



ANNUAL REPORT 2014

Unilever Pakistan Foods Limited



Unilever

Contents

Vision & Core Values	02
Company Information	03
Directors' Profile	04
Directors' Report	05
Board Meetings Attendance	11
Board Committee Meetings	11
Performance Indicators for 6 years	13
Balance Sheet - Analysis for 6 years	16
Profit & Loss - Analysis for 6 years	18
Statement of Wealth Generated and Distributed	20
Pattern of Shareholding	21
Statement of Compliance with the Code of Corporate Governance	23
Auditors' Review Report	24
Financial Statements	25
Notice of Annual General Meeting	65
Dividend Mandate Form	69
Form for Deduction of Tax on Dividend Income	71
Form of Proxy	73



Company Information

Board of Directors

Mr. Kamran Y. Mirza
Independent Director &
Chairman of the Board

Ms. Fariyha Subhani
Executive Director & Chief Executive

Mr. Ali Tariq
Executive Director & CFO

Mr. Ehsan A. Malik
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

Ms. Shazia Syed
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

Mr. Azhar Shahid
Secretary &
Head of Internal Audit

Human Resource & Remuneration Committee

Mr. Zulfikar Monnoo
Chairman & Member

Mr. Kamal Monnoo
Member

Mr. Ehsan A. Malik
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.unileverpakistan.com.pk
www.unileverpakistanfoods.com.pk

Directors' Report



Directors' Report

The directors present the Annual Report together with the Company's audited financial statements for the year ended December 31, 2014.

Business Review:

In 2014 the Company delivered EPS growth of 17%. Sales grew by 12%, with underlying volume growth of 7%. Gross margin improved by 137 bps on the back of cost efficiencies and improved sales mix. Advertising and promotion spend increased by 59 bps, reinforcing our commitment to build brands for the long term. Profit from operations increased by 118 bps to 22% of Sales.

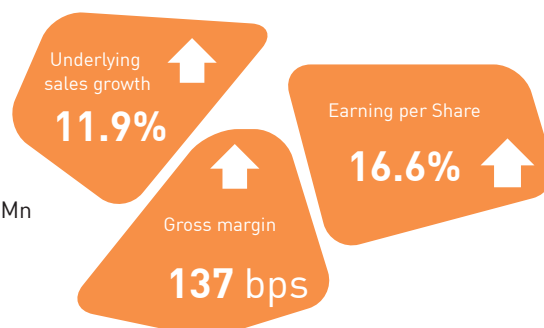
Summary of Financial Performance

	2014	2013
	Rupees in million	
Sales	7,787	6,959
Gross Profit	3,360	2,908
Profit from Operations	1,740	1,473
Profit before tax	1,690	1,464
Profit after tax	1,172	1,005
EPS-basic (Rs.)	190.29	163.17

Key Financial Indicators

Financial Headlines

- Turnover up by Rs. 828 Mn
- Profit from operations up by Rs. 267 Mn
- Earnings per share of Rs. 190.3



Dividends

Interim Dividend 2014 (already paid): Rs.94 per share (2013: Rs. 120.7 per share).

Final Dividend 2014: NIL. (2013: Rs. 42.28 per share).

The key business milestones for 2014 were:

Knorr, the brand grew by 17%, with all formats growing. Noodles, the volume driver in savoury, enjoyed substantial growth on the back of successful launch of two new variants. This drove excitement in the category resulting in organic growth on core variants. Knorr being the main sponsor of Master Chef program, gained top of mind awareness and drove usage of cubes in traditional meals.

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

Our People

At Unilever Pakistan Foods Limited, we believe that the way to grow as a business is to grow our people, enabling personal development and ambitious business results. This investment in our people is what sets us apart in the industry and drives us towards our goals with the right people on board. The Standards of Leadership (SOL) of the Company, i.e. a set of behaviors that are deemed vital to be a good leader, are ingrained strongly in our people and drive their remarkable performance year after year.

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 programs. Personal development is facilitated through empowering people with bigger as well as challenging assignments, coaching, mentoring and a robust appraisal system.

Diversity is at the heart of our agenda. We encourage our employees to work from agile locations and offer flexi-work hours. In order to cater to the needs of the female employees, the Unilever Day Care Centre was started in 2003 and is now also used by male employees,

Moreover, initiatives from “Beyond Work” subcommittee kept employees engaged on safety and security aspects, to cope up with heightened risks and develop safe working habits off the job also.

Unilever also conducts annual health check-ups for all employees to ensure that they are in perfect health. The Company provides employees with gym, swimming pool and table tennis facilities to encourage physical exercise.

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 organization. Employees are also required to sign off compliance with the CoBP. There is a 24 hour call line and e-mail service to lodge complaints.

vii. Contribution to National Exchequer:

Unilever Pakistan Foods Limited contributed Rs. 1,888 million in 2014 (2013: Rs. 1,630 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 contribute monetary, skill and volunteer support to various organizations through multiple activities and programmes held in the Company. Contributions through the ongoing 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’, the UN World Food Programme’s Fight Against Hunger Campaign during World Food Day and volunteered to teach children the importance of handwashing with soap at ‘The Citizens Foundation’ schools during the Global Handwashing Day. Employees also participated in a fun Family Day with their children at the office through activities aimed at teaching children the importance of recycling and healthy eating.

Value of Investments of Employees in Retirement Funds

Unilever Pakistan Foods Limited contributed Rs 20.1 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, 2014 is as follows:

Rs. in million

Provident Fund	141
Pension Fund	19
Gratuity Fund	4

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 as applicable in Pakistan 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 Board has reconstituted the Audit Committee, which comprises of four Members; three Non-Executive Directors and one Independent Director.

- There are no significant doubts upon the Company’s ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.
- Statements regarding the following are annexed or are disclosed in the notes to the financial statements.
 - a Number of Board and its committee meetings held and attendance by directors.
 - b Key financial data for the last six years.
 - c Pattern of shareholding.

There was no 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 2014. The term of the present directors will expire on April 19, 2017.

Auditors

The Auditors, KPMG Taseer Hadi & Co. were appointed for the year ending December 31, 2014 in place of A. F. Ferguson & Co.

The Board has recommended the appointment of KPMG Taseer Hadi & Co. as the Auditors of the Company for the year 2015, subject to Shareholders’ approval at the next AGM to be held on April 16, 2015.

Holding Company

Through its wholly owned subsidiary 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.

Board Meetings Attendance

During the year 2014, 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. Kamran Y. Mirza**	3	3
Ms. Fariyha Subhani	4	4
Mr. Ali Tariq	4	4
Mr. Ehsan A. Malik	4	4
Mr. Zulfikar Monnoo	4	4
Mian M. Adil Monnoo	4	4
Mr. Kamal Monnoo	4	4
Mr. Badaruddin F. Vellani	4	4
Ms. Shazia Syed**	3	3
Mr. Noman A. Lutfi***	1	-

Notes:

* Meetings held during the period when concerned Director was on the Board.

** Appointed with effect from April 20, 2014, after election of Directors

*** Term as Director completed on April 19, 2014.

Board Committee Meetings Held During The Year

Audit Committee

Name of Member	Total No. of Meetings Held*	No. of Meetings Attended
Mr. Zulfikar Monnoo Chairman	4	4
Mian M. Adil Monnoo Member	4	4
Mr. Badaruddin F. Vellani** Member	3	2
Mr. Noman A. Lutfi** Member	1	-
Mr. Azhar Shahid Secretary	4	4

Notes:

* Meetings held during the period when concerned Director was on the Board.

** During the year Mr. Badaruddin F. Vellani has been appointed in place of Mr. Noman A. Lutfi, after election of Directors.

Performance Indicators for 6 years

2014 2013 2012 2011 2010 2009

(Rupees in Thousand)

FINANCIAL POSITION

Balance sheet

Property, plant and equipment	1,803,992	1,020,414	649,333	620,702	300,726	288,872
Other non-current assets	101,268	100,900	107,574	110,152	83,922	85,281
Current assets	1,560,692	1,204,872	1,248,575	1,036,314	704,825	600,683
Total assets	3,465,952	2,326,186	2,005,482	1,767,168	1,089,473	974,836
Share capital - ordinary	61,576	61,576	61,576	61,576	61,576	61,576
Reserves	721,822	388,153	534,202	420,085	342,819	207,080
Total equity	783,398	449,729	595,778	481,661	404,395	268,656
Non-current liabilities	112,239	111,922	106,989	114,403	38,182	25,497
Current liabilities	2,570,315	1,764,535	1,302,715	1,171,104	646,896	680,683
Total liabilities	2,682,554	1,876,457	1,409,704	1,285,507	685,078	706,180
Total equity and liabilities	3,465,952	2,326,186	2,005,482	1,767,168	1,089,473	974,836
Net current (liabilities) / assets	(1,009,623)	(559,663)	(54,140)	(134,790)	57,929	(80,000)

OPERATING AND FINANCIAL TRENDS

Profit and loss

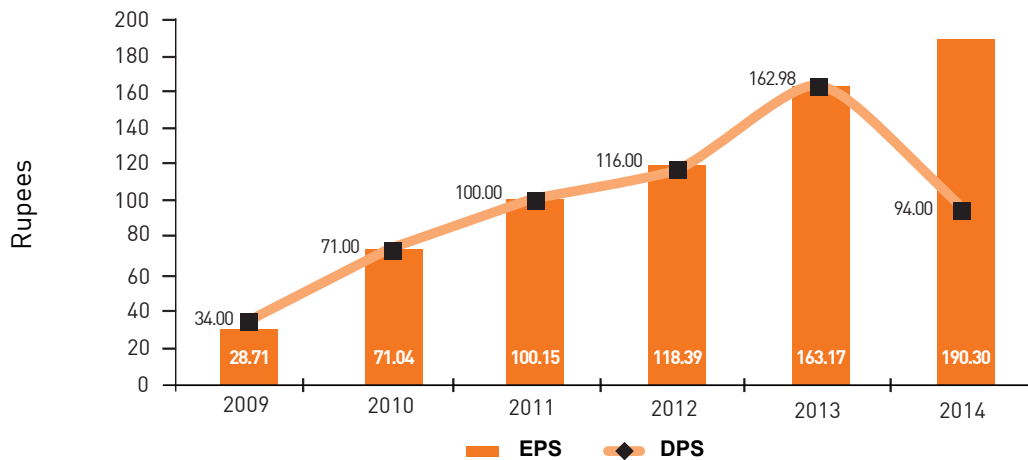
Net sales	7,787,059	6,958,846	5,861,096	4,940,251	4,040,887	3,376,511
Cost of sales	(4,426,989)	(4,051,302)	(3,630,636)	(3,015,502)	(2,506,003)	(2,122,144)
Gross profit	3,360,070	2,907,544	2,230,460	1,924,749	1,534,884	1,254,367
Operating profit	1,739,722	1,472,898	1,080,241	916,995	658,308	264,173
Profit before tax	1,689,929	1,463,855	1,072,175	910,132	645,859	241,656
Profit after tax	1,171,821	1,004,755	728,981	616,695	437,463	176,792
Cash ordinary dividends	771,089	1,133,265	614,356	529,800	301,517	208,610

Cash flows

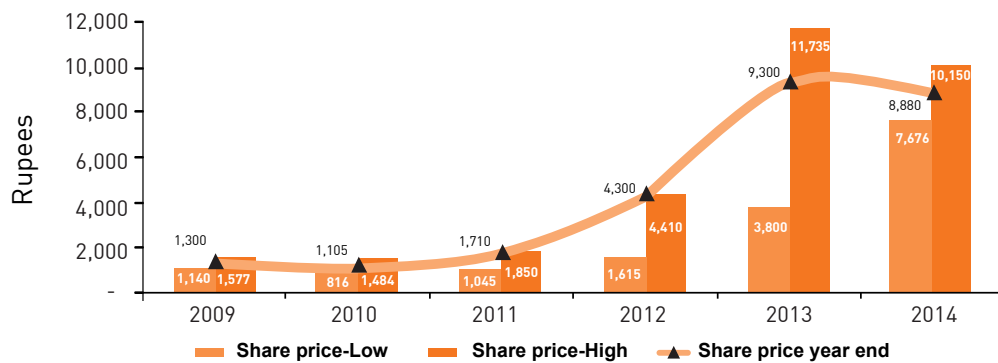
Operating activities	1,405,243	1,652,146	806,912	964,204	368,273	351,377
Investing activities	(784,673)	(397,293)	(54,237)	(345,950)	(48,445)	(16,277)
Financing activities	(771,089)	(1,133,265)	(614,356)	(529,800)	(301,517)	(208,610)
Cash and cash equivalents at the end of the year	108,074	258,593	137,005	(1,314)	(89,768)	(108,079)

Performance Indicators for 6 years

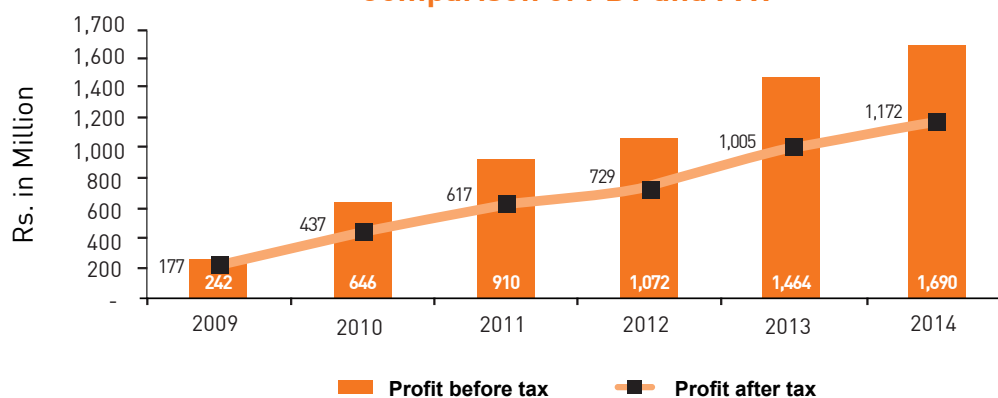
Comparison of EPS and DPS



Share Price Trend



Comparison of PBT and PAT



Balance Sheet Vertical Analysis for 6 years

(Rs. in thousand)

	2014		2013		2012		2011		2010		2009	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
Capital and reserves												
Share capital	61,576	1.78	61,576	2.65	61,576	3.07	61,576	3.48	61,576	5.65	61,576	6.32
Reserves	721,822	20.83	388,153	16.69	534,202	26.64	429,959	24.33	342,819	31.47	207,080	21.24
	783,398	22.60	449,729	19.33	595,778	29.71	491,535	27.81	404,395	37.12	268,656	27.56
Non-current liabilities												
Retirement benefits - obligation	1,369	0.04	4,328	0.19	3,923	0.20	17,519	0.99	8,939	0.82	7,994	0.82
Deferred taxation	110,870	3.20	107,594	4.63	103,066	5.14	87,010	4.92	29,243	2.68	17,503	1.80
	112,239	3.24	111,922	4.81	106,989	5.33	104,529	5.92	38,182	3.50	25,497	2.62
Current liabilities												
Trade and other payables	2,518,817	72.67	1,716,409	73.79	1,213,083	60.49	1,030,383	58.31	433,047	39.75	512,182	52.54
Provision	21,791	0.63	15,942	0.69	7,508	0.37	25,817	1.46	10,000	0.92	-	-
Accrued interest / mark up	757	0.02	863	0.04	895	0.04	151	0.01	2,020	0.19	948	0.10
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
Short term borrowings	28,950	0.84	25,161	1.08	64,897	3.24	94,526	5.35	170,204	15.62	148,775	15.26
Provision	-	-	-	-	-	-	-	-	-	-	-	-
	2,570,315	74.16	1,764,535	75.86	1,302,715	64.96	1,171,104	66.27	646,896	59.38	680,683	69.83
	3,465,952	100.00	2,326,186	100.00	2,005,482	100.00	1,767,168	100.00	1,089,473	100.00	974,836	100.00

ASSETS

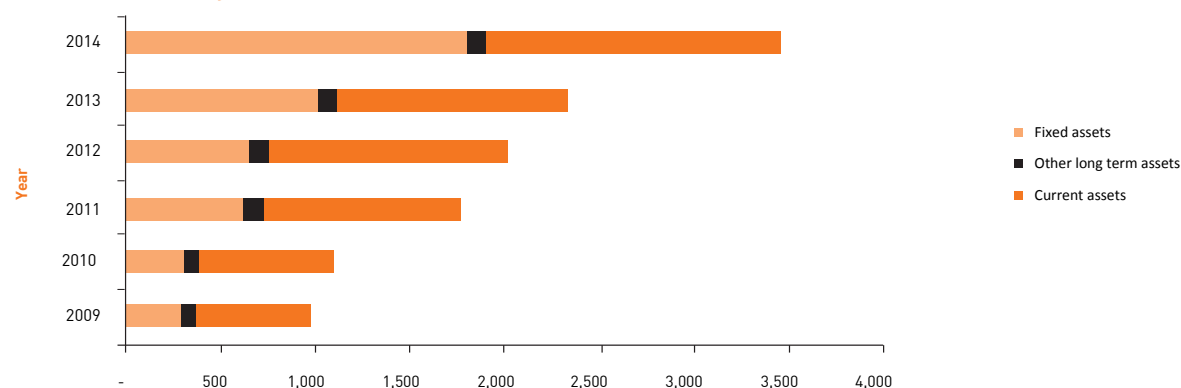
Non-current assets

Property, plant and equipment	1,803,992	52.05	1,020,414	43.87	649,333	32.38	620,702	35.12	300,726	27.60	288,872	29.63
Intangible assets	81,637	2.36	81,637	3.51	81,637	4.07	81,637	4.62	81,637	7.49	81,637	8.37
Long term loans	17,855	0.52	18,558	0.80	22,477	1.12	25,621	1.45	2,157	0.20	3,289	0.34
Long term prepayment	-	-	-	-	-	-	2,894	0.16	128	0.01	355	0.04
Retirement benefit - prepayment	1,776	0.05	705	0.03	3,460	0.17	-	-	-	-	-	-
	1,905,260	54.97	1,121,314	48.20	756,907	37.74	730,854	41.36	384,648	35.31	374,153	38.38

Current assets

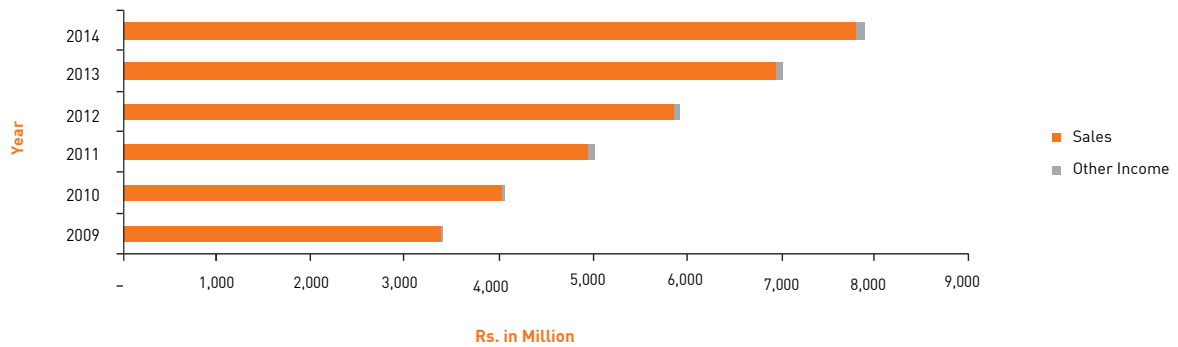
Stores and spares	25,682	0.74	22,229	0.96	16,983	0.85	16,700	0.95	17,458	1.60	14,636	1.50
Stock in trade	849,057	24.50	594,105	25.54	750,374	37.42	593,162	33.57	358,094	32.87	333,840	34.25
Trade debts	204,351	5.90	182,797	7.86	146,113	7.29	188,563	10.67	96,606	8.87	79,649	8.17
Loans and advances	16,077	0.46	16,865	0.73	12,682	0.63	19,366	1.10	14,709	1.35	11,963	1.23
Trade deposits and short term prepayments	60,067	1.73	49,212	2.12	39,603	1.97	52,793	2.99	20,230	1.86	18,039	1.85
Other receivables	51,901	1.50	19,843	0.85	80,918	4.03	28,868	1.63	9,638	0.88	15,287	1.57
Taxation - payments less provision	173,843	5.02	-	-	-	-	43,650	2.47	107,654	9.88	86,573	8.88
Cash and bank balances	137,024	3.95	283,754	12.20	201,902	10.07	93,212	5.27	80,436	7.38	40,696	4.17
Accrued interest / mark up	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax refundable	42,690	1.23	36,067	1.55	-	-	-	-	-	-	-	-
	1,560,692	45.03	1,204,872	51.80	1,248,575	62.26	1,036,314	58.64	704,825	64.69	600,683	61.62
	3,465,952	100.00	2,326,186	100.00	2,005,482	100.00	1,767,168	100.00	1,089,473	100.00	974,836	100.00

Balance Sheet Analysis - Assets

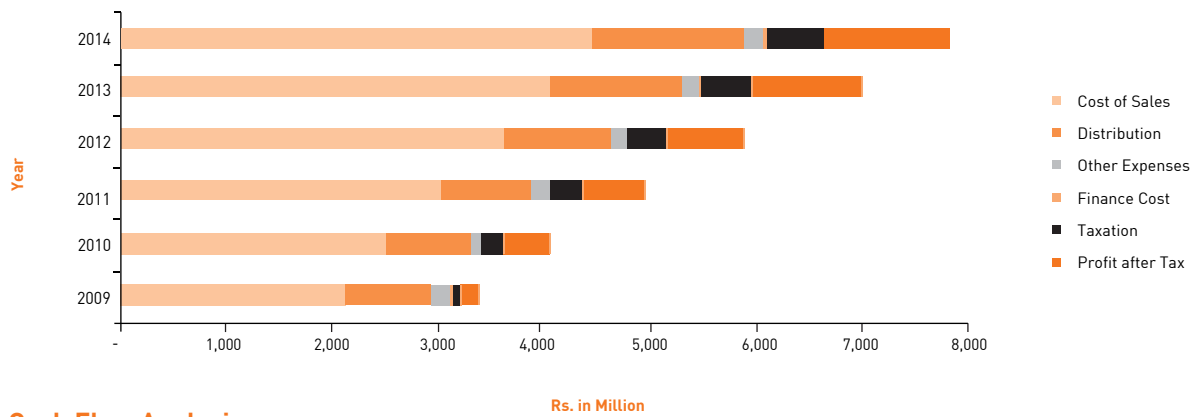


Graphical Analysis

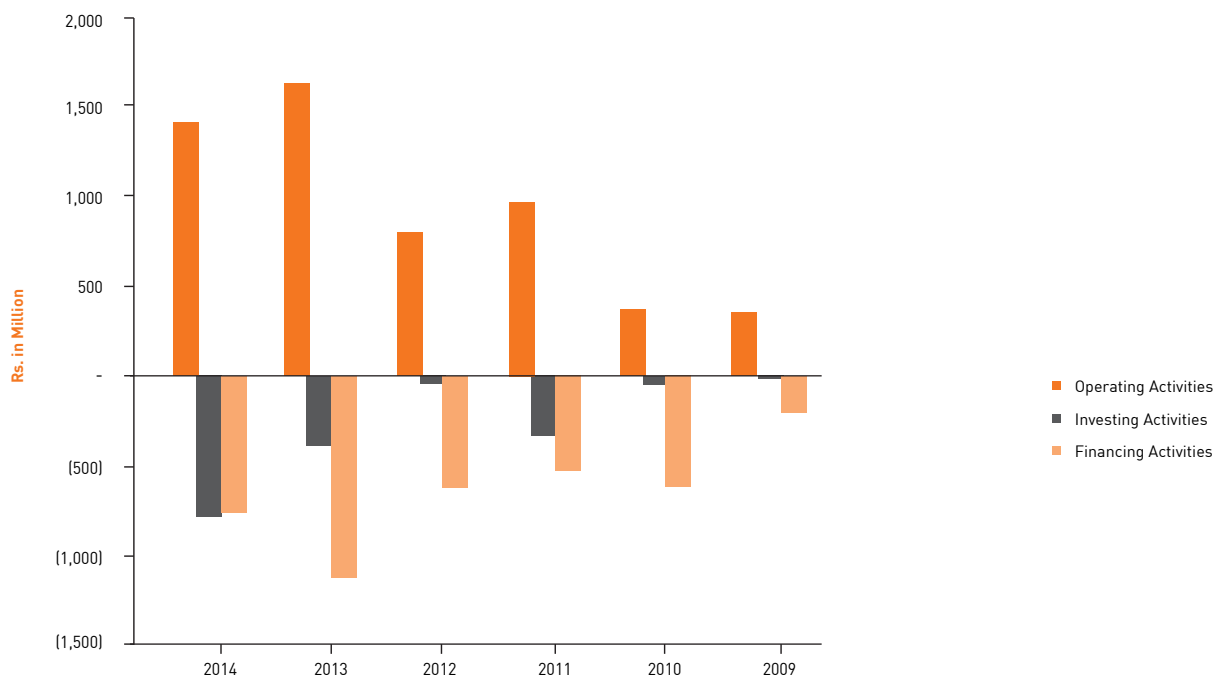
Profit and Loss Analysis - Income



Profit and Loss Analysis - Expenses



Cash Flow Analysis



Pattern of Shareholding

As at December 31, 2014

Number of Shareholders	Shareholdings' Slab		Total Shares Held
665	1	100	22,403
102	101	500	19,080
20	501	1000	12,723
8	1001	5000	19,170
2	20001	25000	44,581
1	25001	30000	28,760
1	35001	40000	37,080
3	40001	45000	131,552
1	60001	65000	61,670
1	65001	70000	67,180
2	75001	80000	153,573
1	90001	95000	94,344
2	95001	100000	191,847
1	110001	115000	113,860
1	130001	135000	134,865
1	150001	155000	153,728
1	200001	205000	200,947
1	4670001	4675000	4,670,255
814			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 spouse(s) and minor children	10	371,457	6.03
Public Sector Companies and Corporations	2	64	0.00
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance companies, Takaful, Modarabas and Pension Funds	1	867	0.01
General Public			
a. Local	779	1,113,250	18.08
b. Foreign	8	12	0.00
Foreign Companies	2	672	0.01
Others	11	1,041	0.02
Totals	814	6,157,618	100.00

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

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 Karachi and Lahore Stock Exchanges 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 independent and non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	1- Mr. Kamran Y. Mirza (Chairman of the Board)
Executive Directors	1- Ms. Fariyha Subhani (CEO) 2- Mr. Ali Tariq (CFO) 3- Mr. Ehsan A. Malik
Non-Executive Directors	1- Mr. Zulfikar Monnoo (Chairman Audit Committee) 2- Mian M. Adil Monnoo 3- Mr. Kamal Monnoo 4- Mr. Badaruddin F. Vellani 5- Ms. Shazia Syed

The independent director meets the criteria of independence under clause i (b) of the Code.

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 NBFIs or, being a member/broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy in the Board of Directors occurred during the year, after the election of Directors, held at last AGM.
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 and overall corporate strategy. The Company, traditionally, maintains and follows policies designed to align with the Unilever group of companies and global best practices. The Board considers any significant amendments to the policies, as and when required.
7. All the powers of the Board have been duly exercised and decisions on material transactions, based on the significance of the matters involved, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors and Non-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 Exchanges; 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 Program.

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 had formed an Audit Committee comprising of three Non-Executive Directors. Subsequently, the Board has reconstituted the Audit Committee. Now it comprises of four Members; three Non-Executive Directors and one Independent Director.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The 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 04, 2015

Financial Statements 2014



Auditors' Report to the Members

We have audited the annexed balance sheet of Unilever Pakistan Foods Limited ("the Company") as at December 31, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 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.

The financial statements of the Company for the year ended December 31, 2013 were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those financial statements on March 17, 2014.

Dated: March 4, 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Balance Sheet

as at December 31, 2014

	Note	2014 (Rupees in thousand)	2013
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	15	61,576	61,576
Reserves	16	721,822	388,153
		783,398	449,729
LIABILITIES			
Non-current liabilities			
Staff retirement benefit	17	1,369	4,328
Deferred taxation	18	110,870	107,594
		112,239	111,922
Current liabilities			
Trade and other payables	19	2,518,817	1,716,409
Provisions	20	21,791	15,942
Accrued interest / mark up		757	863
Short term borrowings	21	28,950	25,161
Taxation - net		-	6,160
		2,570,315	1,764,535
Total liabilities		2,682,554	1,876,457
Total equity and liabilities		3,465,952	2,326,186
Contingency and commitments	22		

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, 2014

	Note	2014 (Rupees in thousand)	2013
Cash flows from operating activities			
Profit before taxation		1,689,929	1,463,855
Adjustments for non-cash charges and other items			
Depreciation		59,101	52,849
Provision for fixed assets to be written off		13	5,716
Gain on disposal of property, plant and equipment		-	(558)
Provision for staff retirement benefits		2,061	5,796
Mark-up on short term borrowings		10,161	3,115
Return on savings accounts		(56,101)	(31,795)
		15,235	35,123
		1,705,164	1,498,978
Effect on cash flows due to working capital changes			
(Increase) / decrease in current assets			
Stores and spares		(3,453)	(5,246)
Stock in trade		(254,952)	156,269
Trade debts		(21,554)	(36,684)
Loans and advances		788	(4,183)
Trade deposits and short term prepayments		(10,855)	(9,609)
Sales tax refundable		(6,623)	(36,067)
Other receivables		(32,058)	61,075
		(328,707)	125,555
Increase / (decrease) in current liabilities			
Trade and other payables		732,209	486,962
Provisions		5,849	8,434
Sales tax payable		-	(4,640)
		738,058	490,756
Cash generated from operations		2,114,515	2,115,289
Mark-up paid		(10,267)	(3,147)
Income tax paid		(695,383)	(459,498)
Staff retirement benefits - obligation paid		(4,325)	(4,417)
Decrease in long term loans		703	3,919
Net cash from operating activities (carried forward)		1,405,243	1,652,146

Statement of Changes in Equity

for the year ended December 31, 2014

	SHARE	RESERVES				SUB TOTAL	TOTAL
	CAPITAL	CAPITAL		REVENUE			
	Issued, subscribed and paid up capital	Share Premium	Special	General	Unappropriated Profit		
	← (Rupees in thousand) →						
Balance as at January 1, 2013	61,576	24,630	628	138	508,806	534,202	595,778
Transactions with owners of the Company							
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
Transactions with owners of the Company							
Final dividend for the year ended December 31, 2013 @ Rs. 42.28 per share	-	-	-	-	(260,344)	(260,344)	(260,344)
First interim dividend for the year ended December 31, 2014 @ Rs. 94 per share	-	-	-	-	(578,816)	(578,816)	(578,816)
Total comprehensive income for the year ended December 31, 2014							
- Profit for the year ended December 31, 2014	-	-	-	-	1,171,821	1,171,821	1,171,821
- Other comprehensive income for the year ended December 31, 2014	-	-	-	-	1,008	1,008	1,008
	-	-	-	-	1,172,829	1,172,829	1,172,829
Balance as at December 31, 2014	61,576	24,630	628	138	696,426	721,822	783,398

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

3. 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.

3.1 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except capital work in progress which is stated at cost. Depreciation is calculated using the straight-line method to charge off their cost excluding residual value, if not insignificant, over their estimated useful lives. Depreciation on additions is charged from the month in which asset is available for use and on disposals upto the month of deletion.

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. 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.

3.2 Intangible assets

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.

3.3 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.

3.3.1 Current

Provision for the current taxation is based on taxability of certain income streams of the Company under presumptive tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime, after taking into account tax credits and tax rebates available, if any.

3.4.2 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. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

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, 2014, 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, 2014, 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.

The Company also provides long term service awards for staff completing specified years of service.

3.5 Stores and spares

These are valued at average cost less impairment loss except for items in transit which are stated at invoice value plus other charges incurred thereon till the balance sheet date. Cost comprises invoice value and other direct costs but excludes borrowing costs. Provision is made for obsolete / slow moving items where necessary and is recognised in the profit and loss account.

3.6 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

3.10 Ijarah

Ujrah payments made under Ijarah contracts are charged to the profit and loss account on a straight-line basis over the Ijarah term.

3.11 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.

3.12 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 qualifying asset.

3.13 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.

3.14 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. The financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

3.15 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.

3.16 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

4.1.1 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.

4.1.2 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.

4.1.3 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.

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

2014 2013
(Rupees in thousand)

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	995,280	635,064
Capital work in progress - note 5.2	808,712	385,350
	<u>1,803,992</u>	<u>1,020,414</u>

	2014 (Rupees in thousand)	2013
5.2 Capital work in progress – at cost		
Civil work	198,524	51,399
Plant and machinery	589,226	257,629
Advances to suppliers	20,962	76,322
	808,712	385,350

6. INTANGIBLE ASSETS

Gross carrying value basis

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).

The management has assessed the useful life of the intangible as indefinite, since it is expected that the underlying brand, Glaxose-D, will operate in the market for an indefinite period of time.

	2014 (Rupees in thousand)	2013
7. LONG TERM LOANS - considered good		
Executives - note 7.1	28,259	26,542
Recoverable within one year - note 11	(10,404)	(7,984)
	17,855	18,558
7.1 Reconciliation of carrying amount of loans to executives:		
- Opening balances	26,542	30,559
- Disbursements	16,391	10,327
- Repayments	(14,674)	(14,344)
	28,259	26,542

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.

- 10.2** As of December 31, 2014 trade debts of Rs. 37.57 million (2013: Rs. 31 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:

	2014	2013
	(Rupees in thousand)	
Up to 3 months	30,168	24,814
3 to 6 months	7,252	2,248
More than 6 months	153	3,940
	<u>37,573</u>	<u>31,002</u>

11. LOANS AND ADVANCES - considered good

Current portion of loans to employees - note 7	10,404	7,984
Advances to:		
executives - note 11.1	824	824
other employees	2,180	3,870
suppliers and others	2,669	4,187
	<u>5,673</u>	<u>8,881</u>
	<u>16,077</u>	<u>16,865</u>

- 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.

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2014	2013
	(Rupees in thousand)	
Trade deposits	3,650	3,740
Prepayments	52,417	42,538
Prepaid rent	4,000	2,934
	<u>60,067</u>	<u>49,212</u>

- 15.1** As at December 31, 2014 and 2013 Conopco Inc. USA, subsidiary of Unilever N.V. Holland, held 4.67 million ordinary shares of Rs. 10 each.

2014 **2013**
(Rupees in thousand)

16. RESERVES

Capital reserves

Share premium	24,630	24,630
Special	628	628
	25,258	25,258

Revenue reserves

General	138	138
Unappropriated profit	696,426	362,757
	696,564	362,895
	721,822	388,153

17. STAFF RETIREMENT BENEFITS

- 17.1** As stated in note 3.4, 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, 2014.

- 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, 2014 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:

2014		2013	
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	(29,470)	(17,016)	(30,313)	(14,994)
Fair value of plan assets at December 31 - note 17.6	31,246	15,647	25,985	15,699
Surplus / (deficit)	1,776	(1,369)	(4,328)	705

	2014		2013	
	Funded		Funded	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
17.9 Net recognised (asset) / liability				
Net liability / (asset) at beginning of the year	4,328	(705)	3,923	(3,460)
Charge for the year	275	1,786	450	929
Contribution made during the year to the Fund	(4,325)	-	-	-
Remeasurements recognised in Other Comprehensive Income	(2,054)	288	(45)	1,826
Recognised (asset) / liability as at December 31	<u>(1,776)</u>	<u>1,369</u>	<u>4,328</u>	<u>(705)</u>
17.10 Plan assets comprise of following:				
Government bonds	18,717	3,865	28,298	3,646
Cash at Bank	13,073	11,782	5,271	841
Due (to) / from DC Pension Fund	(237)	-	(6,485)	10,433
Due (to) / from Company	(307)	-	(1,099)	779
Total as at December 31	<u>31,246</u>	<u>15,647</u>	<u>25,985</u>	<u>15,699</u>
17.11 Actuarial assumptions				
Discount rate at December 31	11.00%	11.00%	12.75%	12.75%
Future salary increases	8.50%	8.50%	10.25%	10.25%
Future pension increases	1.00%	1.00%	0.00%	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 2014 consists of government bonds and term deposits. The Company believes that government bonds 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.

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, 2014 amounted to Rs. 4.33 million (2013: Rs. nil).

17.19 The weighted average duration of the defined benefit obligation is 14.4 years.

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
At December 31 2014	← (Rupees in thousand) →				
Retirement benefit plans	29,534	67	1,006	11,636	42,243

2014 **2013**
(Rupees in thousand)

18. DEFERRED TAXATION

Credit balance arising in respect of:
- accelerated tax depreciation allowance
- amortisation of intangible assets

Debit balance arising in respect of:

- provision for stock in trade
- provision for staff retirement benefits
- provision for doubtful debts
- provision for restructuring
- other provisions

128,885	109,783
27,757	27,757
156,642	137,540
(23,755)	(9,261)
(1,370)	(5,887)
(8,889)	(8,421)
(2,455)	(1,841)
(9,303)	(4,536)
(45,772)	(29,946)
110,870	107,594

19. TRADE AND OTHER PAYABLES

Creditors
Bills payable - note 19.1
Accrued liabilities
Royalty and technology fee - note 19.2
Advances from customers
Withholding tax
Workers' Welfare Fund
Workers' Profits Participation Fund - note 19.3
Unclaimed dividend
Others

331,662	178,494
156,331	66,913
1,469,812	1,146,795
341,762	122,247
66,119	59,202
1,100	5,332
42,742	35,048
88,495	76,438
10,984	19,088
9,810	6,852
2,518,817	1,716,409

21. SHORT TERM BORROWINGS

Running finance under mark-up arrangements - secured

The facilities for running finance available from various banks amount to Rs. 1.9 billion (2013: Rs. 1.05 billion). The rates of mark-up range between KIBOR to KIBOR + 1% per annum (2013: KIBOR to KIBOR + 1% per annum).

The arrangements are secured by way of hypothecation over the Company's current assets amounting to Rs. 1.4 billion.

The facilities for opening letters of credit and guarantees as at December 31, 2014 amounted to Rs. 2.7 billion (2013: Rs. 2.2 billion) of which the amount remained unutilised at year end was Rs. 2.1 billion (2013: Rs. 1.8 billion).

22. CONTINGENCY AND COMMITMENTS

22.1 CONTINGENCY

22.1.1 There were no contingencies as at December 31, 2014.

22.2 COMMITMENTS

22.2.1 Aggregate commitments outstanding for capital expenditure as at December 31, 2014 amounted to Rs. 166.72 million (2013: Rs. 94.39 million).

23. SALES

	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Gross Sales	10,198,504	9,025,734
Sales tax	(1,370,649)	(1,232,972)
	8,827,855	7,792,762
Returns, rebates and allowances	(1,040,796)	(833,916)
	7,787,059	6,958,846

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

	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Products used by end consumers	6,575,835	5,730,044
Products used by entities	1,211,224	1,228,802
	7,787,059	6,958,846

	2014	2013
	(Rupees in thousand)	
25. DISTRIBUTION COST		
Staff costs - note 25.1	149,136	147,536
Advertisement and sales promotion	790,959	664,996
Outward freight and handling	168,286	146,126
Royalty, technology fee and related duties	219,516	147,095
Travelling and entertainment	15,728	23,384
Rent, rates and taxes	10,587	10,524
Ujrah payments	10,808	9,144
Depreciation	1,233	1,103
Repairs and maintenance	1,549	1,262
Stationery and office expenses	1,944	3,335
Other expenses	1,790	8,212
Charges by related party	74,442	72,149
	<u>1,445,978</u>	<u>1,234,866</u>

25.1 Staff costs

Salaries and wages	134,369	134,284
Medical expenses	3,781	3,475
Pension cost - defined benefit plan	204	333
Gratuity cost - defined benefit plan	1,321	687
Cost of defined contribution plan	9,461	8,757
	<u>149,136</u>	<u>147,536</u>

26. ADMINISTRATIVE EXPENSES

Staff costs - note 26.1	15,618	14,926
Depreciation	320	286
Travelling and entertainment	1,202	3,901
Auditors' remuneration - note 26.2	1,351	2,137
Provision for doubtful debts	3,507	8,956
Legal and professional charges	5,168	2,985
Other expenses	3,452	3,422
Charges by related party - note 26.3	130,122	119,859
	<u>160,740</u>	<u>156,472</u>

26.1 Staff costs

Salaries and wages	15,160	14,683
Pension cost - defined benefit plan	6	9
Gratuity cost - defined benefit plan	37	19
Cost of defined contribution plan	415	215
	<u>15,618</u>	<u>14,926</u>

	2014	2013
	(Rupees in thousand)	
29. FINANCE COST		
Mark up on short term borrowings	10,161	3,115
Exchange loss	32,933	-
Bank charges	6,699	5,928
	<u>49,793</u>	<u>9,043</u>
30. TAXATION - charge		
Current tax for the year	515,380	453,966
Deferred tax	2,728	5,134
	<u>518,108</u>	<u>459,100</u>
30.1 Reconciliation between tax expense and accounting profit.		
Accounting profit before tax	<u>1,689,929</u>	<u>1,463,855</u>
Tax at the applicable tax rate of 33% (2013: 34%)	557,677	497,711
Tax effect of credits	(23,972)	(19,781)
Tax effect of final tax	(21,015)	(19,795)
Tax effect of change in tax rate	6,335	2,944
Others	(917)	(1,979)
Tax expense for the year	<u>518,108</u>	<u>459,100</u>
31. BASIC AND DILUTED EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>1,171,821</u>	<u>1,004,755</u>
Weighted average number of shares in issue during the year - in thousand	<u>6,158</u>	<u>6,158</u>
Basic earnings per share (Rupees)	<u>190.29</u>	<u>163.17</u>

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

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	
	2014	2013	2014	2013	2014	2013
	← (Rupees in thousand) →					
Managerial remuneration and allowances	1,704	1,850	3,786	3,263	108,168	107,480
Retirement benefits - note 33.1	-	-	-	-	13,014	13,269
Medical expenses	-	-	-	-	4,317	2,296
Other expenses	-	-	-	-	4,554	3,514
	<u>1,704</u>	<u>1,850</u>	<u>3,786</u>	<u>3,263</u>	<u>130,053</u>	<u>126,559</u>
Number of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>70</u>	<u>82</u>

In addition to this, a lump sum amount of Rs. 12.67 million (2013: Rs. 15.5 million) on account of variable pay has been accounted for in financial statements for the current year payable in 2015 after verification of target achievement.

Out of the variable pay recognised for 2013 and 2012 following payments were made:

	Paid in 2014 relating to 2013	Paid in 2013 relating to 2012
	(Rupees in thousand)	
Executive Director	255	419
Chief Executive	231	327
Executives	12,489	17,603
Other employees	83	392
	<u>13,058</u>	<u>18,741</u>

Aggregate amount charged in these financial statements for the year for fee to four non-executive directors was Rs. 1.21 million (2013: four non executive directors Rs. 0.18 million).

Certain executives of the Company are also provided with 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.

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	-	-	-	16,077	17,855	33,932	33,932
Trade debts	-	-	-	204,351	-	204,351	204,351
Trade deposits	-	-	-	3,650	-	3,650	3,650
Other receivables	-	-	-	51,901	-	51,901	51,901
Cash and bank balances	88,706	-	88,706	48,318	-	48,318	137,024
December 31, 2014	88,706	-	88,706	324,297	17,855	342,152	430,858
December 31, 2013	276,017	-	276,017	220,634	18,558	239,192	515,209
FINANCIAL LIABILITIES							
Trade and other payables	156,331	-	156,331	2,164,030	-	2,164,030	2,320,361
Short term borrowings	28,950	-	28,950	-	-	-	28,950
Accrued interest / mark up	-	-	-	757	-	757	757
December 31, 2014	185,281	-	185,281	2,164,787	-	2,164,787	2,350,068
December 31, 2013	92,074	-	92,074	1,474,339	-	1,474,339	1,566,413
ON BALANCE SHEET GAP							
December 31, 2014	(96,575)	-	(96,575)	(1,840,490)	17,855	(1,822,635)	(1,919,210)
December 31, 2013	183,943	-	183,943	(1,253,705)	18,558	(1,235,147)	(1,051,204)
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantee:							
December 31, 2014							392,850
December 31, 2013							366,513

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. 430.86 million (2013: Rs. 515.21 million), the financial assets which are subject to credit risk amounted to Rs. 204.4 million (2013: Rs. 182.8 million).

The foreign currency assets are approximately 80.5% in USD and 19.5% in EURO. The foreign currency liabilities are approx 85.6% in USD and 14.4% in EURO.

As at December 31, 2014, if the Pakistan Rupee had weakened / strengthened by 5% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 3.92 million (2013: Rs. 5.92 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated financial assets and liabilities.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company only as at the balance sheet date and assumes this is the position for a full twelve-month period.

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, 2014, the Company had variable interest bearing financial assets of Rs. 88.71 million (2013: Rs. 276.02 million) and financial liabilities of Rs 185.28 million (2013: Rs. 92.07 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. 1.93 million (2013: Rs. 2.11 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.

Notice of Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of Unilever Pakistan Foods Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Thursday, April 16, 2015, at 03:00 p.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Company's Financial Statements for the year ended 31 December 2014, together with the Reports of the Auditors and Directors thereon.
2. To approve Interim Dividend of Rs. 94.00 (940%) per Ordinary Share of the Company, already paid during 2014.
3. To appoint Auditors for the ensuing year, and to fix their remuneration.
Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

Karachi
March 24, 2015

By Order of the Board

Amar Naseer
Company Secretary

Notes:

1. Share Transfer Books will be closed from April 10, 2015 to April 16, 2015 (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 Shakra-e-Faisal, Karachi-74400 by the close of the Business on April 09, 2015 will be treated in time for the purpose of ascertaining the entitlement of Shareholders for attending the Annual General Meeting.
2. All Members / Shareholders are entitled to attend and vote at the meeting. A Member may appoint a proxy who need not be a Member of the Company.
3. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (1st Floor, Avari Plaza, Fatima Jinnah Road, Karachi) at least 48 hours before the time of the meeting.
4. 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.

Notice of Annual General Meeting

- (ii) For any query/problem/information, the investor may contact the Share Registrar: The Manager, Share Registrar Department, Central Depository Company of Pakistan Limited, telephone number: 0800 - 23275 (Toll Free), e-mail address: info@cdcpak.com and /or the Company: Ms. Wajiha Khan, telephone number: +92- 21-35660062 e-mail address: wajiha.khan@unilever.com.
- (iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholder should send a copy of their NTN certificate to the company or its Share Registrar, M/s Central Depository Company of Pakistan Limited, Share Registrar Department. The Shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

According to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal Shareholder as well as Joint-Holder(s) based on their shareholding proportions, in case of joint holding / joint account. In this regard, all shareholders who hold shares with joint shareholders, are requested to provide shareholding proportions of Principal Shareholder and Joint-Holder(s) in respect of shares held by them, to our 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, in writing, otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint -Holder(s).

- 7. According to the SECP circular No. 8(4) SM/CDC 2008 of April 05, 2013, 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 with participants / stock brokers or with Central Depository Company may approach to submit the prescribed Dividend Mandate details to their participants / stock broker or to CDC for this option, with a copy of the Dividend Mandate Form to Share Registrar of the Company.
- 8. 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.

Dividend Mandate Form

SHARE REGISTRAR DEPARTMENT

Date: ___ / ___ / ___

The Central Depository Company of Pakistan Limited

CDC House

SHARE REGISTRAR DEPARTMENT

99-B, Block B, S.M.C.H.S.,

Main Shahrah-e-Faisal, Karachi.

I / We, Mr. / Ms. / Mrs. / M/s, _____, holding CNIC No. / Passport No. / NTN _____ and being the registered shareholder of **Unilever Pakistan Foods Limited** hereby authorize the Company to **directly credit** in my bank account cash dividend, if any declared by the Company in future, instead of issuance of dividend warrant. Following are my details to facilitate the aforementioned request:

SHAREHOLDER'S INFORMATION & BANK DETAILS	
Name of Shareholder	
Folio No.	
CNIC No. / NTN / Passport No. (please attach an attested photocopy)	
Title of Bank Account	
Bank Account Number (COMPLETE)	
Bank's Name	
Bank's Branch Name	
Branch Code	
Address of Bank Branch	
Telephone Number (Landline)	
Mobile Number	

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above-mentioned information to the company and its share registrar as soon as these occur.

Signature of Member: _____

Name: _____

(PLEASE WRITE NAME IN BLOCK LETTERS)

Form for Deduction of Tax on Dividend Income

SHARE REGISTRAR DEPARTMENT

Date: ___ / ___ / ___

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

CDC HOUSE, 99-B, BLOCK "B",
S.M.C.H.S., MAIN SHAHRA-E-FAISAL,
KARACHI-74400

Please further note that under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2014 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders @ 10% and 15% respectively. According to clarification received from Federal Board of Revenue (FBR) withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint Holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all shareholders who hold shares with joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, 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, in writing.

Following is the details of shares held by Principal / Joint-Holder of the shares of **Unilever Pakistan Foods Limited**:

Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above-mentioned information to the company and its share registrar as soon as these occur.

Signature of Member: _____

Name: _____

(PLEASE WRITE NAME IN BLOCK LETTERS)

Signature of Joint-Holder 1:

Signature of Joint-Holder 2:

Name: _____

Name: _____

(PLEASE WRITE NAME IN BLOCK LETTERS)

(PLEASE WRITE NAME IN BLOCK LETTERS)

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 17th Annual General Meeting of the Company to be held on April 16, 2015 and / or any adjournment thereof.

Signed this _____ day of _____ 2015.

[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: _____

Shareholder's Folio No.: _____

Name: _____

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

CNIC #: _____

and Sub-Account No.: _____

Address: _____

Shareholder's CNIC #: _____

Note:

- The Member is requested to:
 - Affix Revenue Stamp of Rs. 5/- at the place indicated above.
 - Sign across the Revenue Stamp in the same style of signature as is registered with the Company.
 - Write down his / her / their Folio Number.
 - 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.
- In order to be valid, this Proxy must be received at the Registered Office of the Company at least 48 hours before the time fixed for the Meeting, duly completed in all respects.
- CDC Shareholders or their Proxies should bring their original Computerized National Identity Card or original Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the Notes to the Notice of AGM.