

ننسلے گھرانہ

MANAGEMENT REPORT
2018



Nestlé.

Good Food, Good Life

نيسله گھرانہ

With its promise of Good Food, Good Life, Nestlé has been a part of homes and hearts of Pakistanis for three decades now. At Nestlé, we are proud to be in all the stories that brighten up your life, sweeten up your moments and turn everything good that you have, into great.



ABOUT THE COVER

We aim to provide a workplace that generates equal opportunities for everyone, and in which people are treated with dignity and respect. Decent employment, diversity and inclusion are integral to Nestlé's culture. They are rooted in our values and purpose, which are based on respect – for ourselves, for others, for diversity and for the future. For our employees, Nestlé is an extension of their homes, which is why we call it Nestlé Gharana (Nestlé family).

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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, 2018.

FINANCIAL PERFORMANCE

During 2018, Pakistan's economy showed mixed performance. Persistent increase in imports overshadowed a recovery in exports which further increased the trade deficit. This led to increased pressure on foreign exchange reserves which resulted in the depreciation of the Rupee. The pass-through of significant Rupee depreciation coupled with higher international commodity prices started to reflect in higher year-on-year inflation.

The Company recorded a revenue growth of 2.0% for the year despite increasingly difficult economic conditions and competitive pressures. However, the operating profit was impacted by higher input and energy costs due to Rupee devaluation and global increase in the prices of commodities.

Nestlé Pakistan continues to be committed to enhancing its product base through innovation and renovation which remains an integral part of the Company's vision to positively enhance the quality of life of our consumers. The major new product launches during 2018 included: NESTLÉ FRUITA VITALS PET, NESTLÉ MILKPAK 500ml, NESTLÉ NAN 1 with Human Milk Oligosaccharides (HMO), NESTLÉ CERELAC Savory Spinach & Pumpkin, NESTLÉ NAN Hypo Allergenic (HA).

PKR Million	2018	2017	Change
Sales	124,615	122,215	+2.0%
Gross Profit margin	33.2%	36.6%	-340 bps
Operating Profit margin	16.0%	19.3%	-330 bps
Net Profit after tax	11,545	14,642	-21.2%
Net Profit after tax (%)	9.3%	12.0%	-270 bps
Earnings per share	254.57	322.86	-21.2%

KEY FINANCIAL INDICATORS

- Sales grew by PKR 2.4 billion, a growth of 2.0% largely driven by pricing.
- We delivered a Gross Margin of 33.2% (-340 bps). The major factors behind the decline was due to significant Rupee devaluation and increased commodity prices, which could not be fully compensated with pricing and cost saving initiatives.
- Net Profit after tax reported was 9.3% (-270 bps). The drop mainly resulted from reduction in gross profit.

DIVIDENDS

In view of the financial performance of the Company, the Board of Directors has recommended to pay final cash dividend of PKR 63 per share, in addition to the interim cash dividend already paid of PKR185 per share, which brings the total dividend for the year to PKR 248 per share for 2018 compared to 320 per share in 2017.

DIRECTORS' REPORT

TO THE SHAREHOLDERS

INVESTMENT PROJECTS

With a market driven approach and commitment to satisfy the needs of our consumers, in 2018 Nestlé Pakistan made investments of PKR 4.5 billion including expansion and development projects. Highlights are here under:

Project Description	PKR Million
Sheikhupura Factory - Extension and operational reliability	2,396
Kabirwala Factory - Extension and operational reliability	872
Water Plants - Extension and operational reliability	473
Extension of distribution and sales facilities	435
Milk collection infrastructure development	72
Others	285

Investments of approximately PKR 4.1 billion are planned for 2019, 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 Pakistan 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 investments of employees funds are as follows (PKR millions):

	Audited 2018	Audited 2017
Provident Fund	3,466	3,542
Gratuity Fund	1,706	1,708
Pension Fund	2,922	2,729

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

- Key financial data for the last six years
- Pattern of Shareholding
- 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 2018 and retire at the conclusion of the 41st Annual General Meeting. Being eligible, they have offered themselves for

re-appointment and pursuant to recommendation of Board Audit Committee, Board of Directors has endorsed and recommended same for Shareholders' approval.

HOLDING COMPANY

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.

HUMAN RESOURCES MANAGEMENT & EMPLOYEES' RELATIONS

In 2018, we continued to spread positive energy across organization by transforming our people processes in order to provide better services to our employees and sustain an edge over competition. Transformation of the end-to-end HR process through technology and process redesigning brings in transparency and efficiency, thus helping with our service orientation. Key focus areas for 2018 included Leadership development, capability building, utilization of online learning



20 universities were approached for Campus Drives and Job Fairs



716 internships were offered



23 apprentices were taken onboard



31 apprentices were inducted under our program Kero Aitemaad - Women Empowerment Platform

platforms and employee relations management 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:

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. Additional focus was given on improving the quality of employee services and promoting diversity and inclusion.

Considering the importance of industrial peace for long-term success of business, representatives of blue collar staff (Union) were on boarded at every step so they can also actively participate in spreading positive energy amongst the employees and can work side by side of the management staff. As a result of better negotiation and relationship with the Union, we were able to sign the Charter for next two years in a peaceful manner. As part of our Compliance journey, CARE Audit assessments were conducted by Auditors at Regional offices and Head office.

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.

To support the diversity journey of the organization, facilities improvement projects and special drives are underway for differently-abled people.

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

- 355 Three Party Development discussion sessions were conducted across the organization
- 5 Career Clinics were arranged across sites where over 120 employees were coached on career growth

To maximize the impact of our people, our key Organizational Development (OD) Booklet courses like Nestlé Leadership Development Experience, Business Acumen Development and People Manager Toolkit continued to develop and enhance business and people skills of participants. These programs are designed for capability building of first line managers by deploying tools and concepts in various situations enabling a positive impact on business leading up to total Management Training hours of 71,459. The drive on fostering the e-learning culture helped us close the year with 9209 e-learning done.

Nestlé Pakistan ensured 100% payroll accuracy and timely disbursement of employees' monthly salary.

CREATING SHARED VALUE (CSV) AND COMMUNITY WORK

Nestlé Pakistan, believes in Creating Shared Value (CSV) for the communities in which it works and lives. 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. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the timescale of the Sustainable Development Goals (SDGs).

In 2018, 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. We also extended the initiative to our Caring for Water sites.

The key CSV initiatives completed during 2018 are:

- Nutrition awareness extended to another 40,000 school children in the rural, suburban and urban areas under Nestlé Healthy Kids Program extending the overall outreach to more than 1,80,000 kids across the country.
- Nestlé Healthy Women, a nutrition awareness program to motivate young women of age 17-24 years to adopt a healthy lifestyle by educating them about their nutritional needs and its future impact;
- Continued product support through Nutrition Support Program for the underprivileged institutions.
- Continued support, training and advisory services to dairy farmers under our Farmer Support Program;
- Continued support for programs involving dairy farmers and rural women for skill enhancement related to dairy;
- Continuation of Chaunsa Project in partnership with Agriculture Department Punjab for implementation of best farm practices in the Chaunsa mango sector;
- Development of Driver Training Facility at the National Highways & Motorway Police Training Institute, Karachi;
- Clean Drinking Water facilities in our operational areas providing clean drinking water to more than 60,000 people on a daily basis;
- Alliance for Water Stewardship Certification of Sheikhpura and Islamabad factory in collaboration with WWF;
- Water Resource Management Project in partnership with Agriculture Department Punjab;
- Endeavoring to achieve the least possible environmental impact throughout its operational stages by complying with environmental laws and regulations;
- Partner with University Veterinary and Animal Sciences, Lahore (UVAS) aiming at producing the use of drip irrigation among farmers.

- At Nestlé, we believe that if we are to continue to grow sustainably, we must ensure that we use the planet's resources wisely. We are working towards the day when through efficiencies and new technologies, we can reduce our environmental impact to zero. This will take time, but we firmly believe it is achievable. Nestlé Pakistan is taking steps and introducing various initiatives in its manufacturing units and beyond, to exhibit this Respect for the Future. Some key highlights include, Eco-efficient use of resources, Waste Water Treatment Plants (WWTP), Tree plantation campaigns and Energy consumption per ton of product reduced by 19% versus 2010.

PRINCIPAL RISK & UNCERTAINTY

- Increase in input cost due to rising inflation and likely further devaluation of the currency.
- Macroeconomic uncertainties leading to lower GDP and economic activities which might affect consumer demand.

FUTURE OUTLOOK

We continue to have a positive outlook on the long term growth potential of the business, however we do foresee certain headwinds in the short term in the form of Rupee depreciation, higher inflation and input costs which might have an impact on the future results. The management remains fully committed towards managing these challenges and delivering sustainable profitable growth capitalizing on our strong brands, I&R capabilities and operational excellence with Nestlé continuous Excellence mindset.

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. 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 and is very proud of its achievements in Pakistan.

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



Freda Yahan Duplan

Chief Executive Officer



SYED YAWAR ALI

Chairman

Dated: February 26, 2019

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

کمپنی کے ڈائریکٹران کیلئے یہ بات باعث خوشی ہے کہ وہ 31 دسمبر 2018 کو ختم ہونے والے سال کی سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی گوشوارے پیش کر رہے ہیں۔

مالیاتی کارکردگی:

سال 2018 کے دوران پاکستانی معیشت ملی بلی کا کردگی کی حامل رہی۔ درآمدات میں مسلسل اضافے کے عمل نے برآمدات میں بہتری کو نامد کردیا جس کی وجہ سے تجارتی خسارے میں بھی اضافہ ہوا۔ اس کی وجہ سے غیر ملکی زرمبادلہ کے ذخائر پر دباؤ بڑھا اور جس کے نتیجے میں روپے کی قدر میں کمی واقع ہوئی۔ بین الاقوامی منڈی میں کمزوری کی بلند قیمتوں کی وجہ سے روپے کی قدر میں اس نمایاں کمی نے سال بہ سال افراط زر میں اضافہ کا عمل شروع کر دیا۔

مسلسل برقی معاشی مشکلات اور مسابقتی دباؤ کے باوجود کمپنی کے زرمبادلہ میں 2.0 فیصد اضافہ دیکھنے میں آیا۔ تاہم آپریٹنگ منافع روپے کی قدر میں کمی اور بین الاقوامی سطح پر کمزوری کی قیمتوں میں اضافہ کی وجہ سے لاگت اور توانائی کی قیمت بڑھنے سے متاثر ہوا۔

نیٹسٹ پاکستان جہت اور توجہ دیکھ کر کمپنی کے ڈویژن کا بنیادی جز بن کر رہا کرتے ہوئے اپنی پراڈکٹس کی بنیاد میں مضبوطی حاصل کرنے کے لیے پرعزم ہے تاکہ صارفین کے معیار زندگی کو بہتر بنانا ممکن ہو سکے۔ سال 2018 کے دوران متعارف کروائی گئی نئی پراڈکٹس میں نیٹسٹ فروٹا وائلنگز وائلنگز (NESTLÉ FRUITA VITALS) پیپٹ، نیٹسٹ ملک پیپ (NESTLÉ MILKPAK) 500ml نیٹسٹ نان 1- بیوٹن ملک (Human oligosaccharides Milk)، نیٹسٹ بیوٹن ملک پیپ (NESTLÉ CERELAC Savory Spinach & Pumpkin)، نیٹسٹ نان باپو ارجیکٹ (NESTLÉ NAN Hypo Allergenic) شامل ہیں۔

PKR Million	2018	2017	تبدیلی
کل	124,615	122,215	+2.0%
مجموعی منافع کاراجن	33.2%	36.6%	-340 bps
آپریٹنگ منافع کاراجن	16.0%	19.3%	-330 bps
خالص منافع ٹیکس کے بعد	11,545	14,642	-21.2%
خالص منافع ٹیکس کے بعد %	9.3%	12.0%	-270 bps
آمدنی فی شیئر	254.57	322.86	-21.2%

اہم مالیاتی مندرجات:

- کل منافع 2.4 بلین روپے اور شرح نمو میں 2.0 فیصد اضافہ ہوا جو کہ بنیادی طور پر انٹیکٹ کی وجہ سے ممکن بنا
- ہم نے 33.2 فیصد (340 bps) مجموعی مارجن ڈیور کیا۔ تخفیف کی بنیادی وجہ روپے کی قدر میں کمی اور کمزوری کی قیمتوں میں اضافہ تھا جو کہ پرائسنگ اور لاگت میں بڑھتی ہوئی قیمتوں کے ذریعے پورا کیا گیا۔
- خالص منافع ٹیکس کے بعد کی شرح 9.3 فیصد (270 bps) تھی۔ کمی کی بنیادی وجہ مجموعی منافع میں گٹکاؤ تھا۔

ڈیویڈنڈ:

کمپنی کی مالیاتی کارکردگی دیکھتے ہوئے بورڈ آف ڈائریکٹرز نے 63 روپے فی شیئر تہمتی منافع منقسمہ تجویز کیا ہے۔ اس کے علاوہ جاری کیس منافع منقسمہ کیلئے 185 روپے فی شیئر پہلے ادا کیا جا چکا ہے جس کے بعد سال 2018 کا مجموعی ڈیویڈنڈ 248 روپے فی شیئر ہے جس کے مقابلہ میں سال 2017 کا 320 روپے تھا۔

سرمایہ کاری کے منصوبے:

مارکیٹ پر مبنی لائحہ عمل اور صارفین کی ضروریات کے عزم کو پورا کرنے کیلئے نیٹسٹ پاکستان نے سال 2018 میں 4.5 ارب روپے کی سرمایہ کاری کی جن میں مختلف منصوبوں کی توسیع اور نئی شامل ہے۔ اس میں سے اہم منصوبے درج ذیل ہیں:

پراجیکٹ کی تفصیل	PKR Million
ٹینجو پورہ کیلنڈری۔ توسیع اور پرائسنگ انحصار	2,396
کبیر والا کیلنڈری۔ توسیع اور پرائسنگ انحصار	872
واٹر پائپس۔ توسیع اور پرائسنگ انحصار	473
کلنگ اور ڈسٹری بیوشن سہولیات کی توسیع	435
دودھ اٹھا کرنے کے انفراسٹرکچر کی ڈیولپمنٹ	72
ڈبگر	285

سال 2019 کیلئے آپریٹنگ پائیداری اور صارفین کی ضروریات پوری کرنے کیلئے پیداواری صلاحیت میں اضافہ کی خاطر تقریباً 1.4 ارب

روپے کی سرمایہ کاری کا منصوبہ تشکیل دیا گیا ہے۔

کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک:

نیٹسٹ پاکستان کسی بھی قسم کی رعایت کے بغیر کارپوریٹ گورنس کے بہترین معیارات پر کاربند رہنے کیلئے پرعزم ہے۔ ڈائریکٹرز کو یہ جان کر سنے ہوئے انتہائی خوشی محسوس ہو رہی ہے کہ کمپنی ایس۔ ای۔ سی۔ پی کے قواعد کو مدنظر رکھتے ہوئے کوڈ آف گورننس کی دفعات اور پاکستان اسٹاک ایکسچینج لسٹنگ کے قواعد و ضوابط پر مکمل طور پر عمل پیرا ہے۔ کوڈ آف گورننس کی کمپلائنس کی اسٹیٹمنٹ درج ذیل ہے۔

ڈائریکٹرز نے تصدیق کی ہے کہ:

- کمپنی اسٹیٹمنٹ کی جانب سے پیش کی جانے والی فنانشل اسٹیٹمنٹ میں امور کی انجام دہی، اپنے امور کے نتائج پیش فلورا اور ایکٹیوٹی میں تبدیلی کے بارے میں درست انداز میں بتایا گیا ہے
- کمپنی کے اکاؤنٹس کسی کی تفصیلات کو درست انداز میں برقرار رکھا گیا ہے
- فنانشل اسٹیٹمنٹ کی تیار میں مناسب اکاؤنٹنگ حکمت عملیوں کو متواتر لاکھیا گیا ہے اور اکاؤنٹنگ تخمینہ معقول اور آئندہ فیصلہ پر مبنی ہے
- فنانشل اسٹیٹمنٹ کی تیار میں پاکستان میں لاگو فنانشل فنانشل رپورٹنگ اسٹینڈرڈز کو کمپنیز ایکٹ 2017 کی ضروریات کی مکمل پیروی کی گئی ہے اور اس کے انحراف کو مناسب انداز میں ظاہر اور بیان کیا گیا ہے
- اندرونی کنٹرول کا ڈھانچہ مضبوط ہے اور یہ موثر انداز میں نافذ عمل اور زیر نگرانی ہے
- کمپنی کے جاری رہنے کی صلاحیت پر کوئی واضح شکوک نہیں ہیں
- لسٹنگ ریگولیشنز میں درج کارپوریٹ گورنس کے قواعد سے انحراف نہیں کیا گیا
- ایگزیکٹو ڈائریکٹرز کیلئے سرمایہ کاری کی ویلیو درج ذیل ہے (ملین روپے میں)

Audited 2017	Audited 2018
3,542	3,466
1,708	1,706
2,729	2,922

م۔ درج ذیل سے متعلق اسٹیٹمنٹ اکاؤنٹس کے ٹوٹے سے منسلک اور واضح ہیں:

- بیکٹیل چھ سال کے اہم مالیاتی اعداد و شمار
- شیئر ہولڈنگ کا پیمانہ
- ڈائریکٹرز، ای او بی ایف اور دیگر بیکری کی جانب سے کمپنی کے شیئرز میں بڑھتی ہوئی حصص
- سال میں ہونے والی بورڈ میٹنگ کی تعداد اور ہر ڈائریکٹر کی حاضری

نان ایگزیکٹو ڈائریکٹرز کے لئے مشاہرے کی پالیسی

کمپنی کی بورڈ اور کمیٹی ممبروں کی شرکت کیلئے نان ایگزیکٹو ڈائریکٹرز اور خود مختار ڈائریکٹرز کے مشاہرہ کا تعین بورڈ کی طرف سے وقتاً فوقتاً کیا جاتا ہے۔

بیرونی آڈیٹرز:

بیسرز کے پی ایم جی تاخیر بادی اینڈ کیپٹل چارٹرزڈ اکاؤنٹنٹس نے 2018 کے اپنے امور کی انجام دہی مکمل کر لی ہے اور آئندہ بیوٹن سالانہ سالانہ عام کے اختتام پر پرائز ہونے کے بعد اہل ہونے کی بنیاد پر انہوں نے دوبارہ تقرر کیلئے خود کو پیش کیا ہے اور بورڈ کی آڈٹ کمیٹی نے بھی ان کی دوبارہ تقرر کی سفارش کی ہے جسکی تاخیر بورڈ نے شیئر ہولڈرز کی منظوری کیلئے دی ہے۔

ہولڈنگ کمپنی:

نیٹسٹ ایس۔ ای۔ سی۔ (ہولڈنگ کمپنی) سٹیزر لینڈ میں رجسٹرڈ ہے۔ جس کے پاس 26,778,229 عمومی شیئرز ہیں جو کمپنی میں 59 فیصد ایکٹیو انٹرسٹ کی عکاسی ہے۔ کمپنی کا بنیادی کاروبار بینکنگ، پرائسنگ اور لگائے کی پراڈکٹس بشمول درآمدی پراڈکٹس کی فروخت ہے۔

بیوٹن ریسورس مینجمنٹ اینڈ ایپلائیڈ ریسرچ:

سال 2018 کے دوران ہم نے اپنے لوگوں کے طریقہ کار میں تبدیلی کے ذریعے کمپنی میں مثبت جذبہ پھیلانے کا عمل جاری رکھا تاکہ اسے ایپلائیڈ ریسرچ کے ذریعے کاروبار میں تبدیلیوں پر سبقت برقرار رکھی جاسکے۔ لیکن ایپلائیڈ ریسرچ کے ذریعے ایپلائیڈ ریسورس ریسورس طرز کار میں جدت اور پراسیسنگ کی ذریعہ انٹیک کی بدولت شفافیت اور استعداد بڑھا کر ہماری خدمات کی سمت میں مدد فراہم کی گئی۔ سال 2018 میں ایپلائیڈ ریسرچ ڈیولپمنٹ، استعداد کار میں اضافہ، آن لائن انٹرنیٹ پلٹ فارم کا استعمال اور ملکی کارکردگی کی حامل ٹیم کی تشکیل کیلئے

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 = 4

Date of Meeting	Time	Place
21-Feb-18	11:00 AM	308-Upper Mall, Lahore.
16-Apr-18	11:30 AM	308-Upper Mall, Lahore.
16-Aug-18	11:00 AM	308-Upper Mall, Lahore.
23-Oct-18	10:00 A.M	308-Upper Mall, Lahore.

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

Name of Directors	Date of Appointment	No. of Meetings Attended
Mr. Syed Yawar Ali	15.07.2016	4
Mr. Syed Babar Ali	15.07.2016	4
Mr. Syed Hyder Ali	15.07.2016	3
Mrs. Freda Yahan Duplan	16.08.2018	2
Mr. Osman Khalid Waheed	15.07.2016	4
Mr. Amr Rehan	01.09.2017	3
Mr. Syed Saiful Islam	21.02.2018	4
Mr. Juan Aranols	15.07.2016	4
Mr. John Martins Miller	15.07.2016	3
Mr. Bruno Boris Olierhoek	01.09.2015	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 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 2018. 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.



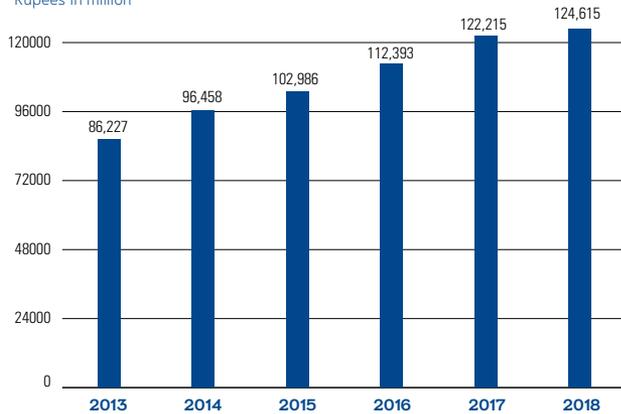
SYED YAWAR ALI

Chairman

COMPANY PERFORMANCE 2018

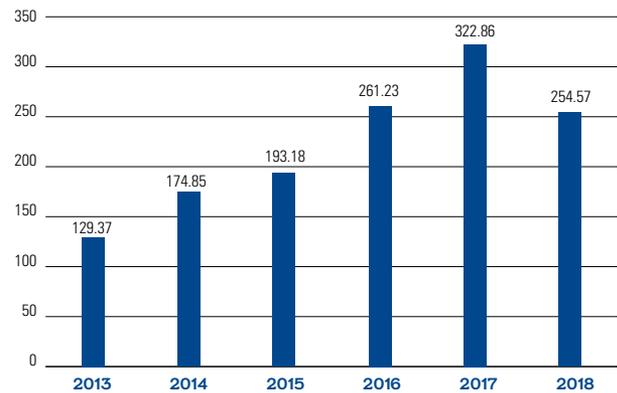
SALES

Rupees in million



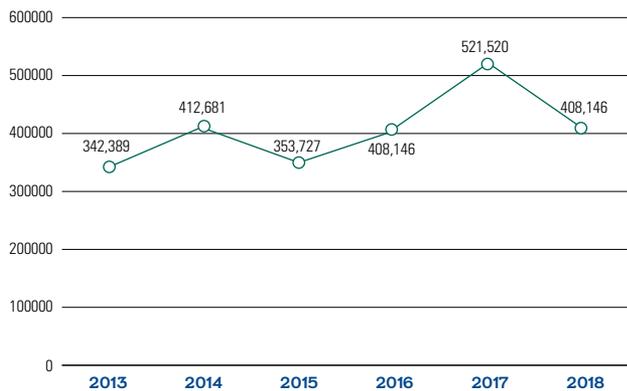
EARNINGS PER SHARE

Rupees



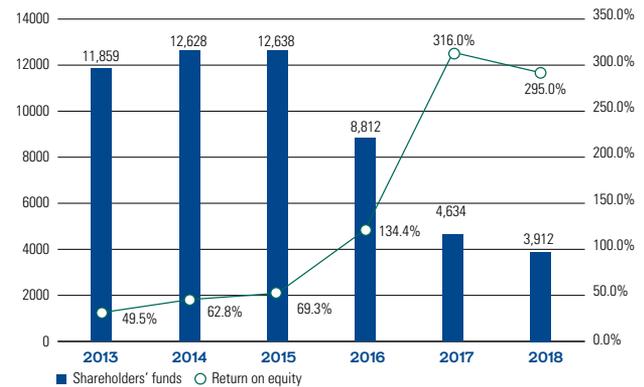
MARKET CAPITALISATION

Rupees in million



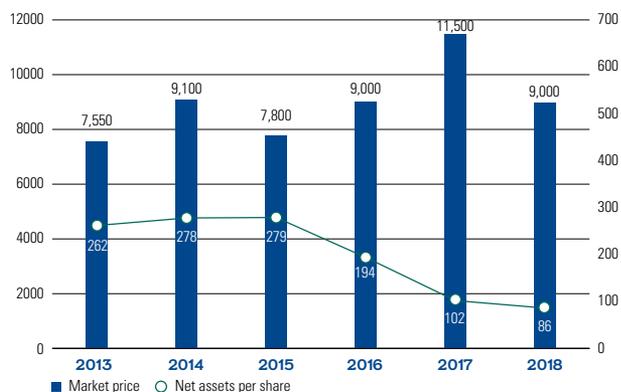
RETURN ON EQUITY

Rupees in million



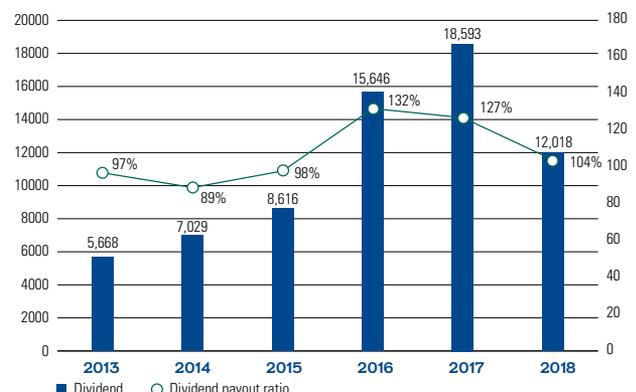
MARKET PRICE PER SHARE VS. NET ASSETS PER SHARE

Rupees



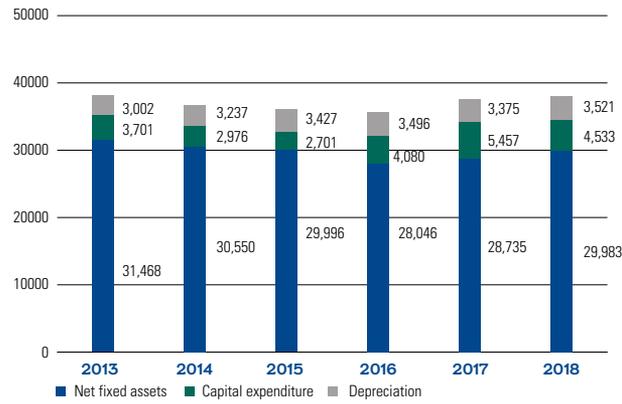
DIVIDEND PAYOUT RATIO

Rupees in million



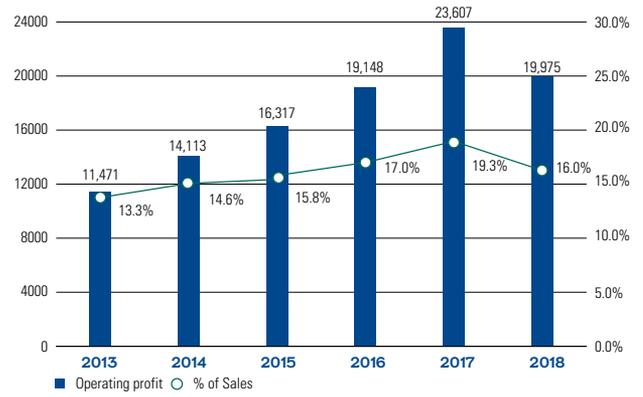
NET FIXED ASSETS, FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Rupees in million



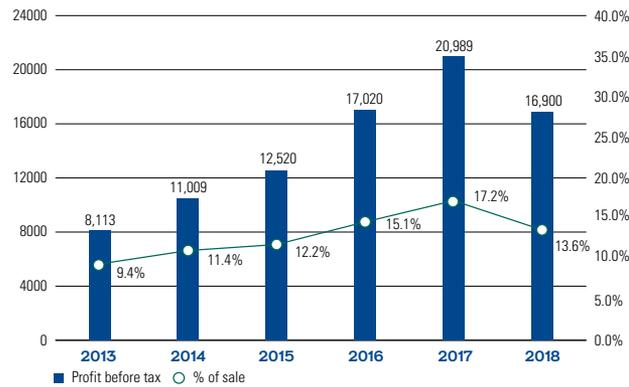
OPERATING PROFIT

Rupees in million



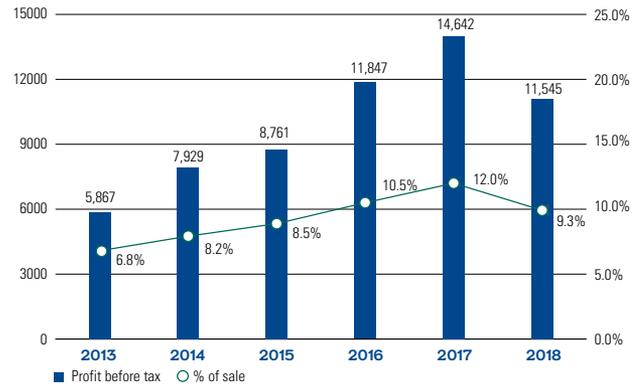
PROFIT BEFORE TAX

Rupees in million



PROFIT AFTER TAX

Rupees in million



STATEMENT OF WEALTH CREATION AND ITS DISTRIBUTION

(PKR in 000)	2018		2017	
WEALTH GENERATED / VALUE ADDED:				
Net turnover including sales tax	139,724,864		136,192,915	
Less: Purchased materials and services	(90,147,329)		(80,439,070)	
Value Added	49,577,535		55,753,845	
Other Income	255,308		345,140	
Wealth Created	49,832,843	100%	56,098,985	100%
WEALTH DISTRIBUTION:				
TO EMPLOYEES:				
Salaries, benefits and other costs	11,928,156	23.9%	10,898,099	19.4%
TO GOVERNMENT:				
Income tax, sales tax, excise & custom duty, WWF, WPPF	20,291,452	40.7%	21,914,086	39.1%
TO SOCIETY AND DEVELOPMENT INITIATIVES:				
Donations and CSR Projects	7,500	0.0%	16,210	0.0%
*Dairy Development (Non-business returns)	240,680	0.5%	199,013	0.4%
TO PROVIDERS OF CAPITAL:				
Dividend to Shareholders	12,017,640	24.1%	18,593,329	33.1%
Mark-up/ interest expenses on borrowed funds	1,818,650	3.7%	1,095,630	2.0%
TO COMPANY:				
Depreciation and amortisation	3,528,765	7.1%	3,382,618	6.0%
	49,832,843	100.0%	56,098,985	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

(PKR in million)

Operating performance

	2018	2017	2016	2015	2014	2013
- Sales	124,615	122,215	112,393	102,986	96,458	86,227
- Gross profit	41,372	44,756	39,783	34,127	27,324	24,161
- Operating profit	19,975	23,607	19,148	16,317	14,113	11,471
- Profit before tax	16,900	20,989	17,020	12,520	11,009	8,113
- Profit after tax	11,545	14,642	11,847	8,761	7,929	5,867

Balance Sheet

- Net assets	3,912	4,634	8,812	12,638	12,628	11,859
- Reserves	3,459	4,181	8,359	12,184	12,174	11,406
- Operating fixed assets	29,983	28,735	28,046	29,996	30,550	31,468
- Net working capital	16,238	15,026	13,460	6,066	6,288	4,767
- Long term liabilities	13,833	13,562	8,942	11,487	11,326	22,429

Investor information for six years

- Gross profit ratio	33%	37%	35%	33%	28%	28%
- Operating profit ratio	16%	19%	17%	16%	15%	13%
- Profit before tax ratio	14%	17%	15%	12%	11%	9%
- Profit after tax ratio	9%	12%	11%	9%	8%	7%
- Inventory turnover ratio	4.7 : 1	5.8 : 1	7.0 : 1	7.2 : 1	7.8 : 1	7.8 : 1
- Total assets turnover ratio	2.0 : 1	2.2 : 1	2.2 : 1	2 : 1	1.9 : 1	1.7 : 1
- Price earning ratio	35.4	35.6	34.5	40.4	52.1	58.4
- Return on capital employed	129%	153%	122%	61%	55%	27%
- Market value per share	9,000	11,500	9,000	7,800	9,100	7,550
- Debt equity ratio	87 : 13	82 : 18	58 : 42	53 : 47	61 : 39	68 : 32
- Current ratio	0.7 : 1	0.6 : 1	0.6 : 1	0.7 : 1	0.7 : 1	1 : 1
- Interest cover ratio	10.3 : 1	20.2 : 1	18.7 : 1	9.5 : 1	6.5 : 1	4.9 : 1

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2018

No. of Shareholders	From	Shareholding	To	Total Shares Held
408	1	to	100	11,825
172	101	to	500	45,769
75	501	to	1000	57,058
85	1001	to	5000	187,860
20	5001	to	10000	156,843
4	10001	to	15000	47,909
2	15001	to	20000	35,847
4	20001	to	25000	93,541
3	35001	to	40000	113,646
1	40001	to	45000	40,023
2	50001	to	55000	106,988
1	55001	to	60000	56,807
1	70001	to	75000	72,610
1	75001	to	80000	76,892
2	80001	to	85000	163,504
1	100001	to	105000	100,556
2	120001	to	125000	242,022
1	210001	to	215000	210,865
1	220001	to	225000	224,720
1	365001	to	370000	370,000
1	370001	to	375000	375,000
0	385001	to	390000	387,334
1	425001	to	430000	428,052
1	430001	to	435000	430,551
1	535001	to	540000	538,235
1	830001	to	835000	830,467
1	1155001	to	1160000	1,157,944
1	1290001	to	1295000	1,294,334
1	1330001	to	1335000	1,334,283
1	1361001	to	1366000	1,365,956
1	3645001	to	3650000	3,649,248
1	4360001	to	4365000	4,364,666
1	26775001	to	26780000	26,778,229
799				45,349,584

CLASSIFICATION OF SHARES BY CATEGORIES

AS AT DECEMBER 31, 2018

CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
Directors and their spouse(s) and minor children	6	2,028,213	4.47
Executives	7	207	0.00
Associated Companies, undertakings and related parties	8	35,577,643	78.45
NIT	1	1,480	0.00
ICP	-	-	-
Financial Institution	2	469,005	1.03
Insurance Companies	4	7,605	0.02
Modraba Companies	-	-	-
Funds	4	104,338	0.23
Investment Companies	-	-	-
Joint Stock Companies	14	6,548	0.01
Charitable Trust	5	17,405	0.04
Foreign Investors	9	1,312,564	2.89
General Public (Individual)			
a. Local	705	5,778,920	12.74
b. Foreign	-	-	-
Public Sectors Companies & Corporations	2	10,616	0.02
Others	32	35,040	0.0
Totals	799	45,349,584	100.00

Shareholders holding 5% or more

Nestlé S. A.		26,778,229	59.05
IGI Investments (Pvt.) Limited		4,364,666	9.62
Packages Limited		3,649,248	8.05

KEY SHAREHOLDING AND SHARES TRADED

AS AT DECEMBER 31, 2018

NAME OF SHAREHOLDERS	NUMBER OF SHARES	PER %
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
NESTLÉ S. A.	26,778,229	59.05
IGI INVESTMENTS (PVT.) LIMITED	4,364,666	9.62
PACKAGES LIMITED	3,649,248	8.05
GURMANI FOUNDATION	538,235	1.19
NATIONAL MANAGEMENT FOUNDATION	224,720	0.50
INDUSTRIAL TECHNICAL & EDUCATIONAL INSTITUTE	21,666	0.05
TRUSTEES NESTLE PAKISTAN LTD EMPLOYEES PROVIDENT FUND	878	0.00
IGI FINEX SECURITIES LIMITED	1	0.00
	8	35,577,643
		78.45
MUTUAL FUND		
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	509	0.00
CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	240	0.00
	4	104,338
		0.23
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN		
SYED BABAR ALI	1,365,956	3.01
SYED HYDER ALI	428,052	0.94
PERWIN BABAR ALI (W/O SYED BABAR ALI)	210,865	0.46
SYED YAWAR ALI	23,220	0.05
OSMAN KHALID WAHEED	60	0.00
SYEDA NIGHAT ALI (W/O SYED YAWAR ALI)	60	0.00
	6	2,028,213
		4.47
EXECUTIVE		
	7	207
		0.00
PUBLIC SECTOR COMPANIES		
EMPLOYEES OLD AGE BENEFITS INSTITUTION	10,560	0.02
NATIONAL BANK OF PAKISTAN	56	0.00
	2	10,616
		0.02
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS		
	38	511,650
		1.13
SHAREHOLDERS HOLDING 5% OR MORE		
	SHARES HELD	PERCENTAGE
NESTLÉ S. A.	26,778,229	59.05
IGI INVESTMENTS (PVT.) LIMITED	4,364,666	9.62
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 2018:NIL

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2018

This Statement is being presented to comply with the Code of Corporate Governance (CCG) as contained in listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are 09 as per the following:

Male: 08
Female: 01

2. The Composition of board is as follows:

Independent Director

1. Mr. Osman Khalid Waheed

Executive Directors

1. Mrs. Freda Yahan Duplan
2. Mr. Syed Saiful Islam
3. Mr. Amr Rehan

Non-Executive Directors*

1. Mr. Syed Yawar Ali
2. Mr. Syed Babar Ali
3. Mr. Syed Hyder Ali
4. Mr. Thomas Keller
5. Mr. Bernhard Stefan (w.e.f January 09, 2019)*

*Mr. Bernhard Stefan was appointed as Non-Executive Director in replacement of Mr. John Martin Miller with effect from January 09, 2019.

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board of Directors have 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:

- i. **Mrs. Freda Yahan Duplan**

Chief Executive Officer

- ii. **Mr. Amr Rehan**

Director

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

11. CFO and CEO duly endorsed the Financial Statements before approval of the Board.
12. The Board has formed Committees comprising of members given below:

a) Audit Committee:

Names	Designations
Mr. Osman Khalid Waheed	Chairman
Mr. Syed Babar Ali	Member
Mr. Syed Hyder Ali	Member
Mr. Syed Awais Haider Naqvi	Secretary

*Mr. Syed Awais Haider Naqvi was appointed as Head of Internal Audit/ Secretary of the Audit Committee in replacement of Mr. Jehanzeb Ahmed with effect from January 15, 2019.

b) HR and Remuneration Committee:

Names	Designations
Mr. Syed Babar Ali	Chairman
Mrs. Freda Yahan Duplan	Member
Mr. Syed Hyder Ali	Member
Mr. Akmal Saeed	Secretary

13. The Terms of Reference of the aforesaid committees have been formed, documented and advised to the Committee for compliance.
14. The frequency of the meetings of the committees were as per following:
- a) Audit Committee: Quarterly
- b) HR and Remuneration Committee: Twice a year
15. The Board has set up an effective Internal Audit function which is 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in Compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 other requirements of the Regulations have been complied with.



Freda Yahan Duplan

Chief Executive Officer



SYED YAWAR ALI

Chairman

Dated: February 26, 2019

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, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Nestlé Pakistan Limited ("the Company") for the year ended 31 December 2018 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 2018.

Lahore
February 26, 2019



KPMG Taseer Hadi & Co.
Chartered Accountants

BOARD OF DIRECTORS

AS ON DECEMBER 31, 2018



Syed Yawar Ali

Chairman – Non-Executive Director
Nationality: Pakistani
Term Expires: 15-Jul-19



Freda Yahan Duplan

Chief Executive Officer
Nationality: Ghanaian
Term Expires: 15-Jul-19



Syed Babar Ali

Non-Executive Director
Nationality: Pakistani
Term Expires: 15-Jul-19



Syed Hyder Ali

Non-Executive Director
Nationality: Pakistani
Term Expires: 15-Jul-19



Osman Khalid Waheed

Independent Director
Nationality: Pakistani
Term Expires: 15-Jul-19



Bernhard Stefan*

Non-Executive Director
(Nominee of Nestlé S.A.)
Nationality: Austrian
Term Expires: 15-Jul-19



Thomas Keller

Non-Executive Director
(Nominee of Nestlé S.A.)
Nationality: Swiss
Term Expires: 15-Jul-19



Syed Saiful Islam

Executive Director
(Nominee of Nestlé S.A.)
Nationality: Bangladeshi
Term Expires: 15-Jul-19



Amr Rehan

Executive Director
(Nominee of Nestlé S.A.)
Nationality: Egyptian
Term Expires: 15-Jul-19

OFFICERS

Freda Yahan Duplan

Chief Executive Officer

Syed Saiful Islam

Head of Finance and Controls

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

Syed Babar Ali

Chairman / Non-Executive Director

Syed Hyder Ali

Member / Non-Executive Director

Freda Yahan Duplan

Member / Executive Director

Akmal Saeed

Secretary / Head of Human Resources

*Mr. Bernhard Stefan was appointed as Non-Executive Director in replacement of Mr. John Martin Miller with effect from January 09, 2019

*Mr. Syed Awais Haider Naqvi was appointed as Head of Internal Audit/ Secretary of the Company in replacement of Mr. Jehanzeb Ahmed with effect from January 15, 2019.

COMPANY 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 of
Pakistan Limited
Share Registrar Department
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-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

JHELUM

House No. 5/155 Sabir Road,
Jhelum Cantt, Jhelum, Pakistan.
Phone: (0544)-720004

PESHAWAR

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

NOTICE OF MEETING

Notice is hereby given that the 41st Annual General Meeting of Nestlé Pakistan Ltd; will be held at 10:30 am on April 29, 2019 at 304 – Upper Mall, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2018 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors for the term ending at the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s. KPMG Tasser Hadi & Co. being eligible have offered themselves for re-appointment.
3. To approve payment of Final Cash Dividend of Rs. 63/- per share i.e. 630% to those who are Shareholders as at the close of business on April 19, 2019, in addition to the 1850% Interim Cash Dividend (i.e. Rs. 185 per share) already paid during the year 2018, 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

April 2, 2019

NOTES

1. Share Transfer Books of the Nestlé Pakistan Limited ("Company") shall remain closed from Monday, April 22, 2019 to Monday, April 29, 2019 (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. Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400 at the close of business on Friday, April 19, 2019 will be treated in time for entitlement of payment of Final Cash Dividend to the transferees and to attend and vote at the meeting.
2. A member entitled to attend and vote at the Annual General Meeting ("Meeting") is entitled to appoint another person as his/her proxy to attend, speak 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. A proxy need not to be a member of the Company.
3. 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.
4. Shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original 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 bring the usual documents required for such purposes.

5. Members should quote their Folio / CDS Account number in all correspondence with the Company and at the time of attending the Annual General Meeting.
6. 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.
7. 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.

Special Notes to the Shareholders:

8. WITHHOLDING OF PAYMENT OF DIVIDEND - SUBMISSION OF COPIES OF CNIC (URGENT & MANDATORY):

The Securities & Exchange Commission of Pakistan (SECP) vide its SRO 779 (I)/2011 dated August 18, 2011, SRO 831 (I)/2012 dated July 5, 2012 and SRO 19 (I)/2014 dated January 10, 2014 has made it mandatory that the dividend warrants should bear the Computerized Identity Card Number (CNIC), National Identity Card for Overseas Pakistanis (NICOP) of the registered member or Authorized person, except in the case of minor(s) and corporate members. Therefore, SECP vide its letter no. EMD/233/574/02-417 Dated October 18, 2016 has allowed Nestlé Pakistan Limited to withhold all future dividends of those shareholders who had not yet provided their valid attested copies of CNICs.

The Shareholders are once again requested to provide a valid copy of their CNIC to the Company or Share Registrar and Transfer Agent enabling the Company to comply with the directions issued by SECP vide above referred SROs.

9. DEDUCTION OF INCOME TAX FROM DIVIDEND UNDER SECTION 150 OF INCOME TAX ORDINANCE 2001

The Government of Pakistan through Finance Act, 2017, has made amendment in 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: 15.00%
- (b) For Non-Filers of Income Tax Returns: 20.00%

To enable the Company to make tax deduction on the amount of Cash Dividend @ 15.00% instead of 20.0%, 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 @ 20.0% instead of 15%.

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 M/s. Central Depository Company of Pakistan Limited.

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

As per FBR’s clarification, the valid 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 Share 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 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)

10. PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE (MANDATORY)

In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a Listed Company to pay cash dividend to its shareholders **ONLY** through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in **ELECTRONIC CREDIT MANDATE FORM** available on Company’s website and send it duly signed along with a copy of

CNIC to the Share Registrar of the Company (CDC) in case of physical shares.

In case shares are held in CDC then **ELECTRONIC CREDIT MANDATE FORM** must be submitted directly to shareholder’s broker/participant/ CDC account services.

- 11. In accordance with the directives of the SECP, the dividends of shareholders whose CNIC copies have not been received by the Company shall not be electronically credited until receipt thereof. Therefore, the individual shareholders who have not submitted their CNIC copies are requested to send the same at the earliest to the share registrar of the Company. Corporate entities are requested to provide their NTN. While providing their CNIC/NTN, shareholders must quote their respective folio numbers.

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

In case of non-receipt of above information, the company will be constrained to withhold payment of dividend of such shareholders.

The physical shareholders are requested to notify any change in their bank detail to the Share Registrar of the Company and in case of CDC shareholders to their broker (participant).

**12 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 (CDC) to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 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 the Securities & Exchange Commission of Pakistan (SECP).

13 CONSENT FOR VIDEO CONFERENCE FACILITY

In accordance with Section 132 (2) of the Companies Act, 2017, members can avail video conference facility for this Annual General Meeting, at Lahore

and Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned locations, at least 7 days prior to date of the meeting. Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General Meeting along with complete information necessary to access the facility. In this regard please send a duly signed request as per following format at the registered address of the Company 10 days before holding of General Meeting.

I / We, _____ of _____
being a member Nestlé Pakistan Limited holder of
_____ Ordinary Share(s) as per Registered Folio No.
_____ hereby opt for the video conference facility at
_____.

Name of Shareholder

Registered Signature

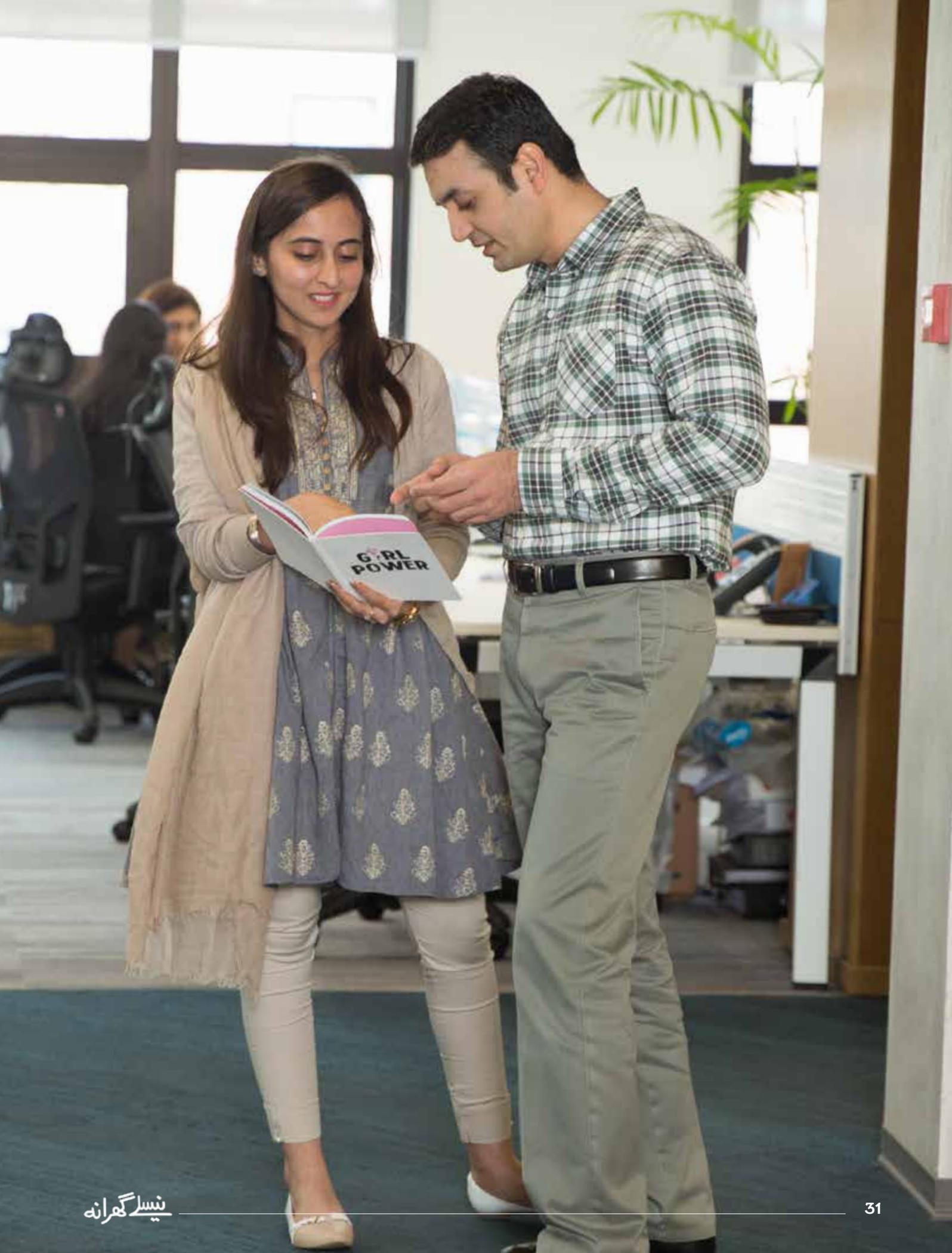
ABOUT NESTLÉ

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



Sitting – From Left to Right

Akmal Saeed

Head of Human Resources

Khurram Zia

Business Executive Officer - Waters

Ali Akbar

Head of Supply Chain

Freda Yahan Duplan

Chief Executive Officer

Dr. Usman Iqbal Bhatti

Business Executive Officer - Dairy Nutrition Solutions

Samra Maqbool

Head of Strategy and New Business Development

Amr Rehan

Head of Technical

Standing – From Left to Right

Abdullah Jawaid Ahmad

Business Executive Officer - Nestlé Professional

Babar Hussain Khan

Head of Sales

Faisal Akhtar Rana

Head of Communications and Marketing Services

Humaira Ashar

I2L Generalist – Zone AOA

Syeda Nausheen Iqbal Jaffery

Market Business Excellence Manager

Syed Saiful Islam

Head of Finance and Controls

Joselito Avancena

Business Executive Officer - Infant Nutrition

Haseeb Aslam

Business Executive Officer - Family Dairy

Waqar Ahmad

Head of Corporate Affairs

Muhammad Ali Sadozai

Head of Legal Affairs



Fuad Saqib Ghazanfar

Business Executive Officer -
Beverages, Culinary and CPW

HUMAN RESOURCES

In 2018, we continued to spread positive energy across organization by transforming our people processes in order to provide better services to our employees and sustain an edge over competition. Transformation of the end-to-end HR Process through technology and process redesigning brings in transparency and efficiency, thus helping with our service orientation. Key focus areas for 2018 included Leadership Development, Capability Building, Utilization of Online Learning platforms and employee relations management for building high performance teams to achieve organizational goals while diversity and commitment to compliance continued to remain at the heart of our agenda.



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. Additional focus was given on improving the quality of employee services and promoting Diversity and Inclusion.

Considering the importance of industrial peace for long-term success of business, representatives of blue collar staff (Union) were on boarded at every step so they can also actively participate in spreading positive energy amongst the employees and can work side by side of the management staff. With better negotiation and relationship with the Union, we signed the Charter for the next two years in a peaceful manner. As part of our Compliance journey, CARE Audit assessments were conducted by Auditors at regional offices and Head office.

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.

To support the diversity journey of the organization, facilities improvement projects and special drives are underway for differently-abled people.

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:

- 355 three party PDP sessions were conducted across the organization
- 5 Career Clinics were arranged across sites where over 120 employees were coached on career growth

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

To maximize the impact of our people, our key OD Booklet courses like Nestlé Leadership Development Experience, Business Acumen Development and People Manager Toolkit continued to develop and enhance business and people Skills of participants. These programs are designed for capability building of first line managers by deploying tools and concepts in various situations enabling a positive impact on business leading up to total management training hours of 71,459. The drive on fostering the e-learning culture helped us close the year with 9209 e-learning done on various topics in iLearn. In addition to iLearn, 100 Skill Soft Licenses were also distributed.



For diversified development, functional competence training pyramids were continued and functional trainings based on these pyramids were carried out under the education and training pillar. To support the capability building of end-to-end transformation flows, blended learning approach using face-to-face, e-learning and virtual classroom sessions were conducted.

Under the LEAN IN Lahore Chapter 4, Circle Meetings were conducted where females from across the industry gathered to share stories, experiences, thoughts and ideas on common challenges and ways to manage them.

Over 55 Management (NiM) 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 conversations between line manager and employees, with constant coaching and mentoring support to help them achieve their goals. SuccessFactor mobile app was launched as part of HR

transformation enabling employees to have access to their profiles, update their record and check-in for feedback on the go. All the learnings from this year will be utilized to further strengthen the performance management system for 2019.

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

KPI Name	Achievement
% Female Managers	8%
% Key Talent Nomination Rate	71.2%
% New Hire 1st Year Attrition	14.9%
% Key Talent Turnover	6.9%
% High Performer Turnover	8.1%



SUPPLY CHAIN

Supply Chain's innovative mindset and agility enabled delivery of business priorities in a volatile business environment

Supply Chain is an energetic and dynamic team with over 70% millennials. A team which fosters a culture of inclusivity and diversity, and remains fully geared towards developing a strong cross functional collaboration to drive company growth, shareholder value and community trust.

In a corporate landscape where big data is the new reality, Supply Chain continues to enhance its advanced analytics capabilities and leverage its expertise in causal modelling to improve the accuracy and effectiveness of the business planning process. Moreover, unwavering focus on ensuring full supply with the freshest product continues to be powered by replenishment based ordering.

To further strengthen our organizational setup, we embarked upon the Nestlé Business Excellence global journey, to simplify and standardize processes. Successful and seamless transitions for Order to Cash and Source to Pay process flows were completed with global center of scale and center of competence being leveraged.

Through robust sourcing strategies, the procurement team ensured reliable supplies while delivering savings of PKR 4.8 billion which mitigated the cost implications posed by a devaluating currency and inflationary environment. This has not only allowed the company to provide price relief to the



consumers, but also allowed sustained investments behind our brands. In addition to operational savings, the Company's capital efficiency remains a priority area as our payables improved by over 8% compared to the previous year.

We, at Supply Chain, believe that the key to unlocking potential lies in innovation and collaboration with our partners and to create a supply chain of the future. With the introduction of key projects including integration with the Chaunsa project to develop a new pulp sourcing model, track and trace control tower for the finished goods transport deliveries, launch of first TPM in supply chain, and mechanized loading of stocks in warehouses, we continue to optimize our costs and improve stakeholder experience and trust.

At the core of all we achieve at Supply Chain is our commitment to being brilliant at the basics with safe and compliant ways of working. The scope of National Highway and Motorway Police (NHMP) driver training for our logistics network has been increased to include new carriers and the subcontractors in the market.

In total, over 200 drivers were trained through the project. Furthermore, Nestlé remains committed to providing responsibly sourced and produced products to its consumers, and we were able to ensure that over 60% of the total procurement spend in the year was sourced from responsible sourcing compliant suppliers.



TECHNICAL

Technical Division is the guardian of Nestlé's core which is Rooted in Respect:

SAFETY

Respect for our employees and stakeholders

Safety at work is one of the Nestlé's key Corporate Business Principles. We have been working on the provision of safe working place and conditions for our employees across the market. In order to achieve this, we conduct overall risk assessment, job hazard analysis and closure of identified risks. Extensive working has been done on machine safety. All the above efforts resulted in significant improvement in safety across the market.

We conduct training of our employees on key safety behaviours to develop safety culture. Engagement of senior management in preaching the safe behaviour plays a pivotal role.

In addition to that, our factories were re-certified for ISO 14001 and OHSAS 18001. Head Office, all Sales and Agriculture Services offices were also certified for OHSAS 18001.

People are our key assets and we are investing on their learning and development. These trainings ensure the sustained implementation of safe systems at work.

QUALITY

Respect for our Customers and Consumers

Quality and Food Safety is one of Nestlé's key Corporate Business Principles. We take Quality and Food Safety as a license to win consumer's hearts. This is the key of our existence as a Food and Beverage Company for more than 152 years across the world.



We are striving to ensure quality of our raw materials by actively engaging farmers and rural development organizations as well as public and private entrepreneurs. We are training our farmers and raw material and packaging suppliers continuously. Basic emphasis is to have sustainable development of farmers and suppliers on crop cultivation, livestock management, best practices and good manufacturing practices. We proactively share our experience with farmers and suppliers regarding potential food safety issues.

In 2018, our factories were re-certified for FSSC 22000 and ISO 9001. Milk collection centers were also certified for FSSC 22000. Factory laboratories were accredited by Pakistan National Accreditation Council (PNAC) on ISO 17025. Our factories and milk collection centers are continuously monitored by local Food Regulatory Authorities. People are our key assets and we are investing on their learning and development. These trainings ensure the sustained implementation of quality systems.

ENVIRONMENT AND SUSTAINABILITY

Respect for future generation

Nestlé Pakistan is taking steps and introducing various initiatives in its manufacturing units and beyond, to exhibit Respect for Future. Water and Greenhouse gas emissions are the major environmental contributors. In 2018, Greenhouse gas emissions were reduced by 17% since 2010 and 21% compared to the year 2014. Between 2010 and 2018, total water consumption per ton of product was reduced and water usage efficiency improved by 18%. In the journey of cleaner energy options, we have installed solar energy systems in our factories and milk collection centers. In 2018, we have achieved a total capacity of 0.5 MW through renewable energy initiatives. In 2018, Nestlé Pakistan has promoted experimentation in packaging optimization. Research and development in packaging has brought us fruitful changes



resulting in tremendous material avoidance of 292 tons that shows an increase of 93% as compared to 2017. We are acting on Climate Change by planting trees as we have planted 400,000 trees in 2018. We are looking forward to contribute more for the sustainability of our environment and for our future generations.

Sheikhupura Factory

In 2018, we strengthened focus on our most important asset 'People' by launching Leadership at shop floor. This initiative is aimed to strengthen engagement where it matters the most, on the line. All general meetings were simplified and managers start their day at shop floor to strengthen enablement and empowerment of our teams. This collaboration has led to a steep rise in positivity, which has in turn helped to deliver exceptional results in providing best quality products to our consumers.

A major accomplishment was expansion of Total Production Maintenance (TPM) on 100% lines in factory; it enabled us to produce best quality products with optimal cost of production and a commendable improvement on safety Key Performance Indicators. By doing so, we became best in class in "Going for Zero-Unplanned Stoppages" of Dairy, Juices and Water lines in Zone AOA (Asia, Oceania, Africa). We generated highest ever Total Delivered Cost savings that contributed positively to the bottom line, and helped fuel investment behind our brands. The year has also been outstanding on the environmental footprint where initiatives have paid dividends on energy source mix and yield improvements.

Another avenue of focus was to foster diversity and inclusion and for this, development of a facility that provides a conducive work environment for mothers was paramount. Hence, a new world class Day Care facility was inaugurated so that parents can be worry-free at work.

Kabirwala Factory

Kabirwala Factory continued its journey of Operational Excellence and finished the year as one of the highest Asset Intensity operations, significantly improved the Total Delivered Cost without compromising on the safety of our employees and quality of our products.

Highly professional staff of Kabirwala Factory maintained "Excellent" rating in Laboratory Proficiency Test during last 19 consecutive years and sustained ISO 17025 accreditation for its labs.

Special focus was given to gender diversity and inclusivity to make Kabirwala Factory a preferred choice for female professionals and differently abled people. In drive of respect for Future, site initiated several environment friendly practices. We planted more than 9400 trees and promoted water saving initiatives within its operations and in the neighbouring community as well.

Community engagement remained the focused area through multiple platforms like "Water Stewardship initiatives", Independence Day celebration, International Women's Day and Sports Olympics. Visitors from all walks of life, key



decision makers, senior government officers, electronic media, politicians, community members and families of employees were welcome to witness the highest standards of quality and food safety under the umbrella of “Seeing is believing”. Through Nestlé Continuous Excellence simplification and digitalization, Kabirwala Factory Team is ready to harvest untapped opportunities to rise and shine in 2019.

Port Qasim Factory

Port Qasim Factory (PQF) kicked off the year with the launch of TPM methodologies at site which brought improvement in Asset Intensity by 3%. Further, HoD line speed was enhanced to 2200 bph. Counting upon the competent team of PQF; an in-house maintenance of Retail line was carried out which led to saving of PKR 16 mio.

Product Quality remained the prime focus for the team which resulted in reduction of foreign body consumer complaints by 32% from baseline. Moreover, PQF introduced the idea of perfect pallet wherein the key focus was optimization of pallet by minimization of material losses throughout manufacturing of PET bottles pallet. This initiative of perfect pallet reaped into saving of PKR 11 mio.

PQF invested in “Creating Shared Value” activities in various ways. However, the most salient project was run for improving the environment of surrounding industrial area.

In this regard, PQF has taken the initiative of planting 5,000 trees at Port Qasim green belt.

Building team competencies remained the focus area throughout the year, and hence we organized the first ever Pakistan market Water Resource and WTP workshop.

Islamabad Factory

In 2018 till October, Islamabad factory achieved highest asset intensity (89.7%) and lowest unplanned stoppages (4.4%) in Nestlé Waters Pakistan Market by strengthening NCE advanced practices. As a result of this, asset intensity increased by 10%, unplanned stoppages reduced by 51% while conversion cost per ton reduced by 13% compared to last year.

Product quality has always been a high priority and this year Islamabad Factory got satisfactory rating regarding “Good Laboratory Practices (GLP)”, in the audit performed by Pakistan National Accreditation Council (PNAC). Islamabad Factory was actively involved in “Creating Shared Value” (CSV) activities and successfully kicked off drip irrigation project with National Agriculture and Research Council Pakistan.

Last, but not the least, Islamabad factory remained focused on functional capability building of teams and developed 17 new trainers and coaches at 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 a comprehensive solution on dairy and agriculture to farmers through its trained team of professionals, specialized in agriculture and dairy farming.

As part of Nestlé continuous effort to enhance farms profitability and quality of raw milk, Agriculture Services has come out with various schemes till 2018; including import of high efficient cows and assisting farmers to install on farm milk chilling facilities. These initiatives paid off through induction of more than 9000 cows with superior genetic potential contributing to significant growth in direct farm milk and marked improvement in milk quality.

With a drive of transforming traditional dairy farmers into professionals, Nestlé has developed a comprehensive dairy farming extension programme to implement advanced farming practices at supplier's dairy farms. Nestlé Pakistan conducted "on farm" trainings by local experts as well as international trainers in collaboration with International Finance Corporation. As part of the programme with IFC, a comprehensive guide on dairy farming was published. Nestlé Agriculture team helped farmers to improve their managerial and entrepreneurial skills resulting in better farm operational efficiency. Based on the success of modernised pilot farms in previous year, the approach was extended to other dairy farms with positive entrepreneurial mind-set and defined operational goals.

Since its existence, Agriculture Services has played a dynamic role towards mechanization and adaptation of emerging trends in the industry. To support the Nestlé professional dairy farmers, standard farm shed designs were developed with the consultation of international expert. Acting as a light house for medium size farms, Agriculture services installed digital heat detection & health management system for cows at Nestlé training farm with the purpose to educate progressive farmers on importance and benefits of technology in farming. Nestlé Agriculture team was also equipped with velocity meters and thermal imaging cameras to improve cow comfort through heat abatement in the shed.

In order to provide farmers with the right 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 at economical prices. 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, cereals and vegetables.

Undoubtedly water scarcity is amongst the major threats Pakistan faces today, with consistent reduction of per capita annual water availability. Given high share of water consumption in agriculture sector, Nestlé has promoted drip irrigation for efficient use of water resources. In continuation of our efforts to conserve water, Nestlé contributed to install a drip irrigation system at Pattoki Campus, University of Veterinary & Animal Sciences.

At Nestlé, we strive to provide our farmers with effective solutions to their financial needs. Under arrangements with various banks, farmers have availed financing of PKR 500 million to build and upgrade their farms. This includes small digital loans availed through mobile wallet.

After its successful launch in previous year, Nestlé NAATA continued to connect with farmers to address their queries. This channel has become popular as the easiest way for new farmers to seek initial guidance on dairy farming.

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.



FINANCE & CONTROL AND INFORMATION TECHNOLOGY

Finance & Control mission is to drive sound business decision making to ensure long-term sustainable profitable growth, cash flow and total return to shareholders. We embrace the role of change agents to drive value creation and ensure the highest standards for stewardship and governance throughout the Company.

DELIVERING IMPROVED FINANCIAL PERFORMANCE

At Nestlé Pakistan, we believe that there is a strong correlation between high performing Finance function and high performing businesses.

During 2018, Finance & Control played a key role in identifying and implementing various cost saving initiatives on a timely basis, improving transparency and focus against plans and objectives resulting in improved discipline in execution applying Nestlé Continuous Excellence practices and business planning process.

The “Digital Drive” in Finance & Control has now taken a strong foothold, with implementation of various digital & paperless initiatives in 2018 that are helping the organization to improve efficiency in operations and providing flexibility to users.

STEWARDSHIP

Finance & Control plays a major role in preserving the Company’s integrity and safeguarding its assets by maintaining accurate, transparent, consistent and timely financial records in full compliance with corporate and legal

standards. In addition, ensuring effective internal controls throughout the organization is the other prime objective for the Finance function. We further strengthened the business governance and internal control at all levels in 2018.

DEVELOPING TEAM CAPABILITY

Maximizing the effectiveness and development of our people has always been a key focus area for Finance & Control.

We continuously help our employees at all levels to reach their full potential through training, coaching and career development so that they are valued and motivated to deliver high levels of productivity and realize high levels of job satisfaction.

Further, in order to improve the Finance and Business acumen across the company, Finance & Control conducted “Value Creation” business simulation and “Finance for non-finance” sessions during the year.

NESTLÉ BUSINESS EXCELLENCE



SIMPLIFY



STANDARDIZE



SHARE

Nestlé Business Excellence (NBE) is helping the organization to free up time spent on repetitive and recurring processes (across all Nestlé markets). The effort is to Simplify, Standardize and Share (wherever possible) in order to be more competitive in this rapidly changing environment. NBE is helping improve 5 dimensions: Process, Data, Organization, Technology and Shared Services. There are six industry standard End to End (E2E) flows which capture much of how we do business at Nestlé:

- 1 **“Source to Pay”** (how we buy things)
- 2 **“Order to Cash”** (how we take orders, deliver & collect payment)
- 3 **“Hire to Retire”** (how we take care of our employees)
- 4 **“Record to Report”** (Capturing & reporting figures & facts)
- 5 **“Idea to Launch”** (how we innovate)
- 6 **“Plan to Execute”** (how we plan and then produce)

The program is divided into 3 phases:

- **Transparency Phase (April 2017):**
Understanding our current ways of working
- **Engagement Phase (June – Sept 2017):**
Identify changes between our current ways of working and global to-be state
- **Transformation Phase (Sept 2017 – 2020):**
Implementation of the identified changes

2017 was a planning year where we compared our current ways of working at a market level to Global new ways of working. Based on the gaps identified, transition was planned. The transition will end in 2020 but starting 2018 we have made some great progress and have already adapted to new ways of working. One key example is the start of working with Shared Service model called Nestlé Business Services (NBS).

SALES

2018 was a challenging year with the UHT (Ultra High Temperature) Category under severe pressure coupled with overall economic pressures of Pak Rupee (PKR) depreciating against the dollar, inflation on the rise affecting the overall consumer sentiment and purchasing power. Optimized Route to Market planning, enhanced focus on being brilliant at the fundamentals and strengthening the scope of our Picture of Success programs were therefore the key fundamentals that we had to drive with maximum shopper interventions across channels.

In order to drive Popularly Positioned Portfolio (PPP) and increase consumer reach of Nestlé products at white spot areas, Sales team developed the **“Rural Development Program”** which has resulted in greater than before consumer reach and sales for the company. This program contributed incremental sales of PKR 373 Million in 2018 and helped (PPP) portfolio grow by 96% in the Rural channel compared to last year. Moreover, Sales promotion activations conducted by leveraging rural cultural events like Melas, Festivals, Kabadi matches, Wheat harvesting, Animal Race shows and Tea Dhabas, increased the product availability and visibility along with maximum number of consumer interactions under umbrella of rural development. By leveraging Benazir Income Support Program (BISP) Beneficiaries” poorest of the poor” worked as Nestlé sales Agent to earn a livelihood for themselves and their families. More than 450 beneficiaries are currently working as Sales Agent across Punjab and Sindh and generated more than PKR 20 Million Nestlé product sales during 2018. 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 11-11. Usage of contemporary digital tools helped us improve Return on Investment (ROI) by manifolds.

All these efforts helped increase E-Commerce sales by 130% in 2018 contributing incremental sales for the company.

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 picture of success plans to enhance shopper experience and in turn drive sales. In 2018, 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 and incremental sales from these outlets. 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 revamped and further simplified the **Integrated Commercial Planning (ICP)** process to make it more meaningful and to facilitate businesses in creating strong plans for 2019. 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 2018 with both segments expanding their reach to new consumers by offering omni-channel presence in the market place. 2018 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 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 2018 including Ramadan 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 2018. 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 2018.

In addition, NESTRADE also played a pivotal role in driving premiumization by executing exciting consumer promotions and aggressively driving shelf and category share in top end modern trade.

CONSUMER COMMUNICATION

Our primary purpose at Nestlé is 'Enhancing the Quality of Life and Contributing to a Healthier Future'. Consumer Communications helps Nestlé truly & passionately DELIGHT & ENGAGE with the CONSUMERS through our products and services, fully endorsing our purpose. We work very closely with the business teams in driving consistent and world class consumer and shopper experiences that build strong competitive advantage for our Brands delivering strong Business results.

The various specialized streams, like Consumer Insights, Media and Digital, Nutrition Health & Wellness, Consumer Engagement and Activations, along with Marketing Excellence, provide functional leadership in supporting and developing marketing teams to delight our consumers and build brand love. Consumer Communications play a leading role in the development of the corporate brand image in line with stated purpose. The function contributes to bolster corporate equity through various initiatives across the year.



Some of the key areas are elaborated below:

**Voice of the Consumer:
Consumer & Marketplace Insights**

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

In order to drive consumer-centricity in all innovation projects, CMI laid the groundwork for I&R testing in a transparent and methodical manner to ensure higher likelihood of market success. CMI helped the businesses develop & fine tune concepts, ensured timely completion & actionable way forward. Realizing that this is the era of rapid innovation, 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 the Nestlé Creative Excellence Imperative i.e., challenging our creatives, avoiding playing it safe, moving away from mediocrity and continuously striving for ultimate creative excellence while ensuring consumer-centricity is at the heart of everything we do.

**Creating Engaging Brand Experiences:
Media, Digital & Activations**

Mobile technology and the ever evolving social media's creating new avenues and opportunities for brands and consumers to interact.

With growing digital platforms such as Facebook, Twitter, Instagram, YouTube and Snapchat, it is vital to have a strong presence in the digital space. We are leveraging these and various other channels, aiming for constant innovation to drive higher engagement with augmented brand equity.

Delving into new channels in highlighted exciting results. Nestlé Pakistan's venture into E-Commerce opened doors to another exciting medium. Besides partnering with some of the top e-retailers, we also participated in events like The Great Online Shopping Festival.

Live training sessions and webinars with Facebook global team has lead brand teams to participate in different awards like Facebook Cannes and Facebook Mobile Master Series, and helped equip brands with vital digital knowledge to succeed in the digital sphere.

We aim to continue exploring new digital platforms and be the leading voice in the Digital arena.

**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. 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 use 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 customers, now no contact can be missed, no matter which medium a consumer may choose.

**Creating Expertise in Brand Building:
Marketing Excellence**

This stream supports in improving the way Commercial Team works by adapting, introducing and enhancing systems and tools so that they remain more agile, innovative and efficient in an ever-changing business environment. This year around, the offerings were even strengthened as Education & Training (E&T) model for Commercial Stream was followed robustly, contributing in competence development for all our Commercial Community, including Brand Marketing and Consumer Communications Teams. Marketing Competency Framework helped identifying and planning to acquire the necessary function-specific knowledge, skills, and behaviors to help delight consumers, enhance lives, and build great brands.

Brand Building the Nestlé Way (BBNW), which is our proprietary approach for helping markets and businesses achieve great brand building results through applying a set of Winning Actions, was more relatable for the functional streams through embracing the new version BBNW-3.0.

NUTRITION, HEALTH AND WELLNESS

Nestlé is all about enhancing the quality of people’s lives by offering tastier and 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 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.

Pertinent to mention is that we not only have a portfolio that offers specific nutritional advantages to our consumers, but also addresses key concern areas like saturated fats, sugars and sodium.

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%
NRV**			
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 (8400kJ/2000kcal). Pack contains 4 portions. Portion should be adjusted for children of different ages.
 **NRV: Nutrient Reference Values, Codex Alimentarius

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INNOVATION

The Corporate Innovation Function at Nestlé Pakistan is committed to accelerate consumer-centric innovation & renovation (I&R), whilst improving business margins. I&R remains a key enabler for the Market to realize its growth strategy. The aim of the function is to support the Market to set strategic I&R goals and the business units to have a strong I&R roadmap for the coming years. In order to achieve this, the team consists of project managers who are responsible for the efficient, effective, flawless end-to-end management and execution of I&R projects.

Moreover, the Innovation Awards Program has been strengthened to foster experimentation across the organization. In 2018, functions across the organization got engaged in the Program, generating nearly 1800 ideas and 140 pilots. The program provides a platform for all employees to participate in the growth agenda of the organization through encouraging intrapreneurship at every level.



Think outside the box
AND WIN A TRIP TO
SILICON VALLEY
USA



SEEING IS BELIEVING

The purpose of 'Seeing is Believing' is to create advocates among Key Opinion Leaders (KOLs) and stakeholders.

The main objective is to showcase our quality and safety standards that we adhere to across entire value chain. In 2018, more than 200 KOLs visited the Nestlé's agri value chain, Sheikhpura factory, Kabirwala factory and Port Qasim Water factory.



FAMILY DAIRY



NESTLÉ MILKPAK MILK

Nature's gift of dairy has a fascinating taste, and with over three and a half decades of dairy expertise 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.

NESTLÉ MILKPAK delights consumers with its signature smooth, rich and creamy taste that is a testament to the dairy goodness that it entails. 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.

NESTLÉ MILKPAK CREAM

As Pakistan's 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 CHILLED DAIRY'S diverse portfolio offerings provide indulgence, flavor and wholesomeness to consumers looking for taste and quality. Therefore, whether it's quenching the hunger pangs, enhancing the taste of your BBQ or planning to cook a delicious curry; NESTLÉ CHILLED DAIRY offerings got you covered.

NESTLÉ THE ORIGINAL SWEET 'N' TASTY YOGURT

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

NESTLÉ MILKPAK YOGURT

Whether you are cooking delicious Korma or making mouth watering lassi, NESTLÉ MILKPAK YOGURT is the perfect partner when in kitchen. With MILKPAK YOGURT

we bring the authentic taste of traditional yogurt that you are accustomed to. Its richness and creaminess balances the spice in cooked food while delivering signature mouth-watering taste for you and your loved ones every time.

NESTLÉ PODINA & NESTLÉ ZEERA RAITA

Sometimes you need to enhance your food experience, whether it's dining table or outdoor grill ordinary raita just doesn't 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 NESVITA

NESTLÉ NESVITA MOVE + Yogurt is low fat offering enriched with high calcium, magnesium, Vitamin B1, D and E. It helps in upkeep of bones & delivers on the brand promise of "Bone Strength".



NESTLÉ EVERYDAY

Pakistan being a tea loving nation where every year 100 billion cups of tea are consumed.

NESTLÉ EVERYDAY, with its heritage of 26 years, has established itself as the best partner of tea delivering superior cups consistently every time and hence stands as a market leader in the tea creaming category. NESTLÉ EVERYDAY is especially formulated to create the perfect sensorial balance in every cup every time: golden brown color, enticing and comforting aroma, layered blend of rich milk-tea notes, velvety mouth-feel and delicious taste (taste preference versus regular milk) that is perfect for every tea moment.

With a wide portfolio ranging from powder in sachets and large pouches to liquid variants, it does not matter if the tea being prepared is mixed or separate: NESTLÉ EVERYDAY guarantees a perfect cup of tea every time.

DAIRY SOLUTIONS



NESTLÉ NESVITA MOVE +

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. 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 the motto 'Mein Strong, Tau Life Strong'.



NESTLÉ NIDO FORTIGROW

When it comes to your child, there are no second chances. A mother goes the 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 micro nutrients in NESTLÉ NIDO FortiGrow aims to support physical and mental growth of young children, and that's why we and our consumers simply call it the "Best for Kids".



NESTLÉ BUNYAD

Approximately 44% of Pakistani children under the age of 5 suffer from iron deficiency, according to the National Nutritional Survey 2011. Such deficiencies can hold them back especially during their formative years. Brand believes in 'Behtar mustaqbil ki mazboot Bunyad', and working with a long-term mission to help eradicate iron deficiency from every level of Pakistan's society.

BEVERAGES

NESTLÉ MILO

NESTLÉ MILO is a unique drink with its signature cocoa-malt taste that aims to motivate the spirit of the young Pakistani kid. Its signature cocoa-malt taste and healthy energy comes from PROTOMALT which is a special malt extract from malted barley (Jau). It also promotes the importance and lessons of sports which are important for a successful life. It stands for the everyday victories that lead to lifelong success.



NESTLÉ JUICES, NECTARS AND DRINKS



NESTLÉ FRUITA VITALS

NESTLÉ FRUITA VITALS is the flagship brand in the NESTLÉ beverages range, made from the highest quality fruit sourced from around the world. Our mission is to provide consumers delicious and healthy refreshment sourced from the provenance of real fruits.

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

In 2018, the brand launched a major packaging change, introducing a beautiful and functional bottle pack for the first time in the category in Pakistan. This change is in

keeping with NESTLÉ FRUITA VITALS' tradition of being the frontrunner in category innovation, and marks the next quantum leap for brand growth.

The brand exists in 8 flavors, with the traditional Pakistani Chaussa being the leading flavor in the range.

NESTLÉ NESFRUTA

NESTLÉ NESFRUTA is the flagship mainstream still drinks brand reaching out to millennials who aspire to live for the moment. The brand stands for the ultimate expression of breaking the usual boring routine, which is manifested through its 'NEWISM' positioning.

NESTLÉ NESFRUTA exists in Mango and Apple Flavors.

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. Today the brand is available in 31 countries across the globe and continues to grow. The year 2018 marks 20 significant years for 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.

DAILY HYDRATION FOR A BRIGHTER LIFE AND HEALTHY LIFESTYLE

Healthy hydration is a prerequisite majorly contributing to the wellbeing of our body and the functioning of our vital organs. Drinking NESTLÉ PURE LIFE enhances body performance and helps everyone stay motivated in their daily life routine. We strongly believe a happier 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.



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.

MIXES

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 delicious cup of coffee instantly.



NESCAFÉ GOLD

TAKE YOUR COFFEE UP A LEVEL with the velvety froth and delicious taste of the NESCAFÉ GOLD frothy coffee range. Simply add hot water to a cappuccino or latte sachet, stir, and relax.

NESCAFÉ GOLD mixes consists of authentic NESCAFÉ coffee mixed with just the right amount of frothy milk gives a smooth and creamy blend. The deliciously rich, milky coffee taste leaves you invigorated to take on the day.



SOLUBLE

NESCAFÉ CLASSIC

NESCAFÉ CLASSIC, pure soluble coffee in jars with its medium-dark roast, gives a full flavor and wonderfully invigorating taste. It offers convenience, economy and versatility in preparation for the regular coffee user.



COFFEE MACHINES

NESCAFÉ DOLCE GUSTO

NESCAFÉ DOLCE GUSTO provides coffee lovers with a stimulating experience of café style coffee beverages at home. It prepares a variety of coffee drinks from layered lattes, to frothy cappuccinos, bold espressos and tantalizing chocolate drinks.





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!

KIDS RANGE

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 is a nutritious & delicious breakfast cereal made with the goodness of wholegrain. It also includes essential vitamins and minerals to help kids lead an active and healthy lifestyle.

ALL FAMILY RANGE

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

INFANT 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 in 1992, 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 of affordable and 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.

This year, NESTLÉ CERELAC underwent a major brand uplift of its identity, with a new logo and packaging design. The new contemporary identity strikes a chord with our millennial parents, highlighting the naturality aspect of the brand, and at the same time has taken the brand’s presence on shelf to a new level.

To further delight our consumers and address the long requested consumer demand, NESTLÉ CERELAC launched savory range in its portfolio in 2018. The launch has been very positively received and is well set to write a new chapter in the success story of NESTLÉ CERELAC.





NESTLÉ NANGROW – RELENTLESSLY PURSUING NATURE’S PERFECTION TO NOURISH A GREAT START, FOR LIFE

NESTLÉ NANGROW 3 OPTIPRO products have been formulated with ‘cutting edge technology’ and optimal proteins that help build a strong foundation by providing healthy weight and height gain, muscle and brain development and strengthening immunity; OPTIPRO also helps in influencing the metabolic system that helps prevent obesity in later years of life. NESTLÉ NANGROW 3 is a state of the art technology with proprietary high quality and optimized proteins, scientifically proven to contribute in the healthy growth of toddlers (not to be used as a breast milk substitute).

NESTLÉ NANGROW 3 Nutrition team provides Healthcare professionals (HCPs) with new innovative scientific knowledge across Pakistan, helping them provide nutritional solutions to children in absence of breast milk and serve the communities in a better way.

In 2018, NESTLÉ NANGROW 3 reached new heights in terms of growth and we aim to continue on the same momentum going forward in 2019 with the help of our medical and consumer marketing plans. We are introducing NESTLÉ NANGROW 4 for toddler above 3 years.



NESTLÉ NIDO GUFs – GROWING UP FORMULA

NESTLÉ NIDO 1+ and NESTLÉ NIDO 3+ are growing-up formulae (not to be used as a breast milk substitute), which offer the benefits of protection for children from 1-5 years of age. They include pro-biotic and pre-biotic strains that helps in the healthy development of your child’s gut, immune and respiratory systems.

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 years old children, NESTLÉ NIDO provides mothers the confidence that their children will grow with protection into unique individuals.



NESTLÉ LACTOGROW GROWING UP FORMULA – STANDS FOR HAPPINESS

NESTLÉ LACTOGROW continued its successful journey with a purpose of making every child grow happy with an impressive campaign **“Tummy Muskurai to Mummy Muskurai”** (not to be used as a breast milk substitute).

NESTLÉ LACTOGROW 3 contains L Comfortis that promotes easy digestion, reduces constipation to nurture a healthy and happy tummy.



NESTLÉ NUTRITION INSTITUTE

Nestlé Nutrition Institute is a not-for-profit organization in Switzerland that fosters “Science for Better Nutrition”. It encourages exchange of knowledge by sharing updated scientific information through publications, symposia, online learning programs and workshops only for HCPs with the aim to improve overall patient care in clinical settings.

In year 2018, more than 1000 HCPs were enrolled in international certified programs which included PGP (Post Graduate Program in Pediatric Nutrition) from Boston University School of Medicine, IPPN (International Program on Preterm Nutrition) from The University of Western Australia and ENS (Early Nutrition Specialist) from Early Nutrition eAcademy to combat nutrition challenges of children in Pakistan.

To further, strengthen Growing up Formula portfolio we Launched NESTLÉ LACTOGROW 4 in second the quarter of 2018. NESTLÉ LACTOGROW 4 is for babies 3 year onwards with Vanilla Flavor.

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 2019 as well.

Let’s make more and more tummies happier!

Pakistan bears one of the highest prevalence of neonatal mortality. NNI vastly conducted Neonatal resuscitation workshops all over the country to impart skills to more than 5000 HCPs for timely management of newborn babies hence saving their lives.

For exchange of knowledge across borders, experts in the area of pediatric nutrition were invited to Pakistan Prof. Hania Szajewska, Prof. Carlos Lifschitz and Prof. Clemens Kunz and renowned speakers from Gulf States were invited for interactive workshops and lecture programs.

Being the largest private publisher of nutrition related information, publications like Annales, NNI workshop series, Nest and Nutrition books were distributed among the HCPs.



NESTLÉ PROFESSIONAL

Nestlé Professional aims to be the trusted partner of choice in Out Of Home (OOH) by providing category expertise and innovative portfolio food and Beverages solutions that help our customers to delight their consumers.

Nestlé Professional provides efficient/ timely servicing and quality products to deliver as per the expectation of the valued customers.

Our Product Portfolio is divided into two categories:

FOOD:

- Chilled Dairy
- Dessert Solutions

BEVERAGES:

- Hot Solutions
- Cold Solutions
- Standards

OUT OF HOME CHANNELS:

Some of the key channels we serve include:

- Hotels
- Restaurants
- Cafés
- Health
- Education
- Leisure
- Travel
- Business and Industries



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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, 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 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 2018 and of the profit, the 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>Capitalization of Property, Plant and Equipment</p> <p>Refer to the accounting policy in note 3.3.12 and note 15 to these financial statements.</p> <p>The Company has made capital expenditure amounting to Rs. 4,533.18 million during the year, which mainly relates to capitalization of expansion of existing manufacturing facility.</p> <p>We identified capitalization of 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>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and testing the design, implementation and operating effectiveness of management's key internal control over capital expenditure; • comparing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • assessing the nature of costs incurred for the capital projects for appropriateness by comparing, on sample basis, amounts recorded with underlying documentation and considering that the expenditure meets the criteria for capitalization as per the applicable accounting standards; and • inspecting supporting documents for the date of capitalization when project assets were ready for its intended use to assess that depreciation commenced and further capitalization of costs ceased from that date and testing the calculation of related depreciation.
2	<p>Sales</p> <p>Refer to the accounting policy in note 3.3.15 and note 24 to these financial statements.</p> <p>The Company recognized revenue of Rs. 124,614.79 million from sale of goods to domestic as well as export customers during the year ended 31 December 2018.</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 there is an inherent risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of key internal controls; • assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of the policy with accounting and reporting standards as applicable in Pakistan; • comparing a sample of sale transactions recorded during the year with sales invoices, delivery notes and other relevant underlying documents; • comparing a sample of sale transactions recorded near the year end with the sales invoices, delivery notes and other relevant underlying documentation to assess whether the sale was recorded in the appropriate accounting period; • inspecting on a sample basis, credit notes issued in near and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and • scanning, on a sample basis, for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific criteria for inspecting underlying documentation.

Information Other than the 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 2018, 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 February 2019


KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(Rupees in '000)	Note	2018	2017
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
75,000,000 (2017: 75,000,000) ordinary shares of Rs. 10 each		750,000	750,000
Issued, subscribed and paid up capital	4	453,496	453,496
Share premium	5	249,527	249,527
General reserve		280,000	280,000
Hedging reserve		–	8,357
Accumulated profit		2,929,222	3,642,960
		3,912,245	4,634,340
Non-current liabilities			
Long term finances - secured	6	9,064,730	9,291,755
Deferred taxation	7	2,443,197	2,493,067
Retirement benefits	8	2,098,020	1,660,762
		13,605,947	13,445,584
Current liabilities			
Current portion of long term finances - secured	6	227,025	116,343
Short term borrowings - secured	9	15,242,800	11,845,986
Short term running finance under mark-up arrangements - secured	10	1,418,301	513,908
Customer security deposits	11	195,431	260,369
Unclaimed dividend		20,608	26,718
Trade and other payables	12	31,745,031	27,355,515
Interest and mark-up accrued	13	273,854	146,856
		49,123,050	40,265,695
Contingencies and commitments	14		
		66,641,242	58,345,619

The annexed notes 1 to 45 form an integral part of these financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



FREDA YAHAN DUPLAN
Chief Executive Officer



SYED YAWAR ALI
Chairman

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(Rupees in '000)	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	15	29,982,969	28,734,507
Capital work-in-progress	16	3,679,302	4,059,585
Intangible assets	17	15,464	23,532
Long term loans	18	305,333	367,359
Long term deposits and prepayments		—	36,147
		33,983,068	33,221,130
Current assets			
Stores and spares	19	1,951,900	1,769,987
Stock-in-trade	20	19,711,784	15,358,288
Trade debts	21	3,116,948	781,116
Current portion of long term loans	18	132,729	135,248
Sales tax refundable - net		4,552,598	4,477,768
Advances, deposits, prepayments and other receivables	22	2,446,521	1,268,098
Cash and bank balances	23	745,694	1,333,984
		32,658,174	25,124,489
		66,641,242	58,345,619



SYED SAIFUL ISLAM
Chief Financial Officer



FREDA YAHAN DUPLAN
Chief Executive Officer



SYED YAWAR ALI
Chairman

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
Sales - net	24	124,614,785	122,214,698
Cost of goods sold	25	(83,242,655)	(77,458,749)
Gross profit		41,372,130	44,755,949
Distribution and selling expenses	26	(18,470,241)	(18,406,725)
Administration expenses	27	(2,926,471)	(2,741,743)
Operating profit		19,975,418	23,607,481
Finance cost	28	(1,818,650)	(1,095,630)
Other expenses	29	(1,512,112)	(1,837,203)
		(3,330,762)	(2,932,833)
Other income	30	255,308	313,857
Profit before taxation		16,899,964	20,988,505
Taxation	31	(5,355,382)	(6,346,723)
Profit after taxation		11,544,582	14,641,782
Earnings per share - basic and diluted (Rupees)	32	254.57	322.86

The annexed notes 1 to 45 form an integral part of these financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



FREDA YAHAN DUPLAN
Chief Executive Officer



SYED YAWAR ALI
Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Rupees in '000)	2018	2017
Profit after taxation	11,544,582	14,641,782
Other Comprehensive Income		
Items that are or may be classified subsequently to profit and loss:		
- Cash flow hedges - effective portion of changes in fair value	(17,139)	31,154
- Related tax	8,782	(12,705)
	(8,357)	18,449
Items that will never be reclassified to profit and loss:		
- Remeasurement of net retirement benefit liability recognized directly in the equity	(338,646)	(349,793)
- Related tax	97,966	105,179
	(240,680)	(244,614)
Total comprehensive income for the year	11,295,545	14,415,617

The annexed notes 1 to 45 form an integral part of these financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



FREDA YAHAN DUPLAN
Chief Executive Officer



SYED YAWAR ALI
Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Rupees in '000)	Share capital	Capital reserves		Revenue reserves		Total
		Share premium	Hedging reserve	General reserve	Accumulated profit	
Balance as at 1 January 2017	453,496	249,527	(10,092)	280,000	7,839,121	8,812,052
Total comprehensive income for the year						
Profit after taxation	–	–	–	–	14,641,782	14,641,782
Cash flow hedges - effective portion of changes in fair value (net of tax)	–	–	18,449	–	–	18,449
Remeasurement of net retirement benefits liability (net of tax)	–	–	–	–	(244,614)	(244,614)
	–	–	18,449	–	14,397,168	14,415,617
Transaction with owners, directly recognized in equity						
Final dividend for the year ended						
31 December 2016 (Rs. 170 per share)	–	–	–	–	(7,709,429)	(7,709,429)
Interim dividend for the six months period ended 30 June 2017 (Rs. 170 per share)	–	–	–	–	(7,709,429)	(7,709,429)
Interim dividend for the nine months period ended 30 September 2017 (Rs. 70 per share)	–	–	–	–	(3,174,471)	(3,174,471)
Balance as at 31 December 2017	453,496	249,527	8,357	280,000	3,642,960	4,634,340
Total comprehensive income for the year						
Profit after taxation	–	–	–	–	11,544,582	11,544,582
Cash flow hedges - effective portion of changes in fair value (net of tax)	–	–	(8,357)	–	–	(8,357)
Remeasurement of net retirement benefits liability (net of tax)	–	–	–	–	(240,680)	(240,680)
	–	–	(8,357)	–	11,303,902	11,295,545
Transaction with owners, directly recognized in equity						
Final dividend for the year ended						
31 December 2017 (Rs. 80 per share)	–	–	–	–	(3,627,967)	(3,627,967)
Interim dividend for the six months period ended 30 June 2018 (Rs. 110 per share)	–	–	–	–	(4,988,454)	(4,988,454)
Interim dividend for the nine months period ended 30 September 2018 (Rs. 75 per share)	–	–	–	–	(3,401,219)	(3,401,219)
Balance as at 31 December 2018	453,496	249,527	–	280,000	2,929,222	3,912,245

The annexed notes 1 to 45 form an integral part of these financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



FREDA YAHAN DUPLAN
Chief Executive Officer



SYED YAWAR ALI
Chairman

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
Cash flow from operating activities			
Cash generated from operations	34	22,880,081	21,925,820
Decrease / (increase) in long term deposits and prepayments		36,147	(4,101)
Decrease / (increase) in long term loans		64,545	(65,593)
(Decrease) / increase in customer security deposits		(64,938)	19,526
Sales tax refundable - net		(74,830)	896,977
Retirement benefits paid		(485,465)	(423,487)
Workers' Profit Participation Fund paid		(2,012,905)	(11,916)
Workers' Welfare Fund paid		(348,076)	(323,560)
Income taxes paid		(6,745,942)	(6,012,968)
Net cash generated from operating activities		13,248,617	16,000,698
Cash flow from investing activities			
Fixed capital expenditure		(4,533,175)	(5,457,179)
Sale proceeds of property, plant and equipment		226,806	250,451
Net cash used in investing activities		(4,306,369)	(5,206,728)
Cash flow from financing activities			
Finance cost paid		(1,691,652)	(997,662)
Long term finances - net		(116,343)	3,770,625
Short term borrowings - net		3,396,814	7,500,829
Dividend paid		(12,023,750)	(18,587,733)
Net cash used in financing activities		(10,434,931)	(8,313,941)
Net (decrease) / increase in cash and cash equivalents		(1,492,683)	2,480,029
Cash and cash equivalents at beginning of the year		820,076	(1,659,953)
Cash and cash equivalents at end of the year	35	(672,607)	820,076

The annexed notes 1 to 45 form an integral part of these financial statements.



SYED SAIFUL ISLAM
Chief Financial Officer



FREDA YAHAN DUPLAN
Chief Executive Officer



SYED YAWAR ALI
Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 Significant transactions and events affecting the Company’s financial position and performance

All significant transactions and events affecting the Company’s financial position and performance during the year have been adequately disclosed in the notes to these financial statements where required. Further, Directors’ report contains summarized discussion on significant transactions and events and their respective impact on the Company’s financial position and performance during the year 2018.

3 Basis of preparation and summary of significant accounting policies

3.1 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”) as notified under the Companies Act, 2017;
- 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.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits 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 and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result 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. Revision to 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
• Impairment losses	3.3.5
• Taxation	3.3.6
• Retirement benefits	3.3.7
• Provisions and contingencies	3.3.11
• Useful life of depreciable assets	3.3.12
• Store and spares	3.3.13
• Stock-in-trade	3.3.13
• Recoverability of trade debts and other receivables	3.3.14

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.3 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.

3.3.1 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.3.2 Derivative financial instruments and hedge accounting

Derivatives are recognized initially at fair value, while any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit and loss account.

The Company also holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Fair value hedge

Derivatives which are designated and qualify as fair value hedge, changes in the fair value of such derivatives are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

When a derivative is designated as cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

3.3.3 Financial liabilities

Financial liabilities are classified according to substance of contractual arrangements entered into. Significant financial liabilities include short and long term borrowings, trade and other payables, customer security deposits and interest and mark-up accrued.

Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost, if any. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Other financial liabilities

All other financial liabilities are initially recognized at fair value minus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.3.4 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.

3.3.5 Impairment losses

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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.

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 pro-rata basis. Impairment losses on goodwill shall not be reversed.

3.3.6 Taxation

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

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.

Deferred

Deferred tax is provided using the balance sheet liability 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.3.7 Retirement benefits

Defined benefit plan

The Company's net obligation in respect of defined benefit plan 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 a potential asset 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.

Remeasurement of net defined benefit liability, which comprises 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 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.

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 profit and loss account as and when incurred.

3.3.8 Leases

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of lease.

3.3.9 Trade and other payables

Trade and other payables are recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.3.10 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.

3.3.11 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.

3.3.12 Fixed capital expenditure and depreciation/amortization

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, labor, applicable manufacturing overheads and borrowing costs on qualifying assets.

Depreciation is charged to profit and loss account, 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 15.

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 profit and loss account 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.

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.

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 17. 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 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 profit and loss account as and when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.3.13 Inventories

Inventories are valued as per below mentioned valuation basis:

Store and spares

Useable 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.

Raw and packing material

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

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.

3.3.14 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.

3.3.15 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement with the goods. Sales of products and services are recorded when the risks and rewards are transferred.

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

3.3.16 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 profit and loss account 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 transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined.

3.3.17 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.

3.3.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.3.19 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 operating decision maker” and is responsible for performance, allocation of resources and assessment of results.

3.3.20 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 01 January 2019:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment to be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company’s financial statements.
- IFRS 15 ‘Revenue from contracts with customers’ (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and IFRIC 13 ‘Customer Loyalty Programmes’. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 ‘Financial Instruments’ and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2019 and 1 January 2020 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 ‘Leases’ (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC-15 ‘Operating Leases- Incentives’ and SIC-27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’. IFRS 16 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. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- 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.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings, any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
6 Long term finances - secured			
Long term finances utilized under mark-up arrangements:			
Term Loan I	6.1	3,500,000	3,500,000
Term Loan II	6.2	2,000,000	2,000,000
Term Loan III	6.3	3,000,000	3,000,000
Term Loan IV	6.4	114,824	114,824
		8,614,824	8,614,824
Long Term Financing Facility	6.5	676,931	793,274
Less: Current maturity		(227,025)	(116,343)
		449,906	676,931
		9,064,730	9,291,755

- 6.1** The term of the loan is 5 years and the principal repayment is to take place in a single lump sum instalment on 29 December 2021. Mark-up is payable quarterly at a flat rate of 8.00% per annum.
- 6.2** The term of the loan is 3 years and the principal repayment is to take place in a single lump sum instalment on 05 January 2020. Mark-up is payable quarterly at a flat rate of 7.00% per annum.
- 6.3** The term of the loan is 3 years and the principal repayment is to take place in a single lump sum instalment on 13 November 2020. Mark-up is payable quarterly at a flat rate of 7.30% per annum.
- 6.4** The term of the loan is 5 years with a grace period of 18 months from the date of disbursement. Repayments are to be made in 8 equal semi annual instalments. The loan carries mark-up at average of 1 month offer rate of KIBOR payable semi annually.
- 6.5** 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 are to be made in 8 equal semi annual instalments. This facility carries mark-up at the rate of 3.65% payable semi annually.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
7 Deferred taxation			
Deferred taxation comprises of temporary differences related to:			
Accelerated tax depreciation		3,176,882	3,271,827
Others		(733,685)	(778,760)
		2,443,197	2,493,067
7.1 Movement in deferred tax liability is as follows:			
Balance as at 01 January		2,493,067	1,943,343
Charge to OCI related to cash flow hedges		(8,783)	12,705
Charge to profit and loss account	31	(41,087)	537,019
Balance as at 31 December		2,443,197	2,493,067
8 Retirement benefits			
Gratuity fund	8.1	1,300,615	984,867
Pension fund	8.1	797,405	675,895
		2,098,020	1,660,762

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 than 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 fulfill the criteria and opted to become member 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 82.5% 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%. In case of those members who are transferred from Type A to Type B, such members 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 entitles to 100% of the benefit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Gratuity and pension plans are administered through separate funds that are legally separated 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 Chair. The Trustees of the funds are required by law to act in the best interests of the plan participants 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 disclosure made in notes 8.1 to 8.13 are based on the information included in the actuarial report.

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 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	
	2018	2017	2018	2017
8.1 Present value of funded obligations				
Amounts recognized in balance sheet are as follows:				
Present value of defined benefit obligation	2,999,495	2,692,633	3,707,704	3,404,213
Fair value of plan assets	(1,698,880)	(1,707,766)	(2,910,299)	(2,728,318)
Net retirement benefit obligation	1,300,615	984,867	797,405	675,895
8.2 Movement in net obligation				
Net liability as at 01 January	984,867	698,864	675,895	662,691
Charge to profit and loss account	309,408	262,953	274,669	109,948
Charge to other comprehensive income	246,718	230,193	91,928	119,600
Contribution made by employees	–	–	137,230	117,242
Contributions paid to the plan	(240,378)	(207,143)	(382,317)	(333,586)
Net liability as at 31 December	1,300,615	984,867	797,405	675,895

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Gratuity		Pension	
	2018	2017	2018	2017
8.5.1 Plan assets				
Plan assets comprise:				
Equity instrument				
Fertilizers	7,791	19,611	12,562	30,427
Oil and gas	30,655	98,929	49,337	156,495
Steel	13,188	61,444	23,610	72,460
Power	16,395	22,486	18,251	43,010
Financial institutions	39,848	68,594	62,961	108,380
Mutual funds	17,801	19,519	17,801	19,519
Cement	8,402	40,093	13,276	58,921
Automobile	–	27,571	–	43,563
Chemicals	14,590	43,430	22,245	57,074
Others	116	3,083	352	1,263
	148,786	404,760	220,395	591,112
Debts instruments				
Government bonds	113,774	225,198	227,476	359,731
Term Finance Certificates	97,936	10,250	134,025	20,500
	211,710	235,448	361,501	380,231
Cash at bank				
Balance in saving bank accounts	283,796	38,885	520,537	53,901
Term deposit receipts	1,054,588	1,028,673	1,807,866	1,703,074
	1,338,384	1,067,558	2,328,403	1,756,975
	1,698,880	1,707,766	2,910,299	2,728,318

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.

(Rupees in '000)	Gratuity		Pension	
	2018	2017	2018	2017
8.6 Profit and loss account includes the following in respect of retirement benefits:				
Interest cost for the year	240,135	213,819	307,343	295,154
Current service cost	227,029	206,400	345,026	324,458
Past service cost	–	–	19,781	(146,068)
Interest income on plan assets	(157,991)	(157,266)	(261,293)	(248,044)
Contribution made by the employees	–	–	(137,230)	(117,242)
Other administrative expense by Fund	235	–	1,042	1,690
	309,408	262,953	274,669	109,948

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Gratuity		Pension	
	2018	2017	2018	2017
8.7 Charge for the year has been allocated as follows:				
Cost of goods sold	152,577	121,377	122,264	60,938
Distribution and selling expenses	111,025	92,800	103,775	73,939
Administration expenses	45,806	48,776	48,630	(24,929)
	309,408	262,953	274,669	109,948
8.8 Actuarial (gains) and losses recognized directly in other comprehensive income				
Cumulative amount at 01 January	854,780	624,587	813,180	693,580
Remeasurements on obligation				
Actuarial losses / (gains) on present value:				
Changes in financial assumptions	17,523	–	(19,330)	–
Experience adjustments	151,962	80,449	(11,280)	(93,878)
	169,485	80,449	(30,610)	(93,878)
Remeasurements on fair value of plan assets	77,233	149,744	122,538	213,478
Losses recognized during the year	246,718	230,193	91,928	119,600
Cumulative amount at 31 December	1,101,498	854,780	905,108	813,180

(Rupees in '000)	2018	2017	2016	2015	2014
8.9 Historical Information for Gratuity plan					
Present value of defined benefit obligation	2,999,495	2,692,633	2,309,477	2,024,189	1,736,589
Fair value of the plan assets	(1,698,880)	(1,707,766)	(1,610,613)	(1,343,612)	(1,184,116)
Deficit in the plan	1,300,615	984,867	698,864	680,577	552,473
Experience adjustments arising on plan liabilities	151,962	80,449	43,693	73,878	(33,912)
Experience adjustments arising on plan assets	(77,233)	(149,744)	78,224	(14,330)	(10,851)

(Rupees in '000)	2018	2017	2016	2015	2014
8.10 Historical Information for Pension plan					
Present value of defined benefit obligation	3,707,704	3,404,213	3,189,227	2,556,488	2,290,437
Fair value of the plan assets	(2,910,299)	(2,728,318)	(2,526,536)	(2,021,998)	(1,731,911)
Deficit in the plan	797,405	675,895	662,691	534,490	558,526
Experience adjustments arising on plan liabilities	(11,280)	(93,878)	56,223	(23,524)	26,939
Experience adjustments arising on plan assets	(122,538)	(213,478)	66,581	(23,627)	8,295

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018		2017	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
8.11 Significant actuarial assumptions used for valuation of these plans are as follows:				
Discount rate used for profit and loss charge	9.50%	9.50%	9.50%	9.50%
Discount rate used for year-end obligation	13.75%	13.75%	9.50%	9.50%
Expected rates of salary increase	13.75%	13.75%	9.50%	9.50%
Expected rates of return on plan assets	13.75%	13.75%	9.50%	9.50%
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.

8.12 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 31 December 2018			
Discount rate	50 bps	(145,411)	157,207	(186,043)	201,944
Future salary increase	50 bps	158,597	(145,432)	69,539	(66,427)
Expected mortality rates	1 year	(1,153)	1,224	(19,661)	18,925

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.

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

8.14 The investments out of provident fund and pension fund have been made in accordance with the requirements of section 218 of the Companies Act, 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
9 Short term borrowings - secured			
Money market deals	9.1	14,200,000	9,400,000
Export refinance facility	9.2	1,042,800	2,445,986
		15,242,800	11,845,986

9.1 These represent money market deals obtained from various commercial banks having aggregate limit of Rs. 14,200 million (2017: Rs. 9,400 million) carrying mark-up ranging from 5.85% to 10.42% (2017: 5.77% to 6.13%) per annum. These deals are obtained for a period ranging from 28 to 180 days and are secured by a hypothecation charge over fixed and current assets of the Company excluding land and building.

9.2 The Company has obtained export refinance facility from a commercial bank having an aggregate limit of Rs. 1,043 million (2017: Rs. 2,446 million). The mark up on this facility is 2.20% (2017: 2.20%) per annum.

10 Short term running finances 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. 12,120 million (2017: Rs. 16,574 million). The mark up on these facilities ranges from 6.20% to 10.50% (2017: 6.15% to 6.45%) 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.

11 Customer security deposits

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

(Rupees in '000)	Note	2018	2017
12 Trade and other payables			
Trade creditors:			
Related parties		4,214,261	4,922,446
Others		15,457,209	11,017,978
		19,671,470	15,940,424
Advances from customers		253,185	454,112
Accrued liabilities		7,812,999	7,693,515
Royalty and related taxes payables	12.1	3,271,931	281,736
Workers' Welfare Fund		321,189	360,502
Workers' Profit Participation Fund	12.2	20,012	1,127,195
Income tax payable - net		–	1,150,297
Withholding sales tax payable		127,239	164,096
Withholding income tax payable		80,488	51,667
Derivative financial liability - cash flow hedge		–	86
Others		186,518	131,885
		31,745,031	27,355,515

12.1 Royalty 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, royalty amounting to Rs. 845.98 million (2017: 3,450.73 million) has been paid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
12.2 Workers' Profit Participation Fund			
Balance as at 01 January		1,127,195	15,998
Provision for the year	29	905,722	1,123,113
		2,032,917	1,139,111
Net payments / adjustments made during the year		(2,012,905)	(11,916)
Balance as at 31 December		20,012	1,127,195
13 Interest and mark-up accrued			
Long term finances - secured		10,554	11,546
Short term borrowings - secured		162,306	105,354
Short term running finance under mark-up arrangements - secured		100,994	29,956
		273,854	146,856

14 Contingencies and commitments

14.1 There is no material contingency as at reporting date.

(Rupees in '000)	2018	2017
14.2 Guarantees		
Outstanding guarantees	227,450	213,023
Un-utilized portion	650,550	586,976

14.3 Commitments

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

(Rupees in '000)	2018	2017
Not later than one year	–	9,832
Later than one year but not later than five years	–	–
	–	9,832
14.3.2 Commitments in respect of capital expenditure	205,306	1,036,443
14.4 Letters of credit		
Outstanding letters of credit	7,528,363	6,478,488
Un-utilized portion	8,757,037	7,949,052

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15 Property, plant and equipment

	Freehold land	Lease hold land	Building on freehold land	Building on lease hold land	Plant and machinery	Furniture and fixtures	Vehicles	IT Equipment	Total
(Rupees in '000)									
Cost									
Balance as at 01 January 2018	1,152,815	82,015	7,380,970	69,881	40,009,858	642,985	888,478	1,513,616	51,740,618
Additions during the year	–	–	466,426	4,100	4,149,978	129,309	18,485	145,160	4,913,458
Disposals	–	–	–	–	(564,706)	(3,960)	(145,432)	(121,854)	(835,952)
Reclassification	–	–	–	–	–	80,144	–	(80,144)	–
Balance as at 31 December 2018	1,152,815	82,015	7,847,396	73,981	43,595,130	848,478	761,531	1,456,778	55,818,124
Balance as at 01 January 2017	1,148,730	82,015	6,859,022	69,881	36,992,610	548,453	1,201,030	1,284,232	48,185,973
Additions during the year	4,085	–	535,005	–	3,239,525	133,253	55,064	258,316	4,225,248
Disposals	–	–	(13,057)	–	(246,620)	(14,427)	(367,616)	(28,883)	(670,603)
Reclassification	–	–	–	–	24,343	(24,294)	–	(49)	–
Balance as at 31 December 2017	1,152,815	82,015	7,380,970	69,881	40,009,858	642,985	888,478	1,513,616	51,740,618
Depreciation and impairment losses									
Balance as at 01 January 2018	–	10,886	1,761,469	28,870	19,177,652	412,694	469,475	1,145,065	23,006,111
Depreciation charge for the year	–	2,228	243,972	2,118	2,837,681	82,882	146,368	205,448	3,520,697
Impairment charged / (reversed) during the year	–	–	5,210	–	(3,913)	58	39	–	1,394
Depreciation and impairment on disposals	–	–	–	–	(451,733)	(3,872)	(115,962)	(121,480)	(693,047)
Reclassification	–	–	–	–	–	70,305	–	(70,305)	–
Balance as at 31 December 2018	–	13,114	2,010,651	30,988	21,559,687	562,067	499,920	1,158,728	25,835,155
Balance as at 01 January 2017	–	8,658	1,525,493	26,867	16,706,306	370,281	548,015	954,229	20,139,849
Depreciation charge for the year	–	2,228	241,454	2,003	2,643,814	71,411	194,527	219,113	3,374,550
Impairment charged / (reversed) during the year	–	–	–	–	31,283	–	–	–	31,283
Depreciation and impairment on disposals	–	–	(5,478)	–	(218,379)	(14,360)	(273,067)	(28,287)	(539,571)
Reclassification	–	–	–	–	14,628	(14,638)	–	10	–
Balance as at 31 December 2017	–	10,886	1,761,469	28,870	19,177,652	412,694	469,475	1,145,065	23,006,111
Net book value as at 31 December 2018	1,152,815	68,901	5,836,745	42,993	22,035,443	286,411	261,611	298,050	29,982,969
Net book value as at 31 December 2017	1,152,815	71,129	5,619,501	41,011	20,832,206	230,291	419,003	368,551	28,734,507
Rate of depreciation in %	–	1-6.67	2-5	2-5	4-33	20	20	10-33.3	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15.1 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	Milk collection center	Bhawana, District Chiniot	1 Acre
Land & building	Milk collection center	Renala, District Okara	1 Acre
Land & building	Milk collection center	Pindi Bhattian, District Hafiz Abad	17.9 Kanal
Land & building	Milk collection center	Ludden, District Vehari	7.8 Kanal
Land & building	Milk collection center	More Mandi, District Jhang	2 Kanal
Land & building	Milk collection center	Kalowal, District Chiniot	1 Kanal
Land & building	Manufacturing facility	Islamabad Factory	8.72 Kanal
Land & building	Sales office	Korangi Industrial Area, Karachi	2.85 Kanal
Land	General purpose	Korangi Industrial Area, Karachi	1.6 Kanal

(Rupees in '000)

Note

2018

2017

15.2 Depreciation charge for the year

has been allocated as follows:

	Note	2018	2017
Cost of goods sold	25	2,940,541	2,813,036
Distribution and selling expenses	26	437,351	468,312
Administration expenses	27	142,805	93,202
		3,520,697	3,374,550

15.3 Detail of significant 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
Plant and Machinery								
		56,129	16,341	18,948	2,607	Negotiation	Nestlé Italiana S.P.A.	Associated undertaking
		3,600	949	1,000	51	Negotiation	Abdul Ahad	Third party
		1,575	842	717	(125)	Negotiation	Muhammad Iqbal	Third party
		721	571	174	(397)	Tender	Maqsood Barlas	Third party
Vehicles								
		2,097	1,258	1,547	289	Company Policy	Nadeem Younus Siddiqi	Employee
		1,931	1,159	1,410	251	Company Policy	Ch. Atif Saeed	Employee
		2,053	924	1,258	334	Company Policy	Muhammad Shahzad	Employee
		1,746	815	1,563	748	Company Policy	Umair Asad	Employee
		1,738	811	1,611	800	Company Policy	Umair Asad	Employee
		1,729	807	1,611	804	Company Policy	Muhammad Faheem Khan	Employee
		1,338	803	1,056	253	Company Policy	Ashfaq Butt	Employee
		2,054	788	1,168	380	Company Policy	Muhammad Ikram	Employee
		1,690	768	1,540	772	Company Policy	Muhammad Jameel Chaudhry	Employee
		1,602	747	1,469	722	Company Policy	Azhar Ali Ahmed	Employee
		1,331	732	1,062	330	Company Policy	Usman Khan	Employee
		1,719	716	1,469	753	Company Policy	Azhar Ali Ahmed	Employee

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Description	Cost	Book value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of purchasers	Relationship with the company
		1,319	704	984	280	Company Policy	Ayesha Inam	Employee
		1,323	662	959	297	Company Policy	Harris Shahid	Employee
		1,323	639	1,106	467	Company Policy	Rana Zamir Ahmed	Employee
		1,321	639	1,051	412	Company Policy	Usman Khalid Chaudhry	Employee
		1,321	639	1,000	361	Company Policy	Liaqat Ali	Employee
		1,082	613	824	211	Company Policy	Zuhaib Ali	Employee
		1,323	551	1,126	575	Company Policy	Inam ul Haq	Employee
		1,076	520	900	380	Company Policy	Muhammad Arif Iqbal	Employee
	Assets with book value less than Rs. 500,000	742,811	108,907	181,253	72,346			
2018		835,952	142,905	226,806	83,901			
2017		670,603	131,032	250,451	119,419			

(Rupees in '000)	Note	2018	2017
16 Capital work-in-progress			
Civil works		237,432	682,919
Plant and machinery		3,711,524	3,387,552
Others		381,313	640,081
		4,330,269	4,710,552
Less: Provision for impairment loss		(650,967)	(650,967)
		3,679,302	4,059,585
17 Intangible assets			
Cost			
Balance as at 01 January		272,655	272,655
Addition during the year		–	–
Balance as at 31 December		272,655	272,655
Amortization			
Balance as at 01 January		249,123	241,055
Charge for the year	26	8,068	8,068
Accumulated amortization as at 31 December		257,191	249,123
Net book value as at 31 December		15,464	23,532
Amortization rate		20%	20%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
18 Long term loans			
To employees - secured, considered good	18.3	438,062	502,607
Less: current portion shown under current assets		(132,729)	(135,248)
		305,333	367,359

18.1 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.

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

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

(Rupees in '000)	Note	2018	2017
Less than one year		132,729	135,248
More than one year but not more than 3 years		292,097	222,225
More than 3 years		13,236	145,134
		438,062	502,607

19 Stores and spares

Stores		218,670	166,635
Spares, including in transit amounting to Rs. 36.29 million (2017: Rs. 33.32 million)		2,272,637	2,018,720
		2,491,307	2,185,355
Less: Provision for obsolete spares	19.1	(539,407)	(415,368)
		1,951,900	1,769,987

19.1 Provision for obsolete spares

Balance as at 01 January		415,368	609,868
Provision / (reversal) during the year - net		124,039	(194,500)
Balance as at 31 December		539,407	415,368

20 Stock-in-trade

Raw and packing materials including in transit amounting to Rs. 4,607.90 million (2017: Rs. 1,783.50 million)		15,342,414	11,181,630
Less: Provision for unusable materials	20.1	(59,895)	(26,843)
		15,282,519	11,154,787
Work-in-process		1,345,036	1,000,011
Finished goods		2,545,192	2,794,801
Goods purchased for resale including in transit amounting to Rs. 49.82 million (2017: Rs. 81.81 million)		539,037	408,689
		19,711,784	15,358,288

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
20.1 Provision for unusable raw and packing material			
Balance as at 01 January		26,843	161,534
Provision / (reversal) during the year - net		61,542	(120,426)
Written off during the year		(28,490)	(14,265)
Balance as at 31 December		59,895	26,843

21 Trade debts

Considered good - unsecured		3,113,546	776,418
Considered doubtful - unsecured		43,334	21,729
Less: Provision for doubtful debts	21.1	(43,334)	(21,729)
		3,113,546	776,418
Related parties - considered good	21.2	3,402	4,698
		3,116,948	781,116

21.1 Provision for doubtful debts

Balance as at 01 January		21,729	21,729
Net provision during the year		36,818	–
Bad debts written off		(15,213)	–
Balance as at 31 December		43,334	21,729

21.2 Trade debts include the following amounts due from the given related parties:

(Rupees in '000)	2018	2017
Party name		
Packages Limited	1,590	1,223
Lahore University of Management Sciences	821	1,759
Tetra Pak Pakistan Ltd	728	689
Bulleh Shah Packaging (Pvt.) Ltd	263	835
Coca Cola Beverages Pakistan Ltd	–	192
	3,402	4,698

The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 5.35 million (2017: Rs 6.15 million).

21.3 Aging of overdue balances for related parties is as follows:

(Rupees in '000)	Balance overdue	Below 30 days	31 days & above
Party name			
Packages Limited	226	226	–
Lahore University of Management Sciences	102	102	–
Bulleh Shah Packaging (Pvt.) Ltd	15	–	15

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
22 Advances, deposits, prepayments and other receivables			
Advances to employees - unsecured, considered good		185	708
Advances to suppliers - unsecured, considered good	22.1	813,454	443,391
Due from related parties - unsecured, considered good	22.2	133,735	65,689
Trade deposits and prepayments - considered good		183,988	107,988
Cash margin held against imports		433,622	409,339
Income tax - net		297,141	–
Derivative financial asset - cash flow hedge		–	17,225
Other receivables		584,396	223,758
		2,446,521	1,268,098

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

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

(Rupees in '000)	2018	2017
Party name		
Nestlé S.A.	95,769	3,152
Nestlé Operational Services Worldwide S.A.	10,020	–
Nestlé Türkiye Gıda Sanayi A.S.	4,306	–
Nestlé Iran (Private Joint Stock Company)	4,111	3,101
Nestlé ROH (Thailand) Ltd.	4,058	–
Nestlé Central And West Africa Ltd.	3,348	91
Nestlé France S.A.S.	2,845	–
Nestlé Waters Management & Technology S.A.S.	2,169	4,578
Nestlé Zimbabwe (Private) Limited	1,307	845
Nestlé Australia Ltd	967	–
Nestlé Afghanistan Limited	933	10,479
Nestlé Middle East FZE	2,103	4,454
Nestlé Bangladesh Limited	490	–
Nestlé Taiwan Limited	401	–
Nestlé Egypt S.A.E.	230	182
Nestlé Lanka PLC	135	97
Nestlé Equatorial African Region Limited	480	5,807
Nestec S.A.	63	2,930
Nestlé Brasil Ltda.	–	27,911
Nestlé Nigeria PLC	–	1,259
Nestlé Nederland B.V.	–	711
Nestlé Product Technology Centre Lebensmittelforschung GmbH	–	92
	133,735	65,689

22.2.1 The maximum aggregate amount of receivable due from associated undertakings at the end of any month during the year was Rs. 704.38 million (2017: Rs. 241.79 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
23 Cash and bank balances			
Local currency			
- Current accounts		433,323	1,037,272
- Saving accounts	23.1	301,819	268,179
		735,142	1,305,451
Foreign currency			
- Current accounts		5,252	24,310
Cash in hand		5,300	4,223
		745,694	1,333,984

23.1 The balance in saving accounts carry rate of return ranging from 2.60% to 8.00% (2017: 3.74% to 4.00%) per annum.

(Rupees in '000)	Note	2018	2017
24 Sales - net			
Own manufactured			
Local		134,460,917	129,066,949
Export		2,316,362	5,081,058
		136,777,279	134,148,007
Goods purchased for resale		2,947,585	2,044,908
Less :			
Sales tax		(6,988,761)	(6,531,304)
Trade discounts		(8,121,318)	(7,446,913)
		124,614,785	122,214,698
25 Cost of goods sold			
Raw and packing materials consumed		59,793,370	57,401,329
Salaries, wages and amenities	25.1	6,412,332	5,619,997
Royalty of licensed products including related taxes		4,185,096	2,997,040
Repairs, maintenance and stores consumption		3,691,018	3,089,048
Fuel and power		3,202,787	2,494,339
Depreciation on property, plant and equipment	15.2	2,940,541	2,813,036
Communication and technology		570,194	403,769
Quality assurance		301,085	435,369
Insurance, rent, rates and taxes		278,521	288,818
Other expenses		396,613	614,862
		81,771,557	76,157,607
(Increase) / decrease in work-in-process		(345,025)	277,130
Cost of goods manufactured		81,426,532	76,434,737
Decrease in finished goods		249,609	34,611
Cost of goods sold - own manufactured		81,676,141	76,469,348
Cost of goods sold - purchased for resale		1,566,514	989,401
		83,242,655	77,458,749

25.1 Salaries, wages and amenities include Rs. 152.58 million (2017: Rs. 121.38 million) in respect of gratuity, Rs. 122.26 million (2017: Rs. 60.94 million) in respect of pension and Rs. 178.16 million (2017: Rs. 147.22 million) in respect of provident fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
26 Distribution and selling expenses			
Salaries, wages, amenities and training expenses	26.1	4,079,226	3,903,425
Sales promotion and advertisement		9,647,037	9,928,628
Freight outward		3,107,321	2,876,297
Depreciation on property, plant and equipment	15.2	437,351	468,312
Amortization of intangible assets	17	8,068	8,068
Repairs, maintenance and vehicle expenses		368,629	471,068
Communication and technology		117,362	71,231
Insurance, rent, rates and taxes		89,824	97,292
Legal and professional charges		56,658	17,932
Utilities		46,709	44,356
Provision for doubtful debts		36,818	–
Other expenses		475,238	520,116
		18,470,241	18,406,725

26.1 Salaries, wages and amenities include Rs. 111.02 million (2017: Rs. 92.80 million) in respect of gratuity, Rs. 103.78 million (2017: Rs. 73.94 million) in respect of pension and Rs. 126.13 million (2017: Rs. 109.57 million) in respect of provident fund.

(Rupees in '000)	Note	2018	2017
27 Administration expenses			
Salaries, wages, amenities and training expenses	27.1	1,436,598	1,501,968
Communication and technology		602,264	452,227
Repairs, maintenance and vehicle expenses		230,584	239,795
Insurance, rent, rates and taxes		215,664	154,901
Depreciation on property, plant and equipment	15.2	142,805	93,202
Legal and professional charges	27.2	139,249	83,719
Utilities		47,502	38,900
Other expenses		111,805	177,031
		2,926,471	2,741,743

27.1 Salaries, wages and amenities include Rs. 45.81 million (2017: Rs. 48.78 million) in respect of gratuity, Rs. 48.63 million (2017: Rs. -24.93 million) in respect of pension and Rs. 65.70 million (2017: Rs. 62.02 million) in respect of provident fund.

27.2 Legal and professional charges include the following in respect of auditors' services for:

(Rupees in '000)	2018	2017
Statutory audit	1,278	1,050
Half yearly review	158	158
Group audit	315	315
Other certificates	60	13
Other services	–	63
Out of pocket expenses	127	115
	1,938	1,714

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
28 Finance cost			
Mark-up on long term finances - secured		674,771	474,816
Mark-up on short term borrowings - secured		805,791	448,607
Mark-up on short term running finances - secured		297,050	134,995
Bank charges		41,038	37,212
		1,818,650	1,095,630
29 Other expenses			
Workers' Profit Participation Fund	12.2	905,722	1,123,113
Workers' Welfare Fund		308,763	350,649
Realized exchange loss on foreign currency		199,127	248,085
Unrealized exchange loss on foreign currency		89,606	99,146
Donations	29.1	7,500	16,210
Impairment of fixed assets	15	1,394	–
		1,512,112	1,837,203
29.1 Donations			
Name of donee in which a director or his spouse has an interest:			
a) Dairy & Rural Development Foundation (DRDF),		2,500	2,500
30-E/1, Gulberg III, Lahore - Pakistan			
(Syed Yawar Ali, Director is also Governor of DRDF)			
b) Lahore University of Management Sciences (LUMS),		5,000	5,000
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)			
(Osman Khalid Waheed, Director is also a member			
of Board of Trustees)			
		7,500	7,500
30 Other income			
Income from financial assets			
Return on bank accounts		14,131	10,510
Income from non financial assets			
Sale of scrap		157,276	153,287
Profit on sale of property, plant and equipment	15.3	83,901	119,419
Reversal of impairment loss	15 & 16	–	30,641
		255,308	313,857

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
31 Taxation			
Current tax			
For the year		4,766,724	5,115,693
Prior year		629,745	694,011
		5,396,469	5,809,704
Deferred tax	7.1	(41,087)	537,019
		5,355,382	6,346,723

31.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate:

%		2018	2017
Applicable tax rate		29.00	30.00
Tax effect of amounts that are:			
Tax impact related to prior year		0.14	0.47
Tax impact of super tax levied		5.18	2.37
Tax impact of presumptive tax regime		(0.40)	(1.59)
Tax impact of rate change		(0.85)	–
Tax credits		(1.46)	(0.96)
Others		0.08	(0.05)
		2.69	0.24
Average effective tax rate charged to profit and loss account		31.69	30.24

31.2 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

(Rupees in '000)	2017	2016	2015
Current tax provision	5,115,693	4,950,641	4,324,718
Tax assessment	5,024,658	4,853,299	4,033,533

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

		2018	2017
32 Earnings per share			
32.1 Basic earnings per share			
Profit after taxation available for distribution			
to ordinary shareholders	Rupees in '000'	11,544,582	14,641,782
Weighted average number of			
ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	254.57	322.86

32.2 Diluted earnings per share

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

33 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 36. Other significant transactions with related parties are as follows:

(Rupees in '000)		2018	2017
33.1 Transactions during the year			
Associated undertakings			
Royalty of licensed products		3,842,847	3,468,993
Purchase of assets, goods, services, rental			
and reimbursable expenses		16,070,679	16,693,274
Sale of goods		2,016,177	65,059
Sale of fixed assets		18,948	-
Insurance claims		17,542	40,804
Donations		7,500	7,500
Other related parties			
Contribution to staff retirement benefit plans		855,450	742,290

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

33.2 Following is a list of foreign associated undertakings having transactions during the year. All of these parties have an active operational status:

Name	Country	CEO / Principal Officer / Authorized Agent / Chairman
Foreign Affiliates		
Nestlé S.A.	Switzerland	Mark Schneider
Nestec S.A.	Switzerland	Magdi Batato
Nestrad S.A.	Switzerland	Magdi Batato
Nestlé Operational Services Worldwide S.A.	Switzerland	Stefan Helfenstein
Société des Produits Nestlé S.A.	Switzerland	Marco Settembri
Nestlé Afghanistan Ltd	Afghanistan	Ali Sadozai
Nestlé Australia Ltd	Australia	Elizabeth Mary Proust
Nestlé Brasil Ltda	Brazil	Marcelo Melchior
Nestlé Shuangcheng Limited	China	Rashid Aleem Qureshi
Nestlé Egypt S.A.E.	Egypt	Moataz El Hout
Nestlé France S.A.S.	France	Christophe Cornu
Nestlé Waters Management & Technology S.A.S.	France	Maurizio Patarnello
Nestlé Deutschland AG	Germany	Béatrice Guillaume-Grabisch
Nestlé Central and West Africa Ltd	Ghana	Remy Ejel
Nestlé Ghana Ltd	Ghana	John Kweku Asamoah
Nestlé India Ltd	India	Suresh Narayanan
P.T. Nestlé Indonesia	Indonesia	Dharnesh Gamunlal Gordhon
Nestlé Iran (Private Joint Stock Company)	Iran	Giuseppe Carella
Nestlé Italiana S.P.A.	Italy	Leszek Wencel
Nestlé Japan Ltd	Japan	Kohzoh Takaoka
Nestlé Equatorial African Region Ltd	Kenya	Axis Kenya
Nestlé Asean (Malaysia) Sdn. Bhd.	Malaysia	Alois Hofbauer
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Malaysia	Alois Hofbauer
Nestlé Regional Service Centre (Malaysia) Sdn. Bhd.	Malaysia	Alois Hofbauer
Nestlé Nederland B.V.	Netherlands	Fabrice Favero
Nestlé New Zealand Limited	New Zealand	Jennifer Chappell
Nestlé Nigeria PLC	Nigeria	Mauricio Alarcon
Nestlé Business Services AOA, Inc.	Philippines	Marissa Sepillo
Nestlé Philippines, Inc.	Philippines	Kais Marzouki
Wyeth Philippines, Inc.	Philippines	Bert Demeyere
Nestlé R&D Center (Pte) Ltd	Singapore	Sze Tan
Nestlé Singapore (Pte) Ltd	Singapore	Rajiv Dinesh Pieris Deraniyagala
Nestlé España S.A.	Spain	Francisco Castaner Basco
Nestlé (Thai) Ltd	Thailand	Nophadol Siwabutr
Nestlé ROH (Thailand) Ltd.	Thailand	Nophadol Siwabutr
Perrier Vittel (Thailand) Ltd	Thailand	Heng Lim Victor Seah

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For the year ended 31 December 2018

Name	Country	CEO / Principal Officer / Authorized Agent / Chairman
Nestlé Middle East FZE	UAE	Yves Manghardt
Nestlé Middle East Manufacturing LLC	UAE	Yves Manghardt
Nestlé UK Ltd	United Kingdom	Fiona Marie Kendrick
Nestlé R&D Center, Inc.	United States	Timothy Keating
Nestlé USA, Inc.	United States	Steven Presley
Nestlé Vietnam Ltd	Vietnam	Ganesan R.Ampalavanar

33.2.1 Audit opinion on latest audited financial statements of above mentioned associated undertakings is unmodified except for Nestlé Egypt S.A.E. where audit opinion is qualified with respect to valuation of goodwill.

33.2.2 All foreign affiliates (except for Nestlé S.A. "the Holding Company") are related to the Company due to common holding of the Holding Company.

33.3 Following is a list of local associated undertakings having transactions during the year. All of these parties have an active operational status:

Name	Country	Basis of association
Local Associates		
Babar Ali Foundation	Pakistan	Common directorship
Bulleh Shah Packaging (Pvt.) Ltd	Pakistan	Common directorship
Coca Cola Beverages Pakistan Ltd	Pakistan	Common directorship
Dairy & Rural Development Foundation	Pakistan	Common directorship
H. Y. Enterprises	Pakistan	Common directorship
IGI General Insurance Limited	Pakistan	Common directorship
Lahore University of Management Sciences	Pakistan	Common directorship
Packages Limited	Pakistan	Common directorship
Pakistan Dairy Association	Pakistan	Common directorship
Tetra Pak Pakistan Ltd	Pakistan	Common directorship
Other related parties		
Nestlé Pakistan Limited Employees'		
Provident Fund	Pakistan	Common management
Nestlé Pakistan Limited Employees'		
Pension Fund	Pakistan	Common management
Nestlé Pakistan Limited Employees'		
Gratuity Fund	Pakistan	Common management

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	Note	2018	2017
34 Cash generated from operations			
Profit before taxation		16,899,964	20,988,505
Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment		3,520,697	3,374,550
Amortization of intangible assets		8,068	8,068
Impairment loss / (reversal) of loss on property, plant and equipment		1,394	(30,641)
Gain on disposal of property, plant and equipment		(83,901)	(119,419)
Provision for Workers' Profit Participation Fund		905,722	1,123,113
Provision for Workers' Welfare Fund		308,763	350,649
Provision for doubtful debts		36,818	-
Provision / (reversal) for obsolete spares		124,039	(194,500)
Unrealized exchange loss on foreign currency		89,606	99,146
Provision / (reversal) for unusable raw and packing material		33,052	(120,426)
Provision for staff retirement benefits		584,077	372,901
Finance cost		1,818,650	1,095,630
Profit before working capital changes		24,246,949	26,947,576
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		(305,952)	(267,158)
Stock-in-trade		(4,386,548)	(4,030,632)
Trade debts		(2,372,650)	(216,656)
Advances, deposits, prepayments and other receivables		(898,507)	(597,068)
Increase in current liabilities:			
Trade and other payables		6,596,789	89,758
		(1,366,868)	(5,021,756)
		22,880,081	21,925,820
35 Cash and cash equivalents			
Cash and bank balances	23	745,694	1,333,984
Short term running finance under mark-up arrangements - secured	10	(1,418,301)	(513,908)
		(672,607)	820,076

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

36 Remuneration of Chief Executive, Directors and Executives

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

(Rupees in '000)	Chairman		Chief Executive		Executive Directors		Executives	
	2018	2017	2018	2017	2018	2017	2018	2017
Fee / managerial remuneration	6,036	5,617	29,670	29,894	34,584	41,764	1,681,288	1,410,373
Bonus	-	-	7,069	9,218	7,727	11,203	333,779	385,965
Retirement benefits	-	-	-	-	-	3,211	312,254	270,671
Housing	-	-	4,276	3,762	7,590	3,194	2,108	8,031
Reimbursable expenses	1,052	1,050	18,261	13,052	11,571	23,949	339,959	266,239
	7,088	6,667	59,276	55,926	61,472	83,321	2,669,388	2,341,279
Number of persons	1	1	1	1	2	2	463	382

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

36.2 The aggregate amount charged in these financial statements in respect of contribution to provident fund of key management personnel is Rs. 128.84 million (2017: Rs. 105.64 million).

36.3 Meeting fee amounting to Rs. 2,325,000 (2017: Rs. 2,475,000) was paid to non-executive directors during the year.

	Capacity		Production	
	2018	2017	2018	2017
37 Capacity and production of industrial units				
Sheikhupura factory				
Liquid products - Liters in thousand	1,238,483	1,172,152	742,159	717,025
Non-liquid products - Kgs in thousand	76,908	75,992	45,653	45,369
Kabirwala factory				
Liquid products - Liters in thousand	195,899	195,899	51,370	70,471
Non-liquid products - Kgs in thousand	103,516	103,516	61,901	63,242
Port Qasim factory				
Liquid products - Liters in thousand	489,400	362,808	228,752	224,458
Islamabad factory				
Liquid products - Liters in thousand	163,296	163,296	85,701	84,268
Total				
Liquid products - Liters in thousand	2,087,078	1,894,155	1,107,982	1,096,222
Non-liquid products - Kgs in thousand	180,424	179,508	107,554	108,611

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

NOTES TO THE FINANCIAL STATEMENTS

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38 Segment reporting

Segment information is presented in respect of the Company's business. The "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 31 December

(Rupees in '000)	Dairy and Nutrition Products		Powdered and Liquid Beverages		Other Products		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Sales:								
External sales	96,427,644	95,532,102	27,356,577	25,883,141	830,564	799,455	124,614,785	122,214,698
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	96,427,644	95,532,102	27,356,577	25,883,141	830,564	799,455	124,614,785	122,214,698
Depreciation and amortization	2,534,881	2,443,364	939,553	882,810	54,331	56,444	3,528,765	3,382,618
Operating profit / (loss) before tax and before unallocated expenses	18,431,425	20,116,352	1,899,421	3,862,572	(355,428)	(371,443)	19,975,418	23,607,481
Unallocated corporate expenses:								
Finance cost							(1,818,650)	(1,095,630)
Realized exchange loss on foreign currency							(199,127)	(248,085)
Other expenses							(1,311,591)	(1,589,118)
Other income							255,308	283,216
Taxation							(5,355,382)	(6,346,723)
Other material non-cash items:								
Impairment (loss) / reversal of loss - on tangible assets	(35,123)	30,641	-	-	33,729	-	(1,394)	30,641
Profit after taxation							11,544,582	14,641,782
Segment assets	46,335,601	35,876,654	18,356,672	14,296,431	768,403	508,219	65,460,676	50,681,304
Unallocated assets							1,180,566	7,664,315
Total assets							66,641,242	58,345,619
Segment liabilities	22,444,556	20,555,771	9,542,133	6,056,985	301,075	170,701	32,287,764	27,099,873
Unallocated liabilities							30,441,233	26,611,406
Total liabilities							62,728,997	53,711,279
Segment capital expenditure	3,212,684	2,609,139	1,320,491	2,746,815	-	101,225	4,533,175	5,457,179

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Rupees in '000)	2018	2017
38.2 Geographical segments		
Sales are made by the Company in the following countries:		
Pakistan	122,314,642	117,133,640
Afghanistan	1,948,725	4,909,184
Other foreign countries	351,418	171,874
	124,614,785	122,214,698

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)		2018	2017
Country	Party name		
Afghanistan	Nestlé Afghanistan Limited	1,948,725	–
Turkey	Nestlé Türkiye Gıda Sanayi A.S.	23,099	13,017
UAE	Nestlé Middle East FZE	1,699	3,083
Bangladesh	Nestlé Bangladesh Ltd.	490	1,732

38.2.2 Export sales are made on open contractual terms.

39 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

39.1 Market risk

39.1.1 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.

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	2018	2017
Assets			
Foreign currency bank accounts	US Dollar	135,973	259,594
Cash in hand	US Dollar	29,915	29,915
	Euro	6,985	6,985
Receivables	US Dollar	208,193	9,176,833
	Swiss Franc	113,663	19,981
Liabilities			
Payables	US Dollar	8,606,074	12,241,307
	Euro	1,978,743	839,560
	Swiss Franc	2,673,677	3,094,149
	Great Britain Pound	55,948	37,013
	Chinese Renminbi	4,550,546	–
	Singapore Dollar	1,786,164	2,483,050
On balance sheet exposure	PKR ('000)	2,144,250	1,986,440
Outstanding letters of credit	PKR ('000)	7,528,363	6,478,488
Off balance sheet exposure		7,528,363	6,478,488

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

(Rupees per currency unit)	2018		2017	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
US Dollar	121.00	139.80	107.48	110.35
Swiss Franc	123.55	141.21	107.63	112.97
Euro	142.62	160.69	120.94	131.90
Great Britain Pound	160.90	176.96	138.52	148.65
Chinese Renminbi	18.26	20.32	15.61	16.95
Singapore Dollar	89.62	102.79	77.42	82.54

NOTES TO THE FINANCIAL STATEMENTS

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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)	2018	2017
Effect on Profit and loss:		
US Dollar	117,994	131,888
Euro	31,684	10,982
Swiss Franc	36,150	34,729
Great Britain Pound	990	550
Chinese Renminbi	9,247	–
Singapore Dollar	18,360	20,495
	214,425	198,644

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.

39.1.2 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.

39.1.3 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)	2018	2017
Variable rate instruments		
Short term borrowings and running finance from local banks	(1,418,301)	(513,908)
Effective interest rate in %age	7.15	5.72

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 31 December 2018

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 2017 would have been affected as follows:

(Rupees in '000)	2018	2017
Effect on Profit and loss of an increase	(14,183)	(5,139)
Effect on Profit and loss of a decrease	14,183	5,139

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.

39.1.4 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)

Transfer 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 and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

31, December 2018		Carrying amount				Fair value			
(Rupees in '000)	Note	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value									
Financial assets - not measured at fair value									
Trade debts	21	3,116,948	–	–	3,116,948	–	–	–	–
Long term loans	18	438,062	–	–	438,062	–	–	–	–
Advances, deposits, prepayments and other receivables	22	1,018,203	–	–	1,018,203	–	–	–	–
Cash and bank balances	23	–	745,694	–	745,694	–	–	–	–
		4,573,213	745,694	–	5,318,907	–	–	–	–
Financial liabilities - measured at fair value									
Financial liabilities - not measured at fair value									
Long term finances - secured	6	–	–	9,291,755	9,291,755	–	–	–	–
Short term borrowings - secured	9	–	–	15,242,800	15,242,800	–	–	–	–
Short term running finance under mark-up arrangements - secured	10	–	–	1,418,301	1,418,301	–	–	–	–
Customer security deposits	11	–	–	195,431	195,431	–	–	–	–
Trade and other payables	12	–	–	30,942,918	30,942,918	–	–	–	–
Unclaimed dividend		–	–	20,608	20,608	–	–	–	–
Interest and mark-up accrued	13	–	–	273,854	273,854	–	–	–	–
		–	–	57,385,667	57,385,667	–	–	–	–

31, December 2017		Carrying amount				Fair value			
(Rupees in '000)	Note	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value									
Financial assets - not measured at fair value									
Trade debts	21	781,116	–	–	781,116	–	–	–	–
Long term loans	18	502,607	–	–	502,607	–	–	–	–
Advances, deposits, prepayments and other receivables	22	633,805	–	–	633,805	–	–	–	–
Cash and bank balances	23	–	1,333,984	–	1,333,984	–	–	–	–
		1,917,528	1,333,984	–	3,251,512	–	–	–	–
Financial liabilities - measured at fair value									
Financial liabilities - not measured at fair value									
Long term finances - secured	6	–	–	9,408,098	9,408,098	–	–	–	–
Short term borrowings - secured	9	–	–	11,845,986	11,845,986	–	–	–	–
Short term running finance under mark-up arrangements - secured	10	–	–	513,908	513,908	–	–	–	–
Customer security deposits		–	–	260,369	260,369	–	–	–	–
Trade and other payables	12	–	–	24,047,560	24,047,560	–	–	–	–
Unclaimed dividend		–	–	26,718	26,718	–	–	–	–
Interest and mark-up accrued	13	–	–	273,854	273,854	–	–	–	–
		–	–	46,376,493	46,376,493	–	–	–	–

The Company has not disclosed the fair values of certain financial assets and liabilities as their carrying amounts are reasonable approximation of fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

39.2 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 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)	2018	2017
Particulars		
Trade debts	3,116,948	781,116
Advances, deposits and other receivables	1,018,203	524,200
Long term loans	438,062	502,607
Bank balances	740,394	1,329,761
	5,313,607	3,137,684
The aging of trade debts at the reporting date is:		
Not yet due	2,886,727	750,896
Past due 0 - 30 days	216,935	13,195
Past due 31 - 60 days	4,860	8,825
Past due 61 - 90 days	1,456	5,319
Past due 91 - 120 days	2,440	1,854
Past due 120 days	4,530	1,027
	3,116,948	781,116

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.

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 2018			Rating 2017		
	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	A1	Moody's	P-1	A1	Moody's
Deutsche Bank AG	F2	BBB+	Fitch	F1	A-	Fitch
Meezan Bank Limited	A-1+	AA+	JCR-VIS	A-1+	AA	JCR-VIS

Due to the Company's long standing business relationships with these counter parties 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

39.3 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.

39.3.1 The following are the contractual maturity analysis of financial liabilities as at 31 December 2018:

(Rupees in '000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
Financial liability						
Derivative financial liability						
- cash flow hedge	-	-	-	-	-	-
Long term finances	9,291,755	9,961,387	449,415	447,242	9,064,730	9,961,387
Short term borrowings	15,242,800	15,532,738	15,532,738	-	-	15,532,738
Short term running finance						
under mark-up arrangement	1,418,301	1,492,442	1,492,442	-	-	1,492,442
Customer security deposits	195,431	195,431	195,431	-	-	195,431
Trade and other payables	30,942,918	30,942,918	30,942,918	-	-	30,942,918
Unclaimed dividend	20,608	20,608	20,608	-	-	20,608
Interest and mark-up accrued	273,854	273,854	273,854	-	-	273,854
	57,385,667	58,419,378	48,907,406	447,242	9,064,730	58,419,378

39.3.2 The following are the contractual maturity analysis of financial liabilities as at 31 December 2017:

(Rupees in '000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
Financial liability						
Derivative financial liability						
- cash flow hedge	86	86	86	-	-	86
Long term finances	9,408,098	11,573,133	392,149	392,149	10,788,835	11,573,133
Short term borrowings	11,845,986	12,052,193	12,052,193	-	-	12,052,193
Short term running finance under						
mark-up arrangement	513,908	545,770	545,770	-	-	545,770
Customer security deposits	260,369	260,369	260,369	-	-	260,369
Trade and other payables	24,047,560	24,047,560	24,047,560	-	-	24,047,560
Unclaimed dividend	26,718	26,718	26,718	-	-	26,718
Interest and mark-up accrued	146,856	146,856	146,856	-	-	146,856
	46,249,581	48,652,685	37,471,701	392,149	10,788,835	48,652,685

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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.

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.

40 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.

The debt to equity ratio as at 31 December:

(Rupees in '000)	2018	2017
Total borrowings	25,952,856	21,767,992
Total equity	3,912,245	4,634,340
Total debt and equity	29,865,101	26,402,332
Debt to equity ratio	87:13	82:18

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.

	2018	2017
41 Number of employees		
Total number of employees:		
Average number of employees during the year	4,466	4,524
Number of employees as at 31 December	4,322	4,565
Of which Factory employees are:		
Average number of employees during the year	2,788	2,822
Number of employees as at 31 December	2,674	2,870

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(Rupees in '000)	2018								
	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	
Balance as at 01 January 2018	9,408,098	11,845,986	513,908	146,856	26,718	453,496	249,527	280,000	22,924,589
Cash flows									
Short term borrowings obtained	-	3,396,814	904,393	-	-	-	-	-	4,301,207
Repayment of long term finances	(116,343)	-	-	-	-	-	-	-	(116,343)
Finance cost paid	-	-	-	(1,691,652)	-	-	-	-	(1,691,652)
Dividends paid	-	-	-	-	(12,023,750)	-	-	-	(12,023,750)
Total changes from financing cash flows	(116,343)	3,396,814	904,393	(1,691,652)	(12,023,750)	-	-	-	(9,530,538)
Non-cash changes									
Dividend approved	-	-	-	-	12,017,640	-	-	-	12,017,640
Finance cost	-	-	-	1,818,650	-	-	-	-	1,818,650
Total non-cash changes	-	-	-	1,818,650	12,017,640	-	-	-	13,836,290
Closing as at 31 December 2018	9,291,755	15,242,800	1,418,301	273,854	20,608	453,496	249,527	280,000	27,230,341

43 Date of authorization for issue

These financial statements were authorized for issue on February 26, 2019 by the Board of Directors of the Company.

44 Dividend

The Board of Directors in their meeting held on February 26, 2019 have proposed a final cash dividend for the year ended 31 December 2018 of Rs. 63 per share (2017: Rs. 80 per share), amounting to Rs. 2,875.05 million (2017: Rs. 3,627.97 million) for approval of the members at the Annual General Meeting to be held on April 29, 2019. These financial statements do not reflect this dividend.

45 General

45.1 Corresponding figures

Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However no material re-arrangements have been made.

45.2 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



FREDA YAHAN DUPLAN
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.

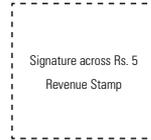
_____ of _____ or failing him Mr. / Mrs. _____ Folio No. _____

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 41st Annual General Meeting of the Company to be held on April 29, 2019 and at any adjournment thereof.

Signed under my / our hand this _____ day of _____, 2019.

Signed in the presence of:



Signature should agree with the
specimen signature registered with the
company

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 not less 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.

The Company Secretary

Nestlé Pakistan Ltd.

308 – Upper Mall, Lahore, Pakistan

Phone No. +92 42 111 637 853

Fax No. +92 42 3578 9303

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پراکسی فارم

نیشنل پاکستان لمیٹڈ، 308-اے، مال، لاہور

میں / ہم _____
برائے _____
نیشنل 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 (41) آئٹالیسیوں سالانہ اجلاس عام میں اپنی جگہ شرکت، رائے اور ووٹ دینے کے لئے اپنا راکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس 29 اپریل 2019 کو انوائڈ 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 اجلاس کے وقت سے 48 گھنٹے قبل پہنچانا چاہئے۔
- 2- کمپنی کا ممبر 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 اسکے پراکسی کی صورت میں اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ بمع CDC پارٹیڈ پیٹ آئی ڈی اور اکاؤنٹ 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.

308 – Upper Mall, Lahore, Pakistan

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Fax No. +92 42 3578 9303

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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:

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-  Risk profiler*
-  Financial calculator
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Nestlé Pakistan Limited
308 Upper Mall, Lahore Pakistan
Tel: +92 42 111 637 853
Fax: +92 42 35789303

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