



Nestlé Good food, Good life

Management Report 2021

Be a force for good

We empower our employees to learn, develop and grow to their full potential through the work they do



About the Cover

We believe each and every one of us has a role to play in protecting our future. Whatever your age, race, or background-together, we can all make a difference. Both today and for generations to come.

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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:



Help
50 million
children live healthier lives



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



Strive for
Zero
environmental impact in
our operations



Safoora Bibi, our apple farmer in Hunza, supplies high quality apples to Nestlé Pakistan.

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, 2021.



Financial Performance

The country observed multiple waves of COVID-19, which led to intermittent micro lockdowns to limit the infection rate while permitting economic activities to continue. This resulted in real GDP growth of 3.9% for FY 21 from a contraction of 0.5 percent in FY20.

Despite the challenges caused by the pandemic, the company continued its journey towards recovery, recording a revenue growth of 12.2% versus 2020. This was achieved through uninterrupted supply and availability of products, numeric distribution expansion and innovation and renovation initiatives supported by investments behind the brands. Volume growth, cost savings initiatives across the value chain and portfolio and pricing management contributed to the improvement in profitability.

Nestlé is a Good Food, Good Life company, and our Purpose – to unlock the power of food to enhance quality of life, today and for generations to come – is embedded in everything we do. Despite the pandemic, we drove innovation to create products that are right for consumers and positively contribute to public health and the environment. We adapted quickly and worked diligently across the company which helped us stand out from the competition.

In 2021, we launched a number of products across various categories. We introduced a range of innovative coffee products in RTD and 3in1, new sparkling drinks under our premium NESTLÉ FRUITA VITALS brand, and introduced a new PET single-serve format for the premium Gold Range. Dairy brought in an exciting new launch in the form of EVERYDAY KASHMIRI CHAI and in Waters, we added NESTLÉ PURE LIFE ACTIVE into 5-gallon format, owing to the encouraging response on ACTIVE 230ml SKU launch. We introduced a breakthrough solution in NIDO GUFs Nutritods with No Added Sucrose along with affordable nutrition offerings in growing-up formula and baby food categories. We also had a wide range of launches by Nestlé Professional, across the portfolio, addressing the needs of our OOH customers.

We aim to continue driving category innovations that fulfill our consumer needs and desires.

PKR Million	2021	2020	Change
Sales	133,295	118,781	+12.2%
Gross Profit margin	30.4%	29.3%	+110 bps
Operating Profit margin	16.2%	13.5%	+270 bps
Net Profit after tax	9.6%	7.5%	+210 bps
Net Profit after tax	12,768	8,885	+43.7%
Earnings per share	281.6	195.9	+43.7%

Dividends:

In view of the financial performance of the company, the Board of Directors has recommended to pay final cash dividend of Rs.90 per share, in addition to the interim cash dividend already paid of Rs. 195 per share, which brings the total dividend for the year to Rs. 285 per share for 2021 compared to Rs. 194 per share in 2020.

DIRECTORS' REPORT

To the Shareholders

Investment Projects

Nestlé Pakistan made investments of PKR 2.6 billion, including expansion projects, in 2021. Highlights are hereunder:

1,181 Rs. in Million	485 Rs. in Million
Sheikhupura Factory	Kabirwala Factory
57 Rs. in Million	496 Rs. in Million
Water Plants	Distribution and Sales
383 Rs. in Million	
Others	

Investments of approximately PKR 3 billion, are planned for 2022, primarily in respect of operational reliability and capacity increase 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 present 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 the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017 have been followed in preparation of the financial statements; and any departure thereof has been adequately disclosed and explained

- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts upon the company's ability to continue as a going concern
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations
- 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 and Disclosure of Remuneration of 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. The detail of the remuneration, including other benefits paid during the year 2021, to the Chief Executive Officer, Executive Directors, and Non-Executive Directors of the company, are described in Note 41 of the financial statements.

External Auditors

Messrs. Ernst & Young Ford Rhodes, Chartered Accountants have completed their assignment for the year 2021 and retired at the conclusion of the 44th Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

Holding Company and Principal Activity

Société des Produits Nestlé SA (SPN), a company incorporated in Switzerland (the holding company), holds 27,936,173 ordinary shares representing 61.6% 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

Though 2021 was yet another year with partial lockdowns, it was marked by resilience where our offices returned to a hybrid way of working while maintaining 50% office occupancy. We engaged, motivated, onboarded, and grew our teams to ensure an uninterrupted supply of quality products to our consumers nationwide. HR processes shifted to digital and virtual spaces, with a greater focus on Talent Acquisition, Employee Engagement, Employee Health & Wellness, and Learning & Capability Building.

Nestlé Pakistan's priority is the well-being of its workforce. Our focused initiatives around Mental & Physical Well-being and Inoculation and its benefits played a vital role in shaping behavioral changes that ensured the health, safety and well-being of our teams. We also facilitated our employees by providing on-site vaccination camps at our factories and currently 97% of our employees are fully vaccinated.

In 2021, we leveraged our iLearn platform to encourage self-paced learning amongst employees, which resulted in the completion of 56,569 eLearning sessions. In order to strengthen leadership competencies line managers were trained as 360 Feedback Coaches and Everyday Coaches. We are also proud to be the market to pilot the "People Managers Development Assessment Center" (PMDAC) that will develop line managers through differentiated action plans. Two online academies, Nestlé Leaders Academy and Nestlé People Academy were launched to further strengthen leadership traits. These programs resulted in creating strong feedback and coaching culture.

People development and performance management activities were carried out to support employees to enable them to nurture their careers based on individual aspirations and succession plans. Career Coaching, 3-Party PDPs and Corporate & Functional Mentoring remained some of our key activities. A virtual Employee Engagement plan, including virtual cooking and fitness drives, was launched to engage our employees as we worked in a hybrid environment.

We continued to build on our global commitments to provide employment and employability opportunities to youth by engaging more than 40,000 youth around the year through our flagship Management Trainee Program, Career Drives, Webinars, and Job Fairs. We provided 303 internships, both virtual and on ground. Our initiative focusing on diversity, Karo Aitemad, continued to engage, motivate and inspire young female professionals. We inducted a pool of 37 women for a

year, equipping them with the knowledge, skills and experience required for a successful career.

Nestlé Pakistan is committed to give fair employment opportunities to differently-abled people by increasing their employability through our program 'Hai Tum Pe Yakeen'. A batch of 15 differently-abled people was hired on one-year contract, and 4 associates from the previous year were moved to permanent roles at Nestlé Pakistan. The remaining are now part of our talent pipeline, in consideration for permanent positions.

Creating Shared Value (CSV) and Community Work

At Nestlé, we believe in the philosophy of CSV. It is our belief that for a company to be able to create value for its shareholders, it must also create value for society. Nestlé Pakistan, as part of its global and local obligations, believes in CSV for the communities in which it works and operates. The health of our company is intrinsically linked to the health and resilience of the society we operate in.

Our global focus areas are firmly embedded in our purpose. Individuals and Families, Our Communities, and The Planet as a whole are interconnected, and our efforts in each of these areas are supported through our 36 specific commitments. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the timescale of the Sustainable Development Goals (SDGs).

The key CSV initiatives of 2021 include:

- Finalization of our Market Sustainability Roadmap to 2025 as part of our global commitment to become a Net Zero company by 2050. In 2021, we started a number of projects in our fresh milk value chain that helped us reduce more than 13,000 tons of carbon emissions in that area alone
- Reduction of 224 tons of plastic by eliminating plastic straws throughout our RTD range
- Collection of more than 200 tons of waste under our waste management project "Clean Gilgit and Hunza Project" to encourage waste collection and management in Gilgit and Hunza districts in alignment with our vision of a waste-free future
- Multiple awareness and capability building trainings for the hospitality sector under 'Travel Responsibly for Experiencing Eco-tourism in Khyber Pakhtunkhwa' (TREK) – a collaboration between Government of Khyber Pakhtunkhwa, World Bank Group and Nestlé Pakistan

DIRECTORS' REPORT

To the Shareholders

- Nutrition awareness for another 35,000 school children in the rural, suburban and urban areas under Nestlé for Healthier Kids (N4HK), extending the overall outreach to more than 285,000 kids and 1,500 teachers on nutrition in 340 schools in the country
- Overall enrollment of more than 1,900 women as Nestlé BISP Rural Women Sales Agents, a program that we run in partnership with Benazir Income Support Program (BISP) as part of Ehsaas Kifalat program
- Provision of Clean and Safe Drinking Water to more than 60,000 people on a daily basis through facilities in our operational areas
- An estimated water saving of more than 380,000 m³ as a result of working with farmers and partners including Agriculture Department Punjab, Lahore University of Management Sciences and Pakistan Agriculture Research Council to help reduce water wastage in agriculture
- Continued support for programs involving dairy farmers and rural women for skill enhancement related to dairy and livestock sector
- Continued product support through Nutrition Support Program for the underprivileged institutions and to the areas affected by natural calamities
- Continuation of Chaunsa Project with integration of Mango farmers in our value chain
- Support for Driver Training Facility at the National Highways & Motorway Police Training Institute, Sheikhupura and Road Safety Institute, Karachi
- Plantation of 35,000 trees at different locations near our factories

Subsequent Events

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

Principal Risk & Uncertainty

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

Future Outlook

We foresee that the current record-high commodity prices and global supply chain disruptions will continue in 2022, which is likely to keep inflation at an elevated level. This, coupled with recently imposed taxation measures, are likely to have an adverse impact on the already deteriorating purchasing power of the consumers.

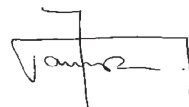
Despite all the challenges, the company remains cautiously optimistic about staying on course on its recovery journey in the coming year capitalizing on strong brand equity and a highly committed workforce supported by continuous initiatives for operational excellence.

Acknowledgements

We take this opportunity to thank our valued consumers who have trust in our products and continue to provide sustained support in ensuring the progress of the company. Our people are our greatest strength and they have demonstrated their commitment once again throughout the pandemic by ensuring timely supply and availability of our products. We are guided by our strong values rooted in respect. Our purpose and our values are the reasons why we all work for Nestlé's success. They are fundamental to everything we do, particularly in times of significant changes in the 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
February 17, 2022
Lahore



Syed Yawar Ali

Chairman

سال 2021 میں مکمل کی گئی انہم CSV سرگرمیاں درج ذیل ہیں:

- 2050 تک نیٹ زبرو کمپنی کے بین الاقوامی ہدف کے حصول کیلئے 2025 تک کیلئے ہمارے Market Sustainability Roadmap کو قومی شکل دی گئی۔ 2021 میں ہم نے فریش ملک ویلیو چین میں چند پراجیکٹس کا آغاز کیا جس کی بدولت صرف اسی شعبہ میں کاربن کے اخراج میں 13,000 ٹن کی ممکن ہوئی۔
- پلاسٹک سٹرا کے خاتمہ کے ذریعے ہماری RTD ریٹ میں پلاسٹک کے استعمال میں 224 ٹن کی لائی گئی
- "آلودگی سے پاک مستقبل" کے نشن میں ٹگٹ اور ہنزہ میں کوڑا کرکٹ کو کھکانے لگانے کی ذمہ داری کو فروغ دینے کیلئے ہمارے ویسٹ مینجمنٹ پراجیکٹ کے تحت 200 ٹن کوڑا کرکٹ تلف کیا گیا
- "Travel Responsibly for Experiencing Ecotourism in Kyber Pakhtunkhwa (TREK)" کے تحت میزبانی کے شعبہ سے منسلک افراد اداروں کیلئے آگاہی اور استعدادی بڑھوتری کی مختلف مشقیں۔ حکومت خیبر پختونخوا، ورلڈ بینک گروپ اور نیٹلے پاکستان کا اشتراک
- Nestle for Healthier Kids پروگرام کے تحت دیہی، نیم دیہی اور شہری علاقوں میں مزید 35,000 سکول کے بچوں کو غذائی شعور فراہم کیا گیا اور اس مہم کے دوران مجموعی طور پر اب تک ملک بھر میں 340 سکولوں میں 285,000 بچوں اور 11,500 اساتذہ تک رسائی حاصل کی گئی
- احساس کفالت پروگرام کے حصہ کے طور پر بے نظیر انکم سپورٹ پروگرام کے اشتراک سے 1900 سے زائد خواتین کا بطور نیٹلے BISP رولر ووٹیں سیکڑا سبکدوشی انتخاب
- ہمارے دائرہ کار میں آنیوالے علاقوں میں 60,000 سے زائد لوگوں کو روزانہ کی بنیاد پر پینے کے صاف پانی کی فراہمی یقینی بنائی گئی
- کسانوں اور اپنے شراکت داروں بشمول ٹھکانہ زراعت پنجاب، لاہور یونیورسٹی آف مینجمنٹ سائنسز اور پاکستان ایگریکلچر کونسل کی پائزر شپ کے ساتھ زراعت کے شعبہ میں پانی کے استعمال میں کمی لاکر 380,000 m3 پانی کی بچت ہوئی
- ڈیری اور لائیو سٹاک کے شعبہ میں ڈیری فارمرز اور دیہی خواتین کی صلاحیتوں میں کھار لانے کیلئے معاونتی پروگرام جاری رکھے گئے
- نیوریشن سپورٹ پروگرام کے تحت پسماندہ اداروں اور قدرتی آفات سے متاثرہ علاقوں کیلئے تعاون جاری رکھا گیا
- آم کے پیداوار کنندگان کے ذریعے ہماری ویلیو چین میں نیٹلے چونسہ پراجیکٹ کا تسلسل
- نیٹلے ہائی ویز اینڈ موٹر ویسے پولیس ٹریننگ انسٹیٹیوٹ، شینو پورہ اور روڈ سیفٹی انسٹیٹیوٹ کراچی میں ڈرائیور ٹریننگ مرکز کیلئے معاونت
- ہماری ٹیکسٹریوں کے قریب مختلف مقامات پر 35,000 درخت لگائے گئے

مابعد واقعات:

مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ تک دیگر ایسی کوئی بھی مادی تبدیلی یا واقعہ رونما نہیں ہوا جو کمپنی کی مالی حالت پر اثر انداز ہو۔

بنیادی خطرہ اور عدم یقینی:

- مہنگائی بڑھنے کی وجہ سے لاگت میں اضافہ اور کرنسی کی قدر میں مزید کمی
- میکرو اکنامک عدم یقینی جو کہ صارف کی طلب پر اثر انداز ہو
- موجودہ بلنگس میں اضافہ اور نئے ٹیکس/ڈیوٹیز کا نفاذ

مستقبل کا نقطہ نظر:

ہماری پیش گوئی ہے کہ روزمرہ اشیاء کی قیمتوں میں موجود تاریخی اضافہ اور عالمی سپلائی چین میں رکاوٹیں سال 2022 میں بھی جاری رہیں گی جس کی وجہ سے مہنگائی بھی بلند سطح پر رہے گی۔ اس کے ساتھ ساتھ حالیہ لاگو کردہ ٹیکس صارف کی قوت خرید پر مزید سنگین اثرات مرتب کرے گا۔

تمام چیلنجز کے باوجود آنے والے سال کے دوران کمپنی بحالی کے سفر کو جاری رکھنے کیلئے کافی حد تک پرامید ہے اور سفر میں کاروباری بہتری کیلئے مسلسل اقدامات کے ساتھ ساتھ مضبوط برانڈ، بکوبی اور انتہائی سختی افرادی قوت پر انحصار رہے گا۔

اظہار تشکر:

ہم اس موقع پر اپنے معزز صارفین کے انتہائی مشکور ہیں جنہوں نے ہماری پراڈکٹس پر اپنے اعتماد کی مہر ثبت کرتے ہوئے کمپنی کی ترقی یقینی بنائی۔ ہمارے لوگ صحیح معنوں میں ہماری طاقت ہیں اور اس کا مظاہرہ انہوں نے ایک بار پھر بوائے کے ایام میں ہماری مصنوعات کی بروقت سپلائی اور دستیابی یقینی بنا کر کیا۔ احترام پر منحصر مضبوط اقدار ہماری راہنما ہیں۔ ہمارا مقصد اور ہماری اقدار کی وجہ سے ہم سب نیٹلے کی کامیابی کیلئے شب و روز محنت کرتے ہیں۔ ہمارے ہر کام بالخصوص کمپنی کے باہر رونما ہونے والی اہم تبدیلیوں کے دوران یہی سنہری اصول ہماری بنیاد ہوتے ہیں۔

نیٹلے پاکستان اپنی پراڈکٹس، پرائیس اور مینوفیکچرنگ سائنس میں بین الاقوامی مہارتیں اور معیارات متعارف کرواتے ہوئے "ہم پاکستانی" کمپنی ہے اور پاکستان میں اپنی کامیابیوں پر فخر محسوس کرتی ہے۔

برائے اور بحکم بورڈ آف ڈائریکٹرز

Ayed Yawar Ali

سید یار علی
چیف ایگزیکٹو

Signature

سیر چنڈ
چیف ایگزیکٹو
17 فروری 2022

ل۔ درج ذیل سے متعلق اسٹینٹ اکاؤنٹس کے نوٹس سے منسلک اور واضح ہیں:

i پچھلے چھ سال کے اہم مالیاتی اعداد و شمار

ii شیئرز ہولڈنگ کا پیٹرن

iii ڈائریکٹرز، ای ایف ایف اور ایف ایف کی جانب سے کمپنی کے شیئرز میں فریڈنگ

iv سال میں ہونے والی بورڈ میٹنگ کی تعداد اور ڈائریکٹری حاضری

نان ایگزیکٹو ڈائریکٹرز کیلئے مشاہرے کی پالیسی اور ڈائریکٹرز کے مشاہرے کو واضح کرنا:

کمپنی کی بورڈ اور کمپنی میٹنگز میں شرکت کیلئے نان ایگزیکٹو ڈائریکٹرز اور خود مختار ڈائریکٹرز کے مشاہرے کا تعین بورڈ کی طرف سے کیا جاتا ہے۔ کمپنی کے چیف ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹرز، اور نان ایگزیکٹو ڈائریکٹرز کو ادا کیے گئے مشاہرے کی تفصیلات بشمول سال 2021 میں دی گئی دیگر مراعات فنانشل اسٹینٹ کے نوٹ 41 میں بیان کی گئی ہیں۔

بیرونی آڈیٹرز:

میٹرز انسٹ ایڈویٹس فورڈ روڈ چارٹرڈ اکاؤنٹنٹس نے سال 2021 کے اپنے امور کی انجام دہی مکمل کر لی ہے اور چارلیسویں سالانہ اجلاس عام کے اختتام پر ریٹائر ہونے کے بعد اہل ہونے کی وجہ سے انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔

ہولڈنگ کمپنی اور بنیادی کاروبار:

Société des Produits Nestlé SA (SPN) سوئٹزر لینڈ میں قائم کی گئی ایک کمپنی (دی ہولڈنگ کمپنی) ہے۔ جس کے پاس 27,936,173 عمومی شیئرز ہیں جو کمپنی میں 61.6 فیصد ایکویٹی انٹرسٹ کے عکاس ہیں۔ کمپنی کا بنیادی کاروبار میٹو، چرک، پراسینگ اور کھانے کی پراڈکٹس بشمول درآمدی پراڈکٹس کی فروخت ہے۔ مالی سال کے دوران کمپنی کی کاروباری نوعیت میں کسی قسم کی تبدیلی رونما نہیں ہوئی۔

ہیومن ریسورس مینجمنٹ اینڈ ایمپلائی ریلیشنز:

اگرچہ سال 2021 میں ایک بار پھر بڑی لاک ڈاؤن کا سلسلہ جاری رہا۔ ہمارے دفاتر نے کام کے نئے طریقہ کار اختیار کرتے ہوئے 50 فیصد شاف کے ساتھ کاروباری سرگرمیاں سرانجام دیں۔ ہم نے ملک بھر میں اپنے صارفین کو باقاعدہ مصنوعات کی فراہمی یقینی بنانے کیلئے اپنی ٹیموں کو متحرک اور پرجوش رکھا جبکہ اس کے ساتھ نئے افراد کی شمولیت اور موجودہ ٹیموں کی ترقی کا عمل بھی جاری رہا۔ ہیومن ریسورس کے طریقہ کار ڈیجیٹل اور ورچوئل پلیٹ فارم کی جانب راغب ہوئے اور اس دوران ٹیلنٹ کے حصول، ایمپلائی انجمنٹ، ایمپلائی ہیلتھ اور تندرستی، آموزش اور صلاحیت میں اضافہ پر خصوصی دھیان دیا گیا۔

اپنی افرادی قوت کی بہتری کیلئے پاکستان کی ترجیح رہی ہے۔ ہمارے توجہ دہنی و جسمانی صحت مندی اور اس کاؤڈ بن ٹین کرنے کے اقدامات پر ہوتی ہے اور اس کے فوائد نے رویوں میں مثبت تبدیلی کے عمل میں کلیدی کردار ادا کیا ہے جس کی وجہ سے ہماری ٹیموں کی صحت، حفاظت اور بہتری یقینی ہوئی۔ ہم نے اپنے ملازمین کو فیکٹری میں کیپس لگا کر کرونا ویکسینیشن کروائی اور اس وقت ہمارے 97 فیصد ملازمین مکمل طور پر ویکسین شدہ ہیں۔

سال 2021 میں ہم نے ملازمین میں Self-paced لرننگ کی حوصلہ افزائی کیلئے اپنے آئی لرن پلیٹ فارم کو مزید مضبوط بنایا جس کے نتیجے میں 56,569 آئی لرننگ سیشن مکمل کیے گئے۔ قائدانہ صلاحیتوں میں نکھار کیلئے لائن میٹرز کو بطور فیکٹری کو چڑا اور اپوری ڈے کو چتر بیت دی گئی۔ ہمیں مختلف حکمت عملیوں کیلئے لائن میٹرز تیار کرنے کیلئے

"People Managers Development Assessment Center (PMDAC)" متعارف کروانے پر فخر ہے۔ قائدانہ صلاحیتوں میں مزید بہتری کیلئے دو آئی لائن اکیڈمیاں (ٹیسٹ لیڈرز اکیڈمی اور ٹیسٹ پیپل اکیڈمی) لانچ کی گئیں۔ یہ پروگرام مضبوط آراء اور کوچنگ کے فروغ میں معاون ثابت ہوئے۔

ذاتی دلچسپی اور کامیابی کے پلازہ کی بنیاد پر ملازمین کے پیشہ وارانہ کیریئر کی نشوونما کیلئے افرادی ترقی اور پرفارمنس مینجمنٹ کی سرگرمیوں کے ذریعے مکمل تعاون فراہم کیا گیا۔ جس میں کیریئر کوچنگ، 3۔ پارٹی PDPS اور ادارہ جاتی و عملی راہنمائی وغیرہ چند بنیادی سرگرمیاں ہیں۔ جیسا کہ ہم ایک باہر ڈاماحول میں ذمہ داریاں سرانجام دے رہے ہیں اس لئے ملازمین کی تفریح کیلئے ورچوئل گولنگ اور فٹنس مہمات پر مشتمل ورچوئل ایسپلائی انجمنٹ پروگرام متعارف کروایا گیا۔

ہمارے فلیگ شپ مینجمنٹ ٹرینی پروگرام، کیریئر پمپنی مہمات، webinars اور چاب فیکرز کے ذریعے ملازمت فراہم کرنے کے ہمارے عالمی عزم کو دہرانے کا سلسلہ جاری رہا اور سال بھر میں 40,000 سے زائد نوجوانوں کو انجمنٹ کر کے ملازمت کے مواقع فراہم کیے گئے۔ ہم نے ورچوئل اور سائبر پ303 انٹرنیشنل کا اہتمام کیا۔ ملازمت کے مساوی مواقعوں کے علمبردار ہمارے پروگرام "کروا عائد" نے نوجوان خواتین پر فیشنل کوچنگ، پرمز اور پروجوش رکھا۔ اس سال ہم نے 37 خواتین کو ملازمت فراہم کی گئی اور کامیاب کیریئر کیلئے انہیں علم، مہارتوں اور تجربے سے روشناس کروایا گیا۔

ٹیسٹ پاکستان معذوری کے شکار افراد کو اپنے پروگرام "ہم تم پر یقین" کے ذریعے ملازمت کے مواقع فراہم کرتا ہے۔ اس ویشن کے تحت رواں سال 15 معذور افراد کو ایک سالہ کنٹریکٹ کی بنیاد پر بھرتی کیا گیا جبکہ گزشتہ سال کے 4 ایسوی اٹس کو ٹیسٹ پاکستان میں مستقل کیا گیا۔ جبکہ بقیہ افراد مستقل پوزیشنز کیلئے ہماری ٹیلنٹ پائپ لائن کا حصہ ہیں۔

کریٹنگ شیئرز ویلیو (CSV) اور کمیونٹی ورک:

ٹیسٹ پاکستان طبقات کیلئے کریٹنگ شیئرز ویلیو (CSV) کے تصور پر یقین رکھتا ہے۔ ہمارا یقین ہے کہ ایک کمپنی کو اپنے شیئرز ہولڈرز کیلئے فائدہ مند ثابت ہونے کے قابل بننے کیلئے معاشرہ کی ترقی کیلئے بھی اقدامات کرنا ضروری ہیں اور ہماری کمپنی کی ترقی اس سوسائٹی کی ترقی اور برداشت سے وابستہ ہے جس میں ہم کام کرتے ہیں۔

ہمارے عالمی دلچسپی کے شعبہ جات ہمارے مقصد میں مستحکم انداز میں سرمایت پذیر ہیں۔ افراد اور خاندان، ہمارے طبقات اور یہ ساری کراڑ ایک دوسرے سے وابستہ ہے اور ان شعبوں کیلئے ہماری کاوشوں کو ہمارے ان 36 مخصوص عزائم کی معاونت حاصل ہوتی ہے۔ ہمارے یہ عزائم 2030 کے Sustainable Development Goals (SDGs) کے نائٹم سکیل کے عین مطابق ہمارے اہداف کو حاصل کرنے کے قابل بنائیں گے۔

نیشنل پاکستان لمیٹڈ (دی "کمپنی") کے ڈائریکٹران کیلئے یہ بات باعث خوشی ہے کہ وہ 31 ستمبر 2021 ختم ہونے والے سال کی سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی گوشوارے پیش کر رہے ہیں۔

مالیاتی کارکردگی:

ملک کو کرونا وائرس کی مختلف لہروں کا سامنا رہا، جس کی وجہ سے وقفے وقفے سے چھوٹے پیمانے پر لاک ڈاؤن کا سلسلہ جاری رہا تا کہ معاشی سرگرمیوں کا جاری رکھتے ہوئے وائرس کے پھیلاؤ کی شرح کو روکا جاسکے۔ اس کا نتیجہ مالی سال 2021 میں 3.9 فیصد جی ڈی پی گروتھ کی صورت میں سامنے آیا جو کہ مالی سال 2020 کی نسبتاً 0.5 فیصد کم ہے۔

کرونا وائرس کے پیدا کردہ چیلجز کے باوجود کمپنی بحالی کے سفر پر گامزن رہی اور سال 2020 کے مقابلہ میں 12.2 فیصد زیادہ ریونیو حاصل کیا۔ یہ کامیابی براڈ میڈ سرمایہ کاری کے ساتھ ساتھ مصنوعات کی بلا تھقل ترسیل و دستیابی، عددی اعتبار سے ڈسٹری بیوشن کی توسیع اور جدید واصلاتی اقدامات کی بدولت ممکن ہوئی۔ حجم میں اضافہ، ویلیو چین میں لاگت کی کمی کیلئے اقدامات اور پورٹ فولیو پر انسٹیلمنٹ نے منافع کی بہتری میں اہم کردار ادا کیا۔

نیشنل Good Food, Good Life کے ویژن پر کاربند کمپنی ہے اور ہمارا مقصد خوراک کی بیش قیمت طاقت کے ذریعے موجودہ اور آنے والی نسلوں کے معیار زندگی میں نمایاں بہتری لانا ہے اور یہ ہماری ہر کاروباری سرگرمی کا مرکزی جزو ہے۔ وہاں کے باوجود ہم نے صارف دوست، صحت عامہ کیلئے مفید اور ماحول کیلئے سودمند مصنوعات تیار کرنے کیلئے جدت کا سہارا لیا۔ ہم نے حالات کے مطابق تیزی سے خود کو ڈالا حالانکہ کمپنی نے پوری تبدیلی سے کام جاری رکھا اور یہ عمل ہمیں مد مقابلہ پر سبقت دینے میں مددگار ثابت ہوا۔

سال 2021 کے دوران ہم نے مختلف کینٹیکریوں میں کئی مصنوعات متعارف کروائیں۔ ہم نے 3in1 اور RTD میں کافی کی جدید مصنوعات پر مبنی ایک رینج، ہمارے پریٹیم نیشنل فروٹا وائلڈ برانڈ کے تحت نئے سپا کنگ ڈرنکس کے ساتھ ساتھ پریٹیم گولڈ رینج کے ساتھ PET سٹیکل سرورقاریٹ متعارف کروایا۔ ڈیری میں ایوری ڈے کشیری چائے کی صورت میں ایک نئی شاندار پراڈکٹ متعارف کروائی گئی جبکہ پانی میں ہم نے موجودہ 230 ملی لیٹر SKU لانچ کو ملنے والی پذیرائی کو دیکھتے ہوئے نیشنل پیوڈر لائف ایکٹو 5 گیلن کے سائز میں بھی لانچ کیا۔ ہم نے بچوں کے کھانے کی کینیکری میں نیڈو GUFs نیوڈی ٹوڈلز (بغیر سکرز) میں ایک نمایاں پیش رفت کی اور اس کے ساتھ ساتھ پرورش کے فرمولہ میں سستی غذائیت کی فراہمی پر زور دیا۔ اس کے علاوہ نیٹلے پروفیشنل کی جانب سے وسیع پیمانے پر لانچنگ کی گئی جو کہ ہمارے صارفین کی ضروریات کو باہم پورا کرتی ہیں۔

ہم صارف کی ضروریات اور خواہشات کو پورا کرنے کیلئے ہر کینیکری میں تجدید پر توجہ مرکوز رکھیں گے۔

مالی کارکردگی کا خلاصہ:

روپے (ملین)	2020	2021	فرق
سیلز	118,781	133,295	+12.2%
مجموعی منافع کا مارجن	29.3%	30.4%	+110 bps
آپریٹنگ منافع کا مارجن	13.5%	16.2%	+270 bps
خالص منافع ٹیکس کے بعد (فیصد)	7.5%	9.6%	+210 bps
خالص منافع ٹیکس کے بعد	8,885	12,768	+43.7%
آمدن فی شیئر	195.9	281.6	+43.7%

ڈیویڈنڈز:

کمپنی کی مالیاتی کارکردگی دیکھتے ہوئے بورڈ آف ڈائریکٹرز نے 90 روپے فی شیئر جتنی منافع منقسمہ تجویز کیا ہے اس کے علاوہ عبوری نقد منافع منقسمہ 195 روپے فی شیئر پہلے ادا کیا جا چکا ہے جس کے بعد سال 2021 کا مجموعی منقسمہ 285 روپے فی شیئر ہے جو کہ سال 2020 میں 194 روپے فی شیئر تھا۔

سرمایہ کاری کے منصوبے:

نیشنل پاکستان نے سال 2021 کے دوران بشمول توسیع منصوبہ جات 2.6 ارب روپے کی سرمایہ کاری کی۔ جس کی بنیادی تفصیلات درج ذیل ہیں:

1,181 (ملین روپے)	485 (ملین روپے)
شیئروں پر انویسٹیشن	کیروالا انیشیاتیو
57 (ملین روپے)	496 (ملین روپے)
واٹر پلانٹس	ڈسٹری بیوشن اور سٹورز
383 (ملین روپے)	
دیگر	

سال 2022 کیلئے صارفین کی ضروریات پوری کرنے کیلئے بنیادی طور پر آپریشنل پائیداری اور پیداواری صلاحیت میں اضافہ کی خاطر تقریباً 3 ارب روپے کی سرمایہ کاری متوقع ہے۔

کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک:

نیشنل پاکستان کسی بھی اتھنٹیٹی کے بغیر کارپوریٹ گورننس کے بہترین معیارات پر عملدرآمد کیلئے پرعزم ہے۔ ڈائریکٹرز کو یہ بیان کرتے ہوئے انتہائی خوش محسوس ہو رہی ہے کہ کمپنی ایس۔ای۔سی۔ پی کے قواعد کو مد نظر رکھتے ہوئے کوڈ آف کارپوریٹ گورننس کی دفعات اور اسٹاک ایکسچینج لسٹنگ کے قواعد و ضوابط پر مکمل عمل چیرا ہے۔ کوڈ آف کارپوریٹ گورننس پر عملدرآمد کا بنیادی درج ذیل ہے۔

ڈائریکٹرز نے تصدیق کی ہے کہ

- کمپنی مینجمنٹ کی جانب سے تیار کیے جانے والے مالی گوشواروں میں امور کی انجام دہی، اپنے امور کے نتائج، کیش فلو اور ایکوٹی میں تبدیلی کے بارے میں درست انداز میں بتایا گیا ہے
- کمپنی کی اکاؤنٹس بکس کی تفصیلات کو درست انداز میں برقرار رکھا گیا ہے
- فنانشل اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ حکمت عملیوں کو متاثر نہ لایا گیا ہے اور اکاؤنٹنگ تخمینہ معقول اور دانشمندانہ فیصلہ پر مبنی ہے
- فنانشل اسٹیٹمنٹ کی تیاری میں پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز اور کنٹینر ایکٹ 2017 کی ضروریات کی مکمل پیروی کی گئی ہے اور اس کے انحراف کو مناسب انداز میں ظاہر اور بیان کیا گیا ہے
- اندرونی کنٹرول کا ڈھانچہ مضبوط ہے اور یہ موثر انداز میں نافذ العمل اور ریگولر ہے
- کمپنی کے جاری رہنے کی صلاحیت پر کوئی واضح شکوک نہیں ہیں
- لسٹنگ ریگولیشنز میں اندراج کے مطابق کارپوریٹ گورننس کے قواعد سے کوئی مادی انحراف نہیں کیا گیا

















ANNEXURE TO DIRECTORS' REPORT

On Corporate Governance

Board of Directors' Meetings

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

Number of Board Meetings held for the financial year = 4

 Date of Meeting  Time	 Date of Meeting  Time
 25-Feb-21  11:00 A.M	 27-Apr-21  10:10 A.M
 Date of Meeting  Time	 Date of Meeting  Time
 29-Jul-21  11:00 A.M	 26-Oct-21  10:30 A.M

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

Name of Director	Date of appointment	No. of Meetings Attended
Mr. Syed Yawar Ali	17.07.2019	4
Mr. Samer Chedid	01.08.2019	4
Mr. Syed Babar Ali	17.07.2019	4
Mr. Syed Hyder Ali	17.07.2019	3
Mr. Syed Saiful Islam	17.07.2019	4
Mr. Bernhard Stefan	17.07.2019	4
Mr. Amr Rehan	17.07.2019	2
Mr. Osman Khalid Waheed	17.07.2019	4
Ms. Rabia Sultan	17.07.2019	3
Mr. 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 2021. 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 the effectiveness of its role in attaining the company's aims and objectives.

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

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

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

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



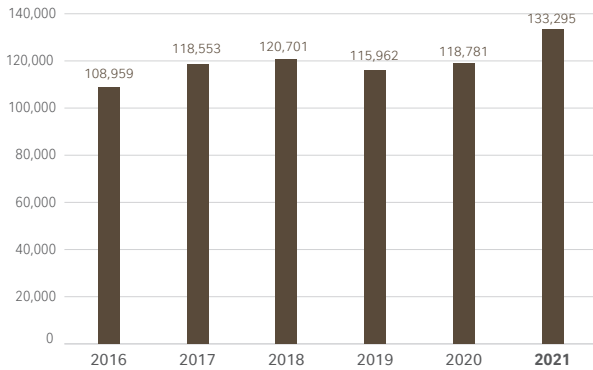
Syed Yawar Ali

Chairman

COMPANY PERFORMANCE 2021

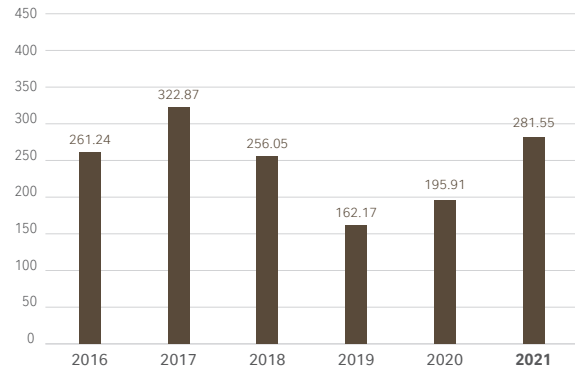
SALES

Rupees in million



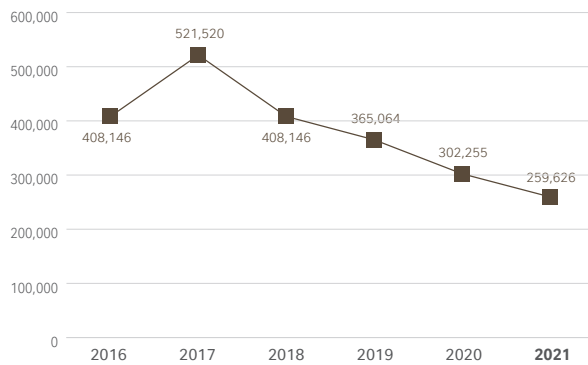
EARNING PER SHARE

Rupees in million



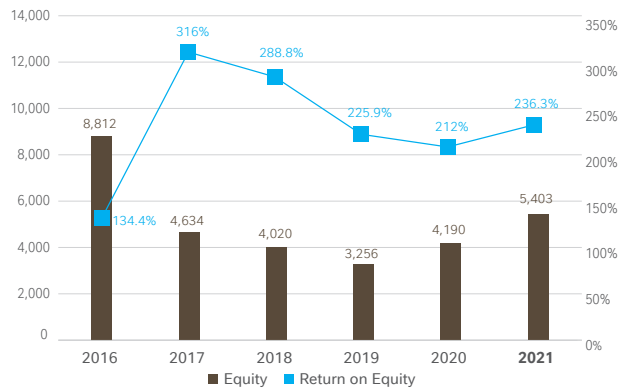
MARKET CAPITALIZATION

Rupees in million



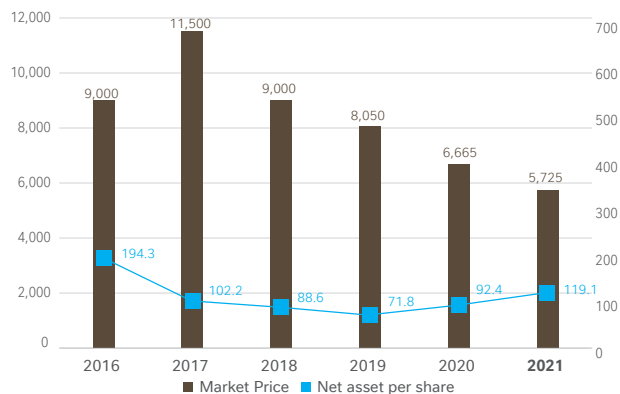
RETURN ON EQUITY

Rupees in million



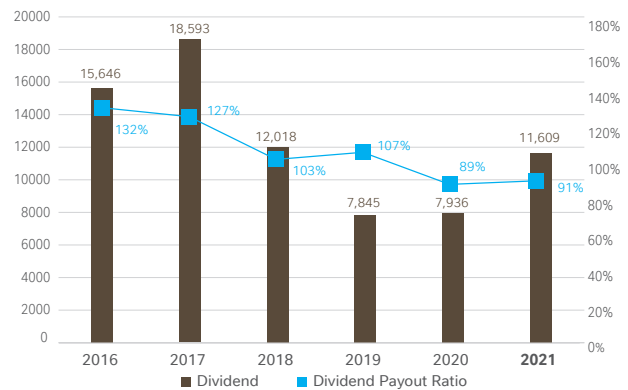
MARKET PRICE PER SHARE VS. NET ASSETS PER SHARE

Rupees in million



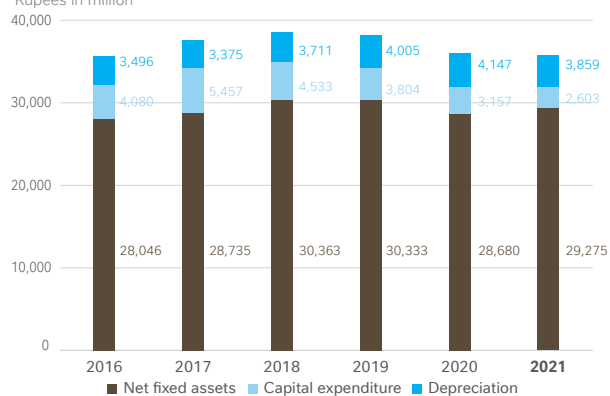
DIVIDEND PAYOUT RATIO

Rupees in million



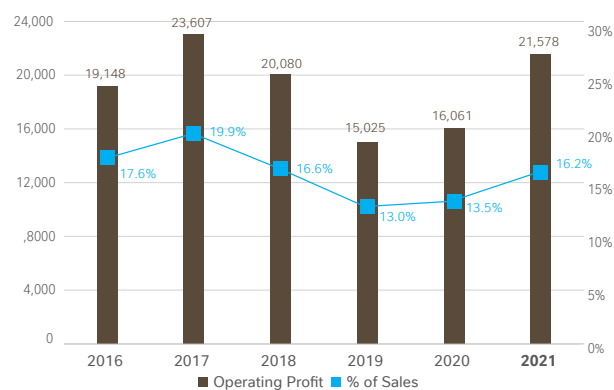
NET FIXED ASSETS, FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Rupees in million



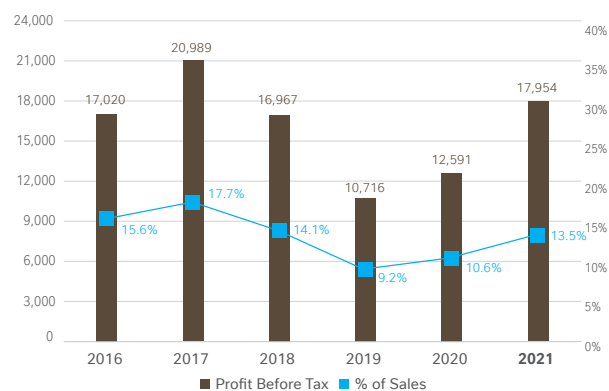
OPERATING PROFIT

Rupees in million



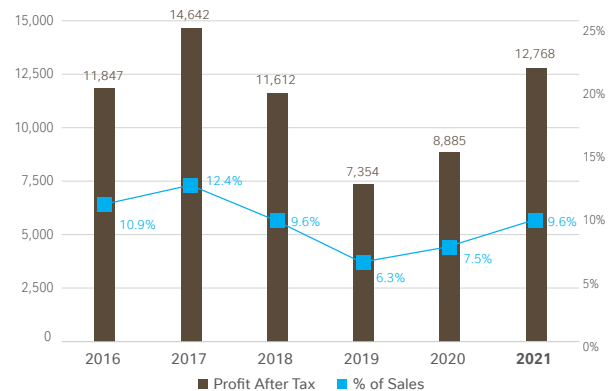
PROFIT BEFORE TAX

Rupees in million



PROFIT AFTER TAX

Rupees in million



STATEMENT OF WEALTH CREATION AND ITS DISTRIBUTION

(PKR in 000)	2021		2020	
Wealth Generated / Value Added:				
Net turnover including sales tax	158,080,250		142,294,759	
Purchased materials and services	(102,145,460)		(90,293,859)	
Value Added	55,934,790		52,000,900	
Other Income	295,578		354,830	
Wealth Created	56,230,368	100%	52,355,730	100%
Wealth Distribution:				
To Employees:				
Salaries, benefits and other costs	12,250,791	21.8%	12,689,533	24.2%
To Government:				
Income tax, sales tax, excise & custom duty, WWF, WPPF	26,531,667	47.2%	24,581,638	47.0%
To Society and Development Initiatives:				
Donations and CSR Projects	4,840	0.0%	61,800	0.1%
*Dairy Development (Non-business returns)	134,613	0.2%	126,933	0.2%
To Providers of Capital:				
Dividend to Shareholders	11,609,493	20.6%	7,936,180	15.2%
Mark-up / interest expenses on borrowed funds	1,840,228	3.3%	2,805,015	5.4%
To Company:				
Depreciation and amortisation	3,858,736	6.9%	4,154,631	7.9%
	56,230,368	100.0%	52,355,730	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)

	2021	2020	2019	2018	2017	2016
Operating performance						
- Sales	133,295	118,781	115,962	120,701	118,553	108,959
- Gross profit	40,492	34,765	33,349	38,814	41,094	36,349
- Operating profit	21,578	16,061	15,025	20,080	23,607	19,148
- Profit before tax	17,954	12,591	10,716	16,967	20,989	17,020
- Profit after tax	12,768	8,885	7,354	11,612	14,642	11,847
Balance Sheet						
- Net assets	5,403	4,190	3,256	4,020	4,634	8,812
- Reserves	4,950	3,737	2,802	3,567	4,181	8,359
- Operating fixed assets	29,275	28,680	30,333	30,363	28,735	28,046
- Net working capital	9,193	8,464	18,708	16,099	15,026	13,460
- Long term liabilities*	16,864	20,302	12,057	14,244	13,562	8,942
Investor information for six years						
- Gross profit ratio	30.4%	29.3%	28.8%	32.2%	34.7%	33.4%
- Operating profit ratio	16.2%	13.5%	13.0%	16.6%	19.9%	17.6%
- Profit before tax ratio	13.5%	10.6%	9.2%	14.1%	17.7%	15.6%
- Profit after tax ratio	9.6%	7.5%	6.3%	9.6%	12.4%	10.9%
- Inventory turnover ratio	5.3 : 1	4.8 : 1	4.3 : 1	4.7 : 1	5.8 : 1	7.0 : 1
- Total assets turnover ratio	2.1 : 1	1.9 : 1	1.8 : 1	1.9 : 1	2.2 : 1	2.2 : 1
- Price earning ratio	20.3	34.0	49.6	35.1	35.6	34.5
- Return on capital employed	101%	88%	97%	129%	153%	122%
- Market value per share	5,725	6,665	8,050	9,000	11,500	9,000
- Debt equity ratio	81 : 19	85 : 15	90 : 10	87 : 13	82 : 18	58 : 42
- Current ratio	0.8 : 1	0.7 : 1	0.6 : 1	0.7 : 1	0.6 : 1	0.6 : 1
- Interest cover ratio	10.8 : 1	5.5 : 1	4.4 : 1	10.1 : 1	20.2 : 1	18.7 : 1

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

PATTERN OF SHAREHOLDING

As at December 31, 2021

No. of Shareholders	From	Shareholdings	To	Total Shares Held
689	1	to	100	20,998
238	101	to	500	62,261
81	501	to	1000	61,812
93	1001	to	5000	195,141
16	5001	to	10000	130,417
6	10001	to	15000	74,045
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	64,932
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	1195001	to	1200000	1,195,211
1	1290001	to	1295000	1,294,334
1	1330001	to	1335000	1,334,283
1	3645001	to	3650000	3,649,248
1	4425001	to	4430000	4,423,666
1	27935001	to	27940000	27,936,173
1157				45,349,584

CLASSIFICATION OF SHARES BY CATEGORIES

As at December 31, 2021

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children	8	1,859,270	4.10
Executives	6	796	0.00
Associated Companies, Undertakings and Related parties	9	36,965,332	81.51
NIT and ICP	1	1,480	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions, Public Sector Companies & Corporation	4	506,099	1.12
Insurance Companies	6	22,706	0.05
Modarabas and Mutual Funds	4	101,823	0.22
General Public			
a) Local Individuals	1,006	5,781,216	12.75
b) Foreign Individuals	19	884	0.00
c) Foreign Companies	5	33,563	0.07
Others	89	76,415	0.17
Totals	1,157	45,349,584	100.00

Shareholders holding 5% or above	Shares Held	Percentage
SOCIETE DES PRODUITS NESTLÉ S.A.	27,936,173	61.60
IGI INVESTMENTS (PVT) LIMITED	4,423,666	9.75
PACKAGES LIMITED	3,649,248	8.05

KEY SHAREHOLDING AND SHARES TRADED

As at December 31, 2021

Name of Shareholder	Number of shares	Percentage
Associated Companies, Undertakings and Related parties		
SOCIETE DES PRODUITS NESTLÉ S.A.	27,936,173	61.60
IGI INVESTMENTS (PVT) LIMITED	4,423,666	9.75
PACKAGES LIMITED	3,649,248	8.05
GURMANI FOUNDATION	538,235	1.19
NATIONAL MANAGEMENT FOUNDATION	224,720	0.50
BABAR ALI FOUNDATION	170,745	0.38
INDUSTRIAL TECHNICAL & EDUCATIONAL INSTITUTE	21,666	0.05
TRUSTEES NESTLÉ PAKISTAN LTD EMPLOYEES PROVIDENT FUND	878	0.00
IGI FINEX SECURITIES LIMITED	1	0.00
9	36,965,332	81.51
Directors, Chief Executive Officer and their spouse(s) and minor children		
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
Executives/ Officers of the Company		
6	796	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Public Sector Companies & Corporations		
ZARAI TARAQIATI BANK LIMITED	430,551	0.95
MCB BANK LIMITED - TREASURY	64,932	0.14
EMPLOYEES OLD AGE BENEFITS INSTITUTION	10,560	0.02
NATIONAL BANK OF PAKISTAN	56	0.00
4	506,099	1.12
Modarabas and Mutual Funds		
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	100,556	0.22
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	720	0.00
CDC - TRUSTEE AKD INDEX TRACKER FUND	534	0.00
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	13	0.00
4	101,823	0.22
Shareholders holding 5% or above		
SOCIETE DES PRODUITS NESTLÉ S.A.	27,936,173	61.60
IGI INVESTMENTS (PVT) LIMITED	4,423,666	9.75
PACKAGES LIMITED	3,649,248	8.05

There was no Purchase / Sale of shares by Directors, Company Secretary, Executives, and their Spouses, Minor Children during the year 2021.

STATEMENT OF COMPLIANCE

With the Listed Companies (Code of Corporate Governance) Regulations, 2019 for the Year ended December 31, 2021

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

1. The total number of Directors is 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 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. Osama Bin Zafar	Secretary / Head of Internal Audit

Human Resources 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
Ms. Hajra Omer	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: 02

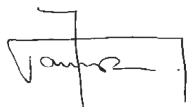
15. The Board has set up an effective Internal Audit Function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the 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 (i.e. 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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nestlé Pakistan Limited

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

We have reviewed the enclosed Statement of Compliance contained in 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 December 31, 2021 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 2021.



EY Ford Rhodes

Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore: 10 March 2022

UDIN: CR202110177uY9wUV7TD

BOARD OF DIRECTORS

AS ON DECEMBER 31, 2021



Syed Yawar Ali

Chairman
Non Executive Director



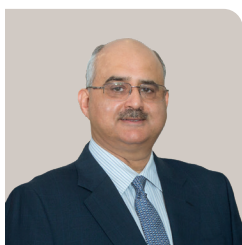
Samer Chedid

Chief Executive Officer
(Nominee of Nestlé S.A.)



Syed Babar Ali

Non-Executive Director



Syed Hyder Ali

Non-Executive Director



Osman Khalid Waheed

Independent Director



Bernhard Stefan

Non-Executive Director
(Nominee of Nestlé S.A.)



David Alexander Carpenter

Independent Director



Syed Saiful Islam

Executive Director
(Nominee of Nestlé S.A.)



Amr Rehan

Executive Director
(Nominee of Nestlé S.A.)



Rabia Sultan

Independent Director

Officers

Samer Chedid

Chief Executive Officer

Syed Saiful Islam

Chief Financial Officer

Ali Sadozai

Company Secretary

Osama Bin Zafar

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

Osama Bin Zafar

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

Hajra Omer

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 - Sheikhupura Road,
Sheikhupura, 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

Fortune Arcade, Plot No.79, Block-H,
Commercial Premises No.2, Main
Jamshoro Road, Hyderabad, Sindh,
Pakistan.
Phone: (022)-2100725 -8

Centre Zone

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

Office No. 507, 5th Floor, United Mall,
Abdali Road, Cantt 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 No. 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 44th Annual General Meeting of Nestlé Pakistan Limited ("Company"); will be held at 10:00 am on Thursday, April 07, 2022 to transact the following business at Lahore.

In wake of the outbreak of COVID-19 (Omicron Variant) 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, 2021 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. 90 per share i.e. 900% to those who are Shareholders as at the close of business on March 30, 2022, in addition to the 1950 % Interim Cash Dividend (i.e. Rs. 195 per share) already paid during the year 2021, 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: March 15, 2022

NOTES

- i) Share Transfer Books of Nestlé Pakistan Limited ("Company") shall remain closed from March 31, 2022 to April 07, 2022 (both days inclusive) and no transfer will be registered during that time. Share transfer deeds received in order with the Share Registrar of the company, i.e. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400 at the close of business on March 30, 2022 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 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, or email scanned copies of the same at investor.relations@pk.nestle.com 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 of the 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, investor.relations@pk.nestle.com through which they are appointed as Proxy of the respective Shareholder.

- v) Members should quote their Folio/CDS Account number in all correspondence with the company and at the time of attending the Annual General Meeting.
- vi) Shareholders are requested to notify the change of address, Zakat Declaration and Tax Exemption Status with its valid certificate, if any, immediately to our Share Registrar.
- vii) In case of joint holders, only one member whose name will appear as main title shareholder in our list of shareholders, will be allowed to attend the General Meeting.
- viii) There was no investment made by the company in its Associated Companies/ undertaking during the year 2021, 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 Shahra-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 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 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 Tax Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above Clause must provide valid Tax Exemption Certificate to our Shares Registrar; otherwise, tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

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

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

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

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company including Nestlé Pakistan Limited to pay cash dividend to its shareholders ONLY through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividend directly into their bank account, shareholders are requested to fill in **ELECTRONIC CREDIT MANDATE FORM** (Form) available at company's website and send form duly signed along with a copy of CNIC to the Share Registrar (CDCSRL) of the company in case of physical shares. In case of shares held in CDC then **ELECTRONIC CREDIT MANDATE FORM** (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, CDCSRL 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, 2021 have been made available on the company's website (<https://www.nestle.pk/>) in addition to the Annual and Quarterly financial statements for the previous years.

Further, Annual Report of the company for the year ended December 31, 2021 has been e-mailed to the respective shareholders who have provided their valid e-mail IDs to the Share Registrar of the company (CDCSRL), and dispatched DVDs to those who have not updated their e-mail IDs yet.

However, if a shareholder, requests for a 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 IN TO 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 Act 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." (i.e., May 31, 2017)

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 scripless form, this will facilitate them in many forms including safe custody, and trade in shares anytime they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

xiv) PARTICIPATION IN AGM PROCEEDINGS VIA VIDEO CONFERENCE FACILITY:

Due to the increase in COVID-19 Omicron variant cases and to avoid large public gatherings at one place to control the spread of the virus and in compliance with the precautionary measures suggested by the National Command and Operations Centre (NCOC), the company shall hold its AGM through video conference facility.

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

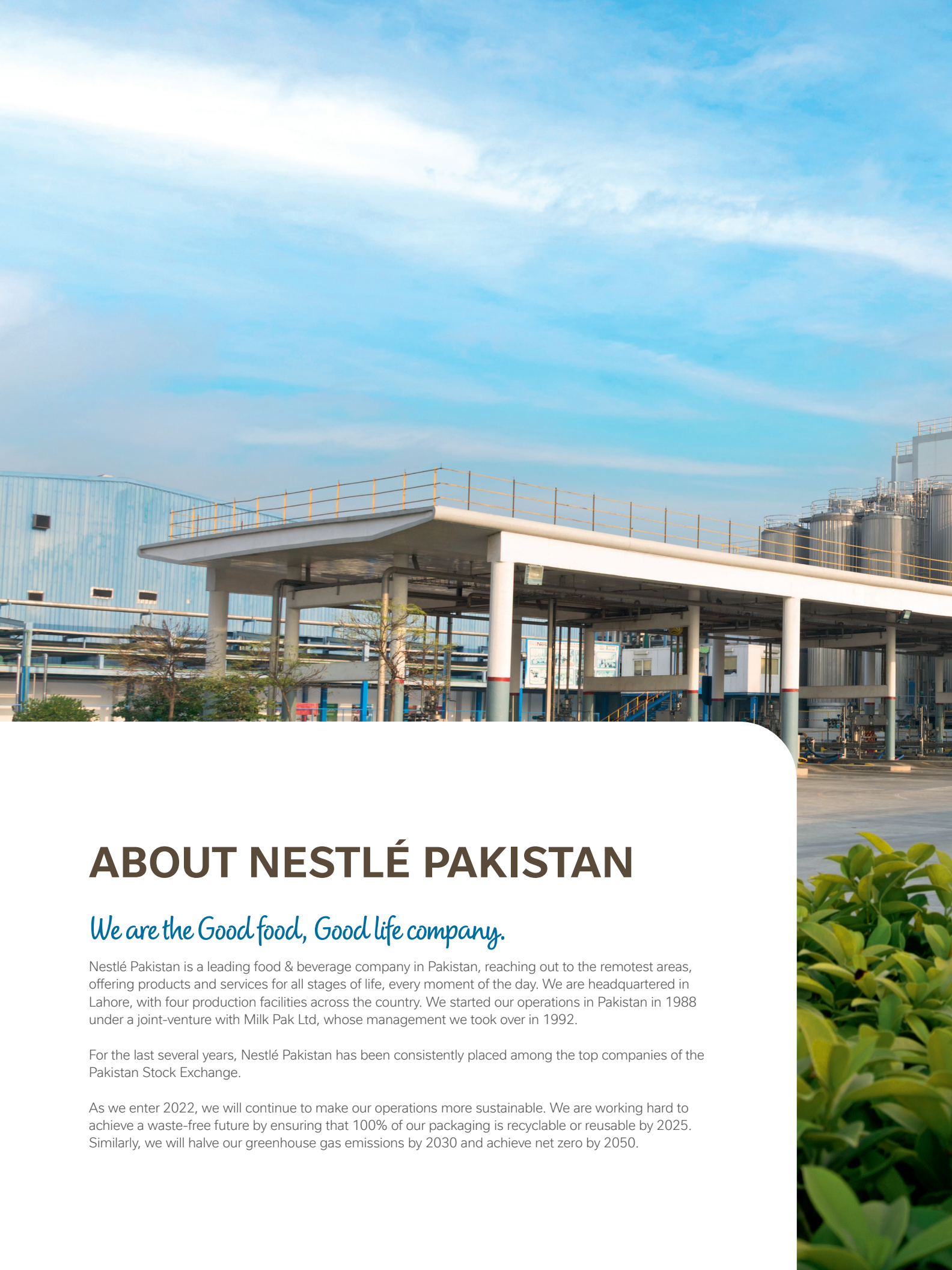
location after completing all the formalities required for the verification and identification of the shareholders.

The shareholders' **who have already updated** their valid e-mail addresses with the company or its Share Registrar (CDCSRL) and are interested to attend AGM may send below information at 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 March 30, 2022.

SR. 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.

In accordance with Section 132(2) of the Companies Act, 2017, if the companies receive consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the company will arrange video conference facility in that city subject to the availability of such facility in that city.



ABOUT NESTLÉ PAKISTAN

We are the Good food, Good life company.

Nestlé Pakistan is a leading food & beverage 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 2022, 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

Abdullah Jawaid Ahmad	Business Executive Officer – Nestlé Waters
Amr Rehan	Head of Technical
Babar Hussain Khan	Head of Sales
Ali Akbar	Head of Supply Chain
Muhammad Ali Sadozai	General Counsel & Company Secretary

Faisal Akhtar Rana

Head of Communication & Marketing Services

Khurram Zia

Business Executive Officer – Dairy

Sitting – From Left to Right

Hajra Omer

Head of Human Resources

Masam Abbas

Business Executive Officer – Juices



Samra Maqbool

Head of Strategy & Business Development

Samer Chedid

Chief Executive Officer

Syed Saiful Islam

Head of Finance & Controls

Muhammad Fahad

Business Manager, Coffee & CPW

Nausheen Jaffery

Business Executive Officer - Nestlé Professional

Ahmad Jamal Khan

Business Executive Officer - Infant Nutrition



Sheikh Waqar Ahmad

Head of Corporate Affairs & Sustainability

HUMAN RESOURCES



2021 was yet another year with partial lockdowns however, we saw a lot of resilience where the offices returned to a hybrid way of working while maintaining 50% office occupancy. We worked in the new normal to engage, motivate, onboard and grow our teams to ensure an uninterrupted supply of quality products to our consumers nationwide. We saw a quick adaptation of innovative digital solutions to engage our employees virtually through coffee connects, trainings, townhalls, and conferences. Nestlé Pakistan worked as ONE team to deliver our purpose of 'unlocking the power of food to enhance quality of life for everyone, today and for generations to come'



40,000+

YOUTH engaged through
Campus Drives & Job Fairs



303

Internships were offered



52

Apprentices were
taken onboard



19

Management
Trainees were inducted



13%

Females in the
workforce

In 2021, 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 a greater focus on Talent Acquisition, Employee Engagement, Employee Health & Wellness, and Learning & Capability Building.

Nestlé Pakistan's priority is the well-being of its workforce. Healthy employees are more resilient, happier, engaged, and deliver better under any circumstances. This year we rolled out focused initiatives around Mental & Physical Well-being along with inoculation and its benefits awareness campaigns.

This played a vital role in shaping behavioral changes to ensure the health, safety, and well-being of our teams. Bringing our commitment to life, we facilitated our employees by providing on-site vaccination camps for Factories. Additionally, webinars were held with top consultants focused on topics varying from Mental Health in an Unequal World, extended pandemic & its impact on Physical and Mental well-being, Work-life balance, Diabetes Mellitus, Hepatitis/Typhoid Awareness, Chronic Abdominal pain etc. These sessions were available to employees across the market. The webinars received high engagement and positive feedback. Our passion for Health has never been clearer and hence we continue to keep connected with our employees regularly.

2021 was a year where we geared up special focus to fully leverage our iLearn platform, to encourage self-paced digital learning. Resulting in overall achievement of 56,569 eLearning completed this year. In order to strengthen leadership competencies, first line managers were trained as 360 feedback coaches and Everyday Coaches. In addition, NPL also bears the flag to pilot the "People Managers Development Assessment Center" (PMDAC) to develop first line managers through differentiated action plans. 'Nestlé Leaders Academy' and "Nestlé People Academy" are two on-line academies that were launched to encourage self-paced learning to further strengthen leadership traits. These programs resulted in creating strong feedback and coaching culture for high-performing teams.

Responding to the new ways of learning, Rive Reine trainings also went virtual, and to equip our leaders to embrace change, we offered decentralized Rive Reine training "Mobilizing People to Implement Change". The learning journey for leaders spanned to cover topics around Innovative Culture, Agile Stories, Gamification & the Future of Work, Journey to Digital Fitness in liaison with Zone AOA COC team.



People development and performance management activities were carried out with the spirit of providing challenging opportunities to people which can support them to nurture and grow their careers based on individual aspirations, succession plans and sustained performance.

Career Coaching and 3 Party PDPs remained the key activities to unlock the potential of our people through coaches in crafting robust development plans for driving future success.

Since we have adopted the hybrid ways of working, therefore it has become more essential to engage people differently. Hence, a virtual Employee Engagement plan was rolled out comprising of a variety of activities including virtual cooking and fitness drive, and much more. Inspirational NiM and female connects continued to hold across functions throughout the year 2021.

We focused on our global commitments to provide employment & employability opportunities to youth by engaging 40,000 plus youth around the year through our flagship Management Trainee Program, Career Drives, Webinars, and Job Fairs. We provided 303 internships both

virtual and on ground to provide corporate exposure to students and graduates. Our diversity initiative of Karo Aitemad is aimed to engage, motivate and inspire young female professionals by equipping them with the knowledge, skills & experience required for a successful career. This year we inducted a pool of 37 females for one year.

Nestlé Pakistan is committed to giving fair employment opportunities 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 15 differently-abled people was hired on a year contract, and 4 associates from the previous year's batch have been successfully moved to permanent roles at Nestlé Pakistan. The remaining pool of the batch is now part of the talent pipeline, in consideration for permanent positions. Four 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 by subject matter experts from across various departments. To make the sessions engaging and interactive live virtual factory and site visits were included to create a connect.

SUPPLY CHAIN



The Supply Chain team fosters a culture of inclusivity & diversity and remains fully geared towards developing strong cross-functional collaboration to drive company growth, shareholder value, and community trust.

In 2021, despite the challenges faced due to global supply chain disruptions, the COVID-19 crisis, and a depreciating currency, we were able to ensure on-shelf availability for all our SKUs while promoting cost-cutting initiatives to minimize the impact on consumers.

As the uncertainties around COVID-19 continued into 2021, the team redefined many benchmarks of success in the face of unprecedented cost and forex headwinds. Even as the supply chain crisis was exacerbated by the Suez Canal incident, we were successful in ensuring uninterrupted supplies and served our customers' demands to achieve a Customer Order Fulfillment rate of 99.7% for the year.

Supply Chain continues to enhance its advanced analytics capabilities and leverage its expertise in causal modeling to further improve the accuracy and effectiveness of our business planning process. We continue to leverage advanced statistical forecasting tools such as SAS to improve our core demand forecasting capabilities. As a result, we achieved a forecasting accuracy of more than 90%.

To ensure cost optimization and timely supply, we remained focused on localization and alternative sourcing for direct and indirect materials. Scaling up our Self-Pulping initiative, along with our Agri Services team, was a major win that helped us develop a new pulp sourcing model that brings further upstream visibility of our pulps value chain. We expect to reap more benefits in the coming years as we continue to scale up this model. Our procurement team also played a leading role in building co-manufacturing capabilities for the market which



has given us the flexibility to venture into diverse offerings while avoiding extensive CAPEX investment. Building on our strong fruit-based credentials, we co-manufactured and launched our sparkling fruit drink range which has been a great addition to our portfolio.

We believe that the key to unlocking potential lies in innovation and collaboration with our partners, within and outside the organization. We have been working closely with our Technical team and suppliers to optimize raw & packaging material specifications to achieve cost reductions of PKR 1 Bio. Overall, through various initiatives and cost-centric sourcing strategies, the procurement team ensured reliable supplies while delivering savings of PKR 4 billion which mitigated cost pressures brought on by a depreciating currency and an inflationary environment. The department closed with a perfect responsible sourcing score for the year.

In our ongoing journey on customer centricity, our focus has been on improving On-Time Delivery (OTD) to customers. By leveraging our Track & Trace dashboard, and through strong



cross-functional coordination, we were able to improve our OTD by 680 bps in 2021, improving product availability and service to the customers.

Furthermore, through our projects under Logistics Call To Arms (LC2A) and the first virtual Logistics Excellence Review (LER), we have also reduced our fixed distribution expenses as a percentage of NNS by 8.6% over the last year and we aim to continue this momentum with more projects in the pipeline for 2022.

We also conducted our first Customer Logistics Excellence Review with key customers in traditional trade. By jointly reviewing the end-to-end process flow with the Customers and Sales teams, Customer Supply Chain team was able to identify key areas of improvement by incorporating the voice of the customer and benchmarking against best practices. We also improved On-Shelf availability and vehicle arrival time for key account customers such as Metro through the delivery window project which also enabled a substantial reduction in vehicle offloading delays at customer sites.

We are also on track in our journey towards creating a more environmentally friendly and sustainable supply chain. Some of the biggest achievements in this regard have been the induction of 20,000 recycled plastic pallets and 70,000 recycled plastic yogurt trays in our operations, made possible by recycling factory-generated scrap. These pallets are more durable, sustainable and significantly contribute to our zero-waste journey. Recycled plastic pallets will also help us to eventually eliminate the use of wooden pallets across our network. Furthermore, we have successfully completed the transition of our RTD portfolio to paper straws, thereby delivering a major milestone of our sustainability roadmap. Supply Chain team remains committed to further scaling recycling solutions and reducing its overall carbon footprint.

Moving forward, 2022 is going to be a challenging year due to inflationary pressures, a depreciating local currency as well as shifting consumer trends. However, we remain focused on ensuring safe, efficient, and reliable operations and playing our part in making Nestlé a partner of choice in the market.

TECHNICAL



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

Safety

Respect for the employees and stakeholders

We aim to promote a safe working environment for our employees. We identified some safety gaps, prioritized them based on severity, and closed them. Machine safety is one of our safety priorities and by performing five mode-specific assessments we provided safe work equipment to our workers.

By implementing Nestlé Life Saving rules and capability building of our people we nourished the concept of 'Safety is everyone's responsibility'. The training and refreshers of all Safety topics were conducted online due to COVID-19. We developed the competency of all safety teams by identifying positive and negative behaviors to address the root causes of unsafe behaviors.

Live monitoring of fresh milk vehicles and defensive driving refreshers resulted in zero accidents in fresh milk vehicles and we achieved a significant reduction in accidents of finished goods vehicles. In 2021, keeping the spirit of everyday audit readiness, we have achieved multi-site international certifications like ISO 45001 and ISO 14001 for our factories, Head Office, Sales, Supply Chain and Agriculture Services. All four factories of Nestlé Pakistan successfully maintained Alliance for Water Stewardship certification.

Our efforts to bridge identified gaps on distribution sites and sales are in progress and will keep the focus on warehouse



safety. Sustainable machine safety, improvement in road safety in sales, and sustainability of road safety in fresh milk and finished goods transport as well as improving safe behaviors will be the top lines for next year.

Quality

Passion for the best consumer experience

Quality and food safety are the cornerstones of Nestlé's Corporate Business Principles. We are continuously striving to ensure high-quality raw materials by actively engaging farmers and raw & packaging material suppliers by sharing best practices. We strongly believe in sustainability hence all our trainings and future developments are based on the same concept.

We proactively shared our experience with farmers and suppliers regarding potential quality and food safety challenges and developed their competency on the elimination of key defects.

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 also performed as and when possible.

Our strong Quality and Food Safety culture helped us to deliver safe food for our consumers. Our factories were re-certified for ISO 22000 and 9001. Our factory laboratories are ISO accredited by PNAIC (Pakistan National Accreditation Council). Our products are Halal certified.



Our factories and milk collection centers are continuously monitored and verified for quality by different local food regulatory authorities.

Environmental Sustainability

Respect for future generation

One of the key priorities of Nestlé Pakistan is to reduce the number of greenhouse gas emissions. By 2025 we target to reduce 12.5% of greenhouse gases per ton of product as compared to 2015. Water conservation, energy optimization, controlling greenhouse gas emissions, reduction in waste at source, reduction in packaging material, 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 improving its performance on a yearly basis.

In 2021, we invested our time and efforts in identifying opportunities for energy optimization across operations. We successfully executed a number of projects and saved 19,800 tCO₂e greenhouse gas emissions in absolute numbers in our operations (Manufacturing and Agri Services) despite various challenges.

Water operational efficiency

Water withdrawal per ton of product was reduced by 14.05% as compared to 2015 across our manufacturing units. This water-saving is based on initiatives taken under Alliance for Water Stewardship Standard.

Reduction of waste at source

As a contribution to our global commitment to tackling packaging waste, we have taken initiatives focusing on the most preferred techniques of waste management i.e. reduction and recycling of our plastic waste. We have eliminated single-use plastic across all sites of Nestlé Pakistan. We ensure that waste from our sites is disposed off on the principals of recycle, reuse, and reduce.

Planting Trees

Nestlé Pakistan planted a total of 95,000 trees during 2021. These include 35,000 trees around our sites and 60,000 moringa trees with farmers in Agriculture Services.



Plans for 2022

Focus areas for 2022 will be exploring opportunities for renewable energy sources, waste reduction at source, exploring more opportunities for water and energy conservation, reduction of greenhouse gases as well as R&D for packaging optimization.



Manufacturing Sheikhupura Factory

Keeping its tradition alive, Sheikhupura Factory further enhanced rigorous measures to ensure that we continue to provide our consumers with nutritious products.

Sheikhupura Factory continued to pioneer the implementation of 'Air Borne Covid-19 Prevention Guidelines' to make the working environment safe for our employees.

Sheikhupura Factory exhibited its high potential by continuing its journey towards excellence and closed 2021 as one of the lowest unplanned stoppages and line losses, making manufacturing process more reliable and agile while optimizing the Total Delivered costs.

Our commitment to quality and compliance remained the primary focus throughout the year. In 2021, our factory continued to sustain certifications for FSSC 22000, ISO 9001, PNAC on ISO 17025 and 'Halal certification' by Islamic Food and Nutrition Council of America. Sheikhupura Factory got Excellent rating in SQMS audit on the new version and achieved excellent p-test rating in 165 parameters and got 100% score in Compliance Surveillance Plan. Ammonia Safety Audit and Zurich Assessment were also passed with highest ratings.

The successful implementation of Digital Manufacturing Operations module was also an integral part of our journey.

Leveraging our entrepreneurial mindset in 2021, Innovation

& Renovation journey was kept at the forefront with the successful launch of PET Single Serve SKUs (NESTLÉ FRUITA VITAL FALSA, NESTLÉ' FRUITA VITAL KANDHARI ANAAR, NESCAFÉ CHILLED LATTÉ & MOCHA LATTÉ), NAN's local production, CERELAC ESSENTIAL, LACTOGROW ESSENTIAL and other Nestlé Nutrition products.

Major CAPEX projects were successfully completed despite tough challenges from the COVID-19 pandemic including installation of new roller dryer and conversion of dairy plants to direct steam injection.

We continued to strengthen our community presence through consistent engagement with key stakeholders throughout the year. Keeping environmental sustainability as a top priority we worked on reducing plastic waste by introducing paper straws along with a reduction in GHG/ton, water withdrawal/ton and improving energy efficiency/ton.

Our drive on Diversity & Inclusivity continued to be our focus approach 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

Impactful measures were taken to drive operational efficiency whereby the Kabirwala Factory strived consistently to achieve high Asset Intensity with a significant improvement in Total Delivered Cost.

In the current pandemic, our topmost priority was people's

safety and their wellbeing. We are immensely proud of our employees who swiftly adapted to new ways of working.

Kabirwala Factory also reduced consumer complaints and was re-certified by Bureau Veritas, SGS & IFANCA. Moreover, the factory has sustained an Excellent rating since 2000 in Laboratory Proficiency Test.

Our team put in their best efforts towards environmental sustainability through multiple projects on water and energy which helped counter immense headwinds in operations. In addition, under Fit For Purpose project, the team successfully completed head space optimization project under the packaging umbrella in line with the Zone Plastic Reduction Road map.

We continued to strengthen our community presence through consistent engagement with key stakeholders. Our drive on Diversity & Inclusivity make the factory a preferred choice for female professionals and differently-abled people, which has fostered a more inclusive culture. We are committed as a site to delight our consumers and positively enhance the quality of life of people by offering them Nutrition, Health & Wellness products.

Port Qasim Factory

The Port Qasim team derives its strength from teamwork and synergy. The factory demonstrated its abilities in an excellent manner and delivered production volumes with improved factory controllable MSA.

Being brilliant at basics as well as using TPM methodologies, the team delivered significant reduction in foreign bodies complaints and closed the year with improved Asset Intensity and reduction in operational losses resulting in TDC savings.

Continuing the journey of environment sustainability and reduction in its environmental footprint, the site successfully retained 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. PQF team has successfully commissioned waste water management system and managed factory in compliance with legal norms.

People development was a prime focus throughout the year. Leadership at shop floor and trainings enabled improved functional competencies among the team, 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.

Our drive on Diversity & Inclusivity continued through various

initiatives in making the factory a preferred choice for female professionals. This was done through female engagement programs, female mentorship programs, connect sessions, etc.

Islamabad Factory

Islamabad Factory adopted a holistic approach towards achieving operational efficiency, quality, safety and contributed positively towards environmental sustainability in 2021.

Leveraging NCE advanced practices, the factory delivered improved results in all dimensions in Manufacturing Excellence. The factory was also been successful in sustaining the lowest unplanned stoppages in HOD lines of Nestlé Waters Pakistan Market.

Islamabad Factory achieved a rating of satisfactory in Nestlé Internal Audit. By adhering to high standards for sustaining its core, the factory has successfully acquired Alliance for Water Stewardship recertification. It also successfully cleared all third-party audits including ISO 45001, ISO 14001, FSSC 22000 and the 'Halal Certification' by Islamic Food and Nutrition Council of America, thus maintaining the trust of our consumers. We conducted extensive trainings on food safety, foreign body & hygiene and organized various events including 5S week, global handwashing day, food safety and quality week to enhance the quality culture.

In this new era of work-life with COVID-19, we ensured the safety of all employees as well as the product safety by developing and implementing cleaning, disinfection, and precautionary regimes.

Nestlé Cares, the Global Employee Volunteer Program, is aimed at enhancing volunteer activities under one global concept. We contributed towards the Government's vision of a 'Clean & Green Pakistan'. Islamabad Factory planted 2,000 trees in Islamabad with Metropolitan Corporation of Islamabad (MCI), Ministry of Climate Change & Pakistan Environmental Protection Agency.

We also successfully completed the installation of rainwater harvesting unit installation in a girls' school in Islamabad, which provides harvested water for WASH and gardening purposes.

The factory kept a focus on functional capability building and developed 12 new trainers and coaches at a site.



Azra Sheikh, our Women Agripreneur, Bahawalpur is being provided technical assistance in farm constructions and awareness in good farm practices.



AGRICULTURE SERVICES



Agriculture Services is one of the integral pillars of Nestlé Pakistan, which is contributing towards improvement in socioeconomic 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.

Sustainability agenda is at the heart of the company. Nestlé Pakistan is supporting farmers in replacing low-yield cows with high yield for sustainable dairy farming. In addition to cows, our trained and highly motivated team provided technical assistance in farm constructions and awareness of good farm practices.

Nestlé Pakistan keeps on exploring opportunities for the socio-economic benefits of the farmers and minimizing the impact of climate change. We have been promoting alternate energy sources, particularly amongst the dairy farmers. During 2021, Nestlé has contributed to installation of solar systems at 10 dairy farms to introduce renewable energy for reducing greenhouse gas emissions and energy costs. If not handled properly, cow dung can also increase GHG emissions. However, proper treatment of cow-dung through biodigester not only provides alternate energy as biogas but also provides a good source of organic matter to our agricultural land. In 2021, we supported 10 biogas digesters installation at various supplier farms. With cost and environmental benefits, these farms with solar and biogas installations are also serving as a lighthouse in their surrounding areas.

Pakistan is amongst the countries which have started facing adversities of climate change. Nestlé Pakistan is not ignoring this challenge and contributing through innovation and partnerships with key stakeholders. Nestlé together with its partners has developed a low-cost soil moisture sensor that helps farmers to decide when, and when not to irrigate their crops. Our initial field estimates have shown considerable water saving in irrigation with crop yield improvement. Until 2021, we have installed 107 soil moisture sensors at various locations in the agriculture value chain. These are not only helping farmers in saving irrigation but also serving as a lighthouse of efficient irrigation system. Similarly, Nestlé Pakistan continued its support to farmers in drip irrigation. Until 2021, we have helped installation of drip irrigation at 198 acres of land in North Punjab.

While reducing the impact of greenhouse gases impact, we also explored ways for carbon sequestration. This is an important element to aim net zero in the food value chain. Tree plantation is one of the best ways to sequester carbon in the environment. For this, we have donated around 60,000 moringa plants to our farmers. This will serve as a carbon sink as well as provide a source of high-quality nutrition for cows. To further strengthen our knowledge, Nestlé Pakistan has signed an understanding with the University of Agriculture, Faisalabad to conduct various studies on regenerative agriculture practices.

Nestlé is committed towards zero carbon. For an effective action plan, we need to gain experience of various interventions implemented to reduce greenhouse gases under local conditions. For this purpose, we are developing a dairy farm with maximum possible interventions with aims to make it carbon neutral in the next few years.

While continuing our fruit and rice sourcing from Punjab, the Nestlé team is now working with farmers in heavenly valleys of Gilgit Baltistan for fruit sourcing. During 2021, Nestlé Pakistan sourced high-quality apples from Hunza, Nagar, and Ghizer valleys which are renowned for being natural and where fruit trees are nourished with water from glaciers. The initiative is helping farmers in reducing fruit waste, hence converting waste to value for farmers.

SALES



2021 was an eventful year as people and businesses learnt to live and adapt to the new normal of COVID-19. Despite challenges in trade disruptions and route to market, especially during the first half of the year, Our sales team showed great resilience and resolve to come up with solutions to ensure Nestlé's products remained available to our customers without any inconvenience or delay while ensuring team safety.

The team took full advantage of the rapidly evolving trade and channel landscape with strong customer collaboration and came up with new and innovative offline and online channel solutions.

The Sales team continued to leverage our Rural Deep Reach Program in order to ensure the reach of Nestlé products. The program recorded sales of PKR 1.5 billion in 2021. Moreover, door-to-door sampling and selling was conducted in the covered villages of Punjab which increased the product awareness along with maximum number of consumer interactions under the scope of rural development.

We completed the upgrade of our Sales & Distribution Management System where a new cloud-based system was deployed at various distribution sites across Pakistan to accelerate Retail Evolution by ensuring visibility, stronger control, data integrity, and operational efficiency. With the



completion of this deployment, Sales & Distribution teams can reap benefits with respect to salesforce effectiveness, daily sales planning, improved service to trade and on-demand analytics for many years to come.

Winning with shoppers – Commercial Development Team

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

This was another strong year for commercial development with a focus on creating engaging shopper activations and strong visibility for Nestlé Pakistan in trade. Innovative in-



store displays of our portfolio were created to leverage high consumption events like Ramzan, town storming in 150 towns across the country, strong tourist engagement drive during the summer in northern parts of the country and participation in more than 100 small and large Ramzan Bazaars were highlights of the year. 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 continued as a strong engine of growth for our portfolio where availability and visibility of the portfolio was ensured.

The journey of custom-made corporate Choose Quality Choose Nestlé themed hangers' deployment at the marketplace continued in 2021. This initiative further strengthened our PPP portfolio in terms of visibility and best possible utilization of space of critical traditional trade channels.

Delighting shoppers through execution excellence – Key Accounts Team

Driven by innovative new launches and a strong portfolio, Nestlé continued to be among the most preferred brands for our shoppers in the modern trade. The Key Accounts Team executed a series of activities in 2021 including Ramzan promotions, Ramzan & COVID relief hampers, Dairy, Juices, and Nutrition events. Pakistan continues to see a rapid rise in e-commerce and in 2021 a change of shopper preference from physical stores to online for their daily needs accelerated further. Triggered by the onset of COVID-19 e-commerce witnessed a rapid rise in new startups, offering a strong portfolio and great service to the shoppers. The e-commerce team was at the forefront of this and ensured best-in-class availability at various e-commerce players coupled with improved content and promotions to drive conversion to online sales.

CONSUMER COMMUNICATIONS & MARKETING SERVICES



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. This is a unique moment in time during which we can understand behavioral and attitudinal shifts to position our brands better for the new normal. And it all starts with knowing our consumers deeply.

Consumer & Marketplace Insight (CMI) team helped the brands stay ahead through insights, trends, and thought-starters, to understand the business environment and identify strategic opportunities. A robust testing rigor was reinforced around innovation, which helped fine-tune concepts based on locally rooted insights. We stayed closely connected with the consumer through direct and indirect consumer immersions to truly understand the consumer value propositions.

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 brands leverage quick, cost-effective, and more robust ways of reaching the consumer as well as unearth answers to changing consumer behavior questions swiftly. Moving forward, we are adapting to a new vision of experimentation with new tools and data and evolving from traditional to digital ways of working.

Connecting With Our Consumers

Consumer Engagement Services

The Consumer Engagement Services (CES) team remains pivotal in building trust in Nestlé and its products through our 24/7 toll-free Nestlé NAATA hotline and creating engaging experiences for our consumers across all social media platforms. CES is now further strengthening our relationship with the consumers through WhatsApp in order to deliver personalized consumer experiences through a consumer preferred channel.

CES 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 insights but also to delight the consumer and create brand loyalty, drive trust, and advocacy. The unit continues to handle thousands of consumer contacts every year.

Creating Engaging Brand Experiences

On-Ground Brand Activations

Consumer Activation creates a valuable connection with the consumers by delivering effective and engaging brand experiences helping brands in achieving trial and conversion. The unit helps brands in creating experiences aligned with



the brand vision and reaching out to the maximum number of consumers. Consumer activations also started collaborating with prominent e-tailers to enhance reach for product sampling along with exploring digital solutions for getting consumer feedback. This gives the opportunity to our brands to stay top of mind with our consumers by creating the best brand experiences for them.

Creating Expertise in Brand Building

Marketing Excellence

Excellence is at the core of everything we do at Nestlé and to support this idea for our Commercial team, Brand Building the Nestlé Way (BBNW) is our proprietary approach for helping us achieve great brand building results. This year BBNW 4.0 was launched across the marketing function. We facilitate in improving the way Commercial Teams work by adapting, introducing, and enhancing systems, processes, and tools so that the team remains 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 & external experts and trainers, both local and international. It adds directly by contributing to competence development for all our marketing

community. Marketing Competency Framework helped in identifying and planning to acquire the necessary function-specific knowledge, skills, and behaviors to help delight consumers, enhance lives, and build great brands.

Media & Digital Acceleration

2021 marked the beginning of the 'mixed' normal and was a challenging year across the media landscape. TV viewership continued to stay volatile but it looked to be rebounding especially thanks to sports-related audience build-up. Consumers across all social strata continue their trajectory both in terms of reach and time spent on digital media.

We continued to monitor and adjust our ways of working to win in this ever-changing new reality. From working ever closer with key digital platform partners, to creating new partnerships, and from identifying new opportunities across TV to Out-of-Home media for improving efficiencies and adopting best practices, 2021 was a year that saw a marked improvement across various metrics. Our media pitch in 2021 marked the first change in media agency partner in many years.

We look forward to strong savings and efficiencies and to advance our data and analytics, effectiveness and improve our advantage in creating engaging brand experiences. In addition, we are also putting into practice the brand new BBNW 4.0 with several enhancements and tools that will enable our marketers to win with our consumers in 2022.

NUTRITION, HEALTH AND WELLNESS



Nutrition, Health & Wellness (NHW) - Enhancing the quality of people's lives by offering tastier and healthier food and beverage choices and encouraging an active lifestyle

We at Nestlé always strive 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 and delight the senses, respect the planet and protect resources for future generations. Products that are right for the 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 and a strong commitment to addressing micronutrient deficiencies with relevant product fortifications. Our belief and purpose reflect our ambition to help parents raise healthier kids.

The Nutritional Compass on all our packs guides consumers with transparent information to guide them on their NHW journey. We have also implemented Guideline Daily Amount (GDA) on our products to provide information on the percentage of daily important nutrients and calories.

We continue with our 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 activities in order to stay active and fit. Nestlé's strong NHW footprint has been further strengthened by providing our consumers with healthy recipes, information, and relevant health benefits. Competence-building workshops across all marketing teams were also conducted 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 (250 ml)			
Nutrition Information	Average Per 100 ml	Average Per Portion	% GDA* Per Portion
Energy	63 kcal	157 kcal	8%
Milk Fat	3.5 g	8.8 g	13%
of which saturates	2.2 g	5.5 g	28%
Carbohydrates	5.1 g	13 g	5%
of which sugars	5.1 g	13 g	14%
Fiber	Traces	Traces	<1%
Protein	2.7 g	6.8 g	14%
Sodium	0.07 g	0.18 g	9%
%NRV**			
Calcium	100 mg	250 mg	25%
Vitamin A	177.6 IU	444 IU	17%
Vitamin D	13.6 IU	34 IU	17%

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

Nestlé NAATA

0800-62282 Toll Free for landline only.

NAATA@pk.nestle.com

www.nestle.pk

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

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FINANCE & CONTROL AND INFORMATION TECHNOLOGY



The Finance and Control function primarily aims to provide the financial information to support business planning and decision making by various business functions. We embrace the role of change agents to drive value creation and ensure high standards for stewardship and governance throughout the company.

Digital Transformation Roadmap

COVID-19 has set the tone to focus heavily on digital initiatives supporting enterprise priorities and optimizing the finance function. At Nestlé, the digitalization initiatives included advanced data analytics tools in finance, process and workflow automation and accelerating digital skills. The implementation of digital initiatives not only helped in the continuity of operations but also resulted in improved and efficient ways of working.

Governance and Risk Management

Strong internal controls in any organization play a pivotal role in ensuring efficiency and effectiveness of operations and delivery of services. In addition, it ensures accuracy and reliability of financial and management information and compliance with all regulatory and operational requirements. Furthermore, sound internal controls systems assist in achieving the company's objectives and delivery of its services by managing risk exposure, including, safeguarding of its assets, prevention and detection of frauds and errors. In 2021, we completed End-to-End (E2E) internal control assessment of all key processes with an objective to review that all possible controls are in place, hence, ensuring that the governance structure is sound in design and has been effectively implemented and monitored.

Building Effective Teams

Building highly engaged and effective teams has always been a key focus area for us at Nestlé Pakistan. We continuously support our employees, at all levels, to reach their full potential through training and offering additional development programs to build upon their experience and enhance their competencies for future roles. We empower them to make decisions and to handle complexities of their role enabling them to realize high levels of job satisfaction and deliver superior productivity. We are focused on building a diverse finance organization by promoting a culture of inclusivity and diversity in line with the key priorities of the organization.

Information Technology

After a year long COVID-19 pandemic learning during 2020, IT 'Information Technology' worked with all functions & businesses to improve and strengthen our Business Continuity response. 2021 started with a #newnormal. This new environment demanded fundamental and innovative changes to our ways of working. IT accelerated the implementation of the new operating model #Vision2Life that is transitioning IT from a function to a business and from a project driven to a product-oriented organization.

As part of the new operating model, the J2C ('Journey to Cloud') program is in progress. During 2021, our major data centers moved to cloud to get advantages of cloud computing. J2C will reduce capital investment and operating costs. It will increase speed and agility to upgrade and deploy new business solutions.

IT completed network transformation that brought 3 times increased internet bandwidth and PKR 42 million saving annually. The increased bandwidth is enabling cloud-based computing transition flawlessly.

The third important initiative was Digital Acceleration with a special focus on robotics, IoT, Business Analytics and eBusiness.

These IT initiatives are strengthening Nestlé's existing business models and enabling us to innovate new business models in the new normal.

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 children, 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 a 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 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 spices 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 ease to spread along with a 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 is your daily dose of delight that makes 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 an outdoor grill. 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, 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 and 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 fat 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 unique blend of nutrients that contribute not only to the maintenance or function of normal bones and joints but also help maintain your body's immune system so you stay healthy and active.

NESTLÉ NESVITA switched to 100% paper straws from plastic straws for its 200ml packs in line with our sustainability commitments.

TEA CREAMING



NESTLÉ EVERYDAY

NESTLÉ EVERYDAY, with its heritage of 30 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. It is also recognized for its golden brown color and rich creamy taste.

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

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 three delicious variants; Kashmiri, Cardamom, and Karak 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 the extra mile to ensure her child's growth and development for a happy and successful life. Backed by Nestlé's global experience of 150 years in child nutrition, Nestlé has developed NESTLÉ NIDO FORTIGROW; a specialized formula to meet specific needs of school-going children between 5-12 years of age. 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.



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 help 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 the 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 children the 'Energy to go further'.

To help protect our planet and environment, NESTLÉ MILO made the monumental shift of switching to 100% 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 two children in Pakistan is suffering from iron deficiency (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 that 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.

Moreover, NESTLÉ FRUITA VITALS is the pioneer in bringing innovations to the category. This year we launched the sparkling range, bringing the delightful fusion of Soda and Fruit Juice for consumers to enjoy in Lime & Peach flavors.

NESTLÉ FRUITA VITALS embodies the spirit of optimism, inspiring youth to look at life through the lens of positivity, making it one of the favorite beverage brands for millions of consumers 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

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 ICE

Now café style iced coffee comes home! A ready-to-drink coffee solution. Just add cold milk and be your own barista with the range of NESCAFÉ ICE.

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 in 1998 and, as a trusted brand, it continues to champion water for healthier generations.

GOING A STEP FURTHER FOR A BRIGHTER FUTURE

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 routine.

NESTLÉ PURE LIFE takes ownership in driving the healthy hydration agenda for its consumers through new innovations and launches. The brand does this through different pack-sizes for different occasions as well as innovations like NESTLÉ PURE LIFE ACTIVE, pH8 alkaline water with electrolytes.

Electrolytes are essential for basic life functions, such as muscle movement and active hydration of body cells. We also expanded NESTLÉ PURE LIFE ACTIVE in a convenient 18.9 liter format for home consumption in Lahore.

We are driving water stewardship by helping farmers save water through the introduction of drip irrigation techniques in collaboration with key public and private partners including Punjab Agriculture Department, Pakistan Agriculture Research Council (PARC), Sustainable Development Policy Institute (SDPI) and Lahore University of Management Sciences (LUMS).

In addition to this, with the new design for retail bottles, we are ensuring that our consumers experience quality drinking water for daily hydration in a bottle that can be recycled.

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' breakfast cereals range.

The crunchy bear-shaped petals are made with whole grain and are rich in fiber, vitamins and minerals. KOKO KRUNCH serves as a nutritious and tasty start to the day providing school-going kids the energy they need.

They might just be the best tasting chocolate cereals you'll get. Kids love them and mums trust them.

NESTLÉ MILO CEREAL

NESTLÉ MILO CEREAL is a nutritious and delicious breakfast cereal with chocolate and malt flavor. It contains the goodness of wholegrain, is high in iron, vitamins and calcium to help kids lead an active and healthy lifestyle.

Breakfast is always better with NESTLÉ MILO CEREAL!



NESTLÉ TRIX

NESTLÉ TRIX is a delicious fruit-flavored corn puff breakfast cereal. TRIX contains FRUITY FLAVOR of six exciting fruits including blueberry, orange, watermelon, grape, lemon and raspberry.

With wholegrain as the main ingredient, TRIX is high in Vitamins, Calcium, and Zinc. TRIX is the perfect start of the day making breakfast a whole lot of fun!

NESTLÉ GOLD CORNFLAKES

NESTLÉ GOLD CORN FLAKES is a light nutritious cereal made with whole grain and a crunchy texture. It contains essential vitamins and minerals for a healthy breakfast for the whole family.

Great tasting crunchy GOLD CORNFLAKES gives your mornings the right start with the perfect combination of taste and nutrition.



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.

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, Vitamins, and Probiotics, that help in the cognitive development of babies from 6 months onwards, along with their healthy physical growth. Today we serve over half a billion affordable and fortified iron-rich bowls 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 2021, in order to 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.

This new introduction, along with our parent range trusted for generations, helps to keep the NESTLÉ CERELAC brand true to its purpose of 'Together, passionately nourishing babies to blossom'.





NESTLÉ NIDO – Keep Exploring

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 consist 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 the pioneering innovations backed by over 150 years of NESTLÉ's expertise in child nutrition.

Possibilities are physical and intellectual capabilities and skills that children have in themselves. Beyond possibilities, EVERY POSSIBLE captures the world of opportunities children will have to become the best they can be at every stage.

Human Milk Oligosaccharides (HMOs) like 2'FL are naturally present in breast milk and contribute to innate immunity by enhancing the growth of beneficial bacteria and modulating the immune system. In the absence of breastmilk, NESTLÉ NANGROW with its unique formulation containing 2'FL HMO can support children's immune system, thus helping them build a strong foundation for their future.

In 2021, to provide customers with more options and to have a premium offering at a more accessible price, Nestlé Pakistan introduced NAN Bag-In-Box (BIB) in two new sizes and in recyclable packaging. With its successful launch this year, the aim is to grow the brand even further in 2022 with the same zeal.



NESTLÉ LACTOGROW – Grow Happy!

A child's physical growth is very important when it comes to a happy childhood. Hence, at NESTLÉ LACTOGROW we are staunch supporters of Growing Happy!

We know that a healthy tummy is vital for happy growth which is why NESTLÉ LACTOGROW 3 & 4 have been designed with COMFORTIS GROW to look after a child's Gut Comfort, aid in digestion, and provide gut defenses to ensure healthy and happy growth in children aged 1 to 5 years.

2021 was an exciting year for the portfolio, with the launch of NESTLÉ LACTOGROW ESSENTIALS! Fortified with Iron, Zinc, Vitamin A and D, NESTLÉ LACTOGROW ESSENTIALS aims to fulfill a significant amount of a child's Dietary Reference Intakes (DRI) and help prevent micronutrient deficiencies.

So, here's to Growing Happy with NESTLÉ LACTOGROW!

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 & Confectionery 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, cooking butter and 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 EXCELLENTE (100% Arabica beans) and NESCAFÉ AROMATICO (a blend of Arabica and Robusta beans) to cater to different taste preferences.

2. Cold Beverage Solutions

Nestlé Professional offers a complete range of powder drinks that can be enjoyed in liquid format through their machines or consumed in slush format using blenders. The range includes MANGO ICE, LEMON ICE, ORANGE ICE, NESTEA PEACH & MINT MARGARITA which can be enjoyed across the year.

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, 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NESTLÉ PAKISTAN LIMITED

Report on the Audit of the Financial Statements as at 31 December 2021

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 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the profit, total 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	Revenue Recognition During the year ended 31 December 2021, the Company recognized net revenue of Rs. 133 billion from sale of goods as disclosed in Note 26 and according to the accounting policy described in Note 2.4.16 to the financial statements (2020: Rs. 119 billion). The Company generates revenue from a wide range of products which are sold through different sales channels. 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.	 Our audit procedures, amongst others, included the following: Understood the Company's sales processes for various sales types, including the processes for agreeing trade spend deductions and the design and implementation of relevant internal controls. Understood the Company's revenue recognition policies and procedures to assess compliance with International Financial Reporting Standards ("IFRS") as applicable in Pakistan. Performed substantive analytical procedures using dis-aggregated data in order to gain assurance over the revenue recognized and focused our testing on outliers and unusual trends.

S. No.	Key audit matters	How the matter was addressed in our audit
	<p>Due to the above factors requiring significant auditor attention on occurrence 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>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>Understood the significance of trade spend deductions, the diversity of arrangements by cluster of customers, the process flow by nature of arrangement and the timing of accounting for estimates considering any conditionality inherent in the trade spend arrangements.</p> <p>Performed trend analysis and correlation between revenue and total trade spend and assessed the reasonableness in the context of local environment along with relating the same to movement in receivables and cash.</p> <p>Performed procedures to identify and review any manual adjustments at year end impacting revenue and total trade spend estimates to identify significant or unusual items and reviewed underlying documentation.</p> <p>Tested supporting evidence in relation to a sample of sales transactions including but not limited to dispatch documentation, correspondence / acknowledgment by customers and performing other tests of details.</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.</p> <p>Reviewed credit notes and other transactions subsequent to the year end to identify whether any events causing reversal of revenue occur after year end including transactions related to trade spend to address the completeness and reasonableness of accruals as at year end.</p> <p>We considered the accuracy and the adequacy of the disclosure provided in Note 26 to the financial statements in relation to the relevant accounting standards.</p>

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

Management is responsible for the other information. The other information comprises the annual report for the year ended 31 December 2021, 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 unconsolidated 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

EY Ford Rhodes

EY Ford Rhodes

Chartered Accountants

Lahore: 10 March 2022

UDIN: AR202110177p2IPBVNOh

STATEMENT OF FINANCIAL POSITION

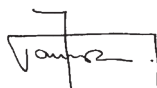
AS AT DECEMBER 31, 2021

(Rupees in 000)	Note	2021	2020
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
75,000,000 (2020: 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
Cash flow hedge reserve		(2,537)	–
Accumulated profits		4,422,786	3,207,419
		5,403,272	4,190,442
Non-current liabilities			
Long term finances - secured	6	12,000,000	12,081,975
Lease liabilities	7	115,479	34,682
Deferred taxation	8	1,241,580	1,332,919
Retirement benefits	9	3,376,097	3,117,661
		16,733,156	16,567,237
Current liabilities			
Current portion of long-term liabilities	10	130,869	3,734,310
Short-term borrowings - secured	11	6,000,000	6,417,473
Running finance under mark-up arrangements - secured	12	4,226,529	830,245
Customer security deposits - interest free	13	195,890	222,166
Unclaimed dividend		71,894	72,121
Unpaid dividend		2,011,404	–
Trade and other payables	14	28,023,293	26,563,482
Contract liabilities		682,065	562,263
Income tax payable		1,444,883	1,443,443
Interest and mark-up accrued	15	480,643	303,183
		43,267,470	40,148,686
Contingencies and commitments	16		
		65,403,898	60,906,365

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



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

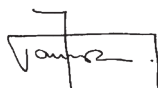
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(Rupees in 000)	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	17	29,274,553	28,679,851
Capital work-in-progress	18	2,026,307	4,097,316
Intangible assets	19	–	–
Long-term loans	20	159,848	179,191
		31,460,708	32,956,358
Current assets			
Stores and spares	21	3,045,805	2,670,279
Stock-in-trade	22	18,600,718	16,252,021
Trade debts	23	923,484	1,930,333
Current portion of long-term loans	20	116,810	134,078
Sales tax refundable - net		7,059,231	4,324,260
Advances, deposits, prepayments and other receivables	24	3,453,222	1,849,981
Cash and bank balances	25	743,920	789,055
		33,943,190	27,950,007
		65,403,898	60,906,365



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

STATEMENT OF PROFIT OR LOSS

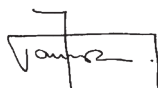
FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	Note	2021	2020
Revenue from contracts with customers	26	133,295,472	118,781,274
Cost of goods sold	27	(92,803,347)	(84,016,549)
Gross profit		40,492,125	34,764,725
Distribution and selling expenses	28	(14,897,747)	(14,256,719)
Administration expenses	29	(4,016,767)	(4,447,506)
Operating profit		21,577,611	16,060,500
Finance cost	30	(1,840,228)	(2,805,015)
Other expenses	31	(2,079,361)	(1,019,221)
		(3,919,589)	(3,824,236)
Other income	32	295,578	354,830
Profit before taxation		17,953,600	12,591,094
Taxation	33	(5,185,499)	(3,706,499)
Profit after taxation		12,768,101	8,884,595
Earnings per share basic and diluted (Rupees)	34	281.55	195.91

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



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

STATEMENT OF COMPREHENSIVE INCOME

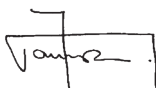
FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	2021	2020
Profit after taxation	12,768,101	8,884,595
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Remeasurement loss of cash flow hedges - effective portion	(3,551)	—
Related tax	1,014	—
	(2,537)	—
Items that will not be reclassified subsequently to profit or loss (net of tax)		
Rememeasurement gain / (loss) on net retirement benefit liability	79,942	(19,647)
Related tax	(23,183)	5,708
	56,759	(13,939)
Total other comprehensive income / (loss)	54,222	(13,939)
Total comprehensive income for the year	12,822,323	8,870,656

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



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

STATEMENT OF CHANGES IN EQUITY

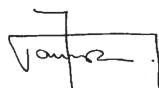
FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	Share capital	Capital reserves		Revenue reserves			Total
		Share premium	General reserve	Cashflow hedge reserve	Accumulated profit		
Balance as at January 01, 2020	453,496	249,527	280,000	–	2,272,943		3,255,966
Total comprehensive income for the year ended December 31, 2020							
Profit after taxation	–	–	–	–	8,884,595		8,884,595
Other comprehensive income	–	–	–	–	(13,939)		(13,939)
	–	–	–	–	8,870,656		8,870,656
Transaction with owners directly recognized in equity							
Final dividend for the year ended							
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)
Balance as at December 31, 2020	453,496	249,527	280,000	–	3,207,419		4,190,442
Total comprehensive income for the year ended December 31, 2021							
Profit after taxation	–	–	–	–	12,768,101		12,768,101
Other comprehensive income	–	–	–	(2,537)	56,759		54,222
	–	–	–	(2,537)	12,824,860		12,822,323
Transaction with owners directly recognized in equity							
Final dividend for the year ended							
December 31, 2020 (Rs. 61 per share)	–	–	–	–	(2,766,324)		(2,766,324)
Interim dividend for the six months period							
June 30, 2021 (Rs. 115 per share)	–	–	–	–	(5,215,202)		(5,215,202)
Interim dividend for the nine months period ended September 30, 2021 (Rs. 80 per share)							
	–	–	–	–	(3,627,967)		(3,627,967)
Balance as at December 31, 2021	453,496	249,527	280,000	(2,537)	4,422,786		5,403,272

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



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	Note	2021	2020
Cash flow from operating activities			
Profit before taxation		17,953,600	12,591,094
Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment	17.3	3,858,736	4,147,235
Amortization of intangible assets	19	–	7,396
Impairment charge / (reversal) of impairment	31	389,042	(87,761)
Gain on disposal of property, plant and equipment	32	(119,680)	(74,561)
Provision for workers' profit participation fund	31	915,146	645,011
Provision for workers' welfare fund	31	349,316	312,410
Reversal of provision against doubtful debts / expected credit loss	32	(7,717)	(1,884)
Increase in provision for stores and spares	21.1	35,621	108,919
Exchange rate loss / (gain)	31 & 32	408,136	(24,881)
(Reversal) / increase in provision for stock in trade		(30,976)	33,841
Provision for defined benefits plans		793,124	797,831
Finance cost	30	1,840,228	2,805,015
Profit before working capital changes		26,384,576	21,259,665
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		(411,147)	(403,141)
Stock-in-trade		(2,317,721)	2,590,579
Trade debts		1,014,566	236,439
Advances, deposits, prepayments and other receivables		(4,338,212)	1,049,176
Increase / (decrease) in current liabilities:			
Trade and other payables		398,514	1,088,898
Contract liabilities		119,802	180,117
		(5,534,198)	4,742,068
Cash generated from operations		20,850,378	26,001,733
Decrease in long term loans - net		36,611	58,275
(Decrease) / increase in customer security deposits - interest free		(26,276)	29,442
Contributions by the Company - net		(454,746)	(477,319)
Workers' profit participation fund paid		(655,032)	(596,268)
Finance cost paid		(1,641,295)	(2,967,670)
Income taxes paid		(5,297,567)	(3,147,715)
Net cash generated from operating activities		12,812,073	18,900,478

STATEMENT OF CASH FLOWS

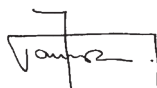
FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	Note	2021	2020
Cash flow from investing activities			
Fixed capital expenditure		(2,602,970)	(3,156,983)
Sale proceeds from disposal of property, plant and equipment	17.5	202,186	171,615
Net cash used in investing activities		(2,400,784)	(2,985,368)
Cash flow from financing activities			
Long-term loans obtained		–	12,000,000
Long-term loans repaid		(3,698,319)	(3,198,319)
Short-term borrowings obtained		9,000,000	10,417,473
Short-term borrowings repaid		(11,917,473)	(14,617,473)
Short term borrowings - net (less than 90 days)		2,500,000	(6,600,000)
Repayment of lease liabilities		(138,600)	(250,742)
Dividends paid		(9,598,316)	(7,884,667)
Net cash used in financing activities		(13,852,708)	(10,133,728)
Net (decrease) / increase in cash and cash equivalents		(3,441,419)	5,781,382
Cash and cash equivalents at beginning of the year		(41,190)	(5,822,572)
Cash and cash equivalents at end of the year	36	(3,482,609)	(41,190)

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



SYED SAIFUL ISLAM
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 Société des Produits Nestlé S.A. (SPN), the Holding Company, which in turn is a wholly owned subsidiary of Nestlé S.A., the Ultimate Parent Company, incorporated in Switzerland. In 2021, Nestlé S.A. transferred its entire shareholding in the Company to SPN.

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 or IFAS, 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 on the basis mentioned in note 2.4.6 and cash flow hedges that have been measured at fair value.

2.3 Significant estimates and judgements

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 that have a significant risk and result in material adjustments to the Company's financial statements or where judgments, that had the significant effect on the amounts that have been recognized in the period, were exercised in application of accounting policies are as follows:

2.3.1 Judgements

Lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease options that include extension and termination options. The Company applies judgements in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal

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or termination. After the commencement period, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the ability to exercise or not to exercise the option to renew or to terminate.

2.3.2 Significant estimates and assumptions

Company applies the estimates in following areas to determine the amounts in financial statements:

- Defined benefit plans 2.4.6
- Discounts, allowances and promotional rebates 2.4.16

Other areas, where estimates are involved to determine the amounts, are mentioned in their respective notes.

2.4 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.

2.4.1 Financial instruments

2.4.1.1 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, receivables and bank balances.

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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.

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).

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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.

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.

2.4.1.2 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 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.

2.4.2 Impairment losses

Financial assets

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. 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.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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For trade debts and other receivables, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The expected credit losses are recognized in the statement of profit or loss. For long term loans to employees, the Company applies simplification under IFRS 9 as these financial assets have low credit risk. At every reporting date, the Company evaluates whether this financial instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. For bank balances and cash margin, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

Non-financial assets

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

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

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

2.4.3 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.

2.4.4 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

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At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other expense.

The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges

The Company uses fair value hedges to mitigate foreign currency risk of its recognized assets and liabilities, being mostly financial debt. Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying transactions are recognized in the income statement.

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2.4.5 Taxation

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

2.4.5.1 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 and the decisions of appellate authorities on certain cases issued in past. 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.

2.4.5.2 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.

2.4.6 Retirement benefits

2.4.6.1 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.

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.

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The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds, as set by Pakistan Society of Actuaries, and interpolated linearly as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

2.4.6.2 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.

2.4.7 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 (IBR) applicable in the market for such leases. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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.

2.4.8 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.

2.4.9 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.

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2.4.10 Dividend

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

2.4.11 Provisions and contingencies

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

2.4.12 Fixed capital expenditure and depreciation/amortization

2.4.12.1 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. The estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company based on similar transactions in the past.

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.

2.4.12.2 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.

2.4.12.3 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 as disclosed 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.

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2.4.13 Inventories

Inventories are valued as per below mentioned valuation basis:

2.4.13.1 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.

2.4.13.2 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.

2.4.13.3 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.

2.4.13.4 Provision for obsolete spares and unusable raw and packing material

Provision for stores and spares and stock-in-trade is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis. Net realizable value calculations are estimated based on last recently-held transactions and values expected to be recovered for sale in normal course of business less an estimate for selling costs.

2.4.14 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount. Provision is made for debts considered doubtful of recovery based on ECL model of IFRS 9 and debts considered irrecoverable are written off as and when identified.

2.4.15 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. These arise in the usual trade cycle of the Company and are settled accordingly.

2.4.16 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 (referred as trade spend). 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.

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2.4.17 Foreign currencies

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

2.4.18 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.

2.4.19 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.

2.4.20 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.

2.4.21 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.

2.5 Standards, interpretations and amendments to published approved accounting standards

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, 2021, as listed below:

2.5.1 New Standards, Interpretations and Amendments effective in the reporting period

IFRS 16	COVID-19-Related Rent Concessions (Amendments)
IAS 39, IFRS 9, IFRS 7, IFRS 4 & IFRS 16	Interest Rate Benchmark Reform - Phase 2 (Amendments)

The adoption of above new amendments applied for the first time in the period did not have any material impact on the financial statements of the Company. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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2.5.2 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:

Standard or Interpretation		Effective date (annual periods beginning on or after)
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
IAS 1 and IFRS Practice Statement 2	<p>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by</p> <p>Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and</p> <p>Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.</p>	January 01, 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	January 01, 2023

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	Not yet finalized

The above amendments are not expected to 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, 2022.

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, 2021. Consequently, there is no material impact on the recognition and measurement of assets and liabilities.

4 Issued, subscribed and paid up capital

2021 (Number of shares)		2020 (Rupees in 000)	
29,787,058	29,787,058	297,870	297,870
15,476,867	15,476,867	154,769	154,769
85,659	85,659	857	857
45,349,584	45,349,584	453,496	453,496

As at December 31, 2021, Société des Produits Nestlé SA (SPN), Switzerland ("the Holding Company"), holds 27,936,173 (2020: 26,778,229) ordinary shares representing 61.60% (2020: 59.05% - previously owned by Nestle S.A. which have been transferred to SPN during the year) equity interest in the Company. In addition, 9,029,159 (2020: 9,025,159) ordinary shares are held by the following related parties as at December 31, 2021:

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FOR THE YEAR ENDED DECEMBER 31, 2021

Name of related party	2021 (Number of shares)	2020
IGI Investments (Pvt.) Limited Percentage of equity held 9.76% (2020: 9.75%)	4,423,666	4,419,666
Packages Limited Percentage of equity held 8.05% (2020: 8.05%)	3,649,248	3,649,248
Gurmani Foundation Percentage of equity held 1.19% (2020: 1.19%)	538,235	538,235
National Management Foundation Percentage of equity held 0.50% (2020: 0.50%)	224,720	224,720
Babar Ali Foundation Percentage of equity held 0.38% (2020: 0.38%)	170,745	170,745
Industrial Technical and Educational Institution Percentage of equity held 0.05% (2020: 0.05%)	21,666	21,666
Nestlé Pakistan Limited Employees Provident Fund Percentage of equity held 0.0019% (2020: 0.0019%)	878	878
IGI Finex Securities Limited Percentage of equity held 0.0% (2020: 0.0%)	1	1
	9,029,159	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.

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	2021	2020
6 Long-term finances - secured			
Long-term finances utilized under mark-up arrangements:			
Term Loan I	6.1	3,500,000	3,500,000
Term Loan II	6.2	2,500,000	2,500,000
Term Loan III	6.3	3,000,000	3,000,000
Term Loan IV	6.4	3,000,000	3,000,000
Term Loan V	6.5	–	3,500,000
		12,000,000	15,500,000
Long-term financing facility	6.6	81,975	280,294
		12,081,975	15,780,294
Interest and mark-up accrued		232,700	157,398
Amortised cost		12,314,675	15,937,692
Less: current maturity	10	(81,975)	(3,698,319)
Less: interest and mark-up accrued	15	(232,700)	(157,398)
		12,000,000	12,081,975

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- 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 was 5 years and the principal has been repaid during the year in a single lump sum instalment. Mark-up was payable quarterly at a flat rate of 8.00% per annum.
- 6.6** 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.
- 6.7** 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.

(Rupees in 000)	Note	2021	2020
7 Lease liabilities			
Present value of minimum lease payments		164,373	70,673
Less: current maturity	10	(48,894)	(35,991)
		115,479	34,682

- 7.1** The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) ranges from 7.44% to 16.00% (2020: 7.44% to 16.00%). Minimum Lease Payments (MLP) and their Present Value (PV) are as follow:

(Rupees in 000)	31-Dec-21		
	MLP	Future Finance Charges	PV of MLP
Due not later than 1 year	68,719	(19,825)	48,894
Due later than 1 year but not later than 5 years	124,935	(25,477)	99,458
Due later than 5 years	80,213	(64,192)	16,021
	273,867	(109,494)	164,373

(Rupees in 000)	31-Dec-20		
	MLP	Future Finance Charges	PV of MLP
Due not later than 1 year	43,050	(7,059)	35,991
Due later than 1 year but not later than 5 years	45,214	(14,870)	30,344
Due later than 5 years	12,077	(7,739)	4,338
	100,341	(29,668)	70,673

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

7.2 Set out below are the carrying amounts of lease liabilities and the movement during the year:

(Rupees in 000)	Note	2021	2020
Opening balance		70,673	339,769
Lease liabilities acquired during the year		210,827	36,842
Markup on lease liabilities		21,473	20,880
Termination of leases		–	(76,076)
		302,973	321,415
Less: Lease rentals paid		(138,600)	(250,742)
Closing balance		164,373	70,673

8 Deferred taxation

Deferred tax assets on deductible temporary differences

Provision for obsolete spares		(258,784)	(223,046)
Provision for unusable raw and packing material		(13,395)	(36,771)
Provision for doubtful debts / expected credit losses		(33,305)	(22,208)
Lease liability recognized under IFRS 16		(35,757)	(20,020)
Remeasurement loss of cash flow hedges		(1,014)	–
Other provisions		(1,722,915)	(1,678,927)
		(2,065,170)	(1,980,972)

Deferred tax liability on taxable temporary differences

Accelerated tax depreciation		3,306,750	3,313,891
		1,241,580	1,332,919

8.1 Movement in deferred tax liability is as follows:

Balance as at January 01		1,332,919	1,960,850
Charge to OCI related to cash flow hedges		(1,014)	–
Charge to statement of profit or loss	33	(90,325)	(627,931)
Balance as at December 31		1,241,580	1,332,919

9 Retirement benefits

Gratuity fund		1,435,066	1,340,277
Pension fund		1,941,031	1,777,384
		3,376,097	3,117,661

The Company contributes to following defined benefit plans.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- Type B represents cash plan that entitles the members to have their gratuity balance calculated from their date of joining till 31.12.2020 based on Type A formula. Thereafter the gratuity balance so calculated is locked and profit is credited to employees' account, annually based on performance of gratuity fund. The locked balance of gratuity together with interest thereon will be paid to employee at the time of separation from the company. Besides this, cash plan member is also entitled to a monthly cash allowance of 7.8% of basic salary.
- Pension plan comprise of two types i.e. A and B. Type A members are those members who have joined the plan and who have not opted to become members of Type B. Type B members are those members who fulfill the criteria and opted to become member of Type B.
- Type A members are required to make a contribution of 5% of pensionable salary whereas the Company makes contribution based on actuarial recommendations. The annual benefit amount of a Type A member shall be 2.75% of his/ her pensionable salary at the time of retirement multiplied by number of years of pensionable service subject to a maximum of 82.5% of pensionable salary.
- Type B member can make a contribution of 3% or 5% of his / her pensionable salary and the Company will make a contribution equal to employee contribution +2%. In case of those members who are transferred from Type A to Type B, such members are required to make a contribution of 5% of pensionable salary and the Company will make a contribution of 11.4%. Type B member shall be entitled to 30% of employer benefit after successful completion of three years of pensionable service and thereafter additional 10% for each successful year till 10th year when they are 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 Chairman. The Trustees of the funds are required by law to act in the best interests of the plan and are responsible for making all the investments and disbursements out of the funds.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. As at reporting date, an actuarial valuation has been performed by M/s Nauman Associates (Actuarial experts) for valuation of defined benefit obligation. The disclosure made in notes 9.1 to 9.13 are based on the information included in the actuarial report.

These defined benefit plans are fully funded by the Company. The funding requirements are evaluated by the management using the funds' actuarial measurement framework set out in the funding policies of the plans. The funding of each plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from time to time. The 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	Gratuity		Pension	
	2021	2020	2021	2020
9.1 Present value of funded obligations				
Amounts recognized in statement of financial position are as follows:				
Present value of defined benefit obligation	3,408,390	3,185,483	6,093,029	5,527,708
Fair value of plan assets	(1,973,324)	(1,845,206)	(4,151,998)	(3,750,324)
Net retirement benefit obligation	1,435,066	1,340,277	1,941,031	1,777,384
9.2 Movement in net obligation				
Net liability as at January 01	1,340,277	1,370,227	1,777,384	1,407,275
Charge to statement of profit or loss	361,367	381,548	431,757	416,283
Charge to other comprehensive income	(53,908)	(174,361)	(26,034)	194,008
Contribution made by employees	–	–	139,596	137,640
Contribution made by Company	(212,670)	(237,137)	(381,672)	(377,822)
Net liability as at December 31	1,435,066	1,340,277	1,941,031	1,777,384
9.3 Movement in the liability for funded defined benefit obligations				
Liability for defined benefit obligations as at January 01	3,185,483	3,156,983	5,527,708	4,743,169
Benefits paid by the plan	(260,747)	(372,839)	(325,098)	(342,435)
Current service cost	234,151	263,868	407,098	409,264
Past service cost	–	(29,967)	–	–
Interest cost	313,149	349,041	549,929	537,205
Remeasurements on obligation:				
Actuarial losses / (gains) due to:				
- Changes in financial assumptions	6,407	(6,469)	104,399	296,184
- Experience adjustments	(70,053)	(175,134)	(171,007)	(115,679)
	(63,646)	(181,603)	(66,608)	180,505
Liability for defined benefit obligations as at December 31	3,408,390	3,185,483	6,093,029	5,527,708
9.4 Movement in fair value of plan assets				
Fair value of plan assets as at January 01	1,845,206	1,786,756	3,750,324	3,335,894
Contributions paid into the plan	212,670	237,137	381,672	377,822
Benefits paid by the plan	(260,747)	(372,839)	(325,098)	(342,435)
Interest income on plan assets	186,670	201,971	387,308	394,047
Actuarial loss on plan assets	(9,738)	(7,242)	(40,574)	(13,503)
Other administrative expenses by fund	(737)	(577)	(1,634)	(1,501)
Fair value of plan assets as at December 31	1,973,324	1,845,206	4,151,998	3,750,324

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	Gratuity		Pension	
	2021	2020	2021	2020
9.5 Plan assets consist of the following:				
In terms of amount:				
- Equity instruments	263,052	190,076	535,795	310,334
- Debt instruments	975,492	1,043,348	2,107,219	2,185,515
- Cash at bank and other deposits	734,780	611,782	1,508,984	1,254,475
	1,973,324	1,845,206	4,151,998	3,750,324
9.5.1 Plan assets				
Plan assets comprise:				
Equity instruments by sector				
Fertilizers	13,392	18,087	28,746	25,226
Oil and gas	25,502	28,029	65,557	45,199
Steel	6,490	–	11,691	–
Power	12,161	13,794	18,188	17,231
Financial institutions	47,701	46,718	94,746	66,133
Mutual funds	130,053	51,075	268,833	108,392
Cement	8,332	7,202	13,559	11,175
Chemicals	11,057	13,023	15,247	19,268
Automobile	4,543	6,527	10,163	9,820
Others	3,821	5,621	9,065	7,890
	263,052	190,076	535,795	310,334
Debt instruments				
Government bonds	975,492	956,081	2,107,219	2,072,582
Term Finance Certificates	–	87,267	–	112,933
	975,492	1,043,348	2,107,219	2,185,515
Cash and other deposits				
Balance in saving bank accounts	56,528	3,430	106,482	20,943
Term deposit receipts	665,865	–	1,374,617	–
Treasury bills	–	605,619	–	1,211,238
Others	12,387	2,733	27,885	22,294
	734,780	611,782	1,508,984	1,254,475
	1,973,324	1,845,206	4,151,998	3,750,324

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	Gratuity		Pension	
	2021	2020	2021	2020
9.6 Statement of profit or loss includes the following in respect of retirement benefits:				
Interest cost	313,149	349,041	549,929	537,205
Current service cost	234,151	263,868	407,098	409,264
Past service cost	–	(29,967)	–	–
Interest income on plan assets	(186,670)	(201,971)	(387,308)	(394,047)
Contributions made by the employees	–	–	(139,596)	(137,640)
Other administrative expense by Fund	737	577	1,634	1,501
	361,367	381,548	431,757	416,283
9.7 Charge for the year has been allocated as follows:				
Cost of goods sold	165,975	185,842	193,735	194,979
Distribution and selling expenses	115,410	130,693	148,411	138,397
Administration expenses	79,982	65,013	89,611	82,907
	361,367	381,548	431,757	416,283
9.8 Actuarial (gains) and losses recognized directly in other comprehensive income				
Cumulative amount as at January 01	811,470	985,831	1,599,637	1,405,629
Remeasurements on obligation				
Actuarial losses / (gains) due to:				
- Changes in financial assumptions	6,407	(6,469)	104,399	296,184
- Experience adjustments	(70,053)	(175,134)	(171,007)	(115,679)
	(63,646)	(181,603)	(66,608)	180,505
Remeasurements on fair value of plan assets	9,738	7,242	40,574	13,503
(Gains) / losses recognized during the year	(53,908)	(174,361)	(26,034)	194,008
Cumulative amount as at December 31	757,562	811,470	1,573,603	1,599,637

(Rupees in 000)	2021	2020	2019	2018	2017
9.9 Historical information for Gratuity plan					
Present value of defined benefit obligation	3,408,390	3,185,483	3,156,983	2,999,495	2,692,633
Fair value of plan assets	(1,973,324)	(1,845,206)	(1,786,756)	(1,698,880)	(1,707,766)
Deficit in the plan	1,435,066	1,340,277	1,370,227	1,300,615	984,867
Experience adjustments					
arising on plan liabilities	(70,053)	(175,134)	(121,984)	151,962	80,449
Experience adjustments					
arising on plan assets	(9,738)	(7,242)	(14,655)	(77,233)	(149,744)

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	2021	2020	2019	2018	2017
9.10 Historical information for Pension plan					
Present value of defined benefit obligation	6,093,029	5,527,708	4,743,169	3,707,704	3,404,213
Fair value of plan assets	(4,151,998)	(3,750,325)	(3,335,894)	(2,910,299)	(2,728,318)
Deficit in the plan	1,941,031	1,777,383	1,407,275	797,405	675,895
Experience adjustments					
arising on plan liabilities	(171,007)	(115,679)	116,229	(11,280)	(93,878)
Experience adjustments					
arising on plan assets	(40,574)	(13,503)	(29,080)	(122,538)	(213,478)

	2021		2020	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
9.11 Significant actuarial assumptions used for valuation of these plans are as follows:				
Discount rate used for profit and loss charge	10.25%	10.25%	11.75%	11.75%
Discount rate used for year-end obligation	11.75%	11.75%	10.25%	10.25%
Expected rate of salary increase	11.75%	11.75%	10.25%	10.25%
Expected rate of return on plan assets	11.75%	11.75%	10.25%	10.25%
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

9.12 Actuarial assumptions sensitivity analysis

The risks to which plan is exposed include salary, demographic, investment and discount risks. If the significant actuarial assumptions (relating to major risks) used to estimate the defined benefit obligation at the reporting date, had fluctuated by 50 bps with all other variables held constant, the impact on the present value of the defined benefit obligation would have been as follows:

(Rupees in 000)	Change	Gratuity		Pension	
		Impact on present value of defined benefit obligation as at December 31, 2021			
		Increase	Decrease	Increase	Decrease
Discount rate	50 bps	(162,717)	176,008	(259,738)	279,919
Future salary increase	50 bps	177,388	(165,485)	83,415	(79,602)
Expected mortality rates	1 year	(1,050)	1,128	(48,078)	47,111

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.

9.13 Weighted average duration of the defined benefit obligation is 9.9 years for gratuity and 9 years for pension plan.

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Note	2021	2020
10 Current portion of long term liabilities			
Current maturity of long term finances	6	81,975	3,698,319
Current maturity of lease liabilities	7	48,894	35,991
		130,869	3,734,310
11 Short-term borrowings - secured			
Money market deals	11.1	6,000,000	5,500,000
Export refinance facility	11.2	–	917,473
		6,000,000	6,417,473
Interest and mark-up accrued		199,604	106,199
Amortized cost		6,199,604	6,523,672
Less: interest and mark-up accrued	15	(199,604)	(106,199)
		6,000,000	6,417,473

11.1 This represents money market deals obtained from various commercial banks having aggregate limit of PKR 6,000 million (2020: PKR 5,500 million) and carry mark-up ranging from 7.05% to 10.19% (2020: 6.47% to 13.49%) per annum. These deals are obtained for a period ranging from 30 to 300 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 1,000 million (2020: PKR 918 million). The mark-up on this facility is 2.40% (2020: 2.20%) per annum.

(Rupees in 000)	Note	2021	2020
12 Running finance under mark-up arrangements - secured			
Running finance under mark-up arrangements - secured		4,226,529	830,245
Interest and mark-up accrued		48,339	39,586
Amortized cost		4,274,868	869,831
Less: interest and mark-up accrued	15	(48,339)	(39,586)
		4,226,529	830,245

The Company has obtained short term running finances from various commercial banks under mark-up arrangements having an aggregate limit of PKR 31,487 million (2020: PKR 24,871 million). The mark-up on these facilities ranges from 7.45% to 9.62% (2020: 7.31% to 13.85%) 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 - interest free

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.

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Note	2021	2020
14 Trade and other payables			
Trade creditors:			
Related parties		2,255,467	3,523,418
Others		11,514,349	9,956,197
		13,769,816	13,479,615
Accrued liabilities		11,064,660	11,228,821
General licensing fee payable	14.1	1,299,866	523,356
Workers' profit participation fund	14.2	905,125	645,011
Workers' welfare fund		349,316	294,812
Withholding taxes payable		396,917	261,918
Foreign exchange forward contracts			
- designated as hedging instruments	14.3	3,551	–
Others		234,042	129,949
		28,023,293	26,563,482

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 3,424.14 million (2020: PKR 3,699.14 million) has been paid.

(Rupees in 000)	Note	2021	2020
14.2 Workers' Profit Participation Fund			
Balance as at January 01		645,011	596,268
Provision for the year	31	915,146	645,011
		1,560,157	1,241,279
Payments made during the year - net		(655,032)	(596,268)
Balance as at December 31		905,125	645,011

14.3 This reflects the negative change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge foreign currency trade payables and highly probable forecast purchases in foreign currencies.

14.3.1 Following are the foreign exchange forward contracts held by the Company along with their respective maturities.

		Less than 1 month	1 to 3 month
Foreign exchange forward contracts (highly probable forecast purchases)			
USD	Notional amount (Pak Rupees in '000)	24,976	11,662
	Average forward rate (PKR/USD)	176.45	176.45
EUR	Notional amount (Pak Rupees in '000)	–	77,222
	Average forward rate (PKR/EUR)	–	199.49
CNY	Notional amount (Pak Rupees in '000)	–	60,423
	Average forward rate (PKR/CNY)	–	27.68

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Note	2021	2020
15 Interest and mark-up accrued			
Long-term finances - secured	6	232,700	157,398
Short-term borrowings - secured	11	199,604	106,199
Running finance under mark-up arrangements - secured	12	48,339	39,586
		480,643	303,183

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 of water 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 245.21 million (2020: 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, is considered as a contingency.

(Rupees in 000)	2021	2020
16.2 Guarantees		
Outstanding guarantees	271,207	196,485
16.3 Commitments		
16.3.1 Outstanding letters of credit	1,588,390	562,147
16.3.2 Commitments in respect of capital expenditure	224,444	352,943

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)	2021	2020
Not later than one year	–	8,714
Later than one year but not later than 5 years	–	–
	–	8,714
16.3.4 Commitments in respect of forward foreign currency contracts:		
- USD	37,076	–
- EUR	79,806	–
- CNY	61,947	–
	178,829	–

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17 Property, plant and equipment

	Assets including Right-of-Use assets						
	Land & Building (on freehold land)	Plant and machinery	Furniture and fixtures	Vehicles	IT Equipment	Right-of-use assets (Note 17.2)	Total
(Rupees in 000)							
Cost							
Balance as at January 01, 2021	9,820,257	47,354,892	917,594	460,946	1,851,836	1,228,376	61,633,901
Additions during the year	302,597	4,076,160	5,829	28,414	260,979	210,827	4,884,806
Disposals	(20,420)	(699,785)	(76,103)	(246,732)	(39,511)	–	(1,082,551)
Terminations	–	–	–	–	–	(1,098,997)	(1,098,997)
Balance as at December 31, 2021	10,102,434	50,731,267	847,320	242,628	2,073,304	340,206	64,337,159
Balance as at January 01, 2020	9,581,129	45,891,773	907,742	591,029	1,730,960	1,433,437	60,136,070
Additions during the year	249,139	2,106,827	18,240	5,952	194,856	57,722	2,632,736
Disposals	(10,011)	(643,708)	(8,388)	(136,035)	(73,980)	–	(872,122)
Terminations	–	–	–	–	–	(262,783)	(262,783)
Balance as at December 31, 2020	9,820,257	47,354,892	917,594	460,946	1,851,836	1,228,376	61,633,901
Depreciation and impairment losses							
Balance as at January 01, 2021	2,566,232	26,811,091	745,577	389,383	1,397,607	1,044,160	32,954,050
Depreciation for the year	278,009	3,023,477	78,030	35,010	269,627	174,583	3,858,736
Net impairment charged during the year	–	348,862	–	–	–	–	348,862
Disposals	(201)	(646,564)	(76,088)	(237,705)	(39,487)	–	(1,000,045)
Terminations	–	–	–	–	–	(1,098,997)	(1,098,997)
Balance as at December 31, 2021	2,844,040	29,536,866	747,519	186,688	1,627,747	119,746	35,062,606
Balance as at January 01, 2020	2,293,798	24,314,722	661,086	428,481	1,233,037	871,825	29,802,949
Depreciation for the year	274,932	3,065,795	92,763	95,759	238,064	379,922	4,147,235
Net impairment reversed during the year	–	(13,479)	–	–	–	–	(13,479)
Disposals	(2,498)	(555,947)	(8,272)	(134,857)	(73,494)	–	(775,068)
Terminations	–	–	–	–	–	(207,587)	(207,587)
Balance as at December 31, 2020	2,566,232	26,811,091	745,577	389,383	1,397,607	1,044,160	32,954,050
Net book value as at December 31, 2021	7,258,394	21,194,401	99,801	55,940	445,557	220,460	29,274,553
Net book value as at December 31, 2020	7,254,025	20,543,801	172,017	71,563	454,229	184,216	28,679,851
Rate of depreciation in %	2.5 - 4	4 - 33.3	20	20	10 - 33.3	2.5 - 33.3	

17.1 Plant and machinery includes trade assets having cost and net book value of PKR 2,244.25 million and PKR 811.60 million respectively (2020: PKR 1,999.91 million and PKR 710.82 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
Cost				
Balance as at January 01, 2021	1,131,942	37,211	59,223	1,228,376
Additions during the year	142,961	67,866	–	210,827
Terminations	(1,012,198)	(33,073)	(53,726)	(1,098,997)
Balance as at December 31, 2021	262,705	72,004	5,497	340,206
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)
Balance as at December 31, 2020	1,131,942	37,211	59,223	1,228,376
Depreciation				
Balance as at January 01, 2021	958,752	30,319	55,089	1,044,160
Depreciation for the year	148,507	21,942	4,134	174,583
Depreciation on terminations	(1,012,198)	(33,073)	(53,726)	(1,098,997)
Balance as at December 31, 2021	95,061	19,188	5,497	119,746
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)
Balance as at December 31, 2020	958,752	30,319	55,089	1,044,160
Net book value as at December 31, 2021	167,644	52,816	–	220,460
Net book value as at December 31, 2020	173,190	6,892	4,134	184,216

(Rupees in 000)	Note	2021	2020
17.3 Depreciation charge for the year has been allocated as follows:			
Cost of goods sold	27	3,058,987	3,080,648
Distribution and selling expenses	28	545,263	526,722
Administration expenses	29	254,486	539,865
		3,858,736	4,147,235

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Description of asset	Purpose	Location / Address within Pakistan	Area
Land and building	Manufacturing facility	Sheikhupura Factory	63.46 Acre
Land and building	Manufacturing facility	Kabirwala Factory	85.58 Acre
Land and building	Manufacturing facility	Port Qasim Factory	5 Acre
Land and building	Manufacturing facility	Islamabad Factory	8.72 Kanal
Land and building	Milk collection center	Bhawana, District Chiniot	1 Acre
Land and building	Milk collection center	Renala, District Okara	1 Acre
Land and building	Milk collection center	Pindi Bhattian, District Hafiz Abad	17.9 Kanal
Land and building	Milk collection center	Ludden, District Vehari	7.8 Kanal
Land and building	Milk collection center	More Mandi, District Jhang	2 Kanal
Land and building	Milk collection center	Kalowal, District Chiniot	1 Kanal
Land and 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
(Rupees in 000)							
Buildings							
Master guest house installations	7,262	5,266	23	(5,243)	Negotiation	Third party	None
Housing building installations	4,417	2,795	14	(2,781)	Negotiation	Third party	None
NCE room installations	1,909	1,358	72	(1,286)	Negotiation	Third party	None
Building for UHT reprocessing	1,466	732	5	(727)	Negotiation	Third party	None
Building daycare center	1,373	1,020	4	(1,016)	Negotiation	Third party	None
Extension of reprocessing lab	1,100	850	4	(847)	Negotiation	Third party	None
Plant and Machinery							
Steam sterilizer	7,533	1,004	602	(403)	Negotiation	Third party	None
Boiler	6,650	4,925	1,500	(3,425)	Negotiation	Third party	None
Cold air condensing unit	6,535	3,567	522	(3,045)	Negotiation	Third party	None
Old metal detector	6,432	1,286	243	(1,043)	Negotiation	Third party	None
Condenser for ice water system	5,501	1,513	439	(1,073)	Negotiation	Third party	None
Upgradation of Rovema no.3	4,541	2,171	50	(2,121)	Negotiation	Third party	None
Condenser BAC for ice water system	4,508	1,202	100	(1,102)	Negotiation	Third party	None
Steam Boiler 16 bar descon	3,844	2,290	450	(1,840)	Negotiation	Third party	None
Accumulator for ice water system	3,317	912	265	(647)	Negotiation	Third party	None
Accumulator for ice water system	3,317	912	265	(647)	Negotiation	Third party	None
Auto acid dosing system	2,475	743	94	(649)	Negotiation	Third party	None
Upgrading of burner ignition system	2,000	713	300	(413)	Negotiation	Third party	None
Milk chiller 5000 litres	1,880	836	40	(795)	Negotiation	Third party	None
Milk chiller 5000 litres	1,880	575	40	(535)	Negotiation	Third party	None
Milk chiller 5000 litres	1,880	856	40	(816)	Negotiation	Third party	None
Milk chiller 5000 litres	1,880	898	1,300	402	Negotiation	Third party	None

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Description	Cost	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of purchasers	Relationship with the company
(Rupees in 000)							
Milk chiller 5000 litres	1,880	898	1,300	402	Negotiation	Third party	None
De-Capper - HOD line	1,768	651	141	(510)	Negotiation	Third party	None
Fabrication of chiller and pipe line	1,456	583	116	(467)	Negotiation	Third party	None
Ammonia (NH3) leak detection system	1,366	934	109	(825)	Negotiation	Third party	None
Checkweigher (Ethernet card)	736	581	8	(573)	Negotiation	Third party	None
Furniture and fixture							
Workplace partitions - Multan office	17,464	6,986	4,912	(2,074)	Negotiation	Third party	None
Flooring - Multan office	7,678	3,076	2,200	(876)	Negotiation	Third party	None
Partition false ceiling - Multan office	2,381	952	750	(202)	Negotiation	Third party	None
Vehicles							
Toyota land cruiser V8 AXG	13,370	5,571	17,600	12,029	As per Company policy		Employee
Toyota land cruiser V8 AXG	12,610	3,152	16,352	13,200	As per Company policy		Employee
Assets with book value less than PKR 500,000	940,142	22,698	152,326	129,628			
2021	1,082,551	82,506	202,186	119,680			
2020	872,122	97,054	171,615	74,561			

(Rupees in 000)		Note	2021	2020
18 Capital work-in-progress				
Civil works			281,664	114,532
Plant and machinery			1,650,987	3,977,761
Others			682,583	553,770
			2,615,234	4,646,063
Less: Provision for impairment loss	18.2		(588,927)	(548,747)
			2,026,307	4,097,316
18.1 Movement in capital work-in-progress				
Balance as at January 01			4,097,316	3,441,066
Additions to capital work-in-progress during the year			2,602,970	3,156,983
Transfers to property, plant and equipment during the year			(4,673,979)	(2,500,733)
Balance as at December 31			2,026,307	4,097,316
18.2 Provision for impairment loss on capital work-in-progress				
Balance as at January 01			548,747	623,029
Charged / (reversed) during the year			40,180	(74,282)
Balance as at December 31			588,927	548,747

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(Rupees in 000)	Note	2021	2020
19 Intangible assets			
Cost			
Balance as at December 31		272,655	272,655
Amortization			
Balance as at January 01		272,655	265,259
Charge for the year	28	–	7,396
Accumulated amortization as at December 31		272,655	272,655
Net book value as at December 31		–	–
Amortization rate		20%	20%

Intangibles represents fully amortized software amounting to PKR 272.66 million.

(Rupees in 000)	2021	2020
20 Long-term loans		
To employees - considered good	276,658	313,269
Less: current portion shown under current assets	(116,810)	(134,078)
	159,848	179,191

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 cheques from employees of the full loan amount in the name of the Company without mentioning any date as part of collateral. The effect of discounting is considered immaterial.

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)	Note	2021	2020
Less than one year		116,810	134,078
More than one year but not more than 3 years		138,155	169,204
More than 3 years		21,693	9,987
		276,658	313,269
21 Stores and spares			
Stores		271,911	226,518
Spares, including in transit amounting to PKR 75.30 million (2020: PKR 28.13 million)		3,596,870	3,231,116
		3,868,781	3,457,634
Less: Provision for obsolete spares	21.1	(822,976)	(787,355)
		3,045,805	2,670,279
21.1 Provision for obsolete spares			
Balance as at January 01		787,355	678,436
Provision charged during the year		35,621	108,919
Balance as at December 31		822,976	787,355

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(Rupees in 000)	Note	2021	2020
22 Stock-in-trade			
Raw and packing materials including in transit amounting to PKR 3,182.64 million (2020: PKR 3,481.32 million)		13,118,188	11,973,619
Less: Provision for unusable materials	22.1	(83,338)	(114,314)
		13,034,850	11,859,305
Work-in-process		1,499,975	1,070,727
Finished goods		3,448,257	2,625,558
Goods purchased for resale including in transit amounting to PKR 91.84 million (2020: PKR 52.83 million)		617,636	696,431
		18,600,718	16,252,021
22.1 Provision for unusable raw and packing material			
Balance as at January 01		114,314	80,473
Provision during the year		83,338	114,314
Written off / adjusted during the year		(114,314)	(80,473)
Balance as at December 31		83,338	114,314
23 Trade debts			
Considered good - unsecured		920,431	1,927,045
Considered doubtful - unsecured		58,320	66,037
Less: Provision for doubtful debts / expected credit losses	23.1	(58,320)	(66,037)
		920,431	1,927,045
Related parties - considered good	23.2	3,053	3,288
		923,484	1,930,333
23.1 Provision for doubtful debts / expected credit losses			
Balance as at January 01		66,037	75,471
Provision charged during the year		–	4,500
Provision reversed during the year		(7,717)	(6,384)
Balances written off during the year		–	(7,550)
Balance as at December 31		58,320	66,037
23.2 Trade debts include the following amounts due from the given related parties:			
Packages Convertors Limited		1,463	1,916
Lahore University of Management Sciences		1,082	784
Bulleh Shah Packaging (Pvt.) Limited		508	588
		3,053	3,288

The maximum aggregate amount of receivable due from related parties at the end of any month during the year was PKR 5.55 million (2020: PKR 7.28 million).

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

Party name (Rupees in 000)	Balance overdue	Below 30 days	31 days & above
Lahore University of Management Sciences	9	–	9
Total	9	–	9

(Rupees in 000)	Note	2021	2020 -Restated-*
24 Advances, deposits, prepayments and other receivables			
Advances to suppliers - unsecured - considered good	24.1	1,316,002	649,208
Due from related parties - unsecured - considered good	24.2	575,584	357,821
Cash margin held against imports		842,527	372,818
Deposits and prepayments		222,553	106,499
Other receivables		496,556	363,635
		3,453,222	1,849,981

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

24.2 Due from related parties (including 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)	2021	2020
Party name		
Tetra Pak Pakistan Limited	390,549	296,000
(* previously included in other receivables)		
Nestlé Suisse S.A.	36,468	1,140
Nestlé Philippines Inc.	29,859	8,820
Nestle Afghanistan Limited	28,569	–
Nestlé Operational Services Worldwide S.A.	13,858	4,726
Nestlé France S.A.S.	9,577	46
Nestrad S.A.	8,483	–
Nestlé Vietnam Ltd.	7,722	3
Nestle Zimbabwe (Private) Limited	6,922	–
Nestle Brasil Ltda.	6,377	–
Nestlé Middle East FZE	5,520	3,605
Nestle Dubai Manufacturing LLC	5,399	–
Nestle Regional Service Centre	4,883	–
Cereal Partners (Malaysia) Sdn Bhd	4,131	–
Societe des Produits Nestlé S.A.	2,814	56
Quality Coffee Products Ltd.	2,762	–
Nestlé Australia Ltd	2,080	2,097
Nestrad S.A. Malaysia Branch	1,818	3,958
Nestlé South Africa	1,576	4,626
Nestle Senegal	1,486	–
Nestlé Myanmar (Trading) Limited	856	1,181
Nestle Central And West Africa	761	–
Wyeth Nutritionals (Singapore)	695	–

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(Rupees in 000)	2021	2020
Nestlé Gabon	679	–
Nestlé UAE L.L.C.	611	1,734
Nestlé Singapore (Pte) Ltd	358	–
Nestlé Nederland B.V.	349	–
Nestlé Egypt S.A.E.	234	733
Nestlé ROH (Thailand) Ltd.	188	503
Nestlé Bangladesh Limited	–	8,552
Nestlé Asean (Malaysia) Sdn. Bhd.	–	6,882
Nestlé Ghana Limited	–	4,797
Nestlé Nigeria Plc	–	4,122
Nestlé Manufacturing (Malaysia)	–	3,183
Nestlé R&D Centre (Pte) Ltd	–	657
Nestlé Middle East Manufacturing	–	146
Nestlé Nederland B.V.	–	126
Sofinol S.A.	–	93
Nestlé Waters Management & Technology S.A.S.	–	35
	575,584	357,821

24.2.1 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was PKR 575.58 million (2020: PKR 357.82 million).

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

Party name	Balance overdue	Less than 6 months	More than 6 months
(Rupees in 000)			
Nestlé Philippines Inc.	29,859	–	29,859
Nestlé Middle East FZE	5,520	5,520	–
Nestlé Dubai Manufacturing LLC	5,399	–	5,399
Nestlé France	9,577	–	9,577
Total	50,355	5,520	44,835

(Rupees in 000)	Note	2021	2020
25 Cash and bank balances			
Cash in bank			
- Local currency - current accounts		352,633	451,263
- Local currency - saving accounts	25.1	345,885	304,490
- Foreign currency - current accounts		38,730	27,133
		737,248	782,886
Cash in hand		6,672	6,169
		743,920	789,055

25.1 The balance in saving accounts carry rate of return ranging from 2.75% to 7.35% (2020: 2.75% to 11.35%) per annum.

25.2 The security deposits obtained from customers have been kept in saving accounts maintained by the Company.

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(Rupees in 000)	2021	2020
26 Revenue from contracts with customers		
Own manufactured		
- Local	151,224,179	135,608,371
- Export	1,842,257	1,997,136
	153,066,436	137,605,507
Goods purchased for resale	5,013,814	4,689,252
Less :		
- Sales tax	(10,341,781)	(10,172,713)
- Discounts, incentives, allowances and commissions	(14,442,997)	(13,340,772)
	133,295,472	118,781,274

26.1 Revenue recognized during the reporting period which was included in the contract liabilities at the beginning of the period amounted to PKR 562.26 million (2020: PKR 378.72 million).

(Rupees in 000)	Note	2021	2020
27 Cost of goods sold			
Raw and packing material consumed		68,877,004	59,569,412
Salaries, wages, amenities and training	27.1	5,919,554	6,189,585
General licensing fee (including related taxes)		4,656,733	4,276,098
Energy and power		4,220,057	3,052,625
Repairs, maintenance and vehicle running		3,144,313	3,242,952
Depreciation of property, plant and equipment	17.3	3,058,987	3,080,648
Communication and technology		603,932	694,987
Quality assurance and environmental expenses		306,376	339,186
Rent, rates, taxes and insurance		270,301	259,619
Legal and professional		15,756	17,365
Other expenses		297,478	286,211
		91,370,491	81,008,688
Increase in work-in-process		(429,248)	(20,271)
Cost of goods manufactured		90,941,243	80,988,417
(Increase) / decrease in finished goods		(854,124)	146,158
Cost of goods sold - own manufactured		90,087,119	81,134,575
Cost of goods sold - purchased for resale		2,716,228	2,881,974
		92,803,347	84,016,549

27.1 Salaries, wages and amenities include PKR 165.98 million (2020: PKR 185.84 million) in respect of gratuity, PKR 193.73 million (2020: PKR 194.98 million) in respect of pension and PKR 165.61 million (2020: PKR 167.29 million) in respect of provident fund.

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(Rupees in 000)	Note	2021	2020
28 Distribution and selling expenses			
Marketing and promotion		5,051,395	5,054,207
Freight outward and handling charges		4,089,203	3,739,054
Salaries, wages, amenities and training	28.1	3,961,052	3,789,130
Depreciation of property, plant and equipment	17.3	545,263	526,722
Communication and technology		314,641	361,008
Repairs, maintenance and vehicle running		234,835	168,685
Utilities and other office expenses		142,612	99,608
Legal and professional		53,121	108,954
Rent, rates, taxes and insurance		40,998	32,815
Amortization of intangible assets	19	–	7,396
Other expenses		464,627	369,140
		14,897,747	14,256,719

28.1 Salaries, wages and amenities include PKR 115.41 million (2020: PKR 130.69 million) in respect of gratuity, PKR 148.41 million (2020: PKR 138.40 million) in respect of pension and PKR 123.44 million (2020: PKR 118.21 million) in respect of provident fund.

(Rupees in 000)	Note	2021	2020
29 Administration expenses			
Salaries, wages, amenities and training	29.1	2,370,185	2,710,818
Depreciation of property, plant and equipment	17.3	254,486	539,865
Legal and professional	29.2	494,593	267,687
Communication and technology		464,910	515,142
Utilities and other office expenses		188,926	262,553
Repairs, maintenance and vehicle expenses		99,211	63,445
Rent, rates, taxes and insurance		139,332	80,969
Other expenses		5,125	7,027
		4,016,768	4,447,506

29.1 Salaries, wages and amenities include PKR 79.98 million (2020: PKR 65.01 million) in respect of gratuity, PKR 89.61 million (2020: PKR 82.91 million) in respect of pension and PKR 80.35 million (2020: PKR 79.51 million) in respect of provident fund.

(Rupees in 000)	2021	2020
29.2 Legal and professional charges include the following in respect of auditor's services for:		
Statutory audit fee	4,310	1,510
Other certificates	1,540	420
Out of pocket expenses	250	220
	6,100	2,150

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(Rupees in 000)	Note	2021	2020
30 Finance cost			
Mark-up on long-term financing - secured		1,018,236	638,150
Mark-up on short-term borrowings - secured		611,875	1,644,746
Mark-up on short-term running finance - secured		171,201	478,397
Interest on finance leases		21,473	20,880
Bank charges		17,443	22,842
		1,840,228	2,805,015
31 Other expenses			
Workers' profit participation fund	14.2	915,146	645,011
Workers' welfare fund		349,316	312,410
Exchange rate loss		408,136	–
Donations and gifts	31.1	4,840	61,800
Impairment of property, plant and equipment and capital work-in-progress	32.2	389,042	–
Others		12,881	–
		2,079,361	1,019,221

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)	2021	2020
a) Dairy & Rural Development Foundation (DRDF), 30-E/1, Gulberg III, Lahore - Pakistan (Syed Yawar Ali, Director is also Governor of DRDF)	–	2,000
b) Lahore University of Management Sciences (LUMS), Defense Housing Authority, Lahore (Syed Babar Ali, Director is also Pro Chancellor of LUMS) (Syed Hyder Ali, Director is also a member of Executive Committee of LUMS)	3,000	3,000
	3,000	5,000
31.2 Impairment of plant and machinery and capital work-in-progress		
The Company charged impairment on certain plant and machinery and capital work-in-progress after considering the potential usage of these assets.		
Segment-wise break-up of this impairment is as follows:		
- Dairy and Nutrition Products	301,534	–
- Powdered and Liquid Beverages	87,508	–
	389,042	–

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(Rupees in 000)	Note	2021	2020
32 Other income			
Income from financial assets:			
Return on bank accounts		21,411	25,269
Exchange rate gain		–	24,881
Income from non – financial assets:			
Sale of scrap		146,770	140,474
Gain on disposal of property, plant and equipment	17.5	119,680	74,561
Reversal of impairment		–	87,761
Reversal of provision against doubtful debts / expected credit losses	23.1	7,717	1,884
		295,578	354,830
33 Taxation			
Current tax			
For the year		5,268,838	4,371,187
Prior year		6,986	(36,757)
		5,275,824	4,334,430
Deferred tax	8.1	(90,325)	(627,931)
		5,185,499	3,706,499
%		2021	2020
33.1 Average effective tax rate charged to statement of profit or loss			
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		29.00	29.00
Tax effect of amounts that are:			
- Tax impact related to prior year including super tax		0.08	0.73
- Tax impact of rate change		0.06	0.00
- Tax impact of final tax regime		(0.30)	(0.42)
- Others		0.04	0.13
		(0.12)	0.44
Average effective tax rate charged to statement of profit or loss		28.88	29.44

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		2021	2020
34 Earnings per share			
34.1 Basic earnings per share			
Profit after taxation available for distribution			
to ordinary shareholders	Pak Rupees in '000'	12,768,101	8,884,595
Weighted average number of ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	281.55	195.91

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 40. Other significant transactions with related parties are disclosed in note 35.1.

(Rupees in 000)	2021	2020
35.1 Transactions during the year		
Associated undertakings		
General licensing fee	4,081,201	3,714,774
Dividends paid	7,247,979	6,265,718
Purchase of assets, goods, services and reimbursable expenses	17,439,917	13,531,744
Sale of goods	1,166,524	1,375,532
Sale of fixed assets	–	100,448
Insurance premium paid	237,255	208,860
Insurance claims received	19,245	14,494
Donations	3,000	5,000
Other related parties		
Contribution to staff retirement benefit plans	824,136	842,333

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

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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 S.A.	Switzerland
Nestrad S.A.	Switzerland
Sofinol S.A.	Switzerland
Nestec S.A.	Switzerland
Nestle Philippines Inc.	Philippines
Nestle Vietnam Ltd.	Vietnam
Nestle Australia Ltd	Australia
Nestle Egypt S.A.E.	Egypt
Nestle Dubai Manufacturing Llc	UAE
Nestle Middle East Manufacturing	UAE
Nestle Middle East Manufacturing	UAE
Nestlé Operational Services	Switzerland
Nestle Singapore (Pte) Ltd	Singapore
Nestle Waters Management & Issy Les Moulineaux	France
Nestle Manufacturing (Malaysia)	Malaysia
Nestle Business Services AOA, Inc.	Philippines
Nestle Nederland B.V.	Netherlands
Nestle R&D Centre (Pte) Ltd	Singapore
PT Nestle Indonesia	Indonesia
Nestlé France	France
Nestle Brasil Ltda.	Brasil
Nestle Regional Service Centre	Malaysia
Nestle Nederland B.V.	Nederland
Nestle USA Inc	USA
Nestle Ghana Limited	Ghana
Nestle Dubai Manufacturing LLC	UAE
Nestle (Thai) Ltd.	Thailand
Nestle Suisse S.A.	Switzerland
Nestle Bangladesh Limited	Bangladesh
Nestle UK Ltd.	UK

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

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Name	Basis of Association
Associated undertakings	
Babar Ali Foundation	Common directorship
Bulleh Shah Packaging Private Limited	Common directorship
Dairy and Rural Development Foundation	Common directorship
Packages Convertors Limited	Common directorship
Syed Maratib Ali Religious & Charitable Trust Society	Common directorship
Syed Maratib Ali Religious and Charitable Trust Society	Common directorship
Tetra Pak Pakistan Limited	Common directorship
The Pakistan Business Council	Common directorship
Tri-Pack Films Limited	Common directorship
World Wide Fund for Nature	Common directorship
Other related parties	
Nestlé Pakistan Limited Employees' Gratuity Fund	Common management
Nestlé Pakistan Limited Employees' Pension Fund	Common management
Nestlé Pakistan Limited Employees' Provident Fund	Common management

(Rupees in 000)	Note	2021	2020
36 Cash and cash equivalents			
Cash and bank balances	25	743,920	789,055
Running finance under mark-up arrangements - secured	12	(4,226,529)	(830,245)
		(3,482,609)	(41,190)
37 Number of employees			
Average number of employees during the year		3,772	3,951
Number of employees as at December 31		3,767	3,784

(Rupees in 000)	Capacity		Production	
	2021	2020	2021	2020
38 Capacity and production of industrial units				
Sheikhupura factory				
Liquid products - Liters in thousand	1,238,483	1,238,483	685,272	596,178
Non-liquid products - Kgs in thousand	84,444	77,127	45,627	45,392
Kabirwala factory				
Liquid products - Liters in thousand	23,760	118,907	19,240	45,862
Non-liquid products - Kgs in thousand	77,416	93,141	47,591	44,965
Port Qasim factory				
Liquid products - Liters in thousand	489,400	489,400	205,423	198,621
Islamabad factory				
Liquid products - Liters in thousand	163,296	163,296	87,668	80,433
Total				
Liquid products - Liters in thousand	1,914,939	2,010,086	997,603	921,094
Non-liquid products - Kgs in thousand	161,860	170,268	93,218	90,357

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

NOTES TO THE FINANCIAL STATEMENTS

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39 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

Confectionery and other products

39.1 Segment analysis and reconciliation for the year ended and as at December 31

(Rupees in 000)	Dairy and Nutrition Products		Powdered and Liquid Beverages		Other Products		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenue from contracts with customers	104,576,489	95,121,695	28,711,266	23,560,671	7,717	98,908	133,295,472	118,781,274
Depreciation and amortization	2,824,527	3,047,018	1,034,210	1,107,613	-	-	3,858,737	4,154,631
Operating profit before tax and unallocated expenses	19,124,442	15,524,883	2,451,601	480,155	1,568	55,461	21,577,611	16,060,500
Unallocated corporate expenses:								
Finance cost							(1,840,228)	(2,805,015)
Other expenses							(2,079,361)	(1,019,221)
Other income							295,578	354,830
Taxation							(5,185,499)	(3,706,499)
Profit after taxation							12,768,101	8,884,595
Segment assets	46,556,871	44,565,339	15,476,214	15,720,130	43,547	51,699	62,076,632	60,337,168
Unallocated assets							3,327,266	569,197
Total assets							65,403,898	60,906,365
Segment equity and liabilities	14,875,045	23,746,067	4,600,693	6,450,298	12,522	36,170	19,488,260	30,232,535
Unallocated equity and liabilities							45,915,638	30,673,830
Total equity and liabilities							65,403,898	60,906,365
Segment capital expenditure	1,540,266	2,143,828	988,091	1,010,337	127,675	2,817	2,656,032	3,156,982

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(Rupees in 000)	2021	2020
39.2 Geographical segments		
Sales are made by the Company in the following countries:		
Pakistan	131,453,215	116,784,137
Afghanistan	1,166,524	1,340,613
Other foreign countries	675,733	656,524
	133,295,472	118,781,274

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

39.2.1 Export sales to foreign related parties

(Rupees in 000)	2021	2020
Country	Party Name	
Afghanistan	Nestlé Afghanistan Limited	1,109,603
Bangladesh	Nestle Bangladesh Limited	35,280
Philippines	Wyeth Philippines, INC.	21,641

40 Remuneration of Chief Executive Officer, Directors and Executives

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

	Chairman		Chief Executive Officer		Executive Directors		Executives	
(Rupees in 000)	2021	2020	2021	2020	2021	2020	2021	2020
Managerial remuneration / fee	6,966	7,021	69,214	62,755	79,488	72,457	2,082,920	1,979,038
Bonus	–	–	18,662	15,026	16,432	13,235	535,798	465,549
Retirement benefits	–	–	–	–	–	–	360,875	352,265
Housing	–	–	5,007	4,552	9,075	8,402	3,189	3,479
Reimbursable expenses	1,059	1,056	48,153	43,551	64,943	61,976	519,394	582,011
	8,025	8,077	141,036	125,884	169,938	156,070	3,502,176	3,382,342
Number of persons	1	1	1	1	2	2	546	532

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

40.2 The aggregate amount charged in these financial statements in respect of contribution to provident fund of key management personnel is PKR 155.59 million (2020: PKR 146.97 million).

40.3 Meeting fee amounting to PKR 3,075,000 (2020: PKR 2,700,000) was paid to 4 (2020: 4) non executive directors during the year.

40.4 Remuneration to key management personnel includes PKR 154.10 million (2020: PKR 185.90 million) in respect of share based payments made by the Holding Company and charged back to the Company.

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41 Financial risk management

Financial risk factors

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

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

41.1 Market risk

41.1.1 Currency Risk

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

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	2021	2020
Assets			
Foreign currency bank accounts	USD	438,783	60,452
Cash in hand	USD	29,915	29,915
	EUR	6,985	6,985
Receivables	USD	162,896	243,411
	EUR	42,468	–
	CHF	144,936	33,965
Liabilities			
Net payables / (advances)	USD	14,222,115	18,488,264
	EUR	(2,487,691)	(4,191,991)
	CHF	7,492,148	2,641,230
	GBP	81,275	39,547
	CNY	4,163,325	583,109
	AED	(22,665)	–
	SGD	2,771,790	2,843,033
Forward foreign currency contracts	USD	37,076	–
	EUR	79,806	–
	CNY	61,947	–
	PKR ('000)	3,847,455	2,922,988

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

	2021		2020	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
(Rupees per currency unit)				
US Dollar	162.53	176.45	161.44	160.20
Swiss Franc	187.48	194.10	172.24	181.87
Euro	192.08	199.49	184.35	197.01
Great Britain Pound	223.41	238.35	207.06	218.74
Chinese Renminbi	25.19	27.68	23.42	24.52
U.A.E Dirham	44.59	48.66	44.14	43.65
Singapore Dollar	121.32	130.68	117.41	121.27

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)	2021	2020
Effect on profit and loss:		
US Dollar	240,459	290,835
Euro	(48,175)	(82,726)
Swiss Franc	142,609	47,418
Great Britain Pound	1,937	865
Chinese Renminbi	11,694	1,430
U.A.E Dirham	(110)	–
Singapore Dollar	36,222	34,477
	384,635	292,299

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

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

41.1.2 Other price risk

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

41.1.3 Interest rate risk

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

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

(Rupees in 000)	2021	2020
Variable rate instruments		
Liabilities		
Long-term finances	(3,000,000)	(3,000,000)
Running finance under mark-up arrangements - secured	(4,226,529)	(830,245)
Lease liabilities	(164,373)	(70,673)
Assets		
Bank balances - saving accounts	345,885	304,490
	(7,045,017)	(3,596,428)

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 2020 would have been affected as follows:

(Rupees in 000)	2021	2020
Effect on profit and loss of an increase	(70,450)	(35,964)
Effect on profit and loss of a decrease	70,450	35,964

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

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

41.1.4 Fair value measurement of financial instruments

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

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

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

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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:

- 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 except for foreign exchange forward contracts.

	Carrying Amount		
	Financial assets	Financial liabilities	Total
(Rupees in 000)			
December 31, 2021			
Financial assets - measured at fair value	–	–	–
Financial assets - not measured at fair value			
Trade debts	923,484	–	923,484
Long term loans	276,658	–	276,658
Advances, deposits, prepayments and other receivables	1,729,632	–	1,729,632
Cash and bank balances	743,920	–	743,920
	3,673,694	–	3,673,694
Financial liabilities - measured at fair value			
Foreign exchange forward contracts - designated as hedging instruments*	–	3,551	3,551
Financial liabilities - not measured at fair value			
Long term finances - secured	–	12,081,975	12,081,975
Short term borrowings - secured	–	6,000,000	6,000,000
Running finance under mark-up arrangements - secured	–	4,226,529	4,226,529
Customer security deposits	–	195,890	195,890
Trade and other payables	–	26,134,342	26,134,342
Unclaimed dividend	–	71,894	71,894
Interest and mark-up accrued	–	480,643	480,643
	–	49,191,273	49,191,273

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* The Company determines the fair value of these forward currency contracts as Level 2 of valuation method defined above.

(Rupees in 000)	Carrying Amount		
	Financial assets	Financial liabilities	Total
December 31, 2020			
Financial assets - measured at fair value	–	–	–
Financial assets - not measured at fair value			
Trade debts	1,930,333	–	1,930,333
Long term loans	313,269	–	313,269
Advances, deposits, prepayments and other receivables	736,453	–	736,453
Cash and bank balances	789,055	–	789,055
	3,769,110	–	3,769,110
Financial liabilities - measured at fair value	–	–	–
Financial liabilities - not measured at fair value			
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

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 and is measured in accordance with IFRS 13.

41.2 Credit risk

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

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

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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)	2021	2020
Particulars		
Trade debts	923,484	1,930,333
Advances, deposits and other receivables	1,339,083	736,453
Long term loans	276,658	313,269
Bank balances	737,248	782,886
	3,276,473	3,762,941
41.2.1 Trade debts		
The aging of trade debts at the reporting date is:		
Not yet due	912,846	1,912,411
Past due 0 - 30 days	7,392	14,200
Past due 30 days	3,246	3,722
	923,484	1,930,333

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.

The Company does not believe it is exposed to major concentration of credit risk as its exposure is spread over several institutions and customers. However to manage any possible exposure the Company applies approved credit limits to its customers.

41.2.2 Loans to employees

The Company obtains crossed cheques from employees of the full loan amount in the name of the Company without mentioning any date as part of collateral. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with loans to employees is trivial and therefore no impairment charge has been accounted for.

41.2.3 Advances and other receivables

Advances and other receivables mainly comprise of cash margin withheld by banks against imports 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.

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FOR THE YEAR ENDED DECEMBER 31, 2021

41.2.4 Bank balances

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. 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 2021			Rating 2020		
	Short Term	Long Term	Agency	Short Term	Long Term	Agency
Habib Bank Limited	A-1+	AAA	VIS	A-1+	AAA	VIS
Standard Chartered Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	VIS	A-1+	AAA	VIS
Citi Bank N.A	F1	A+	Fitch	P-1	Aa3	Moody's
Deutsche Bank AG	F2	BBB+	Fitch	F2	BBB+	Fitch
Meezan Bank Limited	A-1+	AAA	VIS	A-1+	AA+	VIS
Telenor Microfinance Bank Limited	A1	A+	PACRA	A1	A+	PACRA

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

41.3 Liquidity risk

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

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

41.3.1 The following are the contractual maturity analysis of financial liabilities as at December 31, 2021

	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
(Rupees in 000)						
Financial liability						
Long-term finances	12,081,975	12,314,675	314,675	–	12,000,000	12,314,675
Lease liabilities	164,373	273,867	34,360	34,360	205,148	273,867
Short-term borrowings - secured	6,000,000	6,199,604	6,199,604	–	–	6,199,604
Running finance under mark-up arrangements - secured	4,226,529	4,274,868	4,274,868	–	–	4,274,868
Customer security deposits - interest free	195,890	195,890	195,890	–	–	195,890
Unclaimed dividend	71,894	71,894	71,894	–	–	71,894
Unpaid dividend	2,011,404	2,011,404	2,011,404	–	–	2,011,404
Trade and other payables	26,134,342	26,134,342	26,134,342	–	–	26,134,342
	50,886,407	51,476,544	39,237,037	34,360	12,205,148	51,476,544

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

41.3.2 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
Financial liability						
Long-term finances	15,780,294	15,937,692	256,557	3,599,160	12,081,975	15,937,692
Lease liabilities	70,673	119,310	23,170	23,170	72,970	119,310
Short-term borrowings - secured	6,417,473	6,523,672	6,523,672	–	–	6,523,672
Running finance under mark-up arrangements - secured	830,245	869,831	869,831	–	–	869,831
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
	48,624,764	48,976,584	33,199,309	3,622,330	12,154,945	48,976,584

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

(Rupees in 000)	2021					
	Liabilities					Total
	Long-term finances	Short-term borrowings	Lease liabilities	Interest and mark-up accrued	Unclaimed dividend	
Balance as at January 01, 2021	15,780,294	6,417,473	70,673	303,183	72,121	22,643,744
Cash flows						
Finance cost paid	–	–	–	(1,641,295)	–	(1,641,295)
Long-term finances repaid - net	(3,698,319)	–	–	–	–	(3,698,319)
Repayment of lease liabilities	–	–	(138,600)	–	–	(138,600)
Short-term borrowings repaid - net	–	(417,473)	–	–	–	(417,473)
Dividends paid	–	–	–	–	(9,598,316)	(9,598,316)
Changes from financing cash flows	(3,698,319)	(417,473)	(138,600)	(1,641,295)	(9,598,316)	(15,494,002)
Non-cash changes						
Dividend approved	–	–	–	–	11,609,493	11,609,493
Finance cost	–	–	21,473	1,818,755	–	1,840,228
Addition to lease liabilities	–	–	210,827	–	–	210,827
Non-cash changes	–	–	232,300	1,818,755	11,609,493	13,660,547
Balance as at December 31, 2021	12,081,975	6,000,000	164,373	480,643	2,083,298	20,810,289

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2020					
	Liabilities					Total
	Long-term finances	Short-term borrowings	Lease liabilities	Interest and mark-up accrued	Unclaimed dividend	
(Rupees in 000)						
Balance as at January 01, 2020	6,978,613	17,217,473	339,769	444,958	20,608	25,001,421
Cash flows						
Finance cost paid	–	–	–	(2,967,670)	–	(2,967,670)
Long-term finances obtained - net	8,801,681	–	–	–	–	8,801,681
Repayment of lease liabilities	–	–	(250,742)	–	–	(250,742)
Short-term borrowings repaid - net	–	(10,800,000)	–	–	–	(10,800,000)
Dividends paid	–	–	–	–	(7,884,667)	(7,884,667)
Changes from financing cash flows	8,801,681	(10,800,000)	(250,742)	(2,967,670)	(7,884,667)	(13,101,398)
Non-cash changes						
Dividend approved	–	–	–	–	7,936,180	7,936,180
Finance cost	–	–	20,880	2,825,895	–	2,846,775
Termination of leases	–	–	(76,076)	–	–	(76,076)
Addition to lease liabilities	–	–	36,842	–	–	36,842
Non-cash changes	–	–	(18,354)	2,825,895	7,936,180	10,743,721
Balance as at December 31, 2020	15,780,294	6,417,473	70,673	303,183	72,121	22,643,744

43 Capital risk management

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

The Company's objectives when managing capital are:

- 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
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Rupees in 000)	2021	2020
The debt to equity ratio as at December 31:		
Total borrowings	22,308,504	23,028,012
Total equity	5,403,272	4,190,442
Total debt and equity	27,711,776	27,218,454
Debt to equity ratio	81:19	84:16

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

44 Date of authorization for issue

These financial statements were authorized for issue on February 17, 2022 by the Board of Directors of the Company.

45 Subsequent event

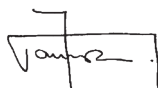
The Board of Directors in their meeting held on February 17, 2022 have proposed a final cash dividend for the year ended December 31, 2021 of PKR 90 (2020: PKR 61 per share), amounting to PKR 4081.46 million (2020: PKR 2,766.32 million) for approval of the members at the Annual General Meeting to be held on April 07, 2022. These financial statements do not reflect this dividend.

46 General

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/Director

NOTES

[illegible]

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 44th Annual General Meeting of the Company to be held on April 07, 2022, at 10:00 am and at any adjournment thereof.

Signed under my / our hand this _____ day of _____, 2022.



Signed in the presence of:

Signature should agree with the specimen signature registered with the company

Signature of Witness No. 1

Signature of Witness No. 2

Name: _____

Name: _____

CNIC No.: _____

CNIC No.: _____

NOTES:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorised. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
2. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be submitted 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.

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

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پراکسی فارم

نیشنل پاکستان لمیٹڈ، 308 - اپر مال، لاہور

میں / ہم _____
برائے _____
نیشنل پاکستان لمیٹڈ کے ممبر (ممبران) کی حیثیت سے _____
عمومی شیئرز کی تحویل رکھتا ہوں / رکھتے ہیں _____
لہذا بذریعہ ہذا _____ کے / کی جناب / محترمہ _____
کو بحوالہ فلیو / CDC کاؤنٹ نمبر یا ان کی جگہ _____
کے / کی جناب / محترمہ _____ بحوالہ فلیو / CDC کاؤنٹ نمبر _____ کمپنی کے (44) چوالیسواں سالانہ اجلاس عام میں اپنی جگہ شرکت، رائے اور
ووٹ دینے کے لئے اپنا راکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس 07 اپریل 2022 کو صبح 10:00 بجے یا التواء کی صورت میں کسی بھی دیگر وقت مقررہ پر منعقد ہوگا۔
میں / ہم بروز _____ بتاریخ _____ کو اپنے دستخط / مہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔
مذکورہ بالا کے دستخط _____

ان کی موجودگی میں _____ 1.
_____ 2.

پانچ روپے کی
ریونیو مہر پر دستخط

فلیو / CDC کاؤنٹ 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 - اپر مال روڈ لاہور، میں یا اسکیٹن 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 پارٹیسپنٹ آئی ڈی اور کاؤنٹ 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)۔

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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

Acronyms Used in Financial Statement

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

Investors' Education

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

Nestlé Pakistan Limited
308 Upper Mall,
Lahore Pakistan

Tel: (042) 111-Nestlé (637853)
Fax: (042) 35789303

 facebook.com/nestle

 [@nestlepakistan](https://twitter.com/nestlepakistan)

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www.nestle.pk

