

Report for the nine months period ended  
September 30, 2015



stlé



**Nestlé**

Good Food, Good Life



# 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	11
Company Information	17

## Directors' Report to the Shareholders

The Directors of the Company are pleased to submit the third quarter report along with the condensed interim financial information of the company for the nine months period ended September 30, 2015.

During the first three quarters of 2015, poor law and order condition coupled with on-going energy crisis continued to have a negative impact on the economy.

Despite the above challenges, we are pleased to report the following results, delivering top line growth and improved profitability.

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

	Jan – Sep 2015 PKR Million	Jan – Sep 2014 PKR Million	Change
Sales	77,197	74,302	+ 3.9%
Gross Profit	26,463	21,674	+22.1%
% of sales	34.3%	29.2%	
Operating Profit	13,658	11,476	+ 19.0%
% of sales	17.7%	15.4%	
Net Profit after tax	7,682	6,405	+19.9%
% of sales	10.0%	8.6%	
Earnings per share	169.41	141.23	+20.0%

### Sales:

The sales revenue grew by PKR 2.9 billion, a growth of +3.9% compared to same period last year. Our export sales during the period stood at PKR 4.4 billion.

### Gross Profit:

Our gross margins increased by 510 bps compared to the same period last year mainly due to favorable input costs and a relatively stable Pak Rupee.

### Operating Profit:

The operating profit increased to PKR 13.7 billion, a growth of +19.0% compared to

same period last year. This was achieved through improved gross margin and effective cost management.

### Net Profit after tax:

Our net profit after tax stood at PKR 7.7 billion, a growth of 19.9% compared to same period last year.

### Future Outlook:

Despite the challenges being faced, we continue to have a positive outlook for the business and will continue to drive sustainable profitable growth.

For and on behalf  
of the Board of Directors



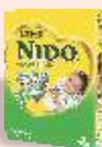
Bruno Boris Olierhoek  
Chief Executive

Lahore: October 16, 2015



## Condensed Interim Balance Sheet As at September 30, 2015 (Un-audited)

	Notes	Sep. 30, 2015 (Un-audited) Rs'000	Dec. 31, 2014 (Audited) Rs'000
<b>Tangible fixed assets</b>			
Property, plant and equipment	6	29,618,843	30,550,199
Capital work-in-progress		645,407	2,233,971
		<b>30,264,250</b>	<b>32,784,170</b>
<b>Goodwill</b>		<b>167,546</b>	<b>167,546</b>
<b>Long term loans and advances</b>		<b>259,487</b>	<b>317,600</b>
<b>Long term deposits and prepayments</b>		<b>46,494</b>	<b>55,599</b>
<b>Current assets</b>			
Stores and spares		1,279,085	1,208,547
Stock in trade		12,675,569	9,763,987
Trade debts		880,926	272,321
Current portion of long term loans and advances		104,635	76,082
Advances, deposits, prepayments and other receivables		6,706,313	6,858,700
Cash and bank balances		697,034	226,143
		<b>22,343,562</b>	<b>18,405,780</b>
<b>Less: Current liabilities</b>			
Current portion of long term finances		2,057,489	3,082,979
Short term borrowings - secured		7,500,000	7,029,193
Short term running finance under mark-up arrangements - secured		4,076,079	2,934,546
Customer security deposits – interest free		218,639	220,957
Trade and other payables		16,275,990	14,361,913
Interest and mark-up accrued		272,928	147,652
		<b>30,401,125</b>	<b>27,777,240</b>
<b>Net working capital</b>		<b>(8,057,563)</b>	<b>(9,371,460)</b>
<b>Total capital employed</b>		<b>22,680,214</b>	<b>23,953,455</b>
<b>Long term finances and deferred liabilities</b>			
Long term finances	4	5,667,065	6,951,459
Deferred taxation		2,134,405	3,263,372
Retirement benefits		904,578	1,110,999
		<b>8,706,048</b>	<b>11,325,830</b>
<b>Contingencies and commitments</b>			
<b>Net assets</b>	5	<b>13,974,166</b>	<b>12,627,625</b>



### Financed by: Share capital and reserves

	Sep. 30, 2015 (Un-audited) Rs'000	Dec. 31, 2014 (Audited) Rs'000
Authorized capital 75,000,000 (December 31, 2014: 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
Hedging reserve	(996)	(13,999)
Accumulated profit	12,992,139	11,658,601
	<b>13,974,166</b>	<b>12,627,625</b>

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



**JOHN MICHAEL DAVIS**  
Head of Finance & Control



**BRUNO BORIS OLIERHOEK**  
Chief Executive



**SYED YAWAR ALI**  
Chairman



## Condensed Interim Profit and Loss Account For the nine months period ended September 30, 2015 (Un-audited)

	Nine months ended		Three months ended	
	Sep. 30, 2015 Rs'000	Sep. 30, 2014 Rs'000	Sep. 30, 2015 Rs'000	Sep. 30, 2014 Rs'000
Sales - net	77,197,031	74,302,031	23,971,478	23,970,534
Cost of goods sold	(50,733,958)	(52,628,299)	(16,164,239)	(17,127,012)
<b>Gross profit</b>	<b>26,463,073</b>	<b>21,673,732</b>	<b>7,807,239</b>	<b>6,843,522</b>
Distribution and selling expenses	(11,038,706)	(8,601,679)	(3,448,805)	(2,536,060)
Administration expenses	(1,766,159)	(1,596,332)	(615,973)	(539,490)
	(12,804,865)	(10,198,011)	(4,064,778)	(3,075,550)
<b>Operating profit</b>	<b>13,658,208</b>	<b>11,475,721</b>	<b>3,742,461</b>	<b>3,767,972</b>
Finance cost	(1,432,421)	(1,714,365)	(427,064)	(498,718)
Other operating expenses	(1,785,293)	(843,264)	(1,101,965)	(539,882)
	(3,217,714)	(2,557,629)	(1,529,029)	(1,038,600)
Other income	124,488	350,428	14,477	102,537
<b>Profit before taxation</b>	<b>10,564,982</b>	<b>9,268,520</b>	<b>2,227,909</b>	<b>2,831,909</b>
Taxation	(2,882,502)	(2,863,688)	(750,713)	(1,066,080)
<b>Profit after taxation</b>	<b>7,682,480</b>	<b>6,404,832</b>	<b>1,477,196</b>	<b>1,765,829</b>
Earnings per share – basic and diluted (Rupees)	169.41	141.23	32.57	38.94

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

**JOHN MICHAEL DAVIS**  
Head of Finance & Control

**BRÜNO BORIS OLIERHOEK**  
Chief Executive

**SYED YAWAR ALI**  
Chairman



## Condensed Interim Statement of Comprehensive Income For the nine months period ended September 30, 2015 (Un-audited)

	Nine months ended		Three months ended	
	Sep. 30, 2015 Rs'000	Sep. 30, 2014 Rs'000	Sep. 30, 2015 Rs'000	Sep. 30, 2014 Rs'000
<b>Profit after taxation</b>	<b>7,682,480</b>	<b>6,404,832</b>	<b>1,477,196</b>	<b>1,765,829</b>
<b>Other comprehensive income:</b>				
<b>Items that are or may be classified subsequently to profit or loss</b>				
Cash flow hedge - effective portion of changes in fair value	20,005	3,466	710	3,466
Related tax	(7,002)	(1,213)	(249)	(1,213)
	13,003	2,253	461	2,253
<b>Total comprehensive income for the period</b>	<b>7,695,483</b>	<b>6,407,085</b>	<b>1,477,657</b>	<b>1,768,082</b>

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

**JOHN MICHAEL DAVIS**  
Head of Finance & Control

**BRÜNO BORIS OLIERHOEK**  
Chief Executive

**SYED YAWAR ALI**  
Chairman



# Condensed Interim Cash Flow Statement

## For the nine months period ended September 30, 2015

### (Un-audited)

	Note	Sep. 30, 2015 Rs'000	Sep. 30, 2014 Rs'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	7	11,939,205	13,768,019
Decrease / (increase) in long term loans and advances		29,560	(45,004)
Decrease in long term deposits and prepayments		9,105	18,816
(Decrease) / increase in customer security deposits		(2,318)	31,967
Retirement benefits paid		(215,165)	(111,746)
Finance cost paid		(1,306,148)	(1,742,805)
Taxes paid		(2,158,036)	(1,702,739)
<b>Net cash generated from operating activities</b>		<b>8,296,203</b>	<b>10,216,508</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(1,084,081)	(1,082,459)
Proceeds from sale of property, plant and equipment		298,482	104,633
<b>Net cash used in investing activities</b>		<b>(785,599)</b>	<b>(977,826)</b>
<b>Cash flow from financing activities</b>			
Repayment of long term finances - net		(2,426,808)	(9,002,287)
Short term borrowings - net		470,807	-
Net movement in hedging reserves		13,003	2,253
Dividend paid		(6,238,248)	(3,402,878)
<b>Net cash used in financing activities</b>		<b>(8,181,246)</b>	<b>(12,402,912)</b>
Net decrease in cash and cash equivalents		(670,642)	(3,164,230)
Cash and cash equivalents at beginning of the period		(2,708,403)	(2,636,526)
Cash and cash equivalents at end of the period		<b>(3,379,045)</b>	<b>(5,800,756)</b>
<b>Cash and cash equivalents</b>			
Cash and bank balances		697,034	207,247
Short term running finance under mark-up arrangements – secured		(4,076,079)	(6,008,003)
		<b>(3,379,045)</b>	<b>(5,800,756)</b>

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

JOHN MICHAEL DAVIS  
Head of Finance & Control

BRUNO BORIS OLIERHOEK  
Chief Executive

SYED YAWAR ALI  
Chairman



## Condensed Interim Statement of Changes in Equity

### For the nine months period ended September 30, 2015 (Un-audited)

	Capital Reserves				Revenue Reserves		Total
	Share capital	Share premium	Hedging reserve	General reserve	Accumulated profits		
Balance as at December 31, 2013	453,496	249,527	-	280,000	10,876,134	11,859,157	
Final dividend for the year ended December 31, 2013 (Rs. 75 per share)	-	-	-	-	(3,401,219)	(3,401,219)	
Interim dividend for the six months period ended June 30, 2014 (Rs. 30 per share)	-	-	-	-	(1,360,488)	(1,360,488)	
Total comprehensive income for the period:	-	-	-	-	6,404,832	6,404,832	
Profit after tax	-	-	2,253	-	-	2,253	
Cashflow hedges - effective portion of changes in fair value-net	-	-	2,253	-	1,643,125	1,645,378	
Balance as at September 30, 2014	453,496	249,527	2,253	280,000	12,519,259	13,504,535	
Interim dividend for the nine months period ended September 30, 2014 (Rs. 50 per share)	-	-	-	-	(2,267,479)	(2,267,479)	
Total comprehensive income for the period:	-	-	-	-	1,406,821	1,406,821	
Profit after tax	-	-	(16,252)	-	-	(16,252)	
Cashflow hedges - effective portion of changes in fair value-net	-	-	(16,252)	-	(860,658)	(876,910)	
Balance as at December 31, 2014	453,496	249,527	(13,999)	280,000	11,658,601	12,627,625	



	Note	Sep. 30, 2015 (Un-audited) Rs'000	Dec. 31, 2014 (Audited) Rs'000
<b>4. Long term finances</b>			
Long term finances utilized under markup arrangements:			
Associated company Unsecured - foreign currency	4.1	1,763,016	3,764,813
From banking companies - secured		5,961,538	6,269,625
Less: Current maturity			
Associated company - foreign currency		(1,763,016)	(2,760,862)
From banking companies - secured		(294,473)	(322,117)
		(2,057,489)	(3,082,979)
		5,667,065	6,951,459

4.1 These represent US\$ 65 million unsecured loans from Nestlé Treasury Centre Middle East and Africa Limited, Dubai - an associated company. These loans were rescheduled in 2013 and under the revised terms, these loans are payable in equal quarterly installments ending on December 2015 and May 2016, respectively. As at September 30, 2015, outstanding balances of these loans amount to US\$ 1.87 million and US\$ 15 million, respectively. These loans carry markup @ 6 months average LIBOR plus 150 basis points. The outstanding balance as at September 30, 2015 has been converted into rupees at the exchange rate prevailing as at the balance sheet date.

**5. Contingencies and commitments**

There is no material contingency as at balance sheet date.

	Sep. 30, 2015 (Un-audited) Rs'000	Dec. 31, 2014 (Audited) Rs'000
<b>5.1 Guarantees</b>		
Outstanding guarantees	288,448	164,996
Un-utilized portion of limit with banks	186,552	385,034
<b>5.2 Commitments in respect of capital expenditure</b>		
	1,475,200	254,401
<b>5.3 Letters of credit</b>		
Outstanding letters of credit	239,292	1,409,258
Un-utilized portion of limit with banks	8,811,833	6,992,915

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



	Sep. 30, 2015 (Un-audited) Rs'000	Dec. 31, 2014 (Audited) Rs'000
Not later than one year	46,653,286	-
Later than one year but not later than five years	62,563,987	-
<b>6. Property, plant and equipment</b>		
Opening balance - Net book value	30,550,199	31,467,872
Additions during the period / year	2,169,287	2,819,292
	32,719,486	34,287,164
Book value of property, plant and equipment disposed off during the period / year	(219,197)	(328,428)
Depreciation charged during the period / year	(2,552,942)	(3,237,230)
Impairment charge during the period / year	(328,504)	(171,307)
Closing balance - Net book value	29,618,843	30,550,199
<b>7. Cash generated from operations</b>		
Profit before taxation	10,564,982	9,268,520
Adjustment for non-cash items:		
Depreciation on property, plant and equipment	2,552,943	2,415,544
Amortization of intangible assets	-	2,392
Provision for stock in trade	23,672	-
Provision for obsolete stores and spares	36,571	483,218
(Gain) / loss on disposal of property, plant and equipment	(11,684)	64,898
Impairment on fixed assets	764,260	64,306
Provision for doubtful debts	599	2,040
Exchange loss on foreign currency transactions	30,104	9,067
Exchange rate loss / (gain) on foreign currency loan from associated company	116,924	(229,584)
Retirement benefits	8,744	185,451
Finance cost	1,432,420	1,484,781
Profit before working capital changes	15,519,535	13,750,633
Effect on cash flow due to working capital changes (Increase) / decrease in current assets:		
Stores and spares	(107,109)	(366,840)
Stock in trade	(2,935,254)	(817,373)
Trade debts	(609,204)	(226,247)
Advances, deposits, prepayments and other receivables	(78,467)	(792,048)
Increase in current liabilities:		
Trade and other payables	149,704	2,219,894
	(3,580,330)	17,386
	11,939,205	13,768,019

### 8. Transactions with related parties

8. Related parties comprise of Nestlé S.A (holding company), its subsidiaries and associates, and other companies with common directors that of Nestlé Pakistan Limited, employees retirement benefit funds and key management personnel. Significant transactions with related parties are summarized as follows:

	Sep. 30, 2015 (Un-audited) Rs'000	Sep. 30, 2014 (Un-audited) Rs'000
Associated companies:		
Royalty and technical assistance fee	2,153,002	2,005,041
Purchase of goods, services and rental	9,182,299	9,048,321
Repayment of foreign currency loan	2,121,856	2,059,994
Interest paid on foreign currency loan	40,734	79,782
Sale of fixed assets	47,399	-
Other related parties		
Contribution paid to staff retirement benefits plan	215,165	111,746
Remuneration to key management personnel	2,662,635	2,182,520
Donations	14,534	2,500

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

### 9. 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 results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities include short term and long term borrowings, employees retirement benefits and other operating liabilities.

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:

- Milk and nutrition products
- Beverages

These segments comprise of following major types of products:

- Milk and nutrition products
  - Milk based products and cereals
- Beverages
  - Juices & water



### 9.1 Segment analysis for the nine months ended September 30, 2015 (Un-audited)

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	59,862,898	16,888,976	445,157	77,197,031
Inter-segment sales	-	-	-	-
Total revenue	59,862,898	16,888,976	445,157	77,197,031
Depreciation and amortization				
	1,837,029	643,176	72,738	2,552,943
Operating profit before unallocated expenses				
	11,679,490	2,435,141	(456,423)	13,658,208
Unallocated corporate expenses:				
Finance cost				(1,432,421)
Other operating expenses				(1,785,293)
Other income				124,488
Taxation				(2,882,502)
Profit after taxation				7,682,480

### Segment analysis for the nine months ended September 30, 2014 (Un-audited)

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
Sales				
External sales	58,586,022	15,126,908	589,101	74,302,031
Inter-segment sales	-	-	-	-
Total revenue	58,586,022	15,126,908	589,101	74,302,031
Depreciation and amortization				
	1,769,210	571,649	77,079	2,417,938
Operating profit before unallocated expenses				
	9,647,426	2,100,757	(272,462)	11,475,721
Unallocated corporate expenses:				
Finance cost				(1,714,365)
Other operating expenses				(843,264)
Other income				350,428
Taxation				(2,863,688)
Profit after taxation				6,404,832



Reportable segment assets and liabilities

	Milk & Nutrition Products	Beverages	Other Operations	Total
	Rs'000			
As at September 30, 2015 (Un-audited)				
Segment assets	32,438,375	12,154,765	490,708	45,083,848
Unallocated assets				7,997,491
<b>Total assets</b>				<b>53,081,339</b>
Segment liabilities	12,621,313	3,779,460	93,856	16,494,629
Unallocated liabilities				22,612,544
<b>Total liabilities</b>				<b>39,107,173</b>
As at December 31, 2014 (Audited)				
Segment assets	30,510,109	12,574,043	937,624	44,021,776
Unallocated assets				7,708,919
<b>Total assets</b>				<b>51,730,695</b>
Segment liabilities	11,523,190	2,937,023	108,004	14,568,217
Unallocated liabilities				24,534,853
<b>Total liabilities</b>				<b>39,103,070</b>

10. **Financial risk management**

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2014.

11. **Date of authorization for issue**

This condensed interim financial information was authorized for issue on October 16, 2015 by the Board of Directors.

12. **Dividend**

The Board of Directors in their meeting held on October 16, 2015 have proposed an interim cash dividend for the nine months period ended September 30, 2015 of Rs. 50 per share, amounting to Rs. 2,267.48 million (September 30, 2014 : Rs. 2,267.48 million). This condensed interim financial information does not reflect this dividend.

13. **General**

Figures have been rounded off to the nearest thousand of rupee unless otherwise stated.

13.1 Previous year's figures have been re-arranged and reclassified, wherever necessary, for the purpose of comparison.

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

**JOHN MICHAEL DAVIS**  
Head of Finance & Control

**BRUNO BORIS OLIERHOEK**  
Chief Executive

**SYED YAWAR ALI**  
Chairman



**COMPANY INFORMATION**

**Board of Directors**

Syed Yawar Ali	Chairman
Bruno Boris Olierhoek	Chief Executive / Managing Director
Syed Babar Ali	Director
Syed Hyder Ali	Director
Osman Khalid Waheed	Director
John Michael Davis	Director
Pierre Schaufelberger	Director
Naveed Ahmad Khan	Director
John Martin Miller	Director

**Company Secretary**

Ali Sadozai

**Management**

Abdullah Jawaid Ahmad	Business Manager - Chilled Dairy
Arsalan UI Haq Khan	Head of Sales
Asim Rifat	Country Business Manager - Nestlé infant Nutrition
Babar Hussain Khan	Business Manager - Juices
Bruno Boris Olierhoek	Managing Director
Fuad Saqib Ghazanfar	Business Manager - Food
Humaira Ashar	Business Manager - Confectionary
John Michael Davis	Head of Finance and Controls
Khurram Zia	Country Business Manager - Nestlé Waters Pakistan
Muhammad Ali Sadozai	Head of Legal Affairs & Company Secretary
Muhammad Nauman Khan	Country Business Manager - Nestlé Professional
Nadia Omer	Business Manager - Coffee and CPW
Naveed Ahmad Khan	Head of Technical
Roland Stieger	Business Executive Manager - Ambient Dairy
Rustem Oguz	Head of Supply Chain
Samra Maqbool	Head of Communication and Marketing Services
Shahzad Umar	Head of Human Resources
Sheikh Waqar Ahmad	Head of Corporate Affairs
Syeda Nausheen Iqbal Jaffery	Nestlé Continuous Excellence Manager



**Registered &  
Corporate  
Office**

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

**Corporate  
Office Annex**

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

**Factories**

**Sheikhupura**

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**

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

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

Public dealings: Monday to Thursday: 09:00 am to 5:00 pm  
Friday: 09:00 am to 12:00 pm & 02:30 pm to 5:00 pm

**Legal  
Advisor**

Mahmood Abdul Ghani & Co.  
Advocates & Industrial Relations Adviser

**Bankers**

Allied Bank Limited  
Citibank N.A.  
Deutsche Bank A.G.  
Faysal Bank Limited  
Habib Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

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



Nes

© Nestlé Pakistan Ltd.  
308 – Upper Mall, Lahore, Pakistan.  
Tel: +92 42 111 637 853 Fax: +92 42 35789303