

Report for the 1st quarter ended
March 31, 2010



stlë



Nestlé

Nestlé Pakistan Ltd.

contents



Directors' Report to the Shareholders	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit and Loss Account	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Cash Flow Statement	8
Condensed Interim Statement of Changes in Equity	9
Selected Notes to the Condensed Interim Financial Information	10
Company Information	15

Directors' Report to the Shareholders

The Directors are pleased to submit the First Quarter Report along with the financial information of the company for the period ended March 31, 2010.

The effects of the economic revival has raised the inflation level to +12%, which together with the prevailing political/security situation, resulted challenging trading conditions during the first quarter. Despite this, our sales grew by +30% with contributions coming from all of our key brands. Fresh milk collection during the spring flush was in line with our requirements.

The financial performance for the period under review is summarized below:

PKR Million	Jan - Mar 2010	Jan - Mar 2009	Change
Sales	12,052	9,239	+30%
Operating Profit	1,639	1,546	+6%
% of sales	13.6%	16.7%	
Net Profit	992	847	+17%
% of sales	8.2%	9.2%	
Earnings per share	21.87	18.68	+17%

Total sales for the first quarter exceeded PKR 12 billion, including exports to Afghanistan which grew strongly (+38%) compared to same period last year.

Operating profit for the three month period exceeded PKR 1.6 billion, 6% growth over same period last year. However, our margins have slipped down due to higher inflationary impact on our input costs, especially fresh milk prices. Our efforts on effective sales mix management and fixed cost containment helped us mitigating part of this inflationary impact. Net profit grew by 17%, with some offsets coming from lower financing costs and tax expenses.

Despite these turbulent times, the Directors

maintain a positive long term perspective on the outlook for the business.

For and on behalf
of the Board of Directors



IAN J. DONALD
Chief Executive Officer

Lahore: April 15, 2010



Condensed Interim Balance Sheet

As at March 31, 2010 (Un-audited)

	Note	Mar. 31, 2010 Rs'000	Dec. 31, 2009 Rs'000
Tangible fixed assets			
Property, plant and equipment	8.1	10,367,211	10,441,626
Assets subject to finance lease	8.2	252,183	259,248
Capital work-in-progress		907,693	914,956
		11,527,087	11,615,830
Intangible assets			
Long term loans and advances		-	7,106
Long term security deposits		115,045	113,490
Current assets		4,909	5,026
Stores and spares		869,927	868,984
Stock in trade		5,095,849	3,895,038
Trade debts		256,985	241,715
Current portion of long term loans and advances		24,109	21,012
Advances, deposits, prepayments and other receivables		1,905,010	1,503,009
Cash and bank balances		530,655	315,770
		8,682,535	6,845,528
Less: Current liabilities			
Current portion of non current liabilities:			
Liabilities against assets subject to finance lease		60,575	59,217
Associated company – Foreign currency		1,263,150	1,263,225
Short term borrowings from associated company – unsecured	5	2,105,250	2,105,375
Short term running finance under mark-up arrangements – secured		1,968,882	756,362
Customer Security Deposits – interest free		112,245	105,686
Trade and other payables		4,196,952	3,746,286
Interest and mark-up accrued		43,419	46,979
		9,750,473	8,083,130
Net working capital		(1,067,938)	(1,237,602)
Total capital employed		10,579,103	10,503,850
Long term and deferred liabilities			
Long term finances	6	4,210,500	4,210,750
Deferred taxation		1,526,447	1,531,945
Retirement and other benefits		227,228	215,925
Liabilities against assets subject to finance lease		102,607	118,275
		6,066,782	6,076,895
Contingencies and commitments	7		
Net assets		4,512,321	4,426,955



Note	Mar. 31, 2010 Rs'000	Dec. 31, 2009 Rs'000
------	----------------------------	----------------------------

Financed by:

Share capital and reserves

Authorized capital

75,000,000 (2009: 75,000,000) ordinary
shares of Rs. 10 each

	750,000	750,000
Issued, subscribed and paid up capital	453,496	453,496
Share premium	249,527	249,527
General reserve	280,000	280,000
Accumulated profit	3,529,298	3,443,932
	4,512,321	4,426,955

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



GIUSEPPE BONANNO
Head of Finance & Control



IAN J. DONALD
Chief Executive



SYED YAWAR ALI
Chairman




Condensed Interim Profit and Loss Account For the Three Months Period Ended March 31, 2010 (Un-audited)

	Mar. 31, 2010 Rs'000	Mar. 31, 2009 Rs'000
Sales – Net	12,051,544	9,238,883
Cost of goods sold	(8,696,918)	(6,266,617)
Gross profit	3,354,626	2,972,266
Distribution and selling expenses	(1,441,364)	(1,179,599)
Administrative expenses	(274,987)	(246,323)
	(1,716,351)	(1,425,922)
Operating profit	1,638,275	1,546,344
Finance cost	(142,231)	(171,717)
Other operating expenses	(139,835)	(216,241)
	(282,066)	(387,958)
Other operating income	25,436	26,011
Profit before taxation	1,381,645	1,184,397
Taxation	(389,287)	(337,118)
Profit after taxation	992,358	847,279
Earnings per share - basic & diluted (Rupees)	21.88	18.68

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


GIUSEPPE BONANNO
Head of Finance & Control


IAN J. DONALD
Chief Executive


SYED YAWAR ALI
Chairman



Condensed Interim Statement of Comprehensive Income

For the Three Months Period Ended March 31, 2010 (Un-audited)

	Mar. 31, 2010 Rs'000	Mar. 31, 2009 Rs'000
Profit after taxation	992,358	847,279
Other comprehensive income:		
Actuarial (losses) / income recognized directly in the equity	-	-
Tax on actuarial losses / (income) recognized directly in the equity	-	-
Other comprehensive (loss) / income for the period, net of income tax	-	-
Total comprehensive income for the period	992,358	847,279

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



GIUSEPPE BONANNO
Head of Finance & Control



IAN J. DONALD
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Cash Flow Statement

For the Three Months Period Ended March 31, 2010

(Un-audited)

	Note	Mar. 31, 2010 Rs'000	Mar. 31, 2009 Rs'000
Cash flow from operating activities			
Cash (used in) operations	9	(210,094)	(1,379,659)
(Increase) in long term loans and advances		(4,652)	(5,569)
Decrease in long term deposits		117	-
Increase/ (Decrease) in customer security deposits – interest free		6,559	(1,122)
Retirement and other benefits paid		(18,380)	(18,830)
Finance cost paid		(145,791)	(174,122)
Taxes paid		(346,596)	(294,281)
Net cash (outflow) from operating activities		(718,837)	(1,873,583)
Cash flow from investing activities			
Fixed capital expenditure		(282,904)	(183,466)
Sale proceeds of property, plant and equipment		18,453	477
Net cash (used in) investing activities		(264,451)	(182,990)
Cash flow from financing activities			
Net movement in short term borrowings – secured		-	(300,000)
Short term borrowings from associated company – unsecured		-	1,995,000
Payment of finance lease liabilities		(14,310)	(18,121)
Dividend paid		(36)	(20)
Net cash (outflow) / inflow from financing activities		(14,346)	1,676,859
Net decrease in cash and cash equivalents		(997,634)	(379,714)
Cash and cash equivalents at beginning of the period		(440,593)	(1,504,960)
Cash and cash equivalents at end of the period		(1,438,227)	(1,884,674)
Cash and cash equivalents			
Cash and bank balances		530,655	152,518
Short term running finance under mark-up arrangements – secured		(1,968,882)	(2,037,192)
		(1,438,227)	(1,884,674)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



GIUSEPPE BONANNO
Head of Finance & Control



IAN J. DONALD
Chief Executive



SYED YAWAR ALI
Chairman



Condensed Interim Statement of Changes in Equity For the Three Months Period Ended March 31, 2010 (Un-audited)

	Share capital	Share premium	General reserve	Accumulated profits	Total
	(Rs'000)				
Balance as at December 31, 2008	453,496	249,527	280,000	3,405,824	4,388,847
Final dividend for the year ended December 31, 2008 (Rs. 25 per share)	-	-	-	(1,133,740)	(1,133,740)
Total comprehensive income for the period	-	-	-	847,279	847,279
Balance as at March 31, 2008	453,496	249,527	280,000	3,119,363	4,102,386
Interim dividend for the six months period ended June 30, 2009 (Rs. 30 per share)	-	-	-	(1,360,488)	(1,360,488)
Interim dividend for the nine months period ended September 30, 2009 (Rs 10 per share)	-	-	-	(453,496)	(453,496)
Total comprehensive income for the period	-	-	-	2,138,553	2,138,553
Balance as at December 31, 2009	453,496	249,527	280,000	3,443,932	4,426,955
Final dividend for the year ended December 31, 2009 (Rs. 20 per share)	-	-	-	(906,992)	(906,992)
Total comprehensive income for the period	-	-	-	992,358	992,358
Balance as at March 31, 2010	453,496	249,527	280,000	3,529,298	4,512,321

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


GIUSEPPE BONANNO
Head of Finance & Control


IAN J. DONALD
Chief Executive


SYED YAWAR ALI
Chairman



Selected Notes to the Condensed Interim Financial Information

For the Three Months Period Ended March 31, 2010 (Un-audited)

1. Nestlé Pakistan Ltd. ("the Company") is a public limited company incorporated in Pakistan and its shares are quoted on the Karachi and Lahore Stock exchanges. The principal activity of the Company is manufacturing, purchase, processing and sale of food products (dairy, confectionery, culinary, coffee, beverages, infant nutrition and drinking water). Registered office of the Company is situated at Babar Ali Foundation Building, 308 – Upper Mall, Lahore.
2. This condensed interim financial information is un-audited and has been presented in accordance with the requirements of International Accounting standard "IAS-34 (Interim financial reporting)".
3. Accounting policies adopted for the preparation of the condensed interim financial information are same as those applied in the preparation of annual audited financial statements of the Company for the year ended December 31, 2009.
4. The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended December 31, 2009.
5. **Short term borrowings - unsecured**
This represents US\$ 25 million (2009 : US\$ 25 million) loan from Nestlé Treasury Centre Middle East and Africa Limited, Dubai. Mark-up is payable semi annually at six months LIBOR plus 100 basis points.
6. **Long term finances**
This represents US\$ 65 million (2009 : US\$ 65 million) loan from Nestle Treasury Centre Middle East and Africa Limited, Dubai. US\$ 15 million is due in December 2010 and US\$ 50 million is due in May 2011. Mark-up is payable semi annually at six months average LIBOR plus 150 basis points.
7. **Contingencies and commitments**
 - 7.1 In 2002, Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST) filed a petition against the Government of Sindh challenging cancellation of its allotment of 300 acres of land in the Deh Chur allotted to it earlier and later made the Company a party to the suit, claiming that the land that the Company had acquired was a part of its cancelled land.

The Company contested the SZABIST claim on the grounds that land acquired by the Company could not be claimed by SZABIST since (a) SZABIST did not have the area demarcated as per regulations after it was allotted to it (b) it did not take official



possession of the land, and (c) the land was cancelled by operation of law and hence it was only a dispute between SZABIST and the Government of Sindh. The Court agreed and directed the Government of Sindh to conduct a survey and set aside 300 acres of land for SZABIST in Deh Chur in case its claim is finally accepted by the Court. As such it is the management's view that the Company is likely to be discharged as a party to the suit as soon as the 300 acres are earmarked by Sindh Government in Deh Chur. Furthermore, the legal advisor of the Company is of the opinion that at present no liability on the Company is likely to arise subject to final adjudication of the SZABIST petition.

- 7.2 Claims against the company not acknowledged as debts amount to Rs. 35.793 million (December 31, 2009: Rs. 35.793 million).

	Mar. 31, 2010 Rs'000	Dec. 31, 2009 Rs'000
7.3 Guarantees		
Outstanding guarantees	197,285	183,300
Un-utilized portion	47,715	61,700
7.4 Commitments in respect of capital expenditure	646,041	74,053
7.5 Letters of credit		
Outstanding letters of credit in respect of capital expenditures	2,772	-
Other outstanding letters of credit	339,657	23,369
Un-utilized portion	788,671	1,107,731

- 7.6 In 2005, the Company had made a commitment to pay Rs. 250 million to National Management Foundation to set up a School for Science and Engineering. The amount is to be paid over a period of six years upto 2010. Rs. 220 million has been paid up till December 31, 2009, while another Rs. 7.5 million is due but has not been paid as at March 31, 2010.



	Mar. 31, 2010 Rs'000	Dec. 31, 2009 Rs'000
8. Tangible fixed assets		
8.1 Property, plant and equipment		
Opening balance at net book value	10,441,626	9,176,864
Additions during the period	290,168	2,738,714
	10,731,794	11,915,578
Book value of property, plant and equipment disposed off during the period	(46,142)	(94,095)
Depreciation charged during the period	(318,441)	(1,184,794)
Impairment charge	-	(195,063)
Closing balance at net book value	10,367,211	10,441,626
8.2 Assets subject to finance lease		
Opening balance at net book value	259,248	287,509
Additions during the period	-	-
	259,248	287,509
Depreciation charged during the period	(7,065)	(28,261)
Closing balance at net book value	252,183	259,248
9. Cash generated from operations		
Profit before taxation	1,381,645	1,184,397
Adjustment for non-cash charges and other items:		
Depreciation and amortization	332,612	297,350
Loss on disposal of property, plant and equipment	27,689	4,183
Retirement benefits	29,683	27,449
Exchange loss/(gain) on associated company loan	(450)	111,925
Finance cost	142,231	171,717
Profit before working capital changes	1,913,410	1,797,021
Effect on cash flow due to working capital changes:		
Decrease/(increase) in:		
Stores and spare	(944)	(12,945)
Stock in trade	(1,200,810)	(2,461,753)
Trade debts	(15,271)	(254,199)
Advances, deposits, prepayments and other receivables	(450,190)	(52,806)
(Decrease) increase in:		
Trade and other payables	(456,289)	(394,977)
	(2,123,504)	(3,176,680)
	(210,094)	(1,379,659)



10. Transactions with related parties

Related parties comprise of Nestlé S.A, its subsidiaries and associates, and other companies with common directors that of Nestlé Pakistan Ltd. with significant influence on these companies, employees retirement benefit funds and key employees. Significant transactions with related parties are summarized as follows:

	Mar. 31, 2010 Rs'000	Mar. 31, 2009 Rs'000
Associated companies:		
Royalty and technical assistance fee	327,162	247,819
Purchase of goods, services and rental	1,732,838	2,006,398
Interest on loan	51,631	71,921
Other related parties:		
Donation	7,500	10,000
Contribution to staff retirement benefits plan	29,683	27,449

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

11. Segment reporting:

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Segment analysis for the three months ended March 31, 2010

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	10,656,022	1,304,814	90,708	12,051,544
Inter-segment sales	-	-	-	-
Total revenue	10,656,022	1,304,814	90,708	12,051,544
Profit before tax and unallocated expenses	1,666,559	(5,240)	(23,044)	1,638,275
Unallocated corporate expenses:				
Finance cost				(142,231)
Other operating expenses				(139,835)
Other operating income				25,436
Taxation				(389,287)
Profit after taxation				992,358



Segment analysis for the three months ended March 31, 2009

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	8,096,266	1,029,469	113,148	9,238,883
Inter-segment sales	-	-	-	-
Total revenue	8,096,266	1,029,469	113,148	9,238,883
Profit before tax and unallocated expenses	1,608,833	(31,171)	(31,318)	1,546,344
Unallocated corporate expenses:				
Finance cost				(171,717)
Other operating expenses				(216,241)
Other operating income				26,011
Taxation				(337,118)
Profit after taxation				847,279

12. Date of authorization for issue

These condensed interim financial information were authorized for issue on April 15, 2010 by the Board of Directors.

13. Dividend

The board of directors in their meeting held on April 15, 2010 have proposed interim cash dividend for the three months ended March 31, 2010 of Rs. Nil per share, amounting to Rs. Nil (2009:Rs. Nil). This financial information does not reflect this dividend.

14. Corresponding figures

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

14.2 Figures have been rounded off to the nearest of thousand of rupee.



GIUSEPPE BONANNO
Head of Finance & Control



IAN J. DONALD
Chief Executive



SYED YAWAR ALI
Chairman



COMPANY INFORMATION

Board of Directors

Syed Yawar Ali
Ian J. Donald
Fritz Van Dijk
Raymond Franke
A. Cantacuzene
Syed Babar Ali
Syed Hyder Ali

Chairman
Managing Director
Director
Director
Director
Director
Director

Company Secretary

Ali Sadozai

Management

Arsalan Khan
Ali Sadozai
Haseeb Aslam
Ian J. Donald
Ifzal Akhtar
Jack Moser
Khurram Zia
Khurram Javed Muqbool
Nauman Khan
Peter Wuethrich
Raymond Franke
Samra Maqbool
Salman Nazir
Shaheen Sadiq
Syed Fakhar Ahmed
Usman Iqbal Bhatti
Uzma Kaiser Butt
Zafar Hussain Shah

Business Manager-Beverages
Head of Legal Affairs
Country Business Manager-Water
Managing Director
Head of Quality Assurance
Head of Milk Collection and Agri-Services
Business Executive Manager-Ambient Dairy
Business Manager-Chilled Dairy
Country Business Manager - Nestle Professional
Head of Technical
Head of Finance & Control
Product Unit Manager-Culinary
Head of Supply Chain
Head of Communications
Head of Corporate Affairs
Country Business Manager-Nutrition
Head of Human Resources
Head of Sales

Registered & Corporate Office

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

Corporate Office Annex

304 – Upper Mall, Lahore – 54000, Pakistan..
Park Lane Tower
1st & 2nd Floor, 172-Tufail Road,
Lahore Cantt., Pakistan.
PABX : (042) 36099300



Factories

Sheikhupura

29th Kilometer, Lahore - Sheikhupura Road
Sheikhupura, Punjab, Pakistan.
Phone: (056) 3406615 - 25

Kabirwala

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

Karachi

Plot No. A – 23, North Western Industrial Zone,
Port Qasim, Karachi, Pakistan.
Phone: (021) 34720151-4

Islamabad

Plot No. 32, Sector (I-10/3), Industrial Area,
Islamabad, Pakistan.
Phone: (051) 4445997

Auditors

KPMG Taseer Hadi & Co. (Chartered Accountants)

Share Registrar / Transfer Agent

Gorsi Associates (Pvt.) Limited.
2nd Floor, 202 - Sufi Chamber, Link McLeod Road, Lahore
Cell: 0346-4479601 Fax: 042-37230865

Legal Advisor

Chima & Ibrahim (Advocates)

Bankers

The Royal Bank of Scotland Limited
(Formerly ABN AMRO Bank (Pakistan) Limited)
Allied Bank Limited
Citibank N.A.
Deutsche Bank A.G.
Habib Bank Ltd.
MCB Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Limited
National Bank of Pakistan Ltd.
Barclays Bank PLC, Pakistan
Bank Al Habib Ltd.
The Hongkong and Shanghai Bank Corporation Limited
my Bank Ltd.



www.nestle.pk



Nes

©Nestlé Pakistan Ltd.

308 – Upper Mall, Lahore, Pakistan.

Tel: +92 42 111 637 853 Fax: +92 42 35789303