



Unilever

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018



UNILEVER PAKISTAN FOODS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Kamran Y. Mirza

Ms. Shazia Syed

Mr. Sohail Hanif Baig

Ms. Farheen Salman Amir

Mr. Zulfikar Monnoo

Mian M. Adil Monnoo

Mr. Kamal Monnoo

Mr. Badaruddin F. Vellani

Mr. Khalid Mansoor

Mr. Ali Tariq

Independent Director

& Chairman of the Board

Executive Director & Chief Executive

Executive Director & Chief Financial Officer

Executive Director

Non-Executive Director

Non-Executive Director

Non-Executive Director

Non-Executive Director

Independent Director

Non-Executive Director

Company Secretary

Mr. Aman Ghanchi

Audit Committee

Mr. Khalid Mansoor

Mr. Zulfikar Monnoo

Mian M. Adil Monnoo

Mr. Badaruddin F. Vellani

Mr. Kamran Y. Mirza

Ms. Mehwish Iqbal

Chairman & Member

Member

Member

Member

Member

Secretary & Head of Internal Audit

Human Resource & Remuneration Committee

Mr. Kamran Y. Mirza

Mr. Zulfikar Monnoo

Mr. Kamal Monnoo

Ms. Shazia Syed

Mr. Aman Ghanchi

Chairman & Member

Member

Member

Member

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 nine months ended September 30, 2018.

Sales grew by 10.0% on the back of strong brand equity, successful innovations and sustained investment in advertisement and promotion. Gross Margin declined by 0.2% to 46.2% due to difficult operating environment. Earnings per share (EPS) increased by 14.0% versus the same period last year.

Financial Highlights	Nine Months ended Sept 30.		Increase %
	2018	2017	
	Rs '000		
Net Sales	8,938,051	8,123,585	10.0%
Profit before Taxation	1,783,546	1,506,013	18.4%
Profit after Taxation	1,232,528	1,067,037	15.5%
Earnings per Share * (Rs.)	196.02	172.01	14.0%

* EPS for prior period is restated for effect of right issue

Future Outlook

Despite challenging economic and operating environment, the business has continued to deliver positive results. We are committed to manage the challenges that lie ahead with our access to global expertise, superior consumer understanding, powerful innovations and world class customer service. We are confident that our dedicated and focused efforts will allow us to provide better value to meet consumers' everyday needs and deliver sustained profitable growth.

Right Issue

The paid-up share capital of the company was increased by 212,332 shares due to issuance of right shares at a premium of Rs. 5,990 to the shareholders of the Company. The purpose of right issue was to raise equity for expansion of existing manufacturing capacity to support the increasing volume demands.

On behalf of the Board

Shazia Syed
Chief Executive Officer

Kamran Y. Mirza
Chairman

Karachi
October 26, 2018

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2018

		Unaudited September 30, 2018 (Rupees in thousand)	Audited December 31, 2017
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,035,734	1,992,974
Intangible assets		81,637	81,637
Long term loans and advances		12,566	13,205
		<u>2,129,937</u>	<u>2,087,816</u>
Current assets			
Stores and spares		43,995	35,446
Stock in trade		962,375	1,007,742
Trade debts		588,511	438,767
Loans and advances		58,027	12,184
Trade deposits and short term prepayments		109,246	84,566
Other receivables		38,558	19,346
Taxation - net		-	47,523
Cash and bank balances		1,304,708	347,558
		<u>3,105,420</u>	<u>1,993,132</u>
Total assets		<u>5,235,357</u>	<u>4,080,948</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	5	63,699	61,576
Reserves		1,697,463	119,894
		<u>1,761,162</u>	<u>181,470</u>
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		12,710	9,345
Deferred taxation		166,591	203,785
		<u>179,301</u>	<u>213,130</u>
Current liabilities			
Trade and other payables		3,042,862	3,018,467
Provisions	6	51,390	60,659
Accrued interest / mark-up		2,636	2,288
Sales tax payable		14,343	21,193
Short term borrowings		115,180	583,741
Taxation - net		68,483	-
		<u>3,294,894</u>	<u>3,686,348</u>
Total liabilities		<u>3,474,195</u>	<u>3,899,478</u>
Total equity and liabilities		<u>5,235,357</u>	<u>4,080,948</u>
Contingency and commitments	7		

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Shazia Syed
Chief Executive

Farheen Salman Amir
Director

Sohail Hanif Baig
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED)

	Quarter ended		Nine Months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	(Rupees in thousand)			
Sales - net	2,703,882	2,550,246	8,938,051	8,123,585
Cost of sales	(1,462,313)	(1,300,660)	(4,809,323)	(4,356,951)
Gross profit	1,241,569	1,249,586	4,128,728	3,766,634
Distribution cost	(661,083)	(780,444)	(2,140,296)	(2,082,141)
Administrative expenses	(38,791)	(32,602)	(190,630)	(144,386)
Other operating expenses	(40,075)	(31,380)	(132,593)	(111,843)
Other income	42,170	21,164	162,667	89,356
	543,790	426,324	1,827,876	1,517,620
Finance cost	(13,457)	3,017	(44,330)	(11,607)
Profit before taxation	530,333	429,341	1,783,546	1,506,013
Taxation				
- current	(162,201)	(120,831)	(588,212)	(440,647)
- deferred	250	1,006	37,194	1,671
	(161,951)	(119,825)	(551,018)	(438,976)
Profit after taxation	368,382	309,516	1,232,528	1,067,037
Other comprehensive income	-	-	-	-
Total comprehensive income	368,382	309,516	1,232,528	1,067,037
	(Rupees)			
Basic and diluted earnings per share	58.59	49.90 *	196.02	172.01 *

* EPS for prior period is restated for effect of right issue

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Shazia Syed
Chief Executive

Farheen Salman Amir
Director

Sohail Hanif Baig
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED)

	Note	September 30, 2018	September 30, 2017
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,783,546	1,506,013
Adjustment for:			
Depreciation		126,252	122,710
Gain on disposal of property, plant and equipment		(460)	-
Reversal of provision for impairment of fixed assets		(361)	-
Mark-up on short term borrowings		32,311	11,427
Provision for staff retirement benefits		3,581	2,886
Return on savings accounts		(5,261)	(17,480)
		156,062	119,543
		1,939,608	1,625,556
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets			
Stores and spares		(8,549)	8,079
Stock in trade		45,367	156,290
Trade debts		(149,744)	(124,789)
Loans and advances		(45,843)	7,239
Trade deposits and short term prepayments		(24,680)	(22,671)
Other receivables		(19,212)	(7,749)
		(202,661)	16,399
Increase / (decrease) in current liabilities			
Trade and other payables		191,108	998,826
Provisions		(9,269)	(6,123)
Sales tax payable		(6,850)	(82,352)
		174,989	910,351
Cash generated from operations		1,911,936	2,552,306
Mark-up paid		(31,963)	(11,427)
Income tax paid		(472,206)	(194,415)
Increase in long term loans and advances		639	(1,938)
Staff retirement benefits - contributions paid		(216)	(600)
Long term prepayment		-	2,605
Net cash from operating activities		1,408,190	2,346,531
CASH USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(168,650)	(63,945)
Proceeds from disposal of property, plant and equipment		461	-
Return received on savings accounts		5,261	17,480
Net cash used in investing activities		(162,928)	(46,465)
CASH USED IN FINANCING ACTIVITIES			
Proceeds from issue of right shares		1,273,992	-
Dividend paid		(1,093,543)	(2,463,047)
		180,449	(2,463,047)
Net increase / (decrease) in cash and cash equivalents		1,425,711	(162,981)
Cash and cash equivalents at beginning of the period		(236,183)	694,779
Cash and cash equivalents at end of the period	8	1,189,528	531,798

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Shazia Syed
Chief Executive

Farheen Salman Amir
Director

Sohail Hanif Baig
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED)

	SHARE CAPITAL	CAPITAL		RESERVES		SUB TOTAL	TOTAL
	Issued, subscribed and paid-up capital	Share premium	Special	General	Unappropriated profit		
	(Rupees in thousand)						
Balance as at January 1, 2018	61,576	24,630	628	138	94,498	119,894	181,470
Transactions with owners of the Company							
First Interim dividend for the year ending December 31, 2018 @ Rs 105 per share	-	-	-	-	(646,550)	(646,550)	(646,550)
Second Interim dividend for the year ending December 31, 2018 @ Rs 44 per share	-	-	-	-	(280,278)	(280,278)	(280,278)
Issue of right shares (Note 5)	2,123	1,271,869	-	-	-	1,271,869	1,273,992
<i>Total comprehensive income for the period</i>							
Profit for the nine months ended September 30, 2018	-	-	-	-	1,232,528	1,232,528	1,232,528
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-	-
Balance as at September 30, 2018	63,699	1,296,499	628	138	400,198	1,697,463	1,761,162
Balance as at January 1, 2017	61,576	24,630	628	138	1,717,946	1,743,342	1,804,918
Transactions with owners of the Company							
Interim dividend for the year ending December 31, 2017 @ Rs 122 per share	-	-	-	-	(751,229)	(751,229)	(751,229)
Final dividend for the year ended December 31, 2016 @ Rs 278 per share	-	-	-	-	(1,711,818)	(1,711,818)	(1,711,818)
<i>Total comprehensive income for the period</i>							
Profit for the nine months ended September 30, 2017	-	-	-	-	1,067,037	1,067,037	1,067,037
Other comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	-	-
Balance as at September 30, 2017	61,576	24,630	628	138	321,936	347,332	408,908

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Shazia Syed
Chief Executive

Farheen Salman Amir
Director

Sohail Hanif Baig
Director & Chief Financial Officer

UNILEVER PAKISTAN FOODS LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED)

1. BASIS OF PREPARATION

These condensed interim financial statements of Unilever Pakistan Foods Limited ("the Company") for the nine months ended September 30, 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

2. ACCOUNTING POLICIES

Except as described below, the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2017.

On January 01, 2018 the Company adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments – Recognition and Measurement'. The Company has not restated prior period due to no material change to corresponding financial statements.

i) Classification and Measurement

On January 01, 2018, we reclassified our financial assets to the new categories based on the Company's reason for holding the assets and the nature of the cash flows from the assets. There were no changes to the carrying values of the Company's financial assets from adopting the new classification model. There have been no changes to the classification or measurement of the Company's financial liabilities. Cash and cash equivalent, trade debts, trade deposits, and other receivables which were classified as loans and other receivables under IAS 39, will now be classified as amortised cost under IFRS 9.

ii) Impairment

From January 01, 2018 the Company implemented an expected credit loss impairment model for financial assets. For trade receivables, our calculation methodology has been updated to consider expected losses based on ageing profile. The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

On January 01, 2018 the Company adopted IFRS 15 'Revenue from Contracts with Customers' with no material impact as a result of such adoption.

In addition, Securities and Exchange Commission of Pakistan vide S.R.O. 434 (I)/2018 dated April 09, 2018 has notified "IFRS 16 Leases" replacing "IAS 17 Leases" which is effective from annual reporting period beginning on or after January 01, 2019. Management is in the process of assessing the impact of this standard.

3 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements 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 these condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended December 31, 2017 except for those related to IFRS 9 and IFRS 15 as explained in note 2.

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, 2017.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited September 30, 2018 (Rupees in thousand)	Audited December 31, 2017
Operating assets - at net book value	1,854,527	1,904,964
Capital work in progress - at cost	181,207	88,010
	<u>2,035,734</u>	<u>1,992,974</u>

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

	Additions (at cost)	
	September 30, 2018 (Rupees in thousand)	September 30, 2017
Building on freehold land	15,679	25,819
Plant and machinery	59,095	51,462
Electrical, mechanical and office equipment	610	3,357
Furniture and fixtures	70	-
	<u>75,454</u>	<u>80,638</u>

5. SHARE CAPITAL

During the period, the Company issued 212,332 right shares in the proportion of 1 share for every 29 ordinary shares held in the Company (i.e. 3.45%) as on March 26, 2018 at a premium of Rs. 5,990 per share.

6. PROVISIONS

		Unaudited September 30, 2018 (Rupees in thousand)	Audited December 31, 2017
Sindh Infrastructure Cess	6.1	38,538	32,293
Restructuring		12,852	28,366
		<u>51,390</u>	<u>60,659</u>

6.1 The change represents provision made during the period.

7. CONTINGENCY AND COMMITMENTS

7.1 Contingency

There were no contingencies as on September 30, 2018.

7.2 Commitments

The commitments for capital expenditure outstanding as at September 30, 2018 amounted to Rs. 1,000.03 million (December 31, 2017: Rs. 35.6 million).

8. CASH AND CASH EQUIVALENTS

	Unaudited September 30, 2018 (Rupees in thousand)	Unaudited September 30, 2017
Cash and bank balances	1,304,708	531,798
Short term borrowings	(115,180)	-
	<u>1,189,528</u>	<u>531,798</u>

9. RELATED PARTY TRANSACTIONS

Related party transactions during the period are as follows:

Relationship with the company	Nature of transactions	Unaudited September 30, 2018 (Rupees in thousand)	Unaudited September 30, 2017
i) Holding company	Royalty	185,104	160,277
ii) Other related parties	Technology fee	199,374	169,233
	Purchase of goods	1,160,328	1,616,369
	Sale of goods	30,434	146,410
	Fee for receiving of services from related parties	440,652	209,997
	Fee for providing of services to related parties	55,992	63,954
	Contribution to:		
	- Defined Contribution plan	15,168	14,400
	- Defined Benefit plans	-	5,420
	Settlement/ (receipt) on behalf of:		
	- Defined Contribution plan	17,434	16,114
iii) Key management personnel	Salaries and other short-term employee benefits	13,216	8,209

10. INTERIM DIVIDEND

The Board of Directors in its meeting held on October 26, 2018 declared a third interim cash dividend of Rs 55.00 per share (December 31, 2017: Rs 50.00 per share) for the year ending December 31, 2018 amounting to Rs 350.35 million (December 31, 2017: Rs 307.88 million).

These condensed interim financial statements do 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 for the year ended December 31, 2018

11. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 26, 2018 by the Board of Directors of the Company.

یونی لیور پاکستان فوڈز لمیٹڈ

ڈائریکٹر ان کا جائزہ

ڈائریکٹر کمپنی کی ششماہی رپورٹ اور مالیاتی گوشوارے برائے ۳۰ ستمبر ۲۰۱۸ء پیش کر رہے ہیں۔

سیل میں 10.0% اضافہ ہوا جس کی وجوہات میں برانڈ کی مضبوط ساکھ، کامیاب جدت و اختراعات اور اشتہارت و پر موثر کمپنیز میں مستقل سرمایہ کاری شامل ہیں۔ مشکل اقتصادی حالات کے باعث مجموعی منافع میں 0.2% کمی آئی جو کہ اب 46.2% ہو گیا ہے۔ فی شخص آمدنی میں گزشتہ سال اسی دورے کی نسبت 14.0% اضافہ دیکھنے میں آیا۔

مالیاتی کارکردگی کا خلاصہ

۳۰ ستمبر کو ختم شدہ ششماہی نتائج

اضافہ %	2017	2018
	روپے ہزار میں	
10.0%	8,123,585	8,938,051
18.4%	1,506,013	1,783,546
15.5%	1,067,037	1,232,528
14.0%	172.01	196.02

فروخت
ٹیکس سے قبل منافع
ٹیکس کے بعد منافع
فی شخص آمدنی* (روپے)

* گزشتہ سال کے اسی مالیاتی عرصے کی آمدنی فی شخص کو رائٹ کے اجرا کے پیش نظر RESTATE کیا گیا ہے۔

مستقبل پر نظر

مشکل اقتصادی حالات اور بڑھتی ہوئی مسابقتی فضا کے باوجود کاروبار نے منافع بخش کارکردگی پیش کی ہے۔ ہم صارف کی بہتر سمجھ، عالمی تجربہ اور ریسرچ اینڈ ڈیولپمنٹ کی صلاحیت، جدت اور عالمی سطح کی کسٹمر سروس سے آنے والی مشکلات سے نبرد آزما ہوں گے۔ ہماری کمپنی صارفین کی زندگیوں کو اپنی نئی مصنوعات سے بہتر بنانے اور برانڈ کی مضبوط ساکھ کے عزم کو جاری و ساری رکھے گی۔

رائٹ حصص کا اجراء

کمپنی کے اشدہ سرمایہ میں ۳۳۲،۲۱۲ رائٹ حصص کا اضافہ یعنی کمپنی کی طرف سے موجود حصص داروں کو نئے حصص خریدنے کی پیشکش اور اس کے نتیجے میں ہونے والے حصص کے اجرا کے سبب واقع ہوا جو کہ حصص یافتگان کو ۵،۹۹۰ روپے کے پریمیم پر دیئے گئے۔ رائٹ شیئرز جاری کرنے کا مقصد کمپنی کی پیداواری صلاحیت میں توسیع کرنا تھا جس سے کمپنی کی مصنوعات کی بڑھتی ہوئی طلب کو پورا کیا جاسکے گا۔

منجانب بورڈ

کامران مرزا
چیرمین

شازیہ سید
چیف ایگزیکٹو آفیسر

کراچی

26 اکتوبر 2018

Unilever Pakistan Foods Limited
Avari Plaza, Fatima Jinnah Road,
Karachi-75530
T: +92 21 35660062-9
F: +92 21 35681705
www.unilever.pk