs 16.62 million respectively) and other reserves would have been lower by the amount of unappropriated profit stated above.

4. PROPERTY, PLANT AND EQUIPMENT

	2007	2006
	(Rupees in thousand)	
Operating assets - note 4.1	**3,097,121**	1,918,976
Capital work in progress - at cost - note 4.2	**416,378**	218,374
	3,513,499	2,137,350

4.1 Operating assets

	Land		Buildings		Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land				Owned	Held under finance leases	
	(Rupees in thousand)									
Net carrying value basis										
Year ended December 31, 2007										
Opening net book value (NBV)	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Additions (at cost)	-	-	200,605	6,206	1,243,839	28,819	1,914	34,499	63,055	1,578,937
Disposals (at NBV)	-	-	-	-	(13,382)	(2,333)	(650)	(8,704)	(3,088)	(28,157)
Depreciation charge	-	(7)	(8,771)	(715)	(218,017)	(59,214)	(2,240)	(63,244)	(20,763)	(372,971)
Impairment reversal	-	-	-	-	336	-	-	-	-	336
Closing net book value (NBV)	**25,575**	**428**	**434,963**	**16,564**	**2,279,927**	**134,432**	**15,879**	**108,669**	**80,684**	**3,097,121Ł**
Gross carrying value basis										
At December 31, 2007										
Cost	25,575	716	568,759	74,913	3,779,000	558,447	35,474	304,670	110,067	5,457,621
Accumulated depreciation	-	(288)	(133,796)	(58,349)	(1,499,073)	(424,015)	(19,595)	(196,001)	(29,383)	(2,360,500)
Net book value	**25,575**	**428**	**434,963**	**16,564**	**2,279,927**	**134,432**	**15,879**	**108,669**	**80,684**	**3,097,121**
Net carrying value basis										
Year ended December 31, 2006										
Opening net book value (NBV)	25,575	442	231,929	6,970	967,274	173,386	17,280	148,823	22,734	1,594,413
Additions (at cost)	-	-	19,178	4,848	500,396	36,378	1,854	70,190	27,893	660,737
Disposals (at NBV)	-	-	-	-	(1,578)	(1,295)	(9)	(8,511)	(1,087)	(12,480)
Adjustment for input sales tax claimed	-	-	-	-	(30,939)	-	-	-	-	(30,939)
Depreciation charge	-	(7)	(7,978)	(745)	(162,286)	(41,309)	(2,270)	(64,384)	(8,060)	(287,039)
Impairment charge	-	-	-	-	(5,716)	-	-	-	-	(5,716)
Closing net book value (NBV)	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Gross carrying value basis										
At December 31, 2006										
Cost	25,575	716	368,154	68,707	2,609,058	585,241	36,323	328,663	55,644	4,078,081
Accumulated depreciation	-	(281)	(125,025)	(57,634)	(1,341,907)	(418,081)	(19,468)	(182,545)	(14,164)	(2,159,105)
Net book value	25,575	435	243,129	11,073	1,267,151	167,160	16,855	146,118	41,480	1,918,976
Depreciation rate % per annum	**-**	**1.05**	**1.5 to 2.5**	**1.5 to 2**	**3 to 10**	**8 to 20**	**8 to 14**	**25**	**25**	

		2007	2006
		(Rupees in thousand)	

4.2 Capital Work In Progress - at cost

	2007	2006
Civil works	**16,133**	19,693
Plant and machinery	**400,245**	198,681
	416,378	218,374

4.3 Operating assets having net book value of Rs 53.96 million (2006: Rs 61.03 million) are held with the following third parties for manufacturing of the Group's goods:

	2007	2006
	(Rupees in thousand)	
Futehally Chemicals (Private) Limited	**35,082**	39,735
United Detergents	**13,719**	14,876
Ashraf Soap Industries (Private) Limited	**1,829**	2,544
Dentogene Labs (Private) Limited	**3,333**	3,877
	53,963	61,032

Details of property, plant and equipment sold are given in note 40.

5. INTANGIBLES - computer software

	2007	2006
Net carrying value basis		
Year ended December 31, 2007		
Opening net book value	**17,043**	21,913
Amortisation charge	**(4,870)**	(4,870)
Closing net book value	**12,173**	17,043
Gross carrying value basis		
At December 31, 2007		
Cost	**24,348**	24,348
Accumulated amortisation	**(12,175)**	(7,305)
Net book value	**12,173**	17,043
Remaining useful life in years	**2.50**	3.50

6. LONG TERM INVESTMENTS

Investments in related parties

Investment available for sale - at cost

	2007	2006
Futehally Chemicals (Private) Limited		
2,000 6% redeemable cumulative preference shares of Rs 100 each	**200**	200
	200	200

7. LONG TERM LOANS - considered good

		2007	2006
		(Rupees in thousand)	
Related Parties	note 7.1, 7.2 and 7.3		
Directors		7,751	541
Chief Executive		14,509	-
Key management personnel other than Directors and Chief Executive		5,975	4,821
		28,235	5,362
Others			
Executives		107,194	86,138
Other employees		36,211	45,182
		143,405	131,320
		171,640	136,682
Recoverable within one year - note 13		(56,252)	(40,265)
Long term portion		115,388	96,417

7.1 Reconciliation of carrying amount of loans to directors, chief executive, other key management personnel and executives:

	Directors		Chief Executive		Other Key Management Personnel		Executives	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Rupees in thousand)							
Opening balance	541	1,082	-	4,658	4,821	1,135	86,138	95,739
Disbursements	-	-	15,273	-	11,221	-	71,652	50,964
Appointment of Executives as Directors	8,690	-	-	-	(8,169)	-	(521)	-
Appointment of Executives on Management Committee	-	-	-	-	-	5,008	-	(5,008)
Repayments	(1,480)	(541)	(764)	(4,658)	(1,898)	(1,322)	(50,075)	(55,557)
	7,751	541	14,509	-	5,975	4,821	107,194	86,138

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

Loans are secured against retirement benefits of the employees.

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

	2007	2006
	(Rupees in thousand)	
Directors	8,208	721
Chief Executive	15,273	4,008
Key management personnel other than Directors and Chief Executive	14,866	5,644
Executives	107,194	89,318

	2007	2006
	(Rupees in thousand)	

8 LONG TERM DEPOSITS AND PREPAYMENTS

	2007	2006
Security deposits	**4,750**	8,237
Prepaid rent	**170**	17,120
	4,920	25,357

9. RETIREMENT BENEFITS

9.1 The Group operates a provident fund, a pension plan, management and non-management gratuity plans and a pensioners' medical plan for its employees. The pensioners' medical plan is a book reserve plan while the other plans are invested through exempt approved trust funds. The provident fund is a defined contribution plan. The pension and gratuity plans are defined benefits final salary plans. The pensioners' medical plan reimburses actual medical expense as defined in the plan.

9.2 The latest actuarial valuation of the defined benefit plans was conducted at December 31, 2007 using the projected unit credit method. Details of the defined benefit plans are:

	Pension Fund		Gratuity Funds		Pensioners' Medical Plan	
	2007	2006	**2007**	2006	**2007**	2006
	(Rupees in thousand)					
Balance Sheet Reconciliation						
Fair value of plan assets	**1,522,551**	1,457,991	**368,948**	475,590	**-**	-
Present value of defined benefit obligations	**(1,497,882)**	(1,431,151)	**(404,129)**	(408,253)	**(132,181)**	(145,118)
Funded status	**24,669**	26,840	**(35,181)**	67,337	**(132,181)**	(145,118)
Unrecognised net actuarial loss / (gain)	**194,942**	184,266	**66,448**	94,195	**(8,282)**	15,319
Recognised asset / (liability)	**219,611**	211,106	**31,267**	161,532	**(140,463)**	(129,799)
Movement in the fair value of plan assets						
Fair value as at January 1	**1,457,991**	1,385,464	**475,590**	426,804		
Expected return on plan assets	**155,876**	145,469	**51,972**	46,423		
Actuarial gains / (losses)	**(9,012)**	1,057	**(3,292)**	5,452		
Employer contributions	**35,385**	34,833	**29,070**	28,623		
Benefits paid	**(117,689)**	(108,832)	**(184,392)**	(31,712)		
Fair value as at December 31	**1,522,551**	1,457,991	**368,948**	475,590		
Movement in the defined benefit obligation						
Obligation as at January 1	**1,431,151**	1,237,646	**408,253**	348,382	**145,118**	164,786
Service cost	**32,696**	28,886	**31,968**	27,901	**1,966**	2,206
Interest cost	**151,029**	127,705	**43,008**	36,465	**15,512**	17,305
Settlement and curtailment	**(11,808)**	-	**118,534**	-	**688**	-
Actuarial losses / (gains)	**12,503**	145,746	**(13,242)**	27,216	**(22,811)**	(30,266)
Benefits paid	**(117,689)**	(108,832)	**(184,392)**	(31,711)	**(8,292)**	(8,913)
Obligation as at December 31	**1,497,882**	1,431,151	**404,129**	408,253	**132,181**	145,118
Cost						
Current service cost	**32,696**	28,886	**31,968**	27,901	**1,966**	2,206
Interest cost	**151,029**	127,705	**43,008**	36,465	**15,512**	17,305
Expected return on plan assets	**(155,876)**	(145,469)	**(51,972)**	(46,423)	**-**	-
Settlement and curtailment	**(11,808)**	-	**118,534**	-	**688**	-
Recognition of actuarial loss	**10,839**	2,458	**17,797**	4,430	**790**	2,477
Expense	**26,880**	13,580	**159,335**	22,373	**18,956**	21,988
Actual return on plan assets	**146,864**	146,526	**48,680**	51,875		

* Includes restructuring provision of Rs 110 million recognised in previous year, however it is shown as the settlement and curtailment carried out during the current year.

Principal actuarial assumptions used are as follows:

	2007	2006
Discount rate & expected return on plan assets	11.00%	11.00%
Future salary increases	8.90%	8.90%
Future pension increases	5.70%	5.70%
Medical cost trends rates	5.70%	5.70%

Expected contributions to post employment benefit plans for the year ending December 31, 2008 is Rs 200 million (2007: Rs 69.1 million).

Comparison for five years:

	2007	2006	2005	2004	2003
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	1,891,499	1,933,581	1,812,268	1,961,540	1,944,475
Present value of defined benefit obligation	(2,034,192)	(1,984,522)	(1,750,814)	(1,802,140)	(1,763,937)
(Deficit) / surplus	(142,693)	(50,941)	61,454	159,400	180,538
Experience adjustments					
(Loss) / Gain on plan assets (as percentage of plan assets)	(0.7%)	0.3%	(6.5%)	(0.9%)	(0.9%)
(Gain) / Loss on obligations (as percentage of plan obligations)	(1.2%)	7.5%	1.5%	5.4%	7.5%

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

	Increase	Decrease
	(Rupees in thousand)	
Effect on the aggregate of current service and interest cost	2,377	1,948
Effect on the defined benefit obligation	14,863	12,596

Plan assets are comprised as follows:

	2007		2006	
	Rupees in thousand	%	Rupees in thousand	%
Debt	722,553	38.2	1,525,493	78.9
Others (includes cash and bank balances)	1,168,946	61.8	408,088	21.1
	1,891,499	100	1,933,581	100

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

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

Based on the above actuarial valuation the retirement benefits - liability amounts to Rs 140.46 million (2006: Rs 129.8 million) and retirement benefits - asset amounts to Rs 250.88 million (2006: Rs 372.64 million).

9.3 During the year the Group contributed Rs 45.43 million (2006: Rs 43.21 million) to the provident fund.

10. STORES AND SPARES

	2007	2006
	(Rupees in thousand)	
Stores (including in transit Rs 7.76 million; 2006: Rs 28.12 million)	58,531	53,730
Spares (including in transit Rs 17.66 million; 2006: Rs 48.72 million)	145,952	172,820
Others	2,120	1,712
	206,603	228,262
Provision for slow moving and obsolete stores and spares	(26,248)	(22,241)
	180,355	206,021

The Group has recognised a provision of Rs 9.2 million (2006: Rs 4.95 million) for obsolescence and has written off inventory amounting to Rs 5.19 million (2006: Nil) by utilising the provision.

11. STOCK IN TRADE

	2007	2006
	(Rupees in thousand)	
Raw and packing materials at cost (including in transit Rs 618.03 million; 2006: Rs 289.26 million)	1,715,876	1,451,638
Provision for obsolescence	(56,649)	(36,226)
	1,659,227	1,415,412
Work in process	66,192	43,679
Finished goods (including in transit Rs 207.51 million; 2006: Rs 37.4 million)	1,073,264	716,417
By product - glycerine	2,131	28,541
	1,075,395	744,958
Provision for obsolescence	(74,750)	(47,577)
	1,000,645	697,381
	2,726,064	2,156,472

The Group has recognised a provision of Rs 86.06 million for obsolescence (2006: Rs 34.43 million) and has written off inventory amounting to Rs 38.46 million (2006: Rs 99.925 million) by utilising the provision during the year ended December 31, 2007.

12. TRADE DEBTS

	2007	2006
	(Rupees in thousand)	
Considered good		
Related Party - Unilever Pakistan Foods Limited	-	1,665
Others	239,313	173,057
Considered doubtful		
Others	54,154	55,669
	293,467	230,391
Provision for doubtful debts - note 12.1	(54,154)	(55,669)
	239,313	174,722

12.1 The Group has reversed a provision of Rs 1.52 million (2006: recognised a provision of Rs 1.52 million) for the doubtful debts.

13. LOANS AND ADVANCES

	2007	2006
	(Rupees in thousand)	
Considered good		
Current portion of loans to employees - note 7	56,252	40,265
Advances to:		
Executives - note 13.1	5,110	13,284
Suppliers and others	61,526	120,411
	122,888	173,960
Considered doubtful		
Advances to suppliers and others	6,244	6,244
	129,132	180,204
Provision for doubtful advances to suppliers and others	(6,244)	(6,244)
	122,888	173,960

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

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2007	2006
	(Rupees in thousand)	
Trade deposits	**18,875**	7,558
Prepayments	**217,189**	94,122
	236,064	101,680

15. OTHER RECEIVABLES

	2007	2006
	(Rupees in thousand)	
Receivable from related parties		
Unilever Pakistan Foods Limited	**19,410**	-
Union Pakistan Provident Fund	**31,447**	-
Unilever Gratuity Plan	**123,937**	17,759
Workers' profits participation fund - note 15.1	**9,128**	52,261
Others		
Export rebate claims receivable	**2,019**	300
Receivable from distributors on account of equipment supply	**18,827**	11,818
Receivable from supplier on account of marketing reimbursement	**18,222**	-
Others	**34,867**	22,812
	257,857	104,950
Provision for doubtful receivables	**(8,718)**	(8,718)
	249,139	96,232

	2007	2006
	(Rupees in thousand)	

15.1 Workers' profits participation fund

	2007	2006
Balance as at January 1 - receivable	52,261	43,229
Allocation for the year	(135,861)	(134,132)
	(83,600)	(90,903)
Amount paid to the trustees	92,728	143,164
Balance as at December 31 - receivable	9,128	52,261

	2007	2006
	(Rupees in thousand)	

16. TAX REFUNDS DUE FROM GOVERNMENT

	2007	2006
Sales tax refundable - amounts paid	148,469	157,234
under protest - note 16.1	-	29,026
Excise duty refundable	27	27
Other	148,496	186,287

16.1 This includes a sum of Rs 141 million (2006: Rs 141 million) paid by way of abundant caution under the Amnesty Scheme, to avoid additional Sales Tax and Surcharge being levied in the event of unfavourable decisions of the appeals pending in the High Courts. These appeals were filed by third party manufacturers in respect of disallowance of input tax claimed by them on the ground that tax invoices and bills of entry were in the Group's name. The contracts with such manufacturers provided that in the event of any liability arising against them on this account, the Group would reimburse the tax. The Group's management and legal advisors expect a favourable outcome of the appeals, owing to the fact that the demands arose as a result of procedural matters and that there was no loss of revenue to the Government. Without prejudice to the earlier appeals filed, the Group has referred one of the above cases to the Alternate Dispute Resolution Committee, constituted under the Sales Tax law, the decision of which is still awaited.

	2007	2006
	(Rupees in thousand)	

17. CASH AND BANK BALANCES

	2007	2006
With banks on:		
current accounts	20,166	77,231
savings accounts	168,612	217,773
term deposits (having maturity of one month)	115,000	395,000
In hand:		
cash	1,224	2,266
	305,002	692,270

At December 31, 2007 the rates of mark up on savings accounts and term deposits range from 0.1% to 10% per annum (2006: 0.1% to 13% per annum).

	2007	2006
	(Rupees in thousand)	

18. SHARE CAPITAL

			2007	2006
Authorised share capital				
47,835	5% cumulative preference shares of Rs 100 each		**4,783**	4,783
15,904,330	Ordinary shares of Rs 50 each		**795,217**	795,217
			800,000	800,000
Issued, subscribed and paid up capital				
5% cumulative preference shares of Rs 100 each				
	Shares allotted:			
43,835	for consideration paid in cash		**4,383**	4,383
4,000	for acquisition of an undertaking		**400**	400
47,835			**4,783**	4,783
Ordinary shares of Rs 50 each				
	Shares allotted:			
467,704	for consideration paid in cash		**23,385**	23,385
4,979,208	for consideration other than cash under schemes of arrangements for amalgamations		**248,961**	248,961
7,846,957	as bonus shares		**392,348**	392,348
13,293,869			**664,694**	664,694
			669,477	669,477

At December 31, 2007 Unilever Overseas Holdings Limited, UK, a wholly owned subsidiary of Unilever PLC, UK holds 9,359,412 ordinary shares and 33,735 preference shares of Unilever Pakistan Limited (December 31, 2006: 8,912,382 ordinary shares and Nil preference shares).

	2007	2006
	(Rupees in thousand)	

19. RESERVES

	2007	2006
Capital reserves		
Arising under schemes of arrangements for amalgamations - note 19.1	**70,929**	70,929
Contingency - note 26.1	**363,106**	321,471
Other - note 19.2	**33,895**	16,615
	467,930	409,015
Revenue reserves	**863,712**	761,801
Unappropriated profit	**1,331,642**	1,170,816

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

19.2 Share-based compensation plans

As at December 31, 2007 the Group had following equity settled share-based compensation plans:

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

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

Variable Pay In Shares (VPIS):

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

The details of the arrangement are as follows :

	GPSP		VPI		LPSP	
Shares of	Unilever PLC	Unilever NV	Unilever PLC	Unilever NV	Unilever PLC	Unilever NV
Date of grant	May 18, 2005 - March 21, 2007	May 18, 2005 - March 21, 2007	March 21, 2007	March 21, 2007	May 22, 2007	May 22, 2007
Total number of shares granted	39,890	1,920	1,525	1,571	1,530	1,530
Share price on grant date	£ 11.97 - 14.88	€ 17.57 - 21.33	£ 14.88	€ 21.33	£ 15.82	€ 22.20
Contractual life (years)	3	3	3	3	3	3
Vesting conditions	Performance conditions	Performance conditions	Performance conditions	Performance conditions	Performance and market conditions	Performance and market conditions
Settlement	Shares	Shares	Shares	Shares	Shares	Shares
Expected lapse per year	20%	20%	20%	20%	20%	20%
Expected outcome of meeting the performance criteria (at the grant date)	by May 18, 2008 - March 21, 2010	by May 18, 2008 - March 21, 2010	by March 21, 2010	by March 21, 2010	by May 22, 2010	by May 22, 2010
Fair value of the shares at grant date	£ 11.97 - 14.88	€ 17.57 - 21.33	£ 14.88	€ 21.33	£ 15.82	€ 22.20

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

20. SURPLUS ON REVALUATION OF FIXED ASSETS

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

	2007	2006
	(Rupees in thousand)	
Balance as at January 1	**14,909**	15,557
Transferred to unappropriated profit - net of deferred taxation:		
incremental depreciation for the year	**(648)**	(648)
Balance as at December 31	**14,261**	14,909

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2007	2006
Present value of minimum lease payments	**70,205**	31,235
Current maturity shown under current liabilities	**(17,273)**	(16,962)
	52,932	14,273
Minimum lease payments		
Not later than 1 year	**24,781**	19,281
Later than one year and not later than 5 years	**61,435**	16,514
	86,216	35,795
Future finance charges on finance leases	**(16,011)**	(4,560)
Present value of finance lease liabilities	**70,205**	31,235
Present value of finance lease liabilities		
Not later than 1 year	**17,273**	16,962
Later than one year and not later than 5 years	**52,932**	14,273
	70,205	31,235

The above represents finance leases entered into with leasing companies for motor vehicles. The liability is payable by December 2011 in quarterly instalments.

Quarterly payments of leases bearing pre-determined markup rates include finance charge ranging from 8% to 14.75% per annum (2006: 6.25% to 14.75% per annum) which are used as discounting factors.

Quarterly payments of leases bearing variable markup rates include finance charge at KIBOR + 1.9% to KIBOR + 2%. KIBOR is determined on semi-annual basis for next two quarterly rentals.

	2006	Charge/ (reversal)	2007
	(Rupees in thousand)		

22. DEFERRED INCOME TAX LIABILITIES / (ASSETS)

	2006	Charge/ (reversal)	2007
Credit / (debit) balance arising in respect of:			
accelerated tax depreciation allowance	236,731	272,813	**509,544**
surplus on revaluation of fixed assets	8,028	(347)	**7,681**
provision for retirement benefits	84,994	(46,356)	**38,638**
shares based payments reserve	-	(11,864)	**(11,864)**
provision for stock in trade and stores and spares	(37,115)	(18,062)	**(55,177)**
provision for doubtful debts, advances and other receivables	(39,289)	732	**38,557**
provision for restructuring	(38,500)	(91,359)	**(129,859)**
Others	(11,254)	(108)	**(11,362)**
	203,595	105,449	**309,044**

23. TRADE AND OTHER PAYABLES

	2007	2006
	(Rupees in thousand)	
Creditors	**376,397**	249,220
Bills payable	**1,618,414**	1,489,867
Accrued liabilities	**2,241,769**	1,704,782
Royalty and technical services fee	**130,428**	131,794
Advance payment from customers	**74,505**	55,517
Sales tax payable	**51,491**	160,168
Excise duty payable	**51,771**	-
Workers' welfare fund	**75,638**	69,615
Security deposits from dealers - note 23.1	**17,137**	17,147
Unclaimed dividend	**99,605**	89,991
Others	**14,873**	20,894
	4,752,028	3,988,995

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

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

	2007	2006
	(Rupees in thousand)	
Ultimate parent company	**130,428**	131,794
Associated companies	**1,430,314**	1,363,717
Third parties whose manufacturing processes are dependent on Unilever	**53,788**	37,349
Company in which close family member of a Director is holding directorship	**62,101**	42,263

24. SHORT TERM BORROWINGS

Short term running finance - secured

The facilities for running finance available from various banks amount to Rs 4.42 billion (2006: Rs 4.36 billion). The rates of mark-up range between 9.6% to 10.14% per annum (2006: 9.4% to 11.78% per annum).

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

The facilities for opening letters of credit and guarantees as at December 31, 2007 amounted to Rs 4.65 billion (2006: Rs 6.26 billion), of which the amount remaining unutilised at year end was Rs 3.52 billion (2006: Rs 4.72 billion).

25. PROVISIONS

	2007	2006
	(Rupees in thousand)	
Restructuring		
Balance as at January 1	110,000	-
Provision during the year - note 25.1	372,234	110,000
Utilised during the year	(111,207)	-
Balance as at December 31	371,027	110,000

25.1 The provision booked in 2006 in respect of staff redundancy has been fully utilised during the year. The charge booked represents planned staff redundancy in beverages and ice cream businesses and relocation / dismantling cost of a factory. The full amount of provision is expected to be utilised during 2008.

26. CONTINGENCY AND COMMITMENTS

26.1 Contingency

Government of Sindh through Finance Act, 1994 levied fee for services rendered in respect of development and maintenance of infrastructure on the import and export of goods. However, the Group filed a constitutional petition against the levy of such fee in the High Court of Sindh and the Court granted stay for the payment of the fee. During the year 2001, the Government of Sindh introduced Cess in place of infrastructure fee with retrospective effect. As a result, Unilever's petition became infractuous and a fresh suit was filed by Unilever to challenge the levy. A stay against recovery of the aforesaid levy of Cess was also obtained from the Court. In 2003 the High Court decided the issue against the Group. Against this order an intra court appeal was filed, which is pending. The accumulated levy upto December 31, 2007 amounts to Rs 363.11 million (2006: Rs 321.47 million), out of which Group has furnished bank guarantee of Rs 300 million. No provision has been made in the financial statements against the aforesaid levy based on the strong case the Group has; however, reserves have been earmarked to the extent of accumulated levy based on the continuing exposure.

26.2 Commitments

Aggregate commitments for capital expenditure as at December 31, 2007 amounted to Rs 607.60 million (2006: Rs 1.12 billion).

Aggregate commitments for operating lease rentals as at December 31, 2007 amounts to:

	2007	2006
	(Rupees in thousand)	
Not later than one year	**51,701**	54,739
Over one year to five years	**27,539**	27,087
	79,240	81,826

27. SEGMENT INFORMATION

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

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

27.1 Segment analysis

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Segment results for the year ended December 31, 2007					
Gross sales	15,505,698	9,782,641	3,950,817	615,651	29,854,807
Sales tax	(2,215,743)	(1,402,989)	(646,605)	-	(4,265,337)
Federal excise duty	(570,954)	(33,661)	(13,403)	-	(618,018)
	(2,786,697)	(1,436,650)	(660,008)	-	(4,883,355)
Sales excluding sales tax and federal excise duty	12,719,001	8,345,991	3,290,809	615,651	24,971,452
Rebates and allowances	(917,497)	(485,908)	(217,183)	(19,198)	(1,639,786)
	11,801,504	7,860,083	3,073,626	596,453	23,331,666
Cost of sales	(6,372,477)	(5,636,413)	(1,881,796)	(357,895)	(14,248,581)
Gross profit	5,429,027	2,223,670	1,191,830	238,558	9,083,085
Distribution costs	(2,838,406)	(1,280,563)	(774,824)	(127,384)	(5,021,177)
Administrative expenses	(444,162)	(362,705)	(181,426)	(19,875)	(1,008,168)
Segment result before restructing costs	2,146,459	580,402	235,580	91,299	3,053,740
Other operating expenses	-	-	-	-	(233,897)
Other operating income	-	-	-	-	206,235
Restructuring costs directly related to segments	-	(280,000)	(56,234)	-	(336,234)
Restructuring costs not directly related to segments	-	-	-	-	(36,000)
					(372,234)
Segment result after restructuring costs	2,146,459	300,402	179,346	91,299	
Profit from operations					2,653,844
Finance costs					(109,227)
Profit before taxation					2,544,617
Taxation					(846,098)
Profit after taxation					1,698,519
Segment results for the year ended December 31, 2006 - Restated					
Gross sales	12,336,105	10,074,113	3,610,119	516,436	26,536,773
Sales tax	(1,786,385)	(1,438,490)	(591,401)	(20,463)	(3,836,739)
Federal excise duty	(415,648)	-	-	-	(415,648)
	(2,202,033)	(1,438,490)	(591,401)	(20,463)	(4,252,387)
Sales excluding sales tax and federal excise duty	10,134,072	8,635,623	3,018,718	495,973	22,284,386
Rebates and allowances	(729,517)	(390,944)	(166,506)	(9,534)	(1,296,501)
	9,404,555	8,244,679	2,852,212	486,439	20,987,885
Cost of sales	(4,896,226)	(6,472,382)	(1,584,914)	(291,157)	(13,244,679)
Gross profit	4,508,329	1,772,297	1,267,298	195,282	7,743,206
Distribution costs	(2,265,763)	(1,201,148)	(595,811)	(90,425)	(4,153,147)
Administrative expenses	(373,938)	(352,321)	(161,186)	(16,201)	(903,646)
Segment result	1,868,628	218,828	510,301	88,656	2,686,413
Other operating expenses					(229,724)
Other operating income					139,485
					2,596,174
Restructing costs not directly related to segments					(110,000)
Profit from operations					2,486,174
Finance costs					(63,946)
Profit before taxation					2,422,228
Taxation					(857,618)
Profit after taxation					1,564,610

27.1 Segment analysis - continued

	HOME AND PERSONAL CARE	BEVERAGES	ICE CREAM	OTHER	TOTAL
	(Rupees in thousand)				
Other segment information					
As at December 31, 2007					
Segment assets	2,343,429	1,396,603	2,933,891	63,983	6,737,906
Unallocated assets					1,369,983
					8,107,889
Segment liabilities	1,478,551	1,834,777	292,977	93,407	3,699,712
Unallocated liabilities					2,392,797
					6,092,509
For the year ended December 31, 2007					
Capital expenditure	159,647	104,469	1,505,743	7,082	1,776,941
Cost of goods manufactured	6,085,765	5,711,233	1,876,305	267,715	13,941,018
Other segment items					
Staff costs	716,493	592,190	355,437	19,465	1,683,585
Advertising	1,683,195	567,868	289,608	75,843	2,616,514
Marketing and selling	62,410	51,063	25,531	2,837	141,841
Outward freight and handling	316,404	126,290	121,425	15,032	579,151
Royalty and technical services fee	379,060	210,210	100,750	15,420	705,440
Depreciation	118,633	60,846	190,826	2,666	372,971
As at December 31, 2006					
Segment assets	2,069,961	945,048	1,810,006	80,373	4,905,388
Unallocated assets					1,538,622
					6,444,010
Segment liabilities	912,689	2,596,324	216,176	59,862	3,785,051
Unallocated liabilities					803,757
					4,588,808
For the year ended December 31, 2006 - Restated					
Capital expenditure	69,703	24,200	439,167	-	533,070
Cost of goods manufactured	4,899,322	6,412,325	1,622,850	268,575	13,203,072
Other segment items					
Staff costs	666,538	637,610	238,791	20,877	1,563,816
Advertising	1,397,679	503,264	298,214	50,381	2,249,538
Marketing and selling	47,544	51,022	15,075	2,319	115,960
Outward freight and handling	218,327	114,622	96,020	9,046	438,015
Royalty and technical services fee	279,124	185,508	84,059	12,916	561,607
Depreciation	97,265	55,291	132,464	2,019	287,039

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

28. OPERATING COSTS

	Cost of Sales		Distribution Costs		Administrative Expenses		Total	
	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)
	(Rupees in thousand)							
Raw and packing material consumed	11,926,041	11,447,248	-	-	-	-	11,926,041	11,447,248
Manufacturing charges paid to third parties	424,141	341,703	-	-	-	-	424,141	341,703
Stores and spares consumed	95,435	78,656	-	-	-	-	95,435	78,656
Advertising	-	-	2,616,514	2,249,538	-	-	2,616,514	2,249,538
Marketing and selling	-	-	141,841	115,960	-	-	141,841	115,960
Outward freight and handling	-	-	579,151	438,015	-	-	579,151	438,015
Royalty and technical services fee	-	-	705,440	561,607	-	-	705,440	561,607
Staff costs - note 28.1	710,327	654,970	533,724	486,723	439,534	422,123	1,683,585	1,563,816
Utilities	274,479	223,891	4,868	4,330	30,736	21,163	310,083	249,384
Repairs and maintenance	143,893	125,909	6,986	9,591	20,464	29,378	171,343	164,878
Rent, rates and taxes	25,109	30,589	82,271	3,456	50,673	53,002	158,053	87,047
Depreciation	239,635	186,085	74,668	56,534	58,668	44,420	372,971	287,039
Amortisation of computer software	-	-	2,727	2,727	2,143	2,143	4,870	4,870
Travelling and entertainment	46,965	44,429	124,929	108,480	76,391	92,135	248,285	245,044
Stationery and office expenses	40,916	31,583	45,604	54,420	74,172	77,651	160,692	163,654
Expenses on information technology	55	205	308	116	121,097	102,931	121,460	103,252
Other expenses	36,536	33,182	102,146	61,650	134,290	58,700	272,972	153,532
	13,963,532	13,198,450	5,021,177	4,153,147	1,008,168	903,646	19,992,877	18,255,243
Opening work in process	43,678	48,300						
	14,007,210	13,246,750						
Closing work in process	(66,192)	(43,678)						
Cost of goods manufactured	13,941,018	13,203,072						
Opening stock of finished goods including by product glycerine	697,381	539,085						
Finished goods purchased	610,826	199,903						
Closing stock of finished goods including by product glycerine	(1,000,644)	(697,381)						
	14,248,581	13,244,679						

28.1 Staff costs

	Cost of Sales		Distribution Costs		Administrative Expenses		Total	
	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)
	(Rupees in thousand)							
Salaries and wages	671,664	587,542	464,398	453,372	341,930	362,789	1,477,992	1,403,703
Medical	22,668	23,981	53	264	20,291	22,898	43,012	47,143
Share based payments	168	2,115	8,933	5,263	10,291	4,440	19,392	11,818
Pension costs - defined benefit plan	5,691	2,413	14,469	5,033	18,528	6,135	38,688	13,581
Gratuity costs - defined benefit plan	345	(334)	17,778	10,234	22,678	12,473	40,801	22,373
Pensioner's medical plan	3,798	3,908	5,983	8,149	8,487	9,931	18,268	21,988
Provident fund cost - defined contribution plan	5,993	35,345	22,110	4,408	17,329	3,457	45,432	43,210
	710,327	654,970	533,724	486,723	439,534	422,123	1,683,585	1,563,816

28.2 Lease rentals amounting to Rs 240.82 million (2006: Rs 157.07 million) have been charged in operating cost for arrangements identified as operating leases upon application of IFRIC 4 – “Determining whether an Arrangement contains a Lease”. These arrangements include leases of property including offices, cold storage, depots and other arrangements for use of plant and machinery where fulfilment of the arrangement is dependant on the use of such assets and the arrangement conveys a right to use the asset.

29. OTHER OPERATING EXPENSES

	2007	2006
	(Rupees in thousand)	
Impairment charge on property, plant and equipment	-	5,716
Auditors' remuneration - note 29.1	10,964	7,556
Donations and Corporate Social Responsibility - note 29.2	31,513	27,271
Provision for doubtful debts – trade	-	1,522
Provision for doubtful debts – others	3,803	2,557
Workers’ profits participation fund - note 15.1	135,861	134,132
Workers’ welfare fund	51,756	50,970
	233,897	229,724

29.1 Auditors' remuneration

	2007	2006
Audit fee	3,040	2,860
Taxation services	2,992	2,000
Limited review, audit of consolidated financial statements, pension, provident and gratuity funds, third party expense verifications and certifications for various government agencies	4,581	2,152
Out of pocket expenses	351	544
	10,964	7,556

29.2 Donations and corporate social responsibility

Donations include the following in whom a director is interested:

Name of Director(s)	Interest in Donee	Name and address of Donee	2007 (Rupees in thousand)	2006
1. Mr. Ehsan A. Malik	Trustee	Duke of Edinburgh's Award Foundation Rangoonwala Centre, Dhoraji Colony, Karachi	-	25
	Board Member	The Kidney Centre 172/R, Rafiqui Shaheed Road, Karachi	1,800	1,781
2. Mr. Ehsan A. Malik & Syed Babar Ali	Trustee Pro-Chancellor	Lahore University of Management Sciences, DHA, Lahore	1,166	876
	Corporate Member President-Emeritus	World Wide Fund for Nature Ferozepur Road, Lahore	1,200	924
3. Syed Babar Ali	Trustee	The Layton Rahmatullah Benevolent Trust S-16, Phase II, DHA, Karachi	1,620	1,720

30. OTHER OPERATING INCOME

	2007	2006
Income from investment in related party		
Dividend from Futehally Chemicals (Private) Limited	12	12
Return from other financial assets		
Return on savings accounts and term deposits	24,223	38,130
Return on payments made on behalf of provident fund	-	12,208
Income from non-financial assets		
Salvage sales	42,913	39,064
Profit on disposal of property, plant and equipment	13,313	16,634
Sundry	8,584	5,096
Others		
Service fee from related party - note 30.1	30,153	17,700
Reversal of impairment loss	336	-
Reversal of provision for doubtful debts - trade	1,515	-
Liabilities no longer payable written back	81,191	10,641
Excise duty refund	3,995	-
	206,235	139,485

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

	2007	2006
	(Rupees in thousand)	

31. FINANCE COSTS

Mark up on short term running finance	**23,140**	7,344
Bank charges	**23,171**	15,844
Exchange loss	**55,637**	36,901
Finance charge on finance leases	**7,138**	3,752
Others	**141**	105
	109,227	63,946

32. TAXATION

Current - for the year		
Pakistan	**727,918**	860,016
Azad Kashmir	**12,731**	18,526
	740,649	878,542
Deferred tax charge / (reversal)	**105,449**	(20,924)
	846,098	857,618

32.1 Relationship between tax expense and accounting profit

	2007	2006 (restated)
	(Rupees in thousand)	
Accounting profit before tax	**2,544,617**	2,422,228
Tax at the applicable tax rate of 35% (2006: 35%)	**890,616**	847,780
Tax effect on dividend from subsidiary	**-**	3,800
Tax effect on inadmissible expenses and presumptive / minimum tax	**(44,518)**	6,042
Effect of lower tax rates	**-**	(4)
Tax expense for the year	**846,098**	857,618

33. EARNINGS PER SHARE

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

	2007	2006 (restated)
	(Rupees in thousand)	
Profit after tax	**1,698,519**	1,564,610
Preference dividend on cumulative preference shares	**(239)**	(239)
Profit after taxation attributable to ordinary shareholders	**1,698,280**	1,564,371
Weighted average number of shares in issue during the year (in thousands)	**13,294**	13,294
Earnings per share (Rupees)	**128**	118

34. PROPOSED AND DECLARED DIVIDENDS

On ordinary shares

At the Board meeting on February 12, 2008, a final dividend in respect of 2007 of Rs 63 per share amounting to a total dividend of Rs 837.51 million is proposed (2006: Rs 57 per share amounting to a total dividend of Rs 757.75 million).

The interim dividend declared and already paid in respect of 2007 was Rs 60 per share amounting to a total dividend of Rs 797.63 million (2006: Rs 65 per share amounting to a total dividend of Rs 864.10 million).

On cumulative preference shares

At the Board meeting on February 12, 2008, dividend in respect of 2007 of Rs 239 thousand has been declared (2006: Rs 239 thousand).

These financial statements do not reflect the proposed final ordinary dividend and the dividend declared on cumulative preference shares as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2008.

35. RELATED PARTY TRANSACTIONS

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

	Relationship with the Group	Nature of transactions	2007 (Rupees in thousand)	2006 (Rupees in thousand)
i.	Ultimate parent company	Royalty and technical services fee	**705,440**	561,607
ii.	Associated companies	Purchase of goods	**5,330,422**	5,167,399
		Purchase of services	**33,125**	35,108
		Sale of goods	**287**	-
		Reciprocal arrangements for sharing of common costs	**9,718**	7,586
		Sale of services	**60,075**	42,350
		Purchase of fixed assets	**19,854**	4,025
		Sales of fixed assets	**4,115**	-
iii.	Third parties whose manufacturing processes are dependent on Unilever	Toll manufacturing	**371,748**	299,443
iv.	Company in which close family member of a Director is holding directorship	Purchase of goods	**1,408,568**	910,298
v.	Company in which close family member of a key management personnel holds a key management position	Purchase of services	**19**	-
vi.	Key management personnel	Salaries and other short-term employee benefits	**66,367**	93,642
		Post-employment benefits	**5,759**	4,889
		Consideration received for vehicle sold	**-**	2,252
vii.	Others	Donations	**5,786**	4,651

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

The related party status of outstanding balances as at December 31, 2007 are included in trade debts, other receivables and trade and other payables respectively.

Arrangements with parent company and an associated company for granting of their shares to employees of Unilever Pakistan Limited are disclosed in note 19.2.

36. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Directors		Chief Executive		Executives	
	2007	2006	**2007**	2006	**2007**	2006
	(Rupees in thousand)					
Managerial remuneration and allowances	**20,650**	16,164	**11,605**	11,450	**325,415**	317,025
Share based compensation	**4,086**	1,899	**1,401**	1,540	**13,905**	8,379
Retirement benefits*	**1,215**	687	**1,657**	1,545	**57,575**	53,867
Rent and utilities	**4,209**	3,338	**1,340**	1,309	**101,241**	101,324
Medical expenses	**134**	173	**366**	12	**7,554**	6,400
Other expenses	**-**	-	**1,398**	2,205	**5,650**	3,179
	30,294	22,261	**17,767**	18,061	**511,340**	490, 174
Number of persons	**4**	2	**1**	2	**268**	257

In addition to this, a lump sum amount of Rs 140.10 million (2006: Rs 152.35 million) on account of variable pay has been recognised in the financial statements for the current year payable in 2008 after verification of target achievement.

Out of the variable pay recognised for 2006 and 2005 following payments were made:

	Paid in 2007 relating to 2006	Paid in 2006 relating to 2005
	(Rupees in thousand)	
Executive Directors	**4,295**	3,653
Chief Executive	**5,486**	3,480
Executives	**105,640**	98,985
Other employees	**35,215**	11,434
	150,636	117,552

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

The executive directors, chief executive and certain executives of the Group are provided with free use of cars and household equipment. One of the directors has also been provided rent free furnished accommodation.

Aggregate amount charged in these financial statements for the year for fee to 6 non-executive directors was Rs 255 thousand (2006: 7 non-executive directors Rs 277.1 thousand).

Aggregate amount charged in these financial statements for the year for remuneration of directors is Rs 30.549 million (2006: Rs 22.538 million).

37. CAPACITY

	Annual Capacity 2007	Annual Capacity 2006	Actual Production 2007	Actual Production 2006
	Metric Tons			
Own manufacture				
Home and Personal Care	**57,913**	60,320	**41,496**	44,335
Beverages	**78,222**	74,974	**37,876**	38,954
	Million Litres			
Ice Cream	**69**	36	**34**	35

Annual capacity of Home and Personal Care has been decreased due to average pack size reduction of soap tablet in Personal Wash. Production capacity in Beverages has increased due to addition of machinery.

Capacity enhancement in the ice cream business was completed in the later half of the year, therefore the actual production is lower than capacity available.

Actual production is lower than the capacity on account of lower sales volume.

38. FINANCIAL INSTRUMENTS

Financial assets and liabilities:

	Interest / Mark up bearing: Maturity up to one year	Interest / Mark up bearing: Maturity after one year	Interest / Mark up bearing: Sub-total	Non-interest / Non-mark up bearing: Maturity up to one year	Non-interest / Non-mark up bearing: Maturity after one year	Non-interest / Non-mark up bearing: Sub-total	TOTAL
	(Rupees in thousand)						
FINANCIAL ASSETS							
Investments	-	-	-	-	200	200	200
Loans and advances to employees	-	-	-	56,252	115,388	171,640	171,640
Deposits	-	-	-	18,875	4,750	23,625	23,625
Trade debts	-	-	-	239,313	-	239,313	239,313
Accrued interest / mark up	-	-	-	3,510	-	3,510	3,510
Other receivables	-	-	-	237,992	-	237,992	237,992
Cash and bank balances	283,612	-	283,612	21,390	-	21,390	305,002
	283,612	**-**	**283,612**	**577,332**	**120,338**	**697,670**	**981,282**
December 31, 2006	612,773	-	612,773	353,374	104,854	458,228	1,071,001
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	4,498,623	-	4,498,623	4,498,623
Accrued interest / mark up	-	-	-	3,669	-	3,669	3,669
Liabilities against assets subject to finance leases	17,273	52,932	70,205	-	-	-	70,205
Short term borrowings	423,557	-	423,557	-	-	-	423,557
	440,830	**52,932**	**493,762**	**4,502,292**	**-**	**4,502,292**	**4,996,054**
December 31, 2006	17,162	14,273	31,435	3,705,593	-	3,705,593	3,737,028
OFF BALANCE SHEET ITEMS							
Financial Commitments:							
Open letters of credit	-	-	-	3,020,913	-	3,020,913	3,020,913
	-	**-**	**-**	**3,020,913**	**-**	**3,020,913**	**3,020,913**
December 31, 2006	-	-	-	1,537,434	-	1,537,434	1,537,434

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

Financial risk management objectives and policies

Capital Risk Management

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

During 2007 the Group's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2007 and 2006 were as follows:

	2007	2006
	(Rupees in thousand)	
Total borrowings	**423,557**	200
Cash and Bank	**(305,002)**	(692,270)*
Net debt/(cash)	**118,555**	(692,070)
Total equity	**2,001,119**	1,840,293
Total capital	**2,119,674**	1,148,223
Gearing ratio	**6%**	-

* As the cash balances exceed the borrowings, there is no gearing in 2006.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

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

i. Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs 981 million (2006: Rs 1.07 billion), the financial assets that are subject to credit risk amounted to Rs 239 million (2006: Rs 174.72 million). The Group believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Group applies credit limits to their customers and also obtains collateral.

ii. Liquidity risk

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

iii. **Foreign exchange risk management**

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings, specially associated companies. Payables exposed to foreign currency risks are covered through forward foreign exchange contracts.

Fair values of financial assets and liabilities

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

	2007	2006
	(Rupees in thousand)	
39. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**305,002**	692,270
Short term borrowings - short term running finance	**(423,557)**	(200)
	(118,555)	692,070

40. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS

The details of property, plant and equipment disposals, having net book value in excess of Rs 50,000 are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Purchaser
	(Rupees in thousand)					
Plant and machinery	7,812	5,202	2,610	262	Open Bidding	Imran Akhtar Kabaria, Sheikhupura.
	2,244	942	1,302	127	"	Mahboob Brothers, Opp. Thana Nawa Kot,Main Dholanwal Bazar, Near Yateem Khana, Lahore
	1,578	699	879	96	"	Mr. Fazal Khan C/o M/S Qadir Khan Old Machinery & Scrap Dealer, Located at Plot # B-26, Street #2, Sector No.1, Haidery Market, Khyban-e-Sir Syed, Rawalpindi
	3,455	1,604	1,851	160	"	Mr. Naeem Ahmad, Eagel Pak Overseas Motor, House # B/393, Ashraf Nagar, Near Rehmania Masjid, Paposh Nagar, Karachi.
	2,284	597	1,687	1,652	Company Policy	Unilever Pakistan Foods Limited
	4,283	424	3,859	4,378	"	Unilever Gulf FZE P.O. Box 3148 Jabel Ali Dubai UAE.
Motor vehicles						
	7,902	5,453	2,449	2,525	Auction	Syed Ather Ali, House No. 154 - A, Soldier Bazar, Parsi Colony, Karachi.
	1,108	764	344	683	Company Policy	Mr. Khurram Masood Koraishy - Executive
	1,198	827	371	676	"	Mr. Haseeb -ur- Rehman - Executive
	1,003	626	377	503	"	Mr. Mahmood Iqbal Chaudry - Ex Executive
	939	586	353	485	"	Mr. Kamal Mustafa - Ex Executive
	1,178	1,103	75	303	"	Mr. Asif Nusrat Ansari - Ex Executive
	1,003	689	314	546	"	Mr. Zafar Ullah Khan - Ex Executive
	1,147	573	574	579	"	Ms. Samin Ahmad - Ex Executive
	1,219	228	991	1,086	"	Mr. Khurshid Anwar - Ex Executive
	1,268	1,192	76	446	"	Mr. Liaquat Ali Qadri - Ex Executive
	1,108	973	135	368	"	Mr. Arshad Mahmood - Ex Executive
	963	722	241	385	"	Mr. Nasir Hussain Zaidi - Ex Executive
	939	645	294	387	"	Mr. Agha Waqar Khan - Ex Executive
	1,108	761	347	483	"	Mr. M. Khusro Durrani - Ex Executive
	1,187	667	520	660	"	Syed Jaffar Hassan - Ex Executive
	1,506	284	1,222	1,318	"	Mr. Aijaz Mahmood Shaikh - Executive
	1,169	729	440	1,095	Insurance Claim	New Jubilee Insurance Company Ltd. NJI House, I.I. Chundrigar Road Karachi
	1,003	250	753	998	"	"
	365	45	320	360	"	"
	365	137	228	360	"	"
	365	46	319	360	"	"
	365	46	319	360	"	"
	678	254	424	673	"	"
	365	114	251	360	"	"

41. MONOPOLY CONTROL AUTHORITY ORDER

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

42. CORRESPONDING FIGURES

42.1 Prior year's figure has been reclassified for the purpose of better presentation and comparison. Change made during the year is as follows:

Reclassification from component	Reclassification to component	Amount (Rupees in thousand)
Contract personnel expense of factories		
Administrative expenses - Other expense	Cost of sales staff cost	132,881

43. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 12, 2008 by the Board of Directors of the Group.

Ehsan A. Malik
Chairman & Chief Executive

Peter I. Harvey
Director

Form of Proxy

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

I/ We ______________________________son/ daughter/ wife of ____________, shareholder of Unilever Pakistan Limited, holding ______ordinary / preferences shares hereby appoint ___________who is my ___________ [state relationship (if any) with the proxy; required by Government regulations] and the son / daughter / wife of ______________, (holding __________ ordinary / preference shares in the Company under Folio No. _______) [required by Government; delete if proxy is not the Company's shareholders] as my / our proxy, to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 27 March, 2008 and / or any adjournment thereof.

Signed this _________ day of ________ 2008.

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

Witnesses:

1.________________

2.________________

Sign across Rs 5/-
Revenue Stamp

Signature of Member(s)

Shareholders Folio No.______________

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

and Sub- Account No. ______________

Note:

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) to write down his Folio Number.

2. In order to be valid, this proxy must be received at the registered office of the company at least 48 hours before the time fixed for the Meeting, duly completed in all respects.

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