



# UNILEVER PAKISTAN FOODS LIMITED

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CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE HALF YEAR ENDED JUNE 30, 2013



# UNILEVER PAKISTAN FOODS LIMITED

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Ehsan A. Malik	Chairman
Ms. Fariyha Subhani	Chief Executive
Mr. Ali Tariq	Director / CFO
Mian Zulfikar H. Mannoo	Director
Mian M. Adil Mannoo	Director
Mr. Kamal Monnoo	Director
Mr. Badaruddin F. Vellani	Director
Ms. Shazia Syed	Director
Mr. Noman Amjad Lutfi	Director

### COMPANY SECRETARY

Mr. Amar Naseer

### AUDIT COMMITTEE

Mian Zulfikar H. Mannoo	Chairman
Mian M. Adil Mannoo	Member
Mr. Noman Amjad Lutfi	Member
Mr. Azhar Shahid	Secretary & Head of Internal Audit

### AUDITORS

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

### REGISTERED OFFICE

Avari Plaza  
Fatima Jinnah Road  
Karachi - 75530

### SHARE REGISTRATION OFFICE

C/o Famco Associates (Pvt) Limited  
8-F, Nursery, Block-6, P.E.C.H.S,  
Shahrah-e-Faisal, Karachi.

### WEBSITE ADDRESS

[www.unileverpakistan.com.pk](http://www.unileverpakistan.com.pk)  
[www.unileverpakistanfoods.com.pk](http://www.unileverpakistanfoods.com.pk)

# UNILEVER PAKISTAN FOODS LIMITED

## Directors' Review

Unilever Pakistan Foods Limited

2013 continues to be a challenging year, with energy crisis, adverse security environment, market closures and slowdown in consumer demand impacting the business. Despite this, underlying sales grew by 15% and growth was broad based. Gross margin increased by 212 bps, through savings programs and a more favourable mix. In Quarter 2, we stepped up advertising and promotion in an environment with many players vying for a share of the shrinking consumer wallet. EPS grew by 17%.

## Financial Highlights

	Six Months ended June 30,		Increase %
	2013	2012	
	<u>Rs '000</u>		
Net Sales	3,465,270	3,006,587	15%
Profit before Taxation	687,838	600,830	15%
Profit after Taxation	469,051	401,143	17%
Earnings per Share (Rs.)	76.17	65.15	17%

## Future Outlook

Inflation, fragile security environment, currency devaluation and power outages remain challenges for the business. We will however continue to drive our agenda of improving consumer lives through relevant innovations, strong brand equities and a performance rewarding culture.

On behalf of the Board

Fariyha Subhani  
Chief Executive

Karachi  
August 26, 2013

# UNILEVER PAKISTAN FOODS LIMITED

## CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2013

	Note	Unaudited June 30, 2013 (Rupees in thousand)	Audited (Restated) December 31, 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	662,790	649,333
Intangible assets		81,637	81,637
Long term loans		18,836	22,477
Retirement benefit - prepayment		-	3,460
		<u>763,263</u>	<u>756,907</u>
<b>Current assets</b>			
Stores and spares		25,224	16,983
Stock in trade		657,165	750,374
Trade debts		293,614	146,113
Loans and advances		14,375	12,682
Trade deposits and short term prepayments		42,059	39,603
Other receivables		32,723	80,918
Cash and bank balances		547,797	201,902
		<u>1,612,957</u>	<u>1,248,575</u>
<b>Total assets</b>		<u><u>2,376,220</u></u>	<u><u>2,005,482</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		61,576	61,576
Reserves		596,849	534,202
		<u>658,425</u>	<u>595,778</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefits - obligation		5,186	3,922
Deferred taxation		97,429	103,067
		<u>102,615</u>	<u>106,989</u>
<b>Current liabilities</b>			
Trade and other payables		1,385,458	1,213,083
Provision	5	20,725	7,508
Accrued interest / mark-up		833	895
Sales tax payable		44,072	4,640
Taxation - provision less payments		164,092	11,692
Short term borrowings		-	64,897
		<u>1,615,180</u>	<u>1,302,715</u>
<b>Total liabilities</b>		<u>1,717,795</u>	<u>1,409,704</u>
<b>Contingencies and commitments</b>			
<b>Total equity and liabilities</b>	6	<u><u>2,376,220</u></u>	<u><u>2,005,482</u></u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

**Fariyha Subhani**  
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, 2013 - UNAUDITED

	Note	Quarter ended		Half year ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
← (Rupees in thousand) →					
Sales		1,722,054	1,540,236	3,465,270	3,006,587
Cost of sales	5.2	(1,001,948)	(912,768)	(2,011,556)	(1,808,993)
Gross profit		720,106	627,468	1,453,714	1,197,594
Distribution cost	5.2	(341,466)	(232,985)	(641,180)	(486,706)
Administrative expenses		(61,007)	(52,680)	(96,198)	(86,871)
Other operating expenses		(23,233)	(23,976)	(51,773)	(46,877)
Other income		17,401	8,030	27,761	34,649
<b>Profit from operations</b>		<b>311,801</b>	<b>325,857</b>	<b>692,324</b>	<b>611,789</b>
Finance cost		(3,131)	(6,812)	(4,486)	(10,959)
<b>Profit before taxation</b>		<b>308,670</b>	<b>319,045</b>	<b>687,838</b>	<b>600,830</b>
Taxation					
- current		(97,544)	(99,232)	(224,425)	(184,741)
- deferred		3,037	(6,612)	5,638	(14,946)
		(94,507)	(105,844)	(218,787)	(199,687)
<b>Profit after taxation</b>		<b>214,163</b>	<b>213,201</b>	<b>469,051</b>	<b>401,143</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>214,163</b>	<b>213,201</b>	<b>469,051</b>	<b>401,143</b>
Basic and diluted earnings per share (Rupees)		<b>34.78</b>	<b>34.62</b>	<b>76.17</b>	<b>65.15</b>

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**Fariyha Subhani**  
Chief Executive

**Ali Tariq**  
Director & Chief Financial Officer

# UNILEVER PAKISTAN FOODS LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2013 - UNAUDITED

	Note	June 30, 2013	June 30, 2012
(Rupees in thousand)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		687,838	600,830
<b>Adjustment for non-cash charges and other items</b>			
Depreciation		25,873	30,510
Gain on disposal of property, plant and equipment		(558)	-
Mark-up on short term borrowings		4,486	5,616
Provision for retirement benefit - obligations		4,724	7,575
Return on savings and deposit accounts		(7,528)	(10,018)
		<u>26,997</u>	<u>33,683</u>
		714,835	634,513
<b>EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>			
(Increase) / Decrease in current assets			
Stores and spares		(8,241)	(1,225)
Stock in trade		93,209	17,542
Trade debts		(147,501)	20,176
Loans and advances		(1,693)	4,007
Trade deposits and short term prepayments		(2,456)	12,786
Other receivables		48,195	563
		<u>(18,487)</u>	<u>53,849</u>
Increase / (Decrease) in current liabilities			
Sales Tax Payable		39,432	4,734
Provision		13,217	(25,361)
Trade and other payables		170,152	139,191
		<u>222,801</u>	<u>118,564</u>
Cash generated from operations		919,149	806,926
Mark-up on short term borrowings		(4,548)	(5,497)
Income tax paid		(72,025)	(124,624)
Decrease in long term loans		3,641	2,234
Increase in long term prepayment		-	2,894
		<u>846,217</u>	<u>681,933</u>
Net cash from operating activities		846,217	681,933
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(39,398)	(44,984)
Sale proceeds of property, plant and equipment		626	-
Return received on savings and deposit accounts		7,528	10,018
Net cash used in investing activities		<u>(31,244)</u>	<u>(34,966)</u>
<b>CASH FLOW USED IN FINANCING ACTIVITY</b>			
Dividend paid		(404,181)	(461,739)
Net increase in cash and cash equivalents		<u>410,792</u>	<u>185,228</u>
Cash and cash equivalents at the beginning of the period		137,005	(1,314)
Cash and cash equivalents at the end of the period	7	<u>547,797</u>	<u>183,914</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

**Fariyha Subhani**  
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, 2013 - UNAUDITED

	SHARE CAPITAL	RESERVES				SUB TOTAL	TOTAL
		CAPITAL		REVENUE			
		Share Premium	Special	General	Unappropriated Profit		
← (Rupees in thousand) →							
Balance as at January 1, 2013 - restated	61,576	24,630	628	138	508,806	534,202	595,778
Profit for the half year ended June 30, 2013	-	-	-	-	469,051	469,051	469,051
Other comprehensive income for the half year ended June 30, 2013	-	-	-	-	-	-	-
Final dividend for the year ended December 31, 2012 @ Rs 66 per share	-	-	-	-	(406,404)	(406,404)	(406,404)
Balance as at June 30, 2013	<u>61,576</u>	<u>24,630</u>	<u>628</u>	<u>138</u>	<u>571,453</u>	<u>596,849</u>	<u>658,425</u>
Balance as at January 1, 2012	61,576	24,630	628	138	404,563	429,959	491,535
Effect of change in accounting policy with respect to accounting for remeasurement losses on defined benefit plan - net of tax (note 2)	-	-	-	-	(9,874)	(9,874)	(9,874)
Balance as at January 1, 2012 - restated	61,576	24,630	628	138	394,689	420,085	481,661
Profit for the half year ended June 30, 2012	-	-	-	-	401,143	401,143	401,143
Other comprehensive income for the half year ended June 30, 2012	-	-	-	-	-	-	-
Dividends							
Final dividend for the year ended December 31, 2011 @ Rs 50 per share	-	-	-	-	(307,880)	(307,880)	(307,880)
Interim dividend for the year ended December 31, 2012 @ Rs 25 per share	-	-	-	-	(153,941)	(153,941)	(153,941)
Balance as at June 30, 2012 - restated	<u>61,576</u>	<u>24,630</u>	<u>628</u>	<u>138</u>	<u>334,011</u>	<u>359,407</u>	<u>420,983</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

**Fariyha Subhani**  
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, 2013 - UNAUDITED

### 1. BASIS OF PREPARATION

This condensed interim financial information of Unilever Pakistan Foods Limited (the Company) for the half year ended June 30, 2013 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.

### 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, 2012 except as described below.

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 (Amendment) - '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 condensed interim financial information is affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	December 31, 2012	December 31, 2011
	(Rupees in thousand)	
<b>Impact on Balance Sheet</b>		
Increase in retirement benefits - obligations	-	(15,190)
Decrease in deferred taxation	4,833	5,316
(Increase) / Decrease in reserves	(4,833)	9,874
(Decrease) / Increase in unappropriated profits		
-Cumulative effect from prior years	-	(9,874)
-Impact for the year ended December 31, 2012	14,707	-



The Company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are also considered immaterial.

### 3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

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 and 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, 2012.

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, 2012.

<b>Unaudited</b>	Audited (Restated)
<b>June 30, 2013</b>	December 31, 2012
(Rupees in thousand)	

### 4. PROPERTY, PLANT AND EQUIPMENT

Operating assets - at net book value	<b>621,094</b>	609,403
Capital work in progress - at cost	<b>41,696</b>	39,930
	<b><u>662,790</u></b>	<u>649,333</u>

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

	<b>Additions (at cost)</b>		<b>Disposals (at net book value)</b>	
	<b>June 30, 2013</b>	June 30, 2012	<b>June 30, 2013</b>	June 30, 2012
	← (Rupees in thousand) →			
Building on freehold land	<b>383</b>	840	-	-
Plant and machinery	<b>35,404</b>	2,582	-	-
Electrical, mechanical and office equipment	<b>404</b>	12,044	-	-
Furniture and Fixtures	<b>1,441</b>	1,424	-	-
Motor vehicles	-	-	<b>68</b>	-
	<b><u>37,632</u></b>	<u>16,890</u>	<b><u>68</u></b>	<u>-</u>

	<b>Unaudited</b>	Audited (Restated)
	<b>June 30, 2013</b>	December 31, 2012
	(Rupees in thousand)	
<b>5. PROVISIONS</b>		
Sindh Infrastructure Cess - note 5.1	<b>8,710</b>	5,993
Restructuring - note 5.2	<b>12,015</b>	1,515
	<b><u>20,725</u></b>	<u>7,508</u>

5.1 The change represents provision made during the period.

5.2 The change during the period represents employee redundancy cost and has been allocated as follows:

	<b>Unaudited</b>	Unaudited
	<b>June 30, 2013</b>	June 30, 2012
	(Rupees in thousand)	
Cost of sales	<b>2,377</b>	-
Distribution costs	<b>8,123</b>	-
	<b><u>10,500</u></b>	<u>-</u>

## 6. CONTINGENCIES AND COMMITMENTS

### 6.1 Contingencies

There has been no change in status of contingency reported in the financial statements for the year ended December 31, 2012.

### 6.2 Commitments

The commitments for capital expenditure outstanding as at June 30, 2013 amounted to Rs.10.9 million (December 31, 2012: Rs. 13.5 million).

	<b>June 30, 2013</b>	June 30, 2012
	(Rupees in thousand)	
<b>7. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>547,797</b>	193,370
Short term borrowings	<b>-</b>	(9,456)
	<b><u>547,797</u></b>	<u>183,914</u>

## 8. RELATED PARTY TRANSACTIONS

Related party transactions during the period are as follows:

Relationship with the company	Nature of transactions	June 30, 2013 (Rupees in thousand)	June 30, 2012
i) Holding company	Royalty	31,263	24,871
ii) Other related parties	Technology fee	42,599	38,431
	Purchase of goods	677,301	617,574
	Sale of goods	17,416	13,129
	Purchase of Property, plant and equipment	-	11,986
	Fee for receiving of services from related parties	125,823	116,498
	Fee for providing of services to related parties	9,011	14,929
	Contribution to:		
	- Defined Contribution plan	9,009	6,261
	Settlement on behalf of:		
	- Defined Contribution plan	7,173	7,752
	- Defined Benefit plans	1,469	15,387
iii) Key management personnel	Salaries and other short-term employee benefits	3,846	1,846

## 9. INTERIM DIVIDEND

The Board of Directors in its meeting held on August 26, 2013 declared cash dividend in respect of half year ended June 30, 2013 of Rs. 76 per share amounting to Rs. 467.98 million (interim cash dividend for the half year ended June 30, 2012: Rs. 50 per share amounting to Rs. 307.88 million).

This condensed interim financial information does not reflect the interim dividend as payable, which will be accounted for in the statements of changes in equity as an appropriation from the unappropriated profit in the year ending December 31, 2013.

## 10. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 26, 2013 by the Board of Directors of the Company.



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