

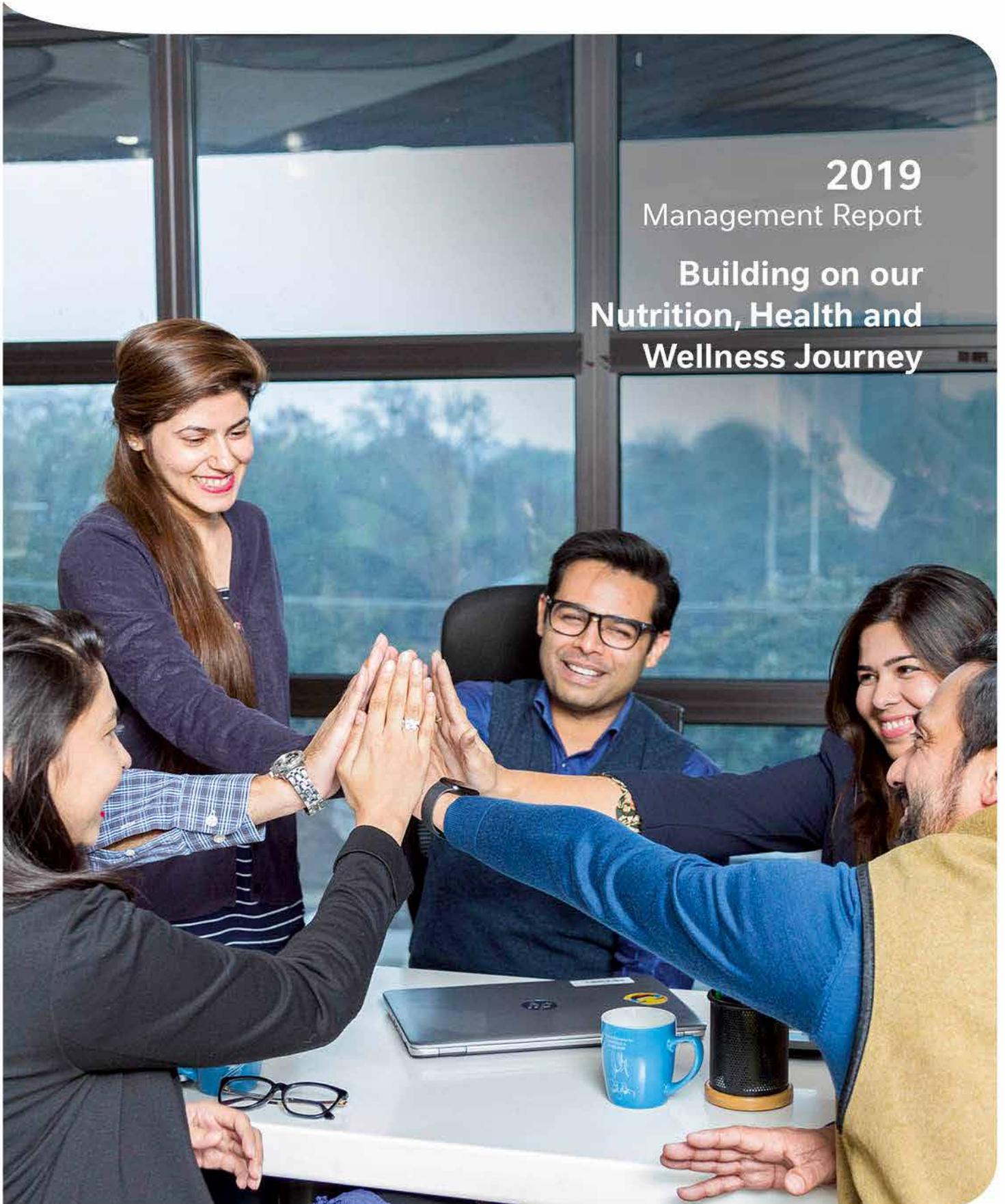


**Nestlé** Good food, Good life

**2019**

Management Report

**Building on our  
Nutrition, Health and  
Wellness Journey**





## ABOUT THE COVER

Diversity and inclusion is an integral part of our company's culture and is one of the ways we bring our purpose and values to life. Our values are rooted in respect: respect for ourselves, for each other, respect for diversity and respect for the future.

# CONTENTS

**02**

OUR PURPOSE  
AND AMBITION

**04**

DIRECTORS'  
REPORT TO THE  
SHAREHOLDERS

**12**

ANNEXURE TO  
DIRECTORS'  
REPORT ON  
CORPORATE  
GOVERNANCE

**13**

REVIEW REPORT  
BY THE CHAIRMAN

**14**

COMPANY  
PERFORMANCE  
2019

**16**

STATEMENT  
OF WEALTH  
CREATION AND ITS  
DISTRIBUTION

**17**

KEY FINANCIAL  
DATA (SIX YEARS  
AT A GLANCE)

**18**

PATTERN OF  
SHAREHOLDING

**19**

CLASSIFICATION  
OF SHARES  
BY CATEGORIES

**20**

KEY  
SHAREHOLDING  
AND SHARES  
TRADED

**21**

STATEMENT OF  
COMPLIANCE  
WITH THE CODE  
OF CORPORATE  
GOVERNANCE

**23**

INDEPENDENT  
AUDITOR'S  
REVIEW REPORT

**24**

BOARD OF  
DIRECTORS

**25**

COMPANY'S  
DIRECTORY

**26**

NOTICE OF  
ANNUAL GENERAL  
MEETING

**30**

ABOUT NESTLÉ

**32**

MANAGEMENT  
COMMITTEE

**34**

HUMAN  
RESOURCES

**36**

SUPPLY CHAIN

**38**

TECHNICAL

**42**

AGRICULTURE  
SERVICES

**44**

SALES

**46**

CONSUMER  
COMMUNICATION  
& MARKETING  
SERVICES

**48**

NUTRITION,  
HEALTH AND  
WELLNESS

**49**

FINANCE &  
CONTROL AND  
INFORMATION  
TECHNOLOGY

**50**

OUR BRANDS

**62**

INDEPENDENT  
AUDITOR'S  
REPORT TO THE  
MEMBERS OF  
COMPANY

**66**

STATEMENT  
OF FINANCIAL  
POSITION

**68**

STATEMENT OF  
PROFIT OR LOSS

**69**

STATEMENT OF  
COMPREHENSIVE  
INCOME

**70**

STATEMENT OF  
CHANGES IN  
EQUITY

**71**

STATEMENT OF  
CASH FLOWS

**72**

NOTES TO THE  
FINANCIAL  
STATEMENTS

**121**

FORM OF PROXY

# OUR PURPOSE

Nestlé's purpose is enhancing quality of life and contributing to a healthier future. We want to help shape a better and healthier world. We also want to inspire people to live healthier lives. This is how we contribute to society while ensuring the long-term success of our company.

# OUR AMBITION

Through enhancing quality of life and contributing to a healthier future, we aim to deliver sustainable, industry-leading financial performance and earn trust.

Globally, we have defined three overarching ambitions for 2030 which guide our work and support the achievement of the United Nations Sustainable Development Goals:



Help 50 million children live healthier lives



Help to improve 30 million livelihoods in communities directly connected to our business activities



Strive for zero environmental impact in our operations







# DIRECTORS' REPORT

To the Shareholders

The Directors of the Company are pleased to present the Annual Report along with the audited financial statements for the year ended December 31, 2019.

## Financial Performance

2019 has been a challenging year for Pakistan's economy mainly due to twin deficit which resulted in lower GDP growth and economic slowdown. In order to address the macro-economic challenges the Government has entered into an International Monetary Fund (IMF) program and initiated various measures to increase tax revenues and removal of subsidies. In addition, there was sharp increase in the policy rate along with significant devaluation of the Rupee during the year. Consequently, all of these factors resulted into higher inflationary environment impacting the purchasing power of the people.

The Company recorded a revenue of PKR 116 billion (2018: PKR 121 billion), a decline of 3.9% mainly due to softness in consumer demand consequent to price increases across the portfolio. During the year the Company increased consumer prices to off-set higher input costs resulting from significant increase in local and global commodity prices and energy costs which was impacted by Rupee devaluation. Imposition of Sales Tax on milk powders and Federal Excise Duty (FED) on beverages also necessitated adjustment in the consumer price. However, due to deteriorating purchasing power of the consumers and competitive pressures we were not able to fully pass on the above increases which negatively impacted the margins and Net profit for the year 2019 reduced by 36.7% compared to the previous year.

Despite the difficult economic conditions, the Company remained committed to its vision of positively enhancing the quality of life of our consumers by expanding its product base through continuous innovation & renovation. The major new product launches during 2019 included: NESTLÉ EVERYDAY Lite Tea Creamer, NESTLÉ Fruit Yogurt, NESTLÉ MILKPAK Whipping Cream, NESTLÉ FRUITA VITALS Royal Mangoes, NESCAFÉ RTD Chilled Latte, NESTLÉ LACTOGROW Recover, NESTLÉ PURE LIFE Active, NESCAFÉ Roast & Ground Coffee, NESTEA Honey Green tea.

PKR Million	2019	2018	Change
Sales	115,962	120,701	-3.9%
Gross Profit margin	28.8%	32.2%	-340 bps
Operating Profit margin	13.0%	16.6%	-360 bps
Net Profit after tax	7,354	11,612	-36.7%
Net Profit after tax (%)	6.3%	9.6%	-330 bps
Earnings per share	162.17	256.05	-36.7%

## Dividends

In view of the financial performance of the Company, the Board of Directors has recommended to pay final cash dividend of Rs. 42 per share, in addition to the interim cash dividend already paid of Rs. 110 per share, which brings the total dividend for the year to Rs. 152 per share for 2019 compared to Rs. 248 per share in 2018.

# DIRECTORS' REPORT

## To the Shareholders

### Investment Projects

With a market driven approach and commitment to satisfy the needs of our consumers, in 2019 Nestlé Pakistan made investments of PKR 3.8 billion including expansion and development projects. Highlights are hereunder:

Project Description	PKR Million
Sheikhupura Factory	2,112
Kabirwala Factory	654
Water Plants	237
Distribution and Sales	509
Others	285

Investments, of approximately PKR 4 billion, are planned for 2020, primarily in respect of operational reliability and capacity increase in order to meet consumer demands.

### Corporate & Financial Reporting Framework

Nestlé Pakistan is committed to maintain high standards of corporate governance without any exception. The Directors are pleased to state that the Company is compliant with the provisions of the Code of Corporate Governance as required by SECP and formed as part of stock exchange listing regulations. Statement of Compliance with Code of Corporate Governance is as under.

The Directors confirm that:

- The financial statements prepared by the management of the Company presents fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017 have been followed in preparation of the financial statements; and any departure thereof has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;

- There are no significant doubts upon the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- The value of assets of employees' funds are as follows (PKR millions):

	Audited 2019	Audited 2018
Provident Fund	3,680	3,466
Gratuity Fund	1,796	1,706
Pension Fund	3,351	2,922

Statements regarding the following are annexed or disclosed in the notes to the accounts:

- Key financial data for the last six years
- Pattern of shareholdings
- Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary
- Number of Board meetings held during the year and attendance by each director

### Remuneration Policy of Non-Executive Directors

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

### External Auditors

Messrs. KPMG Taseer Hadi & Company, Chartered Accountants have completed their assignment for the year 2019 and retiring at the conclusion of the 42nd Annual General Meeting. We place our sincere thanks and appreciation for their services.

The Audit Committee of the Board has recommended the appointment of Messrs. Ernst & Young Ford Rhodes as auditors for the year ending 31 December 2020 for shareholders' consideration at the forthcoming Annual General Meeting. Messrs. Ernst & Young Ford Rhodes are being recommended for appointment in view of the change in the Auditors at the parent Company.

## Holding Company and Principal Activity

Nestlé S.A., a Company incorporated in Switzerland (the holding company), holds 26,778,229 ordinary shares representing 59% equity interest in the Company. The principal activity of the Company is manufacturing, processing and sale of food products including imported products. No change has been occurred during the financial year relating to the nature of the business of the Company.

## Human Resources Management & Employee Relations

In 2019, we focused on enhancing trust of our consumers and employees to make Nestlé as the brand of choice. To build employees as ambassadors for Nestlé, transparency and effective communication played a key role in understanding our commitment to Nutrition, Health, Wellness and Quality. Stories of employees' trust in Nestlé were shared internally and externally using social media platforms. Additionally, 68 awareness session, covering over 1,900 employees to increase awareness about our product and processes were completed across the organization and with our external stakeholders. We continued our focus on transforming our people processes in order to provide better services to our employees and sustain an edge over competition. Key focus areas for 2019 included Leadership Development, Capability Building, Utilization of Online Learning platforms, Employee Relations and Occupational Health for building high performance teams to achieve organizational goals while diversity and commitment to compliance continued, to remain at the heart of our agenda. Few of the highlights are:



**30**

Universities were targeted for campus outreach through career fairs and connects



**500**

Internships were offered



**63**

Apprentices currently working in technical



**25**

Female associates were inducted on one year contract under our program Kero Aitemaad – Women Empowerment Platform



**121**

Female resources were hired on various roles



**15**

Management Trainees were inducted through Nestlé LEAD program under youth initiative

Nestlé Pakistan gives great significance to the health of its people at work in line with its commitment under Nestlé Corporate Business Principles.

In 2019, a number of health awareness activities were conducted by utilizing different internal communication channels for people, organizing health camps at different sites and inviting top medical consultants for conducting knowledge sharing sessions with our people. 21 Health Camps and Surveillance Checks were conducted across all sites covering over 1400 employees.

Our focus has been on Employee Relations through continuous and consistent Employee Engagement sessions, with the purpose of strengthening our relationship with the employees. These activities included Sports Galas, Connect Sessions, connecting with families of our employees and employee recognition program. These cross-functional and cross sites interaction of employees led to a highly motivated, energized and committed workforce.

In order to engage, motivate and inspire young female professionals and equipping them with the skills and tools they need for successful and dynamic careers, we continued our "Karo Aitemaad" program, which helped us in equipping 27 females. Nestlé Pakistan is committed to give fair employment chance to differently-abled people and help them in increasing their employability in the job market through our program "Hay Tum Pe Yakeen" and twenty differently-abled individuals who were successful in the assessment center are now part of Nestlé Family.

Special focus was given to employee careers whereby career coaching clinics were conducted for employees, helping them foresee their future within the Company. In this context

- Performance & development sessions were conducted across the organization
- Career Clinics were arranged across sites to coach employees on career growth

To develop functional and leadership capability of our people, new organizational development catalogue was launched which caters to current and future development needs. Functional Capability Building has been the primary focus of our development initiative, thus conducted multiple local & international training programs. These programs are designed for capability building of employees by deploying tools and concepts in various situations enabling a positive impact on business leading up to total Management Training hours of 71,857. The drive on fostering the e-learning culture helped us close the year with 14,945 e-learning done on various topics in iLearn.

# DIRECTORS' REPORT

## To the Shareholders

Over 53 NiM (Management) Connect sessions were organized across the organization in order to engage and energize our employees. The Performance Management system improved the focus on having transparent conversations between the line manager and employees, with constant coaching and mentoring support to help them achieve their goals. All the learnings from this year will be utilized to further strengthen the performance management system for 2020.

## Creating Shared Value (CSV) and Community Work

At Nestlé, we believe in the philosophy of Creating Shared Value (CSV). It is our belief that for a company to be able to create value for its shareholders, it must also create value for society. Nestlé Pakistan, as part of its global and local obligations, believes in Creating Shared Value (CSV) for the communities in which it works and operates. The health of our Company is intrinsically linked to the health and resilience of the society we operate in; this is why Nestlé's purpose is to enhance quality of life and contribute to a healthier future.

Our global focus areas are firmly embedded in our purpose. Individuals and families, our communities and the planet as a whole are interconnected, and our efforts in each of these areas are supported through our 42 specific commitments, the vast majority of which have been reframed and feature objectives to 2020. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the timescale of the Sustainable Development Goals (SDGs).

From offering quality products to consumers, to providing a fair and diverse work environment for our employees; from capacity building and knowledge transfer to our partners and raw material providers, to implementing responsible sourcing models into our relationships; from supporting underprivileged communities, to working with small farmers; from enhancing sustainability and environmental friendliness of our operations, to embedding ethical and transparent business practices, CSV is entrenched into the entire value chain.

Our goal is to provide products that are not only tastier and healthier, but also better for the environment. This gives our consumers yet another reason to trust Nestlé.

In 2019, the Company continued the "Seeing is Believing" initiative to showcase our Dairy Value Chain from 'Grass to Glass' to create advocates among our stakeholders and to make them aware of the quality and safety standards that we adhere to.

The Key CSV initiatives completed during 2019 are:

- Nutrition awareness extended to another 40,000 school children in the rural, suburban and urban areas under Nestlé

for Healthier Kids Program extending the overall outreach to more than 220,000 kids across the country

- Under our partnership with Prime Minister's "Clean Green Pakistan" initiative, we planted 50,000 trees across our operational sites along with cleaning activities in Lahore and Karachi
- Organized health and nutrition sessions for over 1700 BISP beneficiaries
- Continued product support through Nutrition Support Program for the underprivileged institutions and to the areas affected by natural calamities
- Nestlé Pakistan in partnership with the Ehsaas Kifalat Program actively engaged over 900 women as Nestlé BISP Rural Women Sales Agents
- Clean Drinking Water facilities in our operational areas providing clean drinking water to more than 60,000 people on daily basis
- Alliance for Water Stewardship Certification of Kabirwala and Port Qasim Factories in collaboration with WWF
- Water Resource Management Project in partnership with Agriculture Department Punjab with saving of 391+ million liters of water
- Endeavoring to achieve the least possible environmental impact throughout its operational stages by complying with environmental laws and regulations
- Continued support for programs involving dairy farmers and rural women for skill enhancement related to dairy and livestock sector
- Continuation of Chaunsa Project in partnership with Agriculture Department Punjab with integration of Mango farmers in our Value Chain
- Support for Driver Training Facility at the National Highways & Motorway Police Training Institute, Sheikhpura
- Launched Clean Hunza Project in partnership with District Council Hunza, Gilgit Baltistan Waste Management Company (GBWMC) and Karakoram Area Development Organization (KADO) to encourage waste management of 150,000 kgs of plastics annually, collect 50,000 kgs paper packaging (used beverage cartons) and distribute 10,000 reusable bags in the community during 2020
- Achieved 704 tons of material reduction in packaging and have eliminated usage of single use plastics across our sites
- 265 tons of plastic waste from Sheikhpura Factory has been converted into 600 plastic pallets, which are being used across the market for transportation and storage of finished goods.

## Subsequent Events

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

## Principal Risk & Uncertainty

- Increase in input cost due to rising inflation and likely further devaluation of the currency.
- Macro-economic uncertainties leading to lower GDP and economic activities which might affect consumer demand.
- Increase in existing sales tax rates and levy of new taxes/ duties.

## Future Outlook

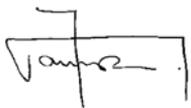
The measures taken by the Government to address the macro-economic challenges will require time and we foresee another 18 to 24 months for the economic activities to normalize. Despite these short-term challenges, the Company maintains positive outlook on the back of strong brand equity and highly committed workforce and has laid the foundation to achieve sustained profitable results, financial flexibility and operational excellence. Furthermore, the Company is committed to delight its consumers and positively enhance the quality of life of people by offering them more Nutrition, Health & Wellness products.

## Acknowledgements

We take this opportunity to thank our valued consumers who have trust in our products and continue to provide sustained support in ensuring the progress of the Company. Our people are our greatest strength and we are driven by a compelling purpose – enhancing quality of life and contributing to a healthier future. We are guided by strong values rooted in respect. Our purpose and our values are the reasons why we all work for Nestlé's success. They are fundamental to everything we do, particularly in times of significant change inside and outside our Company.

Nestlé Pakistan, whilst bringing international expertise and standards into its products, processes and manufacturing sites, remains a "Har Dam Pakistani" Company, very proud of its achievements in Pakistan.

### FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



**Samer Chedid**

Chief Executive Officer



**Syed Yawar Ali**

Chairman

**Dated:** February 26, 2020





# ANNEXURE TO DIRECTORS' REPORT

## On Corporate Governance

### Board of Directors' Meetings

During the year under review, the Board of Directors had the following meetings:

Number of Board Meetings held for the financial year = 5

Date of Meeting	Time	Place
26-Feb-19	11:00 AM	308-Upper Mall, Lahore.
29-Apr-19	12:30 PM	308-Upper Mall, Lahore.
26-Jul-19	4:00 PM	308-Upper Mall, Lahore.
26-Aug-19	11:00 AM	308-Upper Mall, Lahore.
29-Oct-19	10:30 AM	308-Upper Mall, Lahore.

Detail of attendance of Directors at Board meetings is summarized below:

Names of Directors	Date of appointment / election	No. of Meetings Attended
Syed Yawar Ali	17.07.2019	5
Samer Chedid	01.08.2019	2
Syed Babar Ali	17.07.2019	4
Syed Hyder Ali	17.07.2019	4
Syed Saiful Islam	17.07.2019	5
Amr Rehan	17.07.2019	3
Bernhard Stefan	17.07.2019	5
Osman Khalid Waheed	17.07.2019	4
David A. Carpenter	17.07.2019	3
Rabia Sultan	17.07.2019	3
Freda Yahan Duplan (outgoing)	17.07.2019	3
Thomas Keller	12.12.2018	2

### Role and Responsibilities of the Chairman and the Chief Executive

The role of the Chairman and the Chief Executive are segregated and they have distinct responsibilities. The Chairman of the Board has responsibilities and powers vested in him by law and the Articles of Association of the Company,

as well as duties assigned to him by the Board. In particular, the Chairman coordinates the activities of the Board and presides over the meetings of the Board of Directors and Shareholders.

The Managing Director is the Chief Executive Officer of the Company and is responsible for the day-to-day operations and conduct of its business in accordance with the powers vested in him by law, the Articles of Association of the Company and authority delegated to him through the Board of Directors' resolutions from time to time. The Managing Director recommends policy and strategic direction and annual business plans for the Board of Directors' approval and is responsible for exercising the overall control, discretion, administration and supervision for sound and efficient management and conduct of the business of the Company.

### Audit Committee

The Audit Committee comprises of three members including the Chairman of the Committee, who is an Independent Director. Two members are Non-Executive Directors. The terms of reference of the Committee, which is in line with the Code of Corporate Governance, has been presented and approved by the Board of Directors.

The Audit Committee held four meetings in 2019. The Chief Financial Officer, Internal Auditors as well as External Auditors were invited to the meetings.

### Human Resources and Remuneration Committee

The Company has established this Committee in accordance with requirements of the Code of Corporate Governance. All issues of remuneration are fully disclosed, deliberated and decided at the meetings of the Directors.

### Strategic Planning

The Company's strategic direction was reviewed at the meeting of the Directors. A process has been put in place whereby long term Market Business Strategies and Annual Operational Plans established by the Management are regularly reviewed by the Directors in line with the Company's overall business objectives. Part of the process involves the setting of measurable Key Performance Indicators (KPIs).

# REVIEW REPORT BY THE CHAIRMAN

**It gives me immense pleasure to present this report to the Shareholders of Nestlé Pakistan Limited pertaining to the overall performance of the Board and effectiveness of its role in attaining the Company's aims and objectives.**

Company has implemented a strong governance framework supportive of an effective and prudent management of business matters, which is regarded as instrumental in achieving long-term success of the Company.

During the year, the Board Committees continued to work with a great measure of proficiency. The Board as a whole has reviewed the Annual Report and Financial Statements, and is pleased to confirm that in its view the report and financial statements, taken as a whole, are fair, balanced, and understandable.

The Board carries out a review of its effectiveness and performance each year on a self-assessment basis. The Board Performance assessment for the year was based on an evaluation of the integral components i.e. Strategic Planning, Board Composition, Board Committees, Board Procedures, Board Interactions, Board and CEO's Compensation, Board Information and Board & CEO's Effectiveness.

The Board of Directors of the Company received agendas and supporting written material including follow up materials in sufficient time prior to the Board and its Committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The Non-Executive and Independent directors are equally involved in important decisions.



Syed Yawar Ali

Chairman

# COMPANY PERFORMANCE 2019

## SALES

Rupees in million



## EARNING PER SHARE

Rupees



## MARKET CAPITALIZATION

Rupees in million



## RETURN ON EQUITY

Rupees in million



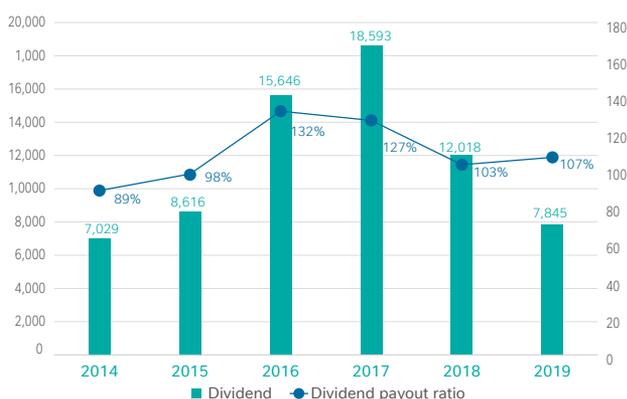
## MARKET PRICE PER SHARE VS. NET ASSETS PER SHARE

Rupees



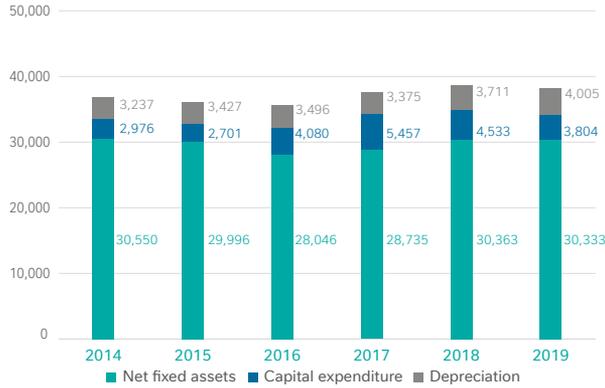
## DIVIDEND PAYOUT RATIO

Rupees in million



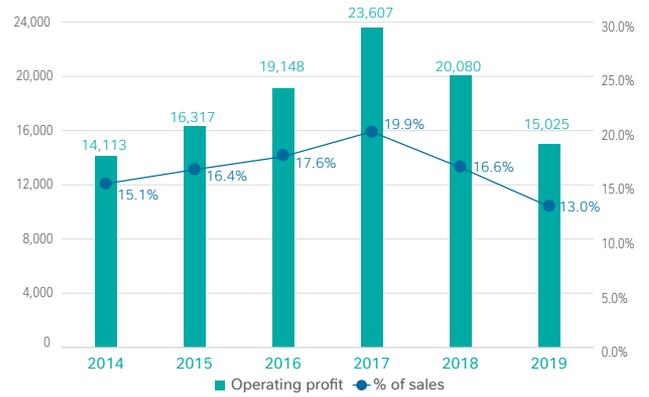
## NET FIXED ASSETS, FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Rupees in million



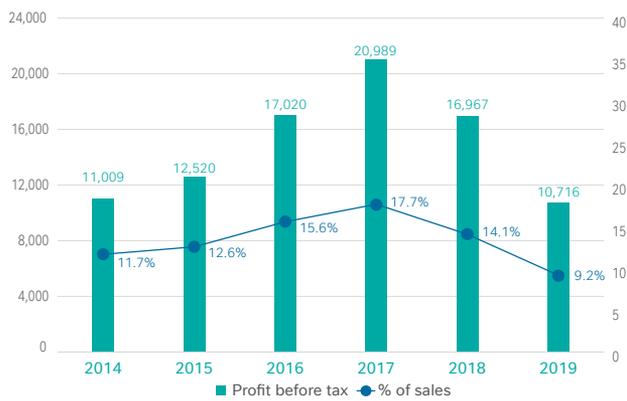
## OPERATING PROFIT

Rupees in million



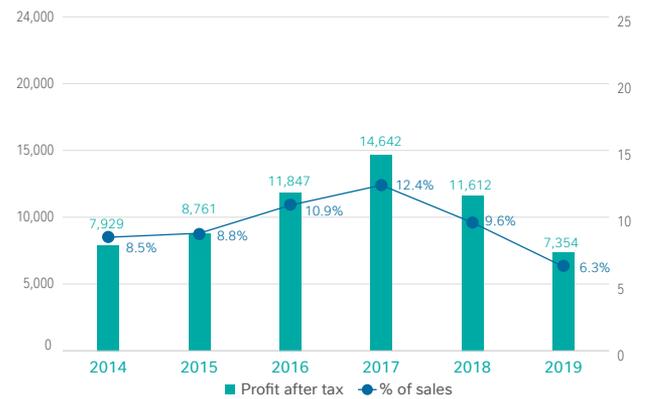
## PROFIT BEFORE TAX

Rupees in million



## PROFIT AFTER TAX

Rupees in million



# STATEMENT OF WEALTH CREATION AND ITS DISTRIBUTION

(PKR in 000)	2019		2018	
<b>Wealth Generated/ Value Added:</b>				
Net turnover including sales tax	137,915,705		139,724,864	
Less: Purchased materials and services	(86,426,547)		(86,586,229)	
Value Added	51,489,158		53,138,635	
Other Income	268,790		255,308	
Wealth Created	51,757,948	100.0%	53,393,943	100.0%
<b>Wealth Distribution:</b>				
<b>To Employees:</b>				
Salaries, benefits and other costs	11,880,533	22.9%	11,987,298	22.4%
<b>To Government:</b>				
Income tax, sales tax, excise & custom duty, WWF, WPPF	24,692,419	47.7%	23,566,452	44.1%
<b>To Society and Development Initiatives:</b>				
Donations and CSR Projects	11,273	0.0%	7,500	0.0%
*Dairy Development (Non-business returns)	127,393	0.2%	240,680	0.5%
<b>To Providers of Capital:</b>				
Dividend to Shareholders	7,845,479	15.2%	12,017,640	22.5%
Mark-up/ interest expenses on borrowed funds	3,187,695	6.2%	1,855,789	3.5%
<b>To Company:</b>				
Depreciation and amortisation	4,013,156	7.8%	3,718,584	7.0%
	51,757,948	100.0%	53,393,943	100.0%

\* This represents contribution of the Company towards development of the society and dairy sector in Pakistan.

# KEY FINANCIAL DATA

## Six Years at a Glance

(Rupees in million)

	2019	2018	2017	2016	2015	2014
<b>Operating performance</b>						
- Sales	115,962	120,701	118,553	108,959	99,659	93,710
- Gross profit	33,349	38,814	41,094	36,349	30,799	24,576
- Operating profit	15,025	20,080	23,607	19,148	16,317	14,113
- Profit before tax	10,716	16,967	20,989	17,020	12,520	11,009
- Profit after tax	7,354	11,612	14,642	11,847	8,761	7,929
<b>Balance Sheet</b>						
- Net assets	3,256	4,020	4,634	8,812	12,638	12,628
- Reserves	2,802	3,567	4,181	8,359	12,184	12,174
- Operating fixed assets	30,333	30,363	28,735	28,046	29,996	30,550
- Net working capital	18,548	16,099	15,026	13,460	6,066	6,288
- Long term liabilities*	12,217	14,244	13,562	8,942	11,487	11,326
<b>Investor information for six years</b>						
- Gross profit ratio	28.8%	32.2%	34.7%	33.4%	30.9%	26.2%
- Operating profit ratio	13.0%	16.6%	19.9%	17.6%	16.4%	15.1%
- Profit before tax ratio	9.2%	14.1%	17.7%	15.6%	12.6%	11.7%
- Profit after tax ratio	6.3%	9.6%	12.4%	10.9%	8.8%	8.5%
- Inventory turnover ratio	4.3 : 1	4.7 : 1	5.8 : 1	7.0 : 1	7.2 : 1	7.8 : 1
- Total assets turnover ratio	1.8 : 1	1.9 : 1	2.2 : 1	2.2 : 1	2 : 1	1.9 : 1
- Price earning ratio	49.6	35.1	35.6	34.5	40.4	52.1
- Return on capital employed	97%	129%	153%	122%	61%	55%
- Market value per share	8,050	9,000	11,500	9,000	7,800	9,100
- Debt equity ratio	90 : 10	87 : 13	82 : 18	58 : 42	53 : 47	61 : 39
- Current ratio	0.6 : 1	0.7 : 1	0.6 : 1	0.6 : 1	0.7 : 1	0.7 : 1
- Interest cover ratio	4.4 : 1	10.1 : 1	20.2 : 1	18.7 : 1	9.5 : 1	6.5 : 1

\* Long term liabilities include current portion classified under current liabilities.

# PATTERN OF SHAREHOLDING

As at December 31, 2019

No. of Shareholders	From	Shareholding	To	Total Shares Held
465	1	to	100	13,101
181	101	to	500	47,975
76	501	to	1,000	57,443
88	1001	to	5,000	197,930
20	5001	to	10,000	154,579
5	10001	to	15,000	62,084
2	15001	to	20,000	35,847
4	20001	to	25,000	93,541
1	25001	to	30,000	29,460
2	30001	to	35,000	63,950
1	35001	to	40,000	38,137
1	40001	to	45,000	40,023
2	50001	to	55,000	105,944
1	55001	to	60,000	56,807
1	65001	to	70,000	66,707
1	100001	to	105,000	100,556
1	110001	to	115,000	110,439
1	120001	to	125,000	120,916
1	155001	to	160,000	157,461
1	170001	to	175,000	170,745
1	210001	to	215,000	210,865
1	220001	to	225,000	224,720
1	365001	to	370,000	370,000
1	370001	to	375,000	375,000
1	385001	to	390,000	387,334
1	425001	to	430,000	429,852
1	430001	to	435,000	430,551
1	535001	to	540,000	538,235
1	830001	to	835,000	830,467
1	1155001	to	1,160,000	1,157,944
1	1290001	to	1,295,000	1,294,334
1	1330001	to	1,335,000	1,334,283
1	1190601	to	1,195,600	1,195,211
1	3645001	to	3,650,000	3,649,248
1	4415001	to	4,420,000	4,419,666
1	26775001	to	26,780,000	26,778,229
871				45,349,584

# CLASSIFICATION OF SHARES BY CATEGORIES

As at December 31, 2019

Categories Of Shareholders	Numbers	Shares Held	Percentage
Directors and their spouse(s) and minor children	6	1,859,268	4.10
Executives	5	756	0.00
Associated Companies, undertakings and related parties	8	35,803,388	78.95
NIT	1	1480	0.00
ICP	0	-	-
Financial Institution	2	481,585	1.06
Insurance Companies	4	7,605	0.02
Modraba Companies	0	-	-
Mutual Funds	4	104,658	0.23
Investment Companies	0	-	-
Joint Stock Companies	15	6,794	0.01
Charitable Trust	6	17,405	0.04
Foreign Investors	10	1,234,714	2.72
General Public (Individual)			
a. Local	775	5,783,750	12.75
b. Foreign	0	-	-
Public Sectors Companies & Corporations	2	10,616	0.02
Others	33	37,565	0.08
<b>Total</b>	<b>871</b>	<b>45,349,584</b>	<b>100.00</b>
<b>Shareholders holding 5% or more</b>			
NESTLÉ S.A.		26,778,229	59.05
IGI INVESTMENTS (PVT) LIMITED		4,419,666	9.75
PACKAGES LIMITED		3,649,248	8.05

# KEY SHAREHOLDING AND SHARES TRADED

As at December 31, 2019

Name of Shareholders	No. of Shareholders	No. of Shares	Per %
<b>Associated Companies, Undertakings and Related Parties</b>			
Nestlé S.A.		26,778,229	59.05
IGI Investments (Pvt) Limited		4,419,666	9.75
Packages Limited		3,649,248	8.05
Gurmani Foundation		538,235	1.19
National Management Foundation		224,720	0.50
Babar Ali Foundation		170,745	0.38
Industrial Technical & Educational Institute		21,666	0.05
Trustees Nestlé Pakistan Ltd Employees Provident Fund		878	0.00
IGI Finex Securities Limited		1	0.00
	9	35,803,388	78.95
<b>Mutual Funds</b>			
CDC - Trustee National Investment (Unit) Trust		100,556	0.22
CDC - Trustee MCB Pakistan Stock Market Fund		3,033	0.01
CDC - Trustee AKD Index Tracker Fund		549	0.00
CDC - Trustee NIT-Equity Market Opportunity Fund		520	0.00
	4	104,658	0.23
<b>Directors and Their Spouse(s) and Minor Children</b>			
Syed Babar Ali		1,195,211	2.64
Syed Hyder Ali		429,852	0.95
Syed Yawar Ali		23,220	0.05
Osman Khalid Waheed		60	0.00
Perwin Babar Ali (w/o Syed Babar Ali)		210,865	0.46
Syeda Nighat Ali (w/o Syed Yawar Ali)		60	0.00
	6	1,859,268	4.10
<b>Executives</b>			
	5	756	0.00
<b>Public Sector Companies</b>			
Employees Old Age Benefits Institution		10,560	0.02
National Bank Of Pakistan		56	0.00
	2	10,616	0.02
<b>Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>			
	40	528,235	1.16
<b>Shareholders Holding 5% or More</b>		<b>Shares Held</b>	<b>Per %</b>
Nestlé S.A.		26,778,229	59.05
IGI Investments (Pvt) Limited		4,419,666	9.75
Packages Limited		3,649,248	8.05

## Detail Of Purchase / Sale Of Shares By Directors, Company Secretary, Executives and Their Spouses, Minor Children During the Year 2019:

Mr. Syed Hyder Ali, Director bought 1,800 shares on September 17, 2019 which was declared to the Board in its subsequent Meeting.

# STATEMENT OF COMPLIANCE

## With the Code of Corporate Governance for the Year Ended December 31, 2019

### Nestlé Pakistan Limited (“Company”) has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are 10 as per the following :

- i. Male: **09**
- ii. Female: **01**

2. The composition of the Board is as follows:

#### Independent Directors:

- i. Mr. Osman Khalid Waheed
- ii. Mr. David A. Carpenter
- iii. Ms. Rabia Sultan

#### Executive Directors:

- i. Mr. Samer Chedid
- ii. Mr. Syed Saiful Islam
- iii. Mr. Amr Rehan

#### Non-Executive Directors:

- i. Mr. Syed Yawar Ali
- ii. Mr. Syed Babar Ali
- iii. Mr. Syed Hyder Ali
- iv. Mr. Bernhard Stefan

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

4. The Company has prepared 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;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;

9. The Board has arranged Directors’ Training program for the following:

Name	Designation
Mr. Samer Chedid	Chief Executive Officer/ Director
Mr. Syed Saiful Islam	Chief Financial Officer/ Director
Mr. Bernhard Stefan	Non-Executive Director
Mr. David A. Carpenter	Independent Director
Ms. Rabia Sultan	Independent Director

10. The Board has approved appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the Financial Statements before approval of the Board;

12. The Board has formed committees comprising of members given below.-

#### Board Audit Committee:

Name of the Committee Member	Designation
Mr. Osman Khalid Waheed	Chairman / Independent Director
Mr. Syed Babar Ali	Member / Non-Executive Director
Mr. Syed Hyder Ali	Member / Non-Executive Director
Mr. Syed Awais Haider Naqvi	Secretary / Head of Internal Audit

### Human Resource and Remuneration Committee

Name of the Committee Member	Designation
Ms. Rabia Sultan	Chairperson / Independent Director
Mr. Samer Chedid	Member / Chief Executive Officer
Mr. Syed Hyder Ali	Member
Mr. Akmal Saeed	Secretary / Head of Human Resources

13. The 'Terms of Reference' of the aforesaid Committees have been formed, documented and advised to the Committee for compliance;

14. The frequency of meetings of the Committee were as follows:

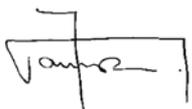
- i. Board Audit Committee: **04**
- ii. HR and Remuneration Committee : **02**

15. The Board has set up an effective Internal Audit Function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.



Samer Chedid

Chief Executive Officer



Syed Yawar Ali

Chairman

Dated: February 26, 2020

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nestlé Pakistan Limited

## Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Nestlé Pakistan Limited for the year ended 31 December 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

Lahore

Dated: 12 March, 2020



KPMG Taseer Hadi & Co.  
Chartered Accountants

# BOARD OF DIRECTORS

## AS ON DECEMBER 31, 2019



### Syed Yawar Ali

Chairman  
Non-Executive Director  
Nationality: Pakistani  
Term Expires: 17-Jul-22



### Samer Chedid

Chief Executive Officer  
(Nominee of Nestlé S.A.)  
Nationality: Lebanese  
Term Expires: 17-Jul-22



### Syed Babar Ali

Non-Executive Director  
Nationality: Pakistani  
Term Expires: 17-Jul-22



### Syed Hyder Ali

Non-Executive Director  
Nationality: Pakistani  
Term Expires: 17-Jul-22



### Syed Saiful Islam

Executive Director  
(Nominee of Nestlé S.A.)  
Nationality: Bangladeshi  
Term Expires: 17-Jul-22



### Amr Rehan

Executive Director  
(Nominee of Nestlé S.A.)  
Nationality: Egyptian  
Term Expires: 17-Jul-22



### Bernhard Stefan

Non-Executive Director  
(Nominee of Nestlé S.A.)  
Nationality: Austrian  
Term Expires: 17-Jul-22



### Osman Khalid Waheed

Independent Director  
Nationality: Pakistani  
Term Expires: 17-Jul-22



### David A. Carpenter

Independent Director  
Nationality: United States of America  
Term Expires: 17-Jul-22



### Rabia Sultan

Independent Director  
Nationality: Pakistani  
Term Expires: 17-Jul-22

## Officers

### Samer Chedid

Chief Executive Officer

### Syed Saiful Islam

Chief Financial officer

### Ali Sadozai

Company Secretary

### Syed Awais Haider Naqvi

Head of Internal Audit

## Audit Committee

### Osman Khalid Waheed

Chairman / Independent Director

### Syed Hyder Ali

Member / Non-Executive Director

### Syed Babar Ali

Member / Non-Executive Director

### Syed Awais Haider Naqvi

Secretary / Head of Internal Audit

## Human Resource and Remuneration Committee

### Rabia Sultan

Chairperson/ Independent Director

### Syed Hyder Ali

Member / Non-Executive Director

### Samer Chedid

Member / Executive Director

### Akmal Saeed

Secretary / Head of Human Resources

# COMPANY'S DIRECTORY

## Registered and Corporate Office

Nestlé Pakistan Limited  
308 – Upper Mall,  
Lahore - 54000, Pakistan.  
PABX: (042) 111 637 853  
Fax: (042) 35789303-4

Corporate Office Annex

- 304 – Upper Mall,  
Lahore, Pakistan.
- 309 – Upper Mall,  
Lahore, Pakistan

## Resident Corporate Office

Tenancy # 2, 4th Floor,  
Corporate Office Block  
Dolmen City,  
Plot No. HC-3 Block 4 Clifton  
Karachi, Pakistan  
Phone: (021)-35291571-5

## Auditors

K.P.M.G. Taseer Hadi & Co.  
Chartered Accountants

## Share Registrar/ Transfer Agent

Central Depository Company Share  
Registrar Services Limited (CDCSRSL)  
CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400  
Phone: 0800-23275  
PABX: (021) 111-111-500  
Fax: (021) 34326053  
Email: info@cdcpak.com

Website: www.cdcpakistan.com

## Legal Advisors

Chima & Ibrahim.  
Advocates  
Corporate Counsel

## Bankers

- Standard Chartered Bank  
(Pakistan) Limited
- Habib Bank Limited
- MCB Bank Limited
- Deutsche Bank AG
- Citibank, N.A.
- United Bank Limited
- National Bank of Pakistan Limited
- Meezan Bank Limited
- Telenor Microfinance Bank Limited

## Factories

### SHEIKHUPURA

29-km Lahore – Sheikhpura Road,  
Sheikhpura, Pakistan.  
Phone: (056) 3406615-29  
Fax: (056) 3406639

### KABIRWALA

10-km, Khanewal Road, Kabirwala,  
District Khanewal, Pakistan.  
Phone: (065) 111 637 853  
Fax: (065) 2411432

### ISLAMABAD

Plot No. 32, Street No. 3, Sector I-10/3,  
Industrial Area Islamabad, Pakistan.  
Phone: (051) 4445991-3

### KARACHI

Plot No. A23, North Western  
Industrial Area, Port Qasim Karachi,  
Pakistan.  
Phone: (021) 34720152-4

## Regional Sales Offices

### South Zone

#### QUETTA

Ground floor, Serena Bazar  
Serena Hotel, Zarghoon Road  
Quetta  
Phone: (081)-2834887, (081)-2821543,  
(081)-2823946

#### HYDERABAD

House No. 178, Block 'C' Unit 2  
Latifabad, Hyderabad, Pakistan.  
Phone: (022)-3860403

### Centre Zone

#### LAHORE

3 K, Commercial Plaza, Model Town  
Extension, Lahore, Pakistan  
Phone: (042)-35916650 -2

#### GUJRANWALA

3rd Floor, State Life Building  
G.T Road Gujranwala, Pakistan  
Phone: (0553)-251801-2

#### FAISALABAD

6/C, Al Fahad Plaza, Koh-e-Noor City,  
Jaranwala Road, Faisalabad, Pakistan  
Phone: (041)-8719131 -2

#### MULTAN

Plot 5- D, 1st Floor, Phase I,  
Industrial Estate, Multan  
Phone: 061-6212902-3

### North Zone

#### ISLAMABAD

Plot 102, Street 7, Chambeli Road,  
Industrial Area, I-10/3, Islamabad, Pakistan  
Phone: (051)-4104400

#### PESHAWAR

Office # 302, Block A, 2nd Floor, JB  
Towers, University Road, Peshawar.  
Phone: 091-5703017

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 42<sup>nd</sup> Annual General Meeting of Nestlé Pakistan Ltd; will be held at 09:30 am on **May 07, 2020** to transact the following business at Lahore.

In wake of the outbreak of COVID-19 (Corona Virus Disease - 2019) shareholders are encouraged to attend the Meeting **online** as per the instructions given in notes section below.

## ORDINARY BUSINESS:

- 1- To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2019 together with the Directors' and Auditors' reports thereon.
- 2- To appoint EY Ford Rhodes ("EY"), Auditors for the term ending at the conclusion of the next Annual General Meeting and to fix their remuneration. The EY Ford Rhodes ("EY"), Auditors being eligible have offered themselves for appointment.
- 3- To approve payment of Final Cash Dividend of Rs. 42/- per share i.e. 420% to those who are Shareholders as at the close of business on April 28, 2020, in addition to the 1100% Interim Cash Dividend (i.e. Rs. 110 per share) already paid during the year 2019, as recommended by the Directors.

## Any Other Business:

- 4- To transact any other business with the permission of the Chair.

### BY ORDER OF THE BOARD



Ali Sadozai

Company Secretary

Dated: April 13, 2020

## NOTES:

- i) Share Transfer Books of Nestlé Pakistan Limited ("Company") shall remain closed from April 29, 2020 to May 07 (both days inclusive) and no transfer will be registered during that time. Share transfer deeds received in order with the Share Registrar of the Company, i.e. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400 at the close of business on April 28, 2020 will be treated in time for entitlement of payment of Final Cash Dividend.
- ii) A member entitled to attend and vote at the Annual General Meeting ("Meeting") is entitled to appoint another member as a proxy to attend and vote on his/ her behalf. In case of a corporate entity, being a member, may appoint as its proxy any of its official or any other person whether a member of the Company or not through Board Resolution/ Power of Attorney.
- iii) The instrument appointing a proxy duly stamped/ signed and witnessed, and must be received at the Registered Office of the Company at 308-Upper Mall, Lahore, not later than forty eight (48) hours before the Meeting or e-mail scanned copy of the same at investor.relations@pk.nestle.com.
- iv) Shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to e-mail copy of CNIC along with their account number in CDS and participants ID number for verification. In case of appointment of proxy by such account holders it must be accompanied with participants' ID number and Account/Sub-account number along with attested photocopies of CNIC or the Passport of the beneficial owner. Representatives of Corporate Members should e-mail the usual documents required for such purposes through the e-mail (investor.relations@pk.nestle.com) through which they are appointed as Proxy of the respective Shareholder.

- v) Members should quote their Folio. / CDS Account number in all correspondence with the Company and at the time of attending the Annual General Meeting.
- vi) Shareholders are requested to notify the change of address, Zakat Declaration and Tax Exemption Status with its valid certificate, if any, immediately to our Share Registrar.
- vii) In case of joint holders, only one member whose name will appear as main title shareholder in our list of shareholders, will be allowed to attend the General Meeting.
- viii) An update as required under Regulations 4 and 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, is included as part of the Annual Report 2019.

## **SPECIAL NOTES TO THE SHAREHOLDERS:**

### **ix) WITHHOLDING OF PAYMENT OF DIVIDEND - SUBMISSION OF COPIES OF CNIC (URGENT & MANDATORY):**

As per SECP directives the dividend of shareholders whose valid CNICs, are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Share Registrar, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shakra-e-Faisal, Karachi – 74400 without any further delay.

### **x) DEDUCTION OF INCOME TAX FROM DIVIDEND UNDER SECTION 150 OF INCOME TAX ORDINANCE 2001:**

As per the provisions of Section 150 of the Income Tax Ordinance, 2001 ("Ordinance"), whereby, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies.

The current withholding tax rates are as under:

- (a) For Filers of Income Tax Returns: 15%
- (b) For Non-Filers of Income Tax Returns: 30%

To enable the Company to make tax deduction on the amount of Cash Dividend at the rate of 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of the Federal Board of Revenue ("FBR"), despite the fact that they are Filers, are advised to make sure that their names are entered into ATL before the date of issuance of Dividend Warrants, otherwise tax on their Cash Dividend will be deducted at the rate of 30%. The Corporate Shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or Company's Share Registrar and Share Transfer Agent, CDCSRSL.

The shareholders while sending NTN certificates, as the case may be, must quote company name and their respective Folio Numbers.

As per FBR's clarification, the valid Tax Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above Clause must provide valid Tax Exemption Certificate to our Shares Registrar; otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

For shareholders holding their shares jointly as per the clarification issued by the 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. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to the Company's Share Registrar and Share Transfer Agent in writing as follows:

FOLIO / CDC ACCOUNT NO.	TOTAL SHARES	PRINCIPAL SHAREHOLDER		JOINT SHAREHOLDER(S)	
		NAME AND CNIC NO.	SHAREHOLDING PROPORTION (NO. OF SHARES)	NAME AND CNIC NO.	SHAREHOLDING PROPORTION (NO. OF SHARES)

**xi) PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE: (MANDATORY)**

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company including Nestlé Pakistan Limited to pay cash dividend to its shareholders **ONLY** through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividend directly into their bank account, shareholders are requested to fill in **ELECTRONIC CREDIT MANDATE FORM** available at Company's website and send it duly signed along with a copy of CNIC to the Share Registrar (CDCSRSL) of the Company in case of physical shares. In case of shares held in CDC then **ELECTRONIC CREDIT MANDATE FORM** must be submitted directly to shareholder's broker/participant/ CDC account services.

**ELECTRONIC CREDIT MANDATE FORM:**

Folio Number	
Name of Shareholder	
Title of Bank Account	
Name of Bank	
Name of Bank Branch and Address	
International Bank Account Number (IBAN)	
Cellular and Landline Number	
E-mail Address	
CNIC/NTN number (Attach copy)	
Signature of Shareholder	

**In case of non-receipt of IBAN detail, the Company will be constrained to withhold payment of dividend under Companies (Distribution of Dividends) Regulations, 2017.**

**xii) UNCLAIMED DIVIDENDS AND SHARES (IMPORTANT & MANDATORY)**

Shareholders of the Company are hereby informed that as per the record, there are some unclaimed/uncollected / unpaid dividends and shares. Shareholders who could not collect their dividends/shares are advised to contact Nestlé Share Registrar, CDCSRSL to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 (2) of the Companies Act, 2017, after having completed the stipulated procedure, of three (3) years or more from the date due and payable, shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to SECP.

**xiii) TRANSMISSION OF ANNUAL REPORT:**

The Audited Financial Statements of the Company for the year ended December 31, 2019 have been made available at the Company's website (<https://www.nestle.pk/>) in addition to the Annual and Quarterly financial statements for the prior years.

**Further, Annual Report of the Company for the year ended December 31, 2019 has been e-mailed to the respective shareholders who have provided their valid e-mail IDs to the Share Registrar of the Company (CDCSRSL), and dispatched DVDs to those who have not updated their e-mail IDs yet.**

However, if a shareholder, requests for hard copy of the Annual Audited Financial Statements, the same shall be provided free of cost within seven (07) days of receipt of such request. For convenience of shareholders, a "Standard Request Form for provision of hardcopy of Annual Audited Accounts" has also been made available at the Company's website (<https://www.nestle.pk/>).

**xiv) ONLINE PARTICIPATION IN AGM:**

In view of the evolving situation on the spread of the COVID-19, Nestlé Pakistan has **decided to conduct above Shareholders' Meeting online** in order to protect the wellbeing of the shareholders.

The shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from their homes or any convenient location after completing all the formalities required for the verification and identification of the shareholders.

In this regard, shareholders are required to **update their valid e-mail addresses with the Share Registrar,**

CDCSRSL **latest by April 20, 2020.** A detailed procedure shall be communicated through e-mail directly to the shareholders who have provided their valid e-mail IDs and same shall be placed at the Company's website (**(https://www.nestle.pk/)**) in investor relation section.

The shareholders who **have already updated** their valid e-mail addresses with the Company or its Share Registrar (CDCSRSL) and are interested to attend AGM may send below information at **investor.relations@pk.nestle.com** for their / their appointed proxy's verification. Such information should be sent from their **duly registered valid e-mail address for the registration purposes latest by May 03, 2020.**

S. NO.	NAME OF THE SHAREHOLDER	CNIC NUMBER	FOLIO NUMBER	CELL NUMBER	REGISTERED E-MAIL ADDRESS

In case of **appointment of a proxy**, please communicate above information for the individual who has been appointed as proxy of the Shareholder to participate and vote on behalf of the respective shareholder alongwith the duly signed proxy form.

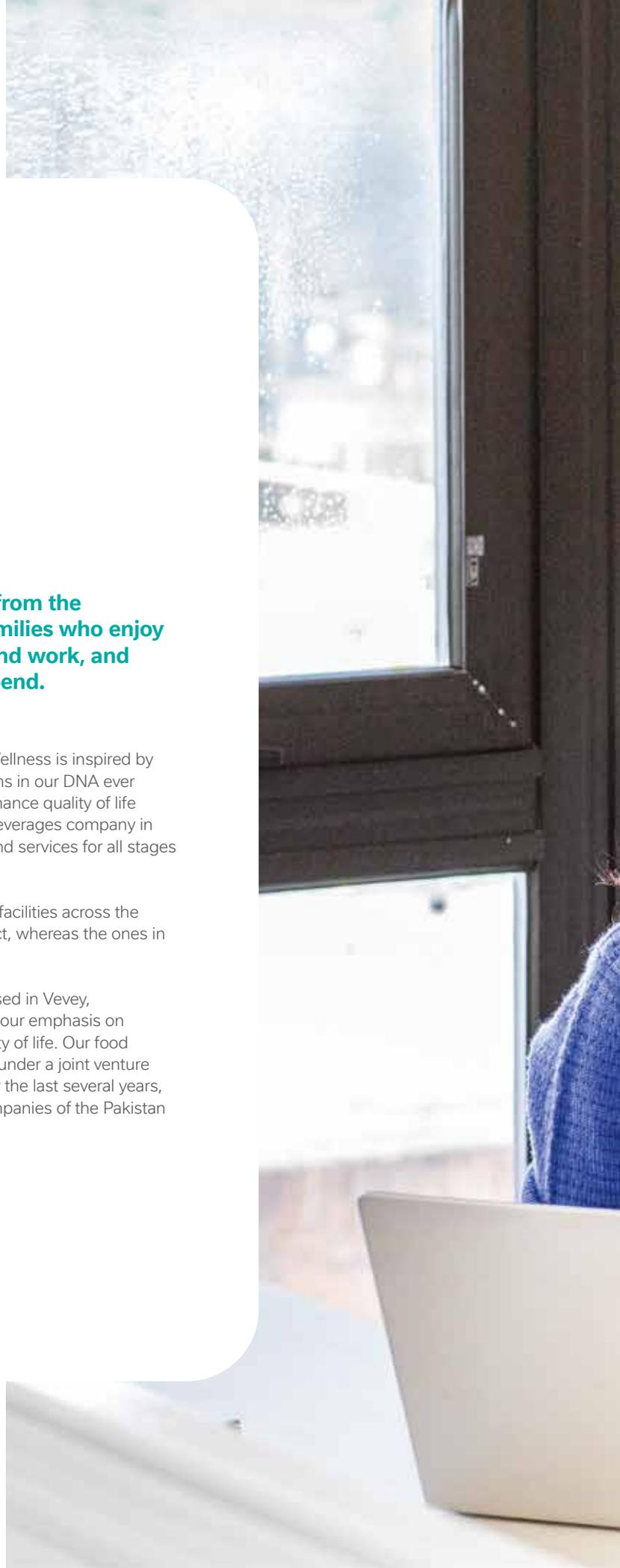
# ABOUT NESTLÉ

**We at Nestlé touch billions of lives worldwide; from the farmers we work with to the individuals and families who enjoy our products, the communities where we live and work, and the natural environment upon which we all depend.**

At Nestlé Pakistan, the global ideology of Nutrition, Health and Wellness is inspired by the scientific breakthrough of our founder, Henri Nestlé, and it runs in our DNA ever since. Guided by our values and with nutrition at our core, we enhance quality of life and contribute to a healthier future. We are the leading Food & Beverages company in Pakistan, reaching out to the remotest areas, offering products and services for all stages of life, every moment of the day.

Nestlé Pakistan is headquartered in Lahore, with four production facilities across the country. Factories in Sheikhpura and Kabirwala are multi-product, whereas the ones in Islamabad and Karachi are water factories.

Nestlé Pakistan Ltd. is a subsidiary of Nestlé S.A., a company based in Vevey, Switzerland. Today, millions of consumers across Pakistan mirror our emphasis on nutrition, realizing that food choices impact their health and quality of life. Our food processing company has been operating in Pakistan since 1988 under a joint venture with Milk Pak Ltd, whose management we took over in 1992. For the last several years, Nestlé Pakistan has been consistently placed among the top companies of the Pakistan Stock Exchange.





# MANAGEMENT COMMITTEE



## Standing – From Left to Right

### Ali Akbar

Head of Supply Chain

### Akmal Saeed

Head of Human Resources

### Abdullah Jawaid Ahmad

Business Executive Officer -  
Nestlé Professional

### Joselito Avancena

Business Executive Officer - Dairy

### Faisal Akhtar Rana

Head of Communication &  
Marketing Services

### Sheikh Waqar Ahmad

Head of Corporate Affairs

### Babar Hussain Khan

Head of Sales

### Muhammad Ali Sadozai

General Counsel & Company Secretary



**Sitting – From Left to Right**

**Saiful Islam**

Head of Finance & Controls

**Samra Maqbool**

Head of Strategy & Business Development

**Fuad Saqib Ghazanfar**

Business Executive Officer - Food, Coffee & CPW



**Samer Chedid**

Chief Executive Officer

**Ahmad Jamal Khan**

Business Executive Officer - Infant Nutrition

**Khurram Zia**

Business Executive Officer - Waters

**Amr Rehan**

Head of Technical



# HUMAN RESOURCES

**In 2019, we focused on enhancing trust of our consumers and employees to make Nestlé the brand of choice. To build employees as ambassadors for Nestlé, transparency and an effective communication played a key role in understanding our commitment to Nutrition, Health and Wellness. Stories of employees' trust in Nestlé were shared internally and externally. Additionally, 68 awareness sessions, for over 1900 employees were conducted to increase awareness about our product and processes across the organization and with our external stakeholders.**

We continued our focus on transforming our people processes as part of H2R transformation in order to provide better services to our employees and sustain an edge over competition. Key focus areas for 2019 included Leadership Development, Capability Building, Utilization of Online Learning platforms, Employee Relations and Occupational Health for building high performance teams to achieve organizational goals while diversity and commitment to compliance remained at the heart of our agenda.



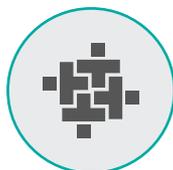
**30**

Universities were targeted for campus outreach through career fairs and connects



**500**

Internships were offered



**63**

Apprentices currently working in technical



**25**

Female associates were inducted on one year contract under our program Kero Aitemaad – Women Empowerment Platform



**121**

Female resources were hired on various roles



**15**

Management Trainees were inducted through Nestlé LEAD program under youth initiative

Nestlé Pakistan gives great significance to the health of its people at work in line with its commitment under Nestlé Corporate Business Principles.

We care about our people by creating a healthy work environment and taking necessary measures for preventing work related illnesses. In order to achieve this objective, we raise peoples awareness about their health through several activities.

In 2019, a number of health awareness activities were conducted by utilizing different internal communication channels for people, organizing health camps at different sites and inviting top medical consultants for conducting knowledge sharing sessions with our people. 21 Health Camps and Surveillance Checks were conducted across all sites covering over 1400 employees.

Employees have also been provided a platform of “Know Your Number Program” for tracking their health status so that they can timely act appropriately for managing their health issues. Health checks up of people engaged at different sites have also been conducted for improving their fitness level and providing them timely support for preventing various diseases.

We focused on Employee Relations through continuous and consistent Employee Engagement sessions, with the purpose of strengthening our relationship with the employees. These activities included Sports Galas, Connect Sessions, connecting with families of our employees and Employee Recognition Program. These cross-functional and cross sites interaction of employees led to a highly motivated, energized and committed workforce. Additional focus was given on improving the quality of Employee services and promoting Diversity and Inclusion.

To engage, motivate and inspire young female professionals and equipping them with the skills and tools they need for successful and dynamic careers, we continued our “Karo Aitemaad Program”, which helped us in equipping 27 females. Nestlé Pakistan is committed to give fair employment chances to differently-abled people and help them in increasing their employability in the job market through our program “Hay Tum Pe Yakeen”. Twenty differently-abled persons who were successful in the assessment joined in January 2020.

Along with this active community engagement, we also continued to ensure strong relationship with the surrounding communities across factories. In addition, performance appraisal and development process has been effectively sustained for non-management staff.

Special focus was given to employee careers whereby career coaching clinics were conducted for employees, helping them foresee their future within the company. In this context:

- 330 three party PDP sessions were conducted across the organization
- 5 Career Clinics were arranged across sites where 60 employees were coached on career growth

The career coaches conducted the career clinics across the company to strengthen coaching culture at Nestlé Pakistan.

To develop functional and leadership capability of our people, new OD Catalogue was launched which caters to current and future development needs. Development courses like Business Acumen Development, Value Creation and People Manager Toolkit continued to develop and enhance Business and People Skills of participants. Functional Capability Building has been the primary focus of our development initiative, thus bringing the Rive Reine training of “Introduction to Marketing and Sales” to Pakistan, where 28 employees participated in the session. These programs are designed for capability building of employees by deploying tools and concepts in various situations enabling a positive impact on business leading up to total Management Training hours of 71,857. The drive on fostering the e-learning culture helped us close the year with 14,945 e-learning done on various topics in iLearn. Nestlé Pakistan also launched its first in-house developed e-Learning “Sexual Harassment at Workplace”.

For diversified development, functional trainings based on updated Functional Competence Frameworks were carried out under the Education and Training pillar. To continue the Capability Building of End-to-End Transformation flows, blended learning approach using Face-to-Face, e-Learning and Virtual Classroom sessions were conducted.

Over 53 NiM (Management) Connect sessions were organized across the organization in order to engage and energize our employees. The Performance Management System PDP improved the focus on having transparent conversation between line manager and employees, with constant coaching and mentoring support to help them achieve their goals. All the learnings from this year will be utilized to further strengthen the performance management system for 2020.

Nestlé Pakistan ensured 100% payroll accuracy and timely disbursement of employee’s monthly salary.

KPI Name	Achievement
% Female Managers	13%
% Key Talent Nomination Rate	75%
% New Hire 1st Year Attrition	19%
% Key Talent Turnover	8%
% High Performer Turnover	4%

# SUPPLY CHAIN

Driving business growth by ensuring on time product deliveries, generating savings through right and reliable sourcing and creating synergies through cross-functional initiatives that impact the entire value chain.

Supply Chain at Nestlé Pakistan is a team of young and innovative individuals, who are encouraged to drive key business decisions. We believe in a culture of continuous improvement through internal and external collaboration while at the same time respecting diversity and inclusiveness within our functions and teams. We are an aligned, agile, and adaptable team that is committed to delivering results, not only within Supply Chain, but also to drive and support overall business priorities.

In 2019, Nestlé Pakistan produced and distributed millions of cases of its products across different regions in Pakistan, Afghanistan and several other countries. We at Supply Chain played a central role in managing this reliably; making sure that in all our processes we minimise our environmental impact and drive business sustainability across our value chain, right from sourcing of raw materials up till distributing it to our customers.

Facing new market realities and challenges this year, our focus was on creating a customer-centric Supply Chain by determining what matters most to our customers. We made sure that we delivered the right level of customer service at the right time and place. Our on-shelf product freshness and product availability improved over the year despite variations in demand. We met our customer order fulfilment targets for the year and facilitated our customers by further strengthening the newly transitioned Order to Cash process flow.

Like the previous year, Supply Chain continued to explore the benefits of data analytics through adoption of modern statistical tools to accurately forecast demand and plan productions. Statistical Analysis System (SAS) was further integrated in the monthly business planning cycle which helped the commercial teams to plan growth strategies for their brands. It played a critical role in ensuring optimized planning in a challenging year.

We achieved great milestones in physical logistics by implementing and scaling up project 'SLIM' (Smart Loading

through Integrated Mechanization) initiative at our distributions centers in factories that helped us in improving efficiency by 65% and reducing variable distribution cost by PKR 35 million. Further, by leveraging SAP module on Transport Management and Tracking System to create better visibility and eliminate waste in the system. A total of 9% reduction in absolute value of fixed distribution costs vs 2018 was achieved through various projects on lean warehousing and capacity enhancement.

As strategic partners of the business, our procurement and technical teams worked as one to optimize our product recipes with cost effective, high quality raw materials that were responsibly sourced from our suppliers around the world. Another milestone was the 'Simplex' project, where we benchmarked against different Nestlé markets in the Zone and collaborated with our suppliers to optimize raw & packaging specifications to bring cost effective solutions. Moreover, this year there was an unwavering focus on local sourcing of various indirect materials as well which helped the business to sustain against inflationary cost pressures.

Synergizing with the Agricultural Services team, procurement implemented by the 'Chaunsa' Project was a major breakthrough. To develop a new pulp sourcing model that brings us visibility of where we source our pulp from brings down the cost of pulp by leveraging the strengths of our on-ground teams in various regions.

Through these robust sourcing strategies, the procurement team ensured supplies while delivering savings of more than PKR 5.8 billion which mitigated the cost implications posed by a devaluating currency and tough economic environment. This not only allowed the company to provide price relief to the consumers, but also allowed sustained investments behind our brands.

Moving forward, Supply Chain is fully geared up to enable the organization win in the marketplace through its data driven planning, enhanced speed to insight using Advanced Analytics and lean cost structures. Our utmost focus remains on agility by adapting to market needs in changing times and deliver best in class support for driving business growth.





# TECHNICAL



**Technical division is the guardian of Nestlé's core, which is rooted in respect:**

## Safety

### Respect for our employees and stakeholders

Our aim is to provide a safe working environment to all our direct and indirect employees. We have stretched ourselves to identify and address gaps from highest to the lowest risk level. We have excelled in machine safety by performing mode-specific assessments, which helped in the provision of safe work equipment and plant to the employees.

We have vigorously worked on the capability building of our people by nourishing the concept of "Safety is everyone's responsibility". The focused areas remained emergency response preparedness and golden behaviours. We have used different forums to create awareness among our employees

on the key challenges from involving professional trainers to running self-assessments across market.

Implementation of live monitoring, route assessment and evaluation for 100% milk collection fleet has strengthened defensive driving in Agri Services and resulted in zero recordable incidents this year.

The spirit of everyday audit readiness has paved our way in upholding international certifications such as OHSAS 18001, Alliance for Water Stewardship and ISO 14001 for our factories and sites.

## Quality

### Respect for our customers and consumers

Quality and Food Safety is the cornerstone of Nestlé's Corporate Business Principles. This is the key of our existence as a Food and Beverage Company for more than 153 years across the globe.

We are continuously striving to ensure high quality raw materials by actively engaging farmers, raw and packaging material suppliers by sharing best practices. We also ensure sustainable development of farmers and suppliers on crop cultivation, livestock management and best practices. We proactively share our experience with farmers and suppliers regarding potential quality and food safety challenges.

In 2019, our factories were re-certified for FSSC 22000 and ISO 9001. Factory laboratories were accredited by Pakistan National Accreditation Council (PNAC) on ISO 17025. We are maintaining "Excellent rating" in Proficiency Testing for more than 15 years. Our factories are also HALAL certified. Factories and milk collection centres are regularly monitored and assessed by local Food Regulatory Authorities.

We believe in human capital and continuously investing through training and coaching to enhance our competitive advantage.

## Environment & Sustainability

### Respect for future generations

Nestlé Pakistan has put its best efforts in establishing alliance with the government authorities to meet local regulatory requirements in order to support environmental sustainability in our operations. Water conservation, energy optimization, controlling greenhouse gas emissions, reduction in waste at source are the key environmental indicators for any manufacturing facility. Nestlé takes care of these indicators in its operations and is committed to improve its performance every year.

### Greenhouse gas emissions/Energy conserving proficiency

This year we have invested our time and efforts in identifying opportunities for energy optimization across operations. We have successfully executed the most impactful projects and sustained greenhouse gas emissions from last year despite different challenges like production volumes and product mix ratio. Energy is now efficiently used by 3% as compared to 2018.

### Water operational efficiency

Water withdrawal per ton of product is as reduced by 10% as compared to 2018, across our manufacturing units. This water saving is based on the initiatives taken under the governance of Alliance for Water Stewardship. Water saving of 350 million liters is expected from Agricultural Services and Dairy development. Saving estimate is based on smart agricultural practices like drip irrigation, selection of crop type and R&D in orchards.

### Reduction of waste at source

As a contribution to our global commitment of tackling plastic waste, we have taken initiatives focusing on the most preferable techniques of waste management i.e. reduction and recycling of our plastic waste. We have eliminated single use plastic from Nestlé Pakistan Head Office and promoted waste segregation at source by implementation of centralized waste bins at floors. Up till now, 265 tons of plastic waste from Sheikhpura Factory have been converted into 600 plastic pallets, which are being used in the factory. Adding to the recycling initiatives, 95000 sq. feet roof of finished product warehouses is covered with corrugated plastic tuff sheets in Sheikhpura Factory. We are extending these initiatives to our manufacturing units and other facilities as well. We also ensure that waste from our sites must be disposed off properly and none of the waste ends up in landfill.

### Acting on climate change by planting trees

With our commitment to the Prime Minister's "Clean Green Pakistan" initiative, Nestlé Pakistan has largely contributed in combating climate change and air pollution by planting tree across its sites, stakeholders and surrounding communities. We have planted more than 450,000 trees till date. We have also donated seedlings as giveaways to our employees.

## Future Plans 2020

Focus areas for 2020 will be exploring opportunities for more renewable energy sources, waste reduction at source, vendor development for incineration with heat recovery, water and energy conservation as well as R&D for packaging optimization.

## Manufacturing

### Sheikhupura Factory

With the spirit of strengthening and empowering our people, the team launched a holistic capability program with renewed focus on manufacturing excellence and entrepreneurship mindset. With the inclusion of all factory green belts, young and diverse talent, we brought initiatives for achieving efficiency across value chain along with the new product concepts.

In continuation of the Factory 2020 vision, the factory stepped up in Standard Simplification, Digitalization and Automation Journey, making entire factory operations "Paperless, Efficient and Shop floor autonomous". More than 350 operators were developed on simplification and digitalization journey. The factory delivered highest ever Total Delivered Cost savings that contributed positively to the bottom line, achieved lowest ever unplanned stoppages and line losses which are the reflection of our Zero Waste commitment.

With our commitment to the Prime Minister's "Clean Green Pakistan" initiative, a factory contributed successfully in plantation of more than 10,000 trees, additionally reducing a significant amount of energy usage through execution of various initiatives. Plastic recycle project of all TETRA laminate and materials were implemented which resulted in producing reusable plastic pallets in our operations to make us eco-friendly.

### Kabirwala Factory

Kabirwala Factory is continuing its journey towards Excellence and closed 2019 as one of the highest achieving Asset Intensity in operations with significant improvement in Total Delivered Cost and reduction in Consumer Complaints.

The factory has been achieving excellent rating in Laboratory Proficiency Test over the last 21 years and has successfully passed all external third party audits by Bureau Veritas, SGS and KPMG for multiple operational areas. "HALAL Certification" by Islamic Food and Nutrition Council of America and "Alliance for Water Stewardship Certification" were also attained during 2019.

Our purpose of "enhancing quality of life and contributing to a healthier future", with our commitment to the Prime Minister's "Clean Green Pakistan" initiative, the site planted more than 10,000 trees by involving government officials. The factory also promoted different water and energy savings initiatives.

There has been a special focus on female empowerment, gender diversity, inclusivity and the site continued its efforts to make Kabirwala factory a preferred choice for female professionals.

Our focus on "Spreading Positive Energy" continued through different engagement events; Independence Day celebration, sports gala, recognition events, promoting arts culture society, Leadership at shop floor, NiM Connect sessions, digitalization, capability building plans etc.

As part of the "Seeing is Believing Program", we invited various key opinion leaders, armed forces and civil officers, media personnel, politicians and community members to witness the highest standards of quality and food safety maintained at our factory, which was highly appreciated.





## Port Qasim Factory

Port Qasim Factory started the year with the focus and mindset to implement simplification and digitalization and continued with the same spirit throughout the year. In this journey, PQF has launched Mobile QMS and simplified the procedures to promote a paper-less environment. Likewise, digital operation reviews were introduced to facilitate cross function collaboration. Similar mindset of simplification was incorporated for structural cost, generating savings of PKR 32 mio. Operational efficiency was ensured through HOD line speed increase from 2200 to 2320 bph. Similarly, the product quality was emphasized which resulted in reduction of total consumer complaints by 28% from 2018.

Port Qasim Factory contributed to “Creating Shared Value” through initiatives of collection of plastic and reducing our carbon footprint by Beach Cleaning and planting 7,300 trees, under the Prime Minister’s “Clean Green Pakistan” initiative. These activities were conducted by engaging Nestlé employees and external stakeholders. Furthermore, energy utilization was optimized by 15% and 5% reduction in water consumption was achieved by increasing RO recovery. More trainers were developed to strengthen the competency building at shop-floor.

## Islamabad Factory

Nestlé Islamabad Factory continued its journey towards Manufacturing Excellence in the year 2019 in almost every area covering the scopes of operational efficiency, quality, safety and contributing positively towards environmental sustainability.

Leveraging NCE advanced practices in 2019, Islamabad factory has achieved highest Asset Intensity and lowest Unplanned Stoppages in HOD lines of Nestlé Waters Pakistan Market. This helped in achieving significantly reduced conversion costs without compromising on the quality of our products and safety of our employees. Labour productivity enhanced by 7.3% year on year adding significantly towards business in tough economic situation prevailing in the market.

Quality has been the prime focus throughout the year, which resulted in 52% reduction in Total Consumer Complaints. Islamabad Factory has been given satisfactory rating regarding “FSSC 2200 & NIMS”, in the audit performed by third party, successfully passed Q compliance Market Audit and achieved satisfactory rating in P test of chemical & microbiology. Redesigning of lab has enabled us to increase the lab analysis profile by adding waste water analysis to ensure compliance to legal requirements.

With our commitment to the Prime Minister’s “Clean Green Pakistan” initiative, Nestlé Islamabad Factory continued to pave the way for addressing the climate change challenges. Advancing the initiative, Islamabad Factory has planted 6,000 trees in surrounding areas with Metropolitan Corporation of Islamabad (MCI), Ministry of Climate Change and Pakistan Environmental Protection Agency at Rose and Jasmine Garden and Ankara Park, Islamabad.

Islamabad Factory kept its focus on functional capability building of teams and developed 10 new trainers and coaches at the site.



# AGRICULTURE SERVICES

**Agriculture Services is one of the integral pillar of Nestlé Pakistan which is contributing towards improvement in socio-economic conditions and livelihood of the farmers. Nestlé provides innovative solutions on dairy and agriculture to farmers through its trained team of professionals, specialized in agriculture and dairy farming.**

As part of Nestlé's continuous effort to enhance farms efficiency and quality of raw milk, fruits and cereals. Nestlé Agriculture Services has come out with various initiatives in 2019, including import of highly efficient cows and introduction of high density fruit orchards. These initiatives paid off through induction of more than 3500 cows with superior genetic potential contributing to significant growth in direct farm milk with marked improvement in milk quality. In fruits, high density orchard significantly improved fruit yield while reducing cost of production.

With a drive of transforming traditional dairy farmers into professionals, Nestlé has developed a comprehensive dairy farming extension program to implement advanced farming practices at supplier's dairy farms. Nestlé Pakistan conducted "on farm" trainings by local experts as well as international trainers. Induction of new farms and upgradation of existing farms continued as a result of technical assistance from Nestlé Agriculture Services team.

Since its inception, Nestlé Agriculture Services has played a dynamic role towards mechanization and adaptation of emerging trends in the industry. To enhance farm efficiency and improve cow's comfort, Nestlé continued to promote technologies like digital cow heat detection and health management system, thermal imaging cameras and air velocity meters at the dairy farms.

In order to provide farmers with the right farm inputs, Nestlé has strengthened its links by joining hands with companies dealing in cow import, machinery, medicines and feed ingredients across the country. This helps farmers by providing them with quality inputs.

Nestlé Pakistan has been playing a pivotal role in contributing to agricultural economy through dairy development. Taking the same ambition to the next level, Nestlé Pakistan would further contribute to agriculture economy through developing professional suppliers for other agricultural raw materials such as fruits and cereals.

Nestlé has scaled up initiatives to procure fruits and cereals directly from farmers during 2019. To promote farm productivity, Nestlé has planted two demonstration orchards of Mango Chaunsa with high density and ultrahigh density in collaboration with Mango Research Institute, Multan. These lighthouses will help farmers to adopt new planting geometry which is expected to increase Mango yield while decreasing production cost. Nestlé has expanded its foot prints to Gilgit Baltistan and Sindh to procure high quality fruits and cereals respectively.

Water conservation was our key focus during 2019. In collaboration with Punjab Agriculture Department, we have supported farmers to promote drip irrigation system. These drip farms are serving as a light house for the farming community. Nestlé, together with its partners has developed a low cost soil moisture sensor which helps the farmers to decide when or when not to irrigate their crops. Our initial field studies have shown considerable water saving in irrigation with yield improvement.

We are proud of our farmers and partners who are striving to promote dairy and agriculture farming at professional level. This would help to supply high quality products to our valued consumers. Nestlé Pakistan is committed to continue their efforts to uplift rural economy with higher productivity and better income of local farmers.



# SALES



2019 was another challenging year with immense economic pressure owing to Pak Rupee continuous devaluation against the dollar, constantly high inflation reducing disposable income of the consumer and uncertainty due to tax regimes introduced by the government to bring undocumented retailers and traders under the tax net. Robust Joint Business Planning with Distributors, Standardized Territory Based Route to Market, Developing Emerging Channels and maximizing channel and portfolio coverage through the scope of our Picture of Success programs were therefore the key fundamentals that we had to

drive, keeping in mind the basis of our commercial framework of MORE STORES, BETTER STORES.

As identification of such white spot areas was the need of the hour, our Sales Team continued to leverage the “Rural Development Program” in order to ensure the consumer reached Nestlé products. The program contributed incremental sales of PKR 782 Million in 2019 till date and helped Popularly Positioned Products portfolio grow by 61% in the rural channel compared to last year. Moreover, sales promotion activations

conducted by engaging in rural cultural events like local melas, festivals, sports matches, wheat harvesting, animal race shows and tea dhabas, increased the product availability and visibility along with maximum number of consumer interactions under the umbrella of rural development. We continued to actively engage our Nestlé BISP Rural Women Sales Agent working under Nestlé BISP Rural Women Sales Program. Currently, more than 900 Sales Agents are working across Punjab and Sindh and have generated more than PKR 47 Million Nestlé product sales during 2019.

E-Commerce is another emerging channel for Nestlé Pakistan. Building upon the drive for innovation, and to unleash the potential this channel has to offer, Nestlé locked business development plans with biggest eRetailer Daraz, (now an Ali Baba company) as well as other budding start-ups, in E-Commerce space.

Being a forerunner, in supporting emerging channels, Nestlé sponsored major online events in Pakistan such as Pakistan Day, Ramzan Festival and the biggest online sale-day 11-11.

All these efforts helped increase E-Commerce sales by 60% in 2019 contributing incremental sales for the company.

Developing Exports in 2019 has also been an integral part of our Robust Channel Strategy Solutions. Currently, the ambit of exports encompassed around 14 countries has an annual sales turnover of PKR 2,163 Million.

## Winning with shoppers – channel and category sales development

Channel and Category Sales Development (CCSD) drives the commercial function in achieving business objectives by playing a leading role in translating channel, category and shopper insights into customized trade pictures of success plans to enhance shopper experience and in turn drive sales.

In 2019, CCSD took multiple initiatives to enhance the visibility and availability of Nestlé brands at the marketplace.

Persistent acceleration of best in class merchandising practices continued, resulting in the expansion of Nestlé's Picture of Success outlets. CCSD's automated tool played a leading role in helping track, monitor and improve execution levels in trade resulting in healthier company-retailer relationship.

Deployment of custom-made corporate "Choose Quality, Choose Nestlé" themed hangers at the marketplace further strengthened the PPP portfolio. These helped in improving visibility through smart utilization of airspace, and in turn ensuring Picture of Success execution at more small stores.

To develop rural outstations, CCSD not just continued but also expanded the scope of Town Storming activities, to enhance Nestlé brand equity and amplify Picture of Success in small towns, through engagement with retailers and shoppers.

CCSD continued leading the capability development efforts focused on In-Call-Execution (ICE) – the Nestlé way to do sales – to equip and enhance the sales team knowledge and skills to excel at Point of Purchase, and develop a win in every store mindset.

Moreover, CCSD led the Integrated Commercial Planning (ICP) process to make it more meaningful and to facilitate businesses in creating strong plans for 2020. Through its monthly business planning (MBP) process, together with robust tracking and monitoring of ICP plans, CCSD continued to play its role in improving forecasting accuracy, and ensuring greater alignment between functions, ultimately enabling our organization to enhance its service levels and experience for the retailers and shoppers.

## Delighting shoppers through execution excellence – key accounts team

The expansion of international and local modern trade continued apace in 2019 with both segments expanding their reach to new consumers by offering omni-channel presence in the market place. 2019 saw a special emphasis by the modern trade players on expanding through smaller store formats and developing their own online ordering and logistics portals. This provided Nestlé Key Accounts Team with an excellent opportunity to highlight the extensive range of Nestlé's product portfolio and live the vision of winning with consumers and delighting them with an array of consumer-centric activities.

Key Accounts Team executed a series of activities in 2019 including Ramazan promotions, Juices and Nutrition events. The best in class execution and the resultant awareness raised regarding Nestlé brands and how they help consumers lead a healthy and active lifestyle was appreciated by both internal and external stakeholders.

The relationship with modern trade partners and improving collaboration with them has been a consistent theme throughout 2019. Engaging modern trade partners with a focus on increasing their confidence in Nestlé, securing win-win situations and executing exciting consumer promotions that drive mutual business has been the bedrock of success in 2019.

# CONSUMER COMMUNICATION & MARKETING SERVICES

Consumer Communication works dedicatedly with the marketing teams in driving consistent and world class consumer and shopper experiences that contribute to building a competitive advantage for our brands while driving sustainable profitable growth. We help our brands deliver strongly on our purpose of enhancing the quality of life and contributing to a healthier future. Through our specialized functional streams, we help bring consumers at the heart of everything that we do, whether it is understanding the deep-rooted consumer tensions, to delivering world class, clutter-breaking communication, to helping deliver delightful consumer experiences.

Our specialized functions like Consumer & Market Insights, Digital & Media, Nutritional Health & Wellness, Consumer Engagement Services, Activations, along with Marketing Excellence are all helping our brands win everyday. We strive to provide functional leadership and support marketing teams to delight our consumers and build brand love.

## Voice of the Consumer

### Consumer & Marketplace Insights

In a challenging year, the Consumer & Marketplace Insight (CMI) team has helped the brands stay ahead of the competition through understanding the consumer better and being able to distill deep rooted insights into the product and brand strategy.



In order to drive consumer-centricity in all innovation projects, CMI helped the businesses develop and fine tune concepts based on locally rooted consumer trends via our 'trend spotting exercise'. Realizing that this is the era of rapid innovation with more demanding and conscious consumers, market volatility and stiff competition; CMI embarked on the journey to explore digital/DIY agencies for research to help small brands leverage quick, cost effective and more robust ways of reaching the consumer as well as unearthing answers to hard hitting business questions swiftly.

The CMI team has also driven to push forward consumer centricity within the organization by executing a consumer immersion programs, where day long consumer immersions were executed for the first time to ensure consumer-centricity is at the heart of everything we do.

## Creating Engaging Brand Experiences

### Media, Digital & Activations

Given the challenging year and strong headwinds, we proactively implemented a comprehensive range of internal and external efficiency and cost management initiatives which have enabled us to continue to deliver Engaging Brand Experiences to consumers effectively and efficiently.

On television, we have been able to drive a significant cost improvement for all our businesses. As part of our digital acceleration plan, we signed our first Joint Business Partnerships with both Google and Facebook which addressed areas such as measurement, efficiency and capability building to engage the new digital consumer. Digital media spends also became a driver of sales, with industry leading returns on e-commerce channels. We are leveraging these and various other platforms aiming for constant innovation in order to drive higher engagement and enhancing brand equity.

Training sessions and webinars were part of our capability development initiatives with various awards like, Facebook Cannes Award, youtube Silver Creator Award and Effie Awards being a testament to our growing expertise.

## Connecting With Our Consumers

### Consumer Engagement Services

The Consumer Care team remains pivotal in building trust in Nestlé and its products through our 24/7 toll free Nestlé NAATA hotline and creating engaging experience for our consumers across social media platforms. The services continued to delight all consumers contacting us through any medium and addressing their queries amicably. Each contact is an opportunity to not only collect consumer insight but also to delight the consumer and create brand loyalty. The unit forms the leading force to manage our corporate reputation and handles thousands of consumer contacts every year.

In the spirit of building a two-way relationship with our consumers and staying true to the premise of providing best services, no contact can be missed, no matter which medium a consumer may choose, around the clock.

## Creating Expertise in Brand Building

### Marketing Excellence

Brand Building the Nestlé Way (BBNW) is our proprietary approach for helping markets and businesses achieve great brand building results through applying a set of Winning Actions. We support in improving the way Commercial Teams work by adapting, introducing and enhancing systems and tools so that they remain more agile, innovative and efficient in an ever-changing business environment. The offerings are even strengthened by robustly following the Education & Training (E&T) model for Commercial Stream. It adds directly by contributing in competence development for all our Commercial Community, including Marketing and Consumer Communications Teams. Marketing Competency Framework helps in identifying and planning to acquire the necessary function-specific knowledge, skills, and behaviors to help delight consumers, enhance lives, and build great brands.

# NUTRITION, HEALTH AND WELLNESS

**Nestlé is all about enhancing quality of people's lives by offering healthier food and beverage choices and encouraging an active lifestyle.**

Providing transparent and meaningful information to our consumers for making informed dietary and lifestyle choices is a key priority for us, along with a strong commitment to address micronutrient deficiencies with relevant product fortifications.

The Nutritional Compass on all our packs guides consumers on their way to Nutrition, Health and Wellness (NHW). Moreover, as a responsible organization, Nestlé has also voluntarily implemented Guideline Daily Amount (GDA) on our products to provide information on the percentage of daily calories and other important nutrients that they will ingest, when they consume our products.

This year there has been an extensive Nutrition, Health and Wellness showcasing with Key Opinion Leaders. Nestlé's strong NHW footprint has been appreciated by practicing nutrition professionals from academia, government and private organizations, hospitals and community health centers. The purpose of these immersions was to build trust on products superiority, and to disseminate a deeper nutritional perspective beyond the obviously understood benefit areas.

*Good Food, Good Life®*

Nutrition Information	Average Per 100ml	Average Per 250ml (Serving)	% GDA* Per Portion
Energy (kcal)	62.4	156	8%
Fat (g)	3.6	9	13%
of which saturates (g)	2.3	5.8	29%
Carbohydrates (g)	4.8	12	5%
of which sugars (g)	4.8	12	13%
Fiber (g)	Traces	Traces	<1%
Protein (g)	2.7	6.8	14%
Sodium (g)	0.09	0.23	12%
<b>NRV**</b>			
Calcium (mg)	100	250	25%
Vitamin A (IU)	177.6	444	17%
Vitamin D (IU)	13.6	34	17%

**Good to know:**

Nestlé MILKPAK is fortified with Vitamins A & D

Vitamin A contributes to normal healthy vision.

Vitamin D contributes to normal healthy bones & teeth.

Both Vitamin A & D are essential for normal healthy immune system!

**Good to remember:**

Daily consumption of nutritious milk is great for maintaining a healthy, active lifestyle!

**Good to talk:**

**Nestlé NAATA**  
 0800-62282 Toll Free for landline only  
 NAATA@pk.nestle.com  
 www.nestle.pk

\* Guideline Daily Amounts of an average adult (8400kcal./2000kcal). Pack contains 4 portions. Portion should be adjusted for children of different ages.  
 \*\*NRV: Nutrient Reference Values, Codex Alimentarius

**NUTRITIONAL COMPASS®**  
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# FINANCE & CONTROL AND INFORMATION TECHNOLOGY

**Finance & Control roadmap is mastering the complexity while driving simplicity and leading business co-piloting. Our aim entails:**

- Proactive business planning to deliver market results
- Improve organization efficiency and mastering the new reality
- Excel in internal control and balance sheet integrity
- Build highly engaged and effective teams

## Proactive Business Planning to Deliver Market Results

The mission of Finance at Nestlé is “to drive sound business decision making and proactive planning to maximize long term profitable growth, cash flow and total return to shareholders”. The lean mean mindset enabled elimination of waste across the value chain helping in optimization of Total Delivered Cost (TDC) and Working Capital. We also drive portfolio management with an objective of accelerating growth of the value added portfolios and addressing the underperformers.

## Modern and Dynamic Finance Organization

We continue to enhance our focus on use of technology to enable improved and efficient ways of working. We proactively work as change agents in driving the process improvement & innovations and coping up with complexity while driving simplicity. The implementation of digital initiatives in operations has resulted in faster dissemination of information to management, leading to prompt decision making.

## Governance and Risk Management

Excelling in internal controls has always remained pivotal for organization at all levels. Internal controls are the policies and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability and prevent fraud. In 2019, we have completed End-to-End (E2E) internal control assessment of all key processes with an objective to ensure that all possible controls are in place.

## Build Highly Engaged and Effective Teams

Building highly engaged and effective teams have always been a key focus area for us at Nestlé Pakistan. We develop financial experts with strong co-piloting abilities across organization to deliver on the expectation of stakeholders in a volatile and uncertain business environment. We also offer training opportunities to employees to foster talent and enhance people skillset for future leadership roles. We are focused on driving a diverse finance organization by promoting a culture of inclusivity and gender balance across Finance & Control function, in line with the key priority of the organization.

# HOUSE OF NESTLÉ MILKPAK



## NESTLÉ MILKPAK

Nature's gift of dairy has a fascinating taste, and with over three and a half decades of dairy expertise and leadership in Pakistan, NESTLÉ MILKPAK has perfected the processes that allow it to capture this smooth, rich and creamy experience, the way nature meant it to be.

Guaranteed by Nestlé's quality systems and dairy expertise, NESTLÉ MILKPAK provides wholesome nourishment. Whether it is a glass of milk for your kids, a creamy cup of tea with your loved ones or a dairy dessert for your family, NESTLÉ MILKPAK makes you fall in love with the taste of dairy goodness and enhances the quality of life of the people of Pakistan.

## NESTLÉ MILKPAK CREAM

As Pakistan's pioneer and favorite cream brand, NESTLÉ MILKPAK CREAM encapsulates strong heritage as well as contemporary usage of this rich dairy product. NESTLÉ MILKPAK CREAM believes in inspiring its consumers to weave their culinary magic and create delicious meals and desserts by igniting the spark of creativity through delicious easy to make recipes.

## NESTLÉ MILKPAK BREAKFAST CREAM

Leveraging the heritage of NESTLÉ MILKPAK CREAM, NESTLÉ MILKPAK BREAKFAST CREAM is specifically designed to cater to the needs of regional ethnic consumers. It is slightly sweetened and provides the milky taste of cream with a nutritious start to the day.

## NESTLÉ MILKPAK WHIPPING CREAM

As Pakistan's first dairy whipping cream in retail, NESTLÉ MILKPAK WHIPPING CREAM is the perfect solution for all your baking needs. It would give you the perfect texture and body to create flawless swirls in minutes for your contemporary desserts.

## NESTLÉ MILKPAK YOGURT

Whether you are cooking delicious Korma or making mouth-watering Lassi, NESTLÉ MILKPAK YOGURT is the perfect partner in the kitchen. With NESTLÉ MILKPAK YOGURT, we bring the authentic taste of traditional yogurt that you are accustomed to. Its richness and creaminess balance the spice in cooked food while delivering signature mouth-watering taste for you and your loved ones every time.

# NESTLÉ DAIRY CULINARY SOLUTIONS & CHILLED DAIRY



## NESTLÉ ORIGINAL SWEET 'N' TASTY YOGURT

NESTLÉ Sweet 'n' Tasty Yogurt - your daily dose of delight; making your everyday experiences more exciting through its irresistible rich creamy taste of pure dairy goodness. Packed by Nestlé, it guarantees consistent delicious taste, nutritional goodness & hygiene. So whether you are looking for quick hunger relief or making your breakfast more scrumptious & healthy by adding cereals & nuts, NESTLÉ ORIGINAL SWEET 'n' TASTY YOGURT is your partner.

## NESTLÉ PODINA & ZEERA RAITA

Sometimes you need to enhance your food experience, whether it is your dining table or outdoor grill, ordinary raita just does not do the job. NESTLÉ RAITA with Zeera and Podina have unique mouth-watering flavors, guaranteed hygiene and simple convenience, promising to treat your taste buds and transform your meal into a culinary delight.

## NESTLÉ FRUIT YOGURT

Guilt free indulgence is a struggle we all go through every day of our life. The creamy NESTLÉ FRUIT YOGURT loaded with fruit chunks resolves this struggle by providing a yummy treat, which is healthy and delicious at the same time. This heavenly blend of yogurt and fruits is available in two variants: strawberry & peach and you can snack on them without feeling guilty at any hour of the day.

## NESTLÉ CREATIONS

NESTLÉ CREATIONS is the topping solution for desserts and savory dishes.

## NESTLÉ NESVITA



Pakistani women are resilient, passionate and above all strong. Whether at home or beyond the four walls of the house, these women exhibit strength and character daily. While a lot of this strength comes from sheer will, NESTLÉ NESVITA believes that women can truly be forces to reckon with when they combine their emotional strength along with their physical strength and start taking care of themselves. That is why NESTLÉ NESVITA has launched renovated recipe with MOVE+; a perfect mix of nutrients including milk Protein, Calcium, Vitamin D, Vitamin C and other essential micronutrients with less than 1% fat. It ensures that our women have bones, muscles and joints strength. Strength that will enable them to keep moving forward in life. NESTLÉ NESVITA wants every woman to believe in themselves by reminding them "Khud se pyaar nahi kerti?"

# TEA CREAMING



## NESTLÉ EVERYDAY

NESTLÉ EVERYDAY, with its heritage of 27 years, has established itself as the best partner of tea delivering superior tasting cups consistently and hence stands as a market leader in the tea creaming category. Its golden brown color, enticing and comforting aroma, velvety mouth-feel and delicious taste creates a perfect sensorial balance.

With a wide portfolio ranging from powder in sachets and large pouches to liquid variants, whether separate tea is prepared or mixed, NESTLÉ EVERYDAY guarantees a perfect cup of tea every time.

Our KHAAS (special) premium Original range is known for its rich and creamy taste and is a specially formulated recipe that performs great in separate tea.

The other range, called Mixed Tea, as the name suggests, has a recipe carefully crafted to perform in the pan where all ingredients are added and cooked together.

Leveraging the latest health trends, we now also have the low fat and no added sugar version called NESTLÉ EVERYDAY LITE. The product is additionally suitable for diabetic patients as well.

# DAIRY NUTRITION SOLUTIONS



## NESTLÉ NIDO FORTIGROW

NIDO FORTIGROW believes in the purpose of supporting every mother's love to nurture a healthy future for her child. A mother goes an extra mile to ensure her child's growth and development for a happy and successful life. Backed by Nestlé's global experience of 150 years in child nutrition, Nestlé has developed NESTLÉ NIDO FortiGrow; a specialized formula to meet specific needs of school-going children between 5-12 years of age where the child is learning and growing. Special combination of macro and micronutrients in NESTLÉ NIDO FortiGrow aims to support the physical and mental growth of young children, and that's why we and our consumers simply call it the "Best for Kids".

## NESTLÉ BUNYAD

NESTLÉ BUNYAD believes that no child deserves to be left behind because of nutritional deficiencies. One in every four children in Pakistan is suffering from iron deficiency anemia (National Nutritional Survey 2018) resulting in kids being tired and lacking concentration. Such deficiencies can hold them back especially during their formative years. NESTLÉ BUNYAD is a specialized formula fortified with iron which provides the perfect affordable solution for school going children. It also has added vitamin C, which helps in iron absorption. NESTLÉ BUNYAD is working with a long-term mission to help fight iron deficiency to strengthen Pakistani children for a better life. NESTLÉ BUNYAD - striving to provide 'Behtar mustaqbil ki mazboot Bunyad'.



## NESTLÉ MILO

Made from natural ingredients, (Malt, Milk and Cocoa), and fortified with vitamins and minerals, NESTLÉ MILO is a unique drink with its signature cocoa-malt taste that stands for wholesome and balanced nutrition. NESTLÉ MILO aims to nourish the ambitions of Pakistani mothers for their children in ensuring they grow up as successful, well-balanced individuals by providing healthy energy, great taste and nourishment that helps them succeed in life.



NESTLÉ MILO believes that sports is a great teacher and has qualities that build children of substance and shape the person they will be in future. There is an intrinsic linkage between the life values learnt from sports, successful, happy and well-balanced children and NESTLÉ MILO nutrition and energy-giving benefit. NESTLÉ MILO provides healthy energy to win!

# NESTLÉ BEVERAGES



## NESTLÉ FRUITA VITALS

NESTLÉ FRUITA VITALS is the flagship brand within the NESTLÉ beverages range, made from the highest quality fruits sourced from around the world. Our mission is to provide our consumers with delicious & healthy refreshment.

NESTLÉ FRUITA VITALS embodies the spirit of optimism, inspiring youth to look at life through the lens of positivity, making it the favorite beverage brand for millions of young men and women across Pakistan.

## NESTLÉ NESFRUTA

NESTLÉ NESFRUTA is the flagship mainstream still drinks brand reaching out to Gen Z masses, who aspire to live for the moment. NESTLÉ NESFRUTA stands for the ultimate expression of breaking the usual boring routine, which is manifested through the brand's 'NEWISM' positioning. 'NEWISM' encourages youth to add a flair of unique creativity in everything they do.



# NESCAFÉ

**IT ALL STARTS WITH A NESCAFÉ. We're the world's favorite coffee brand, with close to half a billion cups served daily. From NESCAFÉ mixes to Classic Soluble coffee, we've created coffees for every taste and occasion.**

## NESCAFÉ 3IN1

NESCAFÉ 3in1 offers a delicious balance of coffee and sugar, enhanced by the smoothness of Nestlé Everyday creamer.

The soothing aroma and full-flavor taste turns our mild roast signature blend into a sweet white coffee instantly.



## NESCAFÉ CLASSIC

Life can be hectic, and there is nothing more important than starting each day off on the right foot. To make our signature NESCAFÉ CLASSIC blend, we carefully roast selected Robusta beans, before turning them into the distinctive signature coffee you know and love.

No matter what you have planned, grab a mug and begin your day with the delicious taste of NESCAFÉ kyun keh JAAGNA TOH PAREGA.



## NESCAFÉ GOLD SIGNATURE JAR

NESCAFÉ GOLD makes for the best time-out for a luxurious experience of coffee.

The choice of beans and how they're treated is a truly exceptional process, one where no compromises are made on the expert craftsmanship.

Exquisite Arabica beans have been chosen for this delectable blend. The beans are then ground 10 times to the perfect finesse, bringing out the lush frothiness & creaminess and one of a kind aroma to awaken the senses to this premium level coffee.



# NESTLÉ WATERS



## 20 YEARS OF NESTLÉ PURE LIFE

NESTLÉ PURE LIFE was born in Pakistan and today we stand as one of the leading trusted brands for healthy hydration amongst millions of families and households worldwide. Today the brand is available in 31 countries across the globe and continues to grow. This year marked 20 significant years of NESTLÉ PURE LIFE's journey starting from Pakistan advocating quality, trust and hydration. We continue to champion pure water for healthier generations and to set the benchmark for bottled water industry in Pakistan.

## CHAMPIONING WATER FOR HEALTHIER GENERATIONS

Healthy hydration contributes to the wellbeing of our body and the functioning of our vital organs. Drinking water enhances body performance and helps us stay hydrated in our daily life routine. A healthier future can be attained through inculcating healthy habits of

hydration. Adopting water consumption for hydration as part of your daily routine is a step towards a pure, healthy and hydrated life that millions of households and our future generations will benefit from.

NESTLÉ PURE LIFE takes the ownership in driving the healthy hydration agenda for the category and its consumers through new innovations and launches. This is done through different pack-sizes for different occasions, informative kids range packaging with interesting water facts, and new innovative concepts like NESTLÉ PURE LIFE ACTIVE, pH 8 alkaline water. Just like NESTLÉ PURE Life was born in Pakistan twenty years ago, again Pakistan is the pioneer market for the launch of NESTLÉ PURE LIFE ACTIVE.



# NESTLÉ BREAKFAST CEREALS

**NESTLÉ Breakfast Cereals provide you and your family with wholesome breakfast nutrition. They are a convenient, tasty and nutritious way to start the day!**

## NESTLÉ KOKO KRUNCH

NESTLÉ KOKO KRUNCH is the flagship brand in the kids' range. The crunchy bear shaped petals are made with whole grain and are rich in vitamins and minerals, offering a great chocolate taste that kids love and nutritious goodness that makes it a trusted choice for mums.



## NESTLÉ MILO CEREAL

NESTLÉ MILO CEREAL is a nutritious & delicious breakfast cereal made with the goodness of whole grain. It also includes essential vitamins & minerals to help kids lead an active & healthy lifestyle.



## NESTLÉ CORN FLAKES

NESTLÉ CORN FLAKES is a nutritious cereal made with whole grain which contains essential vitamins and minerals for a healthy breakfast.

# NUTRITION



## NESTLÉ CERELAC – Together, Passionately Nourishing Babies to Blossom!

With its long history in Pakistan, NESTLÉ CERELAC is now with its second generation of users and is a household name, trusted by mothers and endorsed by doctors.

Introduced in Pakistan, positioned as the “First step to solid food”, it has over time, come to be perceived as the trusted partner of the Pakistani mother. With the passage of time the brand has strengthened trust and established brand love amongst mothers and is today recognized as the “Nannay Pait Ki Bari Ghiza”.

Each stage of a baby’s growth is different and their nutritional needs evolve as they grow. Accordingly, NESTLÉ CERELAC portfolio is grouped into stages based on the age of the baby, providing the appropriate nutrition as per the changing nutritional needs of a growing child.

NESTLÉ CERELAC recipe contains IRON+ that helps in cognitive development of babies after 6 months along with helping in the healthy physical growth. Today we serve over half a billion affordable & fortified iron rich bowls of this best in class weaning food every year. Moreover, a variety of NESTLÉ CERELAC raw materials are grown locally, hence helping to develop local farmers to international standards while improving their standard of livelihood.

With the right product portfolio, and strong engagement with mothers and doctors, the brand is set to write the next chapter in the success story of NESTLÉ CERELAC.





## NESTLÉ NIDO GUFs - Growing up Formulae

NESTLÉ NIDO 1+ and NESTLÉ NIDO 3+ are growing-up formulae (not to be used as a breast milk substitutes), which offer the benefits of protection for children from 1-5 years of age. They include symbiotic formulations with both, probiotic and prebiotic strains that help in the healthy development of your child's gut, immune and respiratory systems.

The NESTLÉ NIDO brand purpose strives to nurture a mother's love for raising a healthier generation. By serving affordable and nutritious milk glasses for 1-5 year old children, NESTLÉ NIDO provides mothers the confidence that their children will grow with protection into unique individuals.



## NESTLÉ LACTOGROW Growing up Formulae to grow happy

NESTLÉ LACTOGROW (in the absence of breast feeding) continued its successful journey with a purpose of making every child grow happy with an impressive campaign "Tummy Muskurai to Mummy Muskurai"

NESTLÉ LACTOGROW is now totally 100% Lactose with no added sugar containing probiotics; Comfortis® Grow that promotes easy digestion and reduces constipation to nurture a healthy and happy tummy.

To further strengthen the growing up formula portfolio, this year we launched NESTLÉ LACTOGROW Recover, which helps in nutritional management of diarrhea especially for children above 1 year.

The plans for NESTLÉ LACTOGROW were executed very well in this year and we aim to proceed at a higher growth momentum going forward in 2020 as well.

Let's make more and more tummies happier!

## NESTLÉ NANGROW – Nourishing Together Every Possible in Your Child.

NESTLÉ NANGROW product is a story of pioneering innovation, backed by over 150 years of Nestlé's expertise in infant nutrition. NESTLÉ NANGROW has been formulated with 'leading edge technology' of "HMO" for building strong immunity and optimal proteins that help build a strong foundation by providing healthy growth, muscle & brain development; OPTIPRO also helps in influencing the metabolic system that helps prevent obesity in later years of life.

With its unparalleled commitment, NESTLÉ NANGROW will keep on pushing the boundaries of child rest nutrition, relentlessly pursuing the next breakthrough innovation to nourish children's lifelong health.



# NESTLÉ PROFESSIONAL

Nestlé Professional Pakistan continuously strives to become an inspirational and trusted partner for our Out-of-Home (OOH) customers. We see it as our mission to utilize our expertise in providing efficient, innovative food and beverage solutions to all our business partners and helping them win by Making More Possible.

At Nestlé Professional, we continuously invest in advancing our understanding of customer and consumer tastes; experimenting and innovating to enhance product performance; and relentlessly developing solutions to the latest nutritional and sustainability challenges.

This is the expertise we put in the hands of chefs, operators, restaurants and entrepreneurs across the OOH sector as part of our dedication to making more possible for their businesses, every day.

The product portfolio is divided into two categories:

## Branded Food:

1. Dessert Solutions
2. Meal Compliments & Chilled Dairy

## Branded Beverages:

1. Hot Solutions
2. Cold Solutions
3. Standard Beverages

## Out of Home Channels:

Nestlé Professional Pakistan serves both commercial & institutional channels through its specialized food and beverage solutions and services.



# FINANCIAL STATEMENTS

For the year ended December 31, 2019

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NESTLÉ PAKISTAN LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Nestlé Pakistan Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of these Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Capitalization of owned Property, Plant and Equipment</b></p> <p>Refer to note 2.3.10 and 16 to the financial statements.</p> <p>The Company has made significant capital expenditure on expansion of existing manufacturing facilities.</p> <p>We identified capitalization of owned property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<p><b>Our audit procedures to assess the capitalization of owned property, plant and equipment, amongst others, included the following:</b></p> <ul style="list-style-type: none"> <li>Understanding the design and implementation of management controls over capitalization and testing control over authorization of capital expenditure and accuracy of its recording in the system;</li> <li>testing, on sample basis, the costs incurred on projects with supporting documentation and contracts;</li> </ul>

S. No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> <li>assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and</li> <li>inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.</li> </ul>
2	<p><b>Revenue recognition</b></p> <p>Refer to notes 2.3.13 and 25 to the financial statements.</p> <p>The Company recognized net revenue of Rs. 115,962 million from sale of goods to domestic as well as export customers during the year ended 31 December 2019.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized without transferring the control.</p>	<p><b>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</b></p> <ul style="list-style-type: none"> <li>obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls;</li> <li>assessing the appropriateness of the Company's accounting policy for recording of sales and compliance of those policies with applicable accounting standards;</li> <li>comparing a sample of sale transactions recorded during the year with sales invoices and relevant underlying documents;</li> <li>comparing on a sample basis, specific sales transactions recorded just before and just after the financial year end to determine whether the revenue had been recognized in the appropriate financial period; and</li> <li>scanning, on a sample basis, for any manual journal entries relating to sales recorded during the year which were considered to be material or met other specific criteria for inspecting underlying documentation.</li> </ul>

### **Information other than these Financial Statements and Auditor's Report thereon**

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company’s business; and
- 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 engagement partner on the audit resulting in this independent auditor’s report is Kamran Iqbal Yousafi.

Lahore:  
26 March, 2020



KPMG Taseer Hadi & Co.  
Chartered Accountants

# STATEMENT OF FINANCIAL POSITION

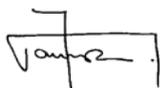
AS AT DECEMBER 31, 2019

(Rupees in '000)	Note	2019	(Restated) 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital			
75,000,000 (2018: 75,000,000) ordinary shares of Rs. 10 each		750,000	750,000
Issued, subscribed and paid up capital	3	453,496	453,496
Share premium	4	249,527	249,527
General reserve		280,000	280,000
Accumulated profit		2,272,943	3,037,201
		3,255,966	4,020,224
<b>Non-current liabilities</b>			
Long term finances - secured	5	3,780,294	9,064,730
Lease liabilities	6	303,729	217,530
Deferred taxation	7	1,960,850	2,443,197
Retirement benefits	8	2,777,502	2,098,020
		8,822,375	13,823,477
<b>Current liabilities</b>			
Current portion of long term liabilities	9	3,395,084	420,285
Short term borrowings - secured	10	17,217,473	15,242,800
Running finance under mark-up arrangements - secured	11	6,141,325	1,418,301
Customer security deposits - interest free	12	192,724	195,431
Unclaimed dividend		20,608	20,608
Trade and other payables	13	25,782,895	31,745,031
Interest and mark-up accrued	14	444,958	273,854
		53,195,067	49,316,310
<b>Contingencies and commitments</b>	15		
		65,273,408	67,160,011

The annexed notes 1 to 46 form an integral part of these financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer



**SAMER CHEDID**  
Chief Executive Officer



**SYED YAWAR ALI**  
Chairman

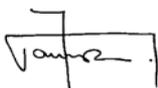
# STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(Rupees in '000)	Note	2019	(Restated) 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	30,333,121	30,363,333
Capital work-in-progress	17	3,441,066	3,679,302
Intangible assets	18	7,396	15,464
Long term loans	19	239,499	305,333
		34,021,082	34,363,432
<b>Current assets</b>			
Stores and spares	20	2,376,057	1,951,900
Stock-in-trade	21	18,876,441	19,711,784
Trade debts	22	2,164,888	3,116,948
Current portion of long term loans and advances	19	132,045	132,729
Sales tax refundable - net		4,599,004	4,552,598
Advances, deposits, prepayments and other receivables	23	2,785,138	2,584,926
Cash and bank balances	24	318,753	745,694
		31,252,326	32,796,579
		65,273,408	67,160,011



**SYED SAIFUL ISLAM**  
Chief Financial Officer



**SAMER CHEDID**  
Chief Executive Officer



**SYED YAWAR ALI**  
Chairman

# STATEMENT OF PROFIT OR LOSS

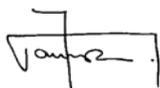
FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	(Restated) 2018
Sales - net	25	115,962,473	120,701,038
Cost of goods sold	26	(82,613,501)	(81,887,248)
<b>Gross profit</b>		<b>33,348,972</b>	<b>38,813,790</b>
Distribution and selling expenses	27	(14,656,501)	(15,625,633)
Administration expenses	28	(3,667,718)	(3,108,623)
<b>Operating profit</b>		<b>15,024,753</b>	<b>20,079,534</b>
Finance cost	29	(3,187,695)	(1,855,789)
Other expenses	30	(1,390,138)	(1,512,112)
		(4,577,833)	(3,367,901)
Other income	31	268,790	255,308
<b>Profit before taxation</b>		<b>10,715,710</b>	<b>16,966,941</b>
Taxation	32	(3,361,243)	(5,355,382)
<b>Profit after taxation</b>		<b>7,354,467</b>	<b>11,611,559</b>
Earnings per share basic and diluted (Rupees)	33	162.17	256.05

The annexed notes 1 to 46 form an integral part of these financial statements.



SYED SAIFUL ISLAM  
Chief Financial Officer



SAMER CHEDID  
Chief Executive Officer



SYED YAWAR ALI  
Chairman

# STATEMENT OF COMPREHENSIVE INCOME

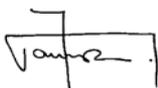
## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	2019	(Restated) 2018
<b>Profit after taxation</b>	7,354,467	11,611,559
<b>Other Comprehensive Income</b>		
<b>Items that are or may be classified subsequently to profit or loss:</b>		
- Cash flow hedges - effective portion of changes in fair value	-	(17,139)
- Related tax	-	8,782
	-	(8,357)
<b>Items that will never be re-classified to profit or loss:</b>		
- Remeasurement of net retirement benefit liability recognized directly in the equity	(384,854)	(338,646)
- Related tax	111,608	97,966
	(273,246)	(240,680)
<b>Total comprehensive income for the period</b>	7,081,221	11,362,522

The annexed notes 1 to 46 form an integral part of these financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer



**SAMER CHEDID**  
Chief Executive Officer



**SYED YAWAR ALI**  
Chairman

# STATEMENT OF CHANGES IN EQUITY

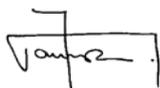
FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Share capital	Capital reserves		Revenue reserves		Total
		Share premium	Hedging reserve	General reserve	Accumulated profit	
<b>Balance as at December 31, 2017</b>						
<b>as originally reported</b>	453,496	249,527	8,357	280,000	3,642,960	4,634,340
First time adoption of IFRS 16	-	-	-	-	41,002	41,002
<b>Balance as at December 31, 2017 - restated</b>	453,496	249,527	8,357	280,000	3,683,962	4,675,342
<b>Total comprehensive income for the year ended December 31, 2018</b>						
Profit after taxation - restated	-	-	-	-	11,611,559	11,611,559
Cash flow hedges - effective portion of changes in fair value (net of tax)	-	-	(8,357)	-	-	(8,357)
Remeasurement of net retirement benefit liability (net of tax)	-	-	-	-	(240,680)	(240,680)
	-	-	(8,357)	-	11,370,879	11,362,522
<b>Transactions with owners directly recognized in equity</b>						
Final dividend for the year ended December 31, 2017 (Rs. 80 per share)	-	-	-	-	(3,627,967)	(3,627,967)
Interim dividend for the six months period ended June 30, 2018 (Rs. 110 per share)	-	-	-	-	(4,988,454)	(4,988,454)
Interim dividend for the nine months period ended September 30, 2018 (Rs. 75 per share)	-	-	-	-	(3,401,219)	(3,401,219)
<b>Balance as at December 31, 2018 - restated</b>	453,496	249,527	-	280,000	3,037,201	4,020,224
<b>Total comprehensive income for the year ended December 31, 2019</b>						
Profit after taxation	-	-	-	-	7,354,467	7,354,467
Remeasurement of net retirement benefit liability (net of tax)	-	-	-	-	(273,246)	(273,246)
	-	-	-	-	7,081,221	7,081,221
<b>Transactions with owners directly recognized in equity</b>						
Final dividend for the year ended December 31, 2018 (Rs. 63 per share)	-	-	-	-	(2,857,024)	(2,857,024)
Interim dividend for the six months period ended June 30, 2019 (Rs. 90 per share)	-	-	-	-	(4,081,463)	(4,081,463)
Interim dividend for the nine months period ended September 30, 2019 (Rs. 20 per share)	-	-	-	-	(906,992)	(906,992)
<b>Balance as at December 31, 2019</b>	453,496	249,527	-	280,000	2,272,943	3,255,966

The annexed notes 1 to 46 form an integral part of these financial statements.



SYED SAIFUL ISLAM  
Chief Financial Officer



SAMER CHEDID  
Chief Executive Officer



SYED YAWAR ALI  
Chairman

# STATEMENT OF CASH FLOWS

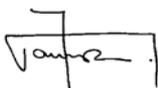
FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	(Restated) 2018
<b>Cash flow from operating activities</b>			
Cash generated from operations	35	13,672,288	22,751,113
Decrease in long term deposits and prepayments		–	36,147
Decrease in long term loans		66,518	64,545
Decrease in customer security deposits - interest free		(2,707)	(64,938)
Retirement and other benefits paid		(485,384)	(485,465)
Workers' profit participation fund paid		–	(2,012,905)
Income taxes paid		(3,172,405)	(6,745,942)
<b>Net cash generated from operating activities</b>		<b>10,078,310</b>	<b>13,542,555</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(3,803,843)	(4,533,175)
Sale proceeds of property, plant and equipment	16.4	215,250	226,806
<b>Net cash used in investing activities</b>		<b>(3,588,593)</b>	<b>(4,306,369)</b>
<b>Cash flow from financing activities</b>			
Finance cost paid		(3,016,591)	(1,691,652)
Long term finances - net		(2,313,142)	(116,343)
Lease liabilities - net		(439,143)	(293,938)
Short term borrowings - net		1,974,673	3,396,814
Dividend paid		(7,845,479)	(12,023,750)
<b>Net cash used in financing activities</b>		<b>(11,639,682)</b>	<b>(10,728,869)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,149,965)</b>	<b>(1,492,683)</b>
<b>Cash and cash equivalents at beginning of the period</b>	36	<b>(672,607)</b>	<b>820,076</b>
<b>Cash and cash equivalents at end of the period</b>	36	<b>(5,822,572)</b>	<b>(672,607)</b>

The annexed notes 1 to 46 form an integral part of these condensed interim financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer



**SAMER CHEDID**  
Chief Executive Officer



**SYED YAWAR ALI**  
Chairman

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 1 Legal status and nature of business

Nestlé Pakistan Limited (“the Company”) is a public limited Company incorporated in Pakistan and its shares are quoted on Pakistan Stock Exchange. Principally the Company is engaged in manufacturing, processing and sale of dairy, nutrition, beverages and food products including imported products. Registered office (which is also the Head Office) of the Company is situated at Babar Ali Foundation Building, 308-Upper Mall, Lahore. The Company has four manufacturing facilities located at Sheikhpura, Kabirwala, Port Qasim Karachi and Islamabad.

### 2 Basis of preparation and summary of significant accounting policies

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Islamic Financial Accounting Standards (“IFAS”) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits and lease liabilities at present value and recognition of certain financial instruments at fair value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company’s financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
– Financial instruments	2.3.1
– Impairment losses	2.3.2
– Taxation	2.3.4
– Retirement benefits	2.3.5
– Provisions and contingencies	2.3.9
– Useful life of depreciable assets	2.3.10
– Inventories	2.3.11
– Recoverability of trade debts and other receivables	2.3.12

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 2.3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below and have been applied consistently to all periods presented in these financial statements except for the change in accounting policies as disclosed in note 2.3.19 below.

#### 2.3.1 Financial instruments

##### 2.3.1.1 Financial assets

Classification, recognition and measurement

On initial recognition, a financial asset is classified as:

- measured at amortized cost
- fair value through other comprehensive income (FVOCI) and
- fair value through profit or loss (FVTPL)

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### **Amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets measured at amortized cost comprise of trade debts, long term loans, advances, deposits, prepayments and other receivables and cash and bank balances.

##### **Debt Instrument - FVOCI**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. However, the Company has no such instrument at the statement of financial position date.

### **Equity Instrument - FVOCI**

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. However, the Company has no such instrument at the statement of financial position date.

### **Fair value through profit or loss (FVTPL)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, the Company has no such instrument at the statement of financial position date.

### **Business model assessment**

For the purpose of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

### **Derecognition**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

### 2.3.1.2 Financial liabilities

#### *Classification, recognition and measurement*

Financial liabilities are recognized initially and measured subsequently at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities comprise long term and short term financing, lease liabilities, customer security deposits, unpaid dividend, trade and other payables and interest and markup accrued, and all are recognized at amortized cost.

Financial liabilities are recognized initially at amortized cost or FVTPL.

#### *Derecognition*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### 2.3.2 Impairment losses

#### *Financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The financial assets recognized at amortized cost comprise of trade debts, long term loans, advances, deposits, prepayments and other receivables and cash and bank balances. For trade debts, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Majority of debtors are regular customers of the Company and management uses actual historical credit loss experience, based on payment profile of credit sales over past year, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. There is no significant impact from the new expected credit loss (ECL) impairment model under IFRS 9 on allowances and provisions for trade debts and retained earnings of the Company as at beginning and end of the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery.

#### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets of the unit on a pro-rata basis. Impairment losses on goodwill shall not be reversed.

### 2.3.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the Statement of Financial Position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2.3.4 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

#### 2.3.4.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

#### 2.3.4.2 Deferred

Deferred tax is provided using the balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

### 2.3.5 Retirement benefits

#### 2.3.5.1 Defined benefit plan

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When calculation results in potential assets for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

Remeasurement of net defined benefit liability, which comprise of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. The Company determines net interest expense / (income) on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### 2.3.5.2 Defined contribution plan

The Company operates a recognized provident fund for all its regular employees, excluding expatriates. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 12% of the basic salary plus cost of living allowance. All regular employees are eligible for provident fund upon their confirmation. Obligation for contributions to defined contribution plan is recognized as an expense in the statement of profit or loss as and when incurred.

### 2.3.6 Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short term leases of 12 months or less and leases of low value items, which are expensed in the statement of profit or loss on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate applicable in the market for such leases.

The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

### 2.3.7 Trade and other payables

Trade and other payables are recognized initially at cost, which is the fair value of consideration to be paid in the future for goods and services, whether or not billed to the Company. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are adjusted to the carrying amount of the respective liabilities.

### 2.3.8 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which dividends are approved.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 2.3.9 Provisions and contingencies

Provisions are recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

### 2.3.10 Fixed capital expenditure and depreciation/amortization

#### 2.3.10.1 Property, plant and equipment

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and any identified accumulated impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to self constructed assets includes direct cost of material, labour, applicable manufacturing overheads and borrowing costs on qualifying assets.

Depreciation is charged to statement of profit or loss, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 16.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Depreciation on additions is charged from the month in which asset is capitalized / available for use, while no depreciation is charged for the month in which asset is disposed off. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, 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. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

#### 2.3.10.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. It consists of all expenditures and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

#### 2.3.10.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified accumulated impairment loss. These are amortized using the straight line method at the rates given in note 18. Amortization on additions is charged from the month in which an intangible asset is acquired, while no amortization is charged for the month in which the intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to statement of profit or loss as and when incurred.

### 2.3.11 Inventories

Inventories are valued as per below mentioned valuation basis:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 2.3.11.1 Stores and spares

Usable stores and spares except for in-transit, are valued principally at moving average method, while items considered obsolete are carried at nil value. Provision is made against slow moving or obsolete stores and spares on a systematic basis.

### 2.3.11.2 Raw and packing material

Value in relation to raw and packing materials except for in transit is arrived at using FIFO basis. Provision for unusable raw and pack material is made on an estimated basis, wherever required.

### 2.3.11.3 Finished goods and work in process

Value of finished goods and work in process both manufactured and purchased, is determined on weighted average basis, except for in-transit goods. In-transit goods and materials are valued at cost comprising invoice value plus other charges thereon. Cost in relation to work-in-process and finished goods includes an appropriate portion of production overheads. Finished goods are valued at cost or net realizable value, whichever is lower. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and cost necessary to be incurred in order to make a sale.

### 2.3.12 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when they become irrecoverable.

### 2.3.13 Revenue recognition

Sales represent amounts received and receivable from third parties for goods supplied to the customers and are recognized when a customer obtains control of the goods under the contract, being when the product is delivered to the customers.

Revenue is measured based on the consideration specified in a contract with a customer, net of returns, amounts collected on behalf of third parties (sales taxes etc.), pricing allowances, other trade discounts, volume rebates and couponing, price promotions to customers / consumers and any other consideration payable to customers. The level of discounts, allowances and promotional rebates are recognized, on estimated basis using historical experience and the specific terms of the arrangement, as a deduction from revenue at the time that the related sales are recognized or when such incentives are offered to the customer / consumer.

### 2.3.14 Interest income

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

### 2.3.15 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to statement of profit or loss currently. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transactions and those stated at fair value are translated into rupees at exchange rates prevailing at the date when the fair values are determined.

### 2.3.16 Borrowing cost

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of these assets. The Company recognizes other borrowing costs as an expense in the period in which it incurs.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 2.3.17 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and running finances that are repayable on demand.

### 2.3.18 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Chief Executive Officer has been identified as the “chief decision maker” and is responsible for performance, allocation of resources and assessment of results.

### 2.3.19 Changes in accounting policies

The Company has adopted IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” from January 01, 2019 which is effective from the annual periods beginning on or after July 01, 2018, period ending on or after June 30, 2019 and periods beginning on or after January 01, 2019 respectively. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below and also explained in note 2.3.1, 2.3.13 and 2.3.6 respectively.

#### 2.3.19.1 IFRS 9 “Financial Instruments”

IFRS 9 replaced the provisions of IAS 39 “Financial Instruments: Recognition and Measurement” that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. There is however, no effect of the application of IFRS 9 on these financial statements.

#### 2.3.19.2 IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations.

The standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue when a customer obtains control of the goods or services under the contract at an amount that reflects the consideration to which the entity expects to be entitled against those goods or services. However, the adoption of IFRS 15, did not have a material impact on the amounts of revenue recognized in these financial statements except for reclassification of certain payments/ rebates/allowances to customers that were previously classified under “Distribution and Selling expenses” and are now set off against sales. The corresponding figures have been represented to reflect this change. Accordingly, selling and distribution expense of Rs. 3,700.427 million (December 31, 2018: Rs. 3,913.747 million) has been reclassified to sales. This reclassification has no impact on the reported Earning per Share (EPS) of the corresponding year. Moreover “Advances from Customers” (presented within “Trade and other payables”) are now renamed as “Contract Liabilities”.

#### 2.3.19.3 IFRS 16 “Leases”

IFRS 16 replaces IAS 17 “Accounting for Leases” and related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Company has adopted IFRS 16 under the full retrospective approach, utilizing the practical expedient and this has resulted in Company recognizing lease liabilities and corresponding right-of-use assets for all leases qualifying under the criteria laid down by the standard.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

A brief summary of the impact of IFRS 16 on comparative information and how it has been restated has been given below:

(Rupees in '000)	Unadjusted figures	Adjustments	(Restated) after adoption of IFRS 16
<b>Statement of Financial Position</b>			
<b>As at January 01, 2018:</b>			
Non-current assets			
Property, plant and equipment	28,734,507	535,068	29,269,575
Capital work-in-progress	4,059,585	-	4,059,585
Intangible assets	23,532	-	23,532
Long term loans	367,359	-	367,359
Long term deposits and prepayments	36,147	-	36,147
	33,221,130	535,068	33,756,198
Current assets			
Stores and spares	1,769,987	-	1,769,987
Stock-in-trade	15,358,288	-	15,358,288
Trade debts	781,116	-	781,116
Current portion of long term loans and advances	135,248	-	135,248
Sales tax refundable - net	4,477,768	-	4,477,768
Advances, deposits, prepayments & others receivables	1,268,098	-	1,268,098
Cash and bank balances	1,333,984	-	1,333,984
	25,124,489	-	25,124,489
<b>Total assets</b>	<b>58,345,619</b>	<b>535,068</b>	<b>58,880,687</b>
Share capital and reserves			
Issued, subscribed and paid up capital	453,496	-	453,496
Share premium	249,527	-	249,527
General reserve	280,000	-	280,000
Hedging reserve	8,357	-	8,357
Accumulated profit	3,642,960	41,002	3,683,962
	4,634,340	41,002	4,675,342
Non-current liabilities			
Long term finances - secured	9,291,755	-	9,291,755
Lease liabilities	-	304,248	304,248
Deferred taxation	2,493,067	-	2,493,067
Retirement benefits	1,660,762	-	1,660,762
	13,445,584	304,248	13,749,832
Current liabilities			
Current portion of long term liabilities	116,343	189,818	306,161
Short term borrowings - secured	11,845,986	-	11,845,986
Short term running finance under mark-up arrangements - secured	513,908	-	513,908
Customer security deposits - interest free	260,369	-	260,369
Unclaimed dividend	26,718	-	26,718
Trade and other payables	27,355,515	-	27,355,515
Interest and mark-up accrued	146,856	-	146,856
	40,265,695	189,818	40,455,513
<b>Total equity and liabilities</b>	<b>58,345,619</b>	<b>535,068</b>	<b>58,880,687</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Unadjusted figures	Adjustments	(Restated) after adoption of IFRS 16
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### Statement of Financial Position

#### As at December 31, 2018:

Property, plant and equipment	29,982,969	380,364	30,363,333
Lease liabilities	–	(410,790)	410,790
Accumulated profit	2,929,222	(107,979)	3,037,201

### Statement of Profit or Loss

#### For the year ended December 31, 2018:

Cost of goods sold	81,868,959	18,289	81,887,248
Distribution and selling expenses	15,650,646	(25,013)	15,625,633
Administrative expenses	3,206,015	(97,392)	3,108,623
Finance cost	1,818,650	37,139	1,855,789

The above has resultantly increased the profit after taxation for the year ended December 31, 2018 by Rs. 66.98 million and earnings per share by Rs. 1.48 per share.

(Rupees in '000)	Unadjusted figures	Adjustments	(Restated) after adoption of IFRS 16
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### Statement of Cash Flows

#### For the year ended December 31, 2018:

Cash flow from operating activities			
Profit before taxation	16,899,964	66,977	16,966,941
Depreciation on property, plant and equipment	3,520,697	189,819	3,710,516
Finance cost	1,818,650	37,139	1,855,789
Net cash generated from operating activities	13,248,617	293,938	13,542,555

#### Cash flow from financing activities

Lease liabilities - net	–	(293,938)	(293,938)
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### 2.3.20 New laws / standards and amendments to published approved International Financial Reporting Standards not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 3 Issued, subscribed and paid up capital

(Rupees in '000)	2019	2018	2019	2018
	(Number of shares)		(Rupees in '000)	
Ordinary shares of Rs. 10 each as fully paid in cash	29,787,058	29,787,058	297,870	297,870
Ordinary shares of Rs. 10 each as fully paid bonus shares	15,476,867	15,476,867	154,769	154,769
Ordinary shares of Rs. 10 each issued for consideration other than cash	85,659	85,659	857	857
	45,349,584	45,349,584	453,496	453,496

As at December 31, 2019, Nestlé S.A. Switzerland ("the Holding Company"), holds 26,778,229 (2018: 26,778,229) ordinary shares representing 59.05% (2018: 59.05%) equity interest in the Company. In addition, 8,854,414 (2018: 8,799,414) ordinary shares are held by the following related parties as at December 31:

Name of related party	2019	2018
	(Number of shares)	
IGI Investments (Pvt) Limited	4,419,666	4,364,666
Percentage of equity held 9.75% (2018: 9.62%)		
Packages Limited	3,649,248	3,649,248
Percentage of equity held 8.05% (2018: 8.05%)		
Gurmani Foundation	538,235	538,235
Percentage of equity held 1.19% (2018: 1.19%)		
National Management Foundation	224,720	224,720
Percentage of equity held 0.50% (2018: 0.50%)		
Industrial Technical and Educational Institution	21,666	21,666
Percentage of equity held 0.05% (2018: 0.05%)		
Nestlé Pakistan Limited Employees Provident Fund	878	878
Percentage of equity held 0.0019% (2018: 0.0019%)		
IGI Finex Securities Limited	1	1
Percentage of equity held 0.0% (2018: 0.0%)		
	8,854,414	8,799,414

**3.1** The holders of voting ordinary shares are entitled to receive dividends as declared (if any), and are entitled to one vote per share at meetings of the Company.

### 4 Share premium

This reserve can be utilized by the Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>5 Long term finances - secured</b>			
Long term finances utilized under mark-up arrangements:			
Term Loan I	5.1	3,500,000	3,500,000
Term Loan II	5.2	3,000,000	3,000,000
Term Loan III	5.3	–	2,000,000
Term Loan IV	5.3	–	114,824
		6,500,000	8,614,824
Long Term Financing Facility	5.4	478,613	676,931
Less: Current maturity	9	(3,198,319)	(227,025)
		3,780,294	9,064,730

**5.1** The term of the loan is 5 years and the principal repayment to take place in a single lump sum instalment on December 29, 2021. Mark-up is payable quarterly at a flat rate of 8.00% per annum.

**5.2** The term of the loan is 3 years and the principal repayment to take place in a single lump sum instalment on November 13, 2020. Mark-up is payable quarterly at a flat rate of 7.30% per annum.

**5.3** These loans have been settled by the Company during the year on December 30, 2019 and July 19, 2019 respectively.

**5.4** This facility has an aggregate credit limit of Rs. 1,500 million and the term is 5 years with a grace period of 18 months from the date of each disbursement. Repayments to be made in 8 equal semi annual instalments. This facility carries mark-up at the rate of 3.65% payable quarterly.

All loans are obtained from a commercial bank and are secured by first joint pari passu hypothecation charge over fixed and current assets of the Company excluding land and building.

(Rupees in '000)	Note	2019	(Restated) 2018
<b>6 Lease liabilities</b>			
Present value of minimum lease payments		500,494	410,790
Less: Current maturity	9	(196,765)	(193,260)
		303,729	217,530
<b>7 Deferred taxation</b>			
Deferred taxation comprises of temporary differences related to:			
Accelerated tax depreciation		3,224,282	3,176,882
Others		(1,263,432)	(733,685)
		1,960,850	2,443,197

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>7.1 Movement in deferred tax liability is as follows:</b>			
Balance as at January 01		2,443,197	2,493,067
Charge to OCI related to cash flow hedges		-	(8,783)
Charge to statement of profit or loss	32	(482,347)	(41,087)
Balance as at December 31		1,960,850	2,443,197
<b>8 Retirement benefits</b>			
Gratuity fund		1,370,227	1,300,615
Pension fund		1,407,275	797,405
		2,777,502	2,098,020

The Company contributes to following defined benefit plans:

- Gratuity plan entitles an eligible employee to receive a lump sum amount equal to last drawn basic salary multiplied by number of completed years of service with the Company at the time of cessation of employment. An eligible employee means the employee who has successfully completed one year of service with the Company. In case if the employee leaves the employment before successful completion of 10 years of service then he/she shall be entitled to 50% of gratuity amount.
- Pension plan comprises of two types i.e. Type A and Type B. Type A members are those members who have joined the plan and who have not opted to become members of Type B. Type B members are those members who fulfil the criteria and opted to become members of Type B.
- Type A members are required to make a contribution of 5% of pensionable salary whereas, the Company makes the contribution based on actuarial recommendations. The annual benefit amount of a Type A member shall be 2.75% of his/her pensionable salary at the time of retirement multiplied by number of years of pensionable service subject to a maximum of 82.50% of pensionable salary.
- Type B member can make a contribution of 3% or 5% of his/her pensionable salary and the Company will make a contribution equal to employee contribution +2%. Members who are transferred from Type A to Type B are required to make a contribution of 5% of pensionable salary and the Company will make a contribution of 11.4%. Type B member shall be entitled to 30% of employer benefit after successful completion of three years of pensionable service and thereafter additional 10% for each successful year till 10th year when he/she is entitled to 100% of the benefit.

Gratuity and pension plans are administered through separate funds that are legally separate from the Company. The Trust of the funds comprises of six and five employees for pension and gratuity fund respectively, out of which one employee is the Chairperson. The Trustees of the funds are required by law to act in the best interests of the plan and are responsible for making all the investments and disbursements out of the funds.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. As at reporting date, an actuarial valuation has been performed by M/s Nauman Associates (actuarial experts) for valuation of defined benefit obligation. The disclosures made in notes 8.1 to 8.14 are based on the information included in the actuarial report.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

These defined benefit plans are fully funded by the Company. The funding requirements are evaluated by the management using the funds' actuarial measurement framework set out in the funding policies of the plans. The funding of each plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from time to time. The investments out of provident fund and pension fund are governed by and are compliant in all material aspects with the requirements of section 218 of the Companies Act 2017.

The Company is responsible to manage the deficit in the defined benefit obligation towards fair value of the plan assets. The Company has devised an effective periodic contribution plan to maintain sufficient level of plan assets to meet its obligations. Further, the Company also performs regular maturity analysis of the defined benefit obligation and manage its contributions accordingly.

(Rupees in '000)	Gratuity		Pension	
	2019	2018	2019	2018
<b>8.1 Present value of funded obligations</b>				
Amounts recognized in statement of financial position are as follows:				
Present value of defined benefit obligation	3,156,983	2,999,495	4,743,169	3,707,704
Fair value of plan assets	(1,786,756)	(1,698,880)	(3,335,894)	(2,910,299)
Net retirement benefit obligation	1,370,227	1,300,615	1,407,275	797,405
<b>8.2 Movement in net obligation</b>				
Net liability as at January 01	1,300,615	984,867	797,405	675,895
Charge to statement of profit or loss	425,621	309,408	354,390	274,669
Charge to other comprehensive income	(115,667)	246,718	500,521	91,928
Contributions made by employees	–	–	138,734	137,230
Contributions paid to the plan	(240,342)	(240,378)	(383,775)	(382,317)
Net liability as at December 31	1,370,227	1,300,615	1,407,275	797,405
<b>8.3 Movement in the liability for funded defined benefit obligations</b>				
Liability for defined benefit obligations as at January 01	2,999,495	2,692,633	3,707,704	3,404,213
Benefits paid by the plan	(362,714)	(329,787)	(331,561)	(338,049)
Current service cost	263,030	227,029	408,571	345,026
Past service cost	–	–	–	19,781
Interest cost	387,494	240,135	487,014	307,343
Remeasurements on obligation:				
Actuarial losses / (gains) on present value				
Changes in financial assumptions	(8,338)	17,523	355,212	(19,330)
Experience adjustments	(121,984)	151,962	116,229	(11,280)
	(130,322)	169,485	471,441	(30,610)
Liability for defined benefit obligations as at December 31	3,156,983	2,999,495	4,743,169	3,707,704

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Gratuity		Pension	
	2019	2018	2019	2018
<b>8.4 Movement in fair value of plan assets</b>				
Fair value of plan assets as at January 01	1,698,880	1,707,766	2,910,299	2,728,318
Contributions paid into the plan	240,342	240,378	383,775	382,317
Benefits paid by the plan	(362,714)	(329,787)	(331,561)	(338,049)
Interest income on plan assets	225,183	157,991	403,756	261,293
Actuarial loss on plan assets	(14,655)	(77,233)	(29,080)	(122,538)
Other administrative expenses by fund	(280)	(235)	(1,295)	(1,042)
Fair value of plan assets as at December 31	1,786,756	1,698,880	3,335,894	2,910,299
<b>8.5 Plan assets consist of the following:</b>				
In terms of amount:				
Equity instruments	165,129	148,786	244,827	220,395
Debt instruments	918,284	211,710	1,675,246	361,501
Balance in saving bank accounts	703,343	1,338,384	1,415,821	2,328,403
	1,786,756	1,698,880	3,335,894	2,910,299
<b>8.6 Plan assets</b>				
Plan assets comprise:				
Equity instrument				
Fertilizers	10,327	7,791	16,651	12,562
Oil and gas	34,689	30,655	55,893	49,337
Steel	11,166	13,188	19,991	23,610
Power	18,220	16,395	20,282	18,251
Financial institutions	51,349	39,848	81,132	62,961
Mutual funds	18,620	17,801	18,620	17,801
Cement	8,000	8,402	12,639	13,276
Chemicals	12,758	14,590	19,471	22,245
Others	–	116	148	352
	165,129	148,786	244,827	220,395
Debt instruments				
Government bonds	818,290	113,774	1,538,406	227,476
Term Finance Certificates	99,994	97,936	136,840	134,025
	918,284	211,710	1,675,246	361,501
Cash at bank				
Balance in saving bank accounts	102,350	283,796	163,437	520,537
Term deposit receipts	600,993	1,054,588	1,252,384	1,807,866
	703,343	1,338,384	1,415,821	2,328,403
	1,786,756	1,698,880	3,335,894	2,910,299

Before making any investment decision, an Asset-Liability matching study is performed by the Board of Trustees of the funds to evaluate the merits of strategic investments. Risk analysis of each category is done to analyze the impacts of the interest rate risk, currency risk and longevity risk.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Gratuity		Pension		
	2019	2018	2019	2018	
<b>8.7 Statement of profit or loss includes the following in respect of retirement benefits:</b>					
Interest cost for the year	387,494	240,135	487,014	307,343	
Current service cost	263,030	227,029	408,571	345,026	
Past service cost	–	–	–	19,781	
Interest income on plan assets	(225,183)	(157,991)	(403,756)	(261,293)	
Contribution made by the employees	–	–	(138,734)	(137,230)	
Other administrative expense by Fund	280	235	1,295	1,042	
	425,621	309,408	354,390	274,669	
<b>8.8 Charge for the year has been allocated as follows:</b>					
Cost of goods sold	205,191	152,577	143,448	122,264	
Distribution and selling expenses	145,448	111,025	150,938	103,775	
Administration expenses	74,982	45,806	60,004	48,630	
	425,621	309,408	354,390	274,669	
<b>8.9 Actuarial (gains) and losses recognized directly in other comprehensive income</b>					
Cumulative amount at January 01	1,101,498	854,780	905,108	813,180	
<b>Remeasurements on obligation</b>					
Actuarial losses / (gains) on present value:					
Changes in financial assumptions	(8,338)	17,523	355,212	(19,330)	
Experience adjustments	(121,984)	151,962	116,229	(11,280)	
	(130,322)	169,485	471,441	(30,610)	
<b>Remeasurements on fair value of plan assets</b>	14,655	77,233	29,080	122,538	
(Gains) / losses recognized during the year	(115,667)	246,718	500,521	91,928	
Cumulative amount as at December 31	985,831	1,101,498	1,405,629	905,108	
(Rupees in '000)	<b>2019</b>	2018	2017	2016	2015
<b>8.10 Historical Information for Gratuity plan</b>					
Present value of defined benefit obligation	3,156,983	2,999,495	2,692,633	2,309,477	2,024,189
Fair value of the plan assets	(1,786,756)	(1,698,880)	(1,707,766)	(1,610,613)	(1,343,612)
Deficit in the plan	1,370,227	1,300,615	984,867	698,864	680,577
Experience adjustments arising on plan liabilities	(121,984)	151,962	80,449	43,693	73,878
Experience adjustments arising on plan assets	(14,655)	(77,233)	(149,744)	78,224	(14,330)
<b>8.11 Historical Information for Pension plan</b>					
Present value of defined benefit obligation	4,743,169	3,707,704	3,404,213	3,189,227	2,556,488
Fair value of the plan assets	(3,335,894)	(2,910,299)	(2,728,318)	(2,526,536)	(2,021,998)
Deficit in the plan	1,407,275	797,405	675,895	662,691	534,490
Experience adjustments arising on plan liabilities	116,229	(11,280)	(93,878)	56,223	(23,524)
Experience adjustments arising on plan assets	(29,080)	(122,538)	(213,478)	66,581	(23,627)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

	2019		2018	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
<b>8.12 Significant actuarial assumptions used for valuation of these plans are as follows:</b>				
Discount rate used for profit and loss charge	13.75%	13.75%	9.50%	9.50%
Discount rate used for year-end obligation	11.75%	11.75%	13.75%	13.75%
Expected rates of salary increase	11.75%	11.75%	13.75%	13.75%
Expected rates of return on plan assets	11.75%	11.75%	13.75%	13.75%
Mortality Rate	SLIC 2001-2005 Setback 1 year			

### Mortality rate

The rates assumed were based on the SLIC 2001-2005 Setback 1 Year mortality table.

### 8.13 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 50 bps with all other variables held constant, the impact on the present value of the defined benefit obligation would have been as follows:

(Rupees in '000)	Change	Gratuity		Pension	
		Increase	Decrease	Increase	Decrease
Impact on present value of defined benefit obligation as at December 31, 2019					
Discount rate	50 bps	(155,046)	167,932	(228,550)	246,274
Future salary increase	50 bps	169,314	(157,746)	75,903	(72,420)
Expected mortality rates	1 year	(937)	1,001	28,543	(29,433)

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the statement of financial position.

### 8.14 Weighted average duration of the defined benefit obligation is 10 years for both gratuity and pension plans.

(Rupees in '000)	Note	2019	(Restated) 2018
<b>9 Current portion of long term liabilities</b>			
Current maturity of long term finances	5	3,198,319	227,025
Current maturity of lease liabilities	6	196,765	193,260
		3,395,084	420,285

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>10 Short term borrowings - secured</b>			
Money market deals	10.1	16,300,000	14,200,000
Export refinance facility	10.2	917,473	1,042,800
		17,217,473	15,242,800

**10.1** These represent money market deals obtained from various commercial banks having aggregate limit of Rs. 16,300 million (2018: Rs. 14,200 million) and carry mark-up ranging from 11.70% to 13.75% (2018: 5.85% to 10.42%) per annum. These deals are obtained for a period ranging from 90 to 180 days and are secured by a hypothecation charge over fixed and current assets of the Company excluding land and building.

**10.2** The Company has obtained export refinance facility from a commercial bank having an aggregate limit of Rs. 918 million (2018: Rs. 1,043 million). The mark up on this facility is 2.20% (2018: 2.20%) per annum.

### 11 Running finance under mark-up arrangements - secured

The Company has obtained short term running finances from various commercial banks under mark-up arrangements having an aggregate limit of Rs. 16,095 million (2018: Rs. 12,120 million). The mark up on these facilities ranges from 13.64% to 14.15% (2018: 6.20% to 10.50%) per annum. These facilities are secured by pari passu hypothecation charge over present and future fixed and current assets of the Company excluding land and building and assignment of receivables of the Company.

### 12 Customer security deposits

This represents security deposits obtained from customers and have been kept in a separate bank account.

(Rupees in '000)	Note	2019	2018
<b>13 Trade and other payables</b>			
Trade creditors:			
Related parties		5,096,203	4,214,261
Others		11,091,657	15,447,188
		16,187,860	19,661,449
Contract liabilities		382,146	253,185
Accrued liabilities		7,431,889	7,812,999
General licensing fees payable	13.1	367,898	3,271,931
Workers' Profit Participation Fund	13.2	596,268	20,012
Workers' Welfare Fund		231,354	321,189
Income tax payable		262,436	-
Withholding income tax payable		200,030	80,488
Withholding sales tax payable		-	127,239
Others		123,014	196,539
		25,782,895	31,745,031

**13.1** Licensing fee is payable to Société Des Produits Nestlé S.A. an associated undertaking having its registered office at Avenue Nestlé 1800 Vevey, Switzerland. During the year, licensing fee amounting to Rs. 6,188.02 million (2018: 845.98 million) has been paid.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>13.2 Workers' Profit Participation Fund</b>			
Balance as at January 01		20,012	1,127,195
Provision for the year	30	576,256	905,722
		596,268	2,032,917
Net payments / adjustments made during the year		–	(2,012,905)
Balance as at December 31		596,268	20,012
<b>14 Interest and mark-up accrued</b>			
Long term finances - secured		10,783	10,554
Short term borrowings - secured		301,138	162,306
Short term running finance under mark-up arrangements - secured		133,037	100,994
		444,958	273,854

### 15 Contingencies and commitments

- 15.1** By way of the decision of the Honorable Supreme Court of Pakistan in suo moto case no. 26 of 2018, the Company is subject to a potential water charge of Rs. 1/- per litre on water extraction. The Company is contesting this decision of the Honorable Supreme Court of Pakistan and has filed a review petition. Keeping in view subsequent developments and follow up court hearings and orders, and on the representations of various affected companies, the Supreme Court vide its order dated June 10, 2019, ordered, as an interim measure, the collection of charge of Rs. 0.25/- per litre on relevant production based on the sales tax data/return of each company, on the basis whereof bills were to be issued by authorities (nationwide), till the framing of legislation by all the federal and provincial authorities. During the year, the Company has recognised an expense of Rs. 199.98 million in line with the Honorable Supreme Court's interim order. However, remaining potential charge, the amount of which cannot be quantified since the matter is subjudice, has been recognised as a contingency.

(Rupees in '000)	2019	2018
<b>15.2 Guarantees</b>		
Outstanding guarantees	227,404	227,450
<b>15.3 Commitments</b>		
<b>15.3.1 Letters of credit</b>		
Outstanding letters of credit	3,341,687	7,528,363
Un-utilized portion	8,296,649	8,757,037
<b>15.3.2</b> Commitments in respect of capital expenditure	289,702	205,306

- 15.3.3** The amount of future payments under Ijarah and the period in which these payments will become due are as follows:

(Rupees in '000)	2019	2018
Not later than one year	34,855	34,855
Later than one year but not later than 5 years	8,714	43,569
	43,569	78,424

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 16 Property, plant and equipment

	Assets including Right-of-Use assets						Total
	Land & Building (on freehold land)	Land & Building (on leasehold land)	Plant and machinery	Furniture and fixtures	Vehicles	IT Equipment	
(Rupees in '000)							
<b>Cost</b>							
Balance as at January 01, 2019	9,000,214	1,054,238	43,715,398	888,892	761,531	1,456,779	56,877,052
Additions during the year	421,320	387,492	3,203,084	120,975	57,977	408,016	4,598,864
Disposals	(4,316)	(34,641)	(931,166)	(7,409)	(228,479)	(133,835)	(1,339,846)
<b>Balance as at December 31, 2019</b>	<b>9,417,218</b>	<b>1,407,089</b>	<b>45,987,316</b>	<b>1,002,458</b>	<b>591,029</b>	<b>1,730,960</b>	<b>60,136,070</b>
Balance as at January 01, 2018	8,533,788	1,031,428	40,130,126	642,410	888,478	1,513,617	52,739,847
Additions during the year	466,426	22,810	4,149,978	170,298	18,485	145,160	4,973,157
Disposals	-	-	(564,706)	(3,960)	(145,432)	(121,854)	(835,952)
Reclassification	-	-	-	80,144	-	(80,144)	-
Balance as at December 31, 2018 (Restated)	9,000,214	1,054,238	43,715,398	888,892	761,531	1,456,779	56,877,052
<b>Depreciation and impairment losses</b>							
Balance as at January 01, 2019	2,010,696	605,773	21,653,398	585,205	499,919	1,158,728	26,513,719
Depreciation charge for the year	237,948	233,211	3,056,220	148,582	121,718	207,409	4,005,088
Impairment charged during the year	-	-	490,662	-	-	-	490,662
Depreciation & impairment on disposal	(3,324)	(28,352)	(841,461)	(7,127)	(193,156)	(133,100)	(1,206,520)
<b>Balance as at December 31, 2019</b>	<b>2,245,320</b>	<b>810,632</b>	<b>24,358,819</b>	<b>726,660</b>	<b>428,481</b>	<b>1,233,037</b>	<b>29,802,949</b>
Balance as at January 01, 2018	1,761,514	458,691	19,247,418	412,694	469,474	1,145,065	23,494,856
Depreciation charge for the year	243,972	147,082	2,861,626	106,020	146,368	205,448	3,710,516
Impairment during the year	5,210	-	(3,913)	58	39	-	1,394
Depreciation & impairment on disposal	-	-	(451,733)	(3,872)	(115,962)	(121,480)	(693,047)
Reclassification	-	-	-	70,305	-	(70,305)	-
Balance as at December 31, 2018 (Restated)	2,010,696	605,773	21,653,398	585,205	499,919	1,158,728	26,513,719
<b>Net book value as at December 31, 2019</b>	<b>7,171,898</b>	<b>596,457</b>	<b>21,628,497</b>	<b>275,798</b>	<b>162,548</b>	<b>497,923</b>	<b>30,333,121</b>
Net book value as at December 31, 2018 (Restated)	6,989,518	448,465	22,062,000	303,687	261,612	298,051	30,363,333
Rate of depreciation in %	2.5-4	2.5-4	4-20	20	20	10-33.3	

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

**16.1** Property, plant and equipment contains the following in respect of Right-of-Use assets:

	Building on lease hold land	Plant and machinery	Furniture and fixtures	Total
<b>Cost</b>				
Balance as at January 01, 2019	898,242	119,696	40,990	1,058,928
Additions during the year	379,577	95,544	53,725	528,846
Disposals	(34,641)	(119,696)	–	(154,337)
<b>Balance as at December 31, 2019</b>	<b>1,243,178</b>	<b>95,544</b>	<b>94,715</b>	<b>1,433,437</b>
Balance as at January 01, 2018	879,532	119,696	–	999,228
Additions during the year	18,710	–	40,990	59,700
Balance as at December 31, 2018	898,242	119,696	40,990	1,058,928
<b>Depreciation</b>				
Balance as at January 01, 2019	561,670	93,756	23,138	678,564
Depreciation for the year	228,835	50,083	42,436	321,354
Depreciation on disposal	(28,351)	(99,742)	–	(128,093)
<b>Balance as at December 31, 2019</b>	<b>762,154</b>	<b>44,097</b>	<b>65,574</b>	<b>871,825</b>
Balance as at January 01, 2018	418,934	69,811	–	488,745
Depreciation for the year	142,736	23,945	23,138	189,819
Balance as at December 31, 2018	561,670	93,756	23,138	678,564
<b>Net book value as at December 31, 2019</b>	<b>481,024</b>	<b>51,447</b>	<b>29,141</b>	<b>561,612</b>
Net book value as at December 31, 2018	336,572	25,940	17,852	380,364

**16.2** Depreciation charge for the year has been allocated as follows:

(Rupees in '000)	Note	2019	2018
Cost of goods sold	26	3,082,424	2,960,706
Distribution and selling expenses	27	481,127	433,401
Administration expenses	28	441,537	316,409
		<b>4,005,088</b>	<b>3,710,516</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 16.3 Particulars of immovable property i.e. land and buildings

Description of asset	Purpose	Location / Address within Pakistan	Area
Land & building	Manufacturing facility	Sheikhupura Factory	63.46 Acre
Land & building	Manufacturing facility	Kabirwala Factory	85.58 Acre
Land & building	Manufacturing facility	Port Qasim Factory	5 Acre
Land & building	Manufacturing facility	Islamabad Factory	8.72 Kanal
Land & building	Milk collection centre	Bhawana, District Chiniot	1 Acre
Land & building	Milk collection centre	Renala, District Okara	1 Acre
Land & building	Milk collection centre	Pindi Bhattian, District Hafiz Abad	17.9 Kanal
Land & building	Milk collection centre	Ludden, District Vehari	7.8 Kanal
Land & building	Milk collection centre	More Mandi, District Jhang	2 Kanal
Land & building	Milk collection centre	Kalowal, District Chiniot	1 Kanal
Land & building	Sales office	Korangi Industrial Area, Karachi	2.85 Kanal
Land	General purpose	Korangi Industrial Area, Karachi	1.6 Kanal

### 16.4 Detail of property, plant and equipment sold during the year is as follows:

(Rupees in '000) Description	Cost	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of purchasers	Relationship with the company
<b>Plant and Machinery</b>							
	4,954	992	104	(888)	Negotiation	Muhammad Iqbal	Third Party
	2,726	1,283	83	(1,200)	Negotiation	Muhammad Iqbal	Third Party
	1,880	1,138	1,133	(5)	Negotiation	Muhammad Iqbal	Third Party
	774	539	104	(435)	Negotiation	Muhammad Iqbal	Third Party
	774	533	104	(429)	Negotiation	Muhammad Iqbal	Third Party
	774	533	104	(429)	Negotiation	Muhammad Iqbal	Third Party
	775	550	125	(425)	Negotiation	Muhammad Iqbal	Third Party
	775	550	125	(425)	Negotiation	Muhammad Iqbal	Third Party
	721	514	125	(389)	Negotiation	Muhammad Iqbal	Third Party
	721	514	125	(389)	Negotiation	Muhammad Iqbal	Third Party
<b>Vehicles</b>							
	2,308	1,116	1,492	376	Co. Policy	Shaphan Samuel	Employee
	2,060	996	1,358	362	Co. Policy	Humayun Bin Akram	Employee
	1,931	901	1,257	356	Co. Policy	Azhar Ali Butt	Employee
	1,903	729	1,143	414	Co. Policy	Shahzad Saeed	Employee
	1,891	567	970	403	Co. Policy	Syed Azeem Hyder	Employee
	1,844	553	1,717	1,164	Co. Policy	Rana Zamir	Employee
	1,817	636	1,681	1,045	Co. Policy	Adeel Iqbal	Employee
	1,292	731	1,029	298	Co. Policy	Afraz Iqbal	Employee
<b>Assets with book value less than Rs. 500,000</b>							
	1,309,926	119,951	202,471	82,520			
<b>2019</b>	<b>1,339,846</b>	<b>133,326</b>	<b>215,250</b>	<b>81,924</b>			
2018	835,952	142,905	226,806	83,901			

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>17 Capital work-in-progress</b>			
Civil works		46,941	237,432
Plant and machinery		3,147,057	3,280,852
Others		870,097	811,985
		4,064,095	4,330,269
Less: Provision for impairment loss		(623,029)	(650,967)
		3,441,066	3,679,302
<b>17.1 Provision for impairment loss on capital work-in-progress</b>			
Balance as at January 01		650,967	650,967
Provision / (reversal) during the year		(27,938)	–
Balance as at December 31		623,029	650,967
<b>18 Intangible assets</b>			
<b>Cost</b>			
Balance as at December 31		272,655	272,655
<b>Amortization</b>			
Balance as at January 01		257,191	249,123
Charge for the year	27	8,068	8,068
Accumulated amortization as at December 31		265,259	257,191
Net book value as at December 31		7,396	15,464
<b>Amortization rate</b>			
		20%	20%
<b>19 Long term loans</b>			
To employees - secured, considered good		371,544	438,062
Less: current portion shown under current assets		(132,045)	(132,729)
		239,499	305,333

**19.1** These represent long term interest free loans to employees for the purchase of cars and motor cycles as per the Company policy and are repayable within a period of 5 years. Loans are secured by the crossed cheque from employees of the full loan amount in the name of the Company without mentioning any date as part of collateral.

**19.2** No loan has been given to the Chief Executive Officer and any other Director of the Company.

**19.3** The amount of loans to employees and the period in which these will become due are as follows:

(Rupees in '000)	2019	2018
Less than one year	132,045	132,729
More than one year but not more than 3 years	239,499	292,097
More than 3 years	–	13,236
	371,544	438,062

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>20 Stores and spares</b>			
Stores		207,106	218,670
Spares, including in transit amounting to Rs. 200.53 million (2018: Rs. 36.29 million)		2,847,387	2,272,637
		3,054,493	2,491,307
Less: Provision for obsolete spares	20.1	(678,436)	(539,407)
		2,376,057	1,951,900
<b>20.1 Provision for obsolete spares</b>			
Balance as at January 01		539,407	415,368
Provision during the year		139,029	124,039
Balance as at December 31		678,436	539,407
<b>21 Stock-in-trade</b>			
Raw and packing materials including in transit amounting to Rs. 4,065.36 million (2018: Rs. 4,607.90 million)		14,414,939	15,342,414
Less: Provision for unusable materials	21.1	(80,473)	(59,895)
		14,334,466	15,282,519
Work-in-process		1,050,456	1,345,036
Finished goods		2,787,204	2,545,192
Goods purchased for resale including in transit amounting to Rs. 57.84 million (2018: Rs. 49.82 million)		704,315	539,037
		18,876,441	19,711,784
<b>21.1 Provision for unusable raw and packing material</b>			
Balance as at January 01		59,895	26,843
Provision during the year		80,473	61,542
Written off / adjusted during the year		(59,895)	(28,490)
Balance as at December 31		80,473	59,895
<b>22 Trade debts</b>			
Considered good - unsecured		2,158,591	3,112,550
Considered doubtful - unsecured		75,471	43,334
Less: Provision for doubtful debts	22.1	(75,471)	(43,334)
		2,158,591	3,112,550
Related parties - considered good	22.2	6,297	4,398
		2,164,888	3,116,948
<b>22.1 Provision for doubtful debts</b>			
Balance as at January 01		43,334	21,729
Net provision during the year	27	32,137	43,334
Bad debts written off		-	(21,729)
Balance as at December 31		75,471	43,334

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	2019	2018
<b>22.2</b> Trade debts include the following amounts due from related parties:		
Lahore University of Management Sciences	2,170	821
Packages Limited	2,159	1,590
Bulleh Shah Packaging (Pvt.) Ltd	816	263
Tetra Pak Pakistan Ltd	613	728
DGS (Pvt.) Limited	539	996
	6,297	4,398

**22.2.1** The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs. 6.09 million (2018: Rs. 5.35 million).

**22.3** Aging of overdue balances for related parties is as follows:

(Rupees in '000)	Balance overdue	Below 30 days	31 days & above
Lahore University of Management Sciences	55	55	–
Packages Limited	217	217	–
Bulleh Shah Packaging (Pvt.) Ltd	267	267	–
Tetra Pak Pakistan Ltd	227	227	–
DGS (Pvt.) Limited	7	–	7

(Rupees in '000)	Note	2019	2018
<b>23 Advances, deposits, prepayments and other receivables</b>			
Advances to suppliers - unsecured - considered good	23.1	1,309,281	813,454
Due from related parties - unsecured - considered good	23.2	93,520	133,735
Cash margin held against imports		171,079	433,622
Deposits and prepayments		282,912	322,393
Sales tax withholding receivable		36,989	–
Income tax - net		–	297,141
Other receivables		891,357	584,581
		2,785,138	2,584,926

**23.1** These relate to normal business of the Company and are interest free.

**23.2** Due from related parties (foreign affiliates on the basis of a common holding company) include the following amounts:

(Rupees in '000)	2019	2018
Nestlé Espana, S.A.	24,317	–
Nestlé Indonesia	15,562	–
Nestlé Nederland B.V.	13,865	–
Nestlé Waters Management & Technology S.A.S.	9,621	2,169
Nestlé Asean (Malaysia) Sdn. Bhd.	9,381	–
Nestrad S.A., Malaysia Branch	4,643	–

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	2019	2018
Nestlé Operational Services Worldwide S.A.	4,114	10,020
Nestlé Waters	4,091	–
Nestlé USA Inc.	2,544	–
Nestlé Middle East FZE	1,699	2,103
Nestlé India Limited	1,458	–
Nestlé Zimbabwe (Private) Limited	603	1,307
Nestlé Singapore (Pte) Ltd	491	–
Nestlé Bangladesh Limited	490	490
Nestlé Equatorial African Region Limited	386	480
Nestlé Egypt S.A.E.	255	230
Nestrad S.A.	–	95,769
Nestlé Türkiye Gıda Sanayi A.S.	–	4,306
Nestlé Iran (Private Joint Stock Company)	–	4,111
Nestlé ROH (Thailand) Ltd.	–	4,058
Nestlé Central And West Africa Ltd.	–	3,348
Nestlé France S.A.S.	–	2,845
Nestlé Australia Ltd	–	967
Nestlé Afghanistan Limited	–	933
Nestlé Taiwan Limited	–	401
Nestlé Lanka PLC	–	135
Nestec S.A.	–	63
	93,520	133,735

**23.2.1** The maximum aggregate amount of receivable due from associated undertakings at the end of any month during the year was Rs. 441.18 million (2018: Rs. 704.38 million).

**23.2.2** Aging of overdue balances for related parties is as follows:

(Rupees in '000)	Balance overdue	Less than 6 months	More than 6 months
Nestlé Indonesia	7,779	7,779	–
Nestlé Nederland B.V.	11,925	7,343	4,582
Nestlé Waters Management & Technology S.A.S.	14,078	14,078	–
Nestrad S.A., Malaysia Branch	3,152	–	3,152
Nestlé Operational Services Worldwide S.A.	4,003	4,003	–
Nestlé Middle East FZE	1,699	–	1,699
Nestlé India Limited	1,458	–	1,458
Nestlé Bangladesh Limited	490	–	490
Nestlé Equatorial African Region Limited	265	–	265
Nestlé Egypt S.A.E.	182	–	182

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>24 Cash and bank balances</b>			
Local currency			
- Current accounts		1,552	433,323
- Saving accounts	24.1	285,229	301,819
		286,781	735,142
Foreign currency			
- Current accounts		26,126	5,252
Cash in hand		5,846	5,300
		318,753	745,694

**24.1** The balance in saving accounts carry rate of return ranging from 11.25% to 11.35% (2018: 2.60% to 8.00%) per annum.

(Rupees in '000)	Note	2019	(Restated) 2018
<b>25 Sales - net</b>			
Own manufactured			
Local		131,767,322	134,460,917
Export		2,163,127	2,316,362
		133,930,449	136,777,279
Goods purchased for resale		3,985,256	2,947,585
Less :			
Sales tax		(9,035,490)	(6,988,761)
Trade discounts		(12,917,742)	(12,035,065)
		115,962,473	120,701,038

<b>26 Cost of goods sold</b>			
Raw and packing material consumed		59,371,577	58,787,185
Salaries, wages, amenities and training	26.1	5,843,830	6,333,286
General licencing fees (including related taxes)		3,711,480	4,185,096
Energy and power		3,483,747	3,205,252
Repairs, maintenance and vehicle expenses		3,328,487	3,464,216
Depreciation of property, plant and equipment	16.2	3,082,424	2,960,706
Communication and technology		587,033	513,283
Quality assurance and environmental expenses		343,581	335,084
Rent, rates, taxes and insurance		242,399	243,497
Legal and professional		20,330	17,221
Other expenses		268,710	253,268
		80,283,598	80,298,094
Decrease / (increase) in work-in-process		294,580	(345,024)
Cost of goods manufactured		80,578,178	79,953,070
(Increase) / decrease in finished goods		(242,012)	249,609
Cost of goods sold - own manufactured		80,336,166	80,202,679
Cost of goods sold - purchased for resale		2,277,335	1,684,569
		82,613,501	81,887,248

**26.1** Salaries, wages and amenities include Rs. 205.19 million (2018: Rs. 152.58 million) in respect of gratuity, Rs. 143.45 million (2018: Rs. 122.26 million) in respect of pension and Rs. 170.51 million (2018: Rs. 178.16 million) in respect of provident fund.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	(Restated) 2018
<b>27 Distribution and selling expenses</b>			
Marketing and promotion		5,058,655	6,135,275
Freight outward and handling charges		4,094,834	4,270,678
Salaries, wages, amenities and training	27.1	3,790,337	3,735,184
Depreciation of property, plant and equipment	16.2	481,127	433,401
Communication and technology		469,799	396,486
Repairs, maintenance and vehicle expenses		212,807	202,289
Utilities and other office expenses		120,501	153,363
Legal and professional		39,192	31,433
Rent, rates, taxes and insurance		28,318	30,769
Amortization of intangible assets	18	8,068	8,068
Provision for doubtful debts	22.1	32,137	43,334
Other expenses		320,726	185,353
		14,656,501	15,625,633

**27.1** Salaries, wages and amenities include Rs. 145.45 million (2018: Rs. 111.02 million) in respect of gratuity, Rs. 150.94 million (2018: Rs. 103.78 million) in respect of pension and Rs. 119.66 million (2018: Rs. 126.13 million) in respect of provident fund.

(Rupees in '000)	Note	2019	(Restated) 2018
<b>28 Administration expenses</b>			
Salaries, wages, amenities and training	28.1	2,246,366	1,918,828
Depreciation of property, plant and equipment	16.2	441,537	316,409
Legal and professional	28.2	434,776	339,124
Communication and technology		330,408	314,849
Utilities and other office expenses		140,134	158,139
Repairs, maintenance and vehicle expenses		64,512	51,262
Rent, rates, taxes and insurance		7,533	7,103
Other expenses		2,452	2,909
		3,667,718	3,108,623

**28.1** Salaries, wages and amenities include Rs. 74.98 million (2018: Rs. 45.81 million) in respect of gratuity, Rs. 60.00 million (2018: Rs. 48.63 million) in respect of pension and Rs. 79.42 million (2018: Rs. 65.70 million) in respect of provident fund.

(Rupees in '000)	2019	2018
<b>28.2</b> Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	1,278	1,278
Half yearly review	158	158
Group audit	315	315
Other certificates	90	60
Out of pocket expenses	209	127
	2,050	1,938

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	(Restated) 2018
<b>29 Finance cost</b>			
Mark-up on long term financing - secured		665,507	674,771
Mark-up on short term borrowings - secured		1,928,124	805,791
Mark-up on short term running finance - secured		512,903	297,050
Interest on finance leases		49,226	37,139
Bank charges		31,935	41,038
		3,187,695	1,855,789
<b>30 Other expenses</b>			
Worker's Profit Participation Fund	13.2	576,256	905,722
Worker's welfare fund		228,573	308,763
Exchange rate loss		111,312	288,733
Donations and gifts to third parties	30.1	11,273	7,500
Impairment of property, plant and equipment	30.2	462,724	1,394
		1,390,138	1,512,112

### 30.1 Donations

Party wise breakup of donations where donation to a single party exceeds 10% of total donations or Rs. 1 million whichever is higher, is as follows:

(Rupees in '000)	2019	2018
<b>a) Akhuwat Islamic Micro-finance</b>	2,000	-
<b>Name of donees in which a director or his spouse has an interest:</b>		
<b>b) Dairy &amp; Rural Development Foundation (DRDF),</b> 30-E/1, Gulberg III, Lahore - Pakistan (Syed Yawar Ali, Director is also Governor of DRDF)	3,000	2,500
<b>c) Lahore University of Management Sciences (LUMS),</b> Defence Housing Authority, Lahore (Syed Babar Ali, Director is also Pro Chancellor of LUMS) (Syed Hyder Ali, Director is also a member of Executive Committee of LUMS)	4,000	5,000
	9,000	7,500

**30.2** During the year, the Company has recorded a net impairment charge against operating assets, primarily due to a shift in packaging format and discontinuation of certain products.

(Rupees in '000)	2019	2018
<b>31 Other income</b>		
<b>Income from financial assets:</b>		
Return on bank accounts	31,841	14,131
<b>Income from non financial assets:</b>		
Sale of scrap	155,025	157,276
Profit on sale of property, plant and equipment	81,924	83,901
	268,790	255,308

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>32 Taxation</b>			
Current tax			
For the year		3,548,945	4,766,724
Prior year		294,645	629,745
		3,843,590	5,396,469
Deferred tax	7.1	(482,347)	(41,087)
		3,361,243	5,355,382

%		2019	2018
<b>32.1 Tax charge reconciliation</b>			
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		29.00	29.00
Tax effect of amounts that are:			
Tax impact related to prior year including super tax		2.75	5.32
Tax impact of rate change		0.91	(0.85)
Tax credits		(0.76)	(1.46)
Tax impact of presumptive tax regime		(0.39)	(0.40)
Others		(0.14)	0.08
		2.37	2.69
Average effective tax rate charged to statement of profit or loss		31.37	31.69

		2019	(Restated) 2018
<b>33 Earnings per share</b>			
<b>33.1 Basic earnings per share</b>			
Profit after taxation available for distribution to ordinary shareholders	Rupees in '000'	7,354,467	11,611,559
Weighted average number of ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	162.17	256.05

### 33.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share as the Company has no such commitments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 34 Transactions with related parties

The related parties comprise of Holding Company, Associated Companies, other related Companies, key management personnel and employees retirement benefit funds. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration to key management personnel is disclosed in note 39. Other significant transactions with related parties are as follows:

(Rupees in '000)	2019	2018
<b>34.1 Transactions during the year</b>		
<b>Associated undertakings</b>		
General licensing fee	3,283,986	3,842,847
Dividends paid	6,164,569	9,428,261
Purchase of assets, goods, services and reimbursable expenses	17,074,684	16,070,679
Sale of goods	1,821,626	2,021,370
Sale of fixed assets	–	18,948
Insurance claims	15,868	17,542
Donations	7,000	7,500
<b>Other related parties</b>		
Contribution to staff retirement benefit plans	854,970	855,450

**34.2** All transactions with related parties have been carried out on mutually agreed terms and conditions except for donations.

**34.3** Following is a list of foreign associated undertakings with whom the Company has entered into transactions during the year. All foreign affiliates (except for Nestlé S.A. "the Holding Company") are related to the Company due to common holding of the Holding Company.

Name	Country of Operations
Nestlé SA	Switzerland
Nestrad S.A.	Switzerland
Nestlé Suisse S.A.	Switzerland
Nestec S.A.	Switzerland
Société des Produits Nestlé S.A.	Switzerland
Nestlé Australia Ltd	Australia
Nestlé Brasil Ltda.	Brazil
Nestlé Qingdao Limited	China
Nestlé Egypt S.A.E.	Egypt
Nestlé France S.A.S.	France
Nestlé Waters Management & Technology S.A.S.	France
Nestlé Central and West Africa Ltd	Ghana
Nestlé India Limited	India
PT Nestlé Indonesia	Indonesia

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

Name	Country of Operations
Nestlé Iran (Private Joint Stock Company)	Iran
Nestlé Japan Ltd.	Japan
Nestlé Asean (Malaysia) Sdn Bhd	Malaysia
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Malaysia
Nestlé Regional Service Centre (Malaysia) Sdn. Bhd.	Malaysia
Nestlé Nederland B.V.	Netherlands
Nestlé Business Services AOA, Inc.	Philippines
Nestlé Philippines, Inc.	Philippines
Nestlé Portugal, S.A.	Portugal
Nestlé Saudi Arabia L.L.C.	Saudi Arabia
Nestlé R&D Center (Pte) Ltd	Singapore
Nestlé Singapore (Pte) Ltd	Singapore
Nestlé Espana, S.A.	Spain
Nestlé Operational Services Worldwide S.A.	Switzerland
Nestlé Thai Ltd.	Thailand
Nestlé Dubai Manufacturing LLC	UAE
Nestlé Middle East FZE	UAE
Nestlé Middle East Manufacturing LLC	UAE
Nestlé USA Inc	USA
Nestlé Vietnam Ltd.	Vietnam

**34.4** Following is a list of local associated undertakings with whom the Company has entered into transactions during the year:

Name	Basis of Association
<b>Associated undertakings</b>	
Babar Ali Foundation	Common directorship
Bulleh Shah Packaging (Pvt.) Ltd	Common directorship
Dairy & Rural Development Foundation (DRDF)	Common directorship
IGI Insurance Limited	Common directorship
Lahore University of Management	Common directorship
Packages Limited	Common directorship
Pakistan Dairy Association	Common directorship
Syed Maratib Ali Religious and Charitable Trust Society	Common directorship
Tetra Pak Pakistan Ltd	Common directorship
<b>Other related parties</b>	
Nestlé Pakistan Limited Employees' Provident Fund	Post employment benefits
Nestlé Pakistan Limited Employees' Pension Fund	Post employment benefits
Nestlé Pakistan Limited Employees' Gratuity Fund	Post employment benefits

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	Note	2019	2018
<b>35 Cash generated from operations</b>			
Profit before taxation		10,715,710	16,966,941
Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment	16.2	4,005,088	3,710,516
Amortization of intangible assets	18	8,068	8,068
Impairment loss on property, plant and equipment	30	462,724	1,394
Gain on disposal of property, plant and equipment	31	(81,924)	(83,901)
Provision for Workers' Profit Participation Fund	30	576,256	905,722
Provision for Workers' Welfare Fund	30	228,573	308,763
Provision for doubtful debts	27	32,137	43,334
Provision for obsolete spares	20.1	139,029	124,039
Exchange rate loss	30	111,312	288,733
Provision for unusable raw and packing material		20,578	33,052
Provision for staff retirement benefits		780,012	584,077
Finance cost	29	3,187,695	1,855,789
Profit before working capital changes		20,185,258	24,746,527
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		(563,186)	(305,952)
Stock-in-trade		814,765	(4,386,548)
Trade debts		919,923	(2,379,166)
Advances, deposits, prepayments and other receivables		(543,759)	(973,337)
(Decrease) / increase in current liabilities:			
Trade and other payables		(7,140,713)	6,049,589
		(6,512,970)	(1,995,414)
		13,672,288	22,751,113
<b>36 Cash and cash equivalents</b>			
Cash and bank balances		318,753	745,694
Running finance under mark-up arrangements - secured		(6,141,325)	(1,418,301)
		(5,822,572)	(672,607)
<b>37 Number of employees</b>			
Total number of employees:			
Average number of employees during the year		4,217	4,466
Number of employees as at December 31		4,063	4,322
Of which factory employees are:			
Average number of employees during the year		2,623	2,788
Number of employees as at December 31		2,518	2,674

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 38 Segment reporting

Segment information is presented in respect of how the Company's "chief decision maker" allocates resources and monitors performance based on business segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments and product categories:

- i) Dairy and Nutrition Products**  
Milk based products and cereals
- ii) Powdered and Liquid Beverages**  
Juices, drinking water and powdered drinks
- iii) Other Products**

#### 38.1 Segment analysis and reconciliation for the year ended December 31

(Rupees in '000)	Dairy and Nutrition Products		Powdered and Liquid Beverages		Other Products		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales - net	89,554,328	93,759,815	26,261,375	26,159,731	146,770	781,492	115,962,473	120,701,038
Depreciation and amortization	2,774,723	2,652,829	1,236,173	1,008,227	2,260	57,528	4,013,156	3,718,584
Operating profit / (loss) before tax and unallocated expenses	13,936,050	18,635,741	1,138,563	1,802,428	(49,860)	(358,635)	15,024,753	20,079,534
Unallocated corporate expenses:								
Finance cost							(3,187,695)	(1,855,789)
Exchange rate loss							(111,312)	(288,733)
Other expenses							(816,102)	(1,221,985)
Other income							268,790	255,308
Taxation							(3,361,243)	(5,355,382)
Other material non-cash items:								
Impairment of fixed assets							(462,724)	(1,394)
Profit after taxation							7,354,467	11,611,559
Segment assets	46,137,044	46,086,325	18,309,649	18,942,366	82,659	633,681	64,529,352	65,662,372
Unallocated assets							744,056	1,497,639
Total assets							65,273,408	67,160,011
Segment liabilities	19,977,693	21,960,534	6,381,893	9,431,129	31,668	298,832	26,391,254	31,690,495
Unallocated liabilities							38,882,154	35,469,516
Total liabilities							65,273,408	67,160,011
Segment capital expenditure	3,094,766	3,183,875	707,158	1,332,238	1,919	17,062	3,803,843	4,533,175

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

(Rupees in '000)	2019	2018
<b>38.2 Geographical segments</b>		
Sales are made by the Company in the following countries:		
Pakistan	113,814,729	118,434,430
Afghanistan	1,757,061	1,948,725
Other foreign countries	390,683	317,883
	115,962,473	120,701,038

The Company manages and operates manufacturing facilities and sales offices in Pakistan only.

### 38.2.1 Export sales to foreign related parties

(Rupees in '000)		2019	2018
Country	Party Name		
Afghanistan	Nestlé Afghanistan Limited	1,757,061	1,948,725
Turkey	Nestlé Türkiye Gıda Sanayi A.S.	23,249	23,099
UAE	Nestlé Middle East FZE	–	1,699
Bangladesh	Nestlé Bangladesh Ltd.	–	490

**38.2.2** Export sales are made on open contractual terms.

## 39 Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in these financial statements during the year for remuneration, including certain benefits, to the chief executive officer, executive directors, non-executive directors and executives of the Company are as follows:

(Rupees in '000)	Chairman		Chief Executive Officer		Executive Directors		Executives	
	2019	2018	2019	2018	2019	2018	2019	2018
Fee / managerial remuneration	6,724	6,036	38,781	29,670	58,339	34,584	1,942,690	1,681,288
Bonus	–	–	7,896	7,069	8,277	7,727	345,416	333,779
Retirement benefits	–	–	–	–	–	–	350,171	312,254
Housing	–	–	4,837	4,276	8,366	7,590	3,740	2,108
Reimbursable expenses	1,052	1,052	17,734	18,261	48,319	11,571	477,377	339,959
	7,776	7,088	69,248	59,276	123,301	61,472	3,119,394	2,669,388
Number of persons	1	1	1	1	2	2	542	463

**39.1** The chairman, chief executive officer, executive directors and certain executives of the Company are provided with use of Company maintained vehicles and residential telephones.

**39.2** The aggregate amount charged in these financial statements in respect of contribution to provident fund of key management personnel is Rs. 145.27 million (2018: Rs. 128.84 million).

**39.3** Meeting fees amounting to Rs. 2,250,000 (2018: Rs. 2,325,000) was paid to non-executive directors during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 40 Capacity and production of industrial units

(Rupees in '000)	Capacity		Production	
	2019	2018	2019	2018
<b>Sheikhupura factory</b>				
Liquid products - Litres in thousand	1,238,483	1,238,483	685,986	742,159
Non-liquid products - Kgs in thousand	76,908	76,908	44,890	45,653
<b>Kabirwala factory</b>				
Liquid products - Litres in thousand	118,907	195,899	54,985	51,370
Non-liquid products - Kgs in thousand	93,141	100,381	46,324	61,901
<b>Port Qasim factory</b>				
Liquid products - Litres in thousand	489,400	489,400	214,005	228,752
<b>Islamabad factory</b>				
Liquid products - Litres in thousand	163,296	163,296	78,826	85,701
<b>Total</b>				
Liquid products - Litres in thousand	2,010,086	2,087,078	1,033,802	1,107,982
Non-liquid products - Kgs in thousand	170,049	177,289	91,214	107,554

**40.1** Utilization of capacity is in line with seasonal impact of products and demand.

### 41 Financial risk management

#### Financial risk factors

The Company's activities expose it to a variety of financial risks, market risks (including currency risks, other price risks and interest rate risks), credit risks and liquidity risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. The Company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available. Market risks are managed by the Company through the adoption of appropriate policies to cover currency risks and interest rate risks. The Company applies credit limits to its customers and obtains advances from them.

#### 41.1 Market risk

##### 41.1.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to various currencies. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to the foreign entities. The Company's major exposure to currency risk is as follows:

Particulars	Currency	2019	2018
<b>Assets</b>			
Foreign currency bank accounts	USD	38,996	135,973
Cash in hand	USD	29,915	29,915
	EUR	6,985	6,985
Receivables	USD	70,238	208,193
	CHF	108,149	113,663
<b>Liabilities</b>			
Payables	USD	12,099,473	8,606,074
	EUR	1,797,310	1,978,743
	CHF	4,391,183	2,673,677
	GBP	45,648	55,948
	CNY	3,779,581	4,550,546
	SGD	2,597,625	1,786,164
<b>On balance sheet exposure</b>	PKR ('000)	3,240,021	2,115,160
Outstanding letters of credit	PKR ('000)	3,341,687	7,528,363
<b>Off balance sheet exposure</b>		8,296,649	8,757,037

41.1.1.1 The following significant exchange rates were applied during the year :

(Rupees per currency unit)	2019		2018	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
US Dollar	149.78	154.89	121.00	139.80
Swiss Franc	150.83	159.84	123.55	141.21
Euro	167.78	173.56	142.62	160.69
Great Britain Pound	191.42	203.39	160.90	176.96
Chinese Renminbi	21.67	22.23	18.26	20.32
Singapore Dollar	109.89	115.06	89.62	102.79

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### Currency rate sensitivity analysis

If the functional currency, at reporting date, had increased by 10% against the foreign currencies with all other variables held constant, the impact on profit before taxation would have been as follows:

(Rupees in '000)	2019	2018
Effect on Profit and loss:		
US Dollar	185,247	115,083
Euro	31,074	31,684
Swiss Franc	68,460	36,151
Great Britain Pound	928	990
Chinese Renminbi	8,404	9,247
Singapore Dollar	29,889	18,361
	324,002	211,516

The effect may be respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments.

Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

#### 41.1.2 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

#### 41.1.3 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is:

(Rupees in '000)	2019	2018
Variable rate instruments		
Running finance from local banks - PKR	(6,141,325)	(1,418,301)
Effective interest rate in %age	12.33	7.15

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### Cash flow sensitivity analysis for variable rate instruments

If interest rates on loans from borrowings from banks, at the year end date, fluctuate by 100 bps higher / lower with all other variables, in particular foreign exchange rates held constant, profit before taxation for the year and 2018 would have been affected as follows:

(Rupees in '000)	2019	2018
Effect on profit and loss of an increase	(61,413)	(14,183)
Effect on profit and loss of a decrease	61,413	14,183

The effect may be higher / lower, mainly as a result of higher / lower mark-up income on floating rate loans / investments.

The sensitivity analysis prepared is not necessarily indicative of the effects on the profit for the year and assets / liabilities of the Company.

#### 41.1.4 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts of financial assets and financial liabilities. None of them are currently measured at fair value since their carrying amount is a reasonable approximation of their fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

	Carrying Amount		
	Amortised Cost	Financial liabilities	Total
(Rupees in '000)			
<b>December 31, 2019</b>			
<b>Financial assets - measured at fair value</b>	-	-	-
<b>Financial assets - not measured at fair value</b>			
Trade debts	2,164,888	-	2,164,888
Long term loans	371,544	-	371,544
Advances, deposits, prepayments, and other receivables	1,062,436	-	1,062,436
Cash and bank balances	318,753	-	318,753
	3,917,621	-	3,917,621
<b>Financial liabilities - measured at fair value</b>	-	-	-
<b>Financial liabilities - not measured at fair value</b>			
Long term finances - secured	-	6,978,613	6,978,613
Short term borrowings - secured	-	17,217,473	17,217,473
Running finance under mark-up arrangements - secured	-	6,141,325	6,141,325
Customer security deposits	-	192,724	192,724
Trade and other payables	-	23,987,647	23,987,647
Unclaimed dividend	-	20,608	20,608
Interest and mark-up accrued	-	444,958	444,958
	-	54,983,348	54,983,348
(Rupees in '000)			
<b>December 31, 2018</b>			
<b>Financial assets - measured at fair value</b>	-	-	-
<b>Financial assets - not measured at fair value</b>			
Trade debts	3,116,948	-	3,116,948
Long term loans	438,062	-	438,062
Advances, deposits, prepayments and other receivables	1,018,203	-	1,018,203
Cash and bank balances	745,694	-	745,694
	5,318,907	-	5,318,907
<b>Financial liabilities - measured at fair value</b>	-	-	-
<b>Financial liabilities - not measured at fair value</b>			
Long term finances - secured	-	9,291,755	9,291,755
Short term borrowings - secured	-	15,242,800	15,242,800
Running finance under mark-up arrangements - secured	-	1,418,301	1,418,301
Customer security deposits	-	195,431	195,431
Trade and other payables	-	30,746,379	30,746,379
Unclaimed dividend	-	20,608	20,608
Interest and mark-up accrued	-	273,854	273,854
	-	57,189,128	57,189,128

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 41.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its long term loans, trade debts, advances, deposits and other receivables and balances at banks. The Company manages its credit risk by the following methods:

- Monitoring of debts on a continuous basis
- Application of credit limits to its customers
- Obtaining adequate deposits / collateral where needed

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

(Rupees in '000)	2019	2018
<b>Particulars</b>		
Trade debts	2,164,888	3,116,948
Advances, deposits and other receivables	1,062,436	1,018,203
Long term loans	371,544	438,062
Bank balances	312,907	740,394
	<b>3,911,775</b>	<b>5,313,607</b>
The aging of trade debts at the reporting date is:		
Not yet due	2,069,203	2,886,727
Past due 0 - 30 days	84,139	216,935
Past due 30 days	11,546	13,286
	<b>2,164,888</b>	<b>3,116,948</b>

The Company uses an allowance matrix to measure "Expected Credit Losses" (ECL) of trade debtors. Overdue balances at the reporting date are immaterial and hence there is no need to apply ECL methodology to the balances.

#### 41.2.1 Loans to employees

Loans to employees are secured against provident fund and salaries of employees. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with loans to employees is trivial and therefore no impairment charge has been accounted for.

#### 41.2.2 Deposits and other receivables

Advances and deposits mainly comprise of advances to employees against salaries and deposits with various government and corporate entities. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in the case of trade debts.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating 2019			Rating 2018		
	Short Term	Long Term	Agency	Short Term	Long Term	Agency
Habib Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AAA	JCR-VIS
Standard Chartered Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AAA	JCR-VIS
Citi Bank N.A	P-1	Aa3	Moody's	P-1	A1	Moody's
Deutsche Bank AG	F2	BBB+	Fitch	F2	BBB+	Fitch
Meezan Bank Limited	A-1+	AA+	JCR-VIS	A-1+	AA	JCR-VIS
Tameer Microfinance Bank Limited	A1	A+	PACRA	A1	A+	PACRA

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

### 41.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

#### 41.3.1 The following is the contractual maturity analysis of financial liabilities as at December 31, 2019:

(Rupees in '000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
<b>Financial liability</b>						
Long term finances	6,978,613	7,524,168	356,267	3,387,607	3,780,294	7,524,168
Lease liabilities	500,494	469,795	469,795	-	-	469,795
Short term borrowings - secured	17,217,473	17,564,275	17,564,275	-	-	17,564,275
Running finance under mark-up arrangements - secured	6,141,325	7,110,639	6,625,982	484,657	-	7,110,639
Customer security deposits - interest free	192,724	192,724	192,724	-	-	192,724
Unclaimed dividend	20,608	20,608	20,608	-	-	20,608
Trade and other payables	25,782,895	24,110,661	24,110,661	-	-	24,110,661
Interest and mark-up accrued	444,958	444,958	444,958	-	-	444,958
	57,279,090	57,437,828	49,785,270	3,872,264	3,780,294	57,437,828

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

**41.3.2** The following is the contractual maturity analysis of financial liabilities as at December 31, 2018:

(Rupees in '000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
<b>Financial liability</b>						
Long term finances	9,291,755	9,961,387	449,415	447,242	9,064,730	9,961,387
Lease liabilities	410,790	432,194	432,194	-	-	432,194
Short term borrowings - secured	15,242,800	15,532,738	15,532,738	-	-	15,532,738
Running finance under mark-up arrangements - secured	1,418,301	1,492,442	1,492,442	-	-	1,492,442
Customer security deposits - interest free	195,431	195,431	195,431	-	-	195,431
Unclaimed dividend	20,608	20,608	20,608	-	-	20,608
Trade and other payables	30,942,918	30,942,918	30,942,918	-	-	30,942,918
Interest and mark-up accrued	273,854	273,854	273,854	-	-	273,854
	57,796,457	58,851,572	49,339,600	447,242	9,064,730	58,851,572

### 41.3.2.1 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### 41.3.2.2 Derivative assets and liabilities designated as cash flow hedges

The cash flows associated with cash flow hedges are expected to occur within a period of six months from reporting date and are likely to have same impact on the profit and loss.

## 42 Reconciliation of movement of liabilities to cash flows arising from financing activities

(Rupees in '000)	2019								
	Liabilities					Equity			Total
	Long term finances	Short term borrowings	Short term running finances	Interest mark-up accrued	Unclaimed dividend	Share capital	Share premium	General Reserve	
<b>Balance as at January 01, 2019</b>	9,291,755	15,242,800	1,418,301	273,854	20,608	453,496	249,527	280,000	27,230,341
<b>Cash flows</b>									
Short term borrowings obtained	-	1,974,673	4,723,024	-	-	-	-	-	6,697,697
Repayment of long term finances	(2,313,142)	-	-	-	-	-	-	-	(2,313,142)
Finance cost paid	-	-	-	(3,016,591)	-	-	-	-	(3,016,591)
Dividends paid	-	-	-	-	(7,845,479)	-	-	-	(7,845,479)
<b>Total changes from financing cash flows</b>	(2,313,142)	1,974,673	4,723,024	(3,016,591)	(7,845,479)	-	-	-	(6,477,515)
<b>Non-cash changes</b>									
Dividend approved	-	-	-	-	7,845,479	-	-	-	7,845,479
Finance cost	-	-	-	3,187,695	-	-	-	-	3,187,695
<b>Total non-cash changes</b>	-	-	-	3,187,695	7,845,479	-	-	-	11,033,174
<b>Balance as at December 31, 2019</b>	6,978,613	17,217,473	6,141,325	444,958	20,608	453,496	249,527	280,000	31,786,000

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 43 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) To provide an adequate return to shareholders

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of debt to equity ratio, calculated on the basis of total debt to equity.

(Rupees in '000)	2019	2018
The debt to equity ratio as at December 31:		
Total borrowings	30,337,411	25,952,856
Total equity	3,255,966	4,020,224
Total debt and equity	33,593,377	29,973,080
Debt to equity ratio	90:10	87:13

There were no major changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

### 44 Date of authorization for issue

These financial statements were authorized for issue on February 26, 2020 by the Board of Directors of the Company.

### 45 Subsequent events

**45.1** The Board of Directors in their meeting held on February 26, 2020 have proposed a final cash dividend for the year ended December 31, 2019 of Rs. 42 (2018: Rs. 63 per share), amounting to Rs. 1,904.68 million (2018: Rs. 2,875.05 million) for approval of the members at the Annual General Meeting to be held on May 07, 2020. These financial statements do not reflect this dividend.

**45.2** On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

For the Company's December 31, 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

## 46 General

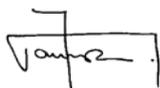
### 46.1 Corresponding figures

Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. Other than the changes discussed in note 2.3.19, finished goods warehousing and product handling costs have been reclassified from "Raw and packing material consumed" under Cost of goods sold to "Freight outward and handling charges" under Distribution and Selling Expenses.

**46.2** These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures have been rounded off to the nearest of thousand of rupee.



**SYED SAIFUL ISLAM**  
Chief Financial Officer



**SAMER CHEDID**  
Chief Executive Officer



**SYED YAWAR ALI**  
Chairman





# FORM OF PROXY

Nestlé Pakistan Ltd.  
308 – Upper Mall, Lahore, Pakistan.

I/We, \_\_\_\_\_, of \_\_\_\_\_, being a member of Nestlé Pakistan Ltd., holder of \_\_\_\_\_ Ordinary Share(s) as per registered Folio No. \_\_\_\_\_ hereby appoint Mr. / Mrs. \_\_\_\_\_ Folio No. \_\_\_\_\_ of \_\_\_\_\_ or failing him Mr. / Mrs. \_\_\_\_\_ Folio No. \_\_\_\_\_ of \_\_\_\_\_, who is also a member of Nestlé Pakistan Ltd., as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 42<sup>nd</sup> Annual General Meeting of the Company to be held on May 07, 2020 and at any adjournment thereof.

Signed under my / our hand this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

Signed in the presence of:

\_\_\_\_\_  
Signature of Witness No. 1

\_\_\_\_\_  
Signature of Witness No. 2

Name: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No.: \_\_\_\_\_

CNIC No.: \_\_\_\_\_

## NOTES:

- 1 This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorised. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
- 2 The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company, 308 – Upper Mall, Lahore or email scanned copy of the same at investor.relations@pk.nestle.com not later than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.



Signature should agree with the specimen signature registered with the company

The Company Secretary  
**Nestlé Pakistan Ltd.**  
308 – Upper Mall, Lahore, Pakistan  
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Fax No. +92 42 3578 9303  
[www.nestle.pk](http://www.nestle.pk)

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# پراکسی فارم

نہلے پاکستان لمیٹڈ، 308-اے، مال، لاہور

میں / ہم \_\_\_\_\_  
برائے \_\_\_\_\_  
نہلے پاکستان لمیٹڈ کے ممبر (ممبران) کی حیثیت سے \_\_\_\_\_  
عمومی شیئرز کی تحویل رکھتا ہوں / رکھتے ہیں \_\_\_\_\_  
لہذا بذریعہ ہذا \_\_\_\_\_ کے / کی جناب / محترمہ \_\_\_\_\_  
کو بحوالہ فولیو / CDC کا وٹ نمبر یا ان کی جگہ \_\_\_\_\_  
کے / کی جناب / محترمہ \_\_\_\_\_ بحوالہ فولیو / CDC کا وٹ نمبر \_\_\_\_\_ کمپنی کے (42) یا لیس سالانہ اجلاس عام میں اپنی جگہ شرکت، رائے اور  
ووٹ دینے کے لئے اپنا راکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس 07 مئی 2020 کو اثناء کی صورت میں کسی بھی دیگر وقت مقررہ پر منعقد ہوگا۔  
میں / ہم بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ کو اپنے دستخط / مہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔  
مذکورہ بالا کے دستخط \_\_\_\_\_

ان کی موجودگی میں 1. \_\_\_\_\_  
2. \_\_\_\_\_

پانچ روپے کی  
ریونیو مہر پر دستخط

یہ دستخط کمپنی کے پاس رجسٹرڈ نمونہ  
دستخط کے جیسے ہونے چاہئیں

فولیو / CDC کا وٹ نمبر

اہم نکات:

1۔ باضابطہ مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام 308-اے، مال روڈ لاہور، میں یا سکین شدہ کاپی [investor.relations@pk.nestle.com](mailto:investor.relations@pk.nestle.com)

اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا چاہئے۔

2۔ کمپنی کا مہر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جاسکتا، ماسوائے کارپوریشن جو ممبر کے علاوہ دوسرے فرد کو پراکسی نامزد کر سکتی ہے۔

3۔ CDC شیئرز ہولڈر یا انکے پراکسی کی صورت میں اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ بمع CDC پارٹیسپٹ آئی ڈی اور کا وٹ نمبر اپنی شناخت کے لئے پیش کرنا ہوگا۔

4۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمع نمونہ دستخط، پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

The Company Secretary  
**Nestlé Pakistan Ltd.**  
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## Acronyms Used in Financial Statement

Sr.#	Abbreviation	Written Out Form
1	IAS	International Accounting Standards
2	IFRS	International Financial Reporting Standards
3	IFRIC	International Financial Reporting Interpretations Committee
4	LIBOR	London Inter-Bank Offer Rate
5	KIBOR	Karachi Inter-Bank Offer Rate
6	FIFO	First In First Out
7	OCI	Other Comprehensive Income

## Investors' Education

In compliance with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

[www.jamapunji.pk](http://www.jamapunji.pk)



سرمایہ کاری سمجھداری کے ساتھ



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Be safe**

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- 📈 Stock trading simulator (based on live feed from PSX)
- 🚫 Scam meter\*
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- 🎮 Jamapunji games\*
- 📊 Risk profiler\*
- 📄 Tax credit calculator\*
- 📊 Financial calculator
- 🏢 Company Verification
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- 📄 Insurance & Investment Checklist
- 📱 Jamapunji application for mobile device
- 🔍 FAQs Answered
- 📄 Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

🌐 [jamapunji.pk](http://jamapunji.pk)    🐦 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices.

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Lahore Pakistan

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[Nestle.pk](https://Nestle.pk)

