

Nestlé Pakistan Limited

Financial Statements for the year ended
31 December 2011

Auditors' Report to the Members

We have audited the annexed balance sheet of Nestlé Pakistan Limited ("the Company") as at 31 December 2011 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 applied;
 - 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 2011 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.

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Farid Uddin Ahmed)

Nestlé Pakistan Limited

Balance Sheet

As at 31 December 2011

	2011 (Rupees in '000)	2010 (Rupees in '000)	Note
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital	750,000	750,000	
75,000,000 (2010: 75,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	453,496	453,496	3
Share premium	249,527	249,527	4
General reserve	280,000	280,000	
Accumulated profit	6,629,393	4,598,850	
	<u>7,612,416</u>	<u>5,581,873</u>	
Non current liabilities			
Long term finances	7,848,050	5,573,750	5
Deferred taxation	2,476,871	1,705,508	6
Retirement benefits	440,377	229,114	7
Liabilities against assets subject to finance lease	13,690	55,415	8
	<u>10,778,988</u>	<u>7,563,787</u>	
Current liabilities			
Current portion of non current liabilities	41,587	57,786	9
Short term borrowings from associated company - unsecured	-	2,143,750	10
Short term borrowings - secured	4,950,000	-	11
Short term running finance under mark-up arrangements - secured	4,175,236	2,780,843	12
Customer security deposits - interest free	149,791	128,857	13
Trade and other payables	7,343,507	4,633,932	14
Interest and mark-up accrued	128,334	61,404	14
	<u>16,788,455</u>	<u>9,806,572</u>	15
CONTINGENCIES AND COMMITMENTS			
	<u>35,179,859</u>	<u>22,952,232</u>	
ASSETS			
Tangible fixed assets			
Property, plant and equipment	16,230,528	11,370,611	16
Capital work-in-progress	5,370,561	3,076,472	17
	<u>21,601,089</u>	<u>14,447,083</u>	
Intangible assets			
	11,954	16,735	18
Long term loans and advances			
	161,982	125,674	19
Long term security deposits			
	9,817	9,817	
Current assets			
Stores and spares	1,278,416	1,050,804	20
Stock in trade	7,064,170	4,602,019	21
Trade debts	276,858	126,499	22
Current portion of long term loans and advances	30,914	19,149	19
Advances, deposits, prepayments and other receivables	4,042,634	2,048,936	23
Cash and bank balances	702,025	505,516	24
	<u>13,395,017</u>	<u>8,352,923</u>	
	<u>35,179,859</u>	<u>22,952,232</u>	

The annexed notes 1 to 44 form an integral part of these financial statements.


 Head of Finance and Control


 Chief Executive


 Chairman

Nestlé Pakistan Limited
Profit and loss account
For the year ended 31 December 2011

	<i>Note</i>	2011 (Rupees in '000)	2010
Sales - net	25	64,824,364	51,487,302
Cost of goods sold	26	(48,099,046)	(37,608,733)
Gross profit		16,725,318	13,878,569
Distribution and selling expenses	27	(6,862,113)	(5,709,078)
Administration expenses	28	(1,405,298)	(1,311,637)
Operating profit		8,457,907	6,857,854
Finance cost	29	(1,050,355)	(513,081)
Other operating expenses	30	(1,064,233)	(819,084)
		(2,114,588)	(1,332,165)
Other operating income	31	159,545	170,491
Profit before taxation		6,502,864	5,696,180
Taxation	32	(1,834,507)	(1,583,331)
Profit after taxation		4,668,357	4,112,849
Earnings per share - basic and diluted (Rupees)	33	102.94	90.69

The annexed notes 1 to 44 form an integral part of these financial statements.

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Head of Finance and Control


Chief Executive


Chairman

Nestlé Pakistan Limited
Statement of comprehensive income
For the year ended 31 December 2011

	2011	2010
	(Rupees in '000)	
Profit after taxation	4,668,357	4,112,849
Other comprehensive loss :		
Actuarial losses recognized directly in the equity	(220,901)	(15,703)
Tax on actuarial losses recognized directly in the equity	77,315	5,496
Other comprehensive loss for the year, net of tax	(143,586)	(10,207)
Total comprehensive income for the year	4,524,771	4,102,642

The annexed notes 1 to 44 form an integral part of these financial statements.

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Head of Finance and Control



Chief Executive



Chairman

Nestlé Pakistan Limited
Cash flow statement
For the year ended 31 December 2011

	Note	2011 (Rupees in '000)	2010
Cash flow from operating activities			
Cash generated from operations	35	8,384,781	7,618,810
Increase in long term security deposits		-	(4,791)
Increase in long term loans and advances		(48,073)	(10,321)
Retirement benefits paid		(92,103)	(137,122)
Finance cost paid		(983,425)	(498,656)
Taxes paid		(1,776,948)	(1,518,903)
Net cash generated from operating activities		5,484,232	5,449,017
Cash flow from investing activities			
Fixed capital expenditure		(8,940,862)	(4,295,328)
Purchase of intangible asset		-	(19,126)
Sale proceeds of property, plant and equipment		111,945	41,654
Net cash used in investing activities		(8,828,917)	(4,272,800)
Cash flow from financing activities			
Proceeds from long term finances		2,000,000	-
Repayment of short term borrowings from associated company-unsecured		(2,252,000)	-
Proceeds from short term borrowings - secured		4,950,000	-
Payment of finance lease liabilities		(57,924)	(64,291)
Dividend paid		(2,493,275)	(2,946,661)
Net cash generated from/(used in) financing activities		2,146,801	(3,010,952)
Net decrease in cash and cash equivalents		(1,197,884)	(1,834,735)
Cash and cash equivalents at beginning of the year		(2,275,327)	(440,592)
Cash and cash equivalents at end of the year	36	(3,473,211)	(2,275,327)

The annexed notes 1 to 44 form an integral part of these financial statements.

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Head of Finance and Control


Chief Executive


Chairman

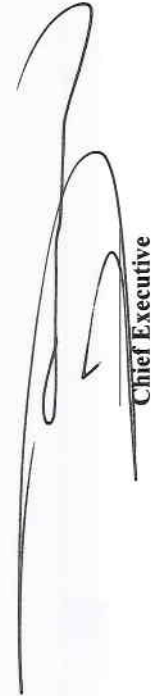
Nestlé Pakistan Limited
Statement of Changes in Equity
For the year ended 31 December 2011

	Capital reserve		Revenue reserve		Total
	Share capital	Share premium	General reserve	Accumulated profit	
	----- (Rupees in '000) -----				
Balance as at 31 December 2009	453,496	249,527	280,000	3,443,932	4,426,955
Final dividend for the year ended 31 December 2009 (Rs. 20 per share)	-	-	-	(906,992)	(906,992)
Interim dividend for the six months period ended 30 June 2010 (Rs. 20 per share)	-	-	-	(906,992)	(906,992)
Interim dividend for the nine months period ended 30 September 2010 (Rs. 25 per share)	-	-	-	(1,133,740)	(1,133,740)
Total comprehensive income for the year	-	-	-	4,102,642	4,102,642
Balance as at 31 December 2010	453,496	249,527	280,000	4,598,850	5,581,873
Final dividend for the year ended 31 December 2010 (Rs. 30 per share)	-	-	-	(1,360,488)	(1,360,488)
Interim dividend for the nine months period ended 30 September 2011 (Rs. 25 per share)	-	-	-	(1,133,740)	(1,133,740)
Total comprehensive income for the year	-	-	-	4,524,771	4,524,771
Balance as at 31 December 2011	453,496	249,527	280,000	6,629,393	7,612,416

The annexed notes 1 to 44 form an integral part of these financial statements.

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Head of Finance and Control


Chief Executive


Chairman

Nestlé Pakistan Limited
Notes to the Financial Statements
For the year ended 31 December 2011

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 (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 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) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of 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 and recognition of certain 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:

	<i>Note</i>
- Taxation	2.8
- Retirement benefits	2.9
- Provisions and contingencies	2.13
- Useful life of depreciable assets	2.14

2.3 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.

2.4 Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, the method of recognizing the resulting gain or loss depends on whether the derivative is designated as hedge instrument, and if so, the nature of item being hedged. Derivatives which are not designated are measured at fair value, and changes therein are accounted for as an expense in the profit and loss account.

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Derivatives are carried as asset when the fair value is positive and liabilities when the fair value is negative. There are no derivatives which are designated as hedge instruments.

2.5 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. 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.

2.6 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.

2.7 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 biological assets, investment property, 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.

2.8 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.

2.9 Retirement benefits

Defined benefit plan

The Company operates an approved funded defined benefit pension plan for its management staff, excluding expatriates, and an approved funded defined benefit gratuity plan for all employees, excluding expatriates, having a service period of more than one year. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

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. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

2.10 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 the 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 costs 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 16. 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.



2.11 Trade and other payables

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

2.12 Dividend

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

2.13 Provisions

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.

2.14 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 and applicable manufacturing overheads.

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 16.

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

Depreciation on additions is charged on a pro-rata basis from the month of use, while for disposals depreciation is charged up to the month of disposal to profit and loss. 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 18. Amortization on additions is charged on a pro-rata basis from the month of use, while for disposals amortization is charged upto the month of disposal.

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.

2.15 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.

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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.

2.16 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.

2.17 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.

2.18 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.

2.19 Borrowing cost

Mark-up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit in the period in which they are incurred.

2.20 Related Party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to deviate.

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 its 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 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

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- 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.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3 Issued, subscribed and paid up capital

2011	2010		2011	2010
(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
<u>45,349,584</u>	<u>45,349,584</u>		<u>453,496</u>	<u>453,496</u>

As at 31 December 2011, Nestlé S.A. Switzerland, the holding company, holds 26,778,229 (2010: 26,778,229) ordinary shares of the Company. In addition, 8,766,849 (2010: 8,761,429) ordinary shares are held by the following related parties as at 31 December:

	2011	2010
	(Number of shares)	
Name of related party:		
IGI Insurance Limited	4,332,980	4,327,560
Percentage of equity held 9.6% (2010: 9.5%)		
Packages Limited	3,649,248	3,649,248
Percentage of equity held 8.0% (2010: 8.0%)		
Gurmani Foundation	762,955	762,955
Percentage of equity held 1.7% (2010: 1.7%)		
Industrial Technical and Educational Institution	21,666	21,666
Percentage of equity held 0.05% (2010: 0.05%)		
	<u>8,766,849</u>	<u>8,761,429</u>

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.

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5	Long term finances	Note	2011 (Rupees in '000)	2010
	Long term finances utilized under mark up arrangements:			
	<i>Related party - Unsecured</i>			
	Associated company - Foreign currency	5.1	5,848,050	5,573,750
	<i>From banking companies - Secured</i>			
		5.2	2,000,000	-
			<u>7,848,050</u>	<u>5,573,750</u>

Terms of repayment

- 5.1 This represents US\$ 65 million unsecured loan from Nestlé Treasury Centre Middle East and Africa Limited, Dubai - a related party. This loan was rescheduled in 2010. Under the revised terms, US\$ 15 million is now payable in December 2015 and the balance of US\$ 50 million is due in May 2016. Mark-up is payable semi annually at 6 months average LIBOR plus 150 basis points. The outstanding balance as at 31 December 2011 has been converted into PKR at the rate prevailing on the balance sheet date.
- 5.2 The Company has obtained a loan facility from Allied Bank Limited amounting to Rs. 2 billion. The loan will be repaid on maturity at 30 June 2013. Mark up is payable quarterly at 2 years KIBOR plus 35 basis points. The loan is secured by charge over present and future plant & machinery of the Company to the extent of Rs. 2 billion.

6	Deferred taxation	Note	2011 (Rupees in '000)	2010
	This is composed of:			
	Liability for deferred taxation comprising temporary differences related to:			
	Accelerated tax depreciation		2,698,568	1,861,680
	Others		(221,697)	(156,172)
			<u>2,476,871</u>	<u>1,705,508</u>
7	Retirement benefits			
	Pension fund	7.1	210,318	83,310
	Gratuity fund	7.1	230,059	145,804
			<u>440,377</u>	<u>229,114</u>

7.1 Present value of funded obligations

	Gratuity		Pension	
	2011 (Rupees in '000)	2010	2011 (Rupees in '000)	2010
Amounts recognized in the balance sheet are as follows:				
Present value of defined benefit obligation	868,980	646,990	1,090,883	782,220
Fair value of plan assets	(638,921)	(501,186)	(880,565)	(698,910)
Total employee benefit obligation	<u>230,059</u>	<u>145,804</u>	<u>210,318</u>	<u>83,310</u>

7.2 Movement in net obligation

Net liability as at 01 January	145,804	119,368	83,310	96,557
Charge to profit and loss account	92,626	74,911	67,154	65,193
Actuarial losses/ (gains) recognized in equity	89,016	34,695	131,885	(18,992)
Contribution made by the employees	-	-	32,068	25,595
Contribution made by the Company	(97,387)	(83,170)	(104,099)	(85,043)
	<u>230,059</u>	<u>145,804</u>	<u>210,318</u>	<u>83,310</u>

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	Gratuity		Pension	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
7.3 Movement in the liability for funded defined benefit obligations				
Liability for defined benefit obligations as at 01 January	646,990	512,304	782,220	651,918
Benefits paid by the plan	(28,392)	(22,755)	(16,103)	(15,661)
Current service costs	73,671	60,587	88,391	69,599
Interest cost	84,109	61,476	101,689	78,230
Vested past service cost due to pension indexation	-	-	-	9,602
Actuarial losses/(gains) on present value of defined benefit obligations	92,602	35,378	134,686	(11,468)
Liability for defined benefit obligations as at 31 December	<u>868,980</u>	<u>646,990</u>	<u>1,090,883</u>	<u>782,220</u>
7.4 Movement in fair value of plan assets				
Fair value of plan assets as at 01 January	501,186	392,936	698,910	555,361
Contributions paid into the plan	97,387	83,170	104,099	85,043
Benefits paid by the plan	(28,392)	(22,755)	(16,103)	(15,661)
Expected return on plan assets	65,154	47,152	90,858	66,643
Actuarial gains on plan assets	3,586	683	2,801	7,524
Fair value of plan assets as at 31 December	<u>638,921</u>	<u>501,186</u>	<u>880,565</u>	<u>698,910</u>
7.5 Plan assets consist of the following:				
Equity instruments	118,921	44,872	161,310	41,852
Debt instruments	463,119	377,423	680,252	581,086
Cash and other deposits	56,881	78,891	39,003	75,972
	<u>638,921</u>	<u>501,186</u>	<u>880,565</u>	<u>698,910</u>
7.6 Salaries, wages and amenities include the following in respect of retirement and other benefits:				
	Gratuity		Pension	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
Interest cost for the year	84,109	61,476	101,689	78,230
Current service cost	73,671	60,587	88,391	69,599
Vested past service cost due to pension indexation	-	-	-	9,602
Expected return on plan assets	(65,154)	(47,152)	(90,858)	(66,643)
Contribution made by the employees	-	-	(32,068)	(25,595)
	<u>92,626</u>	<u>74,911</u>	<u>67,154</u>	<u>65,193</u>
7.7 Charge for the year has been allocated as follows:				
Cost of goods sold	39,851	28,904	21,208	19,510
Distribution and selling expenses	32,036	28,756	22,451	23,233
Administration expenses	20,739	17,251	23,495	22,450
	<u>92,626</u>	<u>74,911</u>	<u>67,154</u>	<u>65,193</u>
7.8 Actual return on plan assets	<u>68,740</u>	<u>47,835</u>	<u>93,659</u>	<u>74,167</u>

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7.12 Significant actuarial assumptions used for valuation of these plans are as follows:

	2011		2010	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
Discount Rate	12.5%	12.5%	13%	13%
Expected rates of salary increase	12.5%	12.5%	13%	13%
Expected rates of return on plan assets	13%	13%	12%	12%
Average expected remaining working life	13 years	13 years	13 years	13 years

	Note	2011 (Rupees in '000)	2010
8 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		55,277	113,201
Less: Current portion shown under current liabilities	9	<u>(41,587)</u>	<u>(57,786)</u>
		<u>13,690</u>	<u>55,415</u>

The lease has been obtained under Kissan Dost Livestock Development Scheme. As per the terms of agreement, finance cost was payable by Pakistan Dairy Development Company (PDDC). The terms of agreement have been revised during the year under which the finance cost will be payable by the Company. The interest rate ranges from average 6 months to 1 year KIBOR plus 20 basis points and agency fee (profit) under Ijarah agreement ranges from 14.01% to 17% per annum (2010 : 14.01% to 17% per annum).

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

Years	2011			2010		
	Minimum lease payments	Finance cost	Principal	Minimum lease payments	Finance cost	Principal
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	48,573	6,986	41,587	57,786	-	57,786
Later than one year but not later than five years	14,932	1,242	13,690	55,415	-	55,415
	<u>63,505</u>	<u>8,228</u>	<u>55,277</u>	<u>113,201</u>	<u>-</u>	<u>113,201</u>

	Note	2011 (Rupees in '000)	2010
9 Current portion of non current liabilities			
Liabilities against assets subject to finance lease	8	<u>41,587</u>	<u>57,786</u>
		<u>41,587</u>	<u>57,786</u>

10 Short term borrowings from associated company - unsecured

This represented US\$ 25 million short term foreign currency loan obtained from Nestlé Treasury Centre Middle East and Africa Limited, Dubai. It carried mark-up at the rate of 6 months LIBOR plus 100 basis points (2010: 6 months LIBOR plus 100 basis points). This loan has been repaid during the year.

11 Short term borrowings - secured

This represents money market loans obtained from various commercial banks, which carry mark up ranging from 11.97% to 13.88% per annum. These loans are obtained for a period ranging from 4 to 62 days and are secured by hypothecation charge over fixed assets, stores, stocks and assignment of receivables of the Company.

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

Short term running finances available from commercial banks under mark up arrangements amount to Rs. 24,385 million (2010 : Rs. 7,873 million). Mark up is charged at rates ranging from 9.20% to 14.54% per annum (2010 : 6.70% to 14.94% per annum).

These running finances under mark up arrangements are secured by hypothecation charge over fixed assets, stores, stocks and assignment of receivables of the Company.

	<i>Note</i>	2011 (Rupees in '000)	2010
13 Trade and other payables			
Trade creditors			
Related parties - associated companies		423,590	516,168
Others		1,421,588	620,327
		1,845,178	1,136,495
Accrued liabilities			
Related parties - associated companies		322,390	36,243
Others		4,351,312	2,889,666
		4,673,702	2,925,909
Excise duty payable		10,293	15,006
Advances from customers		330,491	64,871
Workers' profit participation fund	<i>13.1</i>	70,155	182,336
Workers' welfare fund		156,550	116,249
Derivative financial liability		-	25,754
Royalty and technical assistance fee payable to holding company		148,774	121,467
Unclaimed dividend		6,273	5,320
Withholding tax payable		3,737	11,286
Withholding sales tax payable		64,742	14,626
Others		33,612	14,613
		<u>7,343,507</u>	<u>4,633,932</u>
13.1 Workers' profit participation fund			
Opening balance		182,336	60,640
Provision for the year	<i>30</i>	349,241	305,917
		531,577	366,557
Less: Payments during the year		(461,422)	(184,221)
Closing balance		<u>70,155</u>	<u>182,336</u>
14 Interest and mark-up accrued			
Short term running finances - secured		118,968	37,927
Loan from associated company-unsecured		9,366	23,477
		<u>128,334</u>	<u>61,404</u>
15 Contingencies and commitments			
15.1	There is no material contingency as at balance sheet date.		
15.2	Claims against the Company not acknowledged as debt amount to Rs. 5.179 million (2010: Rs. 5.745 million).		
		2011	2010
		(Rupees in '000)	
15.3 Guarantees			
Outstanding guarantees		218,633	194,401
Un-utilized portion		116,367	200,598
		<u>335,000</u>	<u>395,000</u>
15.4	Commitments in respect of capital expenditure		
		<u>363,958</u>	<u>605,202</u>
15.5	Letters of credit		
Other outstanding letters of credit		1,403,221	359,010
Un-utilized portion		2,269,944	2,217,090
		<u>3,673,165</u>	<u>2,576,100</u>

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16 Property, plant and equipment

	Owned assets							Leased assets			Total
	Freehold Land	Lease hold land	Building on freehold land	Building on lease hold land	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Plant and machinery		
	(Rupees in '000)										
Cost											
Balance as at 01 January 2010	680,454	32,347	2,158,720	219,273	12,883,169	197,612	257,520	5,488	321,522		16,756,105
Reclassification during the year	(113)	(103)	(5)	-	221	-	-	-	-	-	-
Additions during the year	-	-	104,052	-	1,811,009	11,168	207,583	-	-	-	2,133,812
Disposals / scrapped	-	-	(4,186)	-	(510,998)	(7,760)	(42,734)	(2,285)	-	-	(567,963)
Balance as at 31 December 2010	680,341	32,244	2,258,581	219,273	14,183,401	201,020	422,369	3,203	321,522		18,321,954
Balance as at 01 January 2011	680,341	32,244	2,258,581	219,273	14,183,401	201,020	422,369	3,203	321,522		18,321,954
Transfers during the year	-	-	-	-	107,250	-	-	-	(107,250)		-
Additions during the year	746,596	-	619,385	-	5,019,952	52,864	207,976	-	-		6,646,773
Disposals / scrapped	-	-	(393)	-	(548,675)	(5,757)	(56,784)	-	-		(611,609)
Balance as at 31 December 2011	1,426,937	32,244	2,877,573	219,273	18,761,928	248,127	573,561	3,203	214,272		24,357,118
Depreciation and impairment losses											
Balance as at 01 January 2010	122,639	3,110	413,032	140,181	5,069,519	99,005	139,988	5,484	62,273		6,055,231
Reclassification during the year	-	(56)	(5)	-	61	-	-	-	-		-
Depreciation charge for the year	-	359	66,661	3,120	1,091,097	30,738	49,806	4	28,261		1,270,046
Depreciation and impairment on disposals	-	-	(1,600)	-	(373,688)	(7,447)	(31,382)	(2,285)	-		(416,402)
Impairment charge for the year	-	-	-	-	42,468	-	-	-	-		42,468
Balance as at 31 December 2010	122,639	3,413	478,088	143,301	5,829,457	122,296	158,412	3,203	90,534		6,951,343
Balance as at 01 January 2011	122,639	3,413	478,088	143,301	5,829,457	122,296	158,412	3,203	90,534		6,951,343
Transfers during the year	-	-	-	-	45,342	-	-	-	(45,342)		-
Depreciation charge for the year	-	359	76,449	3,120	1,387,388	35,551	83,141	-	27,481		1,613,489
Depreciation and impairment on disposals	-	-	(141)	-	(395,058)	(5,161)	(45,682)	-	-		(446,042)
Impairment charge for the year	-	-	-	-	7,800	-	-	-	-		7,800
Balance as at 31 December 2011	122,639	3,772	554,396	146,421	6,874,929	152,686	195,871	3,203	72,673		8,126,590
Net book value as at 31 December 2011	1,304,298	28,472	2,323,177	72,852	11,886,999	95,441	377,690	-	141,599		16,230,528
Net book value as at 31 December 2010	557,702	28,831	1,780,493	75,972	8,353,944	78,724	263,957	-	230,988		11,370,611
Rate of depreciation in %	-	1-6.67	2-5	2-5	4-33	20	20	20	20		6.67-20

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16.1 Reclassification

Reclassifications represented adjustments made after an extensive review of plant and equipment classifications carried out by the management.

	Note	2011 (Rupees in '000)	2010
16.2 Depreciation and impairment charge for the year has been allocated as follows:			
Cost of goods sold	26	1,337,682	1,040,620
Distribution and selling expenses	27	203,508	163,726
Administration expenses	28	70,652	64,559
Charged to projects during the year		1,647	1,141
		<u>1,613,489</u>	<u>1,270,046</u>

16.3 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						
	257	6	251	-	Scrapped	Various
Plant and machinery						
	59,582	25,322	34,260	39,200	Sale	Tetra Pak Pakistan Limited
	43,152	27,557	15,595	20,000	Sale	Tetra Pak Pakistan Limited
	18,319	11,601	6,718	2,750	Sale	Trolley Corporation
	5,668	63	5,605	-	Scrapped	Various
	6,018	1,128	4,890	6,767	Sale	Imran Traders
	6,047	1,848	4,199	-	Scrapped	Various
	6,348	2,399	3,949	4,036	Sale	Various
	4,478	1,368	3,110	14	Sale	Various
	4,641	1,547	3,094	-	Scrapped	Various
	5,443	2,419	3,024	-	Scrapped	Various
	4,507	1,502	3,005	-	Scrapped	Various
	4,384	1,583	2,801	-	Scrapped	Various
	4,704	1,960	2,744	-	Scrapped	Various
	4,943	2,305	2,638	1,950	Sale	Various
	3,946	1,315	2,631	-	Scrapped	Various
	5,770	3,222	2,548	-	Scrapped	Various
	3,533	1,079	2,454	-	Scrapped	Various
	4,029	1,791	2,238	-	Scrapped	Various
	3,320	1,245	2,075	-	Scrapped	Various
	3,513	1,464	2,049	-	Scrapped	Various
	3,022	1,007	2,015	-	Scrapped	Various
	3,726	2,040	1,686	-	Scrapped	Various
	3,548	2,070	1,478	-	Scrapped	Various
	2,091	639	1,452	-	Scrapped	Various
	2,219	925	1,294	-	Scrapped	Various
	1,787	546	1,241	-	Scrapped	Various
	1,817	606	1,211	-	Scrapped	Various
	6,550	5,392	1,158	-	Scrapped	Various
	2,906	1,776	1,130	-	Scrapped	Various
	2,079	1,039	1,040	-	Scrapped	Various
	1,399	427	972	-	Scrapped	Various
	1,605	713	892	-	Scrapped	Various
	1,674	790	884	-	Scrapped	Various
	1,211	336	875	-	Scrapped	Various
	2,346	1,492	854	-	Scrapped	Various
	1,443	722	721	-	Scrapped	Various
	1,189	495	694	-	Scrapped	Various
	1,102	417	685	-	Scrapped	Various
	1,169	487	682	-	Scrapped	Various

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Description	Cost	Accumulated depreciation (Rupees in '000)	Book value	Sale proceeds	Mode of disposal	Sold to
Plant and machinery						
	1,176	523	653	-	Scrapped	Various
	776	142	634	-	Scrapped	Various
	18,319	17,715	604	2,750	Sale	Trolley Corporation
	1,639	1,047	592	-	Scrapped	Various
	1,104	521	583	-	Scrapped	Various
	1,144	572	572	-	Scrapped	Various
	580	10	570	-	Scrapped	Various
	975	406	569	-	Scrapped	Various
	3,127	2,574	553	-	Scrapped	Various
	893	355	538	-	Scrapped	Various
	893	355	538	-	Scrapped	Various
	805	268	537	-	Scrapped	Various
	1,041	520	521	-	Scrapped	Various
	497	6	491	-	Scrapped	Various
	930	439	491	-	Scrapped	Various
	974	487	487	-	Scrapped	Various
	712	257	455	-	Scrapped	Various
	855	404	451	-	Scrapped	Various
	596	199	397	-	Scrapped	Various
	712	316	396	-	Scrapped	Various
	2,754	2,359	395	-	Scrapped	Various
	709	315	394	-	Scrapped	Various
	557	179	378	-	Scrapped	Various
	533	178	355	-	Scrapped	Various
	709	354	355	-	Scrapped	Various
	649	306	343	-	Scrapped	Various
	507	169	338	-	Scrapped	Various
	855	523	332	-	Scrapped	Various
	599	300	299	-	Scrapped	Various
	616	325	291	-	Scrapped	Various
	495	234	261	-	Scrapped	Various
	405	146	259	-	Scrapped	Various
	640	391	249	-	Scrapped	Various
	451	213	238	-	Scrapped	Various
	322	98	224	-	Scrapped	Various
	405	225	180	-	Scrapped	Various
	397	220	177	-	Scrapped	Various
	298	124	174	-	Scrapped	Various
	721	551	170	-	Scrapped	Various
	333	166	167	-	Scrapped	Various
	349	184	165	-	Scrapped	Various
	250	87	163	-	Scrapped	Various
	343	181	162	-	Scrapped	Various
	384	224	160	-	Scrapped	Various
	353	196	157	-	Scrapped	Various
	682	530	152	102	Sale	Karim Technologies
	319	168	151	-	Scrapped	Various
	289	153	136	-	Scrapped	Various
	270	135	135	-	Scrapped	Various
	214	87	127	-	Scrapped	Various
	241	114	127	-	Scrapped	Various
	241	120	121	-	Scrapped	Various
	141	31	110	-	Scrapped	Various
	242	133	109	-	Scrapped	Various
	393	300	93	-	Scrapped	Various
	156	65	91	-	Scrapped	Various
	159	71	88	-	Scrapped	Various
	149	62	87	-	Scrapped	Various

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Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
	------(Rupees in '000)-----					
Plant and machinery						
	161	80	81	-	Scrapped	Various
	160	85	75	-	Scrapped	Various
	248	172	76	-	Scrapped	Various
	149	79	70	-	Scrapped	Various
	136	76	60	-	Scrapped	Various
	175	121	54	-	Scrapped	Various
	117	63	54	20	Sale	M/s Muhammad Amjad & Brothers
	448	395	53	30	Sale	M/s Muhammad Amjad & Brothers
	64	11	53	53	Sale	Various
	64	11	53	-	Scrapped	Various
	64	11	53	-	Scrapped	Various
Furniture & Fixture						
	769	295	474	-	Scrapped	Various
Vehicles						
	849	71	778	815	Sale	Employee (M. Ali Raza khan)
	849	170	679	775	Sale	Employee (Ahmed Farz)
	837	167	670	773	Sale	Employee (Abdul Latif Abbasi)
	845	197	648	736	Sale	Employee (Afzal Waheed)
	837	195	642	774	Sale	Employee (Baloch Raja Ghulam Mohammad)
	836	195	641	755	Sale	Employee (Khan Umair Ali)
	859	430	429	623	Sale	Employee (Gaddafi Wahab)
	859	430	429	768	Sale	Employee (Ch. Atif Saeed)
	772	347	425	584	Sale	Employee (Faheem Ahmed)
	812	406	406	622	Sale	Employee (Danish Ahmed Ghani)
	787	472	315	593	Sale	Employee (Ali Muhammad Chaudry)
	680	408	272	488	Sale	Employee (Mirza Shakeel Baig)
	680	408	272	469	Sale	Employee (Masroor Khan)
	640	416	224	441	Sale	Employee (Khan Alam)
	640	416	224	441	Sale	Employee (Khan Alam)
	661	441	220	550	Sale	Employee (Muhammad Bin Shahbaz)
	610	406	204	406	Sale	Employee (Ashraf Saeed)
	598	429	169	224	Sale	Employee (Shahzad Saleem)
	415	249	166	286	Sale	Employee (Furqan Ahmed Qureshi)
	584	419	165	225	Sale	Employee (Faqir Ali Haider Khan)
	598	439	159	402	Sale	Employee (Zeeshan Liaqat)
	852	710	142	460	Sale	Employee (Naeem Iqbal)
	584	468	116	381	Sale	Employee (Kamran Mirza)
	567	454	113	257	Sale	Employee (Umair bin Zubair)
	567	454	113	253	Sale	Employee (Waseem Khan)
	556	482	74	274	Sale	Employee (M. Shakeel Bashir)
	556	482	74	264	Sale	Employee (Sohail Mazhar)
	371	303	68	375	Sale	Employee (Farzana Rafique)
	568	501	67	355	Sale	Employee (Syed Amir Hussain)
	567	501	66	337	Sale	Employee (Tauqir-ud-Din)
	567	501	66	415	Sale	Employee (Zeeshan Saleem)
Assets with book value less than Rs. 50,000						
	286,688	280,700	5,988	19,152		
Total	611,609	446,042	165,567	111,945		

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	<i>Note</i>	2011 (Rupees in '000)	2010
17 Capital work-in-progress			
Civil works		1,240,501	160,327
Plant and machinery		3,726,909	2,780,902
Others		403,151	135,243
		<u>5,370,561</u>	<u>3,076,472</u>
18 Intangible assets			
Cost			
Balance as at 01 January		232,315	213,189
Addition during the year		-	19,126
Balance as at 31 December		<u>232,315</u>	<u>232,315</u>
Amortization			
Balance as at 01 January		215,580	206,083
Charge for the year	28	4,781	9,497
Accumulated amortization as at 31 December		<u>220,361</u>	<u>215,580</u>
Net book value as at 31 December		<u>11,954</u>	<u>16,735</u>
Amortization rate		<u>25%</u>	<u>20% to 25%</u>
19 Long term loans and advances			
To employees - secured, considered good	19.1		
Executives		101,879	67,365
Other employees		81,147	24,592
		<u>183,026</u>	<u>91,957</u>
To suppliers - unsecured, considered good	19.2	9,870	13,160
To others	19.3	-	39,706
		<u>192,896</u>	<u>144,823</u>
Less: current portion shown under current assets		<u>(30,914)</u>	<u>(19,149)</u>
		<u>161,982</u>	<u>125,674</u>

19.1 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. 154.084 million (2010 : Rs. 68.082 million).

Chief Executive and Directors have not taken any loans and advances from the Company.

	2011 (Rupees in '000)	2010
Reconciliation of carrying amount of loans to executives		
Balance as at 01 January	67,365	55,774
Disbursements during the year	58,650	30,100
Status change of non-executive employees as executives	6,011	2,871
Loans recovered during the year	(30,147)	(21,380)
Balance as at 31 December	<u>101,879</u>	<u>67,365</u>

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19.2 This includes an un-secured loan of Rs. 9.870 million (2010: Rs. 13.160 million) 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 (2010: 1.5% per annum) and is receivable annually. This amount is receivable in 10 equal annual installments which commenced from October 2008.

19.3 This included an interest free advance given to Babar Ali Foundation (the Foundation) to establish an educational agricultural farm/training facility for the farmers. This advance has been settled by the Foundation during the year.

	2011	2010
	(Rupees in '000)	
20 Stores and spares		
Stores	204,985	97,499
Spares, including in transit Rs. 14.682 million (2010: Rs. 12.199 million)	1,073,431	953,305
	<u>1,278,416</u>	<u>1,050,804</u>

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

	Note	2011	2010
		(Rupees in '000)	
21 Stock in trade			
Raw and packing materials including in transit Rs.599.857 million (2010: Rs. 274.585 million)		4,805,093	3,177,401
Work-in-process		265,620	238,177
Finished goods		1,887,586	1,059,468
Goods purchased for resale including in transit Rs.25.975 million (2010: Rs.39.738 million)		105,871	126,973
		<u>7,064,170</u>	<u>4,602,019</u>

22 Trade debts			
Considered good - unsecured		276,858	126,499
Considered doubtful - unsecured		6,349	3,410
		283,207	129,909
Less: Provision for doubtful debts	22.1	6,349	3,410
		<u>276,858</u>	<u>126,499</u>
22.1 Provision for doubtful debts			
Balance as at 01 January		3,410	1,824
Addition during the year		6,122	1,586
Less: write off during the year		(3,183)	-
Balance as at 31 December		<u>6,349</u>	<u>3,410</u>

23 Advances, deposits, prepayments and other receivables			
Advances to employees - secured and considered good	23.1	-	644
Advances to suppliers - unsecured and considered good		863,398	129,706
Due from related parties - unsecured and considered good	23.2	98,779	199,127
Trade deposits and prepayments - considered good		98,127	75,856
Income tax recoverable		933,532	219,728
Sales tax refundable		1,931,228	1,301,040
Other receivables - considered good		117,570	122,835
		<u>4,042,634</u>	<u>2,048,936</u>

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

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	Note	2011 (Rupees in '000)	2010
23.2 Due from related parties			
Foreign Associated Companies			
Nestle SA		291	-
Nestrade S.A		-	154,688
Nestle Canada Inc		137	137
Nestle Dubai Manufacturing LLC		316	276
Nestle Equatorial African Region		-	3,249
Nestle U.S.A Inc		27	20
Nestle Hong Kong Limited		1,470	1,767
PT Nestlé Indonesia		-	1,345
Nestlé Vietnam Limited		145	102
Nestle Ghana Limited		1,471	1,471
Nestlé Nederland B.V.		11,115	16,039
Nestlé Suisse S.A.		18,005	3,043
Nestle France		641	641
Nestlé Philippines Inc.		36,671	2,583
CPW Philippines		-	2,541
Nestlé Nigeria Plc		1,570	1,570
Nestlé Asean Malaysia		813	-
Nestlé Waters Management & Technology		11,469	9,655
Nestlé Iran		370	-
Nestlé Japan Limited		1,146	-
Nestlé Thai Limited		523	-
Nestle Middle East FZE		328	-
Nestle Jamaica Limited		3,785	-
Nestle Central and West Africa		730	-
Cpw S.A.		7,138	-
Nestle (Thai) Limited		618	-
		<u>98,779</u>	<u>199,127</u>

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

24 Cash and bank balances

Cash at bank			
- Current accounts		622,235	297,144
- Saving accounts	24.1	77,083	204,957
		<u>699,318</u>	<u>502,101</u>
Cash and cheques in hand		2,707	3,415
		<u>702,025</u>	<u>505,516</u>

24.1 The balances in saving accounts carry return ranging from 5% to 11% per annum (2010 : 5% to 11%).

	2011 (Rupees in '000)	2010
25 Sales- net		
Own manufactured		
Local	63,804,716	50,675,695
Export	5,303,414	4,071,431
	<u>69,108,130</u>	<u>54,747,126</u>
Goods purchased for resale	537,490	457,128
Less :		
Sales tax	(1,648,412)	(1,165,374)
Trade discounts	(3,172,844)	(2,551,578)
	<u>64,824,364</u>	<u>51,487,302</u>

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	<i>Note</i>	2011 (Rupees in '000)	2010
26 Cost of goods sold			
Raw and packing materials consumed		37,270,680	29,136,003
Salaries, wages and amenities	26.1	2,317,731	1,722,534
Fuel and power		2,877,125	1,790,193
Insurance		38,450	33,101
Repairs, maintenance and stores consumption		1,778,487	1,261,529
Rent, rates and taxes		107,546	145,310
Depreciation	16.2	1,337,682	1,040,620
Expenses on information technology		265,896	209,569
Stationery expenses		34,690	24,400
Communication		44,419	53,324
Quality assurance		171,864	125,511
Royalty and technical assistance fee		1,934,573	1,526,890
Others		285,349	197,866
		<u>48,464,492</u>	<u>37,266,850</u>
Increase in work in process		(27,443)	(62,308)
Cost of goods manufactured		<u>48,437,049</u>	<u>37,204,542</u>
(Increase)/decrease in finished goods		(828,119)	51,418
Cost of goods sold - own manufactured		<u>47,608,930</u>	<u>37,255,960</u>
Cost of goods sold - purchased for resale		490,116	352,773
		<u>48,099,046</u>	<u>37,608,733</u>

26.1 Salaries, wages and amenities include Rs. 39.851 million (2010: Rs. 28.904 million) in respect of gratuity, Rs. 21.208 million (2010: Rs. 19.510 million) in respect of pension and Rs. 51.668 million (2010: Rs. 38.270 million) in respect of provident fund.

	<i>Note</i>	2011 (Rupees in '000)	2010
27 Distribution and selling expenses			
Salaries, wages and amenities	27.1	1,267,925	1,042,608
Training		22,951	34,641
Rent, rates and taxes		63,107	76,439
Insurance		9,083	6,670
Freight outward		2,069,350	1,615,443
Depreciation	16.2	203,508	163,726
Sales promotion and advertisement		2,814,958	2,418,126
Legal and professional charges		21,560	11,953
Vehicle running and maintenance		20,978	14,523
Utilities		43,301	27,571
Repairs and maintenance		55,477	45,079
Subscription, stationery, printing and publication		17,691	11,330
Communications		23,591	22,582
Traveling, conveyance and vehicle running		111,705	116,149
Provision for doubtful debts		6,122	1,586
Expenses on information technology		28,058	25,326
Other expenses		82,748	75,326
		<u>6,862,113</u>	<u>5,709,078</u>

27.1 Salaries, wages and amenities include Rs. 32.036 million (2010: Rs. 28.756 million) in respect of gratuity, Rs. 22.451 million (2010: Rs. 23.233 million) in respect of pension and Rs. 46.624 million (2010: Rs. 38.193 million) in respect of provident fund.

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	Note	2011 (Rupees in '000)	2010
28 Administration expenses			
Salaries, wages and amenities	28.1	691,898	634,898
Training		45,993	54,279
Rent, rates and taxes		70,849	74,725
Insurance		2,292	2,640
Depreciation	16.2	70,652	64,559
Amortization	18	4,781	9,497
Legal and professional charges	28.2	72,857	38,898
Vehicles running and maintenance		13,650	15,079
Utilities		23,920	21,710
Repairs and maintenance		23,122	17,750
Subscription, stationery, printing and publication		37,695	20,067
Communications		54,447	48,350
Traveling and conveyance		71,700	89,405
Expenses on information technology		184,277	182,698
Other expenses		37,165	37,082
		<u>1,405,298</u>	<u>1,311,637</u>

28.1 Salaries, wages and amenities include Rs. 20.739 million (2010: Rs. 17.251 million) in respect of gratuity, Rs. 23.495 million (2010: Rs. 22.450 million) in respect of pension and Rs. 30.178 million (2010: Rs. 23.233 million) in respect of provident fund.

	Note	2011 (Rupees in '000)	2010
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
Services in connection with review and reporting of accounts to parent company auditors		-	30
Audit of accounts of staff retirement benefits		60	60
Other sundry certificates		42	12
Out of pocket expenses		145	145
		<u>1,427</u>	<u>1,427</u>

29 Finance cost			
Mark-up on lease finances		23,069	-
Exchange loss on derivative financial liability		98,746	211,486
Mark-up on short term running finances - secured		434,131	110,980
Mark-up on short term borrowings - secured		303,708	7,725
Mark-up on loan from associated company		142,566	146,278
Bank charges		48,135	36,612
		<u>1,050,355</u>	<u>513,081</u>

30 Other operating expenses			
Workers' profit participation Fund	13.1	349,241	305,917
Workers' welfare fund		132,711	116,249
Donations	30.1	62,736	87,196
Loss on disposal of property, plant and equipment		53,622	109,907
Impairment loss on property, plant and equipment	16	7,800	42,468
Exchange loss		382,550	138,150
Others		75,573	19,197
		<u>1,064,233</u>	<u>819,084</u>

KPMG

		2011	2010
		(Rupees in '000)	
30.1	Donations		
	Name of donee in which a director or his spouse has an interest:		
	Dairy & Rural Development Foundation (DRDF), Canal Bank, 7/B-2 Aziz Avenuc, Gulberg - V, Lahore (Syed Yawar Ali, Director is also Governor of DRDF)	3,500	-
	National Management Foundation (NMF), Defence Housing Authority, Lahore (Syed Babar Ali, Director is also Chairman of NMF)	-	30,000
		<u>3,500</u>	<u>30,000</u>
31	Other operating income		
	Sale of scrap	145,149	97,428
	Others	14,396	73,063
		<u>159,545</u>	<u>170,491</u>
32	Taxation		
	Current year		
	Current	1,010,796	1,579,337
	Deferred	771,362	173,563
		<u>1,782,158</u>	<u>1,752,900</u>
	Prior year		
	Current	52,349	(169,569)
		<u>1,834,507</u>	<u>1,583,331</u>
32.1	Tax charge reconciliation	2011	2010
		%	%
	Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
	Applicable tax rate	35.00	35.00
	Tax effect of amounts that are:		
	Not deductible for tax purposes	3.26	5.57
	Allowable for tax purposes	(8.47)	(6.82)
	Effect of changes in prior years' tax/surcharge	0.81	(2.98)
	Tax effect under presumptive tax regime	(3.58)	(3.07)
		<u>(7.98)</u>	<u>(7.30)</u>
	Average effective tax rate charged to profit and loss account	<u>27.02</u>	<u>27.70</u>
	Average effective tax rate includes the tax impact of items directly recognized in equity.		
33	Earnings per share		
33.1	Basic earnings per share	2011	2010
	Profit after taxation available for distribution to ordinary shareholders	<i>Rupees in '000'</i> <u>4,668,357</u>	<u>4,112,849</u>
	Weighted average number of ordinary shares	<i>Number in '000'</i> <u>45,350</u>	<u>45,350</u>
	Basic earnings per share	<i>Rupees</i> <u>102.94</u>	<u>90.69</u>
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.

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34 Transactions with related parties

The related parties comprise 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:

	2011	2010
	(Rupees in '000)	
34.1 Transactions during the year		
<i>Associated companies</i>		
- Royalty and technical assistance fee	1,758,703	1,387,375
- Purchase of goods, services and rental	10,949,999	7,258,836
- Sale of goods	-	1,105
- Interest on foreign currency loan	142,566	146,278
- Repayment of short term borrowings	2,143,750	-
<i>Other related parties</i>		
- Contribution to staff retirement benefit plans	159,780	142,618
- Donation	3,500	30,000
- Sale of fixed assets	59,200	-
34.2 Amounts outstanding as at year end		
<i>Associated companies</i>		
- Royalty and technical assistance fee payable	135,249	110,424
- Interest on foreign currency loan payable	9,366	23,477

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

	2011	2010
	(Rupees in '000)	
35 Cash generated from operations		
Profit before taxation	6,502,864	5,696,180
Adjustment for non-cash charges and other items:		
Depreciation	1,613,489	1,270,046
Amortization	4,781	9,497
Impairment loss on property, plant and equipment	7,800	42,468
Loss on disposal of property, plant and equipment	53,622	109,907
Exchange loss on foreign currency loan	382,550	138,150
Provision for doubtful debts - net	6,122	1,586
Retirement benefits	159,780	140,104
Finance cost	1,050,355	496,568
Profit before working capital changes	9,781,363	7,904,506
<i>Effect on cash flow due to working capital changes:</i>		
Increase in stores and spares	(227,612)	(181,820)
Increase in stock in trade	(2,462,151)	(706,981)
(Increase)/decrease in trade debts	(156,481)	113,630
Increase in advances, deposits, prepayments and other receivables	(1,279,894)	(436,792)
Increase in trade and other payables	2,708,622	903,096
Increase in customer security deposits - interest free	20,934	23,171
	(1,396,582)	(285,696)
	<u>8,384,781</u>	<u>7,618,810</u>

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	Note	2011 (Rupees in '000)	2010
36 Cash and cash equivalents			
Cash and bank balances	24	702,025	505,516
Short term running finance under mark-up arrangements - secured		(4,175,236)	(2,780,843)
		<u>(3,473,211)</u>	<u>(2,275,327)</u>

37 Remuneration of chairman, chief executive and executives

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

	Chairman		Chief Executive		Executives	
	2011 (Rupees in '000)	2010	2011 (Rupees in '000)	2010	2011 (Rupees in '000)	2010
Managerial remuneration	2,957	2,441	15,124	11,797	999,117	702,009
Bonus	-	-	7,322	5,265	235,370	146,735
Retirement benefits	-	-	-	-	162,498	133,854
Housing	-	-	3,218	2,389	21,798	22,763
Utilities	-	199	-	-	2,635	40,086
Reimbursable expenses	-	-	2,460	3,368	128,092	105,832
	<u>2,957</u>	<u>2,640</u>	<u>28,124</u>	<u>22,819</u>	<u>1,549,510</u>	<u>1,151,279</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>565</u>	<u>435</u>

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

No meeting fee was paid to the directors during the year (2010: Rs. Nil).

	Capacity		Production	
	2011	2010	2011	2010
38 Capacity and production				
Liquid products - liters (000)	<u>1,249,098</u>	<u>1,194,843</u>	<u>781,292</u>	<u>750,480</u>
Non-liquid products - Kgs (000)	<u>135,251</u>	<u>126,664</u>	<u>86,251</u>	<u>80,654</u>

Under utilization of capacity was mainly due to seasonality impact of fresh milk and increase in capacity through new investment to meet future requirement.

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:

-Milk and nutrition products

-Beverages.

These segments comprise of following major types of products :

-Milk and nutrition products

-Beverages.

Milk based products and cereals

Juices & water

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39.1 Segment analysis and reconciliation for the year ended 31 December

	Milk and Nutrition Products		Beverages		Other Operations		Total
	2011	2010	2011	2010	2011	2010	
(Rupees in '000)							
Sales							
External sales	54,503,691	44,440,203	9,619,058	6,641,851	701,615	405,248	51,487,302
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	<u>54,503,691</u>	<u>44,440,203</u>	<u>9,619,058</u>	<u>6,641,851</u>	<u>701,615</u>	<u>405,248</u>	<u>51,487,302</u>
Depreciation and amortization	1,269,005	(1,023,743)	338,167	(249,800)	11,099	(6,000)	(1,279,543)
Profit before tax and unallocated expenses	<u>7,840,488</u>	<u>6,531,370</u>	<u>872,867</u>	<u>498,530</u>	<u>(255,448)</u>	<u>(172,046)</u>	<u>6,857,854</u>
Unallocated corporate expenses							
Finance cost							(513,081)
Exchange loss on translation of foreign currency							(138,150)
Other operating expenses							(638,466)
Other operating income							159,545
Taxation							(1,834,507)
Other material non-cash items							
Impairment loss on property, plant and equipment							(7,800)
Profit after taxation	<u>-</u>	<u>-</u>	<u>(7,800)</u>	<u>(42,468)</u>	<u>-</u>	<u>-</u>	<u>(42,468)</u>
							<u>4,668,357</u>
Segment assets							
Unallocated assets	21,854,982	15,648,873	7,939,858	4,419,728	452,511	174,540	20,243,141
Total assets							<u>4,932,508</u>
							<u>35,179,859</u>
Segment liabilities							
Unallocated liabilities	6,225,789	4,090,654	1,238,791	723,311	79,432	36,270	4,850,235
Total liabilities							<u>20,023,431</u>
							<u>27,567,443</u>
Segment capital expenditure							
Unallocated capital expenditure	5,332,861	3,346,928	1,775,086	627,157	276,240	-	3,974,085
							<u>1,556,675</u>
							<u>8,940,862</u>

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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:

Particulars	Currency	2011	2010
		Rupees in '000'	
Foreign currency bank accounts	US \$	19,411	3,210
Cash in hand	US \$	2,691	2,565
	EUR €	812	790
		3,503	3,355
Receivables	US \$	12,133	19,009
	CHF	122	154,688
	EUR €	120,769	25,430
		133,024	199,127
		155,938	205,692
<i>Less:</i>			
Long term loan from associated undertaking	US \$	5,848,050	5,573,750
Short term borrowing from associated company-unsecured	US \$	-	2,143,750
Finance under mark up arrangements	US \$	-	-
Payables	US \$	942,768	615,476
	EUR €	610,818	321,462
	CHF	7,462	-
	GB £	2,333	1,166
	SGP \$	1,562	-
	JPY	284	3,869
	AED	3,900	-
	CNY	64	-
	DKK	119	-
	NZD	121	-
		1,569,431	941,973
		7,417,481	8,659,473
On balance sheet exposure		(7,261,543)	(8,453,781)
Outstanding letters of credit		(1,403,221)	(359,010)
Off balance sheet exposure		(1,403,221)	(359,010)

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The following significant exchange rates were applied during the year :

	2011		2010	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
	-----Rupees per currency unit-----			
US \$	87.86	89.97	84.99	85.75
EUR €	115.51	116.44	117.98	114.58
CHF	94.58	97.70	86.57	91.45
GB £	136.83	141.00	133.95	132.65
SGP \$	68.63	70.50	63.38	66.75
JPY	1.11	1.16	0.98	1.05
CNY	13.50	13.50	13.45	13.50
AED	24.10	24.90	23.18	23.30
DKK	15.75	16.30	15.78	15.20
NZD	68.10	72.40	61.95	63.80

Currency rate sensitivity analysis

If the functional currency, at reporting date, had fluctuated by 10% against the foreign currencies with all other variables held constant, the impact on profit after taxation for the year and 2010 would have been as follows :

	2011	2010
	Rupees in '000'	
<i>Effect on Profit and loss</i>		
US Dollar	439,178	540,032
Euro	31,800	19,191
Swiss Franc	477	(10,055)
Great Britain Pound	152	76
Singapore Dollar	102	-
Japanese Yen	18	251
Chinese Yuan	4	-
UAE Dirham	254	-
Danish Krone	8	-
Newzealand Dollar	8	-
	472,001	549,495

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:

	2011	2010
	Rupees in '000'	
Variable rate instruments		
Long term finances from associated undertaking - US \$	(5,848,050)	(5,573,750)
Effective interest rate in %age	1.78	1.96
Long term finances from banking companies - PKR	(2,000,000)	-
Effective interest rate in %age	12.76	-
Short term borrowings from associated undertaking - US \$	-	(2,143,750)
Effective interest rate in %age	-	1.46
Short term borrowings from local banks - PKR	(9,125,236)	(2,780,843)
Effective interest rate in %age	13.97	11.40

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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 2010 would have been effected as follows:

	2011	2010
	Rupees in '000'	
Effect on Profit and loss of an increase	<u>(74,892)</u>	<u>(58,569)</u>
Effect on Profit and loss of a decrease	<u>74,892</u>	<u>(58,569)</u>

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

The sensitivity analysis prepared are 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	2011	2010
	Rupees in '000'	
Long term loans	161,982	125,674
Long term deposits & prepayments	9,817	9,817
Current maturity of long term loans	30,914	19,149
Trade debts - domestic	276,858	126,499
Advances, deposits, prepayments and other receivable	1,177,874	528,168
Bank balance	<u>622,235</u>	<u>297,144</u>
	<u>2,279,680</u>	<u>1,106,451</u>

The aging of trade debts at the reporting date is:

	2011	2010
Past due 0 - 30 days	168,281	119,463
Past due 31 - 60 days	90,399	5,915
Past due 61 - 90 days	5,462	-
Past due 91 - 120 days	12,543	-
Past due 120 days	<u>173</u>	<u>1,121</u>
	<u>276,858</u>	<u>126,499</u>

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 '2011		Agency
	Short Term	Long Term	
Barclays Bank PLC	A1	A+	S & P
Standard Chartered Bank Limited	A1+	AAA	PACRA
Citibank N.A.	A1	A+	S & P
MCB Bank Limited	A1+	AA+	PACRA
Deutsche Bank AG	A1	A+	S & P
Habib Bank Limited	A1+	AA+	JCR-VIS
United Bank Limited	A1+	AA+	JCR-VIS
Bank Al Habib	A1+	AA+	PACRA
HSBC	P1	A1	Moody's
Summit Bank Limited (formerly "My Bank Limited")	A2	A	JCR-VIS
Bank of Punjab	A1+	AA-	PACRA
Burj Bank	A2	A	JCR-VIS
Meezan Bank	A1+	AA-	JCR-VIS
Allied Bank	A1+	AA	PACRA

	Short Term	Rating '2010 Long Term	Agency
Barclays Bank PLC	A1+	AA-	S & P
Standard Chartered Bank Limited	A1+	AAA	PACRA
Citibank N.A.	A1	A+	S & P
MCB Bank Limited	A1+	AA+	PACRA
Deutsche Bank AG	A1	A+	S & P
Habib Bank Limited	A1+	AA+	JCR-VIS
United Bank Limited	A1+	AA+	JCR-VIS
Bank Al Habib	A1+	AA+	PACRA
HSBC	A1+	AA	S & P
Summit Bank Limited (formerly "My Bank Limited")	A2	A-	PACRA

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

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 2011:

	Less than 6 months	6 to 12 months	1 year to 5 years	6 to 10 years	More than 10 years	Total
Non-derivative financial liability						
Long term finances	-	-	7,848,050	-	-	7,848,050
Short term borrowings						
under markup arrangement	4,175,236	-	-	-	-	4,175,236
Short term borrowings-secured	4,950,000	-	-	-	-	4,950,000
Liability against assets						
subject to finance lease	23,824	17,763	13,690	-	-	55,277
Customer security deposits		149,791	-	-	-	149,791
Trade and other payables	7,343,507	-	-	-	-	7,343,507
Interest and markup accrued	128,334	-	-	-	-	128,334
	16,620,901	167,554	7,861,740	-	-	24,650,195

The following are the contractual maturity analysis of financial liabilities as at 31 December 2010:

	Less than 6 months	6 to 12 months	1 year to 5 years	6 to 10 years	More than 10 years	Total
Non-derivative financial liability						
Long term loans from associated undertakings	-	-	1,286,250	4,287,500	-	5,573,750
Short term borrowings from associated undertakings	2,143,750	-	-	-	-	2,143,750
Short term borrowings under markup arrangement	1,800,092	980,751	-	-	-	2,780,843
Liability against assets						
subject to finance lease	26,662	31,124	55,415	-	-	113,201
Customer security deposits	-	128,857	-	-	-	128,857
Trade and other payables	4,229,558	-	-	-	-	4,229,558
Interest and markup accrued	61,404	-	-	-	-	61,404
	8,261,466	1,140,732	1,341,665	4,287,500	-	15,031,363
Derivative financial liability						
Forward exchange rate contract	25,754	-	-	-	-	25,754
	8,287,220	1,140,732	1,341,665	4,287,500	-	15,057,117

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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.

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 2011 and 31 December 2010 were as follows:

	2011	2010
	Rupees in '000'	
Total borrowing	17,028,563	10,611,544
Total equity	<u>7,612,416</u>	<u>5,581,873</u>
Total Debt and equity	<u>24,640,979</u>	<u>16,193,417</u>
Debt Equity ratio	<u>69:31</u>	<u>66:34</u>

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 Date of authorization for issue

These financial statements were authorized for issue on 08.02.2012 by the Board of Directors of the Company.

43 Dividend

The Board of Directors in their meeting held on 08.02.2012 have proposed a final cash dividend for the year ended 31 December 2011 of Rs. 40 (2010: Rs. 30) per share, amounting to Rs. 1,813,983 million (2010: Rs. 1,360.488 million) for approval of the members at the Annual General Meeting to be held on 27.03.2012. These financial statements do not reflect this dividend.

44 General

44.1 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.

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




Head of Finance and Control


Chief Executive


Chairman