

ANNUAL REPORT 2014

NESTLÉ LANKA PLC

A LEADING NUTRITION, HEALTH
AND WELLNESS COMPANY



Nestlé®

Good Food, Good Life



Nestlé Lanka PLC – Celebrating 30 years of Empowering Sri Lankan Dairy Farmers

Nestlé has been in Sri Lanka for over one hundred years. We have been committed to enhancing the lives of the local community, creating 'shared' value for everyone our business touches.

products became a key part of our commitment to Sri Lanka's dairy industry. Our efforts to support and develop the local dairy industry have come a long way in 30 years and today we are Sri Lanka's largest private sector collector of fresh milk, procuring hundreds of thousands of litres every day from over 18,000 farmers.

We also engage in training farmers, offer micro financing assistance and subsidies for artificial insemination, together with the distribution of vital equipment and veterinary medicines.

Our relationship with Sri Lanka's dairy farmers began in 1984, when we opened our production factory in Pannala, Kurunegala with a promise that we will contribute towards the nation's development, by not only sharing our experience and knowledge as world leaders in food, but by also increasing local manufacturing and sourcing. Thus, the collection of local fresh milk for the manufacture of our dairy based

Today, as we look at the smiling faces of the thousands of dairy farming families we have positively impacted, we know that we have kept that promise – by empowering our Sri Lankan dairy farmers to have a better quality of life.



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2014 Highlights

Revenue


Rs. 32.9 billion
+ 6.4%

Contribution to Exchequer


Rs. 5.1 billion

Earnings per Share


Rs. 70.49

 **Rs. 5.4 billion**


Contribution to the rural economy through raw material procurement

 **2,400+**


Children reached by our Nestlé Healthy Kids Programme

 **361 million**


Servings of micronutrient fortified products

 **40,000+**


Consumers reached via the Nestlé ‘Choose Wellness, Choose Nestlé’ mobile wellness units

 **62 million**

Kilograms of milk procured from 18,580 rural farmers


 **66 million**

Coconuts procured from 5,400 farming families

 **23,980**


Farming families working with Nestlé

Saving energy by

 **20%**


(2009 - 2014 per tonne of production)

Saving water by



 **25%**

(2009 - 2014 per tonne of production)

Reduction of greenhouse gas emissions by

 **18%**

(2009 - 2014 per tonne of production)

-  **RURAL DEVELOPMENT**
-  **NUTRITION**
-  **ENVIRONMENTAL SUSTAINABILITY**



The results that your company achieved showed our determination to grow your company in a profitable and sustainable manner, complemented by improvements in the trading operating profit margin and earnings per share. This performance is a testament to the unwavering commitment of our employees in delivering good results for your company. The creativity, dynamism and drive of our people who are aligned behind a set of firm priorities empower us to win in difficult environments.

Dear Shareholders,

I am pleased to present to you the Annual Report and Audited Statement of Accounts for the year ending 31 December 2014.

During the year 2014, the business environment was volatile and your Company remained focused on its strategy to drive short term performance, while ensuring that the right decisions were made to sustain long term growth. Nestlé Lanka PLC continued to make steady progress and delivered a growth of 6.4%. Your Company also took strategic steps to move towards its ambition of becoming the recognized leading Nutrition, Health and Wellness Company trusted by all stakeholders.

These results demonstrate the determination that your Company has to grow in a profitable and sustainable manner and that is complemented by improvements in the trading operating

profit margin and earnings per share. This performance is also a testament to the unwavering commitment of the employees to ensure profitable growth for your Company. I am confident that the creativity, dynamism and drive of our people who are aligned with your Company's priorities will enable us to win even in difficult environments.

The year 2014 was an important milestone for your Company in Sri Lanka. Nestlé Lanka PLC celebrated 30 years of its manufacturing facility based in Pannala, Kurunegala which is responsible for manufacturing over 90% of the Nestlé products in Sri Lanka. You should be proud that the Kurunegala facility and its employees remain committed to continuing their journey of excellence.



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

Your Company's vision continues to guide us in reinforcing our efforts to contribute to Nutrition, Health and Wellness in the country. Consequently, Nestlé Lanka PLC has focused efforts to empower consumers and help them make informed choices in their diets and lifestyle that are essential for a healthy life. Your Company continued to play an active role in helping address the issue of micronutrient deficiencies. Balanced nutrition is important to build healthier generations and your Company has continued its efforts to innovate and renovate the product portfolio, providing consumers with healthier and tastier food and beverage options.

Your Company believes that its business must benefit the stakeholders as well as the local communities. Therefore it continues to invest in people, operations and growth in Sri

Lanka so that it is able to deliver on its commitment of Creating Shared Value at every stage of the value chain in the country.

Etienne Benet
Chairman
NESTLÉ LANKA PLC

19 February 2015



In 2014, Nestlé Lanka PLC celebrated a significant milestone in its 100 year journey in Sri Lanka, marking the 30 year anniversary of the Nestlé Lanka Kurunegala factory. The state-of-the-art manufacturing facility, which is responsible for more than 90% of the production of Nestlé's local food and beverage products, celebrated three decades of excellence in meeting the needs of today's and tomorrow's consumers with nutritious, delicious products of the highest quality.

Dear Shareholders,

2014 proved to be yet another challenging year, with market conditions posing significant uncertainties along the way. The challenges your Company encountered were faced with great perseverance and determination, to ensure that the business remained sound, delivering greater value for consumers and for you, our shareholders. It gives me great pleasure, to announce that your Company was able to deliver a growth of 6.4% and a revenue of Rs. 32.9 billion. Supported by efficient portfolio management and value chain optimization, your Company was successful in improving margins to achieve a profit of Rs. 3.7 billion, representing an increase of 14.2%.

I would like to take this opportunity to acknowledge the efforts of my predecessor, Ganesan Ampalavanar, who took over the operations of Nestlé Vietnam with effect from 01 February 2015, for the integral role he played towards ensuring a stable performance for Nestlé Lanka PLC during the period in review.

In 2014, Nestlé Lanka PLC celebrated a significant milestone in its 100 year journey in Sri Lanka, marking the 30 year anniversary of the Nestlé Lanka Kurunegala factory. The state-of-the-art manufacturing facility, which is responsible for more

than 90% of the production of Nestlé's local food and beverage products, celebrated three decades of excellence in meeting the needs of today's and tomorrow's consumers with tasty and nutritious products of the highest quality. Significantly, this also coincided with the Company celebrating 30 years of empowering Sri Lankan dairy farmers and its contribution towards local dairy development.

The decisions and strategies implemented by the management of your Company in alignment with global direction helped your Company steadily maintain its growth momentum in 2014. We responded to each challenge by providing consumers with nutritionally superior food and beverages with the highest levels of safety and quality. We enhanced brand support, drove innovation and renovation, invested in our people and continued to Create Shared Value.

In accordance with our endeavour to innovate and renovate our portfolio in line with our consumers' changing lifestyles, we engaged in intensive consumer research to understand the preferences and needs of the local consumer. Nestlé Lanka PLC's flagship brand, *Nestomalt*, launched its ready-to-drink

(RTD) offering, while Nestlé Professional, your Company's food service arm, launched its revolutionary Cold Vending Beverage Solution with *Nescafé* Ice Coffee and *Nestea* Ice Lemon Tea for the first time in Sri Lanka. This was soon followed by the launch of *Nescafé Alegria*, 'Café style coffee made magically simple'.

Your Company continued to enhance the nutritional profile of its products, upholding our commitment as a leader in nutrition, health and wellness, and using our research and development capabilities to make a positive contribution to the lives of our consumers. Our products like *Nespray* Everyday fortified with vitamin A, *Milo* enriched with B vitamins, and *Maggi* Rasa Musu fortified with iron, enable our consumers to add micronutrients to their daily diets, in an affordable and relevant way. Further, in 2014, *Maggi* Chicken noodles and *Maggi* Curry noodles were also fortified with vitamin A, addressing the prevailing deficiency of this vital micronutrient in Sri Lanka. Your Company is also constantly assessing and working towards adding positive ingredients and reducing public health sensitive nutrients such as sodium, sugar and fat across its product portfolio, whilst maintaining their great taste.

Our work on enhancing the quality of lives did not stop at our products alone. Nestlé Lanka PLC further drove focused communication conveying the importance of a balanced diet and healthy lifestyle through initiatives such as the Nestlé Mobile Wellness Unit, which actively engaged with over 40,000 consumers island-wide. In order to empower consumers to make informed choices and spread awareness on the importance of a well-balanced lifestyle, your Company celebrated Hallmark Days such as 'World Health Day' and 'Nutrition Month', driving public awareness campaigns. Our *Milo* sports events continued to promote physical activity amongst children. Significantly, your Company was recognised as a leading Nutrition, Health and Wellness company in Sri Lanka by consumers as per 'The Corporate Brand Equity Monitor' survey, conducted towards the latter part of the year.

At Nestlé Lanka PLC, we believe that our people are our biggest strength and competitive advantage. Therefore, we continue to invest in our employees and prepare them for the future, through training and manpower development programs. In line with this direction, your Company provided opportunities for the next generation of leaders to take on more challenging roles by developing their competencies and leadership behaviours.

Furthermore, your Company capitalized on overseas training and exposure enabling our people to learn, grow and tap their potential through such diverse experiences.

Your Company also continued to remain steadfast in its commitment to Creating Shared Value by extending the Nestlé Healthy Kids programme, promoting nutrition awareness amongst another 2,400 children in 2014. In our efforts towards the development of the rural economy, we continued to procure raw materials, predominantly fresh milk and coconuts, from over 23,000 farmers, marking a contribution of Rs. 5.4 billion towards the rural economy in 2014.

Your Company was the only food company to be listed on LMD Sri Lanka's Top 10 Most Valuable Brands for the second consecutive year. Popular brand *Maggi* was also voted 'Food Brand of the Year' and 'Youth Food Brand of the Year' for the second consecutive year at the SLIM Nielsen People's Awards 2014.

I would like to thank our people and our business partners for their passion and tireless efforts towards ensuring yet another year of progress. We remain poised to think big and be bold in our plans for the continued success of your Company. We are committed to confidently face the challenges that 2015 has in store for us, to deliver on both short term growth and long term development of your Company.

On behalf of our Board of Directors, we would finally like to thank our shareholders for their confidence and loyalty to Nestlé Lanka PLC.

We will count on your continued support.

Shivani Hegde
Managing Director
NESTLÉ LANKA PLC

19 February 2015

හිතවත් කොටස් හිමිකරුවනි,

ගතවූ 2014 වර්ෂය තවත් අභියෝගාත්මක කාල පරිච්ඡේදයක් වූ අතර වෙළෙඳපොලෙහි සැලකිය යුතු බාධා ප්‍රමාණයකට මුහුණ දීමට අපට සිදු විය. කෙසේ වෙතත් මෙවන් බාධා සහිත අභියෝගාත්මක පරිසරයක් තුළ දී පවා ඔබගේ සමාගම 6.4%ක වර්ධනයක් සහිතව රුපියල් බිලියන 32.9ක ආදායම් මට්ටමක් කරා ළඟාවී තිබෙන බව මා ඔබට දැනුම් දෙන්නේ ඉතාමත් සතුටිනි. එලදායිතාවය සහ ව්‍යුහගත වියදම් ඉතිරිය සමග රුපියල් බිලියන 3.7ක ලාභයක් වාර්තා කරමින් දළ ආදායම් ආන්තිකය 14.2%කින් වර්ධනය කරගැනීමට ඔබේ සමාගමට හැකියාව ලැබී තිබේ.

අප විසින් සමාලෝචනයට ලක් කරන කාලසීමාව තුළ නෙස්ලේ සමාගම ලබා ඇති ස්ථාවර කාර්යසාධනය පිළිබඳව මාගේ පූර්වගාමියා මෙන්ම නෙස්ලේ ලංකා සමාගමේ නිවැරදි කළමනාකාර අධ්‍යක්ෂ ගනේසන් අම්පලවානර් මහතා වෙත මාගේ ප්‍රශංසාව පුද කිරීමට මෙය අවස්ථාවක් කර ගනිමි. තම සේවා කාලය තුළ නෙස්ලේ ලංකා පීඒල්සී සමාගමට අනුපමේය සේවයක් කළ ඒ මහතා 2015 පෙබරවාරි 01 වැනි දින සිට නෙස්ලේ වියට්නාම් සමාගමට තම සේවය ලබා දෙයි.

නෙස්ලේ ලංකා සමාගම වසර 100 ක් පුරාවට ශ්‍රී ලංකාව තුළ ආ ගමනේදිල ඉතාමත් වැදගත් සංධිස්ථානයක් 2014 වර්ෂයේදී සැපිරූ අතර, එය නෙස්ලේ ලංකා සමාගමේ කුරුණෑගල කර්මාන්තශාලාව ආරම්භකර දශක තුනක් සම්පූර්ණ වීම සැමරීමේ සුවිශේෂී අවස්ථාවයි. මෙම නිෂ්පාදන කර්මාන්තශාලාව මගින් නෙස්ලේ ලංකා සමාගමේ දේශීය ආහාර සහ පානීය නිෂ්පාදනයන්ගෙන් 90%කට වඩා නිපදවීම සිදු කෙරේ. දශක තුනක් පුරාවට උසස් ගුණාත්මකතාවයෙන් යුතු රසවත් නිෂ්පාදන වත්මන් මෙන්ම අනාගත පාරිභෝගික අවශ්‍යතා මැනවින් අවබෝධ කරගනිමින් නිෂ්පාදනය කිරීමට කුරුණෑගල නෙස්ලේ කර්මාන්තශාලාව සමත්වී සිටී. කර්මාන්තශාලාවට වසර 30 සපිරීමට සමගාමීව දේශීය කිරි කර්මාන්තයෙහි සංවර්ධනය වෙනුවෙන් අනුපමේය දායකත්වයක් ලබා දුන් කිරි ගොවීන් සවිබලගැන්වීමටද අපි කටයුතු කළෙමු.

ජාත්‍යන්තර නිර්දේශයන්ට අනුව ඔබගේ සමාගම ක්‍රියාත්මක කරන ලද තීරණ ගැනීම් සහ ක්‍රමෝපායන් 2014 වර්ෂය තුළ ස්ථාවර වර්ධනයක් පවත්වා ගැනීමට උපකාරී වී තිබේ. ඉහළ නංවන ලද සන්නාම සහයෝග යෙන්, වේගවත්ව සිදු කළ නව්‍යකරණයෙන්, අපගේ මානව ආයෝජනයන් සහ ඉහළ සුරක්ෂිතතාවයෙන් සහ ගුණාත්මකතාවයෙන් යුක්ත පෝෂණීය ආහාර සහ පානීය නිෂ්පාදනයන් අපගේ පාරිභෝගික ජනයාට ලබා දෙමින්,

නිරන්තර වගකීම් සහගත ව්‍යාපාර මෙහෙයුම්කරණය මගින් සාමූහික සාරධර්ම නිර්මානකරණයෙහි නියැලෙමින් සෑම අභියෝගයකටම අපි ප්‍රතිචාර දැක්වූයෙමු.

ඔබේ සමාගමේ නිෂ්පාදන පෙළ ඉහළ නැංවීම සඳහා 2014 වර්ෂයේදී ඉතාම පුළුල් සමීක්ෂණයන් සිදු කළ අතර එහිදී දේශීය පාරිභෝගිකයන්ගේ කැමැත්ත සහ අවශ්‍යතාවයන් පිළිබඳව මනා අවබෝධයක් ලබා ගත හැකි විය. නෙස්ලේ ලංකා සමාගමේ සුවිශේෂී වෙළෙඳනාමයක් වන නෙස්ට්ලෝල්ට් සන්නාමයෙන් ready-to-drink (RTD) වර්ගයේ නිෂ්පාදනයක් හඳුන්වා දීමට හැකියාව ලද අතර, නෙස්ලේ ප්‍රොලෙහනල් ආහාර නිෂ්පාදන අංශය විසින් චීප්ද්‍රව්ය වෙනසක් සිදුකරමින් ශ්‍රී ලාංකික වෙළෙඳපොලට ප්‍රථම වරට ශීත කළ නෙස්කැරෝ අයිස් කොෆී සහ නෙස්ට් අයිස් ලෙමන් නිපදවීමේ පානීය නිෂ්පාදන සැකසුම් යන්ත්‍රය හඳුන්වා දෙන ලදී. වර්ෂයේ දෙවැනි කාර්තුවේදී ‘Café style coffee made magically simple’ තේමාවෙන් නෙස්කැරෝ ඇලෙග්‍රියා යන්ත්‍ර හඳුන්වා දීමෙන් පසු ඉතාම ආසන්න කාලසීමාවකදී මෙම නව්‍ය හඳුන්වා දීම සිදුකරන ලදී.

පෝෂණ, සෞඛ්‍ය සහ යහගුණ අංශයෙහි ප්‍රමුඛයා ලෙස නෙස්ලේ ලංකා සමාගම තම සමීක්ෂණ සහ සංවර්ධන ශබ්‍දයන්ට අයත්ව සිටින තත්ත්වයක් ලබාදීමට ධනාත්මක කැපවීමක් සිදු කරයි. විටමින් A පෝෂණය සහිත නෙස්ලේ එවිර්ඩේ, විටමින් B සහිත මයිලෝ, යකඩ අඩංගු මැගී රස මුසු වැනි නිෂ්පාදන නිසා පාරිභෝගිකයාට පහසුවෙන් තම දෛනික ආහාර වේල් සඳහා අවශ්‍ය ක්ෂුද්‍ර පෝෂක ලබා ගැනීමේ හැකියාව තිබේ. 2014 වර්ෂයේදී තවත් වැදගත් ඉදිරි පියවරක් තබමින් තම මැගී චිකන් නූඩල්ස් සහ මැගී කර් නූඩල්ස් යන නිෂ්පාදනයන් විටමින් A පෝෂණයෙන් පරිපූර්ණ කරන ලදී. ශ්‍රී ලංකාව තුළ විටමින් A ක්ෂුද්‍ර පෝෂක ඌණතාව මගහරවා ගැනීමට ඉන් සුවිශාල සහයෝගයක් ලැබෙනු ඇත. මැගී සන්නාමය තම ගමන් මගෙහි වසර 30 සම්පූර්ණ කිරීමද මේ සමග සිදුවීම තවත් සුවිශේෂ වේ. එසේම ඔබේ සමාගම තව දුරටත් තම නිෂ්පාදනවල පෝෂණීය වටිනාකම ඉහළ නැංවීමට කටයුතු කරන අතර මහජන සෞඛ්‍යයට අහිතකර ක්ෂුද්‍ර පෝෂක වන සෝඩියම්, සීනි සහ මේදය වැනි දේ නිෂ්පාදන වලින් ඉවත් කිරීමටත් නිෂ්පාදන පෙළෙහි රසය තවත් ඉහළ නැංවීමටත් කටයුතු කරයි.

ගුණාත්මක දිවියක් ලබා දීම සඳහා අප ගන්නා උත්සාහයේදී අපගේ නිෂ්පාදන උසස් තත්ත්වයෙන් වෙළෙඳපොලට යොමු කිරීමෙන් පමණක් අපගේ කාර්යය නිමා කර නොමැත. ‘Nestlé Mobile Wellness Unit’

කළමනාකාර අධ්‍යක්ෂකතුමියගේ සමාලෝචනය

වැනි මුලපිරීම් හරහා සමබර ආහාර වේලක සහ සෞඛ්‍ය සම්පන්න ජීවන රටාවක වැදගත්කම පිළිබඳව ජනතාවට සන්නිවේදනය කිරීමට නෙස්ලේ සමාගම කටයුතු කරන ලදී. දිවයින පුරා 40,000කට අධික පාරිභෝගිකයින් පිරිසක් ක්‍රියාකාරීව ඒ සඳහා සහභාගි වූහ. පාරිභෝගිකයාට ඔවුන්ගේ කැමැත්ත පිළිබඳ දැනුවත්තාවය ලබා දෙමින් සහ මනා සමබර ජීවන රටාවක වැදගත්කම පිළිබඳව දැනුම බෙදා දෙමින් ඔබේ සමාගම ජාත්‍යන්තර වටිනාකමක් සහිත දිනයන් කිහිපයක් සැමරීමට දායක විය. ‘ලෝක සෞඛ්‍ය දිනය’ සහ ‘පෝෂණ මාසය’ 2014 වර්ෂයේදී නෙස්ලේ ලංකා සමාගම විසින් සමරන ලදී. මයිලෝ අනුග්‍රහයෙන් ක්‍රීඩා ඉසව් පැවැත්වීම හරහා ළමයින්ගේ ශාරීරික ක්‍රියාකාරකම් ප්‍රවර්ධනයට අපි දිගින් දිගටම දායක වූයෙමු. වසරේ අවසන් භාගයේදී සිදුකරන ලද ‘The Corporate Brand Equity Monitor’ නම් සමීක්ෂණය මගින් නෙස්ලේ සමාගම ශ්‍රී ලංකාවේ ප්‍රමුඛතම පෝෂණ, සෞඛ්‍ය සහ සුවදායී සමාගම ලෙස ජනතාව විශ්වාස කරන බව වාර්තාවීම ඉතාම සුවිශේෂී සිදුවීමකි.

අපගේ සේවක පිරිස අප සතු සුවිශාල ශක්තිය මෙන්ම තරගකාරී වාසිසහගතබවද වන බව නෙස්ලේ ලංකා සමාගමේ විශ්වාසයයි. එම නිසා සංවර්ධනය සහ මානව බලශක්ති වැඩසටහන් හරහා අනාගතය සඳහා සුදානම් වීමට අපි සේවක ආයෝජනයන් සිදුකරන්නෙමු. ඒ අනුව අනාගත පරපුරේ හැකියාවන් සවිබලගත්වමින් ඔවුන්ගේ නායකත්ව හැකියාවන් වර්ධනය කරමින් අභියෝගාත්මක කාර්යභාරයක් ඉටුකිරීමට ඔවුන්ට අවශ්‍ය හැකියාව ලබා දීමට ඔබේ සමාගම කටයුතු කරන ලදී. එසේම එවන් අත්දැකීම් හරහා ඉගෙන ගැනීමට, වර්ධනයට සහ තම හැකියාවන් පෙන්වීමට අවස්ථාව ලබා දීම සඳහා විදේශ පුහුණු අවස්ථා වෙනුවෙන් මුදල් වෙන්කිරීමටද නෙස්ලේ ලංකා සමාගම කටයුතු කරන ලදී.

සාමූහික සාරධර්ම නිර්මානකරණයට ඔබේ සමාගම දක්වන කැපවීම තවත් ඉහළ නංවමින් 2014 වර්ෂයේදී ‘නෙස්ලේ හෙල්දි කිඩ්ස්’ වැඩසටහන ක්‍රියාවට නැංවූයෙමු. එමගින් ළමුන් 2,400කට පමණ පෝෂණ දැනුම ලබාදීමට ඊට හැකිවී ඇත. එසේම ගොවීන් 23,000කට අධික ප්‍රමාණයකගෙන් අපගේ නිෂ්පාදන සඳහා අවශ්‍ය අමුද්‍රව්‍ය වන හැවුම් කිරි සහ පොල් අප විසින් මිලදී ගන්නා අතර ග්‍රාමීය ආර්ථිකයට 2014 වර්ෂයේදී එයින් ලැබී ඇති දායකත්වය රුපියල් බිලියන 5.4ක් පමණ වේ.

LMD සඟරාව විසින් සිදුකරන ලද ලැයිස්තුගත කිරීමට අනුව පිළිවෙලින් දෙවැනි වර්ෂයටත් ශ්‍රී ලංකාවේ වඩාත් වටිනා සන්නාමයන් 10 අතරට පැමිණීමත් ගෞරවයට පාත්‍රවූ එකම ආහාර නිෂ්පාදන සමාගම බවට

පත්වීමට ඔබේ සමාගම සමත් විය. එමෙන්ම ජනප්‍රිය මැගී සන්නාමය ‘වසරේ ආහාර සන්නාමය’ සහ ‘වසරේ යෞවනයේ ආහාර සන්නාමය’ ලෙස පිළිවෙලින් දෙවැනි වර්ෂයටත් 2014 ස්ලීම් නීල්සන් ජනතා සම්මාන උළෙලේදී සම්මානයට පාත්‍ර විය.

තවත් සාර්ථක වර්ෂයක් වෙනුවෙන් මහත්සිය නොබලා තම කැපවීම පෙන්නු අපගේ සේවක පිරිස සහ ව්‍යාපාරික සහයෝගිතාකරුවන් සියලු දෙනාටම ස්තූතිය පිරිනැමීමට මෙය අවස්ථාවක් කරගනිමි. ඔබගේ සමාගමේ ඉදිරි සාර්ථකත්වය වෙනුවෙන් පුළුල්ව සිතමින් සහ පැහැදිලිව අනාගත සැලසුම් සකස් කිරීමට අපි කටයුතු කරන්නෙමු. 2015 වර්ෂය තුළ ඵලඹෙන අභියෝග යන් හමුවේ පවා විශ්වාසයෙන් සහ කඩිනමින් ඒවාට මුහුණ දෙමින් සමාගමේ කෙටිකාලීන වර්ධනයට මෙන්ම දීර්ඝ කාලීන සංවර්ධනයට අදාළ ක්‍රියාමාර්ගයන් අනුගමනය කරන බව අපි ඔබට පොරොන්දුවන්නෙමු.

අවසාන වශයෙන් අපගේ අධ්‍යක්ෂ මණ්ඩල සාමාජිකයන් වෙනුවෙන්, නෙස්ලේ ලංකා සමාගම පිළිබඳව තබා ඇති විශ්වාසවන්තතාවයට අපගේ කොටස්තිමිකරුවන් වෙත ස්තූතිය පිරිනමන්නෙමු.

ඔබේ වටිනා සහයෝගය ඉදිරියටත් අපේක්ෂා කරන්නෙමු.

Shuvani Hegde

ශ්‍රීවානි හෙග්ඩේ
කළමනාකාර අධ්‍යක්ෂිකා
නෙස්ලේ ලංකා පීඒල්සී

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முகாமைத்துவப் பணிப்பாளரின் மீளாய்வு

என்ற பட்டியலில் இடம்பிடித்த ஒரேயொரு உணவு நிறுவனமாகவும் உங்களது நிறுவனம் திகழ்ந்தது. SLIM Nielsen மக்கள் தெரிவு விருதுகள் 2014 நிகழ்வில் தொடர்ந்து இரண்டாவது ஆண்டாகவும் பிரபலமான வர்த்தகநாமமான *Maggi*, ‘வருடத்தின் மிகச் சிறந்த உணவு வர்த்தகநாமம்’ மற்றும் ‘வருடத்தின் மிகச் சிறந்த இளையோர் உணவு வர்த்தகநாமம்’ ஆகிய விருதுகளையும் தனதாக்கியிருந்தது.

மற்றுமொரு வளர்ச்சிமிக்க ஆண்டை உறுதிப்படுத்துவதற்கு அபராத உழைத்த அனைவரின் முயற்சிகளுக்கும் எனது நன்றிகளைத் தெரிவித்துக்கொள்ள விரும்புகின்றேன். உங்களது நிறுவனம் தொடர்ந்தும் வெற்றிபுடன் நடைபோடுவதற்கு நாம் தொடர்ந்தும், விசாலமாகவும், தைரியமாகவும் சிந்தித்து அதற்கேற்ற வகையில் தொழிற்படுவோம். 2015 ஆம் ஆண்டில் எம்முன்னே காணப்படும் சவால்கள் அனைத்திற்கும் நம்பிக்கையுடன் முகங்கொடுத்து உங்களது நிறுவனத்தின் குறுகிய கால மற்றும் நீண்ட கால அடிப்படையிலான அபிவிருத்தியை முன்னெடுப்போம் என்ற உறுதிமொழியையும் தெரிவித்துக்கொள்கின்றேன்.

இறுதியாக, நெஸ்லே லங்கா பீஸல்சி நிறுவனத்தின் மீது எமது பங்குதாரர்கள் கொண்டுள்ள விகவாசத்திற்காக பணிப்பாளர்கள் சபையின் சார்பில் அவர்களுக்கு நாம் எமது நன்றிகளைத் தெரிவித்துக்கொள்ள விரும்புகின்றோம்.

உங்களது ஆதரவை நீங்கள் தொடர்ந்தும் எமக்கு வழங்குவீர்கள் என்று உறுதியாக நம்புகின்றோம்.

Shuvani Hegde

ஷிவானி ஹெக்கே
முகாமைத்துவப் பணிப்பாளர்
நெஸ்லே லங்கா பீஸல்சி

19 பெப்ரவரி 2015

செல்வதை முன்னெடுக்கும் வகையில் நெஸ்லே லங்கா பீஸல்சி நிறுவனம் நாடளாவியரீதியில் 40,000 இற்கும் மேற்பட்ட நுகர்வோரை எட்டியிருந்த நெஸ்லே நடமாடும் நலன்பேணல் பிரிவு (Nestle Mobile Wellness Unit) போன்ற முன்னெடுப்புக்களையும் மேற்கொண்டது. மேலும் 2014 ஆம் ஆண்டில் ‘உலக சுகாதார தினம்’ மற்றும் ‘போஷாக்கு மாதம்’ போன்ற முக்கியத்துவம் வாய்ந்த நிகழ்வுகளின் போது தகவல்களையும், வழிப்புணர்வையும் பரப்பி, நுகர்வோரை ஆளுமைப்படுத்தும் முயற்சிகளையும் மேற்கொண்டிருந்தது. எமது உற்பத்தியான *Milo* அணுசரணையுடனான விளையாட்டு நிகழ்வுகள் சிறுவர்கள் மத்தியில் உடல்ரீதியான செயற்பாடுகளை ஊக்குவிக்கும் முயற்சிகளை தொடர்ந்தும் முன்னெடுத்தன. குறிப்பாக கடந்த ஆண்டின் பிற்பகுதியில் நடாத்தப்பட்ட ‘The Corporate Brand Equity Monitor’ கருத்துக்கணிப்பில் இலங்கையிலுள்ள முன்னணி ஊட்டச்சத்து, ஆரோக்கியம் மற்றும் நல்வாழ்வு நிறுவனமாக உங்களது நிறுவனத்திற்கு நுகர்வோர் தமது இனங்காணல் அங்கீகாரத்தை வழங்கியிருந்தனர்.

நெஸ்லே லங்கா பீஸல்சி நிறுவனத்தைப் பொறுத்தவரையில் எமது பணியாளர்களே எமது மிகப் பாரிய பலமாக உள்ளதுடன், எமது போட்டித்திறனுக்கும் அவர்களே மூலகாரணம். ஆதலால் நாம் தொடர்ந்தும் பயிற்சி மற்றும் மனிதவள அபிவிருத்தி ஊடாக எமது ஊழியர்கள் மீது முதலீடுகளை மேற்கொண்டு எதிர்காலத்திற்கு சிறந்த வகையில் முகங்கொடுக்க அவர்களைத் தயார்படுத்திவருகின்றோம். இந்த முயற்சியின் கீழ் அடுத்த தலைமுறை தலைவர்கள் தமது ஆற்றல்கள் மற்றும் தலைமைத்துவப் பண்புகளை விருத்தி செய்யும் வகையில் இன்னும் அதிகமான சவால்மிக்க பதவிநிலைகளைப் பொறுப்பேற்கக்கூடியவர்களாக மாறும் வாய்ப்புக்களையும் அவர்களுக்கு வழங்கியிருந்தது. மேலும் பரந்துபட்ட அனுபவங்களின் மூலமாக எமது பணியாளர்கள் கற்று, விருத்தியடைந்து தமது உண்மையான வளர்ச்சிவாய்ப்புக்களை அடைந்துகொள்வதற்கு இடமளிக்கும் வகையில் வெளிநாட்டு பயிற்சி மற்றும் அனுபவங்களையும் உரிய முறையில் பயன்படுத்தியிருந்தது.

பகிரப்பட்ட அடிப்படையிலான பெறுமதியைத் தோற்றுவிக்கவேண்டும் என்பதில் உங்களது நிறுவனம் கொண்டுள்ள அர்ப்பணிப்புடனான ஈடுபாட்டை தொடர்ந்தும் உறுதியாகப் பேணும் வகையில் நெஸ்லே ஆரோக்கிய சிறுவர்கள் நிகழ்ச்சித்திட்டத்தை மேலும் விரிவுபடுத்தி, 2014 ஆம் ஆண்டில் 2,400 இற்கும் மேற்பட்ட சிறுவர்களை எட்டியிருந்தது. மேலும் உற்பத்திகளுக்குத் தேவையான மூலப்பொருட்களை, குறிப்பாக பால் மற்றும் தேங்காய் ஆகியவற்றை 23,000 மேற்பட்ட பண்ணையாளர்களிடமிருந்து நாம் கொள்வனவு செய்துவருகின்றோம். அந்த வகையில், 2014 ஆம் ஆண்டில் எமது கொள்வனவின் மூலமாக கிராமிய பொருளாதாரத்திற்கு 5.4 பில்லியன் ரூபாவிற்கும் அதிகமான தொகையை எமது பங்களிப்பாக வழங்கியுள்ளோம்.

தொடர்ந்து இரண்டாவது ஆண்டாகவும் LMD சஞ்சிகையின் பிரகாரம் இலங்கையிலுள்ள அதிசிறந்த 10 பெறுமதிமிக்க வர்த்தகநாமங்கள்

அதேசமயம், தொடர்ந்தும் பொறுப்புணர்வுடன் முன்னெடுக்கப்பட்ட வியாபாரத் தொழிற்பாடுகளுடன் எம்முன்னே காணப்பட்ட சவால்கள் ஒவ்வொன்றையும் நாம் சிறப்பாகக் கையாண்டிருந்தோம்.

உங்களது நிறுவனத்தின் உற்பத்தி வரிசையை மேம்படுத்தி, புத்தாக்கத்தை உட்புகுத்தும் முகமாக, உள்நாட்டில் நுகர்வோரின் விரும்பங்களையும், தேவைகளையும் ஆழமாகக் கண்டறிந்துகொள்வதற்காக நுகர்வோர் ஆராய்ச்சியை தீவிரமாக முன்னெடுத்திருந்தோம். நெஸ்லே லங்கா பீஸல்சி நிறுவனத்தின் பிரதான வர்த்தகநாமமான நெஸ்டமோலர் உடனடியாக பருகக்கூடிய பானத்தை (Ready-to-Drink) சந்தையில் அறிமுகப்படுத்தியிருந்தது. மேலும் உங்களது நிறுவனத்தின் உணவுச் சேவைப் பிரிவாகத் தொழிற்பட்டுவருகின்ற Nestle Professional, இலங்கையில் முதன்முறையாக *Nescafe ice coffee* மற்றும் *Nestea ice lemon tea* பானங்களை வழங்கும் புரட்சிகரமான குளிர்விப்பு வழங்கல் பானவகைத் தீர்வை அறிமுகம் செய்து வைத்தது. அதனைத் தொடர்ந்து மிகவும் குறுகிய காலப்பகுதிக்குள், ஆண்டின் இரண்டாவது காலாண்டில் ‘Café style coffee made magically simple’ என்ற தனது உறுதிமொழிக்கு அமைவாக *Nescafe Alegria* கோப்பி வழங்கல் இயந்திரத்தையும் அறிமுகப்படுத்தியிருந்தது.

ஊட்டச்சத்து, ஆரோக்கியம் மற்றும் நல்வாழ்வு ஆகியவற்றில் முன்னோடி என்ற வகையில் அதனைத் தொடர்ந்தும் கட்டிக்காக்கும் அர்ப்பணிப்புடன், உங்களது நிறுவனம் தனது உற்பத்திகளில் ஊட்டச்சத்து செழுமையை தொடர்ந்தும் மேம்படுத்திவந்துள்ளது. விட்டமின் ஏ செழுமை நிரம்பிய *Nespray Everyday* விட்டமின் பி வரிசைகளின் செழுமை நிரம்பிய *Milo* மற்றும் இரும்புச்சத்து செழுமை நிரம்பிய *Maggi Rasa Musu* போன்ற உற்பத்திகள் எமது நுகர்வோருக்கு குறைந்த செலவிலும், உகந்த வகையிலும் தமது உணவுப் பழக்கவழக்கங்களில் நுண்ணூட்டச் சத்துக்களை சேர்த்துக்கொள்வதற்கு இடமளித்தன. மேலும் இலங்கையில் காணப்படுகின்ற முக்கியமான நுண்ணூட்டச்சத்து குறைபாட்டிற்கு தீர்வுகாணும் வகையில் உங்களது நிறுவனம் 2014 ஆம் ஆண்டில் விட்டமின் ஏ செழுமை நிரம்பிய *Maggi Chicken noodles* மற்றும் *Maggi Curry noodles* உற்பத்திகளை ஊட்டச்சத்துப் பெறுமதியை அதிகரித்து, மக்கள் மத்தியில் ஆரோக்கியம் தொடர்பான விழிப்புணர்வை அதிகரிக்கச் செய்யும் வகையில் உற்பத்திகளின் மகத்தாக சுவையை தொடர்ந்தும் பேணியவாறு உப்பு, சீனி மற்றும் கொழுப்பு போன்றவற்றை அவற்றில் சேர்ப்பதை குறைக்கும் முயற்சிகளையும் உங்களது நிறுவனம் தொடர்ச்சியாக ஆய்வுசெய்து, அது தொடர்பிலான தொழிற்பாடுகளை முன்னெடுத்துவருகின்றது.

மக்களின் வாழ்க்கைத்தரத்தை மேம்படுத்தும் எமது முயற்சிகள் வெறுமனே எமது உற்பத்திகளுடன் மட்டும் நின்றுவிடவில்லை. மாறாக சமநிலையான உணவு நடைமுறை மற்றும் ஆரோக்கியமான வாழ்க்கை முறை ஆகியவற்றின் முக்கியத்துவத்தை குறிப்பாக மக்கள் மத்தியில் எடுத்துச்

அன்பிற்குரிய பங்குதாரர்களே,

2014 ஆம் ஆண்டு மற்றுமொரு சவால்மிக்க ஆண்டாக அமையப்பெற்றதுடன், தொடர்ச்சியாக நிச்சயமற்ற சந்தை நிலவரங்கள் கொண்டதாக இருந்தது. இந்த காலப்பகுதியில் உங்களது நிறுவனம் எதிர்கொண்ட சவால்கள் அனைத்தும், விடாமுயற்சி மற்றும் உறுதிப்பாடு ஆகியவற்றுடன் கையாளப்பட்டு, அதன் விளைவாக நுகர்வோருக்கும், எமது பங்குதார்களான உங்களுக்கும் மகத்தான நற்பலனை வழங்கி, வியாபாரம் தொடர்ந்தும் சிறப்பாக முன்னெடுக்கப்படுவது உறுதிசெய்யப்பட்டது. இத்தகைய குழலுக்கு மத்தியிலும் உங்களது நிறுவனம் போற்றத்தக்க வகையில் 6.4% வளர்ச்சியுடன், ரூபா 32.9 பில்லியன் வருமானத்தை ஈட்டி விடாமுயற்சியுடன் தொழிற்பட்டுள்ளதை உங்களுக்கு பெருமகிழ்ச்சியுடன் அறியத்தருகின்றேன். செயல்திறன் மிக்க துறைசார் முகாமைத்துவம் மற்றும் பெறுமதி சங்கிலியின் உச்ச பயன்பாடு ஆகியவற்றின் துணையுடன் உங்களது நிறுவனம் நிகர வருமானத்தில் 14.2% அதிகரிப்புடன் ரூபா 3.7 பில்லியன் என்ற இலாபத் தொகையை வெற்றிகரமாக பதிவாக்கியுள்ளது.

இத்தருணத்தில் 2015 பெப்ரவரி 01 ஆம் திகதி என்னிடம் பதவியைக் கையளித்து நெஸ்லே வியட்னாம் நிறுவனத்தின் தொழிற்பாடுகளைப் பொறுப்பெடுத்துள்ள கணேசன் அம்பல்வாணர் அவர்கள் இந்த காலப்பகுதியில் நெஸ்லே லங்கா பீஸல்சி நிறுவனம் உறுதியான பெறுபேறுகளை வெளிப்படுத்துவதற்காக ஆற்றியுள்ள பங்களிப்புக்களுக்காக அவருக்கு எனது நன்றிகளைத் தெரிவித்துக்கொள்ள விரும்புகின்றேன்.

2014 ஆம் ஆண்டானது நெஸ்லே லங்கா பீஸல்சி நிறுவனத்தின் 100 ஆண்டு கால வரலாற்றில் குருணாகலிலுள்ள நெஸ்லே தொழிற்சாலையின் 30 ஆண்டு நிறைவைப் பூர்த்திசெய்து முக்கியத்துவம் வாய்ந்த மற்றுமொரு மைல்கல்லொன்றை எட்டியுள்ளது. நெஸ்லே நிறுவனம் உள்நாட்டில் விநியோகித்துவருகின்ற உணவு மற்றும் பான வகை உற்பத்திகளில் 90% இற்கும் அதிகமான உற்பத்தி நடவடிக்கைகளைக் கையாளும் இந்த உற்பத்தி ஏற்பாட்டு வசதியானது அதியுயர் தரம் கொண்ட ஊட்டச்சத்து நிரம்பிய, சுவைமிக்க உற்பத்திகளை வழங்கி, தற்போதைய மற்றும் எதிர்காலத்து நுகர்வோரின் தேவைகளை பூர்த்திசெய்வதில் மூன்று தசாப்த கால தனிச்சிறப்பைக் கொண்டாடியுள்ளது. மேலும் இலங்கையிலுள்ள பாற்பண்ணையாளர்களை ஆளுமைப்படுத்திவதில் நிறுவனம் 30 ஆண்டுகளைப் பூர்த்தி செய்துள்ளமையைக் கொண்டாடும் வகையில் உள்நாட்டு பாலுற்பத்தி அபிவிருத்திக்கு அவர்கள் வழங்கியுள்ள மிகச் சிறந்த பங்களிப்புக்களுக்காக அவர்களுக்கு இனங்காணல் அங்கீகாரத்துடன், பாராட்டியிருந்தமையும் குறிப்பிடத்தக்கது.

சர்வதேச வழிகாட்டலுக்கு இணங்க உங்களது நிறுவனத்தின் முகாமைத்துவத்தினால் அமுல்படுத்தப்பட்ட தீர்மானங்களும், மூலோபாயங்களும் 2014 ஆம் ஆண்டில் உங்களது நிறுவனம் தனது வளர்ச்சி வேகத்தை தொடர்ந்தும் உறுதியாகப் பேணுவதற்கு உதவிபுள்ளன. அதியுயர் பாதுகாப்பு மற்றும் தரம் கொண்ட ஊட்டச்சத்துமிக்க அதிசிறந்த உணவு மற்றும் பான வகைகளை எமது நுகர்வோருக்கு வழங்கும்

INNOVATIONS AND RENOVATIONS

Nestlé Lanka PLC's flagship brand, *Nestomalt*, launched its ready-to-drink (RTD) format into the market, offering on-the-go 'tasty nutrition' to consumers.



Nestlé Professional, the company's food service arm which caters to the 'out-of-home' market, introduced its revolutionary Cold Vending Beverage Solution with *Nescafé* Ice Coffee and *Nestea* Ice Lemon Tea for the first time in Sri Lanka; followed by the launch of *Nescafé* Alegria, promising 'café style coffee made magically simple'.



COMMITMENT TO NUTRITION, HEALTH AND WELLNESS

The company continued to uphold its commitment as a leader in nutrition, health and wellness by fortifying its *Maggi* Chicken noodles and *Maggi* Curry noodles with vitamin A, addressing the prevailing micronutrient deficiency of vitamin A in Sri Lanka, in celebration of the brand's 30th anniversary.

The importance of a balanced diet and healthy lifestyle was driven through focused communication via initiatives such as the Nestlé Mobile Wellness Unit, which actively interacted with over 40,000 consumers island-wide.



Nestlé Lanka PLC has also been actively celebrating Hallmark Days such as 'World Health Day' and 'Nutrition Month' in 2014, driving public awareness campaigns to encourage healthy lifestyle changes.



CREATING SHARED VALUE

Nestlé Lanka PLC celebrated 30 years of empowering Sri Lankan dairy farmers and its contribution towards local dairy development.



Nestlé Lanka PLC's contribution to the rural economy in 2014 was a significant Rs. 5.4 billion through the procurement of raw material, primarily fresh milk and coconut for its products.



AWARDS AND ACCOLADES

Nestlé Lanka PLC was the only food company to be listed in LMD Sri Lanka's Top 10 Most Valuable Brands for the second consecutive year. The Brands Annual 2014 lists current valuations and ratings of the country's leading brands.

RANK 2014	RANK 2013	BRAND	COMPANY	INDUSTRY
1	1	BOC	Bank of Ceylon	Banking
2	2	Pepper Bell	Pepper Bell	Marketing
3	3	Commercial Bank	Commercial Bank of Ceylon	Banking
4	4	Shylo	Shylo Lanka	Telecommunications
5	5	NIB	National Insurance Bank	Banking
6	6	Cashel Road City	Cashel Road City	Supermarket Retail
7	7	NBS	National Savings Bank	Banking
8	8	Nestlé Lanka	Nestlé Lanka	Food
9	9	Law Bank	Law Bank	Insurance
10	10	Wickramaratne	Wickramaratne	Banking

Popular brand *Maggi* was also voted 'Food Brand of the Year' and 'Youth Food Brand of the Year' for the second consecutive year at the SLIM Nielsen People's Awards 2014.



Significantly, your Company was recognised as a leading Nutrition, Health and Wellness company in Sri Lanka by consumers as per 'The Corporate Brand Equity Monitor' survey.





Our Brands

Today Nestlé Lanka PLC's portfolio comprises some of the country's best loved brands, catering especially to the Sri Lankan palate and nutrition needs, and delivering on our promise of 'Good Food, Good Life'.





ETIENNE BENET

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

Etienne Benet holds a Master's Degree in Agronomy and Engineering, and joined Nestlé France in 1989 as an Internal Auditor. He commenced his international career in 1991 in Egypt as Factory Controller, then as the Group Management Accountant, followed by an assignment in Sales and Marketing of the Chilled business. In 1997 he was appointed Country Manager for Gabon and in 1999, he returned to Egypt as Country Business Manager for Nestlé Waters. In 2004, he was transferred to Indonesia as Country Manager for Nestlé Waters and in 2008, was appointed Head of Nestlé's operations in Central and West Africa (a cluster of 22 countries).

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



SHIVANI HEGDE

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

She commenced her career at Nestlé India as a Management Trainee in 1986 and has served various positions in Marketing, Human Resources, Sales and Nestlé Professional (Nestlé's out-of-home F&B solutions arm) since then.

Shivani undertook the role of Managing Director at Nestlé Lanka PLC following her last appointment as the Executive Vice President (EVP) of the Foods business for the South Asia Region, a position she held since 2009. She holds a track record of consistent business results, built on her strong marketing and business proficiencies that complement her extensive experience in the industry. As a result, she has been a member of Nestlé's global Marketing Leadership Council comprising of selected senior management officials from both Nestlé headquarters in Vevey, Switzerland and across the regional markets.

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



GANESAN AMPALAVANAR

Ganesan Ampalavanar was the Managing Director of Nestlé Lanka PLC during the year in review. He resigned with effect from 31 January 2015.

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

He was appointed Sales Director for the Nestlé Malaysia and Singapore region in 2003 and became Head of Sales for Nestlé's operations in South Asia in 2008; a post he held for five years before being appointed as Managing Director for Nestlé Lanka PLC in January 2013.

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



JAGDISH KUMAR SINGLA

Jagdish Kumar Singla is the Vice President - Finance & Control of Nestlé Lanka PLC, effective 1 October 2014.

A Chartered Accountant, he joined Nestlé India Limited in 1990 and performed various roles in Moga Factory and South Asia Region (SAR) Head Office before moving to Shuangcheng, China as Factory Controller, in 1997.

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



SYED SAIFUL ISLAM

Syed Saiful Islam was the Vice President - Finance & Control of Nestlé Lanka PLC and resigned with effect from 1 October 2014.

With prior experience in Ericsson and Citibank, Syed Saiful Islam, a Chartered Accountant, joined Nestlé Bangladesh as Financial Accounting Manager in 1999.

Moving to Nestlé India in 2000, he worked in the corporate office as Manager – Financial Planning after which he moved to its Delhi sales branch as Head of Finance & Control.

He returned to Nestlé Bangladesh in 2005 as Corporate Controller and took over as Finance & Control Director in 2006 before joining Nestlé Lanka PLC in 2010.



SHOBINDER DUGGAL

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

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



MAHEN DAYANANDA

Mahen Dayananda is an Independent Non-Executive Director and the Chairman of the Remuneration Committee.

An expert on economic issues, Mahen Dayananda is the Chairman of the Sri Lanka Business Development Centre. Former Chairman of the Ceylon Chamber of Commerce, he chairs several organisations such as Total Tea Concepts (Pvt) Ltd, and Indo Asia Teas (Pvt) Ltd.

He is currently a Non-Executive Director of Delmege Ltd and Pegasus Hotels of Ceylon PLC. He is the Resident Representative of Gover Horowitz & Blunt Ltd, United Kingdom and the Honorary Consul for the Republic of Benin in Sri Lanka.

He also was the Chairman of the Colombo Tea Traders' Association for a period of 4 years.



RANJAN SEEVARATNAM

Ranjan Seevaratnam is an Independent Non-Executive Director and the Chairman of the Audit Committee.

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

Celebrating 30 years of manufacturing excellence...

Over three decades ago, the remote village of Makandura, Pannala, located in the Kurunegala district, witnessed foundations being placed in a bare land, to commence the construction of what is presently known as the Nestlé Lanka Kurunegala factory.

Today, this manufacturing facility is responsible for more than 90% of the production of Nestlé's local food and beverage products, and is a significant milestone in the company's 100 year journey in

Sri Lanka, playing a vital role in establishing Nestlé Lanka as a leading nutrition, health and wellness company.

In addition to manufacturing products of the highest quality, the Nestlé Lanka Kurunegala factory currently provides livelihood to approximately 900 families through direct employment, whilst impacting the livelihood of over 23,000 farming families via procurement of fresh milk and coconut on a daily basis.



Nestlé Lanka complies with established best practices of Corporate Governance.

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

MEMBERS OF THE BOARD

The Board of Directors of Nestlé Lanka PLC comprises of six Directors of whom two are Executive Directors, two Independent Non-Executive Directors and two Non-Executive Directors, one being 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 and the Listing Rules of the Colombo Stock Exchange (CSE).

The Directors’ Interest / Involvement in the affairs of the Company are explained on pages 30 and 31 and the Corporate Governance Compliance Table is shown on pages 24 and 25.

BOARD INDEPENDENCE

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

The Board considers the other two out of the four Non-Executive Directors, namely Etienne Benet and Shobinder Duggal as Non-Independent.

COMPANY SECRETARY

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

MANAGEMENT COMMITTEE

The Management Committee is led by the Managing Director. The Board has entrusted certain responsibilities, including the day to day running of the business to the Committee. Every member of the Management Committee is responsible for operations and the delivery of objectives pertaining to his / her particular division.

AUDITORS

At the thirty third Annual General Meeting of Nestlé Lanka PLC, held on 22 May 2014, the shareholders reappointed KPMG as the Company’s auditors and authorized the Directors to fix their remuneration. The independent auditors conducted the annual audit for the year ended 31 December 2014 in order to form an opinion on the Financial Statements. Their report on the Financial Statements is given on page 38.

AUDIT AND REMUNERATION COMMITTEE

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

INTERNAL CONTROLS

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

Internal audits are carried out regularly by the Company’s Business Analyst, who reports directly to the Finance Director whilst also being accountable to the Managing Director.

RISK MANAGEMENT

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

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

EMPLOYEE RELATIONS

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

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 past performance and analyse its future prospects.

DISCLOSURE REGARDING THE BOARD OF DIRECTORS				
Rule Number	Subject	Applicable Requirement	Compliance Status	Details
7.10.1(a) to (c)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors	Compliant	Four out of six Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors (whichever is higher) should be independent	Compliant	Two of the four Non-Executive Directors are independent
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Compliant	The two Non-Executive Independent Directors have submitted to the Company a declaration in the prescribed format
7.10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 19 of the Annual Report
7.10.3(c)	Brief resumé of each Director in the Annual Report	A brief resumé of each Director should be included in the Annual Report, including their area of expertise	Compliant	Please refer pages 18 and 19 of the Annual Report
7.10.4	Directors do not qualify as independent but are specified by the Board as independent	As outlined in section 7.10.3 (c) of the listing rules	Not applicable	Not applicable
DISCLOSURE REGARDING THE REMUNERATION AND REMUNERATION COMMITTEE				
Rule Number	Subject	Applicable Requirement	Compliance Status	Details
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of Non–Executive Directors, a majority of whom can be independent	Compliant	Please refer page 27 of the Annual Report
		The Chairman of the Committee shall be a Non-Executive Director	Compliant	
7.10.5(a)	Remuneration Committee	A Listed company may be permitted to have the same Remuneration Committee if the parent company is also listed	Not applicable	The parent company is not listed in Sri Lanka. As such, a separate Remuneration Committee has been formed
7.10.5(b)	Disclosure of the functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration payable to the Board and the Executive Officers	Compliant	Please refer page 27 of the Annual Report
7.10.5 (c)	Disclosure in the Annual Report	The names of the Directors comprising the Remuneration Committee	Compliant	Please refer page 27 of the Annual Report
		A statement of Remuneration Policy	Compliant	
		The aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	

CONTENTS UNDER THE AUDIT COMMITTEE				
Rule Number	Subject	Applicable Requirement	Compliance Status	Details
7.10.6.(a)	Composition of the Audit Committee	Shall comprise of Non–Executive Directors, a majority of whom can be independent	Compliant	Please refer page 26 of the Annual Report
		The Chairman of the Committee shall be a Non-Executive Director	Compliant	
		The Chairman or a member should be a member of a recognised professional accounting body	Compliant	
7.10.6(a) and (c)	Audit Committee	A listed company may be permitted to have the same Audit Committee if the parent company is also listed	Not applicable	The parent company is not listed in Sri Lanka. As such, a separate Audit Committee has been formed
7.10.6. (b)	Functions of the Audit Committee	Should be detailed as per section 7.10.6 (b) of the listing rules	Compliant	Please refer page 26 of the Annual Report
7.10.6.(c)	Disclosure in the Annual Report	The names of the Directors comprising the Audit Committee	Compliant	Please refer page 26 of the Annual Report
		The basis of determination of the auditors’ independence	Compliant	
		A report of the Audit Committee as per section 7.10.6 (c) of the Listing Rules	Compliant	

Did you know?

60/40+ Programme

Nestlé’s 60/40+ programme is a unique global initiative. It requires that at least 60% of a large sample of consumers must prefer a Nestlé product against the main competitor, in a blind taste test. Secondly, where relevant, it requires the product to offer a nutritional advantage, based on criteria recommended by world renowned nutrition and health authorities and local public regulatory priorities. It helps the Company deliver on both taste and nutrition, and also enables it to shape its products to suit the local palate.



Report of the Audit Committee

The Committee, appointed by the Board of Directors, comprises of two members, namely Ranjan Seevaratnam and Mahen Dayananda, both Non-Executive Independent Directors of the Company. The Committee is chaired by R. Seevaratnam who is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants in England and Wales, and a former Partner of KPMG.

In discharging its responsibilities, the Audit Committee has unrestricted access to the Company’s management, books and records. The Committee supports the Board of Directors in its supervision of financial controls through a direct link to KPMG (external auditors) and the Nestlé Group Audit (The Nestlé group Audit is a world-class audit department. It provides value-adding assistance to top management in the markets and at the international headquarters).

The Audit Committee’s main duties include the following;

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

Page 19 of this Annual Report displays the profiles of the members of the Audit Committee. The members have the requisite financial knowledge and business acumen to carry out their roles effectively and to 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 below.

Date of the meeting	Attendance Yes (✓) / No (x)		Attendance by invitation (✓) /No (x)	
	Ranjan Seevaratnam	Mahen Dayananda	Managing Director	Finance Director
25/02/2014	✓	✓	✓	✓
07/05/2014	✓	x	✓	✓
07/08/2014	✓	✓	✓	✓
12/11/2014	✓	✓	✓	✓

The Managing Director and the Finance Director of the Company attended the meetings by invitation and the Secretary to the Board of Directors acted as the Secretary to the Committee. The Business Analyst and external auditors were invited to be present where appropriate at the deliberation of the Committee.

The Audit Committee has assessed and reviewed the effectiveness of the independent performance of the external auditors KPMG, and also recommended to the Board of Directors that KPMG be re-appointed as Auditors for the financial year 31.12.2015 subject to the approval of the shareholders at the next Annual General Meeting.

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

R. Seevaratnam

Ranjan Seevaratnam
Chairman, Audit Committee
NESTLÉ LANKA PLC

19 February 2015

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 comprised of three Non-Executive Directors, namely Mahen Dayananda and Ranjan Seevarathnam who are Independent Directors, while Etienne Benet is a member. Mahen Dayananda is also 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 Vice President - Finance and Control and Assistant 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 and attract and retain talent.

The Members of the Committee meet as and when necessary. During the year under review, the Committee met on 12.11.2014. The Managing Director of the Company, together with the Vice President, Finance and Control, and Assistant Vice President Human Resources attended the said meeting by Invitation. The Secretary to the Board attended this meeting in the capacity of Secretary to the Committee.

M. Dayananda

Mahen Dayananda
Chairman, Remuneration Committee
NESTLÉ LANKA PLC

19 February 2015

Did you know?

Beyond the Label

Some of Nestlé’s product packaging contains a QR code which consumers can scan to access useful, fact based information such as the product’s nutritional profile and its environmental and social impacts. This initiative is called ‘Beyond the Label’.



Directors' Responsibility for Financial Reporting

The Company's Financial Statements presented in this report for the year 2014 conform to the requirements of the Financial Reporting Standards and the Companies Act No. 7 of 2007. The Directors confirmed that the Financial Statement presented by them gives a true and fair view of the Company 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, Internal Audits, along with financial and other controls required to carry on the business smoothly, whilst safeguarding its assets in a secure, practical, accurate and reliable manner.

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

The management's responsibilities on Financial Reporting is overseen by the Board of Directors/Audit Committee through regular review meetings and approving of Financial Information contained in the Annual Report along with the preparation and presentation of Financial Statements.

M/s. KPMG, are the Auditors appointed by the shareholders. They have audited the Financial Statements submitted by the Board of Directors as well as all supporting Financial Records and minutes from the shareholders meetings and the Directors meetings and have expressed their opinion which is published under the Independent Auditor's Report on page 38.

By Order of the Board.



Lioshon Rajapakshe
Company Secretary / Legal Counsel
NESTLÉ LANKA PLC

19 February 2015



Did you know?

Nestlé Start Healthy, Stay Healthy

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

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

The Directors of Nestlé Lanka PLC take pleasure in presenting to the shareholders their Report together with the Audited Financial Statements for the year ended 31 December 2014 and the Auditors' Report thereon.

DIRECTORS

Etienne Benet (appointed with effect from. 01.01.2014), Ganesan Ampalavanar (resigned with effect from 31.01.2015), Shivani Hegde (appointed with effect from 01.02.2015), Shobinder Duggal (appointed with effect from 01.01.2014), Saiful Islam (resigned with effect from 01.10.2014), Jagdish Kumar Singla (appointed with effect from 01.10.2014) Mahen Dayananda, and Ranjan Seevaratnam are the Directors of the Company.

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

In terms of Article 56, 57 & 58 of the Articles of Association of the Company, M. Dayananda will retire and being eligible, offer himself for re-election.

Ranjan Seevaratnam will retire pursuant to Section 210 of the Companies Act No. 07 of 2007 as he attained the age of 70 years on 24 September 2013. Resolution to the effect that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Ranjan Seevaratnam, will be proposed at the forthcoming Annual General Meeting.

REVIEW FOR THE YEAR

The Chairman's Message and Managing Director's Review on page 6 and 8 highlights the Company's affairs and the performance of the period under review.

RESULTS AND DIVIDENDS

The profit achieved by the Company on a net turnover of Rs. 32.9 billion after provisioning for all known liabilities and depreciation on fixed assets, but before taxation, amounts to Rs. 4,766 million. After deducting a sum of Rs. 979 million as taxation, the profit was Rs. 3,787 million. The profit available for appropriation was Rs. 3,551 million which is obtained by adding the profit of Rs. 455 million brought forward from the past year and adjusting the first interim dividend of Rs.645 million for 2014 and Rs.46 million Other Comprehensive Expenses. The income statement for the year 2014 is given on page 39.

The Directors of Nestlé Lanka PLC declared an Interim Dividend of Rs. 12.00 per share which was paid to the shareholders of the Company on 2 December 2014. The Directors have also declared a Second Interim Dividend of Rs. 28.50 per share payable on 12 March 2015, and were pleased to recommend a Final Dividend of Rs. 28.00 per share subject to shareholder's approval.

STATED CAPITAL

The stated capital of the Company as at 31 December 2014 amounts to Rs. 537, 254, 630.

ACTIVITY

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

The Company continued to enhance its product portfolio in 2014, following intensive consumer research into the preferences and needs of the local consumer. Significantly, Nestlé Lanka's flagship brand, *Nestomalt*, launched its ready-to-drink (RTD) format into the market offering on-the-go 'tasty nutrition' to consumers.

Nestlé Lanka also continued to uphold its commitment as a leader in Nutrition, Health and Wellness by fortifying its *Maggi* Chicken and Curry noodles with vitamin A. The Company further drove focused communication conveying the importance of a balanced diet and healthy lifestyle, through initiatives such as the Nestlé Mobile Wellness Unit, interacting with over 40,000 consumers and celebrating Hallmark Days such as 'World Health Day' and 'Nutrition Month' in 2014, driving public awareness campaigns to encourage healthy lifestyle changes. Significantly, the Company was recognised as a leading Nutrition, Health and Wellness company in Sri Lanka by consumers as per 'The Corporate Brand Equity Monitor' survey, conducted towards the latter part of the year.

Nestlé Lanka celebrated 30 years of empowering Sri Lankan dairy farmers and its contribution towards local dairy development. This significantly coincided with the celebration of the 30 year anniversary of the Nestlé Lanka manufacturing facility in Pannala, Kurunegala.

Nestlé's food brand *Maggi* was also voted 'Food Brand of the Year' and 'Youth Food Brand of the Year' for the second consecutive year at the SLIM Nielsen People's Awards 2014.

DIRECTORS’ INTEREST

a) In Contracts

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

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

INTEREST REGISTER

Etienne Benet	-	Transactions with affiliates or related parties. Disclosed in notes 17, 23 and 24 of pages 55, 59 and 60 to the financial statements.
Ganesan Ampalavanar (Resigned with effect from 31 January 2015)	-	Transactions with affiliates or related parties Disclosed in notes 17, 23 and 24 of pages 55, 59 and 60 to the financial statements.
Shivani Hegde (Appointed with effect from 1 February 2015)	-	No transactions with affiliates or related parties
Saiful Islam (Resigned with effect from 1 October 2014)	-	Transactions with affiliates or related parties Disclosed in notes 17, 23 and 24 of pages 55, 59 and 60 to the financial statements.
Jagdish Kumar Singla (Appointed with effect from 1 October 2014)	-	No transactions with affiliates or related parties
Shobinder Duggal	-	Transactions with affiliates or related parties Disclosed in notes 17, 23 and 24 of pages 55,59 and 60 to the financial statements.
Mahen Dayananda	-	No transaction with affiliates

Directorships in other companies

Company	Position	Transactions in Rs’000 (Procurement)	Balance (due to) / from as at 31 December 2014 (Rs’000)
Total Tea Concepts (Private) Ltd	Chairman	NIL	NIL
Indo Asia Teas (Pvt) Ltd	Chairman	NIL	NIL
Sri Lanka Business Development Centre	Chairman	NIL	NIL
Delmege Ltd	Director	NIL	NIL
Pegasus Hotels of Ceylon PLC	Director	507	NIL

Ranjan Seevaratnam - No transaction with affiliates

Directorships in other companies

Company	Position	Transactions in Rs’000 (Procurement) 2014	Balance (due to) / from as at 31 December 2014 (Rs’000)
Acme Printing & Packaging PLC	Non-Executive Director	NIL	NIL
Diesel & Motor Engineering PLC	Non-Executive Director	3,003	(60)
Lanka Aluminum Industries PLC	Non-Executive Director	NIL	NIL
Tea Small Holders Factories PLC	Non-Executive Director	NIL	NIL
Tokyo Cement PLC	Non-Executive Director	NIL	NIL
Colombo Fort Land and Building Co.PLC	Non-Executive Director	NIL	NIL
Omega Line (Pvt) Ltd.	Non-Executive Director	NIL	NIL
Hayleys Agricultural Holdings (Pvt) Ltd	Non-Executive Director	539	NIL
Hayleys Consumer (Pvt) Ltd	Non-Executive Director	NIL	NIL
Hayleys Advantis (Pvt) Ltd	Non-Executive Director	NIL	NIL
Metecno Lanka (Pvt) Ltd	Non-Executive Director	10,264	NIL

b) In Shares of the Company

	Director	Shares held		Management
		01/01	31/12	
Executive	Ganesan Ampalavanar (Resigned with effect from 31.01.2015)	NIL	NIL	Yes
Executive	Shivani Hegde (Appointed with effect from 01.02.2015)	NIL	NIL	Yes
Executive	Saiful Islam (Resigned with effect from 01.10.2014)	NIL	NIL	Yes
	Jagdish Kumar Singla (Appointed with effect from 01.10.2014)			
Non-Executive	Etienne Benet	NIL	NIL	No
	Shobinder Duggal	NIL	NIL	No
Independent Non-Executive	Mahen Dayananda	1000	1000	No
	Ranjan Seevaratnam	NIL	NIL	No

CORPORATE GOVERNANCE

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

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment, additions made during the year and depreciation thereof for the year are shown in note 12 to the financial statements on page 52.

DONATIONS

Total donations made by the Company amounted to a sum of Rs. 6.5 Million.

AUDITORS

KPMG, Chartered Accountants, have been the Company’s auditors in the past and being eligible offer themselves for re-appointment for the next year. The auditor’s fees are disclosed in note 7 to the financial statements on page 50.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor), with the Company other than those disclosed in note 7 to the financial statements on page 50.

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

ACCOUNTING POLICIES

The Company prepared its annual financial statements according to the Sri Lanka Accounting Standards (SLFRS / LKAS). All relevant applicable standards have been followed in presenting the financial statements for the year ended 31 December 2014.

MATERIAL ISSUES

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

RISK FACTORS

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

CONCLUSION

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

For and on behalf of the Board.

NESTLÉ LANKA PLC.

Shivani Hegde

Shivani Hegde
Managing Director

Lioshon Rajapakshe

Lioshon Rajapakshe
Company Secretary

19 February 2015

Jagdish Kumar Singla

Jagdish Kumar Singla
Director



OPTIMISING THE NUTRITIONAL PROFILE OF OUR PRODUCTS

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

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

Fortified with calcium and vitamin A



8 vitamins and minerals for optimum energy release



B vitamins and minerals



Fortified with vitamin A



Reduced sugar



Fortified with iron



Natural goodness of cereals with added vitamins and minerals



Our commitment to Quality...

Quality and Safety for our consumers is Nestlé's top priority. This applies to our entire portfolio, from foods and beverages to all our systems and services. Everywhere in the world, the Nestlé name represents a promise to the consumer that the product is safe and of high standard. Quality is about trust, and our consumers rank us as one of the most trusted companies in Sri Lanka.

Financial Report

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Company Highlights

<i>In Thousands of Rupees</i>	2014	2013
Net Revenue	32,902,885	30,913,413
Profit Before Taxation	4,765,797	4,083,211
As a % of Net Revenue	14%	13%
Profit After Taxation	3,786,893	3,316,745

Return on Capital Employed	93%	79%
Capital Expenditure	1,166,118	530,111
Shareholders Funds	4,087,928	4,215,658

Key Ratios

Earnings Per Share	70.49	61.74
Net Assets Per Share	76.09	78.47
Dividend Per Share	68.50	60.00
Dividend Cover	1.03	1.03
Dividend Payout Ratio	97%	97%
Current Ratio	0.97	1.07

Market Value Per Share - Highest	2,444.00	2,550.00
- Lowest	1,890.00	1,500.00
- Average	2,105.00	1,978.75
- Last Traded	2,105.00	2,100.70

Number of Personnel	1,176	1,144
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Training and Development of our Employees

Our people are our strength and the driving force behind our success. We invest in our people and prepare them for the future through training and manpower development programs.

Independent Auditors’ Report



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

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NESTLÉ LANKA PLC

Report on the Financial Statements
We have audited the accompanying financial statements of Nestle Lanka PLC (“the Company”), which comprise the statement of financial position as at 31st December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 39 to 65 of the annual report.

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

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements
As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:
a) The basis of opinion and scope and limitations of the audit are as stated above.
b) In our opinion:
- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.



Chartered Accountants
Colombo
19th February 2015

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
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

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

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Note	2014 Rs.'000s	2013 Rs.'000s
Revenue	5	32,902,885	30,913,413
Cost of Sales		(20,767,394)	(20,251,656)
Gross Profit		12,135,491	10,661,757
Other Operating Income / (Expenses)	6	92,415	(34,843)
Marketing, Selling and Distribution Expenses		(5,502,378)	(4,577,455)
Administrative Expenses		(1,966,435)	(1,914,141)
Results from Operating Activities	7	4,759,093	4,135,318
Finance Income		33,426	28,246
Finance Expenses		(26,722)	(80,353)
Net Finance Income / (Expenses)	8	6,704	(52,107)
Profit Before Taxation		4,765,797	4,083,211
Income Tax Expense	9	(978,904)	(766,466)
Profit for the Year		3,786,893	3,316,745
Other Comprehensive Income / (Expenses)			
Actuarial Gain / (Loss) for the Year - Net of Deferred Tax		(46,390)	30,859
Total Comprehensive Income		3,740,503	3,347,604
Basic Earnings Per Share (Rs.)	10	70.49	61.74

Notes to the Financial Statements, set out on pages 43 to 65, form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 December	Note	2014 Rs. '000s	2013 Rs. '000s
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	5,208,556	4,571,813
Capital Work-In-Progress	13	206,381	238,328
Intangible Assets	14	-	-
		5,414,937	4,810,141
Current Assets			
Inventories	15	2,952,545	2,603,655
Trade and Other Receivables	16	1,816,426	2,100,682
Amounts Due from Related Parties	17	304,641	227,586
Cash and Cash Equivalents	18	282,517	788,049
		5,356,129	5,719,972
Total Assets		10,771,066	10,530,113
EQUITY AND LIABILITIES			
Equity			
Stated Capital	19	537,255	537,255
Retained Earnings		3,550,673	3,678,403
		4,087,928	4,215,658
Non-Current Liabilities			
Retirement Benefit Obligations	20	514,740	469,430
Deferred Tax Liabilities	21	640,972	459,590
		1,155,712	929,020
Current Liabilities			
Trade and Other Payables	22	3,764,773	2,974,834
Amounts Due to Related Parties	23	748,650	800,077
Income Tax Payable		705,691	618,678
Dividends Payable		102,956	87,716
Bank Overdrafts and Distributor Finance Scheme	18	205,356	904,130
		5,527,426	5,385,435
Total Liabilities		6,683,138	6,314,455
Total Equity and Liabilities		10,771,066	10,530,113

Notes to the Financial Statements, set out on pages 43 to 65, form an integral part of the financial statements.

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

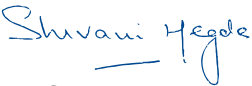


Jagdish Kumar Singla
Vice President - Finance and Control

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

Signed for and on behalf of the Board.

NESTLÉ LANKA PLC
Colombo



Shivani Hegde
Managing Director



Ranjan Seevaratnam
Director

19 February 2015

www.nestle.lk

Statement of Changes in Equity

For the year ended 31 December 2014	Stated Capital Rs. 000's	Retained Earnings Rs. 000's	Total Rs. 000's
Balance as at 1 January 2013	537,255	3,231,768	3,769,023
Total Comprehensive Income for the Year			
Profit for the Year	-	3,316,745	3,316,745
Other Comprehensive Income	-	30,859	30,859
Transactions with Owners of the Company Recognised Directly in Equity			
Interim Dividend for 2012	-	(1,611,765)	(1,611,765)
Final Dividend for 2012		(1,289,204)	(1,289,204)
Balance as at 31 December 2013	537,255	3,678,403	4,215,658
Balance as at 1 January 2014	537,255	3,678,403	4,215,658
Total Comprehensive Income for the Year			
Profit for the Year	-	3,786,893	3,786,893
Other Comprehensive Income/(Expenses)	-	(46,390)	(46,390)
Transactions with Owners of the Company Recognized Directly in Equity			
Interim Dividend for 2013	-	(1,719,215)	(1,719,215)
Final Dividend for 2013	-	(1,504,313)	(1,504,313)
Interim Dividend for 2014	-	(644,705)	(644,705)
Balance as at 31 December 2014	537,255	3,550,673	4,087,928

Notes to the Financial Statements, set out on pages 43 to 65, form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31 December	2014 Rs.'000s	2013 Rs.'000s
Cash Flows from Operating Activities		
Profit Before Taxation	4,765,797	4,083,211
Adjustments for;		
Depreciation	548,357	539,962
Amortisation	-	11,159
Impairment of Property, Plant and Equipment	10,882	5,364
(Gain) / Loss on Sale of Property, Plant and Equipment	(47,342)	2,104
Amortisation of Staff Loan Interest	16,941	16,881
Interest Expense	25,464	80,068
Interest Income	(33,121)	(28,246)
(Reversal) / Provision for Obsolete Inventories	(8,003)	39,810
Inventory Written Off	159,587	173,123
Provision for Impairment of Trade Receivables	10,785	5,904
Provision for Retirement Benefit Obligations	162,090	100,450
Net Fair Value Loss on Derivatives	894	284
Operating Profit Before Working Capital Changes	5,612,331	5,030,074
Working Capital Changes		
(Increase) in Inventories	(500,474)	(944,254)
Decrease / (Increase) in Trade and Other Receivables	196,415	(320,903)
Increase in Trade and Other Payables	737,618	800,511
Cash Generated From Operations	6,045,890	4,565,428
Interest Paid	(25,464)	(80,068)
Income Tax Paid	(692,469)	(473,580)
Retirement Benefit Obligations Paid	(181,210)	(108,359)
Net Cash Flows Generated from Operating Activities	5,146,747	3,903,421
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(1,166,118)	(530,111)
Proceeds from Sale of Property, Plant and Equipment	49,424	65,534
Interest Received	16,182	9,981
Net Cash Flows Used in Investing Activities	(1,100,512)	(454,596)
Cash Flows from Financing Activities		
Dividends Paid	(3,852,993)	(2,890,243)
Net Cash Flows Used in Financing Activities	(3,852,993)	(2,890,243)
Net Increase in Cash and Cash Equivalents	193,242	558,582
Cash and Cash Equivalents at the Beginning of the Year	(116,081)	(674,663)
Cash and Cash Equivalents at the End of the Year (Note 18)	<u>77,161</u>	<u>(116,081)</u>
Analysis of Cash and Cash Equivalents at the End of the Year		
Cash in Hand and Balances with Bank	282,517	788,049
Bank Overdrafts and Distributor Finance Scheme	(205,356)	(904,130)
	<u>77,161</u>	<u>(116,081)</u>

Notes to the Financial Statements set out on pages 43 to 65 form an integral part of the financial statements. Figures in brackets indicate deductions.

Notes to the Financial Statements

1 Reporting Entity

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

The ultimate 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 beverages products. The Company is also involved in the export of locally manufactured food and beverage products.

2 Basis of Preparation

2.1 Statement of Compliance

Nestlé Lanka PLC has prepared the financial statements in accordance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 19 of 1995.

The financial statements were authorised for issue by the Directors on 19 February 2015.

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with the Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect

the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2.5 Going Concern

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

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

2.6 Change in Accounting Policy

Except for the change below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has adopted the following new Sri Lanka Accounting Standard with the date of initial application of 1 January 2014.

- Sri Lanka Financial Reporting Standard (SLFRS) 13 – Fair Value Measurement

The nature and the effect of the changes are explained below.

SLFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other SLFRS. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other SLFRS's, including SLFRS 7.

As a result the Company has included an additional disclosure in this regard.

3 Significant Accounting Policies

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

3.1 Foreign Currency Transactions

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

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

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

3.2 Financial Instruments

a) Non-derivative Financial Assets

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

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

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

b) Loans and Receivables

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

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

c) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash balances and call deposits with a maturity period of less than three months. For the purpose of the Statement of Cash Flows, cash and cash

equivalents are presented net of bank overdrafts, short term borrowings and short term investments.

d) Non-derivative Financial Liabilities

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

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

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

e) Derivative Financial Liabilities

The Company holds derivative financial instruments to hedge its foreign currency risk exposure. Derivatives are recognised at fair value while attributable transaction costs are recognised in Statement of Profit or Loss and Other Comprehensive Income as incurred. Subsequent to initial recognition derivatives are measured at fair value and changes there in are recognized in Statement of Profit or Loss and Other Comprehensive Income.

f) Stated Capital

Ordinary shares of the Company are classified as equity.

3.3 Property, Plant and Equipment

a) Recognition and Measurement

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

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

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

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

b) De-recognition

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

c) Subsequent Expenditure

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

d) Depreciation

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

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

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

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

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

e) Capital Work-In-Progress

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

f) Leased Assets

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

3.4 Intangible Assets

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

a) Basis of Recognition

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

b) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure 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. The estimated useful lives for the current and comparative periods are as follows:

Globe Project	5 years
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d) Retirement and Disposal

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

3.5 Impairment

a) Financial Asset

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

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

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets, measured at amortised cost, at both specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

b) Non-Financial Asset

The carrying amounts of the Company’s assets are reviewed at each date of the Statement of Financial Position to determine whether there is any indication of impairment. If

any such indication exists, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cashflows from continuing use that are largely independent of cashflows 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 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 indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Inventories

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

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

3.7 Employee Benefits

a) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service

in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan asset is deducted. The Company determines the Net Interest Expense / (Income) on the Net Defined Benefit Liability / (Asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the Net Defined Benefit Liability / (Asset), taking into account any change in the net defined benefit liability during the period as a result of contributions and benefit payments.

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

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

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

The liability to Retirement Benefit Obligation under the payment of Gratuity Act No. 12 of 1983 is a defined benefit plan covering 775 employees of the Company. The pre-1996 liability is unfunded and provided for by way of an accounting provision in the financial statements of the Company, in accordance with Sri Lanka Accounting Standard No.19 – Employee Benefits (LKAS 19). The liability subsequent to this date is funded by way of an insurance policy.

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

The movement of the obligation during the year and assumptions used for actuarial valuation are disclosed in Note 20 to the financial statements.

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay

further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Statement of Profit or Loss and Other Comprehensive Income when they are due.

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

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

c) Share-Based Payments

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

3.8 Liabilities and Provisions

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

a) Dividends

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

3.9 Revenue

a) Sale of Goods

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

management involvement with goods, and the amount of the revenue can be measured reliably.

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

3.10 Other Operating Income

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

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

(b) Other Income

Other income is recognised on an accrual basis.

3.11 Expenses

Expense Recognition

a) Revenue Expenditure

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

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

b) Capital Expenditure

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

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

c) Operating Lease Payments

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

3.12 Net Financing Cost

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

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

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

3.13 Income Tax Expense

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

a) Current Tax

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

b) Deferred Tax

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

3.14 Statement of Cash Flows

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

3.15 Related Party Transactions

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

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

3.16 Earnings Per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the

weighted average number of ordinary shares outstanding during the year.

3.17 Segment Reporting

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

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

3.18 Borrowing Costs

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

3.19 Comparative Information

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

3.20 Commitments and Contingencies

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

3.21 Events Occurring After the Reporting Period

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

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

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1 January 2015 or at a later date.

Accordingly, this Standard has not been applied in preparing these financial statements.

Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments”

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

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

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

Sri Lanka Accounting Standard - SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts. SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

5 Revenue

	2014 Rs.'000s	2013 Rs.'000s
Local Revenue	28,936,811	27,270,700
Target Incentives	(208,319)	(195,790)
Commission to Agents	(109,085)	(74,884)
Local Revenue Net of Trade Discounts	28,619,407	27,000,026
Exports	4,283,478	3,913,387
	<u>32,902,885</u>	<u>30,913,413</u>

6 Other Operating Income / (Expenses)

	2014 Rs.'000s	2013 Rs.'000s
Impairment Loss on Property, Plant and Equipment	(10,882)	(5,364)
Gain / (Loss) on Sale of Property, Plant and Equipment	47,342	(2,104)
Net Foreign Exchange Gain / (Loss)	6,942	(68,544)
Income from Scrap Sales	49,013	41,169
	<u>92,415</u>	<u>(34,843)</u>

7 Results from Operating Activities

	2014 Rs.'000s	2013 Rs.'000s
Results from Operating Activities is stated after charging/(crediting) all expenses including the following:		
Depreciation	548,357	539,962
Amortisation of Intangible Assets	-	11,159
Impairment Loss on Property, Plant and Equipment	10,882	5,364
(Reversal) / Provision for Obsolete Inventories	(8,003)	39,810
Inventory Write Off	159,587	173,123
Technical Assistance Fee	1,317,825	1,175,989
Lease Payment	540	540
Auditor's Remuneration	3,100	2,850
- Audit		
- Audit Related	500	500
- Non Audit	583	893
Provision for Impairment of Trade Receivables	10,785	5,905
Legal Fees	10,699	14,841
Directors' Fees	835	835
Personnel Costs (Note 7.1)	1,980,187	1,857,856

7.1 Personnel Costs

Personnel Costs		
Executive Directors' Emoluments	39,310	36,315
Salaries and Wages	1,282,239	1,239,463
Provision for Retirement Benefit Obligations (Note 20)	162,090	100,450
Contributions to EPF, MSPS and ETF		
Employees' Provident Fund and Mercantile Services Provident Society	101,347	98,408
Employees' Trust Fund	26,325	23,462
Other Benefits		
	368,876	359,758
	<u>1,980,187</u>	<u>1,857,856</u>

8 Net Finance Income / (Expenses)

	2014 Rs.'000s	2013 Rs.'000s
Finance Income		
Interest on Call Deposits	16,485	11,365
Interest on Staff Loans	16,941	16,881
	<u>33,426</u>	<u>28,246</u>
Finance Expenses		
Interest on Short Term Borrowings and Overdrafts	(25,464)	(80,069)
Net Loss on Foreign Currency / Liquid Assets	(364)	-
Net Fair Value Loss on Derivatives	(894)	(284)
	<u>(26,722)</u>	<u>(80,353)</u>
Net Finance Income / (Expenses)	<u>6,704</u>	<u>(52,107)</u>

9 Income Tax Expense

	2014 Rs.'000s	2013 Rs.'000s
Tax on Current Year Profits (Note 9.2)	779,482	593,096
Deferred Tax Charge for the Year (Note 21.2)	199,422	173,370
	<u>978,904</u>	<u>766,466</u>

9.1

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

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

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

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

9.2 Reconciliation Between Accounting Profit and Taxable Profit

	2014 Rs.'000s	2013 Rs.'000s
Accounting Profit Before Tax	4,765,797	4,083,211
Adjustments Relating to Disallowances	160,188	147,260
Adjustments Relating to Capital Allowances	(674,944)	(694,325)
Profit from Tax Exempted Operations	(292,768)	(260,515)
Qualifying Payment Relief for Investment	(689,610)	(658,759)
Taxable Profit	<u>3,268,663</u>	<u>2,616,873</u>
Income Tax at 10%	42,917	41,146
Income Tax at 12%	42,576	49,231
Income Tax at 28%	693,989	502,719
Income Tax Expense	<u>779,482</u>	<u>593,096</u>

10 Basic Earnings Per Share (EPS)

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

Net profit attributable to ordinary shareholders and the weighted average number of ordinary shares are given below.

	2014	2013
Profit Attributable to the Ordinary Shareholders (Rs.'000)	3,786,893	3,316,745
Weighted Average Number of Shares	53,725,463	53,725,463
Basic Earnings Per Share (Rs.)	<u>70.49</u>	<u>61.74</u>

11 Dividend Per Share

(a) The Directors have declared a second interim dividend of Rs. 28.50 per share on 19 February 2015 and have also proposed a final dividend of Rs. 28.00 per share for the year ended 31 December 2014, to be approved at the Annual General Meeting to be held on 12 May 2015. In accordance with Sri Lanka Accounting Standard on Events After the Reporting Period (LKAS 10), the second interim dividend and final dividend has not been recognised as a liability as at 31 December 2014.

(b) However, for the purpose of computing Dividend per Share, first interim dividend of Rs.644,705,556 (Rs.12.00 per

share) paid on 2 December 2014, second interim dividend and declared final dividend to be approved has been taken into consideration.

(c) The dividend per share calculation is based on the total dividend attributable to ordinary shareholders of Rs. 3,680,194,216 (2013 – Rs. 3,223,527,780) divided by the number of ordinary shares as at the reporting date.

12 Property, Plant and Equipment

Cost	Freehold Land Rs.'000s	Freehold Buildings Rs.'000s	Leasehold Buildings Rs.'000s	Plant and Machinery Rs.'000s	Tools Furniture and Office Equipment Rs.'000s	Motor Vehicles Rs.'000s	Information Systems Equipments Rs.'000s	Total Rs.'000s
Balance as at 1 January 2013	17,925	68,929	1,304,607	5,072,521	1,118,848	357,745	218,285	8,158,860
Additions During the Year	-	32,330	11,776	95,853	106,742	7,481	37,601	291,783
Transferred from Capital Work-In-Progress	-	-	-	4,545	-	-	-	4,545
Disposals During the Year	-	-	(26)	(161,193)	(27,516)	(16,627)	(1,603)	(206,965)
Balance as at 31 December 2013	17,925	101,259	1,316,357	5,011,726	1,198,074	348,599	254,283	8,248,223
Depreciation / Impairment								
Balance as at 1 January 2013	-	24,525	220,644	1,947,627	660,389	255,666	161,559	3,270,410
Charge for the Year	-	1,868	38,036	294,695	140,687	35,434	29,242	539,962
Impairment Loss	-	-	-	5,364	-	-	-	5,364
On Disposals	-	-	(15)	(95,920)	(25,606)	(16,182)	(1,603)	(139,326)
Balance as at 31 December 2013	-	26,393	258,665	2,151,766	775,470	274,918	189,198	3,676,410
Cost								
Balance as at 1 January 2014	17,925	101,259	1,316,357	5,011,726	1,198,074	348,599	254,283	8,248,223
Additions During the Year	-	17,921	467,622	304,612	164,046	3,600	24,866	982,667
Transferred from Capital Work-In-Progress	-	-	84,942	130,456	-	-	-	215,398
Disposals During the Year	-	-	(1,874)	(16,962)	(26,298)	(72,108)	(36,103)	(153,345)
Balance as at 31 December 2014	17,925	119,180	1,867,047	5,429,832	1,335,822	280,091	243,046	9,292,943
Depreciation / Impairment								
Balance as at 1 January 2014	-	26,393	258,665	2,151,766	775,470	274,918	189,198	3,676,410
Charge for the Year	-	2,647	38,631	300,862	146,364	33,249	26,604	548,357
Impairment Loss	-	-	2,469	8,413	-	-	-	10,882
On Disposals	-	-	(481)	(16,869)	(25,741)	(72,108)	(36,063)	(151,262)
Balance as at 31 December 2014	-	29,040	299,284	2,444,172	896,093	236,059	179,739	4,084,387
Written Down Value as at 31 December 2013								
	17,925	74,866	1,057,692	2,859,960	422,604	73,681	65,085	4,571,813
Written Down Value as at 31 December 2014								
	17,925	90,140	1,567,763	2,985,660	439,729	44,032	63,307	5,208,556

Property, Plant and Equipment includes fully depreciated assets which are in use, the cost of which as at the reporting date amounted to Rs. 1,738,684,804 (2013 - Rs. 1,504,329,642).

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

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

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

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

13 Capital Work-In-Progress

	2014 Rs.'000s	2013 Rs.'000s
Balance as at 1 January	238,328	4,545
Capitalised During the Year	(215,398)	(4,545)
Additions During the Year	183,451	238,328
Balance as at 31 December	206,381	238,328

14 Intangible Assets

Cost	2014 Rs.'000s	2013 Rs.'000s
Balance as at 1 January	167,391	167,391
Additions During the Year	-	-
Balance as at 31 December	167,391	167,391
Amortisation		
Balance as at 1 January	167,391	156,232
Charge for the Year	-	11,159
Balance as at 31 December	167,391	167,391
Carrying Amount	-	-

Intangible Assets comprise of cost incurred for the implementation of the Globe Software Project.

15 Inventories

	2014 Rs.'000s	2013 Rs.'000s
Raw Materials	685,333	781,862
Packing Materials	172,961	162,070
Finished Goods	1,178,258	1,034,771
Energy and Technical Materials	181,329	148,676
Work-In-Progress	93,202	122,451
	2,311,083	2,249,830
Goods-In-Transit	680,325	400,691
	2,991,408	2,650,521
Less: Provision for Obsolete Inventories (Note 15.1)	(38,863)	(46,866)
	2,952,545	2,603,655

15.1 Provision for Obsolete Inventories

Balance as at 1 January	46,866	7,056
(Reversal) / Provision During the Year	(8,003)	39,810
Balance as at 31 December	38,863	46,866

16 Trade and Other Receivables

	2014 Rs. '000s	2013 Rs. '000s
Trade Receivables - Net (Note 16.1)	1,344,807	1,578,832
Other Receivables - Net (Note 16.2)	471,619	521,850
	<u>1,816,426</u>	<u>2,100,682</u>

16.1 Trade Receivables

Trade Receivables	1,430,152	1,653,392
Less: Provision for Impairment Loss (Note 16.1.1)	(85,345)	(74,560)
	<u>1,344,807</u>	<u>1,578,832</u>

16.1.1 Provision for Impairment Loss

Balance as at 1 January	74,560	68,655
Provision Made During the Year	10,785	5,905
Balance as at 31 December	<u>85,345</u>	<u>74,560</u>

16.2 Other Receivables

Deposits and Prepayments	116,465	153,516
Non Trade Receivables	48,676	68,916
Loans to Employees (Note 16.2.2)	306,478	299,418
	<u>471,619</u>	<u>521,850</u>

16.2.2 Loans to Employees

Balance as at 1 January	299,418	276,061
Granted During the Year	121,326	120,509
Repaid During the Year	(114,266)	(97,152)
Balance as at 31 December	<u>306,478</u>	<u>299,418</u>

Loans to employees are disbursed to officers of the Company excluding Directors. The quantum of each loan in excess of Rs. 20,000 has been granted to 381 officers (2013 - 367 officers).

17 Amounts Due from Related Parties

	2014 Rs. '000s	2013 Rs. '000s
Nestlé UK Limited	37,996	-
Nestlé (South Africa) (Pty) Limited	197	-
Nestlé S.A	2,238	-
Nestlé (Thai) Limited	197	1,506
Nestlé Australia Limited	9,254	23,314
Nestrad S.A	47,752	17,536
Nestlé Png Limited	8,556	5,680
Nestlé Middle East FZE	74,584	67,293
Nestlé Taiwan Limited	-	1,506
Nestlé India Limited	19,973	54,797
Nestlé Jamaica Limited	32,032	21,092
Nestlé Trinidad and Tobago Limited	37,742	26,078
Nestlé Panama S.A	-	6,025
Nestlé Caribbean Inc	5,511	2,759
Nestlé EAR (Epz) Limited	99	-
Nestlé Nigeria Plc	3,572	-
Nestlé Egypt S.A.E	197	-
Nestlé Tunisie Distribution SA	99	-
Nestlé Korea Limited	986	-
P.T Nestlé Indonesia	493	-
Nestlé Japan Limited	20,559	-
Nestlé Manufacturing (Malaysia) Sdn Bhd	1,558	-
Nestlé Philippines Inc.	197	-
Nestlé Singapore (Pte) Limited	849	-
	<u>304,641</u>	<u>227,586</u>

18 Cash and Cash Equivalents

	2014 Rs. '000s	2013 Rs. '000s
Favourable Balances		
Balances with Banks	282,463	787,949
Cash in Hand	54	100
Cash and Cash Equivalents	<u>282,517</u>	<u>788,049</u>
Unfavourable Balances		
Distributor Finance with recourse to Nestlé Lanka PLC	(88,003)	(472,469)
Bank Overdrafts	(117,353)	(431,661)
	<u>(205,356)</u>	<u>(904,130)</u>
Cash and Cash Equivalents for the Statement of Cash Flows	<u>77,161</u>	<u>(116,081)</u>

19 Stated Capital

	2014 Rs. '000s	2013 Rs. '000s
53,725,463 Ordinary Shares	<u>537,255</u>	<u>537,255</u>

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

20 Retirement Benefit Obligations

	2014 Rs. '000s	2013 Rs. '000s
Pension Scheme		
Present Value of Obligations	584,280	505,290
Fair Value of Plan Assets	(72,330)	-
Present Value of Obligations	511,950	505,290
Gratuity Plan		
Present Value of Obligations	475,520	436,660
Fair Value of Plan Assets	(472,730)	(472,520)
Present Value of Obligations / (Excess / (Shortage) in Plan)	2,790	(35,860)
Total Present Value of Obligations	1,059,800	941,950
Total Fair Value of Plan Assets	(545,060)	(472,520)
Total Retirement Benefit Obligations	514,740	469,430

Employees who joined prior to 2006 and hold a minimum 10 years of service are entitled to pension upon retirement at the age of 55 years. Furthermore, 28 employees who retired are drawing a monthly pension.

The liability to Retirement Benefit Obligation, under the payment of Gratuity Act No. 12 of 1983, is a defined benefit plan covering 775 employees of the Company. The pre-1996 liability is unfunded and provided for by way of an accounting provision in the Financial Statements of the Company in accordance with the Sri Lanka Accounting Standard No.19 – Employee Benefits (LKAS 19). The liability subsequent to this date is funded by way of an insurance policy.

The plan is partially funded by a policy obtained from AIA Insurance Lanka PLC (formally known as AVIVA NDB Insurance PLC) on 31 December 1996. The policy covered only the Gratuity liability prior to June 2014 but was extended to cover the Pension liability as well from July 2014. AIA Insurance Lanka PLC has confirmed that the features of the policy satisfy the definition of a "qualifying insurance policy". The contributions to the fund by the Company are based on Actuarial Valuations carried out by AIA Insurance Lanka PLC. The Company expects to pay Rs. 90.95 million as contributions to its gratuity plan for the period ending 31 December 2015. Employees are not required to contribute to this fund.

The employees under the Pension scheme were provided an option to join a new Retirement Benefit scheme at the end of June 2014 and of the 330 eligible employees, 205 accepted the new scheme offered while 25 employees opted to remain under the old scheme. 100 employees with less than five years to retirement were offered the higher of the new scheme benefit and the pension under the old scheme. A past service cost of Rs. 64.35 million was charged to the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014 on account of this plan change.

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

Balance as at 1 January	941,950	980,980
Current Service Cost	51,960	53,620
Past Service Cost	64,350	-
Interest Cost	92,140	92,790
Remeasurements		
Experience Adjustments	(21,350)	(94,510)
Actuarial Losses from Changes in Financial Assumptions	82,820	40,290
Benefits Paid by the Plan	(152,070)	(131,220)
Balance as at 31 December	1,059,800	941,950

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

Pension Plan	5 years
Gratuity Plan	7 years

b) Movement in the Fair Value of Plan Assets:

	2014 Rs. '000s	2013 Rs. '000s
Balance as at 1 January	472,520	460,780
Contributions Paid into the Plan	123,350	26,100
Benefits Paid by the Plan	(94,210)	(48,960)
Interest Income on Plan Assets	46,360	45,960
Return of Plan Assets Lesser than Discount Rate	(2,960)	(11,360)
	545,060	472,520

c) The Expense Recognised in the Statement of Profit or Loss and Other Comprehensive Income:

	2014 Rs. '000s	2013 Rs. '000s
Current Service Cost	51,960	53,620
Net Interest on Net Defined Benefit Liability	45,780	46,830
Past Service Cost	64,350	-
Balance as at 31 December	162,090	100,450

d) The Expense is Recognised in the Following Line Items in the Statement of Profit or Loss and Other Comprehensive Income:

Cost of Sales	71,699	46,701
Administrative Expenses	90,391	53,749
	162,090	100,450

(e) Expected Benefit Payments:

An Expected Benefit Payment for the Year Ending	Pension Rs. '000s	Gratuity Rs. '000s	Total Rs. '000s
31 December 2015	62,940	42,880	105,820
31 December 2016	59,940	46,090	106,030
31 December 2017	91,480	68,970	160,450
31 December 2018	61,330	49,190	110,520
31 December 2019	99,150	84,920	184,070
31 December 2020 - 2024	375,280	340,420	715,700

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

	2014 Rs. '000s	2013 Rs. '000s
Actuarial Gain / (Loss)	(61,470)	54,220
Surplus / (Deficit) in Actual Return on Plan Assets	(2,960)	(11,360)
	(64,430)	42,860

20.1 Actuarial Assumptions

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

	2014	2013
(1) Rate of Discount	9.0%	10.0%
(2) Future Salary Increase	9.7%	9.7%
(3) Future Pension Increase	6.0%	6.0%

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

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

Sensitivity Analysis

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

	Defined Benefit Obligation	
	2014	2013
	Rs'000	Rs'000
Rate of Discount	+0.5%	-0.5%
	(30,300)	32,040
Future Salary Increase	31,490	(32,040)
Future Pension Increase	4,880	(4,580)

If the mortality rates are scaled up / down by one year, the impact on the Defined Benefit Obligation of the pension scheme will be (Rs. 4,630) and Rs. 4,690 respectively with no material impact on the Gratuity Liability.

Composition of Insurance Plan Asset is as follows:

1. Reporting entity's own financial instruments - Nil
2. Property occupied by, or other assets used by, the reporting entity - Nil
3. The investment portfolio of AIA Insurance Lanka PLC as at 31 December 2014 and 2013 was as follows:

	2014	2013
	Rs'000	Rs'000
Government Securities	40.0%	57.0%
Reverse Repurchase Agreements	14.0%	5.5%
Corporate Debt	25.0%	37.0%
Fixed Deposits	9.0%	0.5%
Equity	8.0%	-
Policy Holder Loans	4.0%	-

4. An Interim Return on Plan Assets of 7.69% was declared by AIA Insurance Lanka PLC for the year 2014.

21 Deferred Tax Liabilities

	2014	2013
	Rs.'000s	Rs.'000s
Balance as at 1 January	459,590	274,219
Charge for the Year	181,382	185,371
Balance as at 31 December (Note 21.1)	640,972	459,590

21.1 Movements in Temporary Differences During the Year

	2014	Tax Effect	2013	Tax Effect
	Temporary Difference	Rs'000	Temporary Difference	Rs'000
Property, Plant and Equipment	3,189,621	893,094	2,411,183	675,131
Retirement Benefit Obligations	(514,740)	(144,127)	(469,430)	(131,440)
Other Provisions	(385,696)	(107,995)	(300,359)	(84,101)
Net Deferred Tax Liabilities	2,289,185	640,972	1,641,394	459,590

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

	2014	2013
	Rs'000	Rs'000
Profit for the year	199,422	173,370
Other Comprehensive Income	(18,040)	12,001
	181,382	185,371

22 Trade and Other Payables

	2014	2013
	Rs'000	Rs'000
Trade Payables	2,564,807	1,934,291
Derivatives - Forward Exchange Contract	894	284
Other Payables	1,199,072	1,040,259
	3,764,773	2,974,834

23 Amounts Due to Related Parties

	2014	2013
	Rs'000	Rs'000
Nestlé Deutschland AG	1,975	410
Nestlé Espana S.A	1,753	7,538
Nestlé France	2,293	4,311
Nestlé Waters Marketing & Distribution	9,273	5,855
Nestlé UK Limited	576	622
Nestlé Nederland B.V.	7,735	3,843
Nestrad S.A.	2,355	2,667
Servcom S.A	287	518
Societe des Produits Nestlé S.A.	80,644	173,622
Nestlé Suisse S.A.	6,817	39,362
Nestlé Operational Services Worldwide S.A.	9,652	13,998
Nestlé Egypt S.A.E.	-	170
Nestlé (China) Limited	-	111
Nestlé Korea Limited	3,031	1,311
Nestlé India Limited	31,944	32,763
Nestlé Products Sdn Bhd	25,325	31,603
Nestlé Asean (Malaysia) Sdn Bhd	3,697	2,913
Nestlé Manufacturing (Malaysia) Sdn Bhd	131,621	157,886
Nestlé Philippines Inc	149,159	26,136
CPW Philippines, Inc	8,175	12,679
Nestlé Business Service AOA Inc	-	1,588
Nestlé Singapore (Pte) Limited	177,076	170,732
Nestlé TC Asia-Pacific (Pte) Limited	28,176	28,015
Nestlé R & D Centre (Pte) Limited	1,308	8,867
Nestlé (Thai) Limited.	11,123	4,315
Nestlé Australia Limited.	31,084	24,159
Globe Centre AOA	14,315	23,591
Nestlé Mexico, S.A. De C.V.	98	118
Nestlé Brazil Limited	1,897	1,749
Nestec S.A.	1,232	15,108
San Pellegrino S P A	-	121
Nestlé Dubai Manufacturing LLC	3,367	3,396
P.T. Nestlé Indonesia	1,360	-
Nestlé Japan Limited	1,109	-
Nestlé Pakistan Limited	127	-
Nestlé ROH (Thailand) Limited	66	-
	748,650	800,077

24 Related Party Disclosure

24.1 Transactions with Related Companies

Name of the Company	Nature of the Relationship	Nature of the Transactions	2014 Rs.'000s	2013 Rs.'000s
Osem UK Limited	Affiliates	Exports	172	-
Nestlé Middle East FZE	Affiliates	Exports	731,327	559,668
Nesttrade S.A.	Affiliates	Exports	132,987	143,871
Nestlé Korea Limited	Affiliates	Exports	432	491
Nestlé Taiwan Limited	Affiliates	Exports	30,637	23,254
Nestlé India Limited	Affiliates	Exports	305,365	233,497
Nestlé Japan Limited	Affiliates	Exports	52,718	20,394
Nestlé Singapore (Pte) Limited	Affiliates	Exports	8,678	2,550
Nestlé Australia Limited	Affiliates	Exports	76,721	78,311
Nestlé (Png) Limited	Affiliates	Exports	20,254	274,138
Nestlé Panama S.A.	Affiliates	Exports	-	6,034
Nestlé Jamaica Limited	Affiliates	Exports	125,053	87,660
Nestlé Trinidad and Tobago Limited	Affiliates	Exports	134,016	122,888
Nestlé Italiana S.P.A.	Affiliates	Exports	-	5,818
Nestlé UK Limited	Affiliates	Exports	88,422	94,222
Nestlé Bangladesh Limited	Affiliates	Exports	-	4,201
Nestlé (Thai) Limited	Affiliates	Exports	6,025	4,666
Nestlé S.A.	Affiliates	Exports	2,231	-
Nestlé Products Sdn Bhd	Affiliates	Exports	121	-
Nestlé Manufacturing (Malaysia) Sdn Bhd	Affiliates	Exports	3,500	-
Nestlé Caribbean	Affiliates	Exports	19,532	-
Nestlé Nigeria	Affiliates	Exports	3,575	-
Nestlé Saudi Arabia	Affiliates	Exports	2,346	-
Societe des produits Nestlé S.A.*	Affiliates	TAF Paid	(1,186,042)	(1,058,390)
Nestlé Manufacturing (Malaysia) Sdn Bhd	Affiliates	Import/Re exports	(484,933)	(450,248)
Nestlé Australia Limited	Affiliates	Imports	(76,630)	(57,732)
Nestlé Singapore (Pte) Limited	Affiliates	Imports	(1,491,443)	(1,360,692)
Nestlé Suisse S.A.	Affiliates	Imports	(21,677)	(33,011)
Nestlé (Thai) Limited	Affiliates	Imports	(28,868)	(19,419)
P.T. Nestlé Indonesia	Affiliates	Imports	(8,006)	(7,381)
Nestlé India Limited	Affiliates	Technical / Imports	(139,102)	(96,675)
Nestlé Waters Marketing	Affiliates	Imports	(27,843)	(15,683)
Nestlé Philippines Inc	Affiliates	Imports / Re exports	(999,884)	(1,104,788)
Nestlé Nederlands B.V.	Affiliates	Imports	(10,363)	(13,505)
Nestlé (China) Limited	Affiliates	Service Charges	-	(111)
CPW Philippines Inc	Affiliates	Imports	(35,701)	(45,288)
Nestlé Dongguan Limited	Affiliates	Imports	-	(2,100)
Nestlé Brazil Limited	Affiliates	Imports	(1,337)	(881)
Nestlé UK Limited	Affiliates	Service Charges / Imports	12	(6,315)
Nestlé Products Sdn Bhd	Affiliates	Imports/Re exports	(97,495)	(73,858)
Nesttrade S.A.	Affiliates	Imports/ Technical	(6,761)	(3,036)
Nestlé Egypt S.A.E.	Affiliates	Service Charges	-	(171)
Nestlé Asean (Malaysia) Sdn Bhd	Affiliates	Imports	(15,602)	(15,570)
Nestlé Korea Limited	Affiliates	Imports	(13,996)	(8,640)
Nestlé R & D Centre (Pte) Limited	Affiliates	Technical	(13,676)	(17,362)
Nestlé Deutschland AG	Affiliates	Technical	(3,934)	(1,961)
Nestlé Mexico S.A. de C.V.	Affiliates	Service Charges	(248)	(118)
Nestec S.A.	Affiliates	Service Charges	(3,349)	(18,760)
Nestlé S.A.	Parent	Dividend Payment / RSUP	(3,190,025)	(2,385,184)
Globe Center AOA	Affiliates	Professional Charges / IT Service Charges	(218,082)	(215,927)
Nestlé France	Affiliates	Technical	(7,828)	(5,398)
Nestlé Pakistan Limited	Affiliates	Service Charges / Imports	(241)	(88)
Nestlé Business Service AOA Inc	Affiliates	Service Charges	(1,253)	(1,590)
Nestlé Espana S.A.	Affiliates	Imports	-	(15,833)
Servcom S.A.	Affiliates	Service Charges	(402)	(857)
Nestlé Operational Services Worldwide S.A.	Affiliates	Service Charges	(26,027)	(22,560)
San Pellegrino S P A	Affiliates	Service Charges	-	(191)
Nestlé Dubai Manufacturing LLC	Affiliates	Imports	(10,015)	(12,137)

Name of the Company	Nature of the Relationship	Nature of the Transactions	2014 Rs.'000s	2013 Rs.'000s
Sichuan Haoji Food Co Limited	Affiliates	Imports	-	(5,115)
Nestlé Capital Advisers S.A.	Affiliates	Service Charges	-	(5,710)
Nestlé Middle East FZE	Affiliates	Imports	(94)	-
Nestlé ROH (Thailand) Limited	Affiliates	Service Charges	(135)	-
Nestlé Taiwan Limited	Affiliates	Imports	(477)	-
Nestlé Japan Limited	Affiliates	Imports	(5,520)	-

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

24.2 Transactions with Key Management Personnel

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

	2014 Rs.'000s	2013 Rs.'000s
Short Term Employee Benefits	40,145	36,315
Directors Fees	835	835
Non Cash Benefits	34,244	34,862
Share Based Payments	20,299	16,635
	<u>95,523</u>	<u>88,647</u>

Loans to Directors

No loans were given to the Directors during the year.

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

24.3 Share-based Payments

The Company participates in the Nestlé Restricted Stock Unit (RSU) plan of Nestlé S.A. whereby selected employees are granted non-tradable Restricted Stock Units with the right to obtain Nestlé S.A. shares or cash equivalents. Restricted Stock Units granted to employees vest, subject to certain conditions, after completion of three years. Upon vesting Nestlé S.A. determines, whether shares, free of charge or cash equivalent to the value of shares, is to be transferred to the employee. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee. Provisions are made based on estimates including Nestlé S.A. share price over the vesting period of three years.

	2014	2013
Number of Shares Granted During The Year	2,795	2,815
Weighted Average Fair Value of RSU as at the Period End (Rs. '000s)	25,460	22,852
Total Expense Recognised in Profit and Loss (Rs. '000s)	37,204	23,842
Carrying Amount as at the Reporting Date (Rs. '000s)	<u>53,515</u>	<u>44,301</u>

25 Commitments

a) Capital Commitments

The capital commitments for the year 2014, which have been approved by the Board but not been contracted for, is Rs. 189 million.

b) Lease Commitment

The land in which Nestlé Lanka's factory building is constructed was leased out from the Sri Lankan Government. As per the lease agreement, the land in the Mahayaya Estate was leased for 50 years from 25 March 1981. The annual amount payable under the lease agreement is Rs.539,540 from the year 2011 and the government has the option to increase the lease payments every five years subject to a maximum of 50% of the previous lease rental.

Non Cancellable Operating Lease Commitments are as follows:

	2014 Rs.'000s	2013 Rs.'000s
Not Later Than One Year	540	540
Later Than One Year and Not Later Than Five Years	2,158	2,158
Later Than Five Years	6,474	7,014
	<u>9,172</u>	<u>9,712</u>

26 Contingent Liabilities

An Income Tax assessment for Rs 92 million was issued on the Company for year of assessment 2011/12. A formal appeal to the Commissioner General of Inland Revenue has already been lodged, setting out submissions and requesting for withdrawal of the assessment. The Company believes it has a strong case.

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

27 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;

In the interim budget proposal presented by the Minister of Finance on 29 January 2015, an additional one off tax of 25% was proposed to be charged on entities who earned a profit in excess of Rs. 2,000 million for the year of assessment 2013 / 2014. Though the Company made a profit in excess of such amount for such year, in the absence of a measurement criteria being enacted or substantially enacted at the time of issue of these financial statements, no provision has been made for such an amount in these financial statements.

A second interim dividend of Rs. 28.50 per share amounting to Rs. 1,531,175,695.50 was approved and will be paid on 12 March 2015.

The Board of Directors has recommended a final dividend of Rs. 28.00 per share amounting to Rs. 1,504,312,964.00 for the year ended 31 December 2014. This is to be approved at the Annual General Meeting to be held on 12 May 2015.

28 Comparative Information

The Company has implemented a Distributor Financing Scheme by which the bank provides a temporary financial facility to its distributors with a recourse to the Company. Trade Receivable under this scheme which were shown net of the financial liability to the bank in the Statement of Financial Position in the previous year (Rs.472.5 million as at 31 December 2013) has now been shown gross trade receivables for better presentation of financial position of the Company. This adjustment has no impact on the profit, total comprehensive income or the net assets of the Company as at and for the year ended 31 December 2013.

29 Financial Risk Management

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

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

a) Credit Risk

Credit risk arises when the counter party may fail to perform its obligation.

The major risk in this regard arises from trade receivables, which are subject to credit limits and control and approval procedures to minimise the extent of the Company's financial exposure. Bank guarantees are also obtained to minimise the risk further.

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

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

	2014 Rs.'000s	2013 Rs.'000s
Trade Receivables	1,344,807	1,578,832
Loans to Employees	306,478	299,418
Cash and Cash Equivalents	282,517	788,049
	<u>1,933,802</u>	<u>2,666,299</u>
Trade Receivables		
Trade Receivables	1,430,152	1,653,392
Allowance for Trade Receivables	(85,345)	(74,560)
	<u>1,344,807</u>	<u>1,578,832</u>
The Ageing of Trade as at the reporting date were as:		
Not past due	1,251,867	1,421,823
Past due 1-30 Days	101,034	168,789
Past due 31-60 Days	14,044	29,148
Past due 61-90 Days	516	7,915
Past due 91-120 Days	2,105	-
Past Due More Than 120 Days	60,586	25,717
Allowance for Trade Receivables	(85,345)	(74,560)
	<u>1,344,807</u>	<u>1,578,832</u>

b) Liquidity Risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. The Company's objective is to manage this risk by limiting exposures in the instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities.

The contractual maturities of financial liabilities are as follows:

	2014		2013	
	Less than 6 Months Rs.'000s	6 to 12 Months Rs.'000s	Less than 6 Months Rs.'000s	6 to 12 Months Rs.'000s
Trade Payables	2,501,861	62,946	1,850,438	83,853
Other Payables	1,131,204	68,762	994,702	45,841
Bank Overdrafts and Distributor Finance Scheme	205,356	-	904,130	-
	<u>3,838,421</u>	<u>131,708</u>	<u>3,749,270</u>	<u>129,694</u>

c) Market Risk

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

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

d) Currency risk

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

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

Exposure to Currency risk

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

As at 31 December

	2014 Rs.'000s			2013 Rs.'000s		
	EUR	USD	SGD	EUR	USD	SGD
Trade Receivables	-	431,385	-	-	502,737	-
Trade Payables	(50,661)	(809,588)	(58,298)	(98,640)	(900,000)	(113,541)
Net Statement of Financial Position	(50,661)	(378,203)	(58,298)	(98,640)	(397,263)	(113,541)

The following significant exchange rates are applied during the year:

Exchange Rate as at 31 December	2014	2013
USD	131.50	130.75
EUR	159.82	180.20
SGD	99.44	103.41

Sensitivity Analysis

Strengthening/ weakening of the EUR / USD / SGD against the LKR (Sri Lankan Rupee) as at 31 December 2014 would have affected the measurement of the financial instruments denominated in foreign currencies and increase/ decrease the profit or loss by the amount shown below.

	Rs.'000s	
	Strengthening Profit or Loss	Weakening Profit or Loss
31 December 2014		
USD (1% movement)	3,782	(3,782)
EUR (7% movement)	3,552	(3,552)
SGD (3% movement)	1,790	(1,790)
31 December 2013		
USD (3% movement)	11,918	(11,918)
EUR (6% movement)	5,918	(5,918)
SGD (3% movement)	3,406	(3,406)

e) Interest rate risk

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

f) Fair Value Measurement

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs.

Level 3 - Valuation techniques using significant unobservable inputs

Accounting classifications and fair values

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

	Rs.'000s					
	Held for Trading	Held to Maturity	Loans and Receivables	Available for Sale	Other Financial Liabilities	Total
31-Dec-14						
Financial Assets Not Measured at Fair Value						
Trade and Other Receivables	-	-	1,816,426	-	-	1,816,426
Cash and Cash Equivalents	-	-	282,517	-	-	282,517
	-	-	2,098,943	-	-	2,098,943
Financial Liabilities Not Measured at Fair Value						
Trade and Other Payables	-	-	-	-	3,764,773	3,764,773
Bank Overdrafts and Distributor Finance Scheme	-	-	-	-	205,356	205,356
	-	-	-	-	3,970,129	3,970,129
Financial Liabilities Measured at Fair Value						
Forward Exchange contracts	-	-	-	-	-	-
	-	-	-	-	-	-
31-Dec-13						
Financial Assets Not Measured at Fair Value						
Trade and Other Receivables	-	-	2,100,682	-	-	2,100,682
Cash and Cash Equivalents	-	-	788,049	-	-	788,049
	-	-	2,888,731	-	-	2,888,731
Financial Liabilities Not Measured at Fair Value						
Trade and Other Payables	-	-	-	-	2,974,834	2,974,834
Bank Overdrafts and Distributor Finance Scheme	-	-	-	-	904,130	904,130
	-	-	-	-	3,878,964	3,878,964

	Rs.'000s			
	Level 1	Level 2	Level 3	Total
31-Dec-14				
Financial Liabilities Measured at Fair Value				
Forward Exchange contracts	894	-	-	894
	894	-	-	894

	Fair Values			
	Level 1	Level 2	Level 3	Total
31-Dec-13				
Financial Liabilities Measured at Fair Value				
Forward Exchange contracts	284	-	-	284
	284	-	-	284

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Trade and Other Payables

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

30 Directors' Responsibility

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

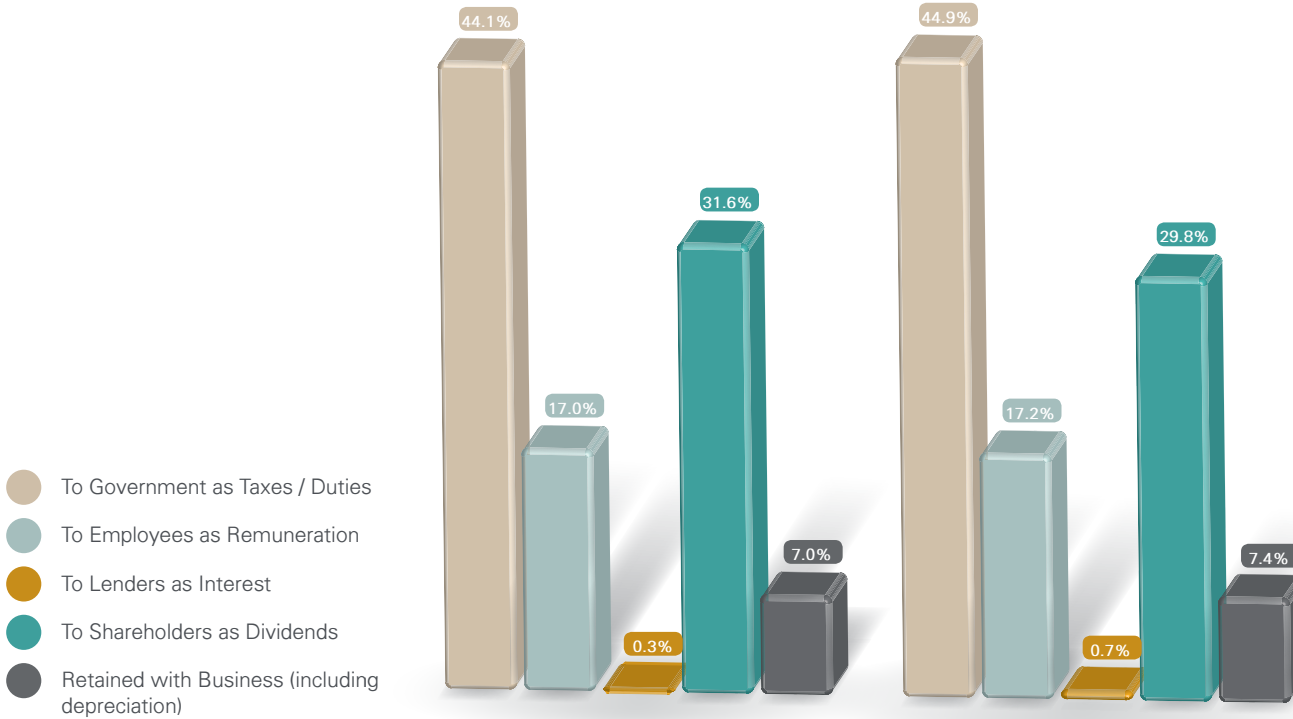
The Directors' Responsibility for Financial Reporting is given on page 28 of this annual report.

Value Added Statement

		2014 Rs. '000s		2013 Rs. '000s
Revenue		32,902,885		30,913,413
Bought Out Goods and Services		(21,260,965)		(20,099,783)
Value Added		11,641,920		10,813,630
	%	Rs '000s	%	Rs '000s
To Government as Taxes / Duties	44.1	5,139,249	44.9	4,855,406
To Employees as Remuneration	17.0	1,980,187	17.2	1,857,855
To Lenders as Interest	0.3	26,358	0.7	80,068
To Shareholders as Dividends	31.6	3,680,194	29.8	3,223,528
Retained With Business (including depreciation)	7.0	815,932	7.4	796,773
	100.0	11,641,920	100.00	10,813,630

Statement of Value Added 2014

Statement of Value Added 2013



Ten Year Summary

Results	2005 Rs. '000s	2006 Rs. '000s	2007 Rs. '000s	2008 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2012 Rs. '000s	2013 Rs. '000s	2014 Rs. '000s
Statement of Comprehensive Income										
Net Revenue	12,779,555	14,128,658	16,255,216	19,111,985	19,427,135	21,422,984	25,575,780	28,571,488	30,913,413	32,902,885
Profit Before Tax	1,599,678	2,043,874	2,046,975	2,483,987	2,427,850	2,846,771	3,444,267	3,467,713	4,083,211	4,765,797
Taxation	(548,554)	(688,988)	(655,383)	(820,894)	(847,535)	(932,052)	(814,497)	(529,146)	(766,466)	(978,904)
Profit After Tax	1,051,124	1,354,886	1,391,592	1,663,093	1,580,315	1,914,719	2,629,770	2,938,567	3,316,745	3,786,893
Other Comprehensive Income / (Expense)								39,101	30,859	(46,390)
Retained Profits / Brought Forward	144,014	35,009	46,758	95,213	146,541	115,091	176,284	254,100	330,799	454,875
Profit Available for Distribution	1,195,138	1,389,895	1,438,350	1,758,306	1,726,856	2,029,811	2,806,054	3,231,768	3,678,403	4,195,378
Interim Dividend	(134,314)	(537,255)	(483,529)	(537,255)	(483,529)	(644,704)	-	(1,611,765)	(1,719,215)	(644,705)
Final Dividend	(1,047,644)	(805,882)	(859,608)	(1,074,510)	(1,128,236)	(1,208,823)	(2,551,953)	(1,289,204)	(1,504,313)	-
Retained Profits Carried Forward	13,180	46,758	95,213	146,541	115,091	176,284	254,100	330,799	454,875	3,550,673

Statement of Financial Position										
Stated Capital	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255	537,255
Reserves	1,082,653	852,640	954,821	1,221,051	1,243,327	2,029,811	2,806,054	3,231,768	3,678,403	3,550,673
Non-Current Liabilities	273,635	213,703	206,541	371,650	430,965	522,736	594,713	794,419	929,020	1,155,712
	1,893,543	1,603,598	1,698,617	2,129,956	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640

Represented by:										
Tangible Fixed Assets	1,373,806	1,263,724	1,809,300	1,780,501	2,057,526	2,796,792	4,591,419	4,892,994	4,810,141	5,414,937
Intangible Assets				145,072	111,594	78,116	44,637	11,159	-	-
Current Assets	1,959,706	2,441,960	3,196,200	3,157,602	3,238,362	3,673,888	4,290,657	3,739,135	5,719,972	5,356,129
Less: Current Liabilities	(1,439,969)	(2,102,086)	(3,306,883)	(2,953,219)	(3,195,935)	(3,458,994)	(4,988,691)	(4,079,847)	(5,385,435)	(5,527,426)
Net Current Assets	519,737	339,874	(110,683)	204,383	42,427	214,894	(698,034)	(340,712)	334,537	(171,297)
	1,893,543	1,603,598	1,698,617	2,129,956	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640
Average Market Price Per Share (Rs.)	101.55	180.15	262.85	278.74	345.64	611.42	764.38	1,154.07	1,978.75	2,105.00
Earnings Per Share (Rs.)	19.56	25.22	25.90	30.96	29.41	35.64	48.95	54.70	61.74	70.49
Dividend Paid / Proposed (Rs. '000s)	1,181,961	1,343,137	1,343,137	1,611,764	1,611,764	1,853,528	2,551,959	2,901,175	3,223,528	3,680,194
Dividend Per Share	22.00	25.00	25.00	30.00	30.00	34.50	47.50	54.00	60.00	68.50

Analysis of Shareholders According to the Number of Shares Held as at 31 December 2014

No. of Shares Held	Resident			Non-resident			Total		
	No. of Shareholders	No. of Shares	(%)	No. of Shareholders	No. of Shares	(%)	No. of Shareholders	No. of Shares	(%)
1 to 1,000	4,915	720,752	1.34	49	12,157	0.02	4964	732,909	1.36
1,001 to 10,000	400	1,093,101	2.03	27	101,132	0.19	427	1,194,233	2.22
10,001 to 100,000	32	838,464	1.56	13	439,049	0.82	45	1,277,513	2.38
100,001 to 1,000,000	1	110,000	0.21	5	1,617,062	3.01	6	1,727,062	3.22
Over 1,000,000	-	-	0	1	48,793,746	90.82	1	48,793,746	90.82
	5,348	2,762,317	5.14	95	50,963,146	94.86	5,443	53,725,463	100

Categories of Shareholders	No. of Shareholders	No. of Shares
Individual	5,289	2,443,680
Institutional	154	51,281,783
	5,443	53,725,463

High / Low Market Prices	
Highest Market Value	Rs. 2,444.00
Lowest Market Value	Rs. 1,890.00
Market Value as at 31 December 2014	Rs. 2,105.00
Public Holding as at 31 December 2014	9.18%

List of 20 Major Shareholders Based on the Number of Shares Held as at 31 December 2014

No.	Names	%	No. of shares 2014	No. of shares 2013
1	Nestlé S.A.	90.82	48,793,746	48,793,746
2	HSBC International Nominees Limited - MSIP - Coupland Cardiff Funds Plc - CC Asian Evolution Fund	0.97	521,631	854,367
3	HSBC International Nominees Limited - SSBT - Wasatch Frontier Emerging Small Countries Fund	0.81	435,331	311,631
4	RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund	0.57	304,500	-
5	Neesha Harnam	0.37	200,000	200,000
6	HSBC International Nominees Limited - SSBT - Deutsche Bank AG Singapore A/C 01	0.29	155,600	155,600
7	Estate of Late Mariapillai Radhakrishnan	0.20	110,000	110,000
8	Employees Provident Fund	0.19	100,000	100,000

Share Information

No.	Names	%	No. of shares 2014	No. of shares 2013
9	Trading Partners Private Limited	0.17	92,380	-
10	HSBC International Nominees Limited - UBS AG Singapore Branch (Ex SBC)	0.16	85,000	85,000
11	HSBC International Nominees Limited - SSBT - Julius Baer Multipartner - WMP EM Established Leaders Fund	0.15	78,435	61,100
12	AIA Insurance Lanka PLC A/C No.07	0.10	53,975	81,335
13	Colombo Investment Trust PLC	0.09	50,904	50,904
14	CB NY S/A Wasatch Frontier Emerging Small Countries City Fund	0.09	49,213	-
15	Jayampathi Divale Bandaranayake	0.08	44,100	56,750
16	Hirdaramani Anil Kumar Lalchand	0.08	42,500	42,500
17	Asha Ajay Merchant	0.07	39,600	39,600
18	Mellon Bank N.A. - Commonwealth Pen Pub School	0.07	35,905	35,905
19	Jasbinderjit Kaur Piara Singh	0.06	34,700	34,700
20	Commercial Bank of Ceylon PLC / S. R. Fernando	0.06	30,267	-

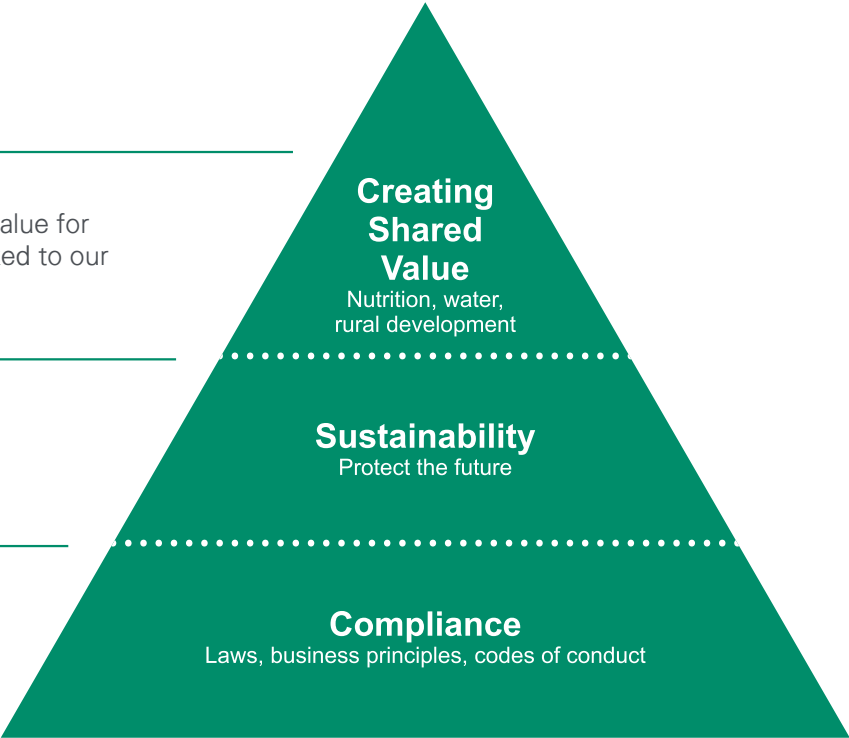


CREATING SHARED VALUE – THE WAY WE DO BUSINESS

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

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

Comply with the highest standards



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

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

We therefore focus our CSV efforts in these three areas:

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

■ **Water:** The ongoing quality and availability of water is vital to life, the production of food and for our operations.

■ **Rural Development:** The overall wellbeing of farmers, rural communities, workers, small entrepreneurs and suppliers is intrinsic to us for the continuance of our business in the future.

As a company that strives to become the “recognised leader in Nutrition, Health, and Wellness, trusted by all stakeholders”, we understand that these areas are fundamental for the sustainability of our business.

NUTRITION


As a leading Nutrition, Health and Wellness provider in Sri Lanka, we strongly believe that in addition to having a well-balanced diet, it's equally important to maintain an active lifestyle for a better quality of life. We recognise that both the understanding of nutrition and access to nutrition and a balanced diet are essential for a good life.

We strongly believe that through education, people will develop a deeper understanding of the elements of nutrition and an active lifestyle. As a result we strive to conduct many nutrition awareness programmes amongst adults and children alike.

Nestlé Nutritional Compass - Nestlé's vision is to provide consumers with relevant nutritional information to help them make informed, healthier choices. It believes that by providing transparent and easy to understand nutrition information on all its products it can meet this vision, which is why the company offers an approach to labeling called the Nestlé Nutritional Compass® which can be found at the back of all Nestlé products worldwide.

The Nestlé Nutritional Compass stands out from the rest by encouraging and empowering consumers to make tastier and healthier choices in a friendly format they can understand.

Good Food, Good Life®



Good to Know

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

Average Composition	Per 100g	Unit
Energy	412	kcal
Protein	9.4	g
Fat	8.4	g
Carbohydrate	74.8	g
Minerals	5	g
Sodium	440	mg
Potassium	520	mg
Calcium	1220	mg
Phosphorus	350	mg
Magnesium	85	mg
Iron	11.25	mg
Vitamin C	70	mg
Vitamin B1	1.4	mg
Vitamin B2	1.22	mg
Niacin (B3)	13.71	mg
Vitamin B6	1.82	mg
Pantothenic Acid (B5)	4.93	mg
Vitamin B12	0.96	µg
Biotin (B8)	114.6	µg

Good to Remember

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

Good to talk

Nestlé Consumer Services
මහලු පාරිසරික සේවා
கொழும்பு நுகர்வோர் சேவை
P.O.Box 189, Colombo.
(0094) 011 4724724
www.nestle.lk
Talk.Tous@lk.nestle.com

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

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

The Nestlé Healthy Kids Programme - This is a global initiative by Nestlé to address some of the nutrition issues faced around the world. In Sri Lanka, Nestlé's Healthy Kids Programme provides school children from rural communities' guidance on living a healthy lifestyle. Conducted in conjunction with the Ministry of Education, the programme educates school children on good food habits, nutritional deficiencies, food related disorders, food hygiene and techniques to safeguard

the nutritional value of food during preparation. The programme is annually rolled out to around 2,500 children across the country and has, to date, reached over 11,000 children since its launch in 2010.

Choose Wellness, Choose Nestlé' Mobile Wellness Unit - This is yet another initiative where nutritionists travel across the country in a mobile 'wellness' unit, conducting free health checks that includes BMI (Body Mass Index), blood pressure, random blood sugar and waist circumference, and providing diet counselling for the public. Nestlé has already reached over 40,000 consumers to date via one on one diet counselling. This programme also helps generate awareness on the nutritional advantages of Nestlé products.



Start Healthy, Stay Healthy Programmes - The Company also conducts its *Start Healthy, Stay Healthy* programmes to empower Sri Lankan mothers with scientific, nutritional information and advice on common issues in an easy to understand format. The **Nestlé Nutrition Institute** also implements many initiatives to create awareness amongst local health care professionals regarding the latest science, thinking and developments in nutrition.

Promoting an Active Lifestyle - Nestlé Lanka has been committed to developing school sports in the country for

well over 20 years. An energetic partner in the school sports arena, Nestlé has been supporting different sporting events through its popular chocolate malt beverage brand *Milo*, be it swimming, cricket, netball, athletics or rugby.

In this manner Nestlé strives to instill an interest in sports among youth for reasons of health, wellness, discipline and leadership. By identifying, nurturing and fine-tuning young talent, the company has been able to contribute to raising the overall standards of sports at school level and empower hundreds of thousands of promising athletes every year.

Providing Access to Nutrition - As a leading nutrition, health and wellness company, we recognise that food is a conscious way to bring health and nutrition benefits. Focusing on identifying widespread nutritional 'gaps' in diets, Nestlé has taken steps to fortify its products with essential micronutrients such as iron and vitamin A to help lower micronutrient deficiencies in the country. Nestlé's current fortification initiatives include Vitamin A in *Nespray* Everyday, *Nespray* Milkshakes and *Maggi* noodles, and iron in *Maggi* Rasa Musu to name a few. Nestlé's products are additionally fortified with other essential nutrients such as energy releasing B-vitamins in *Nestomalt* and calcium in *Maggi* noodles. The company also focuses on reducing public health sensitive nutrients like sodium, sugar and fat across all its products whilst maintaining their great taste.

Every day, millions of people show their confidence in Nestlé by choosing our products. We continue to strive to ensure that the Nestlé name on a product is a promise of 'Good Food, Good Life' to our consumers. We remain committed to help build a healthier generation with good food and beverages.





WATER

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

In order to provide safe drinking water and create awareness in the community about the importance of water, Nestlé has been actively setting up clean drinking water projects in rural areas.

To date we have constructed 15 facilities to supply clean drinking water. These units are built by drilling bore wells or using existing deep wells and installing water pumps and storage tanks. The premises are tiled and have taps for easy maintenance and access.

Our water facilities are located in areas of public interest such as schools, hospitals and places of worship across the island. Over 18,500 children and hundreds of thousands of people in rural communities directly benefit from these facilities. With every Nestlé Clean Drinking Water project that is implemented in a school, 'water education' becomes a part of the school curriculum.

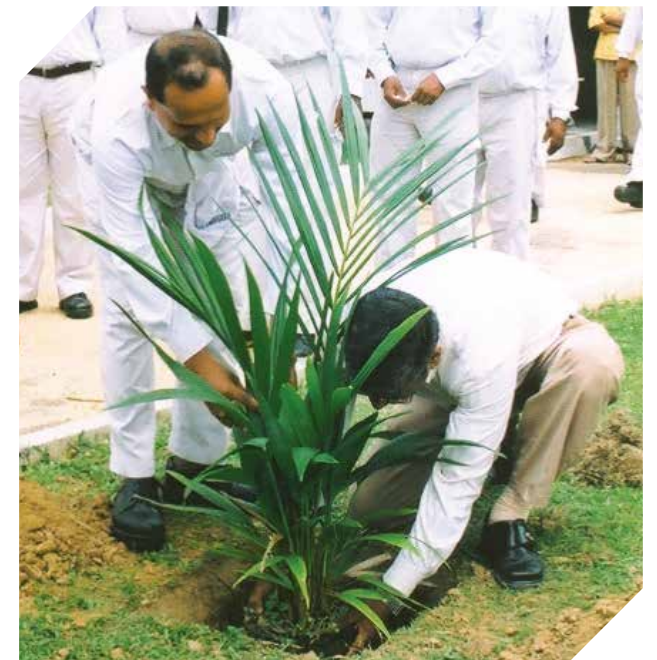
School children - We treat children as 'water ambassadors'. Our water education programmes have created awareness amongst 4,850 students, who have learnt about water conservation and the link between clean water, hygiene, health and wellness. These programmes discuss the importance of clean, hygienic water, the need to check the depletion of water resources, and methods of water conservation. The children carry these messages home, extending our programme's reach.



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



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



ENVIRONMENTAL SUSTAINABILITY

Responsible Use of Resources - At Nestlé, we are committed to preserve natural resources and to eliminate wastage throughout the value chain. Our goal is zero waste and full recovery of unavoidable byproducts. This is equivalent to the amount of water required by over 4,000 average Sri Lankan households consisting of five members each for a month.

We have been implementing environmentally sustainable manufacturing practices since the establishment of our factory in Pannala, Kurunegala and continue to make substantial environmental investments along the way. We contribute to sustainable development by meeting the needs of the present

Energy



We have reduced our energy usage per tonne of production by a notable 20% during the period of 2009 - 2014. This 20%

without compromising the ability of future generations to meet their own needs. The efficient use of raw materials, water and energy has always been pivotal in our daily operations; emphasised not only amongst employees but also to our farmers, co-manufacturers, service providers and suppliers.

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

energy saving is enough to light up over 30,000 average Sri Lankan households for a whole month.

Water



We place a strong focus on water conservation and water efficiency at our manufacturing facility. Due to various investments and improvement projects, we have reduced our consumption of water by 25% within the period of 2009 - 2014.

Our efficient water resource management is primarily due to our water recycling initiatives such as the Membrane Bio Reactor (MBR), which intensely purifies waste water.

New Distribution Center in Pannala, Kurunegala

The newly built Distribution Center (DC) commenced operations in 2014 at the Nestlé Lanka factory premises. Its fully automated warehouse is used to expedite the process of receiving and storing goods from the factory and subsequently forward them to distributors. With an advanced pallet racking

Moreover, the introduction of new state-of-the-art equipment and processes in our manufacturing facility have helped further save water and reduce waste.

system, the DC has capacity for 8,500 pallet positions and can contain goods for 15 days of stock cover.

A unique feature of this warehouse is that it is a Green initiative and has the following benefits:



- Powered by 215 solar cells
- Illuminated via 40 Sky Lights
- 80 natural ventilators
- Rain Water Harvesting System

The Future

Ours is a continuous journey of excellence, with many ideas for improvement being discussed everyday. In the belief that to be successful in the long run we need to create value

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

RURAL DEVELOPMENT

Nestlé's approach to rural development aims at enhancing the lives of rural farmers and communities. Our efforts are directed at both farm and community level to provide awareness, training and technical assistance, improve yields, safeguard incomes, contribute investment and enhance people's quality of life through employment and economic development.

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

As Sri Lanka's largest private sector collector of fresh milk, we play a big role in helping to develop the local dairy industry and increase local fresh milk production. We are a leading exporter of value added coconut products in Sri Lanka and one of the world's leading exporters of Coconut Milk Powder. Hence, via raw material procurement, our contribution to the rural economy and the livelihoods of over 18,000 dairy farmers and 5,000 coconut farmers was Rs. 5.4 billion in 2014.

Dairy - Nestlé has been engaged in supporting the Sri Lankan dairy sector for three decades and has worked closely with the government and farmers over the years to promote good dairy farming practices. These include cattle feeding and breeding, animal health and farm management. We further assist farmers by providing vital equipment, medicine and subsidies.

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

Significant mentions are the chilling centres opened by us in Jaffna, Kilinochchi, Mallavi and Oddusudan, which were the first ever to be established in those areas in 30 years. We have



also established milk chilling centres and milk collection points across the island to facilitate the collection of local fresh milk. This has enabled us to store fresh milk and utilise it for our products while maintaining its level of freshness.

Nestlé's dairy infrastructure development has also created significant employment and economic opportunities for rural farmers.

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



Notice of Meeting

Notice is hereby given that the Thirty Fourth (34) Annual General Meeting of Nestlé Lanka PLC will be held at the Committee Room B of S. W. R. D. Bandaranaike Memorial International Conference Hall, No. 07, Bauddhaloka Mawatha, Colombo 07, on Tuesday, 12 May 2015, at 10.00 am for the following purposes:

Agenda

- 1. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company, Independent Auditor’s Report and the Audited Accounts for the year ended 31 December 2014.
- 2. To declare a Final Dividend as proposed by the Directors.
- 3. To re-elect Jagdish Kumar Singla as Director, in terms of Article 64 of the Articles of Association.
- 4. To re-elect Mahen Dayananada, in terms of Article 56, 57 and 58 of the Articles of Association.
- 5. To re-elect as a Director R. Seevaratnam, who is over 70 years of age and retires pursuant to Section 210 of the Companies Act No. 07 of 2007 and to resolve that the age limit of 70 years referred to in Section 210 of the said Act, shall not be applicable to R. Seevaratnam.
- 6. To re-appoint the auditors and authorise the Directors to fix their remuneration.

By Order of the Board.

NESTLÉ LANKA PLC



Lioshon Rajapakshe
Company Secretary / Legal Counsel
19 February 2015

Note:

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

Form of Proxy

Nestlé Lanka PLC

I / We.....
of.....

Being a member / members of the above named Company hereby appoint
.....of
.....or failing
.....of
.....or failing

.....as my / our proxy to represent me / us
and vote for me / us on my / our behalf at the Thirty Fourth Annual General Meeting to be held on Tuesday, 12 May 2015
at 10.00 a.m. and at any adjournment thereof.

Signed on this: day of 2015.

.....
Signature

INSTRUCTIONS AS TO THE COMPLETION

- 1. Kindly perfect the form of proxy legibly by filling in your full name and address in the spaces provided, along with the date and your signature.
- 2. If the proxy form is signed by an Attorney, the related Power of Attorney should also accompany the completed form of proxy for registration, if it has not been already registered with the Company.
- 3. If the shareholder is a Company or Corporate Body, the proxy form should be executed under its common seal in accordance with its Articles of Association or Constitution.
- 4. The completed form of proxy should be deposited at the Office of the Registrars of the Company, M/s. SSP Corporate Services (Pvt) Ltd., at No. 101, Inner Flower Road, Colombo 03, not less than 48 hours before the time appointed for holding of the Meeting, to be held at the Committee Room B of S. W. R. D. Bandaranaike Memorial International Conference Hall, No. 07, Bauddhaloka Mawatha, Colombo 07, on Tuesday, 12 May 2015, at 10.00 am.

පෙරකලාසී පෝරමය

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2015 මැයි මස 12 වෙනි දින පෙ.ව. 10.00 ට පැවැත්වීමට නියමිත සමාගමේ 34 වන වාර්ෂික මහා සභා රැස්වීමේදී සහ එතැන් පටන් කිසියම් කල් තැබීමකදී මම / අපි නියෝජනය කිරීමට සහ මම/ අපි වෙනුවෙන් ජන්දය ප්‍රකාශ කිරීමට මාගේ / අපගේ පෙරකලාසීකරු ලෙස.....	
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සම්පූර්ණ කිරීම සඳහා උපදෙස්

1. කරුණාකර පැහැදිලි අකුරින් නියමිත පරිදි නිස්තැන්වල ඔබගේ සම්පූර්ණ නම සහ ලිපිනය සමඟ දිනය සහ ඔබගේ අත්සන ද යොදා මෙම පෙරකලාසී පෝරමය සම්පූර්ණ කර එවන්න.
2. පෙරකලාසී පෝරමය ඇටෝර්නි බලකරුවෙකු විසින් අත්සන් කරන විටකදී අදාළ ඇටෝර්නි බලපත්‍රය සමාගම සමඟ දැනටමත් ලියාපදිංචි කර නොමැති නම් සම්පූර්ණ කළ පෙරකලාසී පෝරමය සමඟ එම බලපත්‍රය සමාගමේ ලියාපදිංචිය සඳහා යොමු කළ යුතුය.
3. කොටස්හිමියා සමාගමක් හෝ සංස්ථාපිත ආයතනයක් නම් පෙරකලාසී පෝරමය එහි සාංගමික ව්‍යවස්ථාවලිය හෝ ව්‍යවස්ථා මාලාවට අනුකූලව එහි පොදු මුද්‍රාව යටතේ සම්පාදනය කළ යුතු වේ.
4. ප්‍රතිපූරුෂ නියෝජනය පත්කිරීම සඳහා සම්පූර්ණ කරන ලද ප්‍රතිපූරුෂ පත්‍රය අවම වශයෙන් රැස්වීම පැවැත්වීමට පැය 48කට පෙර, එස්. එස්. පී. කෝපරේට් සර්විසස් (පුද්.) සමාගමල අංක 101, ඇතුලත මල් පාර, කොළඹ 03 යන ලිපිනයෙහි පිහිටා ඇති සමාගමේ රෙජිස්ටාර් කාර්යාලයට භාර දෙන්න. 2015 මැයි 12 වැනි අඟහරුවාදා දින පෙරවරු 10.00 ට කොළඹ 07, බෞද්ධාලෝක මාවතේ එස්. ඩබ්. ආර්. ඩී. ඩණ්ඩාරනායක අනුස්මරණ සම්මන්ත්‍රණ ශාලාවේ, B කමිටු ශාලාවේදී රැස්වීම පැවැත්වේ.

පதில் பிரிதிநிதிக்கான படிவம்

நெஸ்லே லங்கா பீஎல்சி

மேற்குறிப்பிட்ட நிறுவனத்தில் பங்குதாரராக / பங்குதாரர்களாக உள்ள	
.....என்ற முகவரியைச் சேர்ந்த	
.....ஆகிய நான் / நாம்	
.....என்ற முகவரியைச் சேர்ந்த	
.....என்பவரை, தவறும் பட்சத்தில்	
.....ஏன்ற முகவரியைச் சேர்ந்த	
.....என்பவரை, தவறும் பட்சத்தில்.	
.....என்ற முகவரியைச் சேர்ந்த	
.....என்பவரை 2015 மே 12 அன்று மு.ப. 10.00 மணிக்கு இடம்பெறவுள்ள	
அல்லது ஒத்திவைக்கப்படும் இடம்பெறவுள்ள முப்பத்தி நான்காவது வருடாந்த பொதுக் கூட்டத்தில் எனது / எங்களது சார்பில் சமூகமளித்து	
எனது / எங்களது சார்பில் வாக்களிப்பதற்குரிய பதில் பிரதிநிதியாக நியமிக்கின்றோம்.	

கையொப்பமிடப்பட்ட திகதி:.....ஆம் திகதி 2015
.....
கையொப்பம்

இதனைப் பூர்த்தி செய்வதற்கான அறிவுறுத்தல்கள்

1. தயவுசெய்து உரிய இடங்களில் உங்களது முழுப்பெயர் மற்றும் முகவரியை பூர்த்திசெய்து, திகதியையும், உங்களது கையொப்பத்தையும் இட்டு பதில் பிரதிநிதியை நியமிப்பதற்கான படிவத்தை பூரணப்படுத்தவும்.
2. பதில் பிரதிநிதியை நியமிப்பதற்கான விண்ணப்பப்படிவம் சட்டத்தரணி ஒருவரால் கையொப்பமிடப்படும் பட்சத்தில் இது தொடர்பான அட்டோணி தத்துவப் பத்திரம் நிறுவனத்தில் ஏற்கனவே பதிவுசெய்யப்பட்டிருக்காது விட்டால் அதையும் பூர்த்தி செய்யப்பட்ட பதில் பிரதிநிதியை நியமிக்கும் படிவத்துடன் இணைத்து அனுப்புதல் வேண்டும்.
3. பங்குதாரர் ஒரு நிறுவனமான அல்லது ஒரு வர்த்தக அமைப்பாக இருக்கும் பட்சத்தில் அதன் நிறுவன சட்ட விதிகள் அல்லது யாப்பிற்கு அமைவாக பதில் பிரதிநிதியை நியமிக்கும் படிவத்தில் நிறுவனத்தின் உத்தியோகபூர்வ முத்திரை பொறிக்கப்படல் வேண்டும்.
4. 2015 மே 12, செவ்வாய்க்கிழமையன்று மு.ப. 10.00 மணிக்கு கொழும்பு 07 இல் அமைந்துள்ள எஸ்.டபிள்யூ.ஆர்.டி பண்டாரநாயக்க ரூபகார்த்த சர்வதேச மாநாட்டு மண்டபத்தின் B குழு அறையில் இடம்பெறவுள்ள கூட்டம் ஆரம்பமாவதற்கு 48 மணி நேரத்திற்கு முன்பதாக பிரதிநிதியை நியமிப்பதற்கான இப்படிவத்தைப் பூர்த்திசெய்து, கம்பனி பதிவாளர்களான எஸ்எஸ்பி கோர்ப்பரேட் சேர்விசஸ் (பிரைவேட்) லிமிட்டெட்., இல. 101, இன்னர் பிளவர் வீதி, கொழும்பு 03 என்ற முகவரியில் அமைந்துள்ள அலுவலகத்தில் ஒப்படைத்தல் வேண்டும்.

Attendance Form / පැමිණීමේ සටහන් පත / சமூகமளிப்புப் படிவம்

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

Folio No. / පත්‍රිකා අංකය / கோவை இல:

NIC No. / ජාතික හැඳුනුම්පත් අංකය / தேஅஅ இல:

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

Signature / අත්සන / கையொப்பம்:

Notes:

1.

Shareholders are requested to bring this attendance form to the Thirty Fourth Annual General Meeting of Nestlé Lanka PLC to be held at the Committee Room B of the S. W. R. D. Bandaranaike Memorial International Conference Hall, No. 07, Bauddhaloka Mawatha, Colombo 07, on Tuesday, 12 May 2015 at 10.00 a.m.
2.

Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.

සටහන්:

1.

2015 මැයි මස 12 වෙනි දින පෙ.ව. 10.00 ට කොළඹ 07, බෞද්ධාලෝක මාවතේ එස්. ඩබ්. ආර්. ඩී. බණ්ඩාරනායක අනුස්මරණ සම්මන්ත්‍රණ ශාලාවේදී පැවැත්වීමට නියමිත නෙස්ලේ ලංකා පීඑල්සී සමාගමේ 34 වෙනි වාර්ෂික මහ සභා රැස්වීමට පැමිණෙන කොටස්හිමියන් විසින් මෙම පැමිණීමේ සටහන් පත යැගෙන ආ යුතුය.
2.

කුඩා දරුවන් රැගෙන ඒමෙන් රැස්වීමට බාධාවක් විය හැකි බැවින් රැස්වීමට ඔවුන් රැගෙන ඒමෙන් වළකින ලෙස කොටස්හිමියන්ගෙන් කාරුණිකව ඉල්ලා සිටිමු.

குறிப்புக்கள்:

1.

எதிர்வரும் 2015 மே 12, செவ்வாய்க்கிழமையன்று மு.ப. 10.00 மணிக்கு கொழும்பு 07 இல் அமைந்துள்ள எஸ்.டபிள்யூ.ஆர்.டி பண்டாரநாயக்க நூபகார்த்த சர்வதேச மாநாட்டு மண்டபத்தின் 07 ஆம் இலக்க மண்டபத்தில் B குழு அறையில் இடம்பெறவுள்ள நெஸ்ட்லே லங்கா பீஎல்சி நிறுவனத்தின் முப்பத்தி நான்காவது (34) வருடாந்த பொதுக்கூட்டத்திற்கு வருகைதருகின்ற பங்குதாரர்கள் இந்த வருகை படிவத்தையும் எடுத்துவருமாறு கேட்கப்படுகின்றனர்.
2.

அசௌகரியங்களைத் தவிர்க்கும் பொருட்டு தம்முடன் பிள்ளைகளை கூட்டி வருவதைத் தவிர்த்துக்கொள்ளுமாறு அன்புடன் கேட்டுக்கொள்கின்றோம்.

Nestlé Lanka PLC

Nestlé is a leading Nutrition, Health and Wellness company offering food and beverage choices at all stages of life, at all times of the day.

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

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

Nestlé Lanka is currently amongst Sri Lanka's leading food and beverage companies, providing direct employment to almost 1,300 people and positively impacting the livelihoods of over 23,000 farmers and their families.

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

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

Our corporate ambition is to be the recognised leader in Nutrition, Health and Wellness – which is captured in the simple phrase 'Good Food, Good Life'. We strive to ensure that all our food and beverage brands enhance lives by not only offering the best in taste and pleasure, but also have the best nutritional profile in their respective categories.



Notes

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



Nestlé®

Good Food, Good Life

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