

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2016



UNILEVER PAKISTAN FOODS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Kamran Y. Mirza	Independent Director & Chairman of the Board
Ms. Shazia Syed	Executive Director & Chief Executive
Mr. Ali Tariq	Executive Director & CFO
Ms. Farheen Salman Amir	Executive Director
Mr. Zulfikar Monnoo	Non-Executive Director
Mian M. Adil Monnoo	Non-Executive Director
Mr. Kamal Monnoo	Non-Executive Director
Mr. Badaruddin F. Vellani	Non-Executive Director
Mr. Noman Amjad Lutfi	Non-Executive Director

COMPANY SECRETARY

Mr. Amar Naseer

AUDIT COMMITTEE

Mr. Zulfikar Monnoo	Chairman & Member
Mian M. Adil Monnoo	Member
Mr. Badaruddin F. Vellani	Member
Mr. Kamran Y. Mirza	Member
Ms. Mehwish Iqbal	Secretary & Head of Internal Audit

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Zulfikar Monnoo	Chairman & Member
Mr. Kamal Monnoo	Member
Ms. Shazia Syed	Member
Mr. Amar Naseer	Company Secretary

AUDITORS

Messrs KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2.
Beaumont Road. Karachi - 75530
Pakistan.

REGISTERED OFFICE

Avari Plaza
Fatima Jinnah Road
Karachi - 75530

SHARE REGISTRATION OFFICE

Share Registrar Department.
Central Depository Company of Pakistan Limited,
CDC House. 99-B. Block “B” S.M.C.H.S.
Main Shahra-e-Faisal Karachi - 74400

WEBSITE ADDRESS

www.unilever.pk

UNILEVER PAKISTAN FOODS LIMITED

Directors' Review

The directors are pleased to present the financial information for the half year ended June 30, 2016.

Sales grew by 9.4% on the back of strong brand equity and successful innovations. Gross Profit grew by 9%. In Quarter 2, the company significantly stepped up investment in advertisement and promotion to maintain competitiveness, leverage seasonal opportunities and land innovations. Consequently, EPS for the first half of 2016 declined by 16.4% versus the same period last year.

Financial Highlights

	Quarter ended June 30			Six Months ended June 30		
	2016 Rs '000	2015	Inc %	2016 Rs '000	2015	Inc %
Net Sales	2,524,244	2,334,238	8.1%	4,890,978	4,470,679	9.4%
Profit before Taxation	307,183	490,699	-37.4%	784,800	915,215	~14.2%
Profit after Taxation	208,677	373,045	-44.1%	560,176	669,756	~16.4%
Earnings per Share (Rs.)	33.89	60.58	-44.1%	90.97	108.77	~16.4%

Future Outlook

Despite a challenging operating environment and increasing competitive intensity, we are optimistic about the future outlook of the business taking cognizance of the investments being made by the company. The company will continue to drive the agenda of improving consumer lives through relevant innovations and stronger brand equity.

On behalf of the Board

Kamran Y. Mirza
Chairman

Karachi
August 22, 2016

UNILEVER PAKISTAN FOODS LIMITED

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Unilever Pakistan Foods Limited** ("the Company") as at 30 June 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures of the condensed interim profit and loss account for the quarter ended 30 June 2016, have not been reviewed and we do not express a conclusion on them.

Date : August 22, 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2016

	Note	Unaudited June 30, 2016 (Rupees in thousand)	Audited December 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,039,219	2,040,339
Intangible assets		81,637	81,637
Long term loans and advances		<u>12,956</u>	<u>37,749</u>
		2,133,812	2,159,725
Current assets			
Stores and spares		30,658	22,483
Stock in trade		895,567	959,276
Trade debts		379,062	209,064
Loans and advances		19,213	15,180
Trade deposits and short term prepayments		82,802	50,484
Other receivables		69,346	30,868
Taxation - net		406,728	376,961
Cash and bank balances		<u>506,090</u>	<u>593,252</u>
		2,389,466	2,257,568
Total assets		<u>4,523,278</u>	<u>4,417,293</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		61,576	61,576
Reserves		<u>1,586,063</u>	<u>1,617,018</u>
		1,647,639	1,678,594
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		4,203	5,691
Deferred taxation		<u>213,861</u>	<u>214,953</u>
		218,064	220,644
Current liabilities			
Trade and other payables		2,537,487	2,348,513
Provisions	5	34,084	37,935
Accrued interest / mark-up		779	1,119
Sales tax payable		28,622	48,812
Short term borrowings		<u>56,603</u>	<u>81,676</u>
		2,657,575	2,518,055
Total liabilities		2,875,639	2,738,699
Total equity and liabilities		<u>4,523,278</u>	<u>4,417,293</u>
Contingency and commitments	6		

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Shazia Syed
Chief Executive

Ali Tariq
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED JUNE 30, 2016 - UNAUDITED

		Quarter ended		Half year ended	
	Note	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
----- (Rupees in thousand) -----					
Sales		2,524,244	2,334,238	4,890,978	4,470,679
Cost of sales		(1,403,971)	(1,229,156)	(2,733,710)	(2,491,011)
Gross profit		1,120,273	1,105,082	2,157,268	1,979,668
Distribution cost		(742,797)	(530,845)	(1,241,982)	(920,192)
Administrative expenses		(76,482)	(63,173)	(116,403)	(99,724)
Other operating expenses		(18,805)	(38,641)	(57,152)	(70,608)
Other income	7	31,491	33,051	56,713	50,270
		313,680	505,474	798,444	939,414
Finance cost		(6,497)	(14,775)	(13,644)	(24,199)
Profit before taxation		307,183	490,699	784,800	915,215
Taxation					
- current		(110,695)	(90,332)	(225,716)	(218,592)
- deferred		12,189	(27,322)	1,092	(26,867)
		(98,506)	(117,654)	(224,624)	(245,459)
Profit after taxation		208,677	373,045	560,176	669,756
Other comprehensive income		-	-	-	-
Total comprehensive income		208,677	373,045	560,176	669,756
----- (Rupees) -----					
Basic and diluted earnings per share		33.89	60.58	90.97	108.77

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Shazia Syed
Chief Executive

Ali Tariq
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED JUNE 30, 2016 - UNAUDITED

	Note	June 30, 2016 (Rupees in thousand)	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		784,800	915,215
Adjustment for:			
Depreciation		77,726	43,887
Mark-up on short term borrowings		3,293	6,489
Provision for staff retirement benefits		2,025	970
Return on savings accounts		(14,367)	(8,420)
		<u>68,677</u>	<u>42,926</u>
		853,477	958,141
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets			
Stores and spares		(8,175)	4,617
Stock in trade		63,709	8,206
Trade debts		(169,998)	(192,623)
Loans and advances		(4,033)	(5,582)
Trade deposits and short term prepayments		(32,318)	(7,721)
Sales tax refundable		-	42,690
Other receivables		(38,478)	550
		<u>(189,293)</u>	<u>(149,863)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		188,974	(137,454)
Provisions		(3,851)	748
Sales tax payable		(20,190)	23,869
		<u>164,933</u>	<u>(112,837)</u>
Cash generated from operations		829,117	695,441
Mark-up paid		(3,633)	(6,089)
Income tax paid		(255,483)	(371,362)
Decrease in long term loans		24,793	1,126
Staff retirement benefits - contribution		(3,513)	(1,961)
Net cash from operating activities		<u>591,281</u>	<u>317,155</u>
CASH USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(76,606)	(226,192)
Return received on savings accounts		14,367	8,420
Net cash used in investing activities		<u>(62,239)</u>	<u>(217,772)</u>
CASH USED IN FINANCING ACTIVITY			
Dividends paid		(591,131)	(125,891)
Net (decrease) in cash and cash equivalents		<u>(62,089)</u>	<u>(26,508)</u>
Cash and cash equivalents at beginning of the period		<u>511,576</u>	<u>108,074</u>
Cash and cash equivalents at end of the period	8	<u>449,487</u>	<u>81,566</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Shazia Syed
Chief Executive

Ali Tariq
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2016 - UNAUDITED

	SHARE CAPITAL	RESERVES				Sub Total	TOTAL
		CAPITAL		REVENUE			
	Issued, subscribed and paid-up capital	Share premium	Special	General	Unappropriated profit		
	----- (Rupees in thousand) -----						
Balance as at January 1, 2016	61,576	24,630	628	138	1,591,622	1,617,018	1,678,594
Transactions with owners of the Company							
Final dividend for the year ended December 31, 2015 @ Rs 96 per share	-	-	-	-	(591,131)	(591,131)	(591,131)
Total comprehensive income for the period							
Profit for the half year ended June 30, 2016	-	-	-	-	560,176	560,176	560,176
Other comprehensive income for the half year ended June 30, 2016	-	-	-	-	-	-	-
Balance as at June 30, 2016	<u>61,576</u>	<u>24,630</u>	<u>628</u>	<u>138</u>	<u>1,560,667</u>	<u>1,586,063</u>	<u>1,647,639</u>
Balance as at January 1, 2015	61,576	24,630	628	138	696,426	721,822	783,398
Total comprehensive income for the period							
Profit for the half year ended June 30, 2015	-	-	-	-	669,756	669,756	669,756
Other comprehensive income for the half year ended June 30, 2015	-	-	-	-	-	-	-
Balance as at June 30, 2015	<u>61,576</u>	<u>24,630</u>	<u>628</u>	<u>138</u>	<u>1,366,182</u>	<u>1,391,578</u>	<u>1,453,154</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Shazia Syed
Chief Executive

Ali Tariq
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2016 - UNAUDITED

1. BASIS OF PREPARATION

This condensed interim financial information of Unilever Pakistan Foods Limited ("the Company") for the half year ended June 30, 2016 has been prepared in accordance with the requirements of the International Accounting Standard No. 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The 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.

During the current period, SECP notified additional disclosures vide its Circular 14 of 2016 relating to All Shares Islamic Index Screening (refer note 7 and 10).

2. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2015.

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended December 31, 2015.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2015.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited June 30, 2016 (Rupees in thousand)	Audited December 31, 2015
Operating assets - at net book value	1,953,958	1,946,209
Capital work in progress - at cost	85,261	94,130
	<u>2,039,219</u>	<u>2,040,339</u>

4.1 Additions of operating assets during the period are as follows:

	Additions (at cost)	
	June 30, 2016	June 30, 2015
	(Rupees in thousand)	
Building on freehold land	13,361	95,640
Plant and machinery	72,034	361,830
Electrical, mechanical and office equipment	80	-
	85,475	457,470
	Unaudited June 30, 2016	Audited December 31, 2015
	(Rupees in thousand)	

5. PROVISIONS

Sindh Infrastructure Cess	5.1	22,149	19,394
Restructuring		11,935	18,541
		34,084	37,935

5.1 The change represents provision made during the period.

6. CONTINGENCY AND COMMITMENTS

6.1 Contingency

There was no contingency as of 30 June 2016.

6.2 Commitments

The commitments for capital expenditure outstanding as at June 30, 2016 amounted to Rs. 42.20 million (December 31, 2015: Rs. 28.54 million).

7. OTHER INCOME

		Unaudited June 30, 2016	Unaudited June 30, 2015
		(Rupees in thousand)	
Return on saving accounts	7.1	14,367	8,420
Scrap sales		14,295	13,905
Service fees		28,051	27,945
		56,713	50,270

7.1 Profit on saving accounts are earned under mark-up arrangements with conventional banks.

8. CASH AND CASH EQUIVALENTS

	Unaudited June 30, 2016	Unaudited June 30, 2015
	(Rupees in thousand)	
Cash and bank balances	506,090	244,572
Short term borrowings	(56,603)	(163,006)
	449,487	81,566

9. RELATED PARTY TRANSACTIONS

Related party transactions during the period are as follows:

Relationship with the company	Nature of transactions	Unaudited June 30, 2016 (Rupees in thousand)	Unaudited June 30, 2015
i) Holding company	Royalty	87,637	108,977
ii) Other related parties	Technology fee	86,101	101,240
	Purchase of goods	808,660	862,192
	Sale of goods	60,003	12,927
	Fee for receiving of services from related parties	142,818	120,288
	Fee for providing of services to related parties	28,051	27,945
	Contribution to:		
	- Defined Contribution plan	8,529	10,734
	- Defined Benefit plans	3,513	1,961
	Settlement/ (receipt) on behalf of:		
	- Defined Contribution plan	24,913	36,835
	- Defined Benefit plans	1,447	3,597
iii) Key management personnel	Salaries and other short-term employee benefits	3,606	3,236

10. ALL SHARES ISLAMIC INDEX SCREENING

Loans, advances and deposits, other than balances with banks, do not carry any markup. The bank balances and borrowings include balances and borrowings amounting to Rs. 348.19 million and Rs. 56.60 million respectively with conventional banks under mark-up arrangements. Trade and other payables include vendor financing balances amounting to Rs. 148.03 million under markup arrangement.

11. INTERIM DIVIDEND

The Board of Directors in its meeting held on August 22, 2016 declared an interim cash dividend of Rs. 90.97 per share (December 31, 2015: Rs 54.00 per share) for the year ending December 31, 2016, amounting to Rs. 560.16 million (December 31, 2015 : Rs. 332.51 million).

This condensed interim financial information does not reflect the interim dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the nine months ending September 30, 2016.

12. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 22, 2016 by the Board of Directors of the Company.

Shazia Syed
Chief Executive

Ali Tariq
Director & Chief Financial Officer

یونی لیور پاکستان فوڈز لمیٹڈ

کاروباری جائزہ

ڈائریکٹرز کمپنی کی ششماہی رپورٹ اور مالیاتی گوشوارے برائے 30 جون 2016 پیش کر رہے ہیں۔

سیلز میں 9.4% اضافہ ہوا جس کی وجوہات میں برانڈ کی مضبوط ساکھ، کامیاب جدت و اختراعات اور اشتہارات و پروموشن میں مستقل سرمایہ کاری شامل ہیں۔ دوسری سہ ماہی میں کمپنی نے اشتہارات و پروموشن میں اپنی سرمایہ کاری بڑھائی تاکہ موسمی مواقع، حریفوں سے سبقت اور جدت و اختراعات سے فائدہ اٹھایا جائے۔ نتیجتاً، 2016 ششماہی سال میں فی حصص آمدنی میں 16.4% کی کمی ہوئی۔

مالیاتی کارکردگی کا خلاصہ			30 جون کو ختم شدہ سہ ماہی نتائج			30 جون کو ختم شدہ ششماہی نتائج		
	2016	2015	% بٹھول	2016	2015	% بٹھول	2016	2015
	روپے 000	روپے 000		روپے 000	روپے 000		روپے 000	روپے 000
خالص سیلز	2,524,244	2,334,238	8.1%	4,890,978	4,470,679	9.4%		
ٹیکس سے قبل منافع	307,183	490,069	-37.4%	784,800	915,215	-14.2%		
ٹیکس کے بعد منافع	208,677	373,045	-44.1%	560,176	669,756	-16.4%		
آمدنی فی حصص (روپے)	33.89	60.58	-44.1%	90.97	108.77	-16.4%		

مستقبل پر نظر:

کاروبار کے دشوار ماحول اور بڑھتے ہوئے مسابقت کے رجحان کے باعث کمپنی کی جانب سے کی گئی سرمایہ کاری کی آگاہی رکھتے ہوئے ہم مستقبل کے رجحانات سے پر امید ہیں۔ کمپنی جدت کو متعارف کرانے کے ساتھ اپنے برانڈ کی مضبوط ساکھ کے ذریعے اپنے صارفین کی روزمرہ زندگی میں بہتر سے بہتر کی جستجو کو مسلسل جاری رکھے گی۔

منجانب بورڈ

کامران مرزا

چیئر مین

22 اگست 2016

کراچی



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