



Nestlé Good food, Good life



Management Report **2020**  
**MANAGING ADVERSITY  
THROUGH RESILIENCE**



## About the Cover

During COVID-19 crisis, we worked tirelessly to ensure that much-needed food and beverage products were available for our consumers across Pakistan. At Nestlé, we care deeply for people and for the communities in which we operate, and we believe we have an essential role to play.

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## OUR PURPOSE

Unlocking the power of food to enhance quality of life for everyone, today and for generations to come.

## OUR AMBITION

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



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Help  
**50 million**  
children live healthier lives



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



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Strive for  
**Zero**  
environmental impact in  
our operations



# DIRECTORS' REPORT

To the Shareholders

The Directors of Nestlé Pakistan Limited (the "Company") are pleased to submit the Annual Report along with the audited financial statements of the Company for the year ended December 31, 2020.

## Financial Performance

The year 2020 witnessed the COVID-19 pandemic which had a profound impact across the globe as well as in Pakistan. The country was under lockdown on and off for most part of the year which resulted in massive disruption in the economic activities and a contraction in GDP by 0.4% in the portion of the fiscal year ended June 2020. In order to address the adverse impact of the pandemic, the Government rolled out a fiscal stimulus package under which the policy rate was lowered during the year and multiple measures were implemented by the central bank to support businesses with their liquidity needs.

Despite unprecedented situation caused by the pandemic, the Company recorded a revenue growth of 2.4% through undisrupted supply and availability of products, innovation and renovation initiatives, numeric distribution expansion and investments behind the brands. Improvement in our profitability has been achieved through various cost savings initiatives, optimization projects and pricing management.

The Company remains committed to its purpose of unlocking the power of food to enhance quality of life for everyone, today and for generations to come. The major new product launches during 2020 included: NESTLÉ MILKPAK Butter (Salted & Unsalted), NESTLÉ FRUITA VITALS Qandhari Anaar, NESCAFÉ RTD Chilled Mocha, NESTLÉ CERELAC Recover, NESTLÉ CERELAC Nature's selection, NESTLÉ LACTOGEN Essentials, NESTLÉ NAN 2 & 3 (HMO), DOCELLO Dessert Mixes, NESTLÉ EVERYDAY Karak Chai 3-in-1, NESTLÉ NESCAFÉ Ice and NESTLÉ PURE LIFE (5G Active).

PKR Million	2020	2019	Change
Sales	118,781	115,962	+2.4%
Gross Profit margin	29.3%	28.8%	+50 bps
Operating Profit margin	13.5%	13.0%	+50 bps
Net Profit after tax	8,885	7,354	+20.8 %
Net Profit after tax (%)	7.5%	6.3%	+114 bps
Earnings per share	195.9	162.2	+20.8%

## Dividends

In view of the financial performance of the Company, the Board of Directors has recommended to paying a final cash dividend of Rs. 61 per share, in addition to the interim cash dividend already paid of Rs. 133 per share, which brings the total dividend for the year to Rs. 194 per share for 2020 compared to Rs. 152 per share in 2019.

# DIRECTORS' REPORT

## To the Shareholders

### Investment Projects

With a market driven approach and commitment to satisfying the needs of our consumers, in 2020 Nestlé Pakistan made investments of PKR 3.2 billion including expansion projects. Highlights are hereunder:

<b>1,708</b> Rs. in Million	<b>633</b> Rs. in Million
Sheikhupura Factory	Kabirwala Factory
<b>63</b> Rs. in Million	<b>312</b> Rs. in Million
Water Plants	Distribution and Sales
<b>441</b> Rs. in Million	
Others	

Investments, of approximately PKR 3.4 billion, are planned for 2021, primarily focused on operational reliability and capacity increases in order to meet consumer demands.

### Corporate & Financial Reporting Framework

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

The Directors confirm that:

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

- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts about 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 employee's funds are as follows (PKR millions):

	<b>Audited 2020</b>	<b>Audited 2019</b>
Provident Fund	3,940	3,680
Gratuity Fund	1,845	1,796
Pension Fund	3,747	3,351

- Statements regarding the following are annexed or disclosed in the notes to the accounts:
  - Key financial data for the last six years
  - Pattern of shareholdings
  - Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary
  - Number of Board meetings held during the year and attendance by each director

### Remuneration Policy of Non-Executive Directors

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

### External Auditors

Messrs. Ernst & Young Ford Rhodes, Chartered Accountants have completed their assignment for the year 2020 and retire at the conclusion of the 43rd Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

### Holding Company and Principal Activity

Nestlé S.A., a Company incorporated in Switzerland (the holding company), holds 26,778,229 ordinary shares representing a 59.05% equity interest in the Company. The principal activity of the Company is manufacturing, processing






and sale of food products including imported products. No change has occurred during the financial year relating to the nature of the business of the Company.

## Human Resources Management & Employee Relations

Businesses around the globe struggled with the global pandemic in 2020 and people had to adapt to new ways of working due to restrictions in movement. In response to the pandemic lockdowns and new working realities, the HR processes shifted to digital and virtual spaces, with greater focus on talent acquisition, employee engagement, employee health & wellness and learning & capability building.

We also continued our focus on transforming our people processes in order to provide better services to our employees and sustain an edge over competition. Key focus areas for 2020 included connecting desk-free employees to technology, leadership development, capability building, utilization of online learning platforms, employee relations and occupational health for building high performance teams to achieve organizational goals while diversity and commitment to compliance continued to remain at the heart of our agenda.

We continued working on giving learning and development opportunities to youth in the country in collaboration with Universities/Technical Institutes. Few of the highlights are:

	<b>9</b>	Universities were targeted for Campus Drives and Job Fairs
	<b>134</b>	Internships were offered (mostly virtual due to Covid)
	<b>28</b>	Apprentices were taken onboard
	<b>18</b>	Management Trainees were inducted
	<b>39</b>	Campus Ambassadors were onboarded

Nestlé Pakistan gives great significance to the health of its people at work in line with its commitment under Nestlé Corporate Business Principles. In 2020, the focus shifted from providing primary / preventive health care to providing awareness regarding COVID-19 and implementation of related SOPs, reducing exposure and implementing health strategies

across all Nestlé sites. In 2020, Nestlé Pakistan’s routine functioning was redefined in accordance with COVID-19 protocols while ensuring zero production loss. In addition to the awareness on COVID-19 preventive measures, health awareness sessions were also conducted on various topics.

The main theme of employee relations is maintaining healthy relations by engaging with employees across sites. We remained focused on employee relations through continuous virtual employee engagement sessions, with the purpose of strengthening our relationship with the employees. 2020 was an important year for employee relations as negotiations were concluded and an agreement with the Union has been signed for 2020 and 2021 in an amicable way. Employee opinion survey “Nestlé & I” was successfully conducted in 2020 with 100% employee participation.

In order to engage, motivate and inspire young female professionals and equip them with the skills and tools they need for successful and dynamic careers, we continued our “Karo Aitemaad” program, which helped us in equipping 21 females. Nestlé Pakistan is committed to giving fair employment chances to differently abled people and help them in increasing their employability in the job market through our program “Hai Tum Pe Yakeen”. A batch of 16 differently abled was hired on one-year contracts, and 9 of them have already successfully moved to permanent and other contractual roles at Nestlé. A majority of the other differently abled batch is also under consideration for relevant permanent positions based on their performance. Two sessions of a corporate onboarding program for new joiners “Spirit of Nestlé” were conducted virtually where exposure to the entire value chain was given to the new hires and a virtual visit of our Sheikhpura factory plant was conducted.

Responding to the new ways of learning, digital and virtual Learning and Capability building tools and content were made available by global and local training teams. While our face to face trainings were put on hold, most of our training programs were converted to virtual sessions to help develop functional and leadership capabilities. These programs are designed for capability building of employees by deploying tools and concepts in various situations enabling a positive impact on business leading up to a total of 32,724 Management Training hours. Due to the pandemic, a greater focus was placed on fostering the e-learning culture than ever before. Market Digital Learning calendar - “iLearn Byte-Sized Learning” was designed to share key e-learnings and our employees completed 35,703 e-learning sessions on various topics. In line with our CSV commitment, 100% of our employees completed “Human Rights in Nestlé” training. In addition to this, 100% of our People Managers completed “Diversity and Inclusion”, “Sexual

# DIRECTORS' REPORT

## To the Shareholders

Harassment Prevention" and "Compliance: A Leadership Responsibility" e-learnings. "Global Connect & Learn" program was launched to connect employees with subject matter experts from around the globe for their capability development. 12 Masters and 15 Learners from Pakistan joined the global platform.

## Creating Shared Value (CSV) and Community Work

Nestlé Pakistan believes in Creating Shared Value (CSV) for the communities and the health of our company is intrinsically linked to the health and resilience of the society we operate in. It is our belief that for a Company to be able to create value for its shareholders, it must also create value for society.

At Nestlé, social responsibility does not end with a few philanthropic activities. Instead, CSV is embedded in our business model; where direct engagement and support to communities is extended across the value chain. This adds value to the business and supports socioeconomic development for the communities. Our inspiration is governed by the Nestlé Corporate Business Principles. A signatory to the UN Global Compact for Ethical Business, the Company is committed to the stakeholders and the communities for mutual growth and sustainability. From offering quality products to consumers and providing a fair and diverse work environment for our employees; from our partners and raw material providers to implementing responsible sourcing models into our relationships; from supporting underprivileged communities to working with small farmers; from enhancing sustainability and environmental friendliness of our operations to embedding ethical and transparent business practices, CSV is entrenched in the entire value chain of Nestlé.

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

The key CSV activities during 2020 are:

- Nestlé Pakistan stepped its commitment to vulnerable communities by donating 4 million servings of fortified products to meet the nutritional needs of both affectees and frontline workers from Quetta to Gilgit, in close collaboration with Government and NGOs.
- Nutrition awareness was extended to another 30,000 school children in the rural, suburban and urban areas under Nestlé for Healthier Kids Program extending the overall outreach to more than 250,000 children across the country
- Continued product support through Nutrition Support Program for the underprivileged institutions and to the areas affected by natural calamities
- Nestlé BISP Rural Women Sales Program in partnership with Benazir Income Support Program (BISP), as part of the Ehsaas Program, increased our outreach with overall enrollment of over 1500 women as Nestlé BISP Rural Women Sales Agents
- Under our Caring for Water initiative, clean drinking water facilities in our operational areas provided clean drinking water to more than 60,000 people on a daily basis
- The Alliance for Water Stewardship Certification was implemented for all of our sites
- We implemented a Water Resource Management Project in partnership with the Agriculture Department Punjab which resulted in saving of 428 million liters of water
- We endeavored to achieve the least possible environmental impact throughout our operational stages by complying with environmental laws and regulations
- We continued our support, training and advisory services for dairy farmers under our Farmer Support Program
- We extended our support for programs involving dairy farmers and rural women for skill enhancement related to the dairy and livestock sector
- We continued Nestlé Chaunsa Project in partnership with the Agriculture Department Punjab with integration of Mango farmers in our value chain
- We provided support to the Driver Training Facility at the National Highways & Motorway Police Training Institute, Sheikhpura
- Clean Hunza Project, in partnership with Gilgit-Baltistan Waste Management Company (GBWMC) and Karakoram Area Development Organization (KADO) was launched to focus on waste segregation and recycling system for Hunza by encouraging waste management of 200,000 kgs of plastics in 2021, eventually leading up to 1000 tons by 2025 to make Hunza waste-free and promote sustainable tourism in the region
- We are accelerating our actions to tackle packaging waste. We have partnered with the World Bank Group and Khyber Pakhtunkhwa Government to launch "Travel Responsibly for Experiencing Ecotourism in Khyber Pakhtunkhwa (TREK)" for promotion of Responsible Tourism. The initiative includes awareness campaigns for

tourists, and training of local communities and businesses on waste minimization, collection and recycling

- As part of our plans to reduce greenhouse gas emissions, we accelerated the adoption of renewable energy and promoted our approach within our farmers' network. We planted 50,000 trees in partnership with the Clean Green Pakistan movement during the Nestlé Cares Tree plantation campaign in 2020.

## Subsequent Events

No material changes and commitments affecting the financial position of the Company have occurred between the end of financial year 2020 and the date of the Directors' Report.

## Principal Risk & Uncertainty

The principal risks and uncertainties impacting our business include:

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

## Future Outlook

The evolution of the pandemic, the availability and accessibility of the vaccine, fluctuating demand and supply patterns along with the external trade conditions will be the key factors for the economic outlook of the country. Despite all the challenges, the Company remains cautiously optimistic about the performance in the coming year on the back of strong brand equity and highly committed workforce supported by continuous initiatives for operational excellence. Amidst this global pandemic, Nestlé Pakistan remains committed to delivering Nutrition, Health & Wellness products to its customers and the Company will continue to work tirelessly to keep its employees, business partners and communities safe and healthy.

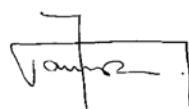
## Acknowledgments

As this historic year draws to a close and even in the toughest moments of 2020, it has been inspiring to see our team rise to the challenge with determination, passion, speed and innovation.

We take this opportunity to thank our valued consumers who have trust in our products and continue to provide sustained support in ensuring the progress of the Company. Our people are our greatest strength and they have demonstrated their commitment once again throughout the pandemic by ensuring timely supply and availability of our products and we are driven by a compelling purpose – unlocking the power of food to enhance quality of life for everyone, today and for generations to come. We are guided by strong values rooted in respect. Our purpose and our values are the reasons why we all work for Nestlé Pakistan's success. They are fundamental to everything we do, particularly in times of significant changes in external environment.

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

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



**Samer Chedid**

Chief Executive Officer



**Syed Yawar Ali**

Chairman

**Dated:** February 25, 2021

















# 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

<b>Date of Meeting</b>		26-Feb-20
<b>Time</b>		10:30 AM
<b>Place</b>		308-Upper Mall, Lahore.
<b>Date of Meeting</b>		30-Apr-20
<b>Time</b>		10:30 AM
<b>Place</b>		Video Conference
<b>Date of Meeting</b>		28-Jul-20
<b>Time</b>		10:30 AM
<b>Place</b>		Video Conference
<b>Date of Meeting</b>		23-Oct-20
<b>Time</b>		10:00 AM
<b>Place</b>		Video Conference

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

Date of Meeting	Date of appointment	No. of Meetings Attended
Syed Yawar Ali	17.07.2019	4
Samer Chedid	01.08.2019	4
Syed Babar Ali	17.07.2019	4
Syed Hyder Ali	17.07.2019	3
Syed Saiful Islam	17.07.2019	4
Bernhard Stefan	17.07.2019	4
Amr Rehan	17.07.2019	1
Osman Khalid Waheed	17.07.2019	4
Rabia Sultan	17.07.2019	4
David A. Carpenter	17.07.2019	4

### 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 2020. 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.**

The Company has implemented a strong governance framework supportive of 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.



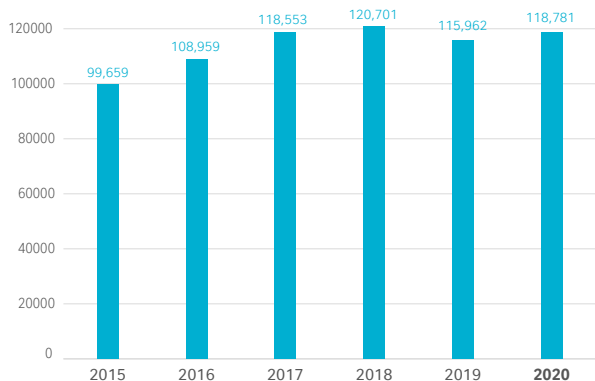
**Syed Yawar Ali**

Chairman

# COMPANY PERFORMANCE 2020

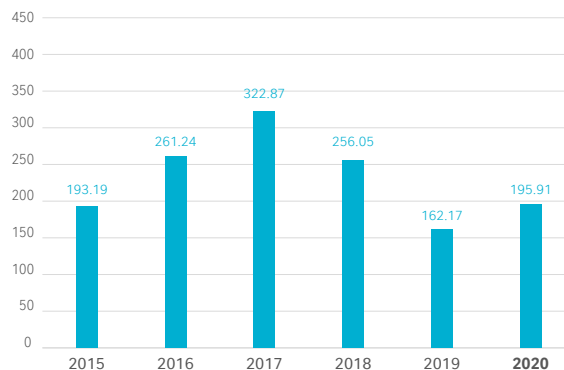
## SALES

Rupees in million



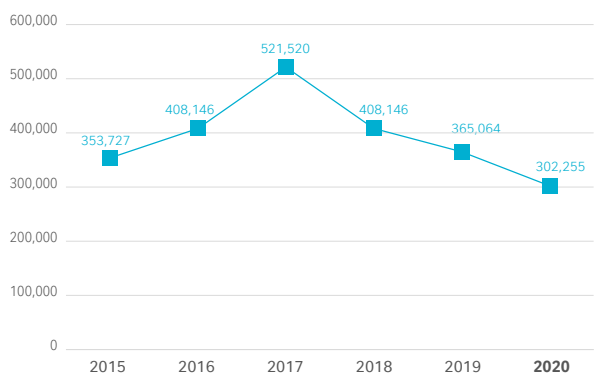
## EARNING PER SHARE

Rupees in million



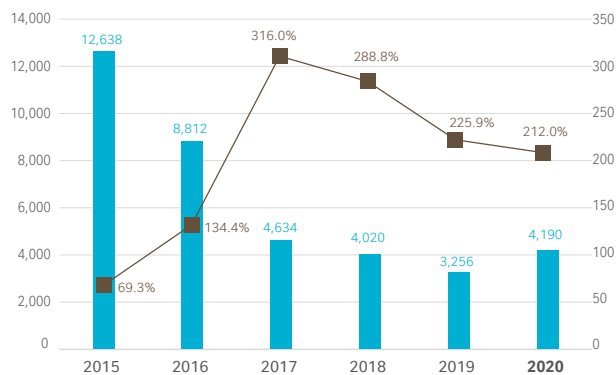
## MARKET CAPITALIZATION

Rupees in million



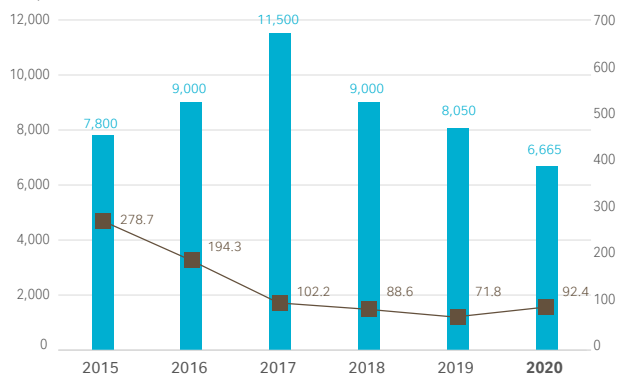
## RETURN ON EQUITY

Rupees in million



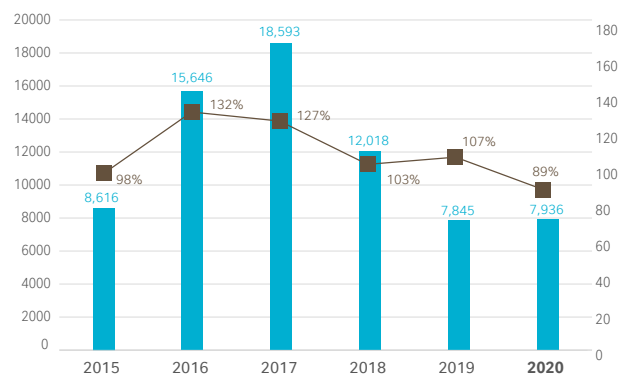
## MARKET PRICE PER SHARE VS. NET ASSETS PER SHARE

Rupees in million



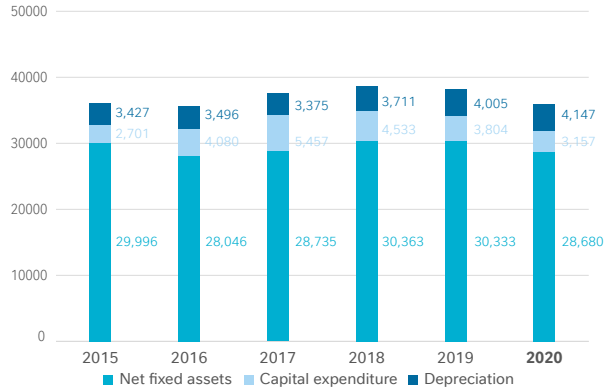
## DIVIDEND PAYOUT RATIO

Rupees in million



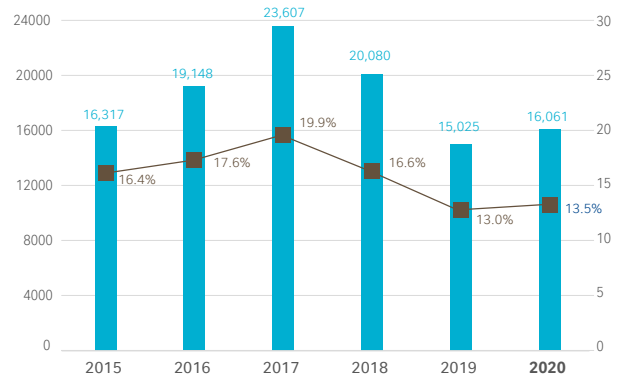
### NET FIXED ASSETS, FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Rupees in million



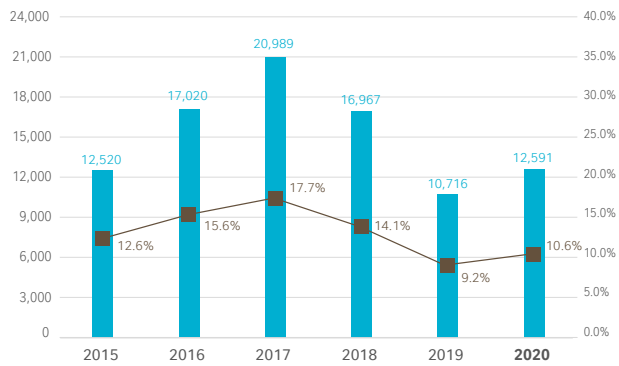
### OPERATING PROFIT

Rupees in million



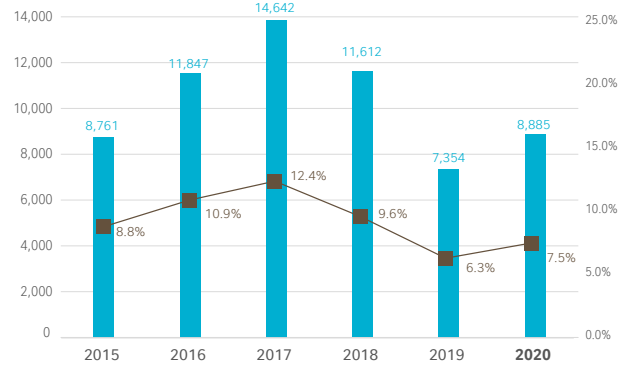
### PROFIT BEFORE TAX

Rupees in million



### PROFIT AFTER TAX

Rupees in million



# STATEMENT OF WEALTH CREATION AND ITS DISTRIBUTION

(PKR in 000)	2020		2019	
<b>Wealth Generated/ Value Added:</b>				
Net turnover including sales tax	142,294,759		137,915,705	
Less: Purchased materials and services	(90,293,859)		(88,695,952)	
Value Added	52,000,900		49,219,753	
Other Income	354,830		268,790	
Wealth Created	52,355,730	100%	49,488,543	100%
<b>Wealth Distribution:</b>				
<b>To Employees:</b>				
Salaries, benefits and other costs	12,689,533	24.2%	11,880,533	24%
<b>To Government:</b>				
Income tax, sales tax, excise & custom duty, WWF, WPPF	24,581,638	47.0%	22,423,014	45.3%
<b>To Society and Development Initiatives:</b>				
Donations and CSR Projects	61,800	0.1%	11,273	0.0%
*Dairy Development (Non-business returns)	126,933	0.2%	127,393	0.3%
<b>To Providers of Capital:</b>				
Dividend to Shareholders	7,936,180	15.2%	7,845,479	15.9%
Mark-up/ interest expenses on borrowed funds	2,805,015	5.4%	3,187,695	6.4%
<b>To Company:</b>				
Depreciation and amortisation	4,154,631	7.9%	4,013,156	8.1%
	52,355,730	100.0%	49,488,543	100.0%

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

# KEY FINANCIAL DATA

## Six Years at a Glance

(Rupees in million)	2020	2019	2018	2017	2016	2015
<b>Operating performance</b>						
- Sales	118,781	115,962	120,701	118,553	108,959	99,659
- Gross profit	34,765	33,349	38,814	41,094	36,349	30,799
- Operating profit	16,061	15,025	20,080	23,607	19,148	16,317
- Profit before tax	12,591	10,716	16,967	20,989	17,020	12,520
- Profit after tax	8,885	7,354	11,612	14,642	11,847	8,761
<b>Balance Sheet</b>						
- Net assets	4,190	3,256	4,020	4,634	8,812	12,638
- Reserves	3,737	2,802	3,567	4,181	8,359	12,184
- Operating fixed assets	28,680	30,333	30,363	28,735	28,046	29,996
- Net working capital	8,464	18,708	16,099	15,026	13,460	6,066
- Long term liabilities*	20,302	12,057	14,244	13,562	8,942	11,487
<b>Investor information for six years</b>						
- Gross profit ratio	29.3%	28.8%	32.2%	34.7%	33.4%	30.9%
- Operating profit ratio	13.5%	13.0%	16.6%	19.9%	17.6%	16.4%
- Profit before tax ratio	10.6%	9.2%	14.1%	17.7%	15.6%	12.6%
- Profit after tax ratio	7.5%	6.3%	9.6%	12.4%	10.9%	8.8%
- Inventory turnover ratio	4.8 : 1	4.3 : 1	4.7 : 1	5.8 : 1	7.0 : 1	7.2 : 1
- Total assets turnover ratio	1.9 : 1	1.8 : 1	1.9 : 1	2.2 : 1	2.2 : 1	2 : 1
- Price earning ratio	34.0	49.6	35.1	35.6	34.5	40.4
- Return on capital employed	88%	97%	129%	153%	122%	61%
- Market value per share	6,665	8,050	9,000	11,500	9,000	7,800
- Debt equity ratio	85 : 15	90 : 10	87 : 13	82 : 18	58 : 42	53 : 47
- Current ratio	0.7 : 1	0.6 : 1	0.7 : 1	0.6 : 1	0.6 : 1	0.7 : 1
- Interest cover ratio	5.5 : 1	4.4 : 1	10.1 : 1	20.2 : 1	18.7 : 1	9.5 : 1

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

# PATTERN OF SHAREHOLDING

As at December 31, 2020

No. of Shareholders	From	Shareholdings	To	Total Shares Held
610	1	to	100	18,738
207	101	to	500	53,043
84	501	to	1000	62,953
89	1001	to	5000	190,124
19	5001	to	10000	152,872
6	10001	to	15000	71,304
2	15001	to	20000	35,847
4	20001	to	25000	93,541
2	30001	to	35000	63,950
1	35001	to	40000	38,137
1	40001	to	45000	40,023
1	50001	to	55000	54,910
1	55001	to	60000	56,807
1	60001	to	65000	64,572
1	65001	to	70000	66,707
1	100001	to	105000	100,556
1	110001	to	115000	110,439
1	120001	to	125000	120,916
1	155001	to	160000	157,461
1	170001	to	175000	170,745
1	210001	to	215000	210,865
1	220001	to	225000	224,720
1	365001	to	370000	370,000
1	370001	to	375000	375,000
1	385001	to	390000	387,334
1	425001	to	430000	429,852
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	1195001	to	1200000	1,195,211
1	1290001	to	1295000	1,294,334
1	1330001	to	1335000	1,334,283
1	2995001	to	3700000	3,649,248
1	4415001	to	4420000	4,419,666
1	26775001	to	26780000	26,778,229
1,050				45,349,584

# CLASSIFICATION OF SHARES BY CATEGORIES

As at December 31, 2020

Categories Of Shareholders	Numbers	Shares Held	Percentage
Directors and their spouse(s) and minor children	8	1,859,270	4.10
Executives	6	794	0.00
Associated Companies, Undertakings and Related Parties	9	35,803,388	78.95
NIT and ICP	1	1,480	0.00
Banks Development Financial Institutions, Non-Banking			
Financial Institutions, Public Sector Companies & Corporations	5	505,789	1.12
Insurance Companies	7	18,946	0.04
Modarabas and Mutual Funds	5	105,103	0.23
Employee Pension/ Provident / Gratuity Funds	63	46,962	0.10
Charitable Trust	4	17,105	0.04
General Public			
a) Foreign Individuals	6	421	0.00
b) Foreign Companies	6	1,201,527	2.65
c) Local Individuals	905	5,778,598	12.74
Others	25	10,201	0.02
Totals	1,050	45,349,584	100.00

Share holders holding 5% or above	Shares Held	Percentage
NESTLÉ S. A.	26,778,229	59.05
IGI INVESTMENTS (PVT) LIMITED	4,419,666	9.75
PACKAGES LIMITED	3,649,248	8.05

# KEY SHAREHOLDING AND SHARES TRADED

As at December 31, 2020

Name of shareholder	Number of shares	Per %
<b>Associated Companies, Undertakings and Related Parties</b>		
NESTLÉ S. A.	26,778,229	59.05
IGI INVESTMENTS (PVT) LIMITED	4,419,666	9.75
PACKAGES LIMITED	3,649,248	8.05
GURMANI FOUNDATION	538,235	1.19
BABAR ALI FOUNDATION	170,745	0.38
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
	9	35,803,388
		78.95
<b>Directors and their spouse(s) and minor children</b>		
SYED BABAR ALI	1,195,211	2.64
SYED HYDER ALI	429,852	0.95
SYED YAWAR ALI	23,220	0.05
OSMAN KHALID WAHEED	60	0.00
DAVID ALEXANDER CARPENTER	1	0.00
RABIA SULTAN	1	0.00
"PERWIN BABAR ALI (W/o Syed Babar Ali)"	210,865	0.46
"SYEDA NIGHAT ALI (W/o Syed Yawar Ali)"	60	0.00
	8	1,859,270
		4.10
<b>Executives</b>		
	6	794
		0.00
<b>Modarabas and Mutual Funds</b>		
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	100,556	0.22
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	3,033	0.01
CDC - TRUSTEE AKD INDEX TRACKER FUND	554	0.00
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	720	0.00
CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	240	0.00
	5	105,103
		0.23
<b>Banks, Development Financial Institutions, Non-Banking Financial Institutions, Public Sector Companies &amp; Corporations</b>		
ZARAI TARAQIATI BANK LIMITED	430,551	0.95
MCB BANK LIMITED - TREASURY	64,572	0.14
EMPLOYEES OLD AGE BENEFITS INSTITUTION	10,560	0.02
NATIONAL BANK OF PAKISTAN	56	0.00
MAGNUS INVESTMENT ADVISORS LIMITED	50	0.00
	5	505,789
		1.12
<b>Share holders holding 5% or above</b>		
NESTLÉ S. A.	26,778,229	59.05
IGI INVESTMENTS (PVT) LIMITED	4,419,666	9.75
PACKAGES LIMITED	3,649,248	8.05

## Detail of Purchase / Sale of Shares by Directors, Company Secretary, Executives and Their Spouses, Minor Children During the Year 2020:

Mr. David A. Carpenter and Ms. Rabia Sultan, Independent Directors bought 1 qualification share each during the year 2020 which was declared to the Board in its subsequent Meeting.

# STATEMENT OF COMPLIANCE

## With the Listed Companies (Code of Corporate Governance) Regulations, 2019 for the Year Ended December 31, 2020

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

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

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

2. The composition of the Board is as follows:

#### Independent Directors:

- i. Mr. Osman Khalid Waheed
- ii. Mr. David A. Carpenter

#### Female Independent Director:

- iii. Ms. Rabia Sultan

#### Non-Executive Directors:

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

#### Executive Directors:

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

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

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 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 Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of the meeting of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and these Regulations;

9. The complete Board of the Company has attended Directors’ Training program.

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

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

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

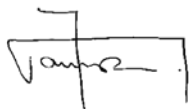
#### Board Audit Committee:

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

#### Human Resource and Remuneration Committee

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

- 13.** The 'Terms of Reference' of the aforesaid Committees have been formed, documented and advised to the Committee for compliance;
- 14.** The frequency of meetings of the Committee were as follows:
- i. Audit Committee: **04**
  - ii. HR and Remuneration Committee: **01**
- 15.** The Board has set up an effective Internal Audit Function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
- 16.** The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;
- 17.** The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard;
- 18.** We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
- 19.** Regulation 6 (1) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CoCG-2019), requires that "each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors". However, at the time of the last election of Directors i.e. July 17, 2019, the Company assessed its compliance with the applicable Listed Companies (Code of Corporate Governance) Regulations, 2017 (CoCG-2017) which was "the independent directors of each listed company shall not be less than two members or one third of the total members of the board, whichever is higher". The Company's total number of directors results in a fractional number (3.33) and the fraction had not been rounded up to one and therefore, the Board currently has 3 Independent Directors. The Company considers that existing composition of the Board of directors is in compliance with CoCG-2017 regulations which were applicable at the time of its election, and Company considers that the existing composition of the Board of Directors brings in the relevant experience and valuable contributions to the Board.



**Samer Chedid**

Chief Executive Officer



**Syed Yawar Ali**

Chairman

**Dated:** February 25, 2021

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nestlé Pakistan Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Nestlé Pakistan Limited ("the Company") for the year ended 31 December 2020 in accordance with the requirements of regulation 36 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. 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 2020.



### EY Ford Rhodes

Chartered Accountants  
Audit Engagement Partner: Abdullah Fahad Masood  
Lahore: 29 March, 2021

# BOARD OF DIRECTORS

## AS ON DECEMBER 31, 2020



**Syed Yawar Ali**

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



**Samer Chedid**

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



**Syed Babar Ali**

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



**Syed Hyder Ali**

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



**Syed Saiful Islam**

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



**Amr Rehan**

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



**Bernhard Stefan**

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



**Osman Khalid Waheed**

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



**David A. Carpenter**

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



**Rabia Sultan**

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

## Officers

**Samer Chedid**

Chief Executive Officer

**Syed Saiful Islam**

Chief Financial officer

**Ali Sadozai**

Company Secretary

**Syed Awais Haider Naqvi**

Head of Internal Audit

## Audit Committee

**Osman Khalid Waheed**

Chairman / Independent Director

**Syed Hyder Ali**

Member / Non-Executive Director

**Syed Babar Ali**

Member / Non-Executive Director

**Syed Awais Haider Naqvi**

Secretary / Head of Internal Audit

## Human Resource and Remuneration Committee

**Rabia Sultan**

Chairperson/ Independent Director

**Syed Hyder Ali**

Member / Non-Executive Director

**Samer Chedid**

Member / Executive Director

**Akmal Saeed**

Secretary / Head of Human Resources

# COMPANY 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, Pakistan.  
Plot No. HC-3 Block 4 Clifton  
Karachi, Pakistan.  
Phone: (021)-35291571-5

## Auditors

EY Ford Rhodes  
Chartered Accountants

## Share Registrar/ Transfer Agent

Central Depository Company Share  
Registrar Services Limited (CDCSRSL)  
CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi, Pakistan. - 74400  
Phone: 0800-23275  
PABX: (021) 111-111-500  
Fax: (021) 34326053  
Email: info@cdcsrsl.com  
Website: www.cdcsrsl.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
- Meezan Bank Limited
- Telenor Microfinance Bank Limited

## Factories

### SHEIKHUPURA

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

### KABIRWALA

10-km, Khanewal Road, Kabirwala,  
District Khanewal, Pakistan.  
Phone: (021) 38402086  
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, Pakistan.  
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, Pakistan.  
Phone: 061-6212902-3

### North Zone

#### ISLAMABAD

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

#### PESHAWAR

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

# NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given that the 43rd Annual General Meeting of Nestlé Pakistan Ltd; will be held at 12:00 pm on April 27, 2021 to transact the following business at Lahore. In wake of the outbreak of COVID-19 (Corona Virus Disease - 2019) shareholders are encouraged to attend the Meeting online as per the instructions given in Notes.**

## ORDINARY BUSINESS

- 1- To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2020 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. EY Ford Rhodes ("EY") being eligible have offered themselves for re-appointment.
- 3- To approve payment of Final Cash Dividend of Rs. 61 per share i.e.610% to those who are Shareholders as at the close of business on April 19, 2021, in addition to the 1330 % Interim Cash Dividend (i.e. Rs. 133 per share) already paid during the year 2020, as recommended by the Directors.

## Any Other Business

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

### BY ORDER OF THE BOARD



**Ali Sadozai**

Company Secretary

**Dated:** April 02, 2021

## NOTES

- i) Share Transfer Books of Nestlé Pakistan Limited ("Company") shall remain closed from April 20, 2021 to April 27, 2021 (both days inclusive) and no transfer will be registered during that time. Share transfer deeds received in order with the Share Registrar of the Company, i.e. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 at the close of business on April 19, 2021 will be treated in time for entitlement of payment of Final Cash Dividend.
- ii) A member entitled to attend and vote at the Annual General Meeting ("Meeting") is entitled to appoint another member as a proxy to attend and vote on his/ her behalf. In case of a corporate entity, being a member, may appoint as its proxy any of its official or any other person whether a member of the Company or not through Board Resolution/ Power of Attorney.
- iii) The instrument appointing a proxy duly stamped/ signed and witnessed, and must be received at the Registered Office of the Company at 308-Upper Mall, Lahore, not later than forty eight (48) hours before the Meeting.
- iv) Shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to e-mail copy CNIC along with their account number in CDS and participants ID number for verification. In case of appointment of proxy by such account holders, it must be accompanied with participants' ID number and Account/Sub-account number along with attested photocopies of CNIC or the Passport of the beneficial owner. Representatives of Corporate Members should e-mail the usual documents required for such purposes through the e-mail address communicated in Proxy Form through which they are appointed as Proxy of the respective Shareholder.
- v) Members should quote their Folio. / CDS Account number in all correspondence with the Company and at the time of attending the Annual General Meeting.

- vi) Shareholders are requested to notify the change of address, Zakat Declaration and Tax Exemption Status with its valid certificate, if any, immediately to our Share Registrar.
- vii) In case of joint holders, only one member whose name will appear as main title shareholder in our list of shareholders, will be allowed to attend the General Meeting.
- viii) There was no investment made by the Company in its Associated Companies/ undertaking during the year 2020, hence no update is required to be made as part of the Annual Report which is required under Regulations 4 and 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2019.

## SPECIAL NOTES TO THE SHAREHOLDERS:

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

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

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

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

The current withholding tax rates are as under:

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

To enable the Company to make tax deduction on the amount of Cash Dividend at the rate of 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of the Federal Board of Revenue ("FBR"), despite the fact that they are Filers, are advised to make sure that their names are entered into ATL before the date of issuance of Dividend Warrants, otherwise tax on their Cash Dividend will be deducted at the rate of 30%.

The Corporate Shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or Company's Share Registrar and Share Transfer Agent, CDCSRSL.

The shareholders while sending NTN 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 Shares Registrar; otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

For shareholders holding their shares jointly as per the clarification issued by the FBR, withholding tax will be determined separately on "Filer/ Non-Filer" status of Principal shareholder as well as Joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to the Company's Share Registrar and Share Transfer Agent in writing as follows:

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

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

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

**ELECTRONIC CREDIT MANDATE FORM:**

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

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

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

Shareholders of the Company are hereby informed that as per the record, there are some unclaimed/uncollected / unpaid dividends and shares. Shareholders who could not collect their dividends/shares are advised to contact Nestlé

Share Registrar, CDCSRSL to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 (2) of the Companies Act, 2017, after having completed the stipulated procedure, of three (3) years or more from the date due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to SECP.

**xiii) TRANSMISSION OF ANNUAL REPORT:**

The Audited Financial Statements of the Company for the year ended December 31, 2020 have been made available on the Company’s website (<https://www.nestle.pk/>) in addition to the Annual and Quarterly financial statements for the prior years.

**Further, Annual Report of the Company for the year ended December 31, 2020 has been e-mailed to the respective shareholders who have provided their valid e-mail IDs to the Share Registrar of the Company (CDCSRSL), and dispatched DVDs to those who have not updated their e-mail IDs yet.**

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

**xiv) CONVERSION OF PHYSICAL SHARES INTO CDC ACCOUNT:**

The Shareholders having physical shareholding are encouraged to place their physical shares into scripless form as defined in Section 72(2) of the Companies Act, 2017 i.e.; “Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act.”

The Shareholders having physical shareholding may open CDC Sub-account with any of the broker or investor account directly with CDC to place their physical share into scrip less form, this will facilitate them in many forms

including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

**xv) ONLINE PARTICIPATION IN AGM: ( AS PER secp circular physical attendance)**

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

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

In this regard, shareholders are required to update their valid e-mail addresses with the Share Registrar, CDCSRSL latest by April 12, 2021. A detailed procedure shall be communicated through e-mail directly to the shareholders who have provided their valid e-mail IDs and same shall

be placed at the Company's website (<https://www.nestle.pk/>) in investor relations section.

The shareholders' who have already updated their valid e-mail addresses with the Company or its Share Registrar (CDCSRSL) and are interested to attend AGM may send below information at [investor.relations@pk.nestle.com](mailto:investor.relations@pk.nestle.com) for the shareholders/ appointed proxy's verification from their duly registered valid e-mail address for the registration purposes latest by April 15, 2021 .

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

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





## ABOUT NESTLÉ PAKISTAN

### We are the Good food, Good life company.

Nestlé Pakistan is a 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. We are headquartered in Lahore, with four production facilities across the country. We started our operations in Pakistan in 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.

As we enter 2021, we will continue to make our operations more sustainable. We are working hard to achieve a waste-free future by ensuring that 100% of our packaging is recyclable or reusable by 2025. Similarly, we will halve our greenhouse gas emissions by 2030 and achieve net zero by 2050.

# MANAGEMENT COMMITTEE



## Standing – From Left to Right

<b>Akmal Saeed</b>	Head of Human Resources
<b>Joselito Avancena</b>	Business Executive Officer - Dairy
<b>Muhammad Ali Sadozai</b>	General Counsel & Company Secretary
<b>Amr Rehan</b>	Head of Technical
<b>Fuad Saqib Ghazanfar</b>	Business Executive Officer - Food, Coffee & CPW
<b>Khurram Zia</b>	Business Executive Officer - Waters Pakistan
<b>Ahmad Jamal Khan</b>	Business Executive Officer - Infant Nutrition
<b>Abdullah Jawaid Ahmad</b>	Business Executive Officer - Nestlé Professional



**Standing – From Left to Right**

<b>Syed Saiful Islam</b>	Head of Finance & Controls
<b>Babar Hussain Khan</b>	Head of Sales
<b>Samer Chedid</b>	Chief Executive Officer
<b>Faisal Akhtar Rana</b>	Head of Communication & Marketing Services
<b>Ali Akbar</b>	Head of Supply Chain
<b>Samra Maqbool</b>	Head of Strategy & Business Development
<b>Sheikh Waqar Ahmad</b>	Head of Corporate Affairs & Sustainability

# HUMAN RESOURCES



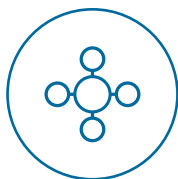
9

Universities were targeted for Campus Drives and Job Fairs



134

Internships were offered (mostly virtual due to Covid)



28

Apprentices were taken onboard



18

Management Trainees were inducted



39

Campus Ambassadors were onboarded

**2020 was a year of unprecedented change, where businesses around the globe struggled with the global pandemic and challenges of ensuring availability of quality products to our consumers. 2020 was also a year where people learned to learn, adapt and innovate ways of working to ensure that we deliver our purpose of “unlocking the power of food to enhance quality of life for everyone, today and for generations to come”**

In 2020, to build employees as ambassadors for Nestlé, transparency and effective communication played a key role in understanding our commitment to Nutrition, Health & Wellness. In response to the pandemic lockdowns and new working realities, the HR processes shifted to digital and virtual spaces, with greater focus on Talent Acquisition, Employee Engagement, Employee Health & Wellness and Learning & Capability Building.

We continued our focus on transforming our people processes as part of H2R transformation in order to provide better services to our employees and sustain an edge over competition. Key focus areas for 2020 included Connecting Desk-Free Employees to Technology, Leadership Development, Capability Building, Utilization of Online Learning platforms, Employee Relations and Occupational Health for building high performance teams to achieve organizational goals while diversity and commitment to compliance continued to remain at the heart of our agenda.

We continued working on giving learning and development opportunities to youth in the country in collaboration with universities/technical institutes.

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

Health Care promotion, prevention and cure really became the functional need in 2020. The focus shifted from providing primary / preventive healthcare to providing awareness regarding COVID-19, following SOPs, reducing exposure and implementing Health Strategies across all Nestlé sites. We redefined routine functioning in accordance with COVID-19 protocols while ensuring zero production loss.

We remained focused on Employee Relations through continuous virtual Employee Engagement sessions with the purpose of strengthening our relationship with the employees. Agreement with Union has been signed for 2020 and 2021 in an amicable way. Employee Opinion Survey “Nestlé & I” was successfully conducted in 2020 with 100% employee participation. Additional focus was given on improving the quality of Employee Services and Inclusion.

To create awareness of our CSV initiatives, virtual awareness sessions for “Creating Shared Value” were conducted, covering over 300 employees.

With COVID-19 on the horizon, virtual recognition campaign, “Thumbs Up”, was launched globally as well as locally to recognize the efforts of all front-line staff.

To engage, motivate and inspire young female professionals and equipping them with the skills and tools they need for successful and dynamic careers, we continued our “Karo Aitemaad” program, which helped us in equipping 21 females.

Nestlé Pakistan is committed to give fair employment chance to differently-abled people and help them in increasing their employability in the job market through our program

### “Hai Tum Pe Yakeen”.

A batch of 16 differently abled was hired on one-year contract, and 9 of them have already successfully moved to permanent or other contractual roles at Nestlé. Majority in rest of the differently abled batch is also under consideration for relevant permanent positions based on their performance. Two sessions of corporate onboarding program for new joiners “Spirit of Nestlé” were conducted virtually where exposure of entire value chain was given to new hires along with a virtual visit of Sheikhpura factory plant.

Performance Appraisal and Development process were effectively sustained for non-management staff. Special focus was given to employee careers whereby virtual career coaching sessions were conducted for employees, helping them foresee their future within the company. In this context.

Responding to the new ways of learning, digital and virtual learning and capability building tools were made available by global and local training teams. To equip our leaders to handle change, the virtual market run of Rive Reine training “Mobilizing People to Implement Change” was conducted, where 13 employees participated in the session. These programs are designed for capability building of employees by deploying tools and concepts in various situations enabling a positive impact on business leading up to total management training hours of 32,724. Due to the pandemic, a greater focus was placed on fostering the e-learning culture than ever before. Market Digital Learning calendar - “iLearn Byte-Sized Learning” was designed to share key e-learnings with employees. In 2020, our employees completed 35,703 e-learnings done on various topics in iLearn. In line with our CSV commitment, 100% employees completed “Human Rights in Nestlé” training. In addition to this, our 100% People Managers completed “Diversity and Inclusion”, “Sexual Harassment Prevention” and “Compliance: A Leadership Responsibility” e-learnings. “Global Connect & Learn” program was launched to connect employees with subject matter experts from around the globe for their capability development. 12 Masters and 15 Learners from Pakistan joined the global platform. To develop leaders, 10 coaches were certified on 360 Coaching Feedback who have coached 12 employees in understanding and benefiting from their 360 Feedback surveys.

For diversified development, functional trainings based on updated Functional Competence Frameworks were carried out under the Education and Training pillar. To continue the Capability Building of end-to-end Transformation flows, blended learning approach using e-Learning and Virtual Classroom sessions were conducted. The Performance Management system PDP improved the focus on having transparent conversation between line managers and employees, with constant coaching and mentoring support to help them achieve their goals. All the learnings from this year will be utilized to further strengthen the performance management system for 2021.

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







# SUPPLY CHAIN

Supply Chain is committed to driving business growth initiatives across the value chain with an innovative and sustainability mindset. We support our businesses by creating synergies and focused improvement across all areas ranging from responsible sourcing of raw materials to making our products available on the shelf at the right cost and at the right time. Our diverse team of resilient and agile individuals has powered through in 2020 and shown great efforts to ensure business continuity by mitigating risks.

In 2020, our topmost priority was the safety and wellbeing of our people, who ensure the continuity of our operations. We are immensely proud of our employees who were quick to adapt to the new ways of working such as virtual workplaces and continued supporting businesses in the execution of various strategic plans. A special acknowledgment must also go to the dedication of our front-line heroes working at the factories who have ensured uninterrupted supplies in spite of lockdowns and other external uncertainties.

We achieved great success in ensuring that we serve our customers' demands to the fullest. We dealt with the changing market realities with a customer-centric approach and achieved a Customer Order Fulfilment (COF) of 99.6% - highest in the Zone Asia, Oceania and Africa (AOA). We have also been able to maintain a 97.4% On-Shelf availability of our products despite the unpredictable market conditions in 2020.

Through robust planning and sourcing strategies, we aim to optimize our costs to help alleviate the cost implications amidst high inflationary rates, global commodity increases and currency devaluation. Our procurement team not only ensured timely supplies of responsibly sourced materials in the face of significant disruptions, but also realized over PKR 5 billion savings in various spends to sustain the profitability of our brands. These savings came on the back of simplifying our raw and packaging specifications, careful volume reallocation to suppliers based on supply risk and also using supplier driven innovation. At our distribution centres in factories, PKR 205 million reduction in total distribution cost was realized through various projects on lean and automated processing.

Keeping up with previous years, we are focusing on building our digital capabilities and leveraging the benefits of advanced analytics. Using Statistical Analysis System (SAS), we've improved our demand plan accuracy despite volatile market situations and are also enabling key business decisions such as pricing and marketing spend mix through advanced analytics. In Physical Logistics, we are leveraging our track and trace vehicle monitoring system to improve On-Time Delivery to our customers and reduce vehicle turnaround times. At our distribution centres, we have achieved a productivity increase of 32% by scaling up our initiatives on mechanization and digitalization of manual processes.

We're highly engaged to optimize operations and minimize our environmental footprint – including our commitment to make 100% of our packaging reusable or recyclable by 2025. Our procurement team is undertaking initiatives like the introduction of paper straws for MILO and NESVITA to ensure responsible and sustainable sourcing. In Physical Logistics, we have also collaborated with an external recycling company to process our factory waste into recycled pallets and approximately 12,500 recycled pallets have been inducted in 2020. Similarly, we are also manufacturing our new chilled dairy trays from 83% of our scrapped trays. By improving our vehicle capacity utilization, we've also decreased our carbon footprint by reducing 201 tons of CO2 and accomplished PKR 20 million savings.

We're also committed to promoting balanced work environment and diversity in our team. We have achieved a 38% improvement in our proportion of female workforce as compared to 2019. We have been working to break down societal stereotypes and, in an effort, have recruited female yard marshals and machine operators at our distribution centres to encourage gender equality in operations.

Our main priorities for the future continue to be the safety of our employees and driving business continuity and growth. With sustainability embedded in our future approach, we are fully geared up to sustain competitive edge in a constantly evolving environment.



# TECHNICAL

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

## Safety

### Respect for the employees and stakeholders

Our aim is to provide safe working environment to our employees. We have identified various safety gaps from highest to the lowest risk level and closed these gaps. We have excelled in machine safety by performing mode-specific assessments, which helped in the provision of safe work equipment and plant to the workers.

We have vigorously worked on the capability building of our people by nourishing the concept of "Safety is everyone's responsibility". The focused areas remained online as refreshers on all basic concepts of safety due to COVID-19. We have used different forums to create awareness among our employees on the key challenges from involving professional trainers to running self-assessments across the organization.

Implementation of live monitoring, refreshing route assessment and evaluation for 100% milk collection fleet has strengthened road safety in agri services and finished good transport, resulting in decrease in road accidents.

Beside the impact of COVID-19 in 2020 keeping the spirit of everyday audit readiness, has paved our way in achieving Multi Site International certifications like OHSAS 18001 for our factories, Head Office, Sales, Supply Chain and Agriculture Services while ISO 14001, Alliance for Water Stewardship for our factories and extending ISO 14001 to all offices across the Market.

We have bridged identified gaps on distribution sites while focusing on warehouse safety and compliance. Sustainability and improvement in road safety in sales, and caring leadership in safety, will be the top lines for next year.

## Quality

### Passion for the best consumer experience

Quality and Food Safety is the cornerstone of Nestlé's Corporate Business Principles. We are continuously striving to ensure high quality raw materials by actively

engaging farmers, raw and packaging material suppliers by sharing Best Practices. The 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 quality and food safety challenges.

During COVID-19, we continued our journey of capability building by using digital tools to provide training and coaching to not only our Nestlé Sales Staff but also to our distributors and suppliers. Physical assessment of our distribution partners and suppliers was not possible due to COVID-19 restrictions, but it didn't stop us from continuing our operations and we performed our key distribution assessments and suppliers' trainings by using digital platforms. We performed off site assessments of our new distribution partners, suppliers and quality in downstream and supported our business and supply chain teams.

We have taken all quality safety measures to deliver safe food to our consumers. Our factories were re-certified for FSSC 22000 and ISO 9001. Factory laboratories were accredited by Pakistan National Accreditation Council (PNAC) on ISO 17025. We are maintaining "Excellent rating" in Proficiency Testing for more than 15 years. Our factories are also HALAL certified. Factories and milk collection centres are regularly monitored and assessed by local Food Regulatory Authorities.

We believe in competency building of our quality professionals and continuously investing through training and coaching to enhance our competitive advantage.

## Environmental Sustainability

### Respect for future generation

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

In 2020, we invested our time and efforts in identifying opportunities for energy optimization across operations. We have successfully executed the most impactful projects and reduced 17% Green House Gas emissions from 2010 despite different challenges like decreased production volumes and product mix ratio. Energy is now efficiently used by 18% as compared to 2010.

### Water operational efficiency

Water withdrawal per ton of product is reduced by 29% as compared to 2010 across our manufacturing units. This water saving is based on initiatives taken under the governance of Alliance for Water Stewardship. Water saving of 428 million liters annually is expected from Agricultural Services and dairy development. The saving estimate is based on smart agricultural practices like drip irrigation, selection of crop type and R&D in orchards.

### Reduction of waste at source

As a contribution to our global commitment of tackling packaging waste, we have taken initiatives focusing on most preferable techniques of waste management i.e. reduction and recycling of our plastic waste. We have eliminated single use plastic from Nestlé Pakistan Head Office and promoted waste segregation at source by implementation of centralized waste bins on floors. Approximately 12,500 recycled pallets have been inducted in 2020. Adding to the recycling initiatives, 95000 sq. feet roof of finished product warehouses are covered with corrugated plastic tuff sheets in Sheikhpura Factory. We are extending these initiatives to our manufacturing units and other facilities as well. We also ensure that waste from our sites must be disposed off properly and none of the waste ends up in landfill.

### Acting on Climate Change by Planting Trees

Nestlé Pakistan has largely contributed to climate change and combatting air pollution by tree plantation across its sites, and surrounding communities. We have planted more than 530,000 trees till date out of which around 50,000 Trees were planted in 2020 following the COVID-19 precautionary measures.



## Plans for 2021

Focus areas for 2021 will be exploring opportunities for renewable energy sources, waste reduction at source, exploring more vendors for incineration with heat recovery for SKP, KBF & ISF, water and energy conservation as well as R&D for packaging optimization.

## Manufacturing Sheikhupura Factory

Sheikhupura factory has taken rigorous measures to ensure we continue to provide our consumers with nutritious products. Such timely interventions have given employees the assurance that they are working in a safe environment where leadership keeps employees' health as a top priority.

Even with the ongoing pandemic where teams are adapting to new ways of working, Sheikhupura Factory has delivered on its high potential by continuing its journey towards excellence and closed 2020 as one of the lowest unplanned stoppages and line losses, making manufacturing process more reliable and agile while optimizing costs.

Our commitment to quality has been the prime focus throughout the year. In 2020, our factory was re-certified for FSSC 22000, ISO 9001, PNAC on ISO 17025, "HALAL

Certification" by Islamic Food and Nutrition Council of America. Sheikhupura factory also achieved 100 % in Compliance Surveillance Plan (CSP 2020).

Leveraging our entrepreneurial mindset in 2020, Innovation & Renovation journey was kept at the forefront with the successful launch of MILO powder through in-house modification of existing filling lines. We also launched "CERELAC RECOVER" & "CERELAC NATURE'S SELECTION RANGE" and an entirely new range of LACTOGEN essential which was introduced for our consumers. There was a launch of a new Nestlé Pure Life bottle shape for retail SKUs and another launch of Active in 5 gallon bottle through locally managed modifications in the water treatment setup and optimizing the production cycles.

We continued to strengthen our community presence through consistent engagement with key stakeholders and on multiple initiatives throughout the year. Our drive on Diversity & Inclusivity continued through various initiatives in making the factory a preferred choice for female professionals and differently abled people, which has fostered a more inclusive culture at Sheikhupura Factory.

## Kabirwala Factory

During 2020, our drive revolved around assuring health & well-being of our people and ensuring availability of our products in the society amidst COVID-19. However, we did not let the pandemic impact our journey towards Manufacturing Excellence. The Factory closed the year with one of the highest Asset Intensity in operations, significant optimization of Total Delivered Cost, reduction in consumer complaints, executing multiple water and energy conservation initiatives, continuing focus on Diversity & Inclusion drive and aiming to achieve reliable manufacturing through workplace transformation, people transformation and breakthrough results on our production lines.

Building high maturity in Total Performance Maintenance (TPM) in Kabirwala Factory, the site continued its focus on training, coaching and assessment of TPM tools to ensure people and workplace transformation and ultimately resulting in more reliable lines to deliver best quality products with Optimum Cost.

The factory has been achieving excellent rating in Laboratory Proficiency Test over the last 22 years and has successfully passed all external 3rd party audits by Bureau Veritas, SGS and EY for multiple operational areas.

We continued driving entrepreneurial mindset in 2020 Innovation & Renovation journey by successful launch of NESTLÉ MILKPAK DAIRY BUTTER .

## Port Qasim Factory

Port Qasim team derives its strength from teamwork and synergy. Considering COVID-19, Port Qasim Factory reflected its agilities in an excellent manner to cope with the pandemic. It not only kept the operations running but delivered production volumes with improved factory controllable MSA.

Being brilliant at basics as well as using TPM methodologies, the team delivered significant reduction in consumer complaints and operational losses resulting in TDC savings.

The continuing journey of Environment Sustainability and Reduction in environmental footprints, the site also acquired Alliance for Water Stewardship certification, as well as entitled as “zero waste to landfill” using reduce, re-use and recycling approach for solid waste disposal.

Workplace safety also remained one of the key focused area. Cross-functional collaboration and safety mindset enabled team to achieve safe operations with zero recordable incidents. Leadership at shop floor and trainings has enabled team with improved functional competencies making them autonomous to contribute better in reduction of operational losses and to identify opportunities for delivering even better in all dimensions of manufacturing excellence in 2021.

## Islamabad Factory

Nestlé Islamabad Factory moved on diligently with its Manufacturing Excellence Journey in the year 2020, adopted a holistic approach towards achieving operational efficiency, quality, safety and contributing positively towards environmental sustainability.

Leveraging NCE advanced practices in 2020, the factory has delivered improved results in all dimensions of Manufacturing Excellence. The factory has also been successful in sustaining the lowest Unplanned Stoppages in HOD lines of Nestlé Waters Pakistan Market with a 29% reduction in material losses and a 10% improvement in labour productivity.

The factory has successfully sustained its excellent rating in Laboratory Proficiency Testing, and has successfully cleared all the third-party audits including FSSC 2200 and the “HALAL Certification” by Islamic Food and Nutrition Council of America thus maintaining the trust of our consumers. Keeping prime focus on quality, consumer complaints reduced significantly through various defect reduction projects over the year.

As a part of “developing the quality culture on the shop floor”, we conducted extensive trainings on food safety, foreign body & hygiene and ensured maximum participation of team in a virtually held PRP (Pre-requisite Program) workshop.

Nestlé Islamabad Factory successfully completed AWS surveillance audit. The rainwater Harvesting project kicked off at FDE Girls School in Bhara Kahu, Islamabad.

The factory kept focus on functional capability building of team and developed significant numbers of new trainers and coaches at the site.



# AGRICULTURE SERVICES

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

As part of Nestlé's continuous effort to enhance farms profitability and quality of raw milk, fruits and cereals, Nestlé Agriculture Services has come out with various initiatives in 2020. It includes continuation of assistance by providing technical guidance in dairy farm mechanization and plantation of high-density fruit orchards. These high-density orchards significantly improved fruit yield while reducing cost of production.

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

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 is contributing to agriculture economy by developing dairy and agriculture input suppliers. These suppliers are linked with farmers to fulfill their farming needs.

Nestlé together with its partners has developed a low-cost soil moisture sensor which helps farmers decide when to irrigate their crops. Our initial field studies have shown considerable water saving in irrigation with yield improvement and now in a phase to scale up this initiative.

We are proud to support our farmers by uninterrupted milk collection operation during uncertain time of COVID-19. Our staff, suppliers and milk tanker driver's safety was ensured by taking all precautionary measures during milk sourcing activities. Social distancing, provision of masks and hand washing were ensured at each workstation in field. We also continued technical assistance that farmers required during these tough times. By accepting new ways of working, we continued our training programs for the farmer and staff through online training courses.

Knowing the contribution of rural women in the well-being of the family and communities, Nestlé Pakistan has been extending support to the lives of women associated with the rural dairy sector in Pakistan. In the developing world, including access to financial resources, knowledge and training, Nestlé Pakistan is committed to social and economic equity for the dairy farming community, with a focus on empowering women in rural areas as we believe diversity in our business and throughout our supply chain.

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

# SALES

2020 was a very challenging year with COVID-19 outbreak disrupting most of the businesses and life as we know. Lockdowns throughout the entire country impacted route to market and daily distribution operations. However, the sales team was resilient and came up with multiple solutions to counter the situation and to ensure Nestlé's products available to our customers without any inconvenience or delay. To ensure business continuity, team safety, availability and distribution of Nestlé products at all channels utilizing technology and innovative thinking, Nestlé sales team took several initiatives.

Introduction of revised routing by respective zonal field sales teams and second shifts were introduced to optimize delivery to the trade. Also, implementation of Community Wholesaler Model was introduced to serve cordoned off areas in different parts of the regions/zones. Moreover, the launch of Micro-Distributor model was done to ensure spot sales of core SKUs at smaller channels. Tele-sales solutions were also introduced across different distributions, where order bookers could not visit a shop due to disruptions as this method ensured incessant delivery in retail.

To further strengthen the delivery of Nestlé products, the sales team initiated B2C home delivery solution in collaboration with consumer communication team, by taking orders at NAATA helpline for delivery at doorstep of customers in Lahore. Utilization of technology was also very critical during this time, where proactive collaboration with emerging tech startups was done by Nestlé Sales Team, in order to ensure smooth delivery of products to our retailers during COVID-19 lockdown where order bookers couldn't physically visit the shops.

The sales team continued to leverage the "Rural Deep Reach" in order to ensure the reach of Nestlé products to its consumers. The program recorded sales of PKR 1 billion in 2020. Moreover, door to door sampling and selling was conducted throughout villages of Punjab which increased the product awareness along with maximum number of consumer interactions under the scope of rural development.

Upgradation of Sales & Distribution Management System was also one of the key highlights for 2020 where new cloud-based system was deployed at various distribution sites across Pakistan to accelerate Retail Evolution by ensuring Visibility, Centralized Control, Data Integrity and Operational Efficiency. With complete deployment towards the end of June 2021, sales and distribution teams can reap benefits with respect to Salesforce Effectiveness, Robust Promo & Claims Management, On Demand Analytics, etc.

## Winning with shoppers – Commercial Development Team

Commercial Development Team (CDT) drives the commercial function in achieving business objectives by playing an instrumental role in translating channel, category and shopper insights into customized trade plans to enhance shopper experience and help grow our categories in respective channels.

Despite external challenges posed by COVID-19 on trade activations, CDT stood strong with meticulous focus on creating clutter breaking visibility for Nestlé Pakistan in trade. Innovative in-store displays of our portfolio were created to leverage high consumption events like Ramadan, Eid-ul-Fitr, Eid-ul-Azha & other national festivals like Independence Day. Best in class execution of consumer promotions and new launches were carried out at modern trade channels to engage with shoppers and improve purchase consideration at trade level. The pharmacy channel was exempt from Government's SOPs on reduced operating hours of sales channels, hence we took advantage of shopper relevance of this channel and expanded our Food & Beverage portfolio to ensure that no stone was left unturned when it came to making our Nutrition, Health & Wellness portfolio available for our consumers and shoppers.

The journey of Custom-made corporate "Choose Quality Choose Nestlé" themed hangers' deployment at the marketplace continued in 2020. This initiative further strengthened our PPP portfolio in terms of visibility and best possible utilization of airspace of critical traditional trade channels.

Last but not the least, CDT is pleased to share that Pakistan is one of the pilot markets for CCSD to CDT transformation globally. Through this transformation, Nestlé Pakistan is embarked on journey to further excel in Trade Marketing Standards and further build on our market shares via shopper-centric approach.

## Delighting shoppers through execution excellence – Key Accounts Team

2020 was a unique year with businesses and operations being hampered across the country due to the COVID-19 pandemic. For Modern Trade customers, it reflected in truncated operating hours, limited numbers of shoppers inside the store at one time and stores being sealed due to violations of COVID-19 SOPs. The customers tried to compensate for



the loss of business with aggressive expansion and promotion plans in the second half of the year. 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 2020 including Ramadan promotions, Ramadan & COVID relief hampers, Dairy, 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.

2020 also witnessed a change of shopper preference from physical stores to online for their daily needs accelerated by the onset of COVID-19. The eCommerce team was at the forefront of this and ensured best in class availability at various eCommerce players coupled with improved e-content and promotions to drive conversion to online sales.

The relationship with modern trade partners and improving collaboration with them has been a consistent theme throughout 2020. 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 2020.

# CONSUMER COMMUNICATION & MARKETING SERVICES



**Consumer Communication works dedicatedly with the marketing teams in driving consistent and world class consumer and shopper experiences that contribute to building a competitive advantage for our brands while driving sustainable profitable growth. We help our brands deliver strongly on our purpose of unlocking the power of food to enhance quality of life for everyone, today and for generations to come.**

Through our functional streams, we help bring consumers at the heart of everything that we do, to help deliver delightful consumer experiences. We strive to provide functional leadership and support marketing teams to delight our consumers and build brand love.

## Driving Human Centricity in the New Normal

### Consumer & Marketplace Insights

The COVID-19 pandemic has fundamentally changed the world. People are living differently, buying differently and in many ways, thinking differently. Consumer & Marketplace Insight (CMI) team has helped the brands stay ahead through insights, trends and thought starters to help businesses understand what is top of mind for consumers and foresight into how things are likely to shape in the new normal.

CMI continued to be strategically involved in the innovation projects helping businesses develop and fine tune concepts based on locally rooted insights. Beyond just the consumer understanding, we also embarked on a Retail Deep Dive Journey and helped transform the retail data into actionable insights where we were able to identify regional and channel whitespaces for our Juices, Nutrition, and Dairy businesses.

As we continue to adapt to a very dynamic world around us, the CMI function evolved and adapted internally to new digital ways of working by exploring digital/DIY solutions to help small brands leverage quick, cost effective and more robust ways of reaching the consumer as well as unearthing answers to changing consumer behavior questions swiftly. Online focus groups and consumer connects, social listening and digital quantitative researches are the new CMI normal.

Moving forward, we are adapting to a new vision for CMI, which is open to experimentation with new tools and data, but the major part of the change will be driven through the people as we continue to build CMI competencies to adapt from traditional to digital ways of working.

## Creating Engaging Brand Experiences

### Media, Digital & Activations

2020 has been a challenging year across many fronts and the media landscape saw significant shifts. With TV viewership experiencing volatility and consumers shifting to digital, we took this challenge as an opportunity to define the new normal for 2020 and beyond. This helped us quickly turn around, ramp up investments in digital media and start creating brand experiences that consumers find relevant in a COVID world. On television, we were able to identify new ways to partner with media channels improving both efficiency and quality of our media buys. On Out of Home media, we were able to identify strong partner agencies, streamline a new planning process and drive strong efficiencies.

Similarly, our partnerships with Facebook and Google strengthened with several initiatives. We increased digital trainings for our marketing teams, improvement in Best Practice adoption and even creative development support by international specialists. 2020 had been a landmark year for digital acceleration as we hit the high spends on digital in our marketing mix, introduced new technologies to support our marketing efforts and actively invested in data to drive growth for our brands.

Looking forward to 2021, we aim to continue to convert challenges into opportunities, innovate, invest in data and create engaging brand experiences to help our brands grow.

## Consumer Activation

Consumer Activation creates valuable experiences for the consumer by delivering effective and engaging experiences helping brands in achieving trial and conversion on every experience we create. We help brands in creating experiences aligned with the brand vision and reaching out to maximum consumers.

Consumer Activation is our key platform to interact with our consumers, where we connect with them, give them the experience through product trials and get the feedback instantly. This gives the opportunity to brands to stay on top of the minds by creating the best experiences for them around our brands.

## Connecting with Our Consumers

### Consumer Engagement Services

The Consumer Engagement Team remains pivotal in building trust in Nestlé and its products through our 24/7 toll free Nestlé NAATA hotline, creating an engaging experience for our consumers across social media platforms. It is strengthening our relationship with the consumers through WhatsApp in order to deliver personalized consumer experiences. The services continued to delight all consumers contacting us through any medium and addressing their queries amicably. Each contact is an opportunity to not only collect consumer insight but also to delight the consumer and create brand loyalty, drive trust and advocacy. The unit handles thousands of consumer contacts every year.

## Creating Expertise in Brand Building

### Marketing Excellence

Brand Building the Nestlé Way (BBNW) is our proprietary approach for helping us achieve great brand building results. We support improving the way Commercial Teams work by adapting, introducing and enhancing systems and tools so that they remain more agile, innovative and efficient in an ever-changing business environment. The offerings are even strengthened by robustly following the Education & Training (E&T) model for commercial teams, with many capability building interventions with internal and international trainers. It adds directly by contributing to competence development for all our marketing community. Marketing Competency Framework helps in identifying and planning to acquire the necessary function-specific knowledge, skills, and behaviors to help delight consumers, enhance lives, and build great brands.

# NUTRITION, HEALTH AND WELLNESS

**We are working to make our portfolio even healthier and tastier, to inspire consumers to lead healthier lives and develop a shared understanding of the connection between nutrition and health.**

At Nestlé, we want to create tastier and healthier food choices that nourish, delight the senses, respect the planet and protect resources for future generations; products that are right for consumers and right for the planet make good business sense.

Providing transparent and meaningful information to our consumers for making informed dietary and lifestyle choices is a key priority for us, along with encouraging an active lifestyle coupled with a strong commitment to address micronutrient deficiencies with relevant product fortifications. Our belief and purpose reflect our ambition to help parents raise healthier kids. This year there has been extensive Nutrition, Health and Wellness showcasing by creating awareness on how to build strong immunity, contributing to improved quality of life, promoting a healthy lifestyle and indoor activities in order to stay active and fit.

The Nutritional Compass on all our packs provides transparent information to our consumers. Moreover, Nestlé has also voluntarily implemented Guideline Daily Amount (GDA) on our packaging, in order to provide the consumers information on the percentage of daily calories and other important nutrients, when they consume our products.

Nestlé's strong NHW footprint has been further strengthened by providing our consumers with healthy recipes; immunity related information and additional health benefits. We also held competence building workshops across all brands to solidify Nestlé's vision of offering tasty and healthier food products to our valued consumers.

Good Food, Good Life®

**Find out more**

If a portion is 1 glass (250ml)			
Nutrition Information	Average Per 100ml	Average Per Portion	% GDA*
Energy	62kcal	155kcal	8%
Milk Fats	3.5g	8.8g	13%
of which saturates	2.2g	5.5g	28%
Carbohydrates	4.8g	12g	5%
of which sugars	4.8g	12g	13%
Fiber	Traces	Traces	<1%
Protein	2.9g	7.3g	15%
Sodium	0.09g	0.23g	9%
<b>%NRV**</b>			
Calcium	100mg	250mg	25%
Vitamin A	177.6 IU	444 IU	17%
Vitamin D	13.6 IU	34 IU	17%

\* Guideline Daily Amounts of an average adult (2000 kcal). Pack contains 4 portions.  
\*\* NRV: Nutrient Reference Values. Codex Alimentarius

**Good to know**

NESTLÉ MILKPAK is fortified with Vitamin 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**

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www.nestle.pk

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# FINANCE & CONTROL AND INFORMATION TECHNOLOGY

**The mission of Finance and Control (F&C) team at Nestlé is to drive sound business decision making in order to optimize profitable growth, free cash flow and increase shareholder returns. In view of the unprecedented pandemic situation in 2020, the F&C team stepped up its efforts to leverage technology to lead business co-piloting efficiently and effectively to eliminate the waste and identify cost saving opportunities across value chain to support growth and profitability improvement.**

Our key success contributor entails:

- Strong culture of compliance with robust governance and risk management
- Continuous improvement in Business Planning process
- Alignment within businesses and F&C functional strategies
- Highly professional and motivated teams recognized as trusted business partners
- Leveraging technology in supporting timely and efficient decision making

## Governance and Risk Management

Driving stewardship in compliance and internal controls has always been our top priority to protect Nestlé values and ensure compliance with internal as well as external guidelines. We continued to improve our enterprise risk management process which helped to strengthen governance at all levels. The segregation of duties and roles is fully embedded within the system to avoid any potential conflict of interest and financial loss.

In 2020, we completed a thorough end-to-end (E2E) internal control assessment of all high-risk processes with an objective to ensure that all possible controls are in place and working effectively.

## Developing Team Capability

Enhancing people development and capability building was another area of key focus in 2020. In line with the F&C functional competency matrix, a competency assessment was conducted to identify areas of improvement, followed

by planning and execution of development actions. We developed financial experts with strong co-piloting abilities across organization to meet expectations of stakeholders in a volatile and uncertain business environment. We focused on driving a diverse finance organization by promoting a culture of inclusivity and gender balance across F&C function in line with the key priority of the organization and special efforts were made in this regard.

In addition, Finance Learning Academy was launched as a global initiative which was highly leveraged by the Finance team with over 1100 e-learnings to strengthen functional and leadership competency.

## Information Technology

The COVID-19 global pandemic has disrupted business operations around the world, abruptly sending employees home to work. Never before have we experienced change at this scale and pace. This unprecedented change required a shift in processes, skillsets and attitudes of Information Technology (IT) Team to enable users to manage operations without any disruption.

IT played an important role by providing the infrastructure and tools that connect home-based users to their business solutions. IT not only enabled home-based employees to efficiently complete their work tasks but also enabled them to communicate with colleagues, vendors and customers more effectively.

The "ISO/IEC 27001 Information Security Management System" certification was reconfirmed during the year that gives confidence to our employees, vendors, customers and consumers on managing data privacy, overall security and compliance of business applications and infrastructure.

# HOUSE OF NESTLÉ MILKPAK



## NESTLÉ MILKPAK

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

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

## NESTLÉ MILKPAK CREAM

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

## NESTLÉ MILKPAK BREAKFAST CREAM

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

## NESTLÉ MILKPAK WHIPPING CREAM

As Pakistan's first dairy whipping cream in retail, NESTLÉ MILKPAK WHIPPING CREAM is the perfect solution for decorating and layering your desserts. It gives the perfect texture to create flawless swirls .

## NESTLÉ MILKPAK YOGURT

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

## NESTLÉ MILKPAK BUTTER

Churned from natural milk, NESTLÉ MILKPAK DAIRY BUTTER aims to make your breakfast special with its smooth texture and spread ability along with rich and creamy taste. It is available in both salted and unsalted flavors to complement all your cooking and baking creations.

# NESTLÉ DAIRY CULINARY SOLUTIONS & CHILLED DAIRY



## NESTLÉ ORIGINAL SWEET 'n' TASTY YOGURT

NESTLÉ ORIGINAL SWEET 'n' TASTY YOGURT - your daily dose of delight; making your everyday experiences more exciting through its irresistible rich creamy taste of pure dairy goodness. Packed by Nestlé, it guarantees consistent delicious taste, nutritional goodness 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 ORIGINAL SWEET 'n' TASTY YOGURT is your partner.

## NESTLÉ PODINA & ZEERA RAITA

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

## NESTLÉ FRUIT YOGURT

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

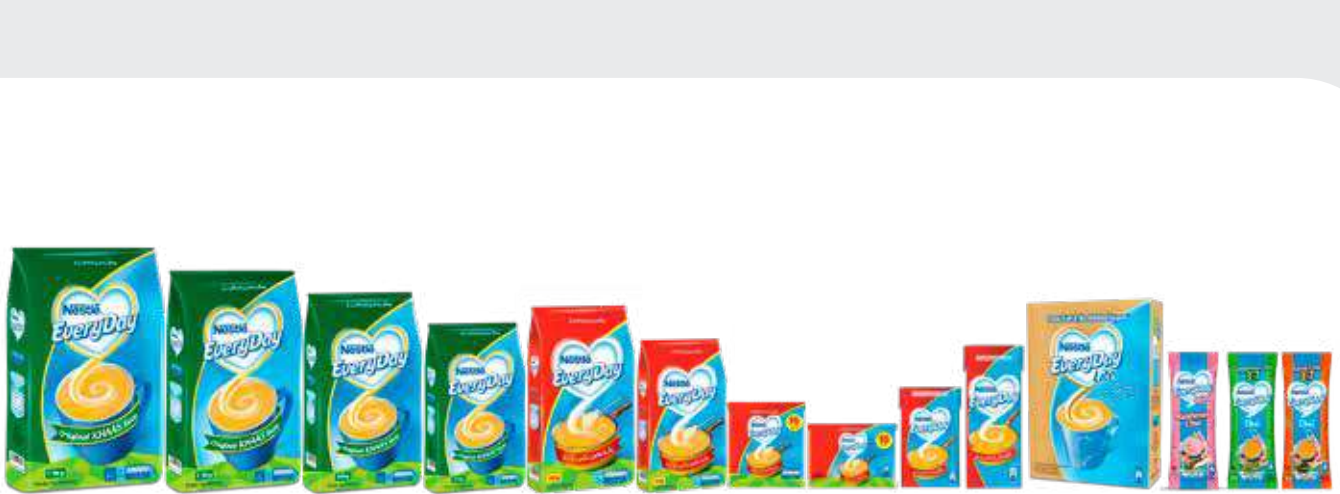


## NESTLÉ NESVITA

Pakistani women are resilient, passionate and an important pillar of every household. Whether at home or beyond the four walls of the house, these women exhibit strength and character daily. NESTLÉ NESVITA is a high calcium low milk that believes that women can truly reach the height of their potential when they combine their emotional strength with their physical strength by adopting a proactive and healthy lifestyle with MOVE+. MOVE+ is a perfect mix of nutrients including milk Protein, Calcium, Vitamin D, Vitamin C and other essential micronutrients with less than 1% fat. It stands for strong bones, strong muscles and strong joints to make sure women have the strength to keep moving forward in life.

To help protect our planet and environment, NESTLÉ NESVITA made the monumental shift of switching to 100% recyclable paper straws from plastic straws for its 200ml packs.

# TEA CREAMING



## NESTLÉ EVERYDAY

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

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

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

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

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

With the launch of our Instant Tea Mix range, we have now also entered the tea specialty category that allows you to indulge in special flavored teas. The mixes are available in two delicious flavors; the soothing Cardamom flavor and the refreshing Karak flavor which gives you an instant kick.

# DAIRY NUTRITION SOLUTIONS



## NESTLÉ NIDO FORTIGROW

NIDO FORTIGROW believes in the purpose of supporting every mother's love to nurture a healthy future for her child. A mother goes an extra mile to ensure her child's growth

and development for a happy and successful life. Backed by Nestlé's global experience of 150 years in child nutrition, Nestlé has developed NESTLÉ NIDO FORTIGROW; a specialized formula to meet specific needs of school-going children between 5-12 years of age. Special combination of macro and micronutrients in NESTLÉ NIDO FORTIGROW helps maintain the immunity of school going children as well as supports their learning and growth.

In 2020, we also launched NIDO full cream milk powder, which is high in protein and calcium and has the delicious goodness of dairy.



## NESTLÉ MILO

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

NESTLÉ MILO believes that sports is a great teacher and has qualities that build children of substance and shape the person, they will be in future. There is an intrinsic linkage between the life values learned from sports and successful, happy and well-balanced children, & MILO's nutrition and energy – gives benefit of "Energy to go further".

To help protect our planet and environment, NESTLÉ MILO made the monumental shift of switching to 100% recyclable paper straws from plastic straws for its 180ml packs.



## NESTLÉ BUNYAD

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

# NESTLÉ BEVERAGES



## NESTLÉ FRUITA VITALS

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

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



## NESTLÉ NESFRUTA

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

# NESCAFÉ

Satisfy your love of great experiences and delicious coffee, and discover a world of quality coffee moments in the comfort of your own home with NESCAFÉ. Whether you like yours simply black or creamy rich, piping hot or ice cold, there's a NESCAFÉ coffee to suit whatever mood you're in.



## NESCAFÉ ORIGINAL

Perfectly roasted for your morning moment. Whatever the day ahead has in store, NESCAFÉ Original gives a perfect start to every morning. To make our signature NESCAFÉ instant coffee, carefully selected coffee beans are expertly roasted. The perfect coffee flavour is extracted and locked in every granule. So, no matter what you have planned, grab a mug and begin your day with the delicious taste of NESCAFÉ.

## NESCAFÉ CHILLED RTD

Perfectly blended to be your afternoon pick-me-up. Sip and take a moment to reboot, or share it with your friends on hot afternoons. This range of delicious cold coffees come in a convenient ready to drink (RTD) format.



## NESCAFÉ GOLD

Crafted with care for the moments that matter. NESCAFÉ GOLD coffee is carefully crafted for great taste. With a range of flavours to choose from, there's something to suit everyone. So, sit back, relax and savour a quality coffee moment with someone special.

# NESTLÉ WATERS



## CHAMPIONING WATER FOR HEALTHIER GENERATIONS

NESTLÉ PURE LIFE was born in Pakistan and today we stand as one of the leading trusted brands for healthy hydration amongst millions of families and households worldwide. We continue to champion pure water for healthier generations and set the benchmark for the bottled water industry in Pakistan.

We continue our water stewardship agenda with drip irrigation efforts through which we are helping farmers save water by introducing modern drip irrigation techniques. Our bottled water packaging is 100% recyclable. With the new modern bottle design, we are ensuring that our consumers experience the same premium quality of water for daily hydration with environmentally friendly packaging.

## GOING THE DISTANCE AMIDST A GLOBAL PANDEMIC

In 2020, we observed a paradigm shift towards healthier choices amidst the global pandemic. The brand steadfastly played its part in ensuring our customers stayed healthy, hydrated and safe with our quality products, services and operations. During the lockdown, we delivered water to health care workers in quarantine centers across the country to ensure that our frontline heroes were adequately hydrated.

Despite the challenges, we ended the year confidently and looking ahead at the new year with a renewed ambition.

Healthy hydration contributes to the well-being of our body and the functioning of our vital organs. Drinking water enhances body performance and helps us stay hydrated in our daily life routine.

NESTLÉ PURE LIFE takes ownership in driving the healthy hydration agenda for the category and its consumers through new innovations and launches. The brand does this through different pack-sizes for different occasions, informative kids range packaging and functional innovations like NESTLÉ PURE LIFE ACTIVE, pH8 alkaline water with electrolytes. With keen consumer interest towards our functional range, we have also introduced NESTLÉ PURE LIFE ACTIVE in a convenient 18.9 liter format for home consumption.



# NESTLÉ BREAKFAST CEREALS

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



## NESTLÉ KOKO KRUNCH

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

## NESTLÉ MILO CEREAL

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



## NESTLÉ CORN FLAKES

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

# NUTRITION



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

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

Introduced in Pakistan, positioned as the “First step to solid food”, after 6 months of age it has over time, come to be perceived as the trusted partner of the Pakistani mother. With the passage of time, the brand has garnered trust and established brand love amongst mothers. The brand has found strength in communicating the functional relevance in babies’ lives driven through the importance of fortified cereals in supporting physical and cognitive development.

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

In 2020, to ensure we remain relevant to the evolving needs of millennial mothers, we launched our breakthrough innovation of NESTLÉ CERELAC Nature’s Selection, a new range that



brings nutritious grains like oats and quinoa to the NESTLÉ CERELAC portfolio along with exotic fruits like pomegranate & dates, for the first time. Additionally, in order to address the nutrition challenge during diarrhea, we launched the first specialty cereal in the NESTLÉ CERELAC World, namely NESTLÉ CERELAC Recover, which has been especially designed for the nutrition management of babies during diarrhea. These new introductions, along with our parent range trusted for generations, help to keep the NESTLÉ CERELAC brand true to its purpose of “Together, passionately nourishing babies to blossom”.





“The growing-up formulae, NESTLÉ NIDO 1+ and NESTLÉ NIDO 3+, offer the advantage of the protection for children between 1-5 years of age. The TRIPLE PROTECTION FORMULAE consists of a combination of pre-biotic, pro-biotic strain & essential nutrients that support the healthy development of your child’s gut, immune and respiratory defenses.

The objective of the NESTLÉ NIDO brand is to nurture a mother’s love by giving extra protection, so her toddler can embark on a beautiful journey of self-discovery.”



## NESTLÉ NANGROW-Nourishing Together Every Possible in Your Child

The NESTLÉ NANGROW story is one of pioneering innovations backed by over 150 years of NESTLÉ’s expertise in child nutrition.

Possibilities are physical and intellectual capabilities and skills a child has in himself. Beyond possibilities, EVERY POSSIBLE captures the world of opportunities a child will have to become the best he can be at every stage.

NESTLÉ NANGROW contains Optipro, a proprietary optimized protein created through cutting edge technology that helps with healthy weight gain, growth as well as muscle and brain development of toddlers. NESTLÉ NANGROW also contains HMO that helps young children by supporting their local as well as systemic immunity.

The NESTLÉ NANGROW nutrition team works tirelessly to provide healthcare professionals with the latest scientific research, which assists them in providing quality nutritional solutions to children in the absence of breastfeeding.

In 2020, NESTLÉ NANGROW achieved excellence and growth and looks forward to continuing into 2021 with the same zeal supported by our medical and consumer engagement plans.



## NESTLÉ LACTOGROW- Grow Happy!

There is no greater joy than seeing a child grow up happy and healthy; which is why we believe in nurturing happiness that shows everyday!

NESTLÉ LACTOGROW has continued this purposeful journey of helping every child to grow happy with its impressive campaign “Tummy muskuraye to Mummy muskuraye” (in the absence of breast feeding).

NESTLÉ LACTOGROW is now totally sucrose free and contains Comfortis Grow: a combination of gut-comfort-providing ingredients including probiotics that promote easy digestion and helps reduce constipation to nurture a healthy and happy tummy. Our benefit focuses on Gut Protection, Digestion and Gut Comfort for the little ones to help them Grow Happy!

To further strengthen the growing up formula portfolio, NESTLÉ LACTOGROW Recover - a low lactose formula from 1 year onwards was launched, that supports dietary management and helps in the recovery from acute diarrhea (to be used on doctors advice).

NESTLÉ LACTOGROW continues to make its space in the hearts and minds of our consumers and we look forward to maintaining the same momentum in 2021.

Let’s keep making more tummies happy!

# NESTLÉ PROFESSIONAL



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

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

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

The Product Portfolio is divided into two Categories:

## BRANDED FOOD:

### 1. Dessert Solutions

With our dairy and non-dairy creams and our professional desserts range, Nestlé Professional ensures its place at the center of the desserts plate in Pakistan.

### 2. Meal Compliments & Chilled Dairy

Nestlé Professional also offers chilled dairy solutions including Bulk Butter, unsweetened MILKPAK Yogurt which are tailor made for Out-of-Home customers.

## BRANDED BEVERAGES:

### 1. Hot Beverage Solutions

A range of hot beverages that add the perfect touch to all menus, with a variety of delicious options. All restaurants get to serve a complete range of hot drinks, be it a temptingly hot NESCAFÉ Cappuccino, a creamy mug of NESCAFÉ Latte, a richly intense taste of NESCAFÉ Espresso, or a strongly aromatic NESCAFÉ Long Black. The hot drinks range also comprises of teas including NESTEA Karak Chai, NESTEA Cardamom Chai & NESTEA Kashmiri Chai along with NESTLÉ Hot Chocolate are some of the most sought-after hot drinks!

The list does not end there! NESTLÉ Roast and Ground Coffee beans give a distinctive flavor and aroma to every cup, providing baristas with a perfect blend to create a masterpiece, available in variants like NESCAFÉ AROMATICO (100% Arabica beans) & NESCAFÉ EXCELLENTE (a blend of Arabica and Robusta beans) to cater to different taste preferences.

### 2. Cold Beverage Solutions

Achieve a fresh touch on your menus as Nestlé brings forth its range of iced beverages with a fruity twist: Mango Ice, Lemon Ice, Orange Ice & Nestea Peach that become one of the highest in demand drink in restaurants.

## OUT OF HOME CHANNELS:

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

# FINANCIAL STATEMENTS

For the year ended December 31, 2020

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF NESTLÉ PAKISTAN LIMITED

### Report on the Audit of the Financial Statements as at 31 December 2020

#### 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 2020, 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 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Initial Engagement - Opening Balances</b></p> <p>In the year of audit transition, we have to involve a number of considerations not associated with recurring audits. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include, amongst others, gaining an initial understanding of the business of the Company including its control environment, obtaining sufficient appropriate audit evidence regarding the opening balances and accounting policies adopted, assessing the risk of material misstatement in opening balances, if any, and the impact on the audit strategy for the year being audited and communicating with the previous auditors.</p> <p>Since a number of amounts recorded in the statement of financial position as at 31 December 2020 take</p>	<p>Our procedures in relation to auditing opening balances included:</p> <p>We conducted meetings with the management of the Company in order to obtain an understanding of the business and significant processes impacting the financial statements.</p> <p>We obtained, inspected and tested management's processes and controls in order to assist us in obtaining an understanding of the Company's financial reporting, business and control environment including IT processes.</p> <p>We obtained an understanding of and evaluated appropriateness and consistency of accounting policies, including areas of estimation and/or</p>

S. No.	Key audit matters	How the matter was addressed in our audit
	<p>account of opening balances which form a significant part of the year-end balance, we have assessed opening balances as a key audit matter.</p>	<p>judgment, used in the prior years in the preparation of the financial statements.</p> <p>We communicated with the predecessor auditors and reviewed their 2019 audit working papers files. In particular, we identified and assessed the key areas of audit focus, the predecessor auditor’s assessment of internal controls at entity and transaction level and the review of the Company’s accounting policies.</p> <p>In addition to the aforesaid file review, during our audit, we reviewed events, transactions and communications which provided evidence on valuation and existence of opening balances of significant financial statements line items. In respect of sales tax refundable balance, we also assessed its recoverability by engaging our internal tax experts to review the latest opinion of tax advisor of the Company on the status of such refunds in accordance with Sales Tax Act, 1990, management’s assessment thereon and related tax history.</p>
<p><b>2</b></p>	<p><b>Revenue recognition</b></p> <p>During the year ended 31 December 2020, the Company recognized net revenue of Rs. 118,781,274 (“000”) from sale of goods as disclosed in Note 26 and according to the accounting policy described in Note 2.3.15 to the financial statements.</p> <p>The Company generates revenue from a wide range of products which are sold to different sales channels.</p> <p>The Company also offers various discounts/allowances and incurs trade-spend from time to time on several product categories for the various types of customers.</p> <p>Due to the above factors requiring significant auditor attention in the areas of occurrence and completeness and considering the significance of revenue as a key performance indicator for users of financial statements, we have considered revenue recognition as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <p>Understanding the Company’s sales processes for various sales types, focusing on the processes for agreeing trade spend deductions including the design, implementation and operating effectiveness of relevant internal controls.</p> <p>Understand the Company’s revenue recognition policies and procedures to assess compliance with International Financial Reporting Standards (“IFRS”).</p> <p>Performed analytical review of sales by various product and customer categories in order to identify any inconsistencies with key performance indicators, operational activities of the Company and overall external economic environment.</p> <p>Understand the significance of trade spend deductions, the diversity of arrangements by cluster of customers, the process flow by nature of arrangement (i.e. on-invoice- deducted immediately as part of invoicing or off-invoice leading to need for estimation), the timing for accounting for estimates considering any conditionality inherent in the trade spend arrangements.</p> <p>Performed trend analysis and correlation between revenue, total trade spend and marketing expenditure and assess the reasonableness in the context of local environment.</p>

S. No.	Key audit matters	How the matters were addressed in our audit
		<p>Performed procedures to identify and review any manual adjustments at year end impacting revenue and total trade spend estimates.</p> <p>Ensured that revenue items are correctly classified with reference to guidance in International Financial Reporting Standard 15 ("IFRS 15").</p> <p>Performed procedures around the cut off of revenue and trade spend estimates.</p> <p>Reviewed credit notes and other transactions subsequent to the year end to identify whether any events causing reversal of revenue do not occur after year end.</p>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, 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 the 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 to 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:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) 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;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

### **Other Matter**

The financial statements for the year ended 31 December 2019 were audited by another firm of chartered accountants, whose audit report dated 26 March 2020 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.



EY Ford Rhodes

Chartered Accountants

Lahore: 29 March 2021

# STATEMENT OF FINANCIAL POSITION

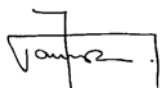
AS AT DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital			
75,000,000 (2019: 75,000,000) ordinary shares of PKR 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
Accumulated profit		3,207,419	2,272,943
		4,190,442	3,255,966
<b>Non-current liabilities</b>			
Long term finances - secured	6	12,081,975	3,780,294
Lease liabilities	7	34,682	143,004
Deferred taxation	8	1,332,919	1,960,850
Retirement benefits	9	3,117,661	2,777,502
		16,567,237	8,661,650
<b>Current liabilities</b>			
Current portion of long term liabilities	10	3,734,310	3,395,084
Short term borrowings - secured	11	6,417,473	17,217,473
Running finance under mark-up arrangements - secured	12	830,245	6,141,325
Customer security deposits - interest free	13	222,166	192,724
Unclaimed dividend		72,121	20,608
Trade and other payables	14	26,563,482	25,138,313
Contract liabilities		562,263	382,146
Income tax payable		1,443,443	262,436
Interest and mark-up accrued	15	303,183	444,958
		40,148,686	53,195,067
Contingencies and commitments	16		
		60,906,365	65,112,683

The annexed notes 1 to 47 form an integral part of these financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer



**SAMER CHEDID**  
Chief Executive Officer



**SYED YAWAR ALI**  
Chairman

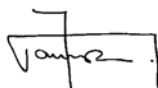
# STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(Rupees in '000)	Note	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	28,679,851	30,333,121
Capital work-in-progress	18	4,097,316	3,441,066
Intangible assets	19	–	7,396
Long term loans	20	179,191	239,499
		32,956,358	34,021,082
<b>Current assets</b>			
Stores and spares	21	2,670,279	2,376,057
Stock-in-trade	22	16,252,021	18,876,441
Trade debts	23	1,930,333	2,164,888
Current portion of long term loans	20	134,078	132,045
Sales tax refundable - net		4,324,260	4,599,004
Advances, deposits, prepayments and other receivables	24	1,849,981	2,624,413
Cash and bank balances	25	789,055	318,753
		27,950,007	31,091,601
		60,906,365	65,112,683



SYED SAIFUL ISLAM  
Chief Financial Officer



SAMER CHEDID  
Chief Executive Officer



SYED YAWAR ALI  
Chairman

# STATEMENT OF PROFIT OR LOSS

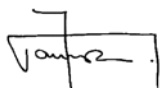
FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
Revenue from contracts with customers	26	118,781,274	115,962,473
Cost of goods sold	27	(84,016,549)	(82,613,501)
<b>Gross profit</b>		34,764,725	33,348,972
Distribution and selling expenses	28	(14,256,719)	(14,656,501)
Administration expenses	29	(4,447,506)	(3,667,718)
<b>Operating profit</b>		16,060,500	15,024,753
Finance cost	30	(2,805,015)	(3,187,695)
Other expenses	31	(1,019,221)	(1,390,138)
		(3,824,236)	(4,577,833)
Other income	32	354,830	268,790
<b>Profit before taxation</b>		12,591,094	10,715,710
Taxation	33	(3,706,499)	(3,361,243)
<b>Profit after taxation</b>		8,884,595	7,354,467
Earnings per share basic and diluted (Rupees)	34	195.91	162.17

The annexed notes 1 to 47 form an integral part of these financial statements.



SYED SAIFUL ISLAM  
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# STATEMENT OF COMPREHENSIVE INCOME

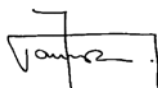
FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	2020	2019
<b>Profit after taxation</b>	8,884,595	7,354,467
<b>Other comprehensive income</b>		
<b>Items that will be reclassified subsequently to profit or loss</b>	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>		
- Remeasurement of net retirement benefit liability recognized directly in equity	(19,647)	(384,854)
- Related tax	5,708	111,608
	(13,939)	(273,246)
<b>Total comprehensive income for the year</b>	8,870,656	7,081,221

The annexed notes 1 to 47 form an integral part of these financial statements.



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SAMER CHEDID  
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# STATEMENT OF CHANGES IN EQUITY

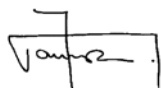
FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Share capital	Capital reserves	Revenue reserves		Total
		Share premium	General reserve	Accumulated profit	
<b>Balance as at January 01, 2019</b>	453,496	249,527	280,000	3,037,201	4,020,224
<b>Total comprehensive income for the year ended December 31, 2019</b>					
Profit after taxation	-	-	-	7,354,467	7,354,467
Remeasurement of net retirement benefit liability (net of tax)	-	-	-	(273,246)	(273,246)
	-	-	-	7,081,221	7,081,221
<b>Transaction with owners directly recognized in equity</b>					
Final dividend for the year ended December 31, 2018 (Rs. 63 per share)	-	-	-	(2,857,024)	(2,857,024)
Interim dividend for the six months period ended June 30, 2019 (Rs. 90 per share)	-	-	-	(4,081,463)	(4,081,463)
Interim dividend for the nine months period ended September 30, 2019 (Rs. 20 per share)	-	-	-	(906,992)	(906,992)
<b>Balance as at December 31, 2019</b>	453,496	249,527	280,000	2,272,943	3,255,966
<b>Total comprehensive income for the year ended December 31, 2020</b>					
Profit after taxation	-	-	-	8,884,595	8,884,595
Remeasurement of net retirement benefit liability (net of tax)	-	-	-	(13,939)	(13,939)
	-	-	-	8,870,656	8,870,656
<b>Transaction with owners directly recognized in equity</b>					
Final dividend for the year December 31, 2019 (Rs. 42 per share)	-	-	-	(1,904,683)	(1,904,683)
Interim dividend for the six months period June 30, 2020 (Rs. 83 per share)	-	-	-	(3,764,017)	(3,764,017)
Interim dividend for the nine months period ended September 30, 2020 (Rs. 50 per share)	-	-	-	(2,267,480)	(2,267,480)
<b>Balance as at December 31, 2020</b>	453,496	249,527	280,000	3,207,419	4,190,442

The annexed notes 1 to 47 form an integral part of these financial statements.



SYED SAIFUL ISLAM  
Chief Financial Officer



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# STATEMENT OF CASH FLOWS

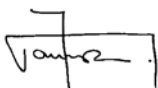
FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>Cash flow from operating activities</b>			
Cash generated from operations	36	26,001,732	13,672,288
Decrease in long term loans - net		58,275	66,518
Increase / (decrease) in customer security deposits - interest free		29,442	(2,707)
Defined benefits paid		(477,319)	(485,384)
Workers' profit participation fund paid		(596,268)	-
Income taxes paid		(3,147,715)	(3,172,405)
<b>Net cash generated from operating activities</b>		<b>21,868,147</b>	<b>10,078,310</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(3,156,982)	(3,803,843)
Sale proceeds from disposal of property, plant and equipment	17.5	171,615	215,250
<b>Net cash used in investing activities</b>		<b>(2,985,367)</b>	<b>(3,588,593)</b>
<b>Cash flow from financing activities</b>			
Finance cost paid		(2,946,790)	(3,016,591)
Long term finances - net		8,801,681	(2,313,142)
Lease liabilities - net		(271,622)	(439,143)
Short term borrowings - net		(10,800,000)	1,974,673
Dividend paid		(7,884,667)	(7,845,479)
<b>Net cash used in financing activities</b>		<b>(13,101,398)</b>	<b>(11,639,682)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>5,781,382</b>	<b>(5,149,965)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(5,822,572)</b>	<b>(672,607)</b>
<b>Cash and cash equivalents at end of the year</b>	37	<b>(41,190)</b>	<b>(5,822,572)</b>

The annexed notes 1 to 47 form an integral part of these financial statements.



SYED SAIFUL ISLAM  
Chief Financial Officer



SAMER CHEDID  
Chief Executive Officer



SYED YAWAR ALI  
Chairman

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 1 Legal status and nature of business

Nestlé Pakistan Limited ("the Company") is a public limited company incorporated in Pakistan - under the repealed Companies Ordinance 1984 (now Companies Act 2017) - and its shares are quoted on Pakistan Stock Exchange. The Company is a subsidiary of Nestlé S.A. ("the Holding Company"), a Swiss based public limited company.

The Company is principally engaged in manufacturing, processing and sale of dairy, nutrition, beverages and food products including imported products. Registered office (which is also the Head Office) of the Company is situated at Babar Ali Foundation Building, 308-Upper Mall, Lahore. The Company has four manufacturing facilities located at Sheikhpura, Kabirwala, Port Qasim Karachi and Islamabad.

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

### 2.1 Statement of compliance

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

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

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

### 2.2 Accounting convention

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

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
- Financial instruments	2.3.1
- Impairment losses	2.3.2
- Taxation	2.3.4
- Retirement benefits	2.3.5
- Leases - lease term, discount rate	2.3.6
- Provisions and contingencies	2.3.10
- Useful life of depreciable assets	2.3.11
- Inventories	2.3.12
- Recoverability of trade debts and other receivables	2.3.13
- Discounts, allowances and promotional rebates	2.3.15

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 2.3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below and have been applied consistently to all periods presented in these financial statements.

### 2.3.1 Financial instruments

#### 2.3.1.1 Financial assets

Classification, recognition and measurement

On initial recognition, a financial asset is classified as:

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

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

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

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

#### Amortized cost

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

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

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

Financial assets measured at amortized cost comprise of trade debts, long term loans, cash margin withheld by banks against imports, advances to employees against salaries, other deposits and receivables and cash and bank balances.

#### Debt Instrument - FVOCI

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

## Equity Instrument - FVOCI

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

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

## Fair value through profit or loss (FVTPL)

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

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

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

## Business model assessment

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

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

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

## Derecognition

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

## 2.3.1.2 Financial liabilities

### Classification, recognition and measurement

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

Financial liabilities comprise of: long term and short term financing, lease liabilities, customer security deposits, unclaimed dividend, trade and other payables, contract liabilities, income tax payable and interest and markup accrued, and all are recognized at amortized cost.

Financial liabilities are recognized initially at amortized cost or FVTPL.

### Derecognition

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

## 2.3.2 Impairment losses

### Financial assets

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

The financial assets recognized at amortized cost comprise of trade debts, long term loans, cash margin withheld by banks against imports, advances to employees against salaries, other deposits and receivables and cash and bank balances. For trade debts, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Majority of debtors are regular customers of the Company and management uses actual historical credit loss experience, based on payment profile of credit sales over past year, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance.

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

### Non-financial assets

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

### 2.3.3 Offsetting of financial assets and financial liabilities

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

### 2.3.4 Taxation

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

#### 2.3.4.1 Current

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

#### 2.3.4.2 Deferred

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

The carrying amount of deferred tax assets 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. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside statement of profit or loss is recognized outside statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

### 2.3.5 Retirement benefits

#### 2.3.5.1 Defined benefit plan

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

## 2.3.5.2 Defined contribution plan

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

## 2.3.6 Leases

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

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

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

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

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

## 2.3.7 Trade and other payables

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

## 2.3.8 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 2.3.9 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.

## 2.3.10 Provisions and contingencies

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

## 2.3.11 Fixed capital expenditure and depreciation/amortization

### 2.3.11.1 Property, plant and equipment

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

Depreciation is charged to statement of profit or loss, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 17.

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

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

### 2.3.11.2 Capital work-in-progress

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

### 2.3.11.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified accumulated impairment loss. These are amortized using the straight line method at the rates given in note 19. Amortization on additions is charged from the month in which an intangible asset is acquired, while no amortization is charged for the month in which the intangible asset is disposed off.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 2.3.12 Inventories

Inventories are valued as per below mentioned valuation basis:

### 2.3.12.1 Stores 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.

### 2.3.12.2 Raw and packing material

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

### 2.3.12.3 Finished goods and work in process

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

## 2.3.13 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 (as described in note 2.3.2). Bad debts are written off when they become irrecoverable.

## 2.3.14 Sales tax refundable

Sales tax refundable primarily includes input sales tax related to zero rated taxable supplies for prior years for which refunds have been lodged with the Federal Board of Revenue.

## 2.3.15 Revenue recognition

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

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

## 2.3.16 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 statement of profit or loss currently. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transactions and those stated at fair value are translated into rupees at exchange rates prevailing at the date when the fair values are determined.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 2.3.17 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.

## 2.3.18 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.

## 2.3.19 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.

## 2.3.20 Share based payments

The Holding Company operates an equity settled share-based scheme with cash alternative for certain employees of the Holding Company and its subsidiaries, including the Company. The Holding company systematically invoices for cost recharge to the subsidiaries during the accounting period for related benefits granted to the employees.

The Company neither grants the awards in its own equity instruments nor has the obligation to settle the share-based payment transaction, accordingly, the cost charged by Holding Company is treated as cash-settled transaction and charge is taken to statement of profit or loss.

## 2.4 Standards, interpretations and amendments to published approved accounting standards

### 2.4.1 Standards, amendments or interpretations which became effective during the year

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended standards and interpretations effective for annual period beginning on January 01, 2020, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### 2.4.1.1 New Standards, Interpretations and Amendments

IFRS 3	Definition of a Business — (Amendments)
IAS 39, IFRS 9 and IFRS 7	Interest rate benchmark reform — (Amendments)
IAS 1 and IAS 8	Definition of Material — (Amendments)
IFRS 16	COVID-19-Related Rent Concessions (Amendments)

The adoption of above amendments applied for the first time in the period did not have any material impact on the financial statements of the Company.

#### 2.4.1.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 — Amendments	January 01, 2021
IFRS 3	Reference to conceptual framework — (Amendments)	January 01, 2022
IAS 16	Property, plant and equipment: Proceeds before intended use — (Amendments)	January 01, 2022
IAS 37	Onerous contracts - costs of fulfilling a contract — (Amendments)	January 01, 2022
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter	January 01, 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
AIP IAS 41	Agriculture — Taxation in fair value measurements	January 01, 2022
IAS 1	Classification of liabilities as current or non-current — (Amendments)	January 01, 2023
IFRS10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	January 01, 2023

The Company expects that the new standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2021.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	July 01, 2009
IFRS 17	Insurance Contracts	January 01, 2023

The Company expects that above mentioned standards will not have any material impact on the Company's financial statements in the period of initial application.

### 3 Impact of COVID-19 on the financial statements

In light of ongoing COVID-19 pandemic, the Company has reviewed its exposure to business risks and has not identified any risks that could materially impact the financial performance or position of the Company as at December 31, 2020. Consequently, there is no material impact on the recognition and measurement of assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 4 Issued, subscribed and paid up capital

2020 (Number of shares)	2019		2020 (Rupees in 000)	2019
29,787,058	29,787,058	Ordinary shares of PKR 10 each as fully paid in cash	297,870	297,870
15,476,867	15,476,867	Ordinary shares of PKR 10 each as fully paid bonus shares	154,769	154,769
85,659	85,659	Ordinary shares of PKR 10 each issued other than cash (under schemes of arrangement for amalgamation)	857	857
45,349,584	45,349,584		453,496	453,496

As at December 31, 2020, Nestlé S.A. Switzerland ("the Holding Company"), holds 26,778,229 (2019: 26,778,229) ordinary shares representing 59.05% (2019: 59.05%) equity interest in the Company. In addition, 9,025,159 (2019: 9,025,159) ordinary shares are held by the following related parties as at December 31:

Name of related party	2020 (Number of shares)	2019 (Number of shares)
<b>IGI Investments (Pvt) Limited</b> Percentage of equity held 9.75% (2019: 9.75%)	4,419,666	4,419,666
<b>Packages Limited</b> Percentage of equity held 8.05% (2019: 8.05%)	3,649,248	3,649,248
<b>Gurmani Foundation</b> Percentage of equity held 1.19% (2019: 1.19%)	538,235	538,235
<b>National Management Foundation</b> Percentage of equity held 0.50% (2019: 0.50%)	224,720	224,720
<b>Babar Ali Foundation</b> Percentage of equity held 0.38% (2019: 0.38%)	170,745	170,745
<b>Industrial Technical and Educational Institution</b> Percentage of equity held 0.05% (2019: 0.05%)	21,666	21,666
<b>Nestlé Pakistan Limited Employees Provident Fund</b> Percentage of equity held 0.0019% (2019: 0.0019%)	878	878
<b>IGI Finex Securities Limited</b> Percentage of equity held 0.0% (2019: 0.0%)	1	1
	9,025,159	9,025,159

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5 Share premium

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

(Rupees in 000)	Note	2020	2019
<b>6 Long term finances - secured</b>			
Long term finances utilized under mark-up arrangements:			
Term Loan I	6.1	3,500,000	–
Term Loan II	6.2	2,500,000	–
Term Loan III	6.3	3,000,000	–
Term Loan IV	6.4	3,000,000	–
Term Loan V	6.5	3,500,000	3,500,000
Term Loan VI	6.6	–	3,000,000
		15,500,000	6,500,000
Long term financing facility	6.7	280,294	478,613
		15,780,294	6,978,613
Interest and mark-up accrued		157,398	10,783
Amortised cost		15,937,692	6,989,396
Less: current maturity	10	(3,698,319)	(3,198,319)
Less: interest and mark-up accrued	15	(157,398)	(10,783)
		12,081,975	3,780,294

- 6.1** The term of the loan is 3 years with the principal repayment to take place in a single lump sum instalment in December 2023. Mark-up is payable quarterly at a flat rate of 8.35% per annum.
- 6.2** The term of the loan is 3 years with the principal repayment to take place in a single lump sum instalment in December 2023. Mark-up is payable quarterly at a flat rate of 8.35% per annum.
- 6.3** The term of the loan is 3 years with the principal repayment to take place in a single lump sum instalment in December 2023. Mark-up is payable quarterly at a flat rate of 8.75% per annum.
- 6.4** The term of the loan is 3 years with the principal repayment to take place in a single lump sum instalment in August 2023. Mark-up is payable semi-annually on a rate of 6 months KIBOR+10 bps.
- 6.5** The term of the loan is 5 years with the principal repayment to take place in a single lump sum instalment in December 2021. Mark-up is payable quarterly at a flat rate of 8.00% per annum.
- 6.6** The term of the loan was 3 years with the principal repayment taking place in a single lump sum instalment in November 2020. Mark-up was payable semi-annually on a fixed rate of 7.30% per annum.
- 6.7** This facility has an aggregate credit limit of PKR 1,500 million and the term is 5 years with a grace period of 18 months from the date of each disbursement. Repayments to be made in 8 equal semi-annual instalments. This facility carries mark-up at the rate of 3.65% payable quarterly.
- 6.8** All loans are obtained from commercial banks and are secured by first joint pari passu hypothecation charge over fixed and current assets of the Company excluding land and building.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>7 Lease liabilities</b>			
Present value of minimum lease payments		70,673	339,769
Less: current maturity	10	(35,991)	(196,765)
		34,682	143,004
<b>8 Deferred taxation</b>			
<b>Deferred tax assets on deductible temporary differences</b>			
Provision for obsolete spares		(223,046)	(192,191)
Provision for unusable raw and packing material		(36,771)	(29,866)
Provision for doubtful debts / expected credit loss		(22,208)	(82,485)
Lease liability recognized under IFRS 16		(20,020)	(141,782)
Other provisions		(1,678,927)	(1,021,735)
		(1,980,972)	(1,468,059)
<b>Deferred tax liability on taxable temporary differences</b>			
Accelerated tax depreciation		3,313,891	3,428,909
		1,332,919	1,960,850
<b>8.1 Movement in deferred tax liability is as follows:</b>			
Balance as at January 01		1,960,850	2,443,197
Charge to statement of profit or loss	33	(627,931)	(482,347)
Balance as at December 31		1,332,919	1,960,850
<b>9 Retirement benefits</b>			
Gratuity fund		1,340,277	1,370,227
Pension fund		1,777,384	1,407,275
		3,117,661	2,777,502

The Company contributes to following defined benefit plans.

- Gratuity plan entitles an eligible employee to receive a lump sum amount equal to last drawn basic salary multiplied by number of completed years of service with the Company, at the time of cessation of employment. An eligible employee means the employee who has successfully completed one year of service with the Company. In case if the employee leaves the employment before successful completion of 10 years of service then he / she shall be entitled to 50% of gratuity amount.
- Pension plan comprises of two types i.e. Type A and Type B. Type A members are those members who have joined the plan and who have not opted to become members of Type B. Type B members are those members who fulfill the criteria and have opted to become members of Type B plan.
- 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%. Members who are transferred from Type A to Type B, are required to make a contribution of 5% of pensionable salary and the Company will make a contribution of

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11.4%. Type B member shall be entitled to 30% of employer benefit after successful completion of three years of pensionable service and thereafter additional 10% for each successful year till 10th year when he / she is entitled to 100% of the benefit.

Gratuity and pension plans are administered through separate funds that are legally separated from the Company. The Trust of the funds comprises of seven 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 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 date of statement of financial position, an actuarial valuation has been performed by M/s Nauman Associates (Actuarial experts) for valuation of defined benefit plans. The disclosures made in notes 9.1 to 9.14 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 investments out of provident fund and pension fund are governed by and are compliant in all material aspects with the requirements of section 218 of the Companies Act 2017.

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

(Rupees in 000)	Gratuity		Pension	
	2020	2019	2020	2019
<b>9.1 Present value of funded obligations</b>				
Amounts recognized in statement of financial position are as follows:				
Present value of defined benefit obligation	3,185,483	3,156,983	5,527,708	4,743,169
Fair value of plan assets	(1,845,206)	(1,786,756)	(3,750,324)	(3,335,894)
Net retirement benefit obligation	1,340,277	1,370,227	1,777,384	1,407,275
<b>9.2 Movement in net obligation</b>				
Net liability as at January 01	1,370,227	1,300,615	1,407,275	797,405
Charge to statement of profit or loss	381,548	425,621	416,283	354,390
Charge to other comprehensive income	(174,361)	(115,667)	194,008	500,521
Contribution made by employees	–	–	137,640	138,734
Contributions paid to the plan	(237,137)	(240,342)	(377,822)	(383,775)
Net liability as at December 31	1,340,277	1,370,227	1,777,384	1,407,275

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Gratuity		Pension	
	2020	2019	2020	2019
<b>9.3 Movement in the liability for funded defined benefit obligations</b>				
Liability for defined benefit obligations				
as at January 01	3,156,983	2,999,495	4,743,169	3,707,704
Benefits paid by the plan	(372,839)	(362,714)	(342,435)	(331,561)
Current service cost	263,868	263,030	409,264	408,571
Past service cost	(29,967)	-	-	-
Interest cost	349,041	387,494	537,205	487,014
Remeasurements on obligation:				
Actuarial losses / (gains) due to:				
- Changes in financial assumptions	(6,469)	(8,338)	296,184	355,212
- Experience adjustments	(175,134)	(121,984)	(115,679)	116,229
	(181,603)	(130,322)	180,505	471,441
Liability for defined benefit obligations				
as at December 31	3,185,483	3,156,983	5,527,708	4,743,169
<b>9.4 Movement in fair value of plan assets</b>				
Fair value of plan assets as at January 01	1,786,756	1,698,880	3,335,894	2,910,299
Contributions paid into the plan	237,137	240,342	377,822	383,775
Benefits paid by the plan	(372,839)	(362,714)	(342,435)	(331,561)
Interest income on plan assets	201,971	225,183	394,047	403,756
Actuarial loss on plan assets	(7,242)	(14,655)	(13,503)	(29,080)
Other administrative expenses by fund	(577)	(280)	(1,501)	(1,295)
Fair value of plan assets as at December 31	1,845,206	1,786,756	3,750,324	3,335,894
<b>9.5 Plan assets consist of the following:</b>				
In terms of amount:				
- Equity instruments	190,076	165,129	310,335	244,827
- Debt instruments	1,043,348	918,284	2,185,515	1,675,246
- Cash and other deposits	611,782	703,343	1,254,475	1,415,821
	1,845,206	1,786,756	3,750,325	3,335,894

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Gratuity		Pension	
	2020	2019	2020	2019
<b>9.6 Plan assets</b>				
Plan assets comprise:				
<b>Equity instrument</b>				
Fertilizers	18,087	10,327	25,226	16,651
Oil and gas	28,029	34,689	45,199	55,893
Steel	–	11,166	–	19,991
Power	13,794	18,220	17,231	20,282
Financial institutions	46,718	51,349	66,133	81,132
Mutual funds	51,075	18,620	108,392	18,620
Cement	7,202	8,000	11,175	12,639
Chemicals	13,023	12,758	19,268	19,471
Automobile	6,527	–	9,820	–
Others	5,621	–	7,891	148
	190,076	165,129	310,335	244,827
<b>Debts instruments</b>				
Government bonds	956,081	818,290	2,072,582	1,538,406
Term Finance Certificates	87,267	99,994	112,933	136,840
	1,043,348	918,284	2,185,515	1,675,246
<b>Cash and other deposits</b>				
Balance in saving bank accounts	3,430	102,350	20,943	163,437
Term deposit receipts	–	600,993	–	1,252,384
Treasury bills	605,619	–	1,211,238	–
Others	2,733	–	22,294	–
	611,782	703,343	1,254,475	1,415,821
	1,845,206	1,786,756	3,750,325	3,335,894

The Trustees ensure that the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure alignment with the obligations under the defined benefit plans. Risk analysis of each category is done to analyze the impacts of the interest rate risk and longevity risk.

(Rupees in 000)	Gratuity		Pension	
	2020	2019	2020	2019
<b>9.7 Statement of profit or loss includes the following in respect of retirement benefits:</b>				
Interest cost	349,041	387,494	537,205	487,014
Current service cost	263,868	263,030	409,264	408,571
Past service cost	(29,967)	–	–	–
Interest income on plan assets	(201,971)	(225,183)	(394,047)	(403,756)
Contributions made by the employees	–	–	(137,640)	(138,734)
Other administrative expense by Fund	577	280	1,501	1,295
	381,548	425,621	416,283	354,390

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Gratuity		Pension	
	2020	2019	2020	2019
<b>9.8 Charge for the year has been allocated as follows:</b>				
Cost of goods sold	185,842	205,191	194,979	143,448
Distribution and selling expenses	130,693	145,448	138,397	150,938
Administration expenses	65,013	74,982	82,907	60,004
	381,548	425,621	416,283	354,390
<b>9.9 Actuarial (gains) and losses recognized directly in other comprehensive income</b>				
Cumulative amount as at January 01	985,831	1,101,498	1,405,629	905,108
<b>Remeasurements on obligation</b>				
<b>Actuarial losses / (gains) due to:</b>				
- Changes in financial assumptions	(6,469)	(8,338)	296,184	355,212
- Experience adjustments	(175,134)	(121,984)	(115,679)	116,229
	(181,603)	(130,322)	180,505	471,441
<b>Remeasurements on fair value of plan assets</b>	7,242	14,655	13,503	29,080
(Gains) / losses recognized during the year	(174,361)	(115,667)	194,008	500,521
Cumulative amount as at December 31	811,470	985,831	1,599,637	1,405,629

(Rupees in 000)	2020	2019	2018	2017	2016
<b>9.10 Historical information for Gratuity plan</b>					
Present value of defined benefit obligation	3,185,483	3,156,983	2,999,495	2,692,633	2,309,477
Fair value of the plan assets	(1,845,206)	(1,786,756)	(1,698,880)	(1,707,766)	(1,610,613)
Deficit in the plan	1,340,277	1,370,227	1,300,615	984,867	698,864
Experience adjustments arising on plan liabilities	(175,134)	(121,984)	151,962	80,449	43,693
Experience adjustments arising on plan assets	(7,242)	(14,655)	(77,233)	(149,744)	78,224
<b>9.11 Historical information for Pension plan</b>					
Present value of defined benefit obligation	5,527,708	4,743,169	3,707,704	3,404,213	3,189,227
Fair value of the plan assets	(3,750,325)	(3,335,894)	(2,910,299)	(2,728,318)	(2,526,536)
Deficit in the plan	1,777,383	1,407,275	797,405	675,895	662,691
Experience adjustments arising on plan liabilities	(115,679)	116,229	(11,280)	(93,878)	56,223
Experience adjustments arising on plan assets	(13,503)	(29,080)	(122,538)	(213,478)	66,581

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020		2019	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
<b>9.12 Significant actuarial assumptions used for valuation of these plans are as follows:</b>				
Discount rate used for profit and loss charge	11.75%	11.75%	13.75%	13.75%
Discount rate used for year-end obligation	10.25%	10.25%	11.75%	11.75%
Expected rate of salary increase	10.25%	10.25%	11.75%	11.75%
Expected rate of return on plan assets	10.25%	10.25%	11.75%	11.75%
Mortality rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

### 9.13 Actuarial assumptions sensitivity analysis

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

(Rupees in 000)	Change	Gratuity		Pension	
		Increase	Decrease	Increase	Decrease
Impact on present value of defined benefit obligation as at December 31, 2020					
Discount rate	50 bps	(153,085)	165,958	(269,530)	291,129
Future salary increase	50 bps	167,271	(155,721)	80,073	(76,335)
Expected mortality rates	1 year	(808)	865	(42,239)	41,304

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.

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

(Rupees in 000)	Note	2020	2019
<b>10 Current portion of long term liabilities</b>			
Current maturity of long term finances	6	3,698,319	3,198,319
Current maturity of lease liabilities	7	35,991	196,765
		3,734,310	3,395,084

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>11 Short term borrowings - secured</b>			
Money market deals	11.1	5,500,000	16,300,000
Export refinance facility	11.2	917,473	917,473
		6,417,473	17,217,473
Interest and mark-up accrued		106,199	301,138
Amortised cost		6,523,672	17,518,611
Less: interest and mark-up accrued	15	(106,199)	(301,138)
		6,417,473	17,217,473

**11.1** These represent money market deals obtained from various commercial banks having aggregate limit of PKR 5,500 million (2019: PKR 16,300 million) and carry mark-up ranging from 6.47% to 13.49% (2019: 11.70% to 13.75%) per annum. These deals are obtained for a period ranging from 90 to 180 days and are secured by a hypothecation charge over fixed and current assets of the Company excluding land and building.

**11.2** The Company has obtained export refinance facility from a commercial bank having an aggregate limit of PKR 918 million (2019: PKR 918 million). The mark up on this facility is 2.20% (2019: 2.20%) per annum.

(Rupees in 000)	Note	2020	2019
<b>12 Running finance under mark-up arrangements - secured</b>			
Running finance under mark-up arrangements - secured		830,245	6,141,325
Interest and mark-up accrued		39,586	133,037
Amortised cost		869,831	6,274,362
Less: interest and mark-up accrued	15	(39,586)	(133,037)
		830,245	6,141,325

The Company has obtained short term running finances from various commercial banks under mark-up arrangements having an aggregate limit of PKR 24,871 million (2019: PKR 16,095 million). The mark up on these facilities ranges from 7.31% to 13.85% (2019: 13.64% to 14.15%) 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.

## 13 Customer security deposits

This represents security deposits obtained from customers and have been kept in a separate bank account. These deposits are non-interest bearing and payable on the completion / termination of contract.

(Rupees in 000)	Note	2020	2019
<b>14 Trade and other payables</b>			
Trade creditors:			
Related parties		3,523,418	5,096,203
Others		9,956,197	10,053,767
		13,479,615	15,149,970
Accrued liabilities			
General licensing fee payable	14.1	523,356	367,898
Workers' profit participation fund	14.2	645,011	596,268
Workers' welfare fund		294,812	231,354
Withholding taxes payable		261,918	200,030
Others		129,949	123,014
		26,563,482	25,138,313

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- 14.1** Licensing fee is payable to Société Des Produits Nestlé S.A. an associated undertaking having its registered office at Avenue Nestlé 1800 Vevey, Switzerland. During the year, gross licensing fee amounting to PKR 3,699.14 million (2019: PKR 6,188.02 million) has been paid.

(Rupees in 000)	Note	2020	2019
<b>14.2 Workers' Profit Participation Fund</b>			
Balance as at January 01		596,268	20,012
Provision for the year	31	645,011	576,256
		1,241,279	596,268
Net payments made during the year		(596,268)	–
Balance as at December 31		645,011	596,268
<b>15 Interest and mark-up accrued</b>			
Long term finances - secured	6	157,398	10,783
Short term borrowings - secured	11	106,199	301,138
Running finance under mark-up arrangements - secured	12	39,586	133,037
		303,183	444,958

## 16 Contingencies and commitments

- 16.1** By way of the decision of the Honorable Supreme Court of Pakistan in suo moto case no. 26 of 2018, the Company is subject to a potential water charge of PKR 1/-per liter on water extraction. The Company is contesting this decision of the Honorable Supreme Court of Pakistan and has filed a review petition. Keeping in view subsequent developments and follow up court hearings and orders, and on the representations of various affected companies, the Supreme Court vide its order dated June 10, 2019, ordered, as an interim measure, the collection of charge of PKR 0.25/-per liter produced based on the sales tax data/return of each company, on the basis whereof bills were to be issued by authorities (nationwide), till the framing of legislation by all the federal and provincial authorities. During the year, the Company has recognized an expense of PKR 166.99 million in line with the Honorable Supreme Court's interim order. However, the remaining potential charge, amount of which cannot be quantified because the matter is subjudice, has been recognized as a contingency.

(Rupees in 000)		2020	2019
<b>16.2 Guarantees</b>			
Outstanding guarantees		196,485	227,404
<b>16.3 Commitments</b>			
<b>16.3.1</b>	Outstanding letters of credit	562,147	3,341,687
<b>16.3.2</b>	Commitments in respect of capital expenditure	352,943	289,702

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

(Rupees in 000)		2020	2019
	Not later than one year	8,714	34,855
	Later than one year but not later than 5 years	–	8,714
		8,714	43,569

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 17 Property, plant and equipment

	Assets including Right-of-Use assets						Total
	Land & Building (on freehold land)	Land & Building (on leasehold land)	Plant and machinery	Furniture and fixtures	Vehicles	IT Equipment	
(Rupees in 000)							
<b>Cost</b>							
Balance as at January 01, 2020	9,417,218	1,407,089	45,987,316	1,002,458	591,029	1,730,960	60,136,070
Additions during the year	241,442	28,209	2,144,038	18,239	5,952	194,856	2,632,736
Disposals	(10,011)	(131,747)	(739,252)	(43,880)	(136,035)	(73,980)	(1,134,905)
<b>Balance as at December 31, 2020</b>	<b>9,648,649</b>	<b>1,303,551</b>	<b>47,392,102</b>	<b>976,817</b>	<b>460,946</b>	<b>1,851,836</b>	<b>61,633,901</b>
Balance as at January 01, 2019	9,000,214	1,054,238	43,715,398	888,892	761,531	1,456,779	56,877,052
Additions during the year	421,320	387,492	3,203,084	120,975	57,977	408,016	4,598,864
Disposals	(4,316)	(34,641)	(931,166)	(7,409)	(228,479)	(133,835)	(1,339,846)
Balance as at December 31, 2019	9,417,218	1,407,089	45,987,316	1,002,458	591,029	1,730,960	60,136,070
<b>Depreciation and impairment losses</b>							
Balance as at January 01, 2020	2,245,320	810,632	24,358,819	726,660	428,481	1,233,037	29,802,949
Depreciation for the year	270,146	311,008	3,114,488	117,770	95,759	238,064	4,147,235
Net impairment reversed during the year	-	-	(13,479)	-	-	-	(13,479)
Depreciation & impairment on disposal	(2,497)	(109,625)	(618,418)	(43,764)	(134,857)	(73,494)	(982,655)
<b>Balance as at December 31, 2020</b>	<b>2,512,969</b>	<b>1,012,015</b>	<b>26,841,410</b>	<b>800,666</b>	<b>389,383</b>	<b>1,397,607</b>	<b>32,954,050</b>
Balance as at January 01, 2019	2,010,696	605,773	21,653,398	585,205	499,919	1,158,728	26,513,719
Depreciation for the year	237,948	233,211	3,056,220	148,582	121,718	207,409	4,005,088
Impairment charged during the year	-	-	490,662	-	-	-	490,662
Depreciation & impairment on disposal	(3,324)	(28,352)	(841,461)	(7,127)	(193,156)	(133,100)	(1,206,520)
Balance as at December 31, 2019	2,245,320	810,632	24,358,819	726,660	428,481	1,233,037	29,802,949
<b>Net book value as at December 31, 2020</b>	<b>7,135,680</b>	<b>291,536</b>	<b>20,550,692</b>	<b>176,151</b>	<b>71,563</b>	<b>454,229</b>	<b>28,679,851</b>
Net book value as at December 31, 2019	7,171,898	596,457	21,628,497	275,798	162,548	497,923	30,333,121
Rate of depreciation in %	2.5 - 4	2.5 - 4	4 - 20	20	20	10 - 33.3	

**17.1** Plant and machinery includes trade assets having cost and net book value of PKR 1,999.91 million and PKR 710.82 million respectively (2019: PKR 1,692.76 million and PKR 640.63 million) that are located at customers' premises.

# NOTES TO THE FINANCIAL STATEMENTS

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

	Building on lease hold land	Plant and machinery	Furniture and fixtures	Total
<b>Cost</b>				
Balance as at January 01, 2020	1,243,178	95,544	94,715	1,433,437
Additions during the year	20,511	37,211	–	57,722
Terminations	(131,747)	(95,544)	(35,492)	(262,783)
<b>Balance as at December 31, 2020</b>	<b>1,131,942</b>	<b>37,211</b>	<b>59,223</b>	<b>1,228,376</b>
Balance as at January 01, 2019	898,242	119,696	40,990	1,058,928
Additions during the year	379,577	95,544	53,725	528,846
Terminations	(34,641)	(119,696)	–	(154,337)
Balance as at December 31, 2019	1,243,178	95,544	94,715	1,433,437
<b>Depreciation</b>				
Balance as at January 01, 2020	762,154	44,097	65,574	871,825
Depreciation for the year	306,222	48,693	25,007	379,922
Depreciation on terminations	(109,624)	(62,471)	(35,492)	(207,587)
<b>Balance as at December 31, 2020</b>	<b>958,752</b>	<b>30,319</b>	<b>55,089</b>	<b>1,044,160</b>
Balance as at January 01, 2019	561,670	93,756	23,138	678,564
Depreciation for the year	228,835	50,083	42,436	321,354
Depreciation on terminations	(28,351)	(99,742)	–	(128,093)
Balance as at December 31, 2019	762,154	44,097	65,574	871,825
<b>Net book value as at December 31, 2020</b>	<b>173,190</b>	<b>6,892</b>	<b>4,134</b>	<b>184,216</b>
Net book value as at December 31, 2019	481,024	51,447	29,141	561,612
<b>17.3</b> Depreciation charge for the year has been allocated as follows:				
(Rupees in 000)	Note	<b>2020</b>	2019	
Cost of goods sold	27	3,080,648	3,082,424	
Distribution and selling expenses	28	526,722	481,127	
Administration expenses	29	539,865	441,537	
		4,147,235	4,005,088	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 17.4 Particulars of immovable property i.e. land and buildings:

Description of asset	Purpose	Location / Address within Pakistan	Area
Land & building	Manufacturing facility	Sheikhupura Factory	63.46 Acre
Land & building	Manufacturing facility	Kabirwala Factory	85.58 Acre
Land & building	Manufacturing facility	Port Qasim Factory	5 Acre
Land & building	Manufacturing facility	Islamabad Factory	8.72 Kanal
Land & building	Milk collection 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	Sales office	Korangi Industrial Area, Karachi	2.85 Kanal
Land	General purpose	Korangi Industrial Area, Karachi	1.6 Kanal

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

Description	Cost	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of purchasers	Relationship with the company
<b>Buildings</b>							
	7,190	5,871	-	(5,871)	Scrapped	None	None
	6,600	3,552	-	(3,552)	Scrapped	None	None
	4,830	2,795	-	(2,795)	Scrapped	None	None
	718	595	-	(595)	Scrapped	None	None
<b>Plant and Machinery</b>							
	88,998	6,151	10,466	4,315	Negotiation	Nestlé Papua New Guinea	Associated
	25,269	4,554	6,991	2,437	Negotiation	Nestlé Papua New Guinea	Associated
	17,656	1,387	2,361	974	Negotiation	Nestlé Papua New Guinea	Associated
	11,771	925	1,574	649	Negotiation	Nestlé Papua New Guinea	Associated
	11,727	2,695	4,168	1,473	Negotiation	Nestlé Papua New Guinea	Associated
	10,038	1,064	1,730	666	Negotiation	Nestlé Papua New Guinea	Associated
	8,828	694	1,180	486	Negotiation	Nestlé Papua New Guinea	Associated
	8,530	590	1,003	413	Negotiation	Nestlé Papua New Guinea	Associated
	7,549	876	1,413	537	Negotiation	Nestlé Papua New Guinea	Associated
	6,866	540	918	378	Negotiation	Nestlé Papua New Guinea	Associated
	6,131	706	1,139	433	Negotiation	Nestlé Papua New Guinea	Associated
	4,905	886	1,359	473	Negotiation	Nestlé Papua New Guinea	Associated
	4,602	968	1,502	534	Negotiation	Nestlé Papua New Guinea	Associated
	4,089	639	1,009	370	Negotiation	Nestlé Papua New Guinea	Associated
	2,900	682	1,037	355	Negotiation	Nestlé Papua New Guinea	Associated
	110,090	35,542	40,681	5,139	Negotiation	Nestlé China	Associated
	38,009	12,748	14,554	1,806	Negotiation	Nestlé China	Associated
	1,787	576	659	83	Negotiation	Nestlé China	Associated
<b>Assets with book value less than PKR 500,000</b>							
	632,925	60,884	133,765	72,881			
<b>2020</b>	872,122	97,054	171,615	74,561			
2019	1,339,846	133,326	215,250	81,924			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>18 Capital work-in-progress</b>			
Civil works		114,532	29,549
Plant and machinery		3,977,761	3,662,869
Others		553,770	371,677
		4,646,063	4,064,095
Less: Provision for impairment loss		(548,747)	(623,029)
		4,097,316	3,441,066
<b>18.1 Provision for impairment loss on capital work-in-progress</b>			
Balance as at January 01		623,029	650,967
Reversal during the year		(74,282)	(27,938)
Balance as at December 31		548,747	623,029
<b>19 Intangible assets</b>			
<b>Cost</b>			
Balance as at December 31		272,655	272,655
<b>Amortization</b>			
Balance as at January 01		265,259	257,191
Charge for the year	28	7,396	8,068
Accumulated amortization as at December 31		272,655	265,259
Net book value as at December 31		-	7,396
Amortization rate		20%	20%
<b>20 Long term loans</b>			
To employees - secured, considered good		313,269	371,544
Less: current portion shown under current assets		(134,078)	(132,045)
		179,191	239,499

**20.1** 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.

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

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

(Rupees in 000)	2020	2019
Less than one year	134,078	132,045
More than one year but not more than 3 years	169,204	239,499
More than 3 years	9,987	-
	313,269	371,544

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>21 Stores and spares</b>			
Stores		226,518	207,106
Spares, including in transit amounting to PKR 28.13 million (2019: PKR 200.53 million)		3,231,116	2,847,387
		3,457,634	3,054,493
Less: Provision for obsolete spares	21.1	(787,355)	(678,436)
		2,670,279	2,376,057
<b>21.1 Provision for obsolete spares</b>			
Balance as at January 01		678,436	539,407
Provision during the year		108,919	139,029
Balance as at December 31		787,355	678,436
<b>22 Stock-in-trade</b>			
Raw and packing materials including in transit amounting to PKR 3,481.32 million (2019: PKR 4,065.36 million)		11,973,619	14,414,939
Less: Provision for unusable materials	22.1	(114,314)	(80,473)
		11,859,305	14,334,466
Work-in-process		1,070,727	1,050,456
Finished goods		2,625,558	2,787,204
Goods purchased for resale including in transit amounting to PKR 52.83 million (2019: PKR 57.84 million)		696,431	704,315
		16,252,021	18,876,441
<b>22.1 Provision for unusable raw and packing material</b>			
Balance as at January 01		80,473	59,895
Provision during the year		114,314	80,473
Written off / adjusted during the year		(80,473)	(59,895)
Balance as at December 31		114,314	80,473
<b>23 Trade debts</b>			
Considered good - unsecured		1,927,045	2,159,130
Considered doubtful - unsecured		66,037	75,471
Less: Provision for doubtful debts / expected credit loss	23.1	(66,037)	(75,471)
		1,927,045	2,159,130
Related parties - considered good	23.2	3,288	5,758
		1,930,333	2,164,888

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>23.1 Provision for doubtful debts / expected credit loss</b>			
Balance as at January 01		75,471	43,334
Provision charged during the year		4,500	32,137
Provision reversed during the year		(6,384)	-
Balances written off during the year		(7,550)	-
Balance as at December 31		66,037	75,471
<b>23.2 Trade debts include the following amounts due from the given related parties:</b>			
Packages Convertors Limited		1,916	-
Packages Limited		-	2,159
Lahore University of Management Sciences		784	2,170
Bulleh Shah Packaging (Pvt.) Ltd		588	816
Tetra Pak Pakistan Ltd		-	613
		3,288	5,758

The maximum aggregate amount of receivable due from related parties at the end of any month during the year was PKR 7.28 million (2019: PKR 6.09 million).

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

(Rupees in 000)	Party name	Balance overdue	Below 30 days	31 days & above
	Lahore University of Management Sciences	158	158	-
	Bulleh Shah Packaging (Pvt.) Ltd	203	201	2
	<b>Total</b>	361	359	2

(Rupees in 000)	Note	2020	2019
<b>24 Advances, deposits, prepayments and other receivables</b>			
Advances to suppliers - unsecured - considered good	24.1	649,208	1,309,281
Due from related parties - unsecured - considered good	24.2	61,821	93,520
Cash margin held against imports		372,818	171,079
Deposits and prepayments		106,499	122,187
Sales tax withholding receivable		-	36,989
Other receivables		659,635	891,357
		1,849,981	2,624,413

**24.1** These arise from normal course of business of the Company and are interest free.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

**24.2** Due from related parties (foreign affiliates on the basis of a common holding company) include the following amounts, mainly on account of advances for purchases and shared services:

(Rupees in 000)	2020	2019
<b>Party name</b>		
Nestlé Philippines Inc.	8,820	–
Nestlé Bangladesh Limited	8,552	490
Nestlé Asean (Malaysia) Sdn. Bhd.	6,882	9,381
Nestlé Ghana Limited	4,797	–
Nestlé Operational Services Worldwide S.A.	4,726	4,114
Nestlé South Africa	4,626	–
Nestlé Nigeria Plc	4,122	–
Nestrad S.A. Malaysia Branch	3,958	4,643
Nestlé Middle East FZE	3,605	1,699
Nestlé Manufacturing (Malaysia)	3,183	–
Nestlé Australia Ltd	2,097	–
Nestlé UAE L.L.C.	1,734	–
Nestlé Myanmar (Trading) Limited	1,181	–
Nestlé Suisse S.A.	1,140	–
Nestlé Egypt S.A.E.	733	255
Nestlé R&D Centre (Pte) Ltd	657	–
Nestlé ROH (Thailand) Ltd.	503	–
Nestlé Middle East Manufacturing	146	–
Nestlé Nederland B.V.	126	13,865
Sofinol S.A.	93	–
Societe des Produits Nestlé S.A.	56	–
Nestlé France	46	–
Nestlé Waters Management & Technology S.A.S.	35	9,621
Nestlé Vietnam Ltd.	3	–
Nestlé Espana, S.A.	–	24,317
Nestlé Indonesia	–	15,562
Nestlé Waters	–	4,091
Nestlé USA Inc.	–	2,544
Nestlé India Limited	–	1,458
Nestlé Zimbabwe (Private) Limited	–	603
Nestlé Singapore (Pte) Ltd	–	491
Nestlé Equatorial African Region Limited	–	386
	61,821	93,520

**24.2.1** The maximum aggregate amount of receivable due from associated undertakings at the end of any month during the year was PKR 61.82 million (2019: PKR 441.18 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Party name (Rupees in 000)	Balance overdue	Less than 6 months	More than 6 months
Nestlé Ghana Limited	4,784	4,784	–
Nestlé Operational Services	3,755	3,755	–
Nestlé Nigeria Plc	3,502	3,502	–
Nestlé Australia	2,097	2,097	–
Nestlé Philippines	1,892	1,892	–
Nestlé Middle East FZE	1,699	–	1,699
Nestlé R&D Centre (Pte) Ltd	657	657	–
Nestlé Middle East Manufacturing	146	146	–
Nestlé Egypt S.A.E.	252	252	–
Societe des Produits Nestlé S.A.	56	56	–
Nestlé France	46	46	–
<b>Total</b>	<b>18,886</b>	<b>17,187</b>	<b>1,699</b>

(Rupees in 000)	Note	2020	2019
<b>25 Cash and bank balances</b>			
Cash in bank			
- Local currency - current accounts		451,263	1,552
- Local currency - saving accounts	25.1	304,490	285,229
- Foreign currency - current accounts		27,133	26,126
		782,886	312,907
Cash in hand		6,169	5,846
		789,055	318,753

**25.1** The balance in saving accounts carry rate of return ranging from 2.75% to 11.35% (2019: 11.25% to 11.35%) per annum.

(Rupees in 000)	2020	2019
<b>26 Revenue from contracts with customers</b>		
Own manufactured		
- Local	135,608,371	131,767,322
- Export	1,997,136	2,163,127
	137,605,507	133,930,449
Goods purchased for resale	4,689,252	3,985,256
Less :		
- Sales tax	(10,172,713)	(9,035,490)
- Discounts, incentives, allowances and commissions	(13,340,772)	(12,917,742)
	118,781,274	115,962,473

**26.1** Revenue recognized during the reporting period which was included in the contract liabilities at the beginning of the period amounted to PKR 378.72 million (2019: PKR 199.71 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>27 Cost of goods sold</b>			
Raw and packing material consumed		59,569,412	59,371,577
Salaries, wages, amenities and training	27.1	6,189,585	5,843,830
General licensing fee (including related taxes)		4,276,098	3,711,480
Energy and power		3,052,625	3,483,747
Repairs, maintenance and vehicle running		3,242,952	3,328,487
Depreciation of property, plant and equipment	17.3	3,080,648	3,082,424
Communication and technology		694,987	587,033
Quality assurance and environmental expenses		339,186	343,581
Rent, rates, taxes and insurance		259,619	242,399
Legal and professional		17,365	20,330
Other expenses		286,211	268,710
		81,008,688	80,283,598
(Increase)/ decrease in work-in-process		(20,271)	294,580
Cost of goods manufactured		80,988,417	80,578,178
Decrease/ (increase) in finished goods		146,158	(242,012)
Cost of goods sold - own manufactured		81,134,575	80,336,166
Cost of goods sold - purchased for resale		2,881,974	2,277,335
		84,016,549	82,613,501

**27.1** Salaries, wages and amenities include PKR 185.84 million (2019: PKR 205.19 million) in respect of gratuity, PKR 194.98 million (2019: PKR 143.45 million) in respect of pension and PKR 167.29 million (2019: PKR 170.51 million) in respect of provident fund.

(Rupees in 000)	Note	2020	2019
<b>28 Distribution and selling expenses</b>			
Marketing and promotion		5,054,207	5,058,655
Freight outward and handling charges		3,739,054	4,094,834
Salaries, wages, amenities and training	28.1	3,789,130	3,790,337
Depreciation of property, plant and equipment	17.3	526,722	481,127
Communication and technology		361,008	469,799
Repairs, maintenance and vehicle running		168,685	212,807
Utilities and other office expenses		99,608	120,501
Legal and professional		108,954	39,192
Rent, rates, taxes and insurance		32,815	28,318
Amortization of intangible assets	19	7,396	8,068
Provision for doubtful debts / expected credit loss		-	32,137
Other expenses		369,140	320,726
		14,256,719	14,656,501

**28.1** Salaries, wages and amenities include PKR 130.69 million (2019: PKR 145.45 million) in respect of gratuity, PKR 138.40 million (2019: PKR 150.94 million) in respect of pension and PKR 118.21 million (2019: PKR 119.66 million) in respect of provident fund.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>29 Administration expenses</b>			
Salaries, wages, amenities and training	29.1	2,710,818	2,246,366
Depreciation of property, plant and equipment	17.3	539,865	441,537
Legal and professional	29.2	267,687	434,776
Communication and technology		515,142	330,408
Utilities and other office expenses		262,553	140,134
Repairs, maintenance and vehicle expenses		63,445	64,512
Rent, rates, taxes and insurance		80,969	7,533
Other expenses		7,027	2,452
		4,447,506	3,667,718

**29.1** Salaries, wages and amenities include PKR 65.01 million (2019: PKR 74.98 million) in respect of gratuity, PKR 82.91 million (2019: PKR 60.00 million) in respect of pension and PKR 79.51 million (2019: PKR 79.42 million) in respect of provident fund.

(Rupees in 000)	Note	2020	2019
<b>29.2</b> Legal and professional charges include the following in respect of auditor's services for:			
Statutory audit fee		1,510	1,436
Other certificates		420	405
Out of pocket expenses		220	209
		2,150	2,050

## 30 Finance cost

Mark-up on long term financing - secured		638,150	665,507
Mark-up on short term borrowings - secured		1,644,746	1,928,124
Mark-up on short term running finance - secured		478,397	512,903
Interest on finance leases		20,880	49,226
Bank charges		22,842	31,935
		2,805,015	3,187,695

## 31 Other expenses

Workers' profit participation fund	14.2	645,011	576,256
Workers' welfare fund		312,410	228,573
Exchange rate loss		-	111,312
Donations and gifts	31.1	61,800	11,273
Impairment of property, plant and equipment		-	462,724
		1,019,221	1,390,138

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 31.1 Donations

Party wise breakup of donations where any director or his / her spouse has interest in the donee, is as follows:

(Rupees in 000)	Note	2020	2019
<b>a) Dairy &amp; Rural Development Foundation (DRDF),</b> 30-E/1, Gulberg III, Lahore - Pakistan (Syed Yawar Ali, Director is also Governor of DRDF)		2,000	2,500
<b>b) Lahore University of Management Sciences (LUMS),</b> Defense Housing Authority, Lahore (Syed Babar Ali, Director is also Pro Chancellor of LUMS)		3,000	5,000
(Syed Hyder Ali, Director is also a member of Executive Committee of LUMS)			
		5,000	7,500

## 32 Other income

### Income from financial assets:

Return on bank accounts		25,269	31,841
Exchange rate gain		24,881	-

### Income from non - financial assets:

Sale of scrap		140,474	155,025
Profit on sale of property, plant and equipment	17.5	74,561	81,924
Reversal of impairment	17 & 18.1	87,761	-
Reversal of provision for doubtful debts / expected credit loss	23.1	1,884	-
		354,830	268,790

## 33 Taxation

Current tax			
For the year		4,371,187	3,548,945
Prior year		(36,757)	294,645
		4,334,430	3,843,590
Deferred tax	8.1	(627,931)	(482,347)
		3,706,499	3,361,243

%		2020	2019
<b>33.1 Average effective tax rate charged to statement of profit or loss</b>			
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		29.00	29.00
<b>Tax effect of amounts that are:</b>			
- Tax impact related to prior year including super tax		0.73	2.75
- Tax impact of rate change		0.00	0.91
- Tax credits		0.00	(0.76)
- Tax impact of presumptive tax regime		(0.42)	(0.39)
- Others		0.13	(0.14)
		0.44	2.37
Average effective tax rate charged to profit and loss account		29.44	31.37

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
<b>34 Earnings per share</b>			
<b>34.1 Basic earnings per share</b>			
Profit after taxation available for distribution to ordinary shareholders	Rupees in '000'	8,884,595	7,354,467
Weighted average number of ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	195.91	162.17

## 34.2 Diluted earnings per share

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

## 35 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 41. Other significant transactions with related parties are given in note 35.1.

(Rupees in 000)		2020	2019
<b>35.1 Transactions during the year</b>			
<b>Associated undertakings</b>			
General licensing fee		3,714,774	3,283,986
Dividends paid		6,265,718	6,164,569
Purchase of assets, goods, services and reimbursable expenses		13,531,744	17,074,684
Sale of goods		1,375,532	1,821,626
Sale of fixed assets		100,448	-
Insurance claims		14,494	15,868
Donations		5,000	7,000
<b>Other related parties</b>			
Contribution to staff retirement benefit plans		842,333	854,970

**35.2** 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 DECEMBER 31, 2020

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

Name	Country of Operations
Nestlé SA	Switzerland
Nestec S.A.	Switzerland
Nestrade S.A.	Switzerland
Société des Produits Nestlé S.A.	Switzerland
Nestlé Operational Services	Switzerland
Nestlé Afghanistan Limited	Afghanistan
Nestlé Australia Ltd	Australia
Nestlé Brasil Ltda.	Brasil
Nestlé Qingdao Limited	China
Nestlé R&D (China) Ltd.	China
Nestlé Egypt S.A.E.	Egypt
Nestlé Waters Management & Technology S.A.S.	France
Nestlé France S.A.S.	France
Nestlé Ghana Limited	Ghana
Nestlé Central And West Africa	Ghana
Nestlé India Limited	India
Nestlé Indonesia PT	Indonesia
Wyeth Nutritionals Ireland Limited	Ireland
Nestlé Italiana Spa	Italy
Nestlé Japan Ltd.	Japan
Nestlé Products Sdn Bhd	Malaysia
Nestlé Manufacturing (Malaysia)	Malaysia
Nestlé Regional Service Centre	Malaysia
Nestlé Asean (Malaysia) Sdn. Bhd.	Malaysia
Nestlé Nederland B.V.	Nederlands
Nestlé New Zealand Ltd	New Zealand
Nestlé Nigeria Plc	Nigeria
Nestlé Philippines Inc.	Philippines
Wyeth Philippines, Inc.	Philippines
Nestlé Business Services AOA, Inc.	Philippines
Nestlé Portugal, S.A.	Portugal
Nestlé Saudi Arabia L.L.C.	Saudi Arabia
Nestlé Waters Factory Company Ltd.	Saudi Arabia
Nestlé Singapore (Pte) Ltd	Singapore
Nestlé R&D Centre (Pte) Ltd	Singapore
Nestlé South Africa Pty Ltd	South Africa
Nestlé España S.A.	Spain

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Name	Country of Operations
Sofinol S.A.	Switzerland
Nestlé (Thai) Ltd.	Thailand
Nestlé ROH (Thailand) Ltd.	Thailand
Nestlé Turkiye Gida Sanayi A.S.	Turkey
Nestlé Middle East FZE	UAE
Nestlé Dubai Manufacturing LLC	UAE
Nestlé Middle East Manufacturing	UAE
Nestlé UK Ltd.	UK
Nestec York Ltd	UK
Nestlé USA Inc	USA
Nestlé Vietnam Ltd.	Vietnam

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

Name	Basis of Association
<b>Associated undertakings</b>	
Babar Ali Foundation	Common directorship
Bulleh Shah Packaging (Pvt.) Ltd	Common directorship
Dairy & Rural Development Foundation (DRDF)	Common directorship
IGI Insurance Limited	Common directorship
Lahore University of Management	Common directorship
Packages Convertors Limited	Common directorship
Packages Limited	Common directorship
Syed Maratib Ali Religious and Charitable Trust Society	Common directorship
Tetra Pak Pakistan Ltd	Common directorship
The Pakistan Business Council	Common directorship
Tri-Pack Films Limited	Common directorship
World Wide Fund for Nature	Common directorship
<b>Other related parties</b>	
Nestlé Pakistan Limited Employees' Provident Fund	Common management
Nestlé Pakistan Limited Employees' Pension Fund	Common management
Nestlé Pakistan Limited Employees' Gratuity Fund	Common management

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Note	2020	2019
<b>36 Cash generated from operations</b>			
Profit before taxation		12,591,094	10,715,710
<b>Adjustment for non-cash charges and other items:</b>			
Depreciation on property, plant and equipment	17.3	4,147,235	4,005,088
Amortization of intangible assets	19	7,396	8,068
(Reversal) of impairment / impairment charge	32	(87,761)	462,724
Gain on disposal of property, plant and equipment	32	(74,561)	(81,924)
Provision for Workers' profit participation fund	31	645,011	576,256
Provision for Workers' welfare fund	31	312,410	228,573
Provision for doubtful debts / expected credit loss	28	-	32,137
Reversal of provision for doubtful debts / expected credit loss	32	(1,884)	-
Increase in provision for stores and spares	21.1	108,919	139,029
Exchange rate (gain) / loss	32	(24,881)	111,312
Increase in provision for stock in trade		33,841	20,578
Provision for defined benefits plans		797,831	780,012
Finance cost	30	2,805,015	3,187,695
Profit before working capital changes		21,259,665	20,185,258
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		(403,141)	(563,186)
Stock-in-trade		2,590,579	814,765
Trade debts		236,439	919,923
Advances, deposits, prepayments and other receivables		1,049,176	(543,759)
Increase/ (decrease) in current liabilities:			
Trade and other payables		1,088,897	(7,269,674)
Contract liabilities		180,117	128,961
		4,742,067	(6,512,970)
		26,001,732	13,672,288
<b>37 Cash and cash equivalents</b>			
Cash and bank balances		789,055	318,753
Running finance under mark-up arrangements - secured		(830,245)	(6,141,325)
		(41,190)	(5,822,572)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	2020	2019
<b>38 Number of employees</b>		
Average number of employees during the year	3,951	4,217
Number of employees as at December 31	3,784	4,063

(Rupees in 000)	Capacity		Production	
	2020	2019	2020	2019
<b>39 Capacity and production of industrial units</b>				
<b>Sheikhupura factory</b>				
Liquid products - Liters in thousand	1,238,483	1,238,483	596,178	685,986
Non-liquid products - Kgs in thousand	77,127	76,908	45,392	44,890
<b>Kabirwala factory</b>				
Liquid products - Liters in thousand	118,907	118,907	45,862	54,985
Non-liquid products - Kgs in thousand	93,141	93,141	44,965	46,324
<b>Port Qasim factory</b>				
Liquid products - Liters in thousand	489,400	489,400	198,621	214,005
<b>Islamabad factory</b>				
Liquid products - Liters in thousand	163,296	163,296	80,433	78,826
<b>Total</b>				
Liquid products - Liters in thousand	2,010,086	2,010,086	921,094	1,033,802
Non-liquid products - Kgs in thousand	170,268	170,049	90,357	91,214

**39.1** Utilization of capacity is in line with seasonal impact of products and demand conditions arising from overall economic environment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 40 Segment reporting

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

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

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

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

### i) Dairy and Nutrition Products

Milk based products and cereals

### ii) Powdered and Liquid Beverages

Juices, drinking water and powdered drinks

### iii) Other Products

Confectionary and other products

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

(Rupees in 000)	Dairy and Nutrition Products		Powdered and Liquid Beverages		Other Products		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from contracts with customers	95,121,695	89,603,639	23,560,671	26,261,375	98,908	97,459	118,781,274	115,962,473
Depreciation and amortization	3,047,018	2,948,239	1,107,613	1,064,917	-	-	4,154,631	4,013,156
Operating profit before tax and unallocated expenses	15,524,883	13,780,240	480,155	1,212,424	55,461	32,089	16,060,500	15,024,753
Unallocated corporate expenses:								
Finance cost							(2,805,015)	(3,187,695)
Other expenses							(1,019,221)	(1,390,138)
Other income							354,830	268,790
Taxation							(3,706,499)	(3,361,243)
Profit after taxation							8,884,595	7,354,467
Segment assets	44,565,339	46,137,044	15,720,130	18,309,649	51,699	82,659	60,337,168	64,529,352
Unallocated assets							569,197	583,331
Total assets							60,906,365	65,112,683
Segment equity and liabilities	23,746,067	19,977,693	6,450,298	6,381,893	36,170	31,668	30,232,535	26,391,254
Unallocated equity and liabilities							30,673,830	38,721,429
Total equity and liabilities							60,906,365	65,112,683
Segment capital expenditure	2,143,828	3,094,766	1,010,337	707,158	2,817	1,919	3,156,982	3,803,843

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	2020	2019
<b>40.2 Geographical segments</b>		
Sales are made by the Company in the following countries:		
Pakistan	116,784,137	113,814,729
Afghanistan	1,340,613	1,757,061
Other foreign countries	656,524	390,683
	118,781,274	115,962,473

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

## 40.2.1 Export sales to foreign related parties

(Rupees in 000)		2020	2019
Country	Party Name		
Afghanistan	Nestlé Afghanistan Limited	1,340,613	1,757,061
Turkey	Nestlé Türkiye Gıda Sanayi A.S.	-	23,249

## 40.2.2 Export sales are made on open contractual terms.

## 41 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Fee / managerial remuneration	7,021	6,724	62,755	38,781	72,457	58,339	1,979,038	1,942,690
Bonus	-	-	15,026	7,896	13,235	8,277	465,549	345,416
Retirement benefits	-	-	-	-	-	-	352,265	350,171
Housing	-	-	4,552	4,837	8,402	8,366	3,479	3,740
Reimbursable expenses	1,056	1,052	43,551	17,734	61,976	48,319	582,011	477,377
	8,077	7,776	125,884	69,248	156,070	123,301	3,382,342	3,119,394
Number of persons	1	1	1	1	2	2	532	542

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

**41.2** The aggregate amount charged in these financial statements in respect of contribution to provident fund of key management personnel is PKR 146.97 million (2019: PKR 145.27 million).

**41.3** Meeting fee amounting to PKR 2,700,000 (2019: PKR 2,250,000) was paid to non-executive directors during the year.

**41.4** Remuneration to key management personnel includes PKR 185.90 million (2019: PKR 86.96 million) in respect of share-based payments made by the Holding Company and charged back to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 42 Financial risk management

### Financial risk factors

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

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

### 42.1 Market risk

#### 42.1.1 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	2020	2019
<b>Assets</b>			
Foreign currency bank accounts	USD	60,452	38,996
Cash in hand	USD	29,915	29,915
	EUR	6,985	6,985
Receivables	USD	243,411	70,238
	CHF	33,965	108,149
<b>Liabilities</b>			
Net payables / (advances)	USD	18,488,264	12,099,473
	EUR	(4,191,991)	1,797,310
	CHF	2,641,230	4,391,183
	GBP	39,547	45,648
	CNY	583,109	3,779,581
	SGD	2,843,033	2,597,625
	PKR ('000)	2,922,988	3,240,016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

(Rupees per currency unit)	2020		2019	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
US Dollar	161.44	160.20	149.78	154.89
Swiss Franc	172.24	181.87	150.83	159.84
Euro	184.35	197.01	167.78	173.56
Great Britain Pound	207.06	218.74	191.42	203.39
Chinese Renminbi	23.42	24.52	21.67	22.23
Singapore Dollar	117.41	121.27	109.89	115.06

## 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)	2020	2019
<b>Effect on profit and loss:</b>		
US Dollar	290,835	185,247
Euro	(82,726)	31,074
Swiss Franc	47,418	68,460
Great Britain Pound	865	928
Chinese Renminbi	1,430	8,404
Singapore Dollar	34,477	29,889
	292,299	324,002

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.

## 42.1.2 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.

## 42.1.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

(Rupees in 000)	2020	2019
<b>Variable rate instruments</b>		
Short term borrowings and running finance from local banks - PKR	(830,245)	(6,141,325)
Effective interest rate in %age	9.83	11.41

## 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.

## 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 particularly foreign exchange rates held constant, profit before taxation for the year and 2019 would have been affected as follows:

(Rupees in 000)	2020	2019
Effect on profit and loss of an increase	(8,302)	(61,413)
Effect on profit and loss of a decrease	8,302	61,413

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.

### 42.1.4 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 analyze assets carried at fair value by valuation method. The different levels have been defined as follows:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- 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, as prices) or indirectly (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 of financial assets and financial liabilities. None of them are currently measured at fair value since their carrying amount is a reasonable approximation of their fair value.

(Rupees in 000)	Carrying Amount		
	Financial assets	Financial liabilities	Total
<b>December 31, 2020</b>			
<b>Financial assets - measured at fair value</b>	-	-	-
<b>Financial assets - not measured at fair value</b>			
Trade debts	1,930,333	-	1,930,333
Long term loans	313,269	-	313,269
Advances, deposits, prepayments and other receivables	1,032,453	-	1,032,453
Cash and bank balances	789,055	-	789,055
	4,065,110	-	4,065,110
<b>Financial liabilities - measured at fair value</b>	-	-	-
<b>Financial liabilities - not measured at fair value</b>			
Long term finances - secured	-	15,780,294	15,780,294
Short term borrowings - secured	-	6,417,473	6,417,473
Running finance under mark-up arrangements - secured	-	830,245	830,245
Customer security deposits	-	222,166	222,166
Trade and other payables	-	25,231,792	25,231,792
Unclaimed dividend	-	72,121	72,121
Interest and mark-up accrued	-	303,183	303,183
	-	48,857,274	48,857,274

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Rupees in 000)	Carrying Amount		
	Financial assets	Financial liabilities	Total
December 31, 2019			
Financial assets - measured at fair value	-	-	-
Financial assets - not measured at fair value			
Trade debts	2,164,888	-	2,164,888
Long term loans	371,544	-	371,544
Advances, deposits, prepayments and other receivables	1,062,436	-	1,062,436
Cash and bank balances	318,753	-	318,753
	3,917,621	-	3,917,621
Financial liabilities - measured at fair value	-	-	-
Financial liabilities - not measured at fair value			
Long term finances - secured	-	6,978,613	6,978,613
Short term borrowings - secured	-	17,217,473	17,217,473
Running finance under mark-up arrangements - secured	-	6,141,325	6,141,325
Customer security deposits	-	192,724	192,724
Trade and other payables	-	23,987,647	23,987,647
Unclaimed dividend	-	20,608	20,608
Interest and mark-up accrued	-	444,958	444,958
	-	54,983,348	54,983,348

## 42.2 Credit risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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)	2020	2019
<b>Particulars</b>		
Trade debts	1,930,333	2,164,888
Advances, deposits and other receivables	1,032,453	1,062,436
Long term loans	313,269	371,544
Bank balances	782,886	312,907
	4,058,941	3,911,775
The aging of trade debts at the reporting date is:		
Not yet due	1,912,411	2,069,203
Past due 0 - 30 days	14,200	84,139
Past due 30 days	3,722	11,546
	1,930,333	2,164,888

The Company uses an allowance matrix to measure "Expected Credit Losses" (ECL) of trade debtors. Overdue balances at the reporting date are immaterial and impact of application of ECL model, if any, is reflected in the provision for doubtful debts recognized.

#### 42.2.1 Loans to employees

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

#### 42.2.2 Deposits and other receivables

Advances and deposits mainly comprise of cash margin withheld by banks against imports, advances to employees against salaries and other deposits. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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 2020			Rating 2019		
	Short Term	Long Term	Agency	Short Term	Long Term	Agency
Habib Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AAA	JCR-VIS
Standard Chartered Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AAA	JCR-VIS
Citi Bank N.A	P-1	Aa3	Moody's	P-1	Aa3	Moody's
Deutsche Bank AG	F2	BBB+	Fitch	F2	BBB+	Fitch
Meezan Bank Limited	A-1+	AA+	JCR-VIS	A-1+	AA+	JCR-VIS
Tameer Microfinance Bank Limited	A1	A+	PACRA	A1	A+	PACRA

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

## 42.3 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.

### 42.3.1 The following are the contractual maturity analysis of financial liabilities as at December 31, 2020

(Rupees in 000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
<b>Financial liability</b>						
Long term finances	15,780,294	15,780,294	99,159	3,599,160	12,081,975	15,780,294
Lease liabilities	70,673	119,310	23,170	23,170	72,970	119,310
Short term borrowings - secured	6,417,473	6,417,473	6,417,473	-	-	6,417,473
Running finance under mark-up arrangements - secured	830,245	830,245	830,245	-	-	830,245
Customer security deposits - interest free	222,166	222,166	222,166	-	-	222,166
Unclaimed dividend	72,121	72,121	72,121	-	-	72,121
Trade and other payables	25,231,792	25,231,792	25,231,792	-	-	25,231,792
Interest and mark-up accrued	303,183	303,183	303,183	-	-	303,183
	48,927,947	48,976,584	33,199,309	3,622,330	12,154,945	48,976,584

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

**42.3.2** The following are the contractual maturity analysis of financial liabilities as at December 31, 2019

(Rupees in 000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
<b>Financial liability</b>						
Long term finances	6,978,613	6,978,613	356,267	2,842,052	3,780,294	6,978,613
Lease liabilities	339,769	339,769	339,769	-	-	339,769
Short term borrowings - secured	17,217,473	17,217,473	17,217,473	-	-	17,217,473
Running finance under mark-up arrangements - secured	6,141,325	6,141,325	6,141,325	-	-	6,141,325
Customer security deposits - interest free	192,724	192,724	192,724	-	-	192,724
Unclaimed dividend	20,608	20,608	20,608	-	-	20,608
Trade and other payables	23,987,647	23,987,647	23,987,647	-	-	23,987,647
Interest and mark-up accrued	444,958	444,958	444,958	-	-	444,958
	55,323,117	55,323,117	48,700,771	2,842,052	3,780,294	55,323,117

## 42.3.2.1 Fair values of financial assets and liabilities

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

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

(Rupees in 000)	2020								
	Liabilities					Equity			Total
	Long term finances	Short term borrowings	Lease liabilities	Interest mark-up accrued	Unclaimed dividend	Share capital	Share premium	General Reserve	
<b>Balance as at January 01, 2020</b>	6,978,613	17,217,473	339,769	444,958	20,608	453,496	249,527	280,000	25,984,444
<b>Cash flows</b>									
Finance cost paid	-	-	-	(2,946,790)	-	-	-	-	(2,946,790)
Repayment of long term finances	8,801,681	-	-	-	-	-	-	-	8,801,681
Lease liabilities - net	-	-	(271,622)	-	-	-	-	-	(271,622)
Short term borrowings obtained	-	(10,800,000)	-	-	-	-	-	-	(10,800,000)
Dividends paid	-	-	-	-	(7,884,667)	-	-	-	(7,884,667)
<b>Changes from financing cash flows</b>	8,801,681	(10,800,000)	(271,622)	(2,946,790)	(7,884,667)	-	-	-	(13,101,398)
<b>Non-cash changes</b>									
Dividend approved	-	-	-	-	7,936,180	-	-	-	7,936,180
Finance cost	-	-	-	2,805,015	-	-	-	-	2,805,015
Addition to lease liabilities	-	-	2,526	-	-	-	-	-	2,526
<b>Non-cash changes</b>	-	-	2,526	2,805,015	7,936,180	-	-	-	10,743,721
<b>Balance as at December 31, 2020</b>	15,780,294	6,417,473	70,673	303,183	72,121	453,496	249,527	280,000	23,626,767

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 44 Capital risk management

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

The Company's objectives when managing capital are:

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

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

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

(Rupees in 000)	2020	2019
The debt to equity ratio as at December 31:		
Total borrowings	23,028,012	30,337,411
Total equity	4,190,442	3,255,966
Total debt and equity	27,218,454	33,593,377
Debt to equity ratio	84:16	90:10

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.

## 45 Date of authorization for issue

These financial statements were authorized for issue on February 25, 2021 by the Board of Directors of the Company.

## 46 Subsequent event

The Board of Directors in their meeting held on February 25, 2021 have proposed a final cash dividend for the year ended December 31, 2020 of PKR 61 (2019: PKR 42 per share), amounting to 2,766.32 million (2019: PKR 1,904.68 million) for approval of the members at the Annual General Meeting to be held on April 27, 2021. These financial statements do not reflect this dividend.

## 47 General

### 47.1 Corresponding figures

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However, no significant reclassification has been made except for:

(Rupees in 000)

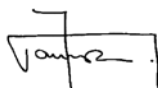
Description	2020	2019
Reclassification of "Contract liabilities" from Trade and other payables to Statement of financial position	382,146	253,185
Reclassification of "Income tax payable" from Trade and other payables to Statement of financial position	262,436	–
Reclassification of advance rent from Advances, deposits, prepayments and other receivable to lease liabilities	160,725	138,405

The above reclassifications do not materially impact overall presentation of the statement of financial position, hence, third statement of financial position as of January 01, 2019 has not been presented.

**47.2** 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 thousands of rupee unless otherwise stated in these financial statements.



SYED SAIFUL ISLAM  
Chief Financial Officer



SAMER CHEDID  
Chief Executive Officer



SYED YAWAR ALI  
Chairman



# FORM OF PROXY

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

I/We, \_\_\_\_\_, of \_\_\_\_\_, being a member of Nestlé Pakistan Ltd., holder of \_\_\_\_\_ Ordinary Share(s) as per registered Folio No. \_\_\_\_\_ hereby appoint Mr. / Ms. \_\_\_\_\_ Folio No. \_\_\_\_\_ of \_\_\_\_\_ or failing him Mr. / Ms. \_\_\_\_\_ 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 43<sup>rd</sup> Annual General Meeting of the Company to be held on 2021 and at any adjournment thereof.

Signed under my / our hand this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

Signed in the presence of:

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

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

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

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

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

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

## NOTES:

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



Signature should agree with the specimen signature registered with the company

The Company Secretary  
**Nestlé Pakistan Ltd.**  
308 – Upper Mall, Lahore, Pakistan  
Phone No. +92 42 111 637 853  
Fax No. +92 42 3578 9303  
[www.nestle.pk](http://www.nestle.pk)

AFFIX  
CORRECT  
POSTAGE

# پراکسی فارم

نھیلے پاکستان لمیٹڈ، 308- پر مال، لاہور

میں اہم

برائے

نھیلے پاکستان لمیٹڈ کے ممبر (ممبران) کی حیثیت سے

عمومی شیئرز کی تحویل رکھتا ہوں اور کہتے ہیں

لہذا بذریعہ ہذا

کے ا کی جناب / محترمہ

کو بحوالہ فولیو / CDC کا ڈنٹ نمبر یا ان کی جگہ

کے ا کی جناب / محترمہ بحوالہ فولیو / CDC کا ڈنٹ نمبر \_\_\_\_\_ کمپنی کے (43) تینتا لیسواں سالانہ اجلاس عام میں اپنی جگہ شرکت، رائے اور

ووٹ دینے کے لئے اپنا راکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس 27 اپریل 2021 کو اٹوا کی صورت میں کسی بھی دیگر وقت مقررہ پر منعقد ہوگا۔

میں اہم بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ کو اپنے دستخط امہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔

مذکورہ بالا کے دستخط

ان کی موجودگی میں

1.

2.

پانچ روپے کی  
ریونیٹیم ہر پر دستخط

فولیو / CDC کا ڈنٹ نمبر

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

اہم نکات:

1۔ باضابطہ مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام 308- پر مال روڈ لاہور، میں یا اسٹیکن شدہ کاپی investor.relations@pk.nestle.com

اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا 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 ان کے پراکسی کی صورت میں اجلاس کے وقت اپنا درست سی این آئی سی یا درست پاسپورٹ بمع CDC پارٹنر شپ آئی ڈی اور ا کا ڈنٹ 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  
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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	KIBOR	Karachi Inter-Bank Offer Rate
5	FIFO	First In First Out
6	OCI	Other Comprehensive Income

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