Unilever

Unilever Pakistan Foods Limited

ANNUAL REPORT 2013

Creating a better future every day

Contents

Vision

"We work to create
a better future every day."

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

Core Values

Impeccable **Integrity**

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

Wowing our **Consumers & Customers**

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

Living an **Enterprise Culture**

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

Demonstrating a **Passion for Winning**

We deliver what we promise.

Bringing out the **Best in All of Us**

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

Making a **Better World**

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

Company Information

Board of Directors

Mr. Ehsan A. Malik
Chairman

Ms. Fariyha Subhani
Chief Executive Officer

Mr. Ali Tariq
Executive Director / Chief Financial Officer

Mian Zulfikar H. Mannoo
Non-Executive Director

Mian M. Adil Mannoo
Non-Executive Director

Mr. Kamal Monnoo
Non-Executive Director

Mr. Badaruddin F. Vellani
Non-Executive Director

Mr. Noman A. Lutfi
Executive Director

Mr. Amar Naseer
Executive Director

Company Secretary

Mr. Amar Naseer

Audit Committee

Mian Zulfikar H. Mannoo
Chairman

Mian M. Adil Mannoo
Member

Mr. Noman A. Lutfi
Member

Mr. Azhar Shahid
Head of Internal Audit

Human Resource & Remuneration Committee

Mian Zulfikar H. Mannoo
Chairman

Mr. Ehsan A. Malik
Member

Mr. Kamal Monnoo
Member

Mr. Amar Naseer
Company Secretary

Auditors

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

Registered Office

Avari Plaza
Fatima Jinnah Road
Karachi – 75530

Share Registration Office

Share Registrar Department
Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block "B"
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400.

Website Address

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

Directors' Profile

1 Ehsan A. Malik
Chairman

Ehsan joined the Board on August 31, 2006 and is also the Chairman and CEO of Unilever Pakistan Limited. Prior to this, Ehsan was Chairman and CEO of Unilever Sri Lanka Limited. His earlier international appointments covered Unilever's regional business in Egypt, Lebanon, Jordan, Syria and Sudan as well as Unilever's Head Office in the UK. Ehsan is a Fellow of the Institute of Chartered Accountants in England and Wales and alumni of the Wharton and Harvard Business Schools.

2 Fariyha Subhani
CEO

Fariyha joined the Board on January 31, 2009 as Chief Executive Officer. She also holds Directorship of Unilever Pakistan Limited. Fariyha joined Unilever as a management trainee in 1989 and later worked with several Home and Personal Care categories. Before being deputed as Marketing Director Foods including Beverages and Ice Cream, she spent 4 years in Bangkok working for Unilever Asia.

3 Ali Tariq
CFO

Ali joined the Board on April 1, 2013 and is currently Vice President Finance and Chief Financial Officer of Unilever Pakistan and Unilever Pakistan Foods Limited. Ali was a mid career recruit in 2003 and has since held Regional and Country roles in Singapore, UK and Pakistan. Ali is a member of the Institute of Chartered Accountants in England & Wales and trained with PricewaterhouseCoopers London.

4 Zulfikar H. Mannoo

Zulfikar Joined the Board when the Company was formed. He is also the Chairman of the Audit Committee and the Human Resource & Remuneration Committee of Unilever Pakistan Foods Limited. He is an alumni of The Wharton School, University of Pennsylvania and Aitchison College, Lahore. He is a Director at Rafhan Maize Products Limited and is also the Chief Executive of Pakwest Industries (Private) Ltd., Lahore.

5 Mian M. Adil Mannoo

Adil joined the Board on May 5, 2002 as a Non-Executive Director. He is also the Member of the Audit Committee of Unilever Pakistan Foods Limited. He holds directorship in Rafhan Maize Products Limited and is in the business of textile trade as the sole proprietor of HN Enterprises.

6 Kamal Monnoo

Kamal joined the Board on December 19, 2006 as a Non-Executive Director. Having done his schooling from Aitchison College and graduation from Syracuse University and Yale University, USA, he is also the Member of the Human Resource & Remuneration Committee of Unilever Pakistan Foods Limited. He holds directorships in Samira Fabrics (Pvt) Limited, Pakland Chemical Industries (Pvt) Limited, Kaarvan Crafts Foundation, Institute of Public Policy and Islamabad Policy Research Institute.

7 Badaruddin F. Vellani

Badaruddin joined the Board on May 5, 2002. Currently, he is enrolled as an Advocate of the Supreme Court of Pakistan and is a partner in the law firm 'Vellani & Vellani'. In addition to his legal practice, Badaruddin is a member of the Board of Directors in several multinational companies covering the FMCG, manufacturing, medical and philanthropy sectors.

8 Noman A. Lutfi

Noman joined the Board in June 2012 as Manufacturing Director Supply Chain. In his 20 years stint with the company, Noman has spent eleven years in factories of HPC and Foods in various roles and spent nine years in different roles at the Head Office. The sub-functions covered for Supply Chain by Noman are Quality, Operations, Manufacturing, Safety and Environment, Research and Development, Planning, Customer Service and Logistics.

9 Amar Naseer

Amar joined the Board on October 08, 2013 and is currently the Legal Director and Company Secretary of Unilever Pakistan Limited and Unilever Pakistan Foods Limited. He also holds Directorship in Unilever Pakistan Limited, Unilver Pakistan Foods Limited, Sadiq (Private) Limited, Lever Chemicals (Private) Limited, Lever Associated Pakistan Trust (Private) Limited and Unilever Birds Eye Foods Pakistan (Private) Limited.

Directors' Report

Winning with Brands and Innovations

"We have some of the world's best known and most trusted brands, with leadership positions in many of the fast moving consumer goods' categories in which we compete. Committed to enhancing the quality of life of the people of Pakistan, we aim to offer a broad portfolio that appeals to diverse consumers year on year."

Directors' Report

The Directors present the Annual Report together with the Company's audited financial statements for the year ended December 31, 2013.

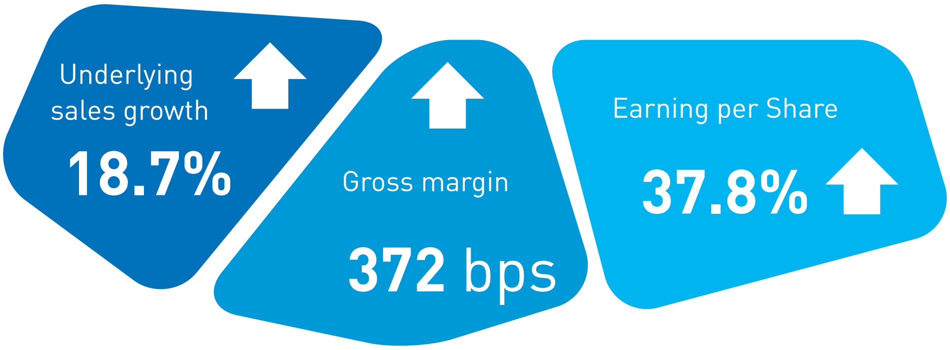
Business Review:

In 2013 the Company delivered EPS growth of 38%, despite a challenging and competitive environment. Sales grew by 19%, half of which was from volumes. Gross margin improved by 372bps (% of sales) on the back of margin accretive innovations and savings programmes. Investment behind brands increased by 157bps reinforcing our commitment to build brands for the long term. Overheads reduced by 107bps through robust savings initiatives. As a result, profit from operations increased by 274bps to 21% of Sales.

Summary of Financial Performance

	2013	2012
	Rupees in million	
		(Restated)
Sales	**6,959**	5,861
Gross Profit	**2,908**	2,231
Profit from Operations	**1,473**	1,080
Profit before tax	**1,464**	1,072
Profit after tax	**1,005**	729
EPS-basic (Rs.)	**163.17**	118.39

Key Financial Indicators



Financial Headlines

- Turnover up by Rs. 1,097 Mn
- Profit from operations up by Rs. 393 Mn
- Earnings per share of Rs. 163.17

Dividends

The Board of Directors has recommended a final cash dividend of Rs. 42.28 per share. With the interim dividend of Rs. 120.7 per share already paid during the year, the total dividend for the year 2013 amounts to Rs. 162.98 (2012: Rs. 116) per ordinary share of Rs. 10 each.

The key business milestones for 2013 were:

Knorr, the brand grew by 23%, primarily led by Noodles, Cubes & Soups. Noodles introduced 2 new flavours and there was a new campaign on cubes which communicated Knorr`s chefmanship credentials.

Rafhan, is our largest local jewel, with strong brand equity and a rich heritage. The brand grew steadily on the back of its desserts portfolio. The advertising campaign for the year continued to leverage its birthday celebration platform, which has proven to be popular amongst children.

Energile, a local brand, is a flavoured glucose based powder drink which has been in the market for several decades. It addresses the need for instant energy in active kids and sportsmen. The brand grew by 12% through targeted trade activities.

Glaxose-D, is a fifty year old brand that has been a source of rapidly absorbed energy fortified with Vitamin-D, Calcium and Phosphorus. The brand has a strong positioning in the health and wellness segment of the market. In 2013 the brand witnessed an increase in penetration reaching out to many additional towns through targeted promotional activities. However, growth will remain a challenge in a declining market.

Exports, the exports segment of the business continued to expand its base as it explored new markets for categories offering ethnic taste and 'Halal' food. It served markets in North America, Europe & Asia with quality products including Noodles, Cooking Aids, Soups and Desserts.

Our People

We take pride in the courage and ability of our people to deliver ambitious results sustainably. The Company has continued to hold the employer of choice position for 6 years in a row.

The Standards of Leadership (SOL) of the Company, i.e. a set of behaviours that are deemed vital to be a good leader, are ingrained strongly in our people. Personal development is facilitated by empowering the people with bigger as well as challenging assignments, coaching, mentoring and a robust appraisal system. This investment in our people is what will set us apart in the industry and drive us towards our goals with the right people on board.

We encourage our employees to work from agile locations and offer flexi-work hours. Diversity is at the heart of our agenda with more than 150 females performing various roles across the functions in the Company. In order to cater to the needs of the female employees the Unilever Day Care centre started in 2003 and is now also used by male employees, whose spouses work elsewhere.

There is continued focus on encouraging a healthy life and work life balance amongst the employees. The Company has taken several initiatives in this regard e.g. the launch of the vitality health passport, access to a gym facility and healthy eating options at the office premises.

Unilever Pakistan Foods Limited is a learning organization where employees are continuously groomed to challenge themselves and make real time decisions. The Company leverages the global Unilever Network to develop talent in Marketing, Sales, Supply Chain, Finance and Human Resource Management through our E-learning programmes.

Corporate Social Responsibility (CSR)

Unilever Pakistan Foods Limited is a multi-local multinational, which believes that the highest standards of corporate behaviour are essential to long term success. To achieve our sustainability targets, we launched the Unilever Foundation in 2012, which has been successfully working alongside the Unilever Sustainable Living Plan launched in 2011 to improve health & well-being, reduce environmental impact and enhance livelihoods.

The Unilever Foundation is a key action we are taking to help meet our ambitious goal of helping more than one billion people improve their health and well-being and, in turn, create a sustainable future with our 5 global partners; Unicef, United Nations World Food Programme, Save the Children, Population Services International and Oxfam. Unilever Pakistan partners with both local and global partners in order to execute its sustainability agenda.

During 2013, our main initiatives included:

i. Energy Conservation:

The Company head office achieved the "WWF Green Office" certification in 2011 based on its sustainability initiatives through a structured programme of measuring, monitoring and reducing energy, paper consumption and waste segregation.

Additionally, a number of initiatives have been taken at the factories, depots and in transportation to conserve energy. Some of these are:

a. Using day light in production hall.
b. Phasing out window air conditioners and use of eco-efficient lighting at the offices.
c. Engineering improvements in manufacturing for reducing energy waste.
d. Shut down of ketchup chillers in the winter season & temperature optimisation in compressors.
e. Department wise energy measurement and monitoring.

ii. Environmental Protection Measures:

Unilever Sustainable Living Plan (USLP), launched in 2011, has been a key enabler across the entire value chain for pursuing Company's audacious growth ambition in an environmentally responsible manner. During 2013 Unilever was awarded gold award by World Wildlife Fund for carbon footprint reduction of its head office.

The key environmental protection initiatives include:

1. Distribution centre rationalisation & cross docking.
2. Using the 'right sized' vehicles for each route.
3. Optimisation of vehicle routes as per vehicles load.
4. Reducing travel related environmental footprint through investment in technology e.g. teleconferencing and live meetings.
5. Dry floor initiatives for reducing water waste in floor wash.
6. Re-cycling treated water for watering factory green belts & wash rooms.
7. Eliminating 100+ tons packaging material through structure optimisation & right sizing of packs.

iii. Community Investment and Welfare Schemes: Rs. 19.7 million

a. Knorr continued to work with school networks around the country engaging 575,000 children in health snacking discussions and activities in its efforts to build healthy eating habits in the youth.

b. Knorr also reached 25,000 people in rural Pakistan to create awareness of the importance of healthy eating in different food groups.

iv. Consumer Protection Measures:

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

v. Occupational Safety and Health:

Unilever Pakistan Foods Limited places Safety, Health and Environment (SHE) at the heart of its business agenda. Unilever Pakistan Foods Ltd's management has been continually improving its management system & standards not only at workplace but also through "Off-The-Job Safety" initiatives to inculcate this consciousness amongst its employees round the clock.

The management has instituted a Central Safety Health & Environment Committee (CSHEC) structure, represented by all MC members, to review performance and provide policy guidelines. A contractors and outsourcing sub committee was formed to implement SHE practices that ensure ZERO injury in third party operations. Employees are also encouraged to follow and share safe working habits off the job.

vi. Business Ethics and Anti-Corruption Measures:

Unilever Pakistan Foods Limited holds frequent activities to ensure that the employees are working within the Code of Business Principles (CoBP). The CoBP is rigorously followed throughout the organisation. Employees are also required to sign off compliance with the CoBP.

vii. Contribution to National Exchequer:

Unilever Pakistan Foods Limited contributed Rs. 1,445 million in 2013 (2012: Rs. 1,317 million) to the national exchequer by way of import duties, general sales tax, income tax and other government levies.

Employee Involvement

Community and environment support at Unilever Pakistan Foods Limited is extended through Company initiatives, for its "people". Our employees work with various organisations giving monetary as well as skill support. Contributions through the Employee Payroll Programme were collected for the Aga Khan University Hospital, The Citizens Foundation and the UN World Food Programme. Employees also participated in fund raising activities within the organization to support mother and child health care with 'Save the Children' and volunteered to teach children the importance of handwashing with soap at 'The Citizens Foundation' schools during the Global Handwashing Day. Employees also formed teams to encourage each other, their family and friends to take small everyday actions to help the environment during an internal campaign.

Value of Investments of Employees in Retirement Funds

Unilever Pakistan Foods Limited contributed Rs. 12.6 million to the staff retirement funds during the year. The value of investments made by the staff retirement funds operated by the Company as at December 31, 2013 is as follows:

	Rs. in million
Provident Fund	26.0
Pension Fund	133.4
Superannuation Gratuity Fund	15.7

Corporate Governance

The management of Unilever Pakistan Foods Limited 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 the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards have been followed in the preparation of financial statements and any departure therefrom 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 three directors including two non-executive directors representing minority interest.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.
- Statements regarding the following are annexed or are disclosed in the notes to the financial statements:

  i. Number of Board meetings held and attendance by directors.

  ii. Key financial data for the last six years.

  iii. Pattern of shareholding.

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

Directors

The election of directors was held at the AGM of 2011. During the year 2013, Mr. Imran Hussain and Ms. Shazia Syed retired and were replaced by Mr. Ali Tariq and Mr. Amar Naseer. The term of the present directors will expire on April 19, 2014.

Auditors

The Auditors, A. F. Ferguson & Co. were appointed for the year ended December 31, 2013.

For the year 2014 onwards, Unilever has globally appointed KPMG, Chartered Accountants, as their Auditors after a tendering process.

The Board has recommended the appointment of KPMG Taseer Hadi & Co. as the Auditors of the Company for the year 2014, subject to Shareholders' approval at the next AGM to be held on April 17, 2014.

Holding Company

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

Reserve Appropriations

	Share Capital	Reserves				Total
		Capital		Revenue		
		Share Premium	Special	General	Unappropriated profit	
	(Rupees in thousand)					
Balance as at January 01, 2013	61,576	24,630	628	138	508,806	595,778
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,003,580	1,003,580
- Profit for the year end ended December 31, 2013	-	-	-	-	1,004,755	1,004,755
- Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(1,175)	(1,175)
Final dividend for the year ended December 31, 2012 @ Rs. 66 per share	-	-	-	-	(406,404)	(406,404)
First interim dividend for the year ended December 31, 2013 @ Rs. 76 per share	-	-	-	-	(467,979)	(467,979)
Second interim dividend for the year ended December 31, 2013 @ Rs. 44.7 per share	-	-	-	-	(275,246)	(275,246)
Balance as at December 31, 2013	61,576	24,630	628	138	362,757	449,729

Acknowledgement

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

Future Outlook

The business aspires to continue its journey of sustainable and profitable growth. The prevailing economic challenges are expected to remain. However, we are confident that they will be overcome through a combination of better consumer understanding, global expertise and R&D capability, powerful innovations and world class customer service. Our key strength lies in strong brand equity as we continue to provide better value that meets consumers' everyday needs. To achieve this, we will continue to leverage our ability to attract, develop and retain the best talent in the country.

Thanking you all.

On behalf of the Board

Fariyha Subhani
Chief Executive

Karachi
March 5, 2014

Board Meetings Attendance

During the year 2013, four Board Meetings were held and the attendance of each director is given below:

Directors	Total No. of Meetings Held *	No. of Meetings attended
Mr. Ehsan A. Malik	4	3
Ms. Fariyha Subhani	4	4
Mr. Imran Husain **	1	1
Mr. Ali Tariq ***	3	3
Mian Zulfikar H. Mannoo	4	4
Mian M. Adil Mannoo	4	4
Mr. Kamal Monnoo	4	4
Mr. Badaruddin F. Vellani	4	2
Ms. Shazia Syed ****	3	3
Mr. Noman A. Lutfi	4	3
Mr. Amar Naseer *****	1	1

Notes:

* Meetings held during the period when concerned Director was on the Board.
** Resigned with effect from March 31, 2013.
*** Appointed with effect from April 01, 2013, against casual vacancy on the Board.
**** Resigned with effect from September 30, 2013.
***** Appointed with effect from October 08, 2013, against casual vacancy on the Board.

Board Committee Meetings Held During The Year

Audit Committee

Name of Member	Total No. of Meetings Held	No. of Meetings Attended
Mian Zulfikar H. Mannoo Chairman	4	4
Mian M. Adil Mannoo Member	4	2
Mr. Noman A. Lutfi Member	4	3
Mr. Azhar Shahid Secretary	4	4

Terms of Reference

Committee has been constituted by the Board in compliance with Listing Regulations. The Committee oversees the Internal Audit function, and also reviews audit plans and reports. The Committee conducts its meetings as and when required. The Committee appraises the Board about the significant discussions and decisions at its meetings and recommendations in respect of Company's operations and financial results.

The Committee comprises of three members, two of whom are Non-Executive Directors. All employees of the Company have access to the Committee. The Committee met four times during 2013. Minutes of the meetings are drawn up expeditiously and circulated for the information and consideration of the Board.

Committee of Directors

Name of Member	Total No. of Meetings Held *	No. of Meetings Attended
Ms. Fariyha Subhani Chairperson	9	9
Mr. Imran Husain ** Member	2	1
Mr. Ali Tariq ** Member	7	7
Ms. Shazia Syed Member	7	7
Mr. Noman A. Lutfi Member	9	9
Mr. Amar Naseer*** Member & Secretary	9	9

Notes:

* Meetings held during the period when concerned Member was in the Committee.
** During the year, Mr. Ali Tariq has been appointed in place of Mr. Imran Hussain.
*** During the year, Mr. Amar Naseer has also been appointed as a Member, in place of Ms. Shazia Syed.

Terms of Reference

The Committee comprises of four members and is chaired by the CEO. Periodic meetings are held to facilitate handling of operational matters, share transfer, and any other significant matters arising during the normal course of business operations.

Human Resource & Remuneration Committee

Name of Member	Total No. of Meetings Held *	No. of Meetings Attended
Mian Zulfikar H. Mannoo Chairman	2	2
Mr. Kamal Monnoo Member	2	2
Mr. Ehsan A. Malik Member	2	2
Mr. Amar Naseer Secretary	2	2

Note:
* Meeting held subsequently, prior to the Meeting of the Board of Directors.

Terms of Reference

The Committee has been constituted by the Board to recommend human resource management policies to the Board and fulfil the requirements of the Code of Corporate Governance. It comprises of three members, two of whom are Non-Executive Directors. The Chairman of the Company is also a member of the Committee.

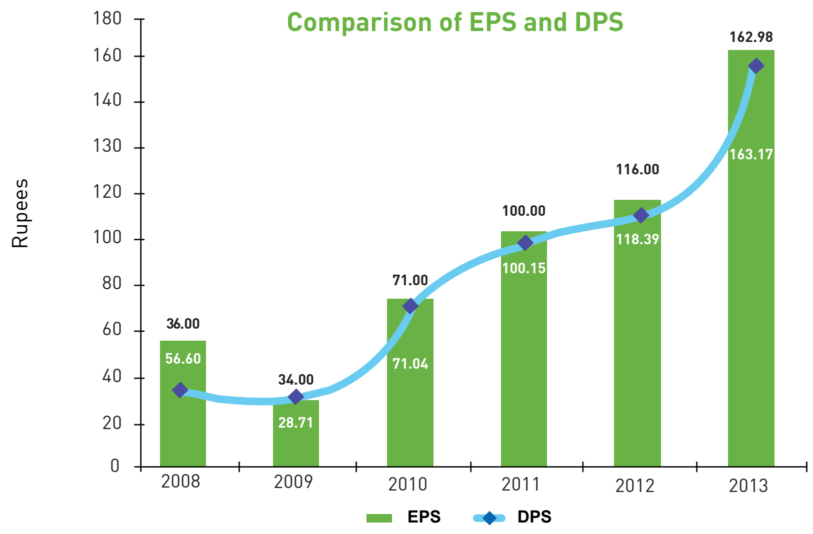
Performance Indicators for 6 years

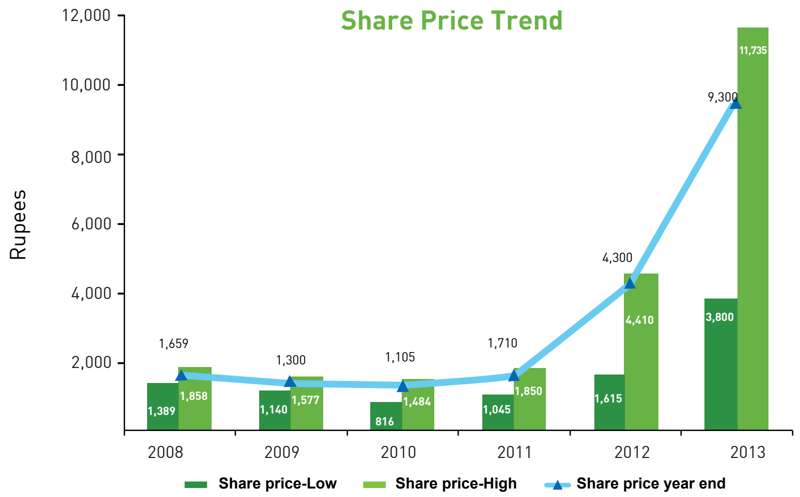
	2013	2012	2011	2010	2009	2008
	(Rupees in Thousand)					
FINANCIAL POSITION						
Balance sheet						
Property, plant and equipment	**1,020,414**	649,333	620,702	300,726	288,872	307,707
Other non-current assets	**100,900**	107,574	110,152	83,922	85,281	191,469
Current assets	**1,204,872**	1,248,575	1,036,314	704,825	600,683	516,437
Total assets	**2,326,186**	2,005,482	1,767,168	1,089,473	974,836	1,015,613
Share capital - ordinary	**61,576**	61,576	61,576	61,576	61,576	61,576
Reserves	**388,153**	534,202	420,085	342,819	207,080	239,647
Total equity	**449,729**	595,778	481,661	404,395	268,656	301,223
Non-current liabilities	**111,922**	106,989	114,403	38,182	25,497	42,079
Current liabilities	**1,764,535**	1,302,715	1,171,104	646,896	680,683	672,311
Total liabilities	**1,876,457**	1,409,704	1,285,507	685,078	706,180	714,390
Total equity and liabilities	**2,326,186**	2,005,482	1,767,168	1,089,473	974,836	1,015,613
Net current (liabilities) / assets	**(559,663)**	(54,140)	(134,790)	57,929	(80,000)	(155,874)
OPERATING AND FINANCIAL TRENDS						
Profit and loss						
Net sales	**6,958,846**	5,861,096	4,940,251	4,040,887	3,376,511	3,081,879
Cost of sales	**(4,051,302)**	(3,630,636)	(3,015,502)	(2,506,003)	(2,122,144)	(1,874,921)
Gross profit	**2,907,544**	2,230,460	1,924,749	1,534,884	1,254,367	1,206,958
Operating profit	**1,472,898**	1,080,241	916,995	658,308	264,173	552,544
Profit before tax	**1,463,855**	1,072,175	910,132	645,859	241,656	530,311
Profit after tax	**1,004,755**	728,981	616,695	437,463	176,792	348,546
Cash ordinary dividends	**1,133,265**	614,356	529,800	301,517	208,610	246,250
Cash flows						
Operating activities	**1,652,146**	806,912	964,204	368,273	351,377	483,313
Investing activities	**(397,293)**	(54,237)	(345,950)	(48,445)	(16,277)	(125,416)
Financing activities	**(1,133,265)**	(614,356)	(529,800)	(301,517)	(208,610)	(246,250)
Cash and cash equivalents at the end of the year	**258,593**	137,005	(1,314)	(89,768)	(108,079)	(234,569)

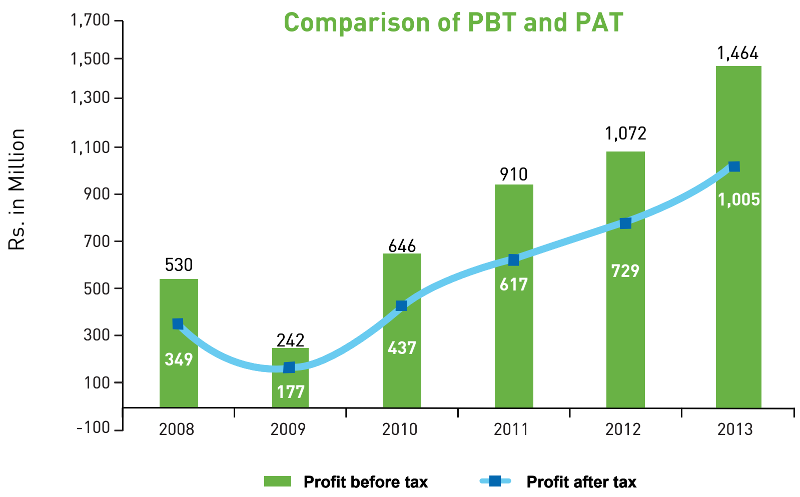
Performance Indicators for 6 years

	Unit	**2013**	2012	2011	2010	2009	2008
FINANCIAL RATIOS							
Profitability Ratios							
Gross profit ratio	%	**41.78**	38.06	38.96	37.98	37.15	39.16
Net profit to sales	%	**14.44**	12.44	12.48	11.00	5.24	11.31
EBITDA margin to sales	%	**21.84**	19.23	19.40	17.00	12.00	19.00
Operating leverage ratio	%	**1.95**	0.94	1.72	7.45	(5.20)	1.90
Pre tax return on equity	%	**325.50**	179.96	188.96	160.00	89.95	176.05
Post tax return on equity	%	**223.41**	122.36	128.04	108.00	65.81	115.71
Return on capital employed	%	**223.41**	122.36	128.04	88.20	37.00	63.00
Liquidity Ratios							
Current Ratio	Times	**0.68**	0.96	0.88	1.09	0.88	0.77
Quick / Acid test ratio	Times	**0.35**	0.38	0.36	0.51	0.37	0.22
Cash to current liabilities	Times	**0.16**	0.15	0.08	0.12	0.06	0.01
Cash flow from operations to sales	Times	**0.24**	0.14	0.20	0.09	0.10	0.16
Activity / Operating Performance Ratios							
Inventory turnover ratio	Days	**61**	68	58	50	59	71
Debtor turnover ratio	Days	**9**	10	11	8	7	8
Creditor turnover ratio	Days	**132**	113	89	69	80	76
Total assets turnover ratio	Times	**3**	3	3	4	3	3
Fixed assets turnover ratio	Times	**7**	9	8	13	12	10
Operating cycle	Days	**(63)**	(35)	(20)	(11)	(14)	3
Investment / Market Ratios							
Earnings per share (EPS)	Rs.	**163.17**	118.39	100.15	71.04	28.71	56.60
Price earning ratio	Times	**56.99**	36.32	17.07	15.56	45.82	29.31
Dividend yield ratio	Times	**0.02**	0.03	0.06	0.06	0.03	0.02
Dividend payout ratio - earnings	Times	**1.00**	0.98	1.00	1.00	1.18	0.64
Dividend payout ratio - par value	Times	**16.30**	11.60	10.00	7.10	3.40	3.60
Dividend cover ratio	Times	**1.00**	1.02	1.00	1.00	0.84	1.57
Cash dividend	Rs.	**162.98**	116.00	100.00	71.00	34.00	36.00
Market value - low	Rs.	**3,800**	1,615	1,045	816	1,140	1,389
Market value - high	Rs.	**11,735**	4,410	1,850	1,484	1,577	1,858
Market value - year end	Rs.	**9,300**	4,300	1,710	1,105	1,300	1,659
Breakup value per share without surplus on revaluation of fixed assets	Rs.	**73.04**	96.75	79.83	65.67	43.63	48.92
Capital Structure Ratios							
Financial leverage ratio	Times	**0.05**	0.10	0.19	0.42	0.55	0.81
Interest cover ratio	Times	**470.94**	551.12	271.00	71.00	13.00	30.14

Performance Indicators for 6 years





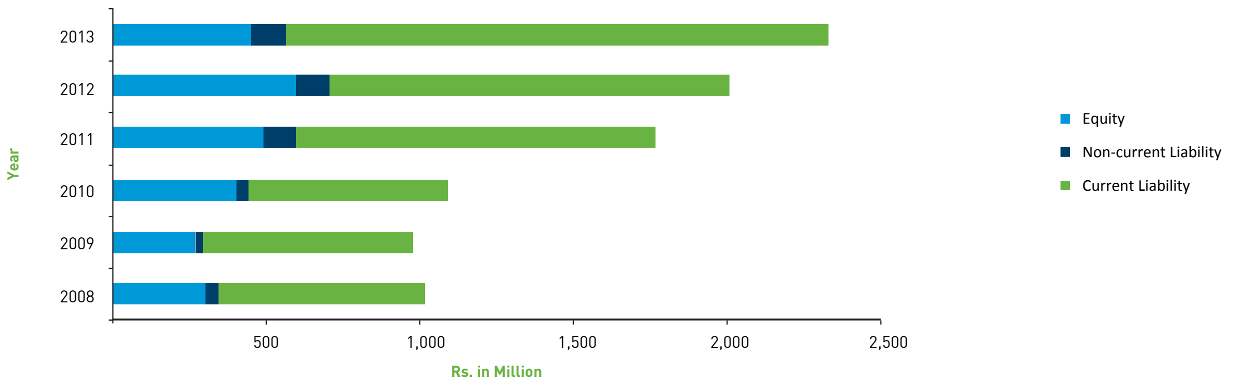


Balance Sheet Horizontal Analysis for 6 years

(Rs. in thousand)

	2013 Rs.	13 Vs.12 %	2012 Rs.	12 Vs.11 %	2011 Rs.	11 Vs.10 %	2010 Rs.	10 Vs.09 %	2009 Rs.	09 Vs.08 %	2008 Rs.	08 Vs.07 %
EQUITY AND LIABILITIES												
Capital and reserves												
Share capital	61,576	-	61,576	-	61,576	-	61,576	-	61,576	-	61,576	-
Reserves	388,153	(27.34)	534,202	24.24	420,085	25.42	342,819	65.55	207,080	(13.59)	239,647	74.41
	449,729	(24.51)	595,778	21.21	481,661	21.55	404,395	50.53	268,656	(10.81)	301,223	51.38
Non-current liabilities												
Retirement benefits - obligation	4,328	10.32	3,923	(77.61)	32,710	95.98	8,939	11.82	7,994	63.51	4,889	(14.99)
Deferred taxation	107,594	4.39	103,066	18.45	81,693	197.54	29,243	67.07	17,503	(52.94)	37,190	354.92
	111,922	4.61	106,989	2.35	114,403	173.77	38,182	49.75	25,497	(39.41)	42,079	202.16
Current liabilities												
Trade and other payables	1,716,409	41.49	1,213,083	17.73	1,030,383	137.94	433,047	(15.45)	512,182	23.22	415,673	14.36
Provision	15,942	112.33	7,508	(70.92)	25,817	158.17	10,000	100.00	-	-	-	-
Accrued interest / mark up	863	(3.58)	895	492.72	151	(92.52)	2,020	113.08	948	(87.05)	7,318	1.44
Taxation - provision less payments	6,160	(47.31)	11,692	100.00	-	-	-	-	-	-	-	(100.00)
Sales tax payable	-	(100.00)	4,640	(77.06)	20,227	(36.04)	31,625	68.42	18,778	179.06	6,729	(98.14)
Short term borrowings	25,161	(61.23)	64,897	(31.34)	94,526	(44.46)	170,204	14.40	148,775	(38.67)	242,591	100.00
	1,764,535	35.45	1,302,715	11.24	1,171,104	81.03	646,896	(4.96)	680,683	1.25	672,311	(8.36)
	2,326,186	15.99	2,005,482	13.49	1,767,168	62.20	1,089,473	11.76	974,836	(4.02)	1,015,613	7.30
ASSETS												
Non-current assets												
Property, plant and equipment	1,020,414	57.15	649,333	4.61	620,702	106.40	300,726	4.10	288,872	(6.12)	307,707	56.71
Intangible assets	81,637	-	81,637	-	81,637	-	81,637	-	81,637	(54.93)	181,145	-
Long term loans	18,558	(17.44)	22,477	(12.27)	25,621	1,087.81	2,157	(34.42)	3,289	(31.99)	4,836	(18.98)
Long term prepayment	-	-	-	(100.00)	2,894	2,160.94	128	(63.94)	355	(93.53)	5,488	(32.13)
Retirement benefit - prepayment	705	(79.62)	3,460	100.00	-	-	-	-	-	-	-	(100.00)
	1,121,314	48.14	756,907	3.56	730,854	90.01	384,648	2.81	374,153	(25.05)	499,176	26.65
Current assets												
Stores and spares	22,229	30.89	16,983	1.69	16,700	(4.34)	17,458	19.28	14,636	6.03	13,804	37.70
Stock in trade	594,105	(20.83)	750,374	26.50	593,162	65.64	358,094	7.27	333,840	(5.27)	352,394	(6.77)
Trade debts	182,797	25.11	146,113	(22.51)	188,563	95.19	96,606	21.29	79,649	59.37	49,976	(43.27)
Loans and advances	16,865	32.98	12,682	(34.51)	19,366	31.66	14,709	22.95	11,963	(36.69)	18,897	23.77
Trade deposits and short term prepayments	49,212	24.26	39,603	(24.98)	52,793	160.96	20,230	12.15	18,039	(47.15)	34,132	122.88
Other receivables	19,843	(75.48)	80,918	180.30	28,868	199.51	9,638	(36.95)	15,287	506.87	2,519	(73.25)
Taxation - payments less provision	-	-	-	(100.00)	43,650	(59.45)	107,654	24.35	86,573	135.94	36,693	100.00
Cash and bank balances	283,754	40.54	201,902	116.61	93,212	15.88	80,436	97.65	40,696	407.30	8,022	(50.33)
Accrued interest / mark up	-	-	-	-	-	-	-	-	-	-	-	(100.00)
Sales tax refundable	36,067	100.00	-	-	-	-	-	-	-	-	-	(100.00)
	1,204,872	(3.50)	1,248,575	20.48	1,036,314	47.03	704,825	17.34	600,683	16.31	516,437	(6.51)
	2,326,186	15.99	2,005,482	13.49	1,767,168	62.20	1,089,473	11.76	974,836	(4.02)	1,015,613	7.30

Balance Sheet Analysis - Equity & Liabilities

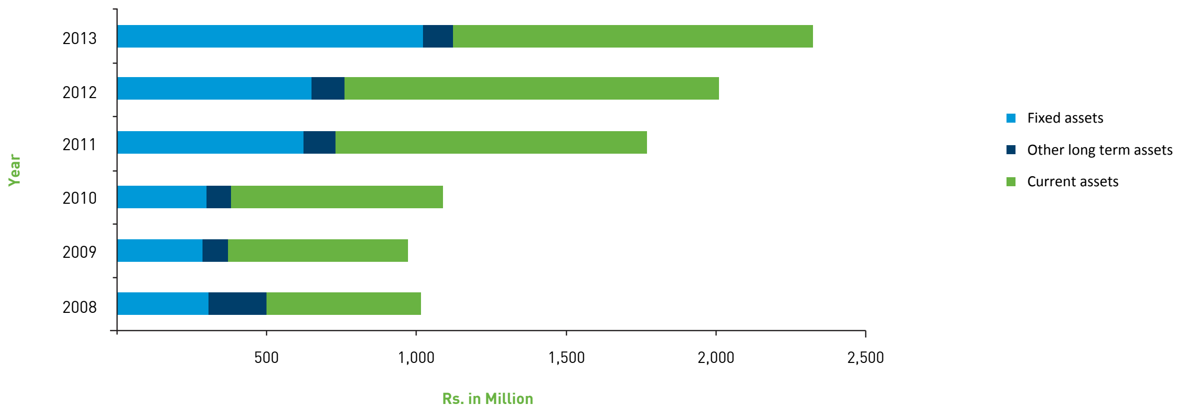


Balance Sheet Vertical Analysis for 6 years

(Rs. in thousand)

	2013		2012		2011		2010		2009		2008	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
Capital and reserves												
Share capital	61,576	2.65	61,576	3.07	61,576	3.48	61,576	5.65	61,576	6.32	61,576	6.06
Reserves	388,153	16.69	534,202	26.64	420,085	24.33	342,819	31.47	207,080	21.24	239,647	23.60
	449,729	19.33	595,778	29.71	481,661	27.81	404,395	37.12	268,656	27.56	301,223	29.66
Non-current liabilities												
Retirement benefits - obligation	4,328	0.19	3,923	0.20	32,710	0.99	8,939	0.82	7,994	0.82	4,889	0.48
Deferred taxation	107,594	4.63	103,066	5.14	81,693	4.92	29,243	2.68	17,503	1.80	37,190	3.66
	111,922	4.81	106,989	5.33	114,403	5.92	38,182	3.50	25,497	2.62	42,079	4.14
Current liabilities												
Trade and other payables	1,716,409	73.79	1,213,083	60.49	1,030,383	58.31	433,047	39.75	512,182	52.54	415,673	40.93
Provision	15,942	0.69	7,508	0.37	25,817	1.46	10,000	0.92	-	-	-	-
Accrued interest / mark up	863	0.04	895	0.04	151	0.01	2,020	0.19	948	0.10	7,318	0.72
Taxation - provision less payments	6,160	0.26	11,692	0.58	-	-	-	-	-	-	-	-
Sales tax payable	-	-	4,640	0.23	20,227	1.14	31,625	2.90	18,778	1.93	6,729	0.66
Short term borrowings	25,161	1.08	64,897	3.24	94,526	5.35	170,204	15.62	148,775	15.26	242,591	23.89
Provision	-	-	-	-	-	-	-	-	-	-	-	-
	1,764,535	75.86	1,302,715	64.96	1,171,104	66.27	646,896	59.38	680,683	69.83	672,311	66.20
	2,326,186	100.00	2,005,482	100.00	1,767,168	100.00	1,089,473	100.00	974,836	100.00	1,015,613	100.00
ASSETS												
Non-current assets												
Property, plant and equipment	1,020,414	43.87	649,333	32.38	620,702	35.12	300,726	27.60	288,872	29.63	307,707	30.30
Intangible assets	81,637	3.51	81,637	4.07	81,637	4.62	81,637	7.49	81,637	8.37	181,145	17.84
Long term loans	18,558	0.80	22,477	1.12	25,621	1.45	2,157	0.20	3,289	0.34	4,836	0.48
Long term prepayment	-	-	-	-	2,894	0.16	128	0.01	355	0.04	5,488	0.54
Retirement benefit - prepayment	705	0.03	3,460	0.17	-	-	-	-	-	-	-	-
	1,121,314	48.20	756,907	37.74	730,854	41.36	384,648	35.31	374,153	38.38	499,176	49.15
Current assets												
Stores and spares	22,229	0.96	16,983	0.85	16,700	0.95	17,458	1.60	14,636	1.50	13,804	1.36
Stock in trade	594,105	25.54	750,374	37.42	593,162	33.57	358,094	32.87	333,840	34.25	352,394	34.70
Trade debts	182,797	7.86	146,113	7.29	188,563	10.67	96,606	8.87	79,649	8.17	49,976	4.92
Loans and advances	16,865	0.73	12,682	0.63	19,366	1.10	14,709	1.35	11,963	1.23	18,897	1.86
Trade deposits and short term prepayments	49,212	2.12	39,603	1.97	52,793	2.99	20,230	1.86	18,039	1.85	34,132	3.36
Other receivables	19,843	0.85	80,918	4.03	28,868	1.63	9,638	0.88	15,287	1.57	2,519	0.25
Taxation - payments less provision	-	-	-	-	43,650	2.47	107,654	9.88	86,573	8.88	36,693	3.61
Cash and bank balances	283,754	12.20	201,902	10.07	93,212	5.27	80,436	7.38	40,696	4.17	8,022	0.79
Accrued interest / mark up	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax refundable	36,067	1.55	-	-	-	-	-	-	-	-	-	-
	1,204,872	51.80	1,248,575	62.26	1,036,314	58.64	704,825	64.69	600,683	61.62	516,437	50.85
	2,326,186	100.00	2,005,482	100.00	1,767,168	100.00	1,089,473	100.00	974,836	100.00	1,015,613	100.00

Balance Sheet Analysis - Assets



Profit and Loss Account

Horizontal Analysis for 6 years

(Rs. in thousand)

	2013 Rs.	13 Vs.12 %	2012 Rs.	12 Vs.11 %	2011 Rs.	11 Vs.10 %	2010 Rs.	10 Vs.09 %	2009 Rs.	09 Vs.08 %	2008 Rs.	08 Vs.07 %
Sales	6,958,846	18.73	5,861,096	18.64	4,940,251	22.26	4,040,887	19.68	3,376,511	9.56	3,081,879	29.69
Cost of sales	(4,051,302)	11.59	(3,630,636)	20.40	(3,015,502)	20.33	(2,506,003)	18.09	(2,122,144)	13.19	(1,874,921)	26.00
Gross profit	2,907,544	30.36	2,230,460	15.88	1,924,749	25.40	1,534,884	22.36	1,254,367	3.93	1,206,958	35.87
Distribution cost	(1,234,866)	24.25	(993,825)	16.92	(850,012)	8.06	(786,593)	(1.34)	(797,304)	38.49	(575,726)	20.59
Administrative expenses	(156,472)	5.09	(148,898)	6.97	(139,198)	170.04	(51,547)	2.64	(50,219)	(13.45)	(58,021)	23.44
Other operating expenses	(115,857)	42.48	(81,316)	14.91	(70,767)	36.59	(51,810)	(56.92)	(120,275)	189.10	(41,603)	44.09
Other operating income	72,549	(1.72)	73,820	(10.61)	82,582	250.28	23,576	(21.83)	30,161	44.06	20,936	6.05
	1,472,898	36.35	1,080,241	14.03	947,354	41.71	668,510	111.07	316,730	(42.68)	552,544	55.74
Restructuring cost	-	-	-	(100.00)	(30,359)	197.58	(10,202)	(80.59)	(52,557)	100.00	-	-
Profit from operations	1,472,898	36.35	1,080,241	17.80	916,995	39.30	658,308	149.20	264,173	(52.19)	552,544	55.74
Finance cost	(9,043)	12.11	(8,066)	17.53	(6,863)	(44.87)	(12,449)	(44.71)	(22,517)	1.28	(22,233)	155.26
Profit before taxation	1,463,855	36.53	1,072,175	17.80	910,132	40.92	645,859	167.26	241,656	(54.43)	530,311	53.24
Taxation	(459,100)	33.77	(343,194)	16.96	(293,437)	40.81	(208,396)	221.28	(64,864)	(64.31)	(181,765)	49.50
Profit after taxation	1,004,755	37.83	728,981	18.21	616,695	40.97	437,463	147.45	176,792	(49.28)	348,546	55.26
Other comprehensive income	(1,175)	(230.85)	898	100.00	-	-	-	-	-	-	-	-
Total comprehensive income	1,003,580	37.50	729,879	18.35	616,695	40.97	437,463	147.45	176,792	(49.28)	348,546	55.26

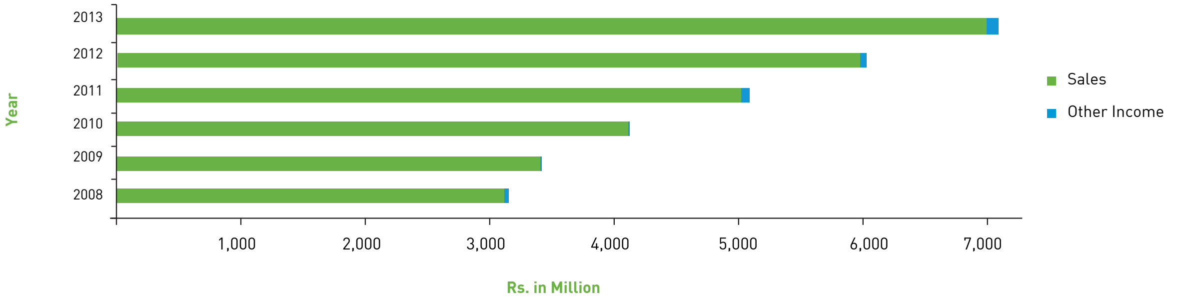
Vertical Analysis for 6 years

(Rs. in thousand)

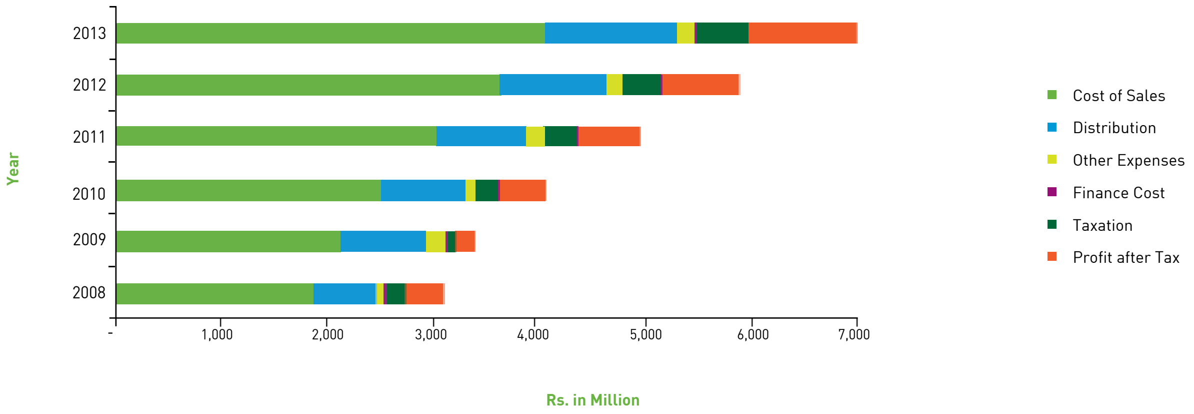
	2013		2012		2011		2010		2009		2008	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	6,958,846	100.00	5,861,096	100.00	4,940,251	100.00	4,040,887	100.00	3,376,511	100.00	3,081,879	100.00
Cost of sales	(4,051,302)	(58.22)	(3,630,636)	(61.94)	(3,015,502)	(61.04)	(2,506,003)	(62.02)	(2,122,144)	(62.85)	(1,874,921)	(60.84)
Gross profit	2,907,544	41.78	2,230,460	38.06	1,924,749	38.96	1,534,884	37.98	1,254,367	37.15	1,206,958	39.16
Distribution cost	(1,234,866)	(17.75)	(993,825)	(16.96)	(850,012)	(17.21)	(786,593)	(19.47)	(797,304)	(23.61)	(575,726)	(18.68)
Administrative expenses	(156,472)	(2.25)	(148,898)	(2.54)	(139,198)	(2.82)	(51,547)	(1.28)	(50,219)	(1.49)	(58,021)	(1.88)
Other operating expenses	(115,857)	(1.66)	(81,316)	(1.39)	(70,767)	(1.43)	(51,810)	(1.28)	(120,275)	(3.56)	(41,603)	(1.35)
Other operating income	72,549	1.04	73,820	1.26	82,582	1.67	23,576	0.58	30,161	0.89	20,936	0.68
	1,472,898	21.17	1,080,241	18.43	947,354	19.18	668,510	16.54	316,730	9.38	552,544	17.93
Restructuring cost	-	-	-	-	(30,359)	(0.61)	(10,202)	(0.25)	(52,557)	(1.56)	-	-
Profit from operations	1,472,898	21.17	1,080,241	18.43	916,995	18.56	658,308	16.29	264,173	7.82	552,544	17.93
Finance cost	(9,043)	(0.13)	(8,066)	(0.14)	(6,863)	(0.14)	(12,449)	(0.31)	(22,517)	(0.67)	(22,233)	(0.72)
Profit before taxation	1,463,855	21.04	1,072,175	18.29	910,132	18.42	645,859	15.98	241,656	7.16	530,311	17.21
Taxation	(459,100)	(6.60)	(343,194)	(5.86)	(293,437)	(5.94)	(208,396)	(5.16)	(64,864)	(1.92)	(181,765)	(5.90)
Profit after taxation	1,004,755	14.44	728,981	12.44	616,695	12.48	437,463	10.83	176,792	5.24	348,546	11.31
Other comprehensive income	(1,175)	(0.02)	898	0.02	-	-	-	-	-	-	-	-
Total comprehensive income	1,003,580	14.42	729,879	12.45	616,695	12.48	437,463	10.83	176,792	5.24	348,546	11.31

Graphical Analysis

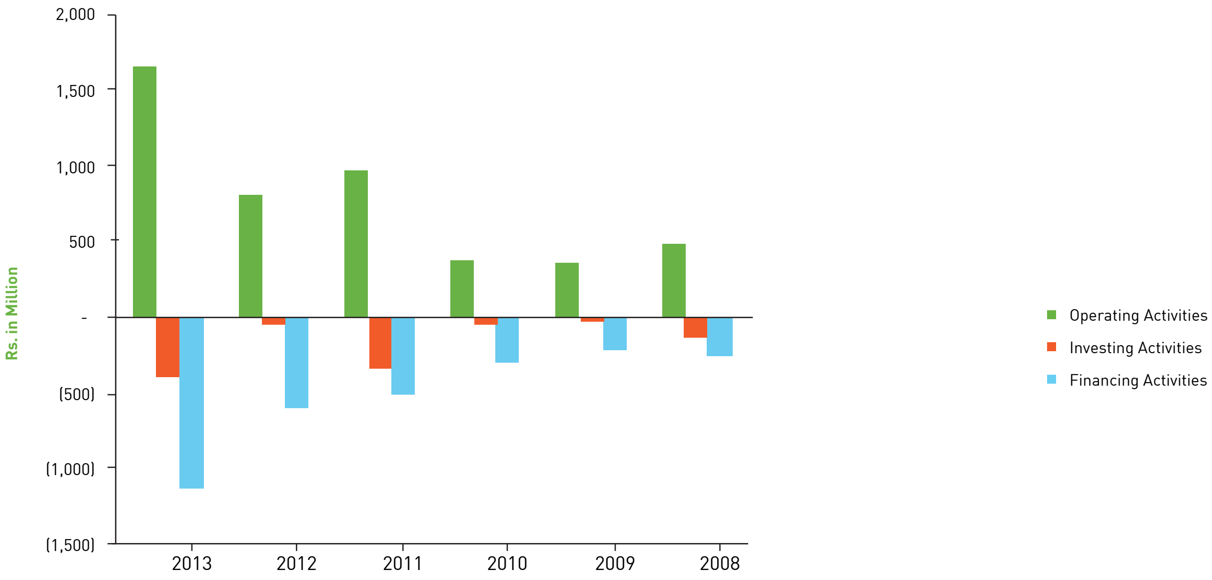
Profit and Loss Analysis - Income



Profit and Loss Analysis - Expenses



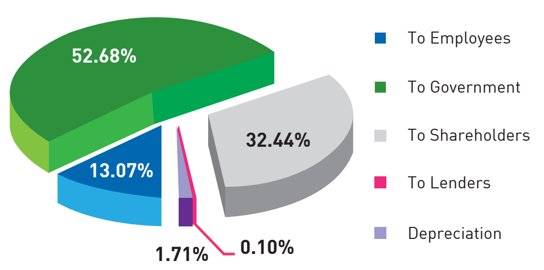
Cash Flow Analysis



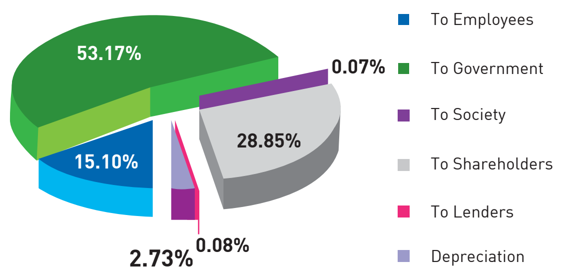
Statement of Wealth Generated and Distributed

	2013 Rs. in '000	%	2012 Rs. in '000	%
WEALTH GENERATED				
Total Revenue inclusive of sales tax and other Income	7,794,394		6,597,104	
Bought in material	(4,701,049)		(4,118,501)	
	3,093,345	100	2,478,603	100
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	404,296	13.07	374,247	15.10
To Government				
Income tax, sales tax, excise duty, custom duty, WWF and WPPF	1,629,505	52.68	1,317,995	53.17
To Society				
Donation towards education, health and environment	-	0.00	1,654	0.07
To Providers of Capital				
Dividend to shareholders	1,003,569	32.44	715,172	28.85
Mark-up/ interest expenses on borrowed funds	3,115	0.10	1,949	0.08
To Company				
Depreciation, amortization and retained profit	52,860	1.71	67,586	2.73
	3,093,345	100	2,478,603	100

WEALTH DISTRIBUTION 2013



WEALTH DISTRIBUTION 2012



Pattern of Shareholding
As at December 31, 2013

Number of Shareholders	Shareholdings' Slab			Total Shares Held
661	1	to	100	22,807
100	101	to	500	18,736
21	501	to	1000	14,183
7	1001	to	5000	17,650
2	20001	to	25000	44,581
1	25001	to	30000	28,760
1	35001	to	40000	37,080
3	40001	to	45000	131,552
1	60001	to	65000	61,670
1	65001	to	70000	67,180
2	75001	to	80000	153,573
1	90001	to	95000	94,344
2	95001	to	100000	191,847
1	110001	to	115000	113,860
1	130001	to	135000	134,865
1	150001	to	155000	153,728
1	200001	to	205000	200,947
1	4670001	to	4675000	4,670,255
808				6,157,618

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage (%)
Associated Companies, undertakings and related parties	1	4,670,255	75.85
Directors, CEO and their spouses and minor children	11	369,701	6.00
Executives	-	-	-
Public Sector Companies and Corporations	1	40	0.00
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	1	867	0.01
Mutual Funds	-	-	-
General Public			
a. Local	772	1,115,150	18.11
b. Foreign	8	8	0.00
Foreign Companies	2	672	0.01
Others	12	925	0.02
Totals	808	6,157,618	100.00

Shareholders holding 5% or more:	Shares Held	Percentage
CONOPCO INC.	4,670,255	75.85

Pattern of Shareholding Additional Information

As at December 31, 2013

Information on shareholding required under reporting framework of Code of Corporate Governance is as Follows:

Shareholders' Category	Number of Shareholders	Number of Shares Held
Shareholders' Category		
i) Associated Companies, undertakings and related parties (name wise details)		
Conopco Inc.	1	4,670,255
ii) Mutual Funds	-	-
iii) Directors, CEO and their spouses and minor children		
Mr. Ehsan A. Malik	1	1
Ms. Fariyha Subhani	1	1
Mr. Ali Tariq	1	1
Mr. Zulfikar H. Mannoo	1	153,828
Mian M. Adil Mannoo	1	96,246
Mr. Kamal Monnoo	1	114,060
Mr. Badaruddin F. Vellani	1	101
Mrs. Sarwat Zulfikar W/o Mian Zulfikar H. Mannoo	1	5,430
Ms. Amna Mannoo D/o Mian Zulfikar H. Mannoo	1	29
Mr. Amar Naseer	1	3
Mr. Noman Amjad Lutfi	1	1
iv) Executives	-	-
v) Public Sector Companies & Corporation	-	-
vi) Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	1	867
vii) Shareholders holding 5% or more voting rights (name wise details)		
Conopco Inc.	1	4,670,255

Dealings in Shares by Directors, Executives and their spouses and minor children

During 01-01-2013 to 31-12-2013

S.No.	Name	Acquired during the year
1	Mr. Ali Tariq	1
2	Mr. Amar Naseer	1

S.No.	Name	Transferred during the year
1	Mr. Imran Husain	1
2	Ms. Shazia Syed	1

Statement of Compliance with the Code of Corporate Governance

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

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

1. The Company encourages representation of directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	None
Executive Directors	1- Mr. Ehsan A. Malik 2- Ms. Fariyha Subhani 3- Mr. Ali Tariq 4- Mr. Noman A. Lutfi 5- Mr. Amar Naseer
Non-Executive Directors	1- Mian Zulfikar H. Mannoo 2- Mian M. Adil Mannoo 3- Mr. Kamal Monnoo 4- Mr. Badaruddin F. Vellani

2. The Directors have confirmed that none of them is serving as a director in more than seven 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. Two casual vacancies in the Board of Directors occurred on March 31, 2013 and September 30, 2013, which were filled up by the Directors within stipulated time.

5. The Company has adopted a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Company has a Vision Statement. The Company, traditionally, maintains and follows policies designed to align with the Unilever group of companies and global best practices. The Board considers any significant amendments to the policies, as and when required. 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 in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange; the Company's Memorandum and Articles of Association and the code of Corporate Governance and are well conversant with their duties and responsibilities. All the directors except one have completed Directors Training Programme.

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

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

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

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

14. The Board has formed an Audit Committee. It comprises of three members, two of whom are Non-Executive Directors.

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 Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of three members, two of whom are Non-Executive Directors and the Chairman of the Committee is a Non-Executive Director.

17. The Internal Audit function of the Company is performed by Unilever Pakistan Limited (an associated Company) through shared service arrangements, which has employed suitably qualified and experienced audit staff for the purpose. The said audit staff are conversant with the policies and procedures of the Company and involved in the Internal Audit function on a full time basis. The Company has applied to obtain the concurrence of SECP on these arrangements.

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

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

20. The "closed period", prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of Company's Securities, was determined and intimated to Directors, employees and Stock Exchanges.

21. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

22. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

23. We confirm that all material principles enshrined in the Code have been complied with except for any exception already disclosed hereinabove.

Fariyha Subhani
Chief Executive

Karachi
March 05, 2014

Auditors' Review Report

Review report to the members on statement of compliance with the code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Unilever Pakistan Foods Limited for the year ended December 31, 2013 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not, and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2013.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Paragraph reference	**Description**
17	The Internal Audit function of the Company is performed by Unilever Pakistan Limited (an associated Company) through shared service arrangements, which has employed suitably qualified and experienced audit staff for the purpose. The said audit staff are conversant with the policies and procedures of the Company and involved in the Internal Audit function on a full time basis. The Company has applied to obtain the concurrence of SECP on these arrangements.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 12, 2014

Financial Statements 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Foods Limited as at December 31, 2013 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 4 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, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 17, 2014
Name of Engagement Partner: Farrukh Rehman

Balance Sheet

as at December 31, 2013

	Note	2013	(Re-stated) 2012	(Re-stated) January 1, 2012
		(Rupees in thousand)		
ASSETS				
Non-current assets				
Property, plant and equipment	5	1,020,414	649,333	620,702
Intangible assets	6	81,637	81,637	81,637
Long term loans	7	18,558	22,477	25,621
Long term prepayment		-	-	2,894
Staff retirement benefit - prepayment	17	705	3,460	-
		1,121,314	756,907	730,854
Current assets				
Stores and spares	8	22,229	16,983	16,700
Stock in trade	9	594,105	750,374	593,162
Trade debts	10	182,797	146,113	188,563
Loans and advances	11	16,865	12,682	19,366
Trade deposits and short term prepayments	12	49,212	39,603	52,793
Other receivables	13	19,843	80,918	28,868
Taxation - payments less provision		-	-	43,650
Sales tax refundable		36,067	-	-
Cash and bank balances	14	283,754	201,902	93,212
		1,204,872	1,248,575	1,036,314
Total assets		2,326,186	2,005,482	1,767,168

Balance Sheet

as at December 31, 2013

	Note	2013	(Re-stated) 2012	(Re-stated) January 1, 2012
		(Rupees in thousand)		
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	15	61,576	61,576	61,576
Reserves	16	388,153	534,202	420,085
		449,729	595,778	481,661
LIABILITIES				
Non-current liabilities				
Staff retirement benefit - obligation	17	4,328	3,923	32,710
Deferred taxation	18	107,594	103,066	81,693
		111,922	106,989	114,403
Current liabilities				
	19	1,716,409	1,213,083	1,030,383
Trade and other payables	20	15,942	7,508	25,817
Provisions		863	895	151
Accrued interest / mark up	21	25,161	64,897	94,526
Short term borrowings		-	4,640	20,227
Sales tax payable		6,160	11,692	-
Taxation - provision less payments		1,764,535	1,302,715	1,171,104
		1,876,457	1,409,704	1,285,507
Total liabilities				
Contingency and commitments	22			
Total equity and liabilities		2,326,186	2,005,482	1,767,168

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

Fariyha Subhani
Chief Executive

Ali Tariq
Director and Chief Financial Officer

Profit and Loss Account

for the year ended December 31, 2013

	Note	2013	(Re-stated) 2012
		(Rupees in thousand)	
Sales	23	**6,958,846**	5,861,096
Cost of sales	24	**(4,051,302)**	(3,630,636)
Gross profit		**2,907,544**	2,230,460
Distribution cost	25	**(1,234,866)**	(993,825)
Administrative expenses	26	**(156,472)**	(148,898)
Other operating expenses	27	**(115,857)**	(81,316)
Other income	28	**72,549**	73,820
Profit from operations		**1,472,898**	1,080,241
Finance cost	29	**(9,043)**	(8,066)
Profit before taxation		**1,463,855**	1,072,175
Taxation	30	**(459,100)**	(343,194)
Profit after taxation		**1,004,755**	728,981
Other comprehensive income:			
Items that will not be reclassified to Profit or Loss			
(Loss) / gain on remeasurements of post employment benefit obligations		**(1,781)**	1,381
Impact of deferred tax		**606**	(483)
		(1,175)	898
Items that may be subsequently reclassified to Profit or Loss		**-**	-
Total comprehensive income		**1,003,580**	729,879
Basic and diluted earnings per share (Rupees)	31	**163.17**	118.39

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

Fariyha Subhani
Chief Executive

Ali Tariq
Director and Chief Financial Officer

Cash Flow Statement

for the year ended December 31, 2013

	Note	2013	(Re-stated) 2012
		(Rupees in thousand)	
Cash flows from operating activities			
Profit before taxation		1,463,855	1,072,175
Adjustments for non-cash charges and other items			
Depreciation		52,849	52,879
Provision for fixed assets to be written off		5,716	-
Gain on disposal of property, plant and equipment		(558)	(11,614)
Provision for staff retirement benefits - obligation		5,796	7,987
Mark-up on short term borrowings		3,115	1,949
Return on savings accounts		(31,795)	(15,659)
		35,123	35,542
		1,498,978	1,107,717
Effect on cash flows due to working capital changes			
(Increase) / Decrease in current assets			
Stores and spares		(5,246)	(283)
Stock in trade		156,269	(157,212)
Trade debts		(36,684)	42,450
Loans and advances		(4,183)	6,684
Trade deposits and short term prepayments		(9,609)	13,190
Sales tax refundable		(36,067)	-
Other receivables		61,075	(52,050)
		125,555	(147,221)
Increase / (Decrease) in current liabilities			
Trade and other payables		486,962	181,294
Provisions		8,434	(18,309)
Sales tax payable		(4,640)	(15,587)
		490,756	147,398
Cash generated from operations		2,115,289	1,107,894
Mark up paid		(3,147)	(1,205)
Income tax paid		(459,498)	(266,962)
Staff retirement benefits - obligation paid		(4,417)	(38,853)
Decrease in long term loans		3,919	3,144
Decrease in long term prepayment		-	2,894
Net cash from operating activities (carried forward)		1,652,146	806,912

Cash Flow Statement

for the year ended December 31, 2013

	Note	2013	(Re-stated) 2012
		(Rupees in thousand)	
Net cash from operating activities (brought forward)		1,652,146	806,912
Cash used in investing activities			
Purchase of property, plant and equipment		(429,714)	(82,050)
Sale proceeds on disposal of property, plant and equipment		626	12,154
Return received on savings accounts		31,795	15,659
Net cash used in investing activities		(397,293)	(54,237)
Cash used in financing activities			
Dividends paid		(1,133,265)	(614,356)
Net increase in cash and cash equivalents		121,588	138,319
Cash and cash equivalents at the beginning of the year		137,005	(1,314)
Cash and cash equivalents at the end of the year	39	258,593	137,005

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

Fariyha Subhani
Chief Executive

Ali Tariq
Director and Chief Financial Officer

Statement of Changes in Equity

for the year ended December 31, 2013

	SHARE CAPITAL	RESERVES					TOTAL
		CAPITAL		REVENUE		SUB TOTAL	
		Share Premium	Special	General	Unappropriated Profit		
	(Rupees in thousand)						
Balance as at January 1, 2012 - as previously reported	61,576	24,630	628	138	404,563	429,959	491,535
Effect of change in accounting policy with respect to accounting for recognition of actuarial gains/(losses) on defined benefit plan - net of tax (note 4)	-	-	-	-	(9,874)	(9,874)	(9,874)
Balance as at January 1, 2012 - as restated	61,576	24,630	628	138	394,689	420,085	481,661
Final dividend for the year ended December 31, 2011 @ Rs. 50 per share	-	-	-	-	(307,880)	(307,880)	(307,880)
First interim dividend for the year ended December 31, 2012 @ Rs. 25 per share	-	-	-	-	(153,941)	(153,941)	(153,941)
Second interim dividend for the year ended December 31, 2012 @ Rs. 25 per share	-	-	-	-	(153,941)	(153,941)	(153,941)
Total comprehensive income for the year ended December 31, 2012							
- Profit for the year ended December 31, 2012	-	-	-	-	728,981	728,981	728,981
- Other comprehensive income for the year ended December 31, 2012	-	-	-	-	898	898	898
	-	-	-	-	729,879	729,879	729,879
Balance as at December 31, 2012	**61,576**	**24,630**	**628**	**138**	**508,806**	**534,202**	**595,778**
Final dividend for the year ended December 31, 2012 @ Rs. 66 per share	-	-	-	-	(406,404)	(406,404)	(406,404)
First interim dividend for the year ended December 31, 2013 @ Rs. 76 per share	-	-	-	-	(467,979)	(467,979)	(467,979)
Second interim dividend for the year ended December 31, 2013 @ Rs. 44.7 per share	-	-	-	-	(275,246)	(275,246)	(275,246)
Total comprehensive income for the year ended December 31, 2013							
- Profit for the year ended December 31, 2013	-	-	-	-	1,004,755	1,004,755	1,004,755
- Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(1,175)	(1,175)	(1,175)
	-	-	-	-	1,003,580	1,003,580	1,003,580
Balance as at December 31, 2013	**61,576**	**24,630**	**628**	**138**	**362,757**	**388,153**	**449,729**

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

Fariyha Subhani
Chief Executive

Ali Tariq
Director and Chief Financial Officer

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2013

1. THE COMPANY AND ITS OPERATIONS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 4.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2013:

Amendment to IAS 1, 'Financial Statement Presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

IAS 19, 'Employee Benefits' was revised in June 2011. The changes on the Company's accounting policies are to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 4 for the impact on the financial statements.

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

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

There are no new standards, amendments to existing approved accounting standards and new interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment and depreciation

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

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

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

Maintenance and normal repairs are charged to income as and when incurred; also individual assets costing up to Rs. 10,000 are charged to income. Major renewals and improvements are capitalised only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are recognised in the profit and loss account.

2.4 Intangible assets and amortisation

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

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

2.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case it is recognised in other comprehensive income or directly in equity.

2.5.1 Current

Provision for current taxation is based on taxable income / turnover at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates. The charge for current tax includes adjustments to charge for prior years, if any.

2.5.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit at the time of the transaction. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.6 Staff retirement benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans.

2.6.1 Defined contribution plans

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

i) Provident Fund

The Company operates an approved contributory Provident Fund for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 6% per annum of the base salary and 10% of basic salary plus cost of living allowance in respect of management employees and unionised staff respectively.

ii) DC Pension Fund

The Company has established a defined contribution plan - DC Pension Fund for the following management employees:

a) permanent employees who joined on or after April 1, 2012; and

b) permanent employees who joined on or before March 31, 2012 and opted for DC Pension plan in lieu of future benefits under the existing pension and management gratuity.

Contributions are made by the Company to the plan at the rate of 9% per annum of the base salary.

2.6.2 Defined benefit plans

Defined benefit plans define an amount of pension or gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the 'Projected Unit Credit Method'.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bond. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The Company operates the following schemes:

i) Funded pension scheme for management employees of the Company. Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2013, using the 'Projected Unit Credit Method'.

ii) Funded gratuity scheme for management and non-management employees of the Company.

Contributions are made on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2013, using the 'Projected Unit Credit Method'.

The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Past-service costs are recognised immediately in income.

2.7 Stores and spares

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

2.8 Stock in trade

Stock in trade is valued at the lower of cost and 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 and finished goods include cost of raw and packing materials, direct labour and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.9 Trade and other receivables

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

2.10 Cash and cash equivalents

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

2.11 Impairment

2.11.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivable and other financial assets at specific asset levels. Losses are recognised as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

2.11.2 Non-financial assets

The carrying amounts of non-financial assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss if recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.12 Operating leases/ Ijarah

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases / Ijarah. Payments made under operating leases / Ijarah contracts 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 initially at fair value, net of transaction cost incurred.

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

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

2.16 Financial assets and liabilities

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

2.17 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

2.18 Foreign currency transactions and translation

Transactions denominated in foreign currencies are translated to Pakistan Rupees at the exchange rate ruling at the date of transaction.

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Pakistan Rupees at exchange rates ruling on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.19 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousands of Rupees.

2.20 Revenue recognition

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

- sale is recognised when the product is dispatched to customers; and

- return on savings accounts and deposit accounts is recognised on accrual basis.

2.21 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividend is approved.

2.22 Offsetting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

3.1 The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

3.1.1 Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

3.1.2 Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 17 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

3.1.3 Provisions

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

3.2 No critical judgement has been used in applying accounting policies.

4. CHANGE IN ACCOUNTING POLICY

IAS 19 (Revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term 'remeasurements' has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Revised) - 'Employee Benefits', the Company's policy for Staff Retirement Benefits in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	2012	January 1, 2012
	(Rupees in thousand)	
Impact on Balance Sheet		
Increase in Retirement Benefit - Obligations	-	15,190
Decrease in deferred tax liabilities	-	5,316
(Decrease) in reserves	-	(9,874)
Impact on Statement of Changes in Equity		
Decrease in unappropriated profit		
- Cumulative effect from prior years	-	12,910
- Impact for the year ended	9,874	3,036
Impact on Profit & Loss		
Decrease in cost of sales	3,314	
Decrease in distribution and selling expenses	10,219	
Decrease in administrative expenses	276	
Deferred tax expense	4,833	
Impact on Other Comprehensive Income		
Items that will not be reclassified to Profit or Loss Account	898	

The effect of change in accounting policy, due to adoption of IAS 19 (Revised), on 'earnings per share' is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy, due to adoption of IAS-19 (Revised).

5. PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	(Rupees in thousand)	
Operating assets - note 5.1	635,064	609,403
Capital work in progress - note 5.3	385,350	39,930
	1,020,414	649,333

5.1 Operating assets

	Freehold land	Building on freehold land	Leasehold improve-ments	Plant and machinery	Electrical, mechanical and office equipment	Furniture and fittings	Motor vehicles	Total
	(Rupees in thousand)							
Net carrying value basis								
Year ended December 31, 2013								
Opening Net Book Value (NBV)	8,179	141,954	-	395,565	57,852	4,575	1,278	609,403
Additions (at cost)	-	2,947	-	78,477	1,429	1,441	-	84,294
Disposals (at NBV)	-	-	-	-	-	-	(68)	(68)
Provision for fixed assets to be written off	-	(12)	-	(4,853)	(851)	-	-	(5,716)
Depreciation charge	-	(5,741)	-	(37,833)	(7,558)	(507)	(1,210)	(52,849)
Closing NBV	**8,179**	**139,148**	**-**	**431,356**	**50,872**	**5,509**	**-**	**635,064**
Gross carrying value basis								
At December 31, 2013								
Cost	8,179	244,890	14,918	794,026	141,876	20,148	10,389	1,234,426
Provision for fixed assets to be written off	-	(12)	-	(4,853)	(851)	-	-	(5,716)
Accumulated depreciation	-	(105,730)	(14,918)	(357,817)	(90,153)	(14,639)	(10,389)	(593,646)
NBV	**8,179**	**139,148**	**-**	**431,356**	**50,872**	**5,509**	**-**	**635,064**
Net carrying value basis								
Year ended December 31, 2012								
Opening NBV	8,179	128,439	-	400,067	48,997	3,746	4,120	593,548
Additions (at cost)	-	19,037	-	36,604	11,986	1,647	-	69,274
Disposals (at NBV)	-	-	-	(127)	(11)	-	(402)	(540)
Depreciation charge	-	(5,522)	-	(40,979)	(3,120)	(818)	(2,440)	(52,879)
Closing NBV	8,179	141,954	-	395,565	57,852	4,575	1,278	609,403
Gross carrying value basis								
At December 31, 2012								
Cost	8,179	241,943	14,918	715,549	140,447	18,707	12,118	1,151,861
Accumulated depreciation and impairment	-	(99,989)	(14,918)	(319,984)	(82,595)	(14,132)	(10,840)	(542,458)
NBV	8,179	141,954	-	395,565	57,852	4,575	1,278	609,403
Depreciation rate % per annum	**-**	**2.5**	**25**	**7 to 10**	**10 to 25**	**20**	**20**	

5.2 Disposals made during the year are insignificant and have book value less than Rs. 50,000.

	2013	2012
	(Rupees in thousand)	

5.3 Capital work in progress – at cost

	2013	2012
Civil work	51,399	831
Plant and machinery	257,629	39,099
Advances to suppliers	76,322	-
	385,350	39,930

6. INTANGIBLE ASSETS

Gross carrying value basis

	2013	2012
Cost		
- Goodwill	94,578	94,578
- Agreement in restraint of trade	139,661	139,661
- Trademark	20,000	20,000
	254,239	254,239
Accumulated amortisation and impairment	(172,602)	(172,602)
Net book value	81,637	81,637

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

7. LONG TERM LOANS - considered good

	2013	2012
	(Rupees in thousand)	
Executives - note 7.1	26,542	30,559
Recoverable within one year - note 11	(7,984)	(8,082)
	18,558	22,477

7.1 Reconciliation of carrying amount of loans to executives:

	2013	2012
- Opening balances	30,559	32,841
- Disbursements	10,327	7,823
- Repayments	(14,344)	(10,105)
	26,542	30,559

7.2 Loans to employees have been provided to facilitate purchase of houses, vehicles and computers in accordance with the Company's policy and are repayable over a period of five years. These loans are interest free and secured against retirement benefits of the employees.

7.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 29.57 million (2012: Rs. 36.17 million).

8. STORES AND SPARES

	2013	2012
	(Rupees in thousand)	
Stores	10,287	9,003
Spares (including in transit Rs. 2.22 million; 2012: Rs.1.14 million)	14,276	10,314
	24,563	19,317
Provision for obsolescence	(2,334)	(2,334)
	22,229	16,983

9. STOCK IN TRADE

	2013	2012
Raw and packing materials (including in transit Rs. 50.67 million; 2012: Rs. 92.08 million)	367,917	548,029
Provision for obsolescence	(9,322)	(28,668)
	358,595	519,361
Work in process	15,878	22,143
Provision for obsolescence	-	(5,725)
	15,878	16,418
Finished goods	235,214	226,318
Provision for obsolescence	(15,582)	(11,723)
	219,632	214,595
	594,105	750,374

9.1 Stock in trade includes Rs. 241.70 million (2012: Rs. 273.55 million) held with third parties.

9.2 The above balances include items costing Rs. 182.02 million (2012: Rs. 313.57 million) valued at net realisable value of Rs. 157.11 million (2012: Rs. 267.48 million).

9.3 The Company made a provision of Rs. 28 million (2012: Rs. 34.52 million) for obsolescence and has written off inventory of Rs. 49.25 million (2012: Rs. 16.18 million) by utilising the provision during the year.

	2013	2012
	(Rupees in thousand)	

10. TRADE DEBTS

	2013	2012
Considered good	182,797	146,113
Considered doubtful	22,174	13,218
	204,971	159,331
Provision for doubtful debts - note 10.1	(22,174)	(13,218)
	182,797	146,113

10.1 The Company has charged a provision of Rs. 8.96 million as compared to a reversal of Rs. 0.62 million in 2012 and has no written offs made during the year (2012: Rs. 0.31 million).

10.2 As of December 31, 2013 trade debts of Rs. 31 million (2012: Rs. 14.67 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2013	2012
	(Rupees in thousand)	
Up to 3 months	24,814	11,042
3 to 6 months	2,248	2,567
More than 6 months	3,940	1,060
	31,002	14,669

11. LOANS AND ADVANCES - considered good

	2013	2012
Current portion of loans to employees - note 7	7,984	8,082
Advances to:		
executives - note 11.1	824	864
other employees	3,870	1,855
suppliers and others	4,187	1,881
	8,881	4,600
	16,865	12,682

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

		2013	2012
		(Rupees in thousand)	

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2013	2012
Trade deposits	3,740	4,492
Prepayments	42,538	33,308
Prepaid rent	2,934	1,803
	49,212	39,603

13. OTHER RECEIVABLES

	2013	2012
Due from associated undertakings	1,999	31,240
Rafhan Best Foods Gratuity Fund	1,028	-
Rafhan Best Foods Provident Fund	458	1,453
Rafhan Best Foods Superannuation Fund	-	237
Receivable from Defined Contribution Pension Fund	-	18,357
Workers' Profits Participation Fund - note 19.3	-	2,234
Duties refundable	10,348	25,482
Others	6,010	1,915
	19,843	80,918

14. CASH AND BANK BALANCES

	2013	2012
With banks on:		
savings accounts - note 14.1	276,017	201,077
current accounts	7,594	704
	283,611	201,781
Cash in hand	143	121
	283,754	201,902

14.1 Mark-up on savings accounts was at rates ranging from 5% to 9% per annum (2012: 5% to 10.2% per annum).

15. SHARE CAPITAL

Authorised share capital

Number of shares		2013 (Rupees in thousand)	2012 (Rupees in thousand)
20,000,000	Ordinary shares of Rs. 10 each	**200,000**	200,000

Issued, subscribed and paid up capital

Number of shares		2013	2012
	Ordinary shares of Rs. 10 each allotted:		
1,239,327	for consideration paid in cash	**12,393**	12,393
24,196	for consideration other than cash	**242**	242
4,894,095	as bonus shares	**48,941**	48,941
6,157,618		**61,576**	61,576

15.1 As at December 31, 2013 and 2012 Conopco Inc. USA, subsidiary of Unilever N.V. Holland, held 4,670,271 ordinary shares of Rs. 10 each.

16. RESERVES

	2013	(Re-stated) 2012	(Re-stated) January 1, 2012
	(Rupees in thousand)		
Capital reserves			
Share premium	**24,630**	24,630	24,630
Special	**628**	628	628
	25,258	25,258	25,258
Revenue reserves			
General	**138**	138	138
Unappropriated profit	**362,757**	508,806	394,689
	362,895	508,944	394,827
	388,153	534,202	420,085

17. STAFF RETIREMENT BENEFITS

17.1 As stated in note 2.6, the Company operates two retirement benefit plans (The Plans) namely approved funded defined benefit gratuity scheme for all management and non-management employees and approved funded defined benefit pension scheme for all management employees subject to minimum service of prescribed period in the respective trust deed. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at December 31, 2013.

17.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

17.3 The latest actuarial valuation of the Fund as at December 31, 2013 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:

	2013		(Re-stated) 2012	
	Funded		Funded	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
17.4 Balance sheet reconciliation				
Present value of defined benefit obligation at December 31 - note 17.5	(30,313)	(14,994)	(30,916)	(10,735)
Fair value of plan assets at 31 December - note 17.6	25,985	15,699	26,993	14,195
(Deficit) / Surplus	(4,328)	705	(3,923)	3,460
17.5 Movement in the Present value of defined benefit obligation				
Balances as at January 1	30,916	10,735	72,936	79,998
Benefits paid by the plan	(2,840)	-	(2,620)	(1,794)
Current service costs	-	1,327	867	2,915
Interest cost	3,392	1,235	8,733	9,602
Remeasurement on obligation	(1,155)	1,697	821	(2,286)
Transfer to Defined Contribution Fund	-	-	(49,821)	(77,700)
Balance as at December 31	30,313	14,994	30,916	10,735

	2013 Funded Pension	2013 Funded Gratuity	(Re-stated) 2012 Funded Pension	(Re-stated) 2012 Funded Gratuity
	← (Rupees in thousand) →			
17.6 Movement in the Fair value of plan assets				
Fair value of plan assets at January 1	26,993	14,195	70,261	49,963
Contributions paid into the plan	-	-	-	38,853
Benefits paid by the plan	(2,840)	-	(2,620)	(1,794)
Interest income	2,942	1,633	8,632	5,498
Remeasurement	(1,110)	(129)	541	(625)
Transferred to Defined Contribution Fund	-	-	(49,821)	(77,700)
Fair value of plan assets at December 31	25,985	15,699	26,993	14,195
17.7 Expense recognised in profit and loss account				
Current service costs	-	1,327	867	2,915
Net Interest cost	450	(398)	101	4,104
Expense recognised in profit and loss account	450	929	968	7,019
17.8 Remeasurement recognised in Other Comprehensive Income				
Loss from changes in demographic assumptions	-	-	-	18
Gain from changes in financial assumptions	-	-	-	(565)
Experience (gain) / losses	(1,155)	1,697	821	(1,739)
Remeasurement of fair value of plan assets	1,110	129	(541)	625
Remeasurements	(45)	1,826	280	(1,661)
17.9 Net recognised liability / (asset)				
Net liability at beginning of the year	3,923	(3,460)	2,675	30,035
Charge for the year	450	929	968	7,019
Contribution made during the year to the Fund	-	-	-	(38,853)
Remeasurements recognised in Other Comprehensive Income	(45)	1,826	280	(1,661)
Recognised liability / (asset) as at December 31	4,328	(705)	3,923	(3,460)

	2013		(Re-stated) 2012	
	Funded		Funded	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
17.10 Plan assets comprises of following:				
Government bonds	28,298	3,646	31,612	-
Cash at Bank	5,271	841	1,434	38,317
Due from / (to) DC Pension Fund	(6,485)	10,433	(5,816)	(24,122)
Due from / (to) Company	(1,099)	779	(237)	-
Total as at 31 December	25,985	15,699	26,993	14,195
17.11 Actuarial assumptions				
Discount rate at 31 December	12.75%	12.75%	11.50%	11.50%
Future salary increases	10.25%	10.25%	9.00%	9.00%
Future pension increases	0.00%	0.00%	5.75%	0.00%

17.12 Mortality was assumed to be 70% of the EFU(61-66) Table.

17.13 In case of the funded plans, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the Retirement Benefit Plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the Retirement Benefit Plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of government bonds and term deposits. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

17.14 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 Company's contribution to the pension funds in 2014 is expected to amount to Rs. 4.3 million.

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 plan is calculated by the actuary.

Figures in this note are based on the latest actuarial valuation carried out as at December 31, 2013.

17.15 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Percentage)	(Rupees in thousand)	
Discount rate at December 31	1.00	(1,799)	2,116
Future salary increases	1.00	2,147	(1,852)

There is no significant change in the obligation if life expectancy increases by 1 year.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

17.16 Comparison for five years

	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Present value of defined benefit obligation as at December 31	(45,307)	(41,651)	(152,933)	(136,374)	(114,484)
Fair value of plan assets	(41,684)	41,188	120,224	107,573	93,368
Deficit in the plan	(3,623)	(463)	(32,709)	(28,801)	(21,116)
Experience Adjustments					
(Gain) / loss on obligation (as percentage of obligations)	1.20	(3.50)	(3.40)	6.00	3.60
(Gain) / Loss on plan assets (as percentage of plan assets)	(2.97)	(0.20)	(1.20)	0.80	0.40

17.17 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the period, for returns over the entire life of related obligation.

17.18 The Company's contributions towards the Rafhan Best Foods Superannuation Fund and Rafhan Best Foods Limited Employees Gratuity Fund for the year ended December 31, 2013 amounted to Nil (2012: Rs. 38.9 million).

17.19 The weighted average duration of the defined benefit obligation is 14.8 years.

Expected maturity analysis of undiscounted retirement benefit plans.

As at December 31, 2013	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	(Rupees in thousand)				
Retirement benefit plans	17,903	3,068	10,171	20,050	51,192

18. DEFERRED TAXATION

	2013	(Re-stated) 2012	(Re-stated) January 1, 2012
	(Rupees in thousand)		
Credit balance arising in respect of:			
- accelerated tax depreciation allowance	109,783	110,650	100,754
- amortisation of intangible assets	27,757	24,561	20,553
	137,540	135,211	121,307
Debit balance arising in respect of:			
- provision for stock in trade	(9,261)	(15,818)	(9,723)
- provision for staff retirement benefits	(5,887)	(4,992)	(11,449)
- provision for stores and spares	-	(801)	(512)
- provision for doubtful debts	(8,421)	(4,544)	(4,951)
- provision for restructuring	(1,841)	(520)	(9,036)
- other provisions	(4,536)	(5,470)	(3,943)
	(29,946)	(32,145)	(39,614)
	107,594	103,066	81,693

19. TRADE AND OTHER PAYABLES

	2013	2012
	(Rupees in thousand)	
Creditors	178,494	215,340
Bills payable - note 19.1	66,913	157,767
Accrued liabilities	1,146,795	695,387
Royalty and technology fee - note 19.2	122,247	42,110
Advances from customers	59,202	49,995
Withholding tax	5,332	164
Rafhan Best Foods Gratuity Fund	-	17,541
Workers' Welfare Fund	35,048	22,761
Workers' Profits Participation Fund - note 19.3	76,438	-
Unclaimed dividend	19,088	2,724
Others	6,852	9,294
	1,716,409	1,213,083

19.1 Bills payable represents inland letters of credit under vendor financing arrangements which includes interest cost as per Company's negotiated rates.

19.2 The Board of Directors in their meeting held on March 5, 2014 have approved an increase in the Royalty and Technical Service Fee payable to the Parent and Group Companies, with effect from the date of the renewal of the relevant agreements i.e. July 1, 2013. This increase is subject to regulatory approval, and will result in an increase in Royalty payment on licensed brands from 1.5% to 3% of annual sale; and in an increase in Technical & Service Fees on licensed products from 2 to 2.5% of annual sales for the period up to December 31, 2014, and from 2.5% to 3% of annual sales with effect from January 1, 2015.

19.3 Workers' Profits Participation Fund

	2013	2012
	(Rupees in thousand)	
Balance as at January 1	(2,234)	(16,193)
Allocation for the year	78,672	56,901
	76,438	40,708
Paid to trustees of the fund	-	(42,942)
Balance as at December 31	76,438	(2,234)

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

	2013	2012
	(Rupees in thousand)	
Holding company	53,341	27,782
Other related parties	54,118	62,789

20. PROVISIONS

	2013	2012
Sindh Infrastructure Cess - note 20.1	10,529	5,993
Restructuring - note 20.2	5,413	1,515
	15,942	7,508

20.1 Sindh Infrastructure Cess

	2013	2012
Balance as at January 1	5,993	-
Charge for the year	4,536	5,993
Balance as at December 31	10,529	5,993

20.2 Restructuring

	2013	2012
Balance as at January 1	1,515	25,817
Provision during the year	10,500	-
Utilised during the year	(6,602)	(24,302)
Balance as at December 31	5,413	1,515

21. SHORT TERM BORROWINGS

Running finance under mark-up arrangements - secured

The facilities for running finance available from various banks amount to Rs. 1.05 billion (2012: Rs. 950 million). The rates of mark-up range between KIBOR to KIBOR + 1% per annum (2012: KIBOR to KIBOR + 1% per annum).

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

The facilities for opening letters of credit and guarantees as at December 31, 2013 amounted to Rs. 2.2 billion (2012: Rs. 2.19 billion) of which the amount remained unutilised at year end was Rs. 1.8 billion (2012: Rs. 1.85 billion).

22. CONTINGENCY AND COMMITMENTS

22.1 CONTINGENCY

22.1.1 The Officer of Inland Revenue while finalising the assessments for the tax years 2009 and 2010, disallowed tax payments of Rs. 35.73 million.

The Company has filed appeals before the Commissioner of Inland Revenue - Appeals.

The Company's management is of the view that the disallowances were erroneous and, therefore, the ultimate decision in appeals will likely be in the Company's favour. No provision has, therefore, been made in the financial statements.

22.2 COMMITMENTS

22.2.1 Aggregate commitments outstanding for capital expenditure as at December 31, 2013 amounted to Rs. 94.39 million (2012: Rs. 13.54 million).

23. SALES

	2013	2012
	(Rupees in thousand)	
Gross Sales	**9,025,734**	7,557,985
Sales tax	**(1,232,972)**	(949,746)
	7,792,762	6,608,239
Returns, rebates and allowances	**(833,916)**	(747,143)
	6,958,846	5,861,096

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

	2013	2012
	(Rupees in thousand)	
Products used by end consumers	5,730,044	4,883,781
Products used by entities	1,228,802	977,315
	6,958,846	5,861,096

23.2 Sales to domestic customers in Pakistan are 97.7% (2012: 96.4%) and to customers outside Pakistan are 2.3% (2012: 3.6%) of the revenue during the year.

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

24. COST OF SALES

	2013	(Re-stated) 2012
	(Rupees in thousand)	
Raw and packing materials consumed	3,445,890	3,059,125
Manufacturing charges paid to third party	72,054	72,809
Stores and spares consumed	4,366	17,374
Staff costs - note 24.1	241,834	228,840
Utilities	137,809	129,113
Depreciation	51,459	51,489
Repairs and maintenance	29,182	26,780
Rent, rates and taxes	10,534	8,675
Ujrah payments	472	251
Travelling and entertainment	6,292	3,103
Insurance	2,765	2,813
Stationery and office expenses	567	1,000
Other expenses	6,168	5,182
Charges by related party	46,407	48,478
	4,055,799	3,655,032
Opening work in process	16,418	10,833
Closing work in process	(15,878)	(16,418)
Cost of goods manufactured	4,056,339	3,649,447
Opening stock of finished goods	214,595	195,784
Closing stock of finished goods	(219,632)	(214,595)
	4,051,302	3,630,636

	2013	(Re-stated) 2012
	(Rupees in thousand)	

24.1 Staff costs

	2013	2012
Salaries and wages	**234,137**	220,439
Medical expenses	**3,742**	2,897
Pension cost - defined benefit plan	**108**	233
Gratuity cost - defined benefit plan	**223**	1,684
Cost of defined contribution plan	**3,624**	3,587
	241,834	228,840

25. DISTRIBUTION COST

	2013	2012
Staff costs - note 25.1	**147,536**	129,817
Advertisement and sales promotion	**664,996**	468,322
Outward freight and handling	**146,126**	147,498
Royalty, technology fee and related duties	**147,095**	126,188
Travelling and entertainment	**23,384**	22,465
Rent, rates and taxes	**10,524**	10,483
Ujrah payments	**9,144**	2,594
Depreciation	**1,103**	1,104
Repairs and maintenance	**1,262**	2,344
Stationery and office expenses	**3,335**	4,135
Other expenses	**8,212**	4,532
Charges by related party	**72,149**	74,343
	1,234,866	993,825

25.1 Staff costs

	2013	2012
Salaries and wages	**134,284**	105,340
Medical expenses	**3,475**	9,757
Pension cost - defined benefit plan	**333**	716
Gratuity cost - defined benefit plan	**687**	5,194
Cost of defined contribution plan	**8,757**	8,810
	147,536	129,817

26. ADMINISTRATIVE EXPENSES

	2013	(Re-stated) 2012
	(Rupees in thousand)	
Staff costs - note 26.1	**14,926**	15,590
Rent, rates and taxes	**787**	326
Depreciation	**286**	286
Travelling and entertainment	**3,901**	1,176
Insurance	**610**	888
Auditors' remuneration - note 26.2	**2,137**	2,097
Provision for doubtful debts	**8,956**	(619)
Legal and professional charges	**2,985**	3,495
Other expenses	**2,025**	3,373
Charges by related party - note 26.3	**119,859**	122,286
	156,472	148,898

26.1 Staff costs

	2013	2012
Salaries and wages	**14,683**	15,225
Pension cost - defined benefit plan	**9**	19
Gratuity cost - defined benefit plan	**19**	141
Cost of defined contribution plan	**215**	205
	14,926	15,590

26.2 Auditors' remuneration

	2013	2012
	(Rupees in thousand)	
Audit fee	**800**	1,000
Limited review, audit of pension, provident and gratuity funds, certification for regulatory authorities and others	**1,095**	695
Out of pocket expenses	**242**	399
	2,137	2,097

26.3 This represents amount charged to the Company for certain management and other services received from its associated undertaking - Unilever Pakistan Limited.

27. OTHER OPERATING EXPENSES

	2013	2012
	(Rupees in thousand)	
Donations	-	1,654
Provision for fixed assets to be written off	5,716	-
Workers' Profits Participation Fund - note 19.3	78,672	56,901
Workers' Welfare Fund	31,469	22,761
	115,857	81,316

28. OTHER INCOME

	2013	2012
Income from financial assets		
Return on savings accounts	31,795	15,659
Income from non-financial assets		
Scrap sales	18,495	16,552
Gain on disposal of property, plant and equipment	558	11,614
Sundries	-	7,614
	19,053	35,780
Others		
Service fee from related parties - note 28.1	21,701	22,381
	72,549	73,820

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

29. FINANCE COST

	2013	2012
	(Rupees in thousand)	
Mark up on short term borrowings	3,115	1,949
Bank charges	5,928	6,117
	9,043	8,066

30. TAXATION - charge

	2013	(Re-stated) 2012
	(Rupees in thousand)	
Current tax for the year	453,966	322,304
Deferred tax	5,134	20,890
	459,100	343,194

30.1 Reconciliation between tax expense and accounting profit.

	2013	(Re-stated) 2012
	(Rupees in thousand)	
Accounting profit before tax	**1,463,855**	1,072,175
Tax at the applicable tax rate of 34% (2012: 35%)	**497,711**	370,428
Tax effect of credits	**(19,781)**	(11,953)
Tax effect of final tax	**(19,795)**	(17,394)
Tax effect of change in tax rate	**2,944**	-
Others	**(1,979)**	2,113
Tax expense for the year	**459,100**	343,194

31. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders	**1,004,755**	728,981
Weighted average number of shares in issue during the year - in thousand	**6,158**	6,158
Basic earnings per share (Rupees)	**163.17**	118.39

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

32. RELATED PARTY DISCLOSURES

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

	Relationship with the Company	Nature of transactions	2013	2012
			(Rupees in thousand)	
i)	Holding company	Royalty	59,694	48,815
ii)	Other related parties	Technology fee	70,558	64,894
		Purchase of goods	1,219,422	1,252,797
		Sale of goods	39,040	32,845
		Fee for receiving of services from related parties	238,415	245,107
		Fee for providing of services to related parties	21,701	22,381
		Contribution to:		
		- Defined Contribution plans	12,596	12,602
		- Defined Benefit plans	-	38,853
		Settlement on behalf of:		
		- Defined Contribution plans	-	19,706
		- Defined Benefit plans	2,840	-
		Receipts from Defined Benefit plans	-	16,709
iii)	Key management personnel	Salaries and other short-term employee benefits	5,867	4,653

Royalty and technology fee are paid in accordance with the agreements duly acknowledged by the State Bank of Pakistan. Royalty and Technology fee agreements were expired on June 30, 2013 and are in process of renewal as disclosed note 19.2. The purchase of goods and services from related parties are made on agreed terms and conditions.

The Company has entered into agreements with its associate, Unilever Pakistan Limited to share various administrative and other resources. Service fee from the associate have been disclosed in note 28.

The related party status of outstanding balances as at December 31, 2013 is included in other receivables and trade and other payables respectively. These are settled in ordinary course of business.

33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Executive Directors		Chief Executive		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
Managerial remuneration and allowances	1,850	1,204	3,263	2,494	107,480	104,765
Retirement benefits - note 33.1	-	-	-	-	13,269	13,420
Medical expenses	-	-	-	-	2,296	2,687
Other expenses	-	-	-	-	3,514	777
	1,850	1,204	3,263	2,494	126,559	121,649
Number of persons	2	1	1	1	82	89

In addition to this, a lump sum amount of Rs. 15.5 million (2012: Rs. 23.38 million) on account of variable pay has been accounted for in financial statements for the current year payable in 2014 after verification of target achievement.

Out of the variable pay recognised for 2012 and 2011 following payments were made:

	Paid in 2013 relating to 2012	Paid in 2012 relating to 2011
	(Rupees in thousand)	
Executive Director	419	275
Chief Executive	327	434
Executives	17,603	12,436
Other employees	392	386
	18,741	13,531

Aggregate amount charged in these financial statements for the year for fee to four non-executive directors was Rs. 187 thousand (2012: four non-executive directors Rs. 150 thousand).

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

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

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

	2013	2012
34. PLANT CAPACITY AND PRODUCTION		
Actual production of the plant in metric tons	26,160	23,789

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

35. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Fund:

	2013	2012
	(Rupees in thousand)	
Size of the Fund - Total Assets	138,354	120,607
Fair value of investments	133,444	118,679
Percentage of investments made	96.45	98.40

35.1 The cost of above investments amounted to Rs. 125.93 million (2012: Rs. 108.43 million).

35.2 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Percentage		(Rupees in thousand)	
National Saving Schemes	31.47	-	42,000	-
Government Securities	52.13	81.06	69,570	96,207
Equity Securities	16.40	18.94	21,874	22,472
	100.00	100.00	133,444	118,679

35.3 The investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013	2012

36. NUMBER OF EMPLOYEES

	2013	2012
Number of employees including contractual employees at year end	251	266
Average number of employees including contractual employees during the year	259	248

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 Financial risk factors

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

37.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark-up bearing			Non-interest / Non mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and advances	-	-	-	16,865	18,558	35,423	35,423
Trade debts	-	-	-	182,797	-	182,797	182,797
Trade deposits	-	-	-	3,740	-	3,740	3,740
Other receivables	-	-	-	9,495	-	9,495	9,495
Cash and bank balances	276,017	-	276,017	7,737	-	7,737	283,754
December 31, 2013	276,017	-	276,017	220,634	18,558	239,192	515,209
December 31, 2012	201,077	-	201,077	242,796	22,477	265,273	466,350
FINANCIAL LIABILITIES							
Trade and other payables	66,913	-	66,913	1,473,476	-	1,473,476	1,540,389
Short term borrowings	25,161	-	25,161	-	-	-	25,161
Accrued interest / mark up	-	-	-	863	-	863	863
December 31, 2013	92,074	-	92,074	1,474,339	-	1,474,339	1,566,413
December 31, 2012	222,664	-	222,664	983,291	-	983,291	1,205,955
ON BALANCE SHEET GAP							
December 31, 2013	183,943	-	183,943	(1,253,705)	18,558	(1,235,147)	(1,051,204)
December 31, 2012	(21,587)	-	(21,587)	(740,495)	22,477	(718,018)	(739,605)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantee:							
December 31, 2013							366,513
December 31, 2012							342,058

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

(i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of total financial assets of Rs. 525.56 million (2012: Rs. 466.35 million), the financial assets which are subject to credit risk amounted to Rs. 182.8 million (2012: Rs. 146.11 million).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of December 31, 2013 trade debts of Rs. 31 million (2012: Rs. 14.67 million) were past due but not impaired. The carrying amount of trade debts relates to a number of independent customers for whom there is no recent history of default.

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

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

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

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

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

(ii) Liquidity risk

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

(iii) Market risk

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at December 31, 2013, financial assets of Rs. 2.32 million (2012: Rs. 8.44 million) and financial liabilities of Rs. 178.21 million (2012: Rs. 116.41 million) were in foreign currency which were exposed to foreign currency risk.

As at December 31, 2013, if the Pakistan Rupee had weakened / strengthened by 6% against Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 4.32 million (2012: Rs. 2.19 million), mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

As at December 31, 2013, if the Pakistan Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 5.92 million (2012: Rs. 7.17 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

As at December 31, 2013, if the Pakistan Rupee had weakened / strengthened by 3% against Japanese Yen with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 0.09 million (2012: Rs. 1.16 million), mainly as a result of foreign exchange losses / gains on translation of Japanese Yen denominated financial liabilities.

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

b) Interest rate risk

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

At December 31, 2013, the Company had variable interest bearing financial assets of Rs. 276.02 million (2012: Rs. 201.1 million) and financial liabilities of Rs. 92.07 million (2012: Rs. 222.7 million), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately Rs. 2.11 million (2012: Rs. 0.43 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

38. 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.

The gearing ratios as at December 31, 2013 and 2012 were as follows:

	2013	(restated) 2012
	(Rupees in thousand)	
Total borrowings	**25,161**	64,897
Cash and bank	**(283,754)**	(201,902)
(Cash surplus)	**(258,593)**	(137,005)
Total equity	**449,729**	595,778
Total capital	**449,729**	595,778
Gearing ratio	**-**	-

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.

39. CASH AND CASH EQUIVALENTS

	2013	2012
	(Rupees in thousand)	
Cash and bank balances	**283,754**	201,902
Short term borrowings - running finance under mark up arrangements	**(25,161)**	(64,897)
	258,593	137,005

40. PROPOSED AND DECLARED DIVIDENDS

At the Board of Directors' meeting held on March 5, 2014, a final dividend in respect of 2013 of Rs. 42.28 per share amounting to a total dividend of Rs. 260.34 million is proposed (2012: Rs. 66 per share amounting to a total dividend of Rs. 406.40 million).

The Board of Directors in its meeting held on October 28, 2013 declared cash dividend in respect of quarter ended September 30, 2013 of Rs. 44.7 per share amounting to Rs. 275.25 million in addition to first interim cash dividend already declared and paid in respect of half year ended June 30, 2013 of Rs. 76 per share (Half year ended June 30, 2012: Rs. 25 per share) amounting to Rs. 467.98 million (Interim cash dividend for the nine months ended September 30, 2012: Rs. 50 per share amounting to Rs. 307.88 million).

These financial statements do not reflect the proposed final dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2014.

41. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 5, 2014 by the Board of Directors of the Company.

Fariyha Subhani
Chief Executive

Ali Tariq
Director and Chief Financial Officer

Notice of Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting of Unilever Pakistan Foods Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Thursday, April 17, 2014, at 03:00 p.m. to transact the following business:

A. Ordinary Business

1. To receive, consider and adopt the Company's Financial Statements for the year ended 31 December 2013, together with the Reports of the Auditors and Directors thereon.

2. To approve and declare dividend (2013) on the Ordinary Shares of the Company.
   The Directors have recommended a final cash dividend of 422.80% (or Rs. 42.28 per share) on the Ordinary Shares. Together with the first interim dividend of 760% (or Rs. 76.00 per share) and second interim dividend of 447% (or Rs. 44.70 per share) already paid, the total dividend for 2013 will thus amount to 1,629.80% (or Rs. 162.98 per share).

3. To appoint Auditors for the ensuing year, and to fix their remuneration.
   Messrs A. F. Ferguson & Co., Chartered Accountants were appointed Auditors for 2013 at the last AGM. They have not offered themselves for re-appointment. The majority shareholder of the Company, Conopco Inc., USA, has proposed appointment of KPMG Taseer Hadi & Co., Chartered Accountants, for the year 2014, as the Auditors of the Company. It is proposed that M/s KPMG Taseer Hadi & Co., Chartered Accountants be elected as Auditors of the Company for 2014, at a remuneration to be negotiated by the CEO and CFO of the Company.

4. To elect Directors of the Company for a three years term. The Board of Directors in the meeting held on March 05, 2014, fixed the number of Directors at nine (9). The term of the office of the following nine (9) Directors will expire on April 19, 2014.

   1. Mr. Ehsan A. Malik
   2. Ms. Fariyha Subhani
   3. Mr. Ali Tariq
   4. Mian Zulfikar H. Mannoo
   5. Mian M. Adil Mannoo
   6. Mr. Kamal Monnoo
   7. Mr. Badaruddin F. Vellani
   8. Mr. Noman A. Lutfi
   9. Mr. Amar Naseer

B. Special Business

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

6. To approve and adopt a new set of 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 as and by way of Special Resolution **THAT** the regulations contained in the printed document submitted to this meeting, and for the purpose of identification subscribed by the Chairman hereof, be approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles thereof.

By Order of the Board

Amar Naseer
Company Secretary

Karachi
March 24, 2014

Notice of Annual General Meeting

Notes:

1. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

2. Under the Law, Shareholders are entitled to receive their cash dividend directly in their bank accounts instead of receiving the dividend warrants physically. Shareholders having physical holding and desiring to avail this option may submit the prescribed Dividend Mandate Form, to the Company's Share Registrar. The Shareholders who hold shares in Central Depository Company may approach to submit the prescribed Dividend Mandate Form, to CDC for this option.

3. Share Transfer Books will be closed from April 11, 2014 to April 17, 2014 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's Share Registrar M/s Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 by the close of the Business on April 10, 2014 will be treated in time for the purpose of payment of Final Dividend to the transferees.

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

5. 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.

6. Any change of address of Members should be immediately notified to the Company's Share Registrars, M/s Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400.

   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 / her identity by showing his / her original valid Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

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

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

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

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

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, 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, same as previous, at nine (9) at its meeting held on March 05, 2014.

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 / herself for election 14 days before the date of the above said Annual General Meeting, in terms of Section 178 (3) of the Companies Ordinance 1984;

ii) Form 28 (consent to Act as Director) prescribed under the Companies Ordinance 1984;

iii) He / she should also confirm that:

a) He / she is not ineligible to become a Director of the Company under any applicable Laws and Regulations (including Listing Regulations of Karachi / Lahore Stock Exchanges and Code of Corporate Governance).

b) Neither he / she nor his / her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.

c) He / she is not serving as a director in more than seven listed companies, including this Company. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.

d) He / she is a registered taxpayer (except where he / she is a non-resident) and he / she has not defaulted in payment of any loan to a banking company, a development financial institution, or a non-banking financial institution or, being a member of a Stock Exchange, has been declared as a defaulter by that stock exchange.

iv) Attested copy of valid CNIC and NTN.

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

Statement in respect of Special Business and related Draft Resolution

This Statement sets out the material facts concerning the Special Business to be transacted at the 16th Annual General Meeting and the proposed Resolution related thereto:

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

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

For the year 2013: Rs. 3.49 million to the Chief Executive, and Rs. 2.17 million to the Executive Directors as remuneration for their services.

Estimated for the year 2014: Rs. 3.68 million to the Chief Executive and Rs. 1.96 million to the Executive Directors as remuneration for their services.

Estimated for January 2015 to March 2015: Rs. 1.01 million to the Chief Executive and Rs. 0.54 million to the Executive Directors as remuneration for the services.

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

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

"**RESOLVED THAT** approval be and is hereby granted for the holding of offices of profit in the Company by the Executive Directors and the Chief Executive, and the payment of remuneration to them for their respective periods of service in accordance with the shared service arrangements, their individual contracts and the rules of the Company; amounting in the aggregate to Rs. 5.66 million approximately, actual for the year January-December 2013; Rs. 5.64 million approximately estimated for January to December 2014 which includes variable pay for the year 2013; and Rs. 1.55 million approximately estimated for January to March 2015."

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

The Board of Directors has recommended that the Company's Articles of Association be substituted for, and to the exclusion, of all the existing Articles by a new set of Articles of Association. The new set of the Articles of Association updates the Company's existing Articles of Association by taking into account several changes made in the Companies Ordinance, 1984. These alterations, inter alia, make references to the Central Depository Company of Pakistan Limited, reflect the statutory requirements for quorum of general meetings, authorise the issuance of powers of attorney to deal with various litigations and other matters in court, enable the Company to hold board meetings through audio and video conference facilities, specifies period within which the annual general meetings must be held, specifies the requirement for submission of quarterly accounts and holding of quarterly Board Meetings and clarifies the provision relating to the appointment, removal and remuneration of the Company Secretary. The other alterations made are to reflect the dissolution of the Corporate Law Authority and its substitution by the Securities and Exchange Commission of Pakistan.

A copy of the new set of Articles of Association is being circulated to the Shareholders / Members along with the Annual Report 2013 of the Company.

The resolution required for the above purpose is set forth at Agenda item No. 6 in the Notice convening the Annual General Meeting and that resolution will be proposed and passed as a Special Resolution.

Procedure for Election of Directors:

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

1. The election of nine (9) Directors will be for a term of three years, commencing from April 20, 2014.

2. The Directors shall be elected from persons who offer themselves for election and are not ineligible under Section 187 of the Companies Ordinance 1984.

3. Any person wishing to stand for election (including a retiring Director) is required to file with the Company (not later than 14 days before the election date), a notice of his intention to stand for election, along with duly completed and signed Form 28 giving his consent to act as Director of the Company if elected, and certify that he is not ineligible to become a Director and fulfills the requirements of Code of Corporate Governance.

4. The Company will file the candidates' consents with the Registrar of Companies and notify their names in the Press.

5. A person may withdraw his candidature any time before the election is held.

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

7. In case of voting, a Member shall have votes equal to the number of shares held by him multiplied by nine (i.e. the number of Directors to be elected).

8. A Member may cast vote/s in favour of a single candidate or for as many of the candidates and in such proportion as the Member may choose.

9. The person receiving the highest number of votes will be declared elected, followed by the next highest, and so on, till all the vacancies are filled.

Form of Proxy

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

I / We ______________________________ son / daughter / wife of _________________________ shareholder of Unilever Pakistan Foods Limited, holding _______________ ordinary shares hereby appoint ______________________________________ who is my ______________________ [state relationship (if any) with the proxy; required by Government regulations] and the son / daughter / wife of _____________________, (holding ____________________ ordinary shares in the Company under Folio No. ___________________] [required by Government; delete if proxy is not the Company's shareholder] as my / our proxy, to attend and vote for me / us on my / our behalf at the 16th Annual General Meeting of the Company to be held on April 17, 2014 and / or any adjournment thereof.

Signed this _________ day of _________________ 2014.

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

Witness 1:

Signature: ______________________

Name: ______________________

CNIC #: ______________________

Address: ______________________

Sign across Rs. 5/- Revenue Stamp

Signature of Member(s)

Witness 2 :

Signature: ______________________

Name: ______________________

CNIC #: ______________________

Address: ______________________

Shareholder's Folio No.: _________________________

and / or CDC Participant I.D. No.: _________________________

and Sub-Account No.: _________________________

Shareholder's CNIC #: _________________________

Note:

1. The Member is requested to:
   (a) Affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) Sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) Write down his / her / their Folio Number.
   (d) Attach an attested photocopy of their valid Computerised National Identity Card / Passport / Board Resolution and the copy of CNIC of the proxy, with this proxy form before submission.

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

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