



Good Food, Good Life

Enhancing quality of life
and contributing to a
healthier future

Nestlé Lanka Annual Report 2017



FOR INDIVIDUALS & FAMILIES

Enabling healthier
and happier lives



FOR OUR COMMUNITIES

Helping develop thriving,
resilient communities



Enhancing quality of life and contributing to a healthier future

Nestlé has been a part of Sri Lanka for more than 110 years. We believe our purpose as a company is enhancing quality of life and contributing to a healthier future. We are committed to honouring this purpose for all the lives we touch across the value chain; for individuals and families, for our communities, and for the planet.

We pride ourselves on being a local multinational by manufacturing products locally, adapting our world famous brands to local tastes and nutritional needs, working with and developing local farmers and suppliers, and providing livelihoods to thousands of people. Our portfolio comprises some of the country's best loved brands; which benefit from our global expertise in R&D and nutrition, our technological know-how, and our world renowned stringent quality standards.

Our commitment to uplifting lives everywhere, every day, is as strong today as it was when we began operations in the country. We look forward to the next 100 years in Sri Lanka with pride and determination; to deliver on our promise of Good Food, Good Life, whilst upholding our role as an important member of the local community. We will continue to live our passion for nutrition and our passion for helping generation after generation of people live happy, healthy lives.

FOR THE PLANET

Stewarding resources
for future generations



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Revenue

Rs. 37.6 billion, + 3.1%

Contribution to Exchequer

Rs. 6.5 billion

Earnings per Share

Rs. 67.64



FOR INDIVIDUALS & FAMILIES

Enabling healthier and happier lives

2,600

children educated on nutrition and health through our Nestlé Healthy Kids Programme

151,000

children encouraged to be physically active via our Nestlé Kids Athletics Programme

405 million

servings of micronutrient fortified Nestlé products to consumers

41,000+

people provided with free health checks and nutritional counselling through our 'Choose Wellness' programmes



FOR OUR COMMUNITIES

Helping develop thriving, resilient communities

Rs. 3.5 billion

paid to 20,000 local dairy farmers for fresh milk

Rs. 4.9 billion

contributed to the coconut industry as payment for procuring fresh coconuts

~4,000

young people reached through our Nestlé Needs YOUth programme, to help them become more employable



FOR THE PLANET

Stewarding resources for future generations

Saving energy by

41%*

Saving water by

42%*

Reducing greenhouse gas emissions by

37%*

*(2008 - 2017 per tonne of production)

2017 Highlights

Innovations & Renovations



Nestomalt Gold RTD (Ready-to-Drink) - Creamy and instantly refreshing, *Nestomalt Gold RTD* offers the goodness of fresh local milk and malt, and comes with a unique taste profile. It caters to young adults looking for a new consumption experience.



Nestomalt Plus - Enhanced with the goodness of oats, *Nestomalt Plus* is packed with vitamins and minerals. Requiring only hot water to be added to its unique blend of oats, milk and malt extract, *Nestomalt Plus* is a quick and tasty source of nutrients and energy.



Nestum All Family Cereal - Packed with the wholesome goodness of wheat, rice and barley, *Nestum All Family Cereal* provides a great start to the day.



Maggi Sauces - *Maggi's* latest entrants, *Maggi* sauces, come in three exciting flavours: Tomato, Chilli and Oyster.



Maggi Daiya Devilled Noodles - Our SLS certified *Maggi Daiya Devilled Noodles* come with a reformulated tastemaker, with reduced salt and fat, whilst maintaining taste.



Milo RTD - Made from the goodness of local fresh milk, cocoa and malt extract, *Milo RTD* is fortified with energy releasing vitamins and has been renovated by reducing added sugar (sucrose) in its recipe by 32% over the last five years.



Maggi Chicken Flavoured Noodles - Our SLS certified *Maggi Chicken Flavoured Noodles* was renovated to include the goodness of eight spices, traditionally used in Sri Lankan kitchens, to naturally enhance taste.



Nespray FortiGrow Full Cream Milk Powder - Combining the goodness of Sri Lankan milk and Nestlé's global expertise in child nutrition, *Nespray FortiGrow* is a rich source of calcium and is fortified with vitamins A and D. It is the only milk powder in Sri Lanka specially formulated to address the key nutritional requirements of school aged children, with nutrients that support learning, immunity and growth.



Maggi Pazzta - Made with the wholesome goodness of semolina grains, which is high in fibre, *Maggi Pazzta* only requires cooking in hot water for five minutes for a delicious pasta meal in rich creamy cheese sauce.



Ceregrow - The only toddler cereal in the market with the goodness of probiotics, *Ceregrow* offers a delicious taste of honey and dates and contains balanced nutrients to support growth.



Nescafé Premix Reduced Sugar - Addressing current consumer needs for healthier beverage options, we developed a *Nescafé Premix* with reduced sugar (i.e., a lower sugar content compared to the original recipe) for use in coffee vending machines.

2017 Highlights

Investments

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From left to right: Hon. Gamini Jayawickrama Perera; Hon. Anura Priyadarshana Yapa; Hon. P. Harrison; Hon. Ravi Karunanayake; Shivani Hegde, Nestlé Managing Director; Bandula Egodage, Nestlé Vice President - Corporate Affairs & Communications; His Excellency the President, Maithripala Sirisena; and His Excellency, Mr. Heinz Walker-Nederkoorn, laying the foundation stones.

We initiated an investment of Rs. 5 billion in early 2017, to enhance our manufacturing capacity in our factory in Kurunegala.



Construction of our new production facility

Recognitions



BEST CORPORATE CITIZEN IN THE MANUFACTURING SECTOR

We won Best Corporate Citizen in the Manufacturing sector at the Best Corporate Citizen Sustainability Awards, organised by the Ceylon Chamber of Commerce. We were awarded for our sustainable business practices and overall contribution to the local community, environment and economy, recognising in particular our efforts to enhance the lives of the people we touch across the value chain.



BEST CORPORATE CITIZEN SUSTAINABILITY AWARDS

We won a total of five Best Corporate Citizen Sustainability Awards in 2017, one of the highest number of awards to be won by any one company at the event. These awards included Triple Bottom Line - Social Sustainability (People) Award, Customer / Consumer Relations Award, Top 10 Best Corporate Citizen's Award and Best Presented Application Award.



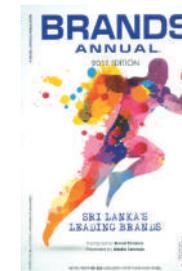
SRI LANKA'S MOST RESPECTED FOOD AND BEVERAGE COMPANY

We were ranked Sri Lanka's Most Respected Food and Beverage Company in LMD's Most Respected Entities publication for 2017. This is the second consecutive year we were declared "Sector Winner" in the Food and Beverages category. We also maintained our overall rank of 11th place from over 100 companies across all industries, while moving up 10 points in our total score from 2016.



QUALITY STANDARDS RECOGNISED BY SLSI

Our entire Maggi noodle range, Maggi Coconut Milk Powder, Nespray Nutri-Up and Nescafé Ice Coffee RTD products were recognised for their high quality standards at a SLSI quality certification awards ceremony in 2017. Our Sales Promotions department also received the SLSI Certification for 'Good Manufacturing Practices' for sampling operations, making it the first such operation in Sri Lanka to do so.



MOST VALUABLE BRANDS

2017 RANK	2016 RANK	BRAND NAME
1	1	BOC
2	4	Dialing
3	2	People's Bank
4	5	Commercial Bank
5	3	NSB
6	6	Lion Beer
7	8	SriLankan Airlines
8	7	Nestlé
9	9	HNB
10	10	Cargills Food City

SRI LANKA'S MOST VALUABLE FOOD BRAND

We were ranked the Number One Food Brand in Sri Lanka's Most Valuable Brands 2017 ranking, in LMD's Brands Annual publication. We also secured an overall rank of number 8 out of 100 corporate brands listed from varying industries.

2017 Highlights

Recognitions



SLITAD PEOPLE DEVELOPMENT AWARDS

We won Gold at the recent SLITAD (Sri Lanka Institute of Training and Development) Awards, in recognition of best-in-class people development practices, including performance and talent management, learning and development, employee recognition initiatives and other innovative HR practices.



CANNES LIONS YOUNG MARKETER SRI LANKA

Umeshinie Kurukulasuriya and Ashani Ratnayake from our Marketing department won the Cannes Lions Young Marketer Sri Lanka in 2017, and represented Sri Lanka in the Young Lions Competition at the 64th Cannes Lions International Festival of Creativity in France.



HIGHEST VALUE ADDED EXPORTER

We won 'Highest Value Added Exporter' in the Coconut Kernel Product category at the Presidential Export Awards. This marks the sixth Presidential Export Award for the Company, in recognition of our strong contribution to national exports, and efforts to create sustainable livelihoods for local coconut farmers and outgrowers.



BUSINESS TODAY TOP 30

We were recognised as one of Sri Lanka's top corporate performers in the 'Business Today Top 30' for the third time, with an overall rank of number 11 across all industries in the country.



2017 SLIM NASCO AWARDS

Chathura Buddhika, Muruguppilai Ragulan and Salinga Goonawardena from our Sales team won two silver awards and one bronze award respectively in the FMCG Food category at the 2017 SLIM NASCO (National Sales Congress) Awards. They were evaluated on their sales performance, strategies implemented to achieve targets, innovativeness in execution and potential to grow in the sales field.



SRI LANKA'S TOP 10 FMCG BRANDS

Our *Nestomalt* and *Maggi* brands were named Sri Lanka's Top 10 FMCG Brands in the latest Brand Footprint Study by Kantar World Panel. They were the only noodle and malted food drink brands to be ranked in the top 10. The study, which covered over five million households, 400 brands and 1.4 billion shopper decisions, based its rankings on how many households around the country bought each brand and how often.

Recognitions



BEST ADVERTISING AND MARKETING BY A WEBSITE
Our *Milkmaid* brand won a merit award for 'Best Advertising and Marketing by a Website' at the BestWeb.lk 2017 Awards.



YOUTH FOOD BRAND OF THE YEAR
Our *Maggi* brand was voted 'Youth Food Brand for the Year' by consumers for the fourth time in 2017. This marks the fifth consecutive SLIM-Nielsen People's Award won by *Maggi*.



SRI LANKA'S MOST LOVED BEVERAGE BRAND
Our *Milo* brand was ranked the Number One Beverage Brand in LMD's 'Sri Lanka's Most Loved Brands' ranking. The brand also secured an overall rank of number 14 from 125 brands across varying categories.



MOST OUTSTANDING JUNIOR SPORTS PROMOTER OF THE YEAR
This was won by our *Milo* brand at the 2016 Presidential Sports Awards, in recognition of our strong support of school sports island wide.



SRI LANKA'S GLOBAL MASTER BRAND AWARD
Our *Milo* brand clinched a 'Global Master Brand' Award by the World Marketing Congress and Chief Marketing Officer Council in 2017. The award was given in recognition of the brand's continuous efforts to deliver high quality products and support school sports from grassroots level upwards.



STUDENT BEVERAGE BRAND OF THE YEAR
Students voted our *Milo* brand as the 'Student Beverage Brand of the Year' for the third consecutive year at the Student Brand Awards.



For us, the Nestlé family, our winning edge is the culmination of the values we stand for. These values are rooted in respect - respect for ourselves, respect for others, respect for diversity and respect for the future.

Dear Shareholders,

I am pleased to introduce the Annual Report and Audited Statement of Accounts for Nestlé Lanka PLC for the year ended 31 December 2017.

2017 was an intense and challenging year. The food and beverage industry was adversely impacted by the ongoing drought and floods, resulting in weak consumer confidence and a decline in consumer demand. Your Company's results were also impacted by an unprecedented increase in raw material prices as well as an increase in Value Added Tax. Enhanced cost saving measures and a focus on driving efficiencies across the value chain helped in partly mitigating these impacts. Under these circumstances, your Company has made good progress in taking the steps necessary for sustainable growth.

We are focusing on growth in strategic areas, and have accelerated the simplification of our organisation and ways of working. We have launched a number of innovations and renovations to offer consumers products that provide nutrition, health and wellness, in line with our purpose of enhancing quality of life and contributing to a healthier future. We remain committed to building our Company for the long term while staying true to our purpose and values.

For us, the Nestlé family, our winning edge is the culmination of the values we stand for. These values are rooted in respect - respect for ourselves, respect for others, respect for diversity and respect for the future. It is this that has been instrumental in earning us the trust and respect of millions across the country, as our many recognitions and awards over the year have shown. As we continue to enhance quality of life and contribute to a healthier future, these values will remain our guiding principles.

I would like to thank you, our Shareholders, for your support and loyalty to the Company. On behalf of the Board, I would also like to thank every member of the Nestlé Lanka family for the commitment, hard work and resilience shown in the face of a number of external challenges. The effort each of you put into making our business stronger is truly appreciated.

Looking ahead, 2018 looks to be another challenging year. We will continue to focus on accelerating growth through rapid and meaningful product innovations and renovations. We

will increase speed and efficiency to create a more agile organisation that thrives at a time of constant change, and will be visionary as well as opportunity driven in this new environment.

We will continue to be passionate in driving Nestlé forward.



Suresh Narayanan
Chairman
NESTLÉ LANKA PLC

22 February 2018



In these changing times, we have laid the building blocks to strengthen our business and drive growth over the next few years. We have invested for our future; developing our peoples' skills, driving innovation, searching for ever-greater efficiency, enhancing capacity, and strengthening consumer trust.

Dear Shareholders,

Nestlé has a strong foundation in Sri Lanka, and has been a part of the country and its people for more than 110 years. We have a track record of solid performance, consumer trust and respect in society, and I would like to thank you, our dear Shareholders, for your support and loyalty over the years, which have helped us to steer your Company in both rewarding and demanding times.

2017 proved to be another very challenging year, as we managed sluggish consumer demand and rising cost pressures. I'm proud to note however that the dedication and commitment of our people and business partners helped us mitigate the significant external challenges we faced in the year.

In these changing times, we have laid the building blocks to strengthen our business and drive growth over the next few years. We have invested for our future; developing our peoples' skills, driving innovation, searching for ever-greater efficiency, enhancing capacity, and strengthening consumer trust.

Our achievements for the year are detailed on pages 6 to 13, but I would like to share with you some highlights of what we accomplished.

Continuing to believe in the long term prospects of the Sri Lankan market, we initiated an investment of Rs. 5 billion in early 2017, to expand our production capacity for dairy and coconut

based products. This investment will be funded through a judicious combination of internal accruals and borrowings.

We also strengthened our portfolio with more than 15 product innovations and renovations in 2017, to offer nutrition, health and wellness. *Nestomalt's* portfolio was enhanced with *Nestomalt Plus*, which is enriched with the goodness of oats and B vitamins, and *Nestomalt Gold RTD*, which offers consumers a unique taste with the goodness of fresh local milk and malt.

Our iconic *Maggi* brand entered the value-added Pasta category with *Maggi Pazzta*, which is made with the wholesome goodness of semolina grains and is high in fibre. Addressing consumers' need for convenience, *Maggi Pazzta* only requires five minutes of cooking to serve a delicious pasta meal in a creamy cheese sauce. We also renovated our popular *Maggi* Chicken Flavoured Noodles to include eight popular Sri Lankan spices to naturally enhance taste, in response to consumer preference for more natural and familiar ingredients.

Continuing to offer consumers the goodness of Sri Lankan milk, procured from close to 20,000 farmers, we introduced *Nespray FortiGrow*, a full cream milk powder fortified with vitamins A and D. We also launched *Ceregrow*, the only toddler cereal in the market with probiotics, *Nestum All Family Cereal*, and *Nescafé* premix with reduced sugar for coffee machines, to offer our consumers healthier choices.

Understanding the role food can play in a healthy diet, we made ongoing renovations in our products, to reduce sugar, salt and fat, and increase essential micronutrients like iron, vitamin A and calcium. In 2017, we delivered over 400 million servings of micronutrient fortified food and beverages to our consumers. Our 'Choose Wellness' initiative provided free nutrition advice and diet counselling to more than 40,000 consumers, while the Nestlé Healthy Kids Programme was extended with an e-learning module to increase the programme's reach to 15,000 more children. The programme is conducted in collaboration with the Ministry of Education to teach school children about healthy diets and the importance of physical activity.

We also continued our work to help develop thriving, resilient communities. Milk farmers in the North-Central village of

Seppukulama benefited from a milk chilling centre upgraded by Nestlé, offering around 300 farmers increased chilling and storage facilities. Nestlé also kicked off the second phase of its Nestlé Coconut Plan, conducted together with the Coconut Cultivation Board, to train and develop new farmers and home growers to cultivate coconut successfully and increase overall coconut supply. Your Company's total contribution to the rural economy in 2017 was Rs. 8.4 billion for procurement of milk and coconut. You can learn more about our work in rural development on pages 48 to 59.

2017 also saw us intensify our support of youth employment in the country through our 'Nestlé Needs YOUth' programme. We believe that young men and women are the future of our societies and our economies. It will be hard to thrive as a corporation and help the communities we are part of to grow unless we can equip young people with the skills they need to drive the next wave of development. To this end, we offered trainee positions and internships to more than 80 young people last year and also tied up with the University of Kelaniya to offer their top marketing graduates an additional Diploma, taught by Nestlé Managers. The top 10 students of this diploma programme will receive a six month assignment with your Company. Our activities to make young graduates more employable, including workshops on communication, career guidance etc, benefited close to 4,000 youth last year.

Last of all, I am immensely proud to report that the Company, our brands and our people continued to be recognised for their performance and significant contributions. We received one of the highest number of recognitions at the Best Corporate Citizen Sustainability Awards, including 'Best Corporate Citizen in the Manufacturing Sector' Award, 'Triple Bottom Line - Social Sustainability (People)' Award, 'Customer / Consumer Relations' Award and 'Top 10 Best Corporate Citizens' Award. We were also ranked the 'Most Respected Food and Beverage Company' for the second consecutive year in LMD's Most Respected Entities publication, and were the highest ranked food company in LMD's Most Valuable Brands in Sri Lanka ranking. We were also recognised as one of Sri Lanka's top corporate performers in the 'Business Today Top 30', with an overall rank of number 11, and won our sixth Presidential Export Award, 'Highest Value Added Exporter' in the Coconut Kernel Product category, in

recognition of our strong contribution to national exports. Our commitment to developing our people was also recognised when we won Gold at the SLITAD Awards.

Our popular beverage brand, *Milo*, won several awards including 'Student Beverage Brand of the Year', 'Most Outstanding Junior Sports Promoter of the Year', 'Global Master Brand', and 'Number One Beverage Brand in Sri Lanka' in LMD's Most Loved Brands ranking. *Maggi* was voted 'Youth Food Brand of the Year' for the fourth time at the SLIM-Nielsen People's Awards, while *Maggi* and *Nestomalt* were named Sri Lanka's Top 10 FMCG brands in the 2017 Brand Footprint Study by Kantar World Panel.

Maggi Noodles, *Maggi* Coconut Milk Powder, *Nespray* Nutri-Up RTD, *Nescafé* Ice Coffee RTD and the Company's Sales Promotions department (sampling operations) were also recognised for their high quality standards at an awards ceremony by SLSI (Sri Lanka Standards Institute).

I reiterate my thanks to you, our Shareholders, for your loyalty and trust, and would also like to thank our business partners for their unwavering support. Last but not least, I would like to thank my extraordinary team for their extraordinary efforts in a year full of challenges.

I am confident that our hard work in 2017 will help us further progress this year, and strengthen our ability to capture sizeable opportunities in 2018. We will continue to build on our strong innovation momentum, and work with the same passion and determination to uphold our purpose of enhancing quality of life and contributing to a healthier future.

Shivani Hegde
Managing Director

NESTLÉ LANKA PLC

22 February 2018

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අවුරුදු 110කට අධික කාලයක් පුරාවට මෙරට සහ ජනතාව හා බද්ධ වී කටයුතු කරන හෙස්ලේ සමාගම සතුව ශ්‍රී ලංකාව තුළ ශක්තිමත් පදනමක් පවතී. ස්ථීර කාර්යඵල සාධනය, පාරිභෝගික විශ්වාසයේ අඩුණ්ඩ වර්ධනය හා සමාජයේ ගෞරවයට පාත්‍ර වීම සම්බන්ධයෙන් අපට කීර්තිමත් ඉතිහාසයක් හිමි ය. හිතවත් කොටස් හිමියනි, පහසු මෙන්ම දුෂ්කර කාලවලදීත් අපගේ සමාගම මෙහෙයවීමට ඔබ ලබාදුන් සහයෝගය හා පාක්ෂිකත්වයට මෙහිදී මාගේ කෘතචේදීත්වය පළකරමි.

මන්දගාමී පාරිභෝගික ඉල්ලුම සහ පිරිවැය වැඩි වීම හේතුවෙන් 2017 වසර අභියෝගාත්මක වසරක් විය. එසේ වුවද අපගේ සේවකයින්ගේ සහ ව්‍යාපාර සහකරුවන්ගේ කැපවීම තුළින් ඉකුත් වසරේදී පැවැති බාහිර අභියෝගවලට සාර්ථකව මුහුණදීමට හැකිවීම පිළිබඳව මා තුළ ඇත්තේ නිහතමානී ආඩම්බරයකි.

නිරන්තරයෙන් වෙනස්වන වටපිටාව තුළ අපගේ ව්‍යාපාරය ශක්තිමත් කිරීමටත් ඉදිරි වසර කිහිපය තුළ වර්ධනය ඇතිකිරීමටත් අවශ්‍ය මූලික පියවර අපි දැනටමත් ගෙන ඇත්තෙමු. එහිදී අපගේ සේවකයන්ගේ කුසලතා වර්ධනය කිරීම, නවෝත්පාදන දියුණු කිරීම, විශිෂ්ටතම කාර්යක්ෂමතා ළඟාකරගැනීම, ධාරිතාව වැඩිකිරීම හා පාරිභෝගික විශ්වාසය ශක්තිමත් කිරීම යනාදී වශයෙන් අපගේ අනාගතය වෙනුවෙන් ආයෝජනය කර තිබේ.

ගෙවුණු වසරේදී අපගේ ජයග්‍රහණ, 6 සිට 13 දක්වා පිටුවල සවිස්තරාත්මකව දැක්වේ. එසේ වුවද ඇතැම් ජයග්‍රහණ පිළිබඳ තොරතුරු ඔබ සමඟ බෙදාගැනීමට කැමැත්තෙමි.

ශ්‍රී ලාංකේය වෙළෙඳපොළේ දිගු කාලීන අපේක්ෂාවන් සහිතව 2017 වසර මුලදී කිරි සහ පොල් ආශ්‍රිත නිෂ්පාදනවල ධාරිතාව ඉහළ නැංවීම සඳහා රුපියල් බිලියන 5ක ආයෝජනයකට අප මුල පුරා තිබේ. මෙම ආයෝජනය සිදුකර ඇත්තේ සමාගමේ අත්‍යන්තර ආදායම් සහ ණය නිසි පරිදි යොදාගනිමිනි.

තවද පෝෂණය, සෞඛ්‍යය හා සුභද්‍රායිතාව ලබාදීමට 2017 වසරේදී අපගේ නිෂ්පාදන පෙළට නව නිෂ්පාදන හා නව්‍යකරණයන් 15කට අධික සංඛ්‍යාවක් හඳුන්වාදුනි. ඕටිස් ගුණයෙන් හා විටමින් ඩී වලින් පරිපූර්ණ හෙස්ලේමෝල්ට් ජ්ලස් සහ පාරිභෝගිකයන්ට දේශීය කිරි යනගුණයන් මෝල්ට් රසයන් සමඟ සුවිශේෂී අත්දැකීමක් ලබාදෙන හෙස්ලේමෝල්ට් ගෝල්ඩ් RTD පානයෙන් හෙස්ලේමෝල්ට් නිෂ්පාදන පෙළ වැඩිදියුණු විය.

මේ අතර, යනගුණයෙන් පරිපූර්ණ හා තන්තු වලින් ඉහළ රුචං ධාන්‍ය, මැගී පැස්ටා (*Maggi Pazzta*) නිෂ්පාදනයන් සමඟ, අගය වකුතු කළ පැස්ටා අංශයට පිවිසීමට ද අපගේ ජනප්‍රිය මැගී සන්තාමයට හැකිවිය. පාරිභෝගික පහසුව

අරමුණු කරගනිමින් හඳුන්වාදුන් මැගී පැස්ටා යොදාගනිමින් ක්‍රීම් පිරුණු චීස් සෝස් සමඟ රසවත් පැස්ටා චිකක් සාදාගැනීමට ගතවන්නේ මිනිත්තු පහකි. තවද වඩා ස්වාභාවික හා හුරුපුරුදු අමුද්‍රව්‍ය යොදාගැනීම සඳහා ශ්‍රී ලාංකික පාරිභෝගික මනාපයන් මත ජනප්‍රිය දේශීය කුළුබඩු වර්ග අටක් යොදාගෙන අපගේ ජනප්‍රිය මැගී චිකක් රසැති හුඩ්ල්ස්වල රසය ස්වාභාවිකව වැඩිදියුණු කරමින් නැවත හඳුන්වාදීමක් ද සිදුවිය.

පාරිභෝගිකයන්ට දේශීය කිරි යනගුණය පිරිනැමීමේ අඩුණ්ඩ ක්‍රියාවලිය තවදුරටත් ඉදිරියට ගෙනයමින්, 20,000කට ආසන්න දේශීය කිරි ගොවීන්ගෙන් ලබාගන්නා කිරි යොදාගෙන විටමින් ඒ සහ ඩී ගුණයෙන්ද පිරිපුන් හෙස්ලේ ලෝට්ග්‍රෝ (*Nespray FortiGrow*) නමින් පූර්ණ යොදුය සහිත නව කිරිපිටි වර්ගයක් ද හඳුන්වාදෙනු ලැබීය. ප්‍රෝඩයෝටික් අඩංගු මෙරට වෙළෙඳපොළේ ඇති එකම ප්‍රදරු සීරියල් ආහාර නිෂ්පාදනය වන, *Ceregrow* ද *Nestum All Family Cereal* ද හඳුන්වා දුන්නෙමු. කෝපි සෑදීමේ යන්ත්‍ර සඳහා භාවිත කළ හැකි අඩු සීනි නිෂ්පාදනයක් වන හෙස්කැලේ ප්‍රිමික්ස් (*Nescafé Premix*) හඳුන්වා දුන්නේ පාරිභෝගිකයන්ට වඩාත් සෞඛ්‍ය සම්පන්න ආහාර තෝරාගැනීමටද ඉඩ සලසමිනි.

සෞඛ්‍ය සම්පන්න ආහාරවේලක් සඳහා අපගේ ආහාරවලින් ලබාදිය හැකි දායකත්වය මැනවින් අවබෝධ කරගනිමින් සිති, ලුණු සහ මේද ක්‍රමානුකූලව අඩු කිරීමටත්, යකඩ, විටමින් ඒ සහ කැල්සියම් වැනි අත්‍යවශ්‍ය ක්ෂුද්‍ර පෝෂකවල අන්තර්ගතය වැඩි කිරීමටත් අපි නිරන්තරයෙන් නිෂ්පාදන නව්‍යකරණ වල නිරත වන්නෙමු. 2017 වසරේදී මිලියන 400කට වැඩි අත්‍යවශ්‍ය ක්ෂුද්‍ර පෝෂක කොටස් අඩංගු ආහාර සහ පාන පාරිභෝගිකයන් වෙත ලබාදීමට අපට හැකිවිය. අප ආරම්භ කළ 'Choose Wellness' වැඩසටහන හරහා 40,000කට වැඩි පාරිභෝගික පිරිසකට නොමිලේ පෝෂණ උපදෙස් සහ ආහාර ගැනීම පිළිබඳ උපදේශන සේවා පිරිනැමීමට ද අපට හැකිවිය. ඊට සමගාමීව ක්‍රියාත්මක කළ Nestlé Healthy Kids වැඩසටහන හරහා වැඩි ළමුන් පිරිසක් වෙත ද ඊ-ගෙනුම් (e-learning) ක්‍රියාවලියක් හරහා එම උපදෙස් සැපයීමටත් අපට හැකිවිය. අධ්‍යාපන අමාත්‍යාංශය හා එක්ව සංවිධානය කළ එම වැඩසටහන හරහා සෞඛ්‍ය සම්පන්න ආහාර සහ ශාරීරික ක්‍රියාකාරකම්වල වැදගත්කම පිළිබඳව පාසල් ළමුන් දැනුවත් කෙරණි.

එලදායි, ශක්තිමත් ප්‍රජාවක් ගොඩනැගීම සඳහා වූ අපගේ කාර්යභාරය ද ඉදිරියට ගෙන යාමට අපට හැකිවිය. ඒ අනුව, උතුරු මැද පළාතේ සිප්පුකුල ගම්මානයේ 300ක පමණ කිරි ගොවි ප්‍රජාවකට කිරි ශීතකරණ සහ ගබඩා පහසුකම් සලසමින් හෙස්ලේ මහින් කිරි ශීතාගාර මධ්‍යස්ථානයක් එහිදී වැඩිදියුණු කෙරණි. සාර්ථකව පොල් වගාකිරීමත් සමස්ත පොල් සැපයුම ඉහළ නැංවීමත් අරමුණු කරමින් පොල් වගාකිරීමේ මණ්ඩලය හා එක්ව හෙස්ලේ අප සතු පොල් වගා සැලසුමේ දෙවැනි අදියර ක්‍රියාත්මක කරමින් නව පොල් ගොවීන් හා ගෘහස්ථ මට්ටමින් පොල් වගා කරන්නන් පුහුණු

කිරිමත් සංවර්ධනය කිරීමත් සිදුවිය. 2017 වසරේදී කිරි සහ පොල් මිලදී ගැනීමෙන් ඔබේ සමාගම ග්‍රාමීය ආර්ථිකයට ලබාදුන් දායකත්වය රුපියල් බිලියන 8.4ක් විය. ග්‍රාමීය සංවර්ධනයට අදාළ අපගේ ක්‍රියාකාරීත්වය පිළිබඳ වැඩිදුර තොරතුරු 48 සිට 59 දක්වා පිටුවල දැක්වේ.

ශ්‍රී ලංකාවේ තරුණ රැකියා නියුක්තියට සහාය පළකරමින් 'Nestlé Needs YOUth' වැඩසටහන 2017දී දියත් කළෙමු. තරුණ තරුණියන් අපේ සමාජයේ අපේ ආර්ථිකයේ අනාගතය බව අපගේ විශ්වාසයයි. එහිදී සංවර්ධනයේ ඊළඟ පිම්ම සඳහා තරුණ පරපුර කුසලතාවලින් සන්නද්ධ නොකළහොත් අප ආයතනයේ ඉදිරි ගමන මෙන්ම අප ද නියෝජනය කරන මේ සමාජයේ ප්‍රගමනය අපහසු වනු ඇත. ඒ අනුව ඉකුත් වසරේදී අපි 80කට වැඩි තරුණ පිරිසකට පුහුණු තනතුරු සහ ආධුනික අවස්ථා ලබාදුන්නෙමු. තවද කැලණිය විශ්ව විද්‍යාලය සමඟ සහයෝගීතාවකට එළඹෙමින් එහි ඉහළම සාමාර්ථ සහිත අලෙවිකරණ උපාධිධාරීන්ට හෙස්ලේ කළමනාකරුවන් විසින් මෙහෙයවන අතිරේක ඩිප්ලෝමාවක් ද හඳුන්වා දුන්නෙමු. මෙම ඩිප්ලෝමාවෙන් වැඩිම ලකුණු ලබාගන්නා සිසුන් 10 දෙනාට ඔබේ සමාගම තුළ මාස හයක සේවා කාලයක් ද හිමිවේ. මෙම ක්‍රියාකාරකම් හරහා අප බලාපොරොත්තු වන්නේ තරුණ උපාධිධාරීන්ගේ රැකියා නියුක්ති අවස්ථාවන් ඉහළ දැමීම ය. ඒ වෙනුවෙන් සන්නිවේදන හා වෘත්තීය මාර්ගෝපදේශන වැඩමුළු ද සංවිධානය කෙරුණි. ඉකුත් වසරේදී මේවායේ ප්‍රතිලාභ ලැබූ තරුණ පිරිස 4,000ක් පමණ විය.

අවසාන වශයෙන්, අපගේ ආයතනයත්, අපගේ සන්නාමයත් හා අපගේ මානව සම්පත් තම කාර්යඵල සාධනය හා සුවිශේෂී දායකත්වය වෙනුවෙන් අඛණ්ඩව පිළිගැනීමට ලක්විය. හොඳම ආයතනික පුරවැසි තිරසාර (Best Corporate Citizen) සම්මාන උළෙලේදී වැඩි සම්මාන ප්‍රමාණයක් දිනාගැනීමට අපට හැකිවිය. ඒ සම්මාන අතරට නිෂ්පාදන අංශයේ හොඳම ආයතනික පුරවැසි සම්මානය, ප්‍රධාන ධාරා තුනට යටත් සමාජ තිරසාර (ජනතා) සම්මානය, ගනුදෙනුකාර / පාරිභෝගික සබඳතා සම්මානය හා හොඳම ආයතනික පුරවැසියන් 10 දෙනාට හිමිවන සම්මානය අයත් විය. මේ අතර LMD හි Most Respected Entities publication හරහා අඛණ්ඩව දෙවැනි වරටත් ශ්‍රී ලංකාවේ වැඩිම ගෞරවයට පාත්‍ර වන ආහාරපාන සමාගම ලෙස ද LMD හි Most Valuable Brands in Sri Lanka ශ්‍රේණිගත කිරීමේ ඉහළින්ම ශ්‍රේණිගත වූ ආහාර සමාගම ලෙස ද අපි පිළිගැනීමට ලක්වූයෙමු. ශ්‍රී ලංකාවේ හොඳම කාර්යඵල සාධනයක් ඇති ආයතන ශ්‍රේණිගත කරන 'Business Today Top 30' හි 11ස් වන ස්ථානය දිනාගැනීමටත්, අපගේ හයවැනි ජනාධිපති අපනයන සම්මානය වන ජාතික අපනයන වෙනුවෙන් අපගේ ශක්තිමත් දායකත්වය පිළිබිඹු කරමින් හිමිවුණු පොල් මද නිෂ්පාදන අංශයේ වැඩිම අගය එකතු කළ අපනයනකරු සම්මානය ද එම සම්මාන ගෙන්වන අයත් වේ. අපගේ ආයතනික මානව සම්පත සංවර්ධනය කිරීමේ කැපවීම ද ශ්‍රී ලංකා පුහුණු හා සංවර්ධන ආයතන (SLITAD) සම්මාන උළෙලේදී හිමිවුණු රන් සම්මානයෙන් පෙන්නුම් කෙරිණි.

අපගේ ජනප්‍රිය පානය වන මයිලෝ ද වසරේ සිසුන්ගේ පාන වර්ග සන්නාමය, වසරේ විශිෂ්ටතම කණිෂ්ඨ ක්‍රීඩා ප්‍රවර්ධක සම්මානය, ගෝලීය මාස්ටර් බ්‍රැන්ඩ් සන්නාමය සහ LMD හි Most Loved Brands ශ්‍රේණිගත කිරීමේ ශ්‍රී ලංකාවේ අංක එකේ පාන වර්ග සන්නාමය වැනි බුහුමන් රාශියක් තමන් සතු කරගැනීමට සමත් විය. මේ අතර ස්ලීම් හීල්ස් (SLIM-Neilson) සම්මාන උළෙලේදී සිව්වැනි වරටත් වසරේ තරුණ ප්‍රජාවගේ ආහාර සන්නාමය ලෙස ඉදිරියට පැමිණීමට මැඟි සමත්විය. Kantar World Panel මගින් ඉදිරිපත් කළ Brand Footprint අධ්‍යයනයේදී මැඟි සහ හෙස්ට්මෝල්ට්, 2017 වසරේ මෙරට හොඳම FMCG සන්නාම 10 අතරට ද තේරී පත්විය.

මේ අතර, ශ්‍රී ලංකා ප්‍රමිතිකරණ ආයතනය (SLSI) සංවිධානය කළ සම්මාන උළෙලේදී ද මැඟි හුඩ්ල්ස්, මැඟි පීටි කළ පොල් කිරි, හෙස්ලේ Nutri-Up RTD පානය, හෙස්කැරේ අයිස් කොෆී RTD පානය හා හෙස්ලේහි අලෙවි ප්‍රවර්ධන දෙපාර්තමේන්තුව ද (හියැඳි මෙහෙයුම්) තම උසස් ප්‍රමිති භාවිතය වෙනුවෙන් සම්මාන දිනාගත්හ.

අපගේ කොටස් හිමියන්ගේ පාක්ෂිකත්වය සහ විශ්වාසය වෙනුවෙන් නැවත වරක් මාගේ කෘතචේදිත්වය පිරිනැමීමට කැමැත්තෙමි. එමෙන්ම අපගේ ව්‍යාපාර සහකරුවන්ට ද ඔවුන්ගේ අඛණ්ඩ සහාය වෙනුවෙන් ස්තූතිවන්ත වෙමි. තව ද අභියෝගකාරී වර්ෂයක් තුළ තම සුවිශේෂී දායකත්වය ලබාදුන් අපගේ කාර්ය මණ්ඩලයට ද හෘදයාංගම ස්තූතිය පළකරමි.

2018 වසරේ වැඩි සාර්ථකත්වයක් අත්කරගැනීමටත්, නව අවස්ථාවන් නිසි ලෙස ග්‍රහණය කරගැනීමේ අපගේ ශක්තාව ඔක්තිමත් කරගැනීමටත් 2017 වසරේදී අප හට තිබූ කැපවීම උපකාරී වනු ඇති බවට මා තුළ දැඩි විශ්වාසයක් පවතී. අපි තවදුරටත් අපගේ ශක්තිමත් නවෝත්පාදන කාර්යභාරය මත ඉදිරියට ගමන් කරන්නෙමු. එමෙන්ම සෞඛ්‍යසම්පන්න අනාගතයක් වෙනුවෙන් දායකත්වය දැක්වීමේ සහ ජීවන මට්ටම උසස් කරලීමේ අපගේ පොරොන්දුව මත රැඳී සිටිමින් එකම උදෙසාම හැඟීමෙන් හා අධිෂ්ඨානයෙන් කටයුතු කිරීමට ද කැපවෙමු.

Shuvani Hegde

ශිවානි හෙග්ඩේ
කළමනාකාර අධ්‍යක්ෂිකා
හෙස්ලේ ලංකා පීටිල්ස්
22 පෙබරවාරි 2018

அன்பிற்குரிய பங்குதாரர்களே,

இலங்கையில் வலுவான அத்திவாரத்தைக் கொண்டுள்ள நெஸ்லே நிறுவனம், 110 ஆண்டுகளுக்கும் மேலாக இந்நாட்டினதும், இங்குள்ள மக்களினதும் ஒரு அங்கமாக திகழ்ந்து வந்துள்ளது. வலுவான பெறுபெறு, வளர்ச்சிகண்டு வருகின்ற நுகர்வோரின் நம்பிக்கை மற்றும் சமூகத்தில் நன்மதிப்பு என போற்றத்தக்க வரலாற்றுப் பயணத்தை நாம் கடந்து வந்துள்ளதான், சுலபமான மற்றும் சவால்மிக்க காலகட்டங்களில் உங்களது நிறுவனத்தை முன்னெடுத்துச் செல்ல எமக்கு உதவி, கடந்த காலங்களில் நீங்கள் காண்பித்துள்ள ஆதரவு மற்றும் விசுவாசம் ஆகியவற்றிற்கு எமது அன்பிற்குரிய பங்குதாரர்களாகிய உங்களுக்கு எமது நன்றிகளைத் தெரிவித்துக்கொள்ள விரும்புகின்றோம்.

2017 ஆம் ஆண்டானது மற்றுமொரு சவால்மிக்க ஆண்டாக அமையப் பெற்றுள்ளதுடன், மந்தமான நுகர்வோர் கேள்வி மற்றும் அதிகரிக்கும் செலவு நெருக்கடி ஆகிய இரண்டையும் நாம் நிர்வகிக்க வேண்டிய நிலைமை காணப்பட்டது. எமது பணியாளர்கள் மற்றும் எமது வர்த்தகப் பங்காளர்கள் ஆகியோரின் அர்ப்பணிப்பும், கட்டுமையுணர்ச்சியும் நாம் முகங்கொடுத்த வெளிப்புற சவால்களைக் கட்டுப்படுத்த எமக்கு உதவியுள்ளமையை நான் மிகவும் பெருமையுடன் குறிப்பிட விரும்புகின்றேன்.

இத்தகைய மாற்றங்கள் நிகழ்ந்து வரும் காலகட்டங்களில் எமது வர்த்தக நடவடிக்கைகளை பலப்படுத்தி, அடுத்து வரும் சில ஆண்டுகளில் வளர்ச்சியை முன்னெடுப்பதற்குரிய வழிமுறைகளை நாம் கட்டியெழுப்பியுள்ளோம். எமது பணியாளர்களின் திறன்களை விருத்தி செய்தல், புத்தாக்கத்தை முன்னெடுத்தல், எப்போதும் இல்லாத அளவில் செயல்திறன் தொடர்பான தேடல், ஆற்றலை மேம்படுத்தல் மற்றும் நுகர்வோரின் நம்பிக்கையை வலுப்படுத்தல் தொடர்பில் எமது எதிர்காலம் சிறப்பதற்கான முதலீடுகளை நாம் மேற்கொண்டுள்ளோம்.

இந்த ஆண்டில் நாம் அடையப்பெற்ற சாதனைகள் 6 முதல் 13 வரையான பக்கங்களில் விரிவாக குறிப்பிடப்பட்டிருப்பினும், எமது சாதனைகள் தொடர்பில் சில சிறப்பம்சங்களை உங்களுடன் பகிர்ந்துகொள்ள விரும்புகின்றேன்.

இலங்கைச் சந்தையில் காணப்படுகின்ற நீண்ட கால வாய்ப்புக்களின் மீது தொடர்ச்சியாக நம்பிக்கை வைத்து, பால் மற்றும் தேங்காயை மூலமாகக் கொண்ட உற்பத்திகள் தொடர்பில் எமது உற்பத்தி ஆற்றலை விஸ்தரிப்பதற்கு 2017 ஆம் ஆண்டின் ஆரம்பத்தில் ரூபா 5 பில்லியன் தொகை முதலீட்டு நடவடிக்கையொன்றை நாம் ஆரம்பித்திருந்தோம். உள்ளக அட்டுறு மற்றும் கடன் வாங்கல் என மதிநுட்பமான இணைப்பினூடாக இந்த முதலீட்டிற்குத் தேவையான நிதி வழங்கப்படும்.

போஷாக்கு, ஆரோக்கியம் மற்றும் நலன் ஆகியவற்றை வழங்கும் பொருட்டு 2017 ஆம் ஆண்டில் 15 இற்கும் மேற்பட்ட உற்பத்தி புத்தாக்கங்கள் மற்றும் புது வடிவங்களுடன் எமது உற்பத்தி வரிசையை நாம் வலுப்படுத்தியுள்ளோம். ஓட்ஸ் (oats) மற்றும் பி-விட்டமின்களின் (b-vitamin) நலச்செழுமையமிக்க *Nestomalt PLUS*, உள்நாட்டின் புத்தம்புதிய பால் மற்றும் மோலர்று ஆகியவற்றின் நலச்செழுமையுடன் தனித்துவமான சுவையை நுகர்வோருக்கு வழங்கும் *Nestomalt Gold RTD* ஆகியவற்றுடன் *Nestomalt* உற்பத்தி வரிசையை நாம் மேம்படுத்தியுள்ளோம்.

எங்கள் தனிச்சின்னமான *Maggi* வர்த்தகநாமம், உயர்ந்த அளவில் நாரச்சத்தகை கொண்டுள்ள ரவையின் பூரண நலச்செழுமையுடன் தயாரிக்கப்பட்ட *Maggi Pazzta* உடன் பெறுமதி சேர்க்கப்பட்ட *Pasta* உற்பத்திப் பிரிவை நாம் அறிமுகப்படுத்தியுள்ளோம். சௌகரியம் தொடர்பில் நுகர்வோர் மத்தியில் காணப்படும் தேவையை தீர்த்து

வைக்கும் முகமாக, பாலேட்டு சீஸ் சோஸில் (creamy cheese sauce) அற்புதமான சுவை கொண்ட பாஸ்தா உணவைப் பரிமாறுவதற்கு ஏற்ற வகையில் *Maggi Pazzta* இணை சமைப்பதற்கு ஐந்து நிமிடங்கள் மட்டுமே தேவைப்படுகின்றது. மிகவும் இயற்கையான மற்றும் தமக்கு பரிச்சயமான சேர்க்கைப்பொருட்களை அதிக அளவில் கொண்டிருக்க வேண்டும் என்ற நுகர்வோரின் விருப்பத்தை தீர்த்து வைக்கும் வகையில், சுவையை இயற்கையாகவே மேம்படுத்துவதற்கு இலங்கையிலுள்ள பிரபலமான எட்டு வாசனைத்திரவியங்களை உள்ளடக்கி, எமது பிரபலமான *Maggi* chicken flavoured noodles உற்பத்திக்கு நாம் புது வடிவம் கொடுத்துள்ளோம்.

20,000 வரையான பார்பண்ணையாளர்களிடமிருந்து சேகரிக்கப்படுகின்ற இலங்கைப் பாலின் நலச்செழுமையை தொடர்ந்தும் நுகர்வோருக்கு வழங்குவதற்காக, விட்டமின் ஏ (A) மற்றும் டி (D) நிரம்பிய *Nespray Fortigrow* என்ற முழு ஆடைப் பால் மாவினை நாம் அறிமுகப்படுத்தியுள்ளோம். சந்தையில் புரோபயோடிக்ஸ் (probiotics) அடங்கிய, குழந்தைகளுக்கான ஒரேயொரு தானிய உணவு உற்பத்தியான *Ceregrow*, முழுக் குடும்பத்திற்குமான தானிய உணவு உற்பத்தியான *Nestum*, மற்றும் எமது நுகர்வோருக்கு ஆரோக்கியத்திற்கான தெரிவுகளை வழங்கும் வகையில் சீனியைக் குறைத்து, கோப்பி வழங்கல் இயந்திரங்கள் மூலமாகப் பெற்றுக்கொள்வதற்கு *Nescafé Premix* ஆகிய உற்பத்திகளையும் நாம் அறிமுகப்படுத்தியுள்ளோம்.

ஆரோக்கியமான உணவுப்பழக்கவழக்கத்தில் உணவு வகிக்கக்கூடிய பாத்திரத்தை விளக்கிக் கொண்டு, சீனி, உப்பு மற்றும் கொழுப்பு ஆகியவற்றைக் குறைத்து, இரும்புச்சத்து, விட்டமின் ஏ (A) மற்றும் கல்சியம் போன்ற அத்தியாவசிய நுண்ணீட்டச்சத்துக்களை அதிகரித்து எமது உற்பத்திகளை புதுப்பிக்கும் முயற்சிகளை தற்போது முன்னெடுத்து வருகின்றோம். 2017 ஆம் ஆண்டில் நுண்ணீட்டச்சத்து நிரம்பிய உணவு மற்றும் பான வகைகளில் 400 மில்லியன் பரிமாறல்களை நாம் நுகர்வோருக்கு வழங்கியுள்ளோம். 'Choose Wellness' என்ற எமது முன்னெடுப்பானது 40,000 இற்கும் மேற்பட்ட நுகர்வோருக்கு இலவச ஊட்டச்சத்து ஆலோசனை மற்றும் உணவுப் பழக்கவழக்க ஆலோசனையை வழங்கியுள்ளதுடன், Nestlé Healthy Kids Programme செயற்திட்டத்தின் மூலமாக சிறுவர்களை எட்டும் வகையில் மின்-கற்றல் அலகொன்றை நாம் நீட்டிப்பு செய்துள்ளோம். ஆரோக்கியமான உணவுப்பழக்கவழக்கம் மற்றும் உடற்பயிற்சிகளின் முக்கியத்துவம் தொடர்பில் பாடசாலை மாணவர்களுக்கு கற்பிப்பதற்காக கல்வி அமைச்சுடன் இணைந்து இச்செயற்திட்டம் முன்னெடுக்கப்பட்டு வருகின்றது.

சமூகங்களை விருத்தி செய்து, வளப்படுத்தி, மீள்எழுச்சி காணச் செய்ய உதவுகின்ற எமது பணிகளையும் நாம் தொடர்ந்து முன்னெடுத்து வருகின்றோம். வட மத்திய மாகாணத்திலுள்ள சீப்புக்குளம் என்ற கிராமத்திலுள்ள பார்பண்ணையாளர்களின் நலன் கருதி, அங்கு பாலைக் குளிருட்டிப் பேனும் மையமொன்றை நாம் தரமுயர்த்தியுள்ளதுடன், 300 வரையான பார்பண்ணையாளர்களுக்கு அதிகரித்த அளவில் பாலைக் குளிருட்டிப் பேனி, களஞ்சியப்படுத்தும் வசதிகளை வழங்கியுள்ளோம். நெஸ்லே தெங்கு அபிவிருத்தி திட்டத்தின் இரண்டாம் கட்டத்தைப் நெஸ்லே ஆரம்பித்துள்ளதன், தெங்கு அபிவிருத்திச் சபையுடன் இணைந்து தேங்காயை வெற்றிகரமாக பயிர் செய்து, ஒட்டுமொத்தத்தில் தேங்காய் வழங்கலை அதிகரிப்பதற்கு புதிய தெங்குத் தோட்டக்காரர்கள் மற்றும் வீடுகளில் தென்னை மரங்களை வளர்ப்பவர்களுக்கு பயிற்சியளித்து, அவர்களை விருத்தி செய்யும் முயற்சிகளை நாம் மேற்கொண்டுள்ளோம். பால் மற்றும் தேங்காய் ஆகியவற்றைக் கொள்வனவு செய்துள்ளதன் மூலமாக 2017 ஆம் ஆண்டில் ரூபா 8.4 பில்லியன் தொகையை உங்கள் நிறுவனம் கிராமியப் பொருளாதாரத்திற்கு மொத்தப் பங்களிப்பாக வழங்கியுள்ளது. 48 முதல் 59 வரையான பக்கங்களில் உள்ளாட்டு அபிவிருத்தி தொடர்பான எமது பணிகள் தொடர்பில் மேலும் அதிகமான விபரங்களை நீங்கள் அறிந்து கொள்ள முடியும்.

2017 ஆம் ஆண்டில் 'Nestlé Needs YOUth' செயற்திட்டத்தின் மூலமாக நாட்டில் இளைஞர், யுவதிகள் மத்தியில் தொழில்வாய்ப்பிற்கான எமது ஆதரவையும் நாம் தீவிரப்படுத்தியுள்ளோம். இளைஞர், யுவதிகளே எமது சமுதாயங்களினதும், பொருளாதாரங்களினதும் எதிர்காலம் என நாம் நம்புகின்றோம். அபிவிருத்தியின் அடுத்த கட்ட அலையை முன்னெடுத்துச் செல்ல இளைஞர், யுவதிகளுக்கு தேவையான திறன்களை அவர்கள் மத்தியில் வளர்த்தாலன்றி, ஒரு நிறுவனம் என்ற வகையில் வளர்ச்சி கண்டு, நாம் அங்கம் வகிக்கும் சமூகங்களை வளர்ச்சி காணச் செய்ய உதவுவது மிகவும் கடினமாகவே அமையும். இதற்கு முற்றுப்புள்ளி வைக்கும் வகையில், கடந்த ஆண்டில் 80 இற்கும் மேற்பட்ட இளைஞர், யுவதிகளுக்கு பயிலுனர் ஸ்தானங்கள் மற்றும் உள்ளகப் பயிற்சிகளை நாம் வழங்கியுள்ளதுடன், களனி பல்கலைக்கழகத்துடன் கூட்டிணைப்பை ஏற்படுத்தி ஒரு கூடுதல் இப்போது கற்கையாக நெஸ்லே முகாமையாளர்களால் கற்பிக்கப்படுகின்ற பாடநெறியை சந்தைப்படுத்தல் துறையில் உச்ச பெறுபேறுகளை ஈட்டுகின்ற பட்டதாரிகளுக்கு வழங்க நாம் முன்வந்துள்ளோம். இந்த இப்போது கற்கைநெறியில் முதல் 10 இடங்களைப் பெற்றுக்கொள்கின்ற மாணவர்களுக்கு உங்களது நிறுவனத்தில் ஆறு மாத கால பணிப் பயிற்சி நியமனம் வழங்கப்படும். தொடர்பாடல், தொழில் வழிகாட்டல் போன்றவை தொடர்புபட்ட செயலம்வர்கள் அடங்கலாக இளம் பட்டதாரிகள் மத்தியில் தொழில்வாய்ப்பினை அதிகரிக்கச் செய்வது தொடர்பான எமது செயற்பாடுகளின் மூலமாக கடந்த ஆண்டில் 4,000 வரையான இளைஞர்கள் பயன் பெற்றுள்ளனர்.

இறுதியாக, எமது நிறுவனம், எமது வர்த்தகநாமங்கள் மற்றும் எமது பணியாளர்கள் தமது பெறுபேறுத்திறன் மற்றும் முக்கியமான பங்களிப்புகளுக்காக தொடர்ந்தும் இனங்காணல் அங்கீகாரங்களைப் பெற்று வருவதை நான் மிகவும் பெருமைபுடன் குறிப்பிட விரும்புகின்றேன். 'Best Corporate Citizen in the Manufacturing Sector' விருது, 'Triple Bottom Line - Social Sustainability (People)' விருது, 'Customer / Consumer Relations' விருது மற்றும் 'Top 10 Best Corporate Citizens' விருது அடங்கலாக Best Corporate Citizen Sustainability விருதுகள் நிகழ்வில் அதிகூடிய எண்ணிக்கையான இனங்காணல் அங்கீகாரங்களைப் பெற்றுள்ள நிறுவனங்களுள் ஒன்றாக நாம் மாறியுள்ளோம். LMD சஞ்சிகையின் Most Respected Entities வெளியீட்டில் தொடர்ந்து இரண்டாவது ஆண்டாகவும் 'Most Respected Food and Beverage Company' ஆக நாம் தரப்படுத்தப்பட்டுள்ளோம். மேலும் டிஆஐ சஞ்சிகையின் Most Valuable Brands in Sri Lanka தரப்படுத்தலில் அதியுச்ச தரப்படுத்தலைப் பெற்றுக்கொண்ட உணவு உற்பத்தி நிறுவனமாகவும் நாம் மாறியுள்ளோம். 'Business Today Top 30' தரப்படுத்தலில் ஒட்டுமொத்த தரப்படுத்தலாக 11 ஆவது ஸ்தானத்துடன், இலங்கையிலுள்ள மிகச் சிறந்த உச்ச நிறுவனங்களில் ஒன்றாகவும் நாம் இனங்காணல் அங்கீகாரத்தைச் சம்பாதித்துள்ளதுடன், தேசிய ஏற்றுமதியில் எமது வலுவான பங்களிப்பிற்கான இனங்காணல் அங்கீகாரமாக, தேங்காய் கொப்பறா உற்பத்திப் பிரிவில் 'Highest Value Added Exporter' ஆக ஆறாவது ஜனாதிபதி ஏற்றுமதி விருதையும் வென்றுள்ளோம். SLITAD (Sri Lanka Institute of Training & Development) விருதுகளில் நாம் பொன் பதக்கத்தை வென்றுள்ளமை எமது பணியாளர்களை விருத்தி செய்வதில் நாம் கொண்டுள்ள அர்ப்பணிப்புடனான ஈடுபாட்டிற்கு கிடைக்கப்பெற்ற ஒரு இனங்காணல் அங்கீகாரமாகும்.

LMD சஞ்சிகையின் Most Loved Brands தரப்படுத்தலில் மிகவும் பிரபலமான எமது பான வகை உற்பத்தியான *Milo* ஆனது 'Student Beverage Brand of the Year', 'Most Outstanding Junior Sports Promoter of the Year', 'Global Master Brand', மற்றும் No. 1 Beverage Brand in Sri Lanka அடங்கலாக பல்வேறு விருதுகளை வென்றுள்ளது. SLIM-Nielsen விருதுகளில் நான்காவது தடவையாகவும் 'Youth Food Brand of the Year' ஆக ஆயப்பல தெரிவாகியுள்ளதுடன், Kantar World panel முன்னெடுத்துள்ள 2017 Brand Footprint ஆய்வில் ஆயப்பல

மற்றும் *Nestomalt* ஆகிய வர்த்தகநாமங்கள் இலங்கையில் முதல் 10 இடங்களுக்குள் இடம்பிடித்துள்ள விரைவாக விற்றுத்தீரும் நுகர்வோர் உற்பத்தி வர்த்தகநாமங்களாக (Sri Lanka's Top 10 FMCG brands) பெயரிடப்பட்டுள்ளன.

SLSI (Sri Lanka Standards Institute) ஏற்பாடு செய்துள்ள விருதுகள் நிகழ்வொன்றில் அதியுயர் தர நடைமுறைகளைப் பேணுகின்றமைக்காக *Maggi Noodles*, *Maggi Coconut Milk Powder*, *Nespray Nutri-Up RTD*, *Nescafé Ice Coffee RTD* மற்றும் நிறுவனத்தின் விற்பனை ஊக்குவிப்புப் பிரிவு (மாதிரி வழங்கல் தொழிற்பாடுகள் - sampling operations) ஆகியன இனங்காணல் அங்கீகாரங்களைப் பெற்றுள்ளன.

உங்களுடைய நம்பிக்கை மற்றும் விசுவாசம் ஆகியவற்றிற்காக எமது பங்குதாரர்களாகிய உங்களுக்கு நான் மீளவும் நன்றி தெரிவிப்பதுடன், ஓயாத ஆதரவை வழங்கி வருகின்ற எமது வர்த்தகப் பங்காளர்களுக்கும் நன்றிகளைத் தெரிவித்துக் கொள்ள விரும்புகின்றேன். இறுதியாக, முற்றிலும் சவால்கள் நிறைந்த ஒரு ஆண்டில் தமது அதிசிறந்த முயற்சிகளை வெளிப்படுத்தியுள்ள எமது அதிசிறந்த அணிக்கும் எனது நன்றிகளைத் தெரிவித்துக்கொள்ள விரும்புகின்றேன்.

2017 ஆம் ஆண்டில் நாம் முன்னெடுத்துள்ள கடின உழைப்பு, இந்த ஆண்டில் மேலும் வளர்ச்சி கண்டு, 2018 ஆம் ஆண்டில் கணிசமான வாய்ப்புக்களைக் கைப்பற்றும் திறனை அதிகரிக்க எமக்கு உதவும் என நான் திடமாக நம்புகின்றேன். எமது புத்தாக்க வேகத்தை நாம் தொடர்ந்தும் கட்டியழுப்பி, வாழ்க்கைத்தரத்தை மேம்படுத்தி, ஆரோக்கியமான எதிர்காலத்திற்கு பங்களிக்க வேண்டும் என்ற நோக்கத்தைப் பேணிப் பாதுகாத்து, தீவிர உணர்வு மற்றும் திடசங்கல்பத்துடன் தொடர்ந்தும் உழைப்போம்.

Shuvani Hegde

ஷிவானி ஹெக்கே
முகாமைத்துவப் பணிப்பாளர்
நெஸ்லே லங்கா பீஸ்சி

22 பெப்ரவரி 2018

Board of Directors



Suresh Narayanan

is the Head of Nestlé in South Asia, which includes Sri Lanka, India, Bangladesh, Nepal and the Maldives. He was appointed as a Non-Executive Director and Chairman to the Board of Nestlé Lanka PLC on 16 October 2015.

Suresh joined Nestlé in 1999 as Executive Vice President - Sales in India. He moved to Nestlé Indochina (which includes Thailand, Cambodia, Myanmar, Laos and Vietnam) in 2003 as Executive Director for Sales, Marketing and Food-Services for the region. Two years later, he returned to Nestlé India as Head of Sales.

In 2008, he was appointed Managing Director of Nestlé Singapore. He was awarded the Medal of Commendation by the Government of Singapore for sustaining growth amidst economic downturn in the country. In 2010 he was appointed Head of NEAR (North East Africa Region) for Nestlé. His last post before moving to his current role in South Asia was Chairman and CEO of Nestlé Philippines.

He holds a Master's Degree in Economics from the Delhi School of Economics and a Diploma from the IMD Executive Development Programme in Switzerland. He

has also participated in Nestlé's Leadership Programme at the London Business School.

Suresh has over 30 years of experience in the FMCG industry. In addition to Nestlé, his vast career includes a number of senior management positions in Unilever and Colgate Palmolive.



Shivani Hegde

is the Managing Director of Nestlé Lanka PLC and is responsible for the management of Nestlé's operations both in Sri Lanka and the Maldives. She was appointed with effect from 1 February 2015.

She commenced her career at Nestlé India as a Management Trainee in 1986 and has served the company for over 30 years across a multitude of functions including Marketing, Sales and Nestlé Professional (Nestlé's Out-of-Home F&B solutions arm). She has also served as the Head of Human Resources at Nestlé India.

Shivani took on the role of Managing Director at Nestlé Lanka PLC following her last

appointment as the Executive Vice President of the Foods business for the South Asian region, a position she held for 10 years. She holds a track record of consistent business results, built on her strong marketing and business proficiencies that complement her extensive experience in the industry. As a result, she has been a member of Nestlé's Global Marketing Leadership Council, comprising of select senior management officials from Nestlé's headquarters in Vevey, Switzerland and across the regions.

She holds a Masters in Business Administration from the Faculty of Management Studies in New Delhi, as well as a Bachelor's Degree in Economics.

Shivani is also an active member of the Ceylon Chamber of Commerce.



Jagdish Kumar Singla

was the Director-Finance & Control of Nestlé Lanka PLC from 1 October 2014 to 31 December 2017.

A Chartered Accountant, he joined Nestlé

India Limited in 1990. He held a variety of roles of increasing responsibility in Nestlé India's Moga Factory and South Asian region head office before moving to Shuangcheng, China as Factory Controller in 1997.

Later, he took over the responsibility of Business Controller for Nestlé's milks and nutrition business in the Greater China Region, returning to India in 2004 as Nestlé India's Moga Factory Controller. He was appointed Head of Nestlé Market Audit for Nestlé India Limited in 2008 before joining Nestlé Lanka PLC in 2014.



Gurcharan Grover

is the Director-Finance & Control of Nestlé Lanka PLC, effective 1 January 2018.

A gold medallist Chartered Accountant as well as a Cost and Management Accountant, with a rich and varied experience in the field of Auditing, Costing, Accounting & Reporting, Controlling, and Business Partnering, Gurcharan joined Nestlé Lanka PLC with experience in India, Africa (Ghana) and Switzerland.

He joined Nestlé India Limited in 1996 and was involved in a number of assignments in Finance & Control before moving to Ghana as Factory Controller in 2006. In early 2009, he moved to Nestlé's headquarters in Switzerland as Market Reporting Controller and later took on the role of Reporting Specialist. He returned to Nestlé India Limited in 2012 as Head of Accounting and Reporting and took over as Sales Controller in 2014 before joining Nestlé Lanka PLC in 2018.



Shobinder Duggal

joined Nestlé India in 1986. A Chartered Accountant, he holds a wealth of experience in Finance, which includes an assignment with the Nestlé Group for two years in Switzerland.

He is a Non-Executive Director of Nestlé Lanka PLC, effective 1 January 2014, and is also Director-Finance & Control for Nestlé India Limited.



Mahen Dayananda

is an Independent Non-Executive Director since 2007, and Chairman of the Remuneration Committee.

An expert on economic issues, Mahen is a former Chairman of the Sri Lanka Business Development Centre, Ceylon Chamber of Commerce, Monetary Policy Consultative Committee of the Central Bank of Sri Lanka, and Colombo Tea Traders' Association. He also chairs several organisations such as Total Tea Concepts (Pvt) Ltd and Indo Asia Teas (Pvt) Ltd.

Mahen is currently a Non-Executive Director of Pegasus Hotels of Ceylon PLC and Bukit

Darah PLC, and the Resident Representative in Sri Lanka of Gover Horowitz & Blunt Ltd (UK). He is also the Honorary Consul for the Republic of Benin in Sri Lanka.



Ranjan Seevaratnam

is an Independent Non-Executive Director since 2007, and the Chairman of the Audit Committee and Related Party Transactions Review Committee.

He is well versed and proficient in fiscal matters and has enjoyed a long, distinguished tenure as a former Partner of KPMG. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants in England and Wales. He currently serves as Non-Executive Director on the Boards of prominent local companies across a range of industries; including agriculture, tea, consumer goods, construction, engineering, rubber, transportation and active carbon.



Dian Gomes

is an Independent Non-Executive Director with effect from 17 March 2017.

Dian currently serves as the Chairman of Hela Clothing (Pvt) Ltd, one of Sri Lanka's largest conglomerates in the apparel industry. He is the former Group Director of MAS Holdings Ltd and former Managing Director/CEO of MAS Intimates (Pvt) Ltd.

He commenced his career at KPMG in 1977 and was the General Manager of the May Corporation in Sri Lanka prior to embarking on his over 25-year career in the apparel industry. He is a Fellow Member of the Chartered Institute of Management Accountants (UK), the Association of Chartered Certified Accountants (UK) and Certified Practising Accountants (Australia). He received his Executive Education at Wharton, Ashridge and Harvard Business School and was the President of the Chartered Institute of Management Accountants (UK), Sri Lanka Division in 2001/2002.



Driven by Purpose, Guided by Values

We believe our Purpose as a Company is enhancing quality of life and contributing to a healthier future. We want to help shape a better and healthier world, and inspire people to live healthier lives.

This means:

- **For individuals and families** - we offer products and services that enable healthier and happier lives.
- **For our communities** - we help develop thriving and resilient communities and support better livelihoods for those we live and work with.
- **For the planet** - we shape sustainable consumption and steward resources for future generations.

In all of this, we are guided by our values, which are rooted in respect: Respect for ourselves, respect for others, respect for diversity, and respect for the future.

In the next few pages you will read how we are living our Purpose through our products, through our services and through our people.

Enhancing quality of life and
contributing to a healthier future

Our Management Committee



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From left to right:
Tharinda Jayasundera - Business Executive Officer, Nestlé Nutrition
Roshan Perera - AVP Nestlé Professional
Norman Kannangara - VP Beverages
Deepal Abeywickrema - SVP Sales
Radhini DeCosta - AVP Marketing Services

Enabling healthier and happier lives through superior products and services



From left to right:
Enoca Sirimanne - VP Human Resources
Bandula Egodage - VP Corporate Affairs and Communications
Shivani Hegde - Managing Director
Ruwan Welikala - VP Ambient Dairy
Priyadarshinie Karunaratne - VP Food

Our Management Committee



Helping to develop thriving, resilient communities through our business



From left to right:
Kumudu Dias – Senior Manager, Finance & Control
Rohit Mittal – SVP Technical
Gurcharan Grover – SVP Finance & Control
José Roldán – VP Supply Chain

Stewarding resources for future generations with sustainable operations

For Individuals & Families

We offer products and services that enable healthier and happier lives -

- Offering tastier and healthier choices
- Inspiring people to lead healthier lives
- Building, sharing and applying nutrition knowledge



*Offering the goodness of
milk, malt and oats*



Offering Tastier and Healthier Choices

Fortifications & Renovations to Make Our Products Healthier



Fortified with 8 vitamins and 4 minerals for optimum energy release



Fortified with 6 vitamins and 3 minerals, including iron



Reduced sugar, with the goodness of calcium naturally present in milk. *Milo* RTD also offers a range of vitamins and minerals



Fortified with vitamins A and D, with reduced sugar and no artificial colours

For every moment of the day, at every stage of life, Nestlé food and beverages deliver good nutrition without compromising on taste. We are also committed to strongly promoting healthy diets and lifestyles, and empowering people to make informed choices.

Focused on understanding the changing lifestyles and needs of our consumers, we put emphasis on science-based innovation and renovation to develop great tasting products that provide affordable nutrition, catering to local palates and nutritional needs.

All of our products are evaluated and renovated on a regular basis. By fortifying our products with essential micronutrients and adding nutritious ingredients, like vegetables and spices, that support good health; and reducing ingredients like sugar and salt; we offer better choices. In 2017, we provided consumers with 405 million servings of micronutrient fortified products.

Nestlé Nutritional Profiling System

To assess and improve the nutritional value of our products, we use the Nestlé Nutritional Profiling System, which is based on dietary intake recommendations issued by authorities such as the World Health Organisation.

We've progressively applied the system to Nestlé products worldwide since 2004. It specifies 'nutrient targets' for a serving of each product, based on age-related dietary guidelines.

The system limits specific negative nutrients – sugars, salt and fats – in each category, but encourages other healthy (positive) nutrients.



Contains calcium and fortified with zinc, protein and essential vitamins



Fortified with iron, offering the goodness of calcium naturally present in milk



Fortified with iron, vitamin A, and probiotics where relevant



Fortified with calcium, enhanced with vegetables and spices, with reduced salt and fat



Fortified with calcium, with reduced salt and fat, and enhanced with spices where appropriate



Fortified with iron and enhanced with spices





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*Using the delicious
goodness of traditional
Sri Lankan spices to
naturally enhance taste*

“Catering to consumer demand for products made from more natural and familiar ingredients, we decided to take inspiration from Sri Lankan cuisine and include vegetables, herbs and popular spices traditionally used in our Sri Lankan kitchens, to naturally enhance flavour in our noodle range. Our newly renovated Maggi Chicken Flavoured Noodles now includes a total of eight spices to enhance taste and goodness. In addition, we’ve got a lot more product innovations and renovations coming up to provide home cooks with enriching cooking experiences.”

Nuwan Rathnayaka
Brand Manager – Maggi





“One of the things I love about managing the Milo brand is the positive impact we have on thousands of children, offering a tasty and nutritious beverage of high quality. A Milo RTD pack contains the natural goodness of local fresh milk, malt and cocoa, and is fortified with energy releasing B vitamins. In line with our commitment to provide tastier and healthier choices, we have voluntarily reduced added sugar in Milo RTD by 32% over the last five years. I’m proud to be part of a brand that not only offers good nutrition but also advocates a healthy active lifestyle.”

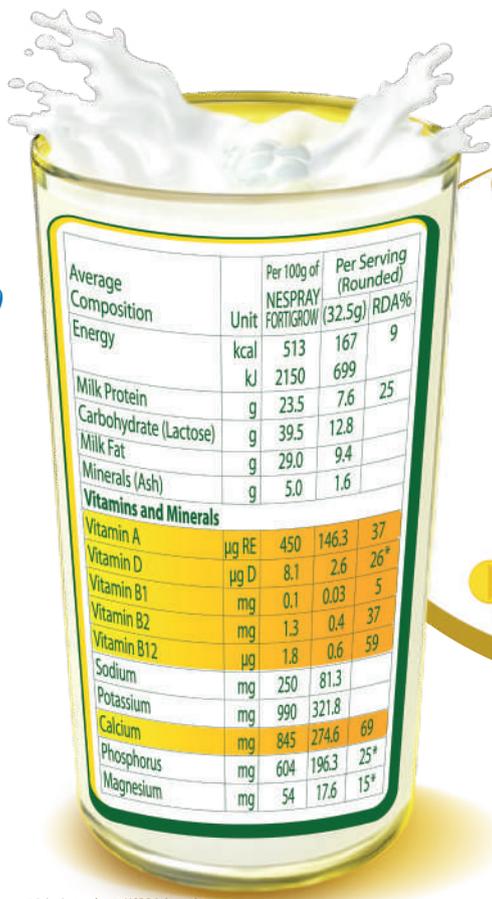
Mohamed Ali
Senior Brand Manager – Milo

Inspiring People
to Lead Healthier
Lives





Inspiring People to Lead Healthier Lives



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Good Food, Good Life™



Nestlé®

Good to remember
Calcium helps build and maintain strong bones and teeth. Calcium needs are highest during childhood and teen years. Making milk the standard drink with meals, is a great way to help get enough Calcium.

Good to talk
We would like to hear from you at:
Nestlé Consumer Services
P.O.Box 189, Colombo.
Tel : (0094) 011 4724724
Talk.Tous@lk.nestle.com
www.nestle.lk

Good question
How can I ensure sufficient Calcium intake in my child's daily diet?

Good to know
2 glasses of NESPRAY FORTIGROW™ provides your child the recommended Daily Allowance of Calcium.



*Calculation basis USDA (1989)

NUTRITIONAL COMPASS™

®Reg Trademark of Société des Produits Nestlé S.A.

Nestlé Nutritional Compass

Nutrition Information and Labelling

We are committed to empowering people to make informed choices about their food and beverages. We understand that, in addition to providing good food and beverages, creating awareness about nutrition is key.

Our packaging plays an important role in enhancing nutritional understanding. We have a number of tools on pack that offer portion advice, and information on nutritional value and calorie content.

- **Guideline Daily Amount (GDA)**

A Guideline Daily Amount (GDA) is a nutrition label on-pack that helps consumers put the nutrition information they read into the context of their overall diet. It offers guidelines for healthy adults and children about the approximate amount of calories (energy), fat, saturated fat, carbohydrates, total sugars, sucrose (added sugar), fibre, protein and sodium / salt. We have begun to incorporate GDA labelling to promote transparency on-pack for relevant products, to help our consumers make better nutritional choices.

- **The Nestlé Nutritional Compass**

In addition to GDA labelling, our consumers can learn more about what they consume through our Nestlé Nutritional Compass. The compass presents a variety of information including the nutritional composition of each product, contact details for more information and, whenever possible, lifestyle and nutrition tips. The Nestlé Nutritional Compass is displayed on all our products.

Beyond the Label

We have expanded the use of the Nestlé Nutritional Compass to include a QR code on pack. Consumers can scan it with a smartphone to access useful, fact based information that they would not ordinarily find on the label; such as dietary and serving advice for the product as well as its social and environmental impact.

Offering Portion Guidance for Our Products

Around the world, inappropriate portion sizes contribute to imbalanced eating habits and lead to adverse health outcomes. Our Nestlé Portion Guidance Programme is a voluntary initiative to promote healthy consumption. It focuses on helping consumers understand the nutritional value of what they are consuming and redefine their portion habits.

All of our products provide portion guidance through product form (e.g., single serve) and/or on-pack communication. We also offer portion guidance on our recipe websites and nutrition education programmes.

Find out more

© Reg. Trademark of Société des Produits Nestlé S.A.

If a portion is a leveled tsp

Nutrition Information (Avg. Composition)	Per 100g	Per Portion 2.5g	%GDA* Per Portion
Energy	704kcal 2945kJ	18kcal 74kJ	1%
Protein	8.0g	0.2g	1%
Carbohydrate	25.0g	0.6g	0%
- of which	6.6g	0.2g	0%
Total Sugar			
-of which	5.9g	0.1g	0%
Sucrose			
Fat	63.4g	1.6g	2%
- of which	55.0g	1.4g	7%
Saturated fats			
Fibre	0.70g	0.0g	0%
Sodium	0.14g	0.0g	0%

Guideline Daily Amounts of an average adult (2000 kcal / 8400 KJ)
Pack contains 120 portions

Nestlé Portion Guidance



Beyond the Label



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Guideline Daily Amount (GDA)



Inspiring People to Lead Healthier Lives



Nestlé Healthy Kids Programme

Nestlé Healthy Kids Programme

We launched the Nestlé Healthy Kids Programme globally in 2010 to help educate school-aged children on nutrition and health. In Sri Lanka, to ensure that the programme was customised to local nutritional needs, we joined hands with the Ministry of Education and the University of Peradeniya in the same year to develop an interactive, modern and easy-to-understand Nutrition Awareness Programme.

The programme is part of the Education Ministry's "Poshanayai Suwadiyayi" (Nutrition for a Healthy Life) nutrition awareness campaign today, and is taught in schools as an extra-curricular subject by Ministry educationists. Consisting of six comprehensive modules, the programme explains about improved diets, nutritional deficiencies, food related disorders, food hygiene, and techniques to safeguard the nutritional value of food during preparation.

Since the launch of the programme, we have been teaching an average of 2,500 school children every year about nutrition and a healthy lifestyle in different parts of the country, reaching a total of approximately 20,000 children in 2017.

Last year, we extended the reach of the programme by piloting an e-learning module.

Nestlé Kids Athletics Programme

The Nestlé Kids Athletics Programme is the physical activity component of the Nestlé Healthy Kids Programme. A joint collaboration with the Sports Division of the Ministry of Education, it instructs children on the importance of physical activity and teaches basic exercise through athletic training and awareness building events across the country. The programme now conducts Sri Lanka's only team-based all-island athletic competition for primary schools, launched in 2017, to encourage children to live an active lifestyle from a young age.

The Nestlé Kids Athletics Programme has grown from strength to strength each year. From around 55,000 children



Nestlé Kids Athletics Programme

in 2015, it reached over 150,000 children in 2016, and another 151,000 children across 74 zones in 2017.

Nestlé Choose Wellness Programme

The Nestlé Choose Wellness Nutri-Corner is an educational initiative that continues to be implemented across urban and rural areas. Trained qualified dieticians and experts provide much needed individual nutritional counselling to thousands of people around the island every year for free, helping them understand the importance of nutrition, and assessing their nutritional status through BMI (Body Mass Index), blood pressure, random blood sugar, waist circumference and body fat check-ups.

In 2017, we helped 41,000 consumers make informed choices about their food and beverages through our Nutri-Corners.



Nestlé Choose Wellness Programme



'Mom, Me and My Milo' cycle parade

'Mom, Me and My Milo' Campaign: Encouraging a Balanced Breakfast Every Day

Milo held its annual 'Mom, Me and My Milo' campaign in 2017, to encourage kids to live a healthy lifestyle and promote the importance of a healthy breakfast.

The brand hosted the country's biggest breakfast gathering, where a crowd of 6,000, including children and their parents, raised their Milo cups and pledged to have a healthy breakfast every day. 1,000 children also received bicycles and participated in a cycle parade, organised by Milo, to demonstrate that getting active can be fun too. Since its launch in 2015, the campaign has given bicycles to 3,000 children to promote an active lifestyle.



'Mom, Me and My Milo' breakfast gathering



Swimming Championship sponsored by *Milo*

Promoting an Active Lifestyle by Supporting School Sports and Marathons

We strive to instill an interest in sports among youth for reasons of health, wellness, discipline and leadership. By supporting national sport events, we have been able to encourage hundreds of thousands of adults and children to be physically active, and support many promising athletes in their careers.

We have been committed to developing school sports in the country for three decades. We have been an energetic partner in the school sports arena, supporting different sporting events such as swimming, netball, athletics, hockey and rugby through our *Milo* brand.

The grand finale of the schools' sports calendar is the Sri Lanka Schools Colours Awards (popularly known as the *Milo* School Colours Awards), which honours the best sports stars in recognition of their performance. These awards are unequivocally accepted as the ultimate acknowledgement of achievement in school sports in Sri Lanka today. Students with exceptional talent who win a *Milo* School Colours Award also receive bonus points towards their university entrance.

Our present *Milo* brand ambassador, Angelo Mathews, was a recipient of the *Milo* School Colours for two consecutive years. Mathews went on to represent the country in cricket and is presently Captain of the national cricket team.

Nestomalt, our flagship brand and a household favourite, with its positive nutritional profile of malted barley and milk, also sponsors a number of marathons every year. These marathons have become much more than a sporting event. We have made a difference for many rural communities by providing an opportunity for talented athletes to be discovered, many of whom go on to represent the country internationally.



“I am proud to work for a team that empowers people to make informed choices about their food. From fortifying our products with essential micronutrients and providing transparent nutritional labelling on pack, to offering free nutritional counselling to consumers, and creating nutrition, health and wellness employee ambassadors; every initiative we make strengthens our commitment to inspire people to lead healthier lives.”

Chamili Senanayake
Manager – Nutrition, Health and
Wellness





“My team focuses on bringing our brand personalities to life. We do this by creating engaging brand experiences through sampling, sponsorships and activations. One of the most gratifying aspects of our job is supporting young sports stars through the Milo brand, across five major school sports – i.e., swimming, hockey, netball, athletics and rugby. By supporting national school sports we help more than one million children be physically active every year, and have helped nurture many sports men and women that have gone on to represent the country.”

Sajeewa Wickramasinghe
Senior Manager – Sponsorships and
Activations

For Our Communities

We help develop thriving and resilient communities and support better livelihoods for those we live and work with -

- Enhancing rural livelihoods
- Respecting and promoting human rights
- Promoting decent employment and diversity



Enhancing Rural Livelihoods

*Made with the goodness
of local fresh milk and
containing calcium, zinc,
protein and essential
vitamins*

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Nestlé dairy farmer

Helping to Develop a Thriving Dairy Industry

We have a long and rich history with Sri Lanka's dairy industry, having worked together with thousands of local dairy farmers since the early 1980s. As Sri Lanka's largest private sector collector of fresh milk, we play a big role in helping to develop the local dairy industry and increase the production of high quality fresh milk.

We procure hundreds of thousands of litres of fresh milk from approximately 20,000 farmers every day, to offer consumers a range of nutritionally sound products with the goodness of local fresh milk.

As the world's largest milk Company in terms of sales value, we use our dairy expertise to offer comprehensive training and development programmes to local farmers. We aim to not just improve the quality and quantity of their milk and meet more of local demand, but also provide local farmers a livelihood that is profitable and sustainable.

We offer our farmers regular training on a range of technical topics and best practices, including cattle feeding and breeding, and animal health and farm management. In addition to donating vital equipment and medicine, we also provide financial assistance to develop dairy farms and promote artificial insemination for breeding high-yield cows. In addition, we facilitate mobile veterinary clinics, together with the government.

Further, we have established a comprehensive milk collection network in strategic locations across the country, to provide our farmers with easy access to sell us their

milk. This network consists of milk collection points and milk collection centres. Farmers provide their milk to milk collection points, where it is weighed and tested for quality before being accepted. Farmers are then paid for the quality of milk they provide – the higher the quality, the higher the price they receive.

The milk is then sent to our milk chilling centres, where it is weighed and tested again before being stored in our chillers. The chillers keep the milk fresh at 4 °C, until our bowzers arrive to transport the milk to our factory for processing.

These chilling and storage facilities help farmers sell us more milk and receive a higher income. Previously, facilities for storing fresh milk were inadequate; resulting in low quality and wastage.

Our determined efforts to train farmers, and help them produce more milk of better quality, has had an especially positive impact on the previously conflict-affected North and East regions, contributing to the economic prosperity of these areas. In 2017, milk farmers in the North-Central village of Seepukulama benefited from a milk chilling centre we upgraded, to offer around 300 farmers increased chilling and storage facilities.

Today, all of our fresh milk requirements for manufacturing our products like *Nespray*, *Milo*, *Milkmaid*, and *Nescafé* and *Nestomalt* RTDs are sourced locally. Our payment to local dairy farmers for purchasing fresh milk in 2017 was Rs. 3.5 billion.



Nestlé dairy farmers from Seepukulama



*Enhancing the livelihoods of
thousands of Sri Lankan coconut
farmers through our coconut milk
powder business*





Nestlé coconut farmer

Enhancing the Livelihoods of Coconut Farmers

Ever since we began our export operations in 1986 and started producing Coconut Milk Powder at our Kurunegala factory, we have invested time and resources to develop the coconut industry in Sri Lanka and help uplift the lives of those communities whose livelihoods revolve around it.

Coconut is staple to Sri Lankan cuisine and a significant contributor to the country's economy. It is a significant export crop, which earns sizeable foreign exchange. We are one of the largest exporters of Coconut Milk Powder in the world, procuring around 90 million coconuts in 2017. Using fresh, high quality coconuts, our Coconut Milk Powder is directly exported to over 50 countries.

To manufacture this product, we purchase coconuts indirectly, through our suppliers, from more than 6,000 local coconut farming families, offering them a sustainable source of income.

Our suppliers then supply us with fresh coconut milk for processing. We have invested in our suppliers' coconut mills significantly in terms of training and knowledge sharing, technical support, and equipment. Through our coconut milk powder business, we generate sources of income and employment for thousands of people in the areas surrounding the mills. In 2017, we paid Rs. 4.9 billion for purchase of fresh coconuts.

The Nestlé Coconut Plan

To directly engage with coconut farmers and help secure coconut cultivation, we launched the Nestlé Coconut Plan in late 2016, in collaboration with the Coconut Cultivation Board (CCB).

The Plan encourages and supports coconut cultivation by smallholder rural farmers as well as home growers, both within the coconut triangle and outside, in areas identified as high potential for successful coconut cultivation, such as Wariyapola, Nikaweratiya, Rasnayakapura, Padaviya, Vavuniya and Kebithigollewa.

As part of the Plan, we donated 10,000 coconut plantlets to 2,000 rural farming families and home growers. We also introduced a new 'model farm' concept by planting approximately 100 plantlets each in two model farms in Nikaweratiya and Kebithigollewa, with the aim of offering farmers an ideal coconut farm to benchmark best practices and high quality coconut farming standards. The project includes intensive technical assistance by the CCB, including soil tests, donation of fertiliser and other pre and post planting assistance.

In 2017 we kicked off the second phase of our Nestlé Coconut Plan. A review of the plantlets we donated showed an excellent 95% success rate. We provided additional training and resources to the farmers to support them in taking care of plantlets in their new growth stage. We also replaced the 5% of plantlets that did not do well. Notably, recognising the success of the programme, the CCB contributed an additional 4,000 plantlets to farmers in the Nestlé Coconut Plan in 2017.



Nestlé coconut farmer



Training programme for coconut farmers

“Having worked in the Agricultural Services Department for 30 years, it gives me great joy to see the difference we have made in developing Sri Lanka’s dairy industry over the last three decades. Every day, we help almost 20,000 farmers across the country improve the quality and yield of their milk through technical assistance, training on animal and farm management, micro financing assistance and mobile veterinary clinics with the government, to help build a thriving farming community.”

Shamara Dunusinghe
Senior Manager – Agricultural Services





“I have the pleasure of seeing Nestlé’s positive impact on local communities first hand, through the Nestlé Coconut Plan. Together with the Coconut Cultivation Board, we are helping 2,000 coconut farming families and outgrowers grow coconut successfully in new and traditional cultivation areas. In addition to donating plantlets and fertilisers, we are providing extensive training programmes and agricultural support throughout the year. Our aim is to increase coconut cultivation in the island and ultimately help rural farmers earn a profitable and sustainable income that will benefit them and their families.”

Damitha Kulatunga
Senior Manager –
Corporate Public Affairs

Respecting
and Promoting
Human Rights

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Respecting and Promoting Human Rights

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Salman Fazlur Rahman - Managing Director, Packages Lanka (Pvt) Ltd.

Our business is founded on respect. We believe we have a responsibility to respect human rights across our business and supply chain. It is critical to the security and wellbeing of our workforce and suppliers. We uphold and promote the basic human rights and freedoms everyone is entitled to, such as labour rights, across the world.

Supporting Our Suppliers

In addition to our farmers, we work closely with raw material and packaging suppliers. Their success is linked to our success. All our suppliers must adhere to the Nestlé Supplier Code, and we adopt a formal assessment scheme, including audits, to ensure compliance not just with our quality standards but also with our ethical, environmental, social and fair labour policies.

Through this we guide them with feedback, recommendations and corrective measures at every opportunity, offering them technical assistance, knowledge sharing and training where necessary. Domestic entrepreneurs are encouraged to do better in their business through an approach of continuous learning and improvement. They are also encouraged to

obtain international quality certifications and set up quality control departments. In addition, trained interns are passed on from the factory where necessary to share best practices.

Empowering Our Distributors

Our distributors are an integral part of our value creation network. We help develop our distributors by disseminating material and training on Nestlé core values, quality standards and business principles (which includes sustainability, fair labour and respect for diversity). We conduct regular audits to ensure compliance as per our policies and also help them manage their business through training modules and guidance on hygienic handling, quality maintenance, selling, customer engagement, merchandising, and financial management.

We also have a Dealer Development Programme, where experienced Nestlé sales officials train distributors and retailers to better manage their operations via a simulated 'model market' that simulates sales channels in a real market place situation.



J. M. Wickramasinghe - Distributor, Suhada Enterprises - Kuliyaipitiya



“Our business is founded on respect, and that includes respect for the people we do business with; our suppliers. The ‘Nestlé Supplier Code’, which includes guidelines for responsible sourcing, defines the non-negotiable minimum standards for fair labour and sustainability with which our suppliers must comply. Through regular audits and support, we ensure our suppliers are compliant with proper human rights practices.”

Panchadcharam Sathiyenthra
Head of Procurement

A man in a white shirt and striped tie is smiling in the foreground. In the background, two other people are working at a desk. The setting appears to be an office or a meeting room.

“We uphold the highest standards in protecting, respecting and promoting the rights of our distributor partners and those who work under them. We require them to adhere to Nestlé guidelines on working conditions and labour rights practices, and comply with audits on working hours, security, safety, sanitation, compensation and much more.”

Manjula Narangoda
Senior Manager – Regional Sales

Promoting Decent Employment and Diversity

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Promoting Decent Employment and Diversity



Enhancing lives begins with our people. We believe good working conditions, welcoming diversity, and respecting labour practices and human rights are essential; so are a safe and healthy work environment. We support and encourage our people to grow in more than one dimension, to achieve all they can be both professionally and personally. As at 31 December 2017, we had 850 permanent employees in our workforce.

Learning and Development

We are committed to train and develop our employees year on year. Our global presence gives us the ability to provide local and international training opportunities to our people. In 2017, we provided over a third of our white collar employees with overseas training and have clocked 33 training hours per person.

Employees are also given periodic job rotations and opportunities to work on short term assignments and expatriations both locally and overseas, that enhance their functional and leadership competencies.

As employees are looking for convenience and flexibility with an evolving Learning and Development culture, we capitalized on our global e-learning platform to encourage learning at our employees' own convenience. Furthermore, we encouraged employees to take charge of their own development by attending informative sessions on various business topics. Leveraging on digital technology, we also launched a new initiative called 'Learn.Share.Anywhere', to help us share informative videos and clips to stimulate our employees' learning curves at their own workplace.

A Diverse Workforce

Diversity and inclusion are an integral part of the Nestlé culture and respecting diversity is one of Nestlé's core values.

New and Enhanced Policies and Benefits to Promote Diversity in the Workplace

Nestlé recognises the role women play in society and strives to create an environment that empowers women to successfully balance their multitasking roles.

We have enhanced our support of women in the workplace over the last three years through the following initiatives:

- **Recruitment and retention** - We promote diversity by ensuring equal representation of gender amongst candidates and select potentials based on their merits and skills. We also train line managers to eliminate bias during the selection process. Post these training sessions, we establish focused development plans, which are monitored regularly.
- **Empowering young females to find employment** - To attract more qualified females to our factory and sales teams, we began to build relationships with educational institutions in key towns across the country, to help reach potential female candidates for openings in those areas.
- **Flexible work arrangements** - We offer flexible work arrangements for primary caregivers, allowing them to work from home in the event of a family emergency. We also offer special resources and support services for pregnant and breastfeeding mothers.



Promoting Decent Employment and Diversity

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- **Female support group** - We also launched a female support group that actively networks with our female employees, providing assistance, discussing issues and supporting each other when in need.

We have one of the highest representations of women in executive management positions in the country. As at 31 December 2017, more than 35% of our Management Committee and approximately 20% of our management staff comprised of women.

Our commitment to promoting diversity extends beyond Nestlé. 50% of our coconut farmers, more than 30% of our dairy farmers, 51% of students in our Nestlé Healthy Kids Programme and 52% of participants in our Kids Athletics Programmes are female.

Supporting Youth Employment: Nestlé Needs YOUth Programme

Youth unemployment is a global and local concern. Young men and women are the future of our societies and our economies. Yet traditional education is often no longer enough. Young people need the right skills to help them in a rapidly changing, digitalised work environment. It will be hard to thrive as a corporation and help the communities we are part of to grow unless we can tap into the skills of young people who will drive the next wave of development.

To help young people become more employable, we launched the Nestlé needs YOUth programme at the end of 2016. The programme focuses on providing young people skill training and employment opportunities. Today, approximately 30% of our workforce is under 30 years of age, and more than 60% of our workforce are millennials.

We also provide internship, apprenticeship and traineeship opportunities to many young graduates and undergraduates every year, for work familiarization and skill development.

Furthermore we are actively engaging in readiness for work activities – through digital media, live events, University drives and job fairs and workshops on CV writing, interview preparation and also tips to succeed at the workplace by providing valuable insights into the corporate world.

We are continuously working to expand our partnerships with other companies and organisations, such as local Universities. In 2017, we signed a MoU with the University of Kelaniya's Department of Marketing Management. We came on board as strategic partner for the University's "Certified Professional Marketing Graduate (CPMG)" programme, which offers high performing students an additional professional qualification in marketing on top of their degree. The programme is facilitated by Nestlé Managers and offers the top ten students a six month training stint with the Company.

In total, we helped close to 4,000 young people become more employable in 2017.

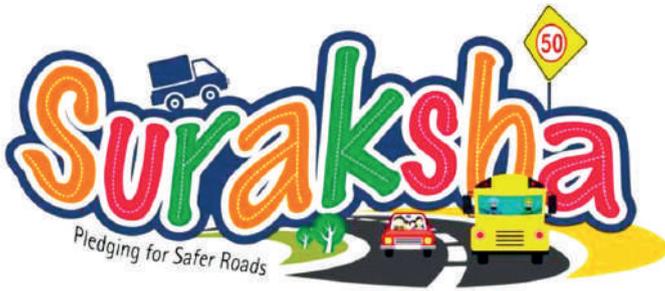
Creating Opportunities for the Differently Abled

We respect international conventions concerning employees' rights and do not tolerate discrimination for reasons such as origin, nationality, religion, race, gender, age or sexual orientation. Practicing the above principle, we are currently looking at working with partners to enhance employment and training opportunities for disabled individuals in the private sector.



Kelaniya University undergraduates visit the Nestlé factory in Kurunegala

Promoting Decent Employment and Diversity



Ensuring a Safe Workplace

The safety of our people is a non-negotiable priority for us. We encourage line managers, with the support of HR, to promote and take personal ownership of safety and health – proactively identifying and managing foreseeable risks to their teams' health. We also insist that service providers take the necessary steps to ensure adequate working conditions are made available to their employees.

We firmly believe that “one accident is one too many” and for work related injuries and illnesses – “our goal is zero”. In reinforcing an already strong safety culture, we set ambitious goals and high standards as part of our occupational safety and health management process. Accordingly, safety at Nestlé is well planned out and executed through different dimensions:

- **Developing safe employee behaviour** - We implement programmes that encourage employees to engage in dialogue with peers and management about safety and risk behaviours. This practice helps identify unsafe employee behaviour and provides feedback for rectification.
- **Introducing safe driving initiatives** - A team of employees at our factory brainstormed 'Project Suraksha', to ensure safe driving for all our milk bowsters. “Project Suraksha” involved creating awareness and implementing safe practices in the milk collection process across our entire milk collection network. The team identified potential causes for unsafe driving together with the drivers and developed an appropriate action plan. This included plotting a low-risk safe route for the drivers, an inbuilt buzzer in the vehicle to indicate when the driver is speeding, regular training on defensive (safe) driving, monthly reports on drivers' safety records, and spot checks.

The team also set up a comfortable room for drivers on-site to rest and refresh themselves before the next haul. To enable them to take advantage of the room, we hired three internal drivers to drive the bowster around

the factory to deposit the milk into different chilling tanks and give the long-haul drivers a chance to rest during this time. All bowsters are also equipped with a GPS system to ensure correct and safe routes are followed.

These initiatives not only reduced the number of unsafe incidents but also helped in changing our milk bowster drivers' behaviour towards road safety. Project Suraksha won Gold in Nestlé's global Safe Driving Awards in 2016.

- **Ensuring safe machineries to work with** - we understand that well-disciplined people alone will not ensure safety, therefore we introduced many processes within our day-to-day operations to ensure safe machinery. The “Machinery Safety Programme” ensures systematic and periodic maintenance of machinery in our factory, eliminating the occurrence of unsafe incidents. Such practices are even incorporated to the vehicle fleet, ensuring more roadworthy vehicles.
- **Standardized work processes** - We have also introduced practices such as LOTO (Lock Out, Tag Out) standardization that prevents the running of those machinery under maintenance, ensuring the safety of our staff when carrying out repairs and overhauls.

Nurturing a Healthy Work Environment

We conduct a number of internal wellness initiatives to educate employees about nutrition, health and wellness and to encourage them to live healthily and actively within the workplace.

- **'Balance your plate' app** - This app is made available on a large screen in our Wellness Café (staff canteen) that calculates the calorie content of meals for employees. Its objective is to encourage employees to have the right



The team behind Project Suraksha



Safety at the workplace

balance of fruit, vegetables, meat, dairy and water with every meal.

- **Nestlé Wellness Centre** - A Wellness Centre was launched with a fully-equipped gymnasium, supervised at all times by a qualified gym instructor; a badminton court meeting national standards with training sessions conducted by a national badminton player; a well-laid out table tennis court; and a carom board, to enable employees to get active on site.
- **Comprehensive health screening** - Regular health screenings take place for all staff with the help of qualified dieticians, opticians, doctors and dentists to check their BMI (Body Mass Index), waist circumference, body fat, blood sugar, blood pressure, conduct eye, dental and lung tests, followed by comprehensive diet and nutrition advice and counselling.
- **Salad bar** - In order to encourage the concept of five fruits and vegetables a day, we offer employees free servings of vegetables at our salad bar.
- **Quarterly wellness initiatives** - We introduced a '10,000 steps' challenge where employees were given fitbits to track their daily steps and were rewarded for reaching key milestones; Our Healthy Cooking Competitions, conducted with inter-departmental teams focused on creating awareness on how to prepare nutritionally balanced meals. We also launched a 360° Wellness Programme, where select employees who signed up were given a personal trainer and personal nutritionist for three months, to improve their health and fitness levels.
- **Zumba sessions** - We also conduct Zumba sessions on a weekly basis to help employees burn calories and get active in a fun way



'Balance your plate' app



Zumba sessions

“Nestlé is the kind of Company that fully embraces gender diversity in the workplace. Even as a mother of two, Nestlé has not only supported my career development by providing me with opportunities for growth, but has also taken measures to create an empowering work environment such as flexible working hours, a breastfeeding room etc to help me balance all the many roles I play – mother, wife and employee.”

Charyani Jayasekara
Senior Manager – Treasury





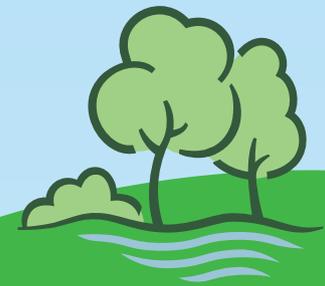
“I’m proud to not only be part of a team that drives diversity, inclusion and empowerment at our workplace, but also an employee that benefits from it. ‘RESPECT’ for everyone and everything is drilled into every employee here, with diversity celebrated and promoted. As a young female professional, I know the sky is the limit if I want it to be; my career depends on me and won’t be decided by my gender. I’m proud to work for a Company like Nestlé, which believes that diversity across gender, race or religion makes the Company greater, bigger and bolder.”

Navini Jayasinghe
Senior Manager –
People Development

For the Planet

We shape sustainable consumption and steward resources for future generations -

- Caring for water
- Acting on climate change
- Safeguarding the environment



Stewarding Resources for Future Generations

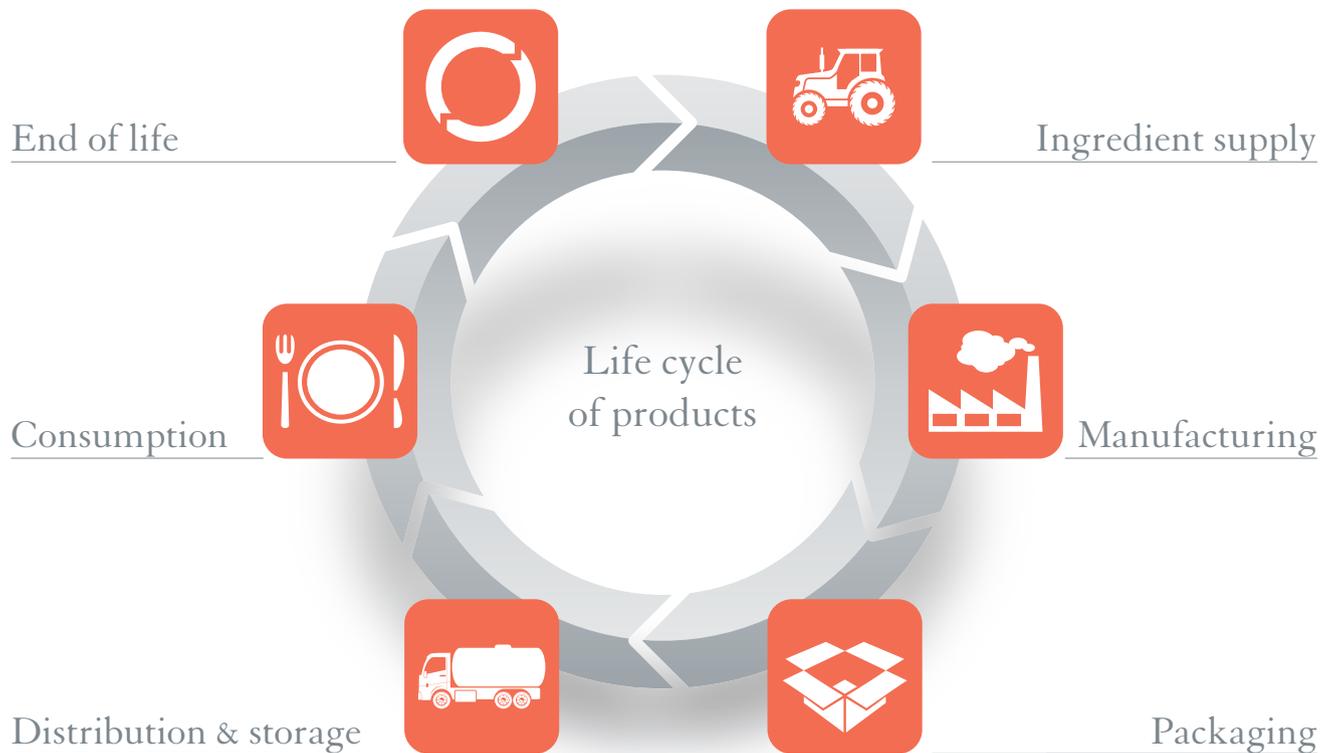
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- Saving energy by **41%***
- Saving water by **42%***
- Reducing greenhouse gas emissions by **37%***

* (2008 - 2017 per tonne of production)



Stewarding Resources for Future Generations



Responsible Sourcing of Raw Materials

We source our raw materials either directly from farmers, primary processors and traders. We source tonnes of agricultural raw materials, and thousands of farmers depend on our business for their livelihoods. We not only help our suppliers meet our high quality standards but also help them improve their environmental sustainability practices through advice, training and other services.

In 2016 / 17, we fostered environmental sustainability in the supply chain by:

- **Sourcing directly from farmers** where possible, and procuring raw materials from suppliers in direct commercial relationships with Nestlé. Where possible, we prefer to source materials that have been produced near our factories.
- **Helping our suppliers evaluate the environmental performance** of their farms and their upstream supply chains, to promote environmentally sustainable agricultural practices.
- **Mapping our supply chains**, and conducting supplier audits and farm assessments regularly, in line with our Responsible Sourcing Guideline (RSG) criteria.
- **The Responsible Sourcing Audit Programme**, which requires key vendors to demonstrate compliance with Nestlé's environmental standards through independent third party audits by Intertek and SGS. If corrective action is required, Nestlé, together with auditors, will guide vendors in upgrading their practices.

We are committed to manufacturing responsibly and sustainably by following the three Rs approach - Reduce, Reuse and Recycle. Over the last nine years, we have reduced our energy consumption by 41%, water consumption by 42% and greenhouse gas emissions by 37%, whilst continuing to scale up production.

Our corporate environment policy requires us to apply a product life cycle approach, involving our partners from farm to consumer and beyond. We focus on water preservation, natural resources efficiency, air emissions reduction, climate change adaptation, and zero waste. These are ongoing efforts that we work on every year, to demonstrate our commitment to protecting the planet.

- The **Farmer Connect Programme**, which supports the farming communities where we source agricultural raw materials, and provides technical assistance on sustainable production methods.

Optimising Environmental Efficiency in Manufacturing

Building on the ISO 14001 certification of our factory, we are 'doing more with less' by eliminating all types of waste.

- Our **Reverse Osmosis (RO) plant** is helping us become a 'zero water discharge' factory. The RO plant reduces our factory's use of water by 5571 m³ per year, equivalent to the amount of water 35 households would use over 12 months. It also helps us save 2,946 GJ of energy every year in our operations, equivalent to the amount of electricity 1,100 households would use over 12 months.
- Our **UPS (Uninterrupted Power Supply) system** helps us to save energy, similar to the emergency power systems used for computers. This allows us to reduce our diesel consumption by 864,000 litres a year, energy consumption by 2.5% a year, CO₂ emissions by 1,800 tonnes a year, and energy costs by Rs. 45 million a year.
- Our **Distribution Centre (DC) with a green building design**, helps us reduce energy costs by Rs. 40 million. The design also won us an award by the Green Building Council of Sri Lanka.



Reverse Osmosis Plant



Uninterrupted Power Supply System



Solar cells and sky lights at our Distribution Centre

Stewarding Resources for Future Generations



Training sessions for Nestlé lorry drivers



Tree planting programme by our employees at schools

Ensuring Eco-Friendly Transport and Distribution

Every day, we transport tonnes of products to our customers. Much of this distribution relies on partnerships with third-party logistics providers. They help us uphold our environmental performance and improve the efficiency of our network by reducing mileage, fuel consumption, greenhouse gas (GHG) emissions, noise and congestion. Below are some of our key initiatives in this regard:

- **Optimising distribution networks and route planning across our operations** - The distribution process has been rationalised in a manner where larger lorries carry goods to the bigger distributors. The smaller distributors are serviced through these large distributors using smaller vehicles. This optimises the use of large vehicles, which consume more fuel, and thus also reduces emission levels.
- **Using roadworthy vehicles** - We have also made a conscious effort to ensure that the vehicles used for transporting of Company goods are road worthy and not an environmental liability. Accordingly, each vehicle for the transportation of goods are thoroughly checked.
- **Expanding driver training to address both safety and environmental efficiency** - we launched 'Project Suraksha' to help our Agricultural Service officers (who work with our dairy farmers) and also milk bowser drivers drive safely and more efficiently. The manner in which vehicles are driven plays a large part in how much fuel is used and the amount of CO₂ emitted. Training therefore is extended to creating awareness of heavy acceleration and braking as they have the biggest negative impact on fuel consumption. Practical lessons involve

developing drivers' greater awareness and anticipation skills, and encouraging them to keep revs down and make fuel-efficient gear changes.

Building Environmental Sustainability into our Packaging

We have started to systematically assess and optimise the environmental performance of new and existing products with the help of our R&D centres. Key brand groups in the Company have started assessments together with our technical team, while our Regulatory and Corporate Affairs teams are in discussion with other members of the industry for industry wide reforms.

As the packaging of our products is crucial to prevent food waste, we are:

- Optimising the weight and volume of our packaging;
- Using ecodesign tools where possible to assess the overall environmental performance of packaging throughout its life cycle;
- Exploring the use of materials from sustainably-managed renewable resources, considering packaging and product performance requirements;
- Discussing initiatives to recycle or recover energy from used packaging;

Educating People on Environmental Conservation

- **School children** - On World Environment Day, our employees conducted awareness sessions for school children on environmental conservation, and also had a tree planting programme at schools and on site (head office and factory).
- **Farmers** - We are increasing awareness regarding the depletion of water and advising farmers on the optimal use of water in dairy.
- **For employees** - All employees are familiarised with the Company Environmental Policy – it is displayed at a prominent location for viewing. Last year, as ever year, we trained employees on the implementation of our environmental policy.

We have a dedicated team for environmental management, who conduct internal audits to verify the level of compliance of environmental activities amongst employees.

Their duties include –

- Championing the Company's environmental initiatives among all levels of employees in line with the Company environment policy.
- Setting environmental objectives for the Company to reduce the impact on nature.
- Training and communicating the above objectives to all employees of the Company.

We also conducted many small group activities such as DMAIC, 5S, etc to reduce energy consumption whilst simultaneously increasing production. As such, our Nestlé Lanka employees seek to reduce waste at every step of the value chain process. On World Environment Day, we also conducted many awareness sessions for employees on environmental conservation, and asked employees to bring any e-waste from their homes to our factory for efficient disposal.

Preserving Natural Resources

- **Energy and water consumption** - we are committed to reducing our consumption of water and energy by a minimum of 3% and 5% every year.
- **Climate change** - We are committed to reducing greenhouse gas (GHG) emissions from our operations by improving energy efficiency, switching to cleaner fuels and investing in renewable sources, such as solar and wind energy.
- **Air emissions** - We continue to reduce environmentally adverse air emissions that arise from essential combustion processes. During the manufacturing and distribution of our products, we use efficient technologies and apply best practices to control and, where possible, eliminate emissions. The many measures we have taken include changing to alternative energy fuels, thereby improving energy efficiency.



Waste water treatment



Boiler stack

“It gives me great pride to be the custodian for environment sustainability at Nestlé Lanka and witness firsthand the fantastic progress we have made in reducing our environmental footprint over the years. In our journey to become a zero waste disposal factory, we have designed our waste management system in a way where waste water is purified to be reused in our factory operations, and solid waste is disposed of responsibly. From sourcing raw materials to manufacturing and distributing our products island wide, we make certain that proper systems are in place to protect natural resources, minimize waste and safeguard the environment we live in.”

Suranga Weerasekara
Senior Manager –
Safety, Health and Environment





“As part of our commitment to safeguarding the environment, we have significantly reduced energy and water usage by 21% and 58% respectively in our milk supply chain over the past 10 years, by applying reliable tools and methodologies, adhering to planned downtime standards, running our plants using optimized operating conditions and increasing awareness amongst our people.”

Jayantha Gamage
Senior Plant Manager – Dairy

86 Nestlé Lanka complies with established best practices of Corporate Governance. The Board has adopted the Nestlé Corporate Business Principles, which guides the conduct of Nestlé employees in their dealings with customers, suppliers and other stakeholders. It is one of the key objectives of the Company to maintain high standards of integrity in its business.

Members of the Board

The Board of Directors of Nestlé Lanka PLC comprises seven Directors of whom two are Executive Directors, three are Independent Non-Executive Directors and two are Non-Executive Directors, including the Chairman of the Board. The Managing Director of the Company also acts as the Chief Executive Officer, and the Board has entrusted the Managing Director to manage all the affairs of the Company.

The Board of Directors act on a fully informed basis, in good faith, with due diligence and care and in the best interest of the Company. They are well aware of the Company's activities and give direction for long-term strategy; seeking and contributing views and opinions on strategic options proposed by the senior management of the Company. The Directors also ensure that the Company is fully compliant with the provisions of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE).

The Directors' interest / involvement in the affairs of the Company are explained on pages 98 to 100 and the Corporate Governance Compliance Table is shown on pages 89 to 91.

Board Independence

All Directors make a formal declaration of all their interests on an annual basis. Based on the declarations made annually by each of the Non-Executive Directors, in accordance with the requirements set out in the Listing Rules of the CSE, three out of five Non-Executive Directors, namely Mahen Dayananda, Ranjan Seevaratnam and Dian Gomes are considered independent. Notwithstanding that Mahen Dayananda and Ranjan Seevaratnam have completed more than nine consecutive years as Directors of the Board, the Board considers Mahen Dayananda and Ranjan Seevaratnam as "Independent" having considered their unbiased approach to the matters of the Board. Further it was noted that they are independent of day to day management and free from any business or other relationships which could materially interfere with the exercise of independent judgement, other than those that are disclosed in this report.

The Board considers the other two out of the five Non-Executive Directors, namely Suresh Narayanan and Shobinder Duggal, as Non-Independent.

Company Secretary

The Company Secretary is qualified to act as per the provisions of the Companies Act No. 7 of 2007, and also functions as the Legal Advisor to the Company.

Management Committee

The Management Committee is led by the Managing Director, to which the Board has entrusted certain responsibilities, including the day to day running of the business. Every member of the Management Committee is responsible for operations and the delivery of objectives pertaining to his / her particular division. The Company's Management Committee can be viewed on pages 26 and 27.

Compliance Committee

As part of robust governance protocols and procedures in the market, the Company has established a Compliance Committee. The purpose of the Compliance Committee is to assist the management in fulfilling its responsibilities to oversee the Company's compliance with respect to legal and regulatory requirements and Nestlé's internal standards. The Compliance Committee is comprised of divisional heads such as Finance & Control, Human Resources, Corporate Affairs and Communications, and Technical, and is chaired by the Managing Director. The Company Secretary acts as the Secretary of the Committee.

The main objectives of the Compliance Committee are as follows;

- i. To sustain a 'compliance' culture that enables good business decisions.
- ii. To ensure that the Company is compliant with local legislations, Nestlé Corporate Business Principles, Nestlé Code of Business Conduct, Nestlé Insider Trading Policy and other policies as issued by the Nestlé Group from time to time.
- iii. To ensure independence of process in addressing any compliance related matter.
- iv. To devise a proper system to ensure compliance with the provisions of all applicable laws and internal controls, and that such systems are operating effectively.

- v. To perform any other duties as directed by the Board, Audit Committee or Management Committee.

The Committee meets quarterly and the Chairperson of the Committee periodically reports to the Board if necessary on the status of compliance.

Auditors

At the thirty sixth Annual General Meeting of Nestlé Lanka PLC, held on 05 May 2017, the Shareholders reappointed KPMG as the Company's Auditors and authorised the Directors to fix their remuneration. The independent Auditors conducted the annual audit for the year ended 31 December 2017 in order to form an opinion on the financial statements. Their report on the financial statements is given on page 106.

Audit, Remuneration and Related Party Transactions Review Committee

The Audit Committee Report on page 92, the Remuneration Committee Report on page 93 and Related Party Transactions Review Committee Report on pages 94 and 95 detail the functions and responsibilities of the respective Board Sub-Committees.

Internal Controls

In addition to the statutory requirements for an external audit, Nestlé Lanka PLC complies with best practices as laid down by the Nestlé Group. To ensure such conformity, the Company conducts regular reviews and is also monitored by multi-tiered audits conducted by the Group's international and regional Auditors from time to time, as deemed appropriate.

Internal audits are carried out regularly by the Company's Internal Auditors, who report directly to the Director-Finance & Control whilst also being accountable to the Managing Director and the Audit Committee of the Company.

Risk Management

Nestlé has always recognised its obligation towards the occupational health and safety of its employees, as well as of community members directly or indirectly involved in the Company's operations. Equally important is the Company's obligation to protect Shareholders' interests, by managing risks to minimise potential financial loss. In order to manage these risks, the Company has implemented the following procedures:

- Strict compliance with local laws.
- Clear accountability and active management leadership.
- Behavioural-based safety management.
- Credible market and site safety organisation.
- Appropriate, systematic hazard assessments.
- Technical standards for design, construction, operation and maintenance.
- Emergency and contingency planning to minimise the impact of incidents.
- Security management to protect products and assets.

Employee Relations

One of our greatest assets is our employees. It is critical to our success to attract, retain, develop and motivate the best people with the right capabilities at all levels of our operations. We review our employee policies regularly and are committed to investing in training and development. We also carry out succession planning to ensure that the future needs of the business are considered and provided for. There are clear processes for understanding and responding to employees' needs through Human Resource initiatives, staff surveys and regular communication of business developments.

Shareholders

Nestlé Lanka PLC aims to ensure that Shareholders have access to relevant, up-to-date and consistent financial and non-financial information pertaining to the Company. The Annual Report and quarterly financial statements provide Shareholders as well as prospective investors the required information to assess the Company's performance.

Disclosure Regarding the Board of Directors Under the Listing Rules Issued by the Colombo Stock Exchange

Section	Subject	Applicable Rule	Compliance Status	Details
7.10.1(a) to (c)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors	Compliant	Five out of seven Directors are Non-Executive Directors.
7.10.2(a)	Independent Directors	Two or one third of Non-Executive Directors (whichever is higher) should be independent	Compliant	Three of the five Non-Executive Directors are independent.
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Compliant	The three Non-Executive Independent Directors, and two Non-Executive Directors have submitted to the Company a declaration in the prescribed format
7.10.3(a)	Disclosures relating to Directors	Determination of Independent Directors and their names should be disclosed in the Annual Report	Compliant	Please refer page 86 of the Annual Report
7.10.3(b)	Directors do not qualify as independent but are specified by the Board as independent	The qualification not met under Rule 7.10.4 of the CSE Listing Rules and the basis for determining the Director to be independent	Compliant	Please refer page 86 of the Annual Report
7.10.3(c)	Brief résumé of each Director in the Annual Report	A brief résumé of each Director should be included in the Annual Report, including the area of expertise	Compliant	Please refer pages 22 and 23 of the Annual Report

Corporate Governance Reporting

Disclosure Regarding the Remuneration Committee Under the Listing Rules Issued by the Colombo Stock Exchange

Section	Subject	Applicable Rule	Compliance Status	Details
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be independent	Compliant	Please refer page 93 of the Annual Report
		The Chairman of the Committee shall be a Non-Executive Director	Compliant	
7.10.5(a)	Remuneration Committee	A listed company may be permitted to have the same Remuneration Committee if the parent company is also listed	Not applicable	The parent company is not listed in Sri Lanka. As such a separate Remuneration Committee has been formed
7.10.5(b)	Disclosure of the Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration payable to the Board and Executive Officers	Compliant	Please refer page 93 of the Annual Report
7.10.5(c)	Disclosure in the Annual Report	Names of the Directors in the Remuneration Committee	Compliant	Please refer page 93 of the Annual Report
		A Statement of the Remuneration Policy	Compliant	
		The aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 122 of the Annual Report

Disclosures Regarding the Audit Committee Under the Listing Rules Issued by the Colombo Stock Exchange

Section	Subject	Applicable Rule	Compliance Status	Details
7.10.6(a)	Composition of the Audit Committee	Shall comprise Non-Executive Directors, a majority of whom shall be independent	Compliant	Please refer page 92 of the Annual Report
		The Chairman of the Committee shall be a Non-Executive Director	Compliant	
		The Chairman or a member should be a member of a professional accounting body	Compliant	

7.10.6(a) and (c)	Audit Committee	A listed company may be permitted to have the same Audit Committee if the parent company is also listed	Not applicable	The parent company is not listed in Sri Lanka. As such, a separate Audit Committee has been formed
7.10.6(b)	Functions of the Audit Committee	Should be detailed as per section 7.10.6(b) of the Listing Rules	Compliant	Please refer page 92 of the Annual Report
7.10.6(c)	Disclosure in the Annual Report	Names of the Directors in the Audit Committee The basis of determination of the Auditor's independence A report of the Audit Committee as per section 7.10.6(c) of the Listing Rules	Compliant Compliant Compliant	Please refer page 92 of the Annual Report

Disclosures Regarding the Related Party Transactions Review Committee Under the Listing Rules Issued by the Colombo Stock Exchange

Section	Subject	Applicable Rule	Compliance Status	Details
9	Related Party Transactions Review Committee	The Company shall have a Related Party Transactions Review Committee	Compliant	Related Party Transactions Review Committee duly appointed as per CSE Listing Rules
9.2.2	Composition of the Related Party Transaction Review Committee	Shall comprise a combination of Non-Executive Directors, Independent Non-Executive Directors and Executive Directors The Chairman of Committee should be an Independent Non-Executive Director	Compliant Compliant	Please refer page 94 of the Annual Report

Report of the Audit Committee

The Committee, appointed by the Board of Directors, comprises four members; namely Ranjan Seevaratnam, Mahen Dayananda and Dian Gomes who are Non-Executive Independent Directors, and Shobinder Duggal who is a Non-Executive Director. The Committee is chaired by Ranjan Seevaratnam, who is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants in England and Wales, and a former Partner of KPMG. The Board appointed Shobinder Duggal, a Chartered Accountant, and Dian Gomes, a fellow member of the Chartered Institute of Management Accountants (UK), the Association of Chartered Certified Accountants (UK), and Certified Practising Accountants (Australia), as members of the committee with effect from 10 August 2017 and 17 March 2017 respectively.

In discharging its responsibilities, the Audit Committee has unrestricted access to the Company's management, books and records. The Committee supports the Board of Directors in its supervision of financial controls through a direct link to KPMG (External Auditors), Nestlé Lanka Internal Auditors and the Nestlé Group Auditors. The Nestlé Group Auditors are a world-class audit department. They provide value-added assistance to top management in Nestlé's international headquarters and across the markets.

The Company's Internal Audit team regularly updates the Committee on the progress of internal audits carried out during the relevant period.

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The Audit Committee's main duties include the following:

- Assisting the Board of Directors in reviewing the financial statements, to ensure that the financial reporting process is in compliance with the required standards.
- Reporting to the Board on the quality and acceptability of accounting policies and practices.
- Reviewing the Company's internal controls, risk management process, and process for monitoring compliance with laws and regulations.
- Assessing the independence and performance of the Company's external Auditors.
- Making recommendations to the Board pertaining to the appointment, reappointment and removal of external Auditors.
- Approving the remuneration and terms of engagement of the external Auditors.

Page 23 of this Annual Report displays the profiles of the members of the Audit Committee. The members have the requisite financial knowledge and business acumen to carry out their roles effectively, and discuss matters that come within their purview independently and professionally.

The Committee met four times during the year under review, as recorded in the table.

Date of the meeting	Attendance Yes (✓) / No (x)				Attendance by invitation Yes (✓) / No (x)	
	Ranjan Seevaratnam	Mahen Dayananda	Dian Gomes (appointed w.e.f. 17.03.2017)	Shobinder Duggal (appointed w.e.f. 10.8.2017)	Managing Director	Director - Finance & Control
21.02.2017	✓	✓	-	By invitation	✓	✓
05.05.2017	✓	✓	✓	By invitation	✓	✓
10.08.2017	✓	✓	✓	By invitation	✓	✓
09.11.2017	✓	✓	✓	✓	✓	✓

The Managing Director and Director-Finance & Control of the Company attended the meetings by invitation and the Company Secretary acted as the Secretary to the Committee. Internal and external Auditors were invited to be present where appropriate, at the deliberation of the Committee.

The Audit Committee has assessed and reviewed the effectiveness of the independent performance of the external Auditors KPMG, and also recommended to the Board of Directors that KPMG be reappointed as Auditors for the financial year ending 31 December 2018, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

Having evaluated the prevailing processes and systems, the Audit Committee is satisfied that the internal controls of the Company provide reasonable assurance regarding the financial reporting, and that the requirements under the Listing Rules of the Colombo Stock Exchange have been met.



Ranjan Seevaratnam
Chairman, Audit Committee

NESTLÉ LANKA PLC

22 February 2018

The Remuneration Committee was appointed by the Board of Directors with the aim of recommending the remuneration payable to the Executive Directors and Chief Executive Officer of the Company. The Committee comprises three Non-Executive Directors; namely Mahen Dayananda and Ranjan Seevaratnam, who are Independent Non-Executive Directors, and Suresh Narayanan, who is a Non-Executive Director. Mahen Dayananda is the Chairman of the Committee.

The Committee was established and assigned with the task of evaluating and assessing the remuneration payable to the Executive Directors and Chief Executive Officer of the Company. The Remuneration Policy of the Company is to be consistent and aligned with market reality to attract and retain qualified and competent personnel. The Committee evaluated the Executive Directors' remuneration and recommended the remuneration payable.

The Committee is assisted by the Director-Finance & Control and Vice President-Human Resources in providing relevant information. The remuneration packages are linked to individual performances, and are aligned with the Company's remuneration policy. The Committee makes every attempt to maintain the policy whilst attracting and retaining talent.

The members of the Committee meet as and when necessary. During the year under review, the Committee met on 09 November 2017. The Managing Director of the Company, together with the Director-Finance & Control and Vice President-Human Resources, attended the said meeting by invitation. The Company Secretary attended this meeting in the capacity of Secretary to the Committee.



Mahen Dayananda
Chairman, Remuneration Committee

NESTLÉ LANKA PLC

22 February 2018

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee, appointed by the Board of Directors, comprises three members; namely Ranjan Seevaratnam and Mahen Dayananda, who are Non-Executive Independent Directors, and Gurcharan Grover, Director-Finance & Control of the Company. Gurcharan Grover was appointed to the Committee with effect from 01 January 2018, with the resignation of Jagdish Kumar Singla from the Related Party Transactions Review Committee and Board of Directors, effective 31 December 2017. The Committee is chaired by Ranjan Seevaratnam, who is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants in England and Wales, and a former partner of KPMG. In addition, the Managing Director and the Head of Financial Accounting & Reporting attend meetings by invitation and the Company Secretary serves as the Secretary of the Committee.

The objectives of the Committee are to ensure that the interests of Shareholders are taken into account by the Company when entering into Related Party Transactions, and to comply with the provisions of the Listing Rules' terms pertaining to Related Party Transactions, to prevent Directors, Chief Executive Officers or substantial Shareholders from taking advantage of their positions.

The functions of the Committee, in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange and the Code on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka (Code), are as follows:

- Review all proposed Related Party Transactions (except for exempted transactions).
- Direct the transactions for Board approval / Shareholder approval as appropriate.
- Obtain updates on previously reviewed Related Party Transactions from senior management, and approve any material changes.
- Establish guidelines for senior management to follow in its ongoing dealings with Related Parties.
- Review and assess, on an annual basis, the transactions for compliance with Committee guidelines.

The Committee held four meetings during the financial year. Information on the attendance of these meetings by the members of the Committee is given below:

Date of the meeting	Attendance Yes (✓) / No (x)				Attendance by invitation Yes (✓) / No (x)	
	Ranjan Seevaratnam	Mahen Dayananda	Jagdish Kumar Singla (resigned w.e.f. 31.12.2017)	Gurcharan Grover (appointed w.e.f 01.01.2018)	Managing Director	Head of Financial Accounting & Reporting
21.02.2017	✓	✓	✓	-	✓	✓
05.05.2017	✓	✓	✓	-	✓	✓
10.08.2017	✓	✓	✓	-	✓	✓
09.11.2017	✓	✓	✓	By invitation	✓	✓

Report of the Related Party Transactions Review Committee

Committee recommendations were communicated by the Chairman of the Committee to the Board of Directors at Board Meetings every quarter.

In every Committee meeting, the Management presented the summary of Related Party Transactions incurred during the period under review, along with the basis of their pricing.

The Committee confirmed that all the Recurrent and Non-Recurrent Related Party Transactions, incurred during the year ended 31 December 2017, were at arm's length and in compliance with rules and regulations. The Committee further confirmed that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2017 were of a revenue or trading nature, which were necessary for day to day operations of the Company, where terms were not favourable to respective related parties. Accordingly the Committee recommended to the Board to resolve at the meeting held on 22 February 2018, that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2017, shall not fall within the ambit of Related Party Transactions Rules (Section 9 of the listing rules) as per provisions of Section 9.5(a) of the listing rules, and the Board approved the same at their meeting held on 22 February 2018.

The Committee is always free to seek external professional advice on matters within their purview when necessary.

Details of Related Party Transactions are disclosed in the Annual Report of the Board of Directors, under note 23 on pages 138 to 141, in accordance with the provision of Rule 9.3.2 of the listing rules.



Ranjan Seevaratnam
Chairman, Related Party Transactions Review Committee

NESTLÉ LANKA PLC

22 February 2018

The Directors of Nestlé Lanka PLC take pleasure in presenting to the Shareholders the Annual Report together with the audited financial statements for the year ended 31 December 2017 and the Auditors' Report thereon.

Board of Directors

Suresh Narayanan, Shivani Hegde, Shobinder Duggal, Jagdish Kumar Singla, Mahen Dayananda, Ranjan Seevaratnam and Dian Gomes (appointed with effect from 17 March 2017) were the Directors of the Company as at 31 December 2017.

In terms of Article 56, 57 and 58 of the Articles of Association of the Company, Shobinder Duggal will retire and being eligible, offer himself for re-election. Ranjan Seevaratnam and Mahen Dayananda will retire pursuant to Section 210 of the Companies Act No. 07 of 2007, as they attained the age of 70 years on 24 September 2013 and 19 June 2016 respectively.

Dian Gomes, who was appointed to the Board on 17 March 2017, was re-elected by Shareholders in terms of Article 64 of the Articles of Association of the Company, at the previous Annual General Meeting held on 05 May 2017.

Jagdish Kumar Singla resigned from the Board and the post of Director Finance & Control with effect from 31 December 2017, and Gurcharan Grover was appointed to the Board as the Director-Finance & Control with effect from 01 January 2018. A Resolution in terms of Article 64 of the Articles of Association of the Company, will be proposed at the forthcoming Annual General Meeting to re-elect Gurcharan Grover .

Resolutions, in terms of Section 211, to the effect that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Ranjan Seevaratnam and Mahen Dayananda for re-election, will be proposed at the forthcoming Annual General Meeting, in order to re-elect Ranjan Seevarthnam and Mahen Dayananda.

Review for the Year

The Chairman's Message and Managing Director's Review on pages 14 and 16 highlight the Company's affairs and the performance of the period under review.

Results and Dividends

The profit achieved by the Company on a net turnover of Rs. 37.6 billion, after provisioning for all known liabilities and depreciation on Property, Plant and Equipment, but before taxation, amounts to Rs. 4,733 million. After deducting a sum of Rs. 1,099 million as taxation, the net profit was Rs. 3,634 million. The profit available for appropriation was Rs. 4,275 million, which is obtained by adding the profit of Rs. 647 million brought forward from the past year, and deducting the Other Comprehensive Expense amounting to Rs. 6 million.

Annual Report of the Board of Directors on the Affairs of the Company

The Statement of Profit or Loss and Other Comprehensive Income for the year 2017 is given on page 107.

The Directors of Nestlé Lanka PLC declared an interim dividend of Rs. 25 per share which will be paid to the Shareholders of the Company on 15 March 2018, and were pleased to recommend a final dividend of Rs. 25 per share, payable on 16 May 2018, subject to the approval of the Shareholders at the upcoming Annual General Meeting scheduled to be held on 7 May 2018.

Stated Capital

The stated capital of the Company as at 31 December 2017 amounts to Rs. 537,254,630.

Activity

As part of its company purpose of enhancing quality of life and contributing to a healthier future, Nestlé continued to strengthen its product portfolio and credentials as the world's leading food and beverage company.

The Company launched *Nestum* All Family Cereal and a new *Nescafé* premix with reduced sugar (i.e., a lower sugar content in comparison to the original recipe) for coffee machines. It also introduced *Ceregrow*, the only toddler cereal in the market with the goodness of probiotics, and which contains balanced nutrients for growth.

In response to local consumer preference for more natural and familiar ingredients, *Maggi* renovated its popular *Maggi* chicken flavoured noodles to include eight spices to enhance taste. *Maggi* is using vegetables, herbs and popular spices traditionally used in Sri Lankan kitchens - such as coriander, cardamom, turmeric, cumin, black pepper, nutmeg, fenugreek and aniseed - to add flavour to its noodles range.

Nestomalt's nutritional profile was also further enhanced with the launch of all-new *Nestomalt Plus*. Enriched with the goodness of oats and B-vitamins, and requiring only water to be added to its unique blend of malt extract, oats and milk, *Nestomalt Plus* is a quick and tasty source of nutrients and energy; tailor-made for modern consumers with a busy routine to support them in living an active lifestyle.

Maggi Coconut Milk Powder, *Nespray* Nutri-Up RTD, *Nescafé* Ice Coffee RTD and our entire *Maggi* noodle range were recognised for their high quality standards at the SLSI (Sri Lanka Standards Institution) Certification Awards. The Company's Sales Promotions department also received the SLS Certification for 'Good Manufacturing Practices' for sampling operations, making it the first such operation in Sri Lanka to do so.

In 2017, Nestlé became a recipient of several awards and accolades for its performance, strong brands and contribution to the economy.

The Company received one of the highest number of recognitions at the Best Corporate Citizen Sustainability Awards, including Best Corporate Citizen in the Manufacturing Sector, Triple Bottom Line - Social Sustainability (People) Award, Customer / Consumer Relations Award and Top 10 Best Corporate Citizen's Award.

Nestlé was ranked the Most Respected Food and Beverage Company for the second consecutive year in LMD's Most Respected Entities Publication for 2017. The Company was also the highest ranked food company in the LMD 2017 ranking of Most Valuable Brands in Sri Lanka.

The Company was also recognised as one of Sri Lanka's top corporate performers in the 'Business Today Top 30' for the third time, with an overall rank of No. 11 amongst Sri Lanka's top thirty leading corporates for the year 2016-2017.

The Company also won 'Highest Value Added Exporter' in the Coconut Kernel Product category, making it the sixth Presidential Export Award for Nestlé in recognition of its strong contribution to national exports, and efforts to create sustainable livelihoods for local coconut growers and farm workers.

Its popular beverage brand, *Milo*, won several awards including the 'Student Beverage Brand of the Year' for the third consecutive time, 'Most Outstanding Junior Sports Promoter of the Year', 'Global Master Brand' and No. 1 amongst Beverage Brands in Sri Lanka, in LMD's Most Loved Brands ranking for 2017.

Maggi was voted 'Youth Food Brand of the Year' for the fourth time at the SLIM-Nielsen Awards, and *Milkmaid* bagged the Merit Award for 'Best Advertising and Marketing by a Website' at the BestWeb.lk 2017 Competition, being the only F&B brand to have won an award.

Maggi and *Nestomalt* were also named Sri Lanka's Top 10 FMCG brands in the 2017 Brand Footprint Study by Kantar World Panel. They were the only noodle and malted food drink brands to be ranked in the top 10.

Nestlé's people were also recognised for their outstanding performances in multiple forums.

Umeshinie Kurukulasuriya and Ashani Ratnayake from the Marketing team shone at the Cannes Lions Young Marketer 2017, becoming overall winners in the competition and securing the spot to represent Sri Lanka in the Young Lions Competition, at the 64th Cannes Lions International Festival of Creativity in France.

Annual Report of the Board of Directors on the Affairs of the Company

Chathura Buddhika, Muruguppalai Ragulan and Salinga Goonawardena from the Sales division won two silver awards and a bronze award respectively at the 2017 SLIM NASCO Awards for extraordinary performance, determination to succeed and unwavering commitment to their jobs, all of which collectively contribute to raising the overall standard of sales professionalism in Sri Lanka.

Last but not least, the Company's Human Resources team won gold at the SLITAD (Sri Lanka Institute of Training & Development) Awards, which recognises best practices in people development across Sri Lankan business enterprises.

Directors' Interest

a) In Contracts

Details of Directors' interest in contracts of the Company as at 31 December 2017 are disclosed below. The Directors do not have direct or indirect interest or proposed contracts other than those disclosed hereunder.

The Directors have disclosed all material interests in contracts (if any) involving the Company and have refrained from participating when decisions were taken.

Interest Register

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<i>Suresh Narayanan</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 22 and 23 of pages 129, 136 and 138 to the financial statements.
<i>Shivani Hegde</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 22 and 23 of pages 129, 136 and 138 to the financial statements.
<i>Shobinder Duggal</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 22 and 23 of pages 129, 136 and 138 to the financial statements.
<i>Jagdish Kumar Singla</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 22 and 23 of pages 129, 136 and 138 to the financial statements.
<i>Gurcharan Grover</i>	-	Not applicable.

Annual Report of the Board of Directors on the Affairs of the Company

Mahen Dayananda - No transaction with affiliates

Directorships in other Companies:

Company	Position	Transaction (procurement) during the year 2017 (Rs.'000s)	Balance (due to) / from as at 31.12.2017 (Rs.'000s)
Total Tea Concepts (Private) Ltd	Chairman	No	Nil
Indo Asia Teas (Pvt) Ltd	Chairman	No	Nil
Pegasus Hotels of Ceylon PLC	Director	105	Nil
Bukit Darah PLC	Director	No	Nil

Ranjan Seevaratnam - No transaction with affiliates

Directorships and dealings with other Companies

Company	Position	Transaction (procurement) During the year 2017 (Rs.'000s)	Balance (due to) / from as at 31.12.2017 (Rs.'000s)
Acme Printing & Packaging PLC	Non-Executive Director	No	Nil
Diesel & Motor Engineering PLC	Non-Executive Director	4,704	(45)
Lanka Aluminium Industries PLC	Non-Executive Director	No	Nil
Tea Small Holders Factories PLC	Non-Executive Director	No	Nil
Tokyo Cement Lanka PLC	Non-Executive Director	No	Nil
Colombo Fort Land & Building Co. PLC	Non-Executive Director	No	Nil
Omega Line (Pvt) Ltd	Non-Executive Director	No	Nil
Hayleys Agriculture Holdings (Pvt) Ltd	Non-Executive Director	No	Nil
Hayleys Consumer (Pvt) Ltd	Non-Executive Director	No	Nil
Hayleys Advantis (Pvt) Ltd	Non-Executive Director	No	Nil
Metecno Lanka (Pvt) Ltd	Non-Executive Director	2,805	Nil
The Distilleries Co. of Sri Lanka	Non-Executive Director	No	Nil
Lankem Ceylon PLC	Non-Executive Director	No	Nil
EB Creasy (Ltd)	Non-Executive Director	2,198	Nil

Annual Report of the Board of Directors on the Affairs of the Company

Dian Gomes

-

No transaction with affiliates

Directorships and dealings with other Companies

Company	Position	Transaction (procurement) during the year 2017 (Rs. '000s)	Balance (due to) / from as at 31.12.2017 (Rs. '000s)
Hela Clothing (Pvt) Ltd	Chairman / Managing Director / Director	No	Nil
Design Republic (Pvt) Ltd	Director	No	Nil
Gandhara Crafts & Artifacts (Pvt) Ltd	Director	No	Nil
Villa Republic (Pvt) Ltd	Director	No	Nil
Westgate International (Pvt) Ltd	Director	No	Nil
Colombo Business School	Chairman	290	Nil

b) In Shares of the Company

	Director	Shareholding		Management
		01.01.2017	31.12.2017	
Executive	Shivani Hegde	Nil	Nil	Yes
	Jagdish Kumar Singla	Nil	Nil	Yes
	Gurcharan Grover	Nil	Nil	No
Non-Executive	Suresh Narayanan	Nil	Nil	No
	Shobinder Duggal	Nil	Nil	No
Independent Non-Executive	Mahen Dayananda	1,000	1,000	No
	Ranjan Seevaratnam	Nil	Nil	No
	Dian Gomes	Nil	Nil	No

Corporate Governance

The corporate governance practices of the Company are set out in detail on page 86.

Property, Plant and Equipment

Details of property, plant and equipment, additions made during the year and depreciation thereof for the year are shown in note 12 to the financial statements on page 125.

Donations

Total donations made by the Company amounted to a sum of Rs. 3.6 million as at the year ended 31 December 2017.

Auditors

KPMG, Chartered Accountants, have been the Company's Auditors in the past and being eligible, offer themselves for re-appointment for the next year at the forthcoming Annual General Meeting. The Auditors' fees are disclosed in note 7 to the financial statements on page 121. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed in note 7 to the financial statements on page 121.

The Auditors also do not have any interest in the Company.

Accounting Policies

The Company prepared its annual financial statements according to Sri Lanka Accounting Standards (SLFRS / LKAS). All relevant applicable standards have been followed in presenting the financial statements for the financial year ended 31 December 2017.

Disclosures on Related Party Transactions

Non-Recurrent Related Party Transactions

There were no Non-Recurrent Related Party Transactions for which aggregate value exceeded 10% of the equity or 5% of the total assets (whichever is lower) of the Company as per the audited financial statements for the year ended 31 December 2017, which requires additional disclosures in the Annual Report under Colombo Stock Exchange listing Rule 9.3.2.

Recurrent Related Party Transactions

Recurrent Related Party Transactions are shown in note 23 on page 138.

The Management in every meeting of the Related Party Transactions Reviews Committee (RPTRC), presented the summary of Related Party Transactions incurred during the period under review along with the basis of their pricing .

Based on the recommendations of the RPTRC, the Board of Directors confirmed at their meetings held on 22 February 2018, that all the Recurrent and Non-Recurrent Related Party Transactions incurred during the year ended 31 December 2017 were at arm's length and in compliance with the rules and regulations.

Based on the recommendation of the RPTRC, the Board resolved at the meeting held on 22 February 2018 that all the Recurrent Related Party Transactions incurred during the year, ended 31 December 2017, were of a revenue or trading nature and were necessary for day to day operations of the Company, and terms were not favourable to the respective related parties. Accordingly, the Board had resolved at the same meeting held on 22 February 2018 that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2017 shall not fall within the ambit of Related Party Transactions Rules (Section 9 of the Listing Rules) as per provisions of Section 9.5(a) of the Listing Rules.

Material Issues

There were no material issues pertaining to employees and industrial relations.

Annual Report of the Board of Directors on the Affairs of the Company

Risk Factors

The Directors of the Company have reviewed the risk management structure of the Company and confirmed that there are no material risk factors foreseeable.

Conclusion

The Directors of Nestlé Lanka PLC wish to convey their gratitude and appreciation to the Management and staff of the Company for their dedicated and untiring cooperation during the year under review.

NESTLÉ LANKA PLC

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Shivani Hegde
Managing Director



Gurcharan Grover
Director-Finance & Control

Certificate of Directors on Transfer Pricing

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to these regulations is given in an approved accountant certificate, produced under Section 107(2)(a) of the said Inland Revenue Act. We believe that the record of transaction/s entered into, with associated undertaking/s during the period from 01 January 2016 to 31 December 2016, were at arm's length, not prejudicial to the interests of the Company and not carried out for profit shifting purposes.

Records and information of all transactions have been submitted to the approved accountant, who reviewed the transfer pricing records, and no adverse remarks have been made in the certificate done by the approved accountant.



Jagdish Kumar Singla
Director-Finance & Control
for & on-behalf of the Board of Directors

16 November 2017

(Certificate of Directors for the year 2017 will be published in the Annual Report for the year 2018.)



Keerthi Pathiraja
Company Secretary

22 February 2018

The Company's financial statements, presented in this report for the financial year ended 31 December 2017, conform to the requirements of the Financial Reporting Standards and the Companies Act No. 7 of 2007. The Directors confirmed that the financial statements presented by them give a true and fair view of the Company's activities as at that date. The financial information is consistent with that in the financial statements.

The Board of Directors has initiated an efficient and concise system of internal control. It also includes internal checks and internal audits, along with financial and other controls required to carry on the business smoothly, whilst safeguarding its assets in a secure, practical, accurate and reliable manner.

The Company's Auditors, M/s KPMG, review and carry out random checks on the internal controls wherever considered necessary, towards endorsing their opinion on the financial statements.

The Management's responsibilities on financial reporting is overseen by the Board of Directors/Audit Committee through regular review meetings and approving of financial information contained in the Annual Report, along with the preparation and presentation of the financial statements.

M/s. KPMG are the Auditors appointed by the Shareholders. They have audited the financial statements submitted by the Board of Directors and have expressed their opinion which is published under the Independent Auditor's Report on page 106.

By Order of the Board.



Keerthi Pathiraja
Company Secretary

NESTLÉ LANKA PLC

22 February 2018

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108		Statement of Financial Position
110		Statement of Changes in Equity
111		Statement of Cash Flows
113		Notes to the Financial Statements

Company Highlights

<i>In Thousands of Rupees</i>	2017	2016
Revenue	37,601,472	36,461,695
Profit before Taxation (PBT)	4,733,048	5,712,078
Profit after Taxation	3,634,217	4,398,762
Capital Expenditure	436,502	695,856
Shareholders Funds	4,812,799	5,482,574
PBT as a % of Revenue	13%	16%
Return on Capital Employed	80%	85%
Key Ratios		
Current Ratio	0.82	1.12
Net Assets Per Share	89.58	102.05
Earnings Per Share	67.64	81.87
Dividend Per Share	50.00	80.00
Dividend Cover	1.35	1.02
Dividend Payout Ratio	74%	98%
Market Value Per Share - Highest	2,310.00	2,445.00
- Lowest	1,600.00	1,903.30
- Average	1,913.32	2,144.11
- Last Traded	1,626.00	2,001.90
Number of Personnel	850	840



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NESTLÉ LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Nestlé Lanka PLC ("the Company"), which comprise the statement of financial position as at 31st December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 107 to 148 of the annual report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.



Chartered Accountants
Colombo
22nd February 2018

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyaratne FCA	S.T.D.L. Perera FCA
G.A.L. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.O.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December	Note	2017 Rs. '000s	2016 Rs. '000s
Revenue	5	37,601,472	36,461,695
Cost of Sales		(24,268,906)	(22,274,610)
Gross Profit		13,332,566	14,187,085
Other Operating Expenses	6	(45,336)	(12,982)
Marketing, Selling and Distribution Expenses		(6,062,770)	(6,263,268)
Administrative Expenses		(2,348,592)	(2,188,120)
Result from Operating Activities	7	4,875,868	5,722,715
Finance Income		30,900	33,095
Finance Expenses		(173,720)	(43,732)
Net Finance Expenses	8	(142,820)	(10,637)
Profit Before Taxation		4,733,048	5,712,078
Income Tax Expense	9	(1,098,831)	(1,313,316)
Profit for the Year		3,634,217	4,398,762
Other Comprehensive Income / (Expense)			
Items That Will Not Be Reclassified to Profit or Loss			
Actuarial Gain / (Loss) for the Year - Net of Tax		(5,954)	27,468
Total Comprehensive Income		3,628,263	4,426,230
Basic and Diluted Earnings Per Share (Rs.)	10	67.64	81.87

"Notes to the Financial Statements," set out on pages 113 to 148, form an integral part of the financial statements. Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 December	Note	2017 Rs.'000s	2016 Rs.'000s
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	5,309,182	5,524,652
Capital Work-In-Progress	13	2,485,503	455,619
		7,794,685	5,980,271
Current Assets			
Inventories	14	2,869,614	3,935,497
Trade and Other Receivables	15	3,965,789	2,729,585
Amounts Due from Related Parties	16	761,444	247,957
Cash and Cash Equivalents	17	128,678	393,328
		7,725,525	7,306,367
Total Assets		15,520,210	13,286,638
EQUITY AND LIABILITIES			
Equity			
Stated Capital	18	537,255	537,255
Retained Earnings		4,275,544	4,945,319
		4,812,799	5,482,574
Non-Current Liabilities			
Retirement Benefit Obligations	19	454,190	464,750
Deferred Tax Liabilities	20	839,404	802,306
		1,293,594	1,267,056
Current Liabilities			
Trade and Other Payables	21	4,770,211	4,368,214
Amounts Due to Related Parties	22	1,220,045	899,085
Current Tax Payable		719,342	805,881
Dividends Payable		167,932	151,061

Statement of Financial Position

As at 31 December	Note	2017 Rs. '000s	2016 Rs. '000s
Bank Overdrafts and Other Short Term Finance	17	2,536,287	312,767
		9,413,817	6,537,008
Total Liabilities		10,707,411	7,804,064
Total Equity and Liabilities		15,520,210	13,286,638

Notes to the Financial Statements, " set out on pages 113 to 148, form an integral part of the financial statements. Figures in brackets indicate deductions.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

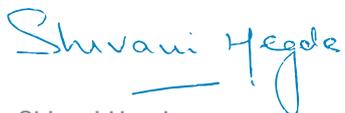


Gurcharan Grover
Director-Finance & Control

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board.

NESTLÉ LANKA PLC
Colombo



Shivani Hegde
Managing Director

22 February 2018



Ranjan Seevaratnam
Director

Statement of Changes in Equity

	Stated Capital Rs.'000s	Retained Earnings Rs.'000s	Total Equity Rs.'000s
Balance as at 1 January 2016	537,255	3,984,381	4,521,636
Total Comprehensive Income for the Year			
Profit for the Year	-	4,398,762	4,398,762
Other Comprehensive Income	-	27,468	27,468
	-	4,426,230	4,426,230
Transactions with Owners of the Company Recognised Directly in Equity	-		
Interim Dividend for 2015	-	(1,853,528)	(1,853,528)
Final Dividend for 2015	-	(1,611,764)	(1,611,764)
Balance as at 31 December 2016	537,255	4,945,319	5,482,574
Balance as at 1 January 2017	537,255	4,945,319	5,482,574
Total Comprehensive Income for the Year			
Profit for the Year	-	3,634,217	3,634,217
Other Comprehensive Expense	-	(5,954)	(5,954)
	-	3,628,263	3,628,263
Transactions with Owners of the Company Recognised Directly in Equity			
Interim Dividend for 2016	-	(2,149,019)	(2,149,019)
Final Dividend for 2016	-	(2,149,019)	(2,149,019)
Balance as at 31 December 2017	537,255	4,275,544	4,812,799

Notes to the Financial Statements, " set out on pages 113 to 148, form an integral part of the financial statements. Figures in brackets indicate deductions.

Statement of Cash Flows

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Cash Flows from Operating Activities		
Profit before Taxation	4,733,048	5,712,078
<i>Adjustments for;</i>		
Depreciation	639,117	625,058
Loss / (Gain) on Sale of Property, Plant and Equipment	8,393	(14,584)
Amortisation of Staff Loan Interest	26,976	17,118
Interest Expense	172,870	43,732
Interest Income	(28,772)	(27,015)
Provision for Obsolete Inventories and Inventory Written Off	193,036	153,298
Provision for Impairment of Trade Receivables, Net of Write-Offs	12,604	11,909
Provision for Retirement Benefit Obligations	102,660	105,390
Operating Profit Before Working Capital Changes	5,859,932	6,626,984
Working Capital Changes		
Decrease / (Increase) in Inventories	872,847	(764,367)
Increase in Trade and Other Receivables	(1,248,808)	(634,458)
Increase in Amount due from Related Parties	(513,487)	(43,982)
Increase in Trade and Other Payables	401,997	228,772
Increase in Amount due to Related Parties	320,960	185,399
Cash Generated from Operations	5,693,441	5,598,348
Interest Expense Paid	(225,311)	(43,732)
Income Tax paid	(1,145,957)	(1,357,316)
Retirement Benefit Obligations Paid	(121,490)	(124,730)
Net Cash Flows Generated from Operating Activities	4,200,683	4,072,570

Statement of Cash Flows

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Cash Flows from Investing Activities		
Purchase and Construction of Property, Plant and Equipment	(2,413,944)	(1,007,879)
Proceeds from Sale of Property, Plant and Equipment	4,461	38,173
Interest Income Received	1,796	9,896
Net Cash Flows Used in Investing Activities	(2,407,687)	(959,810)
Cash Flows from Financing Activities		
Dividends Paid	(4,281,166)	(3,451,452)
Net Cash Flows Used in Financing Activities	(4,281,166)	(3,451,452)
Net Decrease in Cash and Cash Equivalents	(2,488,170)	(338,692)
Cash and Cash Equivalents at the Beginning of the Year	80,561	419,253
Cash and Cash Equivalents at the End of the Year (Note 17)	(2,407,609)	80,561
Analysis of Cash and Cash Equivalents at the End of the Year		
Cash in Hand and Balances with Bank	128,678	393,328
Bank Overdrafts and Other Short Term Finance	(2,536,287)	(312,767)
	(2,407,609)	80,561

"Notes to the Financial Statements," set out on pages 113 to 148, form an integral part of the financial statements. Figures in brackets indicate deductions.

1. Reporting Entity

Nestlé Lanka PLC is a Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office and the principal place of business is located at 440, T.B. Jayah Mawatha, Colombo 10. The Company is in the food and beverage industry.

The ultimate parent and holding Company is Nestlé S.A.

2. Basis of Preparation

2.1. Statement of Compliance

Nestlé Lanka PLC has prepared the financial statements in accordance with the Sri Lanka Accounting Standards (LKAS and SLFRS), issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007, and the Sri Lanka Accounting and Auditing Standards Act No. 19 of 1995; and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE). These financial statements, except for information on cash flows, have been prepared following the accrual basis of accounting.

The financial statements were authorised for issue by the Directors on 22 February 2018.

2.2. Basis of Measurement

The financial statements are prepared under the historical cost basis and applied consistently, with no adjustments being made for inflationary factors affecting the financial statements except for;

- Liability for the Defined Benefit Obligation, recognised at the present value of the Defined Benefit Obligation, net of plan assets.
- Liabilities for the cash settled share-based payment arrangements, measured at fair value.
- Derivative financial instruments, measured at fair value.

2.3. Functional and Presentation Currency

The financial statements are presented in Sri Lankan rupees, which is the Company's functional currency. All financial information presented in Sri Lankan rupees has been rounded to the nearest thousand.

1.1. Principal Activities and Nature of Operations

Principal activities of the Company include manufacturing, marketing, selling and distribution of food and beverages products. The Company is also involved in the export of locally manufactured food and beverage products.

2.4. Use of Estimates and Judgments

The preparation of financial statements, in conformity with the Sri Lanka Accounting Standards, requires Management to make judgments, estimates and assumptions that affect income and expenses, reported amounts of assets and liabilities, and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.5. Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

When preparing the financial statements, the Directors have assessed the ability of the Company to continue as a going concern in the foreseeable future and do not foresee a need for liquidation or cessation of trading, taking into account all available information about the future.

Notes to the Financial Statements

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1. Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2. Financial Instruments

a) Non-derivative Financial Assets

The Company initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are netted-off and the net amount is presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans

and receivables are recognised at amortised cost using the effective interest method less any impairment losses.

Loans and receivables comprise of trade and other receivables, including staff loans receivable and cash and cash equivalents.

c) Available For Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets, that are designated as available-for-sale or are not classified in any of the previously mentioned categories of financial assets. Available for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs, if the transaction costs are significant.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity through Other Comprehensive Income in the available-for-sale reserve. When these financial assets are derecognised, the gain or loss accumulated in equity is reclassified to Profit or Loss.

d) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash balances and call deposits with a maturity period of less than three months. For the purpose of the Statement of Cash Flows, cash and cash equivalents are presented net of bank overdrafts, short term borrowings and short term investments.

e) Non-Derivative Financial Liabilities

Financial liabilities are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Company's financial liabilities include trade and other payables, and bank overdrafts.

f) Derivative Financial Instruments and Hedge Accounting

The Company holds derivative financial instruments to hedge its foreign currency risk exposure. Derivatives are recognised at fair value while attributable transaction costs are

recognised in Statement of Profit or Loss and Other Comprehensive Income as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

g) Stated Capital

Ordinary shares of the Company are classified as equity.

3.3. Property, Plant and Equipment

a) Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where an item of Property, Plant and Equipment comprises major components having different useful lives, they are accounted for as separate items of Property, Plant and Equipment.

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment, and are recognised net within "Other Operating Income / Expense" in the Statement of Profit or Loss and Other Comprehensive Income.

b) De-Recognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from use or disposal. The gains or losses arising from de-recognition of an item of Property, Plant and Equipment is included in the Statement of Profit or Loss and Other Comprehensive Income when the item is derecognised.

c) Subsequent Expenditure

The cost of replacing part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of

the day-to-day servicing of Property, Plant and Equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

d) Depreciation

Depreciation is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of items of Property, Plant and Equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Freehold Buildings	35 years
Plant and Machinery	10 - 25 years
Tools, Furniture and Office Equipment	5 years
Motor Vehicles	5 years
Information Systems (IS) Equipment	3 - 5 years

Depreciation on asset begins when it is available for use and ceases at the earlier of the date that the assets are classified as held for sale or the date that the assets are derecognised.

Borrowing cost incurred during the course of construction are capitalised if the assets under construction are significant and if their construction requires a substantial period to complete. The capitalisation rate is determined on the basis of the appropriate borrowing rate for the period of construction.

The useful lifetime, depreciation methods and residual values are reassessed annually or on an earlier date where any circumstances indicate such assessment is required.

Improvements on leasehold buildings and buildings constructed on leasehold land are depreciated over the lower of their useful economic life or unexpired period of lease.

e) Capital Work-In-Progress

Capital expenses incurred during the year on assets, which are not completed as at the date of Statement of Financial Position, are shown as Capital Work-In-Progress whilst the capital assets which have been completed during the year and put to use have been transferred to Property, Plant and Equipment.

f) Leased Assets

Buildings constructed by the Company on leasehold land are capitalised and included under the category "Leasehold Building".

Notes to the Financial Statements

3.4. Intangible Assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

a) Recognition and Measurement

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and cost can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

b) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

c) Amortisation

Amortisation is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

d) Retirement and Disposal

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

3.5. Impairment

a) Financial Asset

A financial asset not classified at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and if the loss event that had an impact on the estimated future cash flows of that asset can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers and economic conditions that correlate with defaults.

i. Loans and Receivables

The Company considers evidence of impairment for financial assets, measured at amortised cost, at both specific asset and collective level. All individually significant assets are assessed

for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

ii. Available for Sale Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that an asset or a group of assets is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a 'Significant' or 'Prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'Prolonged' against the period for which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative impairment loss measured as the difference between the acquisition cost and the current fair value, is recognised in Profit or Loss and removed from Other Comprehensive Income.

b) Non-Financial Asset

The carrying amounts of the Company's assets are reviewed at each date of the Statement of Financial Position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of cash flows of other assets and cash generating units.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

i. Calculation of Recoverable Amount

The recoverable amount of assets is the greater of its value in use and fair value, less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time of value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

ii. Reversal of Impairment

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6. Inventories

Inventories are stated at the lower of cost and net realizable value. Raw materials and purchased finished goods are valued at purchase cost on First in First Out (FIFO) basis. In the case of manufactured inventories and work-in-progress, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescence, slow-moving and defective stocks.

3.7. Employee Benefits

a) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan asset is deducted. The Company determines the Net Interest Expense / (Income) on the Net Defined Benefit Liability / (Asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the Net Defined Benefit Liability / (Asset), taking into account any change in the net defined benefit liability during the period as a result of contributions and benefit payments.

The calculation is performed annually by an independent actuary using the "Projected Unit Credit Method". When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in Other Comprehensive Income. All other expenses related to defined benefit plans is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

When the benefits of a plan are changed, the portion of the changed benefit related to past service by employees is recognised immediately in profit or loss when the plan amendment occurs.

The liability to Retirement Benefit Obligation under the payment of Gratuity Act No. 12 of 1983 is a defined benefit plan covering 833 employees of the Company. The pre-1996 liability is unfunded and provided for by way of an accounting provision in the financial statements of the Company, in accordance with Sri Lanka Accounting Standard No.19 – Employee Benefits (LKAS 19). The liability subsequent to this date is funded by way of an insurance policy.

The movement of the obligation during the year and assumptions used for actuarial valuation are disclosed in Note 19 to the financial statements.

b) Defined Contribution Plans – Mercantile Services Provident Society, Employee Provident Fund and Employee Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Statement of Profit or Loss and Other Comprehensive Income when they are due.

All employees of the Company are members of either the Mercantile Service Provident Society (MSPS) or Employee Provident Fund (EPF) to which the Company contributes 12%, and Employee Trust Fund (ETF), to which the Company contributes 3% of such employees' wages or salary.

In addition to the statutory contributions mentioned above, the Company commenced contributions of 2% (for employees over 5 years) & 5% (for employees over 10 years) to the MSPS under a new defined contribution scheme offered to employees joining after 1 January 2006 from July 2014 onwards.

c) Share-Based Payments

The Company participates in the Nestlé Performance Stock Unit plan of Nestlé S.A, the parent Company, where selected employees are granted rights to obtain the stock units of

Notes to the Financial Statements

Nestlé S.A. This represents a cash settled share-based payments arrangement in accordance with SLFRS 2 Share Based payment. Accordingly, the grant-date fair value of stock units granted to employees is recognised as an employee expense, with a corresponding increase in liability over the period that the employees become unconditionally entitled to the awards. Until the liability to the parent Company is settled, the liability is re-measured at each reporting date and at the settlement date, with any changes in the Statement of Profit or Loss and Other Comprehensive Income.

3.8. Liabilities and Provisions

Liabilities and provisions are recognised in the Statement of Financial Position when there is a present legal /constructive obligation as a result of the past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor, or within one year of the reporting date, are treated as current liabilities in the Statement of Financial Position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the Statement of Financial Position.

Dividends

Dividends are recognised as a liability in the period in which they are declared and approved for distribution.

3.9. Revenue

Sale of Goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated cost and possible return of goods can be estimated reliably and there is no continuing management involvement with goods, and the amount of the revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

3.10. Other Operating Income

a) Gain / Loss from Sale of Property, Plant and Equipment

Any gains or losses on retirement or disposal of Property, Plant and Equipment are recognised in the period in which the sale occurs and is classified as Other Operating Income or Expense.

b) Other Income

Other income is recognised on an accrual basis.

3.11. Expenses

Expense Recognition

a) Revenue Expenditure

The profit earned by the Company, as shown in the Statement of Profit or Loss and Other Comprehensive Income, is after providing for all known liabilities and for depreciation of Property, Plant and Equipment.

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that the function of expenses method presents fairly the elements of the enterprise's performance, hence such presentation method is adopted.

b) Capital Expenditure

Expenditure incurred for the purpose of extending or improving assets of a permanent nature, by means to carry on the business or for the purpose of increasing the earning capacity of the business, has been treated as capital expenditure.

Gains or losses of revenue nature, on the disposal of Property, Plant and Equipment, have been accounted for in the Statement of Profit or Loss and Other Comprehensive Income.

c) Operating Lease Payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease.

3.12. Finance Income and Finance Expenses

Net finance expenses comprise of interest payable on borrowings, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income under the accrual basis unless collectability is in doubt.

All interest and other costs incurred in connection with borrowings are expensed as incurred, as part of net finance expenses.

3.13. Income Tax Expense

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

a) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date as per the provisions of the Inland Revenue Act No. 10 of 2006 and any adjustment to tax payable in respect of previous years.

b) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14. Statement of Cash Flows

The Cash Flow Statement has been prepared using the indirect method in accordance with Sri Lanka Accounting Standard No. 7 – Statement of Cash Flows (LKAS 7).

3.15. Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is being charged or not.

The relevant details are disclosed in the respective Notes to the Financial Statements.

3.16. Earnings Per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

3.17. Operating Segments

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

Nestlé Lanka PLC is primarily involved in the business of manufacturing, marketing, selling and distribution of food and beverage products. The entire business is organised as one segment for making operating decisions in assessing performance by the Chief Operating Decision Maker. Further, information of the business is reported to the Chief Operating Decision Maker as a whole. Therefore the Board of Directors are of the opinion that there are no identifiable operating segments within the Company and therefore the disclosure requirements of SLFRS 8 will not be applicable to Nestlé Lanka PLC.

3.18. Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset of Property, Plant and Equipment, in which case they are capitalised as part of the cost of the asset.

3.19. Comparative Information

Comparative information has been reclassified where necessary to conform to the current year's presentation.

3.20. Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event, and whose existence is existence confirmed only on the occurrence or non-occurrence of uncertain future events which are beyond the Company's control.

Notes to the Financial Statements

3.21. Events Occurring After the Reporting Period

All material events occurring after the reporting period have been considered, disclosed and adjusted where applicable.

4. New Accounting Standard Issued But Not Effective as at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1 January 2018 or at a later date.

Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments” Effective for Annual Periods Beginning on or After 1st of January 2018

SLFRS 9 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application is permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During the financial year, the Company has performed an impact assessment of all three aspects of SLFRS 9 and the Company expects no impact to its Statement of Profit or Loss and other Comprehensive Income or Statement of Financial Position. This assessment is based on currently available information and may be subject to changes arising from further analysis.

Sri Lanka Accounting Standard - SLFRS 15 Revenue from Contracts with Customers Effective for Annual Periods Beginning on or After 1st of January 2018

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for

annual periods beginning on or after 1st January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During the year, the Company performed an assessment of SLFRS 15 and determined that its impact on the financial statements would be insignificant. This assessment is based on currently available information and may be subject to changes arising from further analysis.

Sri Lanka Accounting Standard - SLFRS 16 Leases Effective For Annual Periods Beginning on or After 1st of January 2019

SLFRS 16 replaces LKAS 17 Leases and related interpretations. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain relief.

In 2018, the Company plans to assess the potential effect of SLFRS 16 on its financial statements.

5. Revenue

For the year ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Local Revenue	33,586,356	33,122,595
Exports Revenue	5,983,533	5,065,652
Total Revenue	39,569,889	38,188,247
Less : Trade Discounts and Volume Rebates	(1,968,417)	(1,726,552)
Revenue	37,601,472	36,461,695

6. Other Operating Expenses

For the year ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Gain / (Loss) on Sale of Property, Plant and Equipment	(8,393)	14,584
Net Foreign Exchange Loss	(87,799)	(80,467)
Income from Scrap Sales	50,856	52,901
	(45,336)	(12,982)

7. Results from Operating Activities

7.0 Results from Operating Activities are Stated after Charging / (Crediting) All Expenses Including the Following:

For the year ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Depreciation	639,117	625,058
Provision for Obsolete Inventories and Inventory Written Off	193,036	153,298
Technical Assistance Fee	1,762,361	1,661,372
Operating Lease Payment	809	809
Auditors Remuneration - Audit	3,750	3,550
- Audit related	-	100
- Non-Audit	1,908	1,825

Notes to the Financial Statements

For the year ended 31 December	2017 Rs.'000s	2016 Rs.'000s
Provision for Impairment of Trade Receivables, Net of Write-Offs	12,604	11,909
Legal Fees	15,777	12,922
Non-Executive Director's Fees	1,700	1,200
Employees Benefit Expenses (Note 7.1)	2,318,696	2,190,313

7.1 Employees Benefit Expenses

For the year ended 31 December	2017 Rs.'000s	2016 Rs.'000s
Personnel Costs		
Executive Directors' Emoluments	54,467	50,921
Salaries and Wages	1,553,600	1,462,534
Provision for Retirement Benefit Obligations (Note 19.3)	102,660	105,390
Contributions to EPF, MSPS and ETF		
Employees' Provident Fund and Mercantile Services Provident Society	127,978	120,357
Employees' Trust Fund	38,820	34,405
Other Benefits	441,171	416,706
	2,318,696	2,190,313

8. Net Finance Income / (Expenses)

For the year ended 31 December	2017 Rs.'000s	2016 Rs.'000s
Finance Income		
Interest on Deposits	1,796	9,896
Gain on Foreign Currency / Liquid Assets	2,128	6,080
Interest on Staff Loans	26,976	17,118
	30,900	33,095

For the year ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Finance Expenses		
Interest on Short Term Borrowings and Overdrafts	(225,311)	(43,732)
Loss on Foreign Currency / Liquid Assets	(850)	-
Borrowing Costs Capitalised - Transferred to Additions During the Year (Note 13)	52,441	-
	(173,720)	(43,732)
Net Finance Expenses	(142,820)	(10,637)

9. Income Tax Expense

For the year ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Current Tax Expenses		
Tax on Current Year Profits (Note 9.2)	1,074,414	1,221,144
Under / (Over) Provision in Respect of Previous Years	(14,997)	-
	1,059,417	1,221,144
Deferred Tax Expenses		
Origination / (Reversal) of Temporary Differences (Note 20.1)	39,414	92,172
Income Tax Expense	1,098,831	1,313,316

9.1

(a) The corporate income tax rate applicable to Nestlé Lanka PLC is 28%, while qualifying export profits are taxed at a concessionary rate of 12%, and profits from the Ready-To-Drink milk business are taxed at the rate of 10%. Profits with respect to off-shore business earned in foreign currency are exempt from income tax.

(b) The full benefit of capital allowances arising in terms of section 25 of the Inland Revenue Act No. 10 of 2006 has been taken into account in determining income tax expense on profits for the year.

(c) Deferred tax has been computed using the income tax rate of 28%.

(d) Investments made in Property, Plant and Equipment from 1 April 2011 to 31 March 2014 on the expansion of the existing business is eligible for Qualifying Payment Relief (QPR) at the rate of 25% every year over a four year period.

Notes to the Financial Statements

9.2 Reconciliation Between Accounting Profit and Taxable Profit

For the year ended 31 December	2017 Rs.'000s	2016 Rs.'000s
Accounting Profit Before Tax	4,733,048	5,712,078
Adjustments Relating to Disallowances	291,144	258,540
Adjustments Relating to Capital Allowances	(143,308)	(295,524)
Profit from Tax Exempted Operations	(445,497)	(419,159)
Qualifying Payment Relief for Investment	-	(104,871)
Taxable Profit	4,435,387	5,151,064
Income Tax at 10%	46,502	75,705
Income Tax at 12%	62,916	63,665
Income Tax at 28%	964,996	1,081,774
Tax on Current Year Profit	1,074,414	1,221,144

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10. Basic and Diluted Earnings Per Share (EPS)

The calculation of earnings per share is based on the profit for the year attributable to ordinary Shareholders, divided by the weighted average number of ordinary shares outstanding during the year.

Net profit attributable to ordinary Shareholders and weighted average number of ordinary shares are given below:

	2017	2016
Profit Attributable to Ordinary Shareholders (Rs'000s)	3,634,217	4,398,762
Weighted Average Number of Shares	53,725,463	53,725,463
Basic and Diluted Earnings Per Share (Rs.)	67.64	81.87

11. Dividend Per Share

(a) The Directors have declared an interim dividend of Rs. 25.00 per share on 22 February 2018 and have also proposed a final dividend of Rs. 25.00 per share for the year ended 31 December 2017 to be approved at the Annual General Meeting to be held on 7 May 2018. In accordance with Sri Lanka Accounting Standard Events After the Reporting Period (LKAS 10), the interim dividend and final dividend has not been recognised as a liability as at 31 December 2017.

b) However, for the purpose of computing dividend per share, an interim dividend of Rs.1,343,136,575 (Rs.25.00 per share) was declared on 22 February 2018, and a final dividend to be approved has been taken into consideration.

c) The dividend per share calculation is based on the total dividend attributable to ordinary Shareholders of Rs. 2,686,273,150 (2016 – Rs. 4,298,037,040) divided by the number of ordinary shares as at the reporting date.

12. Property, Plant and Equipment

	Freehold Land Rs. '000s	Freehold Buildings Rs. '000s	Leasehold Buildings Rs. '000s	Plant and Machinery Rs. '000s	Tools Furniture and office Equipment Rs. '000s	Motor Vehicles Rs. '000s	Information System Equipment Rs. '000s	Total Rs. '000s
Cost								
Balance as at 1 January 2016	17,925	126,003	1,999,149	5,855,781	1,526,685	235,784	257,763	10,019,090
Additions During the Year	-	-	96,509	326,232	104,886	518	24,114	552,259
Transferred from Capital Work-In-Progress	-	-	32,389	74,409	22,868	13,931	-	143,597
Disposals During the Year	-	-	(27,942)	(21,669)	(21,133)	(63,216)	-	(133,960)
Balance as at 31 December 2016	17,925	126,003	2,100,105	6,234,753	1,633,306	187,017	281,877	10,580,986
Depreciation								
Balance as at 1 January 2016	-	32,116	347,016	2,739,619	1,025,416	210,722	186,759	4,541,648
Charge For the Year	-	3,200	59,908	352,608	169,984	13,205	26,153	625,058
On Disposals	-	-	(8,439)	(19,004)	(20,583)	(62,346)	-	(110,372)
Balance as at 31 December 2016	-	35,316	398,485	3,073,223	1,174,817	161,581	212,912	5,056,334

Notes to the Financial Statements

	Freehold Land Rs.'000s	Freehold Buildings Rs.'000s	Leasehold Buildings Rs.'000s	Plant and Machinery Rs.'000s	Tools Furniture and office Equipment Rs.'000s	Motor Vehicles Rs.'000s	Information System Equipment Rs.'000s	Total Rs.'000s
Cost								
Balance as at 1 January 2017	17,925	126,003	2,100,105	6,234,753	1,633,306	187,017	281,877	10,580,986
Additions During the Year	-	1,079	63,625	19,561	83,280	8,741	85,860	262,146
Transferred from Capital Work-in-Progress	-	2,654	15,708	102,287	44,470	6,654	2,583	174,356
Disposals During the Year	-	-	(295)	(93,956)	(57,814)	(15,011)	(11,282)	(178,358)
Balance as at 31 December 2017	17,925	129,736	2,179,143	6,262,645	1,703,242	187,401	359,038	10,839,130
Depreciation								
Balance as at 1 January 2017	-	35,316	398,485	3,073,223	1,174,817	161,581	212,912	5,056,334
Charge For the Year	-	3,416	63,552	375,932	149,408	8,630	38,179	639,117
On Disposals	-	-	(190)	(81,889)	(57,133)	(15,011)	(11,280)	(165,503)
Balance as at 31 December 2017	-	38,732	461,847	3,367,266	1,267,092	155,200	239,811	5,529,948
* Written Down Value as at 31 December 2016*	17,925	90,687	1,701,620	3,161,530	458,489	25,436	68,965	5,524,652
Written Down Value as at 31 December 2017	17,925	91,004	1,717,296	2,895,379	436,150	32,201	119,227	5,309,182

Property, Plant and Equipment includes fully depreciated assets which are in use, the cost of which as at the reporting date amounted to Rs. 2,371 million (2016 - Rs. 2,159 million)

The Property situated at No.440, T.B. Jayah Mawatha, Colombo 10 (Area- 47,260 sq. ft.) was valued on 22 July 2016 by an Independent Chartered Valuer. The valuation method adopted was the Market Comparable Method.

The carrying amounts of Freehold Land and Buildings (three buildings), had it been revalued, amounted to:

Freehold Land	Rs. 1,912 million
Freehold Buildings	Rs. 159 million

However, the effect on revaluation has not been considered in the financial statements; the said properties are stated at cost.

13. Capital Work-In-Progress

	2017 Rs. '000s	2016 Rs. '000s
Balance as at 1 January	455,619	143,597
Capitalised During the Year	(174,356)	(143,597)
Additions During the Year	2,204,240	455,619
Balance as at 31 December	2,485,503	455,619

Borrowing cost capitalised by the Company on qualified assets during the financial year amounted to Rs. 52 million (2016 - Nil). The average rate of borrowing cost eligible for capitalisation is 9.38% (2016 - Nil).

14. Inventories

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Raw Materials	786,449	1,252,420
Packing Materials	211,406	248,745
Finished Goods	1,196,445	1,563,483
Energy, Technical Materials	221,277	213,708
Work-In-Progress	92,876	119,631
	2,508,453	3,397,987
Goods-In-Transit	396,830	579,163
	2,905,283	3,977,150
Less : Provision for Obsolete Inventories (Note 14.1)	(35,669)	(41,653)
	2,869,614	3,935,497

14.1 Provision for Obsolete Inventories

	2017 Rs. '000s	2016 Rs. '000s
Balance as at 1 January	41,653	33,613
Charge / (Reverse) During the Year	(5,984)	8,040
Balance as at 31 December	35,669	41,653

Notes to the Financial Statements

15. Trade and Other Receivables

As at 31 December	2017 Rs.'000s	2016 Rs.'000s
Trade Receivables (Note 15.1)	3,149,859	1,999,032
Other Receivables (Note 15.2)	815,930	730,553
	3,965,789	2,729,585

15.1 Trade Receivables

As at 31 December	2017 Rs.'000s	2016 Rs.'000s
Trade Receivables	3,267,413	2,103,982
Less: Provision for Impairment Loss (Note 15.1.1)	(117,554)	(104,950)
	3,149,859	1,999,032

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15.1.1 Provision for Impairment Loss

	2017 Rs.'000s	2016 Rs.'000s
Balance as at 1 January	104,950	93,041
Provision made During the Year, Net of Write-Offs	12,604	11,909
Balance as at 31 December	117,554	104,950

15.2 Other Receivables

As at 31 December	2017 Rs.'000s	2016 Rs.'000s
Prepayments	396,239	276,229
Derivative Asset - Forward Exchange Contract	779	205
Refundable Deposits and Non-Trade Receivables	54,153	87,763
Loans to Employees (Note 15.2.1)	364,759	366,356
	815,930	730,553

15.2.1 Loans to Employees

	2017 Rs. '000s	2016 Rs. '000s
Balance as at 1 January	366,356	318,650
Granted During the Year	118,258	173,602
Repaid During the Year	(119,855)	(125,896)
Balance as at 31 December	364,759	366,356

Loans to employees are disbursed to employees of the Company excluding Directors. The quantum of each loan in excess of Rs. 30,000 has been granted to 418 employees (2016 - 410 employees).

16. Amounts Due from Related Parties

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Nestlé UK Ltd	42,173	9,641
Nestlé Taiwan Ltd	-	11,384
Nestlé Australia Ltd	14,609	17,161
Nestlé S.A	8,468	46,651
Nestlé (PNG) Ltd	7,330	5,456
Nestlé Middle East FZE	219,583	60,671
Nestlé India Ltd	236,874	15,311
Nestlé Jamaica Ltd	77,045	30,790
Nestlé Trinidad and Tobago Ltd	90,160	39,425
Nestlé Panamá, S.A.	5,604	2,846
Nestlé Caribbean, Inc.	13,035	5,381
Nestlé USA, Inc.	-	21
Nestlé R&D Center (Pte) Ltd	-	1,035

Notes to the Financial Statements

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Nestlé Singapore (Pte) Ltd	4,354	2,114
Nestlé Business Services AOA, Inc.	296	70
Nestlé Japan Ltd	12,789	-
Nestlé Suisse S.A.	4,607	-
Nestlé Nigeria Plc	3,763	-
Nestlé Pakistan Ltd	1,257	-
Nestlé (Thai) Ltd	16,236	-
Marcas Nestlé S.A. de C.V	382	-
Nestlé Waters Marketing & Distribution	2,879	-
	761,444	247,957

17. Cash and Cash Equivalents

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As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Favourable Balances		
Balances with Banks	109,439	393,245
Money Market Placements	19,182	-
Cash in Hand	57	83
Cash and Cash Equivalents	128,678	393,328
Unfavourable Balances		
Distributor Finance with Recourse to Nestlé Lanka PLC	(164,038)	(92,813)
Bank Overdrafts	(522,249)	(219,954)
Short Term Finance	(1,850,000)	-
Bank Overdrafts and Other Short Term Finance	(2,536,287)	(312,767)
Cash and Cash Equivalents at the End of the Year	(2,407,609)	80,561

18. Stated Capital

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
53,725,463 Ordinary Shares	<u>537,255</u>	<u>537,255</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

19. Retirement Benefit Obligations

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Pension Scheme		
Present Value of Defined Benefit Obligations	613,670	589,930
Fair Value of Plan Assets	(197,160)	(141,220)
Present Value of Obligations	416,510	448,710
Gratuity Plan		
Present Value of Defined Benefit Obligations	551,770	508,480
Fair Value of Plan Assets	(514,090)	(492,440)
Present Value of Obligations	37,680	16,040
Total Present Value of the Defined Benefit Obligations (Note 19.1)	1,165,440	1,098,410
Fair Value of Plan assets (Note 19.2)	(711,250)	(633,660)
Total Retirement Benefit Obligations	<u>454,190</u>	<u>464,750</u>

Employees who joined prior to 2006 and who hold a minimum 10 years of service, are entitled to pension upon retirement at the age of 55 years. Currently, 26 employees who retired are drawing a monthly pension.

The liability to Retirement Benefit Obligation under the Payment of Gratuity Act No. 12 of 1983, is a defined benefit plan covering 845 employees of the Company. The pre-1996 liability is unfunded and provided for by way of an accounting provision in the financial statements of the Company in accordance with the Sri Lanka Accounting Standard No.19 -

Employee Benefits (LKAS 19). The liability subsequent to this date is funded by way of an insurance policy.

The plan is partially funded by a policy obtained from AIA Insurance Lanka PLC (formally known as AVIVA NDB Insurance PLC) on 31 December 1996. The policy covered only the gratuity liability prior to June 2014, but was extended to cover the pension liability as well from July 2014. AIA Insurance Lanka PLC has confirmed that the features of the policy satisfy the definition of a "qualifying insurance policy". The contributions to the fund by the

Notes to the Financial Statements

Company are based on actuarial valuations carried out by AIA Insurance Lanka PLC. Using the "Projected Unit Credit Method" the Company expects to pay Rs. 103.80 million as contributions to its gratuity plan for the period ended 31 December 2018. Employees are not required to contribute to this fund.

Employees under the Pension Scheme were provided an option to join a new Retirement Benefit Scheme at the end of June 2014. From the 330 eligible employees, 205 accepted the new scheme offered (remaining 31 December 2017 - 192), while 25 employees opted

to remain under the old scheme (remaining 31 December 2017 - 22). 100 employees with less than five years to retirement were offered the higher of the new scheme benefit and the pension under the old scheme (remaining 31 December 2017 - 28).

The Calculation is performed annually by a qualified actuary, M/s Towers Watson India (Pvt) Ltd., using the "Projected Unit Credit Method"

19.1 Movement in the Present Value of the Defined Benefit Obligations:

	2017 Rs.'000s	2016 Rs.'000s
Balance as at 1 January	1,098,410	1,118,180
Current Service Cost	60,210	62,560
Interest Cost	104,980	97,520
Remeasurements		
Experience Loss	2,210	8,800
Actuarial Loss / (Gain) from Changes in Financial Assumptions	17,490	(45,260)
Benefits Paid	(117,860)	(143,390)
Balance as at 31 December	1,165,440	1,098,410

The weighted average duration of the defined benefit obligation at the end of the reporting period is as follows:

Pension Plan - 7 years
Gratuity Plan - 7 years

19.2 Movement in the Fair Value of Plan Assets:

	2017 Rs.'000s	2016 Rs.'000s
Balance as at 1 January	633,660	595,940
Contributions Paid into the Plan	102,030	92,730
Benefits Paid by the Plan	(98,400)	(111,390)
Interest Income on Plan Assets	62,530	54,690
Return of Plan Assets Greater than Discount Rate	11,430	1,690
Balance as at 31 December	711,250	633,660

19.3 The Expense Recognised in Profit and Loss

For the year ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Current Service Cost	60,210	62,560
Net Interest on Net Defined Benefit Liability	42,450	42,830
	102,660	105,390

19.3.1 The expense is recognised in the following line items in Profit and Loss

For the Year Ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Cost of Sales	41,145	44,848
Marketing, Selling and Distribution Expenses	3,186	4,007
Administrative Expenses	58,329	56,535
	102,660	105,390

19.4 Expected Benefit Payments

The Expected Benefit Payment for the Year Ending	Pension Rs. '000s	Gratuity Rs. '000s	Total Rs. '000s
31 December 2018	50,020	38,470	88,490
31 December 2019	103,580	84,600	188,180
31 December 2020	133,190	111,650	244,840
31 December 2021	74,560	62,270	136,830
31 December 2022	58,480	41,760	100,240
31 December 2023 to 2027	454,410	457,850	912,260

19.5 The Income / (Expense) is Recognised in Other Comprehensive Income:

For the Year Ended 31 December	2017 Rs. '000s	2016 Rs. '000s
Actuarial Gain / (Loss)	(19,700)	36,460
Surplus in Actual Return on Plan Assets	11,430	1,690
Actuarial Gain / (Loss) for the Year	(8,270)	38,150
Deferred Tax Impact on Actuarial Gain / (Loss)	2,316	(10,682)
Actuarial Gain / (Loss) for the Year - Net of Tax	(5,954)	27,468

Notes to the Financial Statements

19.6 Actuarial Assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2017	2016
(1) Rate of Discount	10.0%	10.0%
(2) Future Salary Increase	9.7%	9.7%
(3) Future Pension Increase	6.0%	6.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The retirement age is assumed as 55 years.

The assumption made for the expected rate of return on assets have been derived by considering the best estimate for the expected long-term real rates of return and return from the main asset classes.

19.6.1 Sensitivity Analysis

134 The calculation of the defined benefit obligation is sensitive to the assumptions set out above.

The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by 0.5%, holding other assumptions constant.

	Defined Benefit Obligation	
	+0.5% Rs. '000s	-0.5% Rs. '000s
Rate of Discount	(30,420)	32,090
Future Salary Increase	31,910	(30,610)
Future Pension Increase	4,250	(4,020)

If the mortality rates are scaled up / down by one year, the impact on the Defined Benefit Obligation of the Pension Scheme will be (Rs. 4,270) and Rs. 4,780 in '000s respectively while there is no material impact on the Gratuity Liability.

19.7 The composition of Insurance Plan Asset is as follows:

	2017	2016
Reporting Entity's Own Financial Instruments	Nil	Nil
Property Occupied by, or Other Assets Used by, the Reporting Entity	Nil	Nil

The Investment Portfolio of AIA Insurance Lanka PLC as at 31 December	2017	2016
Government Securities	42.46%	45.00%
Reverse Repurchase Agreements	5.14%	0.00%
Corporate Debt	28.44%	34.00%
Fixed Deposits	15.66%	17.00%
Equity	6.29%	4.00%
Policy Holder Loans	2.01%	0.00%
	100.00%	100.00%

An interim return on Plan Assets of 8.44% was declared by AIA Insurance Lanka PLC for the year 2017. (2016 - 8.44%)

20. Deferred Tax Liabilities

	2017 Rs. '000s	2016 Rs. '000s
Balance as at 1 January	802,306	699,452
Charge for the Year (Note 20.1)	37,098	102,854
Balance as at 31 December (Note 20.2)	839,404	802,306

20.1 Deferred Tax Liability Provision/(Reversal) for the Year

	2017 Rs. '000s	2016 Rs. '000s
Profit for the Year	39,414	92,172
Other Comprehensive Income	(2,316)	10,682
	37,098	102,854

20.2 Movement in Temporary Differences During the Year

	2017 Rs. '000s		2016 Rs. '000s	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Property, Plant and Equipment	3,866,790	1,082,701	3,729,683	1,044,311
Retirement Benefit Obligations	(454,190)	(127,173)	(464,750)	(130,130)
Other Provisions	(414,729)	(116,124)	(399,555)	(111,875)
Net Deferred Tax Liabilities	2,997,871	839,404	2,865,378	802,306

Notes to the Financial Statements

21. Trade and Other Payables

As at 31 December	2017 Rs.'000s	2016 Rs.'000s
Trade Payables	2,620,909	2,762,550
Derivatives - Forward Exchange Contract	733	440
Supplier Payables Relating to Capital Expenditure	863,247	429,120
Other Payables	1,285,322	1,176,104
	4,770,211	4,368,214

22. Amounts Due to Related Parties

As at 31 December	2017 Rs.'000s	2016 Rs.'000s
Nestlé Deutschland AG	1,625	511
Nestlé France S.A.S.	1,509	4,194
Nestlé Waters Marketing & Distribution S.A.S.	30,663	4,044
Nestlé Waters Management & Technology	380	-
Nestlé Nederland B.V.	6,109	4,758
Nestrade S.A.	1,119	11,416
Nestec S.A.	23,123	769
Servcom S.A.	2,281	3,622
Société des Produits Nestlé S.A.	125,844	108,653
Nestlé Suisse S.A.	7,525	15,960
Nestlé Operational Services Worldwide S.A.	5,979	30,163
Nestlé Cameroun S.A.	30,068	6,556
Nestlé Dubai Manufacturing LLC	5,350	2,126
Nestlé Dongguan Ltd	-	59
LOTTE - Nestlé (Korea) Co., Ltd	12,429	2,611

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Nestlé India Ltd	42,043	23,952
Nestlé R&D Centre India Private Ltd	-	620
P.T. Nestlé Indonesia	4,326	3,096
Nestlé Japan Ltd	-	750
Nestlé Products Sdn. Bhd.	30,985	5,863
Nestlé Asean (Malaysia) Sdn. Bhd.	6,652	3,771
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	303,502	189,724
Nestlé Bangladesh Ltd	-	11,019
Nestlé Pakistan Ltd	148	145
Nestlé Philippines, Inc.	227,999	141,362
CPW Philippines, Inc.	2,257	18,700
San Pellegrino S.P.A.	71	-
Nestlé Singapore (Pte) Ltd	195,284	264,380
Nestlé R&D Centre (Pte) Ltd	3,723	-
Nestlé ROH (Thailand) Ltd	-	67
Nestlé (Thai) Ltd.	8,419	9,958
Nestlé Australia Ltd.	125,606	27,519
CP Turkey	1,744	-
Nestlé Brasil Ltda	4,021	2,717
Nestlé Middle East FZE	115	-
Nestlé Vietnam Ltd.	8,065	-
Nestlé USA Inc.	1,081	-
	1,220,045	899,085

Notes to the Financial Statements

23. Related Party Disclosure

23.1 Transactions With Related Companies

23.1.1 Recurrent Related Party Transactions

Name of the Company	Relationship	Transactions	2017 Rs.'000s	2016 Rs.'000s
CPW Philippines, Inc.	Affiliate	Imports / Re-Export	-	(39,333)
Cereal Partners Gida Ticaret	Affiliate	Imports / Re-Export	(1,744)	-
LOTTE - Nestlé Korea Co Ltd	Affiliate	Imports	(22,041)	(16,083)
Nestec S.A	Affiliate	Service Charges	(22,487)	-
		Reimbursement	(11,322)	(2,653)
Nestlé (PNG) Limited	Affiliate	Exports	30,750	25,754
		Exports	33,762	-
Nestlé (Thai) Limited	Affiliate	Reimbursement	(590)	-
		Imports / Re-Export	(24,587)	(27,965)
Nestlé Asean (Malaysia) Sdn Bhd	Affiliate	Re-Export	(12,027)	(13,568)
		Exports	72,017	59,709
Nestlé Australia Limited	Affiliate	Imports / Re-Export	(151,989)	(110,673)
		Recoveries / Reimbursement	2,055	(185)
		IT Service Charges	(316,488)	(253,705)
		Exports	-	13,711
Nestlé Bangladesh Limited	Affiliate	Imports	-	(16,076)
		Reimbursement	-	(95)
Nestlé Brasil Ltda	Affiliate	Imports	(543)	(342)
Nestlé Business Service AOA Inc	Affiliate	Service Charges	(1,231)	(2,840)
Nestlé Cameroun	Affiliate	Imports / Re-Export	(22,229)	(6,581)
Nestlé Caribbean	Affiliate	Exports	23,040	14,859
Nestlé Deutschland AG	Affiliate	Technical	(6,395)	(2,203)
Nestlé Dubai Manufacturing LLC	Affiliate	Imports	(7,557)	(10,633)
Nestlé Dongguan Ltd.	Affiliate	Reimbursement	-	(59)
Nestlé France	Affiliate	Technical	(11,202)	(10,163)

Name of the Company	Relationship	Transactions	2017 Rs. '000s	2016 Rs. '000s
Nestlé Ghana Limited	Affiliate	Reimbursement	(119)	-
		Exports	734,972	404,662
Nestlé India Limited	Affiliate	Reimbursement / Recoveries	(467)	25,215
		Imports	(46,485)	(25,098)
		Technical / Service Charges	(109,350)	(108,751)
Nestlé Jamaica Limited	Affiliate	Exports	179,760	150,885
		Exports	64,519	35,860
Nestlé Japan Limited	Affiliate	Recoveries	-	550
		Imports	(1,935)	(2,477)
		Recoveries / Reimbursement	1,252	(74)
Nestlé Manufacturing (Malaysia) Sdn Bhd	Affiliate	Import / Re-Export	(754,588)	(671,174)
		Technical	(3,676)	(2,331)
Nestlé Mexico S.A. de C.V.	Affiliate	Exports	383	-
		Technical	188	(283)
Nestlé Middle East FZE	Affiliate	Import	(114)	-
		Exports	1,003,109	797,003
Nestlé Nederlands B.V.	Affiliate	Import	(13,854)	(13,223)
		Reimbursement	-	(95)
Nestlé Operational Services Worldwide S.A.	Affiliate	Service Charges	(8,584)	(38,673)
Nestlé Qingdao Limited	Affiliate	Recoveries	628	-
Nestlé Nigeria Plc	Affiliate	Reimbursement / Recoveries	3,773	(179)
Nestlé Panama S.A.	Affiliate	Exports	5,591	2,817
Nestlé Pakistan	Affiliate	Recoveries	1,247	-
		Imports / Re-Export	(1,038,608)	(1,085,452)
Nestlé Phillipines Inc	Affiliate	Recoveries / Reimbursement	485	-
		Imports / Re-Export	(61,287)	(63,557)
Nestlé Products Sdn Bhd	Affiliate	Recoveries / Reimbursement	(4,314)	1,537

Notes to the Financial Statements

Name of the Company	Relationship	Transactions	2017 Rs. '000s	2016 Rs. '000s
		Exports	-	751
Nestlé R & D Centre (Pte) Limited	Affiliate	Technical	(25,201)	(15,905)
		Reimbursement	(738)	(1,218)
Nestlé R&D Centre India Private Limited	Affiliate	Reimbursement	(83)	(610)
Nestlé ROH (Thailand) Limited	Affiliate	Reimbursement	(458)	(96)
Nestlé Rossiya LLC	Affiliate	Imports / Re-Export	(6,923)	-
Nestlé S.A.	Parent	Dividend Payment / PSUP*	(3,926,199)	(3,174,696)
		Exports	6,824	3,835
Nestlé Singapore (Pte) Limited	Affiliate	Recoveries	1,659	5,033
		Imports	(1,321,133)	(1,530,535)
		Exports	18,136	8,987
Nestlé Suisse S.A.	Affiliate	Imports	(12,919)	(35,653)
		Reimbursement	(893)	-
Nestlé Servicios Corporativos	Affiliate	Exports	27,455	37,771
Nestlé Taiwan Limited	Affiliate	Exports	181,187	123,761
Nestlé Trinidad and Tobago Limited	Affiliate	Exports	132,305	105,840
Nestlé UK Limited	Affiliate	Technical	(8,153)	(2,653)
Nestlé USA Inc.	Affiliate	Reimbursement	(1,259)	-
Nestlé R&D Center, Inc. USA	Affiliate	Import / Re-Export	(13,682)	-
		Recoveries / Reimbursement	133	(193)
		Imports / Re-Export	(30,689)	(14,213)
Nestlé Vietnam Ltd.	Affiliate	Recoveries	2,870	-
		Technical	(377)	(763)
		Recoveries	45,742	39,171
Nestlé Waters Marketing	Affiliate	Exports	180,774	162,344
		Service charges	(9,481)	(8,692)
		Imports	(1,145)	(5,538)
Nestlé S.A.	Affiliate			

Name of the Company	Relationship	Transactions	2017 Rs. '000s	2016 Rs. '000s
P.T. Nestlé Indonesia	Affiliate	Imports	(11,658)	(9,029)
		Recoveries/Reimbursement	1,477	(835)
San Pellegrino S P A	Affiliate	Technical	(70)	(274)
Servcom S.A.	Affiliate	Service Charges	(4,418)	(5,638)
Société des Produits Nestlé S.A.	Affiliate	Technical Assistance Fee	(1,762,361)	(1,661,372)

* Exempted related party transactions as per section 9.5 (b) and (c) of Listing Rules.

Aggregated value of the Recurrent Related Party Transactions as a percentage of Gross Revenue is 21.79% (2016 - 20.54%), excluding Exempted Related Party Transactions.

23.1.2 Non-Recurrent Related Party Transactions

Name of the Company	Relationship	Transaction	2017 Rs. '000s	2016 Rs. '000s
Nestrad S.A.	Affiliate	Capital Expenditure	-	(25,952)

Transactions with Related Parties are carried out in the ordinary course of the business and were made on terms equivalent to those that prevail in arm's length transactions.

23.2 Transactions with Key Management Personnel

Key management personnel include all the members of the Board of Directors of the Company having authority and responsibility for planning, directing and controlling the activities of the Company.

	2017 Rs. '000s	2016 Rs. '000s
Short Term Employee Benefits	54,467	50,921
Directors' Fees	1,700	1,200
Non-Cash Benefits	29,988	19,473
Share Based Payments	18,070	17,765
	104,225	89,359

Loans to Directors

No loans were given to the Directors during the year.

Notes to the Financial Statements

23.3 Share-Based Payments

The Company participates in the Nestlé Performance Stock Unit (PSU) plan of Nestlé S.A. whereby selected employees are granted non-tradable Performance Stock Units with the right to obtain Nestlé S.A. shares or cash equivalents. Performance Stock Units are granted to employees vest, subject to certain conditions, after completion of three years. Upon vesting, Nestlé S.A. determines whether shares, free of charge or cash equivalent to the

value of shares, is to be transferred to the employee. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee. Provisions are made based on estimates, including the Nestlé S.A. share price, over the vesting period of three years.

	2017 Rs. '000s	2016 Rs. '000s
Number of Shares Granted During the Year	2,968	2,478
Weighted Average Fair Value of PSU as at Period End	25,730	24,235
Total Expense Recognised in Profit & Loss	37,994	(7,362)
Carrying Amount as at the Reporting Date	63,698	48,403

There are no related party transactions other than those disclosed in Notes 16, 22, and 23

142 24. Commitments

(a) Capital Commitments

The capital commitment for the year 2017, which has been approved and contracted for, is Rs. 1,972 million (2016 - Rs. 884 million).

(b) Lease Commitment

The land in which the Nestlé Lanka's factory building is constructed was leased out from the Sri Lankan Government. As per the lease agreement, the land in Mahayaya Estate was leased for 50 years from 25 March 1981.

The annual amount payable under the lease agreement is Rs. 809,310 from the year 2017 (2016 - Rs. 809,310), and the Government has the option to increase the lease payments every five years subject to a maximum of 50% of the previous lease rental.

Non-Cancellable Operating Lease Commitments are as follows:

	2017 Rs. '000s	2016 Rs. '000s
Not Later Than One Year	809	809
Later Than One Year and Not Later Than Five Years	4,047	3,642
Later Than Five Years	12,747	13,961
	17,603	18,412

25. Contingent Liabilities

An Income Tax assessment for Rs. 204 million was issued to the Company for the years of assessment 2013/14 and 2014/15. A formal appeal to the Commissioner General of Inland Revenue has already been lodged, setting out our submissions and requesting for

withdrawal of the assessment. The Company's view is that provision is not required as at reporting date since the Company believes it has a strong case.

There are no other material contingent liabilities other than those disclosed above.

26. Events Occurring After the Reporting Date

There were no material events occurring after the reporting date that require adjustment or disclosure in the financial statements, other than the following;

- An interim dividend of Rs. 25.00 per share amounting to Rs. 1,343,136,575 was approved on 22 February 2018 by the Board of Directors and will be paid on 15 March 2018.

- The Board of Directors has recommended a final dividend of Rs. 25.00 per share amounting to Rs. 1,343,136,575 for the year ended 31 December 2017. This is to be approved at the Annual General Meeting to be held on 7 May 2018.

27. Comparative Information

Comparative information has been reclassified where necessary to conform to the current year's presentation.

28. Financial Risk Management

In the course of its business, the Company is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk) and price risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management procedures are established to identify and analyse the risks faced by the Company, set appropriate risk limits, and to control and monitor risks to ensure adherence.

(a) Credit Risk

Credit risk arises when the counterparty may fail to perform its obligation. The major risk in this regard arises from trade receivables, which are subject to credit limits and control

and approval procedures to minimise the extent of the Company's financial exposure. Bank guarantees are also obtained to minimise the risk further.

The Company limits its exposure to credit risk by investing only in short term liquid assets, and only with counter parties that have an existing business relationship at a global level with Nestlé S.A. or locally with entities classified by Investment Grade.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

Notes to the Financial Statements

As at 31 December	2017 Rs. '000s	2016 Rs. '000s
Trade Receivables	3,149,859	1,999,032
Loans to Employees	364,759	366,356
Amount Due from Related Parties	761,444	247,957
Refundable Deposits and Non-Trade Receivables	54,153	87,763
	4,330,215	2,701,108
Trade Receivables		
Trade Receivables	3,267,413	2,103,982
Provision for Impairment Loss	(117,554)	(104,950)
	3,149,859	1,999,032
The Ageing of Trade Receivables as at the reporting date were as:		
Not Past Due	2,903,040	1,843,708
Past Due 1-30 Days	220,534	139,111
Past Due 31-60 Days	107,353	66,626
Past Due 61-90 Days	5,008	8,592
Past Due 91-120 Days	-	1
Past Due More Than 120 Days	31,478	45,944
Provision for Impairment Loss	(117,554)	(104,950)
	3,149,859	1,999,032

(b) Liquidity Risk

Liquidity risk arises when a Company encounters difficulties to meet commitments associated with liabilities and other payment obligations. The Company's objective is to

manage this risk by limiting exposures in the instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities.

The Contractual Maturities of Financial Liabilities are as Follows:

As at 31 December	2017 Rs.'000s		2016 Rs.'000s	
	Less than 6 Months	6 - 12 Months	Less than 6 Months	6 - 12 Months
Trade Payables	2,620,909	-	2,762,550	-
Derivatives - Forward Exchange Contract	733	-	440	-
Supplier Payable Relating to Capital Expenditure	863,247	-	429,120	-
Other Payables	1,218,770	66,552	1,113,207	62,897
Bank Overdrafts and Distributor Finance Scheme	2,536,287	-	312,767	-
	7,239,946	66,552	4,618,084	62,897

c) Market Risk

The Company is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

The Company's objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return and / or cost.

(d) Currency Risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in foreign currencies, primarily the US Dollar (USD), Singapore Dollar (SGD), Australian Dollar (AUD) and Euro (EUR).

The exposures are managed within a prudent and systematic hedging policy in accordance with the Company's specific needs. The Company manages its foreign currency exposure through use of currency forwards when suitable.

Exposure to Currency Risk

The Company's exposure to currency risk as at the reporting date can be summarised as follows:

As at 31 December	2017 Rs.'000s				2016 Rs.'000s			
	EUR	USD	SGD	AUD	EUR	USD	SGD	AUD
Receivables	2,879	1,305,013	-	-	13,620	497,669	-	-
Payables	(53,389)	(696,450)	(42,232)	(71,125)	(40,242)	(1,100,531)	(111,535)	(7,641)
Net Financial Position	(50,510)	608,563	(42,232)	(71,125)	(26,622)	(602,862)	(111,535)	(7,641)

Notes to the Financial Statements

The following significant exchange rates are applied:

As at 31 December	2017	2016
USD	153.40	149.70
EUR	183.37	157.38
SGD	114.75	103.46
AUD	119.55	108.10

Sensitivity Analysis

Strengthening / weakening of the EUR/ USD/ SGD/ AUD against the LKR (Lankan Rupee) as at 31 December 2017 would have affected the measurement of the financial instruments denominated in foreign currencies, and the increase / decrease of profit or loss by the amount shown below.

	Strengthening Profit or Loss Rs. '000s	Weakening Profit or Loss Rs. '000s
As at 31 December 2017		
USD (1% movement)	6,086	(6,086)
EUR (1% movement)	(505)	505
SGD (1% movement)	(422)	422
AUD (1% movement)	(711)	711
As at 31 December 2016		
USD (1% movement)	(6,029)	6,029
EUR (1% movement)	(266)	266
SGD (1% movement)	(1,115)	1,115
AUD (1% movement)	76	(76)

(e) Interest Rate Risk

The Company's objective is to maintain an efficient operational interest cost structure to minimise the adverse effects of fluctuating interest rates.

(f) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Notes to the Financial Statements

Level 1 : Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 : Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Inputs are inputs that are not based on observable market data (unobservable inputs).

Accounting Classifications and Fair Values

The following table shows the carrying amount and the fair value of financial assets and liabilities, including their values in the fair value hierarchy. It does not include the fair value

information for financial assets and liabilities not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

	Held for Trading Rs.'000s	Loans and Receivables Rs.'000s	Other Financial Liabilities Rs.'000s	Total Rs.'000s
As at 31 December 2017				
Financial Assets				
Trade and Other Receivables	779	3,965,010	-	3,965,789
Cash and Cash Equivalents	-	128,678	-	128,678
	779	4,093,688	-	4,094,467
Financial Liabilities				
Trade and Other Payables	733	-	4,769,478	4,770,211
Bank Overdrafts and Other Short Term Finance	-	-	2,536,287	2,536,287
	733	-	7,305,765	7,306,498
As at 31 December 2016				
Financial Assets				
Trade and Other Receivables	205	2,729,380	-	2,729,585
Cash and Cash Equivalents	-	393,328	-	393,328
	205	3,122,708	-	3,122,913
Financial Liabilities				
Trade and Other Payables	440	-	4,367,774	4,368,214
Bank Overdrafts and Other Short Term Finance	-	-	312,767	312,767
	440	-	4,680,541	4,680,981

Notes to the Financial Statements

	Rs. '000s			Total
	Level 1	Level 2	Level 3	
As at 31 December 2017				
Financial Assets Measured at Fair Value				
Forward Exchange Contracts	-	779	-	779
	-	779	-	779
Financial Liabilities Measured at Fair Value				
Forward Exchange Contracts	-	733	-	733
	-	733	-	733
As at 31 December 2016				
Financial Assets Measured at Fair Value				
Forward Exchange Contracts	-	205	-	205
	-	205	-	205
Financial Liabilities Measured at Fair Value				
Forward Exchange Contracts	-	440	-	440
	-	440	-	440

Cash and Cash Equivalents

The carrying amount of the cash and cash equivalents and balances with banks approximate the fair value, as these are short term in nature.

Trade and Other Receivables

Trade and other receivables are expected to be settled within one year of the reporting date, hence the discounting impact would be immaterial. Therefore the carrying amount approximates the fair value as at the reporting date.

Trade and Other Payables

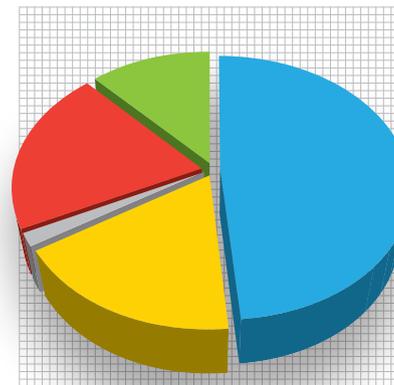
Trade and other payables are expected to be settled within one year of the reporting date, hence the discounting impact would be immaterial. Therefore the carrying amount approximates the fair value as at the reporting date.

Value Added Statement

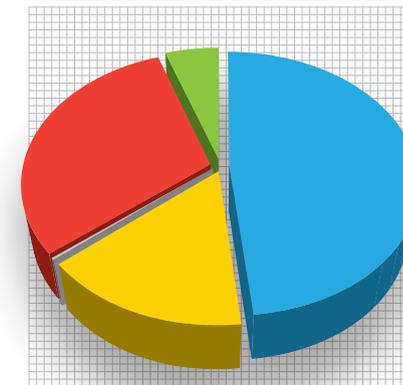
For the Year Ended 31 December

	2017 Rs. '000s		2016 Rs. '000s	
Revenue	37,601,472		36,461,695	
Bought Out Goods and Services	(24,292,124)		(22,362,679)	
Value Added	13,309,348		14,099,016	
	Rs. '000s	%	Rs. '000s	%
To Government as Taxes / Duties	6,492,007	48.8	6,841,153	48.5
To Employees as Remuneration and Other Benefits	2,318,696	17.4	2,190,313	15.5
To Lenders as Interest	225,311	1.7	43,732	0.3
To Shareholders as Dividends	2,686,273	20.2	4,298,037	30.5
Retained with Business (Including Depreciation)	1,587,061	11.9	725,781	5.2
	13,309,348	100.0	14,099,016	100.0

Analysis of Value Addition 2017



Analysis of Value Addition 2016



- To Government as Taxes / Duties
- To Employees as Remuneration
- To Lenders as Interest
- To Shareholders as Dividends
- Retained with Business (Including Depreciation)

Ten Year Summary

	2008 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2012 Rs. '000s	2013 Rs. '000s	2014 Rs. '000s	2015 Rs. '000s	2016 Rs. '000s	2017 Rs. '000s
Statement of Comprehensive Income										
Revenue	19,111,985	19,427,135	21,422,984	25,575,780	28,571,488	30,913,413	32,902,885	34,702,511	36,461,695	37,601,472
Profit Before Tax	2,483,987	2,427,850	2,846,771	3,444,267	3,467,713	4,083,211	4,765,797	5,425,507	5,712,078	4,733,048
Taxation	(820,894)	(847,535)	(932,052)	(814,497)	(529,146)	(766,466)	(978,904)	(1,301,183)	(1,313,316)	(1,098,831)
Profit After Tax	1,663,093	1,580,315	1,914,719	2,629,770	2,938,567	3,316,745	3,786,893	4,124,324	4,398,762	3,634,217
Other Comprehensive Income / (Expense)	-	-	-	-	39,101	30,859	(46,390)	(16,762)	27,468	(5,954)
Retained profits Brought Forward	95,213	146,541	115,091	176,284	254,100	330,799	454,875	515,184	519,089	647,281
Super Gain Tax	-	-	-	-	-	-	-	(638,365)	-	-
Profit available for Distribution	1,758,306	1,726,856	2,029,811	2,806,054	3,231,768	3,678,403	4,195,378	3,984,381	4,945,319	4,275,544
Interim Dividend	(537,255)	(483,529)	(644,704)	-	(1,611,765)	(1,719,215)	(2,175,881)	(1,853,528)	(2,149,019)	-
Final Dividend	(1,074,510)	(1,128,236)	(1,208,823)	(2,551,953)	(1,289,204)	(1,504,313)	(1,504,313)	(1,611,764)	(2,149,019)	-
Retained Profits Carried Forward	146,541	115,091	176,284	254,100	330,799	454,875	515,184	519,089	647,281	4,275,544
Statement of Financial Position										
Stated Capital	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255
Reserves	1,221,051	1,243,327	2,029,811	2,806,054	3,231,768	3,678,403	3,550,673	3,984,381	4,945,319	4,275,544
Non-Current Liabilities	371,650	430,965	522,736	594,713	794,419	929,020	1,155,712	1,221,692	1,267,056	1,293,594
	2,129,956	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640	5,743,328	6,749,630	6,106,393

	2008 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2012 Rs. '000s	2013 Rs. '000s	2014 Rs. '000s	2015 Rs. '000s	2016 Rs. '000s	2017 Rs. '000s
Represented by:										
Tangible Fixed Assets	1,780,501	2,057,526	2,796,792	4,591,419	4,892,994	4,810,141	5,414,937	5,621,039	5,980,271	7,794,685
Intangible Assets	145,072	111,594	78,116	44,637	11,159	-	-	-	-	-
Net Current Assets:										
Current Assets	3,157,602	3,238,362	3,673,888	4,290,657	3,739,135	5,719,972	5,394,992	6,501,008	7,306,367	7,725,525
Less: Current Liabilities	(2,953,219)	(3,195,935)	(3,458,994)	(4,988,691)	(4,079,847)	(5,385,435)	(5,566,289)	(6,378,719)	(6,537,008)	(9,413,817)
	204,383	42,427	214,894	(698,034)	(340,712)	334,537	(171,297)	122,289	769,359	(1,688,292)
	2,129,956	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640	5,743,328	6,749,630	6,106,393
Average Market Price per Share (Rs)	278.75	345.64	611.42	764.38	1,154.07	1,978.75	2,105.00	2,049.50	2,144.11	1,913.32
Earnings per Share (Rs)	30.96	29.41	35.64	48.95	54.70	61.74	70.49	76.77	81.87	67.64
Dividend Paid / Proposed (Rs. 000s)	1,611,764	1,611,764	1,853,528	2,551,959	2,901,175	3,223,528	3,680,194	3,465,292	4,298,037	2,686,273
Dividend per Share (Rs.)	30.00	30.00	34.50	47.50	54.00	60.00	68.50	64.50	80.00	50.00

Share Information

Analysis of Shareholders According to the Number of Shares Held as at 31 December 2017

	Resident			Non-Resident			Total			
	Number of Shares Held	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
1 to 1,000	1,000 Shares	4,892	672,471	1.25	59	15,083	0.03	4951	687,554	1.28
1,001 to 10,000	10,000 Shares	365	947,023	1.76	25	119,128	0.22	390	1,066,151	1.98
10,001 to 100,000	100,000 Shares	35	892,745	1.66	12	450,151	0.84	47	1,342,896	2.50
100,001 to 1,000,000	1,000,000 Shares	1	180,466	0.34	7	1,654,650	3.08	8	1,835,116	3.42
Over 1,000,000	1,000,000 Shares	0	0	0.00	1	48,793,746	90.82	1	48,793,746	90.82
		5,293	2,692,705	5.01	104	51,032,758	94.99	5,397	53,725,463	100.00

Categories of Shareholders	Number of Shareholders	Number of Shares
Individual	5,238	2,313,660
Institutional	159	51,411,803
	5,397	53,725,463

High / Low Market Prices Per Share

Highest Market Value	Rs. 2,310.00
Lowest Market Value	Rs. 1,600.00
Market Value as at 31 December 2017	Rs. 1,626.00

Public Holding as at 31 December 2017	9.18%
Number of Shareholders Represented by the Public Holding	5,395

Float Adjusted Market Capitalisation as at 31 December 2017 : Rs. 8,019,427 (Rs'000)

List of 20 Major Shareholders Based on the Number of Shares Held as at 31 December

No.	Names	%	2017	2016
1	Nestlé S.A.	90.82	48,793,746	48,793,746
2	Citibank New York S/A Norges Bank A/C 2	0.82	438,655	-
3	RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund	0.54	288,500	238,500
4	HSBC Int'l Nom Ltd - BBH - Fidelity Funds	0.44	237,282	214,302
5	SEB AB - Tundra Frontier Opportunities Fund	0.38	206,537	-
6	Harnam Neesha Jasbinderjit Kaur Piara Singh	0.37	200,000	200,000
7	Sri Lanka Insurance Corporation Ltd - Life Fund	0.34	180,466	-
8	HSBC Int'l Nom Ltd - SSBT - Deutsche Bank AG Singapore A/C 1	0.29	155,600	155,600
9	HSBC Int'l Nom Ltd - SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3	0.24	128,076	128,076
10	Employees Provident Fund	0.19	100,000	100,000
11	HSBC Int'l Nom Ltd - JPMCB Na-Fidelity Asian Values PLC	0.18	98,730	142,193
12	HSBC Intl Nom Ltd - UBS AG Singapore Branch (Ex SBC)	0.16	84,304	85,000
13	HSBC Int'l Nom Ltd - SSBT Russell Investments Institutional Funds PLC	0.13	69,151	-
14	Jasbinderjit Kaur Piara Singh	0.12	64,300	40,100
15	Seylan Bank PLC / W. D. N. H. Perera	0.11	60,000	-
16	Colombo Investment Trust PLC	0.09	50,904	50,904
17	Jayampathi Divale Bandaranayake	0.08	44,100	44,100
18	Asha Ajay Merchant	0.08	43,000	42,000
19	Anil Kumar Lalchand Hirdaramani	0.08	42,500	42,500
20	Radhakrishnan Maheswaran	0.07	36,671	36,671

Notice of Meeting

Notice is hereby given that the Thirty Seventh Annual General Meeting of Nestlé Lanka PLC will be held at Committee Room B (Lotus), of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on Monday, 7 May 2018, at 10.00 am for the following purposes:

Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, Independent Auditors' Report and the financial statements for the year ended 31 December 2017.
2. To approve a Final Dividend for the year ended 31 December 2017 as recommended by the Directors.
3. To re-elect as Director, Mr. Shobinder Duggal, who retires by rotation in terms of Article 56, 57 and 58 of the Articles of Association.
4. To re-elect as Director, Mr. Gurcharan Grover, in terms of Article 64 of the Articles of Association.
5. To re-elect as Director Mr. Ranjan Seevaratnam, who is over the age of 70 years and retires at the forthcoming Annual General Meeting, in terms of Section 210 of the Companies Act No. 07 of 2007 by passing the following ordinary resolution, in terms of Section 211 of the Companies Act No. 07 of 2007.
6. To re-elect as a Director Mr. Mahen Dayananda, who is over the age of 70 years and retires at the forthcoming Annual General Meeting, in terms of Section 210 of the Companies Act No. 07 of 2007 by passing the following ordinary resolution, in terms of Section 211 of the Companies Act No. 07 of 2007.
7. To reappoint the Auditors M/s. KPMG and to authorise the Directors to determine their remuneration.

"Resolved that Mr. Mahen Dayananda, who is 71 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"

By Order of the Board.
NESTLÉ LANKA PLC.



Keerthi Pathiraja
Company Secretary

22 February 2018

"Resolved that Mr. Ranjan Seevaratnam, who is 74 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
2. A proxy need not be a member of the Company.
3. A form of proxy accompanies this notice.
4. Shareholders attending the meeting are requested to complete the Attendance Form as instructed, and handover the same at the entrance to the meeting hall for registration.
5. Shareholders / proxy holders are requested to bring their National Identity Cards for the purpose of identification.
6. No parcels and other belongings will be allowed inside the meeting hall.
7. Only the Shareholder / proxy holder will be permitted to enter the meeting hall. Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.
8. Kindly note that no complimentary gift parcels will be issued at the AGM.

Nestlé Lanka PLC

I / We.....of
.....being a member / members of the above named Company hereby appoint
.....of
.....or failing
.....of
.....or failing

as my / our proxy to represent me/us and vote for me/us on my/our behalf at the Thirty Seventh (37th) Annual General Meeting of Nestlé Lanka PLC to be held on Monday, 7 May 2018, at 10.00 a.m. at Committee Room B (Lotus), of the Bandaranaike Memorial International Conference Hall , Baudhaloka Mawatha, Colombo 07 and at any adjournment thereof.

Signed on this: day of 2018

.....
Signature

Instructions as to the completion

1. Kindly perfect the form of proxy legibly by filling in your full name and address, in the spaces provided along with the date and your signature.
2. If the proxy form is signed by an Attorney, the related Power of Attorney should also accompany the completed form of proxy for registration, if it has not been already registered with the Company.
3. If the Shareholder is a Company or Corporate Body, the proxy form should be executed under its common seal in accordance with its Articles of Association or Constitution.
4. The completed form of proxy should be deposited at the Office of the Registrars of the Company, M/s. SSP Corporate Services (Pvt) Ltd., at No: 101, Inner Flower Road, Colombo 03, not less than 48 hours before the time appointed for holding of the Annual General Meeting.

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 අප වෙනුවෙන් 2018 මැයි 7 සඳුදා දින, කොළඹ 07, බෞද්ධාලෝක මාවතේ පිහිටි බණ්ඩාරනායක අනුස්මරණ ජාත්‍යන්තර සම්මන්ත්‍රණ ශාලා පරිශ්‍රයේ 'B' (ලෝටස්) කමිටු ශාලා පරිශ්‍රයේ පැවැත්වෙන තිස් හත් (37)
 වැනි වාර්ෂික මහා සමුළුවට සහභාගී වී ඡන්දය ප්‍රකාශ කිරීමට සහ ඉදිරියේදී ඕනෑම අවස්ථාවක මා / අප නියෝජනය කරමින් ඡන්දය ප්‍රකාශ කිරීමට බලය පවරමි.

2018මස වැනි දින අත්සන් තබන ලදී

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සම්පූර්ණ කිරීම සඳහා උපදෙස්

1. කරුණාකර පැහැදිලි අකුරින් නියමිත පරිදි හිස්තැන්වල ඔබගේ සම්පූර්ණ නම, ලිපිනය සමඟ දිනය සහ ඔබගේ අත්සන ද යොදා මෙම පෙරකලාසි පෝරමය සම්පූර්ණ කර වුවන්හ.
2. පෙරකලාසි පෝරමය ඇටෝරිනි බලකරුවෙකු විසින් අත්සන් කරන විටකදී අදාළ ඇටෝරිනි බලපත්‍රය සමාගම සමඟ දැනටමත් ලියාපදිංචි කර නොමැති නම් සම්පූර්ණ කළ පෙරකලාසි පෝරමය සමඟ එම බලපත්‍රය සමාගමේ ලියාපදිංචිය සඳහා යොමු කළ යුතුය.
3. කොටස් හිමියා සමාගමක් හෝ ආයතනික ව්‍යුහයක් නම් පෙරකලාසි පත්‍රය එම සමාගමේ ව්‍යවස්ථාවට අනුකූලව එහි පොදු මුද්‍රාව යටතේ අත්සන් තැබිය යුතුය.
4. පෙරකලාසිහිමියෙකු පත්කිරීම සඳහා සම්පූර්ණ කරන ලද පෙරකලාසි පෝරමය අවම වශයෙන් මහා සහ රැස්වීම පැවැත්වීමට පැය 48කට පෙර, එස්. එස්. පී. කෝපරේට් සර්විසස් (පුද්.) සමාගමල අංක: 101, ඇතුලත මල් පාර, කොළඹ 03 යන ලිපිනයෙහි පිහිටා ඇති සමාගමේ රෙජිස්ටාර්වරුන්ගේ කාර්යාලයට භාර දෙන්න.

நெஸ்லே லங்கா பீஎல்சி

நான் / நாம்.....
 முகவரி.....
 மேற்குறிப்பிட்ட நிறுவனத்தின் உறுப்பினர் / உறுப்பினர்கள் என்ற வகையில் இத்தால் நியமிக்க விரும்புவது.....
 என்ற முகவரியைச் சேர்ந்த.....
 அல்லது தவறும் பட்சத்தில்.....
 என்ற முகவரியைச் சேர்ந்த.....
2018 மே 7 ஆம் திகதி, திங்கட்கிழமையன்று மு.ப 10.00 மணிக்கு கொழும்பு 07, பண்டாரநாயக்க ரூபகார்த்த சர்வதேச மாநாட்டு மண்டபத்தின் Committee Room B (Lotus) இல் இடம்பெறவுள்ள முப்பத்தி ஏழாவது வருடாந்த பொதுக் கூட்டத்திலும் (37 ஆவது) அல்லது அது ஒத்திவைக்கப்படும் பட்சத்தில் மீள நடாத்தப்படும் கூட்டத்திலும் எனது / எமது சார்பில் வாக்களிப்பதற்கு எனது / எமது அதிகாரமுள்ள பிரதிநிதியாக சமூகமளிப்பார் என்பதை அறியத்தருகின்றேன் / ரோம்.

இதனைப் பூர்த்தி செய்வதற்கான அறிவுறுத்தல்கள்

1. பதிலாளர் படிவத்தை முழுமையாக பூர்த்தி செய்து, தரப்பட்டுள்ள இடைவெளிகளில் உங்களது முழுப் பெயர் மற்றும் முகவரியைக் குறிப்பிட்டு, திகதியுடன் உங்களது கையொப்பத்தை இடவும்.
2. பிரதிநிதியை நியமிக்கும் படிவம் நிறுவனத்தில் ஏற்கனவே பதிவு செய்யப் பெற்றிராவிட்டால், சட்டபூர்வ பிரதிநிதியினால் கைச்சாத்திடப்பட்டு, சம்பந்தப்பட்ட சட்டபூர்வப் பிரதிநிதி அதிகாரப் பத்திரமும், பிரதிநிதிக்கான படிவப் பதிவுக்கென சமர்ப்பிக்கப்படும் ஆவணங்களுடன் இணைக்கப்படல் வேண்டும்.
3. பங்குதாரர் ஒரு நிறுவனமாகவோ அல்லது வர்த்தக கூட்டு அமைப்பாகவோ இருக்கும் பட்சத்தில், உரிய அமைப்பு விதிகள் அல்லது யாப்பு விதிகளுக்கு அமைவாக அதன் உத்தியோகபூர்வ நிறுவன முத்திரையின் கீழ் அதிகாரமுள்ள பதிலாளர் படிவத்தை பூர்த்தி செய்யும் நடைமுறை நிறைவேற்றப்படுதல் வேண்டும்.
4. பதிலாளை நியமிப்பதற்கான பூரணப்படுத்தப்பட்ட படிவம் நிறுவனத்தின் பதிவாளர்கள் அலுவலகமான எஸ்எஸ்பி கோர்ப்பரேட் சேர்விசஸ் (பிரைவேட்) லிமிட்டெட், 101, இன்னர் பிளவர் வீதி, கொழும்பு 03 என்ற முகவரியில், வருடாந்த பொதுக் கூட்டம் இடம்பெறும் என நியமிக்கப்பட்ட திகதியில் இருந்து அதற்கு 48 மணித்தியாலங்களுக்கு முன்பதாக வைப்புச் செய்யப்படுதல் வேண்டும்.

Attendance Form / පැමිණීමේ සටහන් පත්‍රය / சமூகமளிப்புப் படிவம்

Full name of Shareholder / කොටස් හිමිකරුගේ සම්පූර්ණ නම / பங்குதாரரின் முழுப் பெயர்:

.....

Folio no. / පත්‍රේ අංකය / கோவை இல:

.....

NIC no. / ජාතික හැඳුනුම්පත් අංකය / தேஅஅ இல:

.....

No. of shares held / හිමිකාරීත්වය දරණ කොටස් ප්‍රමාණය / வைத்திருக்கும் பங்குகளின் எண்ணிக்கை:

.....

Signature / අත්සන / கையொப்பம்:

.....

Notes:

- Shareholders are requested to bring this attendance form to the Thirty Seventh (37th) Annual General Meeting of Nestlé Lanka PLC. The meeting will be held at Committee Room B, of the Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07, on Monday, 7 May 2018 at 10.00 a.m
- Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.

සටහන්:

- නෙස්ලේ ලංකා පීඑල්සී සමාගමේ තිස්හත් (37) වැනි වාර්ෂික මහා සමුළුවට සහභාගි වන්නට පැමිණීමේදී, මෙම පැමිණීමේ ලේඛනය රැගෙන එන මෙන් කොටස් හිමියන්ගෙන් ඉල්ලා සිටිමු. 2018 මැයි 7 වැනි සඳුදා දින පෙරවරු 10.00ට කොළඹ 07, බෞද්ධාලෝක මාවතේ, පිහිටි බණ්ඩාරනායක අනුස්මරණ ජාත්‍යන්තර සම්මන්ත්‍රණ ශාලා පරිශ්‍රයේ 'B' කමිටු ශාලාවේදී මෙම වාර්ෂික මහා සමුළුව පැවැත්වේ.
- කුඩා දරුවන් රැගෙන ඒමෙන් වළකින මෙන් කොටස් හිමිකරුවන්ගෙන් කාරුණිකව ඉල්ලා සිටිමු.

குறிப்புக்கள்:

- எதிர்வரும் 2018 மே 7, திங்கட்கிழமை, மு.ப. 10.00 மணிக்கு கொழும்பு 07 பௌத்தாலோக மாவத்தையில் அமைந்துள்ள பண்டாரநாயக்க ஞாபகார்த்த சர்வதேச மாநாட்டு மண்டபத்தின் (BMICH) "Committee Room B" மண்டபத்தில் இடம்பெறவுள்ள நெஸ்ட்லே லங்கா பீஎல்சி நிறுவனத்தின் முப்பத்தி ஏழாவது (37 ஆவது) வருடாந்த பொதுக் கூட்டத்தில் கலந்துகொள்ளும் போது இந்த சமூகமளிக்கும் படிவத்தை தம்முடன் எடுத்துவருமாறு பங்குதாரர்கள் கேட்டுக்கொள்ளப்படுகின்றனர்.
- எவ்விதமான அசௌகரியங்களையும் தவிர்க்கும் முகமாக பிள்ளைகளை தங்களுடன் அழைத்து வருவதைத் தவிர்த்துக்கொள்ளுமாறு பங்குதாரர்கள் அன்புடன் கேட்டுக்கொள்ளப்படுகின்றனர்.

Name of Company :	Nestlé Lanka PLC
Registered Office and Head Office :	440, T. B. Jayah Mawatha, Colombo 10, Sri Lanka Tel: (+94 11) 2696304, 2697821, 2699991 Fax: (+94 11) 2699437 E-mail: info.srilanka@lk.nestle.com Website: www.nestle.lk
Legal Form :	A public quoted Company with limited liability, incorporated in Sri Lanka on 29 January 1981 and listed on the Main Board of the Colombo Stock Exchange.
Company Registration Number :	PQ20
Company Secretary :	Keerthi Pathiraja
Nestlé Lanka PLC Certifications :	FSSC 22000: 2010 (Food Safety System Certification) ISO 14001: 2007 (Environmental Management Systems) OHSAS 18001: 2007 (Occupational Health and Safety Management Systems) NQMS (Nestlé Quality Management Systems certified by SGS) SLS Certification for <i>Cerelac</i> , <i>Milkmaid</i> , <i>Maggi</i> Coconut Milk Powder, <i>Nespray</i> Nutri-Up RTD, <i>Nescafé</i> Ice Coffee RTD and our entire <i>Maggi</i> noodle range SLS Certification for Good Manufacturing Practices (GMP) for Nestlé Lanka Sampling Operations Environmental Protection Licence No: 345/2013 R11
Registrars :	M/s. SSP Corporate Services (Pvt) Ltd. 101, Inner Flower Road, Colombo 3, Sri Lanka Tel: 011 2573894, 2576871
Legal Advisors :	D. L. & F. De Saram (Attorneys-at-Law) Julius & Creasy (Attorneys-at-Law)
Auditors :	KPMG (Chartered Accountants)
Bankers :	Citibank, N.A. Commercial Bank Hatton National Bank HSBC Standard Chartered Bank
Financial Year :	1 January to 31 December



Good Food, Good Life

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