



Nestlé Good food, Good life

Nestlé Lanka PLC

ANNUAL REPORT 2019







MY NESTLÉ, MY SRI LANKA

As one of Sri Lanka's oldest companies, Nestlé celebrates 114 years in the island this year. Throughout, we have been driven by our purpose to enhance quality of life and contribute to a healthier future in three ways: Nourishing my Sri Lanka, Developing my Sri Lankan community, and Making my Sri Lanka more sustainable.

We are **Nourishing my Sri Lanka** by offering tastier and healthier products to Sri Lankan families. Through our vast range, we are proud to serve our consumers right from birth to old age. With approximately 90% of our products made locally at our factory in Pannala, Kurunegala, we are able to carefully tailor our recipes to ensure we cater to local tastes and nutritional needs. In 2019, we provided our consumers almost 1 billion micronutrient-enriched servings through our products. We are also continuing to support and inspire millions of Sri Lankans to live healthier through educational and awareness initiatives like our Nestlé Healthy Kids, Kids Athletics, and Choose Wellness programmes.

We are **Developing my Sri Lankan community** by supporting better livelihoods for those we live and work with, and promoting respect and diversity throughout our value chain. We are currently one of Sri Lanka's largest fresh milk collectors and one of the world's largest coconut milk powder exporters, sustaining the livelihoods of almost 30,000 Sri Lankan families – including our farmers, suppliers and distributors – through our business. We also share our technical know-how, best practices and expertise, and provide them training, resources and other assistance. We are also helping thousands of Sri Lankan youth become more employable by upskilling them, and have created job opportunities for hundreds of young Sri Lankans over the last 10 years.

In line with our commitment to **Making my Sri Lanka more sustainable**, we are caring for water, acting on climate change and safeguarding the environment we live in. We are aggressively driving our 2025 target to make all of our packaging 100% recyclable or reusable. We have made good progress, with more than 80% of our current packaging already recyclable. We are no longer offering plastic items in our promotions, and are pioneering the launch of Sri Lanka's first UHT milk carton recycling facility together with other stakeholders.



NOURISHING MY SRI LANKA





DEVELOPING MY SRI LANKAN COMMUNITY



MAKING MY SRI LANKA MORE SUSTAINABLE







NOURISHING MY SRI LANKA



Providing tastier and healthier products

"Our portfolio is designed to suit local palates and nutritional needs. We're striving to use nature's best ingredients, and include milk, spices, grains, vegetables, and fruits in our products. We provide my Sri Lanka with over 910 million micronutrient enriched servings every year, helping to bridge nutritional gaps in our diets."

Chamili Senanayake
– Nutrition, Health & Wellness





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Revenue

RS. 36.4 BILLION

Contribution to Exchequer

RS. 6.1 BILLION

Earnings per Share

RS. 47.76



NOURISHING MY SRI LANKA

915 MILLION*

servings of micronutrient enriched Nestlé products to consumers

~2,200*

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

205,500*

children encouraged to be physically active via our Kids Athletics programme

~68,000*

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

1.5 MILLION+*

consumers reached through our #KnowWhatYouEat campaign to create awareness on understanding product labelling better

23%≈

of sugar reduced from our portfolio

13%≈

of salt reduced from our portfolio

7%≈

of saturated fat reduced from our portfolio



DEVELOPING MY SRI LANKAN COMMUNITY

RS. 2.4 BILLION*

paid to 14,000 local dairy farmers for fresh milk

RS. 2.6 BILLION*

contributed to the coconut industry as payment for procuring fresh coconuts

2,600+*

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



MAKING MY SRI LANKA MORE SUSTAINABLE

Saving energy by

29%‡

Saving water by

15%‡

Reducing greenhouse gas emissions by

12%‡

* (2019)

≈ (2017 – 2019)

‡ (2009-2019 per tonne of production)

Recognitions



SRI LANKA'S MOST RESPECTED FOOD AND BEVERAGE COMPANY

We were ranked Sri Lanka's Most Respected Food and Beverage Company for the fourth consecutive year in LMD's Most Respected Entities publication for 2019. We were once again declared Sector Winner in the Food and Beverages

category, maintaining our overall rank of 16th place from over 100 companies across all industries.

MOST VALUABLE CONSUMER BRANDS

2019 RANK	BRAND NAME	PARENT COMPANY	INDUSTRY
1	Dialog	Dialog Axiata	Telecommunications
2	BOC	Bank of Ceylon	Banking
3	People's Bank	People's Bank	Banking
4	Commercial Bank	Commercial Bank of Ceylon	Banking
5	NSB	National Savings Bank	Banking
6	HNB	Hatton National Bank	Banking
7	Sampath Bank	Sampath Bank	Banking
8	Nestlé	Nestlé Lanka	Food and beverage
9	Lion Beer	Lion Brewery (Ceylon)	Food and beverage
10	DCSL	Distilleries Company of Sri Lanka	Food and beverage

SRI LANKA'S MOST VALUABLE FOOD AND BEVERAGE BRAND

We were ranked Sri Lanka's Most Valuable Food and Beverage Brand in 2019 by Brand Finance, making it the company's seventh consecutive year being ranked amongst Sri Lanka's Top 10 Most Valuable Brands. We secured

an overall rank of number 8 out of 100 corporate brands listed from varying industries. (LMD's Brands Annual publication, 2019).

Recognitions



BEST EXPORTER

We won Best Exporter in the Coconut Kernel Product category at the 2019 Presidential Export Awards. This marks the eighth Presidential Export Award for the Company, in recognition of our strong contribution to national exports,

and efforts to create sustainable livelihoods for local coconut farmers and outgrowers.



BUSINESSES 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 2018-2019 with an overall rank

of number 10 across all industries in the country. This marks Nestlé's fifth consecutive year to receive this recognition.





NOURISHING MY SRI LANKA



Inspiring healthier lives

We are encouraging Sri Lankans to lead healthier lives through our Nestlé Healthy Kids, Kids Athletics, and Choose Wellness programmes. We have helped more than 800,000 kids learn about nutrition, health and physical activity, and provided one-on-one nutrition and dietary counseling to 400,000 consumers through these programmes.

We aggressively drove improvement projects within the company as well as efficiencies across the value chain; harnessing the expertise, passion and commitment of our employees and business partners to achieve growth in the latter part of the year. This reflects the resilience and strength of our company in turbulent times.



Dear Shareholders,

Today more than ever before, people are looking for companies they can trust, who make a positive impact and can change life for the better. Our company, which has upheld its strong values since its inception, stands tall in this regard. It always has. It is this unswerving commitment to our purpose - to enhance quality of life and contribute to a healthier future - that has helped us stay the course even in challenging times. It serves as our blueprint across the business, and helps us use our skills and resources in a way that is good for the company and good for society.

The external environment in 2019 was shaped by a number of headwinds, including the Easter Sunday attacks. I am pleased to note however that we were not only able to mitigate these adverse impacts, but also reverse the negative domestic sales trends of the last couple of quarters, while growing the volume of our exports business. We aggressively drove improvement projects within the company as well as efficiencies across the value chain; harnessing the expertise, passion and commitment of our employees and business partners to achieve growth in the latter part of the year. This reflects the resilience and strength of our company in turbulent times.

We strengthened the leading position of our key brands with revamped business strategies and better attention to ground-level execution. We also enhanced our products' nutrition credentials by adding more natural and familiar ingredients. We are committed to continue increasing micronutrient fortification where relevant, and reducing sugar, salt and saturated fat. We created compelling brand communication, and continued to develop our employees' skills and capabilities to adapt to the fast-changing business environment. As the innovation and renovation of our product portfolio is vital to meet our consumers' evolving needs, we also continued our work to build an innovation and renovation pipeline based on key market and consumer trends. Last but not least, we continued to be a force for good, using our position as a responsible corporate citizen to make a real difference to our consumers, our community, and the planet through various initiatives.

All of this enabled us to enter 2020 on a positive note. Unfortunately, 2020 has brought another challenge - the COVID-19 pandemic - which has impacted Sri Lanka along with the rest of the world.

Our highest priorities at this time remain the safety and wellbeing of our employees and business partners, ensuring safe food supply to our consumers, and supporting our communities. We have provided more than Rs. 50 million in aid to frontline workers battling the pandemic and to vulnerable families needing support as a result of the COVID-19 outbreak. We continued to buy milk from our 14,000 farmers, to ensure their livelihoods are protected in these uncertain times, and supported our business partners and suppliers. We are

simultaneously exploring new ways of working, new business models, and alternative routes to market to continue the positive momentum.

With health and trust becoming even more important in the face of COVID-19, we are also reinforcing our strong local history, positive impact and unmatched expertise in nutrition with the launch of 'My Nestlé, My Sri Lanka'. 'My Nestlé, My Sri Lanka' captures how we live our purpose in three ways - *Nourishing my Sri Lanka* with good food and beverages and inspiring Sri Lankans to lead healthier lives, *Developing my Sri Lankan community* by supporting better livelihoods, and *Making my Sri Lanka more sustainable* by doing our part to safeguard the environment.

Our history shows that strong values, unwavering commitment to our purpose, deep local understanding, passionate and aligned people, and strong and relevant brands will see us through tough times, and this year is no exception. I am confident that we have laid down strong foundations for a sound and sustainable growth.

As always, this would not have been possible without our people. They are our biggest strength and asset. It is their determination, passion and hard work that helped overcome the year's challenges, and I'd like to thank them and our business partners for their support and contribution. I would also like to thank you, our Shareholders, for your trust and loyalty in us to steer your company.

We remain committed and passionate about serving, nourishing and supporting Sri Lanka, as we have done over the last 114 years.



Suresh Narayanan
Chairman

NESTLÉ LANKA PLC

9 June 2020



DEVELOPING MY SRI LANKAN COMMUNITY



Empowering dairy farmers

"We have been collecting milk and helping to develop Sri Lanka's dairy industry since the 1980's. Today, we have set up milk collection points and chilling centers across the island to help provide our 14,000 dairy farmers a sustainable livelihood. We offer further support via financial assistance, mobile veterinary clinics, incentives for artificial insemination, and training and development programmes conducted on a range of technical topics and best practices."

U.L.A. Nanda Kumara
– Dairy Development



A portrait of a middle-aged man with short, light-colored hair, wearing a dark suit, white shirt, and dark tie. He is looking directly at the camera with a neutral expression. The background is a plain, light gray.

We have strengthened our brands by making them more meaningful to today's consumer. This was done via compelling communication of our product superiority, renovations to our recipes where relevant, and the right pricing and product format strategies. We are seeing these positive trends continue into 2020.

Dear Shareholders,

2019 was marked by continued soft consumer demand and increased input costs, driven by increased commodity prices and a strong depreciation of the rupee at the end of 2018. In anticipation of this, we set out on a project early in the year to reverse negative sales trends and use strong employee engagement to implement a number of improvement initiatives. I am very pleased to note that, despite difficult market conditions, we were able to get back to positive growth in the second half of the year and regain market share across most of our portfolio.

We have strengthened our brands by making them more meaningful to today's consumer. This was done via compelling communication of our product superiority, renovations to our recipes where relevant, and the right pricing and product format strategies. We are seeing these positive trends continue into 2020.

For *Nestomalt*, we successfully grew the category to spur growth. We revamped our communications for the brand, focusing on the product's value proposition of energy and micronutrient fortification, and adjusted our product format to drive penetration. We renovated *Maggi's* recipe to achieve a winning taste preference, using eight popular local spices including coriander, cardamom, turmeric, cumin, and black pepper. We also focused on strongly communicating that *Maggi* is manufactured in Sri Lanka, contains the goodness of eight spices with no added flavour enhancers or artificial colours, is SLS certified and enriched with calcium. To strengthen momentum, we also consistently communicated *Milo's* strong proposition of 'Nourish to go further', and leveraged a strong tie-up with FCB, one of the world's most popular football clubs, to enhance the brand's efforts to encourage children to get more active and live a healthier lifestyle.

To reinforce our localness and strong contribution to Sri Lankan society, we launched 'My Nestlé, My Sri Lanka'. It demonstrates how our people, brands and actions as a company is helping to make a difference to individuals and families, communities, and the planet. Here's a snapshot of our work in each area in 2019:

Individuals and families

Nutrition and health continued to remain at the core of our business. We provided consumers 915 million micronutrient-enriched servings in 2019 and reduced sugar, salt and saturated fat by 23%, 13% and 7% respectively over the last two years.

We continued to educate people about balanced diets and the importance of physical activity. Last year, we taught more than 220,000 children about nutrition, health and the importance of physical activity through our Nestlé Healthy Kids and Kids Athletics programmes. We also provided close to 70,000 people free health checks and nutritional counselling through our Choose Wellness, Choose Nestlé programmes.

Communities

In 2019, we maintained our support of the rural farming community by sourcing Rs. 5 billion worth of fresh milk and coconut in 2019 and providing them training and development. We also helped more than 2,600 young Sri Lankans become more employable over the year, by teaching them essential work-place skills via our Nestlé Needs YOUth programme.

The Planet

We have significantly accelerated our efforts to reduce, reuse and recycle. Our factory has done good work in reducing greenhouse gas emissions, energy use and water use by 12%, 29% and 15% respectively over the last 10 years. In 2019, we continued to work towards our target of making our packaging 100% recyclable or reusable by 2025. We have also set the groundwork to open Sri Lanka's first UHT milk carton recycling facility together with other industry stakeholders, and have begun waste management programmes in schools, in collaboration with the authorities.

It is gratifying to note that our efforts to deliver results whilst making a positive impact in these three areas continues to be recognised and appreciated. We were ranked Sri Lanka's Most Valuable Food and Beverage Brand by Brand Finance, Sri Lanka's Most Respected Food and Beverage Company by LMD, won Best Exporter in the Coconut Kernel Product category at the Presidential Export Awards, and were the highest-ranking F&B company in Business Today's list of Sri Lanka's top thirty leading companies.

I would like to thank you, our Shareholders, for your continuing support and ongoing trust in our company and our people. I would also thank all our employees and business partners for their passion, commitment and dedication to ensure our long-term success.

I am confident that the efforts made and actions taken in 2019 have set a solid base for 2020.



Fabrice Cavallin
Managing Director

NESTLÉ LANKA PLC

9 June 2020

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වෙළෙඳ නාණ්ඩ වල මිල ඉහළ යාම සහ 2018 වර්ෂ අවසානයේදී රුපියලේ අගය දැවැන්ත ලෙස පහත වැටීම නිසා 2019 වර්ෂය තුළ අඩුණ්ඩ මෘදු පාරිභෝගික ඉල්ලුම සහ ආදාන පිරිවැය ඉහළ යාම කැපීපෙනුණි. මෙය අපේක්ෂාවෙන් සෘණාත්මක විකුණුම් ප්‍රවණතා ආපසු හැරවීමට සහ වැඩිදියුණු කිරීමේ මූලපිරීම් ගණනාවක් ක්‍රියාත්මක කිරීම සඳහා ශක්තිමත් සේවක නියුක්ත වීමක් යොදාගැනීමට අපි වසර මුලදී ව්‍යාපෘතියක් ආරම්භ කළෙමු. දුෂ්කර වෙළෙඳපොළ තත්ත්වයන් මධ්‍යයේ වුවද, වසරේ දෙවන භාගයේදී ධනාත්මක වර්ධනයක් කරා ආපසු ගමන් කිරීමට සහ අපගේ බොහෝ නිෂ්පාදන සතු වෙළෙඳපොළ කොටස නැවත අත්පත් කරගැනීමට අපට හැකි වූ බව මා පවසන්නේ මහත් සතුටකිනි.

අපගේ වෙළඳ නාම, වර්තමාන පාරිභෝගිකයාට වඩාත් අර්ථාන්විත කරමින් අපි ඒවා ශක්තිමත් කර ඇත. අපගේ නිෂ්පාදන වල විශිෂ්ටත්වය පිළිබඳ සන්නිවේදන, අපගේ ආහාර වට්ටෝරු වලට අදාළ පරිදි අලුත්වැඩියා කිරීම් සහ නිවැරදි මිලකරණය හා නිෂ්පාදන ආකෘති උපායමාර්ග හරහා මෙය සිදුකෙරිණි. මෙම ධනාත්මක ප්‍රවණතා 2020 දක්වා ම පවතින බව අපගේ විශ්වාසයයි.

ඒ අනුව, නෙස්ට්ලේට්ටි සඳහා වේගවත් වර්ධනයක් අත්පත් කරදීමට අපි මෝල්ටි ආහාර කාණ්ඩය ඉහළ නැංවීමු. අපේ අලුත් නෙස්ට්ලේට්ටි සන්නිවේදන ඔස්සේ, විශේෂයෙන් ම නෙස්ට්ලේට්ටි වල අඩංගු ශක්තිමය වටිනාකම් සංයුතිය සහ විය ක්ෂුද්‍ර පෝෂක වලින් පොහොසත් කිරීම ගැන අපි අවධානය යොමු කළ අතර නෙස්ට්ලේට්ටි පාරිභෝගිකයන් වැඩි කිරීමට අපගේ නිෂ්පාදන ආකෘතිය වෙනස් කළෙමු. කොත්තමල්ලි, කරඳමුංගු, කහ, සුදුරු සහ ගම්මිරිස් ඇතුළු ජනප්‍රිය දේශීය කුළුබඩු අටක් භාවිතා කරමින් ජයග්‍රාහී රස මනාපයක් ලබා ගැනීම සඳහා අපි අපේ මැඟි වට්ටෝරුව අලුත් හඳුන්වා දුන්නෙමු. තව ද, මැඟි නිෂ්පාදනය කරනු ලබන්නේ ශ්‍රී ලංකාවේ බවත්, කුළුබඩු අටක යහගුණය වන අන්තර්ගතව ඇති බවත්, රසකාරක හෝ කෘතිම වර්ණකාරක වන

අඩංගු නොවන බවත්, SLS සහතිකය හිමිකර ගෙන සිටින මැඟි නූඩල්ස්, කැල්සියම් වලින් පොහොසත් කර ඇති බවත් අපි දැඩි ලෙස සන්නිවේදනය කිරීමට අවධානය යොමු කළෙමු. තව ද, මයිලෝහි ප්‍රවර්තක ශක්තිය වැඩිකිරීමට අපි නිරන්තරයෙන් වන 'පෝෂණය සමඟින් ඉදිරියට' යන පාඨය පිළිබඳව ද සන්නිවේදනය කළෙමු. එමෙන්ම ළමුන්ට ක්‍රියාශීලී වීමට සහ නිරෝගී ජීවන රටාවක් ගතකිරීම සඳහා දිරමත් කිරීමේ මයිලෝ උත්සාහයට සහාය වනු පිණිස, ලෝකයේ ඉතාම ජනප්‍රිය පාපන්දු සමාජයක් වන FCB සමඟ අප සතු සම්බන්ධතාවය ශක්තිමත් කළෙමු.

අපගේ දේශීයත්වය සහ ශ්‍රී ලංකා සමාජයට අප සතු ශක්තිමත් දායකත්වය වර්ධනය කිරීම අරමුණු කරගනිමින්, අපි 'මගේ නෙස්ට්ලේ, මගේ ශ්‍රී ලංකාව' වැඩසටහන දියත් කළෙමු. සමාගමක් ලෙස අපගේ සේවකයින්, වෙළෙඳ නාම සහ ක්‍රියාවන් හරහා අපගේ පාරිභෝගිකයින්, ප්‍රජාවන් සහ පරිසරය තුළ වෙනසක් ඇති කිරීමට උපකාරී වන ආකාරය ඉන් පෙන්නුම් කෙරේ. 2019 වසරේදී එම සෑම පැතිකඩකට ම අදාළව අප කළ කාර්යභාරය පිළිබඳව කෙටි සටහනක් මෙසේ ඉදිරිපත් වේ.

පාරිභෝගිකයින්

පෝෂණය සහ සෞඛ්‍යය, දිගටම අපගේ ව්‍යාපාරයේ හරය විය. අපි 2019 වසරේදී ක්ෂුද්‍ර පෝෂක වලින් පොහොසත් පරිභෝජන අවස්ථාවන් මිලියන 915 ක් පාරිභෝගිකයින්ට ලබා දුන් අතර පසුගිය වසර දෙක තුළ ඒවායේ සීනි, ලුණු සහ සංතෘප්ත මේදය පිළිවෙලින් 23%, 13% සහ 7% බැගින් අඩු කළෙමු.

සමබල ආහාර වේලක සහ ශාරීරික ක්‍රියාකාරකම්වල වැදගත්කම පිළිබඳව අපි දිගටම ජනතාව දැනුවත් කළෙමු. අප හඳුන්වා දුන් Nestlé Healthy Kids සහ Kids Athletics වැඩසටහන් හරහා පසුගිය වසරේදී දරුවන් 220,000කට වැඩි පිරිසකට පෝෂණය, සෞඛ්‍යය සහ ශාරීරික ක්‍රියාකාරකම්වල වැදගත්කම පිළිබඳව අපි ගුරුහරුකම් දුනිමු. එමෙන්ම අපගේ Choose Wellness, Choose Nestlé

වැඩසටහන් හරහා 70,000කට ආසන්න පිරිසකට නොමිලේ සෞඛ්‍ය පරීක්ෂාවන් සහ පෝෂණ උපදේශන ලබා දුනි.

ප්‍රජාවන්

2019 දී අපි රු. බිලියන 5ක් වටිනා නැවුම් කිරි සහ පොල් මිලදී ගනිමින් ද, පුනුණු හා සංවර්ධනය වැඩසටහන් හරහා ද, ග්‍රාමීය ගොවි ප්‍රජාවට සහයෝගය ලබා දුනිමු. අපගේ Nestlé Needs YOUth වැඩසටහන හරහා අත්‍යවශ්‍ය රැකියා ස්ථාන කුසලතා ඉගැන්වීම් තුළින්, ගෙවුණු වසර පුරා තරුණ ශ්‍රී ලාංකිකයන් 2,600 කට වැඩි පිරිසක් සේවා නියුක්තිය සඳහා අපි සූදානම් කළෙමු.

පරිසරය

අවම කිරීම් (Reduce), නැවත භාවිතා කිරීම් (Reuse) සහ ප්‍රතිචක්‍රීකරණය කිරීම් (Recycle) සඳහා වන අපගේ උත්සාහයන් අපි වේගවත් කළෙමු. පසුගිය වසර 10 තුළ හරිතාගාර වායු විමෝචනය, බලශක්ති පරිභෝජනය සහ ජල භාවිතය පිළිවෙලින් 12%, 29% සහ 15% කින් අඩු කිරීමට අපගේ කාර්මාන්තශාලාව විශාල වැඩ කොටසක් කර තිබේ. වර්ෂ 2025 වන විට අපගේ ඇසුරුම්කරණ, 100%ක්ම ප්‍රතිචක්‍රීකරණය කළ හැකි හෝ නැවත භාවිතා කළ හැකි ඇසුරුම් බවට පත් කිරීමේ ඉලක්කය කරා අපි 2019 වසර පුරා අඛණ්ඩව කටයුතු කළෙමු. සෙසු කාර්මාන්ත පාර්ශවකරුවන්ගේ ද සහාය සමඟ, ශ්‍රී ලංකාවේ පළමු UHT කිරි ඇසුරුම් ප්‍රතිචක්‍රීකරණ කිරීමේ පහසුකම විවෘත කිරීමට අපි මූලික අභිතලම දමා ඇත්තෙමු. බලධාරීන් සමඟ එක්ව පාසල්වල අපද්‍රව්‍ය කළමනාකරණ වැඩසටහන් ද අප ආරම්භ කර තිබේ.

මෙම අංශ තුන තුළ ධනාත්මක බලපෑමක් ඇති කරමින් ප්‍රතිඵල ලඟා කරගැනීමට අප දරන උත්සාහය අඛණ්ඩව පිළිගැනීමට හා අගය කිරීමට ලක්වීම, සතුටට කරුණකි. ඩූෂන්ඩ් ෆිනෑන්ස් වෙතින් ශ්‍රී ලංකාවේ වටිනා ම ආහාර හා පාන වර්ග සන්නාමය, LMD වෙතින් ශ්‍රී ලංකාවේ වඩාත් ම ගෞරවනීය ආහාර හා පාන

සමාගම, ජනාධිපති අපනයන සම්මාන උළෙලේදී පොල් මද ආශ්‍රිත නිෂ්පාදන කාණ්ඩයේ හොඳම අපනයනකරු සහ ඩිස්නස් ටුඩේ හි ශ්‍රී ලංකාවේ ප්‍රමුඛ පෙළේ සමාගම් 30 ලැයිස්තුවේ ඉහළ ම පෙළේ ආහාර හා පාන සමාගම ආදී වශයෙන් සම්මානයට පාත්‍ර විය.

අපගේ සමාගම සහ සේවකයින් කෙරෙහි ඔබ දක්වන අඛණ්ඩ සහයෝගය සහ විශ්වාසය වෙනුවෙන් අපගේ කොටස් හිමිකරුවන් වන ඔබට මම ස්තූතිවන්ත වෙමි. අපගේ දිගුකාලීන සාර්ථකත්වය සහතික කිරීම සඳහා සියලු සේවකයින්ගේ සහ ව්‍යාපාරික හවුල්කරුවන්ගේ උනන්දුව, වගකීම් සහගත බව සහ කැපවීම පිළිබඳව ද මම ස්තූතිවන්ත වෙමි.

2019 වසරේදී ගත් උත්සාහයන් සහ ක්‍රියාමාර්ග, 2020 වසර සඳහා ශක්තිමත් පදනමක් සකසා ඇති බව මාගේ විශ්වාසයයි.



ගැබ්රිස් කැවලින්

කළමනාකාර අධ්‍යක්ෂක

නෙස්ලේ ලංකා පීවල්ස්

9 ජූනි 2020

அன்பிற்குரிய பங்குதாரர்களே,

2019 ஆம் ஆண்டானது, 2018 ஆம் ஆண்டின் இறுதிக்கட்டத்தில் நிலவிய அதிகரித்த பண்டங்களின் விலை மற்றும் நாணய மாற்று வீதத்தில் ஏற்பட்ட வலுவான வீழ்ச்சி ஆகியவற்றின் காரணமாக தொடர்ச்சியான நுகர்வோர் கேள்வி நெகிழ்வு மற்றும் அதிகரித்த முதலீட்டுச் செலவு என்பவற்றால் குறிக்கப்பட்டதாக அமைந்ததைக் காணக்கூடியதாக இருந்தது. இந்த எதிர்வுகூறலின் அடிப்படையில் எதிர்மறை விற்பனைப் போக்கினை மாற்றியமைப்பதற்காக ஆண்டின் தொடக்கத்தில் ஒரு திட்டத்தை நாங்கள் முன்னெடுத்திருந்ததுடன், மற்றும் பல மேம்பாட்டு முயற்சிகளை செயல்படுத்த எமது பணியாளர்களின் ஈடுபாட்டை வலுவாக பயன்படுத்தியிருந்தோம். கடினமான சந்தை நிலைமைகளுக்கு மத்தியிலும் ஆண்டின் இரண்டாம் பாதியில் நேர்மறையான வளர்ச்சியை எட்ட முடிந்துள்ளதுடன், எங்கள் உற்பத்தி வரிசையில் அனேகமான உற்பத்திகளின் சந்தைப் பங்கை மீட்டெடுக்க முடிந்தது என்பதையிட்டு நான் மிகவும் திருப்தியடைகிறேன்.

எங்கள் வர்த்தகநாமங்களை இன்றைய நுகர்வோருக்கு மிகவும் அர்த்தமுள்ள வகையில் பலப்படுத்தியுள்ளோம். எங்கள் உற்பத்தி மேன்மையின் வசீகரமான தகவல் தொடர்பாடல், பொருத்தமான வகையில் எங்கள் சமையல் குறிப்புகளில் புத்தாக்கங்களை புகுத்துதல் மற்றும் சரியான விலை நிர்ணயம் மற்றும் உற்பத்தி வடிவமைப்பு உத்திகள் மூலம் அவை முன்னெடுக்கப்பட்டுள்ளன. இந்த நேர்மறையான போக்குகள் 2020 ஆம் ஆண்டிலும் தொடர்வதை எம்மால் காணக்கூடியதாக உள்ளது.

நெஸ்ட்மோல்ட்டைப் (Nestomalt) பொறுத்தவரை, அதன் வளர்ச்சியைத் தூண்டுவதற்காக இந்த உற்பத்திப் பிரிவை வெற்றிகரமாக வளர்ச்சி பெறச் செய்துள்ளோம். இந்த வர்த்தகநாமத்திற்கான எங்கள் தொடர்பாடல்களை நாங்கள் புதுப்பித்துள்ளதுடன், உற்பத்தி கொண்டுள்ள சக்தியின் பெறுமான முன்மொழிவு மற்றும் நுண்ணூட்டச்சத்து வலுவூட்டலில் கவனம் செலுத்தி, நுகர்வோர் மத்தியில் அதன் அடைவு மட்டத்திற்கு உந்துசக்தியளிக்க எங்கள் உற்பத்தியின் வடிவமைப்பை சீரமைத்திருந்தோம். கொத்தமல்லி, ஏலக்காய், மஞ்சள், சீரகம் மற்றும் மிளகு உள்ளிட்ட எட்டு பிரபலமான உள்நாட்டு மசாலாப் பொருட்களைப் பயன்படுத்தி, வெற்றிகரமான சுவைத் தெரிவை அடையப் பெறுவதற்காக மெகியின் (Maggi) உற்பத்திச் செய்முறையை நாங்கள் புதுப்பித்தோம். மெகி இலங்கையில் உற்பத்தி செய்யப்படுகிறது என்பதையும், கூடுதல் சுவையூட்டிகளோ அல்லது செயற்கை சாயங்களோ சேர்க்கப்படாது எட்டு

மசாலாப் பொருட்களின் நலச்செழுமை சேர்க்கப்பட்டுள்ளது என்பதையும் இலங்கை கட்டளைகள் நிறுவனத்தின் தரச்சான்று அங்கீகாரம் (SLS) பெற்றது என்பதையும் மற்றும் கல்சியம் சேர்த்து செழுமைப்படுத்தப்பட்டது என்பதையும் நுகர்வோர் மத்தியில் எடுத்துச் செல்லும் வலுவான தொடர்பாடலில் நாங்கள் கவனம் செலுத்தினோம். 'ஊட்டத்துடன் முன் தொடர்' எனும் மைலோவின் (Milo) போஷாக்கு சக்தி வலு தொடர்பான முன்மொழிவை நுகர்வோர் மத்தியில் எடுத்துச் செல்வதில் நாங்கள் தொடர்ந்து முரண்பாடற்ற தொடர்பாடலை முன்னெடுத்ததுடன், சிறுவர் மத்தியில் செயல்திறமுடைய மற்றும் ஆரோக்கியமான வாழ்க்கைமுறையை ஊக்குவிக்கும் வகையில் வர்த்தகநாமத்தின் முயற்சிகளை வலுப்படுத்தும் வகையில் உலகின் மிகவும் பிரபலமான உதைப்பந்தாட்டக் கழகங்களில் ஒன்றான FCB உடனான வலுவான பிணைப்பின் அனுகூலத்தையும் சிறப்பாக பயன்படுத்தியுள்ளோம்.

இலங்கை சமுதாயத்திற்கு எங்கள் பூர்வீகமான மற்றும் வலுவான பங்களிப்பை மேலும் வலுப்படுத்த, 'எனது நெஸ்ட்லே, எனது இலங்கை' (My Nestlé, My Sri Lanka) என்ற முன்னெடுப்பை நாங்கள் ஆரம்பித்தோம். தனிநபர்களுக்கும் குடும்பங்களுக்கும், சமூகங்களுக்கும், பூமிக்கும் ஒரு மாற்றத்தை ஏற்படுத்த ஒரு நிறுவனம் என்ற ரீதியில் எமது பணியாளர்கள், வர்த்தகநாமங்கள் மற்றும் செயல்பாடுகள் எவ்வாறு உதவுகின்றன என்பதை இது விளக்கமாக வெளிப்படுத்துகிறது. 2019 ஆம் ஆண்டில் ஒவ்வொரு துறையிலும் எங்கள் பணிகளின் சுருக்கமான தொகுப்பு வருமாறு:

தனிநபர்கள் மற்றும் குடும்பங்கள்

ஊட்டச்சத்து மற்றும் ஆரோக்கியம் ஆகியன எங்கள் வர்த்தகத்தில் தொடர்ந்தும் நடுநாயகமாக உள்ளன. 2019 ஆம் ஆண்டில் நுகர்வோருக்கு நுண்ணூட்டச்சத்து செழுமை நிறைந்த பரிமாறல்களை 915 மில்லியன் தடவைகள் வழங்கியுள்ளோம், கடந்த இரண்டு ஆண்டுகளில் சீனி, உப்பு மற்றும் நிறை கொழுப்பை முறையே 23%, 13% மற்றும் 7% ஆல் குறைத்துள்ளோம்.

நிறை உணவு முறைகள் மற்றும் உடற் பயிற்சிகளின் முக்கியத்துவம் குறித்து மக்களுக்கு தொடர்ந்து அறிவூட்டினோம். கடந்த ஆண்டில், எங்கள் நெஸ்ட்லே ஆரோக்கியமான குழந்தைகள் (Nestlé Healthy Kids) மற்றும் குழந்தைகள் தட கள நிகழ்ச்சித்திட்டங்கள் (Kids Athletics) மூலம் 220,000 இற்கும் மேற்பட்ட குழந்தைகளுக்கு ஊட்டச்சத்து, ஆரோக்கியம் மற்றும்

உடற் பயிற்சிகளின் முக்கியத்துவம் குறித்து அறிவூட்டினோம். எங்கள் Choose Wellness, Choose Nestlé நிகழ்ச்சித்திட்டங்கள் மூலம் ஏறத்தாழ 70,000 பேருக்கு இலவச ஆரோக்கிய பரிசோதனைகள் மற்றும் ஊட்டச்சத்து ஆலோசனைகளையும் வழங்கினோம்.

சமூகங்கள்

2019 ஆம் ஆண்டில், ரூபா 5 பில்லியன் மதிப்புள்ள புத்தம்புதிய பால் மற்றும் தேங்காய் கொள்வனவு மூலமாக கிராமப்புற விவசாய சமூகத்திற்கான எமது ஆதரவை தொடர்ந்தும் பேணியுள்ளதன், அவர்களுக்கு பயிற்சி மற்றும் மேம்பாட்டு உதவிகளையும் வழங்கியுள்ளோம். எங்கள் Nestlé Needs YOuth நிகழ்ச்சித்திட்டத்தின் மூலம் அத்தியாவசிய பணியிட திறன்களை கற்பிப்பதன் மூலம், 2,600 இற்கும் மேற்பட்ட இலங்கை இளைஞர், யுவதிகளுக்கு அவர்களது வேலைவாய்ப்புத் திறனை மேம்படுத்திக் கொள்ள கடந்த ஆண்டில் உதவியுள்ளோம்.

பூமி

குறைத்தல், மீள்பாவனை மற்றும் மீள்சுழற்சி என்பதற்கான எங்கள் முயற்சிகளை நாங்கள் கணிசமாக விரைவுபடுத்தியுள்ளோம். கடந்த 10 ஆண்டுகளில் பச்சைவீட்டு வாயு வெளியீடு, எரிசக்தி பயன்பாடு மற்றும் நீர் பயன்பாட்டை முறையே 12%, 29% மற்றும் 15% ஆல் குறைப்பதில் எங்கள் தொழிற்சாலை சிறந்த பணியை முன்னெடுத்துள்ளது. 2019 ஆம் ஆண்டில், எங்கள் பொதியிடலை 2025 ஆம் ஆண்டிற்குள் 100% மீள்பாவனை செய்யக்கூடியதாக அல்லது மீள்சுழற்சி கொண்டதாக மாற்றுவதற்கான எங்கள் இலக்கை நோக்கி நாங்கள் தொடர்ந்து பணிகளை முன்னெடுத்துள்ளோம். இலங்கையின் முதன்முதலாக அதியுயர் வெப்பநிலையில் கொதிக்க வைத்து பண்படுத்தப்படும் (UHT) பால் அட்டைப்பெட்டி மீள் சுழற்சி வசதியை தொழிற்சாலையில் சம்பந்தப்பட்ட ஏனைய தரப்பினருடன் இணைந்து ஆரம்பிப்பதற்கான அத்திவாரத்தை நாங்கள் இட்டுள்ளதுடன், உரிய அதிகார சபைகளுடன் இணைந்து பாடசாலைகளில் கழிவு முகாமைத்துவ நிகழ்ச்சித் திட்டங்களையும் ஆரம்பித்துள்ளோம்.

சாதகமான பெறுபேறுகளை முன்வைக்கும் அதேவேளை, இந்த மூன்று துறைகளிலும் நேர்மறையான தாக்கத்தை ஏற்படுத்தும் எங்கள் முயற்சிகள் தொடர்ந்து இனங்காணல் அங்கீகாரம்

கிடைக்கப்பெற்று, பாராட்டப்படுகின்றன என்பதை குறிப்பிடுவது மிக்க மகிழ்ச்சியளிக்கிறது. Brand Finance ஆல் இலங்கையின் மிகவும் மதிப்புமிக்க உணவு மற்றும் பான வகை வர்த்தகநாமமாக நாம் தரப்படுத்தப்பட்டுள்ளமை, LMD இனால் இலங்கையின் மிகவும் மதிப்பிற்குரிய உணவு மற்றும் பான வகை உற்பத்தி நிறுவனமாக பெயரிடப்பட்டமை, ஜனாதிபதி ஏற்றுமதி விருதுகள் நிகழ்வில் தேங்காய் கொப்பரா உற்பத்திப் பிரிவில் மிகச் சிறந்த ஏற்றுமதியாளர் விருதை வென்றமை, மற்றும் Business Today சஞ்சிகையால் இலங்கையின் முதல் முப்பது முன்னணி நிறுவனங்களின் பட்டியலில் அதியுயர் இடத்தில் நிரந்தரப்படுத்தப்பட்ட உணவு மற்றும் பான வகை உற்பத்தி நிறுவனமாக அமைந்துள்ளமை ஆகியன அவற்றுள் குறிப்பிடத்தக்கவை.

எங்கள் நிறுவனம் மற்றும் எங்கள் பணியாளர்கள் மீது நீங்கள் காண்பித்து வரும் தொடர்ச்சியான ஆதரவு மற்றும் தொடர்ச்சியான நம்பிக்கைக்காக எங்கள் பங்குதாரர்களாகிய உங்களுக்கு நன்றி தெரிவிக்க விரும்புகிறேன். எங்கள் நீண்ட கால வெற்றியை உறுதிப்படுத்துவதில் காண்பிக்கும் தீவிர ஆர்வம், ஈடுபாடு மற்றும் அர்ப்பணிப்பு ஆகியவற்றுக்காக எங்கள் ஊழியர்கள் மற்றும் வணிக பங்காளர்களுக்கு நான் நன்றி கூற விரும்புகிறேன்.

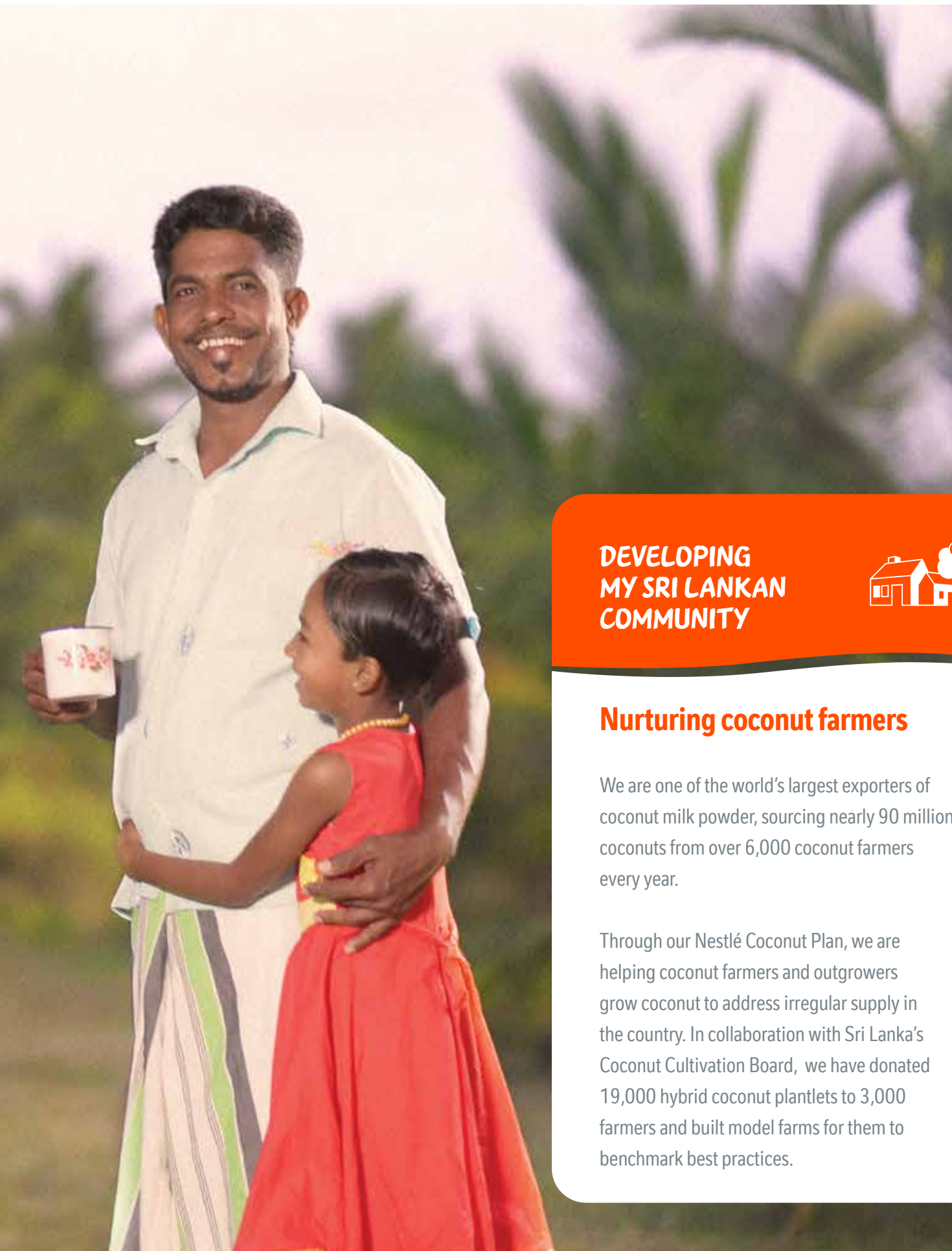
2019 ஆம் ஆண்டில் மேற்கொள்ளப்பட்ட முயற்சிகள் மற்றும் நடவடிக்கைகள் 2020 ஆம் ஆண்டிற்கான உறுதியான அத்திவாரத்தை இட்டுள்ளன என்று நான் நம்புகிறேன்.

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நெஸ்லே லங்கா பீஎல்சி

9 ஜூன் 2020





DEVELOPING MY SRI LANKAN COMMUNITY



Nurturing coconut farmers

We are one of the world's largest exporters of coconut milk powder, sourcing nearly 90 million coconuts from over 6,000 coconut farmers every year.

Through our Nestlé Coconut Plan, we are helping coconut farmers and outgrowers grow coconut to address irregular supply in the country. In collaboration with Sri Lanka's Coconut Cultivation Board, we have donated 19,000 hybrid coconut plantlets to 3,000 farmers and built model farms for them to benchmark best practices.

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. 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 25 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.



Gurcharan Grover

is the Director - Finance & Control of Nestlé Lanka PLC, effective 1 January 2018. He is a gold medallist Chartered Accountant and also a Cost Accountant, with a rich and varied experience in the field of Auditing, Costing, Accounting & Reporting, Controlling, and Business Partnering across India, Africa (Ghana) and Switzerland.

Gurcharan's career at Nestlé spans over 20 years. He joined Nestlé India 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 in the position of Market Reporting Controller for the Nestlé group. Gurcharan later on went on to becoming a Reporting Specialist. He returned to Nestlé India in 2012 as Head of Accounting and Reporting for the South Asia Region. He took over as Sales Controller for Nestlé India in 2014 before joining Nestlé Lanka in 2018.

At Nestlé Lanka, Gurcharan provides overall leadership to the Finance & Control, Corporate Legal, and Information Services and Information Technology functions, and supports cross-functional teams to deliver business results for the company.



Shobinder Duggal

was a Non-Executive Director of Nestlé Lanka PLC since 1 January 2014. He was 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.

He held positions of increasingly broader importance in Finance & Control across geographies and functional streams. After diverse experience and exposure, Shobinder 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. Shobinder Duggal took a well-deserved retirement effective 29 February 2020 after a successful career spanning over 33 years with the Nestlé group.



David McDaniel

is appointed as Non-Executive Director of Nestlé Lanka PLC effective 1 March 2020. He succeeds Shobinder Duggal who has taken up retirement after a career span of 33 years with the Nestlé Group.

David is a Chartered Management Accountant. He has over 23 years of rich and exhaustive experience in the Finance & Control division and held senior management positions in various countries during his career with the Nestlé Group.

David was the Chief Financial Officer of Nestlé UK & Ireland and has been holding the position since April 2016. Prior to this he has had relevant exposure in Asia, having worked as Division Director - Finance & Control of Nestlé Korea, and Head of Finance & Control in Nestlé Indochina. He has also worked in Nestlé China in varied capacities within the Finance & Control function and at Nestlé Headquarters - Switzerland, as the Head of Financial Services with the Nestlé Global Business Services Organisation.

David has been appointed as Director, Finance & Control and Chief Financial Officer of Nestlé India Limited from 01 March 2020.



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 was the Resident Representative in Sri Lanka of Gover Horowitz & Blunt Ltd (UK). He was also the Honorary Consul for the Republic of Benin in Sri Lanka. Mahen is also the President of Sri Lanka - Japan Business Council.



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 Practising 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 and Director of Urban Built (Pvt) Ltd, Gandhara Crafts and Artifacts (Pvt) Ltd, Villa Republic (Pvt) Ltd, Westgate Apparel (Pvt) Ltd, and Westgate International (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.

His versatile interests saw him take over as President of the Boxing Association of Sri Lanka from 2004 - 2009 and 2017 - 2020. He is also part of the Women's Commission in the International Boxing Association (AIBA).

Dian was also conferred the National title of "Sri Lanka Sikhamani" by the President of Sri Lanka in August 2019.

Our Management Committee

Fabrice Cavallin
Managing Director



Gurcharan Grover
Finance & Control, Legal



Thomas Mueller
Technical



Jagath Wedage
Sales



**Panchadcharam
Sathiyenthra**
Supply Chain



Enoca Sirimanne
Human Resources



Bandula Egodage
Corporate Affairs &
Communications



Radhini DeCosta
Marketing Services



Our Management Committee



**Makshoodh
Meerasaibu**
Food, Coffee



**Tharinda
Jayasundera**
Nestlé Nutrition



Mohamed Ali
Milo



Roshan Perera
Nestlé Professional



Ruwan Welikala
Dairy

DEVELOPING MY SRI LANKAN COMMUNITY



Enhancing our youth's employability

"Through our Nestlé Needs YOUth initiative, we have helped upskill more than 10,000 young Sri Lankans and make them more employable. Partnering with private and public universities, we have implemented soft skill development programmes to help young people make the transition to their first jobs."

Sasanka Jayadasa
– Supply Chain





Nestlé Lanka complies with established **best practices of Corporate Governance**. 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 44 to 46 and the Corporate Governance Compliance Table is shown on pages 36 to 37.

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, 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.

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 processes in addressing any compliance related matter.
- 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 eighth Annual General Meeting of Nestlé Lanka PLC, held on 10 June 2019, 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 2019 in order to form an opinion on the financial statements. Their report on the financial statements is given on pages 54 to 56.

Audit, Remuneration and Related Party Transactions Review Committee

The Audit Committee Report on pages 38 and 39, the Remuneration Committee Report on page 40 and Related Party Transactions Review Committee Report on pages 41 and 42 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 losses. 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 34 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 34 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 28 and 29 of the Annual Report

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 40 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	
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 40 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 The aggregate remuneration paid to Executive and Non-Executive Directors	Compliant Compliant Compliant	Please refer page 40 of the Annual Report Please refer page 40 of the Annual Report

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

Section	Subject	Applicable Rule	Compliance Status	Details
7.10.6(a)	Composition of the Audit Committee	<p>Shall comprise Non-Executive Directors, a majority of whom shall be independent</p> <p>The Chairman of the Committee shall be a Non-Executive Director</p> <p>The Chairman or a member should be a member of a professional accounting body</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p>	Please refer page 38 of the Annual Report
7.10.6(a) and (c)	Audit Committee	A listed company may be permitted to have the same Audit Committee if the parent company is also listed	Not applicable	The parent company is not listed in Sri Lanka. As such, a separate Audit Committee has been formed
7.10.6(b)	Functions of the Audit Committee	Should be detailed as per section 7.10.6(b) of the Listing Rules	Compliant	Please refer page 38 of the Annual Report
7.10.6(c)	Disclosure in the Annual Report	<p>Names of the Directors in the Audit Committee</p> <p>The basis of determination of the Auditor's independence</p> <p>A report of the Audit Committee as per section 7.10.6(c) of the Listing Rules</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p>	Please refer pages 38 and 39 of the Annual Report

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

Section	Subject	Applicable Rule	Compliance Status	Details
9	Related Party Transactions Review Committee	The Company shall have a Related Party Transactions Review Committee	Compliant	Related Party Transactions Review Committee duly appointed as per CSE Listing Rules
9.2.2	Composition of the Related Party Transaction Review Committee	<p>Shall comprise a combination of Non-Executive Directors, Independent Non-Executive Directors and Executive Directors</p> <p>The Chairman of the Committee should be an Independent Non-Executive Director</p>	<p>Compliant</p> <p>Compliant</p>	Please refer page 41 of the Annual Report

Report of the Audit Committee

The Committee, appointed by the Board of Directors, comprises four members; namely Ranjan Seevaratnam, Mahen Dayananda and Dian Gomes, who are Independent Non-Executive 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.

Pages 28 and 29 of this Annual Report display the profiles of the members of the Audit Committee. The members have the requisite financial knowledge and business acumen to carry out their roles effectively, and discuss matters that come within their purview independently and professionally.

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

Date of the meeting	Attendance Yes (✓) / No (✗)				Attendance by invitation Yes (✓) / No (✗)	
	Ranjan Seevaratnam	Mahen Dayananda	Dian Gomes	Shobinder Duggal	Managing Director	Director - Finance & Control
21.02.2019	✓	✓	✓	✓	✓	✓
08.05.2019	✓	✓	✓	✓	✓	✓
08.08.2019	✓	✓	✓	✓	✓	✓
07.11.2019	✓	✓	✗	✓	✓	✓

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

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.

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 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.

KPMG has informed the Company that they will not be available for reappointment as Auditors at the forthcoming Annual General Meeting of Nestlé Lanka PLC, following which the Audit Committee made recommendations to the Board that Ernst & Young be proposed as External Auditors.

The Committee is satisfied that the independence of Ernst & Young 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 Ernst & Young. The Committee also reviewed the arrangements made by Ernst & Young to maintain their independence, and confirmation has been given by Ernst & Young of their compliance with the 'independence' guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. Accordingly, the Committee recommended to the Board that Ernst & Young be appointed as External Auditors of the Company at the forthcoming Annual General Meeting, for statutory audit for the year ending 31 December 2020 onwards, subject to the approval of the Shareholders.

Subsequent to the approval of the Board, a resolution will be proposed to the Shareholders at the forthcoming Annual General Meeting to appoint Ernst & Young as external Auditors of the Company.

Shobinder Duggal resigned from the Audit Committee with effect from 29 February 2020 subsequent to his resignation from the Board of Nestlé Lanka PLC, and David McDaniel was appointed as member to the Audit Committee with effect from 01 March 2020.

The Committee extends its appreciation and thanks to Shobinder Duggal for his contribution and strong business support and wishes him a happy retirement.



Ranjan Seevaratnam
Chairman, Audit Committee

NESTLÉ LANKA PLC

28 February 2020

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 of 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 07 November 2019 with all members being present. The Managing Director of the Company, together with the Director - Finance & Control and Vice President - Human Resources, attended the said meeting by invitation. The Company Secretary attended this meeting in the capacity of Secretary to the Committee.



Mahen Dayananda
Chairman, Remuneration Committee

NESTLÉ LANKA PLC

28 February 2020

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 (✗)			Attendance by invitation Yes (✓) / No (✗)	
	Ranjan Seevaratnam	Mahen Dayananda	Gurcharan Grover	Managing Director	Head of Financial Accounting & Reporting
21.02.2019	✓	✓	✓	✓	✓
08.05.2019	✓	✗	✓	✓	✓
08.08.2019	✓	✓	✓	✓	✓
07.11.2019	✓	✓	✓	✓	✓

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 together with material changes in pricing if any.

The Committee confirmed that all the Recurrent and Non-Recurrent Related Party Transactions, incurred during the year ended 31 December 2019 and estimated transactions for year 2020 along with the basis of their pricing, were at arm's length and in compliance with rules and regulations. The Committee further confirmed that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2019 and estimated transactions for year 2020 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 28 February 2020, that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2019 and estimated transactions for year 2020, 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 28 February 2020.

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 to the financial statements, in accordance with the provisions of Rule 9.3.2 of the listing rules.



Ranjan Seevaratnam
Chairman, Related Party Transactions Review Committee

NESTLÉ LANKA PLC

28 February 2020

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 2019 and the Auditors' Report thereon.

Board of Directors

Suresh Narayanan, Fabrice Cavallin, Gurcharan Grover, Shobinder Duggal (resigned w.e.f. 29.02.2020), David McDaniel (appointed w.e.f. 01.03.2020), Mahen Dayananda, Ranjan Seevaratnam and Dian Gomes are the Directors of the Company.

Shobinder Duggal resigned from the Board as Non-Executive Director with effect from 29 February 2020 and David McDaniel was appointed as Non-Executive Director to the Board with effect from 01 March 2020. 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 David McDaniel.

In terms of Article 56, 57 and 58 of the Articles of Association of the Company, Gurcharan Grover 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 in order to re-elect Ranjan Seevaratnam and Mahen Dayananda.

Review for the Year

The Chairman's Message and Managing Director's Review on pages 17 and 21 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. 36.4 billion, after provisioning for all known liabilities and depreciation on Property, Plant and Equipment, but before taxation, amounts to Rs. 3.8 billion. After deducting a sum of Rs. 1.2 billion as taxation, the net profit was Rs. 2.6 billion.

The Statement of Profit or Loss and Other Comprehensive Income for the year is given on page 57.

The Directors of Nestlé Lanka PLC declared an interim dividend of Rs. 30.00 per share which will be paid to the Shareholders of the Company on 20 March 2020, and were pleased to recommend a final dividend of Rs. 17.50 per share, subject to the approval of the Shareholders at the upcoming Annual General Meeting of the Company.

Stated Capital

The stated capital of the Company as at 31 December 2019 amounts to Rs. 537,254,630.

Activity

Nestlé prides itself on local manufacturing, using mainly local ingredients at its state-of-the-art factory in Kurunegala. Its portfolio comprises some of the country's best loved brands, from global icons like *Maggi* to local favourites like *Nestomalt*, all which benefit from Nestlé's R&D network, global expertise in nutrition, and stringent quality control procedures.

The company continued to support the local community in 2019 by paying out Rs. 2.4 billion to 14,000 local dairy farmers for fresh milk and Rs. 2.6 billion to the local coconut industry for purchase of fresh coconuts. The company also educated over 200,000 children on nutrition, health and physical activity in 2019, through its ongoing Nestlé Healthy Kids programme and Kids Athletics programme. Nearly 68,000 people were also given free health checks and nutritional counselling through its Choose Wellness, Choose Nestlé programmes, and over 1.5 million consumers were reached through its #KnowWhatYouEat campaign to create awareness on understanding product labelling better. Identifying the deficiencies of certain nutrients in local diets, Nestlé delivered close to 1 billion servings of micronutrient enriched food and beverages in 2019. Nestlé maintained its investment in youth employability via its Nestlé Needs YOUth programme, helping to make over 2,600 young people employable in 2019. It also continued to invest in environmentally friendly initiatives, equipment and technologies to save energy by 29%, water by 15% and greenhouse gas emissions by 12% over the last 10 years.

Nestlé continued to be recognised over 2019 for its consistent performance and contribution to the country. It was ranked Sri Lanka's Most Valuable Food and Beverage Brand in 2019 by Brand Finance, making it the company's seventh consecutive year being ranked amongst Sri Lanka's Top 10 Most Valuable Brands. Nestlé secured an overall rank of number 8 out of 100 corporate brands listed from varying industries. The company was also ranked Sri Lanka's Most Respected Food and Beverage Company for the fourth consecutive year in LMD's Most Respected Entities publication for 2019. It was once again declared Sector Winner in the Food and Beverages category, maintaining an overall rank of 16th place from over 100 companies across all industries.

Nestlé won Best Exporter in the Coconut Kernel Product category at the 2019 Presidential Export Awards. This marked the eighth Presidential Export Award for the Company, in recognition of its strong contribution to national exports, and efforts to create sustainable livelihoods for local coconut farmers and out growers. The company was also the highest-ranking F&B company in Business Today's list of Sri Lanka's top thirty leading corporates for 2018-2019 with an overall rank of number 10 across all industries in the country. This marked Nestlé's fifth consecutive year to receive this recognition.

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

Directors' Interest

a) In Contracts

Details of Directors' interest in contracts of the Company as at 31 December 2019 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.

<i>Suresh Narayanan</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 24 and 25 to the financial statements.
<i>Fabrice Cavallin</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 24 and 25 to the financial statements.
<i>Shobinder Duggal</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 24 and 25 to the financial statements.
<i>Gurcharan Grover</i>	-	Transactions with affiliates or related parties. Disclosed in notes 16, 24 and 25 to the financial statements.
<i>David McDaniel</i>	-	Appointed with effect from 1 March 2020.

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 2019 (Rs.'000s)	Balance (due to) / from as at 31.12.2019 (Rs.'000s)
Total Tea Concepts (Private) Ltd	Chairman	No	Nil
Indo Asia Teas (Pvt) Ltd	Chairman	No	Nil
Pegasus Hotels of Ceylon PLC	Director	No	Nil
Bukit Darah PLC	Director	No	Nil
Sri Lanka – Japan Business Council	President	No	Nil

Ranjan Seevaratnam

-

No transaction with affiliates.

Directorships and dealings with other Companies:

Company	Position	Transaction (procurement) During the year 2019 (Rs.'000s)	Balance (due to) / from as at 31.12.2019 (Rs.'000s)
Acme Printing & Packaging	Non-Executive Director	No	Nil
Diesel & Motor Engineering PLC	Non-Executive Director	20,310	3,628
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	No	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	5,167	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 2019 (Rs.'000s)	Balance (due to) / from as at 31.12.2019 (Rs.'000s)
Urban Built (Pvt) Ltd	Director/Chairman	No	Nil
Gandhara Crafts & Artifacts (Pvt) Ltd	Director/Chairman	No	Nil
Villa Republic (Pvt) Ltd	Director/Chairman	No	Nil
Westgate International (Pvt) Ltd	Director/Chairman	No	Nil
Westgate Apparel (Pvt) Ltd	Director/Chairman	No	Nil
Colombo Business School	Director/Chairman	No	Nil

b) In Shares of the Company

	Director	Shareholding	
		01.01.2019	31.12.2019
Executive	Fabrice Cavallin	Nil	Nil
	Gurcharan Grover	Nil	Nil
Non-Executive	Suresh Narayanan	Nil	Nil
	Shobinder Duggal	Nil	Nil
	David McDaniel	Nil	Nil
Independent Non-Executive	Mahen Dayananda	1,000	1,000
	Ranjan Seevaratnam	Nil	Nil
	Dian Gomes	Nil	Nil

Board Meetings Attendance

Name of the Director	21.02.2019	08.05.2019	08.08.2019	07.11.2019
Suresh Narayanan - Chairman	✕	✕	✓	✓
Fabrice Cavallin - Managing Director	✓	✓	✓	✓
Gurcharan Grover - Director - Finance & Control	✓	✓	✓	✓
Shobinder Duggal - Director	✓	✓	✓	✓
Mahen Dayananda - Director	✓	✕	✓	✓
Ranjan Seevaratnam - Director	✓	✓	✓	✓
Dian Gomes - Director	✓	✓	✓	✕

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

Corporate Governance

The corporate governance practices, compliance and reporting of the Company are set out in detail on pages 34 and 35.

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.

Donations

The Company has not made any significant donations for the year ended 31 December 2019.

Auditors

KPMG, Chartered Accountants, have been the Company's Auditors in the past. The Auditors' fees are disclosed in note 7 to the financial statements. As far as the Directors are aware, KPMG does not have any relationship / interest (other than that of an Auditor) with the Company other than those disclosed in note 7 to the financial statements. The Auditors also do not have any interest in the Company.

KPMG has informed the Company that they will not be available for reappointment as Auditors at the forthcoming Annual General Meeting. The Audit Committee has made recommendation to the Board as detailed in their report that Ernst & Young be appointed as Auditors of the Company which will be subject to Shareholder approval at the forthcoming Annual General Meeting.

Accounting Policies

The Company prepared its annual financial statements according to Sri Lanka Accounting Standards (LKAS / SLFRS). All relevant applicable standards have been followed in presenting the financial statements for the financial year ended 31 December 2019.

Disclosures on Related Party Transactions

Non-Recurrent Related Party Transactions

There were no Non-Recurrent Related Party Transactions for which aggregate value exceeded 10% of the equity or 5% of the total assets (whichever is lower) of the Company as per the audited financial statements for the year ended 31 December 2019, which require additional disclosures in the Annual Report under the Colombo Stock Exchange listing Rule 9.3.2.

Recurrent Related Party Transactions

Recurrent Related Party Transactions are shown in note 25 to the financial statements.

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 together with material changes if any.

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

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

Based on the recommendation of the RPTRC, the Board resolved that all the Recurrent Related Party Transactions incurred during the year, ended 31 December 2019, 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 that all the Recurrent Related Party Transactions incurred during the year ended 31 December 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.

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

28 February 2020

Directors' Responsibility for Financial Reporting

The Company's financial statements, presented in this report for the financial year ended 31 December 2019, 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, 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.

By Order of the Board.



Keerthi Pathiraja
Company Secretary

NESTLÉ LANKA PLC

28 February 2020

MAKING MY SRI LANKA MORE SUSTAINABLE



Shaping a waste-free future

"We are committed to making 100% of our packaging recyclable or reusable by 2025. More than 85% of all our packaging is recyclable and in April 2020, we stopped offering any plastic promotional items with our local products."

"Our factory is also a zero waste for disposal facility, which means that nothing goes to landfill or is incinerated without energy being recovered from the process."

Thomas Mueller
– Manufacturing





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Company Highlights

	2019 Rs.'000s	2018 Rs.'000s
Revenue	36,355,084	37,336,943
Profit before Taxation (PBT)	3,769,894	4,941,457
Profit after Taxation (PAT)	2,565,983	3,485,801
Capital Expenditure	561,931	2,608,832
Shareholders Funds	5,509,609	5,635,156
Key Ratios	2019	2018
PBT as a % of Revenue	10.4%	13.2%
PAT as a % of Revenue	7.1%	9.3%
Effective Tax Rate	31.9%	29.5%
Earnings Per Share (Rs.)	47.76	64.88
Dividend Per Share (Rs.)	47.50	50.00
Dividend Cover	1.01	1.30
Dividend Payout Ratio	99%	77%
Net Assets Per Share (Rs.)	102.55	104.89
Return on Capital Employed	44.1%	55.2%
Current Ratio	0.94	0.89
Market Value Per Share (Rs.) - Highest	1,750.00	1,899.00
- Lowest	1,150.00	1,600.00
- Average	1,464.32	1,726.03
- Last Traded	1,299.80	1,700.00
Number of Personnel	798	854



KPMG
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+94 - 11 244 6058

Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF NESTLÉ LANKA 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, 2019, 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 57 to 91 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, 2019, 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 judgement, 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.

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

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

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



Key Audit Matter	Our Response
Revenue recognition	
Refer accounting policies in Note 3.1.10 to the financial statements "Revenue" and Note 5 to the financial statements "Revenue".	
Revenue from sale of goods is recognised when control has been transferred to the buyer; and is measured net of trade discounts and volume rebates (trade spend) for which judgement is required by management to estimate accruals. Further, revenue is also a key performance measure that the Company focuses on. In addition, the Company considers revenue as an important element in measuring, management performance and how management are incentivised. These factors could create an incentive for revenue to be recognised prior to control being transferred.	Our audit procedures included; Considering the appropriateness of the Company's revenue recognition policies, including the recognition, measurement and classification criteria for trade spend. Testing the operating effectiveness of key 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. Analysing monthly trends of revenue considering internal benchmarks, predictive analysis for both sales and returns to compare the reported results with our expectation. Assessing the adequacy of the disclosures made in the Financial Statements.
Provisions and contingent liabilities for tax exposures	
Refer accounting policies in Note 3.1.9 to the financial statements "Liabilities and Provisions", Note 3.1.21 to the financial statements "Commitments and Contingencies" and Note 30 to the financial statements "Contingent Liabilities".	
Given the inherent uncertainty over the outcome of pending tax assessments, significant judgement 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 may be at amounts materially different from the estimates made by the management.	Our audit procedures included; Evaluating management's judgement 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. Assessing the adequacy of the disclosures made in the Financial Statements.

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.

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 judgement 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. 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.

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.

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

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
28 February 2020

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December	Note	2019 Rs.'000s	2018 Rs.'000s
Revenue	5	36,355,084	37,336,943
Cost of Sales		(23,852,382)	(23,630,214)
Gross Profit		12,502,702	13,706,729
Other Operating Expenses	6	(148,756)	(134,510)
Marketing, Selling and Distribution Expenses		(5,651,314)	(6,055,642)
Administrative Expenses		(2,613,761)	(2,369,196)
Profit from Operating Activities	7	4,088,871	5,147,381
Finance Income		36,963	45,606
Finance Expenses		(355,940)	(251,530)
Net Finance Expenses	8	(318,977)	(205,924)
Profit Before Taxation		3,769,894	4,941,457
Income Tax Expense	9	(1,203,911)	(1,455,656)
Profit for the Year		2,565,983	3,485,801
Other Comprehensive Income			
Items that will not be reclassified to Profit or Loss			
Actuarial Gain / (Loss) - Net of Tax	19.5	(8,568)	34,783
Items that are subsequently reclassified to Profit or Loss			
Net Gain / (Loss) on Cash Flow Hedges - Net of Tax		3,312	(189)
		(5,256)	34,594
Total Comprehensive Income		2,560,727	3,520,395
Earnings Per Share (Rs.)			
Basic and Diluted, Profit for the year attributable to Ordinary Shareholders	10	47.76	64.88

"Notes to the Financial Statements," form an integral part of the Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 December	Note	2019 Rs.'000s	2018 Rs.'000s
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	9,012,305	9,210,242
Capital Work-In-Progress	13	377,235	673,117
Other Non-Current Assets	15.2	366,115	353,884
		9,755,655	10,237,243
Current Assets			
Inventories	14	3,486,130	2,987,844
Trade and Other Receivables	15	2,686,713	3,361,854
Amounts Due from Related Parties	16	434,476	854,134
Cash in Hand and Balances with Bank	17	507,585	217,731
		7,114,904	7,421,563
Total Assets		16,870,559	17,658,806
EQUITY AND LIABILITIES			
Equity			
Stated Capital	18	537,255	537,255
Retained Earnings and Reserves		4,972,354	5,097,901
		5,509,609	5,635,156
Non-Current Liabilities			
Retirement Benefit Obligations	19	368,940	390,700
Deferred Tax Liabilities	20	997,439	1,000,725
Non-Current Provisions	21	421,434	289,459
Non-Current Financial Liabilities	22	1,984,029	2,007,954
		3,771,842	3,688,838
Current Liabilities			
Trade and Other Payables	23	4,951,225	4,634,844
Amounts Due to Related Parties	24	805,046	1,312,575
Current Tax Payable		652,508	681,215
Dividends Payable		192,752	182,004
Current Financial Liabilities	17	987,577	1,524,174
		7,589,108	8,334,812
Total Liabilities		11,360,950	12,023,650
Total Equity and Liabilities		16,870,559	17,658,806

"Notes to the Financial Statements," form an integral part of the Financial Statements. Figures in brackets indicate deductions.

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



Gurcharan Grover
Director - Finance & Control

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

Signed for and on behalf of the Board.

NESTLÉ LANKA PLC
Colombo



Fabrice Cavallin
Managing Director

28 February 2020



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 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
Balance as at 1 January 2019	537,255	5,034,985	62,916	5,635,156
Total Comprehensive Income for the Year				
Profit for the Year	-	2,565,983	-	2,565,983
Other Comprehensive Income	-	-	(5,256)	(5,256)
Transactions with Owners of the Company Recognised Directly in Equity				
Interim Dividend for 2018	-	(1,343,137)	-	(1,343,137)
Final Dividend for 2018	-	(1,343,137)	-	(1,343,137)
Balance as at 31 December 2019	537,255	4,914,694	57,660	5,509,609

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

"Notes to the Financial Statements," form an integral part of the Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year Ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Cash Flows from Operating Activities		
Profit Before Taxation	3,769,894	4,941,457
<i>Adjustments for;</i>		
Depreciation of Property, Plant and Equipment	1,029,719	754,183
Impairment of Property, Plant and Equipment	12,052	-
(Gain) / Loss on Sale of Property, Plant and Equipment	48,409	(12,807)
Amortisation of Staff Loan	30,390	29,960
Interest Expense	354,225	251,530
Interest Income	(36,963)	(31,146)
Movement of Retirement Benefit Obligation (Excluding Actuarial Gain / Loss)	(33,660)	(15,180)
Operating Profit Before Working Capital Changes	5,174,066	5,917,997
Working Capital Changes		
Increase in Inventories	(498,286)	(118,230)
Decrease in Trade and Other Receivables	645,799	329,944
Decrease / (Increase) in Amount due from Related Parties	419,658	(92,690)
Increase / (Decrease) in Trade and Other Payables	350,322	(180,849)
(Decrease) / Increase in Amount due to Related Parties	(504,906)	67,878
Cash Generated from Operations	5,586,653	5,924,050
Income Tax Paid	(1,101,884)	(1,056,739)
Net Cash Flows Generated from Operating Activities	4,484,769	4,867,311

Statement of Cash Flows

For the Year Ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Cash Flows from Investing Activities		
Investment in Property, Plant and Equipment	(561,931)	(2,608,832)
Proceeds from Sale of Property, Plant and Equipment	11,049	30,965
Movement of Other Non-Current Financial Assets	(12,231)	(34,673)
Net Cash Flows Used in Investing Activities	(563,113)	(2,612,540)
Cash Flows from Financing Activities		
Receipt of Non-Current Financial Liabilities	-	1,893,000
Payment of Lease Liabilities	(87,018)	(68,546)
Dividends Paid	(2,675,526)	(2,672,202)
Interest Expense Paid	(356,934)	(225,901)
Interest Income Received	6,573	1,186
Net Cash Flows Used in Financing Activities	(3,112,905)	(1,072,463)
Net Increase / (Decrease) in Cash and Cash Equivalents	808,751	1,182,308
Cash and Cash Equivalents at the Beginning of the Year	(1,225,301)	(2,407,609)
Cash and Cash Equivalents at the End of the Year (Note 17.1)	(416,550)	(1,225,301)
Analysis of Cash and Cash Equivalents at the End of the Year		
Cash in Hand and Balances with Bank	507,585	217,731
Current Financial Liabilities (Excluding Short-Term Lease Liabilities)	(924,135)	(1,443,032)
	(416,550)	(1,225,301)

"Notes to the Financial Statements," form an integral part of the Financial Statements. Figures in brackets indicate deductions.

1. Reporting Entity

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

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

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 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 Board of Directors at the meeting held on 28 February 2020.

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 Judgements

The preparation of financial statements, in conformity with the Sri Lanka Accounting Standards, requires Management to make judgements, 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 judgements 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 business operations, 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. Significant Accounting Policies

3.1.1. Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees 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.

3.1.2. Financial Instruments

a) Financial Assets

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However, when a financial asset measured at fair value, 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).

Notes to the Financial Statements

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;
- at fair value through Other Comprehensive Income (FVOCI)
- at fair value through 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 and investments of less than 3 months maturity.

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 Current Liabilities and Non-Current Financial Liabilities.

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.

e) Stated Capital

Ordinary shares of the Company are classified as equity.

3.1.3 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) Derecognition

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. 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	4 - 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."

3.1.4 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.

3.1.5 Impairment & Derecognition

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 impairment 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.

Impairment 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.

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.

3.1.6 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.

Notes to the Financial Statements

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

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.

3.1.7. 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.

3.1.8. 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 plan asset is deducted to arrive at net defined benefit obligation. 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). 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) and 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, and the difference, if any from the previously reported is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3.1.9. 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.

3.1.10. 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.

3.1.11. 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.

3.1.12. 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, on the disposal of Property, Plant and Equipment, are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3.1.13. Finance Income and Finance Expenses

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

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.

3.1.14. 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.

3.1.15. 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).

3.1.16. 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.

3.1.17. 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

Notes to the Financial Statements

shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.1.18. 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.

3.1.21. 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.

3.1.22. 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 2019

A number of new standards are effective for annual periods beginning after 01 January 2020 and early application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to reference to conceptual framework in SLFRS standards.
- Definition of Material (Amendments to LKAS 1 and LKAS 8).
- Interest Rate Benchmark Reform (Amendments to SLFRS 9, LKAS 39 and SLFRS 7)

5. Revenue

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Domestic	32,021,662	32,631,442
Export	6,410,313	6,809,276
Total Revenue	38,431,975	39,440,718
Less : Trade Discounts and Volume Rebates	(2,076,891)	(2,103,775)
Net Revenue	36,355,084	37,336,943

6. Other Operating Income / (Expense)

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Gain / (Loss) on Sale of Property, Plant and Equipment	(48,409)	12,807
Net Foreign Exchange Loss	(139,230)	(205,315)
Impairment of Property, Plant and Equipment	(12,052)	-
Income from Scrap Sales	50,935	57,998
	(148,756)	(134,510)

7. Profit from Operating Activities

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

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Employees Benefit Expense (Note 7.1)	2,749,964	2,582,979
General Licence Fee	1,762,080	1,783,502
Depreciation of Property, Plant and Equipment	1,029,719	754,183
Provision for Inventories and Inventory Written Off	248,054	269,625
Net Impairment of Trade Receivables	(3,832)	16,369
Legal Fees	14,221	10,963
Auditors Remuneration - Audit	3,750	3,750
- Non-Audit	744	660

7.1 Employees Benefit Expense

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Personnel Costs		
Salaries and Wages	1,970,321	1,802,813
Provision for Retirement Benefit Obligations (Note 19.3)	99,830	104,160
Contributions to :		
Employees' Provident Fund and Mercantile Services Provident Society	153,749	142,522
Employees' Trust Fund	35,783	32,547
Other Benefits	490,281	500,938
	2,749,964	2,582,979

Notes to the Financial Statements

8. Net Finance Income / (Expense)

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Finance Income		
Interest on Deposits	6,573	1,126
Net Gain on Foreign Currency Liquid Assets	-	14,520
Imputed Interest on Staff Loans	30,390	29,960
	36,963	45,606
Finance Expense		
Interest on Financial Liabilities	(354,225)	(411,915)
Net Loss on Foreign Currency Liquid Assets	(1,715)	-
Borrowing Costs Capitalised	-	160,385
	(355,940)	(251,530)
Net Finance Expense	(318,977)	(205,924)

9. Income Tax Expense

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Current Tax Expense		
Tax on Current Year Profits (Note 9.1)	1,031,474	1,210,765
Provision in Respect of Previous Years	173,678	97,024
	1,205,152	1,307,789
Deferred Tax Expense		
Origination / (Reversal) of Temporary Differences (Note 20.1)	(1,241)	147,867
	1,203,911	1,455,656

(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.

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

9.1 Reconciliation Between Accounting Profit and Taxable Profit

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Accounting Profit Before Tax	3,769,894	4,941,457
Disallowables / (Claims)	35,570	144,273
Depreciation / (Capital Allowances)	(121,628)	(535,546)
Profit from Tax Exempted Operations	-	(56,213)
Taxable Profit	3,683,836	4,493,971

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Income Tax at 10%	-	9,719
Income Tax at 12%	-	22,539
Income Tax at 28%	1,031,474	1,178,507
Tax on Current Year Profit	1,031,474	1,210,765

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:

	2019 Rs.'000s	2018 Rs.'000s
Profit Attributable to Ordinary Shareholders	2,565,983	3,485,801
Weighted Average Number of Shares	53,725,463	53,725,463
Basic and Diluted Earnings Per Share (Rs.)	47.76	64.88

11. Dividend Per Share

The Board of Directors has declared an interim dividend of Rs. 30.00 per share on 28 February 2020 and have also proposed a final dividend of Rs. 17.50 per share for the year ended 31 December 2019 to be approved by the Shareholders at the upcoming Annual General Meeting of the Company. 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 2019.

Accordingly Dividend per share of the Company is Rs. 47.50 for 2019 (2018 - Rs. 50.00).

12. Property, Plant and Equipment

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Property, Plant and Equipment Owned (Note 12.1)	8,884,424	9,037,054
Right-of-use Assets (Note 12.2)	127,881	173,188
	9,012,305	9,210,242

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 2018	17,925	129,736	2,179,143	6,262,645	1,703,242	187,401	359,038	10,839,130
Additions	-	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	-	(83)	(8,233)	(159,025)	(76,926)	(43,709)	(17,888)	(305,864)

Notes to the Financial Statements

	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
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 and Impairment								
Balance as at 1 January 2018	-	38,732	461,847	3,367,266	1,267,092	155,200	239,811	5,529,948
Depreciation	-	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
Cost								
Balance as at 1 January 2019	17,925	133,451	3,383,430	8,953,668	1,929,362	148,047	388,601	14,954,484
Additions	-	15,357	128,728	13,405	83,742	-	46,803	288,035
Transferred from Capital Work-In-Progress	-	-	85,330	400,085	26,736	-	57,627	569,778
Disposals	-	-	(1,083)	(263,971)	(148,018)	(26,408)	(26,373)	(465,853)
Balance as at 31 December 2019	17,925	148,808	3,596,405	9,103,187	1,891,822	121,639	466,658	15,346,444
Depreciation and Impairment								
Balance as at 1 January 2019	-	42,744	526,003	3,616,032	1,342,886	121,142	268,623	5,917,430
Depreciation	-	5,235	105,752	564,427	186,012	8,836	68,671	938,933
Impairment	-	-	-	-	12,052	-	-	12,052
On Disposals	-	-	(506)	(222,461)	(131,136)	(25,967)	(26,325)	(406,395)
Balance as at 31 December 2019	-	47,979	631,249	3,957,998	1,409,814	104,011	310,969	6,462,020
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
As at 31 December 2019	17,925	100,829	2,965,156	5,145,189	482,008	17,628	155,689	8,884,424

Property, Plant and Equipment includes fully depreciated assets which are in use, the cost of which as at the reporting date amounted to Rs. 2,531 million (2018 - Rs. 2,466 million)

The Property situated at No.440, T.B. Jayah Mawatha, Colombo 10 was valued on 22 July 2016 by an Independent Chartered Valuer using the Market Comparable valuation method. Market values and the details are given in the following table;

	Extent	Rs. Millions
Freehold Land	239.0 P	1,912
Freehold Buildings (1 Building)	47,260 sq. ft.	159

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

There are no restrictions that exist on the title of property, plant and equipment of the Company as at the reporting date.

12.2 Right-of-Use Assets

	Land Rs.'000s	Buildings Rs.'000s	Motor Vehicles Rs.'000s	Total Rs.'000s
Cost				
Balance as at 1 January 2018	769	-	210,708	211,477
Additions	-	34,178	161,680	195,858
Disposals	-	-	(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
Cost				
Balance as at 1 January 2019	769	34,178	197,899	232,846
Additions	-	2,200	43,279	45,479
Disposals	-	-	(39,212)	(39,212)
Balance as at 31 December 2019	769	36,378	201,966	239,113
Depreciation				
Balance as at 1 January 2019	581	7,074	52,003	59,658
Charge For the Year	16	12,126	78,644	90,786
On Disposals	-	-	(39,212)	(39,212)
Balance as at 31 December 2019	597	19,200	91,435	111,232
Written Down Value				
As at 31 December 2018	188	27,104	145,896	173,188
As at 31 December 2019	172	17,178	110,531	127,881

The land on lease is for factory premises with a duration of fifty years. The building on lease 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.

12.2.1 Lease Liabilities

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Maturity Analysis - Contractual Undiscounted Amounts		
Not Later Than One Year	63,467	85,013
Later Than One Year and Not Later Than Five Years	101,599	131,643
Later Than Five Years	10,319	11,533
	175,385	228,189

Notes to the Financial Statements

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Discounted Amounts included in the Statement of Financial Position		
Current (Note 17)	63,442	81,142
Non-Current (Note 22)	91,029	114,954
	154,471	196,096

12.2.2 Amounts Recognised in Statement of Profit or Loss

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Interest on Lease Liabilities	19,042	14,993
Expenses relating to Short-Term Leases	4,833	19,494
Expenses relating to Leases of Low Value Assets, excluding Short-Term Leases of Low Value Assets	4,251	4,776
	28,126	39,263

12.2.3 Amounts Recognised in Statement of Cash Flows

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Total Cash Outflow for Lease Liabilities	87,018	68,546

13. Capital Work-In-Progress

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	673,117	2,485,503
Capitalised During the Year	(569,778)	(2,273,201)
Additions During the Year	273,896	460,815
Balance as at 31 December	377,235	673,117

Borrowing cost capitalised by the Company on qualifying assets during the financial year amounted to Nil (2018 - Rs.160 million at a weighted average borrowing rate of 7.46%)

14. Inventories

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Raw Materials	1,239,263	858,692
Packing Materials	212,331	233,358
Finished Goods	1,278,595	1,302,794
Energy, Technical Materials	351,122	270,491
Work-In-Progress	61,672	120,005
Goods-In-Transit	416,731	335,645
	3,559,714	3,120,985
Less : Provision for Inventories (Note 14.1)	(73,584)	(133,141)
	3,486,130	2,987,844

14.1 Provision for Inventories

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	133,141	35,669
Charge / (Reversal) During the Year	(59,557)	97,472
Balance as at 31 December	73,584	133,141

15. Trade and Other Receivables

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Trade Receivables (Note 15.1)	2,479,423	3,013,622
Other Receivables (Note 15.2)	207,290	348,232
	2,686,713	3,361,854

15.1 Trade Receivables

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Trade Receivables	2,609,514	3,147,545
Less: Impairment of Trade Receivables (Note 15.1.1)	(130,091)	(133,923)
	2,479,423	3,013,622

15.1.1 Impairment of Trade Receivables

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	133,923	117,554
Net Charge / (Reversal) for the Year	(3,832)	16,369
Balance as at 31 December	130,091	133,923

15.2 Other Receivables

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Loans to Employees (Note 15.2.1)	411,477	401,721
Prepayments	83,078	195,595
Derivative - Forward Exchange Contract	15,909	45,251
Other Non-Trade Receivables	62,941	59,549
	573,405	702,116
Total Current	207,290	348,232
Total Non-Current	366,115	353,884
	573,405	702,116

Notes to the Financial Statements

15.2.1 Loans to Employees

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	401,721	364,759
Granted During the Year	174,767	170,720
Repaid During the Year	(165,011)	(133,758)
Balance as at 31 December	411,477	401,721

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 December	2019 Rs.'000s	2018 Rs.'000s
Nestlé Australia Ltd	11,472	14,399
Nestlé Canada, Inc.	8,802	-
Nestlé Caribbean, Inc.	7,876	5,819
Nestlé India Ltd	91,701	112,922
Nestlé Jamaica Ltd	50,495	49,934
Nestlé Japan Ltd	-	33,397
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	6,850	-
Nestlé Middle East FZE	106,480	174,501
Nestlé Nederland B.V.	-	348
Nestlé Nigeria Plc	-	397
Nestlé Panamá, S.A.	-	4,870
Nestlé (PNG) Ltd	3,121	25,054
Nestlé Singapore (Pte) Ltd	1,724	2,052
Nestlé Suisse S.A.	3,248	12,870
Nestlé Taiwan Ltd	7,565	-
Nestlé (Thai) Ltd	13,699	12,584
Nestlé Trinidad and Tobago Ltd	38,826	108,423
Nestlé UK Ltd	11,933	54,818
Nestlé Waters Marketing & Distribution	2,360	2,360
Nestlé Zimbabwe (pvt) Ltd	-	2,057
Nestrad S.A	68,324	237,329
	434,476	854,134

17. Cash and Cash Equivalents & Current Financial Liabilities

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Favourable Balances		
Balances with Banks	495,106	201,604
Money Market Instruments	12,479	16,027
Cash in Hand	-	100
Cash in Hand and Balances with Bank	507,585	217,731
Unfavourable Balances		
Distributor Finance with Recourse to Nestlé Lanka PLC	(194,240)	(183,134)
Bank Overdrafts	(9,895)	(1,259,898)
Short-Term Financial Liabilities	(720,000)	-
Short-Term Lease Liabilities (Note 12.2.1)	(63,442)	(81,142)
Current Financial Liabilities	(987,577)	(1,524,174)

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

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Favourable Balances	507,585	217,731
Unfavourable Balances (Excluding Short-Term Lease Liabilities)	(924,135)	(1,443,032)
	(416,550)	(1,225,301)

18. Stated Capital

As at 31 December	2019 Rs.'000s	2018 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 December	2019 Rs.'000s	2018 Rs.'000s
Present Value of Defined Benefit Obligations		
Pension Plan	570,750	587,070
Gratuity Plan	565,190	550,920
Total Present Value of the Defined Benefit Obligations (Note 19.1)	1,135,940	1,137,990
Total Fair Value of Plan Assets (Note 19.2)	(767,000)	(747,290)
Present Value of Net Retirement Benefit Obligations	368,940	390,700

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 24 (2018 - 25) retired employees who are drawing a monthly pension under the old pension plan, 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 all permanent employees of the Company.

The Gratuity Plan and Pension Plan is partially funded by a policy obtained from AIA Insurance Lanka Ltd.. AIA Insurance Lanka Ltd. 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 Ltd.. The Company expects to pay Rs. 135 million as contributions to its plan assets for the period ended 31 December 2020. Employees are not required to contribute to this fund.

The Actuarial Calculation is performed annually by a qualified actuary, M/s Willis Towers Watson India Private Limited, using the "Projected Unit Credit Method"

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

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	1,137,990	1,165,440
Current Service Cost	62,450	63,930
Interest Cost	119,770	112,120
Benefits Paid to the Employees	(193,840)	(166,450)
Remeasurements		
Actuarial Loss / (Gain) - Experience Loss	(8,140)	10,560
Actuarial Loss / (Gain) - Financial Assumptions	17,710	(47,610)
Balance as at 31 December	1,135,940	1,137,990

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 - 13 years

19.2 Movement in the Fair Value of Plan Assets:

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	747,290	711,250
Contributions Paid by employer	117,060	103,800
Benefits Reimbursed by the plan	(177,410)	(150,910)
Interest Income	82,390	71,890
Return of Plan Assets greater/(lesser) than Discount Rate (Excluding Interest Income)	(2,330)	11,260
Balance as at 31 December	767,000	747,290

19.3 The Expense Recognised in Statement of Profit or Loss

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Current Service Cost	62,450	63,930
Net Interest on Defined Benefit Obligation	37,380	40,230
	99,830	104,160

19.3.1 The Expense is Recognised in the following line items in Statement of Profit or Loss

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Cost of Sales	47,222	41,622
Marketing, Selling and Distribution Expenses	1,254	2,304
Administrative Expenses	51,354	60,234
	99,830	104,160

19.4 Expected Benefit Payments to Employees

The Expected Benefit Payment for the Year Ending	Pension Rs.'000s	Gratuity Rs.'000s	Total Rs.'000s
31 December 2020	100,690	75,410	176,100
31 December 2021	69,200	60,100	129,300
31 December 2022	55,870	38,840	94,710
31 December 2023	142,570	119,940	262,510
31 December 2024	47,160	44,450	91,610
31 December 2025 to 2029	444,320	521,250	965,570

Notes to the Financial Statements

19.5 The Income / (Expense) Recognised in Other Comprehensive Income, in relation to Retirement Benefit Obligation:

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Actuarial Gain / (Loss)	(11,900)	48,310
Deferred Tax Impact on Actuarial Gain / (Loss)	3,332	(13,527)
Actuarial Gain / (Loss) - Net of Tax	(8,568)	34,783

19.6 Actuarial Assumptions

Principal actuarial assumptions as at the reporting date:

	2019 Rs.'000s	2018 Rs.'000s
(1) Rate of Discount	11.0%	11.0%
(2) Future Salary Increase		
First 5 Years	8.0% to 11.0%	8.0% to 11.0%
Beyond 5 Years	8.0% to 9.0%	8.0% to 9.0%
(3) Future Pension Increase	6.0%	6.0%

Assumptions regarding future mortality are based on published statistics and mortality tables.

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 Obligation	
	+0.5% Rs.'000s	-0.5% Rs.'000s
Rate of Discount	(29,010)	30,580
Future Salary Increase	30,190	(26,010)
Future Pension Increase	3,430	(3,260)
	Scaled up by 1 year Rs.'000s	Scaled down by 1 year Rs.'000s
Mortality Rates	(4,290)	4,330

19.7 The Composition of Insurance Plan Asset is as follows:

	2019	2018
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 Ltd. as at 31 December	2019	2018
Government Securities	51.8%	48.7%
Reverse Repurchase Agreements	6.2%	6.1%
Corporate Debt	27.6%	27.5%
Fixed Deposits	9.7%	13.3%
Equity	3.7%	3.0%
Policy Holder Loans	1.0%	1.4%
	100.0%	100.0%

An interim return on Plan Assets of 8.44% was declared by AIA Insurance Lanka Ltd. for the year 2019. (2018 - 8.44%)

20. Deferred Tax Liabilities

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	1,000,725	839,404
Net Charge/ (Reversal) for the Year (Note 20.1)	(3,286)	161,321
Balance as at 31 December (Note 20.2)	997,439	1,000,725

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

For the year ended 31 December	2019 Rs.'000s	2018 Rs.'000s
Recognised in Statement of Profit or Loss	(1,241)	147,867
Recognised in Other Comprehensive Income	(2,045)	13,454
	(3,286)	161,321

20.2 Types of Temporary Differences and the related Tax Effect

As at 31 December	2019 Rs.'000s		2018 Rs.'000s	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Property, Plant and Equipment	4,596,723	1,287,082	4,415,690	1,236,393
Retirement Benefit Obligations	(308,594)	(86,406)	(390,700)	(109,396)
Other Employee Benefits	(413,795)	(115,862)	(320,725)	(89,803)
Inventories and Receivables	(312,052)	(87,375)	(130,246)	(36,469)
	3,562,282	997,439	3,574,019	1,000,725

Notes to the Financial Statements

21. Non-Current Provisions

	2019 Rs.'000s	2018 Rs.'000s
Balance as at 1 January	289,459	190,220
Provisions / (Reversals)	131,975	99,239
Utilisation / Settlement	-	-
Balance as at 31 December	421,434	289,459

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 31 December	Interest Rate	Maturity	2019 Rs.'000s	2018 Rs.'000s
Non-Current Lease Liabilities (Note 12.2.1)	10.1% - 14.0%	2021 - 2031	91,029	114,954
Loan from Related Party (Note 22.1)	10.5%	May 2021	1,893,000	1,893,000
			1,984,029	2,007,954

22.1 Loan from Related Party

The Company obtained a loan from the Nestlé Treasury Centre - Middle East and Africa Ltd in May 2018, amounting to LKR 1.89 billion, to partially fund Capital Expenditure. The interest rate was priced on an arm's length basis and approved by the Related Party Transactions Review Committee meeting held on 22 February 2018.

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

23. Trade and Other Payables

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Trade Payables	2,780,121	2,362,264
Customers' Credit Balances and Trade Accruals	879,326	806,547
Employee Related Payable	487,736	349,044
Supplier Payables Relating to Capital Expenditure	327,353	625,516
Derivatives - Forward Exchange Contract	9,575	45,483
Other Payables	467,114	445,990
	4,951,225	4,634,844

24. Amounts Due to Related Parties

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
LOTTE - Nestlé (Korea) Co., Ltd	3,022	10,004
Nestec S.A.	-	5,712

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Nestlé Asean (Malaysia) Sdn. Bhd.	-	2,883
Nestlé Australia Ltd.	38,665	94,449
Nestlé Bangladesh Ltd	-	24,547
Nestlé Brasil Ltda	413	1,118
Nestlé Business Services AOA, Inc.	477	3,709
Nestlé Cameroun S.A.	9,029	-
Nestlé Dubai Manufacturing LLC	4,343	1,817
Nestlé France S.A.S.	410	2,608
Nestlé India Ltd	70,705	41,799
Nestlé Japan Ltd	226	-
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	77,581	259,788
Nestlé Middle East Manufacturing LLC	-	304
Nestlé Nederland B.V.	3,916	-
Nestlé Operational Services Worldwide S.A.	14,646	23,965
Nestlé Pakistan Ltd	-	177
Nestlé Philippines, Inc.	144,444	287,458
Nestlé Product Technology Center, Singen	413	-
Nestlé Products Sdn. Bhd.	12,133	13,215
Nestlé R&D Centre (Pte) Ltd	291	1,713
Nestlé Singapore (Pte) Ltd	182,433	247,052
Nestlé Suisse S.A.	9,586	14,035
Nestlé Treasury Centre - Middle East & Africa LTD.	22,030	24,652
Nestlé (Thai) Ltd.	4,308	4,272
Nestlé USA Inc.	2,456	172
Nestlé Vietnam Ltd.	836	8,540
Nestlé Waters Management & Technology	582	440
Nestlé Waters Marketing & Distribution S.A.S.	-	2,932
Nestlé S.A.	73,145	102,562
P.T. Nestlé Indonesia	513	-
Société des Produits Nestlé S.A.	128,443	132,652
	805,046	1,312,575

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	2019 Rs.'000s	2018 Rs.'000s
Cereal Partners Gida Ticaret	Affiliate	Imports / Re-Export	-	(1,704)
LOTTE - Nestlé (Korea) Co., Ltd	Affiliate	Imports	(41,531)	(27,494)
Nestec S.A.	Affiliate	Services Received	-	(180)
		Recoveries / (Reimbursement)	1,226	(16,111)
Nestlé (PNG) Limited	Affiliate	Exports	53,305	62,183

Notes to the Financial Statements

Name of the Company	Relationship	Nature of Transaction	2019 Rs.'000s	2018 Rs.'000s
Nestlé (Thai) Limited	Affiliate	Exports	47,126	45,628
		Reimbursement	-	(59)
		Imports / Re-Export	(30,984)	(31,962)
Nestlé Asean (Malaysia) Sdn Bhd	Affiliate	Re-Export	(26,575)	(15,206)
		Exports	-	93,753
		Imports / Re-Export	(146,584)	(143,187)
Nestlé Australia Limited	Affiliate	Recoveries	61	-
		Services Received	(323,944)	(295,922)
		Exports	76,749	-
Nestlé Bangladesh Limited	Affiliate	Imports	(56,749)	(50,033)
		Reimbursement	-	(336)
		Exports	2,319	-
Nestlé Brasil Ltda	Affiliate	Imports	(1,398)	(1,151)
		Services Received	(108)	(8)
		Services Received	(1,884)	(4,669)
Nestlé Cameroun	Affiliate	Imports / Re-Export	(14,663)	(29,274)
Nestlé Canada Inc.	Affiliate	Exports	63,526	-
		Recoveries	117	-
Nestlé Caribbean	Affiliate	Exports	10,500	19,137
Nestlé Deutschland AG	Affiliate	Services Received	-	(4,876)
Nestlé Dubai Manufacturing LLC	Affiliate	Imports	(16,410)	(16,656)
Nestlé France	Affiliate	Services Received	(2,250)	(16,922)
Nestlé India Limited	Affiliate	Exports	859,487	909,122
		Recoveries / (Reimbursement)	(1,588)	2,327
		Imports	(45,151)	(79,821)
		Services Received	(247,853)	(111,630)
Nestlé Jamaica Limited	Affiliate	Exports	118,983	249,057
Nestlé Japan Limited	Affiliate	Exports	70,337	93,733
		Imports	-	(2,099)
		Imports / Re-Export	(988,019)	(889,324)
Nestlé Manufacturing (Malaysia) Sdn Bhd	Affiliate	Services Received	(2,956)	(4,673)
		Exports	20,809	-
		Exports	1,075,121	1,257,404
Nestlé Middle East FZE	Affiliate	Reimbursement	-	(302)
Nestlé Middle East Manufacturing	Affiliate	Import	(23,298)	(25,590)
Nestlé Netherlands B.V.	Affiliate	Reimbursement	(7,791)	(2,481)
		Services Received	(45,889)	(47,318)
Nestlé Operational Services Worldwide S.A.	Affiliate	Recoveries	1,172	10,203
Nestlé Nigeria Plc	Affiliate	Exports	-	5,746
Nestlé Panama S.A.	Affiliate	Imports / Re-Export	(1,728,169)	(1,333,625)
Nestlé Philippines, Inc.	Affiliate	Recoveries / (Reimbursement)	4,023	(2,054)
		Imports / Re-Export	(107,602)	(122,819)
Nestlé Products Sdn Bhd	Affiliate	Reimbursement	(1,862)	(1,523)
Nestlé Products Technology Centre	Affiliate	Reimbursement	(410)	-

Notes to the Financial Statements

Name of the Company	Relationship	Nature of Transaction	2019 Rs.'000s	2018 Rs.'000s
Nestlé Purina Petcare India Pvt Ltd.	Affiliate	Recoveries	-	837
Nestlé R & D Centre (Pte) Limited	Affiliate	Services Received	(7,978)	(17,535)
		Reimbursement	(180)	(520)
Nestlé ROH (Thailand) Limited	Affiliate	Recoveries	-	637
Nestlé Rossiya LLC	Affiliate	Imports / Re-Export	-	(4,496)
Nestlé S.A.	Parent	Dividend Payment / PSUP*	(2,506,685)	(2,464,327)
		Exports	6,796	6,694
Nestlé Singapore (Pte) Limited	Affiliate	Services Rendered	-	1,677
		Reimbursement	(119)	(893)
		Imports	(1,930,905)	(1,449,303)
		Exports	12,984	17,131
Nestlé Suisse S.A.	Affiliate	Imports	(41,620)	(64,963)
		Reimbursement	(236)	-
Nestlé Servicios Corporativos	Affiliate	Reimbursement	(1,741)	-
Nestlé Taiwan Limited	Affiliate	Exports	53,446	53,219
Nestlé Treasury Centre Middle East & Africa LTD	Affiliate	Loan Interest	(201,526)	(126,437)
Nestlé Trinidad and Tobago Limited	Affiliate	Exports	118,958	293,324
		Exports	117,388	190,532
Nestlé UK Limited	Affiliate	Imports	(7,002)	-
Nestlé USA Inc.	Affiliate	Services Received	(2,914)	(2,957)
		Imports / Re-Export	(9,613)	(15,044)
Nestlé Vietnam Ltd.	Affiliate	Exports	-	188
		Imports / Re-Export	(30,135)	(38,621)
Nestlé Waters Marketing	Affiliate	Recoveries	2,340	2,307
		Services Received	-	(1,713)
Nestlé Waters Management	Affiliate	Services Received	(575)	-
		Recoveries	10,615	10,833
		Services Rendered	39,798	36,713
Nestrad S.A.	Affiliate	Exports	299,962	315,820
		Services Received	(218,619)	(155,448)
		Imports	(22,794)	(1,754)
		Imports	(9,046)	(3,870)
P.T. Nestlé Indonesia	Affiliate	Reimbursement	(16)	(222)
San Pellegrino S P A	Affiliate	Services Received	-	(93)
Servcom S.A.	Affiliate	Services Received	-	(2,133)
		General Licence Fee	(1,762,080)	(1,783,502)
Société des Produits Nestlé S.A.	Affiliate	Services Received	(1,234)	-
		Reimbursement	(4,496)	-
Nestlé Zimbabwe (Private) Limited	Affiliate	Recoveries	-	1,816

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

Aggregated value of the recurrent Related Party Transactions (excluding exempted Related Party Transactions) as a percentage of gross revenue is 29.11% (2018 - 26.96%).

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.

Notes to the Financial Statements

25.1.2 Non-Recurrent Related Party Transactions

Name of the Company	Relationship	Nature of Transactions	2019 Rs.'000s	2018 Rs.'000s
Nestlé Treasury Centre Middle East & Africa Ltd.	Affiliate	Intra Group Loan	-	1,893,000
Nestrad S.A.	Affiliate	Capital Expenditure	(41,196)	(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.

There were no Non-Recurrent Related Party Transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2019 audited financial statements.

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	2019 Rs.'000s	2018 Rs.'000s
Executive Directors' Emoluments		
Short-Term Employee Benefits	151,691	110,123
Share Based Payments	48,751	21,121
	200,442	131,244
Non-Executive Director's Fees	1,800	1,800
	202,242	133,044

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	2019 Rs.'000s	2018 Rs.'000s
Number of Shares Granted During the Year	2,704	2,745
Weighted Average Fair Value of PSU as at Period End	39,461	30,377
Total Expense Recognised in Statement of Profit or Loss	87,038	33,525
Carrying Amount as at the Reporting Date	120,774	72,582

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

26. 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 Group. For all short-term investments, credit rating of the counterparty should be "Investment Grade", as rated by an independent rating agency.

The carrying amount of financial assets represents the maximum credit exposure, which at the reporting date is as follows.

As at 31 December	2019 Rs.'000s	2018 Rs.'000s
Trade Receivables	2,479,423	3,013,622
Loans to Employees	411,477	401,721
Amount Due from Related Parties	434,476	854,134
Other Non-Trade Receivables	62,941	59,549
	3,388,317	4,329,026

The Ageing of Trade Receivables as at the reporting date were as:

Not Past Due	2,283,392	2,572,953
Past Due 1-30 Days	152,840	227,611
Past Due 31-60 Days	50,165	70,142
Past Due 61-90 Days	30,892	77,076
Past Due 91-120 Days	6,938	20,940
Past Due More Than 120 Days	85,287	178,823
Impairment of Trade Receivables	(130,091)	(133,923)
	2,479,423	3,013,622

- (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 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.

The Contractual Maturities of Financial Liabilities are as Follows:

As at 31 December	2019 Rs.'000s			2018 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 Liabilities	-	-	1,984,029	-	-	2,007,954
Trade and Other Payables	4,876,536	74,689	-	4,569,933	64,911	-
Current Financial Liabilities	957,144	30,433	-	1,497,629	26,545	-
	5,833,680	105,122	1,984,029	6,067,562	91,456	2,007,954

Notes to the Financial Statements

- (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 is to manage the interest rate risk to minimise the adverse effects of fluctuating interest rates.

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

Exposure to Currency Risk

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

	Rs.'000s				
As at 31 Dec 2019	EUR	USD	CHF	SGD	AUD
Receivables	2,361	775,348	-	-	-
Payables	(60,106)	(1,051,124)	(27,559)	(112,781)	(42,130)
Net Financial Position	(57,745)	(275,776)	(27,559)	(112,781)	(42,130)
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)

The following significant exchange rates are applied:

As at	31 Dec 2019 Rs.'000s	31 Dec 2018 Rs.'000s
USD	181.40	182.95
EUR	203.28	209.29
SGD	134.76	134.26
AUD	127.13	129.24
CHF	187.20	185.55

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 December 2019		As at 31 December 2018	
	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)	(2,758)	2,758	1,302	(1,302)
EUR (1% movement)	(577)	577	(1,683)	1,683
SGD (1% movement)	(1,128)	1,128	(1,870)	1,870
AUD (1% movement)	(421)	421	(972)	972
CHF (1% movement)	(276)	276	(273)	273

27. Derivative Assets and Liabilities and Hedge Accounting

Derivative Financial Instruments

Company's derivatives mainly consist of currency forwards. Derivatives are mainly used to manage exposures to foreign exchange as described in Note 26 (c), Market Risk.

Derivatives are initially recognised at fair value. They are subsequently re-measured at fair value at each reporting date, with all their gains and losses, realized and unrealized, recognised in the Statement of Profit or Loss unless they are in a qualifying hedging relationship.

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 forecasted 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 to ensure that an economic relationship exists between the hedged items and the hedging instrument.

Fair Value Hedges

The Company uses fair value hedges to mitigate foreign currency risk of its recognised assets and liabilities. Changes in fair values of hedging instruments designated as fair value hedges are recognised in the Statement of Profit or Loss.

Cash Flow Hedges

The Company uses cash flow hedges to mitigate foreign currency risks of highly probable forecasted transactions such as anticipated future export sales proceeds and payments for purchases of goods.

The effective part of changes in fair value of hedging instruments is recognised in the Other Comprehensive Income, while any ineffective part is recognised in the Statement of Profit or Loss. Ineffectiveness of hedges of foreign currency may result from changes in the timing of the forecasted transactions than was originally foreseen.

Notes to the Financial Statements

Derivatives by Hedged Risks

As at 31 December	2019 Rs.'000s			2018 Rs.'000s		
	Contractual or Notional Amounts	Fair Value Assets	Fair Value Liabilities	Contractual or Notional Amounts	Fair Value Assets	Fair Value Liabilities
Fair Value Hedges						
Foreign Currency Risk	-	-	-	24,403	31	-
Cash Flow Hedges						
Foreign Currency Risk	2,355,327	15,909	9,575	2,331,906	45,220	45,483

28. 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 (2018 - level 2)

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.

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.

As at 31 December	Fair Value - Hedging Instruments	
	2019 Rs.'000s	2018 Rs.'000s
Financial Assets		
Derivative - Forward Exchange Contract	15,909	45,251
	15,909	45,251
Financial Liabilities		
Derivative - Forward Exchange Contract	9,575	45,483
	9,575	45,483

29. Commitments

Capital Commitments - The capital commitment for the year 2019, which has been approved and contracted for, is Rs. 66 million (2018 - Rs. 411 million).

30. Contingent Liabilities

Income Tax Assessments up to 2019 amounting to Rs. 302 million (Up to 2018 - Rs. 268 million), were issued against the Company for which appeals have been lodged with appropriate tax authorities. 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.

31. 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. 30.00 per share amounting to Rs. 1,611,763,890 was approved on 28 February 2020 by the Board of Directors and will be paid on 20 March 2020.
- The Board of Directors has proposed a final dividend of Rs. 17.50 per share amounting to Rs. 940,195,603 for the year ended 31 December 2019, subject to approval by the Shareholders at the upcoming Annual General Meeting of the Company.

32. Comparative Information

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

Value Added Statement

For the Year Ended 31 December	2019 Rs.'000s		2018 Rs.'000s	
Revenue	36,355,084		37,336,943	
Bought out Goods and Services	(23,589,638)		(23,913,511)	
Net Value Added	12,765,446		13,423,432	
	Rs.'000s	%	Rs.'000s	%
To Government as Taxes / Duties	6,065,554	47.5%	6,188,554	46.1%
To Employees as Remuneration and Other Benefits	2,749,964	21.5%	2,582,979	19.2%
To Lenders as Interest	354,225	2.8%	411,915	3.1%
To Shareholders as Dividends	2,686,274	21.0%	2,686,274	20.0%
Value Retained with Business including Depreciation	909,429	7.2%	1,553,710	11.6%
	12,765,446	100.0%	13,423,432	100.0%

Analysis of Value Addition
2019



Analysis of Value Addition
2018



Results	2010 Rs. '000s	2011 Rs. '000s	2012 Rs. '000s	2013 Rs. '000s	2014 Rs. '000s	2015 Rs. '000s	2016 Rs. '000s	2017 Rs. '000s	2018 Restated Rs. '000s	2019 Rs. '000s
Statement of Comprehensive Income										
Revenue	21,422,984	25,575,780	28,571,488	30,913,413	32,902,885	34,702,511	36,461,695	37,601,472	37,336,943	36,355,084
Profit Before Tax	2,846,771	3,444,267	3,467,713	4,083,211	4,765,797	5,425,507	5,712,078	4,734,672	4,734,672	3,769,894
Taxation	(932,052)	(814,497)	(529,146)	(766,466)	(978,904)	(1,301,183)	(1,313,316)	(1,098,831)	(1,455,656)	(1,203,911)
Profit After Tax	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	2,565,983
Retained profits Brought Forward	115,091	176,283	254,100	291,698	384,915	491,614	512,281	613,005	1,562,572	2,348,711
Super Gain Tax	-	-	-	-	-	(638,365)	-	-	-	-
Impact of Changes in Accounting Policies	-	-	-	-	-	-	-	-	(13,388)	-
Profit available for Shareholders	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	4,914,694
Interim Dividend	(644,704)	-	(1,611,765)	(1,719,215)	(2,175,881)	(1,853,528)	(2,149,019)	(1,343,137)	(1,343,137)	-
Final Dividend	(1,208,823)	(2,551,953)	(1,289,204)	(1,504,313)	(1,504,313)	(1,611,764)	(2,149,019)	(1,343,137)	(1,343,137)	-
Retained Profits Carried Forward	176,283	254,100	291,698	384,915	491,614	512,281	613,005	1,562,572	2,348,711	4,914,694
Statement of Financial Position										
	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	2019 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	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	4,972,354
Non-Current Liabilities	522,736	594,713	794,419	929,020	1,155,712	1,221,692	1,302,144	1,495,708	3,688,838	3,771,842
	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	9,281,451
Represented by:										
Non-Current Assets	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	9,755,655
Net Current Assets:										
Current Assets	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	7,114,904
Less: Current Liabilities	(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)	(7,589,108)
	214,894	(698,034)	(340,712)	334,537	(171,297)	122,289	361,954	(1,873,478)	(913,249)	(474,204)
	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	9,281,451
Average Market Price per Share (Rs)	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	1,464.32
Earnings per Share (Rs)	35.64	48.95	54.70	61.74	70.49	76.77	81.87	67.67	64.88	47.76
Dividend Paid / Proposed (Rs. 000s)	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	2,551,959
Dividend per Share (Rs.)	34.50	47.50	54.00	60.00	68.50	64.50	80.00	50.00	50.00	47.50

Share Information

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

Number of Shares Held	2019			2018		
	Resident			Resident		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
1 - 1,000	4,984	664,178	1.24	4,828	659,251	1.23
1,001 - 10,000	371	965,893	1.80	360	919,793	1.71
10,001 - 100,000	39	1,004,323	1.87	35	923,820	1.72
100,001 - 1,000,000	1	264,404	0.50	1	180,466	0.34
Over 1,000,000	-	-	-	-	-	-
	5,395	2,898,798	5.41	5,224	2,683,330	5.00
	Non - Resident			Non - Resident		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
1 - 1,000	55	13,025	0.02	56	12,895	0.02
1,001 - 10,000	22	99,177	0.18	21	96,502	0.18
10,001 - 100,000	11	425,580	0.79	12	397,344	0.74
100,001 - 1,000,000	6	1,495,137	2.78	7	1,741,646	3.24
Over 1,000,000	1	48,793,746	90.82	1	48,793,746	90.82
	95	50,826,665	94.59	97	51,042,133	95.00
	Total			Total		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
1 - 1,000	5,039	677,203	1.26	4,884	672,146	1.25
1,001 - 10,000	393	1,065,070	1.98	381	1,016,295	1.89
10,001 - 100,000	50	1,429,903	2.66	47	1,321,164	2.46
100,001 - 1,000,000	7	1,759,541	3.28	8	1,922,112	3.58
Over 1,000,000	1	48,793,746	90.82	1	48,793,746	90.82
	5,490	53,725,463	100.00	5,321	53,725,463	100.00

Categories of Shareholders	2019		2018	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
Individual	5,331	2,383,937	5,177	2,331,602
Institutional	159	51,341,526	144	51,393,861
Total	5,490	53,725,463	5,321	53,725,463

Market Prices Per Share	2019 (Rs.)		2018 (Rs.)	
Highest	29 January	1,750.00	23 February	1,899.00
Lowest	22 November	1,150.00	1 November	1,600.00
31 December		1,299.80		1,700.00
Public Holding as at 31 December		9.18%		9.18%
Number of Shareholders Represented by the Public Holding		5,488		5,319

The Directors of the company hold no shares in the Company except for Mr. Mahendra Dayananda, who holds 1,000 shares as at period closing (previous year end 1,000 shares).

Float Adjusted Market Capitalisation as at 31 December 2019 : Rs. 6,410,610 (Rs'000). As the float adjusted market capitalization is over Rs. 5 billion, Nestlé Lanka PLC complies under option 3 of Rule 7.13.1 (a) of Listing Rules.

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

No.	Names	2019	%	2018	%
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	493,037	0.92
3	Sri Lanka Insurance Corporation Ltd-Life Fund	264,404	0.49	180,466	0.34
4	RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund	251,742	0.47	308,500	0.57
5	Deutsche Bank Ag-London	250,000	0.47	250,000	0.47
6	Harnam Neesha Jasbinderjit Kaur Piara Singh	200,000	0.37	200,000	0.37
7	SSBT - Deutsche Bank AG Singapore A/C 1	155,600	0.29	155,600	0.29
8	SSBT - Al Mehwar Commercial Investments L.L.C	144,758	0.27	148,000	0.28
9	Employees Provident Fund	100,000	0.19	100,000	0.19
10	SEB AB - Tundra Sustainable Frontier Fund	98,293	0.18	0	0
11	Union Assurance PLC / Account No. 5 (Unit-Linked Life Insurance Fund - Equity Fund)	82,311	0.15	74,551	0.14
12	BNYH Re-Ghi Holdings Maruitius	75,000	0.14	75,000	0.14
13	SSBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3	72,040	0.13	72,040	0.13
14	Jasbinderjit Kaur Piara Singh	71,300	0.13	69,300	0.13
15	Colombo Investment Trust PLC	50,904	0.09	50,904	0.09
16	Udeshi Morarji Meghji Asha Ajay Merchant	45,000	0.08	45,000	0.08
17	Anil Kumar Lalchand Hirdaramani	42,500	0.08	42,500	0.08
18	Radhakrishnan Maheswaran	36,671	0.07	36,671	0.07
19	Radhakrishnan Meenambigai Priyadarshini	36,667	0.07	36,667	0.07
20	Radhakrishnan Andal	36,667	0.07	36,667	0.07

MAKING MY SRI LANKA MORE SUSTAINABLE



Driving sustainable consumption

"Nestlé, the Tetra Pak company and other stakeholders are pioneering Sri Lanka's first UHT milk carton recycling facility."

We are also forming an alliance to collect, segregate and recycle our relevant packaging and sampling cups, and drive awareness and education consumer campaigns on environment-friendly packaging disposal."

Shashiprabha Sooriarachchi
– Regulatory Affairs



Notice of Meeting

Notice is hereby given that the Thirty Ninth (39th) Annual General Meeting of Nestlé Lanka PLC will be held at the 'Wellness Café' of the Nestlé Lanka PLC Head Office at No. 440, T. B. Jayah Mawatha, Colombo 10, on Tuesday 21 July 2020 at 10.00 a.m., via audiovisual means for the following purposes:

Agenda

1. To receive and consider the annual report of the Board of Directors on the affairs of the Company, Independent Auditors' report and the financial statements for the year ended 31 December 2019.
2. To approve a final dividend of Rs. 17.50 per share for the year ended 31 December 2019, as recommended by the Board of Directors.
3. To re-elect as Director Mr. David Steven McDaniel, in terms of Article 64 of the Articles of Association.
4. To re-elect as Director Mr. Gurcharan Grover, 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 76 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"
6. To re-elect as 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 73 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"
7. To appoint the Auditors M/s. Earnst & Young as Independent Auditors in place of KPMG and to authorise the Directors to determine their remuneration.

By Order of the Board.

NESTLÉ LANKA PLC



Keerthi Pathiraja
Company Secretary

9 June 2020

Note:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Thirty Ninth (39th) Annual General Meeting of Nestlé Lanka PLC will be a virtual meeting held by participants joining through audio or audiovisual means or through their duly appointed proxy in the manner specified below:
2. The Board will make necessary arrangements for Shareholders who wish to participate in the AGM virtually by ensuring that the login information will be forwarded to them prior to the date of the AGM in the form of a audio/video link. In order to enable such a facility, Shareholders who wish to participate in the AGM are requested to forward their details as per the attached form hereto 07 days prior to the AGM.
3. The AGM will be held in line with the guidelines issued by the Colombo Stock Exchange and as per applicable laws. The AGM is scheduled on the assumption that no curfew will be in force on the AGM date and that there would be no restriction imposed by the authorities on conducting of meetings.
4. Shareholders will be required to use internet with adequate speed to avoid any disturbance during the meeting.
5. Shareholders connecting from mobile devices, tablets or laptops via mobile hotspots may experience audio/video loss due to fluctuations in their respective networks. It is therefore recommended to use stable Wi-Fi or LAN connections to mitigate any kind of aforesaid glitches.
6. Attendance of the Chairman and the Board of Directors:

The Chairman, Managing Director, other members of the Board of Directors, Company Secretary, and Auditors will be present at the 'Wellness Café' of Nestlé Lanka PLC, No. 440, T. B. Jayah Mawatha, Colombo 10, at 10.00 a.m. on Tuesday 21 July 2020.
7. Shareholder participation:
 - a) The Shareholders are requested to appoint any Director of the Company of their choice as their proxy to represent them at the meeting.
 - b) The Shareholders who wish to participate at the meeting will be able to join the meeting through audio or audiovisual means. To facilitate this process, they are required to forward their e-mail addresses to keerthi.pathiraja@lk.nestle.com or by facsimile to +94 11 4 794 520 or by post to the Company Secretary at No. 440, T. B. Jayah Mawatha, Colombo 10, no less than seven (07) days prior to the date of the meeting so that the meeting login information could be forwarded to the email address furnished.
 - c) To facilitate the appointment of proxies, the Form of Proxy is attached with the Notice of Meeting. The duly filled Forms of Proxy are required to be forwarded to the Company Secretary via e-mail to keerthi.pathiraja@lk.nestle.com or by facsimile to +9411 4 794 520 or by post to the registered address of the Company at No. 440, T. B. Jayah Mawatha, Colombo 10, no less than forty eight (48) hours before the time fixed for the meeting.
8. Shareholders' queries:

If the Shareholders wish to raise any queries/questions during the meeting, they are advised to forward them via e-mail to keerthi.pathiraja@lk.nestle.com or by facsimile to +94 11 4 794 520 or by post to the registered address of the Company at No. 440, T. B. Jayah Mawatha, Colombo 10, no less than seven (07) days prior to the date of the meeting, so that the Company Secretary will be able to compile the queries and forward them for the attention of the Board of Directors to be discussed at the meeting.
9. The annual report of the Company for the year ended 31 December 2019 will be available for perusal on the Company website on <https://www.nestle.lk/investors/key-facts-and-figures>, and the Colombo Stock Exchange website on www.cse.lk

Form of Proxy

Nestlé Lanka PLC

I / We of

..... being a member / members of the above named Company, hereby appoint Mr. Suresh Narayanan (whom failing), Mr. Fabrice Cavallin (whom failing), Mr. Gurcharan Grover (whom failing), Mr. Mahen Dayananda (whom failing), Mr. Ranjan Seevaratnam (whom failing), Mr. Dian Gomes (whom failing), Mr. David Steven McDaniel as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Thirty Ninth (39th) Annual General Meeting of Nestlé Lanka PLC to be held on Tuesday 21 July 2020 at 10.00 a.m., or at any adjournment thereof.

Agenda / Resolution

	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 the financial statements for the year ended 31 December 2019.	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of Rs.17.50 per share for the year ended 31 December 2019 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as Director Mr. David Steven McDaniel, in terms of Article 64 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as Director Mr. Gurcharan Grover, in terms of Article 56, 57 and 58 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
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: <i>"Resolved that Mr. Ranjan Seevaratnam, who is 76 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"</i>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect as 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: <i>"Resolved that Mr. Mahen Dayananda, who is 73 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"</i>	<input type="checkbox"/>	<input type="checkbox"/>
7. To appoint the Auditors M/s. Earnst & Young as Independent Auditors in place of KPMG and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Folio No: NIC No: Signed on this: day of 2020
Signature

NESTLÉ LANKA PLC 39th Annual General Meeting 2020 Registration of Shareholders Details for Virtual AGM

Please provide the following details (mandatory):

NIC / PP / Company Registration No. of the Shareholder/s :
Folio No. :
E-mail address of the Shareholder/s
(other than a Director appointed as proxy) :
Contact – Mobile/Fixed :

Instructions as to the completion

- 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.
- 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.
- 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.
- In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
- The completed form of proxy should be sent via e-mail to keerthi.pathiraja@lk.nestle.com or by facsimile to +94 11 4 794 520 or by post to the registered address of the Company at No. 440, T. B. Jayah Mawatha, Colombo 10, no less than 48 hours before the time appointed for holding the Annual General Meeting.

Name of Company :	Nestlé Lanka PLC
Registered Office and Head Office :	<p>440, T. B. Jayah Mawatha, Colombo 10, Sri Lanka</p> <p>Tel: (+94 11) 2 696 304, 2 697 821, 2 699 991 Fax: (+94 11) 2 699 437</p> <p>E-mail: info.srilanka@lk.nestle.com Website: www.nestle.lk</p>
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 :	<p>FSSC 22000 version 4.1. (Food Safety System Certification)</p> <p>ISO 9001:2015 (Quality Management System) ISO 14001:2015 (Environmental Management Systems) ISO 45001:2018 (Occupational Health and Safety Management System)</p> <p>SLS Certification for <i>Nestomalt</i> Malted Food, <i>Nestlé a+</i> Standardised Milk, <i>Ceregrow</i> and <i>Cerelac</i> Cereal Based Foods for infants and young children, <i>Milkmaid</i> Sweetened Condensed Milk, <i>Nespray</i> FortiGrow Full Cream Milk Powder, <i>Nespray</i> Nutri-Up and <i>Nescafé</i> Ice Coffee Flavoured Milks, <i>Maggi</i> Coconut Milk Powder and our entire <i>Maggi</i> noodle range.</p> <p>Environmental Protection Licence No: 345/2020 R18</p> <p>Halal Certification</p>
Registrars :	<p>M/s. SSP Corporate Services (Pvt) Ltd. 101, Inner Flower Road, Colombo 3, Sri Lanka</p> <p>Tel: 011 2 573 894, 2 576 871</p>
Legal Advisors :	<p>Keerthi Pathiraja, Attorney-at-Law D. L. & F. De Saram (Attorneys-at-Law) Julius & Creasy (Attorneys-at-Law)</p>
Auditors :	KPMG (Chartered Accountants)
Bankers :	<p>Citibank, N.A. Commercial Bank Hatton National Bank The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank</p>
Financial Year :	1 January to 31 December



MAKING MY SRI LANKA MORE SUSTAINABLE



Stewarding resources for future generations

We joined hands with the Ministry of Education and Central Environment Authority (CEA) to raise awareness on proper waste management in schools. Through this partnership, the CEA educates school environmental societies to spread awareness on this worthy cause. We have also donated waste management units to establish a proper collection and segregation system within school premises, and hope to reach 150,000 school children across 50 schools by end 2020.





Nestlé Good food, Good life

A publication of Nestlé Lanka PLC

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