

Condensed interim financial information  
for the six months ended June 30, 2019



**Nestlé**

Good Food, Good Life

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## Directors' Report to the Shareholders

The Directors of the Company are pleased to submit the half-year report along with the condensed interim financial information of the company for the six months' period ended June 30, 2019.

The macro-economic challenges dominated during first half of 2019 with pressures on the fiscal and current account deficits affecting growth momentum. During the period, the Company reported a revenue of PKR 57.7 billion vs PKR 62.5 billion in the same period last year due to an overall economic slowdown and pressure on disposable income. The company reported gross profit of PKR 17.0 billion vs 20.4 billion in the previous year; the decline is mainly due to higher input costs resulting from increase in commodity prices and devaluation of currency, higher energy prices and imposition of water charge. Consequently net profit after tax dropped to PKR 4.5 billion from PKR 6.3 billion in the previous period.

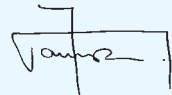
The financial performance for the six months period is summarized below:

	Jan – Jun 2019 PKR Million	Jan – Jun 2018 PKR Million	Change
Sales	57,789	62,585	-7.7%
Gross Profit	17,014	20,423	-16.7%
% of sales	29.4%	32.6%	
Operating Profit	8,415	10,955	-23.2%
% of sales	14.6%	17.5%	
Net Profit after tax	4,472	6,310	-29.1%
% of sales	7.7%	10.1%	
Earnings per share	98.61	139.13	-29.1%

### Future Outlook:

Despite the broader macro-economic challenges and higher inflationary environment the management remains focused on meeting the consumer expectations by offering quality and value added products and managing cost pressures through value chain optimization initiatives and tighter controls on overheads.

For and on behalf of the  
Board of Directors



**Samer Chedid**  
Chief Executive

Lahore: August 26, 2019

# Independent Auditor's Review Report to the Members on Review of Interim Financial Statements

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Nestlé Pakistan Limited** ("the Company") as at 30 June 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

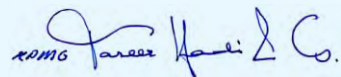
## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

## Other Matter

The figures for the quarter ended 30 June 2019 and 30 June 2018 in the condensed interim statement of profit or loss and other comprehensive income have not been reviewed by us and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's report is Kamran Iqbal Yousafi.



KPMG Taseer Hadi & Co.  
Chartered Accountants

Lahore  
Date: August 26, 2019

## Condensed Interim Statement of Financial Position As at June 30, 2019 (un-audited)

	Note	Jun 30, 2019 (Un-audited)	(Restated) Dec 31, 2018 (Audited)
		(Rupees in '000)	
<b>Non-current assets</b>			
Property, plant and equipment	4	31,523,253	30,363,333
Capital work-in-progress		1,259,412	3,679,302
Intangible assets		11,430	15,464
Long term loans		283,392	305,333
		33,077,487	34,363,432
<b>Current assets</b>			
Stores and spares		2,018,767	1,951,900
Stock-in-trade		20,523,940	19,711,784
Trade debts		2,707,134	3,116,948
Current portion of long term loans and advances		130,118	132,729
Sales tax refundable - net		4,287,917	4,552,598
Advances, deposits, prepayments and other receivables		4,948,928	2,446,521
Cash and bank balances		1,978,317	745,694
		36,595,121	32,658,174
<b>Current liabilities</b>			
Current portion of long term finances - secured		2,227,025	227,025
Current portion of lease liabilities		191,938	34,820
Short term borrowings - secured		18,242,800	15,242,800
Short term running finance under mark-up arrangements - secured		1,363,165	1,418,301
Customer security deposits- interest free		202,407	195,431
Unclaimed dividend		20,608	20,608
Trade and other payables		29,742,787	31,745,031
Interest and mark-up accrued		379,123	273,854
		52,369,853	49,157,870
<b>Net working capital</b>		(15,774,732)	(16,499,696)
<b>Total capital employed</b>		17,302,755	17,863,736
<b>Long term and deferred liabilities</b>			
Long term finances - secured		6,951,218	9,064,730
Lease liabilities		129,214	237,565
Deferred taxation		2,334,362	2,443,197
Retirement benefits		2,246,539	2,098,020
		11,661,333	13,843,512
<b>Contingencies and commitments</b>	5		
<b>Net assets</b>		5,641,422	4,020,224



(Restated)  
Dec 31, 2018  
(Audited)

Jun 30, 2019  
(Un-audited)

———— (Rupees in ‘000) ————

**Financed by:**  
**Share capital and reserves**

Authorized capital

75,000,000 (December 31, 2018: 75,000,000) ordinary  
shares of Rs 10 each

750,000

750,000

Issued, subscribed and paid up capital

453,496

453,496

Share premium

249,527

249,527

General reserve

280,000

280,000

Accumulated profit

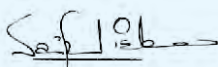
4,658,399

3,037,201

5,641,422

4,020,224

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer

**SAMER CHEDID**  
Chief Executive



**SYED YAWAR ALI**  
Chairman

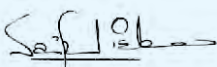


## Condensed Interim Statement of Profit or Loss

For the six months period ended June 30, 2019 (un-audited)

	Six months ended		Three months ended	
	(Restated)		(Restated)	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
	(Rupees in '000)		(Rupees in '000)	
Sales - net	57,789,111	62,585,776	28,653,233	30,556,692
Cost of sales	(40,774,935)	(42,163,200)	(20,108,686)	(20,495,637)
<b>Gross profit</b>	<b>17,014,176</b>	<b>20,422,576</b>	<b>8,544,547</b>	<b>10,061,055</b>
Distribution and selling expenses	(6,939,820)	(7,837,854)	(3,356,178)	(3,752,869)
Administration expenses	(1,659,051)	(1,629,875)	(799,901)	(749,910)
<b>Operating profit</b>	<b>8,415,305</b>	<b>10,954,847</b>	<b>4,388,468</b>	<b>5,558,276</b>
Finance cost	(1,480,451)	(814,169)	(753,118)	(448,679)
Other operating expenses	(712,473)	(848,843)	(468,130)	(436,554)
	(2,192,924)	(1,663,012)	(1,221,248)	(885,233)
Other income	158,147	120,562	65,543	52,228
<b>Profit before taxation</b>	<b>6,380,528</b>	<b>9,412,397</b>	<b>3,232,763</b>	<b>4,725,271</b>
Taxation	(1,908,380)	(3,102,789)	(1,034,953)	(1,797,269)
<b>Profit after taxation</b>	<b>4,472,148</b>	<b>6,309,608</b>	<b>2,197,810</b>	<b>2,928,002</b>
Earnings per share – basic and diluted (Rupees)	98.61	139.13	48.46	64.57

The annexed notes 1 to 13 form an integral part of this condensed interim financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer

**SAMER CHEDID**  
Chief Executive



**SYED YAWAR ALI**  
Chairman



## Condensed Interim Statement of Comprehensive Income

For the six months period ended June 30, 2019 (un-audited)

	Six months ended		Three months ended	
	(Restated)		(Restated)	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
	(Rupees in '000)		(Rupees in '000)	
<b>Profit after taxation</b>	4,472,148	6,309,608	2,197,810	2,928,002
<b>Other comprehensive income</b>				
<i>Items that are or may be classified subsequently to profit or loss:</i>				
- Cash flow hedges - effective portion of changes in fair value	8,385	(17,139)	8,385	(24,336)
- Related tax	(2,311)	8,782	(2,311)	10,507
	6,074	(8,357)	6,074	(13,829)
<b>Total comprehensive income for the period</b>	4,478,222	6,301,251	2,203,884	2,914,173

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer

**SAMER CHEDID**  
Chief Executive



**SYED YAWAR ALI**  
Chairman





## Condensed Interim Statement of Changes in Equity

For the six months period ended June 30, 2019 (un-audited)

	Capital Reserves			Revenue Reserves		Total
	Share capital	Share premium	Hedging reserve	General reserve	Accumulated profits	
	(Rupees in '000)					
Balance as at December 31, 2017 (audited) as originally reported	453,496	249,527	8,357	280,000	3,642,960	4,634,340
First time adoption of IFRS 16	-	-	-	-	41,002	41,002
Balance as at December 31, 2017 - restated	453,496	249,527	8,357	280,000	3,683,962	4,675,342
<i>Total comprehensive income for the period ended June 30, 2018</i>						
Profit after taxation - restated	-	-	-	-	6,309,608	6,309,608
Cash flow hedges - effective portion of changes in fair value (net of tax)	-	-	(8,357)	-	-	(8,357)
	-	-	(8,357)	-	6,309,608	6,301,251
<i>Transaction with owners of the Company recognized directly in equity</i>						
Final dividend for the year ended December 31, 2017 (Rs. 80 per share)	-	-	-	-	(3,627,967)	(3,627,967)
Balance as at June 30, 2018 (un-audited) - restated	453,496	249,527	-	280,000	6,365,603	7,348,626
<i>Transaction with owners directly recognized in equity</i>						
Interim dividend for the six months period ended June 30, 2018 (Rs. 110 per share)	-	-	-	-	(4,988,454)	(4,988,454)
Interim dividend for the nine months period ended September 30, 2018 (Rs. 75 per share)	-	-	-	-	(3,401,219)	(3,401,219)

	Capital Reserves			Revenue Reserves		Total
	Share capital	Share premium	Hedging reserve	General reserve	Accumulated profits	
	(Rupees in '000)					
<i>Total comprehensive income for the period ended December 31, 2018</i>						
Profit after taxation - restated	-	-	-	-	5,301,951	5,301,951
Remeasurement of net retirement benefits liability (net of tax)	-	-	-	-	(240,680)	(240,680)
Balance as at December 31, 2018 - restated	453,496	249,527	-	280,000	5,061,271	5,061,271
<i>Total comprehensive income for the period ended Jun 30, 2019</i>						
Profit after taxation	-	-	-	-	4,472,148	4,472,148
Cash flow hedges - effective portion of changes in fair value (net of tax)	-	-	-	-	6,074	6,074
Transaction with owners directly recognized in equity	-	-	-	-	4,478,222	4,478,222
Final dividend for the year ended December 31, 2018 (Rs. 63 per share)	-	-	-	-	(2,857,024)	(2,857,024)
<b>Balance as at Jun 30, 2019 (un-audited)</b>	<b>453,496</b>	<b>249,527</b>	<b>-</b>	<b>280,000</b>	<b>4,658,399</b>	<b>5,641,422</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer



**SYED YAWAR ALI**  
Chairman

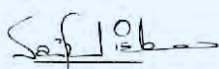


## Condensed Interim Statement of Cash Flows

### For the six months period ended June 30, 2019 (un-audited)

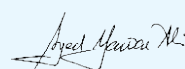
		(Restated)
	Note	Jun 30, 2019    Jun 30, 2018
		———— (Rupees in '000) ————
<b>Cash flow from operating activities</b>		
Cash generated from operations	6	4,779,393    5,684,661
Decrease / (increase) in long term deposits and prepayments		-    (11,645)
Decrease in long term loans		24,552    32,910
Increase in customer security deposits - interest free		6,976    8,170
Retirement and other benefits paid		(242,282)    (245,356)
Workers' profit participation fund paid		-    (1,061,570)
Income taxes paid		(1,102,360)    (2,910,587)
<b>Net cash used in operating activities</b>		3,466,279    1,496,583
<b>Cash flow from investing activities</b>		
Fixed capital expenditure		(683,889)    (1,272,607)
Sale proceeds of property, plant and equipment		146,512    52,781
<b>Net cash used in investing activities</b>		(537,377)    (1,219,826)
<b>Cash flow from financing activities</b>		
Finance cost paid		(1,369,107)    (769,997)
Long term finances - net		(113,512)    (17,184)
Lease liabilities - net		(301,500)    (133,269)
Short term borrowings - net		3,000,000    (145,986)
Dividend paid		(2,857,024)    (3,628,428)
<b>Net cash generated from financing activities</b>		(1,641,143)    (4,694,864)
Net increase / (decrease) in cash and cash equivalents		1,287,759    (4,418,107)
Cash and cash equivalents at beginning of the period		(672,607)    820,076
Cash and cash equivalents at end of the period	7	615,152    (3,598,031)

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



**SYED SAIFUL ISLAM**  
Chief Financial Officer

**SAMER CHEDID**  
Chief Executive



**SYED YAWAR ALI**  
Chairman



# Notes to the Condensed Interim Financial Statements

## For the six months period ended June 30, 2019 (un-audited)

### 1. Legal status and nature of business

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

### 2. Basis of preparation

#### 2.1 Statement of compliance

These condensed interim financial statements comprise the condensed interim statement of financial position of the Company as at June 30, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows together with the notes forming part thereof.

These condensed interim financial statements are un-audited but subject to limited scope review by the external auditors and being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the Listing Regulation of Pakistan Stock Exchange Limited.

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

- International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017; and
- Provisions of and directives issued under Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited financial statements as at and for the year ended December 31, 2018. Comparative condensed interim statement of financial position is stated from annual audited financial statements as of December 31, 2018, whereas comparatives for condensed interim statement of profit or loss and condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and related notes are extracted from condensed interim financial statements of the Company for the six months' period ended June 30, 2018.

#### 2.2 Judgments and estimates

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions for the application of accounting policies and the reported



amounts of assets & liabilities and income & expenses. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended December 31, 2018.

### 3. Significant accounting policies

**3.1** The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2018 except for the adoption of new standards effective as of January 1, 2019 as stated below:

#### 3.2 Changes in accounting policies

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

##### 3.2.1 IFRS 15 "Revenue from Contracts with Customers"

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

The standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue when a customer obtains control of the goods or services under the contract at an amount that reflects the consideration to which the entity expects to be entitled against those goods or services. However, the adoption of IFRS 15, did not have a material impact on the amounts of revenue recognized in these condensed interim financial statements except for reclassification of certain payments/rebates/allowances to customers that were previously classified under "Distribution and Selling expenses" and are now set off against sales. The corresponding figures have been represented to reflect this change. Accordingly, selling and distribution expense of Rs. 1,857.114 million (June 30, 2018: Rs. 1,982.025 million) has been reclassified to sales. This reclassification has no impact on the reported Earning per Share (EPS) of the corresponding period.

##### 3.2.2 IFRS 16 "Leases"

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

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



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

<b>Statement of Financial Position As at December 31, 2018:</b>	<b>Previously reported figures</b>	<b>Adjustments</b>	<b>Amounts with adoption of IFRS 16</b>
		<b>(Rupees in '000)</b>	
Property, plant and equipment	29,982,969	380,364	30,363,333
Lease liabilities	-	(272,385)	(272,385)
Accumulated profit	(2,929,222)	(107,979)	(3,037,201)

**(Un-audited)  
Condensed Interim Statement of Profit or Loss  
For the six months ended June 30, 2018:**

Cost of sales	42,175,969	(12,769)	42,163,200
Distribution and selling expenses (after incorporating the impact of IFRS 15 mentioned above)	7,861,396	(23,542)	7,837,854
Administrative expenses	1,662,179	(32,304)	1,629,875
Finance cost	795,416	18,753	814,169

The above has resultantly reduced the profit after taxation for the six months ended June 30, 2018 by Rs. 49.862 million and earnings per share by Rs. 1.10 per share.

<b>(Un-audited) Condensed Interim Statement of Cash Flows For the six months ended June 30, 2018:</b>	<b>Previously reported figures</b>	<b>Adjustments</b>	<b>Amounts with adoption of IFRS 16</b>
		<b>(Rupees in '000)</b>	

**Cash flow from operating activities**

Profit before taxation	9,362,535	49,862	9,412,397
Depreciation on property, plant and equipment	1,726,398	83,407	1,809,805
Cash generated from operations	1,363,314	133,269	1,496,583

**Cash flow from financing activities**

Lease liabilities - net	-	(133,269)	(133,269)
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**3.2.3 IFRS 9 "Financial Instruments"**

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



**3.3** Other than those disclosed above in note 3.2, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations, as listed below:

- IFRIC 23 - Uncertainty over Income Tax Treatments Jan 01, 2019
- Amendment to IAS 28 - Investments in associates and joint ventures - Long Term Interests in Associates and Joint Ventures Jan 01, 2019
- Amendment to IAS 19 - Employee benefits - Plan Amendment, Curtailment or Settlement Jan 01, 2019
- Amendment to IFRS 3 - Business Combinations – Definition of a Business Jan 01, 2019
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Jan 01, 2019
- Annual Improvements to IFRS Standards 2015–2017 Cycle Jan 01, 2019

**(Un-audited)**  
**Jun 30, 2019**  
**(Restated)**  
**Dec 31, 2018**  
**————(Rupees in '000)————**

#### 4. Property, plant and equipment

Opening balance - net book value	30,363,333	28,734,507
Additions during the period / year	3,188,517	5,483,640
	33,551,850	34,218,147
Book value of property, plant and equipment disposed off during the period / year	(77,938)	(142,905)
Depreciation charged during the period / year	(1,932,305)	(3,710,515)
Impairment charged during the period / year	(18,354)	(1,394)
Closing balance - net book value	31,523,253	30,363,333

**(Un-audited)**  
**Jun 30, 2019**  
**(Audited)**  
**Dec 31, 2018**  
**————(Rupees in '000)————**

#### 5. Contingencies and commitments

**5.1** There is no material contingency as at the reporting date.

##### 5.2 Guarantees

Outstanding guarantees	177,450	227,450
Un-utilized portion of limits with banks	797,550	650,550





(Un-audited) (Audited)  
Jun 30, 2019 Dec 31, 2018  
— (Rupees in '000) —

### 5.3 Commitments

5.3.1 Commitments in respect of capital expenditure	1,686,753	205,306
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### 5.4 Letters of credit

Outstanding letters of credit	5,031,293	7,528,363
Un-utilized portion of limits with banks	10,617,507	8,757,037

(Un-audited) (Restated)  
Jun 30, 2019 Jun 30, 2018  
— (Rupees in '000) —

## 6. Cash generated from operations

Profit before taxation	6,380,528	9,412,397
Adjustment for non-cash items:		
Depreciation on property, plant and equipment	1,932,305	1,809,805
Amortization of intangible assets	4,034	4,034
Reversal of provision for stock in trade	(14,569)	-
Provision for obsolete stores and spares	125,204	89,432
Provision for workers' profit participation fund	343,273	502,335
Provision for workers' welfare fund	141,656	181,823
Gain on disposal of property, plant and equipment	(68,574)	(26,838)
Impairment charged / (reversal) on property, plant and equipment	18,354	(14,781)
Exchange loss	202,204	44,564
Retirement and other benefits	390,801	293,122
Finance cost	1,480,451	795,416
Profit before working capital changes	10,935,667	13,091,309
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(192,071)	(193,111)
Stock in trade	(797,587)	(6,149,217)
Trade debts	409,814	(2,503,246)
Advances, deposits, prepayments and other receivables	(2,269,339)	(3,388,799)
Increase / (decrease) in current liabilities:		
Trade and other payables	(3,307,091)	4,827,725
	(6,156,274)	(7,406,648)
	4,779,393	5,684,661





(Un-audited) (Un-Audited)  
Jun 30, 2019 Jun 30, 2018  
—— (Rupees in '000) ——

## 7. Cash and cash equivalents

Cash and bank balances	1,978,317	1,743,697
Short term running finance under mark-up arrangements - secured	(1,363,165)	(5,341,728)
	<u>615,152</u>	<u>(3,598,031)</u>

## 8. 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. Significant transactions with related parties are as follows:

(Un-audited) (Un-audited)  
Jun 30, 2019 Jun 30, 2018  
—— (Rupees in '000) ——

### Associated companies:

Royalty and technical assistance fee	1,763,609	2,013,274
Dividends paid	1,687,028	2,142,258
Purchase of assets, goods, services and rental	7,095,436	8,269,575
Sale of goods	945,172	1,227,135
Insurance claims received	7,466	9,047

### Other related parties

Contribution paid to staff retirement benefit plan	426,633	432,937
Remuneration to key management personnel	1,736,126	1,477,788

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

## 9. Segment reporting

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

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

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

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

### i) Dairy and nutrition products

Milk based products and cereals

### ii) Powdered and liquid beverages

Juices, drinking water and powdered drinks

### iii) Other products

## 9.1 Segment analysis for the six months ended June 30, 2019 (un-audited)

	Dairy and Nutrition Products	Powdered and liquid beverages	Other Products	Total
	(Rupees in '000)			
Sales - net				
External sales	43,458,206	14,294,114	36,792	57,789,111
Inter-segment sales	-	-	-	-
Total revenue	43,458,206	14,294,114	36,792	57,789,111
Depreciation and amortization	(1,352,762)	(583,287)	(290)	(1,936,339)
Operating profit / (loss) before tax and unallocated expenses	7,407,034	1,064,555	(56,284)	8,415,305
Unallocated corporate expenses:				
Finance cost				(1,480,451)
Other operating expenses				(712,473)
Other income				158,147
Taxation				(1,908,380)
Profit after taxation				4,472,148

## Segment analysis for the six months ended June 30, 2018 (un-audited)

	Dairy and Nutrition Products	Powdered and liquid beverages	Other Products	Total
	(Rupees in '000)			
Sales				
External sales	47,432,762	14,784,919	368,096	62,585,776
Inter-segment sales	-	-	-	-
Total revenue	47,432,762	14,784,919	368,096	62,585,776
Depreciation and amortization	(1,278,562)	(506,523)	(28,754)	(1,813,839)
Operating profit / (loss) before tax and unallocated expenses	9,326,289	1,794,748	(166,190)	10,954,847
Unallocated corporate expenses:				
Finance cost				(814,169)
Other operating expenses				(848,843)
Other income				120,562
Taxation				(3,102,789)
Profit after taxation				6,309,608



## Reportable segment assets and liabilities

	Dairy and Nutrition Products	Powder and liquid Beverages	Other products	Total
	(Rupees in '000)			
As at June 30, 2019 (un-audited)				
Segment assets	51,176,822	17,765,410	108,955	69,051,187
Unallocated assets				621,421
Total assets				69,672,608
Segment liabilities	21,500,402	9,470,903	25,309	30,996,614
Unallocated liabilities				33,034,572
Total liabilities				64,031,186
As at December 31, 2018 (restated)				
Segment assets	46,335,601	18,356,672	768,403	65,460,676
Unallocated assets				1,560,930
Total assets				67,021,606
Segment liabilities	22,444,556	9,542,133	301,075	32,287,764
Unallocated liabilities				30,713,618
Total liabilities				63,001,382
			(Un-audited) Jun 30, 2019	(Un-audited) Jun 30, 2018
			(Rupees in '000)	

## 9.2 Geographical segments

Sales are made by the company in the following countries:

Pakistan	56,705,674	61,312,955
Afghanistan	906,460	1,187,615
Other countries	176,978	85,206
	57,789,111	62,585,776

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

## 10. Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the audited financial statements of the Company for the year ended December 31, 2018.

There is no change in the nature and corresponding hierarchies of fair valuation levels of financial instruments from those as disclosed in the audited financial statements of the Company for the year ended December 31, 2018.



## 11. Date of authorization for issue

These un-audited condensed interim financial statements were authorized for issue on August 26, 2019 by the Board of Directors.

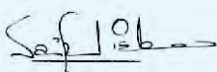
## 12. Dividend

The Board of Directors in their meeting held on August 26, 2019 have proposed an interim cash dividend for the six months period ended Jun 30, 2019 of Rs. 90 (Jun 30, 2018: Rs. 110) per share, amounting to Rs. 4,081.46 (Jun 30, 2018 : Rs. 4,988.45 million). These condensed interim financial statements do not reflect this dividend.

## 13. General

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

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework, however no material reclassifications have been made, other than those mentioned under note 3.2 under the initial adoption of IFRS 15 & IFRS 16.



**SYED SAIFUL ISLAM**  
Chief Financial Officer

**SAMER CHEDID**  
Chief Executive



**SYED YAWAR ALI**  
Chairman



## COMPANY INFORMATION

### Board of Directors

Syed Yawar Ali  
Samer Chedid  
Syed Babar Ali  
Syed Hyder Ali  
Rabia Sultan  
Syed Saiful Islam  
Amr Rehan  
Bernhard Stefan  
David Carpenter

Chairman  
Chief Executive Officer (*wef. August 01, 2019*)  
Director  
Director  
Director  
Director  
Director  
Director  
Director

### Company Secretary

Muhammad Ali Sadozai

Company Secretary

### Management

Samer Chedid  
Syed Saiful Islam  
Amr Rehan  
Muhammad Ali Sadozai  
Ali Akbar  
Samra Maqbool  
Faisal Akhtar Rana  
Akmal Saeed  
Waqar Ahmad  
Babar Hussain Khan  
Haseeb Aslam  
Usman Iqbal Bhatti  
Fuad Saqib Ghazanfar  
Khurram Zia  
Joselito Avancena  
Abdullah Jawaaid Ahmad  
Syeda Nausheen Iqbal Jaffery  
Humaira Ashar

Chief Executive Officer (*wef. August 01, 2019*)  
Head of Finance and Control  
Head of Technical  
Head of Legal Affairs and Company Secretary  
Head of Supply Chain  
Head of Strategy and New Business Development  
Head of Communications and Marketing Services  
Head of Human Resources  
Head of Corporate Affairs  
Head of Sales  
Business Executive Officer - Family Dairy  
Business Executive Officer - Dairy Nutrition Solutions  
Business Executive Officer - Beverages, Culinary and CPW  
Business Executive Officer - Waters  
Business Executive Officer - Infant Nutrition  
Business Executive Officer - Nestlé Professional  
Market Business Excellence Manager  
I2L Generalist - Zone AOA

### Registered & Corporate Office

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

### Corporate Office Annex

304 – Upper Mall, Lahore – 54000, Pakistan.  
309 – Upper Mall, Lahore – 54000, Pakistan.  
309-A – Upper Mall, Lahore – 54000, Pakistan.

## Factories

### Sheikhupura

29 Kilometer, Lahore – Sheikhupura Road  
Sheikhupura, Punjab, Pakistan.  
Phone: (056) 3406615 - 29 Fax: (056) 3406639

### Kabirwala

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

### Karachi

Plot No. A – 23, North Western Industrial Zone,  
Port Qasim, Karachi, Pakistan.  
Phone: (021) 34720152-4

### Islamabad

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

## Auditors

KPMG Taseer Hadi & Co. (*Chartered Accountants*)

## Share Registrar / Transfer Agent

Share Registrar Department  
Central Depository Company of Pakistan Limited  
CDC-House, 99-B, Block-B, SMCHS, Main Shahra-e-Faisal

Karachi-74400, Tel: Customer Support Services  
(Toll Free) 0800-CDCPL(23275)  
Fax: (92-21) 34326053 E-mail: [info@cdcpak.com](mailto:info@cdcpak.com)  
website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

Public dealings: : Monday to Friday: 09:00 am to 07:00 pm  
Saturday: 09:00 am to 01:00 pm

## Legal Advisor

Chima & Ibrahim  
Advocates Corporate Counsel

## Bankers

### Conventional banking relations

Standard Chartered Bank (Pakistan) Limited  
Habib Bank Limited  
Citibank N.A.  
Deutsche Bank A.G.  
Meezan Bank Limited  
National Bank of Pakistan Limited  
United Bank Limited  
MCB Bank Limited  
Telenor Microfinance Bank Limited (formerly Tameer Microfinance Bank Limited)

### Islamic banking relations

Standard Chartered Bank (Pakistan) Limited  
Habib Bank Limited  
Meezan Bank Limited

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



# Nestlé

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