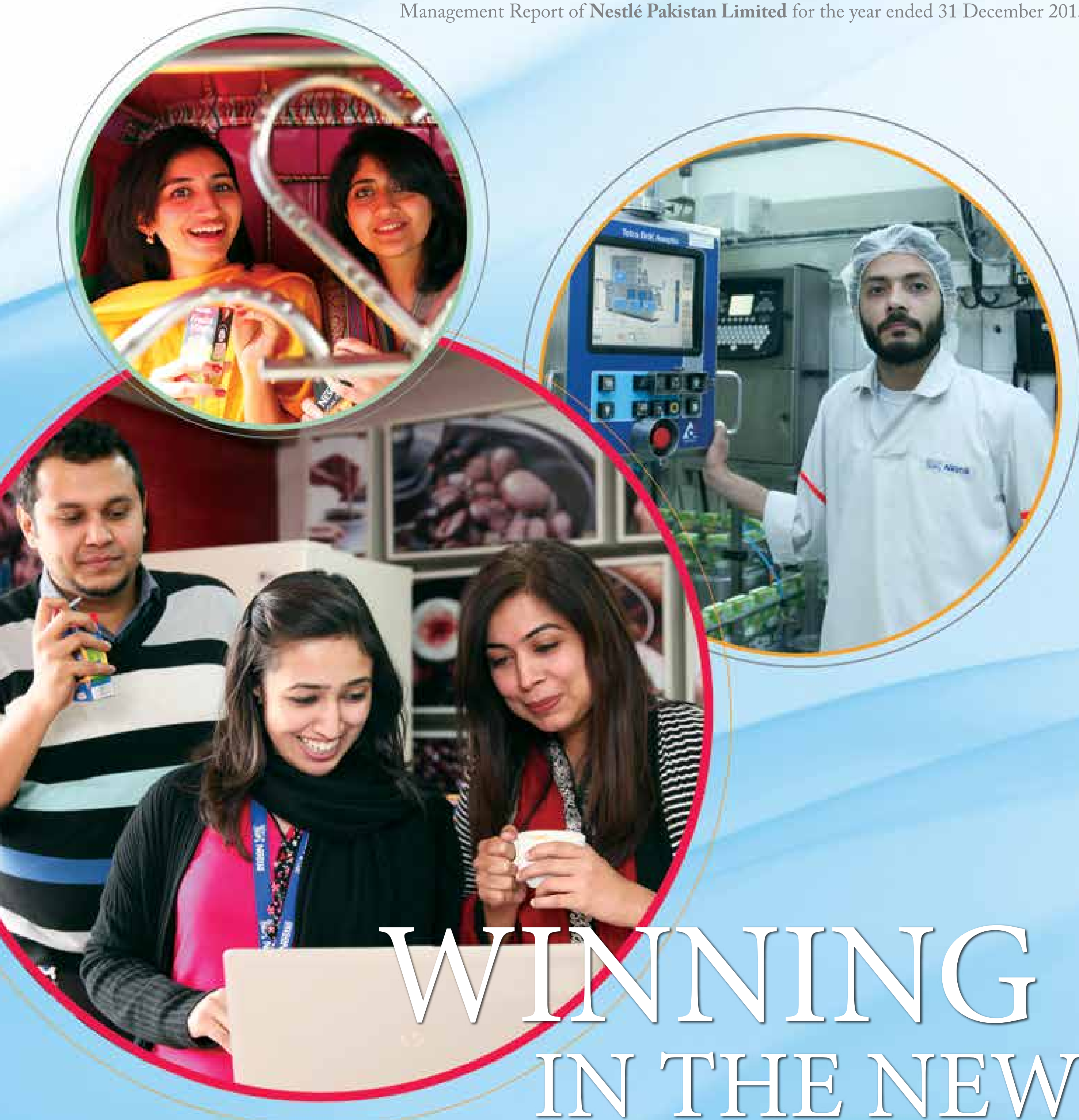
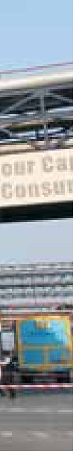


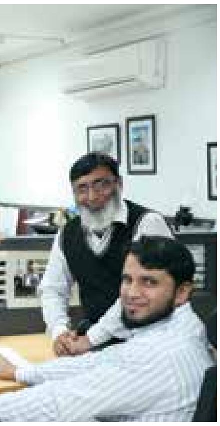
WINNING IN THE NEW REALITY

Nestlé

Good Food, Good Life


NCE is Enhancing
Delight our








WINNING IN THE NEW REALITY

Over the last two decades, Nestlé has become an integral part of every Pakistani's life – nurturing and empowering us to make healthier choices.

At present, Nestlé is set to win in the new reality – a reality that embodies the Company's spirit of reaching above and beyond to contribute towards the society. By having the best people on board and making some firm decisions, Nestlé is determined to increase value for consumers through unmatched creativity and product offering with a focus on Nutrition, Health and Wellness (NHW).

For Nestlé, it is the year of moving forward. It is the year that will pave the way for a new reality.

Contents

Business Review

Company Overview

Our Vision

Nestlé's vision is to be the globally recognized leading Nutrition, Health and Wellness Company. Nestlé Pakistan subscribes fully to this vision and the values that come with it.

In particular, we envision:

- Leading a dynamic, passionate and professional workforce – proud of our heritage and positive about the future.

- Meeting the nutritional needs of consumers of all ages – from infancy to old age, from nutrition to pleasure, through an innovative portfolio of branded food and beverage products of the highest quality.
- Delivering shareholder value through profitable long-term growth, while continuing to play a significant and responsible role in the social, economic, and environmental sectors of Pakistan.

Our Mission

To positively enhance the quality of life of the people of Pakistan by all that we do through our people, our brands, products and our CSV activities.

Our Ambition

To be the leading Nutrition, Health and Wellness Company in Pakistan.

Directors' Report
to the Shareholders

Nestlé Pakistan remains committed to enhancing nutrition of as many Pakistanis as possible by diversifying into new functionalities. Innovation & renovation remain an integral part of the Company's vision to positively enhance the quality of life.

The Directors of the Company are pleased to submit the Annual Report along with the audited financial statements for the year ended December 31, 2013.

Financial Performance:

2013, proved to be a challenging year for the Company. Deteriorating law & order situation and the political scenario of the country played a major role in causing regular disruptions in business throughout the year, resulting in slowing down of business growth. The constantly higher inflation and significant depreciation of the Pakistani rupee has further aggravated the weak economic conditions of the country and has also adversely impacted the purchasing power of the consumer.

Despite all these challenges, the Company reported a top line growth of 9% way ahead of the country's GDP. The Company also improved its Gross Margins by 80 bps. The growth was fuelled by effective product mix management, optimization of our value chain through Nestlé Continuous Excellence initiatives and processes enabling us to invest increased marketing support behind our brands.

Nestlé Pakistan remains committed to enhancing its product base by diversifying into new functionalities. Innovation & renovation remain an integral part of the Company's vision to positively enhance the quality of life. The major new product launches during 2013 included: NESTLÉ CRUNCH, NESTLÉ FRUITA VITALS Valencia Orange, MILKPAK Yogurt Pouch, MAGGI Noodles Chatpata, NAN3, CERELAC - Stage 4 and NESTLÉ MOM&me.

Summary Financial performance:

PKR Million	2013	2012	Change
Sales	86,227	79,088	+9.0%
Gross Profit Margin	28.0%	27.2%	+0.8%
Operating Profit Margin	13.3%	13.9%	-0.6%
Net Profit after Tax	6.8%	7.4%	-0.6%
Net Profit after Tax	5,867	5,865	0.0%
Earnings per Share	129.37	129.32	0.0%

Total sales grew by 9% to PKR 86.2 billion, with growth coming from both the increased volumes and selling prices.

The Gross Profit (GP) margin has improved by 80 bps as compared to last year due to lower increase in commodity prices, optimal product mix and strict control on total delivered cost through the NCE mindset. However, this was partially offset by increasing fuel prices, depreciation of Pakistani rupee and increased depreciation.

During the current year the Company has invested heavily behind its brands. Furthermore, due to the increased average borrowing as well as depreciation of the Pakistani rupee, the Company's Net Profit margin has decreased by 60 bps.

Dividends:

Keeping in view the good financial performance of the Company, the Board of Directors has recommended to pay final cash dividend of PKR 75 per share.

Investment Projects:

Nestlé Pakistan believes in a market driven approach and stands committed to invest to satisfy our consumers' needs. Total investments in expansion & development projects for the year reached PKR 3.7 billion, with the most significant projects listed below:

Project Description	PKR Million
Sheikhupura – Extension and Capacity Increase	1,865
Kabirwala – Extension and Capacity Increase	554
Extention of Distribution & Sales Facilities	654
Others	637

Investments of approximately PKR 3.4 billion are planned in 2014, primarily in respect of capacity increase in order to meet consumer demands.

Corporate Governance:

Nestlé Pakistan is committed to maintain high standards of good 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 Securities and Exchange Commission of Pakistan (SECP) and formed as part of stock exchange listing regulations. Statement of compliance with Code of Corporate Governance is as under:

Statement of Compliance with Code of Corporate Governance

The Directors confirm that:

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure from these has been adequately disclosed and explained.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts about the Company's ability to continue as a growing concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) The un-audited value of investments of employees' funds are as follows (PKR millions):

	2013	2012
Provident Fund	**1,834**	1,516
Gratuity Fund	**995**	788
Pension Fund	**1,432**	1,144

i) Statements regarding the following are annexed or disclosed in the notes to the accounts:

(i) Key financial data for the last six years
(ii) Pattern of shareholdings
(iii) Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary

External Auditors:

Messrs KPMG Taseer Hadi & Company, Chartered Accountants have completed their assignment for the year 2013 and retire at the conclusion of the 36th Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

Human Resource Management & Employees Relations:

At Nestlé, we firmly believe that it is our people who make us different from our competitors. Our people are our main assets and therefore we should put everything needed in place to win with our people. As we continue to evolve in the New Reality, we are committed to attract the best and retain the best, maximize the potential of our people and constantly develop them. In this regard, the key achievements of our Human Resource Division in 2013 are:

- Rollout of training & development initiatives such as mentoring, e-learning, learning management system, etc., to build capabilities of our people
- Employee Volunteer Programme was launched to involve Nestlé employees in community welfare activities.
- Total rewards methodology communication sessions were conducted across the Company

to educate our staff on Nestlé's philosophy of remuneration.

Corporate Social Responsibility (CSR) and Community Work:

Given the nature of our activities and our ambition to be the world's leading Nutrition, Health and Wellness Company, Nestlé has identified three areas where it can optimize the creation of shared value – Nutrition, Water and Rural Development. In line with this global vision and for "Enhancing the Quality of Life of People of Pakistan", Nestlé Pakistan continues to positively engage with farmers as well as rural and underprivileged communities in its area of operations.

Our inspiration is governed by the Nestlé Corporate Business Principles and also as a signatory to the United Nations Global Compact for Ethical Business, the Company is committed to the stakeholders and the communities for mutual growth and sustainability. From offering quality products to the consumers, to providing a fair and diverse work environment for our employees; from capacity building and knowledge transfer to our partners and raw material providers to implementing responsible sourcing models into our relationships; from supporting underprivileged communities to working with small farmers; from enhancing sustainability and environmental friendliness of our operations to embedding ethical and transparent business practices, CSV is entrenched into the entire value chain. Nestlé Pakistan was among the top ten corporates being recognized for its corporate philanthropy through our CSV initiatives by Pakistan Centre for Philanthropy (PCP). The Key CSV initiatives completed during 2013 are:

- Nutrition awareness extended to 20,000 school children in the rural, suburban and urban areas under Nestlé Healthy Kids Programme
- Continued support to the underprivileged institutions and communities through Nutrition Support Programme
- Nutrition support to the areas affected by natural calamities
- Refurbishment of Clean Drinking Water facilities
- Continued support, training and advisory services as support to dairy sector under our Farmer Support Programme
- Continued support for the Dairy and Rural Development Foundation training programme involving 16,000 dairy farmers including rural women for skill enhancement related to dairy and livestock sector
- School Refurbishment Programme in underprivileged areas
- Launch of Executive Certificate in Agribusiness Management with support of Lahore University of Management Sciences
- Launch of Chaunsa Project for implementation of Best Farm Practices in the Chaunsa Mango Sector
- Renewal of Memorandums of Understanding (MOUs) with the leading academia as education support for underprivileged students
- Continuation of Driver Safety and Training Programme

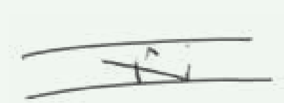
Future Outlook:

Despite the challenges being faced in the country, we are confident of the strong potential of Pakistan and we believe it will continue to offer huge investment potential driven by its growing population. We are hopeful that economic prospects of the country will improve in the future. Nestlé is committed to Pakistan and will continue to enhance the quality of life by bringing Nutrition, Health & Wellness products.

Acknowledgments:

We take this opportunity to thank our valued customers and consumers who have trust in our products and continue to provide sustained support in ensuring the progress of the Company. The Company is also immensely proud of and thankful to employees for their committed and passionate efforts, loyalty and dedication. We greatly value the support and cooperation received from our esteemed suppliers, trading partners, bankers and all stakeholders who are helping and contributing towards the continued growth of our Company and contributing to positively enhancing the quality of life of the people of Pakistan.

For and on behalf of the
Board of Directors



Magdi Batato
Chief Executive

Lahore: February 20, 2014

Annexure to Directors' Report
on Corporate Governance

The Company is committed to adopt and implement high standards of Corporate Governance. It has adopted and implemented the Corporate Governance Principles of its parent company, Nestlé S.A. Switzerland, which cover the following four essential areas:

- Rights and responsibilities of shareholders; Equitable treatment of shareholders;
- Duties and responsibilities of the Board of Directors; and
- Disclosure and transparency.

Board of Directors

The Board of Directors currently comprises a non-executive Chairman, Chief Executive/Managing Director, one independent director, two executive and four non-executive directors. The Directors meet at least four times a year to review the progress and performance of the Company. The Board has delegated the day-to-day operations of the Company to the Managing Director. However, the Directors are equally accountable under the law for the proper handling of the Company's affairs.

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 = 5

Date of Meeting	Time	Place
February 18, 2013	10:00 a.m.	Kabirwala Factory, Kabirwala
April 19, 2013	10:00 a.m.	Corporate Office, Lahore
June 05, 2013	09:00 a.m.	Corporate Office, Lahore
August 27, 2013	09:30 a.m.	Corporate Office, Lahore
October 14, 2013	09:30 a.m.	Corporate Office, Lahore

Details of attendance of Directors at Board meetings are summarized below:

Name of Directors	Date of Appointment	No. of Meetings Attended	Remarks
Syed Yawar Ali	01-07-2013	4	
Naveed A. Khan	01-07-2013	5	
Magdi Batato	01-07-2013	5	
Pierre Schaufelberger	01-07-2013	5	
Faïçal Krichane	01-07-2013	2	
Syed Babar Ali	01-07-2013	4	
Syed Hyder Ali	01-07-2013	5	
Giuseppe Bonanno	27-06-2010	2	Resigned in June 2013
Osman Khalid Waheed	01-07-2013	2	
John Davis	01-07-2013	3	

Role and Responsibilities of the Chairman and 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 Board of Directors' resolutions from time to time. The Managing Director recommends policy and strategic direction and annual business plans for 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 four members including the chairman of the committee, who is an independent director. Three members are non-executive directors and one member is executive director. 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 2013. The Chief Financial Officer, Internal Auditors as well as External Auditors were invited to the meetings.

Human Resource & Remuneration Committee

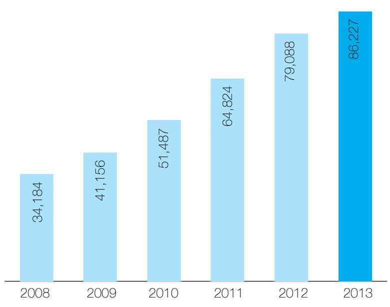
The Company has established this committee in accordance with requirements of Code of Corporate Governance. All issues of remuneration are fully disclosed, deliberated and decided at the meetings of the Directors.

Strategic Planning

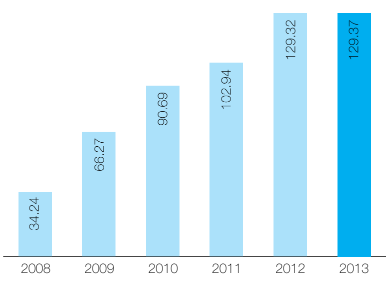
The Company's strategic direction was reviewed at the meeting of Directors. A process has been put in place whereby long term Market Business Strategies and Annual Operational Plans established by management are regularly reviewed by the Directors in line with the Company's overall business objectives. Part of the process involves the setting of measurable Key Performance Indicators (KPIs).

Company Performance 2013

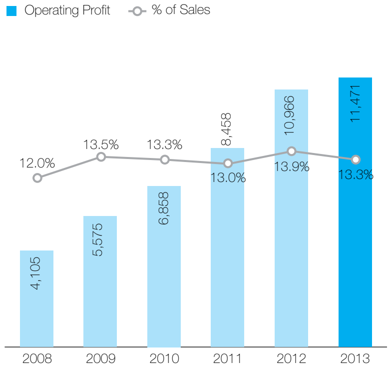
Sales
(Rs. in million)



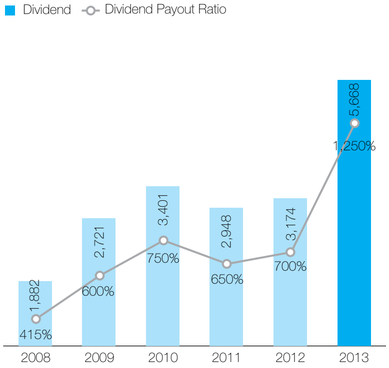
Earnings per Share
(Rupees)



Operating Profit and % of Sales

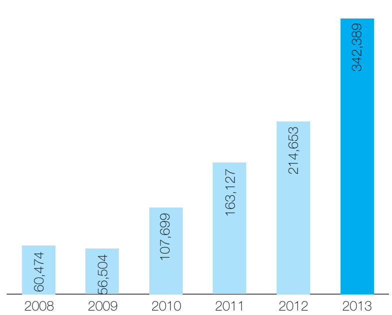


Dividend Payout Ratio*

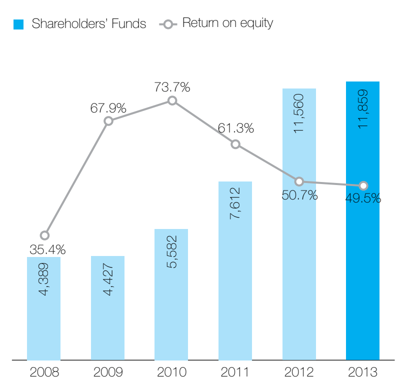


* Dividend paid/declared out of yearly profits

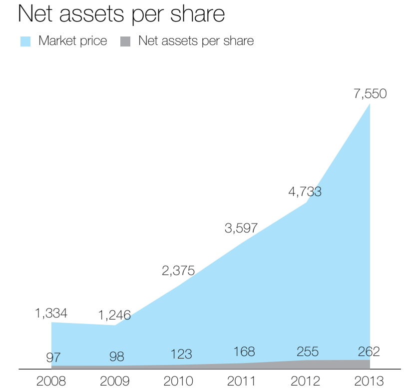
Market Capitalization
(Rs. in million)



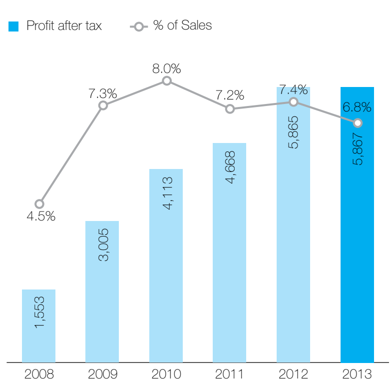
Shareholders' Funds & Return on Equity



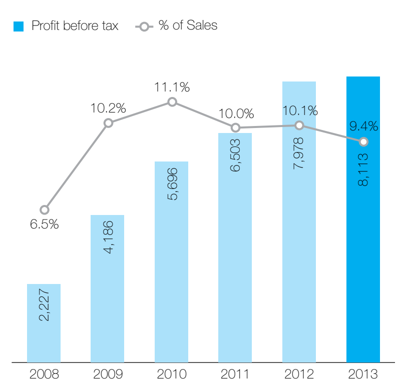
Market price per share vs. Net assets per share



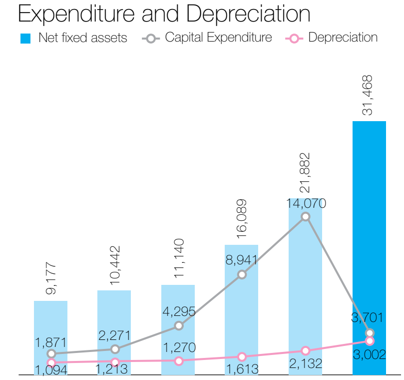
Profit after Tax & % of Sales



Profit before Tax & % of Sales



Net Fixed Assets. Fixed Capital Expenditure and Depreciation



Statement of Wealth Creation and its Distribution

(Rupees in 000)	2013		2012	
Wealth Generated/ Value Added:				
Turnover (including Sales tax)	93,737,997		85,247,112	
Less: Purchased materials and services	(69,637,055)		(62,361,835)	
Value Added	24,100,942		22,885,277	
Other Income	194,565		160,142	
Wealth Created	24,295,507	100%	23,045,419	100%
Weath Distribution:				
To Employees:				
Salaries, benefits and other costs	6,170,978	25.4%	5,538,710	24.0%
To Government:				
Income tax, sales tax, excise & custom duty, WWF, WPPF	7,028,787	28.9%	7,517,329	32.6%
To Society and Development Initatives:				
Donations and CSR Projects	53,290	0.2%	73,756	0.3%
*Dairy Development (Non-business returns)	182,104	0.7%	189,410	0.8%
To Providers of Capital:				
Dividend to Shareholders	5,441,945	22.4%	1,813,983	7.9%
Mark-up/ interest expenses on borrowed funds	2,113,096	8.7%	1,827,969	7.9%
To Company:				
Depreciation, amortisation and retained profit	3,305,307	13.6%	6,084,262	26.4%
	24,295,507	100%	23,045,419	100%

* Though Dairy Development projects are part of total Purchased Goods & Services, infact they are directly contributing towards the development of dairy sector in Pakistan. Its percentage contribution towards ‘Society & Development Initatives’ is calculated accordingly.

Key Financial Data

Six years at a Glance

(Rupees in million)	2013	2012	2011	2010	2009	2008
Trading Results						
Sales	86,227	79,088	64,824	51,487	41,156	34,184
Gross Profit	24,161	21,523	16,725	13,879	11,899	8,952
Operating Profit	11,471	10,966	8,458	6,858	5,575	4,105
Profit Before Tax	8,113	7,978	6,503	5,696	4,186	2,227
Profit After Tax	5,867	5,865	4,668	4,113	3,005	1,553
Balance Sheet						
Shareholders' Funds	11,859	11,560	7,612	5,582	4,427	4,389
Reserves	11,406	11,107	7,159	5,128	3,973	3,935
Operating Fixed Assets	31,468	21,882	16,089	11,140	10,442	9,177
Net Current Assets/Liabilities*	4,767	(3,120)	(3,352)	(1,396)	85	432
Long Term Liabilities*	22,429	19,351	10,821	7,622	7,399	7,043
Investor information for six years						
- Gross Profit Ratio	28%	27%	26%	27%	29%	26%
- Operating Profit Ratio	13%	14%	13%	13%	14%	12%
- Profit Before Tax Ratio	9%	10%	10%	11%	10%	7%
- Profit After Tax Ratio	7%	7%	7%	8%	7%	5%
- Inventory Turnover Ratio	7.8 : 1	7.7 : 1	8.2 : 1	8.9 : 1	9.2 : 1	10.3 : 1
- Total Assets Turnover Ratio	1.7 : 1	1.8 : 1	2.2 : 1	2.5 : 1	2.3 : 1	2.1 : 1
- Price Earning Ratio	58.4	36.6	34.9	26.2	18.8	38.9
- Return on Capital Employed	24%	26%	35.5%	43%	40%	20%
- Market Value Per Share	7,550	4,733	3,597	2,375	1,246	1,334
- Debt Equity Ratio	68 : 32	69 : 31	69 : 31	66 : 34	66 : 34	63 : 37
- Current Ratio	1 : 1	0.8 : 1	0.8 : 1	0.9 : 1	1: 1	1.1 : 1
- Interest Cover Ratio	4.4 : 1	4.5 : 1	7.2 : 1	12.1 : 1	10.5 : 1	5 : 1

* Net current assets/liabilities do not include current portion of long term liabilities.

Pattern of Holding of the Share

Held by the Shareholders of Nestlé Pakistan Limited, as at December 31, 2013

No. of Shareholders	Shareholding From	To	Total Shares Held
379	1	100	11,964
159	101	500	42,115
83	501	1,000	63,961
89	1,001	5,000	193,659
19	5,001	10,000	134,954
6	10,001	15,000	71,422
4	15,001	20,000	70,969
5	20,001	25,000	114,617
1	35,001	40,000	38,137
2	40,001	45,000	83,755
1	45,001	50,000	48,640
1	50,001	55,000	54,910
1	80,001	85,000	82,717
1	100,001	105,000	103,340
1	115,001	120,000	117,181
1	135,001	140,000	139,700
2	210,001	215,000	422,888
1	220,001	225,000	224,720
2	370,001	375,000	745,500
1	385,001	390,000	387,334
1	425,001	430,000	428,052
1	430,001	435,000	430,551
1	535,001	540,000	538,235
1	1,365,001	1,370,000	1,365,956
1	1,065,001	1,070,000	1,069,364
1	3,575,001	3,580,000	3,580,000
1	3,645,001	3,650,000	3,649,248
1	4,355,001	4,360,000	4,357,466
1	26,775,001	26,780,000	26,778,229
768		Grand Total of CDC & Phy Shares	45,349,584

Classification of Shares by Categories

As at December 31, 2013

Categories of Members	Numbers	Shares Held	Percentage
Insurance Companies	4	15,365	0.03
Individuals	686	2,261,297	4.99
Investment Companies	-	-	-
Associated Cos.,Undertakings	5	8,791,335	19.39
Directors, CEO/Spouse/Minors	6	2,028,213	4.47
Financial Institutions	8	443,614	0.98
NIT	1	103,340	0.23
Foreign Investors	10	28,071,785	61.90
Joint Stock Companies	17	4,349	0.01
Charitable Trust	4	17,125	0.04
Others	-	-	-
Modaraba Companies	-	-	-
Funds	15	16,808	0.04
ICP	-	-	-
Executives	10	353	0.00
Public Sector Companies & Corporations	1	16,000	0.04
Shareholders' Holding 5%	1	3,580,000	7.89
Total	768	45,349,584	100.00

Key Shareholding and Shares Traded

Information on shareholding required under reporting framework is as follows:

1	Associated Companies, undertakings and related parties	
	Nestlé S.A.	26,778,229
	Packages Limited	3,649,248
	IGI Insurance Limited	4,357,466
	Gurmani Foundation	538,235
	Industrial Technical and Educational Institution (Ali Institute of Education)	21,666
	National Management Foundation	224,720
2	Mutual Funds	
	National Bank of Pakistan, Trustee Department, Trustee Wing	103,340
3	Directors and their spouse(s) and minor children	
	Syed Yawar Ali	23,220
	Mrs. Syeda Nighat Ali	60
	Syed Babar Ali	1,365,956
	Mrs. Perwin Babar Ali	210,865
	Syed Hyder Ali	428,052
	Mr. Osman Khalid Waheed	60
4	Executives	353
5	Public Sector Companies & Corporations	
	EOBI	16,000
6	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	475,787
7	Shareholders holding 5% or more voting rights	
	Mr. S. A. Chawla / Ms. Chaman Begum / Ms. Naima / Ms. Afroza (Joint shareholders)	3,580,000
	Ms. Afroza Sultan	1,151
8	Details of purchase/sale of shares by Directors, * Executives and their spouses and minor children	NIL

* The Board has set the threshold of executive, to be the member of NimCom (Nestlé in Market Committee)

Statement of Compliance

with the code of Corporate Governance for the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulation no. 35 of listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

   Independent Director
   1. Mr. Osman Khalid Waheed

   Executive Directors
   1. Mr. Magdi Batato
   2. Mr. John Davis
   3. Mr. Naveed A. Khan

   Non-Executive Directors
   1. Syed Yawar Ali
   2. Syed Babar Ali
   3. Syed Hyder Ali
   4. Mr. Faïçal Krichane
   5. Mr. Pierre Schaufelberger

   The independent director meets the criteria of independence under clause i(b) of the CCG.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board on 05-June-2013, was filled up by the directors within one day.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company alongwith its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Subsequent to year end, one Board member attended Corporate Governance Leadership Skills – Director Education Programme at The University of Lahore.

10. The Board has approved appointment of Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises four members, of whom three are non-executive directors and one is executive director. The Chairman of the Committee is an independent director.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

18. The Board has set up an effective internal audit function.

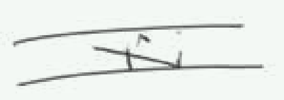
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP and that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.



Magdi Batato
Chief Executive

Lahore: February 11, 2014

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance for the year ended 31 December 2013 prepared by the Board of Directors of Nestlé Pakistan Limited ("the Company") to comply with the Listing Regulations No. 35 of Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, the listing regulations of Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine 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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2013.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Lahore
February 20, 2014

Notice of Annual General Meeting

Notice is hereby given that the 36th Annual General Meeting of Nestlé Pakistan Ltd; will be held at 11:00 a.m. on Wednesday, April 16, 2014 at 304 – Upper Mall, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2013 together with the Directors' and Auditors' reports thereon.

2. To appoint Auditors and fix their remuneration for the year ending December 31, 2014. The present Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible have offered themselves for reappointment.

3. To declare final dividend. The Directors have recommended the final dividend of 750% i.e. Rs. 75 per share for the year ended December 31, 2013. This is in addition to 500% interim dividend, already paid during the year 2013.

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

BY ORDER OF THE BOARD

Ali Sadozai
Company Secretary

Lahore
March 17, 2014

NOTES:

1. Share Transfer Books of the Company will remain closed from April 10, 2014 to April 16, 2014 (both days inclusive) and no transfer will be registered during that time. Share transfer deeds received in order with the Shares Registrar of the Company i.e. M/s Gorsi Associates (Pvt.) Ltd., 2nd Floor, 202-Soofi Chamber, Link Mcleod Road, Lahore at the close of business on April 09, 2014 will be treated in time for entitlement of payment of dividend.

2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy to attend and vote instead of him/her.

3. The instrument appointing a proxy must be received at the Registered Office of the Company at 308-Upper Mall, Lahore, not later than forty eight (48) hours before the Meeting.

4. Shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original 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 bring the usual documents required for such purposes.

5. Members should quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.

6. Shareholders are requested to notify the change of address, Zakat Declaration and Tax Exemption Status with its valid certificate, if any, immediately to our Shares Registrar.

7. 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.

Special Notes to the Shareholders:

8. Submission of Copies of CNIC (Mandatory):
The Securities & Exchange Commission of Pakistan (SECP) vide its SRO 779 (I)/2011 dated August 18, 2011, SRO 831(I)/2012 dated July 5, 2012 and SRO 19 (I)/2014 dated January 10, 2014 has made it mandatory that the dividend warrants should bear the Computerized Identity Card Number (CNIC) of the registered member or authorized person, except in the case of minor(s) and corporate members. Therefore individual members or their authorized representatives who have not yet provided an attested copy of their valid CNICs to the Company/ Shares Registrar are requested to provide the same at their earliest to avoid any inconvenience. The corporate entities are requested to provide their National Tax Number (NTN).

9. Dividend Mandate (Optional):
In order to make the process of payment of cash dividend more efficient, SECP vide its Circular No. 8(4) SM/CDC 2008 dated April 5, 2013 has issued instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. The shareholders may, therefore, authorize the Company to credit the dividend directly to their bank account for all future dividends declared by the Company. Accordingly, all non-CDC shareholders are requested to send their bank account details to the Company's Share Registrar at the address given above. Shareholders who hold shares with Participant/Central Depository Company of Pakistan Limited (CDC) are advised to provide the mandate to the concerned Stock Broker / Central Depository Company of Pakistan Limited.


308
EXIT

About Nestlé

Nutrition has been in our DNA since 1867 when Henri Nestlé developed the first infant food. Today, millions of consumers across Pakistan mirror our emphasis on nutrition, realizing that food choices impact their health and quality of life.

Nestlé Pakistan is the leading food and beverage company in Pakistan. Our key focus is to spread nutrition, health and wellness to our consumers in the remotest of locations throughout the country. We believe in continuing to enhance the quality of people's lives throughout our value chain.

Nutrition has been in our DNA since 1867 when Henri Nestlé developed the first infant food. Today, millions of consumers across Pakistan mirror our emphasis on nutrition, realizing that food choices impact their health and quality of life. Our company's strategy is guided by Nestlé's Corporate Business Principles which are in line with internationally accepted norms and practices.

Nestlé Pakistan Ltd. is a subsidiary of Nestlé S.A., a Swiss company based in Vevey, Switzerland. Registered on the Karachi and Lahore Stock Exchanges, our food processing company has been operating in Pakistan since 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 25 companies of the KSE. In 2013, we ranked second on the KSE in terms of overall revenue. Our existing products grow through innovation and renovation, while maintaining a balance in geographic activities and product lines. We respect the cultures of the regions in which we operate, and recognize the need to improve the quality of life for the consumers in these areas. Our priority is always to bring people the best quality products, keeping in mind their location and age demographic, and in accordance with their needs. This is ensured through our effective marketing and widespread sales and distribution network.

Nestlé Pakistan's centre of operations is in Lahore, with four production facilities across the country. Factories in Sheikhupura and Kabirwala are multi-product, whereas the ones in Islamabad and Karachi are focused on the bottling of water. Nestlé Pakistan takes great pride in its commitment to excellence in product taste and quality. We believe that in order to be successful, we must also create long-term value for our society as well as for our shareholders. We continue to strengthen our value chain across Pakistan by making important contributions to society and going a step beyond by giving value to communities.

Board of Directors
as on December 31, 2013

	Name of Director	Title	Status	Nationality	Term expires
1	Syed Yawar Ali	Chairman	Non-Executive Director	Pakistani	30.06.2016
2	Mr. Magdi Batato	Managing Director	Executive Director (Nominee of Nestlé S.A.)	Swiss	30.06.2016
3	Mr. Pierre Schaufelberger	Director	Non-Executive Director (Nominee of Nestlé S.A.)	Swiss	30.06.2016
4	Mr. John Davis	Director	Executive Director (Nominee of Nestlé S.A.)	New Zealander	30.06.2016
5	Syed Babar Ali	Director	Non-Executive Director	Pakistani	30.06.2016
6	Syed Hyder Ali	Director	Non-Executive Director	Pakistani	30.06.2016
7	Mr. Naveed A. Khan	Director	Executive Director (Nominee of Nestlé S.A.)	Pakistani	30.06.2016
8	Mr. Faïçal Krichane	Director	Non-Executive Director (Nominee of Nestlé S.A.)	Swiss	30.06.2016
9	Mr. Osman Khalid Waheed	Director	Independent Director	Pakistani	30.06.2016

Officers

Magdi Batato
Chief Executive

John Davis
Chief Financial Officer

Ali Sadozai
Company Secretary

Ali Furqan Syed
Head of Internal Audit

Audit Committee

Osman Khalid Waheed — Independent Director
Chairman

Syed Hyder Ali — Non-Executive Director
Member

Syed Babar Ali — Non-Executive Director
Member

Naveed A. Khan — Executive Director
Member

Ali Furqan Syed — Head of Internal Audit
Secretary

Human Resource & Remuneration Committee

Syed Babar Ali — Non-Executive Director
Chairman

Syed Hyder Ali — Non-Executive Director
Member

Magdi Batato — Executive Director
Member

Shahzad Umar — Head of Human Resource
Secretary

Company Directory

Registered & 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

Plot BC/10, 8th Floor, Clifton Diamond,
Block 4, Clifton Karachi.
Phone: (021) 5833935-6
Fax: (021) 35833937

Auditors

K.P.M.G. 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 & 0324-4460109
Fax: 042-37230865

Legal Advisors

Cheema & Ibrahim
Advocates

Bankers

Faysal Bank Limited
Citibank N.A.
Deutsche Bank A.G.
Habib Bank Limited
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
National Bank of Pakistan Limited
Allied Bank Limited
Barclays Bank PLC, Pakistan
Bank Al Habib Limited
The Hongkong and Shanghai Banking
Corporation Limited

Factories

Sheikhupura

29-km Lahore - Sheikhupura Road,
Sheikhupura.
Phone: (056) 3406615-29
Fax: (056) 3406639

Kabirwala

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

Islamabad

Plot No. 32, Street No. 3, Sector 1-10/3,
Industrial Area Islamabad.
Phone: (051) 4445991-3
Fax: (051) 4445997

Karachi

Plot No. A23, North Western
Industrial Area, Port Qasim Karachi.
Phone: (021) 34720152-4

Regional Sales Offices

South Zone

Karachi

F-77/1, Block - 7, Kehkashan Clifton,
KDA Scheme 5, Karachi
Phone: 021-35876770, 021-35876093
Fax: 021-35833937

Quetta

63-B-D, Chaman Housing Scheme,
Opp. Askari Park, Quetta
Phone: 081-2834887, 081-2821243,
081-2823946
Fax: 081-2847797

Hyderabad

House No. 178, Block 'C' Unit 2
Latifabad, Hyderabad.
Phone: 022-3860403
Fax: 022-3863202

Centre Zone

Lahore

3-K, Commercial Plaza,
Model Town Extension, Lahore.
Phone: 042-35916650-2
Fax: 042-35916752

Gujranwala

Habib Bank Plaza,
1st Floor Satellite Town, Gujranwala.
Phone: 055-3733415, 3733243
Fax: 055-3733379

Faisalabad

Ground Floor, Al-Haq Palaza 271-A,
Small D Ground, Peoples
Colony I, Faisalabad.
Phone: 041-8716937, 8555607
Fax: 041-8716823

Multan

Al-Syed House,
Street No. 2, Iqbal Park,
Sabzazar Colony. Bosan Road, Multan.
Phone: 061-6212901 , 6512900
Fax: 061-6212901

North Zone

Islamabad

Plot No. 395/396,
Sector I-9/3, Industrial Area, Islamabad.
Phone: 051-4859300-2
Fax: 051-4859303

Jhelum

House No. 5/155 Sabir Road,
Jhelum Cantt, Jhelum.
Phone: 0544-720004
Fax: 0544-629126

Peshawar

42-D Jalala House, Old Jamrud Road,
University Town, Pehsawar.
Phone: 091-5700859, 091-5842415
Fax: 091-5854454

Management Committee

From Left to Right (Standing)

Faisal Akhtar Rana
Business Manager, Coffee, Milk Modifiers & Cereals

Abdullah Jawaid
Business Manager, Chilled Dairy

Ali Sadozai
Head of Legal Affairs & Company Secretary

Nadji Rekhif
Business Manager, Culinary & Food

Shahzad Umar
Head of Human Resource

Zafar Hussain Shah
Head of Sales (out-going)

John Davis
Head of Finance and Control

Babar Khan
Business Manager, Beverages

Asim Rifat
Country Business Manager, Maternal & Infant Nutrition

Naveed Khan
Head of Technical

Arsalan Khan
Head of Sales (in-coming)

From Left to Right (Sitting)

Samra Maqbool
Head of Communication & Marketing Services

Magdi Batato
Managing Director

Salman Nazir
Head of Supply Chain

Waqar Ahmad Sheikh
Head of Corporate Affairs

Nadia Omer
Head of Nestlé Continuous Excellence

Dr Usman Iqbal Bhatty
Country Business Manager,
Nestlé Waters

Nauman Khan
Country Business Manager,
Nestlé Professional

Roland Stieger
Business Executive Manager,
Ambient Dairy

Human Resource

In 2013, Human Resource focused on strengthening the culture of High Performance, Compliance, Leadership Development & Diversity in Nestlé Pakistan.

In the context of Continuous Improvement, Human Resource played a very strategic role in giving the Company a competitive advantage, especially when it came to opportunities for learning, leadership and growth.

A big leap forward was taken by launching the Evolved Nestlé Leadership Framework across the organisation; this framework helped in bringing clarity on what competencies are expected from each one of us. Awareness sessions were conducted across the organisation to align our understanding on Evolved Nestlé Leadership Framework.

Further initiatives were taken to map and enhance the Learning & Development culture; improved platforms for learning and developing in the new reality were provided through introduction of E-learning, and a wide range of Organisational Development Programme Trainings to select from. Focused efforts to build the Leadership pipeline and place people at the heart of everything we do culminated in the launch of a very well-received Mentoring Programme with timely support and follow up for the mentors and the mentees. This contributed to the blended learning approach for better development of our people.

Additionally, to better compete with the dynamic business environment internally and externally, an initiative was taken to launch a new Management Grading Structure. Utilising our existing structures and strong foundations of role definitions, the exercise consisted of job evaluations, a validation committee and dedicated nationwide awareness sessions for line managers and employees for managing the organisational change.

Following the launch of global Nestlé Total Rewards Framework, specific awareness sessions were conducted amongst the management staff to make them aware of the Total Rewards philosophy and what it encompasses for their engagement and motivation. The communication will continue next year encompassing the whole organisation and deeper awareness of its different elements.

In 2013, HR played a key role in creating conditions across the organisation that supported the Company's Gender Balance & Diversity initiative. The Day Care facility at the Head Office was expanded to accommodate more children whereas a new Day Care was established at the Sheikhupura Factory. At the Head Office, Parking Space was dedicated for female workers.

To enable Nestlé to deliver on its promise to be a responsible member of the community, we developed a platform for employees to give back to society and help improve the lives of the local communities by participating in the Company sponsored Employee Volunteer Programme, "Mashal-e-Rah" .

Action planning for Nestlé Continuous Business Plan (NCBP) and awareness of Employee Relations remained at the forefront of our Operational Master Plan. Employee Engagement was taken up as a driving force through proactive tracking of Nestlé and I Progress Plan and through improving Line Manager Capability.

For Human Resource, 2013 has been a year for maturing Leadership capabilities, increasing avenues for development, and ensuring High Performance and Compliance become our foundations for success. Human Resource intends to sustain this momentum for becoming a strategic partner to our businesses.

Milk Collection and Dairy Development

We continue to focus on the need for greater efficiency in our milk collection activity and have achieved major reduction in internal costs in the field.




The year 2013 was challenging in many ways, due to a reduction in availability of milk and continuing farm inputs inflation. Through sustained effort and hard work with our suppliers, our Agri-Services advisory team met the stringent quality demands of our processing factories and achieved the volume requirements to satisfy our consumers throughout Pakistan. Our suppliers range from small farms bringing us less than 20 litres per day, to our Mega farms which can exceed 30 tonnes of fresh milk per day. They have high expectations of Nestlé Pakistan and our team has been fully involved in developing farmer capacity at every level to meet and exceed their needs.

Dairy Hub

At our base of small farmers we have expanded the work of the Dairy Hub team of mainly female advisors. This is a unique activity in the field, interacting with farmers and their wives to improve farm incomes and facilities in a defined region. The larger Agri-services team of almost 100 veterinarian, agronomists and livestock professionals is working across the Punjab and the northern Sindh area, bringing improved technology and ensuring milk quality standards are met.

We continue to focus on the need for greater efficiency in our milk collection activity and have achieved major reduction in internal costs in the field. Through all of these efforts we strive to deliver real value to our farmers and contribute to their growth both technically and financially. Our many Milk Supply Agents and permanent employees are committed to maintaining best quality product throughout the year, benefiting the entire sector.

Our efforts in farmer training and farm management trials are centred on our two training farms "Sarsabz" and "Sukheki". The investment in these farms by Nestlé Pakistan Ltd has been a unique contribution to the growth of the sector and is one which we are pleased to share with other training institutions and private sector participants. The number of dairy sector participants that have visited or received training in the farms is now well over 15,000 people drawn from government, academic and rural backgrounds. Nestlé Pakistan Ltd has pioneered the introduction of silage, imported dairy genetics and promoted Best Management throughout the shed.

We look forward to building on these achievements in the coming year and extend sincere thanks to 200,000 farmers whose confidence in Nestlé Pakistan has resulted in another successful year for Milk Collection and Dairy Development department.

Supply Chain

Supply Chain continues to actively support end-to-end value chain development. During the year we further strengthened our distributor development by launching Customer Facing Supply Chain.

Despite the business challenges in 2013, Supply Chain has ensured smooth sourcing of materials and supply of products to meet consumer demand. At the same time, we have leveraged Nestlé Continuous Excellence and our LEAN journey to manage our cost to serve. This has been possible due to an engaged high performing team.

We have continued to invest in our capacities and capabilities this year. In March, Mr. Jose Lopez (Executive Vice President Global Operations) inaugurated extension of our Sheikhupura Distribution Centre, which has further enhanced our operational efficiencies and Safety in distribution operations. Safar Bakhair, our Road Safety initiative in collaboration with National Highway and Motorway Police, has now been extended in finished goods transport as well. During the year nearly 200 drivers working for our transport service providers have successfully completed Defensive Driving Training through this institute. In addition to this we have expanded the scope of our Responsible Sourcing commitment and now all our transport service providers are certified.

Supply Chain continues to actively support end-to-end value chain development. During the year we further strengthened our distributor development by launching Customer Facing Supply Chain. We are working in collaboration with our Sales team to optimise our Distributors' operations and their effectiveness. This will ensure sustainability and help us deepen and widen our Sales coverage.

Technical

Nestlé's new framework of Performance Measures was implemented to help factories drive and monitor progress towards Manufacturing Excellence.

In order to cater to the ever growing demand for Nestlé's high quality products, in 2013, the technical division successfully completed several expansion projects in different product categories. At the same time, the Company continued to ensure safety of its people and sustainability of environment.

To boost our efforts to satisfy the consumers, deliver competitive advantage and excel in compliance, Nestlé's new framework of Performance Measures was implemented, to help factories drive and monitor progress towards Manufacturing Excellence. The focus is now to go for Zero Loss in all dimensions: Safety, Quality, Cost, Delivery, Environment and Reliability.

All factories successfully sustained the Nestlé Continuous Excellence (NCE) practices, enabling us to deliver greater value to our consumers. Milk Collection & Dairy Development districts also piloted NCE, which is a first in the whole Nestlé world, helping us to enhance our competitive edge by delivering the right value to the consumers.

In order to drive continual improvement in Safety, Health and Environment (SHE), the Company took the initiative of engaging everyone. Recently a behavioral approach towards SHE has been adopted and an online SHE engagement programme, 'Behavior Based Compliance' was launched across the Market.

Sheikhupura Factory (SKP)

In 2013, Sheikhupura Factory, continued the safe and sustainable journey to achieve excellence in all departments.

The Nestlé Sheikhupura Factory Team also successfully passed the NCE Foundations gate re-assessment which was done by Zone AOA Regional Implementation Support Team (RIST) for Goal Alignment & Leadership Development.

This year a major manufacturing capacity extension was done in the shape of new powder making plant (Egron 2).

It is the latest state of the art technology to produce best quality dairy powder as well as infant formula powder using probiotics technology.

For covering the additional demand of NESTLÉ PURE LIFE, installation of new HOD line was brought into production from 19th April. This new addition in HOD category helped factory to meet and deliver the highest ever demand.

On Retail line, retrofitting light weight bottle project was completed in a period of 5 weeks.

One of the largest industrial Waste Water Treatment Plant has been installed in Nestlé Sheikhupura Factory for the ultimate disposal of Waste Water in accordance with NEQs/EPA compliance.

Kabirwala Factory (KBF)

Sustaining NCE mindset and problem solving techniques helped the Kabirwala factory to deliver cost saving targets and to improve the factory reliability to a great extent. KBF Team was fully geared up and continuously engaged through various DMAIC projects in all categories.

The factory reduced the consumption of water and energy to reduce the environmental impact. Enhanced focus on work environment condition for our employees was maintained through various initiatives.

Providing best quality product to our consumers at a high level of efficiency with lowest possible losses was another major focus area. Trials were conducted and new products launched with a variety of flavours in noodles and powders category.

Various improvement projects were initiated in the factory to support business needs like central oil handling set up, recipe improvement through optimum thermisation, energy consumption reduction and in-house material storage to avoid cost of third party warehousing.

Highlights of the year were the installation and commissioning of a new Confectionery plant, installation of a new dry tipping station, an extension of filling and packing and the construction of a new mosque.

Port Qasim Factory (PQ)

Port Qasim factory is the largest NESTLÉ PURE LIFE production site in Nestlé Pakistan. 2013 was a great success for the site in terms of additional capacity to pack more bottled water. New state of the art Water Treatment Plant, new PET bottling line, new 5 Gallon line, new pre-form manufacturing machine and a complete new setup of industrial utilities are all operational now.

PQ Site is equipped with a blend of fresh and experienced human resource who have the capability to contribute exceptionally for the business. A clear demonstration of it is the achievement of "Best Project Execution Award" in 2013 by Nestlé Corporate Management on account of installation of state of the art Water Treatment Plant with one of the best water recovery ratio of similar category.

Islamabad Factory (ISB)

In the year 2013, Islamabad Factory improved its record of No Loss Time Injury for consecutive 12 years by strengthening Behaviour Based Compliance (BBC) culture and keeping safety as its passion and commitment. ISB Factory successfully passed CARE Audit Assessment this year by ensuring compliance in every discipline.

The factory is successfully sustaining process release for the last five years. It achieved excellent rating in Proficiency test for the 7th consecutive year.

Quality Control

We at Nestlé are proactively anticipating food safety and quality concerns with a farm-to-fork approach to ever delight our consumers.

Nestlé with its roots deeply embedded in consumer satisfaction strategies, has been instrumental to address the ever increasing consumer expectations particularly related to food safety and quality perspectives.

We at Nestlé are proactively anticipating food safety and quality concerns with a farm-to-fork approach to delight our consumers. We are taking onboard our suppliers, contractors, distributors and retailers to effectively control any potential food safety and quality concerns, which leads to increased consumer preference. We are sharing our more than 100 years' experience of food safety, hygiene and foreign body control and pest prevention techniques with our stakeholders across the value chain to develop and train them on similar management systems at their ends. These initiatives are helping to transform quality systems at our supplier, distributors and retailer end thereby safe-guarding consumer safety. To aggressively compete in the global market, we are striving to develop our local supplier communities (which provide sugar, wheat flour, rice flour, spices, salt, fruit pulps, etc.) on food safety aspects.

Strong Quality and Food Safety systems under Nestlé Quality Management Systems (NQMS) and Nestlé Food Safety Management System (NFSMS) together with certification in international standards like Food Safety System Certification (FSSC 22000) & ISO 9001 are playing pivotal role to ensure quality and food safety in our processes. Quality Assurance labs at our manufacturing sites are undergoing accreditation for ISO 17025 which will further help to strengthen authenticity of our product inspection services.

Production of products in line with consumer requirements of sensory attributes like taste, smell, colour etc plays key role in consumer preference. We have been continuously evolving our sensory evaluation protocols to ensure manufacturing of consumer preferred products. In this regard a sensory evaluation tool has been developed locally, which will significantly help to meet consumer expectations.

Nestlé Continuous Excellence

Nestlé's success depends on its people. They make the difference by delivering the Nestlé Model in an increasingly challenging context.

Nestlé Continuous Excellence (NCE) is a key enabler for our people and company to win in the New Reality. It aims to transform Nestlé into a "Lean Enterprise" i.e. an organisation that is agile enough to identify and capture opportunities in this fast changing world.

Strengthening Foundations

We strengthened our foundations of alignment & leadership development best practices by not only sustaining them in operations but also building on them beyond operations. These foundations set the conditions for agility, creativity and entrepreneurship at all levels within a function.

Discipline in Execution

A key priority in 2013 was to foster greater focus on retailing and tighter discipline on execution. The organisation made a strong come back in the second half of the year by making tough choices, rigorous tracking through daily & weekly operational reviews and improvement in problem solving abilities.

Improvement Projects

Overall, twice as many White Belt projects were completed, with savings three times greater than those of the proceeding year (2012). Many other projects that focused on improved productivity were also initiated and successfully completed to increase operational efficiencies in a tough business environment.

Operational Excellence through Consumer & Customer Centricity

During the year, Juices Business, led an operational excellence initiative by understanding the consumer & customer needs and aligning their activities, as a value stream, to deliver on what their consumers & customers really valued.

The Juices Business derived financial benefits in the form of improved operational efficiencies as well as non-financial ones through gains in product quality and cross functional synergies.

Dairy Business followed suit by undertaking a study to understand its consumer and customer better.

These are the first of a series of similar initiatives that we will embark on in 2014 to eliminate waste and drive efficiencies across our Value Chain.

Sales

With the attitude of being brilliant at the basics, the team took robust initiatives to strengthen our forte on both visibility and availability.

2013 posed a wide array of challenges ranging from economic slowdown, deteriorating law and order situation, rising inflationary costs and an uncertain political situation in election year. The stringent pressures severely impacted consumer behavior which resulted in shrinkage of the grocery basket and disruption in buying patterns. Nevertheless, difficult times beget great opportunities for those who dare. Despite all caveats, the sales team continued to innovate and renovate to keep delivering on commitments. Following the philosophy of "less is more" the team optimized its route to market operations for making our products available and visible –'Whenever, Wherever, However'.

With the attitude of being brilliant at the basics, the team took robust initiatives to strengthen our forte on both visibility and availability. Project Marvel was rolled out this year to maximize productivity of the distribution sales force. This offered an efficient automated Order Booking Solution which helped win at the marketplace by saving considerable man hours which are now directed to winning in the marketplace. This initiative is a giant leap in operational excellence using state of the art technology to give an advantage over competition.

Project ICE- "In Call Execution" is another strong initiative for the year where merchandisers were given automated solutions to enhance productivity. This solution helped in monitoring availability of assets and products in marketplace along with creating stronger visibility at point of sale. The tool facilitates in daily tracking and resolution of issues in a timely manner, hence assisting the sales team to provide a pleasurable shopping experience.

Winning With Shoppers – Channel & Category Sales Development (CCSD)

CCSD plays a pivotal role in driving success in the marketplace. This year, through insight driven initiatives and promotions, the team helped deliver profitable growth. The mindset of flawless execution and agility has been the core behind this year's performance. To further the knowledge base on our shoppers, formal shopper immersions were initiated on key categories and channels. The findings were structured and locked into actionable insights as a foundation for next year's plans. This information was also disseminated to all relevant stakeholders to ensure all efforts are aligned to enhance the shopping experience.

Effective channel management has paid dividends this year, the maturity in understanding channels and doing targeted promotions with the right SKU have been the recipe for success. Further initiatives are underway to consolidate learning and shopper understanding for next year.

Championing Delightful Shopper Experiences - Key Accounts

Rapidly growing business of International and local modern trade has been a focal point of the new reality that Nestlé foresees in Pakistan. This channel offers the precise platform to connect with target consumer by offering the perfect shopping experience and also acts as a launch pad for innovation, to capitalize on which Nestlé believes in concerted working affiliation with modern trade customers.

In 2013 keeping in view the philosophy "Customers and Consumers are at the heart of Nestlé", a number of successful "Mega Promotion Events" focusing on Nutrition Health & Wellness, brand building and rewarding our loyal consumers / shoppers were organized in collaboration with International Customers. Considering that Modern Trade is in its early stage in Pakistan, Key Accounts Department is constantly striving towards intuitive point of purchase communiqué, investment in right areas with our associates and working for a common goal of profitable mutual sustainable development as it has helped in instituting Nestlé as one of the preferred business partners

Winning in Adversity – Afghanistan Business

Given the political and economic situation in Afghanistan, 2013 remained a tough and challenging year for Nestlé Pakistan's business. A sharp decline in GDP directly impacted consumer behavior towards daily spending on household. The fact remains that Pakistan is the major partner of Afghani imports and any untoward situation has a direct impact on our business in Afghanistan.

Our primary focus remained on ATL and BTL drives to expand our market coverage and to create awareness among the consumer community as what we deliver has a direct impact on the quality of their life. Media communication, billboards and direct contact with the consumer through sampling of our products, played a pivotal role in minimizing the impact of volatile politico economic condition. For future, we have plans to implement channel wise strategy to create more visibility in trade for our Importers Operations and also apply NCE best practices to minimize waste. We will keep supporting our business partners by doing market segmentation, strengthening the distribution muscle and helping our importers to focus more on retail channel. We are confident that by bringing efficiency in the distribution model of our importer and by enhancing their involvement in our decision making process, it will give us better results for 2014 and years to come.

Finance & Control (F&C) and GLOBE

F&C successfully implemented the Dynamic Planning Framework (DPF) across all businesses in the last quarter of 2013, to further enhance our planning and business decision support.

F&C

During 2013 the Nestlé Continuous Excellence (NCE) journey continued, with focus on Compliance, Leadership Development and the Goal Alignment. Nestlé Pakistan F&C is the third market in Zone AOA to have passed the NCE Foundation Gate in October 2013 and the first function beyond operations within Pakistan.

This capability building and strategic initiative will ensure F&C support businesses "to drive sound business decision making and innovative planning to optimize profitable growth, free cash flow and total return to shareholders".

Business Dynamics in the new reality demands high quality Business Planning. F&C successfully implemented the Dynamic Planning Framework (DPF) across all businesses in the last quarter of 2013, to further enhance our planning and business decision support.

With a zero waste mindset, we also launched many Total Delivered Cost (TDC) saving initiatives. Substantial savings were achieved by elimination of waste across the value chain.

GLOBE

Local GLOBE Organization (LGO) made good progress on the new GLOBE Operating Model "GLOBE One Step Ahead" and our new vision "LGO will become business partner to create competitive gaps by providing consumer/customer focused Business Processes and Solutions".

LGO Pakistan targeted 5 focused areas to improve alignment with the business priorities;

- Improving IS/IT SECURITY & COMPLIANCE and DATA PROTECTION
- Continuing LEVERAGING THE CORE to create competitive gaps
- Support new consumer engagement and innovative business models through DIGITAL SOLUTIONS
- Leverage new BUSINESS ANALYTICS to have 'fit for purpose' reports and analysis
- People Development

Consumer Communication

Our job as the communication team becomes more challenging as we work towards building brands that click with our consumers and delight them at every level.

At Nestlé we believe in keeping the consumer at the heart of everything we do. Thus our job as the communication team becomes more challenging as we work towards building brands that click with our consumers and delight them at every level. This is the team that is present at every step of the value chain, from farm to fork, driving consistent and world class consumer and shopper experiences that contribute to build competitive advantage for our Brands.

The Consumer Insight and Market Research (CIMR) team continued to play a key role by carrying out Consumer Connects, insight studies and insight generation workshops. In 2013, there was renewed emphasis on consumer validation to ensure that we strike the right chord with our consumers. Segmentation studies are also underway for a number of brands which will help in carving out future strategies for our brands.

The Strategic Media Unit assisted businesses in carrying their big ideas effectively across contact points. In order to reach consumers when and where they are most receptive to our communication, we carried out the contact point planning workshops for all pillar brands ensuring that the most optimum media mix is selected for each brand.

Keeping in mind the consumers' increasing interest and involvement in digital media, the Digital Team ensured that Nestlé remained at the forefront of digital marketing. Through digital campaigns for 8 brands, we engaged with 3 million consumers online. The biggest feather in the cap of the digital team was the launch of NESCAFÉ Basement, smartly leveraging digital, generating Earned Media through free blog mentions by virtue of creating 'best in class' sharable content. The latest achievement has been the use of QR Codes on TV for NESCAFÉ, which is a first for Pakistan.

In addition to using mass media touch points, Nestlé Pakistan continued its direct consumer engagement with support from the Consumer Contact Team with an aim to educate and engage consumers.

The Culinary Team, continued its mission of delighting consumers by inviting MAGGI Facebook fans over to the office kitchen for cooking sessions. We also created and shared interesting and different recipes using MAGGI and NESTLÉ ACTIPLUS Yogurt on Facebook. Healthy lunches and dinners showcasing creative use of Nestlé products for international visitors has now become a regular practice.

Nestlé Pakistan has also been at the forefront of Consumer Care through its toll free number 0800-NAATA. Through this initiative we reaffirm our commitment to consumers by listening to their feedback and suggestions. Each call that we receive is handled with the aim to delight our consumers. This year we also launched outbound campaigns for brands, integrated SMS with NAATA, launched trade portal for handling trade complaints and call in programmes for our consumers.

Nutrition, Health & Wellness

Our core aim is to enhance the quality of consumers' lives every day, everywhere by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle. We express this via our corporate proposition 'Good Food, Good Life'

We make Nestlé

The Leader in NUTRITION, HEALTH AND WELLNESS

Nutrition, Health and Wellness (NHW) is Nestlé's strategic direction and a key growth driver. Each of our product category has a specific strategy to ensure that it can be the nutrition leader in its space. Our continuous commitment to NHW is underpinned by our values and principles.

Positive Nutrition

We are committed to increasing nutritional value of our products, as well as to improve their taste. We promote a balanced healthy lifestyle and eating habits.

Moderation

We believe in encouraging variety and moderation of consumption to achieve a balanced healthy diet.

Authenticity and Transparency

We are committed to provide factual and transparent nutrition and health information in all our communication. We always encourage and empower consumers to make informed decisions about their diet and lifestyles. We believe that science and research are the foundation with which we can satisfy the consumer's need for nutrition, variety, taste and convenience.

2013 has been a crucial turning point in our NHW journey and has driven company-wide actions that show sufficient progress against tangible goals and concrete milestones towards our NHW ambition.

We put the consumer & customer at the heart of all we do by building trust in our Brands as the Leading NHW Company:

1. Our People:

   The key to our success as the leading NHW Company is ensuring that we have an internal culture built upon a good understanding of nutrition. Nutrition Quotient (NQ) Programme rolled out in 2007 achieved the first milestone in the market by reaching 100% permanent employees with the NQ Foundation Module equipping them with basics about nutrition.

   The Advanced and Specialist Workshops designed for the product development and communication teams helped them take the next steps towards alignment of the NHW strategies for each business.

Nutri-Pro (Nutrition for Professionals), the NQ expert Course for Nestlé Professionals (NP) Customers has also begun in the market this year. The pilot workshop was well received by key customers of the central region.

Functional trainings are intended for consumer facing platforms to equip teams to provide the right information about Nestlé brands, products and services.

NHW workshops for the Sales teams have been conducted nationwide to take them through the value stream to be better able to understand the competitive advantage of Nestlé products.

2. Our Products & Services:

As the leading NHW Company we enhance lives by offering tastier and healthier food and beverage choices at all stages of life and at any time of the day, helping consumers care for themselves and their families. We call this 60/40+.

The unique 60/40+ Programme drives product leadership and gives our brands and businesses an edge over our competitors.

Nestlé has established a rigorous methodology based on public health recommendations and consumer science. This is called the Nestlé Nutritional Profiling System. 100% of our product portfolio has undergone Nutritional Profiling.

As the NHW leader providing Good Food, Good Life to consumers anytime, anywhere, Nestlé recognizes the significance of micronutrient deficiencies and the unique role that the Company can play by fortifying products with micronutrients in a relevant and meaningful way.

We are now focused on finding the best way to offer benefits that resonate perfectly with the consumer needs and the product category.

We offer our consumer many options. At one end of this spectrum are 'Better for You' food and beverage products with an improved overall nutritional profile. On the other, are products with added proprietary ingredients or combinations of such ingredients that provide specific health benefits, called Branded Active Benefits (BABS). The Nestlé Pakistan Product Portfolio currently offers Calci-lock, Prebio and BL in specific brands.

3. Communication

In 2005, Nestlé successfully introduced the Nutritional Compass® worldwide, helping consumers learn about nutritional value of our products.

Providing useful and easy-to-understand on-pack nutrition information allows our consumers worldwide to better enjoy Nestlé products as part of a balanced diet.

We believe the mandatory Guideline Daily Amount (GDA) labeling and the Nutritional Compass represent major steps forward in further strengthening our commitment to helping consumers make informed choices about their diets.

By introducing GDA for children globally, Nestlé is pioneering child-relevant nutrition information to help care givers make informed choices.


ننھے پیٹ کی
بڑی غذا!
Nestlé
CERELAC


Good Food, Good Life
Nestlé

Ambient Dairy

NESTLÉ MILKPAK

NESTLÉ MILKPAK, the market leader in UHT milk category, ensures milk is protected from grass to glass. As part of its widespread value chain, best quality milk is collected from more than 200,000 farmers across Pakistan, protecting it with utmost care through all the stages; so that the consumer gets the very best in every drop. Today NESTLÉ MILKPAK's rich heritage and Nestlé quality provides the consumer with an age old promise of pure goodness with great tasting milk for the entire family.

NESTLÉ NESVITA

The progressive and modern woman of today is leading a very high pressure and demanding lifestyle. This fast paced journey can easily cause her to ignore her own wellbeing, especially of bone health in adults. NESTLÉ NESVITA Calcium Plus is educating women on the importance of daily calcium intake. The brand strives to inspire and empower urban females by mentoring them to pursue ambitions of their choice, while placing on itself the onus of taking care of their bones. Not just high in Calcium, it has less than 1% fat, giving the consumer the liberty to live an active and healthy life, so that they can carve their own path while moving forward.

NESTLÉ MILKPAK CREAM

Cream is a part of staple diet in the northern areas of Pakistan and Afghanistan. In line with this, NESTLÉ MILKPAK CREAM promotes strong traditional family values that are a rich part of the ethnic consumer's lifestyle. The brand is the leading player in both urban and ethnic markets. It offers a strong heritage, consistent quality and taste, enhancing our traditional family bonds by becoming an ideal companion to cherish each moment.

NESTLÉ NIDO FORTIGROW

Life's successes and failures are largely dependent on the choices we make. A mother wants to impact her child's growth in all the right ways, so as to give her child all the tools to lead a happy, successful life. Thus, a mother's love is reflected best in the choices she makes for her child. NESTLÉ NIDO FORTIGROW comes in as the brand that understands a mother's apprehensions and reassures her that she is not just making a choice but an investment in her child's growth and development. NESTLÉ NIDO FORTIGROW is for children between 5 to 12 years of age and carries a strong heritage in children's nutrition. In addition to having all the goodness of milk, NESTLÉ NIDO FORTIGROW comes with 24 vitamins and minerals to help your child perform well in the classroom as well as on the playing field.

NESTLÉ NIDO 1+

NIDO 1+ is especially developed for children 1-3 years. It is a specialized milk that contains dual action of prebiotics and probiotics along with essential vitamins and minerals. This combination helps keep the child's tummy healthy and contributes to optimum growth and development.

NESTLÉ NIDO 3+

NIDO 3+ is especially developed for children aged 3-5 years. It is a specialized milk that contains probiotics, vitamins and minerals which help support your child's immune system. NIDO 3+ contains Omega 3 fatty acids such as ALA (Alpha Linolenic Acid) that contributes to your child's brain development.

NESTLÉ BUNYAD

NESTLÉ BUNYAD was launched in 2009 for children between 4 to 12 years of age. Every third child in Pakistan has an iron deficiency and NESTLÉ BUNYAD, with its proposition of affordability and iron fortification, has taken on the mission to reach out to mothers of low income households and be their partner in ensuring that their children can achieve the best in life.

Ambient Dairy

NESTLÉ EVERYDAY

Be it the powder or liquid, NESTLÉ EVERYDAY delivers that same great taste in every cup of tea

Tea drinking culture is an integral part of the daily Pakistani life so when it comes to tea, it's about NESTLÉ EVERYDAY. Strongly established as a specialised tea creamer, today NESTLÉ EVERYDAY has not only become the heart of tea but also the heart of every tea lover across Pakistan. "The "KHAAS" taste goes a long way. Celebrate you uniqueness with NESTLÉ EVERYDAY, which gives you a perfect cup of tea every time, bringing out the best in you so you make your mark everywhere, EVERYDAY. A wide portfolio ranging from mainstream to sachets performs equally in mixed tea and separate tea.

Breakfast Cereals

NESTLÉ BREAKFAST CEREALS provide you and your family with wholesome breakfast nutrition. They are convenient, tasty and a nutritious way to start your (and your family's) day. All of our cereals are made with WHOLE GRAINS. Whole grains keep all the parts of the grain intact retaining its natural content of fiber, vitamins and minerals.

Kids Range:

NESTLÉ KOKO KRUNCH is a flagship brand in kids range. It takes kids on the ultimate chocolate experience, which they love.

NESTLÉ MILO CEREAL is a nutritious breakfast cereal. With its great MILO taste, it gives confidence, energy and spirit to succeed in life.

All Family Range:

NESTLÉ CORN FLAKES is a nutritious cereal made with whole grain corn, fortified with vitamins and minerals.

Adult Weight Management:

NESTLÉ FITNESSE is a low fat whole wheat cereal which facilitates you in shaping up your lifestyle. It helps you manage your weight and keep it off as it is made with delicious whole grain flakes and contains essential vitamins and minerals.

Nestlé Juices

NESTLÉ FRUITA VITALS

NESTLÉ FRUITA VITALS is our premium range of fruit juices and nectars aiming to fulfill the need of today's young and dynamic consumers. NESTLÉ FRUITA VITALS juices are made from pulps sourced directly from the best fruit gardens of the world to ensure the ultimate juice experience.

We also made our foray into super premium juice category with the successful launch of Pomegranate Nectar and 100% Orange Juice.

NESTLÉ NESFRUTA

NESTLÉ NESFRUTA is our affordable range of fruit drinks. Launch in 2011 amidst an aura of anticipation, the brand has grown tremendously over the past 2 years.

Light and refreshing, the product is tailored to suit local palette and win against competition.

Beverages

NESTLÉ MILO, due to its unique choco-malt taste and strong association with sports, continues to be a key player in the flavoured milk category.

The success of this brand is largely the result of a cohesive and consistent brand strategy, delivering on the "Healthy Energy" platform.

NESTLÉ MILO contains PROTOMALT, a special malt extract made from malted barley (Jau).

NESTLÉ MILO stands for the everyday victories that lead to lifelong success.

NESTLÉ MILO, being a strong patron of sports, is popular both with kids and adults looking for healthy energy and great taste.

Chilled Dairy

NESTLÉ YOGURT SWEET 'n' TASTY

Delicious taste, nutritional goodness and guaranteed hygiene have made NESTLÉ YOGURT SWEET 'n' TASTY the leading yogurt brand in Pakistan. Launched in 2000, the brand continued to lead the growth of packaged yogurt category in Pakistan, with a strong winning position in consumer taste tests against all major competition. With the goodness of pure dairy, along with active live cultures, NESTLÉ YOGURT SWEET 'n' TASTY offers healthy everyday pleasure when consumed with meals or simply scooped with a spoon.

NESTLÉ RAITA

NESTLÉ ZEERA RAITA was launched in 2004, becoming an instant favourite of the Pakistani cuisine lovers. This was followed by the launch of NESTLÉ PODINA RAITA in 2006, which further strengthened NESTLÉ RAITA's position as a growing brand within our Chilled Dairy Portfolio. With its unique mouth-watering taste, simple convenience and guaranteed hygiene, NESTLÉ RAITA transforms meals into culinary delights, making meals special and gaining appreciation for homemakers.

NESTLÉ ACTIPLUS YOGURT

Many people, especially women, suffer from digestive problems such as constipation. This is caused by an unbalanced diet, some medicines or certain health conditions that decrease probiotics count in intestines. Realising this we launched NESTLÉ ACTIPLUS YOGURT in 2012. In addition to the known health benefits of yogurt, NESTLÉ ACTIPLUS YOGURT contains fiber and probiotics that help keep the digestive system healthy by increasing the probiotics count in the intestines. NESTLÉ ACTIPLUS YOGURT assists a smooth intestinal transit that not only makes consumers feel light and comfortable but also liberates them to give the best to their family.

Nestlé Pure Life

THE HEALTHY HYDRATION BRAND

NESTLÉ PURE LIFE is the world's number one bottled water brand with presence in over 40 countries. Pakistan is the proud birth place of this global healthy hydration brand where it was launched in 1998 and continues to be the favourite healthy beverage option for Pakistani consumers.

NESTLÉ PURE LIFE – GOING GREEN

With the start of the new Port Qasim Factory in Karachi, the brand introduced new bottles that use less PET thus reducing environmental impact.

NESTLÉ PURE LIFE PROTECT

Keeping consumers' nutrition, health and wellness at the heart of all initiatives, NESTLÉ PURE LIFE launched its first fortified water, NESTLÉ PURE LIFE PROTECT, with Zinc that is scientifically proven to support immune system, along with many other benefits.

Culinary

MAGGI is the Pioneer of Instant Noodles in Pakistan. Two generations have grown up enjoying MAGGI Noodles over the past twenty years. In 2013, MAGGI has revamped its three most preferred flavours and introduced them under MAGGI YUMM POWER and the new promise "Maza Bhi Taqat Bhi"; delighting the consumers with (YUMM) better taste and (POWER) the Goodness of wheat with added nutrition of protein and iron. A new popular MAGGI Chatpata flavour has also recently been introduced.

MAGGI has also taken on the mission to reach out to mothers and be their partner in the Goodness of cooking.

So get creative with your child's most favourite veggies or chicken and transform MAGGI Noodles bowl into a delightful and healthy experience.

Nestlé Coffee

NESCAFÉ - the global coffee brand, is synonymous with coffee in Pakistan.

NESCAFÉ is a pioneer in coffee, with generations of loyal consumers throughout the world. We endeavor to continuously delight our consumers through the richness of our coffee and our global expertise in its production.

As the market leader in Pakistan, NESCAFÉ enjoys a high level of brand equity and we expect to continue with this momentum in the years to come. Whether you like your coffee black, creamy, frothy or cold, we have the perfect offering for you.

So enjoy NESCAFÉ to lift your mood and revive your sense!

Confectionery

In keeping with Nestlé's tradition of bringing good food to every part of the world, NESTLÉ CRUNCH was launched in April 2013. NESTLÉ CRUNCH is a great tasting cereal snack made with wholesome ingredients and delicious NESTLÉ chocolate. NESTLÉ CRUNCH is available in two flavours; chocolate & chocolate-orange that will add fun to everyday moments. The launch of NESTLÉ CRUNCH received an immediate positive response from consumers with high trial rates. Manufactured in Kabirwala, NESTLÉ CRUNCH marks Nestlé Pakistan's first step in building a Confectionery business.

Infant Nutrition

CERELAC - Nourishing Generations!

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 as the best weaning option in Pakistan.

NESTLÉ CERELAC was introduced in Pakistan in 1992, positioning itself as the "First step to solid food". Over time it has come to be perceived as the trusted partner of the Pakistani mother. After the introduction of Bifidus BL in the cereals, NESTLÉ CERELAC also extended the benefit of strengthening natural defenses of babies. With the passage of time the brand has built its reputation as the complete food that offers "Big nutrition for small tummies".

NESTLÉ CERELAC understands that each stage of a baby's growth is distinguished and their nutritional needs evolve as they grow. Accordingly, NESTLÉ CERELAC infant cereals are grouped into stages according to the changing nutritional needs of a growing child, providing the right nutrition at each stage.

Last year NESTLÉ CERELAC combined the goodness of cereals with yogurt and introduced CERELAC Yogurt. This offered additional benefits of yogurt on top of the wholesome nutrition from cereals. This product was launched with our PAS award winning campaign, "Chanda Mama".

In 2013, NESTLÉ CERELAC launched a whole new range specifically for one year old babies. NESTLÉ CERELAC for 1 year olds is especially formulated keeping children's growing nutritional requirements in mind. It has the benefits of bigger fruit chunks, multi-grain nutrition with a thicker texture and Bifidus Bl to provide optimal nutrition at this age and also help strengthen child's natural defenses.

It's an exhilarating time to be part of the NESTLÉ CERELAC family. The brand has its eyes set on new heights and extraordinary achievements in the coming years!

Infant Formula* & Maternal Nutrition

LACTOGEN is the flagship brand of Infant Formula for Nestlé Pakistan. The premium infant formula range including NAN continued to offer the most scientifically advanced infant formula formulation. In addition NAN 3 was launched in September 2013 to extend the benefits to children over one year of age. Pediatric specialties range comprising of formulations including AL110, Pre-NAN and LACTOGEN RECOVER continue to provide nutritional solution to infants with specific nutritional requirements.

Nestlé also entered into the maternal nutrition category with MOM&me, a specialised pregnancy and lactation milk supplement for moms & moms-to-be, an effective mean to support maternal and fetal health as well as promote breast feeding, which is our commitment.

**Breast milk is best for babies. Nestlé promotes mother's milk in all its communication to HCPs, infant formula & CERERLAC packaging and all other related material. Nestlé also strictly follows the local code as well as international code for protection of breastfeeding and marketing of infant formulas. This document is part of company information only and may be viewed accordingly.*

Nestlé Nutrition Institute

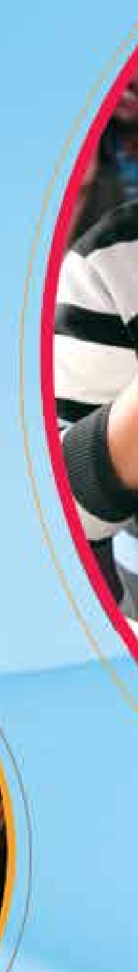
The Nestlé Nutrition Institute (NNI) is a not for profit organisation that fosters "Science for Better Nutrition".

NNI continued its contribution to enhance the quality of people's lives by sharing leading science based unbranded information and education material, with health care professionals only. In this context, scientific symposia were conducted on multiple topics including "Role of Probiotics in Infants and Children" and "Nutritional Management of Diarrhea in Developing Countries". Similarly, Health Care Professionals all over the country were engaged in round table discussions on key nutritional challenges.

Nestlé Professional

Nestlé Professional aims to be an inspiring growth partner for its OOH operators and strives to deliver creative, branded food and beverage solutions, enabling the operators to innovate and delight their consumers.

2013 was a challenging yet successful year for Nestlé Professional with robust volume growth and continuous improvement in the bottom line.
The key contributing factors to the promising results was the business ability to offer a basket of products and solutions that fulfilled the requirements of the OOH operators. This was further enhanced by increasing numeric penetration, improving service levels, working on a strong customer loyalty programme and reaching out to new geographical areas. Even though the rising cost of raw materials and high inflation put the bottom line under extreme pressure, the business was able to respond to those challenges by efficiently managing the portfolio mix and decreasing the cost to sell by adopting innovative ways of reaching out to the customer.



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Nestlé in society

CREATING SHARED VALUE AND MEETING OUR COMMITMENTS IN 2013

Good Food, Good Life

Nestlé in society

Our Focus Areas

Nutrition

- 20,000 children were educated as a part of Nestlé Healthy Kids Programme about their nutritional needs and provided an understanding of the available resources
- Nestlé donated nutritious fortified products to approximately 20,000 children and underprivileged people as they suffer from key micronutrient deficiencies

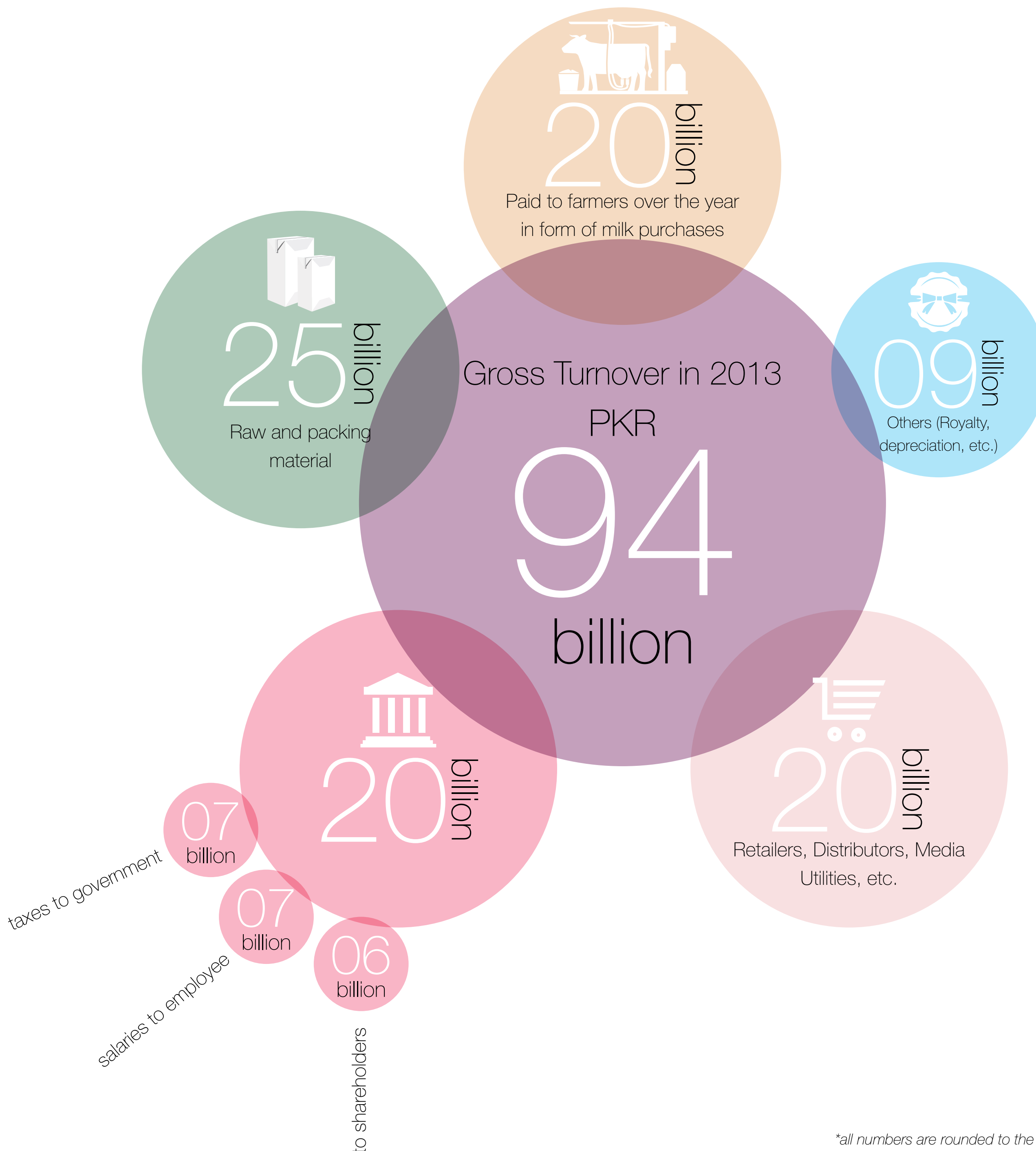
Water

- Through eco-friendly use of our resources, total water consumption per ton of product was reduced and water use efficiency improved by 22% between 2009 and 2013
- 06 operational clean water facilities. Provided drinking water to approximately 30,000 people every day

Rural Development

- Organised 3,300 Farmers' Help Camps, imparting training to around 66,000 farmers
- More than 1,800 small and commercial farmers trained at Sarsabz and Sukheki farms
- In 2013, 1,000 drivers trained under the Drivers Safety Training Programme
- Launched the Executive Certificate in Agribusiness Management (ECAM) in collaboration with LUMS
- In 2013, after the Awaran earthquake Nestlé donated water and liquid milk among the survivors. This product donation also included donations by the Nestlé Pakistan employees which were matched by the company.

Creating Shared Wealth



all numbers are rounded to the nearest integer

Contents

MD's Message

At Nestlé we recognise that our position in society brings with it a lot of responsibilities. That is why running a successful business is not enough. We want to make sure that we do business in ways that help address local and global issues. We identify social issues in the areas of nutrition, water and rural development and link them to our core business value chain to provide a better quality of life for the communities we operate in. At Nestlé we call that Creating Shared Value (CSV).

In 2013, whilst consolidating all the CSV activities that were already in the pipeline, we decided to expand our activities to areas that we had not covered before. We did that to ensure that Pakistan and its people – and therefore we – have a better tomorrow.

Building on our success story in the Dairy sector, where we engage with nearly 200,000 farmers, we launched the "Chaunsa Project" in Multan and Khanewal districts with an aim to help mango growers improve their yield as well as the quality of the fruit.

We also designed and launched, together with the Lahore University of Management Sciences (LUMS), an Executive Certificate in Agribusiness Management (ECAM). The course is meant for professionals who would like to enhance their knowledge of farming and business management. Among the first batch of 36 students, 15 are from Nestlé Pakistan.

Last but not least, I am proud to share with you that we launched our Employee Volunteer Programme, Mashal-e-Rah . Through this programme, our employees have the opportunity to contribute positively to the local community. The programme, like the rest of our CSV initiatives, focuses on nutrition, water, and rural development with an emphasis on nutrition, health and wellness (NHW), education and hygiene.

In addition to these new initiatives, we continued to teach school children about their nutritional requirements under Nestlé Healthy Kids Programme. Nestlé-NH&MP Drivers Training Institute carried on with driver trainings to make the community safer and dairy farmers kept on benefitting from the various dairy projects that we run.

I thank you all for your contributions in 2013 and will rely on all of you – employees, shareholders and stakeholders – to make 2014 a successful year for the Company as well as the society.

Magdi Batato
Managing Director, Nestlé Pakistan


THANK YOU
NESTLE

Nestlé believes in Creating Shared Value (CSV) for the communities in which it operates. CSV is embedded in Nestlé's business model, under which direct engagement and support are extended to communities across the value chain.

In a developing economy like Pakistan, where more than 60 percent of the population lives in rural areas, there is a huge potential for rural development. Companies like Nestlé are adding value to the lives of rural communities by improving their quality of life, especially in socio economic terms.

Nestlé Pakistan is also a signatory to United Nations Global Compact for Ethical Business. Ethical business practices, transparency and consumer trust remain the hallmark of the core business; our high quality products that are defined by a focus on Nutrition, Health and Wellness.

Nestlé Pakistan, as part of its global and local obligations, believes in Creating Shared Value (CSV) for the communities in which it works. Our social responsibility does not end with a few philanthropic activities. Instead, CSV is embedded in Nestlé's business model, under which direct engagement and support are extended to communities across the value chain. This, we believe, adds value to the communities' business and socio-economic development. The company is also committed to ensuring inclusive growth and sustainability of resources for its stakeholders as well as the community.

The company supports initiatives such as farmer development programmes, school refurbishment, safety training programmes for drivers, academic and university for research and development programmes as well as scholarships in the fields of agriculture, livestock and food sciences. Furthermore it extends help to disadvantaged people and underprivileged women, imparts vocational training, and runs other programmes focusing on youth development and socio-economic development.

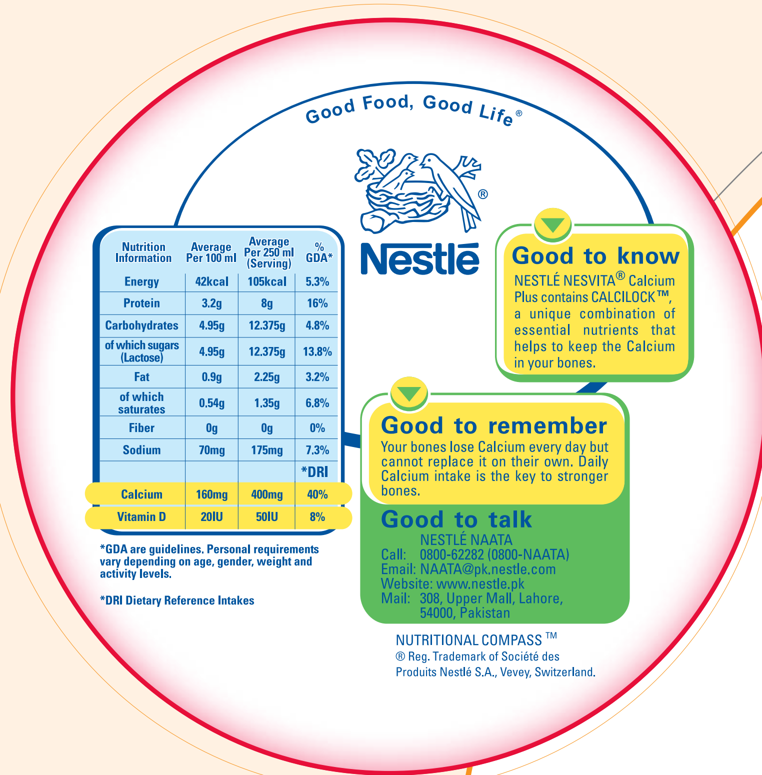
The key focus areas for Nestlé Pakistan's CSV programmes are as follows:

- Nutrition
- Water
- Rural Development

Nutrition

Nutrition, Health and Wellness: our values

Nestlé prides itself on being the leading Nutrition, Health and Wellness company. Our products and brands are the flag bearers of our values. We build our nutrition credentials with continuous research and development and are committed to creating nutritional awareness among our consumers.



Fortified products

Nestlé is committed to reduce micronutrient deficiencies in Pakistan by fortifying products with essential micronutrients.

Awareness to consumers through packaging

The Nestlé Nutritional Compass, that appears on 100% packs in Pakistan encourages and empowers consumers to make informed choices about their diet for a balanced and healthier lifestyle.

Nutrition Support Programme

The company engages in community support projects such as the Nutrition Support Programme for underprivileged schools and disadvantaged people, particularly women. We provide milk to underprivileged schools and other welfare institutions as part of the programme. The company also runs awareness and education programmes on nutrition for both children and teachers at partner institutions.

Nestlé Healthy Kids

Nestlé Healthy Kids (NHK) is a global CSV initiative. The NHK programme in Pakistan aims to create awareness about the importance of good nutrition for school going children in urban, suburban and rural areas of the country.

Nutrition Support Programme for Underprivileged People

40 such institutions – that include Fountain House, Marie Adelaide Leprosy Centre and Mountain School – have been supported under the initiative.

Nestlé Pakistan regularly provides company products to schools, situated in urban, suburban and rural areas across the country, where parents are unable to fulfill the nutritional needs of their school-going children.

Product donations are also made, on a regular basis, to old age homes and NGOs – that support destitute women – and social welfare organisations that focus on sports, culture, special children and the disabled. 40 such institutions – that include Fountain House, Marie Adelaide Leprosy Centre and Mountain School – have been supported under the initiative. More than 20,000 children have benefitted in addition to hundreds of underprivileged women in shelter homes.

Miracle School Story

The children who study at Miracle School are unable to afford a healthy meal a day. It was to address this concern that the Miracle School sought Nestlé's help. The company provides each student with a daily serving of milk.

It started out in 1999 as a one-classroom school in an apartment at the edge of a colony in Model Town, Lahore, for orphans and children of families who cannot afford to send their children to school. The brainchild of Rubina Ramzan, Angela and Arthur that started out with 57 kids now caters to 400 children. The Miracle School has also initiated an outreach programme in Kasur, where the number of students currently stands at 200.

The children who study at Miracle School are unable to afford a healthy meal a day. To address this concern, the Miracle School sought Nestlé's help. The company provides each student with a daily serving of milk. Although the school cannot provide them with a meal, the administration says that regular intake of milk provides children some of the nourishment they need.

Nestlé Healthy Kids Programme

Nestlé Healthy Kids Programme is a CSV initiative that the company runs globally. It was launched in Pakistan in 2010.

In 2012, we made 30,000 students part of the programme in collaboration with Care Foundation. As many as 90 teachers were trained about Nutrition along with 100 mothers. All schools that were part of the programme have, designated spaces in their buildings as 'Healthy Kids Rooms/Corners'. The Healthy Kids Team also organised 3 Healthy Kids and Wellness days.

In 2013, we reached out to an additional 20,000 children who were taught about their nutritional needs and an understanding of the available resources to cater to those nutritional requirements. We extended the outreach of the programme by roping in new partners like Silver Oaks, a Rawalpindi-based school system.

A new curriculum was also introduced. Two books (in both English and Urdu) targeting different age groups were designed; Book I is for children from 6 to 12 years of age and Book II is for children aged between 13 and 16.

Nestlé Pakistan has plans to expand the programme significantly in the coming years.

Making Eating Habits Healthier

When Mohammad Iqbal and Zeenat Bibi first learned about the Nestlé Healthy Kids' Programme at the Care Foundation School, in Sheikhupura District, they weren't sure how it would help them or what it would teach them and their children. Like all responsible parents, they thought they knew everything there was to know about eating three meals a day.

It was only when their four kids – Taimoor, Mishal, Hassan and Naimal – altered their eating habits and started educating Iqbal and Zeenat about the importance of a healthy diet that they realised the Nestlé Healthy Kids Programme was changing their lives for the better.

For Taimoor, the most important thing the siblings learned during the course of the programme was about their nutritional requirements. In addition, the four of them received books that told them why it was essential to eat balanced meals and what constitutes such meals. *"My siblings and I, we help Amma out in the kitchen every day now because we can teach her what we learn about healthy and nutritious food in school,"* explained Taimoor.

"I am careful about what goes in the food I prepare because I want the meal to be nutritious," says Zeenat Bibi, who has no shame in admitting that she learnt a lot while her children were working on school projects for the programme. Thanks to the children's participation in the Nestlé Healthy Kids Programme, the family is now mindful of their meals and prefers hot, fresh and thoroughly cooked food instead of cold, stale and over or under cooked meals.

Zeenat was so intrigued by what her children taught her that when the programme was extended to include mothers and teachers, she became a part of it.

"Thank you Nestlé for helping me become a better mother by teaching me about good eating habits and food. I plan on sharing this knowledge with other members of my family so that I can change their lives… the way you changed ours."

Water

Water and environmental sustainability are areas which every corporate citizen and individual must pay attention to. Nestlé continues to support initiatives aimed at addressing these two concerns, both at business and community levels. Nestlé considers itself a water steward and is leading several endeavors which place it amongst the most responsible users of this scarce resource.

The company continuously endeavors to improve its processes and systems to reduce its water foot print and also engages with the community and external institutions to support water and environmental initiatives.

The three key areas where Nestlé Pakistan focuses when it comes to water and environmental sustainability are:

01 Continuous improvement in our processes and systems to reduce our water and carbon footprints; each year has to be better than the previous one.

02 Provision of clean drinking water facilities in selected underprivileged communities living around our value chain.

03 Engagement and support for research and dialogue with external institutions on issues related to water and environment.

Environmental Sustainability

Eco-efficient use of resources and zero waste throughout the Value Chain is part of the Nestlé Spirit.

Vision for Nestlé

Following Nestlé's global commitment, Nestlé Pakistan encourages environment-friendly business activities. Endeavouring to achieve the least possible environmental impact throughout its operational stages by complying with environment laws and regulations.

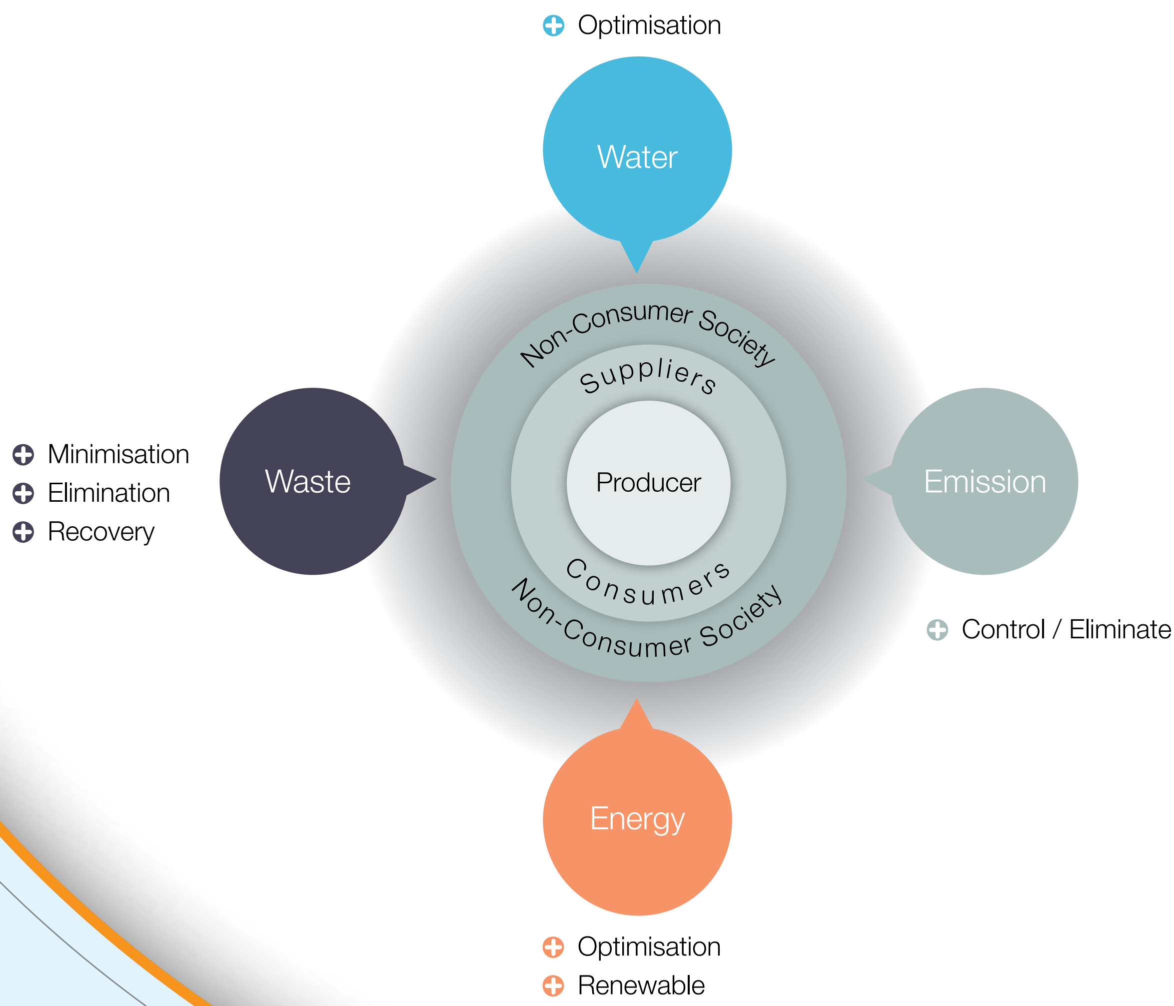
To determine the influential phases in a product lifecycle we interpret results from EcodEX, PIQET study and LCA study. Consequently a comprehensive action plan has been formulated to minimise identified environmental impacts.

Mission for Society

The success of our business is only possible if the society is prosperous. To achieve prosperity, Nestlé follows our principles of 'improved environmental performance' and 'safety and health of employees'. This is assured throughout the value chain, from farm to fork.

Ambition for Environment

Nestlé is working towards increased environmental sustainability by following eco-friendly practices, starting from the stage of operational planning. We are trying to increase production while minimising resource consumption, waste and emissions. Factories of Nestlé Pakistan are in full conformance with the requirements of ISO 9001, 14001, OHSAS 18001, FSSC 22000 & NQMS. All industrial units in Pakistan are fitted with testing and monitoring equipment and services for waste and air emissions.



Energy Savings:

Annual Savings of More Than

35 Million Kwh

Across Nestlé Pakistan – Enough To Light Up

900 households

of Pakistan Annually.

Energy Conserving Proficiency

Our energy consumption has reduced by 8% per tonne of product since 2009.

200 Cu Mt

Bio Gas Plant Installed at

Sukheki Farm

– Nestlé Pakistan

Solar and Bio-Gas Energy

Pakistan is experiencing an energy crisis; there is short fall due to almost a 50% reduction in power generation capacity of dams. Nestlé Pakistan has taken a number of measures to find alternative energy resources for its operations.

Solar Energy (Electricity Generation and Water Heaters)

Nestlé Pakistan has a huge set up of Milk Collection across Punjab and Sindh. Collected milk is chilled at chillers installed in the field. The shortfall of energy, frequent interruptions and cutting off of power supply can affect the quality of the milk so backup generators have been provided at each milk collection centre.

Nestlé Pakistan installed

- Hybrid Solar panels at three of its milk collection centres, which generate 11KW of energy, with an investment of PKR 10.5 million.
- 15 to 20 solar energy units, with a capacity of 5-6 KW each, at its milk collection centres.
- In the last few years we have also installed 1,450 solar geysers for heating water at our milk collection centres across Punjab.

Water Operational Efficiency

Between 2009 and 2013, total water consumption per ton of product was reduced and water use efficiency improved by 22%.

Nestlé Pakistan is aiming at waste water reduction by having pronounced water treatment systems, recycling and reusing practices.

Waste Water Treatment

Effluents dumped into water bodies cause surface and groundwater pollution, which endangers biodiversity, the health of the people and other ecosystems. The value of chemical oxygen demand (COD) for NEQS is 150 mg/l for wastewater whereas Nestlé is treating its wastewater with great efficiency resulting in COD of just 70mg/l.

Water Savings:

Around

300,000 m^3

on an Annual Basis – Enough To Fill an Olympic Size Swimming Pool 120 Times or to Meet the Annual Water requirement of 42 Households of Pakistan

Major Energy and Water Saving Initiatives

2013 ended with the following major energy and water saving initiatives:

125,156
GJ of Energy Saved

01 Electrical Generation & Supply Management

As much as 125,156 GJ of energy is saved per annum:

- Improving Generator yields through proactive maintenance and capacity optimization.
- Best utilization of resources and energy mix (WAPDA, HFO, LFO & Gas).
- Shifting critical load to non-critical reducing use of expensive mixing combination and making the flexibility to run all the main Generators with Critical and Non-critical load bank.

40,200
m^3 water saved

02 Cow Water Recovery from Egron 1

374,307 kWh have been saved in energy and 40,200 m^3 worth of water has been saved annually.

3,500
kWh energy saved per day

03 DMAIC Project

Energy savings totalled 3,500 kWh per day. Its publication in MES E&A Glance-4 (Nestlé Global) is an honour for Nestlé Pakistan.

172,046
kWh energy saved

04 ICE Water

Ice water was replaced with chilled water resulting in an annual saving of 172,046 kWh.

155,520
kWh energy saved

05 Light Optimisation

Installation of LED lights ensured saving 155,520 kWh annually.

3,650
kWh energy saved

06 Sunlight sensors

An annual saving of 3,650 kWh has been achieved by installing sunlight sensors in factory supply chain warehouses.

30%
reduction

07 Air leakage

Nestlé Pakistan is looking to reduce compressed air leakage by 30%

Road towards Environmental Sustainability

Nestlé Pakistan's 2013 Environmental Performance

	Energy Consumption	Water Consumption	Waste To Environment
Reduction from 2012 till 2013	8%	4%	62%
Positive Environmental Impact			
Per tonne of production 2013	1.9 GJ	3.14 m3	2.2 kg
Targets for 2014 (reduction per tonne)	3%	4%	5%

Environmentally Responsible Distribution

For efficient and environmentally responsible distribution Nestlé optimises route planning across all our operations. We are delivering more volume with less kilometres travelled. We have taken the following steps to ensure environment friendly operations:

- Optimising vehicle capacity utilisation
- Route optimisation
- Phasing out HFCs appliances and applying efficient natural refrigerant is another strategy for eco efficient distribution.
- By introducing multi-drop and cross dock model
- Use of bigger capacity vehicles i.e. 40ft, 50ft and double decker Eco Liners
- By applying LTT (Logistic Trade Term) in South Zone – Elimination of 6 Wheeler (smaller capacity vehicles) and increasing bigger sized vehicle.

Packaging Achievements

Being aware of the environmental impact, Nestlé Pakistan continues to work on reducing and improving its packaging materials. This not only helps in the reduction of our environmental footprint but also helps to improve cost effectiveness, resulting in benefit for consumers.

Packaging Achievements

2008

- Yogurt 450g size cup weight reduction 9%

2009

- Closure sleeve height reduced 10%
- Nestlé Pure Life shifting from cartons to shrink wraps 77% weight reduction

2010

- Shrink film thickness reduction to 14%

2012

- 20% weight savings is achieved in PET
- PVC neck sleeve is also discountinued

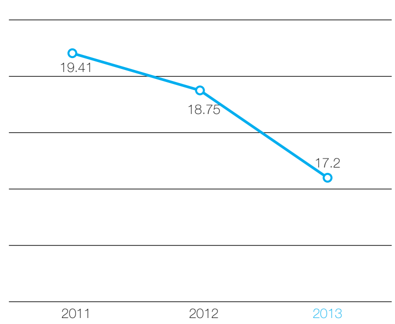
2013

- Change in cereal case grammage

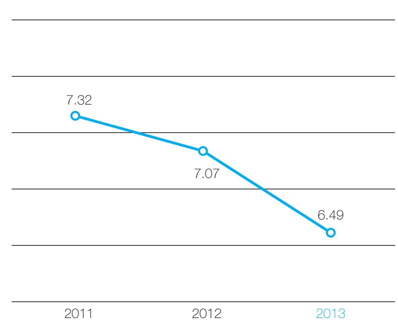
Company Performance 2013

Milk Distribution Statistics

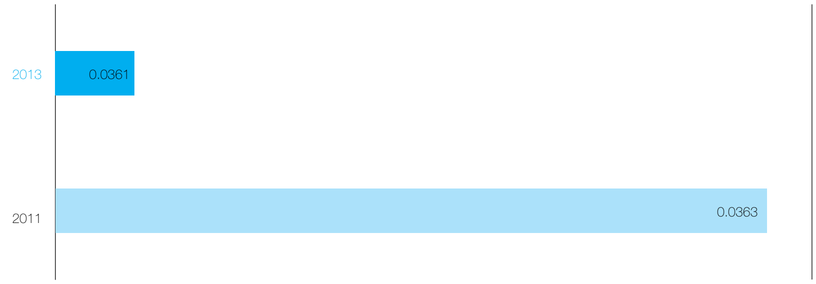
CO$_2$ Equivalent
Million kg



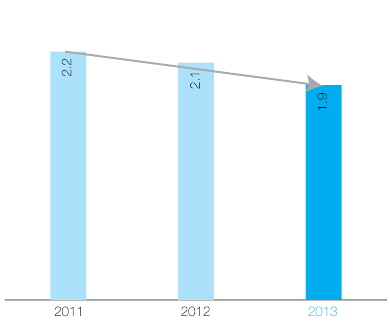
Litres Diesel
Million Litres



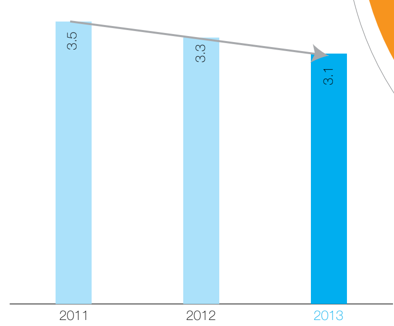
CO$_2$ Equivalent
Million kg



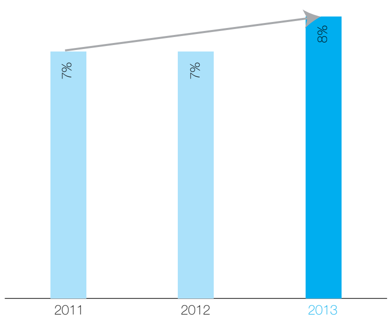
Energy Consumption
(GJ/ton of production)



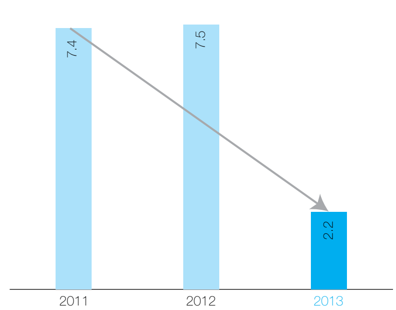
Water Consumption
(m^3/ton of production)



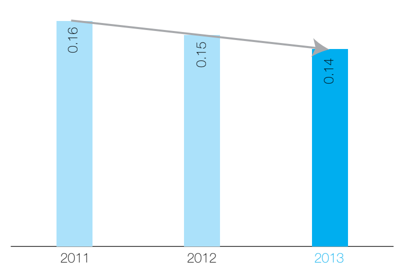
Water Recycled and Reused
(% of total consumption)



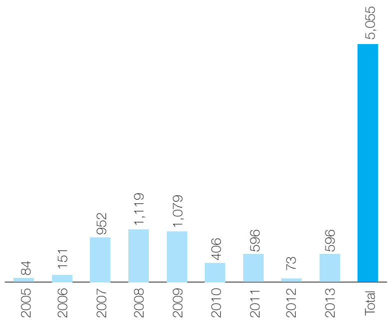
Waste Generation
(kg/ton of production)



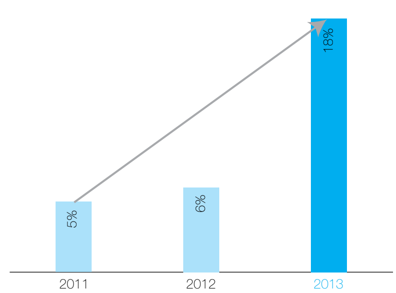
Total CO_2 Emission
(kg CO_2 eg. / ton of product)



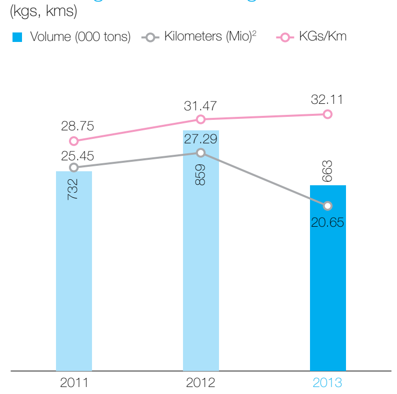
Packaging Resource Reduction
(tons)



Recycled and Reused Material
(% of material used in Packaging)



Delivering More Travelling Less
(kgs, kms)



Rural Development

Rural development is one of the integral pillars of Nestlé Pakistan's CSV mandate.

The CSV commitment to rural development is our biggest area of focus. As part of our programmes we interact with communities, particularly farmers who are part of the dairy value chain, and equip them with tools necessary for sustainable dairy farming.

We also work in other areas where we focus on socio-economic development activities to improve the quality of life of people living in that vicinity.

Nestlé Pakistan operates two model training and demonstration farms at Sarsabz and Sukheki. Experts and professionals from Nestlé Agriculture Services Department provide training – theoretical and practical – to dairy farmers and livestock workers. The objective of the training is to increase milk production and income, alleviate poverty and to ensure a better life for the farmers.

The company also runs farmers' development programmes on an ongoing basis.

> "I cannot thank Nestlé enough for giving me the opportunity to explore a whole new world and make a whole new life for myself and my family."

Improving Rural Livelihood

When Nawaz Cheema got involved with the Nestlé Dairy Development Programme in 2010, little did he know that it would change his life forever. A small-scale farmer from Kot Ishaq district, Hafizabad, Cheema reared a few animals on his farm. He was largely dependent on agriculture as his primary source of income which remained inconsistent given the vagaries of weather. Even the animals he reared didn't exactly turn out to be the cash cows he had hoped.

It was the Nestlé Milk Collection Dairy Development staff that persuaded him to invest more time and resources into dairy farming, and explore the possibility of taking it forward as a business venture. *"It was with their help that I constructed a shed and learnt about getting the maximum benefit out of my animals,"* adds Cheema. For this purpose, he also took a loan from a local bank – which Nestlé facilitated – and purchased some 40 animals. The results, he says, were satisfactory and soon he was able to acquire 20 more.

Fast forward three years later, Cheema is a successful dairy farmer who makes enough money now to send his children to a private, English-medium school, buy a car and renovate his house. *"Today, I have 100 adult animals and 20 heifers, and a milk production of 700 litres per day. The cash flow in dairy farming is quite fast. I get paid every week while for cash crops, I would have to wait for six months,"* Cheema explains happily. In fact, his business is thriving to the extent that he has also employed six other people to manage his farm for him.

But it's not just the money that Cheema is happy about – it is also the quality of milk being produced at his farm. His animals are free from disease and are being reared in a safe, hygienic environment, thanks to Nestlé's relentless efforts.

Milk Collection & Dairy Development (MCDD)

In 2013 alone, Nestlé Pakistan procured nearly half a billion litres of milk from farmers and made a payment of approximately PKR 20 billion.

Nestlé's Milk Collection & Dairy Development (MCDD) department was established to work with the farmers in the field in order to create awareness about better farm practices and management of their dairy businesses. Today, Nestlé MCDD is operating in rural communities through 40 main and 3,200 sub-centers where free awareness-raising materials and informal trainings are provided to farmers along with collection of milk facilities.

In 2013 alone, Nestlé Pakistan procured nearly half a billion litres of milk from farmers and made a payment of approximately PKR 20 billion. We also organized 3,300 Farmers' Help Camps, in 2013, imparting training to around 66,000 farmers. More than 1,800 small and commercial farmers were trained at Sarsabz and Sukheki farms in 2013. We helped improve milk quality for 17 CFM (Concentrate feed mills). These units now provide compliant dairy feed (<20 ppb (parts per billion) AF (Afla-Toxin) B1) to farmers, which has had a positive impact on the health of the cattle as well as the quality of milk produced by them.

Dairy Hub

Dairy Hub is a community-based development project being run by rural women under the umbrella of MCDD. The programme is based in Mian Channu and Kasur areas. The purpose of this project is to help small farm holders – with local variety of cattle – increase milk production and control costs. Capacity building was achieved through simplified trainings and awareness campaigns about

- Animal feeding
- Animal breeding & health
- Farm hygiene & milk quality control
- Disease prevention & control
- Data Collection

Nestlé – DRDF Dairy Project

Nestlé Pakistan is playing a valuable role in continuously triggering new interest in dairy farming businesses, which result in the desired quantity and quality of fresh milk.

The Dairy Project is a joint effort of Nestlé Pakistan and the Dairy and Rural Development Foundation (DRDF). It aims to enable a sustainable increase in dairy and livestock productivity through adoption of best dairy farming practices, breed improvement, availability of timely extension services, and promotion of livestock businesses. The three-year Dairy Project (July 2011- July 2014) is being implemented in all four provinces, with the major focus on Punjab.

Nestlé contributes to the Dairy Project through the provision of technical support and has dedicated two dairy farmer training centers – Sukheki and Sarsabz training and demonstration dairy farms – to the project.

The Dairy Project's overall targets achieved are:

- Training of 9,000 dairy farmers and 100 farm managers to improve prevalent dairy farming practices for increasing livestock productivity and enhancing incomes of rural households.
- Training of 2,000 unemployed rural youth to establish them as self-employed entrepreneurs working as Artificial Insemination Technicians (AITs).
- Training of 5,000 educated rural women to become skilled Women Livestock Extension Workers (WLEWs).
- Implementing a mass awareness campaign to increase awareness about best dairy farming practices.

By providing access to its model dairy farms, Nestlé Pakistan is playing a valuable role in continuously triggering new interest in dairy farming businesses, which result in the desired quantity and quality of fresh milk. The model farms demonstrate best dairy farming practices such as silage-making, calf-rearing, free access to drinking water, animal nutrition and feeding, which when translated into the Dairy Project's farmer trainings, produce optimum awareness for the project's associated beneficiaries.

The training has, overall, created 5,600 new jobs for unemployed rural youth and has successfully served farmers in more than 5,000 villages. Best practices have been adopted by 80 percent of the project-trained farmers.

"I visit new places and meet different people to improve my understanding about dairy animals. I am extremely grateful that the Nestlé-DRDF Dairy Project has opened up this avenue for me."

Dairy Project Success Story

Kiran is a 19-year-old girl who has a family of seven, including four sisters and a brother. After completing her matriculation, she wanted to study further but due to financial constraints could not do so. When her father fell sick, the responsibility of providing for her family members fell on her and her elder sister's shoulders.

When Nestlé-DRDF Dairy Project's team visited Kiran's village and told the residents about the Women Livestock Extension Workers (WLEW) training, she immediately enrolled herself. *"I signed up for the training because I knew it would benefit my family by increasing my income and also help my community. I learnt about basic animal health care and developed related skills such as deworming and vaccinating dairy animals"* Kiran says.

After the successful completion of the training, Kiran put her newly acquired training to use, going door-to-door spreading awareness about the importance of getting cattle vaccinated. She also inspected the quantity and breed of the animals in her village and provided consultation to a number of farmers about the health of their animals.

Her average monthly profit is PKR 7,000 ($70). *"My earnings give me a great sense of accomplishment and I use them to support my family. My father had a heart surgery and my savings enabled him to be get medical treatment… I also pay for my younger sibling's education."*

In the future Kiran hopes to study more about animal health care and management. The young woman who was made to stay at home after her matriculation now believes that women should not be confined to their homes.

Education Support Programme

Nestlé Pakistan aimed at improving the existing research facilities at the universities, making the infrastructure better and motivating students to pursue higher studies through provision of scholarship to competent and needy students.

Nestlé Pakistan has been, for years, extending support to improve existing academic facilities for Research and Development (R&D) in the dairy sector as well as student support programs at the following institutions:

- University of Agriculture, Faisalabad
- University of Veterinary and Animal Sciences, Lahore
- Bahauddin Zakariya University, Multan
- Lahore University of Management Sciences
- Forman Christian College, Lahore

Student support programmes include the following:

- Merit Scholarships/ Funding for B.Sc, M.Sc and Ph.D programmes
- Industry Internship Programme
- Nestlé Medals for High Achievers

Nestlé Pakistan aimed at improving the existing research facilities at the universities, making the infrastructure better and motivating students to pursue higher studies through provision of scholarship to competent and needy students. Apart from promoting knowledge and enhancing existing research facilities, Nestlé Pakistan promoted research activities by patronising research and development projects strengthening Public-Private partnership.

In order to strengthen industry-university relationships, Nestlé Pakistan offers internship programmes for students of partner universities, to help develop skilled human capital. Some of these students have and continue to be employed by Nestlé Pakistan, based on their performance and technical knowledge gained during the internship period.

Peerano Goth

Nestlé Pakistan rebuilt the Government Primary School at Peerano Goth, a village located near the Port Qasim Water Factory, Karachi in 2012.

The Village Woman Becomes an Agent of Change

Young and ambitious Khalida had always wanted to give something back to Peerano Goth and the community she lives in. The village near the Port Qasim Factory is where she was brought up and studied. The best way to 'pay it forward' was to teach at the village school. But that seemed difficult when the government primary school at Peerano Goth closed down.

"Initially, the village school at Peerano Goth did not have a building and classes were held under a tree where every morning the children of the village would gather and the headmaster would give a general talk. On days when the head master was absent, someone else from the village would take his place," says Khalida.

Now 24, and working towards a B.Com degree as a private candidate while volunteering at the Peerano Goth school, Khalida finally feels that she is one step closer to bringing about a change in her village.

"Ever since the school was rebuilt, I feel hopeful that the lives of the people in my village can improve. Thanks to the initiative by Nestlé, education is accessible now," she says, *"More children now spend time at the school, learning, instead of playing in the mud."* Following Khalida's footsteps, her two sisters also teach at the school.

Khalida is hopeful that the school will be upgraded to a middle/ secondary school and will offer technical/ vocational training to the youth and adults of the area in the coming years.

"Nestlé Pakistan has invested not only in one building, but in the future of an entire village."

Driver Safety Training Programme

Nestlé Pakistan in collaboration with the National Highways and Motorways Police (NH&MP) established the first drivers' training institute in 2007 near Sheikhupura to make the community safer.

The Nestlé-NH&MP Drivers Training Institute is a fully equipped training facility that has been providing training under the supervision of experts, not just to the drivers at Nestlé Pakistan and NH&MP, but also caters to drivers of other public and corporate organisations of the country.

The facility features a safety training track, two training blocks comprising classrooms and a high-tech driving simulator. Participants can now acquire specialised driving skills to help curb accident rates.

As proof of Nestlé's commitment to safety, 500 more company drivers were trained at the institute in 2013. This brings the total number of drivers trained under the Drivers Safety Programme to more than 14,000 drivers, including over 2,700 Nestlé drivers.

Aside from providing professional and economic benefits, the training programme has also resulted in a positive social impact, not only on the drivers but also on their families and the communities they live in.

Making Communities Safer

The streets of Sheikhupura may not be the best in the country but they are certainly one of the safest thanks to Nestlé's collaboration with the NH&MP. The school serves as a top-notch drivers' training facility for truckers and motorists in Sheikhupura.

Those who ply the roads in Sheikhupura couldn't be happier because they feel they've learnt a great deal from this facility. *"I am careful with how I drive my vehicle now,"* says Nestlé driver, Mustafa. *"I used to be reckless before but Nestlé has taught me how to be a safe driver so that I don't endanger my life as well as the lives of others,"* he adds.

The training provided at Nestlé NH&MP institute has not only helped Mustafa and many others like him become better drivers, but has also enabled them to reap monetary benefits. *"Ever since I started driving carefully, the company gave me a raise. That was a bonus,"* says a beaming Mustafa.

"Now I am a responsible driver and I hope to teach the same to my family members and friends. Thank you Nestlé for teaching me how to drive safely,"

New Initiatives

Chaunsa Project

Nestlé Pakistan, in 2013, partnered with Australia-Pakistan Agriculture Sector Linkages Programme (ASLP) for a pilot initiative which will support mango farmers in southern Punjab.

In the initial phase of the endeavor – titled Chaunsa Project – farmers in Multan and Khanewal are trained about best farm practices to help increase the yield and improve the quality of Chaunsa mangoes.

The long term vision for the Chaunsa Project is to take Nestlé's principle of Creating Shared Value (CSV) and support small farmers, through responsible sourcing of mango pulp and development of linkages with Nestlé's value chain. This way the small farmers will have better access to markets where they can sell their mangoes at competitive prices, and the company can continue to improve livelihoods of rural communities across Pakistan.

Through the partnership, Nestlé and ASLP will carry out training and capacity building in a number of areas, including pre- and post-harvest horticulture, plant propagation and varietal assessment. As a result, small farmers are now able to take advantage of new opportunities in the mango farming sector, including canning, pulping and exporting.

"The 'Chaunsa Project' is yet another example of how Nestlé creates shared value in the communities it works in. By enhancing the quality and improving the yield of Chaunsa mangoes in the market, Pakistani consumers buying our products will directly impact the livelihoods of small farmers in the Nestlé value chain."

Mr. Magdi BATATO,
Managing Director of Nestlé Pakistan

The Executive Certificate in Agribusiness Management

Nestlé Pakistan in collaboration with LUMS, launched an Executive Certificate programme aimed at creating a cadre of competent and skilled professionals in the agribusiness sector. Nestlé Pakistan is committed to supporting and promoting the development of competent agribusiness professionals as part of its CSV initiatives. The Executive Certificate in Agribusiness Management (ECAM) is built around a series of short duration modules covering key disciplines of management with contextual relevance for agribusiness and the challenges currently facing the sector.

The ECAM programme underscores the importance of the agriculture sector to the health of the economy. Agriculture contributes 21% of GDP and employs 44% of the workforce. The sector is pivotal to robust economic growth, development and alleviation of poverty. Nestlé and LUMS both recognise the role of the agriculture sector in Pakistan's economy and how trained professionals will keep the country competitive with other leading agricultural economies around the world.

The one-year Executive Certificate in Agribusiness Management curriculum includes courses on agri-economics, entrepreneurship, value chain and technology, finance and accounting among others, to equip participants with leading edge managerial skills and expertise. The 36 participants of the programme – 15 of which are Nestlé employees – will gain a deeper understanding of the agribusiness sector and identify the opportunities that can be maximized to create value for their businesses and organizations.

By educating students and farmers about modern methods of food production, Nestlé is developing human resource that not only meets the market requirements but also works towards increased productivity. The focus here is on the development of rural communities because the overall well-being of farmers, small entrepreneurs and suppliers is essential to the long-term success of businesses in the country. Thus, the ECAM Programme will enable the prosperity of rural communities across Pakistan.

Mashal-e-Rah

Nestlé Pakistan launched its employee volunteer program Mashal-e-Rah. The mission of the project is to "Share the light". With this program volunteers will get a chance to contribute positively to the needs of the local community, with volunteer time and energy, on Nutrition, Water, Rural Development with focus on Nutrition, Health and Wellness (NHW), Education and Hygiene.

Mashal-e-Rah welcomes employees who are eager to initiate a personally rewarding activity using the corporate platform. A special working group has been created to help execute these activities. Employee participation in volunteer programs, while encouraged, is voluntary and remains an employee decision.

The pilot program is being launched from Lahore covering all sites in the city. Taking learning from the pilot program, the program will be rolled out onto other sites 2015 onwards.

Nestlé in society: Creating Shared Value

It is our firm belief that, for a company to be successful over time and create value for its shareholders, it must also create value for society. We call this Creating Shared Value (CSV). Based on strong foundations of compliance and sustainable business practices, this is our basic way of doing business.

We have identified the most fertile opportunities for Creating Shared Value, in areas that are core to our business activities and vital for our value chain. These are nutrition, water and rural development.

Why Nutrition

Because food and nutrition are the basis of health and of our business as the leading Nutrition, Health and Wellness company.

Why Water

Because the ongoing quality and availability of this resource is critical to life, the production of food and to our operations.

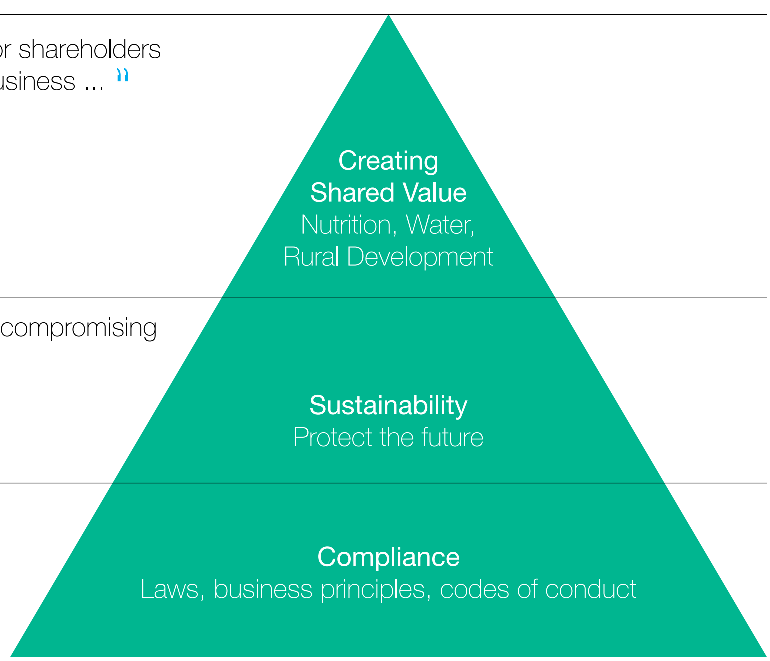
Why Rural Development

Because the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long term success of our business.

"... beyond sustainability, to create value for shareholders and society – integrally linked to our core business ..."

"... meet the needs of the present without compromising future generations ..."

Comply with the highest standards



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Financial Statements 2013

Nestlé

Good Food, Good Life

Contents

Auditors' Report to the Members

We have audited the annexed balance sheet of Nestlé Pakistan Limited ("the Company") as at 31 December 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 2013 and of the profit and of its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Lahore: February 20, 2014

Balance Sheet

As at 31 December 2013

	Note	2013	2012
			(Rupees in '000)
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
75,000,000 (2012: 75,000,000) ordinary shares of Rs. 10 each		750,000	750,000
Issued, subscribed and paid up capital	3	453,496	453,496
Share premium	4	249,527	249,527
General reserve		280,000	280,000
Accumulated profit		10,876,134	10,577,241
		11,859,157	11,560,264
Non current liabilities			
Long term finances	5	17,464,812	15,366,964
Deferred taxation	6	4,102,160	3,304,091
Retirement benefits	7	862,403	637,985
		22,429,375	19,309,040
Current liabilities			
Current portion of non current liabilities	8	4,831,840	41,686
Short term borrowings - secured	9	-	3,900,000
Short term running finance under mark-up arrangements - secured	10	3,356,591	5,937,374
Customer security deposits - interest free		181,977	184,441
Trade and other payables	11	9,366,805	9,760,897
Interest and mark-up accrued	12	263,776	196,345
		18,000,989	20,020,743
CONTINGENCIES AND COMMITMENTS	13		
		52,289,521	50,890,047

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

Balance Sheet

As at 31 December 2013

	Note	2013	2012
			(Rupees in '000
ASSETS			
Non Current assets			
Tangible fixed assets			
Property, plant and equipment	14	31,467,872	21,970,957
Capital work-in-progress	15	2,351,556	11,549,623
		33,819,428	33,520,580
Intangible assets	16	2,392	7,173
Goodwill	17	167,546	167,546
Long term loans and advances	18	292,304	236,639
Long term deposits and prepayments	19	71,368	98,663
Current assets			
Stores and spares	20	1,273,538	1,373,239
Stock in trade	21	7,925,132	7,979,615
Trade debts	22	346,041	491,842
Current portion of long term loans and advances	18	55,784	45,735
Advances, deposits, prepayments and other receivables	23	7,615,923	6,208,184
Cash and bank balances	24	720,065	760,831
		17,936,483	16,859,446
		52,289,521	50,890,047

JOHN M. DAVIS
Head of Finance and Control

MAGDI BATATO
Chief Executive

SYED YAWAR ALI
Chairman

Profit and Loss Account

For the year ended 31 December 2013

	Note	2013	2012
			(Rupees in '000)
Sales - net	25	86,226,869	79,087,696
Cost of goods sold	26	(62,066,072)	(57,564,265)
Gross profit		24,160,797	21,523,431
Distribution and selling expenses	27	(10,731,584)	(8,787,508)
Administration expenses	28	(1,957,943)	(1,769,803)
Operating profit		11,471,270	10,966,120
Finance cost	29	(2,113,096)	(1,827,969)
Other operating expenses	30	(1,439,777)	(1,320,319)
		(3,552,873)	(3,148,288)
Other operating income	31	194,565	160,142
Profit before taxation		8,112,962	7,977,974
Taxation	32	(2,246,199)	(2,113,463)
Profit after taxation		5,866,763	5,864,511
Earnings per share - basic and diluted (Rupees)	33	129.37	129.32

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

JOHN M. DAVIS
Head of Finance and Control

MAGDI BATATO
Chief Executive

SYED YAWAR ALI
Chairman

Statement of Comprehensive Income

For the year ended 31 December 2013

	2013	2012
		(Rupees in '000)
Profit after taxation	5,866,763	5,864,511
Other comprehensive loss :		
Items that will never be reclassified to profit and loss:		
Remeasurement of net retirement		
benefit liability recognized directly in the equity	(190,796)	(157,970)
Related tax	64,871	55,290
Other comprehensive loss for the year, net of tax	(125,925)	(102,680)
Total comprehensive income for the year	5,740,838	5,761,831

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

JOHN M. DAVIS	MAGDI BATATO	SYED YAWAR ALI
Head of Finance and Control	Chief Executive	Chairman

Cash Flow Statement

For the year ended 31 December 2013

	Note	2013	2012
			(Rupees in '000)
Cash flow from operating activities			
Cash generated from operations	35	14,846,883	13,188,491
Decrease/(increase) in long term deposits and prepayments		27,295	(88,846)
Increase in long term loans and advances		(65,714)	(89,478)
Retirement benefits paid		(235,771)	(136,227)
Finance cost paid		(2,039,147)	(2,110,131)
Workers' profit participation fund paid		(437,176)	(397,183)
Workers' welfare fund paid		(84,436)	(68,409)
Taxes paid		(2,974,725)	(2,042,636)
Net cash generated from operating activities		9,037,209	8,255,581
Cash flow from investing activities			
Fixed capital expenditure		(3,700,563)	(14,070,392)
Acquisition of Pfizer infant nutrition business		-	(193,060)
Sale proceeds of property, plant and equipment		183,855	123,711
Net cash used in investing activities		(3,516,708)	(14,139,741)
Cash flow from financing activities			
Proceeds from long term finances		6,372,935	7,084,170
Repayment of short term borrowings - secured		(3,900,000)	(1,050,000)
Payment of finance lease liabilities		(13,630)	(41,647)
Dividend paid		(5,439,789)	(1,811,695)
Net cash (used in) / generated from financing activities		(2,980,484)	4,180,828
Net increase / (decrease) in cash and cash equivalents		2,540,017	(1,703,332)
Cash and cash equivalents at beginning of the year		(5,176,543)	(3,473,211)
Cash and cash equivalents at end of the year	36	(2,636,526)	(5,176,543)

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

JOHN M. DAVIS
Head of Finance and Control

MAGDI BATATO
Chief Executive

SYED YAWAR ALI
Chairman

Statement of Changes in Equity

For the year ended 31 December 2013

		Capital reserve	Revenue reserve		
	Share capital	Share premium	General reserve	Accumulated profit	Total
					(Rupees in '000)
Balance as at 01 January 2012	453,496	249,527	280,000	6,629,393	7,612,416
Final dividend for the year ended					
31 December 2011 (Rs. 40 per share)	-	-	-	(1,813,983)	(1,813,983)
Total comprehensive income for the year	-	-	-	5,761,831	5,761,831
Balance as at 31 December 2012	453,496	249,527	280,000	10,577,241	11,560,264
Final dividend for the year ended					
31 December 2012 (Rs. 70 per share)	-	-	-	(3,174,471)	(3,174,471)
Interim dividend for the nine months period					
ended 30 September 2013 (Rs. 50 per share)	-	-	-	(2,267,474)	(2,267,474)
Total comprehensive income for the year	-	-	-	5,740,838	5,740,838
Balance as at 31 December 2013	453,496	249,527	280,000	10,876,134	11,859,157

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

JOHN M. DAVIS
Head of Finance and Control

MAGDI BATATO
Chief Executive

SYED YAWAR ALI
Chairman

Notes to the Financial Statements

For the year ended 31 December 2013

1 Legal status and nature of business

Nestlé Pakistan Limited ("the Company") is a public limited company incorporated in Pakistan and its shares are quoted on Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing, processing and sale of food products including imported 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 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below.

2.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS's) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits at present value, re-measurement of outstanding foreign currency amounts at the exchange rates prevailing at balance sheet date and recognition of certain items of property, plant and equipment at recoverable amount.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
• Impairment losses	2.8
• Taxation	2.9
• Retirement benefits	2.10
• Provisions and contingencies	2.14
• Useful life of depreciable assets	2.15

2.3 Business combination

Business combinations are accounted for using the acquisition method. Under this method, as of the acquisition date, the Company recognized separately from goodwill the identified assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill is recognized as the excess of cost of an acquisition over the fair value of net identifiable assets acquired in the business combination.

2.4 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognizing of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.5 Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs, if any, are recognized in profit and loss as incurred. Subsequent to initial recognition derivative are measured at fair value, and changes therein are generally recognized in profit and loss.

When a derivative is designated as a cashflow hedging instrument, the effective portion of changes in fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in fair value of the derivative is recognized immediately in profit and loss.
The amount accumulated in equity is retained in other comprehensive income and reclassified to profit and loss in the same period during which the hedge item affects profit and loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, than hedge accounting is discontinued prospectively. If forecast transaction is no longer expected to occur then the amount accumulated in equity is reclassified to profit and loss.

2.6 Financial liabilities

Financial liabilities are classified according to substance of contractual arrangements entered into. Significant financial liabilities include short and long term borrowings, trade and other payables.

Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost, if any. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Other financial liabilities

All other financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

2.7 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet 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.

2.8 Impairment losses

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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.

2.9 Taxation

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

Current

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

Deferred

Deferred tax is provided using the balance sheet liability 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 asset is reviewed at each balance sheet 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.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.10 Retirement benefits

Defined benefit plan

The Company's net obligation in respect of defined benefit plans is calculated seperately for 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 calculating results in a 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 acturial 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 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 profit and loss.

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 to opt for provident fund upon their confirmation and passing 90 days at their job. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

2.11 Leases

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of lease.

Finance leases

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to income over the lease term.
Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 14. Depreciation of leased assets is charged to income.

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

Depreciation on additions to leased assets is charged from the month in which an asset is acquired, while no depreciation is charged for the month in which the asset is disposed off.

2.12 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

2.13 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.

2.14 Provisions and contingencies

Provisions are recognized in the balance sheet 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 balance sheet 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.

2.15 Fixed capital expenditure and depreciation/amortization

Property, plant and equipment

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and any identified 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, labour, applicable manufacturing overheads and borrowing costs on qualifying assets.

Depreciation is charged to income, 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 14.

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 acquired, 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.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are included in income.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss. These are amortized using the straight line method at the rates given in note 16. 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 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 income as and when incurred.

2.16 Inventories

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Cost is determined as follows:

Store and spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of finished goods, both manufactured and purchased, is determined on weighted average basis. Cost in relation to work-in-process and finished goods includes an appropriate portion of production overheads.
Stock in transit is valued at cost comprising invoice value plus other charges paid thereon.

Net realizable value is the estimated selling price in ordinary course of business less estimated costs of completion and selling expenses.

Raw and packing material

Cost in relation to raw and packing materials is arrived at on FIFO basis.

2.17 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.18 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Sales of products and services are recorded when the risks and rewards are transferred i.e. on dispatch of goods/ products to customers or performance of services.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.19 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. 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 transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income statement currently.

2.20 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.

2.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

2.22 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. All operating segments' operating results are regularly reviewed by the Company's Chief Executive to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

2.23 Standards and amendments to published approved International Financial Reporting Standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. These amendments have no impact on these financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. These amendments have no impact on these financial statements of the Company.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments have no impact on these financial statements of the Company.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. These amendments have no impact on these financial statements of the Company.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. These amendments have no impact on these financial statements of the Company.

- Amendments to IAS 27 "Consolidated and Separate Financial Statements" – consolidation relief for investments funds (effective for annual periods beginning on or after 1 January 2014). A qualifying investment entity is required to account for investments in controlled entities - as well as investments in associates and joint ventures - at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory not optional. These amendments have no impact on the financial statements of the Company.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

    - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition. These amendments have no impact on these financial statements of the Company.

    - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves. These amendments have no impact on these financial statements of the Company.

    - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. These amendments have no impact on these financial statements of the Company.

    - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. These amendments have no impact on these financial statements of the Company.

    - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. These amendments have no impact on these financial statements of the Company.

    - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. These amendments have no impact on these financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2013

3 Issued, subscribed and paid up capital

2013	2012		2013	2012
	(Number of shares)			(Rupees in '000)
29,787,058	29,787,058	Ordinary shares of Rs. 10 each as fully paid in cash	297,870	297,870
		Ordinary shares of Rs. 10 each		
15,476,867	15,476,867	as fully paid bonus shares	154,769	154,769
		Ordinary shares of Rs. 10 each issued for		
85,659	85,659	consideration other than cash	857	857
45,349,584	45,349,584		453,496	453,496

As at 31 December 2013, Nestlé S.A. Switzerland, the holding company, holds 26,778,229 (2012: 26,778,229) ordinary shares of the Company. In addition, 8,791,435 (2012: 8,790,535) ordinary shares are held by the following related parties as at 31 December:

	2013	2012
		(Number of shares)
Name of related party:		
IGI Insurance Limited	4,357,566	4,356,666
Percentage of equity held 9.61% (2012: 9.6%)		
Packages Limited	3,649,248	3,649,248
Percentage of equity held 8.0% (2012: 8.0%)		
Gurmani Foundation	538,235	538,235
Percentage of equity held 1.19% (2012: 1.19%)		
Industrial Technical and Educational Institution	21,666	21,666
Percentage of equity held 0.05% (2012: 0.05%)		
National Management Foundation	224,720	224,720
Percentage of equity held 0.50% (2012: 0.50%)		
	8,791,435	8,790,535

4 Share premium

This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	Note	2013	2012
			(Rupees in '000)
5 Long term finances			
Long term finances utilized under mark up arrangements:			
Related party - Unsecured			
Associated company - Foreign currency	5.1	6,838,325	6,310,850
From banking companies - Secured	5.2	15,458,327	9,084,170
Less: Current maturity	8		
Associated company - Foreign currency	5.2.4	(2,893,138)	-
From banking companies - Secured	5.2.5	(1,938,702)	(28,056)
		(4,831,840)	(28,056)
		17,464,812	15,366,964

Notes to the Financial Statements

For the year ended 31 December 2013

5.1 These represent US$ 65 million unsecured loan from Nestlé Treasury Centre Middle East and Africa Limited, Dubai - a related party. As per the original loan agreements, the repayments of US$ 15 million and US$ 50 million were to be made upon availability of funds with the company before 27 December 2015 and 30 May 2016, respectively. Under the revised terms, duly authorized by the State Bank of Pakistan, US$ 15 million is now payable in 8 equal quarterly instalments amounting to US$ 1.875 million each, starting from March 2014 and ending on December 2015 and US$ 50 million is now payable in 10 equal quarterly instalments amounting to US$ 5 million each, starting from March 2014 and ending on May 2016. Mark-up is payable semi annually at 6 months average LIBOR plus 150 basis points. The outstanding balance as at 31 December 2013 has been converted into rupees at the exchange rate prevailing at the balance sheet date.

	Note	Limit	2013	2012
				(Rupees in '000)
5.2 From banking companies - Secured				
Allied Bank Limited				
Term Loan-1	5.2.1	3,500,000	3,500,000	3,500,000
Term Loan-2	5.2.2	2,500,000	2,500,000	-
Meezan Bank Limited				
Diminishing Musharika	5.2.3	2,000,000	2,000,000	2,000,000
United Bank Limited				
Long Term Finance Facility	5.2.4	1,500,000	1,458,327	84,170
Term Finance I	5.2.5	3,500,000	3,500,000	3,500,000
Term Finance II	5.2.6	2,500,000	2,500,000	-
			15,458,327	9,084,170

5.2.1 This represents a term loan facility from Allied Bank Limited. The term of the loan is 3 years with a grace period of 2 years. The loan is repayable in 4 equal quarterly instalments starting from March 2015. Mark-up is payable quarterly at a flat rate of 11.10% per annum. The loan is secured by first pari passu hypothecation charge over present and future fixed assets (plant & equipment) of the Company excluding land and building.

5.2.2 This represents a term loan facility from Allied Bank Limited. The term of the loan is 5 years with a grace period of 4 years. The loan is repayable in 4 equal quarterly instalments starting from March 2018. The loan is secured by ranking charge over plant and machinery of the Company, to be upgraded to first pari passu charge within 180 days from the time of disbursement. Mark-up is payable quarterly at a flat rate of 12.9% per annum.

5.2.3 This represents diminishing musharika facility from Meezan Bank Limited. The term of the loan is 3 years with a grace period of 2 years. The loan is repayable in 4 equal quarterly instalments starting from March 2015. Mark up is payable semi annually at a flat rate of 11% per annum. The loan is secured by joint pari passu charge by way of hypothecation on all present and future moveable fixed assets (plant and machinery) of the Company excluding land and building.

5.2.4 This represents a loan facility from United Bank Limited under long term finance facility from SBP. The loan has been drawn in 9 different tranches with term of loan ranging from 3 to 6 years. Each tranche of loan is repayable in equal semi-annual instalments after the date of disbursement. Mark-up is payable semi-annually at relevant SBP rate plus 25 basis points. The loan is secured by joint pari passu hypothecation charge over present and future fixed and current assets of the Company.

5.2.5 This represents a loan facility from United Bank Limited with a grace period of 21 months. The term of the loan is 27 months and the principal repayment to take place in 2 equal instalments during last six month falling due on 28 December 2014 and 28 March 2015 respectively. Mark-up is payable semi annually at a flat rate of 11.10%. The loan is secured by joint pari passu hypothecation charge over present and future fixed assets (plant and machinery) of the Company excluding land and building.

5.2.6 This represents a loan facility from United Bank Limited with a grace period of 4 years. The term of the loan is 5 years and the principal repayment to take place in 4 equal instalments during year starting from March 2018. Mark-up is payable semi annually at a flat rate of 12.9%. The loan is secured by joint pari passu hypothecation charge over plant and machinery of the Company.

	Note	2013	2012 (Rupees in '000)
6 Deferred taxation			
This is composed of:			
Liability for deferred taxation comprising temporary differences related to:			
Accelerated tax depreciation		4,340,104	3,453,146
Others		(237,944)	(149,055)
		4,102,160	3,304,091
7 Retirement benefits			
Gratuity fund	7.1	528,222	275,607
Pension fund	7.1	334,181	362,378
		862,403	637,985

The Company contributes to following defined benefit plans.

- Gratuity plan entitles an eligible employee excluding expatriates to receive a lump sum amount equal to last drawn basic salary plus cost of living allowance multiply 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.

- Pension plan entitles retired eligible management staff members excluding expatriates to receive a pension payment. Executive employees (members) retire at the age of 60 and are entitled to receive a monthly payment equal to 2.75% of average of last 12 months drawn basic salary plus cola multiplied by number of years of pensionable service with a cap of 82.5% of pensionable salary.

Gratuity and pension plans are administered through separate funds that are legally separated from the Company. The Trust of the funds comprises of three employees, out of which one employee is the Chair. The Trustees of the funds are required by law to act in the best interests of the plan participants and are responsible for making all the investments and disbursements out of the funds.

These defined benefit plans expose the Company to acturial risks, such as longevity risk, interest rate risk and market (investment) risk.

These defined benefit plans are fully funded by the Company. The funding requirements are evaluated by the management using the funds' acturial measurement framework set out in the funding policies of the plans. The funding of each plan is based on the a separate acturial valuation for funding purposes for which the assumptions may differ from time to time. Employees are not required to contribute to gratuity plan, however, the employees are required to contribute to the pension plan at the rate of 5% of basic salary plus cola.

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.

	Gratuity		Pension	
	2013	2012	2013	2012
				(Rupees in '000)
7.1 Present value of funded obligations				
Amounts recognized in the balance sheet are as follows:				
Present value of defined benefit obligation	1,523,346	1,063,970	1,765,958	1,506,356
Fair value of plan assets	(995,124)	(788,363)	(1,431,777)	(1,143,978)
Net retirement benefit obligation	528,222	275,607	334,181	362,378
7.2 Movement in net obligation				
Net liability as at 01 January	275,607	230,059	362,378	210,318
Charge to profit and loss account	127,417	115,940	141,976	115,215
Remeasurements:				
Actuarial losses/(gains) arising due to:				
- Changes in demographic assumptions	-	-	-	-
- Changes in financial assumptions	-	-	-	-
- Experience adjustments	255,254	31,993	(64,458)	125,977
	255,254	31,993	(64,458)	125,977
Contribution made by the employees	-	-	46,366	39,097
Contribution made by the Company	(130,056)	(102,385)	(152,081)	(128,229)
Net liability as at 31 December	528,222	275,607	334,181	362,378

	Note	Gratuity 2013	Gratuity 2012	Pension 2013	Pension 2012
		(Rupees in '000)			
7.3 Movement in the liability for funded defined benefit obligations					
Liability for defined benefit obligations as at 01 January		1,063,970	868,980	1,506,356	1,090,883
Benefits paid by the plan		(62,649)	(68,143)	(39,813)	(33,502)
Current service costs		104,253	87,182	156,845	116,308
Interest cost		113,591	108,623	163,509	136,360
Vested past service cost due to pension indexation		-	-	-	11,715
Remeasurements on obligation:					
Actuarial losses/(gains) on present value					
- Changes in demographic assumptions		-	-	-	-
- Changes in financial assumptions		-	-	(159,971)	146,199
- Experience adjustments		304,181	67,328	139,032	38,393
		304,181	67,328	(20,939)	184,592
Liability for defined benefit obligations as at 31 December		1,523,346	1,063,970	1,765,958	1,506,356
7.4 Movement in fair value of plan assets					
Fair value of plan assets as at 01 January		788,363	638,921	1,143,978	880,565
Contributions paid into the plan		130,056	102,385	152,081	128,230
Benefits paid by the plan		(62,649)	(68,143)	(39,813)	(33,502)
Interest income on plan assets		90,427	79,865	132,012	110,071
Remeasurements on fair value of plan assets		48,927	35,335	43,519	58,614
Fair value of plan assets as at 31 December		995,124	788,363	1,431,777	1,143,978
7.5 Plan assets consist of the following:					
In terms of amount:					
Equity instruments		80,406	99,563	111,392	132,991
Debt instruments		78,416	517,147	115,258	744,826
Cash and other deposits		836,302	171,653	1,205,127	266,161
	7.5.1	995,124	788,363	1,431,777	1,143,978

	Gratuity		Pension	
	2013	2012	2013	2012
				(Rupees in '000)
7.5.1 Plan assets				
Plan assets comprise:				
Equity instrument				
Fertilizers	14,078	4,264	20,507	5,523
Packaging	9,466	-	13,240	-
Construction and chemical	-	14,993	-	21,013
Automobiles	-	5,265	-	7,263
Textile	-	13,204	-	18,197
Oil and gas	13,053	28,898	18,883	39,878
Telecommunication	-	2,490	-	3,453
Power	34,708	11,366	50,518	15,691
Financial institutions	553	7,501	811	10,368
Mutual funds	7,420	11,582	7,358	11,583
Others	1,128	-	75	23
	80,406	99,563	111,392	132,991
Debts instruments				
Government bonds	52,545	74,925	79,009	98,921
TFCs	25,871	92,469	36,249	92,135
	78,416	167,394	115,258	191,056
Cash at bank				
Cash and bank balances	526,608	171,653	689,380	266,161
Term deposit reciepts	309,694	349,753	515,747	553,770
	836,302	521,406	1,205,127	819,931
	995,124	788,363	1,431,777	1,143,978

Before making any investment decision, an Asset-Liability matching study is performed by the Board of Trustees of the funds to evaluate the merits of strategic investments. Risk analysis of each category is done to analyse the impacts of the interest rate risk, currency risk and longevity risk.

	Gratuity		Pension	
	2013	2012	2013	2012
				(Rupees in '000)
7.6 Profit and loss account includes the following in respect of retirement benefits:				
Interest cost for the year	113,591	108,623	163,509	136,360
Current service cost	104,253	87,182	156,845	116,308
Vested past service cost due to pension indexation	-	-	-	11,715
Interest income on plan assets	(90,427)	(79,865)	(132,012)	(110,071)
Contribution made by the employees	-	-	(46,366)	(39,097)
	127,417	115,940	141,976	115,215

	Gratuity 2013	Gratuity 2012	Pension 2013	Pension 2012
				(Rupees in '000)
7.7 Charge for the year has been allocated as follows:				
Cost of goods sold	57,270	48,687	46,630	32,845
Distribution and selling expenses	42,407	40,218	47,334	39,724
Administration expenses	27,740	27,035	48,012	42,646
	127,417	115,940	141,976	115,215
7.8 Actual return on plan assets	139,354	115,200	175,531	168,685
7.9 Actuarial gains and (losses) recognized directly in other comprehensive income				
Cumulative amount at 01 January	(347,315)	(315,322)	(361,642)	(235,665)
(Losses)/ Gains recognized during the year	(255,254)	(31,993)	64,458	(125,977)
Cumulative amount at 31 December	(602,569)	(347,315)	(297,184)	(361,642)

	2013	2012	2011	2010	2009
					(Rupees in '000)
7.10 Historical Information for Gratuity plan					
Present value of defined benefit obligation	1,523,346	1,063,970	868,980	646,990	512,304
Fair value of the plan assets	(995,124)	(788,363)	(638,921)	(501,186)	(392,936)
Deficit in the plan	528,222	275,607	230,059	145,804	119,368
Experience adjustments arising on plan liabilities	304,181	67,328	(92,602)	(35,378)	7,569
Experience adjustments arising on plan assets	48,927	35,335	3,586	683	21,458

The Company expects to pay Rs. 195.577 million in contributions to gratuity fund in 2014.

	2013	2012	2011	2010	2009
					(Rupees in '000)
7.11 Historical Information for Pension plan					
Present value of defined benefit obligation	1,765,958	1,506,356	1,090,883	782,220	651,918
Fair value of the plan assets	(1,431,777)	(1,143,978)	(880,565)	(698,910)	(555,361)
Deficit in the plan	334,181	362,378	210,318	83,310	96,557
Experience adjustments arising on plan liabilities	139,032	38,393	(134,686)	11,468	(68,514)
Experience adjustments arising on plan assets	43,519	58,614	2,801	7,524	9,793

The Company expects to pay Rs. 138.748 million in contributions to pension fund in 2014.

	2013		2012	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
7.12 Significant actuarial assumptions used for valuation of these plans are as follows:				
Discount rate used for profit and loss charge	11%	11%	12.5%	12.5%
Discount rate used for year-end obligation	12%	12%	11%	11%
Expected rates of salary increase	12%	12%	11%	11%
Expected rates of return on plan assets	12%	12%	12.5%	12.5%

Mortality rate

The rates assumed were based on the EFU 61-66 mortality table.

7.13 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 50 bps with all other variables held constant, the impact on the present value of the defined benefit obligation as at 31 December 2013 would have been as follows:

		Gratuity		Pension	
		Impact on present value of defined benefit obligation as at 31 December			
	Change	Increase	Decrease	Increase	Decrease
Discount rate	50 bps	(74,253)	80,085	(166,397)	140,883
Future salary increase	50 bps	79,716	(74,576)	119,363	(37,084)

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 balance sheet.

7.14 Weighted average duration of the defined benefit obligation is 10 years and 17 years for gratuity and pension plans, respectively.

	Note	2013	2012
			(Rupees in '000)
8 Liabilities against assets subject to finance lease			
Liabilities against assets subject to finance lease	8.1	-	13,630
Long term finances	5	4,831,840	28,056
		4,831,840	41,686

8.1 The lease has been fully paid during the year.

Notes to the Financial Statements

For the year ended 31 December 2013

9 Short term borrowings - secured

This represents money market deals obtained from various commercial banks which carries mark-up ranging from 8.80% to 9.58% (2012: 9.22% to 12.18%) per annum. These deals are obtained for a period ranging from 6 to 90 days and are secured by a hypothecation charge over current and fixed assets of the Company excluding land and building.

10 Short term running finance under mark-up arrangements-secured

Short term running finances available from commercial banks under mark-up arrangements limits amount to Rs 23,087 million (2012: Rs 30,050 million) including sub-limits of money market facilities. The mark up on running finance facility is KIBOR based and ranges from 8.40% to 10.21% (2012: 8.65% to 13.10%) per annum.

These running finances under mark up arrangements are secured by joint pari passu hypothecation charge over fixed assets and current assets of the Company excluding land and building and assignment of receivables of the Company.

	Note	2013	(Re-stated) 2012
			(Rupees in '000)
11 Trade and other payables			
Trade creditors			
Related parties - associated companies		930,188	329,362
Others		2,497,775	2,373,150
		3,427,963	2,702,512
Accrued liabilities			
Related parties - associated companies		153,652	855,347
Others		5,073,144	5,315,246
		5,226,796	6,170,593
Excise duty payable		10,454	10,454
Advances from customers		235,915	200,318
Workers' profit participation fund	11.1	91,115	96,701
Workers' welfare fund		164,004	161,017
Royalty and technical assistance fee payable to holding company		48,195	240,358
Unclaimed dividend		10,717	8,561
Withholding tax payable		30,566	37,047
Withholding sales tax payable		58,357	25,538
Derivative financial liability		3,565	-
Others		59,158	107,798
		9,366,805	9,760,897

Notes to the Financial Statements

For the year ended 31 December 2013

	Note	2013	2012 (Rupees in '000)
11.1 Workers' profit participation fund			
Opening balance		96,701	70,155
Provision for the year	30	431,590	423,729
		528,291	493,884
Less: Payments made during the year		(437,176)	(397,183)
Closing balance		91,115	96,701
12 Interest and mark-up accrued			
Long term loan from associated company - unsecured		8,137	9,769
Long term finance from banking companies - secured		158,478	15,325
Short term borrowings - secured		-	37,020
Short term running finance under mark-up arrangements - secured		97,161	134,231
		263,776	196,345

13 Contingencies and commitments

13.1 There is no material contingency as at balance sheet date.

13.2 Claims against the Company not acknowledged as debt amount to Rs. Nil (2012: 5.179 million).

	Note	2013	2012 (Rupees in '000)
13.3 Guarantees			
Outstanding guarantees		160,500	262,249
Un-utilized portion		234,500	132,751
13.4 Commitments in respect of capital expenditure		412,710	148,847
13.5 Letters of credit			
Outstanding letters of credit		1,390,607	1,091,476
Un-utilized portion		4,532,393	3,481,689

Notes to the Financial Statements

For the year ended 31 December 2013

14 Property, plant and equipment

	Owned assets									Leased assets	
	Freehold Land	Lease hold land	Building on freehold land	Building on lease hold land	Plant and machinery	Furniture and fixtures	Vehicles	IT equipment	Office equipment	Plant and machinery	Total
											(Rupees in '000)
Cost											
Balance as at 01 January 2012	1,426,937	32,244	2,877,573	219,273	18,144,989	248,127	573,561	616,939	3,203	214,272	24,357,118
Transfers during the year	-	-	-	-	65,730	-	-	-	-	(65,730)	-
Additions during the year	-	-	869,068	-	6,909,250	68,293	167,376	227,516	-	-	8,241,503
Disposals / scrapped	-	-	(33,985)	-	(595,122)	(3,595)	(74,036)	(61,327)	-	-	(768,065)
Balance as at 31 December 2012	1,426,937	32,244	3,712,656	219,273	24,524,847	312,825	666,901	783,128	3,203	148,542	31,830,556
Balance as at 01 January 2013	1,426,937	32,244	3,712,656	219,273	24,524,847	312,825	666,901	783,128	3,203	148,542	31,830,556
Transfers during the year	-	-	-	-	148,542	-	-	-	-	(148,542)	-
Additions during the year	40,319	-	2,149,091	-	10,285,924	36,814	195,041	200,508	-	-	12,907,696
Disposals / scrapped	-	-	(3,775)	-	(1,371,657)	(15,830)	(56,762)	(50,358)	-	-	(1,498,382)
Balance as at 31 December 2013	1,467,256	32,244	5,857,972	219,273	33,587,656	333,809	805,180	933,278	3,203	-	43,239,870
Depreciation and impairment losses											
Balance as at 01 January 2012	122,639	3,772	554,396	146,421	6,487,210	152,686	195,871	387,719	3,203	72,673	8,126,590
Transfers during the year	-	-	-	-	29,465	-	-	-	-	(29,465)	-
Depreciation charge for the year	-	359	100,589	3,120	1,741,816	42,835	109,756	116,808	-	16,350	2,131,633
Depreciation and impairment on disposals	-	-	(10,133)	-	(416,293)	(3,266)	(58,392)	(60,184)	-	-	(548,268)
Impairment charge for the year	-	-	-	-	149,644	-	-	-	-	-	149,644
Balance as at 31 December 2012	122,639	4,131	644,852	149,541	7,991,842	192,255	247,235	444,343	3,203	59,558	9,859,599
Balance as at 01 January 2013	122,639	4,131	644,852	149,541	7,991,842	192,255	247,235	444,343	3,203	59,558	9,859,599
Transfers during the year	-	-	-	-	64,857	-	-	-	-	(64,857)	-
Depreciation charge for the year	-	364	186,200	3,120	2,467,344	48,813	147,290	143,203	-	5,299	3,001,633
Depreciation and impairment on disposals	-	-	(1,159)	-	(1,052,514)	(15,153)	(39,465)	(49,772)	-	-	(1,158,063)
Impairment charge for the year	-	-	-	-	68,829	-	-	-	-	68,829	
Balance as at 31 December 2013	122,639	4,495	829,893	152,661	9,540,358	225,915	355,060	537,774	3,203	-	11,771,998
Net book value as at 31 December 2013	1,344,617	27,749	5,028,079	66,612	24,047,298	107,894	450,120	395,504	-	-	31,467,872
Net book value as at 31 December 2012	1,304,298	28,113	3,067,804	69,732	16,533,005	120,570	419,666	338,785	-	88,984	21,970,957
Rate of depreciation in %	-	1-6.67	2-5	2-5	4-33	20	20	10-33.3	20	6.67-20	

	Note	2013	2012
			(Rupees in '000)
14.1 Depreciation and impairment charge for the year has been allocated as follows:			
Cost of goods sold	26	2,504,366	1,759,858
Distribution and selling expenses	27	359,704	272,470
Administration expenses	28	123,198	92,030
Charged to projects during the year		14,365	7,275
		3,001,633	2,131,633

Notes to the Financial Statements

For the year ended 31 December 2013

14.2 Detail of significant property, plant and equipment sold during the year is as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
						(Rupees in '000)
Building						
	3,402	(1,111)	2,291	143	Scrap	Various
Plant and Machinery						
	1,220	(678)	542	286	Sale	Polyplast Polymer
	815	(453)	362	191	Sale	Polyplast Polymer
	2,692	(1,271)	1,421	749	Sale	Polyplast Polymer
	1,294	(575)	719	379	Sale	Polyplast Polymer
	995	(553)	442	233	Sale	Polyplast Polymer
	112	(59)	53	28	Sale	Polyplast Polymer
	2,684	(1,417)	1,268	669	Sale	Polyplast Polymer
	1,150	(607)	543	286	Sale	Polyplast Polymer
	1,480	(740)	740	390	Sale	Polyplast Polymer
	722	(321)	401	212	Sale	Polyplast Polymer
	4,290	(1,668)	2,622	1,383	Sale	Polyplast Polymer
	297	(231)	66	35	Sale	Polyplast Polymer
	1,785	(942)	843	445	Sale	Polyplast Polymer
	2,307	(1,154)	1,154	608	Sale	Polyplast Polymer
	773	(395)	378	10	Sale	Maqsood Barlas & sons
	4,701	(3,173)	1,528	264	Sale	Maqsood Barlas & sons
	1,277	(660)	617	150	Sale	Maqsood Barlas & sons
	593	(440)	153	60	Sale	Maqsood Barlas & sons
	2,131	(1,314)	817	210	Sale	Maqsood Barlas & sons
	195	(27)	168	5	Sale	Maqsood Barlas & sons
	949	(501)	448	236	Sale	Polyplast Polymer
	1,355	(564)	790	417	Sale	Polyplast Polymer
	1,221	(509)	712	376	Sale	Polyplast Polymer
	2,407	(522)	1,886	995	Sale	Polyplast Polymer
	3,931	(2,075)	1,856	979	Sale	Polyplast Polymer
	2,500	(188)	2,313	2,540	Sale	Tetra Pak Pakistan Limited
	40,181	(24,778)	15,403	11,000	Sale	Tetra Pak Pakistan Limited
	561	(311)	249	131	Sale	Polyplast Polymer
	2,290	(1,209)	1,081	270	Sale	Polyplast Polymer
	2,145	(1,192)	954	503	Sale	Polyplast Polymer
	5,584	(1,303)	4,281	5,032	Sale	Polyplast Polymer
	5,629	(1,407)	4,221	1,059	Sale	Polyplast Polymer
	701	(389)	312	49	Sale	Polyplast Polymer
	3,448	(1,820)	1,628	838	Sale	Polyplast Polymer
	1,115	(619)	495	261	Sale	Polyplast Polymer
	22,541	(15,335)	7,206	7,335	Sale	Nestle Egypt

Notes to the Financial Statements

For the year ended 31 December 2013

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
						(Rupees in '000)
	806	(426)	381	201	Sale	Karachi Scrap
	194	(97)	97	51	Sale	Karachi Scrap
	4,807	(2,003)	2,804	1,065	Sale	Polyplast Polymer
	1,002	(529)	473	249	Sale	Polyplast Polymer
	1,083	(421)	662	349	Sale	Polyplast Polymer
	1,260	(560)	700	369	Sale	Polyplast Polymer
	3,803	(2,007)	1,796	947	Sale	Polyplast Polymer
	599	(300)	300	158	Sale	Polyplast Polymer
	1,429	(754)	675	356	Sale	Polyplast Polymer
	2,016	(1,008)	1,008	532	Sale	Polyplast Polymer
	3,551	(1,381)	2,170	2,916	Sale	Polyplast Polymer
	4,563	(2,282)	2,282	2,242	Sale	Karachi Scrap
	609	(508)	102	54	Sale	Polyplast Polymer
	2,399	(1,333)	1,066	562	Sale	Polyplast Polymer
	3,133	(1,479)	1,653	872	Sale	Polyplast Polymer
	3,439	(1,529)	1,911	1,008	Sale	Polyplast Polymer
	6,777	(2,824)	3,953	2,085	Sale	Polyplast Polymer
	85	(33)	52	6	Sale	Karachi Scrap
	533	(266)	266	141	Sale	Polyplast Polymer
	102	(45)	57	30	Sale	Polyplast Polymer
	401	(178)	223	117	Sale	Karachi Scrap
	3,292	(1,463)	1,829	964	Sale	Polyplast Polymer
	1,202	(534)	668	352	Sale	Polyplast Polymer
	5,961	(2,649)	3,312	1,747	Sale	Polyplast Polymer
	5,003	(2,084)	2,918	1,539	Sale	Polyplast Polymer
	4,807	(1,202)	3,605	1,901	Sale	Polyplast Polymer
	6,709	(1,677)	5,032	2,654	Sale	Polyplast Polymer
	2,403	(935)	1,469	775	Sale	Polyplast Polymer
	2,873	(670)	2,202	1,162	Sale	Polyplast Polymer
	4,807	(1,736)	3,071	1,620	Sale	Polyplast Polymer
	2,171	(724)	1,448	763	Sale	Polyplast Polymer
	11,840	(2,475)	9,365	2,000	Sale	Pure Food Company
	101	(46)	55	20	Sale	Karachi Scrap
	15,450	(13,132)	2,318	227	Sale	Maqsood Barlas & sons
	2,602	(2,514)	88	9	Sale	Maqsood Barlas & sons
	5,386	(3,546)	1,840	180	Sale	Maqsood Barlas & sons
	1,202	(70)	1,131	111	Sale	Maqsood Barlas & sons
	3,953	(2,602)	1,350	132	Sale	Maqsood Barlas & sons
	4,928	(1,602)	3,327	326	Sale	Maqsood Barlas & sons
	185	(108)	77	8	Sale	Maqsood Barlas & sons
	1,062	(372)	690	68	Sale	Maqsood Barlas & sons
	180	(99)	81	8	Sale	Maqsood Barlas & sons
	170	(94)	77	8	Sale	Maqsood Barlas & sons

Notes to the Financial Statements

For the year ended 31 December 2013

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
						(Rupees in '000)
	13,761	(12,533)	1,228	120	Sale	Maqsood Barlas & sons
	10,926	(10,516)	410	40	Sale	Maqsood Barlas & sons
	203	(19)	184	18	Sale	Maqsood Barlas & sons
	3,434	(1,660)	1,774	174	Sale	Maqsood Barlas & sons
	762	(368)	394	39	Sale	Maqsood Barlas & sons
	1,149	(393)	757	74	Sale	Maqsood Barlas & sons
	1,942	(1,862)	81	8	Sale	Maqsood Barlas & sons
	340	(88)	252	25	Sale	Maqsood Barlas & sons
	1,445	(265)	1,180	116	Sale	Maqsood Barlas & sons
	275	(25)	250	24	Sale	Maqsood Barlas & sons
	2,043	(1,984)	60	6	Sale	Maqsood Barlas & sons
	4,087	(3,976)	111	11	Sale	Maqsood Barlas & sons
	52,991	(51,835)	1,155	113	Sale	Maqsood Barlas & sons
	78,507	(76,608)	1,899	186	Sale	Maqsood Barlas & sons
	6,304	(4,272)	2,032	199	Sale	Maqsood Barlas & sons
	3,436	(915)	2,522	247	Sale	Maqsood Barlas & sons
	11,178	(2,422)	8,756	300	Sale	Maqsood Barlas & sons
	5,933	(3,522)	2,412	236	Sale	Maqsood Barlas & sons
	1,911	(1,758)	153	15	Sale	Maqsood Barlas & sons
	2,150	(63)	2,087	205	Sale	Maqsood Barlas & sons
	1,726	(1,022)	703	69	Sale	Maqsood Barlas & sons
	214	(114)	100	10	Sale	Maqsood Barlas & sons
	156	(83)	73	7	Sale	Maqsood Barlas & sons
	214	(114)	100	10	Sale	Maqsood Barlas & sons
	156	(83)	73	7	Sale	Maqsood Barlas & sons
	156	(83)	73	7	Sale	Maqsood Barlas & sons
	365	(189)	176	17	Sale	Maqsood Barlas & sons
	366	(116)	250	25	Sale	Maqsood Barlas & sons
	74	(22)	52	15	Sale	Karachi Scrap
	131	(20)	111	11	Sale	Maqsood Barlas & sons
	511	(426)	85	45	Sale	Karachi Scrap
	1,632	(1,314)	317	167	Sale	Karachi Scrap
	414	(322)	92	48	Sale	Karachi Scrap
	3,303	(1,652)	1,652	871	Sale	Polyplast Polymer
	267	(119)	148	78	Sale	Polyplast Polymer
	4,205	(1,752)	2,453	1,294	Sale	Polyplast Polymer
	1,534	(383)	1,150	607	Sale	Polyplast Polymer
	2,161	(840)	1,321	697	Sale	Polyplast Polymer
	6,462	(2,333)	4,128	2,177	Sale	Polyplast Polymer
	4,469	(4,335)	134	13	Sale	Maqsood Barlas & sons
	8,431	(8,256)	175	17	Sale	Maqsood Barlas & sons
	17,395	(16,874)	521	51	Sale	Maqsood Barlas & sons
	2,353	(1,657)	697	200	Sale	Karachi Scrap

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
						(Rupees in '000)
	2,124	(726)	1,399	225	Sale	Karachi Scrap
	7,329	(4,282)	3,047	80	Sale	Karachi Scrap
	9,691	(2,907)	6,784	300	Sale	Karachi Scrap
	11,104	(5,327)	5,777	9	Sale	Karachi Scrap
	11,018	(4,384)	6,633	300	Sale	Karachi Scrap
	1,128	(1,026)	101	10	Sale	Maqsood Barlas & sons
	8,822	(8,030)	792	78	Sale	Maqsood Barlas & sons
	3,919	(3,494)	425	42	Sale	Maqsood Barlas & sons
	740	(271)	469	46	Sale	Maqsood Barlas & sons
	1,743	(1,264)	479	166	Sale	Maqsood Barlas & sons
	282	(198)	85	4	Sale	Maqsood Barlas & sons
	553	(369)	184	19	Sale	Maqsood Barlas & sons
	458	(317)	141	70	Sale	Maqsood Barlas & sons
	320	(240)	80	77	Sale	Maqsood Barlas & sons
	3,850	(3,536)	314	31	Sale	Maqsood Barlas & sons
	11,480	(10,449)	1,031	101	Sale	Maqsood Barlas & sons
	345	(127)	219	21	Sale	Maqsood Barlas & sons
	12,475	(5,198)	7,277	400	Sale	Maqsood Barlas & sons
	735	(294)	441	43	Sale	Maqsood Barlas & sons
	883	(353)	530	52	Sale	Maqsood Barlas & sons
	11,191	(10,203)	988	97	Sale	Maqsood Barlas & sons
	180	(21)	159	16	Sale	Maqsood Barlas & sons
	2,399	(2,186)	213	21	Sale	Maqsood Barlas & sons
	8,039	(7,317)	722	71	Sale	Maqsood Barlas & sons
	7,512	(6,835)	677	66	Sale	Maqsood Barlas & sons
	15,135	(13,792)	1,343	132	Sale	Maqsood Barlas & sons
	1,974	(1,797)	177	17	Sale	Maqsood Barlas & sons
	8,050	(2,952)	5,099	500	Sale	Maqsood Barlas & sons
	906	(272)	634	62	Sale	Maqsood Barlas & sons
	2,418	(2,339)	78	8	Sale	Maqsood Barlas & sons
	338	(99)	239	77	Sale	Maqsood Barlas & sons
	469	(137)	332	77	Sale	Maqsood Barlas & sons
	24,581	(22,359)	2,222	218	Sale	Maqsood Barlas & sons
	2,568	(2,334)	233	23	Sale	Maqsood Barlas & sons
	380	(57)	323	19	Sale	Maqsood Barlas & sons
	1,867	(187)	1,680	165	Sale	Maqsood Barlas & sons
	1,271	(678)	593	210	Sale	Maqsood Barlas & sons
	1,271	(678)	593	210	Sale	Maqsood Barlas & sons
	1,132	(604)	528	210	Sale	Maqsood Barlas & sons
	1,291	(689)	603	210	Sale	Maqsood Barlas & sons
	196	(100)	96	95	Sale	Maqsood Barlas & sons
	237	(105)	132	84	Sale	Maqsood Barlas & sons
	237	(105)	132	63	Sale	Maqsood Barlas & sons

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For the year ended 31 December 2013

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
						(Rupees in '000)
	9,082	(5,275)	3,807	373	Sale	Maqsood Barlas & sons
	201	(130)	71	35	Sale	Maqsood Barlas & sons
	201	(130)	71	35	Sale	Maqsood Barlas & sons
	704	(345)	359	35	Sale	Maqsood Barlas & sons
	1,158	(454)	705	153	Sale	Maqsood Barlas & sons
	1,928	(1,828)	100	10	Sale	Maqsood Barlas & sons
	560	(193)	367	427	Sale	Maqsood Barlas & sons
	500	(102)	398	29	Sale	Maqsood Barlas & sons
	89	(19)	70	7	Sale	Maqsood Barlas & sons
	576	(119)	457	83	Sale	Maqsood Barlas & sons
	1,000	(883)	117	31	Sale	Maqsood Barlas & sons
	156	(96)	60	6	Sale	Maqsood Barlas & sons
	156	(96)	60	6	Sale	Maqsood Barlas & sons
	338	(197)	141	41	Sale	Maqsood Barlas & sons
	375	(150)	225	67	Sale	Maqsood Barlas & sons
	1,524	(847)	677	63	Sale	Karachi Scrap
	1,755	(743)	1,011	280	Sale	Polyplast Polymer
	2,340	(1,040)	1,300	686	Sale	Polyplast Polymer
	1,602	(687)	915	268	Sale	Polyplast Polymer
	4,016	(1,673)	2,343	589	Sale	Karachi Scrap
	663	(276)	387	53	Sale	Karachi Scrap
	2,208	(859)	1,349	712	Sale	Polyplast Polymer
	5,534	(2,185)	3,349	812	Sale	Karachi Scrap
	211	(82)	129	31	Sale	Karachi Scrap
	5,301	(1,914)	3,387	757	Sale	Karachi Scrap
	4,099	(752)	3,348	1,187	Sale	Polyplast Polymer
	7,039	(1,239)	5,800	495	Sale	Polyplast Polymer
	1,713	(476)	1,237	652	Sale	Polyplast Polymer
	2,275	(253)	2,022	1,067	Sale	Karachi Scrap
	1,092	(676)	416	18	Sale	Maqsood Barlas & sons
	2,054	(954)	1,100	49	Sale	Maqsood Barlas & sons
	2,202	(1,023)	1,179	52	Sale	Maqsood Barlas & sons
	10,513	(4,882)	5,631	249	Sale	Maqsood Barlas & sons
	237	(166)	71	3	Sale	Maqsood Barlas & sons
	270	(144)	126	6	Sale	Maqsood Barlas & sons
	742	(396)	346	15	Sale	Maqsood Barlas & sons
	940	(502)	439	19	Sale	Maqsood Barlas & sons
	1,113	(722)	391	800	Sale	Tetra Pak Pakistan Limited
	39,265	(13,933)	25,332	25,400	Sale	Tetra Pak Pakistan Limited
	17,932	(13,005)	4,928	6,000	Sale	Tetra Pak Pakistan Limited
	10,466	(6,791)	3,675	5,098	Sale	Tetra Pak Pakistan Limited
	1,113	(722)	391	800	Sale	Tetra Pak Pakistan Limited

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
				(Rupees in '000)		
Vehicles						
	2,085	(348)	1,738	2,100	Insurance claim	IGI Insurance Limited
	1,058	(829)	229	885	Insurance claim	IGI Insurance Limited
	849	(467)	382	850	Insurance claim	IGI Insurance Limited
	1,058	(741)	318	640	Sale	Employee (Mr. Imran Salim)
	772	(579)	193	523	Sale	Employee (Mr. Imran Aslam)
	880	(323)	557	724	Sale	Employee (Mr. Zain Alam Shamsi)
	880	(249)	631	763	Sale	Employee (Mr. Raza Abbas Saaram)
	466	(319)	148	315	Sale	Employee (Mr. Tariq Mehmood Malik)
	1,509	(679)	830	1,056	Sale	Employee(Mr. Arshad Hussain)
	772	(656)	116	495	Sale	Employee (Mr. Usman Mujeeb Shami)
	762	(648)	114	476	Sale	Employee (Ms. Saira Iftikhar)
	783	(614)	170	484	Sale	Employee (Mr. Waqar Javaid Khan)
	783	(614)	170	503	Sale	Employee (Mr. Muhammad Iqbal)
	815	(571)	245	558	Sale	Employee (Mr. Awais Ahmad)
	820	(560)	260	557	Sale	Employee (Mr. Mujtaba Ali)
	835	(529)	306	584	Sale	Employee (Mr. Taimoor Ahmed Toor)
	849	(509)	340	621	Sale	Employee (Mr. Yasir Mirza)
	849	(509)	340	568	Sale	Employee (Mr. Omar Javad)
	849	(509)	340	615	Sale	Employee (Mr. Muhammad Asif)
	880	(411)	469	687	Sale	Employee (Mr. Hassan Javed)
	896	(374)	522	731	Sale	Employee (Ms. Areej Tahir)
	882	(353)	529	687	Sale	Employee (Mr. Hassan Raza)
	881	(352)	528	709	Sale	Employee (Mr. Shoaib Siddiqui)
	901	(360)	540	749	Sale	Employee (Ms. Naila Balkhi)
	921	(368)	552	725	Sale	Employee (Mr. M Mashal Alam)
	921	(368)	552	742	Sale	Employee (Mr. Faisal Jan Durrani)
	917	(352)	566	771	Sale	Employee (Mr. Saad Ullah)
	988	(231)	758	890	Sale	Employee (Mr. M.Rashid Taseer)
	982	(229)	753	856	Sale	Employee (Mr. Naeem Talib Butt)
	982	(229)	753	902	Sale	Employee (Mr. Hammad Khan)
	988	(231)	758	903	Sale	Employee (Mr. Umer Sattar)
	988	(231)	758	882	Sale	Employee (Mr. Musaddiq Asif)
	1,002	(184)	818	924	Sale	Employee (Mr. Mumtaz Usmani)
	1,003	(184)	819	936	Sale	Employee (Mr. Raja Mohsin Saleem)
IT Equipment						
	89	(25)	64	64	Sale	Employee (Mr.Javaid Akhtar)
	88	(17)	71	-	Scrap	Various
	119	(30)	89	-	Scrap	Various
	98	(25)	74	74	Sale	Nestlé Ghana Limited

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
						(Rupees in '000)
Furniture and fixtures	378	(183)	195	25	Sale	FF Interprises
	202	(47)	155	-	Scrap	Various
	488	(334)	155	-	Scrap	Various
Assets with book value less than Rs. 50,000 "	617,409	(599,103)	18,303	27,827		
2013	1,498,382	(1,158,063)	340,319	183,855		
2012	768,065	(548,268)	219,797	123,711		

	Note	2013	2012
			(Rupees in '000)
15 Capital work-in-progress			
Civil works		80,897	1,548,147
Plant and machinery	15.1	1,678,178	9,361,941
Others		592,481	639,535
		2,351,556	11,549,623

15.1 Included in plant and machinery are borrowing costs of Rs. 234.649 million (2012: Rs.350.173 million). The average rate used for computing borrowing cost for capitalization is 9.94% (2012: 11.33%) per annum.

	Note	2013	2012
			(Rupees in '000)
16 Intangible assets			
Cost			
Balance as at 01 January		232,315	232,315
Addition during the year		-	-
Balance as at 31 December		232,315	232,315
Amortization			
Balance as at 01 January		225,142	220,361
Charge for the year	28	4,781	4,781
Accumulated amortization as at 31 December		229,923	225,142
Net book value as at 31 December		2,392	7,173
Amortization rate		25%	25%

Notes to the Financial Statements

For the year ended 31 December 2013

17 Goodwill

17.1 The Company acquired Infant Nutrition business from Wyeth Pakistan Limited which was approved by the Board of Directors of the Company in their meeting held on 17 October 2012. The Company acquired 100% business for cash consideration of US$ 2 million on the acquisition date of 30 November 2012. This acquisition was done as part of global acquisition of Pfizer Infant Nutrition business by Nestle S.A Switzerland, the holding company, of the Company. On 09 October 2012, the Competition Commission of Pakistan approved the pre-merger application of Nestle S.A Switzerland subject to written undertaking by Nestle S.A Switzerland that Pfizer Infant Nutrition products will continue to be available in market for a period of three years from the date of acquisition. On acquisition date, the Company hired 25 employees of Pfizer Infant Nutrition business from Wyeth Pakistan Limited with the terms of new employment with the Company and it shall not constitute continuation of their employment with Wyeth Pakistan Limited.

17.2 The acquisition has been accounted for by applying the acquisition method in accordance with the requirements of IFRS 3 Business Combinations. The cost of the acquisition has been measured at the fair value of the consideration given. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date. The excess of the consideration paid over the fair value of the identifiable net assets acquired has been recorded as the goodwill in the financial statements of the Company.

17.3 The Company recognized goodwill in the financial statements as at 31 December 2012 on provisional basis as complete information about the facts and circumstances of the transaction was not available. During the year certain adjustments to these provisional balances have been made and accounted for as if these adjustments had been accounted for at the date of acquisition with the corresponding adjustment made to goodwill. Accordingly, goodwill on acquisition relating to Pfizer Infant Nutrition business has increased by Rs. 63.368 million. The adjustments primarily relates to assessment of the value of stock acquired, along with related trade claims. The shelf life of stock at the time of acquisition was low due to which the cost of the acquired stock of Rs. 46.038 million may not be recoverable. Furthermore, claims from trade with respect to expiry of stock held with them at the acquisition date amount to Rs. 17.330 million.

Details of the purchase consideration given, fair values of the net assets acquired and re-assessed goodwill are as follows:

	(Rupees in '000)
Re- assessed fair value of the identifiable net assets	
of Pfizer nutrition business as on 30 November 2012	25,514
Percentage of identifiable net assets acquired	100%
Re- assessed fair value of the identifiable net assets	
business acquired as on 30 November 2012	25,514
Less: Purchase consideration paid in cash	(193,060)
Re-assessed goodwill as at the date of acquisition	(167,546)

The impact of re-assessment of provisional amounts has been shown below:

	Reported as at 31 December 2012 on provisional basis	Adjustments	Restated as at 31 December 2012
			(Rupees in '000)
Stock in trade	92,482	(46,038)	46,444
Total assets	92,482	(46,038)	46,444
Other payables	(3,600)	(17,330)	(20,930)
Total liabilities	(3,600)	(17,330)	(20,930)
Consideration paid	193,060	-	193,060
Goodwill	(104,178)	(63,368)	(167,546)

17.4 As mentioned in note 17.3 to these financial statements, the acquisition of Pfizer Infant Nutrition business generates goodwill as the consideration paid by the Company in cash as at the acquisition date exceeds the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of Pfizer Infant Nutrition business is Rs. 167.546 million.

17.5 During the year, the Company has earned revenues amounting to Rs. 79.86 million (2012: Rs. Nil) out of the Pfizer Infant Nutrition business acquired.

17.6 Goodwill arising on the business combination has been allocated to the Nutrition business of the Company and management is expecting to benefit from the synergies of this business combination.

17.7 For impairment testing, the estimated recoverable amount of Nutrition business was determined using the discounted cash flows for the period of ten years. Key assumptions used in estimation of recoverable amount includes budgeted EBITDA average growth rate of 11.4% (over ten years period) and discount rate of 11.42%. The estimated recoverable amount determined using the discounted cashflows exceeds the carrying value of Nutrition business. The management has identified that the discounted cashflows are sensitive to discount rate and local inflation rates.

	Note	2013	2012
			(Rupees in '000)
18 Long term loans and advances			
To employees - secured, considered good	18.1		
Chief executives and executives		220,172	144,896
Other employees		121,336	129,254
	18.2	341,508	274,150
To suppliers - unsecured, considered good	18.3	6,580	8,224
		348,088	282,374
Less: current portion shown under current assets		(55,784)	(45,735)
		292,304	236,639

Notes to the Financial Statements

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18.1 These represent long term interest free loans to employees for the purchase of cars and motor cycles as per the Company policy and are repayable within a period of 5 years. Loans are secured by the crossed cheque from employees of the full loan amount in the name of the Company without mentioning any date as part of collateral.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs. 281.169 million (2012 : 233.448 million).

During the year, a loan amounting to Rs. 3.30 million has been given to Chief Executive for the purchase of car in line with Company policy. The loan has been approved by the SECP and Board of Directors of the Company. No other director has obtained any loan or advance from the Company.

18.2 The amount of loans and advances and the period in which these will become due are as follows:

	2013	2012
		(Rupees in '000)
Less than one year	55,784	45,735
More than one year but not more than 3 years	149,622	190,267
More than 3 years	136,102	38,148
	341,508	274,150
Reconciliation of carrying amount of loans to executives		
Balance as at 01 January	144,896	101,879
Disbursements during the year	121,486	55,612
Status change of non-executive employees as executives	22,103	25,221
Loans recovered during the year	(68,313)	(37,816)
Balance as at 31 December	220,172	144,896

18.3 This represents an un-secured loan given to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to the plant at Kabirwala. Mark-up is charged at the rate of 1.5% per annum (2012: 1.5% per annum) and is receivable annually. This amount is recoverable in 10 equal annual instalments which commenced from October 2008.

	Note	2013	2012
			(Rupees in '000)
19 Long term deposits and prepayments			
Long term security deposits		20,799	20,799
Long term prepayments	19.1	50,569	77,864
		71,368	98,663

19.1 This represents long term prepayments related to rent of facilities obtained by the Company on cancellable lease basis. These prepayments are amortized over the term of the lease on straight line basis.

Notes to the Financial Statements

For the year ended 31 December 2013

	Note	2013	2012 (Rupees in '000)
20 Stores and spares			
Stores		235,728	195,181
Spares, including in transit Rs. 10.944 million (2012: Rs. 23.945 million)		1,238,017	1,178,058
		1,473,745	1,373,239
Less: Provision for obsolete stores	20.2	(200,207)	-
		1,273,538	1,373,239

20.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	2013	2012 (Rupees in '000)
20.2 Provision for obsolete stores		
Balance as at 01 January	-	-
Addition during the year	200,207	-
Less: reversals/written off during the year	-	-
Balance as at 31 December	200,207	-

	Note	2013	(Re-stated) 2012 (Rupees in '000)
21 Stock in trade			
Raw and packing materials including in transit Rs.1,485.769 million (2012: Rs. 1,556.831 million)		5,382,032	5,159,664
Work-in-process		368,198	450,292
Finished goods		1,714,053	2,133,848
Goods purchased for resale including in transit Rs. 98.589 million (2012: Rs. 63.151 million)		460,849	235,811
		7,925,132	7,979,615
22 Trade debts			
Considered good - unsecured		346,041	491,842
Considered doubtful - unsecured		5,526	5,794
		351,567	497,636
Less: Provision for doubtful debts	22.1	5,526	5,794
		346,041	491,842

	Note	2013	2012 (Rupees in '000)
22.1 Provision for doubtful debts			
Balance as at 01 January		5,794	6,349
Addition during the year		-	324
Less: reversals during the year		(268)	(879)
Balance as at 31 December		5,526	5,794
23 Advances, deposits, prepayments and other receivables			
Advances to employees - secured and considered good	23.1	222	4,097
Advances to suppliers - unsecured and considered good		313,161	678,477
Due from related parties - unsecured and considered good	23.2	7,434	25,090
Trade deposits and prepayments - considered good		113,482	95,808
Income tax recoverable - net		1,748,312	1,689,925
Sales tax refundable		5,066,335	3,514,923
Other receivables - considered good		366,977	199,864
		7,615,923	6,208,184

23.1 Chief Executive and Directors have not taken any advance from the Company.

	2013	2012 (Rupees in '000)
23.2 Due from related parties		
Foreign Associated Companies		
Nestle UK Limited	524	7,522
Nestle R&D (China) Limited	38	-
Wyeth Nutritionals (Singapore)	6,872	-
Nestlé Vietnam Limited	-	13,588
Nestlé Ghana Limited	-	460
Nestlé Asean (Malaysia) Sdn Bhd	-	3,520
	7,434	25,090

These relate to normal business of the Company and are interest free.

23.3 Ageing analysis of the amounts due from related parties is as follows:

	Wyeth Nutritionals (Singapore)	Nestle R&D (China) Limited	Nestle UK Limited	Total
				(Rupees in '000)
Not past due	6,872	38	524	7,434
Past due 30 days	-	-	-	-
Past due 60 days	-	-	-	-
Past due 90 days	-	-	-	-
Past due 180 days	-	-	-	-
Past due above one year	-	-	-	-
	6,872	38	524	7,434

	Note	2013	2012
			(Rupees in '000)
24 Cash and bank balances			
Local currency			
- Current accounts		665,299	714,668
- Saving accounts	24.1	560	10,142
		665,859	724,810
Foreign currency			
- Current accounts		49,990	31,915
Cash in hand		4,216	4,106
		720,065	760,831

24.1 The balances in saving accounts carry return ranging from 2.5% to 7.65% (2012 : 1.25% to 13.55%) per annum.

	2013	2012
		(Rupees in '000)
25 Sales- net		
Own manufactured		
Local	85,967,586	78,250,634
Export	6,244,748	6,116,460
	92,212,334	84,367,094
Goods purchased for resale	1,525,663	880,018
Less :		
Sales tax	(2,997,284)	(2,205,003)
Trade discounts	(4,513,844)	(3,954,413)
	86,226,869	79,087,696

		Note	2013	2012
				(Rupees in '000)
26	Cost of goods sold			
	Raw and packing materials consumed		44,869,798	43,228,390
	Salaries, wages and amenities	26.1	3,385,124	3,057,081
	Fuel and power		3,644,216	3,628,624
	Insurance		54,692	46,658
	Repairs, maintenance and stores consumption		2,410,348	2,176,458
	Rent, rates and taxes		141,591	150,363
	Depreciation	14.1	2,504,366	1,759,858
	Expenses on information technology		342,112	259,194
	Stationery expenses		39,311	40,261
	Communication		65,041	46,043
	Quality assurance		298,595	231,402
	Royalty and technical assistance fee		2,450,666	2,355,944
	Others		424,968	428,643
			60,630,828	57,408,919
	Decrease/(increase) in work in process		82,094	(184,672)
	Cost of goods manufactured		60,712,922	57,224,247
	Decrease/(increase) in finished goods		282,316	(309,413)
	Cost of goods sold - own manufactured		60,995,238	56,914,834
	Cost of goods sold - purchased for resale		1,070,834	649,431
			62,066,072	57,564,265

26.1 Salaries, wages and amenities include Rs. 57.270 million (2012: Rs.48.687 million) in respect of gratuity, Rs. 46.630 million (2012: Rs. 32.845 million) in respect of pension and Rs. 86.039 million (2012: Rs. 64.917 million) in respect of provident fund.

		Note	2013	2012
				(Rupees in '000)
27	Distribution and selling expenses			
	Salaries, wages and amenities	27.1	1,779,020	1,553,763
	Training		18,096	34,579
	Rent, rates and taxes		24,817	25,849
	Insurance		11,403	12,179
	Freight outward		2,448,195	2,463,953
	Depreciation	14.1	359,704	272,470
	Sales promotion and advertisement		5,529,158	3,763,608
	Legal and professional charges		10,016	17,037
	Vehicle running and maintenance		30,646	26,017
	Utilities		73,709	63,262
	Repairs and maintenance		68,732	95,899
	Subscription, stationery, printing and publication		21,385	25,498
	Communications		29,410	27,582
	Travelling, conveyance and vehicle running		137,404	136,221
	Provision for doubtful advances/debts - net		2,908	324
	Expenses on information technology		60,726	66,921
	Other expenses		126,255	202,346
			10,731,584	8,787,508

27.1 Salaries, wages and amenities include Rs. 42.407 million (2012: Rs. 40.218 million) in respect of gratuity, Rs. 47.334 million (2012: Rs. 39.724 million) in respect of pension and Rs. 63.559 million (2012: Rs. 53.772 million) in respect of provident fund.

	Note	2013	2012
			(Rupees in '000)
28 Administration expenses			
Salaries, wages and amenities	28.1	1,006,834	927,866
Training		28,694	61,482
Rent, rates and taxes		99,350	77,915
Insurance		3,037	2,794
Depreciation	14.1	123,198	92,030
Amortization	16	4,781	4,781
Legal and professional charges	28.2	81,192	61,216
Vehicles running and maintenance		23,880	18,425
Utilities		38,249	30,902
Repairs and maintenance		23,456	22,963
Subscription, stationery, printing and publication		33,715	45,650
Communications		68,600	66,896
Travelling and conveyance		75,604	71,660
Expenses on information technology		299,787	234,898
Other expenses		47,566	50,325
		1,957,943	1,769,803

28.1 Salaries, wages and amenities include Rs. 27.740 million (2012: Rs. 27.035 million) in respect of gratuity, Rs. 48.012 million (2012: Rs. 42.646 million) in respect of pension and Rs. 41.577 million (2012: Rs. 35.614 million) in respect of provident fund.

	2013	2012
		(Rupees in '000)
28.2 Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	1,000	1,000
Half yearly review	180	180
Audit of accounts of staff retirement benefits	60	60
Other sundry certificates	12	62
Out of pocket expenses	125	125
	1,377	1,427

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	Note	2013	2012
			(Rupees in '000)
29 Finance cost			
Mark-up on lease finances		1,084	6,340
Exchange loss on derivative financial liability		6,518	-
Mark-up on short term running finances - secured		552,690	453,194
Mark-up on short term borrowings - secured		487,971	1,011,568
Mark-up on loan from associated company		132,321	140,291
Mark-up on long term loan		884,650	156,807
Bank charges		47,862	59,769
		2,113,096	1,827,969
30 Other operating expenses			
Workers' profit participation fund	11.1	431,590	423,729
Workers' welfare fund		87,423	72,876
Donations	30.1	53,290	73,756
Loss on disposal of property, plant and equipment		156,464	96,086
Impairment loss on property, plant and equipment	14	68,829	149,644
Exchange loss on foreign currency loan		528,697	462,800
Others		113,484	41,428
		1,439,777	1,320,319
30.1 Donations			
Name of donee in which a director or his spouse has an interest:			
Dairy & Rural Development Foundation (DRDF),		2,500	2,500
72-B-II, Swiss Avenue, Gulberg III, Lahore			
(Syed Yawar Ali, Director is also Governor of DRDF)			
National Management Foundation (NMF),		10,000	10,000
Defence Housing Authority, Lahore			
(Syed Babar Ali, Director is also Chairman of NMF)			
Pakistan Dairy Association (PDA)		1,500	-
7/B-2, Aziz Avenue, Canal Bank Road, Gulberg V, Lahore			
(Syed Yawar Ali, Director is also Director of PDA)			
		14,000	12,500
31 Other income			
Income from financial assets			
Return on bank accounts		18,257	26,825
Income from non - financial assets			
Sale of scrap		175,930	132,453
Others		378	864
		176,308	133,317
		194,565	160,142

	2013	2012
		(Rupees in '000)
32 Taxation		
Current year		
Current	1,144,452	1,191,532
Deferred	798,070	827,221
	1,942,522	2,018,753
Prior year		
Current	303,677	94,710
	2,246,199	2,113,463

32.1 During the year the Federal Government of Pakistan through an amendment vide Finance Act, 2013 reduced the tax rate for the tax year 2014 from 35% to 34%. The current tax expense has been computed using the tax rate enacted for the tax year 2014.

	2013	2012
		(%)
32.2 Tax charge reconciliation		
Numerical reconciliation between the average effective		
tax rate and the applicable tax rate:		
Applicable tax rate	34.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	3.59	4.28
Allowable for tax purposes	(12.85)	(11.49)
Effect of changes in prior years' tax/surcharge	3.74	1.19
Tax effect under presumptive tax regime	(1.59)	(2.49)
	(7.11)	(8.51)
Average effective tax rate charged to profit and loss account	26.89	26.49

33 Earnings per share

33.1 Basic earnings per share

		2013	2012
Profit after taxation available for distribution			
to ordinary shareholders	Rupees in '000'	5,866,763	5,864,511
Weighted average number of ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	129.37	129.32

33.2 Diluted earnings per share

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

34 Transactions with related parties

The related parties comprise of associated undertakings, 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, amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

	Note	2013	2012 (Rupees in '000)
34.1 Transactions during the year			
Associated companies			
- Royalty and technical assistance fee		2,315,483	2,141,768
- Purchase of goods, services and rental		14,561,800	15,264,169
- Sale of fixed assets		7,432	-
- Interest on foreign currency loan		132,321	140,291
Other related parties			
- Contribution to staff retirement benefit plans		282,328	230,768
- Donation		14,000	12,500
- Sale of fixed assets		44,511	31,000
- Remuneration to key management personnel	37	2,399,995	1,968,114

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

	2013	2012 (Rupees in '000)
35 Cash generated from operations		
Profit before taxation	8,112,962	7,977,974
Adjustment for non-cash charges and other items:		
Depreciation	2,987,268	2,131,633
Amortization	4,781	4,781
Impairment loss on property, plant and equipment	68,829	149,644
Loss on disposal of property, plant and equipment	156,464	96,086
Exchange loss on foreign currency loan	528,697	462,800
Provision for workers' profit participation fund	431,590	423,729
Provision for workers' welfare fund	87,423	72,876
Provision for doubtful advances/debts - net	2,908	324
Provision for stores and spares	200,207	-
Provision for staff retirement benefits	269,393	231,155
Exchange loss on derivative financial liability	6,518	-
Finance cost	2,106,578	1,827,969
Profit before working capital changes	14,963,618	13,378,971
Effect on cash flow due to working capital changes:		
(Increase) in stores and spares	(100,506)	(94,823)
Decrease / (increase) in stock in trade	54,483	(869,001)
Decrease / (increase) in trade debts	146,337	(215,308)
Decrease / (increase) in advances, deposits, prepayments and other receivables	198,884	(1,409,157)
(Decrease) / increase in trade and other payable	(413,469)	2,363,159
(Decrease) / increase in customer security deposits - interest free	(2,464)	34,650
	(116,735)	(190,480)
	14,846,883	13,188,491

	Note	2013	2012
			(Rupees in '000)
36 Cash and cash equivalents			
Cash and bank balances	24	720,065	760,831
Short term running finance under mark-up arrangements - secured		(3,356,591)	(5,937,374)
		(2,636,526)	(5,176,543)

37 Remuneration of chief executive, directors and executives

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

	Chairman		Chief Executive		Executive Director		Executive	
	2013	2012	2013	2012	2013	2012	2013	2012
								(Rupees in '000)
Fee / managerial remuneration	3,600	3,300	18,190	10,209	24,268	21,237	1,469,343	1,256,535
Bonus	-	-	5,242	4,168	6,604	7,259	268,901	269,749
Retirement benefits	-	-	-	-	1,818	1,560	254,635	211,828
Housing	-	-	10,327	9,773	4,455	1,983	11,411	13,034
Utilities	-	-	-	-	-	-	3,992	3,378
Reimbursable expenses	646	-	20,535	5,507	27,199	5,683	268,829	142,911
	4,246	3,300	54,294	29,657	64,344	37,722	2,277,111	1,897,435
Number of persons	1	1	1	1	3	2	847	723

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

37.2 The aggregate amount charged in these financial statements in respect of contribution to provident fund of key management personnel is Rs. 106.37 million (2012: Rs. 88.22 million).

37.3 No meeting fee was paid to the non executive directors during the year (2012: Rs. Nil).

	Capacity		Production	
	2013	2012	2013	2012
38 Capacity and production				
Liquid products - liters (000)	1,461,735	1,292,470	848,124	767,027
Non-liquid products - Kgs (000)	182,188	146,780	88,335	86,348

Under utilization of capacity was mainly due to seasonal impact of fresh milk and increased capacity through new investment to meet future requirements.

39 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:

i) Milk and nutrition products

These segments comprise of following major types of products :

- Milk and nutrition products
  Milk based products and cereals

ii) Beverages

- Beverages.
  Juices & water

39.1 Segment analysis and reconciliation for the year ended 31 December

	Milk and Nutrition Products		Beverages		Other Operations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
								(Rupees in '000)
Sales								
External sales	69,487,381	66,039,480	15,939,953	12,211,715	799,535	836,501	86,226,869	79,087,696
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	69,487,381	66,039,480	15,939,953	12,211,715	799,535	836,501	86,226,869	79,087,696
Depreciation and amortization	(2,168,531)	(1,621,111)	(735,532)	(473,329)	(87,986)	(34,699)	(2,992,049)	(2,129,139)
Profit before tax and unallocated expenses	10,254,792	10,108,165	2,032,124	1,172,095	(815,646)	(314,140)	11,471,270	10,966,120
Unallocated corporate expenses								
Finance cost							(2,113,096)	(1,827,969)
Exchange loss on translation on foreign currency loan							(528,697)	(462,800)
Other operating expenses							(842,251)	(707,875)
Other operating income							194,565	160,142
Taxation							(2,246,199)	(2,113,463)
Other material non-cash items								
Impairment loss on property, plant and equipment	(33,572)	-	-	(149,644)	(35,257)	-	(68,829)	(149,644)
Profit after taxation							5,866,763	5,864,511
Segment assets	30,387,249	30,073,889	11,980,192	12,702,855	974,638	652,923	43,342,079	43,429,667
Unallocated assets							8,947,442	7,460,380
Total assets							52,289,521	50,890,047
Segment liabilities	9,487,099	7,871,654	1,913,530	1,634,306	86,854	99,316	11,487,483	9,605,276
Unallocated liabilities							28,942,881	29,724,507
Total liabilities							40,430,364	39,329,783
Segment capital expenditure	2,428,017	8,163,406	623,886	2,502,432	65,244	533,612	3,117,147	11,199,450
Unallocated capital expenditure							583,416	2,870,942
							3,700,563	14,070,392

39.2 Geographical segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sales offices in Pakistan only.

40 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. 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.

40.1 Market risk

a) 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 exposure to currency risk is as follows:

Notes to the Financial Statements

For the year ended 31 December 2013

Particulars	Currency	2013	2012
			(Rupees in '000)
Foreign currency bank accounts	US $	49,813	31,885
Cash in hand			
	US $	3,144	2,905
	EUR	1,012	896
		4,156	3,801
Receivables			
	US $	725,005	40,008
	GB £	723	-
	DKK	81	-
	CHF	-	3,508
	EUR	129,404	52,868
		855,213	96,384
		909,182	132,070
Less :			
Long term loan from associated undertaking (including current maturity)	US $	6,838,325	6,310,850
Payables	US $	158,439	1,020,950
	EUR	149,475	530,682
	CHF	216,648	2,347
	GB £	1,268	3,889
	SGP $	43,425	11,464
	JPY	6,897	9,151
	DKK	-	291
		576,152	1,578,774
		7,414,477	7,889,624
On balance sheet exposure		(6,505,295)	(7,757,554)
Outstanding letters of credit		(1,390,607)	(1,091,476)
Off balance sheet exposure		(1,390,607)	(1,091,476)

The following significant exchange rates were applied during the year :

	2013		2012	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
				(Rupees per currency unit)
US $	101.10	105.21	93.54	97.10
EUR	136.57	144.83	122.38	128.31
CHF	112.26	118.24	101.99	106.28
GB £	164.97	173.03	148.95	156.90
SGP $	81.23	82.98	74.99	79.47
JPY	1.07	1.01	1.14	1.13
CNY	15.46	17.42	13.50	13.50
AED	27.52	28.59	25.67	26.44
DKK	18.31	19.42	16.75	17.20
NZD	83.17	86.29	76.22	80.04

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 after taxation for the year and 2012 would have been as follows :

	2013	2012
		(Rupees in '000)
Effect on Profit and loss		
US Dollar	410,441	471,705
Euro	1,258	31,000
Swiss Franc	14,299	(75)
Great Britain Pound	36	253
Singapore Dollar	2,866	745
Japanese Yen	455	595
Danish Krone	(5)	19
	429,349	504,242

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.

b) 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.

c) 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.

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

	2013	2012
		(Rupees in '000)
Variable rate instruments		
Long term finances from associated undertaking - US $	(6,838,325)	(6,310,850)
Effective interest rate in %age	1.97	2.25
Long term finances from banking companies - PKR	(15,458,327)	(9,084,170)
Effective interest rate in %age	10.81	12.87
Short term borrowings from local banks - PKR	(3,356,591)	(9,837,374)
Effective interest rate in %age	9.15	10.95

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 balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on loans from associates and 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 after taxation for the year and 2012 would have been affected as follows:

	2013	2012
		(Rupees in '000)
Effect on Profit and loss of an increase	(173,407)	(135,397)
Effect on Profit and loss of a decrease	173,407	135,397

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.

40.2 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 trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

Particulars	2013	2012
		(Rupees in '000)
Long term deposits	20,799	98,663
Trade debts	346,041	491,842
Advances, deposits and		
other receivables	637,244	1,003,336
Bank balance	715,289	756,725
	1,719,373	2,350,566
The aging of trade debts at the reporting date is:		
Past due 0 - 30 days	322,118	477,653
Past due 31 - 60 days	19,297	8,081
Past due 61 - 90 days	1,478	1,293
Past due 91 - 120 days	105	1,036
Past due 120 days	3,043	3,779
	346,041	491,842

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

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 2013			Rating 2012		
	Short Term	Long Term	Agency	Short Term	Long Term	Agency
Allied Bank Limited	A1+	AA+	PACRA	A1+	AA+	PACRA
Bank Al Falah Limited	A1+	AA	PACRA	A1+	AA	PACRA
Bank Al Habib Limited	A1+	AA+	PACRA	A1+	AA+	PACRA
Bank of Punjab	A1+	AA-	PACRA	A1+	AA-	PACRA
Barclays Bank PLC	A1+	A	S&P	A1	A+	S & P
Burj Bank	A-1	A	JCR-VIS	A-1	A	JCR-VIS
Citibank N.A.	A3	P2	Moody's	P1	A1	Moody's
Deutsché Bank AG	A1	A	S&P	P1	Aa3	Moody's
Faysal Bank Limited	A1+	AA	PACRA	A1+	AA	PACRA
Habib Bank Limited	A1+	AAA	JCR-VIS	A1+	AA+	JCR-VIS
HSBC	P1	A1	Moody's	P1	A1	Moody's
KASB	A3	BBB	PACRA	A3	BBB	PACRA
MCB Bank Limited	A1+	AAA	PACRA	A1+	AA+	PACRA
Meezan Bank Limited	A-1+	AA-	JCR-VIS	A-1+	AA-	JCR-VIS
National Bank of Pakistan	A1+	AAA	JCR-VIS	A-1+	AAA	JCR-VIS
Soneri Bank Limited	A1+	AA-	PACRA	A1+	AA-	PACRA
Standard Chartered Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
Summit Bank Limited (formerly "My Bank Limited")	A3	A-	JCR-VIS	A-2	A-	JCR-VIS
United Bank Limited	A1+	AA+	JCR-VIS	A1+	AA+	JCR-VIS
Afghanistan International Bank	Not available	Not available	Not available	Not available	Not available	Not available

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.

40.3 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.

The following are the contractual maturity analysis of financial liabilities as at 31 December 2013:

	Carrying value	Less than 6 months	6 to 12 months	1 year to 5 year	Total
Non-derivative financial liability					
Long term finances	22,296,652	1,474,213	3,357,626	17,464,813	22,296,652
Short term borrowings					
under mark-up arrangement	3,356,591	3,356,591	-	-	3,356,591
Customer security deposits	181,977	-	181,977	-	181,977
Trade and other payables	9,366,803	9,366,803	-	-	9,366,803
Interest and mark-up accrued	263,776	263,776	-	-	263,776
	35,465,799	14,461,383	3,539,603	17,464,813	35,465,799

The following are the contractual maturity analysis of financial liabilities as at 31 December 2012:

	Carrying value	Less than 6 months	6 to 12 months	1 year to 5 year	Total
Non-derivative financial liability					
Long term finances	15,366,964	-	-	15,366,964	15,366,964
Short term borrowings					
under mark-up arrangement	5,937,374	5,937,374	-	-	5,937,374
Short term borrowings-secured	3,900,000	3,900,000	-	-	3,900,000
Liability against assets					
subject to finance lease	13,630	13,630	-	-	13,630
Customer security deposits	184,441	-	184,441	-	184,441
Trade and other payables	9,732,155	9,732,155	-	-	9,732,155
Interest and mark-up accrued	196,345	196,345	-	-	196,345
	35,330,909	19,779,504	184,441	15,366,964	35,330,909

Fair values of financial assets and liabilities

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

Notes to the Financial Statements

For the year ended 31 December 2013

41 Capital risk management

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

The Company's objectives when managing capital are:

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

ii) To provide an adequate return to shareholders.

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

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

The debt to equity ratio as at 31 December 2013 and 2012 were as follows:

	2013	2012
		(Rupees in '000)
Total borrowing	25,653,243	25,246,024
Total equity	11,859,157	11,560,264
Total debt and equity	37,512,400	36,806,288
Debt equity ratio	68:32	69:31

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.

42 Number of employees

The total average number of employees during the year and as at 31 December 2013 and 2012, are as follows:

	No. of employees	
	2013	2012
Average number of employees during the year	3,870	3,105
Number of employees as at 31 December	3,867	3,739

Notes to the Financial Statements

For the year ended 31 December 2013

43 Provident related disclosures

The following information is based on latest un-audited financial statements of the Fund as of 31 December 2013:

	2013	2012
		(Rupees in '000)
Size of the fund - total assets	2,189,083	1,786,524
Cost of investments made	1,811,337	1,458,473
Percentage of investments made	84%	83%
Fair value of investments	1,834,697	1,490,323

	2013		2012	
	(Rs in '000)	%	(Rs in '000)	%
43.1 The break-up of fair value of investments is:				
Pakistan investment bonds	114,093	6%	139,093	9%
Term finance certificates	29,994	2%	90,372	6%
Term deposit receipts	400,000	22%	725,562	49%
Shares in listed companies	171,360	9%	185,771	12%
Mutual funds	23,827	1%	34,036	2%
Cash at bank	1,095,423	60%	315,489	21%
	1,834,697	100%	1,490,323	100%

43.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Notes to the Financial Statements

For the year ended 31 December 2013

44 Date of authorization for issue

These financial statements were authorized for issue on 20 February 2014 by the Board of Directors of the Company.

45 Dividend

The Board of Directors in their meeting held on 20 February 2014 have proposed a final cash dividend for the year ended 31 December 2013 of Rs. 75 (2012: Rs. 70) per share, amounting to Rs. 3,401.219 million (2012: Rs. 3,174.471 million) for approval of the members at the Annual General Meeting to be held on 16 April 2014. These financial statements do not reflect this dividend.

46 General

46.1 Corresponding figures

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

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

JOHN M. DAVIS
Head of Finance and Control

MAGDI BATATO
Chief Executive

SYED YAWAR ALI
Chairman

Form of Proxy

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

I/We, ______________________________, of ______________________________, being a member of Nestlé Pakistan Ltd., holder of ______________________________ Ordinary Share(s) as per Register Folio No. ______________________________ hereby Appoint Mr.______________________________ Folio No. __________ of ______________________or failing him Mr.______________________ 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 Annual General Meeting of the Company to be held on April 16, 2014 and at any adjournment thereof.

Signed under my / our hand this ________ day of ____________, 2014.

Signature across Rs. 5
Revenue Stamp

Signed in the presence of:

Signature should agree
with the specimen signature
registered with the company

____
Signature of Witness No. 1

Name:______________________

CNIC No.:______________________

____
Signature of Witness No. 2

Name:______________________

CNIC No.:______________________

NOTES:

1 This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.

2 The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less 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.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Nestlé Pakistan Ltd.
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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

www.nestle.pk

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