

Table of Contents

8	2018	Highlights

- 16 | Chairman's Message
- 18 | Managing Director's Review
- | Board of Directors
- 28 | Our Management Committee
- | Corporate Governance
- | Corporate Governance Reporting
- Report of the Audit Committee
- Report of the Remuneration Committee
- Report of the Related Party Transactions Review Committee
- 41 Annual Report of the Board of Directors on the Affairs of the Company
- 47 Directors' Responsibility for Financial Reporting
- | Financial Report
- Independent Auditors' Report
- Statement of Profit or Loss and Other Comprehensive Income
- | Statement of Financial Position
- | Statement of Changes in Equity
- | Statement of Cash Flows
- Notes to the Financial Statements
- 94 | Value Added Statement
- 95 | Ten Year Summary
- | Share Information
- 100 Notice of Meeting
- Form of Proxy
- Attendance Form
- | Corporate Information

Revenue

Rs. 37.3 billion

Contribution to Exchequer

Rs. 6.4 billion

Earnings per Share

Rs. 64.88



FOR INDIVIDUALS & FAMILIES

Enabling healthier and happier lives

 $\sim 2,800^*$

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

205,000*

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

910 million*

servings of micronutrient fortified Nestlé products to consumers

56,250+*

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

13 million*

consumers reached through our 'Towards an Iron-Clad Nation' Campaign, to create awareness about the importance of iron in the diet.

32%≈

of added sugar removed from our portfolio

22%

of salt reduced from our portfolio



FOR OUR COMMUNITIES

Helping develop thriving, resilient communities

Rs. 2.9 billion

paid to approximately 18,000 local dairy farmers for fresh milk

Rs. 4.6 billion*

contributed to the coconut industry as payment for procuring fresh coconuts

 \sim 4,200*

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



FOR THE PLANET

Stewarding resources for future generations

Saving energy by

41%

Saving water by

35%‡

Reducing greenhouse gas emissions by

24%

* (2018)

 $\approx (2012 - 2017)$

± (2005 – 2017)

‡ (2008 – 2018 per tonne of production)

Innovations & Renovations



Combining the goodness of *Nespray* milk and the refreshing taste of coconut, *Nespray* Coco-Up RTD (Ready-to-Drink) is milky and delicious, with a subtle nutty taste. Made with Sri Lankan milk and coconut, it contains no added artificial colours or preservatives, and is the country's first dairy milk beverage to be enhanced with coconut extract. It is also the first product of its kind for Nestlé worldwide.



Combining Nescafé's signature coffee taste with a delicious hazelnut flavour, Nescafé Hazel-Ice RTD is made from 100% pure coffee beans and high quality local fresh milk. It offers the perfect iced coffee with a rich and delectable hazelnut flavour.



Offering the wholesome goodness of milk, *Nespray* FortiGrow RTD is fortified with vitamins A, B, C and D and calcium. Delivering a delicious taste of cookies dipped in milk (milky biscuit), *Nespray* FortiGrow RTD is produced using locally sourced fresh milk of the highest quality, collected from close to 18,000 local dairy farmers.



The newest entrant to *Milkmaid*'s portfolio, *Milkmaid* Choco Topping combines all the favourite things people love about *Milkmaid* – namely, its famous milky caramelised taste – with delicious high quality cocoa, to offer consumers a rich irresistible chocolatey sauce with a subtle hazelnut flavour.



The newest entrant to *Nescafe's* portfolio, *Nescafe'* Sunrise is a fine blend of coffee and chicory for those craving a stronger coffee taste.



Enriched with the goodness of essential fatty acids (Omega 3 & 6), probiotics and iron, *Nangrow 3* is a milk formula developed for 1 to 3 year old children.



Creamy and delicious, Nestlé a+™ full cream UHT milk is made with the finest fresh milk, sourced from close to 18,000 Sri Lankan farmers. Benefiting from our more than 150-year international dairy expertise, this high-quality product offers nutrient-packed goodness, a rich creamy taste and convenience all in one.



Ceregrow 4 Grains 5 Fruits with milk is a junior cereal that contains 4 grains - wheat, corn, rice and oats - and 5 fruits - apple, orange, pomegranate, blackcurrant and mango.

It is enriched with iron and calcium and does not have any preservatives or added artificial colours.

11

2018 Highlights

Recognitions



BEST CORPORATE CITIZEN IN THE MANUFACTURING SECTOR

We were crowned Best Corporate Citizen in the Manufacturing Sector for the second consecutive year at the prestigious Best Corporate Citizen Sustainability Awards 2018, organised by the Ceylon Chamber of Commerce. We were also awarded one of the top three Best Corporate Citizens in the country, with an

overall second runners-up win. We won four awards in total, including the Top 10 Best Corporate Citizen's Award for the sixth year and Best Presented Application Award for the second consecutive year.



SRI LANKA'S MOST RESPECTED FOOD AND BEVERAGE COMPANY

We were ranked Sri Lanka's Most Respected F&B Company in LMD's Most Respected Entities ranking for the third consecutive year. The ranking is based on scores across a number of parameters, including Quality Consciousness, Innovation, CSR, Corporate Culture, Dynamism, Honesty, Management Profile, and Vision.



SRI LANKA'S NO. 1 MOST VALUABLE FOOD AND BEVERAGE BRAND

We were once again ranked Sri Lanka's Most Valuable Food and Beverage Brand in 2018 by Brand Finance, in its annual report of Sri Lanka's most valuable and strongest brands. This marks the sixth consecutive year in which we have been ranked amongst Sri Lanka's Top 10 'Most Valuable Brands'. Moving up from 2017, with an increase in our brand value, we secured an overall rank of Number 7 out of 100 corporate brands from varying industries.

Recognitions



QUALITY STANDARDS RECOGNISED BY SLSI

Our much loved *Maggi* noodle range was recognised for its high quality standards by SLSI at a quality certification awards ceremony in 2018. *Maggi's* noodle range is now SLS (Sri Lanka Standards) certified, including *Maggi* Chicken, Curry, Daiya Chicken, Tikiri, Double Pack, Devilled Chilli Chicken and Spicy Blast noodles.



EFFIE AWARDS

We clinched six wins for our *Maggi, Nestomalt, Milo* and *Nangrow* brands at the 2018 Effie Awards. We were the most awarded F&B company at the event, recording the highest number of wins within the industry. Nestlé was the only company to win awards for Media Innovation, clinching a Silver Award for *Nestomalt Mobile Tug O' War* and a Finalist Award for the *Milo* 16th *Man Cheer-Line*. Nestlé was also the highest ranked company in the Packaged Food category, winning a Bronze Award for its *Maggi Coconut Milk Powder "Welawa Ithurui, Adaraya Uthurai"* (Save Time and Let the Love Flow) campaign, and Finalist Awards for its *Maggi Noodles Recipe Campaign* and *Maggi Daiya Chicken Noodles Challenge*. Nestlé also won a Finalist Award in the Beverages category for its *Nangrow Building Blocks* campaign.



STUDENT BEVERAGE BRAND OF THE YEAR

Sri Lankan students voted *Milo* 'Student Beverage Brand of the Year' once again. This is the fourth consecutive year *Milo* has won the award, signifying the unwavering love consumers have for the brand and the strong trust they continue to place in the quality of the product.

Most Loved Brands.





RANK	BRAND	CATEGORY
1	Dettol	Healthcare
2	Panadol	Healthcare
3	Sunlight	Fabric care
4	Sri Lanka Insurance	Insurance
5	Atlas	Stationery
6	Sony	Electronics
7	Elephant House Ice Cream	Food
8	Johnson's Baby	Baby care
9	Harpic	Home care
10	Marmite	Food
11	Vim	Home care
12	Milo	Beverages
13	Kelani Cables	Building materials
14	Samahan	Healthcare
15	Sampath Bank	Banking
16	Eva	Personal care
17	Honda Motorcar	Motor
18	M. D. Gunasena	Retail
19	Gillette	Personal care
20	Nestomalt	Beverages

MOST LOVED BRANDS OF 2018

Our flagships brands *Milo* and *Nestomalt* were ranked the No. 1 and No. 2 Most Loved Beverage Brands in the 'Most Loved Brands of 2018' ranking by Brand Finance. They secured a spot in the Top 20, making it *Milo's* third consecutive and *Nestomalt's* first time on the list.

12

2018 Highlights

Recognitions



HIGHEST FOREIGN EXCHANGE EARNER

We continued our winning streak at the 2018 Presidential Export Awards, bagging the 'Highest Foreign Exchange Earner' Award in the Coconut Kernel product category. This marks the seventh Presidential Export Award for the company in recognition of our strong contribution to national exports, and efforts to create sustainable livelihoods for local coconut growers and farm workers.



BUSINESS TODAY TOP 30

We were the highest ranking F&B company in Business Today's list of Sri Lanka's top thirty leading corporates for 2017-2018. We were recognised for our enduring commitment to the country; enabling growth, providing economic and social opportunities, and enhancing the quality of life of the Sri Lankan people.

Investments



2018 SLIM NASCO AWARDS

Our very own Nuwan Perera shone at the 2018 SLIM NASCO (National Sales Congress) Awards, claiming the 'Best Sales Executive – Gold Award' in the FMCG Beverage Category. This marks our fourth award in two consecutive years at the SLIM NASCO Awards. The participants were judged on their sales performance in 2018, strategies implemented to achieve targets, innovativeness in execution and potential to grow in the sales field.



ENHANCING CAPACITY FOR DAIRY AND COCONUT MILK POWDER

We just completed an investment of ~Rs. 5 billion in our new plant for processing coconut milk. It is the single largest investment made by Nestlé in Sri Lanka, and signals our commitment to the country.





Chairman's Message



For over 150 years, our company has built its success on a continuous, compelling strategy that leads to sustainable value creation. It is also based on the ability to change and adapt. 2018 was no exception. It has been a year of both continuity and change, and we have set the building blocks for the future.

Dear Shareholders,

As we look back on 2018, it is clear that the food and beverages sector is going through a significant amount of change and disruption. While much of this is influenced by external factors, the shopper experience is also transforming and consumers' own behaviour is changing, with a much higher importance being placed today on products that not only complement their lifestyles but also have a positive social impact.

Nestlé is well placed to cater to this, providing quality, nutritious food and beverages that are both delicious and convenient. For over 150 years, our company has built its success on a continuous, compelling strategy that leads to sustainable value creation. It is also based on the ability to change and adapt. 2018 was no exception. It has been a year of both continuity and change, and we have set the building blocks for the future.

The key to our long-term success continues to be understanding and

serving the consumer. It starts with transforming our core portfolio to keep products, brands and services relevant, as well as creating and scaling new brands where needed. People today know the importance of good nutrition and of managing their health more proactively. They want products with simple and understandable ingredients. Likewise, many people do not have the time to prepare and cook meals, so they are looking for food and beverages that are convenient too. We undertook a number of product innovations and renovations over the year to be able to better cater to our consumers' needs. In addition to reducing sensitive nutrients such as sugar, salt and fat in our products whilst maintaining good taste, many of our foods and beverages, especially those for children, include added micronutrients such as iron, vitamin A, calcium and zinc to support good health and well being.

To support our growth, we are increasing operational efficiencies across the company. We are focusing on cost

Chairman's Message

savings, specifically in manufacturing, procurement and administrative services. We are simplifying our manufacturing footprint and optimising our factory to utilise capacity more effectively.

Digital innovation presents us with further opportunities for competitive advantage developing more personalised experiences with the company and our products. We are connecting with younger consumers in the digital space, and are leveraging digital marketing and exploring e commerce platforms as avenues for growth.

Amid many changes, two important dimensions do not change - our purpose and our values. Our purpose is to enhance quality of life and contribute to a healthier future. Our values, rooted in respect, guide our decisions and actions. We believe that business can have a positive impact on society, and understand that the prospects of our business are linked to the health and resilience of the society we operate in. Our aim is to create shared

value for all stakeholders across the value chain and make a positive impact through our business.

On behalf of the Board, I would like to thank our valued shareholders for their support and loyalty to the company. I would also like to thank all of our employees for their hard work and commitment in helping to drive the company through the many changes that shaped a challenging year, to ensure our long-term success.

Suresh Narayanan Chairman NESTLÉ LANKA PLC

21 February 2019

Managing Director's Review



In these volatile times. we continued to invest in our people and brands to drive growth over the next years. We have invested in capacity and have made significant progress in ramping up our portfolio with necessary product innovations and renovations, while continuing to be a powerful force for good in the local community through our products, services and social responsibility initiatives.

Dear Shareholders,

2018 was a challenging year, particularly for the food and beverages industry; shaped by continued soft consumer confidence and demand coupled with the recent political uncertainty and a steep devaluation of the local currency.

In these volatile times, we continued to invest in our people and brands to drive growth over the next years. We have invested in capacity and have made significant progress in ramping up our portfolio with necessary product innovations and renovations, while continuing to be a powerful force for good in the local community through our products, services and social responsibility initiatives.

Continuous innovation is a key differentiator for Nestlé, fueling growth from within the company. Driven by our purpose to enhance quality of life and contribute to a healthier future, we launched many innovations catering to the evolving preferences and nutritional needs of Sri Lankan consumers.

Reinforcing our leadership in nutrition, we introduced high quality, science-based nutritional products - Nangrow 3 and Ceregrow 4 Grains 5 Fruits with milk for toddlers between one and five years old. In line with our commitment to help develop the local dairy industry, we expanded our dairy product range with Nestlé a+™ full cream UHT milk, Nespray Coco-Up RTD (Readyto-Drink), Nespray FortiGrow RTD and Milkmaid Choco Topping, made from the goodness of Sri Lankan milk. Last but not least, in our efforts to make coffee a trendy, exciting and appealing consumption experience, we launched our delicious Nescafé Hazel-Ice RTD and Nescafé Sunrise.

We also re-affirmed our leadership as a good corporate citizen by supporting local communities to thrive and develop. In 2018, we paid a total of Rs. 7.5 billion to local dairy farmers and the local coconut industry for their produce. Thousands of Sri Lankan farmers were supported and trained to help improve the quality and

Managing Director's Review

yield of their produce, and we continued to support youth employability via our 'Nestlé Needs YOUth' programme, to make young Sri Lankans more employable in 2018.

In line with our company purpose, we focused on inspiring millions of adults and children to lead healthier lives by providing micronutrient-fortified food and sharing nutritional knowledge via our ongoing Nestlé Healthy Kids Programme, Kids Athletics Programme, 'Choose Wellness' programmes, and 'Towards an Iron-Clad Nation' campaign.

Staying true to our commitment to safeguard the environment and steward resources for future generations, we invested in environmentally friendly initiatives, equipment and technologies over the year. I am proud to share that our factory in Kurunegala is a zero waste for disposal factory, which means that nothing goes to landfill or is incinerated without energy being recovered from the process. Further, we will launch the

first of many consumer-facing recycling initiatives for our packaging waste, in the near future.

These achievements, among others, show that we as a company have a vital role to play in building a better, more sustainable world for everyone.

From all the recognitions we received for our work in supporting local communities and delighting consumers with our brands, I am proud to mention that we were awarded the Best Corporate Citizen in the Manufacturing Sector for the second consecutive year at the Best Corporate Citizen Sustainability Awards 2018.

I would like to thank you, our shareholders, for your continuing support. We value your ongoing trust in our company and our people, and your confidence in our leadership, setting a solid, stable course for the future. I also thank all of our employees and business partners for their ongoing dedication and

support to Nestlé Lanka. It is their hard work and commitment to excellence that drives our company day to day.

While we foresee a challenging year ahead, where we will have to manage the impact of the strong devaluation of the Sri Lankan rupee, I am confident that the food and beverage market will see its expected recovery in the near future and that we are well positioned, with our strong consumer-centric brands, to drive growth.

Fabrice Cavallin
Managing Director

NESTLÉ LANKA PLC

21 February 2019

කළමනාකාර අධ්‍යක්ෂකතුමාගේ සමාලෝචනය

හිතවත් කොටස් හිමිකරුවනි.

ආහාරපාන කර්මාන්තය සඳහා 2018 වසර දැඩි අභියෝගකාරී වර්ෂයක් විය. ශීූ ලංකා රුපියලේ දැවැන්ත අවපුමාණය සහ දේශපාලන අස්ථාවරභාවය මත හටගත් දුර්වල පාර්භෝගික විශ්වාසය හා ඉල්ලුම ඊට පුධාන ලෙස බලපෑවේය.

මෙම වියවුල් සහගත කාලසමය තුළ ඉදිරි වසර කිහිපය පුරා අපගේ සේවකයින්ගේ හා සන්නාමයන්ගේ වර්ධනය වෙනුවෙන් අඛණ්ඩව ආයෝජනය කිරීමට අපි පියවර ගතිමු. අපි අපගේ ධාර්තාව පුළුල් කිරීම සඳහා ආයෝජනය කර ඇති අතරම, අපගේ නිෂ්පාදන පෙළ තුළ ද අතෳවශෳ නවෝත්පාදන සහ අලුත්වැඩියා කිරීම් සිදුකරමින් සුවිශේෂී වර්ධනයක් අත්කරගෙන තිබේ. ඒ අතරේදී අපගේ නිෂ්පාදන, සේවා සහ සමාජ වගකීම් සහගත වාහපෘති තුළින් දේශීය පුජාවේ යහපත වෙනුවෙන් ශක්තිමත් බලපෑමක් ඇතිකිරීමට ද සමාගමට හැකිවී තිබේ.

අඛණ්ඩව සිදුකෙරෙන නවෝත්පාදන කටයුතු ද නෙස්ලේ සමාගමේ වර්ධනයට ඉවහල් වේ. ජීවිතයේ ගුණාත්මකභාවය ඉහළ නංවමින්, සෞඛ% සම්පන්න අනාගතයක් බිහිකරලීමේ අපගේ අරමුණ හා සමපාත වන අයුරින් ශී ලාංකික පාරිභෝගිකයින් සතු වෙනස්වන මනාපයන්ට සහ පෝෂණ අවශ%තාවන්ට යෝග% ආකාරයේ නව නිෂ්පාදන රැසක් හඳුන්වා දීමට ද අපි කටයුතු කළෙමු.

පෝෂණ අවශෘතා සපුරාලීමෙහි අපේ පුමුඛස්ථානය තවත් වැඩිදියුණු කරමින් විදාහත්මකව පදනම් වූ උසස් පුමිතියේ පෝෂෘ නිෂ්පාදන ලෙස වයස අවුරුදු 1ත් 5ත් අතර වයසේ දරුවන් වෙනුවෙන් Nangrow 3 සහ Ceregrow 4 Grains 5 Fruits with milk වෙළෙඳපොළට හඳුන්වාදුනි. එසේම දේශීය කිරි කර්මාන්තය දියුණු කිරීම සඳහා වූ අපගේ කැපවීම අනුව යමින්, අපගේ කිරි ආශිත නිෂ්පාදන පෙළ පුළුල් කිරීම පිණිස

අපි දේශීය කිරි යහගුණයෙන් යුත් Nestlé *a+™* **පූර්ණ යොදය** සහිත UHT (දියර) කිරි, *Nespray* FortiGrow Ready-to-Drink පානය, *Nespray* Coco-Up Ready-to-Drink පානය සහ *Milkmaid* Choco Topping යන නිෂ්පාදන එළිදැක්වීමු. එපමණක් නොව, කෝපි පානය කිරීම අලුත්ම රැල්ලේ, පුබෝධමත් හා ආකර්ෂණීය පාරිභෝගික අත්දැකීමක් කරනු වස් *Nescafé* Hazel-Ice Ready-To-Drink පානය සහ *Nescafé* Sunrise පානය ද හඳුන්වා දෙනු ලැබිණි.

දේශීය පුජාවගේ පුගමනයට සහ සංවර්ධනයට දායකවෙමින් යහපත් වනපාර්ක පුරවැසියෙකු ලෙස අපගේ නායකත්වය යළි තහවුරු කිරීමට අපට හැකිවිය. එනම්, 2018 වසරේදී අපවිසින් දේශීය කිරි ගොවීන්ට සහ පොල් කර්මාන්තයට ඔවුන්ගේ නිෂ්පාදන වෙනුවෙන් රුපියල් බ්ලියන 7.5ක් ලබාදෙන ලදී. තව ද ශී ලාංකික ගොවීන් දහස් ගණනකට තම අස්වැන්නේ පුමිතිය ඉහළ නංවාගැනීමටත් අස්වැන්න වැඩිකරගැනීමටත් සහාය වීමට හා පුනුණු කිරීමට අප දායක වූ අතර 'Nestlé Needs YOUth' වැඩසටහන ඔස්සේ, 2018 වසරේදී ශී ලාංකික තරුණ පිරිසගේ සේවා නියුක්තිය වැඩිදියුණු කිරීම සඳහා අපි අඛණ්ඩව සහාය ලබාදුනිමු.

අපගේ අරමුණට සමගාමීව, දැනට කියාත්මක වෙමින් පවතින Nestlé Healthy Kids Programme, Kids Athletics Programme, 'Choose Wellness' සහ 'Towards an Iron-Clad Nation' යන වැඩසටහන් ඔස්සේ මිලියන ගණනක් වූ වැඩිහිටියන්ට සහ දරුවන්ට පෝෂණ දැනුම හිමිකරදීමටත්, ක්ෂුදු පෝෂක පවා අඩංගු ආහාර මගින් නීරෝගීමත් ජීව්තයක් ගතකිරීම සඳහා මඟපෙන්වීමටත් අපි පියවර ගතිමු. Nestlé Lanka PLC | Annual Report 2018

කළමනාකාර අධනක්ෂකතුමාගේ සමාලෝචනය

පරිසරය ආරක්ෂා කරගැනීමේ හා අනාගත පරපුර වෙනුවෙන් සම්පත් රැකගැනීමේ අපගේ කැපවීමට සත්‍ය ලෙසම අනුගත වෙමින් මෙම වසර පුරා අපි පරිසර හිතකාමී වැඩසටහන්, උපකරණ හා තාක්ෂණ විධි කුම වෙනුවෙන් ආයෝජනය කළෙමු. ඒ අනුව කුරුණෑගල පිහිටි අපගේ කර්මාන්තශාලාව 'zero waste for disposal' කර්මාන්තශාලාවක් වන බව මා ප්‍යකාශ කරන්නේ ආඩම්බරයෙනි. එයින් අදහස් වන්නේ, අපි කිසිදු විටෙක බලශක්ති උත්පාදනයට භාවිතා නොකොට කසල පරිසර හිතකාමී නොවන අයුරින් බැහැර කිරීමට හෝ පුළුස්සා දැමීමට පියවර නොගන්නා බවය. ඉදිරියේදී අපගේ නිෂ්පාදන අසුරන බොහෝමයක් සඳහා පාරිභෝගික අන්තයෙන් පතිවිකීයකරණ වැඩපිළිවෙලක් ආරම්භ කිරීමට ද සැලැසුම් කරතිබේ.

අන් සියලු ජයගුහණ මෙන්ම මේ හරහා ද පෙන්නුම් කෙරෙනුයේ සියලුදෙනාටම යහපත් සහ වඩාත් තිරසාර ලෝකයක් ගොඩනැගීම සඳහා සමාගමක් ලෙස අප සතු වැදගත් කාර්යභාරයක් ඇති බවය.

දේශීය පුජාවට ලබාදුන් දායකත්වය සහ පාරිභෝගිකයන්ගේ තෘප්තිය වෙනුවෙන් අපට හිමිවූ සම්මාන රාශියක් අතුරින්, 2018 හොඳම වහාපාරික පුරවැසි තිරසාර සම්මාන උළෙලේදී අඛණ්ව දෙවැනි වරටත් නිෂ්පාදන අංශයේ හොඳම වහාපාර පුරවැසියාට (Best Corporate Citizen in the Manufacturing Sector) හිමි සම්මානය දිනාගැනීමට හැකිවීම, අභිමානයෙන් යුතුව පෙන්වා දීමට කැමැත්තෙමි.

අපගේ කොටස්හිමියන්ගෙන් නිබඳව ලැබුණු ශක්තියට ද මම ස්තූතිවන්ත වෙමි. අපගේ සමාගම හා එහි සේවකයින් කෙරෙහිද, ස්ථීර හා ශක්තිමත් අනාගතයක් කරා යාමට අප සතු නායකත්වය කෙරෙහිද ඔබ තබා ඇති විශ්වාසය පිළිබඳ අපි මහත් සේ අගයන්නෙමු. එමෙන්ම අපගේ සියලු සේවක සේවිකාවන්ට හා වාසාර සහකරුවන්ට නෙස්ලේ ලංකා ආයතනය වෙනුවෙන් ලබාදුන් අඛණ්ඩ කැපවීම හා සහාය වෙනුවෙන් ද මාගේ ස්තූතිය පිරිනැමීමට කැමැත්තෙමි. අපගේ සමාගම දිනෙන් දින ඉදිරියට ගමන් කරන්නේ ඔවුන්ගේ කැපවීමේ හා අපුතිහත ධෛර්යයේ විශිෂ්ටත්වය නිසාවෙනි.

රුපියල දැවැන්ත ලෙස අවපුමාණය වීම හරහා මතුවන බලපෑම් කළමනාකරණය කිරීමට සිදුවන අභියෝගකාරී ඉදිරි කාල පරිච්ඡේදයක් අප හමුවේ පැවතිය ද, නුදුරේදීම ආහාරපාන වෙළෙඳපොළ, අපේක්ෂිත තත්ත්වයට පැමිණීමත්, අපගේ පාරිභෝගික කේන්දී නිෂ්පාදන නිසා වෙළෙඳපොළ තුළ හොඳින් ස්ථානගත අප සමාගමට අඛණ්ඩ වර්ධනයක් අත්කරගැනීමට හැකිවනු ඇති බවත් මාගේ විශ්වාසයයි.

ෆැබ්රිස් කවලින් කළමනාකාර අධ¤ක්ෂක

නෙස්ලේ ලංකා පීචල්සී

21 පෙබරවාරි 2019

முகாமைத்துவப் பணிப்பாளரின் மீளாய்வு

அன்பிற்குரிய பங்குதாரர்களே,

2018 ஆம் ஆண்டானது, குறிப்பாக உணவு மற்றும் பான வகை உற்பத்தித் தொழிற்துறையைப் பொறுத்தவரையில் சவால்மிக்க ஆண்டாகவே அமையப்பெற்றது. சமீபத்தைய அரசியல் ஸ்திரமின்மை மற்றும் உள்நாட்டு நாணயத்தில் ஏற்பட்ட சடுதியான வீழ்ச்சி காரணமாக நுகர்வோரின் நம்பிக்கை மற்றும் கேள்வி ஆகியன தொடர்ந்தும் சவாலுக்கு உட்படுத்தப்பட்டன.

இத்தகைய ஸ்திரமற்ற ஒரு காலகட்டத்தில், அடுத்து வரும் ஆண்டுகளில் வளர்ச்சியை முன்னெடுத்துச் செல்வதற்காக எமது பணியாளர்கள் மற்றும் வர்த்தகநாமங்கள் மீது நாம் தொடர்ந்தும் முதலீடு செய்துள்ளோம். திறன் மீது நாம் முதலீடு செய்துள்ளோம். திறன் மீது நாம் முதலீடு செய்துள்ளதுடன், எமது உற்பத்திகள், சேவைகள் மற்றும் சமூகப் பொறுப்புணர்வு முயற்சிகளினூடாக உள்நாட்டு சமூகத்தின் நன்மைக்காக சக்தி வாய்ந்த ஒரு வலுவாக தொடர்ந்தும் செயற்படும் அதேசமயம், தேவையான உற்பத்தி புத்தாக்கங்கள் மற்றும் சீரமைப்புக்களுடன் எமது உற்பத்தி வரிசையை ஒழுங்கமைப்பதிலும் கணிசமான முன்னேற்றம் கண்டுள்ளோம்.

நிறுவனத்தின் வளர்ச்சிக்கு உந்துசக்தியாக அமைந்து, நிறுவனத்தின் தனித்துவத்திற்கு முக்கியமான அம்சமாக காணப்படுவது அதன் தொடர்ச்சியான புத்தாக்கமே. வாழ்க்கைத்தரத்தை ஆரோக்கியமான மேம்படுத்தி, எதிர்காலத்திற்கு பங்களிப்பாற்ற வேண்டும் สี่สี่การ எமது நோக்கத்தினால் முன்னெடுத்துச் செல்லப்பட்டு, இலங்கை நுகர்வோர் மத்தியில் மாற்றம் கண்டு வருகின்ற விருப்பத் தெரிவுகள் மற்றும் ஊட்டச்சத்து தேவைகளை ஈடுசெய்யும் வகையில் பல புத்தாக்கங்களை நாம் அறிமுகப்படுத்தியுள்ளோம்.

ஊட்டச்சத்தில் எமது தலைமைத்துவ ஸ்தானத்தை வலுப்படுத்தும் வகையில், உயர் தரம் கொண்ட, விஞ்ஞானரீதியான ஊட்டச்சத்து உற்பத்திகளை நாம் அறிமுகப்படுத்தியுள்ளோம். Nangrow 3 மற்றும Ceregrow 4 Grains 5 Fruits with milk ஆகிய உற்பத்திகள் ஒன்று முதல் மூன்று வயதிற்கு இடைப்பட்ட குழந்தைகளுக்கானவை. உள்நாட்டு பாலுற்பத்தித் தொழிற்துறையை அபிவிருத்தி செய்ய உதவுவதில் நாம்

கொண்டுள்ள அர்ப்பணிப்புடனான ஈடுபாட்டிற்கு அமைவாக, நலச்செமுமை மிக்க இலங்கைப் பாலை உபயோகிக்கு தயாரிக்கப்படும் Nestlé a+™ (முழு ஆடை (திரவ) பால் (full cream UHT (liquid milk), Nespray Coco-Up Ready-to-Drink, Nespray FortiGrow RTD மற்றும் Milkmaid Choco Topping உந்பத்திகளுடன் பாலை மூலமாகக் கொண்ட உந்பத்தி வரிசையை நாம் விஸ்தரித்துள்ளோம். இறுதியாக, நவீன போக்குடைய, மகிழ்வூட்டுகின்ற, மற்றும் நுகர்வோரின் அனுபவத்தை ஈர்க்கின்ற கோப்பியை அறிமுகப்படுத்தும் எமது முயற்சிகளின் அங்கமாக அற்புதமான சுவை கொண்ட Nescafé Hazel-Ice RTD மற்றும் *Nescafé* Sunrise ஆகியவற்றை நாம் அறிமுகப்படுத்தியுள்ளோம.

உள்நாட்டு சமுகங்கள் வளம் பெற்று, அபிவிருத்தி அடைவதந்கு உதவுவதில் சிறந்த வர்த்தக நிறுவனம் என்ற எமது தலைமைத்துவ ஸ்தானத்தை நாம் மீளவும் உறுதிப்படுத்தியுள்ளோம். 2018 ஆம் ஆண்டில் உள்நாட்டு பாற்பண்ணையாளர்கள் மற்றும் உள்நாட்டு தேங்காய் உற்பத்தித் தொழிந்துரைக்கு கொள்வனவு மூலமாக மொத்தமாக **ரூபா** 7.5 **பில்லியன்** தொகையை நாம் செலுத்தியுள்ளோம். தரம் மற்றும் உற்பத்தியின் அளவை மேம்படுத்த பல்லாயிரக்கணக்கான பாந்பண்ணையாளர்கள் தெங்குத்தோட்டக்காரர்களுக்கு உதவி மற்றும் பயிற்சிகளை நாம் வழங்கியுள்ளதுடன், எமது 'Nestlé Needs YOUth' நிகழ்ச்சித்திட்டத்தினூடாக 2018 ஆம் ஆண்டில் மேலும் இளைஞர், யுவதிகளை தொழில் வாய்ப்புக்களுக்கு ஏற்றவர்களாக உருவாக்குவதற்கு உதவுவதை நாம் தொடர்ந்து முன்னெடுத்துள்ளோம்.

எமது நிறுவனத்தின் நோக்கத்திற்கு அமைவாக, நுண்ஊட்டச்சத்து நிரம்பிய உணவை வழங்கியும், தற்போது முன்னெடுக்கப்பட்டு வருகின்ற Nestlé Healthy Kids Programme, Kids Athletics Programme, 'Choose Wellness' நிகழ்ச்சித்திட்டங்கள் மற்றும் 'Towards an Iron-Clad Nation' பிரச்சாரம் ஆகியவற்றினூடாக ஊட்டச்சத்து தொடர்பான அறிவைப் பகிர்ந்தும் பல மில்லியன் கணக்கான வளர்ந்தோர் மற்றும் சிறுவர்கள் ஆரோக்கியமான

22

முகாமைத்துவப் பணிப்பாளரின் மீளாய்வு

வாழ்வை முன்னெடுப்பதை ஊக்குவிப்பதில் நாம் கவனம் செலுத்தியுள்ளோம்.

எதிர்கால சூழலைப் பாதுகாக்கு, தலை முறைகளுக்காக வளங்களைப் பேணுவதில் நாம் கொண்டுள்ள அர்ப்பணிப்புடனான உண்மையாக கடைப்பிடித்து, சுற்றுச்சூழலுக்கு தீங்கற்ற முயற்சிகள், உபகரணம் மற்றும் தொழில்நுட்பங்கள் மீது நாம் தொடர்ந்தும் முதலிட்டுள்ளோம். குருணாகலில் அமைந்துள்ள எமது தொழிற்சாலை, எவ்விதமான கழிவையும் வெளிவிடாத ஒரு தொழிற்சாலையாக இயங்கி வருகின்றது என்பதை பெருமையுடன் உங்களுடன் பகிர்ந்து கொள்கின்றேன். அதாவது, எமது உற்பத்தி செயற்பாடுகளின் போது எவ்விதமான கமிவுகளும் நிலத்தை சென்றடைவதில்லை என்பதுடன், எரிசக்தியானது விரயமாக்கப்படாது மீளப் பெறப்படுகின்றது. மேலும், எமது **பொதியிடல் கழிவு தொடர்பில்** நுகர்வோரை நோக்கிய **மீள்சுழற்சி முயற்சிகளில** முதலாவது முயற்சியை நாம் கூடிய விரைவில் ஆரம்பிக்கவுள்ளோம்.

அனைவருக்கும் இன்னும் பேண்தகைமை கொண்ட, சிறப்பான ஒரு உலகினைக் கட்டியெழுப்புவதில் ஒரு வர்த்தக நிறுவனம் என்ற வகையில் நாம் முக்கிய பங்கு வகிப்பதை ஏனைய பல்வேறு முயற்சிகள் மத்தியில் மேற்குறிப்பிட்ட முன்னெடுப்புக்கள் காண்பிக்கின்றன.

உள்நாட்டு சமுகங்களுக்கு உதவுகின்ற எமது பணிகள் மற்றும் வர்த்தகநாமங்களினூடாக நுகர்வோரை பூரிப்பிற்கு உள்ளாக்கி வருகின்றமைக்காக எமக்கு கிடைக்கப்பெற்ற அனைத்து இனங்காணல் அங்கீகாரங்களுக்கு மத்தியில், 2018 ஆம் ஆண்டிற்கான மிகச் சிறந்த வர்த்தக நிறுவன பேண் தகைமை விருதுகள் என்ற பெருமதிப்பு மிக்க நிகழ்வில் தொடர்ந்து இரண்டாவது ஆண்டாகவும் உற்பத்தித் துறையில் மிகச் சிறந்த வர்த்தக நிறுவனம் (Best Corporate Citizen in the Manufacturing Sector) என்ற விருது எமக்கு கிடைக்கப்பெற்றுள்ளதை நாம் பெருமையுடன் குறிப்பிட விரும்புகின்றேன்.

நீங்கள் வழங்கி வருகின்ற தொடர்ச்சியான ஆதரவிற்காக எமது பங்குதாரர்களாகிய உங்களுக்கு எமது நன்றிகளைத் தெரிவித்துக் கொள்கின்றோம். எதிர்காலத்திற்கான ஒரு திடமான மந்நும் நிலையான போக்கை ஏந்படுத்துவதில் எமது நிறுவனம், எமது பணியாளர்கள் மற்றும் எமது தலைமைத்துவத்தின் மீது நீங்கள் வைத்துள்ள நம்பிக்கையை நாம் மிகவும் மதிக்கின்றோம். அத்துடன், நெஸ்லே நிறுவனத்திற்கு தொடர்ந்தும் காண்பித்து வருகின்ற அர்ப்பணிப்புடனான ஈடுபாடு மற்றும் ஆதரவுக்காக எமது ஊழியர்கள் மற்றும் வர்த்தகப் பங்காளர்கள் அனைவருக்கும் எனது நன்றிகளைத் தெரிவித்துக் கொள்ள விரும்புகின்றேன். தலைசிறந்த நிறுவனமாகத் திகழ்வதை நோக்கிய அவர்களுடைய கடின உழைப்பு மற்றும் அர்ப்பணிப்புடனான ஈடுபாடு ஆகியனவே எமது நிறுவனத்தை நாள்தோறும் முன்னெடுத்துச் செல்கின்றன.

இலங்கை நாணயத்தின் பெறுமதி வீழ்ச்சி கண்டுள்ளமையால் ஏற்பட்டுள்ள விளைவுகளைச் சமாளிப்பதில் மற்றுமொரு சவால்மிக்க ஆண்டாக எதிர்வரும் ஆண்டும் அமையுமென நாம் எதிர்பார்த்துள்ளதுடன், உணவு மற்றும் பான வகைச் சந்தையானது வெகு விரைவில் மீள்நிலைக்கும் திரும்பும் என நான் நம்பிக்கை கொண்டுள்ளேன். நுகர்வோரை மையமாகக் கொண்ட வலுவான வர்த்தகநாமங்களின் துணையுடன் வளர்ச்சியை முன்னெடுத்துச் செல்லும் சிறப்பான ஸ்தானத்தில் நாம் உள்ளோம்.

்.பேப்ரிஸ் கவலின் முகாமைத்துவப் பணிப்பாளர்

ട്രെസ്லേ லங்கா பீஎல்சி

21 பெப்ரவரி 2019





Board of Directors



Suresh Narayanan

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

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

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

He holds a Master's Degree in Economics from the Delhi School of Economics and a Diploma from the IMD Executive Development Programme in Switzerland. He has also participated in Nestlé's Leadership Programme at the London Business School.

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



Fabrice Cavallin

is the Managing Director of Nestlé Lanka PLC, effective 1 January 2019, and is responsible for the management of Nestlé's operations both in Sri Lanka and Maldives. He succeeds Shivani Hegde, who has moved to a new role at the Nestlé Group Head Office in Switzerland, with effect from 1 January 2019.

Fabrice started his career with Nestlé in Switzerland in 1995 as an International Auditor. His international career with Nestlé includes several successful General Management roles for Nestlé's bottled water and nutrition businesses across the USA, Argentina, Mexico, Germany, Spain and India.

Prior to joining Nestlé Lanka, Fabrice was the Regional Business Head for Nestlé's Infant Nutrition business in South Asia. He was able to deliver outstanding results for the nutrition business in the region, achieving strong growth in a highly competitive environment.

Over his 24 years in the company, Fabrice has earned a reputation for energy, pragmatism, and determination to win; setting new standards and creating opportunities to succeed in difficult market environments across varying geographies.

He holds a Master's degree in Economics from the renowned University of St. Gallen in Switzerland.



Shivani Hegde

was the Managing Director of Nestlé Lanka PLC from 1 February 2015 to 31 December 2018. She has moved to Nestlé's group headquarters in Switzerland to lead food category development for Asia, Oceania and Africa, effective 1 January 2019.

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

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

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



Gurcharan Grover

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

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

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

27

Board of Directors



Shobinder Duggal

Is a Non-Executive Director of Nestlé Lanka PLC since 1 January 2014. He is also Director - Finance & Control and Chief Financial Officer of Nestlé India Limited, responsible for the financial management of Nestlé's business operations in South Asia, as well as Chairman of the Risk Management Committee and member of the Stakeholders Relationship Committee of Nestlé India Limited.

Shobinder holds over 30 years of experience with Nestlé India Ltd. Before taking on his current role as CFO and member of the Nestlé India Board in 2004, he handled various responsibilities for Nestlé India, including Vice President – Corporate Control, Head of Internal Audit, in addition to undertaking important assignments at the Nestlé Group Headquarters in Switzerland.

He is an Economics (Hons.) Graduate from St. Stephens College, Delhi University, as well as a Chartered Accountant, and has received his executive education from the prestigious IMD Business School in Switzerland.



Mahen Dayananda

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

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

Mahen is currently a Non-Executive Director of Pegasus Hotels of Ceylon PLC and Bukit Darah PLC, and the Resident Representative in Sri Lanka of Gover Horowitz & Blunt Ltd (UK). He is also the Honorary Consul for the Republic of Benin in Sri Lanka.



Ranjan Seevaratnam

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

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



Dian Gomes

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

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

Dian currently serves as the Chairman of the Colombo Business School and Westgate Apparel (Pvt) Ltd. He is the former Chairman of Hela Clothing (Pvt) Ltd., former Managing Director/CEO of MAS intimates (Pvt) Ltd, and Group Director of MAS Holdings Ltd.

Our Management Committee



Standing (from left to right):

José Roldán - VP Supply Chain | Ruwan Welikala - VP Ambient Dairy | Mohamed Ali - Category Marketing Manager, *Milo* Tharinda Jayasundera - Business Executive Officer, Nutrition | Priyadarshinie Karunaratne - VP Food Roshan Perera - VP Nestlé Professional | Bandula Egodage - VP Corporate Affairs & Communications

Our Management Committee



Sitting (from left to right):

Enoca Sirimanne - VP Human Resources | Radhini DeCosta - AVP Marketing Services
Thomas Mueller - SVP Technical | Fabrice Cavallin - Managing Director
Gurcharan Grover - SVP Finance & Control | Jagath Wedage - VP Sales





Corporate Governance

Nestlé Lanka complies with established best practices of Corporate Governance. In addition to the Listing Rules of the Colombo Stock Exchange, the Board has adopted the Nestlé Corporate Business Principles, which guide the conduct of Nestlé employees in their dealings with customers, suppliers and other stakeholders. It is one of the key objectives of the Company to maintain high standards of integrity in its business.

Members of the Board

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

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

The Directors' interest / involvement in the affairs of the Company are explained on pages 42 to 44 and the Corporate Governance Compliance Table is shown on pages 34 to 36.

Board Independence

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

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

Company Secretary

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

Management Committee

The Management Committee is led by the Managing Director, to which the Board has entrusted certain responsibilities, including the day to day running of the business. Every member of the Management Committee is responsible for operations and the delivery of objectives pertaining to his / her particular division. The Company's Management Committee can be viewed on pages 28 and 29.

Compliance Committee

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

The main objectives of the Compliance Committee are as follows;

- To sustain a 'compliance' culture that enables good business decisions.
- To ensure that the Company is compliant with local legislations, Nestlé Corporate Business Principles, Nestlé Code of Business Conduct, Nestlé Insider Trading Policy and other policies as issued by the Nestlé Group from time to time.
- To ensure independence of process in addressing any compliance related matter.

Corporate Governance

- To devise a proper system to ensure compliance with the provisions of all applicable laws and internal controls, and that such systems are operating effectively.
- To perform any other duties as directed by the Board, Audit Committee or Management Committee.

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

Auditors

At the thirty seventh Annual General Meeting of Nestlé Lanka PLC, held on 08 May 2018, 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 2018 in order to form an opinion on the financial statements. Their report on the financial statements is given on pages 52 to 54.

Audit, Remuneration and Related Party Transactions Review Committee

The Audit Committee Report on page 37, the Remuneration Committee Report on page 38 and Related Party Transactions Review Committee Report on pages 39 and 40 detail the functions and responsibilities of the respective Board Sub-Committees

Internal Controls

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

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

Risk Management

Nestlé has always recognised its obligation towards the occupational health and safety of its employees, as well as

of community members directly or indirectly involved in the Company's operations. Equally important is the Company's obligation to protect Shareholders' interests, by managing risks to minimise potential financial loss. In order to manage these risks, the Company has implemented the following procedures:

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

Employee Relations

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

Shareholders

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

Corporate Governance Reporting

Disclosure Regarding the Board of Directors Under the Listing Rules Issued by the Colombo Stock Exchange				
Section	Subject	Applicable Rule	Compliance Status	Details
7.10.1(a) to (c)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors	Compliant	Five out of seven Directors are Non- Executive Directors
7.10.2(a)	Independent Directors	Two or one third of Non-Executive Directors (whichever is higher) should be independent	Compliant	Three of the five Non- Executive Directors are independent
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non- independence in the prescribed format	Compliant	The three Non- Executive Independent Directors, and two Non-Executive Directors have submitted to the Company a declaration in the prescribed format
7.10.3(a)	Disclosures relating to Directors	Determination of Independent Directors and their names should be disclosed in the Annual Report	Compliant	Please refer page 32 of the Annual Report
7.10.3(b)	Directors do not qualify as independent but are specified by the Board as independent	The qualification not met under Rule 7.10.4 of the CSE Listing Rules and the basis for determining the Director to be independent	Compliant	Please refer page 32 of the Annual Report
7.10.3(c)	Brief résumé of each Director in the Annual Report	A brief résumé of each Director should be included in the Annual Report, including the area of expertise	Compliant	Please refer pages 26 and 27 of the Annual Report

Corporate Governance Reporting

Disclosure Regarding the Remuneration Committee Under the Listing Rules Issued by the Colombo Stock Exchange				
Section	Subject	Applicable Rule	Compliance Status	Details
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be independent The Chairman of the Committee shall be a Non-Executive Director	Compliant Compliant	Please refer page 38 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 Executive Officers	Compliant	Please refer page 38 of the Annual Report
7.10.5(c)	Disclosure in the Annual Report	Names of the Directors in the Remuneration Committee A Statement of the Remuneration Policy	Compliant Compliant	Please refer page 38 of the Annual Report
		The aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 38 of the Annual Report

Corporate Governance Reporting

Disclosures Regarding the Audit Committee Under the Listing Rules Issued by the Colombo Stock Exchange				
Section	Subject	Applicable Rule	Compliance Status	Details
7.10.6(a)	Composition of the Audit Committee	Shall comprise Non-Executive Directors, a majority of whom shall be independent	Compliant	
		The Chairman of the Committee shall be a Non-Executive Director	Compliant	Please refer page 37 of the Annual Report
		The Chairman or a member should be a member of a professional accounting body	Compliant	
7.10.6(a) and (c)	Audit Committee	A listed company may be permitted to have the same Audit Committee if the parent company is also listed	Not applicable	The parent company is not listed in Sri Lanka. As such, a separate Audit Committee has been formed
7.10.6(b)	Functions of the Audit Committee	Should be detailed as per section 7.10.6(b) of the Listing Rules	Compliant	Please refer page 37 of the Annual Report
7.10.6(c)	Disclosure in the Annual Report	Names of the Directors in the Audit Committee	Compliant	
		The basis of determination of the Auditor's independence	Compliant	Please refer page 37 of the Annual Report
		A report of the Audit Committee as per section 7.10.6(c) of the Listing Rules	Compliant J	

Disclosures Regarding the Related Party Transactions Review Committee Under the Listing Rules Issued by the Colombo Stock Exchange					
Section	Subject	Applicable Rule	Compliance Status	Details	
9	Related Party Transactions Review Committee	The Company shall have a Related Party Transactions Review Committee	Compliant	Related Party Transactions Review Committee duly appointed as per CSE Listing Rules	
9.2.2	Composition of the Related Party Transaction Review Committee	Shall comprise a combination of Non-Executive Directors, Independent Non-Executive Directors and Executive Directors The Chairman of the Committee should be an Independent Non-Executive Director	Compliant	Please refer page 39 of the Annual Report	

Report of the Audit Committee

The Committee, appointed by the Board of Directors, comprises four members. They are Ranjan Seevaratnam, Mahen Dayananda and Dian Gomes, who are Non-Executive Independent Directors, and Shobinder Duggal, who is a Non-Executive Director. The Committee is chaired by Ranjan Seevaratnam, who is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants in England and Wales, and a former Partner of KPMG.

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

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

The Audit Committee's main duties include the following:

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

Page 27 of this Annual Report displays the profiles of the members of the Audit Committee. The members have the requisite financial knowledge and business acumen to carry out

their roles effectively, and discuss matters that come within their purview independently and professionally.

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

The external Auditors' letter of engagement, including the scope of the audit, was reviewed and discussed by the Committee with the external Auditors and Management, prior to the commencement of the audit. The external Auditors advised the Committee on an on-going basis regarding matters of significance that were pending resolution. The Committee is satisfied that the independence of the external Auditors have not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Company. The Committee has also reviewed the arrangements made by the Auditors to maintain their independence, and confirmation has been given by the Auditors of their compliance with the 'independence' guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. The Audit Committee has assessed, evaluated and reviewed the effectiveness of the independent performance of the external Auditors KPMG, and also recommended to the Board of Directors that KPMG be reappointed as Auditors for the financial year ending 31 December 2019, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

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

Ranjan Seevaratnam
Chairman, Audit Committee

NESTLÉ LANKA PLC

21 February 2019

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

Date of the meeting	Attendance Yes (✓) / No (×)			Attendance by invitation Yes (✓) / No (x)		
	Ranjan Seevaratnam	Mahen Dayananda	Dian Gomes	Shobinder Duggal	Managing Director	Director - Finance & Control
22.02.2018	✓	✓	*	✓	✓	✓
07.05.2018	✓	✓	✓	✓	✓	✓
09.08.2018	✓	✓	✓	✓	✓	√
13.11.2018	✓	✓	✓	✓	✓	√

Report of the Remuneration Committee

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

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

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

The members of the Committee meet as and when necessary. During the year under review, the Committee met on 13 November 2018 with the attendance of all members. The Managing Director of the Company, together with the Director - Finance & Control and Vice President - Human Resources, attended the said meeting by invitation. The Company Secretary acted in the capacity of Secretary to the Committee.

Mahen Dayananda

Chairman, Remuneration Committee

NESTLÉ LANKA PLC

21 February 2019

Report of the Related Party Transactions Review Committee

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

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

The functions of the Committee, in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange and the Code

on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka (Code), are as follows:

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

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

Date of the meeting	Attendance Yes (√) / No (x)						by invitation / No (x)
	Ranjan Seevaratnam	Mahen Dayananda	Gurcharan Grover	Managing Director	Head of Financial Accounting & Reporting		
22.02.2018	✓	✓	✓	✓	✓		
07.05.2018	✓	✓	✓	✓	✓		
09.08.2018	✓	✓	✓	✓	✓		
13.11.2018	✓	✓	✓	✓	✓		

Report of the Related Party Transactions Review Committee

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

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

The Committee confirmed that all the Recurrent and Non-Recurrent Related Party Transactions, incurred during the year ended 31 December 2018 and estimates for the year 2019, were at arm's length and in compliance with the Listing Rules. The Committee further confirmed that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2018 and estimates for the year 2019 were of a revenue or trading nature, which were necessary for day to day operations of the Company, where terms were not favourable to respective related parties. Accordingly the Committee recommended to the Board to resolve at the meeting held on 21 February 2019, that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2018 and estimates for the year 2019, shall not fall within the ambit of Related Party Transactions Rules (Section 9 of the listing rules) as per provisions of Section 9.5(a) of the listing rules, and the Board approved the same at their meeting held on 21 February 2019.

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

Details of Related Party Transactions are disclosed in the Annual Report of the Board of Directors, under note 25 on pages 83 to 86, in accordance with the provision of Rule 9.3.2 of the listing rules.

Ranjan Seevaratnam

Chairman, Related Party Transactions Review Committee

NESTLÉ LANKA PLC

21 February 2019

Nestlé Lanka PLC | Annual Report 2018

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

The Directors of Nestlé Lanka PLC take pleasure in presenting to the Shareholders the Annual Report together with the audited financial statements for the year ended 31 December 2018 and the Auditors' Report thereon.

Board of Directors

Suresh Narayanan, Shivani Hegde (until 31.12.2018), Fabrice Cavallin (from 01.01.2019), Gurcharan Grover, Shobinder Duggal, Mahen Dayananda, Ranjan Seevaratnam and Dian Gomes are the Directors of the Company.

Shivani Hegde resigned from the Board and the post of Managing Director with effect from 31 December 2018 and Fabrice Cavallin was appointed to the Board as Managing Director with effect from 01 January 2019. A Resolution in terms of Article 64 of the Articles of Association of the Company will be proposed at the forthcoming Annual General Meeting to re-elect Fabrice Cavallin as the Managing Director.

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

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

Review for the Year

The Chairman's Message and Managing Director's Review on pages 16 and 18 highlight the Company's affairs and the performance of the period under review.

Results and Dividends

The profit achieved by the Company on a Revenue of Rs. 37.3 billion, after provisioning for all known liabilities and depreciation on Property, Plant and Equipment, but before taxation, amounts to Rs. 4.9 billion. After deducting a sum of Rs. 1.5 billion as taxation, the net profit was Rs. 3.5 billion.

The Statement of Profit or Loss and Other Comprehensive Income for the year 2018 is given on page 55.

The Directors of Nestlé Lanka PLC declared an interim dividend of Rs. 25 per share which will be paid to the Shareholders of the Company on 14 March 2019, and were pleased to recommend a final dividend of Rs. 25 per share, payable on 17 May 2019, subject to the approval of the Shareholders at the upcoming Annual General Meeting scheduled to be held on 8 May 2019.

Stated Capital

The stated capital of the Company as at 31 December 2018 amounts to Rs. 537,254,630.

Activity

Nestlé strengthened its product portfolio in 2018 using its strong local consumer insight. The company expanded its dairy product range significantly with the launch of Nestlé $a+^{\rm TM}$ full cream UHT (liquid) milk, Nespray FortiGrow Ready-to-Drink with a delicious taste of cookies dipped in milk and fortified with vitamins, Nespray Coco-Up Ready-to-Drink which combines the goodness of Nespray milk and the refreshing taste of coconut, and Milkmaid Choco Topping which offers consumers a rich irresistible chocolatey sauce with a subtle hazelnut flavour. All products are made using Sri Lankan milk, in line with the company's commitment to help develop the local dairy industry and create a secure route to market for farmers.

The company also continued to build on its market leader position in child nutrition. It introduced *Ceregrow* 4 Grains 5 Fruits with milk, which is enriched with iron and calcium and contains 4 grains - wheat, corn, rice and oats - and 5 fruits - apple, orange, pomegranate, blackcurrant and mango. It also launched *Nangrow* 3, enriched with the goodness of essential fatty acids (Omega 3 and 6), probiotics and iron. Both products cater to children between one and three years old.

The company also unveiled *Maggi* Fried Rice Seasoning, made with spices and vegetables and fortified with vitamin A; and added two new variants to its *Nescafé* range, *Nescafé* Hazellce RTD, which combines *Nescafé* signature coffee taste with a delicious hazelnut flavour, and *Nescafé* Sunrise, a fine blend of coffee and chicory for those craving a stronger coffee taste.

The company continued to support the local community in 2018 by paying out Rs. 2.9 billion to thousands of local dairy farmers for fresh milk and Rs. 4.6 billion to the local coconut industry for purchase of fresh coconut.

The company also educated over 200,000 children across the country in 2018 on nutrition, health and physical activity, through its ongoing Nestlé Healthy Kids Programme and Kids Athletics Programme. The company provided a further 56,000 people with free health checks and nutritional counselling through its 'Choose Wellness' programmes, and reached 13 million consumers through its 'Towards an Iron-Clad Nation' campaign, to create awareness about the importance of iron in the diet. The company also provided 910 million servings of micronutrient-fortified Nestlé products to consumers in 2018.

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

Nestlé maintained its investment in youth employability via its 'Nestlé Needs YOUth' programme, helping to make a further 4,000 young people employable in 2018. It also continued to invest in environmentally friendly initiatives, equipment and technologies to save a total of 41% of energy, 35% of water, and 24% of greenhouse gas emissions over the last decade.

The company continued to be recognised over 2018 for its consistent performance and contribution to the country.

It was awarded Best Corporate Citizen in the Manufacturing Sector for the second consecutive year at the prestigious Best Corporate Citizen Sustainability Awards 2018, organised by the Ceylon Chamber of Commerce. The company was recognised as one of the top three Best Corporate Citizens in the country, with an overall second runners-up win. It was also ranked Sri Lanka's Most Respected F&B Company in LMD's Most Respected Entities ranking for the third consecutive year, and Sri Lanka's Most Valuable Food and Beverage Brand in 2018 by Brand Finance, in its annual report of Sri Lanka's most valuable and strongest brands.

The company also won the 'Highest Foreign Exchange Earner' award in the Coconut Kernel product category at the Presidential Export Awards. This marks the seventh Presidential Export Award for the company in recognition of its strong contribution to national exports, and efforts to create sustainable livelihoods for local coconut growers and farm workers. Nestlé was also the highest ranking F&B company in Business Today's list of Sri Lanka's top thirty leading corporates for 2017-2018. It was recognised for its enduring commitment to the country; enabling growth, providing economic and social opportunities, and enhancing the quality of life of the Sri Lankan people.

The company's brands also continued to be recognised over the year. Its *Maggi* noodle range was recognised for its high quality standards by SLSI (Sri Lanka Standards Institute), and it clinched no less than six wins for its *Maggi, Nestomalt, Milo* and *Nangrow* brands at the Effie Awards. Sri Lankan students voted *Milo* 'Student Beverage Brand of the Year' for the fourth consecutive year, and its *Milo* and *Nestomalt* brands were ranked the No. 1 and No. 2 Most Loved Beverage Brands in 2018 by Brand Finance.

Directors' Interest

a) In Contracts

Gurcharan Grover

Details of Directors' interest in contracts of the Company as at 31 December 2018 are disclosed below. The Directors do not have direct or indirect interest or proposed contracts other than those disclosed hereunder.

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

Suresh Narayanan - Transactions with affiliates or related parties.

Disclosed in notes 16, 24 and 25 of pages 75, 82 and 83 to the financial statements.

Appointed with effect from 01.01.2019.

Shivani Hegde - Transactions with affiliates or related parties.

Disclosed in notes 16, 24 and 25 of pages 75, 82 and 83 to the financial statements.

Shobinder Duggal - Transactions with affiliates or related parties.

Disclosed in notes 16, 24 and 25 of pages 75, 82 and 83 to the financial statements.

Transactions with affiliates or related parties.

Disclosed in notes 16, 24 and 25 of pages 75, 82 and 83 to the financial statements.

43

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

Mahen Dayananda - No transaction with affiliates

Directorships and dealings with Companies:

Company	Position	Transaction (procurement) during the year 2018 (Rs.'000s)	Balance (due to) / from as at 31.12.2018 (Rs.'000s)
Total Tea Concepts (Private) Ltd	Chairman	No	Nil
Indo Asia Teas (Pvt) Ltd	Chairman	No	Nil
Pegasus Hotels of Ceylon PLC	Director	3,986	Nil
Bukit Darah PLC	Director	No	Nil

Ranjan Seevaratnam - No transaction with affiliates

Directorships and dealings with other Companies

Company	Position	Transaction (procurement) During the year 2018 (Rs.'000s)	Balance (due to) / from as at 31.12.2018 (Rs.'000s)
Acme Printing & Packaging	Non-Executive Director	No	Nil
Diesel & Motor Engineering PLC	Non-Executive Director	15,965	8,465
Lanka Aluminium Industries PLC	Non-Executive Director	No	Nil
Tokyo Cement Lanka PLC	Non-Executive Director	No	Nil
The Colombo Fort Land & Investments PLC	Non-Executive Director	No	Nil
The Colombo Fort Land & Building Co. PLC	Non-Executive Director	No	Nil
Metecno Lanka (Pvt) Ltd	Non-Executive Director	67	Nil
Distilleries Company of Sri Lanka PLC	Non-Executive Director	No	Nil
Lankem Ceylon PLC	Non-Executive Director	No	Nil
EB Creasy & Company PLC	Non-Executive Director	3,710	Nil
Melstar Company PLC	Non-Executive Director	No	Nil
Omega Line (Pvt) Ltd	Non-Executive Director	No	Nil
Benji Ltd	Non-Executive Director	No	Nil
Sirio Ltd.	Non-Executive Director	No	Nil
Alpha Apparels PLC	Non-Executive Director	No	Nil

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

Dian Gomes - No transaction with affiliates

Directorships and dealings with other Companies

Company	Position	Transaction (procurement) During the year 2018 (Rs.'000s)	Balance (due to) / from as at 31.12.2018 (Rs.'000s)
Urban Built (Pvt) Ltd	Director	No	Nil
Gandhara Crafts & Artifacts (Pvt) Ltd	Director	No	Nil
Villa Republic (Pvt) Ltd	Director	No	Nil
Westgate International (Pvt) Ltd	Director	No	Nil
Westgate Apparel (Pvt) Ltd	Director/Chairman	No	Nil
Colombo Business School	Chairman	No	Nil

b) In Shares of the Company

	Diseases	Shareh	olding
	Director	01.01.2018	31.12.2018
	Shivani Hegde	Nil	Nil
Executive	Fabrice Cullivan	Nil	Nil
	Gurcharan Grover	Nil	Nil
New Forest Con-	Suresh Narayanan	Nil	Nil
Non-Executive	Shobinder Duggal	Nil	Nil
	Mahen Dayananda	1,000	1,000
Independent Non-Executive	Ranjan Seevaratnam	Nil	Nil
	Dian Gomes	Nil	Nil

Board Meetings Attendance

Name of the Direct	or	22.02.2018	07.05.2018	09.08.2018	29.10.2018	13.11.2018
Suresh Narayanan	- Chairman	✓	✓	×	√	×
Shivani Hegde	- Managing Director	√	✓	√	√	√
Gurcharan Grover	- Director - Finance & Control	✓	✓	√	√	√
Shobinder Duggal	- Director	✓	✓	√	×	✓
Mahen Dayananda	- Director	✓	✓	√	✓	✓
Ranjan Seevaratnam	- Director	✓	√	√	√	✓
Dian Gomes	- Director	×	√	√	√	×

Nestlé Lanka PLC | Annual Report 2018

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

Corporate Governance

The corporate governance practices of the Company are set out in detail on pages 32 and 33.

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 from pages 70 to 72.

Donations

Total donations made by the Company amounted to a sum of Rs. 100,000 for the year ended 31 December 2018.

Auditors

KPMG, Chartered Accountants, have been the Company's Auditors in the past and being eligible, offer themselves for re-appointment for the next year at the forthcoming Annual General Meeting. The Auditors' fees are disclosed in note 7 to the financial statements on page 68. 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 68.

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 (SLFRS / LKAS). All relevant applicable standards have been followed in presenting the financial statements for the financial year ended 31 December 2018.

Disclosures on Related Party Transactions

Non-Recurrent Related Party Transactions

Non-Recurrent Related Party Transactions for which aggregate value exceeded 10% of the equity or 5% of the total assets (whichever is lower) of the Company as per the audited financial statements for the year ended 31 December 2018, are shown in note 25.1.2 on page 85.

Recurrent Related Party Transactions

Recurrent Related Party Transactions are shown in note 25.1.1 on pages 83 to 85.

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

Based on the recommendations of the RPTRC, the Board of Directors confirmed at their meetings held on 21 February 2019, that all the Recurrent and Non-Recurrent Related Party Transactions incurred during the year ended 31 December 2018 and estimates for the year 2019 were at arm's length and in compliance with the rules and regulations.

Based on the recommendation of the RPTRC, the Board resolved at the meeting held on 21 February 2019 that all the Recurrent Related Party Transactions incurred during the year, ended 31 December 2018, were of a revenue or trading nature and were necessary for day to day operations of the Company, and terms were not favourable to the respective related parties. Accordingly, the Board had resolved at the same meeting held on 21 February 2019 that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2018 and estimates for the year 2019 shall not fall within the ambit of Related Party Transactions Rules (Section 9 of the Listing Rules) as per provisions of Section 9.5(a) of the Listing Rules.

Material Issues

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

Risk Factors

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

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

Conclusion

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

NESTLÉ LANKA PLC

Fabrice Cavallin
Managing Director

Gurcharan Grover
Director - Finance & Control

Keerthi Pathiraja Company Secretary

21 February 2019

Certificate of Directors on Transfer Pricing

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to these regulations is given in an approved accountant certificate, produced under Section 107(2)(a) of the said Inland Revenue Act. We believe that the record of transaction/s entered into, with associated undertaking/s during the period from 01 January 2017 to 31 December 2017, were at arm's length, not prejudicial to the interests of the Company and not carried out for profit shifting purposes.

Records and information of all transactions have been submitted to the approved accountant, who reviewed the transfer pricing

records, and no adverse remarks have been made in the certificate sent by the approved accountant.

Gurcharan Grover
Director - Finance & Control
for & on-behalf of the Board of Directors

16 November 2018

(Certificate of Directors for the year 2018 will be published in the Annual Report for the year 2019.)

Directors' Responsibility for Financial Reporting

The Company's financial statements, presented in this report for the financial year ended 31 December 2018, conform to the requirements of the Financial Reporting Standards and the Companies Act No. 7 of 2007. The Directors confirmed that the financial statements presented by them give a true and fair view of the Company's activities as at that date. The financial information is consistent with that in the financial statements.

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

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

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

M/s. KPMG are the Auditors appointed by the Shareholders. They have audited the financial statements submitted by the Board of Directors and have expressed their opinion which is published under the Independent Auditor's Report on pages 52 to 54.

By Order of the Board.

Keerthi Pathiraja Company Secretary

NESTLÉ LANKA PLC

21 February 2019





Financial Report

52	Independent Auditors' Report
55	Statement of Profit or Loss and Other Comprehensive Income
56	Statement of Financial Position
58	Statement of Changes in Equity
59	Statement of Cash Flows
61	Notes to the Financial Statements

Financial Report

Company Highlights

	2018	2017 Restated	
	Rs.'000s	Restated Rs.'000s	
Revenue	37,336,943	37,601,472	
Profit before Taxation (PBT)	4,941,457	4,734,672	
Profit after Taxation (PAT)	3,485,801	3,635,841	
Capital Expenditure	2,608,832	2,466,385	
Shareholders Funds	5,635,156	4,801,035	
Key Ratios	2018	2017 Restated	
PBT as a % of Revenue	13.2%	12.6%	
PAT as a % of Revenue	9.3%	9.7%	
Effective Tax Rate	29.5%	23.2%	
Return on Capital Employed	55.2%	77.6%	
Earnings Per Share	64.88	67.67	
Net Assets Per Share	104.89	89.36	
Dividend Per Share	50.00	50.00	
Dividend Cover	1.30	1.35	
Dividend Payout Ratio	77%	74%	
Current Ratio	0.89	0.80	
Market Value Per Share - Highest	1,899.00	2,310.00	
- Lowest	1,600.00	1,600.00	
- Average	1,726.03	1,913.32	
- Last Traded	1,700.00	1,626.00	
Number of Personnel	854	850	

Independent Auditors' Report



(Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P. O. Box 186 Colombo 00300, Sri Lanka.

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TO THE SHAREHOLDERS OF NESTLÉ LANK A PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nestlé Lanka PLC ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 55 to 93 of the annual report.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued

by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial of the current period. These matters were addressed in the context of our audit of the Company financial statements and in forming our

opinion thereon, and we do not provide a separate opinion on these matters.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA G.A.U. Karunaratne FCA R.H. Raian ACA

R.M.D.B. Rajapakse FCA M.N.M Shameel ACA Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

C.P. Jayatilake FCA Ms. S. Joseph FCA S.T.D.L. Perera FCA Ms. B.K.D.T.N Rodrigo FCA Ms. C.T.K.N Perera ACA

Independent Auditors' Report



Key Audit Matter

Our Response

Revenue recognition

Revenue from the sale of goods is recognized at the moment when control has been transferred to the buyer; and is measured net of trade discounts and volume rebates (trade spend) for which judgment is required by management to estimate accruals.

Further, revenue is an important element of how the Company measures its performance, upon which management are incentivized.

Furthermore, the Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before control has been transferred We considered the appropriateness of the Company's revenue recognition policies, including the recognition, measurement and classification criteria for trade spend.

We tested the operating effectiveness of controls over the calculation and monitoring of trade spend and the year-end accrual of the same.

Due to the high reliance of revenue recognition on Information Technology (IT), we evaluated the integrity of the general IT control environment and tested the operating effectiveness of key IT application controls.

We performed monthly trend analysis of revenue considering internal benchmarks, predictive analysis for both sales and returns to compare the reported results with our expectation.

Provisions and contingent liabilities for tax exposures

Given the inherent uncertainty over the outcome of pending tax assessments, significant judgment is applied by the management in assessing the likelihood and quantification of material exposures.

We focused on this area due to the risk that the eventual resolution of the taxes assessed by the Authority will be at amounts materially different from the estimates made by the management.

We evaluated management's judgment of estimates of tax exposures and contingencies resulting from pending tax assessments.

Past and current experience with the tax authority and tax specialists' expertise were used to assess the appropriateness of management's best estimate of the most likely outcome of each tax assessment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditors' Report



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1224.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka 21 February 2019

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December	Note	2018 Rs.'000s	2017 Restated Rs.'000s
Revenue	5	37,336,943	37,601,472
Cost of Sales		(23,486,542)	(24,525,485)
Gross Profit		13,850,401	13,075,987
Other Operating Expenses	6	(134,510)	(45,336)
Marketing, Selling and Distribution Expenses		(6,085,584)	(5,827,929)
Administrative Expenses		(2,482,926)	(2,314,740)
Result from Operating Activities	7	5,147,381	4,887,982
Finance Income		45,606	30,050
Finance Expenses		(251,530)	(183,360)
Net Finance Expenses	8	(205,924)	(153,310)
Profit Before Taxation		4,941,457	4,734,672
Income Tax Expense	9	(1,455,656)	(1,098,831)
Profit for the Year		3,485,801	3,635,841
Other Comprehensive Income			
Items that will not be reclassified to Profit or Loss			-
Actuarial Gain / (Loss) - Net of Tax	19.5	34,783	(5,954)
Items that are subsequently reclassified to Profit or Loss		-	
Net Gain / (Loss) on Cash Flow Hedges - Net of Tax		(189)	-
Total Comprehensive Income		3,520,395	3,629,887
Basic and Diluted Earnings Per Share (Rs.)	10	64.88	67.67

[&]quot;Notes to the Financial Statements," set out on pages 61 to 93, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

As at	Note	31 Dec 2018	31 Dec 2017	01 Jan 2017
	Note	Rs.'000s	Restated Rs.'000s	Restated Rs. '000s
ASSETS				
Non-Currrent Assets			-	
Property, Plant and Equipment	12	9,210,242	5,365,507	5,633,264
Capital Work-In-Progress	13	673,117	2,485,503	455,619
Other Non-Current Assets	15.2	353,884	319,211	320,493
	***************************************	10,237,243	8,170,221	6,409,376
Current Assets				
Inventories	14	2,987,844	2,869,614	3,935,497
Trade and Other Receivables	15	3,361,854	3,646,578	2,409,092
Amounts Due from Related Parties	16	854,134	761,444	247,957
Cash and Cash Equivalents	17	217,731	128,678	393,328
		7,421,563	7,406,314	6,985,874
Total Assets		17,658,806	15,576,535	13,395,250
EQUITY AND LIABILITIES				
EQUITY AND LIABILITIES				
Equity				
Stated Capital	18	537,255	537,255	537,255
Retained Earnings and Reserves		5,097,901	4,263,780	4,931,931
N 0		5,635,156	4,801,035	5,469,186
Non-Current Liabilities			454400	101750
Retirement Benefit Obligations	19	390,700	454,190	464,750
Deferred Tax Liabilities	20	1,000,725	839,404	802,306
Non-Current Provisions	21	289,459	190,220	-
Non-Current Financial Liabilities	22	2,007,954	11,894	35,088
		3,688,838	1,495,708	1,302,144
Current Liabilities				
Trade and Other Payables	23	4,634,844	4,770,211	4,368,214
Amounts Due to Related Parties	24	1,312,575	1,220,045	899,085
Current Tax Payable		681,215	529,404	806,163
Dividends Payable		182,004	167,932	151,061
Current Financial Liabilities	17	1,524,174	2,592,200	399,397
		8,334,812	9,279,792	6,623,920
Total Liabilities		12,023,650	10,775,500	7,926,064
Total Equity and Liabilities		17,658,806	15,576,535	13,395,250

[&]quot;Notes to the Financial Statements," set out on pages 61 to 93, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

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

Gurcharan Grover

Director - Finance & Control

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

Signed for and on behalf of the Board.

NESTLÉ LANKA PLC

Colombo

Fabrice Cavallin
Managing Director

21 February 2019

Ranjan Seevaratnam

Director

Statement of Changes in Equity

	Stated Capital Rs.'000s	Retained Earnings Rs.'000s	Other Equity Reserves* Rs.'000s	Total Rs.'000s
Balance as at 01 January 2017, as Previously Reported	537,255	4,911,043	34,276	5,482,574
Impact of Changes in Accounting Policies and Other Retrospective Adjustments - (Note 29)	_	(13,388)	_	(13,388)
Restated Balance as at 01 January 2017	537,255	4,897,655	34,276	5,469,186
Total Comprehensive Income for the Year (Restated)				
Profit for the Year	-	3,635,841	_	3,635,841
Other Comprehensive Income	_	_	(5,954)	(5,954)
Transactions with Owners of the Company Recognised Directly in Equity	-			
Interim Dividend for 2016	-	(2,149,019)	_	(2,149,019)
Final Dividend for 2016		(2,149,019)	_	(2,149,019)
Restated Balance as at 31 December 2017	537,255	4,235,458	28,322	4,801,035
Restated Balance as at 1 January 2018	537,255	4,235,458	28,322	4,801,035
Total Comprehensive Income for the Year				
Profit for the Year	_	3,485,801	_	3,485,801
Other Comprehensive Income	_	-	34,594	34,594
Transactions with Owners of the Company Recognised Directly in Equity				
Interim Dividend for 2017		(1,343,137)		(1,343,137)
Final Dividend for 2017		(1,343,137)		(1,343,137)
Balance as at 31 December 2018	537,255	5,034,985	62,916	5,635,156

^{*} Includes Actuarial Gain / (Loss) and Results of Cash Flow Hedges

[&]quot;Notes to the Financial Statements," set out on pages 61 to 93, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flows

Cash Flows from Operating Activities Profit before Taxation Adjustments for; Depreciation of Property, Plant and Equipment	Rs.'000s 4,941,457	Restated Rs. '000s
Profit before Taxation Adjustments for;	4,941,457	
Adjustments for;	4,941,457	
		4,734,672
Depreciation of Property, Plant and Equipment		
	754,183	723,948
(Gain) / Loss on Sale of Property, Plant and Equipment	(12,807)	8,393
Amortisation of Staff Loan	29,960	26,976
Interest Expense	251,530	183,360
Interest Income	(31,146)	(28,772)
Provision for Inventories and Inventory Written Off	269,625	193,036
Net Impairment of Trade Receivables	16,369	12,604
Provision for Retirement Benefit Obligations	104,160	102,660
Operating Profit Before Working Capital Changes	5,323,331	5,956,877
Working Capital Changes		
(Increase) / Decrease in Inventories	(387,855)	872,847
Decrease / (Increase) in Trade and Other Receivables	313,575	(1,250,090)
Increase in Amount Due from Related Parties	(92,690)	(513,487)
(Decrease) / Increase in Trade and Other Payables	(180,849)	401,997
Increase in Amount Due to Related Parties	67,878	320,960
Cash Generated from Operations 6	5,043,390	5,789,104
Interest Expense Paid	(225,901)	(185,074)
Income Tax Paid (1	1,056,739)	(1,145,957)
Retirement Benefit Obligations Paid	(119,340)	(121,490)
Net Cash Flows Generated from Operating Activities 4	1,641,410	4,336,583

Statement of Cash Flows

For the Year Ended 31 December	2018	2017
	D 1000	Restated
	Rs.'000s	Rs.'000s
Cash Flows from Investing Activities		
Investment in Property, Plant and Equipment	(2,608,832)	(2,466,385)
Proceeds from Sale of Property, Plant and Equipment	30,965	4,461
Net (Purchase) / Disposal of Other Non-Current Financial Assets	(34,673)	1,282
Interest Income Received	1,186	1,796
Net Cash Flows Used in Investing Activities	(2,611,354)	(2,458,846)
Cash Flows from Financing Activities		
Receipt of Non-Current Financial Debt	1,893,000	-
Payment of Lease Liabilities	(68,546)	(84,741)
Dividends Paid	(2,672,202)	(4,281,166)
Net Cash Flows Used in Financing Activities	(847,748)	(4,365,907)
Net Increase / (Decrease) in Cash and Cash Equivalents	1,182,308	(2,488,170)
Cash and Cash Equivalents at the Beginning of the Year	(2,407,609)	80,561
Cash and Cash Equivalents at the End of the Year (Note 17)	(1,225,301)	(2,407,609)
Analysis of Cash and Cash Equivalents at the End of the Year		
Cash in Hand and Balances with Bank	217,731	128,678
Current Financial Liabilities (Excluding Short-Term Lease Liability)	(1,443,032)	(2,536,287)
	(1,225,301)	(2,407,609)

[&]quot;Notes to the Financial Statements," set out on pages 61 to 93, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

Nestlé Lanka PLC | Annual Report 2018

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 parent and 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 beverage products. The Company is also involved in the export of locally manufactured products and re-export of other 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; and provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE). These financial statements, except for information on cash flows, have been prepared following the accrual basis of accounting.

The financial statements were authorised for issue by the Directors on 21 February 2019.

2.2. Basis of Measurement

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

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

2.3. Functional and Presentation Currency

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

2.4. Use of Estimates and Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.5. Going Concern

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

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

3. Accounting Policies

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

3.1. Changes in Accounting Standards

The Company has applied as from 01 January 2018 the following new accounting standards.

3.1.1. SLFRS 15 – Revenue from Contract with Customers

This standard combines, enhances and replaces specific guidance on recognising revenue with a single standard.

It defines a new five-step model to recognise revenue from customer contracts. The Company undertook a review of the main types of commercial arrangements used with customers under this model and has concluded that this change has no material impact on the Company's results and its financial position.

This standard was mandatory for the accounting period beginning on 01 January 2018.

3.1.2. SLFRS 16 - Leases

This standard replaces SLAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main effect on the Company is that SLFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases and therefore resulted in an increase of Property, Plant and Equipment and total Financial Liabilities at 01 January 2017.

This standard is mandatory for the accounting period beginning on 01 January 2019 but the Company early adopted it on 01 January 2018 under the full retrospective approach, utilising the practical expedient to not reassess whether a contract contains a lease.

2017 comparatives have been restated (see Note 29).

3.1.3. SLFRS 9 - Financial Instruments

The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting.

The Company has performed a review of the business model corresponding to the different portfolios of financial assets, and of the characteristics of these financial assets, and has concluded that this change has no material impact on the Company's results and the financial position.

This standard was mandatory for the accounting period beginning on 01 January 2018.

3.2. Significant Accounting Policies

3.2.1. Foreign Currency Transactions

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

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

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

3.2.2. Financial Instruments

a) Financial Assets

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However, when a financial asset at fair value to Statement of Profit or Loss and Other Comprehensive Income is recognised, the transaction costs

are expensed immediately. Subsequent remeasurement of financial assets is determined by their categorisation, which is revisited at each reporting date. The settlement date is used for both initial recognition and subsequent derecognition of financial assets, as these transactions are generally under contracts whose terms require delivery within the time frame established by regulation or convention in the market place (regular-way purchase or sale).

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified either:

- as measured at amortised cost;
- as a fair value to Other comprehensive income (FVOCI)
- at fair value to Statement of Profit or Loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

b) 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 (excluding short-term lease liability) and short-term investments.

c) Financial liabilities at amortised cost

Financial liabilities are initially recognised at the fair value of consideration received, less directly attributable transaction costs.

Subsequent to initial measurement, financial liabilities are recognised at amortised cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the contractual terms using the effective interest rate method. This category includes the following classes of financial liabilities: trade and other payables, commercial paper, bonds, and other financial liabilities.

Financial liabilities at amortised cost are further classified as current and non-current depending whether these will fall due within 12 months after the balance sheet date or beyond.

Financial liabilities are derecognised (in full or partly) when either the Company is discharged from its obligation, they expire, are cancelled, or replaced by a new liability with substantially modified terms.

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

Nestlé Lanka PLC | Annual Report 2018

Notes to the Financial Statements

d) Derivative Financial Instruments and Hedge Accounting

The Company designates and documents the use of certain derivatives as hedging instruments against changes in fair values of recognised assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis.

e) Stated Capital

Ordinary shares of the Company are classified as equity.

3.2.3 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, 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.

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

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

c) Subsequent Expenditure

The cost of replacing part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

d) Depreciation

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

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

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

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

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

e) Capital Work-In-Progress

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

f) Leased Assets

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

3.2.4 Intangible Assets

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

a) Recognition and Measurement

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

b) Subsequent Expenditure

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

c) Amortisation

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

d) Retirement and Disposal

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains and losses on disposal of an item of Intangible Asset are determined by comparing the proceeds from disposal (net of any directly attributable expenses) with the carrying amount, and are recognised net within "Other Operating Income / Expense" in the Statement of Profit or Loss and Other Comprehensive Income.

3.2.5 Impairment & De-recognition

a) Financial Assets

At each balance sheet date, the Company assesses whether its financial assets are impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty. This analysis requires the identification of the credit risk associated with the counterparties and, considering that the majority of Company's financial assets are trade receivables, integrates statistical data reflecting the past experience of losses incurred due to default.

The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for financial assets, measured at amortised cost are deducted from the gross carrying amount of the assets.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision methodology that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment related to trade and other receivables are not presented separately in the Statement of Profit or Loss and Other Comprehensive Income, but are reported under the heading Marketing Selling and Distribution expenses.

Financial assets are derecognised (in full or partly) when substantially all the Company's rights to cash flows from the respective assets have expired or have been transferred, and the Company has neither exposure to substantially all the risks inherent in those assets nor entitlement to rewards from them.

b) Non-Financial Asset

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

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

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

i. Calculation of Recoverable Amount

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

ii. Reversal of Impairment

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

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

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

3.2.6. Leases (Right-of-Use Assets)

At inception, the Company assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

The Company recognises a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received. The ROU is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU is subject to testing for impairment if there is an indicator for impairment.

Lease payments may include fixed payments and variable payments that depend on the lease agreements. When the

Nestlé Lanka PLC | Annual Report 2018

Notes to the Financial Statements

lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in the heading Property, Plant and Equipment, and the lease liability is included in the headings Current and Non-Current Financial Debt.

The Company has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for low value leases. The lease payments for such leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income over the lease term.

3.2.7. Inventories

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

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

3.2.8. Employee Benefits

a) Defined Benefit Plan

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

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

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

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

b) Defined Contribution Plans

Mercantile Services Provident Society, Employee Provident Fund and Employee Trust Fund

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

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

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

c) Share-Based Payments

The Company participates in the Nestlé Performance / 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 Statement of Profit or Loss and Other Comprehensive Income.

3.2.9. Liabilities and Provisions

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

treated as non-current liabilities in the Statement of Financial Position.

Dividends

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

3.2.10. Revenue

Sale of Goods

Sales represent amounts received and receivable for goods supplied to the customers and for services rendered. Revenue from the sales of goods is recognised in the Statement of Profit or Loss and Other Comprehensive Income at the moment when control of the goods have been transferred to the customer.

Revenue is measured as the amount of consideration which the Company expects to receive, net of returns, sales taxes, pricing allowances, other trade discounts and volume rebates. The level of discounts, allowances and promotional rebates is recognised as a deduction from revenue at the time that the related sales are recognised or when the rebate is offered to the customer.

3.2.11. Other Operating Income

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

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

b) Other Income

Other income is recognised on an accrual basis.

3.2.12. Expenses

Expense Recognition

a) Revenue Expenditure

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

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

b) Capital Expenditure

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

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

3.2.13. Finance Income and Finance Expenses

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

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

All interest and other costs incurred in connection with borrowings are expensed as incurred, as part of net finance expenses, except to the extent which is eligible for capitalisation.

3.2.14. Income Tax Expense

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

a) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date as per the provisions of the Inland Revenue Act No. 24 of 2017, and any adjustment to tax payable in respect of previous years.

b) Deferred Tax

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

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

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

3.2.15. Statement of Cash Flows

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

3.2.16. 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.

3.2.17. 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.

Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.2.18. Operating Segments

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

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

3.2.19. 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.

3.2.20. Comparative Information

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

3.2.21. Commitments and Contingencies

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

3.2.22. Events Occurring After the Reporting Period

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

4. Changes to Accounting Standards, that may affect the Company after 31 December 2018

A number of standards and interpretations have been issued / modified on miscellaneous points. These include Uncertainty over Tax Treatments (IFRICS 23), Plan Amendments, Curtailment or Settlement (Amendments to LKAS 19), and Annual Improvements to SLFRSs 2015 -2017 Cycle (Amendments to SLFRS 3, SLFRS 11, LKAS 12 and LKAS 23).

None of these amendments are expected to have a material effect on the Company's Financial Statements.

5. Revenue

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Local Revenue	32,631,442	33,586,356
Export Revenue	6,809,276	5,983,533
Total Revenue	39,440,718	39,569,889
Less : Trade Discounts and Volume Rebates	(2,103,775)	(1,968,417)
Revenue	37,336,943	37,601,472

6. Other Operating Income/(Expense)

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Gain / (Loss) on Sale of Property, Plant and Equipment	12,807	(8,393)
Net Foreign Exchange Loss	(205,315)	(87,799)
Income from Scrap Sales	57,998	50,856
	(134,510)	(45,336)

7. Result from Operating Activities

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

For the year ended 31 December	2018	2017
	Rs.'000s	Restated Rs.'000s
Employees Benefit Expense (Note 7.1)	2,580,612	2,345,672
Technical Assistance Fee	1,783,502	1,762,361
Depreciation of Property, Plant and Equipment	754,183	723,948
Provision for Inventories and Inventory Written Off	269,625	193,036
Net Impairment of Trade Receivables	16,369	12,604
Legal Fees	10,963	15,777
Auditors Remuneration - Audit	3,750	3,750
- Audit related Certifications	75	_
- Non-Audit	585	1,908
Non-Executive Director's Fees	1,800	1,700

7.1 Employees Benefit Expense

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Personnel Costs		
Executive Directors' Emoluments	68,000	63,638
Salaries and Wages	1,704,715	1,544,429
Provision for Retirement Benefit Obligations (Note 19.3)	104,160	102,660
Contributions to EPF, MSPS and ETF Employees' Provident Fund and Mercantile Services Provident Society	142,522	135,514
Employees' Trust Fund	32,547	31,284
Other Benefits	528,668	468,147
	2,580,612	2,345,672

8. Net Finance Income / (Expense)

For the year ended 31 December	2018	2017
	Rs.'000s	Restated Rs.'000s
Finance Income		
Interest on Deposits	1,186	1,796
Net Gain on Foreign Currency / Liquid Assets	14,460	1,278
Interest on Staff Loans	29,960	26,976
	45,606	30,050
Finance Expense		
Interest on Financial Debt	(396,922)	(225,311)
Interest on Lease Liabilities	(14,993)	(10,490)
Borrowing Costs Capitalised	160,385	52,441
	(251,530)	(183,360)
Net Finance Expense	(205,924)	(153,310)

9. Income Tax Expense

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Current Tax Expense		
Tax on Current Year Profits (Note 9.2)	1,210,765	1,074,414
Under / (Over) Provision in Respect of Previous Years	97,024	(14,997)
	1,307,789	1,059,417
Deferred Tax Expense		
Origination / (Reversal) of Temporary Differences (Note 20.1)	147,867	39,414
Income Tax Expense	1,455,656	1,098,831

9.1

- (a) With the implementation of the New Inland Revenue Act No. 24 of 2017, effective from 01 April 2018, the corporate tax rate applicable to the Company is 28%. Whereas, prior to 01 April 2018, qualifying export profits were taxed at a concessionary rate of 12%, profits from the Ready-To-Drink milk business were taxed at a concessionary rate of 10%, and profits with respect to off-shore business earnings in foreign currency were exempt from income tax. This has resulted in a significant increase in the overall tax cost for the Company.
- (b) The full benefit of capital allowances arising in terms of the relevant sections of the Inland Revenue Act 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%.

9.2 Reconciliation Between Accounting Profit and Taxable Profit

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Accounting Profit Before Tax	4,941,457	4,734,672
Disallowables/(Claims)	144,273	289,520
Depreciation/ (Capital Allowances)	(535,546)	(143,308)
Profit from Tax Exempted Operations	(56,213)	(445,497)
Taxable Profit	4,493,971	4,435,387

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Income Tax at 10%	9,719	46,502
Income Tax at 12%	22,539	62,916
Income Tax at 28%	1,178,507	964,996
Tax on Current Year Profit	1,210,765	1,074,414

10. Basic and Diluted Earnings Per Share (EPS)

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

	2018	2017 Restated
	Rs.'000s	Rs. '000s
Profit Attributable to Ordinary Shareholders (Rs'000s)	3,485,801	3,635,841
Weighted Average Number of Shares	53,725,463	53,725,463
Basic and Diluted Earnings Per Share (Rs.)	64.88	67.67

11. Dividend Per Share

- (a) The Directors have declared an interim dividend of Rs. 25.00 per share on 21 February 2019 and have also proposed a final dividend of Rs. 25.00 per share for the year ended 31 December 2018 to be approved at the Annual General Meeting to be held on 08 May 2019. In accordance with Sri Lanka Accounting Standard Events After the Reporting Period (LKAS 10), the interim dividend and final dividend have not been recognised as a liability as at 31 December 2018.
- (b) However, for the purpose of computing the dividend per share, an interim dividend of Rs. 1,343,136,575 (Rs.25.00 per share) was declared on 21 February 2019, and a final dividend to be approved has been taken into consideration.
- (c) The dividend per share calculation is based on the total dividend attributable to ordinary Shareholders amounting to Rs. 2,686,273,150 (2017 Rs. 2,686,273,150) divided by the number of ordinary shares as at the reporting date.

12. Property, Plant and Equipment

As at	31 Dec 2018	31 Dec 2017 Restated	01 Jan 2017 Restated
	Rs.'000s	Rs.'000s	Rs.'000s
Property, Plant and Equipment Owned (Note 12.1)	9,037,054	5,309,182	5,524,652
Right-of-use Assets (Note 12.2)	173,188	56,325	108,612
	9,210,242	5,365,507	5,633,264

71

Notes to the Financial Statements

12.1 Property, Plant and Equipment Owned

	Freehold Land Rs.'000s	Buildings on Freehold Land Rs.'000s	Buildings on Leasehold Land Rs.'000s	Plant and Machinery Rs.'000s	Tools Furniture and Office Equipment Rs.'000s	Motor Vehicles Rs.'000s	Information System Equipment Rs.'000s	Total Rs.'000s
Cost								
Balance as at 1 January 2017	17,925	126,003	2,100,105	6,234,753	1,633,306	187,017	281,877	10,580,986
Additions During the Year	_	1,079	63,625	19,561	83,280	8,741	85,860	262,146
Transferred from Capital Work-In-Progress	-	2,654	15,708	102,287	44,470	6,654	2,583	174,356
Disposals During the Year			(295)	(93,956)	(57,814)	(15,011)	(11,282)	(178,358)
Balance as at 31 December 2017	17,925	129,736	2,179,143	6,262,645	1,703,242	187,401	359,038	10,839,130
Depreciation								
Balance as at 1 January 2017	-	35,316	398,485	3,073,223	1,174,817	161,581	212,912	5,056,334
Charge For the Year	=	3,416	63,552	375,932	149,408	8,630	38,179	639,117
On Disposals	_	_	(190)	(81,889)	(57,133)	(15,011)	(11,280)	(165,503)
Balance as at 31 December 2017	-	38,732	461,847	3,367,266	1,267,092	155,200	239,811	5,529,948
Cost	***************************************	***************************************						
Balance as at 1 January 2018	17,925	129,736	2,179,143	6,262,645	1,703,242	187,401	359,038	10,839,130
Additions During the Year	-	3,798	791,695	1,056,368	249,330	_	46,826	2,148,017
Transferred from Capital Work-In-Progress	-	-	420,825	1,793,680	53,716	4,355	625	2,273,201
Disposals During the Year		(83)	(8,233)	(159,025)	(76,926)	(43,709)	(17,888)	(305,864)
Balance as at 31 December 2018	17,925	133,451	3,383,430	8,953,668	1,929,362	148,047	388,601	14,954,484
Depreciation								
Balance as at 1 January 2018	-	38,732	461,847	3,367,266	1,267,092	155,200	239,811	5,529,948
Charge For the Year	-	4,034	69,827	393,324	151,655	9,648	46,700	675,188
On Disposals		(22)	(5,671)	(144,558)	(75,861)	(43,706)	(17,888)	(287,706)
Balance as at 31 December 2018		42,744	526,003	3,616,032	1,342,886	121,142	268,623	5,917,430
Written Down Value as at 01 January 2017	17,925	90,687	1,701,620	3,161,530	458,489	25,436	68,965	5,524,652
Written Down Value as at 31 December 2017	17,925	91,004	1,717,296	2,895,379	436,150	32,201	119,227	5,309,182
Written Down Value as at 31 December 2018	17,925	90,707	2,857,427	5,337,636	586,476	26,905	119,978	9,037,054
				_	_	_	_	_

Property, Plant and Equipment includes fully depreciated assets which are in use, the cost of which as at the reporting date amounted to Rs. 2,466 million (2017 - Rs. 2,371 million)

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

was the Market Comparable Method and market values are given below.

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

However, the market values have not been considered in the financial statements; the said property is stated at cost.

Motor

12.2 Right-of-Use Assets

	Land	D. Hallana	Motor	T-4-1
	Land Rs.'000s	Buildings Rs.'000s	Vehicles Rs.'000s	Total Rs.'000s
Cost				
Balance as at 1 January 2017	769	_	178,164	178,933
Additions During the Year	_	_	32,544	32,544
Disposals During the Year	_	_	_	_
Balance as at 31 December 2017	769		210,708	211,477
Depreciation				
Balance as at 1 January 2017	551	_	69,770	70,321
Charge For the Year	15	_	84,816	84,831
On Disposals	-	_	-	_
Balance as at 31 December 2017	566	_	154,586	155,152
Cost				
Balance as at 1 January 2018	769	-	210,708	211,477
Additions During the Year	-	34,178	161,680	195,858
Disposals During the Year	-	_	(174,489)	(174,489)
Balance as at 31 December 2018	769	34,178	197,899	232,846
Depreciation				
Balance as at 1 January 2018	566	_	154,586	155,152
Charge For the Year	15	7,074	71,906	78,995
On Disposals			(174,489)	(174,489)
Balance as at 31 December 2018	581	7,074	52,003	59,658
Written Down Value as at 01 January 2017	218	-	108,394	108,612
Written Down Value as at 31 December 2017	203	_	56,122	56,325
Written Down Value as at 31 December 2018	188	27,104	145,896	173,188
Written Down Value as at 31 December 2017 Written Down Value as at 31 December		27,104		

Land is for factory premises with a duration of fifty years. The building is in relation to warehouse space with a duration of three years. Vehicle leases are for contract terms of two to five years.

These leases include an option to renew at mutually agreed terms and conditions after the end of the contract term.

12.3 Lease Liabilities

As at		31 Dec 2018 Rs.'000s	31 Dec 2017 Restated Rs. '000s	01 Jan 2017 Restated Rs. '000s
Maturity Analysis Undiscounted Cas				
Not Later Than One	e Year	85,013	135,461	95,789
Later Than One Years	ar and Not Later Than Five	131,643	209,539	311,277
Later Than Five Yea	ars	11,533	18,650	52,373
Total Undiscounte December	ed Lease Liabilities as at 31	228,189	363,650	459,439
Lease Liabilities in of Financial Positi	ncluded in the Statement on			
Current		81,142	55,913	86,630
		114,954	11,894	35,088
Non-Current		,		
	ed in Profit or Loss	196,096	67,807	121,718
Non-Current Amounts Recognise For the year ende			2018	121,718 2017 Restated
Amounts Recognise For the year ende	d 31 December			2017
amounts Recognise	d 31 December		2018	2017 Restated
For the year ende	d 31 December		2018 Rs.'000s	2017 Restated Rs.'000s
For the year ende Interest on Lease L Expenses relating t Expenses relating t	d 31 December	196,096	2018 Rs. '000s 14,993	2017 Restated Rs.'000s 10,490
Amounts Recognise For the year ende Interest on Lease L Expenses relating t Expenses relating t	d 31 December iabilities o Short-Term Leases o Leases of Low Value Assets, e	196,096	2018 Rs. '000s 14,993 19,494	2017 Restated Rs.'000s 10,490 11,260
For the year ende Interest on Lease L Expenses relating t Short-Term Leases	d 31 December iabilities o Short-Term Leases o Leases of Low Value Assets, e	196,096	2018 Rs. '000s 14,993 19,494 4,776	2017 Restated Rs.'000s 10,490 11,260 5,314
For the year ende Interest on Lease L Expenses relating t Short-Term Leases	d 31 December iabilities o Short-Term Leases o Leases of Low Value Assets, e of Low Value Assets	196,096	2018 Rs. '000s 14,993 19,494 4,776	2017 Restated Rs.'000s 10,490 11,260 5,314 27,064
For the year ende Interest on Lease L Expenses relating t Expenses relating t Short-Term Leases Amounts Recognise	d 31 December iabilities o Short-Term Leases o Leases of Low Value Assets, e of Low Value Assets	196,096	2018 Rs.'000s 14,993 19,494 4,776 39,263	2017 Restated Rs.'000s 10,490 11,260 5,314

13. Capital Work-In-Progress

	2018 Rs.'000s	2017 Rs.'000s
Balance as at 1 January	2,485,503	455,619
Capitalised During the Year	(2,273,201)	(174,356)
Additions During the Year	460,815	2,204,240
Balance as at 31 December	673,117	2,485,503

14. Inventories

14.1

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
Raw Materials	858,692	786,449
Packing Materials	233,358	211,406
Finished Goods	1,302,794	1,196,445
Energy, Technical Materials	270,491	221,277
Work-In-Progress	120,005	92,876
	2,785,340	2,508,453
Goods-In-Transit	335,645	396,830
	3,120,985	2,905,283
Less : Provision for Inventories (Note 14.1)	(133,141)	(35,669)
	2,987,844	2,869,614
Provision for Inventories		
	2018 Rs.'000s	2017 Rs.'000s
Balance as at 1 January	35,669	41,653
Charge / (Reverse) During the Year	97,472	(5,984)
Balance as at 31 December	133,141	35,669

15. Trade and Other Receivables

As at

		Rs.'000s	Restated Rs.'000s	Restated Rs.'000s
	Trade Receivables (Note 15.1)	3,013,622	3,149,859	1,999,032
	Other Receivables (Note 15.2)	348,232	496,719	410,060
		3,361,854	3,646,578	2,409,092
15.1	Trade Receivables			
	As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s	01 Jan 2017 Rs.'000s
	Trade Receivables	3,147,545	3,267,413	2,103,982
	Less: Impairment of Trade Receivables (Note 15.1.1)	(133,923)	(117,554)	(104,950)
		3,013,622	3,149,859	1,999,032

31 Dec 2018

31 Dec 2017

01 Jan 2017

15.1.1 Impairment of Trade Receivables

	Rs.'000s	Rs.'000s
Balance as at 1 January	117,554	104,950
Net Impairment of Trade Receivables	16,369	12,604
Balance as at 31 December	133,923	117,554

15.2 Other Receivables

As at	31 Dec 2018	31 Dec 2017 Restated	01 Jan 2017 Restated
	Rs.'000s	Rs.'000s	Rs.'000s
Prepayments	195,595	396,239	276,229
Derivative - Forward Exchange Contract	45,251	779	205
Refundable Deposits and Non-Trade Receivables	59,549	54,153	87,763
Loans to Employees (Note 15.2.1)	401,721	364,759	366,356
	702,116	815,930	730,553
Total Current	348,232	496,719	410,060
Total Non-Current	353,884	319,211	320,493
	702,116	815,930	730,553

15.2.1 Loans to Employees

	2018 Rs.'000s	2017 Rs.'000s
Balance as at 1 January	364,759	366,356
Granted During the Year	170,720	118,258
Repaid During the Year	(133,758)	(119,855)
Balance as at 31 December	401,721	364,759

All employee loans are disbursed as per the Company policies. No loans have been granted to any of the Directors.

16. Amounts Due from Related Parties

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
Nestlé UK Ltd	54,818	42,173
Nestlé Australia Ltd	14,399	14,609
Nestrade S.A	237,329	8,468
Nestlé (PNG) Ltd	25,054	7,330
Nestlé Middle East FZE	174,501	219,583
Nestlé India Ltd	112,922	236,874
Nestlé Jamaica Ltd	49,934	77,045
Nestlé Trinidad and Tobago Ltd	108,423	90,160
Nestlé Panamá, S.A.	4,870	5,604
Nestlé Caribbean, Inc.	5,819	13,035
Nestlé Singapore (Pte) Ltd	2,052	4,354
Nestlé Business Services AOA, Inc.	-	296

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
Nestlé Japan Ltd	33,397	12,789
Nestlé Suisse S.A.	12,870	4,607
Nestlé Nigeria Plc	397	3,763
Nestlé Pakistan Ltd	-	1,257
Nestlé (Thai) Ltd	12,584	16,236
Marcas Nestlé S.A. de C.V	-	382
Nestlé Waters Marketing & Distribution	2,360	2,879
Nestlé Nederland B.V.	348	-
Nestlé Zimbabwe (pvt) Ltd	2,057	_
	854,134	761,444

17. Cash and Cash Equivalents

As at	31 Dec 2018	31 Dec 2017 Restated	01 Jan 2017 Restated
	Rs.'000s	Rs.'000s	Rs.'000s
Favourable Balances			
Balances with Banks	201,604	109,439	393,245
Money Market Placements	16,027	19,182	_
Cash in Hand	100	57	83
Cash and Cash Equivalents	217,731	128,678	393,328
Unfavourable Balances			
Distributor Finance with Recourse to Nestlé Lanka PLC	(183,134)	(164,038)	(92,813)
Bank Overdrafts	(1,259,898)	(522,249)	(219,954)
Short-Term Financial Debt	_	(1,850,000)	_
Short-Term Lease Liability (Note 12.3)	(81,142)	(55,913)	(86,630)
Current Financial Liabilities	(1,524,174)	(2,592,200)	(399,397)

17.1. For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents comprise the following

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
Favourable Balances	217,731	128,678
Unfavourable Balances (Excluding Short-Term Lease Liability)	(1,443,032)	(2,536,287)
Cash and Cash Equivalents at the End of the Year	(1,225,301)	(2,407,609)

18. Stated Capital

As at	31 Dec 2018	31 Dec 2017
AS at	Rs.'000s	Rs.'000s
53,725,463 Ordinary Shares	537,255	537,255

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

19. Retirement Benefit Obligations

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
Pension Scheme		
Present Value of Defined Benefit Obligations	587,070	613,670
Fair Value of Plan Assets	(233,630)	(197,160)
Present Value of Obligations	353,440	416,510
Gratuity Plan		
Present Value of Defined Benefit Obligations	550,920	551,770
Fair Value of Plan Assets	(513,660)	(514,090)
Present Value of Obligations	37,260	37,680
Total Present Value of the Defined Benefit Obligations (Note 19.1)	1,137,990	1,165,440
Total Fair Value of Plan assets (Note 19.2)	(747,290)	(711,250)
Present Value of Net Retirement Benefit Obligations	390,700	454,190

Employees who joined prior to 2006 and who hold a minimum 10 years of service, are entitled to a lump sum pension upon retirement at the age of 55 years. In addition, there are 25 retired employees who are drawing a monthly pension under the old pension scheme, which was discontinued in 2014.

The liability to Retirement Benefit Obligation under the Payment of Gratuity Act No. 12 of 1983, is a defined benefit plan covering 854 (2017 - 850) employees of the Company.

The Gratuity Plan and Pension Scheme is partially funded by a policy obtained from AIA Insurance Lanka PLC. 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 PLC. Using the "Projected Unit Credit Method" the Company expects to pay Rs. 101.75 million as contributions to its gratuity plan for the period ended 31 December 2019. Employees are not required to contribute to this fund.

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

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

	Rs.'000s
1,165,440	1,098,410
63,930	60,210
112,120	104,980
(166,450)	(117,860)
10,560	2,210
(47,610)	17,490
1,137,990	1,165,440
	(166,450) 10,560 (47,610)

The weighted average duration of the Defined Benefit Obligation at the end of the reporting period is as follows:

Pension Plan - 7 years Gratuity Plan - 7 years

19.2 Movement in the Fair Value of Plan Assets:

	2018 Rs.'000s	2017 Rs.'000s
Balance as at 1 January	711,250	633,660
Contributions Paid into the Plan	103,800	102,030
Benefits Paid by the Plan	(150,910)	(98,400)
Interest Income on Plan Assets	71,890	62,530
Return of Plan Assets Greater than Discount Rate	11,260	11,430
Balance as at 31 December	747,290	711,250

19.3 The Expense Recognised in Profit and Loss

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Current Service Cost	63,930	60,210
Net Interest on Net Defined Benefit Liability	40,230	42,450
	104,160	102,660

19.3.1 The Expense is Recognised in the following line items in Profit and Loss

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Cost of Sales	41,622	41,145
Marketing, Selling and Distribution Expenses	2,304	3,186
Administrative Expenses	60,234	58,329
	104,160	102,660

19.4 Expected Benefit Payments

The Expected Benefit Payment for the Year Ending	Pension Rs.'000s	Gratuity Rs.'000s	Total Rs.'000s
31 December 2019	56,510	41,860	98,370
31 December 2020	140,540	117,920	258,460
31 December 2021	72,190	61,360	133,550
31 December 2022	56,370	39,490	95,860
31 December 2023	145,650	120,860	266,510
31 December 2024 to 2028	401,800	452,350	854,150

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

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Actuarial Gain / (Loss)	37,050	(19,700)
Surplus in Actual Return on Plan Assets	11,260	11,430
Actuarial Gain / (Loss) for the Year	48,310	(8,270)
Deferred Tax Impact on Actuarial Gain / (Loss)	(13,527)	2,316
Actuarial Gain / (Loss) for the Year - Net of Tax	34,783	(5,954)

19.6 Actuarial Assumptions

Principal actuarial assumptions at the reporting date:

	2018 Rs.'000s	2017 Rs.'000s
(1) Rate of Discount	11.0%	10.0%
(2) Future Salary Increase		
First 5 Years	-	8.0% to 12.0%
Beyond 5 Years	8.0% to 9.0%	8.0%
(3) Future Pension Increase	6.0%	6.0%

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

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

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, performance, promotion, grades and other relevant factors such as demand and supply in the employment market. As Defined Benefit Obligations are relatively long-term in nature. The actuarial assumptions take into account the requirements of the relevant LKAS, coupled with a long-term view of the underlying variables / trends, wherever required.

19.6.1 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%, holding other assumptions constant.

	Defined Benefit	Defined Benefit Obligation	
	+0.5% Rs.'000s	-0.5% Rs.'000s	
Rate of Discount	(28,700)	30,240	
Future Salary Increase	30,040	(28,820)	
Future Pension Increase	3,770	(3,570)	

on the Defined Benefit Obligation of the Pension Scheme will no material impact on the Gratuity Liability.

If the mortality rates are scaled up / down by one year, the impact be (Rs. 4,410) and Rs. 4,460 in '000s respectively while there is

19.7 The Composition of Insurance Plan Asset is as follows:

	2018	2017
Reporting Entity's Own Financial Instruments	Nil	Nil
Property Occupied by, or Other Assets Used by, the Reporting Entity	Nil	Nil
The Investment Portfolio of AIA Insurance Lanka PLC as at 31 December	2018	2017
Government Securities	48.70%	42.46%
Reverse Repurchase Agreements	6.10%	5.14%
Corporate Debt	27.50%	28.44%
Fixed Deposits	13.30%	15.66%
Equity	3.00%	6.29%
Policy Holder Loans	1.40%	2.01%
	100.00%	100.00%

An interim return on Plan Assets of 8.44% was declared by AIA Insurance Lanka PLC for the year 2018. (2017 - 8.44%)

20. Deferred Tax Liabilities

	2018 Rs.'000s	2017 Rs.'000s
Balance as at 1 January	839,404	802,306
Net Charge for the Year (Note 20.1)	161,321	37,098
Balance as at 31 December (Note 20.2)	1,000,725	839,404

20.1 Deferred Taxes - Origination/ (Reversal) of Temporary Differences

	2018	2017
	Rs.'000s	Rs.'000s
Recognised in Profit or Loss	147,867	39,414
Recognised in Other Comprehensive Income	13,454	(2,316)
	161,321	37,098

20.2 Movement in Temporary Differences During the Year

		31 Dec 2018 Rs.'000s		2017 Os
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Property, Plant and Equipment	4,415,690	1,236,393	3,866,790	1,082,701
Retirement Benefit Obligations	(390,700)	(109,396)	(454,190)	(127,173)
Other Provisions	(450,971)	(126,272)	(414,729)	(116,124)
Net Deferred Tax Liabilities	3,574,019	1,000,725	2,997,871	839,404

21. Non-Current Provisions

	2018	2017
		Restated
	Rs.'000s	Rs.'000s
Balance as at 1 January	190,220	-
Provisions/(Reversals) during the Year	99,239	190,220
Utilisation/Settlement during the year	-	_
Balance as at 31 December	289,459	190,220

Non-Current Provisions represent estimates made mainly for probable claims arising out of dispute / litigation pending with the relevant authorities. The probability and the timing of the

outflow with regard to these matters depend on the ultimate settlement /conclusion with the relevant authorities.

22. Non-Current Financial Liabilities

As at	Interest Rate	Maturity	31 Dec 2018 Rs.'000s	31 Dec 2017 Restated Rs. '000s	01 Jan 2017 Restated Rs.'000s
Non-Current Lease Obligation (Note 12.3)	10.1% - 14.0%	2020 - 2031	114,954	11,894	35,088
Loan from Related Party (Note 22.1)	10.5%	May 2021	1,893,000	_	_
			2,007,954	11,894	35,088

22.1. Loan from Related Party

The Company has obtained a loan from the Nestlé Treasury Centre - Middle East and Africa Ltd., amounting to LKR 1.89 billion, in order to fund Capital Expenditure. This was approved by the Related Party Transactions Review Committee meeting held on 22 February 2018.

The loan is free from any foreign currency exposure and is for a duration of three years with a renewal option.

23. Trade and Other Payables

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
Trade Payables	2,362,264	2,620,909
Derivatives - Forward Exchange Contract	45,483	733
Supplier Payables Relating to Capital Expenditure	625,516	863,247
Customers' Credit Balances and Trade Accruals	806,547	590,705
Employee related payable	221,294	190,640
Other Payables	573,740	503,977
	4,634,844	4,770,211

24. Amounts Due to Related Parties

Nestlé Deutschland AG Nestlé France S.A.S. Nestlé Waters Marketing & Distribution S.A.S.	2,608 2,932 440	1,625 1,509
	2,932	
Nestlé Waters Marketing & Distribution S.A.S.		
	440	30,663
Nestlé Waters Management & Technology	110	380
Nestlé Nederland B.V.	-	6,109
Nestrade S.A.	102,562	1,119
Nestec S.A.	5,712	23,123
Servcom S.A.	-	2,281
Société des Produits Nestlé S.A.	132,652	125,844
Nestlé Suisse S.A.	14,035	7,525
Nestlé Operational Services Worldwide S.A.	23,965	5,979
Nestlé Cameroun S.A.	-	30,068
Nestlé Dubai Manufacturing LLC	1,817	5,350
LOTTE - Nestlé (Korea) Co., Ltd	10,004	12,429
Nestlé India Ltd	41,799	42,043
P.T. Nestlé Indonesia		4,326
Nestlé Products Sdn. Bhd.	13,215	30,985
Nestlé Asean (Malaysia) Sdn. Bhd.	2,883	6,652
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	259,788	303,502
Nestlé Bangladesh Ltd	24,547	-
Nestlé Pakistan Ltd	177	148
Nestlé Philippines, Inc.	287,458	227,999
CPW Philippines, Inc.	-	2,257
San Pellegrino S.P.A.	-	71
Nestlé Singapore (Pte) Ltd	247,052	195,284
Nestlé R&D Centre (Pte) Ltd	1,713	3,723
Nestlé (Thai) Ltd.	4,272	8,419
Nestlé Australia Ltd.	94,449	125,606

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
CP Turkey		1,744
Nestlé Brasil Ltda	1,118	4,021
Nestlé Middle East FZE	-	115
Nestlé Vietnam Ltd.	8,540	8,065
Nestlé USA Inc.	172	1,081
Nestlé Business Services AOA, Inc.	3,709	_
Nestlé Middle East Manufacturing LLC	304	_
Nestlé Treasury Centre - Middle East & Africa LTD.	24,652	_
	1,312,575	1,220,045

25. Related Party Disclosure

25.1 Transactions With Related Companies

25.1.1 Recurrent Related Party Transactions

Name of the Company	Relationship	Nature of Transaction	2018 Rs.'000s	2017 Rs.'000s
Cereal Partners Gida Ticaret	Affiliate	Imports / Re-Export	(1,704)	(1,744)
LOTTE - Nestlé Korea Co Ltd	Affiliate	Imports	(27,494)	(22,041)
Nestec S.A	Affiliate	Technical / Service Charges	(160)	(22,487)
Nactif (DNC) Lineito d	Affiliate	Recoveries / (Reimbursement)	(16,111)	(11,322)
Nestlé (PNG) Limited	Amilate	Exports	62,183	30,750
		Exports	45,628	33,762
Nestlé (Thai) Limited	Affiliate	Recoveries / (Reimbursement)	(59)	(590)
		Imports / Re-Export	(31,962)	(24,587)
Nactif Acces (Malayria) Cda Dhd	V	Re-Export	(15,206)	(12,027)
Nestlé Asean (Malaysia) Sdn Bhd	Affiliate	Exports	93,753	72,017
		Imports / Re-Export	(143,187)	(151,989)
Nestlé Australia Limited	Affiliate	Recoveries / (Reimbursement)	_	2,055
		IT Service Charges	(295,922)	(316,488)
Nactlé Develope de la liveite d	Affiliate	Imports	(50,033)	=
Nestlé Bangladesh Limited	Amilate	Recoveries / (Reimbursement)	(336)	_
Nactif Descillada	V	Imports	(1,151)	(543)
Nestlé Brasil Ltda	Affiliate	Technical Charges	(8)	_
Nestlé Business Service AOA Inc	Affiliate	Service Charges	(4,669)	(1,231)
Nestlé Cameroun	Affiliate	Imports / Re-Export	(29,274)	(22,229)
Nestlé Caribbean	Affiliate	Exports	19,137	23,040
Nestlé Deutschland AG	Affiliate	Technical Charges	(4,876)	(6,395)
Nestlé Dubai Manufacturing LLC	Affiliate	Imports	(16,656)	(7,557)
Nestlé France	Affiliate	Technical Charges	(16,922)	(11,202)
Nestlé Ghana Limited	Affiliate	Recoveries / (Reimbursement)		(119)
		Exports	909,122	734,972
Nie aut Charles I Carles d	۸ ((() - ۱ -	Recoveries / (Reimbursement)	2,327	(467)
Nestlé India Limited	Affiliate	Imports	(79,821)	(46,485)
		Technical / Service Charges	(111,630)	(109,350)

Name of the Company	Relationship	Nature of Transaction	2018 Rs.'000s	2017 Rs.'000s
Nestlé Jamaica Limited	Affiliate	Exports	249,057	179,760
		Exports	93,733	64,519
Nestlé Japan Limited	Affiliate	Imports	(2,099)	(1,935)
		Recoveries / (Reimbursement)	_	1,252
North Manufacturing (Malausia) Cda Dlad	V tt:1:-+-	Imports / Re-Export	(889,324)	(754,588)
Nestlé Manufacturing (Malaysia) Sdn Bhd	Affiliate	Technical Charges	(4,673)	(3,676)
Novité Marian C A de C V	V tt:1:-+-	Exports	_	383
Nestlé Mexico S.A. de C.V.	Affiliate	Technical Charges	_	188
Nestlé Middle East FZE	Affiliate.	Imports	-	(114)
Nestie Middle East FZE	Affiliate	Exports	1,257,404	1,003,109
Nestlé Middle East Manufacturing	Affiliate	Recoveries / (Reimbursement)	(302)	-
Nestlé Nederlands B.V.	Affiliate	Import	(25,590)	(13,854)
Nostlá Operational Carvinas Worldwide C A	Affiliate	Recoveries / (Reimbursement)	(2,481)	-
Nestlé Operational Services Worldwide S.A.	Allilate	Service Charges	(47,318)	(8,584)
Nestlé Qingdao Limited	Affiliate	Recoveries / (Reimbursement)	-	628
Nestlé Nigeria Plc	Affiliate	Recoveries / (Reimbursement)	10,203	3,773
Nestlé Panama S.A.	Affiliate	Exports	5,746	5,591
Nestlé Pakistan	Affiliate	Recoveries / (Reimbursement)	_	1,247
Nestlé Phillipines Inc	Affiliate	Imports / Re-Export	(1,333,625)	(1,038,608)
Trestie i miiipines inc	Amilate	Recoveries / (Reimbursement)	(2,054)	485
Noctlá Products Sdn Bhd	Affiliate	Imports / Re-Export	(122,819)	(61,287)
Nestlé Products Sdn Bhd	Allilate	Recoveries / (Reimbursement)	(1,523)	(4,314)
Nestlé Purina Petcare India Pvt Ltd.	Affiliate	Recoveries / (Reimbursement)	837	_
Nestlé R&D Centre (Pte) Limited	Affiliate	Technical Charges	(17,535)	(25,201)
	Allillate	Recoveries / (Reimbursement)	(520)	(738)
Nestlé R&D Centre India Private Limited	Affiliate	Recoveries / (Reimbursement)	_	(83)
Nestlé ROH (Thailand) Limited	Affiliate	Recoveries / (Reimbursement)	637	(458)
Nestlé Rossiya LLC	Affiliate	Imports / Re-Export	(4,496)	(6,923)
Nestlé S.A.	Parent	Dividend Payment*/ Share Based Payment*	(2,464,327)	(3,926,199)
		Exports	6,694	6,824
Nostlá Cingapara (Pta) Limitad	Affiliate.	Recoveries / (Reimbursement)	784	1,659
Nestlé Singapore (Pte) Limited	Affiliate	Imports	(1,449,303)	(1,321,133)
Nacilé Coissa C A	V tt:1:-+-	Exports	17,131	18,136
Nestlé Suisse S.A.	Affiliate	Imports	(64,963)	(12,919)
Nestlé Servicios Corporativos	Affiliate	Recoveries / (Reimbursement)	_	(893)
Nestlé Taiwan Limited	Affiliate	Exports	53,219	27,455
Nestlé Trinidad and Tobago Limited	Affiliate	Exports	293,324	181,187
Nestlé UK Limited	Affiliate	Exports	190,532	132,305
Nestlé USA Inc.	Affiliate	Technical Charges	(2,957)	(8,153)
Nestlé R&D Center, Inc. USA	Affiliate	Recoveries / (Reimbursement)	_	(1,259)
		Import / Re-Export	(15,044)	(13,682)
Nestlé Vietnam Ltd.	Affiliate	Exports	188	_
		Recoveries / (Reimbursement)	_	133

Name of the Company	Relationship	Nature of Transaction	2018 Rs.'000s	2017 Rs.'000s
		Imports / Re-Export	(38,621)	(30,689)
Nestlé Waters Marketing	Affiliate	Recoveries	2,307	2,870
		Technical Charges	(1,713)	(377)
Nestrade S.A.		Recoveries / (Reimbursement)	47,546	45,742
	Affiliate	Exports	315,820	180,774
		Service charges	(155,448)	(9,481)
		Imports	(1,754)	(1,145)
DT New Miles	V ((,), - r -	Imports	(3,870)	(11,658)
P.T. Nestlé Indonesia	Affiliate	Recoveries / (Reimbursement)	(222)	1,477
San Pellegrino S P A	Affiliate	Technical Charges	(93)	(70)
Servcom S.A.	Affiliate	Service Charges	(2,133)	(4,418)
Société des Produits Nestlé S.A.	Affiliate	Technical Assistance Fee	(1,783,502)	(1,762,361)
Nestlé Zimbabwe (Private) Limited	Affiliate	Recoveries / (Reimbursement)	1,816	_

^{*} Exempted Related Party Transactions as per section 9.5 (b) and (c) of the Listing Rules.

Aggregated value of the recurrent Related Party Transactions (excluding exempted Related Party Transactions) as a percentage of gross revenue is 26.64% (2017 - 21.79%).

25.1.2 Non-Recurrent Related Party Transactions

Name of the Company	Relationship	Nature of Transactions	2018 Rs.'000s	2017 Rs.'000s
Nestlé Treasury Centre Middle East & Africa	V ff:1:-+-	Inter Group Loan	1,893,000	-
LTD.	Affiliate	Loan Interest	(126,437)	_
Nestrade S.A.	Affiliate	Capital Expenditure	(14,602)	_

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

25.2 Transactions with Key Management Personnel

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

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Short-Term Employee Benefits	110,123	101,700
Directors' Fees	1,800	1,700
Share Based Payments	21,121	18,070
	133,044	121,470

Loans to Directors

No loans were given to the Directors during the year.

25.3 Share-Based Payments

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

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

For the year ended 31 December	2018 Rs.'000s	2017 Rs.'000s
Number of Shares Granted During the Year	2,745	2,968
Weighted Average Fair Value of PSU as at Period End	30,377	25,730
Total Expense Recognised in Profit & Loss	33,525	37,994
Carrying Amount as at the Reporting Date	72,582	63,698

There are no Related Party Transactions other than those disclosed in Notes 16, 22, 24 and 25

26. Commitments

Capital Commitments - The capital commitment for the year 2018, which has been approved and contracted for, is Rs. 411 million (2017 - Rs. 1,972 million).

27. Contingent Liabilities

Income Tax assessments for Rs.268 million were issued to the Company. Appeals have been lodged against the taxes assessed and the Company is of the view that provisions are not required as at the reporting date since the Company believes it has a strong case.

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

28. Events Occurring After the Reporting Date

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

- An interim dividend of Rs. 25.00 per share amounting to Rs. 1,343,136,575 was approved on 21 February 2019 by the Board of Directors and will be paid on 14 March 2019.
- The Board of Directors has recommended a final dividend of Rs. 25.00 per share amounting to Rs. 1,343,136,575 for the year ended 31 December 2018. This is to be approved at the Annual General Meeting to be held on 8 May 2019.

29. Restatements

Comparatives have been restated following the application of IFRS 15, IFRS 16 as well as some other changes in presentation and in accounting policies. Impacts on the Statement of Profit

or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows are presented thereafter.

29.1 Statement of Profit or Loss and Other Comprehensive Income

As at	2017 As Reported Rs.'000s	SLFRS 16 Rs.'000s	Other Rs.'000s	2017 Restated Rs.'000s
Revenue	37,601,472	-	-	37,601,472
Cost of Sales	(24,268,906)	1,731	(258,310)	(24,525,485)
Gross Profit	13,332,566	1,731	(258,310)	13,075,987
Other Operating Expenses	(45,336)	_	_	(45,336)
Marketing, Selling and Distribution Expenses	(6,062,770)	1,230	233,611	(5,827,929)
Administrative Expenses	(2,348,592)	9,153	24,699	(2,314,740)
Result from Operating Activities	4,875,868	12,114	_	4,887,982
Net Finance Expenses	(142,820)	(10,490)	_	(153,310)
Profit Before Taxation	4,733,048	1,624	-	4,734,672
Income Tax Expense	(1,098,831)	_	_	(1,098,831)
Profit for the Year	3,634,217	1,624	_	3,635,841
Other Comprehensive Income / (Expense)				
Actuarial Gain / (Loss) for the Year - Net of Tax	(5,954)	_	_	(5,954)
Total Comprehensive Income	3,628,263	1,624	-	3,629,887
Basic and Diluted Earnings Per Share (Rs.)	67.64	0.03	_	67.67

29.2 Statement of Financial Position

	01 January 2017			31 December 2017				
	As Reported Rs.'000s	SLFRS 16 Rs.'000s	Other Rs.'000s	As Restated Rs.'000s	As Reported Rs.'000s	SLFRS 16 Rs.'000s	Other Rs.'000s	As Restated Rs.'000s
ASSETS								
Non-Currrent Assets								
Property, Plant and Equipment	5,524,652	108,612	_	5,633,264	5,309,182	56,325	_	5,365,507
Capital Work-In-Progress	455,619	=	_	455,619	2,485,503	=	_	2,485,503
Other Non Current Assets			320,493	320,493			319,211	319,211
	5,980,271	108,612	320,493	6,409,376	7,794,685	56,325	319,211	8,170,221
Current Assets								
Inventories	3,935,497	-	_	3,935,497	2,869,614	-	_	2,869,614
Trade and Other Receivables	2,729,585	-	(320,493)	2,409,092	3,965,789	-	(319,211)	3,646,578
Amounts Due from Related Parties	247,957	-	-	247,957	761,444	-	-	761,444
Cash and Cash Equivalents	393,328	-	_	393,328	128,678	-	_	128,678
	7,306,367	-	(320,493)	6,985,874	7,725,525		(319,211)	7,406,314
Total Assets	13,286,638	108,612	_	13,395,250	15,520,210	56,325	_	15,576,535

	01 January 2017			31 December 2017				
	As Reported Rs.'000s	SLFRS 16 Rs.'000s	Other Rs.'000s	As Restated Rs.'000s	As Reported Rs.'000s	SLFRS 16 Rs.'000s	Other Rs.'000s	As Restated Rs.'000s
EQUITY AND LIABILITIES								
Equity								
Stated Capital	537,255	_	_	537,255	537,255	=	_	537,255
Retained Earnings and Reserves	4,945,319	(13,106)	(282)	4,931,931	4,275,544	(11,482)	(282)	4,263,780
	5,482,574	(13,106)	(282)	5,469,186	4,812,799	(11,482)	(282)	4,801,035
Non-Current Liabilities								
Retirement Benefit Obligations	464,750	_	_	464,750	454,190	-	_	454,190
Deferred Tax Liabilities	802,306	=	=	802,306	839,404	=	=	839,404
Non-Current Provisions				_		***************************************	190,220	190,220
Non-Current Financial Liabilities		35,088		35,088		11,894		11,894
	1,267,056	35,088		1,302,144	1,293,594	11,894	190,220	1,495,708
Current Liabilities								
Trade and Other Payables	4,368,214	_	-	4,368,214	4,770,211	_	-	4,770,211
Amounts Due to Related Parties	899,085	-	-	899,085	1,220,045	-	-	1,220,045
Current Tax Payable	805,881	=	282	806,163	719,342	=	(189,938)	529,404
Dividends Payable	151,061	_	_	151,061	167,932	_	_	167,932
Current Financial Liabilities	312,767	86,630	-	399,397	2,536,287	55,913	-	2,592,200
	6,537,008	86,630	282	6,623,920	9,413,817	55,913	(189,938)	9,279,792
Total Liabilities	7,804,064	121,718	282	7,926,064	10,707,411	67,807	282	10,775,500
Total Equity and Liabilities	13,286,638	108,612	_	13,395,250	15,520,210	56,325		15,576,535

29.3 Statement of Cash Flows

	For the Year ended 31.12.2017				
	As Reported Rs.'000s	SLFRS 16 Rs.'000s	Other Rs.'000s	Restated Rs.'000s	
Cash Flows from Operating Activities					
Profit before Taxation	4,733,048	1,624	_	4,734,672	
Adjustments for;					
Depreciation of Property, Plant and Equipment	639,117	84,831	_	723,948	
(Gain) / Loss on Sale of Property, Plant and Equipment	8,393	_	_	8,393	
Amortisation of Staff Loan	26,976	_	_	26,976	
Interest Expense	172,870	10,490	_	183,360	
Interest Income	(28,772)	_	_	(28,772)	
Provision for Inventories and Inventory Written Off	193,036	_	_	193,036	
Net Impairment of Trade Receivables	12,604	_	_	12,604	

89

Notes to the Financial Statements

	For the Year ended 31.12.2017				
	As Reported Rs.'000s	SLFRS 16 Rs.'000s	Other Rs.'000s	Restated Rs.'000s	
Provision for Retirement Benefit Obligations	102,660	_	_	102,660	
Operating Profit Before Working Capital Changes	5,859,932	96,945		5,956,877	
Working Capital Changes					
(Increase) / Decrease in Inventories	872,847		_	872,847	
Decrease / (Increase) in Trade and Other Receivables	(1,248,808)	_	(1,282)	(1,250,090)	
Increase in Amount due from Related Parties	(513,487)	=	_	(513,487)	
(Decrease) / Increase in Trade and Other Payables	401,997	_	=	401,997	
Increase in Amount due to Related Parties	320,960	_	_	320,960	
Cash Generated from Operations	5,693,441	96,945	(1,282)	5,789,104	
Interest Expense Paid	(225,311)	(12,204)	52,441	(185,074)	
Income Tax paid	(1,145,957)	_	_	(1,145,957)	
Retirement Benefit Obligations Paid	(121,490)	_	_	(121,490)	
Net Cash Flows Generated from Operating Activities	4,200,683	84,741	51,159	4,336,583	
Cash Flows from Investing Activities					
Investment in Property, Plant and Equipment	(2,413,944)		(52,441)	(2,466,385)	
Proceeds from Sale of Property, Plant and Equipment	4,461	_		4,461	
Net (Purchase) / Disposal of Other Non-Current Financial Assets			1,282	1,282	
Interest Income Received	1,796	_	_	1,796	
Net Cash Flows Used in Investing Activities	(2,407,687)		(51,159)	(2,458,846)	
Cash Flows from Financing Activities					
Payment of Lease Liabilities		(84,741)	_	(84,741)	
Dividends Paid	(4,281,166)	_	_	(4,281,166)	
Net Cash Flows Used in Financing Activities	(4,281,166)	(84,741)		(4,365,907)	
Net Increase /(Decrease) in Cash and Cash Equivalents	(2,488,170)	_	_	(2,488,170)	
Cash and Cash Equivalents at the Beginning of the Year	80,561	_		80,561	
Cash and Cash Equivalents at the End of the Year (Note 17)	(2,407,609)			(2,407,609)	
Analysis of Cash and Cash Equivalents at the End of the Year					
Cash in Hand and Balances with Bank	128,678	_	_	128,678	
Current Financial Liabilities (Excluding Short-Term Lease Liability)	(2,536,287)	_	_	(2,536,287)	
	(2,407,609)			(2,407,609)	

30. Financial Risk Management

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

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

(a) Credit Risk - Credit risk arises when the counterparty may fail to perform its obligation. The risk in this regard arises from trade and other 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 obtained where possible to minimise the risk further.

The Company limits its exposure to credit risk by investing only with counterparties that have an existing business relationship at a global level with Nestlé. For all short-term investments, credit rating of the counterparty should be AAA or better rated by an independent rating agency.

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

	31 Dec 2018	31 Dec 2017 Restated	01 Jan 2017 Restated
	Rs.'000s	Rs.'000s	Rs.'000s
Trade Receivables	3,013,622	3,149,859	1,999,032
Loans to Employees	401,721	364,759	366,356
Amount Due from Related Parties	854,134	761,444	247,957
Refundable Deposits and Non-Trade Receivables	59,549	54,153	87,763
	4,329,026	4,330,215	2,701,108
Trade Receivables			
Trade Receivables	3,147,545	3,267,413	2,103,982
Impairment of Trade Receivables	(133,923)	(117,554)	(104,950)
	3,013,622	3,149,859	1,999,032
The Ageing of Trade Receivables as at the reporting	g date were as.		
As at	31 Dec 2018	31 Dec 2017	01 Jan 2017
		31 Dec 2017 Restated Rs.'000s	01 Jan 2017 Restated Rs.'000s
As at	31 Dec 2018	Restated	Restated
	31 Dec 2018 Rs.'000s	Restated Rs.'000s	Restated Rs.'000s
As at Not Past Due Past Due 1-30 Days	31 Dec 2018 Rs.'000s 2,572,953	Restated Rs.'000s 2,903,040	Restated Rs.'000s 1,843,708
As at Not Past Due Past Due 1-30 Days Past Due 31-60 Days	31 Dec 2018 Rs.'000s 2,572,953 227,611	Restated Rs.'000s 2,903,040 220,534	Restated Rs.'000s 1,843,708 139,111
As at Not Past Due Past Due 1-30 Days Past Due 31-60 Days Past Due 61-90 Days	31 Dec 2018 Rs.'000s 2,572,953 227,611 70,142	Restated Rs.'000s 2,903,040 220,534 107,353	Restated Rs.'000s 1,843,708 139,111 66,626
As at Not Past Due Past Due 1-30 Days Past Due 31-60 Days Past Due 61-90 Days Past Due 91-120 Days	31 Dec 2018 Rs.'000s 2,572,953 227,611 70,142 77,076	Restated Rs.'000s 2,903,040 220,534 107,353	Restated Rs.'000s 1,843,708 139,111 66,626
As at Not Past Due	31 Dec 2018 Rs.'000s 2,572,953 227,611 70,142 77,076 20,940	Restated Rs.'000s 2,903,040 220,534 107,353 5,008	Restated Rs.'000s 1,843,708 139,111 66,626 8,592
As at Not Past Due Past Due 1-30 Days Past Due 31-60 Days Past Due 61-90 Days Past Due 91-120 Days Past Due More Than 120 Days	31 Dec 2018 Rs.'000s 2,572,953 227,611 70,142 77,076 20,940 178,823	Restated Rs.'000s 2,903,040 220,534 107,353 5,008	Restated Rs.'000s 1,843,708 139,111 66,626 8,592 1 45,944

(b) Liquidity Risk - Liquidity risk arises when the Company encounters difficulties to meet commitments associated with liabilities and other payment obligations. In the management of liquidity risk the Company monitors and maintains sufficient backup lines deemed adequate to finance Company's operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through short-term and long-term borrowings.

		31 Dec 2018 Rs.'000s			31 Dec 2017 Rs.'000s	
	Less than 6 Months	6 - 12 Months	1 - 5 Years	Less than 6 Months	6 - 12 Months	1 - 5 Years
Non-Current Financial Debts			2,007,954			11,894
Trade and Other Payables	4,569,933	64,911	_	4,703,659	66,552	_
Current Financial Liabilities	1,524,174	_	-	2,536,287	_	_
	6,094,107	64,911	2,007,954	7,239,946	66,552	11,894

(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.

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

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:

			Rs.'000s		
	EUR	USD	CHF	SGD	AUD
As at 31 Dec 2018					
Receivables	2,360	1,405,537	46	-	-
Payables	(170,673)	(1,275,289)	(27,336)	(186,976)	(97,236)
Net Financial Position	(168,313)	130,248	(27,290)	(186,976)	(97,236)
As at 31 Dec 2017					
Receivables	2,879	1,305,013	-	-	-
Payables	(171,394)	(1,272,946)	(33,364)	(152,570)	(128,524)
Net Financial Position	(168,515)	32,067	(33,364)	(152,570)	(128,524)

The following significant exchange rates are applied:

As at	31 Dec 2018 Rs.'000s	31 Dec 2017 Rs.'000s
USD	182.95	153.40
EUR	209.29	183.37
SGD	134.26	114.75
AUD	129.24	119.55
CHF	185.55	157.04

Sensitivity Analysis

Strengthening / weakening of the EUR / USD / SGD / AUD / CHF against the LKR (Lankan Rupee) would affect the measurement of the financial instruments denominated in foreign currencies, and the increase / decrease of profit or loss by the amount shown below.

	As at 31 Dec	ember 2018	As at 31 Dec	ember 2017
	Strengthening Profit or Loss Rs.'000s	Weakening Profit or Loss Rs.'000s	Strengthening Profit or Loss Rs.'000s	Weakening Profit or Loss Rs.'000s
USD (1% movement)	1,302	(1,302)	321	(321)
EUR (1% movement)	(1,683)	1,683	(1,685)	1,685
SGD (1% movement)	(1,870)	1,870	(1,526)	1,526
AUD (1% movement)	(972)	972	(1,285)	1,285
CHF (1% movement)	(273)	273	(334)	334

- e) Interest Rate Risk The Company's objective is to manage the interest rate risk to minimise the adverse effects of fluctuating interest rates.
- (f) Fair Value Measurement Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.
- Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs are inputs that are not based on observable market data (unobservable inputs).

All Company derivative assets and liabilities are categorised as level 2 in the fair value hierarchy (2017 -level 2)

Accounting Classifications and Fair Values

The following table shows the carrying amount and the fair value of financial assets and liabilities, including their values in the fair value hierarchy. It does not include the fair value information for financial assets and liabilities not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

	Fair Value - Hedging Instruments		
As at 31 December	2018 Rs.'000s	2017 Rs.'000s	
Financial Assets			
Derivative - Forward Exchange Contract	45,251	779	
	45,251	779	
Financial Liabilities			
Derivative - Forward Exchange Contract	45,483	733	
	45,483	733	

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Trade and Other Payables

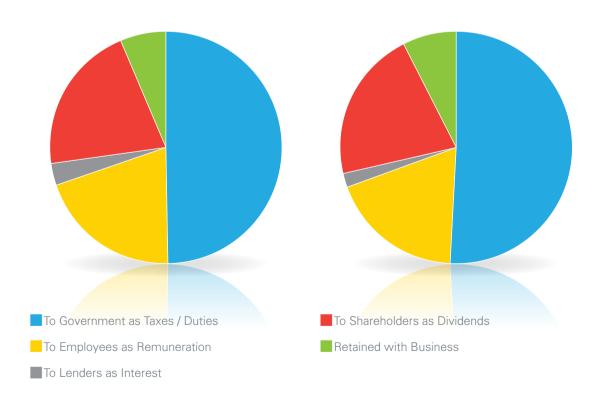
Trade and other payables are expected to be settled within one year of the reporting date, hence the discounting impact would be immaterial. Therefore the carrying amount approximates the fair value as at the reporting date.

Value Added Statement

For the Year Ended 31 December	2018 Rs.'000s		2017 Rs.'000s	
Turnover	37,336,943		37,601,472	
Depreciation	(754,183)		(723,948)	
Bought out Goods and Services	(23,684,032)		(24,168,203)	
Net Value Added	12,898,728		12,709,321	
To Government as Taxes/Duties	Rs.'000s 6,420,400	% 49.8	Rs.'000s 6,492,007	51.1
To Employees as Remuneration and Other Benefits	2,580,612	20.0	2,345,672	18.4
To Lenders as Interest	411,915	3.2	235,801	1.9
To Shareholders as Dividends	2,686,274	20.8	2,686,274	21.1
Retained with Business	799,527	6.2	949,567	7.5
	12,898,728	100.0	12,709,321	100.0

2018

2017



Ten Year Summary

Results	2009 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2012 Rs. '000s	2013 Rs. '000s	2014 Rs. '000s	2015 Rs. '000s	2016 Rs. '000s	2017 Restated Rs. '000s	2018 Rs. '000s
Statement of Comprehensive Income										
Revenue	19,427,135	1,422,984	25,575,780	28,571,488	30,913,413	32,902,885	34,702,511	36,461,695	37,601,472	37,336,943
Profit Before Tax	2,427,850	2,846,771	3,444,267	3,467,713	4,083,211	4,765,797	5,425,507	5,712,078	4,734,672	4,941,457
Taxation	(847,535)	(932,052)	(814,497)	(529,146)	(766,466)	(978,904)	(1,301,183)	(1,313,316)	(1,098,831)	(1,455,656)
Profit After Tax	1,580,315	1,914,719	2,629,770	2,938,567	3,316,745	3,786,893	4,124,324	4,398,762	3,635,841	3,485,801
Retained profits Brought Forward	146,541	115,091	176,283	254,100	291,698	384,915	491,614	512,281	613,005	1,562,572
Super Gain Tax							(638,365)			
Impact of Changes in Accounting Policies	-	-	-	-		-	_	-	-	(13,388)
Profit available for Shareholders	1,726,856	2,029,810	2,806,053	3,192,667	3,608,443	4,171,808	3,977,573	4,911,043	4,248,846	5,034,985
Interim Dividend	(483,529)	(644,704)	-	(1,611,765)	(1,719,215)	(2,175,881)	(1,853,528)	(2,149,019)	(1,343,137)	-
Final Dividend	(1,128,236)	(1,208,823)	(2,551,953)	(1,289,204)	(1,504,313)	(1,504,313)	(1,611,764)	(2,149,019)	(1,343,137)	-
Retained Profits Carried Forward	115,091	176,283	254,100	291,698	384,915	491,614	512,281	613,005	1,562,572	5,034,985
Statement of Financial Position	2009 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2012 Rs. '000s	2013 Rs. '000s	2014 Rs. '000s	2015 Rs. '000s	2016 Restated Rs. '000s	2017 Restated Rs. '000s	2018 Rs. '000s
Stated Capital	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255
Retained Earnings and Reserves	1,243,327	2,029,811	2,806,054	3,231,768	3,678,403	3,550,673	3,984,381	4,931,931	4,263,780	5,097,901
Non-Current Liabilities	430,965	522,736	594,713	794,419	929,020	1,155,712	1,221,692	1,302,144	1,495,708	3,688,838
	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640	5,743,328	6,771,330	6,296,743	9,323,994
Represented by:										
Non-Current Assets Net Current Assets:	2,169,120	2,874,908	4,636,056	4,904,154	4,810,141	5,414,937	5,621,039	6,409,376	8,170,221	10,237,243
Current Assets	3,238,362	3,673,888	4,290,657	3,739,135	5,719,972	5,394,992	6,501,008	6,985,874	7,406,314	7,421,563
Less: Current Liabilities	(3,195,935)	(3,458,994)	(4,988,691)	(4,079,847)	(5,385,435)	(5,566,289)	(6,378,719)	(6,623,920)	(9,279,792)	(8,334,812)
	42,427	214,894	(698,034)	(340,712)	334,537	(171,297)	122,289	361,954	(1,873,478)	(913,249)
	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640	5,743,328	6,771,330	6,296,743	9,323,994
Average Market Price per Share (Rs)	345.64	611.42	764.38	1,154.07	1,978.75	2,105.00	2,049.50	2,144.11	1,913.32	1,726.03
Earnings per Share (Rs)	29.41	35.64	48.95	54.70	61.74	70.49	76.77	81.87	67.67	64.88
Dividend Paid / Proposed (Rs. 000s)	1,611,764	1,853,528	2,551,959	2,901,175	3,223,528	3,680,194	3,465,292	4,298,037	2,686,274	2,686,274
Dividend per Share (Rs.)	30.00	34.50	47.50	54.00	60.00	68.50	64.50	80.00	50.00	50.00

Share Information

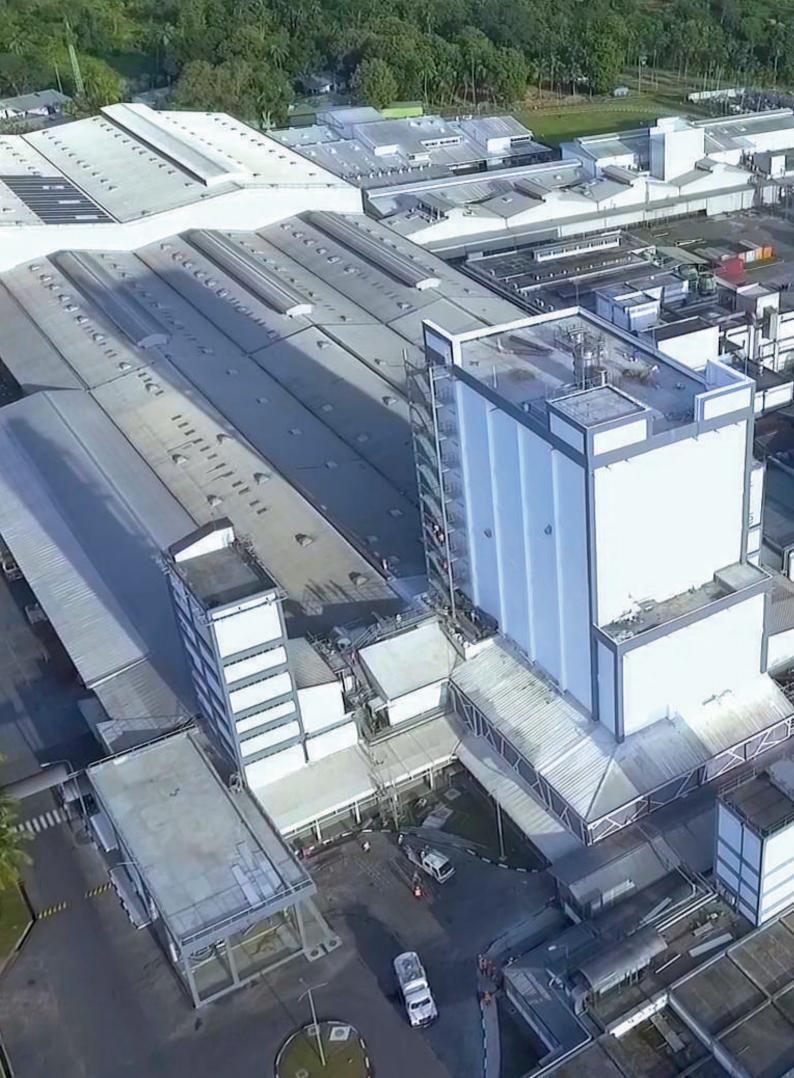
Analysis of Shareholders According to the Number of Shares Held as at 31 December 2018

	sident	Res						
%	umber of Shares	Nι	ber of olders	Num Shareh	Number of Shares Held			
1.23	659,251			es	1,000 Share	to	1	
1.71	919,793		360	es	10,000 Share	to	1,001	
1.72	923,820		35	S	100,000 Share	to	10,001	
0.34	180,466		1	S	1,000,000 Share	to	100,001	
0.00	0		0	S	1,000,000 Share	Over		
5.00	2,683,330	2	5,224					
	Resident	Non -						
0.02	12,895		56	S	1,000 Share	to	1	
0.18	96,502		21	S	10,000 Share	to	1,001	
0.74	397,344		12	S	100,000 Share	to	10,001	
3.24	1,741,646	1	7	S	1,000,000 Share	to	100,001	
90.82	3,793,746	48	1	S	1,000,000 Share	Over		
95.00	51,042,133		97					
	Total	Т						
1.25	672,146		4884		1,000 Share	to	1	
1.89	1,016,295	1	381	es	10,000 Share	to	1,001	
2.46	1,321,164	1	47	S S	100,000 Share	to	10,001	
3.58	1,922,112	1	8	es .	1,000,000 Share	to	100,001	
90.82	48,793,746		1	S	Over 1,000,000 Share:			
100.00	3,725,463	53,725,463						
Number of	umber of	Ni						
Shares	eholders				Categories of Shareholders			
2,331,602	5,177				Individual			
51,393,861	144				Institutional			
53,725,463	5,321				Total			
2017			2018	2	s Per Share	Market Pric	High / Low N	
2,310.00	28 April	899.00 28 April		23 February	t (Rs.)	et Value as	Highest Mark	
1,600.00	600.00 17 October 1		1,6	1 November	owest Market Value as at (Rs.)		Lowest Marke	
1,626.00		00.00	1,7		ember (Rs.)	as at 31 De	Market Value	
9.18%		9.18%			Public Holding as at 31 December			
5,395	5,319				Number of Shareholders Represented by the Public Holding			

Share Information

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

1 Nestlé S.A. 48,793,746 90.82 48,793,746 90.82 2 Citibank New York S/A Norges Bank Account 2 493,037 0.92 438,655 0.82 3 RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund 308,500 0.57 288,500 0.54 4 Deutsche Bank Ag-London 250,000 0.47 - - - 5 Harnam Neesha Jasbinderjit Kaur Piara Singh 200,000 0.37 200,000 0.37 6 SEB AB - Tundra Frontier Opportunities Fund 186,509 0.35 206,537 0.38 7 Sri Lanka Insurance Corporation Ltd-Life Fund 180,466 0.34 180,466 0.34 8 SSBT - Deustche Bank AG Singapore A/C 1 185,600 0.29 155,600 0.29 9 SSBT - All Mehwar Commercial Investments L.L.C 148,000 0.28 - - 10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 13,000	No.	Names	2018	%	2017	%
3 RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund 308,500 0.57 288,500 0.54 4 Deutsche Bank Ag-London 250,000 0.47 - - 5 Harnam Neesha Jasbinderjit Kaur Piara Singh 200,000 0.37 200,000 0.37 6 SEB AB - Tundra Frontier Opportunities Fund 186,509 0.35 206,537 0.38 7 Sri Lanka Insurance Corporation Ltd-Life Fund 180,466 0.34 180,466 0.34 8 SSBT - Deustche Bank AG Singapore A/C 1 155,600 0.29 155,600 0.29 9 SSBT - Al Mehwar Commercial Investments L.L.C 148,000 0.28 - - 10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-GOH3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.1	1	Nestlé S.A.	48,793,746	90.82	48,793,746	90.82
4 Deutsche Bank Ag-London 250,000 0.47 - - 5 Harnam Neesha Jasbinderjit Kaur Piara Singh 200,000 0.37 200,000 0.37 6 SEB AB - Tundra Frontier Opportunities Fund 186,509 0.35 206,537 0.38 7 Sri Lanka Insurance Corporation Ltd-Life Fund 180,466 0.34 180,466 0.34 8 SSBT - Deustche Bank AG Singapore A/C 1 155,600 0.29 155,600 0.29 9 SSBT - All Mehwar Commercial Investments L.L.C 148,000 0.28 - - 10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6OH3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe	2	Citibank New York S/A Norges Bank Account 2	493,037	0.92	438,655	0.82
Harnam Neesha Jasbinderjit Kaur Piara Singh 200,000 0.37 200,000 0.37 6 SEB AB - Tundra Frontier Opportunities Fund 186,509 0.35 206,537 0.38 7 Sri Lanka Insurance Corporation Ltd-Life Fund 180,466 0.34 180,466 0.34 8 SSBT - Deustche Bank AG Singapore A/C 1 155,600 0.29 155,600 0.29 9 SSBT - AI Mehwar Commercial Investments L.L.C 148,000 0.28 - - 10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - <td>3</td> <td>RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund</td> <td>308,500</td> <td>0.57</td> <td>288,500</td> <td>0.54</td>	3	RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund	308,500	0.57	288,500	0.54
SEB AB - Tundra Frontier Opportunities Fund 186,509 0.35 206,537 0.38	4	Deutsche Bank Ag-London	250,000	0.47	_	-
7 Sri Lanka Insurance Corporation Ltd-Life Fund 180,466 0.34 180,466 0.34 8 SSBT - Deustche Bank AG Singapore A/C 1 155,600 0.29 155,600 0.29 9 SSBT - Al Mehwar Commercial Investments L.L.C 148,000 0.28 - 10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-60H3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 45,000 0.08 - </td <td>5</td> <td></td> <td>200,000</td> <td>0.37</td> <td>200,000</td> <td>0.37</td>	5		200,000	0.37	200,000	0.37
8 SSBT - Deustche Bank AG Singapore A/C 1 155,600 0.29 155,600 0.29 9 SSBT - Al Mehwar Commercial Investments L.L.C 148,000 0.28 - - 10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-60H3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 42,500 0.08 19 Anil Kumar Lalchand Hirdaramani	6	SEB AB - Tundra Frontier Opportunities Fund	186,509	0.35	206,537	0.38
9 SSBT - Al Mehwar Commercial Investments L.L.C 148,000 0.28 - - 10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-60H3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	7	Sri Lanka Insurance Corporation Ltd-Life Fund	180,466	0.34	180,466	0.34
10 Employees Provident Fund 100,000 0.19 100,000 0.19 11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-60H3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	8	SSBT - Deustche Bank AG Singapore A/C 1	155,600	0.29	155,600	0.29
11 BNYM Re-Ghi Holdings Maruitius 75,000 0.14 - - 12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	9	SSBT - Al Mehwar Commercial Investments L.L.C	148,000	0.28	_	-
12 Union Assurance PLC / Account No. 5 (Unit-Linked Life Insuarance Fund - Equity Fund) 74,551 0.14 13,000 0.02 13 SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	10	Employees Provident Fund	100,000	0.19	100,000	0.19
Fund - Equity Fund 74,551 0.14 13,000 0.02	11	BNYM Re-Ghi Holdings Maruitius	75,000	0.14	_	-
GNA-6QH3 72,040 0.13 128,076 0.24 14 Jasbinderjit Kaur Piara Singh 69,300 0.13 64,300 0.12 15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	12	,	74,551	0.14	13,000	0.02
15 Prabhash Subasinghe 62,714 0.12 - - 16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	13		72,040	0.13	128,076	0.24
16 Colombo Investment Trust PLC 50,904 0.09 50,904 0.09 17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	14	Jasbinderjit Kaur Piara Singh	69,300	0.13	64,300	0.12
17 SSBT - Russell Investments Institutional Funds Public Limited Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	15	Prabhash Subasinghe	62,714	0.12	_	_
Company 49,151 0.09 69,151 0.13 18 Udeshi Morarji Meghji Asha Ajay Merchant 45,000 0.08 - - 19 Anil Kumar Lalchand Hirdaramani 42,500 0.08 42,500 0.08	16	Colombo Investment Trust PLC	50,904	0.09	50,904	0.09
Asha Ajay Merchant 45,000 0.08	17		49,151	0.09	69,151	0.13
	18	, , ,	45,000	0.08	_	_
20 Radhakrishnan Maheswaran 36,671 0.07 36,671 0.07	19	Anil Kumar Lalchand Hirdaramani	42,500	0.08	42,500	0.08
	20	Radhakrishnan Maheswaran	36,671	0.07	36,671	0.07





Notice of Meeting

Notice is hereby given that the Thirty Eighth (38th) Annual General Meeting of Nestlé Lanka PLC will be held at Committee Room B (Lotus), of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on Wednesday, 08 May 2019, at 10.00 a.m. for the following purposes:

Agenda

- To receive and consider the annual report of the Board of Directors on the affairs of the Company, independent Auditors' report, and financial statements for the year ended 31 December 2018.
- 2. To approve a final dividend for the year ended 31 December 2018 as recommended by the Directors.
- 3. To re-elect as Managing Director Mr. Fabrice Cavallin, in terms of Article 64 of the Articles of Association.
- 4. To re-elect as a Director Mr. Dian Gomes, in terms of Article 56, 57 and 58 of the Articles of Association.
- To re-elect as a Director Mr. Ranjan Seevaratnam, who is over the age of 70 years and retires at the forthcoming Annual General Meeting, in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following ordinary resolution in terms of Section 211 of the Companies Act No. 07 of 2007.
 - "Resolved that Mr. Ranjan Seevaratnam, who is 75 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director"

- 6. To re-elect as a Director Mr. Mahen Dayananda, who is over the age of 70 years and retires at the forthcoming Annual General Meeting, in terms of Section 210 of the Companies Act No. 07 of 2007 by passing the following ordinary resolution, in terms of Section 211 of the Companies Act No. 07 of 2007.
 - "Resolved that Mr. Mahen Dayananda, who is 72 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director"
- To reappoint the Auditors M/s. KPMG and to authorise the Directors to determine their remuneration.

By Order of the Board. **NESTLÉ LANKA PLC**.

Keerthi Pathiraja Company Secretary

21 February 2019

Note:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his / her behalf.
- 2. A proxy need not be a member of the Company.
- 3. A form of proxy accompanies this notice.
- 4. Shareholders attending the meeting are requested to complete the Attendance Form as instructed, and handover the same for registration at the entrance to the meeting hall.
- Shareholders / proxy holders are requested to bring their National Identity Cards for the purpose of identification.

- No parcels and other belongings will be allowed inside the meeting hall.
- Only the Shareholder / proxy holder will be permitted to enter the meeting hall. Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.
- 8. Kindly note that no complimentary gift parcels will be issued at the AGM.

Nestlé Lanka PLC | Annual Report 2018

Form of Proxy

1 / V	estlé Lanka PLC		
beir	ng a member / members of the above named Company hereby appoint		
			0 [.]
Me	as my / our proxy to represent me/us and vote for me/us on my/our behalf at the Thirty Eighth (38 eting of Nestlé Lanka PLC to be held on Wednesday, 08 May 2019, at 10.00 a.m. at Committee Room daranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07 and at any adjourns	B th) Annu n B (Loti	al Genera us), of the
Ag	genda	For	Against
1.	To receive and consider the annual report of the Board of Directors on the affairs of the Company, independent Auditors' report and financial statements for the year ended 31 December 2018.		
2.	To approve a final dividend for the year ended 31 December 2018 as recommended by the Directors.		
3.	To re-elect as the Managing Director Mr. Fabrice Cavallin, in terms of Article 64 of the Articles of Association.		
4.	To re-elect as Director, Mr. Dian Gomes, in terms of Article 56, 57 and 58 of the Articles of Association.		
5.	To re-elect as Director Mr. Ranjan Seevaratnam, who is over the age of 70 years and retires at the forthcoming Annual General Meeting, in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following ordinary resolution in terms of Section 211 of the Companies Act No. 07 of 2007.		
	"Resolved that Mr. Ranjan Seevaratnam, who is 75 years of age, be and is hereby re- elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director"		
6.	To re-elect as a Director Mr. Mahen Dayananda, who is over the age of 70 years and retires at the forthcoming Annual General Meeting, in terms of Section 210 of the Companies Act No. 07 of 2007 by passing the following ordinary resolution, in terms of Section 211 of the Companies Act No. 07 of 2007.		
	"Resolved that Mr. Mahen Dayananda, who is 72 years of age, be and is hereby re- elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director"		
7.	To reappoint the Auditors M/s. KPMG and to authorise the Directors to determine their remuneration.		
Sigr	ned on this: day of		

Instructions as to the completion

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

Attendance Form / മാരിക്കാരി ക്കാര് മാര്യമ / ക്യാക്കാരില്ല് വറ്റവര്

Full name of Shareholder / කොටස් හිමිකරුගේ සම්පූර්ණ නම / பங்குதாரரின் முழுப் பெயர்:
Folio no. / පත්ඉරු අංකය / கோவை இல:
NIC no. / ජාතික හැඳුනුම්පත් අංකය / தேஅஅ இல:
No. of shares held / හිමිකාරීත්වය දරණ කොටස් පුමාණය / வைத்திருக்கும் பங்குகளின் எண்ணிக்கை:
Signature / අත්සන / கையொப்பம்:

Notes:

- 1. Shareholders are requested to bring this attendance form to the Thirty Eighth (38th) Annual General Meeting of Nestlé Lanka PLC. The meeting will be held at Committee Room B, of the Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07, on Wednesday, 08 May 2019 at 10.00 a.m.
- 2. Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.

සටහන්:

- 1. නෙස්ලේ ලංකා පීඑල්සී සමාගමේ තිස් අට (38) වැනි වාර්ෂික මනා සමුළුවට සහභාගි වන්නට පැමිණීමේදී, මෙම පැමිණීමේ ලේඛනය රැගෙන එන මෙන් කොටස් හිමියන්ගෙන් ඉල්ලා සිටිමු. 2019 මැයි 08 වැනි බදාදා දින පෙරවරු 10.00ට කොළඹ 07, බෞද්ධාලෝක මාවතේ, පිහිටි බණ්ඩාරනායක අනුස්මරණ ජාතෳන්තර සම්මන්තුණ ශාලා පරිශුයේ 'B' කමිටු ශාලාවේදී මෙම වාර්ෂික මහා සමුළුව පැවැත්වේ.
- කුඩා දරුවන් රැගෙන ඒමෙන් වළකින මෙන් කොටස් හිමිකරුවන්ගෙ න් කාරුණිකව ඉල්ලා සිටිමු.

குறிப்புக்கள்:

- எதிர்வரும் 2019 மே 08, புதன்கிழமை, மு.ப 10.00 மணிக்கு கொழும்பு 07 பௌத்தாலோக மாவத்தையில் அமைந்துள்ள பண்டாரநாயக்க ஞாபகார்த்த சர்வதேச மாநாட்டு மண்டபத்தின் (BMICH) "Committee Room B" மண்டபத்தில் இடம்பெறவுள்ள நெஸ்லே லங்கா பீஎல்சி நிறுவனத்தின் முப்பத்தி எட்டாவது (38) வருடாந்த பொதுக்கூட்டத்தில் கலந்து கொள்ளும் போது இந்த சமூகமளிக்கும் படிவத்தை தம்முடன் எடுத்துவருமாறு பங்குதாரர்கள் கேட்டுக்கொள்ளப்படுகின்றனர.
- எவ்விதமான அசௌகரியங்களையும் தவிர்க்கும் முகமாக பிள்ளைகளை தங்களுடன் அழைத்து வருவதைத் தவிர்த்துக்கொள்ளுமாறு பங்குதாரர்கள் அன்புடன் கேட்டுக்கொள்ளப்படுகின்றனர்.

103

Corporate Information

Name of Company : Nestlé Lanka PLC

Registered Office and

Head Office:

440, T. B. Jayah Mawatha, Colombo 10, Sri Lanka

Tel: (+94 11) 2696304, 2697821, 2699991

Fax: (+94 11) 2699437

E-mail: info.srilanka@lk.nestle.com

Website: www.nestle.lk

Legal Form: A public quoted Company with limited liability, incorporated in

Sri Lanka on 29 January 1981 and listed on the Main Board of

the Colombo Stock Exchange.

Company Registration

Number:

PQ20

Company Secretary: Keerthi Pathiraja

Nestlé Lanka PLC

Certifications:

FSSC 22000: 2010 (Food Safety System Certification) ISO 14001: 2007 (Environmental Management Systems)

OHSAS 18001: 2007 (Occupational Health and Safety Management Systems)

NQMS (Nestlé Quality Management Systems certified by SGS)

SLS Certification for Cerelac, Milkmaid, Maggi Coconut Milk Powder, Nespray Nutri-Up RTD,

Nescafé Ice Coffee RTD and our entire Maggi noodle range

SLS Certification for Good Manufacturing Practices (GMP) for Nestlé Lanka Sampling Operations

Environmental Protection Licence No: 345/2013 R11

Halal Certification

Registrars: M/s. SSP Corporate Services (Pvt) Ltd.

101, Inner Flower Road, Colombo 3,

Sri Lanka

Tel: 011 2573894, 2576871

Legal Advisors: D. L. & F. De Saram (Attorneys-at-Law)

Julius & Creasy (Attorneys-at-Law)

Auditors: KPMG (Chartered Accountants)

Bankers: Citibank, N.A.

Commercial Bank Hatton National Bank

HSB(

Standard Chartered Bank

Financial Year: 01 January to 31 December



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