



Nestlé

Good Food, Good Life

ANNUAL REPORT 2013

NESTLÉ LANKA PLC

THE LEADING NUTRITION, HEALTH AND WELLNESS COMPANY



Good Food, Good Life

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Nestlé's corporate ambition is to be the recognised leader in Nutrition, Health and Wellness, trusted by all stakeholders.

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Born from a cutting edge nutritional innovation, which Henri Nestlé, our founder, developed to save the life of a neighbour's child, the Company's vision reflects our strong legacy of almost 150 years of nutritional expertise and enhancing lives.

Nestlé believes that when it comes to good food, nutrition and great taste go hand in hand. Through our extensive R&D network, we are not only innovating new products to deliver 'tasty nutrition' but also constantly renovating our existing products to improve their nutritional value whilst ensuring that they continue to taste good too.

2013 Highlights

29% of Sri Lankan children between the ages of one and five years are deficient in vitamin A.

Medical Research Institute 2006 survey published in January 2010

Nespray Everyday is fortified with vitamin A, catering to local nutritional needs at an affordable price.

4.8 billion
contributed to the rural economy by way of raw material procurement

7,500+
children reached by the Nestlé Healthy Kids Programme

62 million
kilograms of milk procured from 18,000 farmers, signifying a 14.8% growth

Revenue
Rs. 30.9 billion
+8.2%

18,500+
children benefit from clean drinking water fountains

56 million
coconuts procured from 5,000 farming families

Contribution to Exchequer
Rs. 4.9 billion

180 million
servings of micronutrient fortified products

23,000
farming families working with Nestlé

Earnings Per Share
Rs. 61.51
+12.4%

12,000+
consumers counselled on good nutrition and a healthy lifestyle via Nestlé Nutri-Corner health checks

Saving energy by
29%
(2008 - 2013 per tonne of production)

4,850
children educated on water conservation

Saving water by
38%
(2008 - 2013 per tonne of production)

Decreasing greenhouse gas emissions by
22%
(2008 - 2013 per tonne of production)

-  RURAL DEVELOPMENT
-  NUTRITION
-  WATER
-  ENVIRONMENTAL SUSTAINABILITY

Chairman's Message



This performance reflects a focus both on our shorter-term performance – seeking to grow faster than the market – and on the longer-term – making the right decisions to ensure sustainable profitable growth in the future.

Dear Shareholders,

The results in 2013 showed our determination to grow your company profitably and sustainably, allowing us to deliver an organic growth of 8.2% together with improvements in our net profit and earnings per share.

This performance reflects a focus both on our shorter-term performance – seeking to grow faster than the market – and on the longer-term – making the right decisions to ensure sustainable profitable growth in the future.

Many challenges have contributed to a general slowdown in the F&B industry's growth in 2013. The results that we have achieved in this environment therefore are a tribute to our employees, who showed unwavering commitment in delivering good results for your company. We believe that our people are the oxygen of our organisation. Providing the

creativity, dynamism and drive, our ability to win in difficult environments is due to our people, who are aligned behind a set of firm priorities which help us deliver our promise to be the leader in nutrition, health and wellness.

Nestlé is all about quality of life and nutrition – that is what we live for as a company. But the relevance of that is the value that it creates: for consumers, for society and for our business – driving competitive advantage and R&D, being ahead of the curve, and building our brand value. 2013 was all about investing in these areas and setting the stage for a productive 2014.

Our long-term strategic direction is to be the leader in nutrition, health and wellness. We are continually exploring ways in which we can expand the boundaries of nutrition



Nestlé Lanka's state-of-the-art manufacturing facility in Kurunegala

and wellness and will continue to play an active role in helping to address the double burden of malnutrition; that is, under and over nutrition - micronutrient deficiencies and non-communicable diseases. We are committed to help build a healthier generation with good food and beverages.

Every year has brought its own set of challenges and we don't expect 2014 to be any different. We will concentrate on executing simple, focused, consistent, efficient and aligned strategy in 2014 to deliver on both short term and long term goals once again.

We see great value in Sri Lanka and will continue to invest in its growth, our people and operations and deliver upon our promise of creating value at every juncture. Indeed it is fundamental that a company such as Nestlé plays a positive

role in society. In line with our commitment to Creating Shared Value, we will ensure that our activities, investments and know-how benefits all our stakeholders and the local community.

Etienne Benet
Chairman
NESTLÉ LANKA PLC

25 February 2014

Managing Director's Review



Operating in a difficult environment required us to work smarter to maintain our edge in the market and deliver greater value for consumers and for you, our shareholders.

Our response to every challenge was to increase brand support, accelerate innovation, invest in our people, continue responsible business operations and provide consumers with nutritionally superior food and beverages of the highest safety and quality.

Dear Shareholders,

The year in review was one of soft growth; fraught with lowered consumer confidence, industry issues and economic ambiguity. It is with no small amount of pleasure therefore that I note that your company was able to persevere in a challenging environment and deliver a respectable growth of 8.2% and a revenue of Rs. 30.9 billion. Together with efficiencies and structural cost savings, your company achieved a profit of Rs. 3.3 billion and sustained a strong cash flow.

Operating in a difficult environment required us to work smarter to maintain our edge in the market and deliver greater value for consumers and for you, our shareholders.

Our response to every challenge was to increase brand support, accelerate innovation, invest in our people, continue responsible business operations and provide consumers with nutritionally superior food and beverages of the highest safety and quality.

Our investments in 2013 – investments in capabilities and our brands – now provide the opportunity for us to exploit that investment: to do more with what we have by further leveraging our assets, our scale and our capabilities and work smarter.

We aim to continue investing in our brands in 2014; establishing the building blocks of our growth in the future. We will move faster, be more agile and responsive, and be sufficiently present in our consumers' lives to be able to make a difference; all of which are critical to winning in today's more complex, more competitive world.

Every consumer across the world knows that the Nestlé name on a product represents a promise of the highest quality. "Choose quality, choose Nestlé" is a promise we intend to keep. Our investments in 2014 therefore will also extend to our state-of-the-art manufacturing facility in Kurunegala to build capacity and to continue upgrading with

the latest technology; meeting the needs of today's and tomorrow's consumer with nutritious, delicious products of the highest quality.

As a leading nutrition, health and wellness company, enhancing lives with our food and beverages continues to shape everything we do. We continue to progress in ensuring that the Nestlé name on a product is a promise of 'Good Food, Good Life' to our consumers, with ongoing efforts to optimise the nutritional portfolio of our products;

- Micronutrient fortification – iron and vitamin A are micronutrient deficiencies in Sri Lanka. We have fortified *Nespray* Everyday with vitamin A and *Maggi* Rasa Musu, a seasoning that can be used across a wide variety of Sri Lankan meals, with iron.
- 60/40+ – our mission is to provide consumers with 'tasty nutrition'. Our 60/40+ programme requires at least 60% of a consumer sample to prefer a Nestlé product in a blind taste test against main competitors. Secondly, where relevant, it requires the product to offer an additional nutritional advantage. This helps the Company deliver on both taste and nutrition and also enables it to shape its products to suit the local palette. As a result, a number of our products are fortified with vegetables, calcium and other vitamins and minerals.

We also conducted a milestone proprietary nutrition landscape study in 2013 to better understand local dietary intake, lifestyle patterns and relevant nutritional gaps amongst children. Learnings and insight will be used to not only innovate and renovate our product portfolio but to also shape our communication in order to enhance public awareness and understanding on nutrition; all with the objective of helping to foster a healthier generation.

Our work in nutrition doesn't stop with our products but extends to creating public awareness about the importance of good nutrition and an active lifestyle. A key initiative is the Nestlé Healthy Kids Programme which promotes nutrition and a healthy lifestyle amongst school age children. Developed in 2010 together with the Ministry of Education Services and University of Peradeniya, the programme has been rolled out to over 7,500 children so far. In 2013, the programme was recognised for its positive contribution and officially incorporated into the Government's island wide "Poshanayai Suwadiyayi" (Nutrition for a Healthy Life) nutrition awareness campaign, extending the programme's reach to over 7,500 secondary, public schools across the country.

We believe that in order to prosper we need the communities we serve in to prosper as well; and that over the long term, healthy populations, healthy economies and healthy business performance are mutually reinforcing.

I am proud to note that 2013 saw your company contribute almost Rs. 5 billion to the rural economy via procurement of fresh milk and coconut. We procured 62 million kilograms of local fresh milk from 18,000 Sri Lankan farmers for our dairy based products, marking our highest ever milk collection in Sri Lanka. We also procured 56 million coconuts for our Maggi Coconut Milk Powder.

Our rural development efforts in Sri Lanka was recognised by a UNGC (United Nations Global Compact) publication on "Responsible Business Advancing Peace", which featured a case study on Nestlé Lanka's work in developing the dairy industry in the North and East regions as a best practice.

Last year was challenging and 2014 will likely be the same. We will continue to be disciplined in driving our performance in line with the Nestlé Model of profitable growth and resource efficiency.

Our people are our strength and competitive advantage, and I would like to thank everyone for their great efforts in contributing to another year of progress. Their commitment has been unwavering.

On behalf of our Board of Directors we would finally like to thank our shareholders for their loyalty to our Company.

We hope to count on your continued support.

I would like to end by noting that we recognise that our position in society brings both opportunities and responsibilities: to do business in compliance with national laws, international standards and our own values and principles. For a company like ours to prosper, we must take a long-term view, framed in a robust set of principles and values which have been developed over nearly 150 years. They are based on respect: respect for people, respect for cultures, respect for the environment and respect for the future of the world we live in. We will continue to uphold our commitments to go beyond simple compliance; Creating Shared Value for all our stakeholders in all that we do.

Ganesan Ampalavanar
Managing Director
NESTLÉ LANKA PLC

25 February 2014

කළමනාකාර අධ්‍යක්ෂකතුමන්ගේ පණිවිඩය

හිතවත් කොටස් හිමිකරුවනි,

විමර්ශනය කරන ලද වසර සුළු වර්ධනයකින් යුත් පාරිභෝගික විශ්වාසය පහළ හෙලූ ගැටළු සහ ආර්ථික ව්‍යාකූලතාවයන්ගෙන් යුත් වසරකි. මෙම අභියෝගාත්මක පරිසරයට නොපසුබට විර්ගයෙන් යුතුව මුහුණ දෙමින් ඔබගේ සමාගම 8.2% ක සැලකිය යුතු වර්ධනයක් සහ රුපියල් බිලියන 30.9 ක ආදායමක් වාර්තා කිරීමට සමත් වූ බව මම ඉතාමත් සතුටින් පවසන්නෙමි. කාර්යක්ෂමතාවය සහ ව්‍යුහාත්මක පිරිවැය අවම කිරීම් හරහා ඔබගේ සමාගම රුපියල් බිලියන 3.3 ක ලාභයක් අත් කර ගත් අතර තිරසාර ශක්තිමත් මුදල් ප්‍රවාහයක් ගොඩ නඟන ලදී.

දුෂ්කර පරිසරයක් තුළ ක්‍රියා කරමින් වෙළෙඳපොළ තුළ හොඳ තරඟකාරීත්වයක් පවත්වාගෙන යන අතරතුර අපගේ පාරිභෝගිකයන්ට සහ අපගේ කොටස්හිමියන්ට හොඳ වටිනාකමක් පිරිනැමීම සඳහා අපි බුද්ධිමත්ව ක්‍රියා කළ යුතු ය.

සෑම අභියෝගයකටම අපගේ ප්‍රතිචාරය වනුයේ සන්නිෂ්ඨතාවය වර්ධනය කිරීමට සහය වීම, නව්‍යතා වැඩි වැඩියෙන් හඳුන්වාදීම, අපගේ සේවකයින් සඳහා ආයෝජනය කිරීම, වගකීමෙන් යුතුව ව්‍යාපාර මෙහෙයුම් කටයුතු අඛණ්ඩව පවත්වාගෙන යාම සහ පෝෂණයෙන් උසස් ඉහළ ගුණත්වයකින් සහ සුරක්ෂිතතාවයකින් යුත් ආහාර සහ බීමවර්ග පාරිභෝගිකයන්ට පිරිනැමීම ය.

2013 වසරේ අපගේ ආයෝජනයන් - හැකියාවන් සහ අපගේ සන්නිෂ්ඨතා සඳහා ආයෝජනය - අපි සතු දෙයින් වැඩි යමක් කිරීමට, අපගේ වත්කම්වල උපයෝජනය වැඩි කිරීම, දක්ෂව ක්‍රියා කරමින් අපගේ හැකියාවන් සහ පරිමාණයන් වර්ධනය කිරීම යනාදිය හරහා එම ආයෝජනයේ හිසිඵල හෙලා ගැනීමේ අවස්ථාව දැන් අපිට ඵලදායී ඇත.

අනාගත වර්ධනය සඳහා පසුබිම සකස් කරමින් 2014 වසරේදීත් අඛණ්ඩව අපගේ සන්නිෂ්ඨතා සහ අනාගත ආයෝජනය කිරීමට අපි බලාපොරොත්තු වන්නෙමු. අපි චේතයෙන් ඉදිරියට යන අතර නම්‍යශීලීව සහ අනුකූලව මෙන්ම අපගේ පාරිභෝගිකයන්ගේ ජීවිතයට ප්‍රමාණවත් පරිදි සහාය වෙමින් වෙනසක් ඇති කළ යුතුය. මෙය අද පවතින සංකීර්ණ දැඩි තරඟකාරී ලොව දිනීමට ඇති එකම මඟ යි.

හිමිකරුවන්ගේ මත සඳහන් වන හෙයින් නාමය උසස් ගුණත්වය පිළිබඳ සහතිකයක් බව ලොව වටා වෙසෙන සියළුම පාරිභෝගිකයන් දන්නා කරුණකි. "තත්වයෙන් සහ ගුණත්වයෙන් උසස් හිමිකරුවන් සඳහා හෙයින් තෝරා ගන්න" යන්න අපි අඛණ්ඩව පවත්වාගෙන යාමට බලාපොරොත්තු

වන පොරොන්දුවයි. පෝෂණ මෙන්ම රසවත් ගුණත්වයෙන් ඉහළ හිමිකරුවන් සම්බන්ධයෙන් වූ පාරිභෝගික අවශ්‍යතාවයන් සපුරාලමින් නවතම තාක්ෂණය යොදා ගනිමින් ධාරිතාව වර්ධනය කිරීම සඳහා අපි කුරුණෑගල කර්මාන්ත ශාලාවේ සිදු කළ අපගේ නවතම හිමිකරුවන් පහසුකම් සඳහා තවදුරටත් ආයෝජනය කිරීමට අපි බලාපොරොත්තු වන්නෙමු.

පෝෂණය, සෞඛ්‍යය සහ යහපැවැත්ම ප්‍රවර්ධනය කරන ප්‍රධානතම සමාගමක් ලෙස අපගේ ආහාර සහ පාන වර්ග හරහා ජීවන මට්ටම උසස් කිරීම අපි කරන සෑම කාර්යයකම අරමුණ වේ. හිමිකරුවන්ගේ සඳහන් හෙයින් නාමය 'Good Food, Good Life' යන්න පිළිබඳව අපගේ පාරිභෝගිකයන්ට ලබා දෙන ප්‍රතිඥාවක් බව සහතික කිරීම සඳහා අපි අපගේ හිමිකරුවන් කළඹට පෝෂණයෙන් ඉහළ හිමිකරුවන් අඛණ්ඩව එක් කරන්නෙමු.

■ ක්‍ෂුද්‍ර පෝෂක අන්තර්ගත වීම - ශ්‍රී ලංකාව තුළ යකඩ සහ විටමින් A උණභාවය පවතී. හෙයින් ඒ වීර්ඩේ වලට අපි විටමින් A අඩංගු කළ අතර ශ්‍රී ලාංකීය ආහාර රස ගැන්වීම සඳහා බහුලව යොදා ගැනෙන මැහි රස මුසු යකඩවලින් පරිපූර්ණ ය.

■ 60/40+ - පාරිභෝගිකයන්ට පෝෂණයෙන් යුත් රසයක් පිරිනැමීම අපගේ බලාපොරොත්තුව වේ. අපගේ 60/40+ වැඩසටහනට අනුව පාරිභෝගික නියැදියෙන් අවම වශයෙන් 60% ක් පියවි නොවන නියැදි රස පරීක්ෂණයේ දී අපගේ ප්‍රධාන තරඟකරුවන්ට සාපේක්ෂව හෙයින් හිමිකරුවන්ට කැමැත්ත දැක්විය යුතු ය. දෙවෙනුව හැකි සෑම අවස්ථාවකදීම අපගේ හිමිකරුවන්ට පෝෂණ වාසියක් පිරිනැමෙමු. මෙය සමාගමට රසයෙන් මෙන්ම ගුණයෙන් පිරි මෙරට දේශීය රුචිකත්වයට ගැලපෙන හිමිකරුවන්ට සහාය දක්වයි. එහි ප්‍රතිඵලයක් ලෙස අපගේ හිමිකරුවන් රැසක ඵලදායී, කැල්සියම් සහ අනෙකුත් විටමින් සහ ඛනිජ ලවණ අඩංගු වේ.

මෙරට ළමුන්ගේ භෝජන ශෛලය, ජීවන රටා සහ අදාල පෝෂණ පරතර පිළිබඳ හොඳ අවබෝධයක් ලබා ගැනීම සඳහා අපි 2013 වසරේ දී milestone proprietary nutrition landscape අධ්‍යයනය සිදු කළෙමු. සෞඛ්‍යමත් පරම්පරාවක් බිහිකිරීමෙහිලා සහාය වෙමින් නව්‍ය හිමිකරුවන් හඳුන්වාදීමට පමණක් නොව පෝෂණය සම්බන්ධයෙන් මහජන අවබෝධය සහ දැනුම වර්ධනය කිරීමෙහිලා අපගේ සන්නිවේදනය මනාව හැසිරවීමට ද අපි අප ලබා ගන්නා දැනුම සහ අවබෝධය යොදා ගන්නෙමු.

පෝෂණය සම්බන්ධයෙන් අපි සිදු කරන කාර්යයන් අපගේ හිමිකරුවන්ට පමණක් සීමා නොවන අතර අපි හොඳ පෝෂණයක් සහ ක්‍රියාශීලී ජීවන රටාවක් පවත්වා ගැනීමේ වැදගත්කම පිළිබඳව ජනතාව දැනුවත් කිරීමටද උපකාරී වේ. පාසල් වයසේ ළමුන් අතර පෝෂණය සහ සෞඛ්‍යමත් ජීවන රටාවක් ප්‍රවර්ධනය කිරීම අරමුණු කර ගෙන මෙහෙයවන ලද Nestlé Healthy Kids වැඩසටහන, 2010 වසරේ දී අධ්‍යාපන සේවා අමාත්‍යාංශය සහ පේරාදෙණිය විශ්වවිද්‍යාලය සමග එක්ව සංවිධානය කරන ලදී. මෙම වැඩසටහන මගින් මේ දක්වා ළමුන් 7,500 ක් පමණ දැනුවත් කරන ලදී. මෙම වැඩසටහනේ ධනාත්මක දායකත්වය ඇඟයීමට ලක්කරමින් 2013 වසරේ දී මෙය රජයේ දීපව්‍යාප්ත "පෝෂණය, සුවදිවියයි" වැඩසටහනට හිලවශයෙන් එක් කරමින් දිවයින පුරා ද්විතීක පොදු පාසල්හි සිසුන් 7,500 කට අධික පිරිසක් පෝෂණය පිළිබඳව දැනුවත් කරන ලදී.

අපගේ වර්ධනය සඳහා අපි වෙසෙන සමාජය ද වර්ධනය විය යුතු ය යන්න මෙන්ම දිගුකාලීනව සෞඛ්‍යයමත් ජනතාව, ශක්තිමත් ආර්ථිකය සහ ශක්තිමත් ව්‍යාපාර ක්‍රියාකරුවන්ගේ යන්න අනෙක්තර බැලීමකින් යුතුය යන්න අපි තරයේ විශ්වාස කරන්නෙමු.

2013 වසරේ දී ඔබගේ සමාගම නැවුම් කිරි සහ පොල් මිලදී ගැනීම හරහා ග්‍රාමීය ආර්ථිකයට රුපියල් බිලියන 5කට ආසන්න මුදලකින් දායක වූ බව මම ආඩම්බරයෙන් යුතුව සඳහන් කරන්නෙමි. ශ්‍රී ලංකාව තුළ අපගේ වැඩිම නැවුම් කිරි එකතුව වාර්තා කරමින් අපි අපගේ කිරි හිමිකරුවන් සඳහා ශ්‍රී ලාංකික කිරි ගොවීන් 18,000 කින් පමණ කිරි ක්ලෝග්‍රෑම් මිලියන 62 ක් අපි මිලදී ගත්තෙමු. අපගේ පිරිකළ මැහි පොල් කිරි හිමිකරුවන් සඳහා අපි පොල් මිලියන 56 ක් මිලදී ගත්තෙමු.

ශ්‍රී ලංකාවේ ග්‍රාමීය සංවර්ධනයෙහිලා වූ අපගේ ව්‍යයම ඇඟයීමට ලක් කරමින්, "Responsible Business Advancing Peace", යන තේමාව යටතේ UNGC (United Nations Global Compact) ප්‍රකාශනයක උතුරු සහ නැගෙනහිර පලාත්හි කිරි කර්මාන්තය සංවර්ධනය කිරීමෙහිලා හෙයින් ලංකා සමාගමේ ක්‍රියාකාරකම් - හොඳ භාවිතයන් පිළිබඳ සිද්ධි අධ්‍යයනයක් පළ කරන ලදී.

පසුගිය වසර අභියෝගාත්මක වූ අතර 2014 ද වලෙසම අභියෝගයන්ගෙන් පිරි වසරක් වේ. ලාභදායී වර්ධනයක් සහ සම්පත් කාර්යක්ෂමතාවය යන හෙයින් ආදර්ශය මත අපි අඛණ්ඩව අපගේ ක්‍රියාකාරකම් මෙහෙයවමු.

අපගේ සේවකයින් අපගේ ශක්තිය සහ තරඟකාරීත්ව වාසිය වන අතර සාර්ථක තවත් වසරක් හිමි කිරීම සඳහා වෙනස වී දායක වූ සියළුදෙනාටම මම ස්තූතිවන්ත වන්නෙමු. ඔවුන්ගේ කැපවීම අඟය කළ යුතු ය.

අවසාන වශයෙන් අපගේ කොටස්හිමියන් අප සමාගම කෙරේ දැක් වූ පක්ෂපාතිත්වය වෙනුවෙන් අධ්‍යක්ෂක මණ්ඩලය වෙනුවෙන් අපි අපගේ ස්තූතිය පුද කරන්නෙමු.

ඉදිරි වසරේදීත් ඔබගේ සහයෝගය අපි අපේක්ෂා කරන්නෙමු.

මම මෙලෙස මගේ සමාලෝචනය අවසන් කිරීමට කැමැත්තෙමි. සමාජය තුළ අපි උසුලන තත්ත්වය අපිට අවස්ථාවන් මෙන්ම වගකීම් ද රැගෙන එන බව අපි හැදින්වෙන ඇත්තෙමු. එනම් දේශීය හිතියට, ජාත්‍යන්තර ප්‍රමිතීන්ට සහ අපගේ වටිනාකම්වලට සහ ප්‍රතිපත්තිවලට අනුකූලව ව්‍යාපාර මෙහෙයවීම ය. අපි වැඩි සමාගමක අභිවෘද්ධිය සඳහා ගෞරව කිරීම, ජනතාවට ගෞරව කිරීම, සංස්කෘතියට ගෞරව කිරීම, පරිසරයට ගෞරව කිරීම සහ අපි ජීවත්වන ලොවෙහි අනාගතයට ගෞරව කිරීම යනා දී වසර 150කට අධික කාලයක් පුරා සංවර්ධනය වූ ශක්තිමත් ප්‍රතිපත්ති සහ වටිනාකම් රැසක් මත සැකසුණු දිගුකාලීන දැක්මකින් යුතුව අපි ක්‍රියා කළ යුතු ය. අප සමාගමට ලැදී සියළුම පාර්ශවයන්ට වැඩි වටිනාකමක් පිරිනැමීමෙහිලා අඛණ්ඩව කටයුතු කිරීමට අපි සෑමවිටම ක්‍රියා කරන්නෙමු.



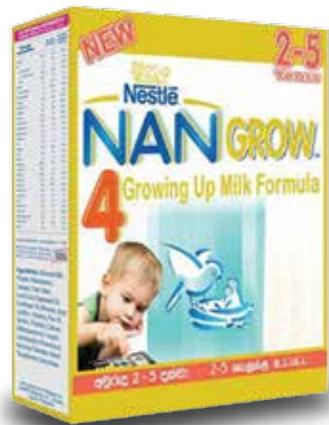
ගණේසන් අම්පලවාහර්
කළමනාකරණ අධ්‍යක්ෂක
හෙයින් ලංකා පීඑල්සී

2014 පෙබරවාරි 25 වෙනි දා

2013 Key Events

NEW PRODUCTS

Nangrow is specially formulated to strengthen toddlers' natural defence system and growth by promoting a friendly oral and gut flora.



Spicy Blast, from the *Maggi* Devilled Xtra range, is Sri Lanka's first ever triple tastemaker noodle which captures Sri Lanka's spicy cuisine experience and caters to modern youth.



STAKEHOLDER ENGAGEMENT

Maggi Devilled, *Milkmaid*, *Nestum* and *Nescafé* get on facebook. *Milkmaid* in particular enjoyed one of the highest consumer engagement rates amongst Sri Lankan brands on facebook.



Milkmaid goes 'Beyond the Label' (BTL). Consumers who purchase a can of *Milkmaid* will now be able to scan a Quick Response (QR) code printed on the packaging with a smartphone and be directed to a micro site that will provide them with more information than what would normally be available on a pack; such as the product's nutritional profile and environmental and social impacts.



Nutripro - 'Nutrition for Professionals'; a nutrition, health and awareness programme for chefs is launched to help them add nutritious-value to their meals.

nutripro

The 'Nestlé Marketplace', Sri Lanka's first retail lab, is opened to help Nestlé's retailers and distributors gain the expertise and skills they need to operate their businesses successfully.



A milestone proprietary nutrition landscape study was conducted to better understand local dietary intake, lifestyle patterns and relevant nutritional gaps. Learnings and insight will be used to help support a healthier generation of Sri Lankan children.



CREATING SHARED VALUE

The Nestlé Healthy Kids Programme is officially incorporated into the Government's island wide "Poshanayai Suwadiyayi" (Nutrition for a Healthy Life) nutrition awareness campaign and is now available at over 7,500 secondary, public schools across the country.



We procured 62 million kilograms of local fresh milk from 18,000 Sri Lankan farmers in 2013, marking our highest ever milk collection in Sri Lanka.



RECOGNITION

Only food company to be ranked within LMD's top 10 most valuable brands in 2013.



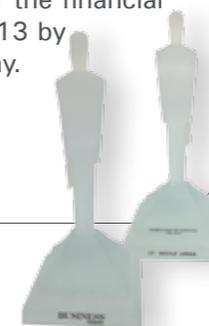
Maggi voted by consumers as 'Food Brand of the Year' and 'Youth Food Brand of the Year' at the SLIM-Nielsen People's Awards 2013.



Swarnadeepa Award for significant contribution to Sri Lanka's agricultural sector.



Recognised as one of Sri Lanka's top 25 corporate performers for the financial year 2012-2013 by Business Today.



Special award by the Republic of Maldives in recognition of contribution towards the development of sports in Maldives via *Milo* sponsorships.



UNGC (United Nations Global Compact) publication on "Responsible Business Advancing Peace" features a case study on our work in developing the dairy industry in the North and East regions as a best practice.



15% of Sri Lankan children under the age of five years are deficient in iron.

MRI (Medical Research Institute) 2012

Maggi Rasa Musu is an all-purpose seasoning which captures the taste of key ingredients like onion, garlic, cumin seeds, nutmeg, chilli etc.

Developed for use in a wide variety of traditional Sri Lankan dishes, this affordable seasoning product is fortified with iron, enabling both great taste and nutritional value in everyday cooking.



Board of Directors

**ETIENNE BENET**

Etienne Benet is the Chairman of Nestlé Lanka and Head of Nestlé in South Asia. He is also Chairman and Managing Director of Nestlé India Limited and Director of Nestlé Bangladesh Limited. He was appointed to the Nestlé Lanka board effective 1 January 2014.

Etienne Benet holds a Master's degree in Agronomy and Engineering and joined Nestlé France in 1989 as an Internal Auditor. He commenced his international career in 1991 in Egypt as Factory Controller, then as the Group Management Accountant followed by

an assignment in Sales and Marketing of the Chilled business. In 1997 he was appointed Country Manager for Gabon and in 1999, returned to Egypt as Country Business Manager for Nestlé Waters. In 2004, he was transferred to Indonesia as Country Manager for Nestlé Waters and in 2008, was appointed Head of Nestlé's operations in Central and West Africa (a cluster of 22 countries).

He holds his current position as Head of Nestlé South Asia since October 2013.

**GANESAN AMPALAVANAR**

Ganesan Ampalavanar is the Managing Director of Nestlé Lanka PLC.

Ganesan Ampalavanar started his career with Nestlé Malaysia in 1991 as a Management Trainee. His career at Nestlé spans over 20 years, where he has served various positions in Sales, Brand and Commercial Management.

He was appointed Sales Director for the Nestlé Malaysia and Singapore region in 2003 and became Head of Sales for

Nestlé's operations in South Asia in 2008; a post he held for five years before being appointed as Managing Director for Nestlé Lanka in January 2013.

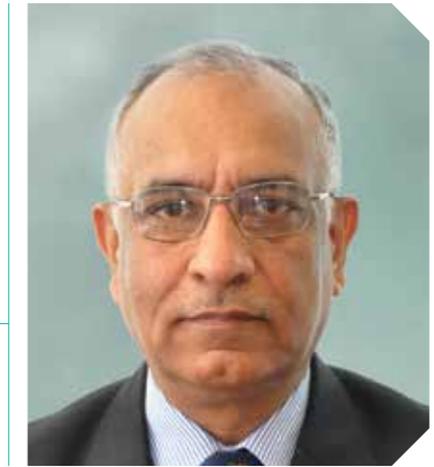
A Malaysian national with Sri Lankan roots, he graduated in Management (Accounting and Finance) from University Sains Malaysia in Penang and has attended Post Graduate programs at International Management Development (IMD), Switzerland. He currently sits on the Nestlé Global Sales Leaders Council.

**SYED SAIFUL ISLAM**

Saiful Islam is the Vice President - Finance & Control for Nestlé Lanka. With prior experience in Ericsson and Citibank, Saiful Islam, a Chartered Accountant, joined Nestlé Bangladesh as Financial Accounting Manager in 1999.

Moving to Nestlé India in 2000, he worked in the corporate office as

Manager - Financial Planning and thereafter moved to its Delhi sales branch as Head of Finance & Control. He returned to Nestlé Bangladesh in 2005 as Corporate Controller and took over as Finance & Control Director in 2006 before joining Nestlé Lanka in 2010.

**SHOBINDER DUGGAL**

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.

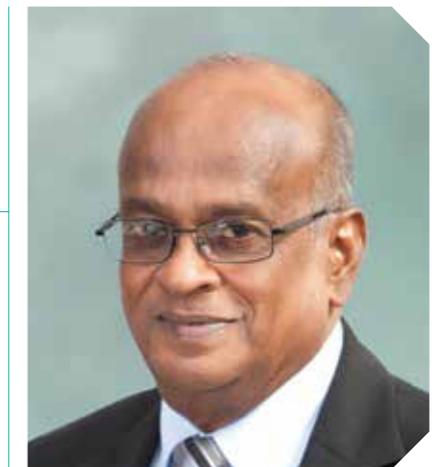
He is a Non-Executive Director of Nestlé Lanka, effective 1 January 2014, and is also Director, Finance & Control for Nestlé India Limited.

**MAHEN DAYANANDA**

Mahen Dayananda is an Independent Non-Executive Director and the Chairman of the Remuneration Committee. An expert on economic issues, Mahen Dayananda is Chairman of the Sri Lanka Business Development Centre.

Former Chairman of the Ceylon Chamber of Commerce, he chairs several

organisations such as Total Tea Concepts (Pvt) Ltd, Indo Asia Teas (Pvt) Ltd and The Sri Lanka Business Development Centre and is currently a Non-Executive Director of Delmege Ltd. He is Resident Representative of Gover Horowitz & Blunt Ltd, United Kingdom and the Honorary Consul for the Republic of Benin in Sri Lanka.

**RANJAN SEEVARATNAM**

Ranjan Seevaratnam is an Independent Non-Executive Director and the Chairman of the Audit 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, and currently serves as Non-Executive Director on the Board of fifteen prominent local companies across a range of industries ranging from agriculture, tea and consumers goods to construction, engineering, rubber, transportation and active carbon.

Nourishing Sri Lanka with good food and beverages.



Corporate Governance

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 act on a fully informed basis, in good faith, with due diligence and care and in the best interests 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 Company's senior management. The Directors also ensure that the Company is fully compliant with the provisions of the Companies Act and the Listing Rules of the Colombo Stock Exchange (CSE).

The Directors' interest / involvement in the affairs of the Company are explained on pages 29 to 33 and the Corporate Governance Compliance Table is shown on pages 24 and 25.

BOARD INDEPENDENCE

Based on the declarations made annually by each of the independent Non-Executive Directors in accordance with the requirements set out in the Listing Rules of the CSE, two out of four Non-Executive Directors, namely Mahen Dayananda and Ranjan Seevaratnam, are considered independent. They are independent of management and free from any business or other relationship which could materially interfere with their exercise of judgement.

The Board considers the other two Non-Executive Directors - namely Helio Waszyk (resigned with effect from 31 December 2013) who was replaced by Etienne Benet (appointed with effect from 1 January 2014), Pierre Schaufelberger (resigned with effect from 31 December 2013) who was replaced by Shobinder Duggal (appointed with effect from 1 January 2014) - 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. The Board has entrusted certain responsibilities, including the day to day running of the business to the Committee. Every member of the Management Committee is responsible for operations and the delivery of objectives pertaining to his / her particular division.

AUDITORS

At the thirty second Annual General Meeting of Nestlé Lanka, held on 30 May 2013, 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 2013 in order to form an opinion on the financial statements. Their report on the financial statements is given on page 38.

AUDIT AND REMUNERATION COMMITTEE

The Audit Committee Report on page 26 and the Remuneration Committee Report on page 27 detail the functions and responsibilities of the respective committees.

INTERNAL CONTROLS

In addition to the statutory requirements for the external audit, Nestlé Lanka is in compliance 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 Business Analyst, who reports directly to the Finance Director whilst also being accountable to the Managing Director.

RISK MANAGEMENT

Nestlé has always recognised its responsibility in ensuring the occupational health and safety of its employees as well as of the community members directly or indirectly involved in the Company's operations. Equally important is the Company's responsibility 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 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.

The Managing Director regularly meets the staff to discuss issues pertaining to the objectives of the Company and of individual employees. Such meetings encourage employees to discuss matters of concern. The Company has also adopted a safety awareness program to enhance the safety of its staff at all levels.

RELATIONSHIP WITH SHAREHOLDERS

Nestlé Lanka 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 past performance and analyse its future prospects.

Corporate Governance Reporting

DISCLOSURE REGARDING THE BOARD OF DIRECTORS				
Rule Number	Subject	Applicable Requirement	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	Four out of six 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	Two of the four 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 two Non-Executive Independent Directors have submitted to the Company a declaration in the prescribed format
7.10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 19 of the Annual Report
7.10.3(c)	Brief resumé of each Director in the Annual Report	A brief resumé of each Director should be included in the Annual Report, including their area of expertise	Compliant	Please refer pages 18 and 19 of the Annual Report
7.10.4	Directors do not qualify as independent but are specified by the Board as independent	As outlined in section 7.10.3 (c) of the listing rules	Not applicable	Not applicable

DISCLOSURE REGARDING THE REMUNERATION AND REMUNERATION COMMITTEE				
Rule Number	Subject	Applicable Requirement	Compliance Status	Details
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom can be independent The Chairman of the Committee shall be a Non-Executive Director	Compliant Compliant	Please refer page 27 of the Annual Report
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 the Executive Officers	Compliant	Please refer page 27 of the Annual Report
7.10.5 (c)	Disclosure in the Annual Report	The names of the Directors comprising the Remuneration Committee A statement of Remuneration Policy The aggregate remuneration paid to Executive and Non-Executive Directors	Compliant Compliant Compliant	Please refer page 27 of the Annual Report Please refer page 50 of the Annual Report

CONTENTS UNDER THE AUDIT COMMITTEE				
Rule Number	Subject	Applicable Requirement	Compliance Status	Details
7.10.6.(a)	Composition of the Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom can be independent The Chairman of the Committee shall be a Non-Executive Director The Chairman or a member should be a member of a recognised professional accounting body	Compliant Compliant Compliant	Please refer page 26 of the Annual Report
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 CEO and CFO attendance at Audit Committee meetings	Compliant Compliant	Please refer page 26 of the Annual Report
7.10.6.(c)	Disclosure in the Annual Report	The names of the Directors comprising the Audit Committee The basis of determination of the auditors' independence A report of the Audit Committee as per section 7.10.6 (c) of the Listing Rules	Compliant Compliant Compliant	Please refer page 26 of the Annual Report

Did you know?

60/40+ Programme

The largest of its kind ever to be deployed in the industry, Nestlé's 60/40+ programme requires at least 60% of a large consumer sample to prefer a Nestlé product in a blind taste test against main competitors. Secondly where relevant, it requires the product to offer an additional nutritional advantage based on criteria recommended by world renowned nutrition and health authorities and local public regulatory priorities. It helps the Company deliver on both taste and nutrition, and also enables it to shape its products to suit the local palette.



Report of the Audit Committee

The Audit Committee, appointed by and reporting to the Board of Directors, comprises of two members: Ranjan Seevaratnam and Mahen Dayananda, both being Non-Executive Independent Directors of the Company. 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 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) and the Nestlé Group Audit (The Nestlé Group Audit is a world-class audit department. It provides value-adding assistance to top management in the markets and at the international headquarters). 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 the 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 the terms of engagement of the external auditors;

Page 18 of this Annual Report details 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 to discuss matters that come within their purview independently and professionally.

The Committee met five times during the year under review as recorded in the table below.

Date of the meeting	Attendance Yes (✓) / No (x)		Attendance by invitation (✓) / No (x)	
	Ranjan Seevaratnam	Mahen Dayananda	Managing Director	Finance Director
28/02/2013	✓	✓	✓	✓
24/04/2013	✓	✓	✓	✓
14/05/2013	✓	✓	✓	✓
06/08/2013	✓	✓	✓	✓
05/11/2013	✓	✓	✓	✓

The Managing Director and the Finance Director of the Company attended the meetings by invitation and the Secretary to the Board of Directors acted as the Secretary to the Committee. The Business Analyst 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 re-appointed as auditors for the financial year ending 31 December 2014 subject to the approval of the shareholders at the next 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 listing rules of the Colombo Stock Exchange have been met.



Ranjan Seevaratnam
Chairman, Audit Committee
NESTLÉ LANKA PLC

25 February 2014

Report of the Remuneration Committee

The Remuneration Committee, appointed by the Board of Directors, is governed by three Non-Executive Independent Directors; Mahen Dayananda, Ranjan Seevaratnam and Helio Waszyk (resigned with effect from 31 December 2013). The committee is chaired by Mahen Dayananda.

The duty of the Remuneration Committee is to recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the Company. The Committee is assisted by the Finance Director and Human Resources division in providing relevant information.

The Remuneration Policy of the Company is consistent and aligned with market reality to attract and retain highly qualified, competent personnel. The remuneration packages are aligned with the Company's Remuneration Policy and linked to individual performances; reflecting the time and effort required from the members in fulfilling their Board and Committee responsibilities. The pay structure (cash and blocked shares) is designed to

ensure the Board's focus on the long-term success of the Company.

The members of the Committee meet as and when necessary. During the year under review, the Committee met on 30 May 2013. The Managing Director of the Company together with the Vice President - Finance and Control and Assistant Vice President - Human Resources attended the said meeting by invitation. The Secretary to the Board attended this meeting in the capacity of Secretary to the Committee.



Mahen Dayananda
Chairman, Remuneration Committee
NESTLÉ LANKA PLC

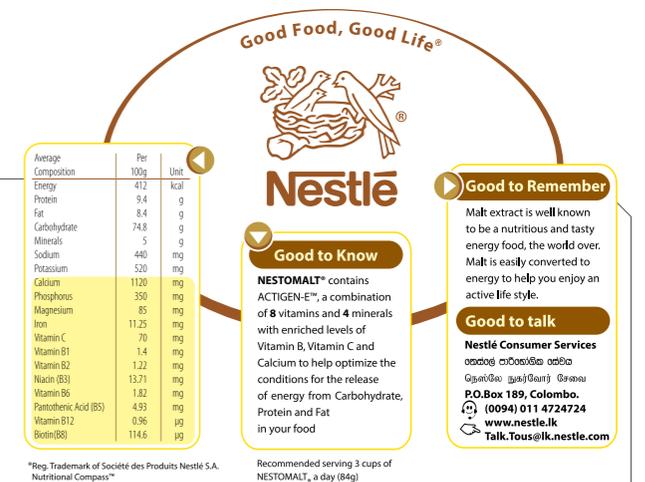
25 February 2014

Did you know?

Nestlé Nutritional Compass

To achieve our agenda of nutrition, health and wellness, we believe that empowering our consumers to make healthy, informed choices for themselves and their families is key.

The Nestlé Nutritional Compass® is an on-pack information guide that provides consumers with relevant, easy-to-understand nutrition information; empowering them to make informed choices about the food they eat.



Average Composition	Per 100g	Unit
Energy	412	kcal
Protein	9.4	g
Fat	8.4	g
Carbohydrate	74.8	g
Minerals	5	g
Sodium	440	mg
Potassium	530	mg
Calcium	1120	mg
Phosphorus	350	mg
Magnesium	85	mg
Iron	11.25	mg
Vitamin C	70	mg
Vitamin B1	1.4	mg
Vitamin B2	1.22	mg
Niacin (B3)	13.71	mg
Vitamin B6	1.82	mg
Pantothenic Acid (B5)	4.93	mg
Vitamin B12	0.96	µg
Biotin (B8)	114.6	µg

Good to Remember
Malt extract is well known to be a nutritious and tasty energy food, the world over. Malt is easily converted to energy to help you enjoy an active life style.

Good to Know
NESTOMALT® contains ACTIGEN-E™, a combination of 8 vitamins and 4 minerals with enriched levels of Vitamin B, Vitamin C and Calcium to help optimize the conditions for the release of energy from Carbohydrate, Protein and Fat in your food.

Good to talk
Nestlé Consumer Services
සමස්ත ප්‍රශ්න සඳහා
දුරකථන සහ මාර්ග දැක්වීම
P.O.Box 189, Colombo.
(0094) 011 4724724
www.nestle.lk
Talk.Tous@lk.nestle.com

Beyond the Label

We are expanding the use of the Nutritional Compass to include a QR code on packs that consumers can scan to access useful, fact based information that they would not ordinarily find on the label, such as the product's nutritional profile and its environmental and social impacts. This initiative is called "Beyond the Label".



Directors' Responsibility for Financial Reporting

The Company's financial statements, presented in this report for the year 2013, conform to the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 7 of 2007. The Directors confirm that the financial statements presented by them gives 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 the 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, 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 the approving of financial information contained in the Annual Report along with the preparation and presentation of the financial statements.

KPMG are the auditors appointed by the shareholders. They have audited the financial statements submitted by the Board of Directors and perused all supporting financial records and minutes from the shareholders meetings and the Directors meetings. Their opinion is published under the Independent Auditor's Report on page 38.

By Order of the Board.

NESTLÉ LANKA PLC.



Lioshon Rajapakse
Company Secretary / Legal Counsel

25 February 2014

Did you know?



Nestlé Start Healthy, Stay Healthy

Nestlé Start Healthy, Stay Healthy is an initiative taken by Nestlé in partnership with the medical fraternity to educate mothers on the importance of the first 1,000 days from pregnancy to toddlerhood. The aim of this programme is to help improve the nutritional status of pregnant women and children during the first 1,000 days of life, as it can provide a child with lifelong benefits.

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

DIRECTORS

Helio Waszyk (resigned with effect from 31 December 2013), Etienne Benet (appointed with effect from 1 January 2014) Ganesan Ampalavanar, Syed Saiful Islam and Pierre Schaufelberger (resigned with effect from 31 December 2013), Mahen Dayananda, Ranjan Seevaratnam and Shobinder Duggal (appointed with effect from 1 January 2014) are the Directors of the Company.

In terms of Article 64 of the Articles of Association, Shobinder Duggal will retire and being eligible, offer himself for re-election.

Ranjan Seevaratnam retires pursuant to Section 210 of the Companies Act No. 07 of 2007. Ranjan Seevaratnam attained the age of 70 years on 24 September 2013. Resolution 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, will be proposed at the forthcoming Annual General Meeting.

taxation, the profit was Rs. 3,305 million. The profit available for appropriation was Rs. 3,596 million which is obtained by adding the profit of Rs. 292 million brought forward from the past year. The Statement of Comprehensive Income for the year 2013 is given on page 39.

The Directors of Nestlé Lanka PLC declared an interim dividend of Rs. 32 per share which was paid to the shareholders of the Company on 18 March 2014, and were pleased to recommend a final dividend of Rs. 28 per share subject to shareholders approval.

STATED CAPITAL

The stated capital of the Company as at 31 December 2013 amounts to Rs. 537, 254, 630.

ACTIVITY

90% of the Nestlé products sold in Sri Lanka are manufactured locally at the Company's state-of-the-art, multi-product factory in Kurunegala. These products are manufactured under the exclusive permission of the Trademark owner, Société de Produits Nestlé S.A. Vevey, Switzerland. Renowned brands such as *Nestomalt*, *Milo*, *Nestum*, *Milkmaid*, *Cerelac* and the *Maggi* range of products, namely *Maggi* Noodles, *Maggi* Coconut Milk Powder, *Maggi* Rasa Musu and *Maggi* Soup Cubes are manufactured in Sri Lanka.

REVIEW FOR THE YEAR

The Chairman's Message and Managing Director's Review on pages 6 and 8 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. 30.9 billion after provisioning for all known liabilities and depreciation on fixed assets, but before taxation, amounts to Rs. 4,083 million. After deducting a sum of Rs. 778 million as

DIRECTORS' INTEREST

a) In Contracts

Details of Directors' interest in contracts of the Company are disclosed below. The Directors have no direct or indirect interest in a proposed contract other than those disclosed hereunder.

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

INTEREST REGISTER

Helio Waszyk - Transactions with affiliates or related parties.
(resigned with effect from 31 December 2013)

Company	Position	Amount Involved
Nestlé (Thai) Ltd	Director	Disclosed in notes 17, 23 and 24 on pages 54, 58 and 59 to the financial statements.
Nestlé Philippines Inc	Director	Disclosed in notes 23 and 24 on pages 58 and 59 to the financial statements.
Nestlé Singapore (Pte) Ltd	Director	Disclosed in notes 23 and 24 on pages 58 and 59 to the financial statements.
PT Nestlé Indonesia	Supervisory Board Member	Disclosed in note 24 of page 59 to the financial statements.
Nestlé India Limited	Non-Executive Director, Chairman of the Board of Directors	Disclosed in notes 23 and 24 on pages 58 and 59 to the financial statements.

Ganesan Ampalavanar - Transactions with affiliates or related parties
Disclosed in notes 17, 23 and 24 on pages 54, 58 and 59 to the financial statements.

Syed Saiful Islam - Transactions with affiliates or related parties
Disclosed in notes 17, 23 and 24 on pages 54, 58 and 59 to the financial statements.

Pierre Schaufelberger - Transactions with affiliates or related parties
(resigned with effect from 31 December 2013)

Company	Position	Amount Involved
Nestlé Pakistan Ltd	Director	Disclosed in note 24 on page 59 to the financial statements.

Mahen Dayananda - No transaction with affiliates

Directorships in other companies

Company	Position	Transaction	Balance (due to) /from as at 31 December 2013 (Rs.)
Total Tea Concepts (Private) Ltd	Chairman	No	-
Indo Asia Teas (Pvt) Ltd	Chairman	No	-
Sri Lanka Business Development Centre	Chairman	No	-
Delmege Ltd	Director	No	-
Uva Leisure Resorts (Pvt) Ltd	Director	No	-

Ranjan Seevaratnam - No transaction with affiliates

Directorships in other companies

Company	Position	Transaction	Balance (due to) /from as at 31 December 2013 (Rs.)
Acme Printing & Packaging PLC	Non-Executive Director	No	Nil
Classic Teas (Pvt) Limited	Non-Executive Director	No	-
Diesel & Motor Engineering PLC	Non-Executive Director	4,818,096.10	(758,119)
Haycarb PLC	Non-Executive Director	No	-
Dipped Products PLC	Non-Executive Director	No	-
Hayleys MGT PLC	Non-Executive Director	No	-
Lanka Aluminum Industries PLC	Non-Executive Director	No	-
Tea Small Holders Factories PLC	Non-Executive Director	No	-
Tokyo Cement PLC	Non-Executive Director	No	-
Colombo Fort Land and Building Company PLC	Non-Executive Director	No	-
Omega Line (Pvt) Ltd	Non-Executive Director	No	-
Hayleys Agricultural Holdings (Pvt) Ltd	Non-Executive Director	No	-
Hayleys Consumer (Pvt) Ltd	Non-Executive Director	No	-
Hayleys Advantis (Pvt) Ltd	Non-Executive Director	No	-
Metecno Lanka (Pvt) Ltd	Non-Executive Director	No	-

b) In Shares of the Company

	Director	Shares held		Management
		01/01	31/12	
Executive	Ganesan Ampalavanar (with effect from 1 January 2014)	No	No	Yes
Executive	Syed Saiful Islam	No	No	Yes
Non-Executive	Helio Waszyk (retired with effect from 31 December 2013)	No	No	No
	Pierre Schaufelberger (retired with effect from 31 December 2013)	No	No	No
Independent Non-Executive	Mahen Dayananda	Yes	Yes	No
	Ranjan Seevaratnam	No	No	No

CORPORATE GOVERNANCE

The corporate governance practices of the Company are set out in detail on page 22.

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 52.

DONATIONS

Total donations made by the Company amounted to a sum of Rs. 4,481,688.75.

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. The auditor's fees are disclosed in note 7 to the financial statements on page 50.

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 50.

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

ACCOUNTING POLICIES

The Company prepared its annual financial statements according to the Sri Lanka Accounting Standards (LKAS / SLFRS). All relevant applicable standards have been followed in presenting the financial statements for the year ended 31 December 2013.

MATERIAL ISSUES

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

RISK FACTORS

The Directors of the Company have reviewed the risk management structure of the Company and confirm 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.

For and on behalf of the Board.

NESTLÉ LANKA PLC.



Ganesan Ampalavanar
Managing Director



Syed Saiful Islam
Director - Finance and Control



Lioshon Rajapakshe
Company Secretary

25 February 2014

OPTIMISING THE NUTRITIONAL PROFILE OF OUR PRODUCTS

We believe that when it comes to good food, nutrition and great taste go hand in hand. Through our world renowned R&D, we are constantly enhancing the nutritional profile of our products.

Whilst embarking on long-term research technology to reduce sugar, salt and trans fatty acids without impacting our consumers' taste preferences, we are also enriching our products with essential vitamins and minerals.

Fortified with calcium



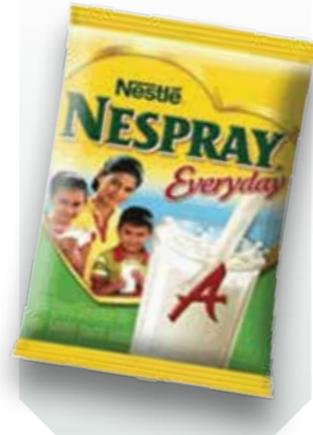
8 vitamins and minerals for optimum energy release



B vitamins and minerals



Fortified with vitamin A



Currently on a sugar reduction platform



Fortified with iron



Natural goodness of cereals with added vitamins and minerals



We have the world's largest food and nutrition research organisation.

Whether it is in terms of convenience, health or pleasure, we are able and committed to create trustworthy products that contribute to improving the quality of consumers' lives with 'tasty nutrition'.

Enhancing the quality of life... one sip, one bite, one drop at a time.

Financial Report

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Company Highlights

<i>In Thousands of Rupees</i>	2013	2012
Net Revenue	30,913,413	28,571,488
Profit Before Taxation	4,083,211	3,467,713
As a % of Net Revenue	13%	12%
Profit After Taxation	3,304,744	2,938,567
Return on Capital Employed	78%	78%
Capital Expenditure	530,111	813,934
Shareholders Funds	4,215,658	3,769,023

Key Ratios

Earnings Per Share	61.51	54.70
Net Assets Per Share	78.47	70.15
Dividend Per Share	60.00	54.00
Dividend Cover	1.03	1.01
Dividend Payout Ratio	98%	99%
Current Ratio	1.07	0.92

Market Value Per Share - Highest	2,550.00	1,700.00
- Lowest	1,500.00	870.00
- Average	1,978.75	1,154.07
- Last Traded	2,100.70	1,593.50

Number of Personnel	1,144	1,100
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Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Colombo 00300,
Sri Lanka.

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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 2013, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 39 to 63 of the annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st December 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Chartered Accountants
Colombo
25th February 2014

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 ACA
Ms. S.M.B. Jayasekara ACA W.K.D.C. Abeyrathne ACA S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA R.M.D.B. Rajapakse ACA Ms. B.K.D.T.N Rodrigo ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Comprehensive Income

For the year ended 31 December	Note	2013 Rs. '000s	2012 Rs. '000s Restated
Revenue	5	30,913,413	28,571,488
Cost of Sales		(20,251,656)	(19,155,257)
Gross Profit		10,661,757	9,416,231
Other Operating Income / (Expense)	6	(34,843)	(236,505)
Marketing, Selling and Distribution Expenses		(4,577,455)	(3,852,147)
Administrative Expenses		(1,914,141)	(1,714,448)
Results from Operating Activities	7	4,135,318	3,613,131
Finance Income		28,246	25,850
Finance Expenses		(80,353)	(171,268)
Net Finance Expense	8	(52,107)	(145,418)
Profit Before Taxation		4,083,211	3,467,713
Income Tax Expense	9	(778,467)	(529,146)
Profit for the Year		3,304,744	2,938,567
Other Comprehensive Income			
Actuarial Gains for the year		42,860	39,101
Total Comprehensive Income		3,347,604	2,977,668
Basic Earnings Per Share (Rs.)	10	61.51	54.70
Dividend Per Share (Rs.)	11	60.00	54.00

Notes to the Financial Statements, set out on pages 43 to 63, form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 December	Note	2013 Rs. '000s	2012 Rs. '000s Restated
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	4,571,813	4,888,450
Capital Work-in-Progress	13	238,328	4,545
Intangible Assets	14	-	11,159
		4,810,141	4,904,154
Current Assets			
Inventories	15	2,603,655	1,872,334
Trade and Other Receivables	16	1,628,213	1,253,528
Amounts Due from Related Parties	17	227,586	205,864
Cash and Cash Equivalents	18	706,541	407,409
		5,165,995	3,739,135
Total Assets		9,976,136	8,643,289
EQUITY AND LIABILITIES			
Equity			
Stated Capital	19	537,255	537,255
Retained Earnings		3,678,403	3,231,768
		4,215,658	3,769,023
Non-Current Liabilities			
Retirement Benefit Obligations	20	469,430	520,200
Deferred Tax Liabilities	21	459,590	274,219
		929,020	794,419
Current Liabilities			
Trade and Other Payables	22	2,974,834	2,292,368
Amounts Due to Related Parties	23	800,077	681,748
Income Tax Payable		618,678	499,161
Dividends Payable		87,716	76,991
Bank Overdrafts	18	350,153	529,579
		4,831,458	4,079,847
Total Liabilities		5,760,478	4,874,266
Total Equity and Liabilities		9,976,136	8,643,289

Notes to the Financial Statements, set out on pages 43 to 63, form an integral part of the financial statements.

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



Syed Saiful Islam
Vice President - Finance and Control

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

Signed for and on behalf of the Board.



Ganesan Ampalavanar
Managing Director



Ranjan Seevaratnam
Director

NESTLÉ LANKA PLC
Colombo

25 February 2014

www.nestle.lk

Statement of Changes in Equity

For the year ended 31 December 2013	Stated Capital Rs. 000's	Retained Earnings Rs. 000's	Total Rs. 000's
Balance as at 1 January 2012	537,255	2,806,053	3,343,308
Total Comprehensive Income for the Year			
Profit for the Year (Restated)	-	2,938,567	2,938,567
Other Comprehensive Income (Restated)	-	39,101	39,101
Transactions with Owners of the Company Recognised Directly in Equity			
Final Dividend for 2011	-	(2,551,953)	(2,551,953)
Balance as at 31 December 2012	537,255	3,231,768	3,769,023
Balance as at 1 January 2013	537,255	3,231,768	3,769,023
Total Comprehensive Income for the Year			
Profit for the Year	-	3,304,744	3,304,744
Other Comprehensive Income	-	42,860	42,860
Transactions with Owners of the Company Recognised Directly in Equity			
Interim Dividend for 2012	-	(1,611,765)	(1,611,765)
Final Dividend for 2012	-	(1,289,204)	(1,289,204)
Balance as at 31 December 2013	537,255	3,678,403	4,215,658

Notes to the Financial Statements set out on pages 43 to 63 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For the year ended 31 December	2013 Rs.'000s	2012 Rs.'000s Restated
Cash Flow from Operating Activities		
Profit Before Taxation	4,083,211	3,467,713
Adjustments for:		
Depreciation	539,962	495,443
Amortisation	11,159	33,479
Impairment of Fixed Assets	5,364	15,058
(Gain) / Loss on Sale of Property, Plant and Equipment	2,104	(6,757)
Amortisation of Staff Loan Interest	16,881	17,596
Interest Expense	80,068	121,006
Interest Income	(28,246)	(25,850)
Provision for Obsolete Inventories	39,810	3,472
Inventory Written Off	173,123	107,828
Provision for Impairment of Trade Receivables	5,904	14,800
Provision for Retirement Benefit Obligations	100,450	141,315
Net Fair Value Loss on Derivatives	284	1,033
Operating Profit Before Working Capital Changes	5,030,074	4,386,135
Working Capital Changes		
(Increase) / Decrease in Inventories	(944,254)	357,280
(Increase) in Trade and Other Receivables	(400,927)	(107,912)
Increase / (Decrease) in Trade and Other Payables	800,511	(915,574)
Cash Generated From Operations	4,485,404	3,719,929
Interest Paid	(80,068)	(121,007)
Income Tax Paid	(473,580)	(353,848)
Retirement Benefit Obligations Paid	(108,359)	(99,750)
Net Cash Flows Generated from Operating Activities	3,823,397	3,145,324
Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment	(530,111)	(813,934)
Proceeds from Sale of Property, Plant and Equipment	65,534	8,614
Interest Received	9,981	8,255
Net Cash Flows Used in Investing Activities	(454,596)	(797,065)
Cash Flow from Financing Activities		
Dividends Paid	(2,890,243)	(2,540,638)
Net Cash Flows Used in Financing Activities	(2,890,243)	(2,540,638)
Net Decrease in Cash and Cash Equivalents	478,558	(192,379)
Cash and Cash Equivalents at the Beginning of the Year	(122,170)	70,209
Cash and Cash Equivalents at the End of the Year (Note 18)	356,388	(122,170)
Analysis of Cash and Cash Equivalents at the End of the Year		
Cash in Hand and Balances with Bank	706,541	407,409
Bank Overdrafts	(350,153)	(529,579)
	356,388	(122,170)

Notes to the Financial Statements set out on pages 43 to 63 form an integral part of the financial statements. Figures in brackets indicate deductions.

Notes to the Financial Statements

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 holding company is Nestlé S.A.

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 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.

The financial statements were authorised for issue by the Directors on 25 February 2014.

2.2 Basis of Measurement

The financial statements are prepared on 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.

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

the application of policies and reported amounts of assets and liabilities, income and expenses. 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 in to account all available information about the future.

2.6 Change in Accounting Policy

a) Defined Benefit Plan

The Company adopted LKAS 19 Employee Benefits (revised in 2011) with effect from 1 January 2013 in accordance with the transitional provisions in the standard and changed its basis for determining the income or expense related to defined benefit plans.

As a result of the change, the Company now 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) at the beginning of the annual period. It takes into account any changes in the Net Defined Benefit Liability / (Asset) during the period as a result of contributions and benefit payments. The Net Interest Expense / (Income) on the Net Defined Benefit Liability / (Asset) comprises:

- Interest cost on the defined benefit obligation; and
- Interest income on plan assets.

Previously, the Company determined interest income on plan assets based on their long-term rate of expected return.

Although the Company recognised actuarial losses or gains immediately in the Statement of Comprehensive Income in previous years, as per the requirements of

Revised LKAS 19, the Company now recognises such actuarial losses or gains immediately in the Statement of Other Comprehensive Income.

b) Impact of Changes in Accounting Policy

The change in accounting policy has been applied retrospectively.

It increases the defined benefit expense recognised in the Statement of Comprehensive Income and correspondingly increases the other comprehensive income by Rs. 43 million (increase of Rs. 39 million in 2012).

Impact of change in accounting policy

Increase in :	2013 Rs'000s	2012 Rs'000s
Cost of Sales	19,926	16,895
Administrative Expenses	22,934	22,206
	42,860	39,101

The change in accounting policy had no impact on the net assets as at 31 December 2012 and had immaterial impact on income taxes for the year ended 31 December 2012.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change in accounting policy explained in Note 2.6 above.

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 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) Loan 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 trade and other receivables, including staff loans receivable and cash and cash equivalents.

c) 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.

d) 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 effective interest rate method.

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

e) Derivative Financial Liabilities

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 the Statement of Comprehensive Income as incurred.

f) 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" in the Statement of 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 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 Comprehensive Income as incurred.

d) Depreciation

Depreciation is recognised in the Statement of 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
Leasehold Buildings-Factory	25-35 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 and the date that the assets are derecognised.

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, 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".

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) Basis of Recognition

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, including expenditure on internally generated goodwill and brands, is recognised in the Statement of Comprehensive Income as incurred.

c) Amortisation

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Globe Project	5 years
---------------	---------

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 as 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.

Financial assets measured at amortised cost

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.

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.

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 Comprehensive Income.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time 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 indications 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 realisable value. In general, cost is determined on a First-In-First-Out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. 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 stocks 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 - Retirement Gratuity

A defined benefit plan is a post-employment benefit plan outside of 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 Group 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).

The calculation is performed annually by a qualified actuary, M/s Towers Watson India Pvt Ltd, 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 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 758 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.

An annual valuation of the fund at AIA Insurance PLC (formally AVIVA NDB Insurance PLC) is carried out by a certified actuary using the "Projected Unit Credit Method".

The movement of the obligation during the year and assumptions used for actuarial valuation are disclosed in Note 20 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 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 the Employee Trust Fund (ETF), to which the Company contributes 3% of such employees' wages or salary.

c) Share-Based Payments

The Company participates in the Nestlé Restricted Stock Unit plan of Nestlé S.A, the parent company, where selected employees are granted rights to obtain the stock units of 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 fair value recognised as personnel expenses in profit or loss.

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.

a) Dividends

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

3.9 Revenue

a) 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.

(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 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 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 Comprehensive Income.

c) Operating Lease Payments

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

3.12 Net Financing Cost

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the Statement of Comprehensive Income.

Interest income is recognised in the Statement of Comprehensive Income on accrual basis unless collectability is in doubt.

All interest and other costs incurred in connection with borrowing are expensed as incurred as part of net financing costs.

3.13 Income Tax Expense

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the Statement of 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 provided using the liability method as per Sri Lanka Accounting Standard 12 - Income Taxes (LKAS 12), providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

3.14 Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method in accordance with Sri Lanka Accounting Standard No. 7 - 'Cash Flow Statements' (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 Segment Reporting

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 would be confirmed only on the occurrence or non-occurrence of uncertain future events which are beyond the Company's control.

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 Standards 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 Standards which will become applicable for financial periods beginning on or after 1 January 2014 or at a later date.

Accordingly, these Standards have not been applied in preparing these financial statements.

a) Sri Lanka Accounting Standard - SLFRS 13 "Fair Value Measurement"

This SLFRS defines fair value, setting out a single SLFRS framework for measuring fair value and requiring disclosures about fair value measurements.

This SLFRS will become effective for the Company from 1 January 2014. Earlier application is permitted.

This SLFRS shall be applied prospectively at the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied to comparative information provided for periods before initial application of this SLFRS.

b) Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments"

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities, that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The application of this standard has been currently deferred by the Institute of Chartered Accountants of Sri Lanka, consequent to the International Accounting Standard Board's (IASB) decision to defer the mandatory effective date of IFRS 9. However SLFRS 9 will be available for early adoption.

5 Revenue

	2013 Rs. '000s	2012 Rs. '000s
Local Revenue	27,270,700	25,359,136
Target Incentives	(195,790)	(196,790)
Commission to Agents	(74,884)	(52,585)
Local Revenue Net of Trade Discounts	27,000,026	25,109,761
Exports	3,913,387	3,461,727
	<u>30,913,413</u>	<u>28,571,488</u>

6 Other Operating Expenses

Loss / (Gain) on Sale of Property, Plant and Equipment	7,468	(6,757)
Exchange Losses	68,544	283,131
Income from Scrap Sales	(41,169)	(39,869)
	<u>34,843</u>	<u>236,505</u>

7 Results from Operating Activities

Stated After Charging / (Crediting) All Expenses Including the Following:		
Depreciation	539,962	495,443
Amortisation of Intangible Assets	11,159	33,478
Impairment Loss on Property, Plant and Equipment	5,364	15,058
Provision for Obsolete Inventories	39,810	3,472
Inventory Write Off	173,123	107,828
Technical Assistance Fee	1,175,989	1,096,676
Lease Payment	540	540
Auditor's Remuneration	2,850	2,765
- Audit		
- Audit Related	500	500
- Non Audit	893	823
Provision for Impairment of Trade and Other Receivables	5,905	14,800
Legal Fees	14,841	15,211
Directors' Fees	835	835
Personnel Costs (Note 7.1)	1,857,856	1,662,648

7.1 Personnel Costs

Personnel Costs		
Executive Directors' Emoluments	36,315	33,085
Salaries and Wages	1,239,463	1,130,616
Provision for Retirement Benefit Obligation (Note 20)	100,450	102,213
Contributions to EPF, MSPS and ETF		
Employees' Provident Fund and Mercantile Services Provident Society	98,408	86,436
Contribution to Employees' Trust Fund	23,462	21,433
Other Benefits	359,758	288,865
	<u>1,857,856</u>	<u>1,662,648</u>

8 Net Finance Expense

	2013 Rs. '000s	2012 Rs. '000s
Finance Income		
Interest on Call Deposits	11,365	8,254
Notional Interest on Staff Loans	16,881	17,596
	<u>28,246</u>	<u>25,850</u>
Finance Expenses		
Interest on Short Term Borrowings and Overdrafts	(80,069)	(121,006)
Loss on Foreign Currency Borrowings / Liquid Assets	-	(49,228)
Net Fair Value Loss on Derivatives	(284)	(1,033)
	<u>(80,353)</u>	<u>(171,268)</u>
Net Finance Income / (Expense)	<u>(52,107)</u>	<u>(145,418)</u>

9 Income Tax Expense

Tax on Current Year Profits (Note 9.2)	593,096	464,081
Reversal of Over Provision for Previous Year	-	(132,178)
Deferred Tax Charge for the Year (Note 21)	185,371	197,243
	<u>778,467</u>	<u>529,146</u>

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 fixed assets from 1 April 2011 to 1 April 2015 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. However this relief has now been restricted to Investments made prior to 1 April 2014 by the Budget proposal of 2014.

9.2 Reconciliation Between Accounting Profit and Taxable Profit

	2013 Rs. '000s	2012 Rs. '000s Restated
Accounting Profit Before Tax	4,083,211	3,467,713
Adjustments Relating to Disallowances	147,260	179,507
Adjustments Relating to Capital Allowances	(694,325)	(673,678)
Profit from Tax Exempted Operations	(260,515)	(215,308)
Qualifying Payment Relief for Investment	(658,759)	(577,009)
Taxable Profit	<u>2,616,873</u>	<u>2,181,225</u>
Income Tax at 10%	41,146	51,241
Income Tax at 12%	49,231	41,068
Income Tax at 28%	502,719	371,772
Income Tax Expense	<u>593,096</u>	<u>464,081</u>

10 Basic Earnings Per Share (EPS)

The calculation of basic 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 the weighted average number of ordinary shares are given below.

	2013	2012
Profit Attributable to the Ordinary Shareholders (Rs.'000)	3,304,744	2,938,567
Weighted Average Number of Shares	53,725,463	53,725,463
Basic Earnings Per Share (Rs.)	<u>61.51</u>	<u>54.70</u>

11 Dividend Per Share

(a) The Directors have declared an interim dividend of Rs. 32.00 per share on 25 February 2014 and recommended a final dividend of Rs. 28.00 per share for the year ended 31 December 2013 to be approved at the Annual General Meeting to be held on 22 May 2014. In accordance with Sri Lanka Accounting Standard 10 (LKAS 10) Events After the Reporting Period, the final dividend has not been recognised as a liability as at 31 December 2013.

(b) However, for the purpose of computing Dividend per Share, interim dividend declared and 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. 3,223,527,780 (2012 – Rs. 2,901,175,002), divided by the number of ordinary shares as at the reporting date.

12 Property, Plant and Equipment

Cost	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 Systems Equipments Rs.'000s	Total Rs.'000s
Balance as at 1 January 2012	17,925	45,169	842,180	3,567,257	892,088	365,726	195,062	5,925,407
Additions During the Year	-	23,760	113,278	393,627	231,272	9,685	37,767	809,389
Transferred from Capital Work-in-Progress	-	-	351,801	1,132,188	5,866	-	-	1,489,855
Disposals During the Year	-	-	(2,652)	(20,551)	(10,378)	(17,666)	(14,544)	(65,791)
Balance as at 31 December 2012	17,925	68,929	1,304,607	5,072,521	1,118,848	357,745	218,285	8,158,860
Depreciation								
Balance as at 1 January 2012	-	23,125	184,098	1,688,229	544,774	234,392	149,225	2,823,843
Charge for the Year	-	1,400	35,439	270,076	122,708	38,941	26,879	495,443
Impairment Loss	-	-	3,050	8,994	3,014	-	-	15,058
On Disposals	-	-	(1,943)	(19,672)	(10,108)	(17,666)	(14,545)	(63,934)
Balance as at 31 December 2012	-	24,525	220,644	1,947,627	660,388	255,667	161,559	3,270,410
Cost								
Balance as at 1 January 2013	17,925	68,929	1,304,607	5,072,521	1,118,848	357,745	218,285	8,158,860
Additions During the Year	-	32,330	11,776	95,853	106,742	7,481	37,601	291,783
Transferred from Capital Work-in-Progress	-	-	-	4,545	-	-	-	4,545
Disposals During the Year	-	-	(26)	(161,193)	(27,516)	(16,627)	(1,603)	(206,965)
Balance as at 31 December 2013	17,925	101,259	1,316,357	5,011,726	1,198,074	348,599	254,283	8,248,223
Depreciation								
Balance as at 1 January 2013	-	24,525	220,644	1,947,627	660,388	255,666	161,559	3,270,410
Charge for the Year	-	1,868	38,036	294,695	140,687	35,434	29,242	539,962
Impairment Loss	-	-	-	5,364	-	-	-	5,364
On Disposals	-	-	(15)	(95,920)	(25,605)	(16,182)	(1,603)	(139,326)
Balance as at 31 December 2013	-	26,393	258,665	2,151,766	775,470	274,918	189,198	3,676,410
Written Down Value as at 31 December 2012	17,925	44,404	1,083,963	3,124,894	458,460	102,078	56,726	4,888,450
Written Down Value as at 31 December 2013	17,925	74,866	1,057,692	2,859,960	422,604	73,681	65,085	4,571,813

Property, Plant and Equipment includes fully depreciated assets which are in use, the cost of which as at the reporting date amounted to Rs. 1,504,329,642 (2012; Rs. 1,546,560,372).

The Property situated at No.440, T.B. Jayah Mawatha, Colombo 10 (Area- 45,230 sq.ft.) was valued on 31 July 2009 by a chartered valuer.

The carrying amounts of Freehold Land and Buildings (three buildings) had it been at revalued amount is:

Free hold Land	Rs. 669,200,000
Free hold Buildings	Rs. 68,800,000

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

13 Capital Work-in-Progress

	2013 Rs.'000s	2012 Rs.'000s
Balance as at 1 January	4,545	1,489,855
Capitalised During the Year	(4,545)	(1,489,855)
Additions During the Year	238,328	4,545
Balance as at 31 December	238,328	4,545

14 Intangible Assets

Cost	2013 Rs.'000s	2012 Rs.'000s
Balance as at 1 January	167,391	167,391
Additions During the Year	-	-
Balance as at 31 December	167,391	167,391
Amortisation		
Balance as at 1 January	156,232	122,754
Charge for the Year	11,159	33,478
Balance as at 31 December	167,391	156,232
Carrying Amount	-	11,159

15 Inventories

Raw Materials	781,862	625,954
Packing Materials	162,070	114,889
Finished Goods	1,034,771	631,292
Energy and Technical Materials	148,676	166,293
Work-in-Progress	122,451	63,426
	2,249,830	1,601,854
Goods-in-Transit	400,691	277,536
	2,650,521	1,879,390
Less: Provision for Obsolete Inventories (Note 15.1)	(46,866)	(7,056)
	2,603,655	1,872,334

15.1 Provision for Obsolete Inventories

Balance as at 1 January	7,056	3,584
Charge During the Year	39,810	3,472
Balance as at 31 December	46,866	7,056

16 Trade and Other Receivables

	2013 Rs. '000s	2012 Rs. '000s
Trade Receivables - Net (Note 16.1)	1,106,363	835,775
Other Receivables - Net (Note 16.2)	521,850	417,753
	<u>1,628,213</u>	<u>1,253,528</u>

16.1 Trade Receivables

Trade Receivables	1,180,923	904,430
Less: Provision for Impairment Loss (Note 16.1.1)	(74,560)	(68,655)
	<u>1,106,363</u>	<u>835,775</u>

16.1.1 Provision for Impairment Loss

Balance as at 1 January	68,655	53,855
Provision Made During the Year	5,905	14,800
Balance as at 31 December	<u>74,560</u>	<u>68,655</u>

16.2 Other Receivables

Deposits and Prepayments	153,516	91,289
Non Trade Receivables	68,916	50,403
Loans to Employees (Note 16.2.2)	299,418	276,061
	<u>521,850</u>	<u>417,753</u>

16.2.2 Loans to Employees

Balance as at 1 January	276,061	248,744
Granted During the Year	120,509	125,762
Repaid During the Year	(97,152)	(98,445)
Balance as at 31 December	<u>299,418</u>	<u>276,061</u>

Loans to employees are disbursed to officers of the Company, excluding Directors. The quantum of each loan in excess of Rs. 20,000 has been granted to 367 officers (2012 - 370 officers).

17 Amounts Due from Related Parties

Osem UK Limited	-	18,471
Nestlé (Thai) Limited	1,506	-
Nestlé Australia Limited	23,314	-
Nestrade S.A	17,536	28,160
Nestlé PNG Limited	5,680	2,283
Nestlé Middle East FZE	67,293	64,350
Nestlé Taiwan Limited	1,506	-
Nestlé India Limited	54,797	16,302
Nestlé Operational Services	-	1,548
Nestlé Jamaica Limited	21,092	38,567
Nestlé Trinidad and Tobago Limited	26,078	31,304
Nestlé Panama S.A	6,025	2,374
Nestlé Caribbean Inc.	2,759	2,241
CPW S.A.	-	264
	<u>227,586</u>	<u>205,864</u>

18 Cash and Cash Equivalents

	2013 Rs. '000s	2012 Rs. '000s
Favourable Balances		
Balances with Banks	706,441	407,309
Cash in Hand	100	100
Cash and Cash Equivalents	<u>706,541</u>	<u>407,409</u>
Unfavourable Balances		
Bank Overdrafts	(350,153)	(529,579)
	<u>(350,153)</u>	<u>(529,579)</u>
Cash and Cash Equivalents for the Statement of Cash Flow	<u>356,388</u>	<u>(122,170)</u>

19 Stated Capital

53,725,463 Ordinary Shares	<u>537,255</u>	<u>537,255</u>
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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.

20 Retirement Benefit Obligations

Pension Scheme		
Present Value of Obligation	505,290	544,940
Fair Value of Plan Assets	-	-
Present Value of Obligation	<u>505,290</u>	<u>544,940</u>
Gratuity Plan		
Present Value of Obligation	436,660	436,040
Fair Value of Plan Assets	(472,520)	(460,780)
Excess in Plan	<u>(35,860)</u>	<u>(24,740)</u>
Total Present Value of Obligation	<u>941,950</u>	<u>980,980</u>
Total Fair Value of Plan Assets	<u>(472,520)</u>	<u>(460,780)</u>
Total Retirement Benefit Obligation	<u>469,430</u>	<u>520,200</u>

Employees who joined prior to 2006 and hold a minimum 10 years of service are entitled to pension upon retirement at the age of 55 years. Furthermore, 28 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 724 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 pension plan is an unfunded plan.

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. 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 Company are based on Actuarial Valuations carried out by AIA Insurance Lanka. The Company expects to pay Rs.22.23 million as contribution to its gratuity plan for the period ended 31 December 2014. Employees are not required to contribute to this fund.

a) Movement in the Present Value of the Defined Benefit Obligations:

	2013 Rs. '000s	2012 Rs. '000s
Balance as at 1 January	980,980	945,166
Current Service Cost	53,620	50,294
Past Service Cost	-	51,020
Interest Cost	92,790	80,150
Remeasurements		
Experience Adjustments	(94,510)	(22,500)
Actuarial (Gains) / Losses from Changes in Financial Assumptions	40,290	(13,890)
Benefits Paid by the Plan	(131,220)	(109,260)
Balance as at 31 December	<u>941,950</u>	<u>980,980</u>

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

Pension Plan	5 years
Gratuity Plan	6 years

b) Movement in the Fair Value of Plan Assets:

Balance as at 1 January	460,780	427,429
Contributions Paid into the Plan	26,100	25,820
Benefits Paid by the Plan	(48,960)	(35,330)
Interest Income on Plan Assets	45,960	40,150
Return of Plan Assets Lesser than Discount Rate	(11,360)	2,711
	<u>472,520</u>	<u>460,780</u>

c) The Expense Recognised in the Profit and Loss:

Current Service Cost	53,620	50,294
Net Interest on Net Defined Benefit Liability	46,830	40,000
Past Service Cost	-	51,020
Balance as at 31 December	<u>100,450</u>	<u>141,314</u>

d) The Expense is Recognised in the Following Line Items in the Statement of Comprehensive Income:

Cost of Sales	46,701	61,060
Administrative Expenses	53,749	80,254
	<u>100,450</u>	<u>141,314</u>

(e) Expected Benefit Payments:

An Expected Benefit Payment for the Year Ending	Pension Rs. '000s	Gratuity Rs. '000s	Total Rs. '000s
31 December 2014	86,220	40,080	126,300
31 December 2015	94,710	68,350	163,060
31 December 2016	73,710	45,520	119,230
31 December 2017	92,430	69,460	161,890
31 December 2018	69,260	52,020	121,280
31 December 2019 - 2023	358,040	82,720	440,760

f) Income is Recognised in Other Comprehensive Income:

	2013 Rs. '000s	2012 Rs. '000s
Actuarial Gain	54,220	36,390
Surplus / (Deficit) in Actual Return on Plan Assets	(11,360)	2,711
	<u>42,860</u>	<u>39,101</u>

20.1 Actuarial Assumptions

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

	2013	2012
(1) Rate of Discount	10.0%	10.0%
(2) Expected Return on Plan Assets as at 31 December	9.5%	9.5%
(3) Future Salary Increase	9.7%	9.5%
(4) Future Pension Increase	6.0%	5.0%

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 expected long-term real rates of return and return from the main asset classes.

Sensitivity Analysis

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%.

	Defined Benefit Obligation	
	+ 0.5%	- 0.5%
Rate of Discount	(22,490)	23,680
Future Salary Increase	41,380	(40,000)
Future Pension Increase	4,320	(4,070)

If the mortality rates are scaled up / down by one year, the impact on the Defined Benefit Obligation of the pension scheme will be (3,910) and 3,930 respectively with no material impact on the Gratuity Liability.

Composition of Insurance Plan Asset is as follows:

1. Reporting entity's own financial instruments - Nil
2. Property occupied by, or other assets used by, the reporting entity - Nil
3. The investment portfolio of AIA Insurance Lanka PLC as at 31 December 2013 and 2012 was as follows:

	2013	2012
Government Securities	57.0%	51.3%
Repurchase Agreements	5.5%	31.6%
Corporate Debt	37.0%	5.3%
Fixed Deposits	0.5%	2.3%
Equity	-	9.5%

4. An Interim Return on Plan Assets of 7.39% was declared by AIA Insurance Lanka PLC for the year 2013.

21 Deferred Tax Liabilities

	2013 Rs. '000s	2012 Rs. '000s
As at 31 December		
Balance as at 1 January	274,219	76,976
Charge for the Year	185,371	197,243
Balance as at 31 December (Note 21.1)	<u>459,590</u>	<u>274,219</u>

21.1 Movements in Temporary Differences During the Year

	2013		2012	
	Temporary Difference Rs'000	Tax Effect Rs'000	Temporary Difference Rs'000	Tax Effect Rs'000
Property, Plant and Equipment	2,411,183	675,131	1,733,438	485,362
Retiring Benefit Obligation	(469,430)	(131,440)	(520,200)	(145,656)
Other Provisions	(300,359)	(84,101)	(233,884)	(65,487)
Net Deferred Tax (Assets) / Liabilities	<u>1,641,394</u>	<u>459,590</u>	<u>979,354</u>	<u>274,219</u>

22 Trade and Other Payables

	2013		2012	
	Rs'000		Rs'000	
Trade Payables	1,934,291		1,426,396	
Derivatives - Forward Exchange Contract	284		1,033	
Other Payables	1,040,259		864,939	
	<u>2,974,834</u>		<u>2,292,368</u>	

23 Amounts Due to Related Parties

	2013	2012
Nestlé Deutschland Ag	410	757
Nestlé Espana S.A.	7,538	9,922
Nestlé France Limited	4,311	1,333
Nestlé Waters Marketing and Distribution	5,855	2,145
Nestlé UK Limited	622	2,224
Nestlé Nederland B.V.	3,843	2,657
Nesttrade S.A.	2,667	2,038
Servcom S.A	518	341
Societe des Produits Nestlé S.A.	173,622	250,086
Nestlé Suisse S.A.	39,362	-
Nestlé Operational Services Worldwide S.A.	13,998	-
Nestlé Egypt S.A.E.	170	-
Nestlé China Limited	111	-
Nestlé Korea Limited	1,311	-
Nestlé India Limited	32,763	20,810
Nestlé Products Sdn Bhd	31,603	-
Nestlé Asean (Malaysia) Sdn Bhd	2,913	-
Nestlé Manufacturing (Mal) Sdn Bhd	157,886	141,589
Nestlé Philippines, Inc	26,136	77,825
CPW Philippines, Inc	12,679	5,219
NBS AOA, Inc	1,588	-
Nestlé Singapore (Pte) Limited	170,732	99,151
Nestlé TC Asia-Pacific (Pte) Limited	28,015	27,287
Nestlé R&D Centre (Pte) Limited	8,867	2,392
Nestlé (Thai) Limited.	4,315	3,748
Nestlé Australia Limited.	24,159	25,428
Globe Centre AOA	23,591	-
Nestlé Mexico, S.A. De C.V.	118	-
Nestlé Brazil Limited	1,749	837
Nestec S.A.	15,108	932
San Pellegrino S P A	121	54
Nestlé Dubai Manufacturing LLC	3,396	2,398
Sichuan Haoji Food Co Limited	-	2,575
	<u>800,077</u>	<u>681,748</u>

24 Related Party Disclosure

24.1 Transaction with Related Companies

Name of the Company	Nature of the Relationship	Nature of the Transaction	2013		2012	
			Rs.'000s		Rs.'000s	
Osem UK Limited	Affiliates	Exports	-		90,647	
Nestlé Middle East FZE	Affiliates	Exports	559,668		429,612	
Nesttrade S.A.	Affiliates	Exports	143,871		197,201	
Nestlé Korea Limited	Affiliates	Exports	491		462	
Nestlé Taiwan Limited	Affiliates	Exports	23,254		23,239	
Nestlé India Limited	Affiliates	Exports	233,497		177,841	
Nestlé Japan Limited	Affiliates	Exports	20,394		29,152	
Nestlé Singapore (Pte) Limited	Affiliates	Exports	2,550		3,553	
Nestlé Australia Limited	Affiliates	Exports	78,311		69,087	
Nestlé (Png) Limited	Affiliates	Exports	274,138		25,231	
Nestlé New Zealand Limited	Affiliates	Exports	-		3,516	
Nestlé Panama S.A.	Affiliates	Exports	6,034		2,397	
Nestlé Jamaica Limited	Affiliates	Exports	87,660		103,474	
Nestlé Trinidad And Tobago Limited	Affiliates	Exports	122,888		120,182	
Nestlé Italiana S.P.A.	Affiliates	Exports	5,818		28,937	
Nestlé UK Limited	Affiliates	Exports	94,222		-	
Nestlé Bangladesh Limited	Affiliates	Exports	4,201		-	
Nestlé (Thai) Limited	Affiliates	Exports	4,666		-	
Societe des Produits Nestlé S.A.*	Licensor	TAF Paid	(1,058,390)		(987,008)	
Nestlé Manufacturing (Mal) Sdn Bhd	Affiliates	Imports	(450,248)		(540,735)	
Nestlé Australia Limited	Affiliates	Imports	(57,732)		(47,833)	
Nestlé Singapore (Pte) Limited	Affiliates	Imports	(1,360,692)		(1,264,683)	
Nestlé Suisse S.A.	Affiliates	Imports	(33,011)		(19,765)	
Nestlé (Thai) Limited	Affiliates	Imports	(19,419)		(21,029)	
P.T. Nestlé Indonesia	Affiliates	Imports	(7,381)		(43,988)	
Nestlé India Limited	Affiliates	Technical/Imports	(96,675)		(63,996)	
Nestlé Waters France	Affiliates	Imports	(15,683)		(12,384)	
Nestlé Philippines, Inc	Affiliates	Imports	(1,104,788)		(765,703)	
Nestlé Nederlands B.V.	Affiliates	Imports	(13,505)		(10,135)	
Nestlé (China) Limited	Affiliates	Service Charges	(111)		-	
CPW Philippines, Inc	Affiliates	Imports	(45,288)		(41,036)	
Nestlé Dongguan Limited	Affiliates	Imports	(2,100)		-	
Nestlé Brazil Limited	Affiliates	Imports	(881)		(543)	
Nestlé UK Limited	Affiliates	Service Charges/Imports	(6,315)		(7,352)	
Nestlé's Products (Maturities) Limited	Affiliates	Imports	(73,858)		-	
Nesttrade S.A.	Affiliates	Imports	(3,036)		(20,130)	
Nestlé Egypt S.A.E.	Affiliates	Service Charges	(171)		-	
Nestlé Asean (Malaysia) Sdn Bhd	Affiliates	Imports	(15,570)		-	
Nestlé Korea Limited	Affiliates	Imports	(8,640)		(7,478)	
Nestlé R&D Centre (Pte) Limited	Affiliates	Technical	(17,362)		(11,165)	
Nestlé Deutschland	Affiliates	Technical	(1,961)		(2,486)	
Nestlé Mexico S.A. de C.V.	Affiliates	Service Charges	(118)		-	
Nestec S.A.	Affiliates	Service Charges	(18,760)		(5,097)	
Nestlé S.A.	Parent	Dividend / RSUP Paid	(2,385,184)		(2,119,289)	
Nestlé Australia Limited	Affiliates	Professional Charge	(215,927)		(267,700)	
Nestlé France Limited	Affiliates	Technical	(5,398)		(2,499)	
Nestlé Pakistan Limited	Affiliates	Service Charges	(88)		(4,574)	
Nestlé Business Service AOA, Inc	Affiliates	Service Charges	(1,590)		-	
Nestlé Espana S.A.	Affiliates	Imports	(15,833)		(19,307)	
Nestlé Servcom S.A.	Affiliates	Service Charges	(857)		(1,476)	
Nestlé Operational Services	Affiliates	Service Charges	(22,560)		(24,877)	
San Pellegrino S P A	Affiliates	Service Charges	(191)		(140)	
Nestlé Dubai Manufacturing LLC	Affiliates	Imports	(12,137)		(11,370)	
Sichuan Haoji Food Co Limited	Affiliates	Imports	(5,115)		(5,704)	
Nestlé Capital Advisers S.A.	Affiliates	Service Charges	(5,710)		(640)	
Nestlé Equatorial Africa Region	Affiliates	Service Charges	-		(120)	

* Technical Assistance Fee (TAF), computed as a percentage (%) of net sales, is paid to Societe des Produits Nestlé S.A. according to the terms and conditions in the General Licence Agreement.

24.2 Transactions with Key Management Personnel

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

	2013 Rs. '000s	2012 Rs. '000s
Short Term Employee Benefits	36,315	33,085
Directors Fees	835	835
Non Cash Benefits	34,862	29,571
Share Based Payments	16,635	14,531
	<u>88,647</u>	<u>78,022</u>

There are no related party transactions other than those disclosed in Notes 17, 23, 24.1 and 24.2.

24.3 Share-based Payments

The Company participates in the Nestlé Restricted Stock Unit (RSU) plan of Nestlé S.A. whereby selected employees are granted non-tradable Restricted Stock Units with the right to obtain Nestlé S.A. shares or cash equivalents. Restricted Stock Units 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 Nestlé S.A. share price over the vesting period of three years.

	2013	2012
Number of Shares Granted During The Year	2,815	2,605
Weighted Average Fair Value of RSU as at the Period End (Rs. '000s)	22,852	17,538
Total Expense Recognised in Profit and Loss (Rs. '000s)	23,842	27,241
Carrying Amount as at the Reporting Date (Rs. '000s)	<u>44,301</u>	<u>32,888</u>

25 Commitments

a) Capital Commitments

The capital commitment for the year 2013, which has been approved by the Board but not been contracted for, is Rs. 456 million.

b) Lease Commitment

The land in which Nestlé Lanka's factory building is constructed was leased out from the Sri Lankan Government. As per the lease agreement, the land in the Mahayaya Estate was leased for 50 years from 25 March 1981. The annual amount payable under the lease agreement is Rs.539,540 from the year 2011 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:

	2013 Rs. '000s	2012 Rs. '000s
Not Later Than One Year	540	540
Later Than One Year and Not Later Than Five Years	2,158	2,158
Later Than Five Years	7,014	7,554
	<u>9,712</u>	<u>10,251</u>

26 Contingent Liabilities

The Company's distributors are provided with a financing facility with the Company's bankers. The bank would accept the liability only up to the full recourse provided by them to the Company's customers.

As at the end of the year, an amount of Rs. 472 million has been granted to the distributors by the bankers, which in the event where distributors default, the Company would be liable.

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

27 Events Occurring After the Reporting Date

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

An interim dividend of Rs. 32.00 per share, amounting to Rs. 1,719,214,816, was declared on 25 February 2014.

The Board of Directors has recommended a final dividend of Rs. 28.00 per share, amounting to Rs.1,504,312,964, for the year ended 31 December 2013. This is to be approved at the Annual General Meeting to be held on 22 May 2014.

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 counter party 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:

	2013 Rs. '000s	2012 Rs. '000s
Trade and Other Receivables	1,628,213	1,253,528
Balances with Banks	706,441	407,309
	<u>2,334,654</u>	<u>1,660,837</u>
Trade and Other Receivables		
Trade Receivables	1,180,923	904,430
Allowance for Trade Receivables	(74,560)	(68,655)
	<u>1,106,363</u>	<u>835,775</u>
Other Receivables	222,432	141,692
Loans to Employees	299,418	276,061
	<u>1,628,213</u>	<u>1,253,528</u>
Impairment Loss		
The Ageing of Trade and Other Receivables as at the reporting date were as:		
Not Past Due	949,354	792,011
Past Due 1-30 Days	168,789	29,841
Past Due 31-60 Days	29,148	56,140
Past Due 61-90 Days	7,915	-
Past Due 91-120 Days	-	721
Past Due More Than 120 Days	25,717	25,717
Allowance for Trade Receivables	(74,560)	(68,655)
	<u>1,106,363</u>	<u>835,775</u>

b) Liquidity Risk

Liquidity risk arises when a company encounters difficulties in meeting 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.

Following are the contractual maturities of financial liabilities as at 31 December 2013

	Less than 6 Months Rs.'000s	6 to 12 Months Rs.'000s
Trade and Other Payables	2,913,935	60,649
Bank Overdrafts	350,158	-
	<u>3,264,093</u>	<u>60,649</u>

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 optimising the return and / or cost.

(i) 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) and Australian Dollar (AUD).

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	2013 Rs.'000s			2012 Rs.'000s		
	EUR	USD	SGD	EUR	USD	SGD
Trade Receivables	-	502,737	-	-	179,229	-
Trade Payables	(98,640)	(900,000)	(113,541)	(75,081)	(730,074)	(89,861)
Net Statement of Financial Position	(98,640)	(397,262)	(113,541)	(75,081)	(550,845)	(89,861)

The following significant exchange rates are applied during the year:

Exchange Rate as at 31 December	2013	2012
USD	130.75	127.35
EUR	180.20	168.04
SGD	103.41	104.29

Sensitivity Analysis

Strengthening/ weakening of the EUR / USD / SGD against the LKR (Lankan Rupee) as at 31 December 2013 would have affected the measurement of the financial instruments denominated in foreign currencies and increase/ decrease the profit or loss by the amount shown below.

	Strengthening Profit or Loss	Weakening Profit or Loss
31 December 2013		
USD (3% movement)	11,918	(11,918)
EUR (6% movement)	5,918	(5,918)
SGD (3% movement)	3,406	(3,406)
31 December 2012		
USD (8% movement)	44,068	(44,068)
EUR (9% movement)	6,758	(6,758)
SGD (10% movement)	8,986	(8,986)

(ii) 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 of Financial Instruments Carried at Amortised Cost

The following table summarises the carrying amounts and the Company's estimate of fair values of those financial assets and liabilities not presented on the Company's Statement of Financial Position at fair value.

	31.12.2013 Rs.'000s	
Assets	Carrying Amount	Fair Value
Cash and Cash Equivalents	706,541	706,541
Trade and Other Receivables	1,628,213	1,628,213
Liabilities		
Trade and Other Payables	2,974,834	2,974,834

Cash and Cash Equivalents

The carrying amount of 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.

29 Directors' Responsibility

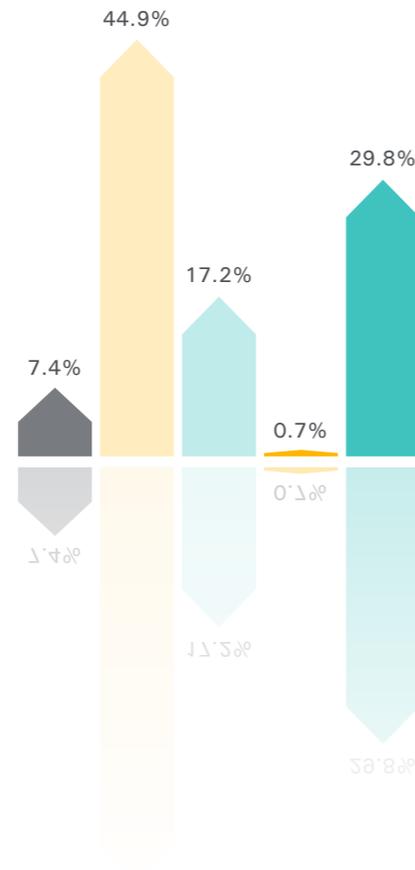
The Board of Directors is responsible for the preparation and presentation of the financial statements.

The Directors' Responsibility for Financial Reporting is given on page 28 of this annual report.

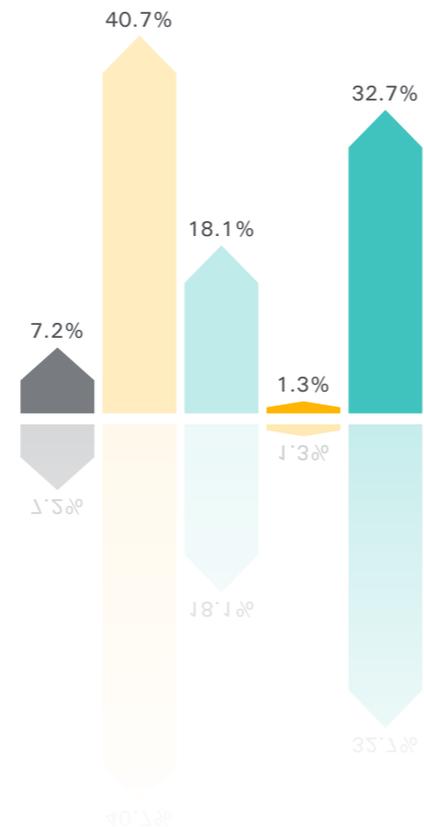
Value Added Statement

	2013 Rs. '000s		2012 Rs. '000s	
Turnover		30,913,413		28,571,488
Bought Out Goods and Services		(20,099,783)		(19,408,901)
Value Added		10,813,630		9,162,587
	%	Rs '000s	%	Rs '000s
To Government as Taxes / Duties	44.9	4,855,406	40.7	3,732,070
To Employees as Remuneration	17.2	1,857,855	18.1	1,662,649
To Lenders as Interest	0.7	80,068	1.3	121,006
To Shareholders as Dividends	29.8	3,223,528	32.7	2,992,393
Retained With Business (including depreciation)	7.4	796,773	7.2	654,469
	100.00	10,813,630	100.00	9,162,587

Statement of Value Added 2013



Statement of Value Added 2012



Ten Year Summary

Results	2004 Rs. '000s	2005 Rs. '000s	2006 Rs. '000s	2007 Rs. '000s	2008 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	Restated 2012 Rs. '000s	2013 Rs. '000s
Statement of Comprehensive Income										
Net Revenue	9,897,372	12,779,555	14,128,658	16,255,216	19,111,985	19,427,135	21,422,984	25,575,780	28,571,488	30,913,413
Profit Before Tax	908,775	1,599,678	2,043,874	2,046,975	2,483,987	2,427,850	2,846,771	3,444,267	3,467,713	4,083,211
Taxation	(312,703)	(548,554)	(688,988)	(655,383)	(820,894)	(847,535)	(932,052)	(814,497)	(529,146)	(778,467)
Profit After Tax	596,072	1,051,124	1,354,886	1,391,592	1,663,093	1,580,315	1,914,719	2,629,770	2,938,567	3,304,744
Retained Profits / Brought Forward	4,609	144,014	35,009	46,758	95,213	146,542	115,091	176,284	254,100	291,698
Profit Available for Distribution	600,681	1,195,138	1,389,895	1,438,350	1,758,306	1,726,857	2,029,811	2,806,054	3,192,667	3,596,442
Interim Dividend	-	(134,314)	(537,255)	(483,529)	(537,255)	(483,529)	(644,704)	-	(1,611,765)	-
Final Dividend	(456,667)	(1,047,644)	(805,882)	(859,608)	(1,074,510)	(1,128,236)	(1,208,823)	(2,551,953)	(1,289,204)	-
Retained Profits Carried Forward	144,014	13,180	46,758	95,213	146,541	115,092	176,284	254,100	291,698	3,596,442
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	622,510	1,082,653	852,640	954,821	1,221,051	1,243,327	2,029,810	2,806,053	3,231,768	3,678,403
Non-Current Liabilities	271,069	273,635	213,703	206,541	371,650	430,965	522,736	594,713	794,419	929,020
	1,430,834	1,893,543	1,603,598	1,698,617	2,129,956	2,211,547	3,089,801	3,938,021	4,563,442	5,144,678
Represented by:										
Tangible Fixed Assets	1,311,233	1,373,806	1,263,724	1,809,300	1,780,501	2,057,526	2,796,792	4,591,419	4,892,995	4,810,141
Intangible Assets					145,072	111,594	78,116	44,637	11,159	-
Current Assets	1,609,603	1,959,706	2,441,960	3,196,200	3,157,602	3,238,362	3,702,988	4,319,757	3,739,135	5,165,995
Less: Current Liabilities	(1,490,002)	(1,439,969)	(2,102,086)	(3,306,883)	(2,953,219)	(3,195,935)	(3,488,095)	(5,017,792)	(4,079,847)	(4,831,458)
Net Current Assets	119,601	519,737	339,874	(110,683)	204,383	42,427	214,893	(698,035)	(340,712)	334,537
	1,430,834	1,893,543	1,603,598	1,698,617	2,129,956	2,211,547	3,089,801	3,938,021	4,563,442	5,144,678
Average Market Price Per Share (Rs.)	83.90	101.55	180.15	262.85	278.74	345.64	611.42	764.38	1,154.07	1,978.75
Earnings Per Share (Rs.)	8.97	11.09	19.56	25.22	25.90	30.96	35.64	48.95	54.70	61.51
Dividend Paid / Proposed (Rs. '000s)	478,157	456,667	1,181,961	1,343,137	1,343,137	1,611,764	1,853,528	2,551,959	2,901,175	3,223,528

Share Information

Analysis of Shareholders According to the Number of Shares Held as at 31 December 2013

No. of Shares Held	Resident			Non-resident		Total		
	No. of Shareholders	No. of Shares	(%)	No. of Shareholders	(%)	No. of Shareholders	No. of Shares	(%)
1 to 1,000	4,971	739,553	1.37	52	0.03	5,023	753,818	1.40
1,001 to 10,000	418	1,136,390	2.12	24	0.16	442	1,222,620	2.28
10,001 to 100,000	32	826,505	1.54	11	0.66	43	1,180,751	2.20
100,001 to 1,000,000	1	110,000	0.20	5	3.10	6	1,774,528	3.30
Over 1,000,000	-	-	-	1	90.82	1	48,793,746	90.82
	5,422	2,812,448	5.23	93	94.77	5,515	53,725,463	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares
Individual	5,372	2,593,588
Institutional	143	51,131,875
	5,515	53,725,463

High / Low Market Prices

Highest Market Value	Rs. 2,550.00
Lowest Market Value	Rs. 1,500.00
Market Value as at 31 December 2013	Rs. 2,100.70
Public Holding as at 31 December 2013	9.18%

List of 20 Major Shareholders Based on the Number of Shares Held as at 31 December 2013

No.	Names	%	No. of shares 2013	No. of shares 2012
1	Nestlé S.A.	90.82	48,793,746	48,793,746
2	HSBC International Nominees Ltd - MSIP - Coupland Cardiff Funds PLC	1.59	854,367	736,201
3	HSBC Intl Nom Ltd - SSBT - Wasatch Frontier Emerging Small Countries Fund	0.58	311,631	143,277
4	Ms. Neesha Harnam	0.37	200,000	200,100
5	HSBC International Nominees Ltd - SSBT - Deutsche Bank AG Singapore	0.29	155,600	155,600
6	PICTET and CIE (Europe)	0.27	142,930	-
7	Estate of Late Mr. Mariapillai Radhakrishnan	0.20	110,000	110,000
8	Employees Provident Fund	0.19	100,000	141,800
9	HSBC Intl Nominees Ltd - UBS AG Singapore Branch	0.16	85,000	90,000
10	AIA Insurance Lanka PLC A/C 07	0.15	81,335	138,700
11	HSBC International Nominees Ltd - SSBT Julius Baer Multipartner	0.11	61,100	81,100
12	Mr. Jayampathi Divale Bandaranayake	0.11	56,750	56,750
13	Colombo Investment Trust PLC	0.09	50,904	50,904
14	Freudenberg Shipping Agencies Limited	0.08	44,136	60,000
15	Mr. Hirdaramani Anil Kumar Lalchand	0.08	42,500	42,500
16	Ms. Asha Ajay Merchant	0.07	39,600	39,600
17	Mellon Bank NA Commonwealth Pen Pub School	0.07	35,905	-
18	Ms. Jasbinderjit Kaur Piara Singh	0.06	34,700	34,700
19	Mascons (Pvt) Ltd	0.06	30,000	-
20	Mr. Sashimaal Ruhash Fernando	0.06	29,896	-

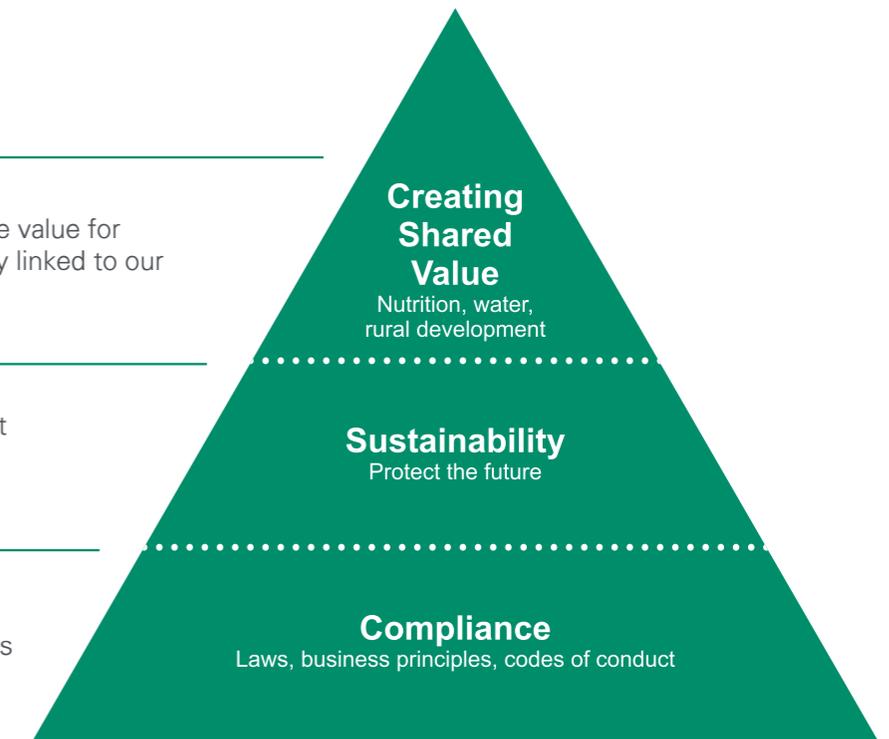
Creating Shared Value Summary Report

CREATING SHARED VALUE – THE WAY WE DO BUSINESS

“... beyond sustainability, to create value for shareholders & society - integrally linked to our core business”

“... meet the needs of the present without compromising future generations ...”

Comply with the highest standards



We believe that for a company to be successful over the long term and create value for shareholders, it must create value for society. We call this 'Creating Shared Value'.

We have therefore analysed our value chain and determined that the areas of greatest potential for creating joint benefit (or shared value) with both Nestlé and society are water, rural development, and nutrition. These activities are core to our business strategy and operations, and vital to the welfare of the people in the communities where we operate.

We therefore focus our CSV efforts in these three areas:

■ **Nutrition:** because food and nutrition are the basis of health and of our business – it is the reason why we exist.

■ **Water:** because the ongoing quality and availability of it is critical to life, the production of food and to our operations.

■ **Rural development:** because the overall wellbeing of farmers, rural communities, workers, small entrepreneurs and suppliers are intrinsic to our ability to continue to do business in the future.

These three areas are fundamental to our overall business goal, which is “To become the recognised leader in Nutrition, Health, and Wellness, trusted by all stakeholders”.

NUTRITION

As the world's leading nutrition, health and wellness company, we believe that our future lies in helping people achieve a healthier and balanced diet and live an active lifestyle. We recognise that both the understanding of nutrition and access to nutrition and a balanced diet are essential for a good life.

Understanding nutrition - we strongly believe that through education, people will develop a deeper understanding of the elements of nutrition and good health. We therefore strive to conduct many nutrition education programmes amongst adults and children alike.

Amongst our many nutrition education initiatives is the **Nestlé Nutritional Compass** found at the back of each product, with transparent and easy to understand nutrition information to empower consumers to make tastier and healthier choices in a friendly format they can understand.

Good Food, Good Life®



Nestlé

Average Composition	Per 100g	Unit
Energy	412	kcal
Protein	9.4	g
Fat	8.4	g
Carbohydrate	74.8	g
Minerals	5	g
Sodium	440	mg
Potassium	520	mg
Calcium	1120	mg
Phosphorus	350	mg
Magnesium	85	mg
Iron	11.25	mg
Vitamin C	70	mg
Vitamin B1	1.4	mg
Vitamin B2	1.22	mg
Niacin (B3)	13.71	mg
Vitamin B6	1.82	mg
Pantothenic Acid (B5)	4.93	mg
Vitamin B12	0.96	µg
Biotin (B8)	114.6	µg

Good to Remember

Malt extract is well known to be a nutritious and tasty energy food, the world over. Malt is easily converted to energy to help you enjoy an active life style.

Good to Know

NESTOMALT™ contains ACTIGEN-E™, a combination of 8 vitamins and 4 minerals with enriched levels of Vitamin B, Vitamin C and Calcium to help optimize the conditions for the release of energy from Carbohydrate, Protein and Fat in your food

Good to talk

Nestlé Consumer Services
 සමස්ත පාරිභෝගික සේවාව
 தென்மேல் பூங்காவுக்கு சென்னை
P.O.Box 189, Colombo.
(0094) 011 4724724
www.nestle.lk
Talk.Tous@lk.nestle.com

*Reg. Trademark of Société des Produits Nestlé S.A. Nutritional Compass™

Recommended serving 3 cups of NESTOMALT™, a day (84g)

Further, an educational programme called **Nestlé Healthy Kids** is being conducted to help promote healthier lifestyles and address malnutrition amongst school age children. The programme was developed together with the Ministry of Education Services and Peradeniya University and has been rolled out to close to 6,000 children in 34 schools. The Ministry of Education Services officially incorporated the program into their 'Poshanayai Suwadiwayai' nutrition

awareness campaign to make it permanently available in 7,500 secondary, public schools across the country.



Nestlé's **Kedella** shows have also become a fundamental source of information on healthy cooking and a balanced diet for local housewives. The shows offer participants diet counselling, the opportunity to check their BMI through special 'nutri-corners' and includes lectures on a healthy diet and balanced lifestyle. Over 12,000 consumers have been counselled on good nutrition and a healthy lifestyle via Nestlé Nutri-Corner health checks.



The Company also conducts its **Start Healthy, Stay Healthy** programmes to empower Sri Lankan mothers with scientific, nutritional information and advice on common issues in an easy to understand format. The **Nestlé Nutrition Institute**

also implements many initiatives to create awareness amongst local health care professionals regarding the latest science, thinking and developments in nutrition. Further, the Company empowers over 100,000 student athletes every year via its **Milo School Sports** and **Nestomalt Marathon** sponsorships to encourage a culture of health and wellness in the country.



Providing access to nutrition - as a leading nutrition, health and wellness company, we recognise that food is a conscious way to bring health and nutrition benefits. We focus on identifying micronutrient deficiencies and understanding local nutritional needs to improve and fortify our products accordingly. Good examples of our local food fortification

would be vitamin A in *Nespray* Everyday and iron in *Maggi* Rasa Musu. Nestlé's products are also fortified with other essential micronutrients such as energy releasing B-vitamins in *Nestomalt* and calcium in *Maggi* noodles. We are also proactively reducing sugar and salt content in our products.



By imposing stringent controls on ourselves we produce superior quality products and strive to attain an equilibrium between taste and nutrition to accomplish Nestlé's roadmap to "Good Food, Good Life".



WATER

Water is a scarce resource. Nestlé's water efforts are centred around the six elements of the UN Global Compact (UNGC) CEO Water Mandate (more information at <http://ceowatermandate.org/>).

UNICEF states that one quarter of Sri Lankan households do not have access to safe drinking water (source: http://www.unicef.org/srilanka/activities_883.htm). In order to provide safe drinking water and create awareness in the community about the importance of water, Nestlé has been actively setting up clean drinking water projects in rural areas.

Supporting Sri Lanka achieve its Millennium Development Goals 4 and 6, we have constructed 15 facilities to supply clean drinking water. These units are built by drilling bore

wells or using existing deep wells and installing water pumps and storage tanks. Facilities are tiled and have taps for easy maintenance and access.

These water facilities are built in schools, hospitals and places of worship across the island. Over 18,500 children and hundreds of thousands of people in rural communities directly benefit from these facilities. Setting up these water projects is a continuing process. With every Nestlé Clean Drinking Water project that is implemented in a school, 'water education' becomes a part of the school curriculum.

School children - we treat children as 'water ambassadors'. Our water education programmes have created awareness amongst 4,850 students, who have learnt about water



conservation and the link between clean water, hygiene, health and wellness. These programmes discuss the importance of clean, hygienic water, the need to check the depletion of water resources, and methods of water conservation. The children carry these messages home, extending our programme's reach.

Farmers - agriculture requires a heavy use of water. We are therefore increasing awareness amongst farmers regarding the depletion of water and advise them on the optimal use of water in agriculture and dairy.

Employees - on World Water Day, a campaign on water conservation and preservation takes place at both our factory and office premises to instill a greater awareness of the need for water conservation.



ENVIRONMENTAL SUSTAINABILITY

Responsible use of resources - we are committed to preserve natural resources and to eliminate wastage along the value chain. Our goal is zero waste and full recovery of unavoidable byproducts.

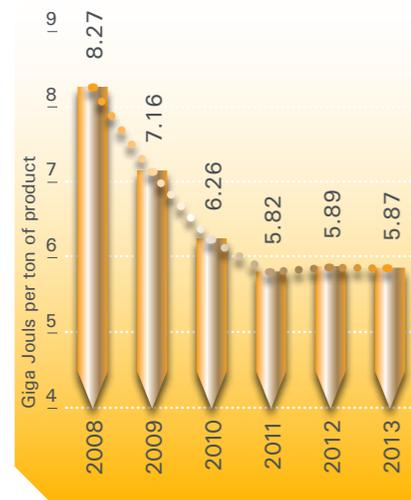
We have been committed to environmentally sustainable manufacturing practices since our inception 30 years back and continue to make substantial environmental investments along the way. We contribute to sustainable development by meeting the needs of the present without compromising the ability of future generations to meet their own needs. The efficient use of raw materials, water and energy has

always been pivotal in our daily operations; emphasised not only amongst employees but also to our farmers, co-manufacturers, service providers and suppliers.

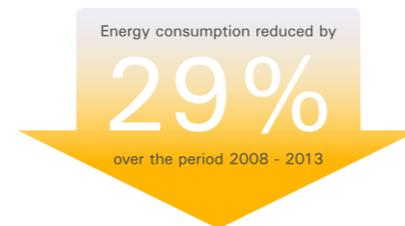
Whilst our production volumes have increased over the years, we have made significant efficiency improvements in the management of water and energy; enabling us to not only reduce our energy and water foot print but also to gain a competitive advantage in the market.



Energy



We have reduced our energy usage per tonne of production by a remarkable 29% over the period 2008 -2013. This 29% energy saving is enough to light up an average of 50,000 Sri Lankan households for a whole month.



Investing in a customised UPS system helped us move away from the burning of fossil fuels through in house power generators and maximise our use of grid power. In line with our 'Creating Shared Value' strategy, this not only helped us reduce our energy footprint but also helped save millions of rupees we would have had to otherwise spend on diesel.

The steam generator used in our manufacturing process also contributed in a major way to our energy efficiency; through various improvement projects over the years, the energy utilised by our steam generator has now been reduced by 19%.

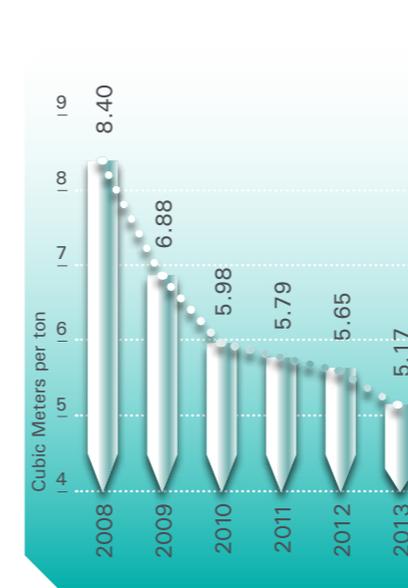
However our most significant energy saving initiative in 2013 was the installation of the Sky Lighting system, which reduces dependency on electrical power and uses day light in a controlled manner inside our manufacturing facilities and

warehouses. This has already delivered significant savings in electricity; where our monthly savings is equivalent to the average monthly usage of 120 Sri Lankan households

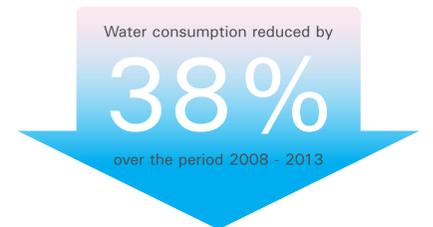


Sky Lighting system

Water



As a food processing facility our use of water is significant, which is why we place a strong focus on water conservation and water efficiency. Due to various investments and improvement projects, we have reduced our consumption of water by 38% within the period 2008-2013. This is equivalent to the amount of water required by 7,500 Sri Lankan families consisting of five members each for a month.



This significant resource efficiency is due in no small part to our water recycling initiatives such as our special water treatment facility called MBR (Membrane Bio Reactor), which is able to purify waste water to the extent of even filtering out microbial levels.

Moreover, the introduction of new state-of-the-art equipment and processes in our manufacturing facilities have helped further save water and reduce waste. The latest initiative in this regard is our use of waste steam to produce distilled water. This has helped reduce our water usage by 10 litres per hour.

The Future

Ours is a continuous journey of excellence, with many improvement ideas being discussed at the drawing board. In the belief that to be successful over the long-run we need

to create value for our shareholders and society, we will continue with our environmental sustainability efforts to make Nestlé resourceful...today and for the future.

RURAL DEVELOPMENT

Nestlé's approach to rural development aims at ensuring thriving farmers and thriving communities. We work at both farm and community level to provide education, training and technical assistance, improve yields, safeguard incomes, contribute investment and make a difference in people's quality of life through employment and economic development.

Nestlé indirectly impacts the livelihood of 23,000 rural based local farmers and their families.

As Sri Lanka's largest private sector buyer of fresh milk, we play a big role in helping to develop the local dairy industry and increase local fresh milk production. We are also Sri Lanka's largest exporter of value added coconut products and one of the world's leading exporters of Coconut Milk Powder. Hence, via raw material procurement, our contribution to the rural economy and the livelihoods of 18,000 dairy farmers and 5,000 coconut farmers was Rs. 4.8 billion in 2013.

Dairy - Nestlé has been engaged in supporting the Sri Lankan dairy sector since the early 1980's and has worked closely with the government and farmers over the years to promote good dairy farming practices such as cattle feeding and breeding, animal health and farm management. We further assist farmers by providing vital equipment, medicine and subsidies.

We pioneered the collection of fresh milk on a large scale in the North-Eastern districts at the end of the civil conflict. We have made intense and determined efforts to procure as much fresh milk as possible from the North and East to help develop these areas in line with the Nagenahira Navodaya and Uthuru Wasanthaya programs.



Notable mentions are the chilling centres opened by us in Jaffna, Kilinochchi, Mallavi and Oddusudan, which were the first ever to be established in those areas in 30 years. We have also established crucial infrastructures and networks such as milk chilling centres and milk collection points across the island to facilitate the procurement of local fresh milk. The construction of these chilling centres help rural farmers store their milk and sell them to consumers as fresh as possible, thereby guaranteeing them more business.

Nestlé's dairy infrastructure development has created significant employment and economic opportunities for rural farmers and offers hope for renewed dairy cultivation.

Coconut - Through our purchase of coconut, we help create a sustainable income source, even for the smallest of farmers. We follow this approach across all our suppliers, helping local companies improve their quality standards or supporting farmers to grow crops that benefit them. As one of the largest buyers of coconut in Sri Lanka, we have helped develop and guide specific vendors who are in direct contact with coconut farmers.



Notice of Meeting

Notice is hereby given that the Thirty Third (33) Annual General Meeting of Nestlé Lanka PLC will be held at the Sri Lanka Foundation Institute, 100, Bauddhaloka Mawatha, Colombo 07, on Thursday, 22 May 2014 at 10.00 a.m. 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 Auditor's Report and the Audited Accounts for the year ended 31 December 2013.
2. To declare a Final Dividend as proposed by the Directors.
3. To re-elect Shobinder Duggal as Director in terms of Article 64 of the Articles of Association.
4. To re-elect Ranjan Seevaratnam as Director, who attained the age of 70 years on 24 September 2013 and retires pursuant to Section 210 of the Companies Act No. 07 of 2007, and to resolve that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Ranjan Seevaratnam.
5. To reappoint the auditors and authorise the Directors to fix their remuneration.

By Order of the Board.

NESTLÉ LANKA PLC.



Lioshon Rajapakshe
Company Secretary / Legal Counsel
25 February 2014

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 to hand over 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 permitted to be taken into the meeting hall.
7. Only the shareholder 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.

Form of Proxy

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 Third Annual General Meeting to be held on Thursday, 22 May 2014 at 10.00 a.m. and at any adjournment thereof.

Signed on this: day of 2014.

.....
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 Company Registrars, SSP Corporate Services (Pvt) Ltd., 101, Inner Flower Road, Colombo 03 not less than 48 hours before the time appointed for the meeting to be held at the Sri Lanka Foundation Institute, 100, Bauddhaloka Mawatha, Colombo 07 on 22 May 2014 at 10.00 a.m.

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 Third Annual General Meeting of Nestlé Lanka PLC to be held at the Sri Lanka Foundation Institute, 100, Baudhaloka Mawatha, Colombo 07 on Thursday, 22 May 2014 at 10.00 a.m.
- Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.

සටහන්:

- 2014 මැයි මස 22 වෙනි දින පෙ.ව. 10.00 ට කොළඹ 07, බෞද්ධාලෝක මාවතේ අංක 100, දරන ස්ථානයේ පිහිටි ශ්‍රී ලංකා පදනම් ආයතනයේ දී පැවැත්වීමට නියමිත කෙසේදී ලංකා පීව්ල්සී සමාගමේ 33 වෙනි වාර්ෂික මහ සභා රැස්වීමට පැමිණෙන කොටස්හිමියන් විසින් මෙම පැමිණීමේ සටහන් පත්‍රය රැගෙන ආ යුතුය.
- කුඩා දරුවන් රැගෙන වීම රැස්වීමට බාධාවක් විය හැකි බැවින් රැස්වීමට කුඩා දරුවන් රැගෙන වීමෙන් වළකින ලෙස කොටස්හිමියන්ගේ හි කාරුණිකව ඉල්ලා සිටිමු.

குறிப்புகள்:

- 2014 மே 22 ஆம் திகதி வியாழக்கிழமை மு.ப 10.00 மணிக்கு இல. 100, பௌத்தாலோக மாவத்தை, கொழும்பு 07 இல் அமைந்துள்ள இலங்கை மன்றக் கல்லூரியில் இடம்பெறவுள்ள நெஸ்ட்லே லங்கா பீஸ்சி நிறுவனத்தின் முப்பத்து மூன்றாவது வருடாந்த பொதுக் கூட்டத்திற்கு சமூகமளிக்கின்ற பங்குதாரர்கள் இந்த சமூகமளிப்புப் படிவத்தையும் தம்முடன் கொண்டுவருமாறு கேட்கப்படுகின்றனர்..
- அசௌகரியங்களைத் தவிர்க்கும் பொருட்டு தம்முடன் பிள்ளைகளை கூட்டி வருவதைத் தவிர்த்துக்கொள்ளுமாறு அன்புடன் கேட்டுக்கொள்கின்றோம்.

Nestlé Lanka PLC

Nestlé is in the food, beverage, nutrition and wellness business, founded by Henri Nestlé in Vevey, Switzerland.

Nestlé established its presence in Sri Lanka more than a century ago, commencing as a trading company in 1906. Reinforcing our roots in the island, we became a public-quoted company in 1983 and commenced commercial production in 1984.

Today, our local portfolio comprises the country's best loved brands, where our state-of-the-art production facility in Kurunegala manufactures over 90 percent of our products sold in Sri Lanka, including *Nestomalt*, *Milo*, *Milkmaid*, *Nespray* and *Maggi*.

Nestlé Lanka is currently amongst Sri Lanka's leading food and beverage companies, providing direct employment to almost 1,200 people and positively impacting the livelihoods of over 23,000 farmers and their families.

We operate on the principle of 'Creating Shared Value', where we believe that in order for a company to be successful in the long term and create value for shareholders, we must also create value for society.

We are Sri Lanka's largest private sector buyer of fresh milk and the world's largest exporter of coconut milk powder. Nestlé is also the third most valuable company on the Colombo Stock Exchange in terms of market capitalisation.

Our corporate ambition is to be the recognised leader in Nutrition, Health and Wellness – which is captured in the simple phrase 'Good Food, Good Life'. We strive to ensure that all our food and beverage brands enhance lives by not only offering the best taste and pleasure but also the best nutritional profile in its category as part of a healthy diet.

Nestlé Lanka's manufacturing facility in Kurunegala



